



MARCH 2014

LIHEAP 101

What You Need to Know

This is an overview of the Low-Income Home Energy Assistance Program (LIHEAP). It will begin by discussing the energy programs that preceded LIHEAP and detailing the basic requirements established by [LIHEAP statute](#) and [regulations](#). It will then discuss how these requirements set the framework for program administration and delivery. The following will be addressed:

1. [What Is LIHEAP?](#)
2. [How LIHEAP Began](#)
3. [How Is LIHEAP Formulated and Distributed?](#)
4. [How Are LIHEAP Funds Used?](#)
5. [Who Is Eligible for LIHEAP?](#)
6. [Administering LIHEAP Funds](#)
7. [The LIHEAP Application Process](#)
8. [LIHEAP Benefits: Requirements and Variations](#)
9. [LIHEAP Leveraging-Incentive Program](#)
10. [Summary](#)

1. What Is LIHEAP?

LIHEAP is a federally-funded block grant that helps make “home energy” bills more affordable for low-income households by paying a portion of their bills. “Home energy” is defined in the [LIHEAP statute](#) as “a source of heating and cooling in residential dwellings.”

Under the block-grant structure, Congress appropriates LIHEAP funding annually, and it is allocated to eligible entities—the 50 states, the District of Columbia, state and federally-recognized tribes (including Alaska native villages), and five U.S. territories. These entities, also referred to as LIHEAP grantees, must follow certain statutory provisions;

however, they have considerable flexibility in designing and operating their programs.

As part of a grantee’s annual application for funds, it must [submit a plan](#) that describes its eligibility requirements; its benefit levels for each type of assistance offered; the percentage of funds used by each program component it operates; and other details. The plan also shows that the grantee has signed off on various assurances, or provisions, found in LIHEAP statute. The LIHEAP Clearinghouse website has copies of both [state](#) and [tribal](#) plans.

In 2014, all 50 states, the District of Columbia, five U.S. territories (Puerto Rico, Virgin Islands, America Samoa, Commonwealth of the Northern Mariana Islands, and Guam), and 154 tribes or tribal organizations received LIHEAP grants.

Additional LIHEAP Resources

- [LIHEAP Clearinghouse](#)
- [National Energy Directors’ Association](#)
- U.S. Department of Health and Human Services / Office of Community Services’ [LIHEAP website](#)
- Congressional Research Service, [LIHEAP: Program and Funding](#), July 18, 2013.
- Congressional Research Service, [The LIHEAP Formula: Legislative History and Current Law](#), Aug. 7, 2013
- [LIHEAP Statute](#)
- [LIHEAP Code of Federal Regulations](#)
- [2009 LIHEAP Home Energy Notebook](#)

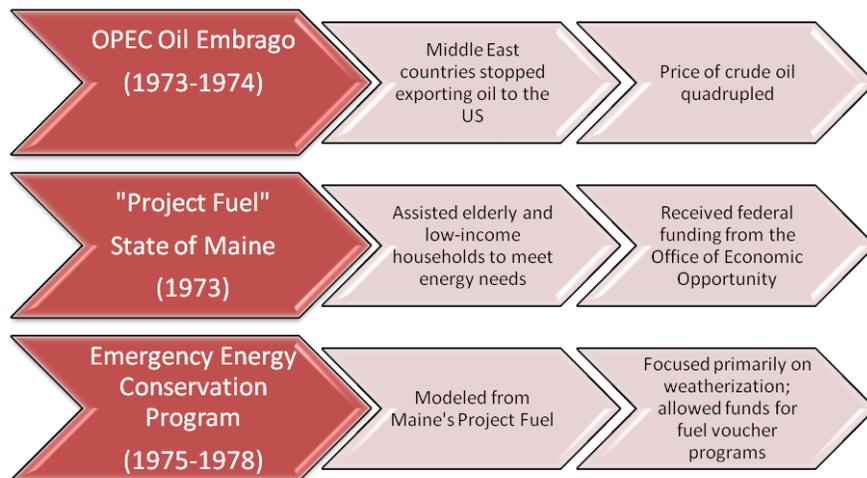
2. How LIHEAP Began

Federal funding for energy assistance didn't begin when Congress created LIHEAP in 1981. Instead, it dates back to the 1970s and the OPEC Oil Embargo of 1973-1974. In the fall of 1973, numerous Middle East countries stopped exporting oil to the United States, a practice that continued through March 1974. During the embargo, the crude barrel price went from \$21.15 to \$49.18 (adjusted for inflation), and, by the time it ended, the price per barrel quadrupled from the pre-crisis price.

During the embargo in 1973, the Maine Office of Economic Opportunity applied for federal funds to implement a program called "Project Fuel." Because the cost of wood and oil, along with other energy sources, was increasing in Maine, Project Fuel wanted to assist low-income and elderly households in meeting their energy needs. The federal Office of Economic Opportunity approved funding for the program at the end of 1973. Weatherizing homes was the project's main focus, but the money was also used for crisis counseling and purchasing fuel in emergency situations.

