

In Crisis, In Need, or In Want? Impacts of Policy Change on Wisconsin's Crisis Assistance

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ABSTRACT

The Wisconsin Department of Administration (DOA) administers the Wisconsin Home Energy Assistance Program (WHEAP) through a network of local agencies. WHEAP administers the federally funded Low Income Home Energy Assistance Program and the state's Public Benefits Energy Assistance Program. The majority of WHEAP funds are distributed to participants through energy bill payment assistance (regular benefits), and crisis assistance.

Crisis assistance provides emergency and pro-active services to assist clients with home energy costs beyond the WHEAP regular benefit amount. Wide latitude is afforded to local agencies in the delivery of crisis assistance. Starting in fiscal year 2007, DOA established \$1,000 as the maximum any household may receive in crisis assistance funds, unless an exception is approved by DOA. In addition, DOA is requiring clients to make a \$25 payment to their utility/fuel provider before receiving crisis assistance.

This study characterizes households that received high crisis assistance benefits in fiscal year 2006, reviews agencies' protocol on how they distribute crisis monies and the rationale for situations that warrant higher crisis benefits, and examines the impacts the policy changes will have on households and administering agencies.

Program database analysis and interviews with program managers and crisis recipients shows there is a real need for crisis assistance, and this assistance is reaching those in need of assistance beyond WHEAP. Households receiving higher crisis assistance benefits tend to have more financial constraints than those receiving lower benefits. There is also a lack of understanding among agencies on whether there are exceptions to the new cap.

Introduction

The Wisconsin Department of Administration (DOA) administers the Wisconsin Home Energy Assistance Program (WHEAP) through a network of local agencies. WHEAP serves households with incomes at or below 150% of the federal poverty level (FPL). WHEAP is funded through both the federal Low Income Heating Assistance Program (LIHEAP) and the state of Wisconsin's public benefits funds (PB). While a portion of WHEAP funds goes to the Weatherization Assistance program, the majority of WHEAP funds are distributed to participants through energy bill payment assistance and crisis assistance.

WHEAP's crisis assistance provides emergency and pro-active services to assist clients with home energy costs beyond the WHEAP bill payment amount. There is latitude afforded to local agencies in the delivery of crisis assistance, both in how many times they assist a client in a given year and the type of assistance provided. Types of crisis assistance that households may receive and that are included in this study are:

- **Emergency Assistance:** This payment results in the delivery of fuel or continuation of utility service during the heating season for households that face an imminent or actual threat of losing

heat.

- **Proactive Services:** These are non-emergency services provided within the program year intended to help households avoid future crisis situations, maintain service, make payments, decrease arrearages, and encourage self-sufficiency practices. Two types of proactive services are included in this study: 1) *Proactive one-type payments*, and (2) *Co-payments arrangements*, payments made by the agency based on a payment plan agreement developed with recipients.
- **Other Payment Services:** Other payment services include housing assistance, temporary assistance, tank and line assistance, homeless assistance, and first month rent payment.

Emergency furnace assistance includes emergency furnace repairs or replacements. Emergency furnace repairs and replacements are not included in this study as they are not a type of recurring cash assistance benefit and furnace assistance is funded from a state account.

Funding increased from fiscal year (FY) 2005 to FY 2006 resulting in larger average payments for both crisis assistance and regular benefit recipients. The crisis assistance funding for FY06 was \$2.6 million higher than FY05, resulting in an increased average crisis assistance benefit from \$337 to \$365. It is not unusual to see a difference in crisis funding levels from year to year, as crisis funding levels change depending on appropriation levels and provision of any emergency contingency funds released to Wisconsin throughout the year by the federal LIHEAP office. The average crisis assistance benefit varied considerably from \$5 to over \$3,000. WHEAP regular benefit payments also increased from \$387 in FY 2005 to \$568 in FY 2006. WHEAP regular benefit payments also ranged considerably, though less than crisis assistance, from \$10 to \$1,200.

