

ECONOMIC OPPORTUNITY STUDIES

400 NORTH CAPITOL STREET, SUITE G-80, WASHINGTON, D.C. 20001

Tel. (202) 628 4900 Fax (202) 393 1831 E-mail: info@opportunitystudies.org

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Contact Info: Dr. Meg Power, 202 628 4900

Press Release

Low-Income Consumers' Home Energy Bills Grew Faster Than Their Incomes In Recent Years

The growth in low income consumers' energy bills has considerably exceeded growth in their incomes over the last six years. Public attention has focused on the rapid growth in gasoline prices. However, a new study shows that, even though the average income of the poorest one-quarter of U.S. households has grown since 1997, their energy bills for household uses grew more. The analysis by Economic Opportunity Studies, Inc of Washington DC, shows that the 25% of U.S. households with the lowest incomes will spend 16.7% of their entire annual budget on residential energy during the current Federal Fiscal Year. In 1997, that figure was 14.7%. The study adjusted usage to reflect the energy needed to maintain 1997 conditions in the home.

Recent increases in natural gas prices resulted in a 2003 average price of residential natural gas of \$9.45 per thousand cubic feet compared to \$6.69 in 1997. The Department of Energy predicts the 2004 price will be even higher: \$10.22. Fuel oil prices rose by similar proportions, while electricity prices changed only slightly.

Consumers who are not low-income are also affected by rising prices. The average bill for all fuels used by the 75% of consumers not in the lowest-income group will be \$1719 in FY 2004, as compared to \$1427 in 1997. In spite of growing incomes over the past six years, many middle-income families must use all of their recent economic gains to keep their homes as warm or as cool as they were in 1997.

Geography and Bills

Residents of the colder regions experienced the biggest increases in bills. Low-income consumers in the Mid-Atlantic, the Mid-West, and the Rocky Mountain states lost the highest shares of their incomes to energy costs.

Energy Efficiency, Assistance Resources, and Low-income Customers

As oil and gas bills rose, so did the annual dollar savings resulting from the efficiency investments made by the Department of Energy's Weatherization Assistance program; over 5.2 million low-income homes have been weatherized by that program; those consumers' bills in FY 2004 will average \$324 less for gas-heated homes and \$347 less for homes using heating oil or propane.

About 4.5 million of the 29 million families eligible for federal Low-Income Home Energy Assistance (LIHEAP) are expected to receive some subsidy to help pay part of their FY 2004 bills.

1997 and FY 2004 Projected Energy Bills of Low-Income Households

<i>Year</i>	<i>Average Bill for All Household Energy (Lowest-income 25%)</i>	<i>Index of change in avg. income of Lowest 25% 1997=100</i>	<i>Household Energy as a Percent of Income ("Energy Burden")</i>
1997	\$1150	100	14.7%
FY 2004	\$1335	110	16.7%

The estimates result from a model of 2003 and 2004 energy bills developed by Economic Opportunity Studies, Inc of Washington DC, using historic Department of Energy 1997 household survey data and current price and weather data.

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