Project Fuel led to the first federal program to help low-income households with their energy needs, the Emergency Energy Conservation Program (EECP),

The Path to Creating LIHEAP



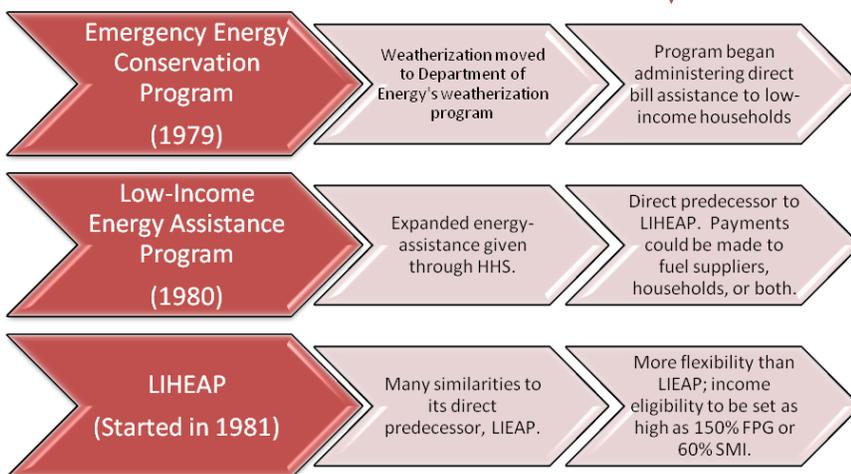
passed in 1975. Like Project Fuel, the EECP focused primarily on weatherization and conservation; however, it did allow funds to be used for fuel voucher programs. The program ran from Fiscal Year 1975 through Fiscal Year 1978.

By FY 1979, the Department of Energy's Weatherization Assistance Program had replaced the weatherization conducted under the EECP. As a result, the federal agency running the EECP began administering direct assistance to low-income households to pay their energy bills.

In the late 1970s, the cost of heating oil again dramatically increased. Congress responded in FY 1980 by greatly expanding energy assistance, appropriating \$1.6 billion that was split between the

Community Service Administration and the Department of Health and Human Services (HHS). This marked a transition from largely focusing on crisis situations to a broader approach of providing assistance to prevent energy-bill payment emergencies. The concerns about energy costs continued after FY 1980 and resulted in creation of the Low Income Energy Assistance Program (LIEAP) in April 1980 as part of the [Crude Oil Windfall Profits Tax Act](#).

LIEAP expanded the use of HHS



energy-assistance funds to include medically-necessary cooling costs, instead of just heating assistance. LIEAP payments could be made to fuel suppliers or utilities, residents, or both, at the discretion of the state.

In 1981, Congress replaced LIEAP with LIHEAP. While the latter had similarities to its predecessor (a block-grant program, the same distribution formula, etc.), it also had some modifications. LIHEAP grantees could run cooling programs not based on medical necessities; they could offer weatherization; and eligibility levels could be set as high as 150 percent of federal poverty guidelines (FPG) or 60 percent of state median income (SMI), whichever was greater. LIHEAP also allowed grantees more flexibility than LIEAP and had fewer administrative requirements.

3. How Is LIHEAP Formulated and Distributed?

The way LIHEAP funds are distributed to state grantees is complex, involving the use of an “old” or “new” formula based on how much overall funding Congress appropriates. For a detailed overview of how state funding is calculated, see this [Congressional Research Service report](#). What follows is a brief overview.

When Congress first created LIHEAP in 1981, it decided to use the same allotment percentages to states used by the program’s predecessor, LIEAP. This is known as the “old” formula, and it benefited cold-weather states more than warm-weather ones.

Congress addressed the ongoing tension between cold-weather and warm-weather states when it reauthorized LIHEAP in 1983. This “new” formula also tried to use the most current and appropriate data for calculations. It sought to gather consumption and cost data related to low-income house-

holds in states, along with data related to temperature and the number of heating and cooling days for each state.

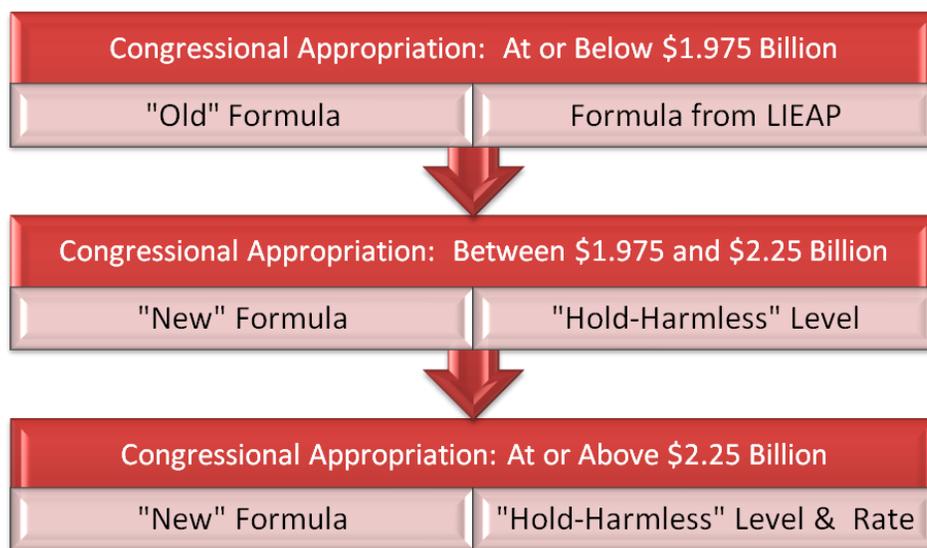
Congress also implemented a pair of “hold-harmless” provisions (see pages 10-11 of the [Congressional Research](#) report for more information) to make sure states wouldn’t receive less funding than what they would have received in 1984 if the overall LIHEAP appropriation had been \$1.975 billion.