Each agency is allotted a set amount of funds for their crisis assistance pool. How each agency distributes their crisis assistance monies is at the discretion of the local agency. Consequently, delivery of crisis assistance funds differs—some local agencies are more inclined to provide lump sum payments, whereas other agencies are more likely to set clients up on co-payment arrangements. In addition, the average amount of crisis assistance delivered to participants differs by agency. The percent of households that received over \$750 in crisis assistance varied dramatically, ranging from 0% to 30% of households per agency.

Starting in FY 2007 (July 1, 2006–June 30, 2007), DOA introduced limits for crisis assistance benefits. The maximum a household may now receive in total crisis benefits in a fiscal year—including emergency and proactive payments—is \$1,000, unless otherwise approved by DOA. In addition, DOA is requiring clients to make a \$25 payment to their utility or fuel provider before receiving crisis assistance.

Evaluation Methodology

The focus of this study is to characterize the households that received large crisis assistance benefits in the past and understand why these households were in need of, or received, such a large benefit. A large crisis assistance benefit is defined as a total annual benefit of \$750 or more per household. The study also set out to understand the rationale behind how agencies distribute large crisis benefits, as it is at the discretion of the agency the amount and form of crisis funding a household may receive. The specific researchable questions are as follows:

1. Who is receiving the large payment distributions? What are their household characteristics? Is this the first year they have requested crisis assistance or are they recurring crisis participants?
2. Why are these households receiving large crisis assistance payments?
3. What affect do these large payments have on households? Do the larger payments help these households catch up or make more payments?
4. How are crisis funds awarded to households? What is the rationale behind suggesting a co-payment arrangement versus one-time payments?

5. How are these large payments being used? Are they going toward arrears forgiveness, energy bills, bulk fuel fills, etc.?
6. What other resources are households using to pay their energy bills beyond WHEAP or crisis assistance?

To address these researchable questions, evaluators collected information through secondary and primary data sources. Primary and secondary data collection activities include participant telephone surveys and in-depth interviews with agencies, and program database analysis:

- **Participant telephone survey:** PA conducted 300 telephone surveys with households that received crisis assistance payments equaling or exceeding \$750 in FY06, as well as a group of 51 households that received \$500–\$749 in total crisis assistance benefits. The survey sample included a census of households that received greater than \$1,000 in total crisis assistance benefits, and a random selection of households receiving between \$500 and \$1,000. The survey asked participants about their program experience, reasons they needed crisis assistance, the effects of crisis assistance received, and the household’s economic situation.
- **Agency interviews:** PA staff conducted in-depth interviews with 10 program managers representing 12 agencies (one of them managed 3 different agencies) that provided crisis assistance of over \$750. We interviewed managers from agencies that had the highest percentage of households receiving assistance over \$750, and 5 agencies that had the lowest percentage of households receiving this level of crisis assistance. The interviews investigated how agencies distribute crisis funds, situations that warrant large payments, and what agencies anticipate to be the effects of the FY07 policy changes for crisis assistance.
- **Program database analysis:** DOA provided PA with data collected from program participants from FY05 and FY06. PA analyzed the data to characterize the FY05 and FY06 WHEAP and crisis assistance recipients and to further identify trends in the households that received different crisis amounts.

A key limitation of this study is that the study finds that agencies administer crisis assistance funds quite differently. As a result, crisis assistance is functioning more as several different individual programs as opposed to one single statewide program. This makes it difficult to interpret the participant-level program results. For example, it is difficult to know if program effects are mainly a result of the amount of crisis benefits received or because of the local agency’s delivery of the program.

Results of the Evaluation Activities

Crisis Assistance Characterization—Is Crisis Assistance Needed?

Characteristics of Crisis and WHEAP Recipients. A comparison of the population that received FY06 crisis benefits to the overall WHEAP population shows that crisis assistance is serving households in a lower poverty level (Table 1). Additionally, crisis assistance is serving a higher percent of households with children and a lower percent of households with elderly members.

Crisis assistance also serves a higher percentage of recipients from all housing types except multi-family buildings than the WHEAP regular benefit group. Multi-family residents have lower annual energy costs than other housing types, which may explain why crisis assistance serves fewer from this group.

Table 1. Household Characteristics of Crisis Assistance and WHEAP Recipients by Year¹

	FY 2005 Crisis (N=39,965)	FY 2006 Crisis (N=41,283)	Full WHEAP Population from FY 2006 (N=155,792)
<i>Poverty Level</i>			
At or below 75% FPL* [^]	36.7%	33.5%	32.0%
Above 75% FPL* [^]	63.3%	66.5%	68.0%
Average FPL*	84.8%	88.0%	88.4%
<i>Household Composition</i>			
At least one child in household* [^]	30.4%	28.2%	25.6%
At least one elderly member in household* [^]	23.1%	26.2%	28.8%
At least one disabled member in household*	37.9%	38.6%	38.6%
<i>Housing Characteristics</i>			
Live in single-family unit* [^]	44.5%	47.1%	45.0%
Live in mobile home or trailer [^]	10.3%	10.2%	8.6%
Live in duplex or two family* [^]	25.5%	24.7%	22.4%
Live in multi-family unit* [^]	19.6%	18.0%	23.8%

FY05 and FY06 difference is significant at the 95% confidence level

[^] FY06 WHEAP and crisis difference is significant at the 95% confidence level

Source: WHEAP database, provided by the DOA, Division of Energy

The primary reasons households cite for seeking crisis assistance are because of their inability to pay their utility or fuel bills (55 percent), a change in their household situation (e.g., loss of employment or medical condition) (46 percent), and/or the threat of disconnection or running out of fuel (18%).

Characteristics of Repeat Crisis Assistance Recipients. Twenty-two percent of households that received crisis benefits in FY05 also received crisis benefits in FY06. These “repeat” recipients have a higher average energy burden and are in greater poverty than households that received crisis assistance in only FY05 or FY06.

In both years reviewed, repeaters received a higher level of total crisis assistance than the non-repeaters. However, there is no clear trend in the type of crisis received for repeaters and non-repeaters. For example, FY05 repeaters are more likely to receive proactive payments than their FY05 counterparts, and FY06 repeaters are more likely to receive emergency assistance than first-year recipients.

Characteristics of High Crisis Assistance Recipients. Using the program database, we characterize crisis assistance recipients by four crisis benefit levels. The primary data collection with participants uses the same total crisis assistance payment levels, with the exception of the first level (\$1 to \$499). The four total benefit levels for the database analysis are:

1. Households that received a total of \$1 to \$499 (low crisis)

¹ Note that the population size represented in this table is less than the full crisis population. The database does not include demographic data for households that only received crisis; therefore, the crisis only households are missing from this analysis. This represents a total of eight percent of the full FY05 and FY06 population.

2. Households that received a total of \$500 to \$749 (medium crisis)
3. Households that received a total of \$750 to \$1,000 (high crisis)
4. Households that received a total of more than \$1,000 (very high crisis)

Households receiving the higher crisis assistance benefits of \$750 or more are significantly more likely to be on a co-payment arrangement in FY06 than those receiving smaller crisis assistance benefits (Table 2), with those receiving over \$1,000 being most likely to receive co-payment arrangements.

Table 2. FY06 Crisis Assistance Distribution by Crisis Level

<i>Type of Crisis Assistance</i>	\$1 to \$499 (N=30,443)	\$500 to \$749 (N=9,291)	\$750 to \$1,000 (N=1,127)	Greater than \$1,000 (N=422)
Emergency assistance*	23.3%	57.5%	43.7%	40.3%
Proactive payments	65.9%	38.5%	56.5%	61.3%
Co-payment arrangements	12.7%	12.6%	38.8%	54.0%

Source: WHEAP database, provided by the DOA, Division of Energy

Table 3 presents the federal poverty level, household composition, and housing characteristics of crisis recipients by level of benefit from the program database. Households that received \$750 or more in crisis benefits are more likely to have a disabled member in their household and more likely to live in a single family home.