The decision about which funding formula and provisions are used depends on how much Congress appropriates for LIHEAP. The diagram at the bottom of this page is a basic guide.

Between FY 1987 and FY 2005, appropriation levels for LIHEAP remained below the \$1.975 billion level; thus, states received funds under the “old” formula. Since that time, the “new” formula has been used more frequently, with Congress sometimes splitting the funding between the two formulas.

The process of determining funds for tribes and territories is a fairly straight-forward process known as “set asides.” For tribal grantees that administer their own programs, the amount of funding they receive is based on how many low-income households reside on the reservation. If a tribe doesn’t have a reservation, HHS works with the state and tribe to determine the number of households.

The Distribution of LIHEAP Funds and Federal Appropriation



Once the number of households is determined, it is then compared to the overall state number of low-income households to calculate a percentage. That percentage is taken from the state’s allotment and given to the tribe. If tribes want a higher percentage, they can try and negotiate with the state. If a formal agreement is reached, HHS will follow it. According to HHS, about 90 percent of tribes use a state-tribal agreement. For more on these agreements, please see the webinar posted [here](#).

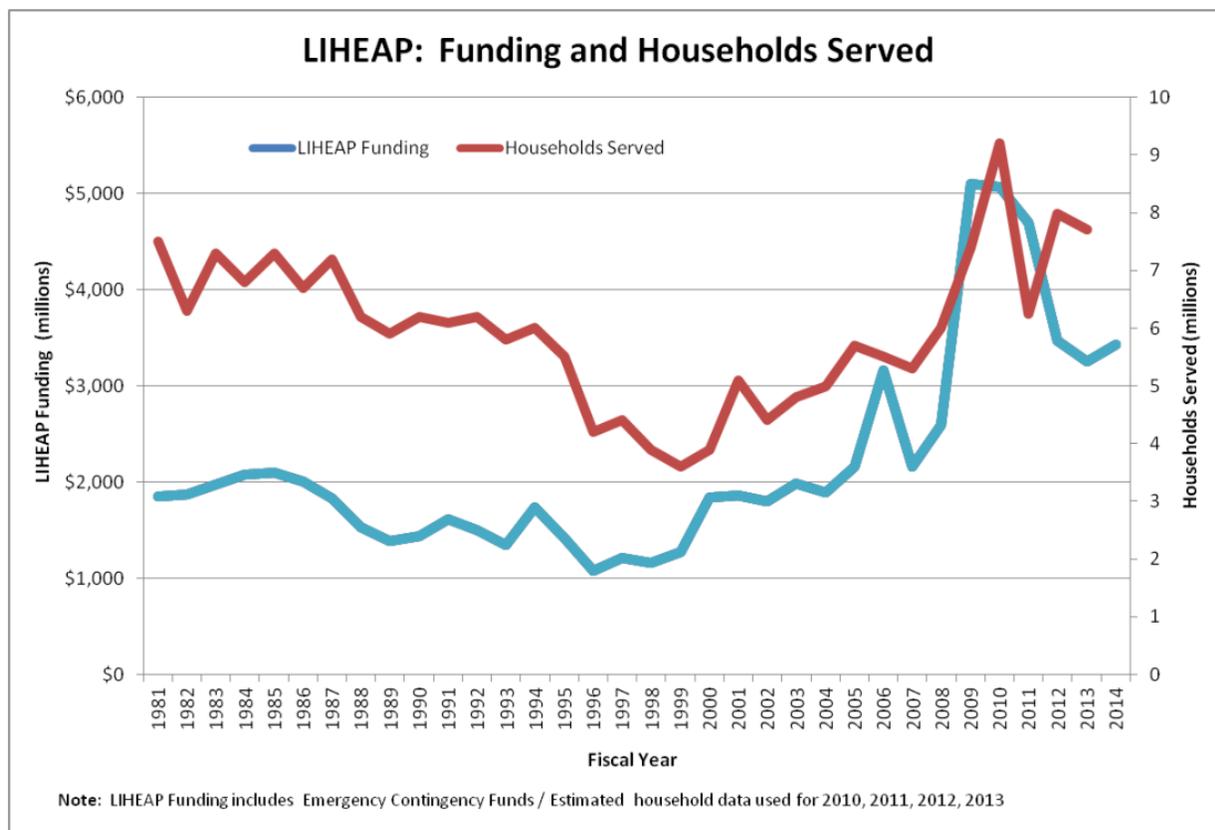
U.S. territories can receive at least one-tenth, but no more than one-half, of 1 percent of the total regular LIHEAP funding appropriated. This funding, which has generally been about 0.134 percent, is divided between the territories based on population.

In addition to the regular block grant funds discussed above, the LIHEAP statute authorizes emergency contingency funds. The funds can be released and allotted to one or more states at the discretion of the Administration when the President or the Secretary of HHS has declared an emergency exists.

Such funding was available to supplement LIHEAP prior to 1994, but the 1994 reauthorization of LIHEAP made emergency funding official, subject to Congressional appropriations. The 1998 reauthorization of LIHEAP added a new section that specified additional conditions under which LIHEAP emergency funds could be released, to include:

“a natural disaster, any other event meeting criteria the Secretary determines appropriate, or a significant increase in: (1) home energy supply shortages or disruptions; (2) the cost of home energy;(3) home energy disconnections; (4) participation in a public benefit program such as the food stamp program; or (5) a significant increase in unemployment or layoffs.”