Crisis assistance recipients receiving \$750 or more appear to have more financial constraints than those receiving \$500-\$750 (Table 4). While recipients of \$750 or more are more likely to report owning their home and working for pay in the prior month, they are more likely than those receiving \$500-750 to owe money for medical bills and have a balance on their credit card. Furthermore, while these higher recipients are more likely to have a checking or savings account, they have a lower balance in that account each month. Crisis assistance recipients that received \$750 or more are more likely to participate in other assistance programs such as WIC and food stamps. In addition, those receiving over \$1,000 in crisis are most likely to be receiving medical assistance.

Table 3. FY06 Household Characteristics by Level of Crisis Received

	\$1 to \$499 (N=30,443)	\$500 to \$749 (N=9,291)	\$750 to \$1,000 (N=1,127)	Greater than \$1,000 (N=422)
Poverty Level				
Average FPL	88.9%	84.5%	88.3%	92.9%
Household Composition				
At least one child in household	26.8%	32.5%	29.8%	27.3%
At least one elderly member in household	28.5%	19.2%	22.3%	25.4%
At least one disabled member in household	38.3%	38.5%	45.6%	44.5%
Housing Characteristics				
Live in single-family unit	47.1%	44.7%	58.3%	73.2%
Live in mobile home or trailer	11.3%	6.0%	14.4%	13.3%
Live in duplex or two family	21.8%	35.8%	18.0%	7.6%
Live in multi-family unit	19.8%	13.5%	9.3%	5.9%

Source: WHEAP database, provided by the DOA, Division of Energy

Table 4. Financial Characteristics of Crisis Assistance Recipients

	\$500–\$749 (n=50)	\$750–\$1,000 (n=139)	Greater than \$1,000 (n=158)
Own home	35.0%	51.0%	58.0%
Owe more than \$250 in medical bills	28.0%	52.9%	51.0%
Owe payments for previous month at current address	16.0%	20.3%	19.8%
Have a credit card	28.0%	28.8%	26.0%
[If have a credit card] Owe more than \$500 on credit card	55.6%	72.4%	72.2%
Has neither a checking nor savings account	30.0%	28.5%	20.0%
Receive medical assistance	65.0%	61.0%	75.0%
Receive food stamps	48.0%	55.0%	57.0%
Participate in WIC	6.0%	17.0%	14.0%

Source: Crisis participant survey (October 2006)

WHEAP and Crisis Impact on Energy Burden. WHEAP bill payment and crisis assistance taken together are having a significant impact on reducing participants’ energy burden (the percent of a household’s income spent on energy), especially for larger crisis assistance recipients. In general, households that receive crisis assistance also receive WHEAP regular benefits. Therefore, it is important to look at how WHEAP regular benefits and crisis benefits work together to address participants’ energy needs.

Table 5 shows the average energy burden of WHEAP recipients prior to program participation, then taking WHEAP bill assistance into account, then taking both WHEAP bill assistance and crisis assistance into account. Overall, crisis assistance, coupled with WHEAP bill assistance, is bringing participant energy burden below 10 percent (to 9.1 percent), which is defined by Colton² as the ceiling for affordability. In fact,

² Colton, R. (1993), *Methods of Measuring Energy Needs of the Poor*.

the lowest post-benefit program energy burden is for the very high recipients (over \$1,000).

Table 5. Energy Burden by Crisis Level Received

Crisis Level	Pre-program energy burden	Energy Burden with WHEAP bill assistance	Energy Burden with WHEAP and crisis assistance
\$1 to \$499	19.2%	12.9%	9.4%
\$500 to \$749	23.3%	15.5%	8.7%
\$750 to \$1,000	22.3%	16.6%	5.5%
Greater than \$1,000	20.1%	14.8%	2.9%
Total	20.2%	13.6%	9.1%

Impact of Higher Crisis Assistance Payments on Households’ Situations. The majority of crisis assistance recipients surveyed report that the crisis assistance has helped make their energy bills somewhat or much more affordable (76%). Households receiving crisis benefits of over \$1,000 were significantly more likely to feel this way (93%), compared to 80% of the \$750-\$1,000 recipients and 76% of the \$500-\$749 recipients. Households receiving over \$1,000 are also more likely to say they feel the positive effects of the program on other areas of their household, such as properly heating their home, maintaining utility service, meeting other household expenses, and maintaining their home.

Crisis Assistance Delivery

Program Managers. Program managers representing the 12 agencies were interviewed to understand how crisis benefits are delivered. For the most part, they report that households are identified for crisis assistance reactively (i.e., when a household calls the agency in crisis or a utility or fuel vendor calls the agency about a household in crisis) instead of proactively (i.e., identified by the agency prior to an emergency situation).

Over half of agencies report distributing crisis benefits as a combination of lump sum payments (lump sum payments may be proactive or crisis payments) and proactive arrangements, many of which include co-payment arrangements. Lump sum payments tend to be for bulk fuels (oil or propane) fills according to agencies. Three agencies of the twelve represented in the interviews deliver the majority of their crisis assistance through proactive arrangements. Program staff report the intent of co-payment arrangements is to promote more responsible bill payment behavior, and the amount of the co-payment is based on the household’s ability to pay.

The majority of agencies interviewed deliver energy education and budget counseling to crisis assistance recipients on an ad-hoc or informal basis, although all recognize the importance of these services. Only the three agencies that deliver the majority of their crisis assistance through proactive arrangements have formalized energy education and budget counseling for crisis assistance recipients.

All interviewed agency managers are unanimous that there is not one set approach to helping households with crisis assistance. Instead, households’ individual needs must be addressed. All of the agencies report serving repeat crisis assistance recipients. While they feel some of these are more ‘in want’ than ‘in need’, they report most repeaters are truly ‘in need’.

Seven of the ten interviewed program managers feel there are legitimate reasons for households to receive the higher level of crisis benefits. Their reasons include first year recipients who come to the program in extreme situations; the need for reasonable, affordable payments when a household’s energy burden is unreasonable; rising energy prices; household instability; and extreme poverty. The remaining three managers think a \$1,000 crisis cap is too high, and could result in inequitable distribution of crisis

funds and encouragement of higher payments.

Program managers are split about what they believe will be the ramifications of the newly implemented \$1,000 ceiling. Three think it will have negative effects, three think it will have positive effects, and the remaining four think it will have limited effects or are not sure of the effects at this time.

Agencies do not anticipate any issues with the \$25 household co-payment. Most report they typically require a contribution anyway.

Crisis Assistance Survey Respondents. While the survey responses corroborate the program manager interview results that the majority of crisis assistance recipients are identified reactively (they contact the agency for assistance), the responses also suggest that large crisis assistance recipients are more likely than smaller crisis assistance recipients to be identified proactively (e.g., the agency contacts them first).

Very large crisis assistance recipients are more likely (44%) than recipients of \$750-\$1,000 (29%) and \$500-\$749 (38%) to report that they will **not** seek crisis assistance in FY07. Those that say they will not seek crisis say it is because they feel they are more financially capable, the employment situation has changed in the household, or they have learned how to better manage their energy bills.

Regarding the two newly implemented DOA policies in FY07, households do not feel the \$25 contribution will be difficult to make, which concurs with agencies' views. However, households that received greater than \$1,000 in total crisis feel the \$1,000 ceiling will have a negative impact on their ability to maintain heating or electric service.

Conclusions and Recommendations

There is a need for crisis assistance. Agency managers unanimously concur that crisis assistance is an essential component of WHEAP to move households toward sustainability³ (defined as a client's ability to sustain payment of home energy bills). The customer surveys and demographic analysis agree that crisis assistance is reaching those in need of assistance beyond WHEAP—crisis assistance recipients have a lower average poverty level and a higher average energy burden than the total WHEAP population.

Furthermore, agencies assert crisis assistance benefits coupled with WHEAP regular benefits can play an important role by allowing for more affordable energy payments. The demographic analysis shows that WHEAP with crisis assistance is significantly reducing participants' energy burden.

Survey results also show crisis assistance is positively affecting households' situations—crisis assistance is improving households' reported ability to heat their home, maintain utility service, and have resources for other household essentials. This was especially true for large crisis assistance recipients who not only reported positive impacts on their households' situation, but also reported being more financially capable and having learned to better manage energy bills.

This study suggests there is much going right with crisis assistance in Wisconsin. Based on the results of this research, we make the following recommendations that may improve crisis assistance's positive impacts for participants.