Since 1984, these funds have been released to grantees nearly two dozen times for reasons such as energy price increases, extremely hot or cold weather, and damages caused by natural disasters.



Sources: LIHEAP Home Energy Notebooks, LIHEAP Reports to Congress, NEADA

Click [here](#) to view a graph featuring the history of emergency contingency funding.

Historically, LIHEAP funding and the number of households served has fluctuated considerably, as shown by the chart on page 4. The historic funding low was in 1996 with just \$900 million in regular funds, supplemented by \$480 million in emergency funds. The historic high was 2009, when the program received \$5.1 billion. Similarly, the number of households served has varied from a low of about 3.6 million in 1999 to a high of 9.5 million in 2011.

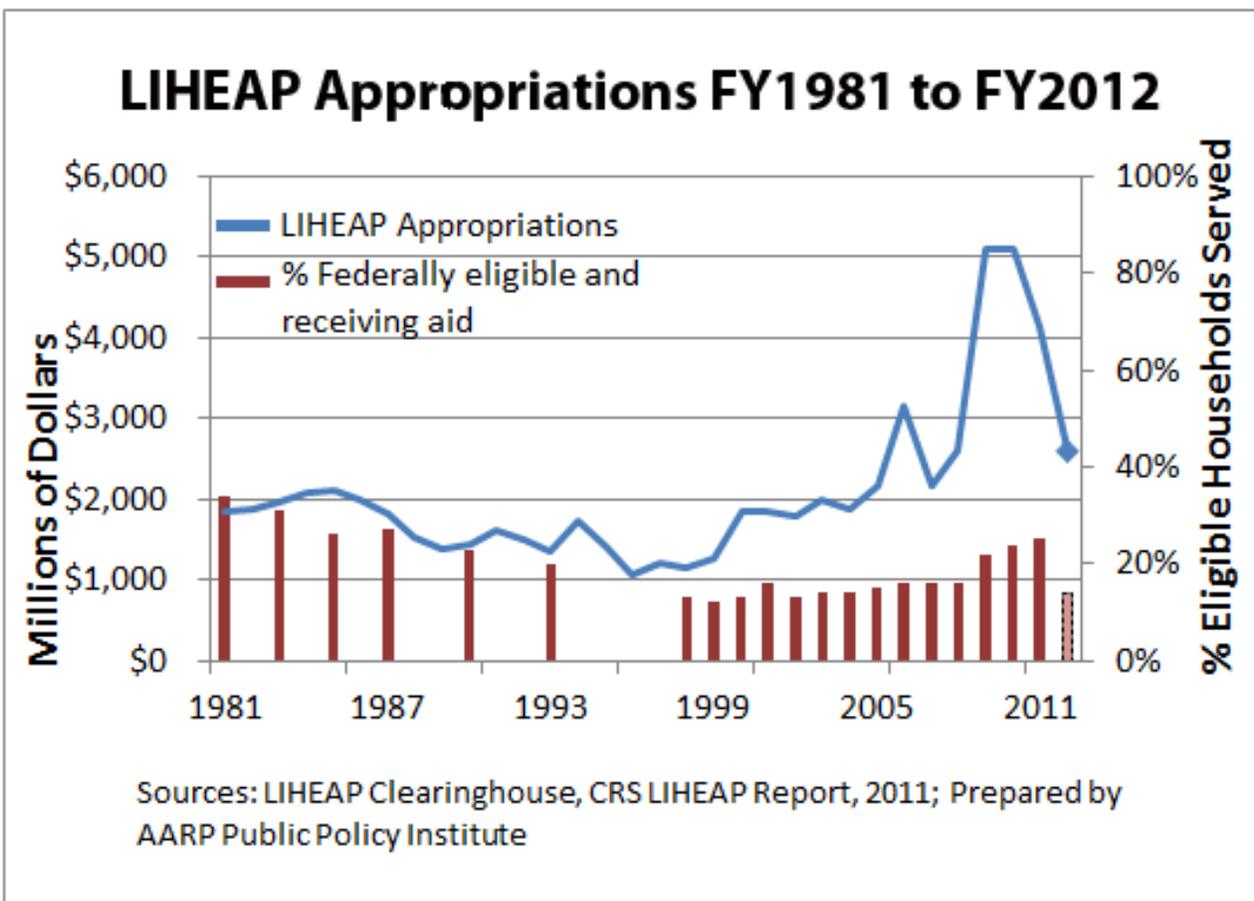
It is important to note that, historically, LIHEAP has served less than 20 percent of eligible households, according to recent editions of the *LIHEAP Home Energy Notebook*. The 2009 *Home Energy Notebook*, the latest for which official data have been compiled, says that the average has remained fairly steady at around 17 percent since 1997. The graph

below by the AARP Public Policy Institute also displays this trend.

4. How Are LIHEAP Funds Used?

The LIHEAP statute includes [16 assurances](#) that grantees must agree to in order to receive funding, beginning with Assurance 1, which essentially provides a framework for LIHEAP administration and delivery. It directs grantees to:

- Conduct outreach and provide assistance to help low-income households meet their energy needs;
- Intervene in energy crisis situations;
- Provide low-cost weatherization; and
- Plan, develop, and administer their programs.



Source: AARP Public Policy Institute

In practice, grantees use the majority of their funds to help low-income households meet their home energy costs by paying for a portion of their heating and cooling expenses. All grantees operate a heating assistance program, while a smaller number provide cooling assistance. In recent years, 25-30 state grantees have offered cooling programs.

Grantees must provide assistance to households facing crises, which the statute defines as “weather-related and supply shortage emergencies and other household-related emergencies.” Furthermore, grantees must provide some form of assistance to resolve a crisis no later than 48 hours after a qualifying household applies. The timeframe drops to no later than 18 hours if the crisis situation is also life threatening.

Beyond that, grantees set their own definitions and criteria for crisis assistance. Numerous grantees provide crisis funds to households that have had, or are on the verge of having, their utility service disconnected; or have run out of, or are about to run out of, a deliverable fuel. Some grantees operate crisis year-round; others operate it in conjunction with their heating assistance programs; a few provide a winter and summer crisis component. See this [table](#) for state and this [table](#) for some tribal crisis definitions.

LIHEAP funds may also be used for two elective programs. First, according to the statute, up to 15 percent of a grantee’s allocation can be dedicated to providing “low-cost residential weatherization and other cost-effective energy-related home repair.” If a grantee wants to increase the percentage up to 25 percent, it can request a waiver from HHS.

The majority of state grantees allocate funds to low-income weatherization and about half of the states allocate 15 percent year after year. Others choose a flat amount each year, a handful receive the 25 percent waiver, and several provide no funds for weatherization. In many states, LIHEAP weatherization funds are spent in coordination with the Department of Energy’s Weatherization Assistance Program. In a majority of states, the same agency is the grantee for both federal programs, and the same agencies administer both programs at the local level.

For a breakdown of how state grantees divided their funds between program components in 2014, please see this [table](#).

Grantees may also use up to five percent of their allocation to provide self-sufficiency services for clients. Also known as [Assurance 16](#), these services are often coordinated with energy vendors or other low-income programs and include energy-efficiency education and case management. For a description of the services offered by state grantees, please see the [table here](#).

Effective in 1996, another optional program has been available to grantees that successfully compete for what are called REACH (Residential Energy Assistance Challenge) funds, authorized in Section 2607(b) of the LIHEAP statute. Grantees that qualify can use the REACH funds to:

“minimize the health and safety risks that result from high energy burdens on low income Americans, prevent homelessness as a result of inability to pay energy bills, increase the efficiency of energy usage by low income families, and target energy assistance to individuals who are most in need.”

Additional funds may be made available to REACH programs that have energy-efficiency education plans.

More information, including REACH history and selected [state](#) and [tribal](#) project evaluations, can be found on the LIHEAP Clearinghouse website.

5. Who Is Eligible for LIHEAP?

LIHEAP eligibility is based on household income, and the LIHEAP statute sets a minimum and maximum household income range. The statute defines a household as an:

“individual or group of individuals who are living together as one economic unit for whom residential energy is customarily purchased in common or who make undesignated payments for energy in the form of rent...”

By statute, grantees may set income eligibility for households as high as 150 percent of federal poverty guidelines (FPG) or, if greater, 60 percent of state median income (SMI). Grantees may establish lower income eligibility levels, but no household below 110 percent FPG can be considered ineligible. A table listing the income guidelines used by state grantees in 2014 can be found [here](#), and the graph on this page also gives a quick overview.

The statute allows grantees to make households automatically eligible (sometimes called “categorical eligibility”) if at least one member of the household receives Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), or certain needs-tested veteran programs. This [table](#) shows which state grantees used categorical eligibility in 2013.

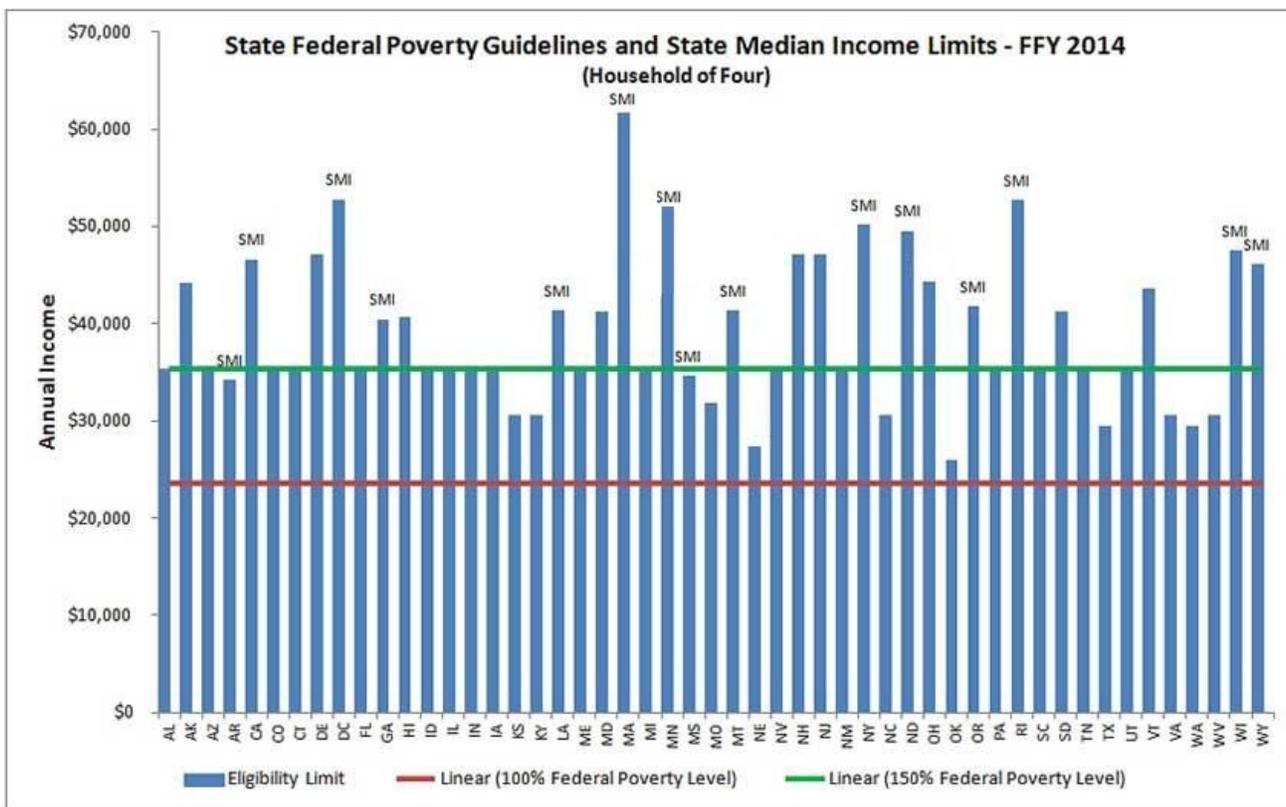
The statute does not define what items or sources of funds are to be counted as income. It is up to the grantee to determine what it will or will not count as income. See this [page](#) for more information about defining income.