1. **Continue the FY07 co-payment arrangement.** Agencies and participants do not see an issue with the \$25 co-payment, and several agency managers believe that co-payments can have positive impacts on households' long term energy management by helping them learn to pay bills.

³ While sustainability is a desired outcome of crisis assistance, it is not the primary goal of the program unlike WHEAP regular benefits. For crisis assistance, the primary goal is to prevent life-threatening crisis situations. Once these goals are met, crisis assistance may be able to identify some households where assistance may realistically help the households move toward sustainability.

2. **Continue to balance the benefits of the larger crisis assistance payments against a need for consistency across agencies.** There is a great deal of variation in the delivery of crisis benefits throughout the state as noted earlier. This indicates, for example, that an individual with the same circumstances could get over \$1,000 assistance from one agency but less than \$600 from another. DOA reports that the ceiling was established to help the program move towards some consistency without removing local flexibility.
3. **Provide further guidance to agencies for exceptions to the \$1,000 ceiling.** Agencies assert that there are legitimate reasons for these very large crisis assistance benefits. Therefore, the \$1,000 ceiling could negatively impact the program's ability to move a few households toward sustainability. At the same time, as reported by agencies in favor of the \$1,000 ceiling, the benefits of the larger crisis assistance rewards needs to be balanced against the benefits of a more equitable distribution of crisis assistance monies. In other words, fewer households can be helped if larger amounts of money are allocated to some households. DOA reports there are mechanisms in place to allow the \$1,000 cap to be exceeded and the criteria for making the assessment to exceed the cap are listed in the WHEAP program manual. DOA reports that the criteria are to keep serious or unique cases from not being addressed adequately by the program. However, several interviewed agencies did not understand these criteria or know that exceptions were even possible. Therefore, DOA should consider special sessions and materials to train agencies on these exceptions and how to apply for them, including case studies of situations that would warrant a benefit over \$1,000.
4. **Encourage agencies to increase the proactive identification of crisis assistance households.** The research establishes the majority of crisis assistance recipients contact agencies for assistance. At the same time, agencies report several positive effects of being able to proactively identify households. For example, proactive identification could prevent some households from reaching an emergency situation. One suggested way to increase proactive identification is to increase agencies' interactions with utility and fuel vendors to identify households likely to be in an emergency situation before it occurs, which is supposed to be part of developing annual local coordination plans. Another is to analyze the prior year's applicant information to identify households that are likely to be in an emergency situation and contact the household to assess their situation in the current program year. This proactive identification could prevent some households from reaching an emergency situation. WHEAP provides tools to permit agencies to identify households that may be good candidates for crisis assistance. DOA reports that training on these tools was provided at the last two annual Home Energy Plus Training conferences. One way to further reinforce this need may be to add a section to each agency's Outreach Plan, an annual requirement that asks for plans for identifying households proactively who would benefit from crisis assistance.
5. **Continue to provide a venue for sharing crisis assistance best practices.** Agencies are unanimous that there is no one-size fits all approach to crisis assistance. As a result, agencies assert that flexible administration of crisis assistance is needed at the local levels so agencies can employ methods that work best for their clientele. We recommend the state provide a venue for sharing crisis assistance best practices. For example, last year, the state held a crisis roundtable at the Home Energy Plus Training Conference. We recommend this type of session for agencies to share best practices in crisis assistance continue. Another idea is to periodically highlight case studies of best practices through newsletters, training, or email.
6. **Provide assistance for agencies to develop formalized energy education and budget counseling as part of crisis assistance.** While all of the agencies recognize the importance of energy education and budget counseling, the majority of them do not have a formalized system

to provide this assistance to crisis assistance recipients. This inconsistency was a finding from the longitudinal evaluation of WHEAP conducted by PA staff from 2001 to 2004. While we recognize the resource barriers to establishing formal education as part of WHEAP, we still assert that more may be done at the agency level if the state provides guidance on these issues. Because crisis assistance recipients are a smaller sub-group of WHEAP, and are those most in need, this may be a good group to target for more consistent education offerings through the program.