In addition to income, a LIHEAP grantee may impose additional criteria that a household must meet in order to be eligible for the program. Other eligibility criteria include, but are not limited to:

- Having a home energy obligation, which means an applicant must provide proof that he/she is responsible for home energy costs;
- Passing an assets test, that is, having no more than a certain amount of resources or assets, as determined by the grantee (see state examples [here](#)).

For more about eligibility criteria, see these pages about [states](#) and [tribes](#).

Unlike some federal programs, such as SNAP, LIHEAP is not an entitlement. Thus, even if a household is income eligible, there is no guarantee it will receive assistance. The number of households served in a given year depends on a grantee’s LIHEAP allocation and how it designs its program, including whether it targets or prioritizes certain



households.

For example, LIHEAP grantees are required to target households with vulnerable members and/or high energy burdens. The statute directs grantees to conduct outreach that assures eligible households, “especially households with elderly individuals or disabled individuals” and those with high energy-burdens, are aware of LIHEAP. Throughout the statute, grantees are directed to make concerted efforts to reach the elderly, disabled, and young children with their assistance.

As a result of a [1994 amendment to the statute](#), grantees must also ensure that households with the lowest income and highest home energy burden receive the highest level of assistance. “Home energy burden” is how much a household spends for energy services divided by the household’s income.

The statute also requires that LIHEAP grantees treat owners and renters “equitably.” According to the Division of Energy Assistance, “equitably” doesn’t necessarily mean equal. While grantee policy can treat owners and renters differently, the key is to run a program that is fair to both parties.

6. Administering LIHEAP Funds

Grantees are responsible for planning and administering their LIHEAP funds; however, the LIHEAP statute limits grantees’ expenditures in this area to 10 percent of their annual allocation. Any costs in excess of that limit must be paid from non-federal funds. Grantees must detail in their annual LIHEAP plan the amount they plan to spend on administration (listed as a percentage of their allocation) versus program delivery (i.e., heating, cooling, crisis, and weatherization).

The LIHEAP statute and federal block-grant regulations do not define administrative costs. That means grantees have the flexibility to define them, and HHS will accept a grantee’s definition of its administrative costs unless it is “clearly erroneous.”

As a result, state grantees have developed a variety of definitions for administrative and program costs. The following are typical activities that many states consider to be administrative: management

and oversight of the program, including fiscal and program monitoring; development of contractor policies, goals and objectives; budgeting and fiscal reporting; hiring/supervising operations at administrative and program levels; program staff training; equipment purchases; and client intake and eligibility determination. For more information on state variations, see this [page](#).

[Assurance Six](#) pertains to grantees’ use of local administrative agencies in the delivery of LIHEAP. It doesn’t require the state to use local agencies. However, if the state does utilize local administrative agencies (also called subgrantees), it must “give special consideration” to agencies operating energy-assistance or weatherization programs under the Economic Opportunity Act of 1964, which created community action agencies. Other local nonprofit organizations can also be used. The majority of state grantees use nonprofits such as community action agencies as their local administrative agencies, while the remainder uses county social services offices. For more on subgrantees, please see this [page](#).

Due to their smaller sizes, most tribal and territorial grantees do not utilize subgrantees. Regardless of what entity administers LIHEAP at the local level, it must follow the grantee’s current plan and adhere to all federal and state policies and procedures.

7. The LIHEAP Application Process

The LIHEAP application process varies considerably among grantees. Most programs require all households seeking assistance to fill out an application and provide the required information to prove eligibility.

It is standard practice for states to request the following information, at a minimum, for the LIHEAP applicant as well as all household members: full name, mailing and street addresses, telephone number, county of residence, date of birth, gender, and Social Security Number (SSN).

However, some states ask for less information and some ask for more. A broader overview of the information considered by state grantees to determine eligibility can be found [here](#). Examples of LI-

HEAP applications are [here](#).

Numerous grantees run their programs with staggered opening dates that allow households with elderly, disabled, or young people to apply before the general population.

Those grantees utilizing categorical eligibility may or may not require recipients of specific federal programs to fill out an application. Sometimes those households deemed automatically eligible are issued an automatic LIHEAP benefit.

More and more grantees are joining states like Nebraska and Vermont, which allow applicants to fill out forms online to qualify for assistance. Some grantees post the application form on their websites, and applicants can print them, fill them out, and mail them back to the office. Many programs involve an application process whereby low-income households go to a local agency or nonprofit and fill out a form.

Grantees vary widely in the extent to which they verify client information, especially when it comes to

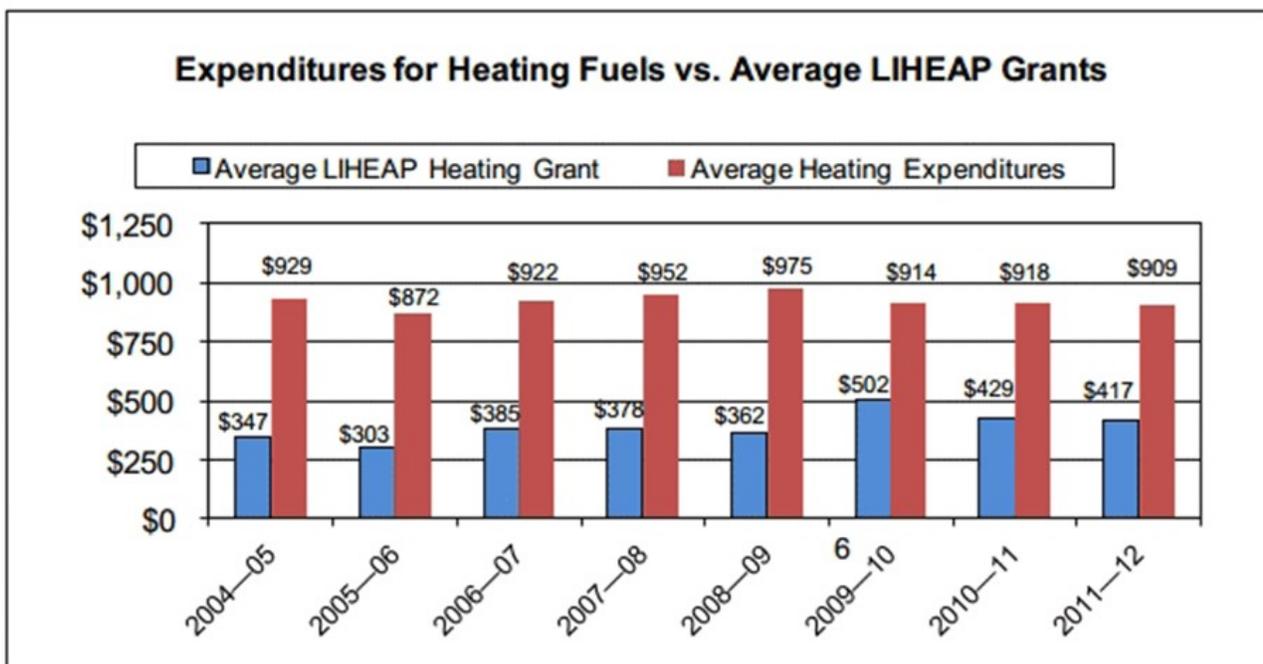
identity and income. Verification is important, because it helps ensure that LIHEAP benefits go only to those who are eligible.

Some grantees seek to verify client identity and income through other government databases such as their state’s SNAP or TANF programs, state employment or labor offices, or the Social Security Administration. Others rely primarily on client documents such as Social Security cards, benefit award letters, check stubs, and tax records. More details on how states verify client information is available [here](#).

8. LIHEAP Benefits: Requirements and Variations

The LIHEAP statute says grantees must:

“provide, in a timely manner that the highest level of assistance will be furnished to those households which have the lowest incomes and the highest energy costs or needs in relation to income, taking into account family size.”



Sources: Residential Energy Consumption Survey, 2005; *Short term Energy Outlook*, January 2013 (Table WF01); LIHEAP Home Energy Notebooks, 2005–2009; NEADA 2012 Energy Assistance Survey. Prepared by the AARP Public Policy Institute, January 2013.

In its 1994 reauthorization of LIHEAP, Congress broadened the purpose of LIHEAP to:

“provide assistance to low-income households in meeting their home energy costs, particularly those with the lowest incomes that pay a high proportion of household income for home energy.”

Congress also encouraged program administrators to consider “energy burden” and “energy needs” when establishing benefits.

In addition to the three critical factors cited in the statute—income, household size, energy cost/need—grantees set their benefit levels using other factors such as fuel type, dwelling type, individual bill, and/or climate or region. Examples of matrices used by [state](#) grantees and [tribal](#) grantees provide a more nuts-and-bolts way of understanding how benefits are calculated. According to [National Energy Directors’ Association](#), the average heat benefit in FY 2013 was \$406.

As the chart on page 9 shows, the average LIHEAP grant has historically funded less than half of recipients’ home energy costs.

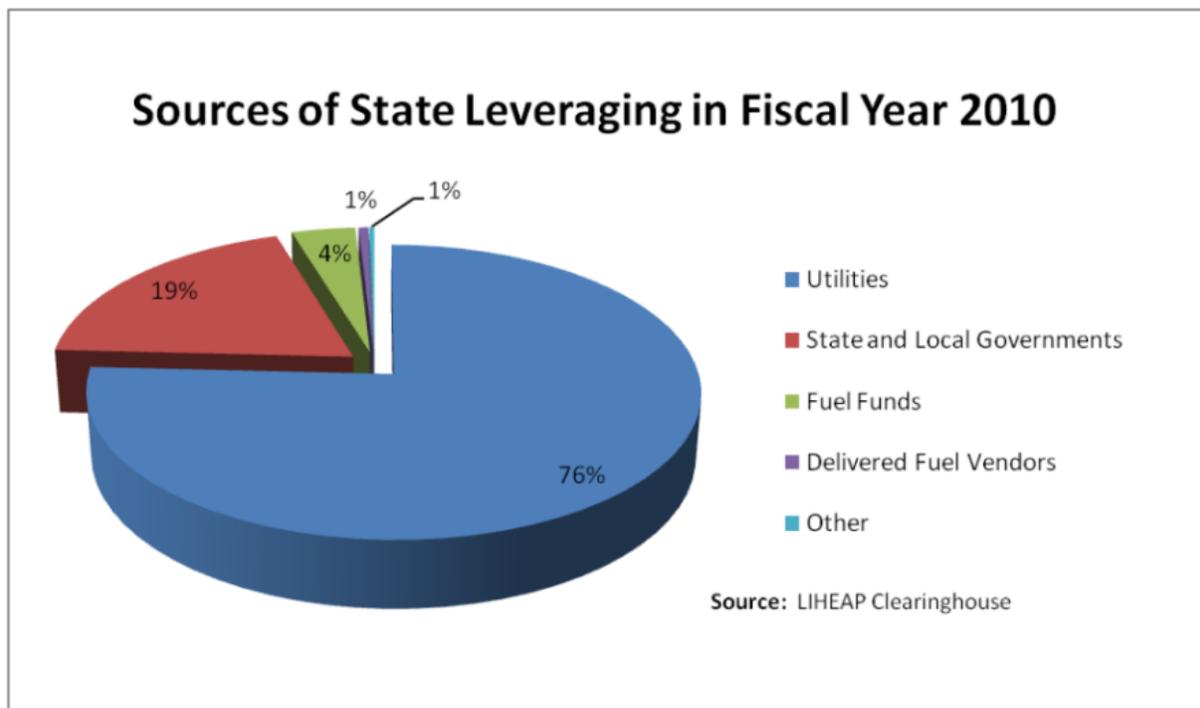
Once a household qualifies for assistance and its

benefit is determined, most grantees make a payment directly to the household’s utility vendor(s). Grantees may also make payments directly to clients in situations where the grantee does not have agreements with the client’s vendor (which can often be the case with deliverable fuels); the client’s rent includes utility costs; or other specifically-stated situations. For examples of grantee vendor agreements, see these [state](#) and [tribal](#) examples.

9. LIHEAP Leveraging-Incentive Program

As the funding and households-served charts on page 4 and the benefits versus expenditures chart on page 9 indicate, LIHEAP funding has never been adequate to assist all eligible households or to fully address their home energy needs. In response to this historic LIHEAP funding shortfall, many LIHEAP grantees, their allies at local agencies, and advocacy groups have developed additional funding resources to supplement federal LIHEAP funding. Some of these endeavors have been underway since LIHEAP’s inception.

The acquisition of supplemental energy assistance funding, also known as leveraging, became a formal part of LIHEAP with the passage of a [“lever-](#)



[aging incentive” provision](#) in the 1990 LIHEAP re-authorization bill. In adopting the provision, federal lawmakers reasoned that providing grantees with financial rewards based upon the amount of leveraging resources they attained would incentivize them to attain additional resources.

Under the provision, HHS may allocate supplementary LIHEAP funds to grantees that have acquired nonfederal leveraged resources for their LIHEAP programs. Grantees wishing to compete for these funds must submit a report to HHS each year that quantifies the amount of leveraging accomplished by the grantee during the previous year.

Since 1991, a majority of state grantees and about two dozen tribal grantees have submitted annual leveraging reports, making them eligible for a portion of the approximately \$25 million in leveraging incentive awards. For more information, see these [state](#) and [tribal](#) leveraging pages. Complete information is not available after 2010, because Congress has not funded the leveraging incentive provision.

During 2010, the last year for which complete data are available, leveraged resources going towards home energy bills, or rate assistance, totaled just over \$3 billion. Sources for this funding can be found in the pie chart on page 10.

Most states are continuing their leveraging activities despite the cessation of the leveraging-incentive program, because many activities predate the program and are a deep-rooted and important part of the state’s LIHEAP. Information on utility rate-

payer-funded programs, by far the largest leveraged resource category, is available [here](#) for FY 2012. The estimated total for these ratepayer-funded programs is over \$3.6 billion.

10. Summary

LIHEAP is a complex and nuanced program. While there are specific requirements spelled out in statute, its block-grant structure gives incredible flexibility to grantees when it comes to designing their programs. This primer touched briefly on some of the main topics related to LIHEAP. To learn more about this program, consult the sidebar of resources listed on page 1. These websites and reports will provide more information about LIHEAP and how grantees have structured their programs.

Sources

Congressional Research Services, [LIHEAP: Program and Funding, July 18, 2013](#).

Congressional Research Service, [The LIHEAP Formula: Legislative History and Current Law](#), Aug. 7, 2013.

[EconoMonitor](#)

[Institute for Energy and Research](#)

[LIHEAP Clearinghouse](#)

[National Energy Assistance Directors’ Association](#)

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