

# **LIHEAP 101, 201 and 301: The Basics and Beyond**

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# What is LIHEAP?

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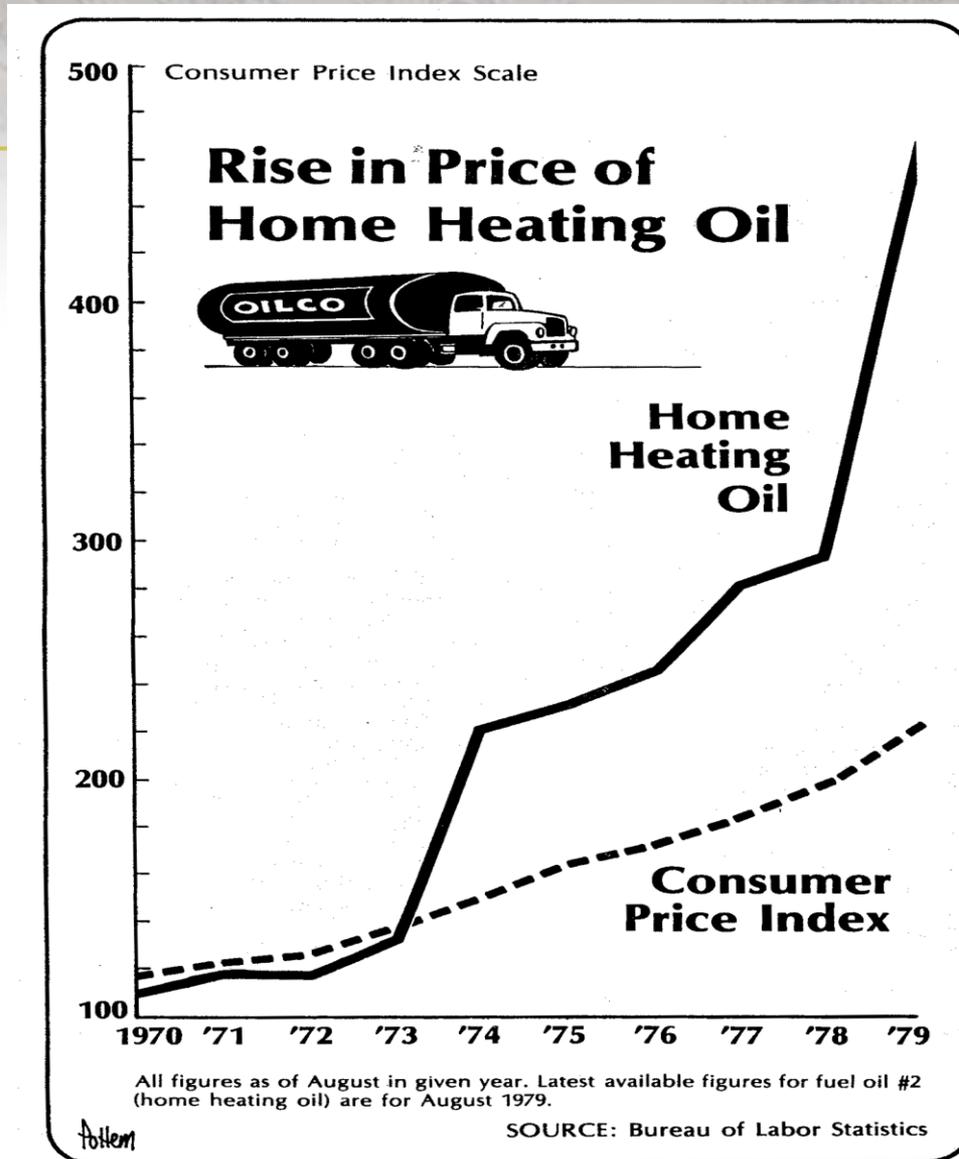
- The Low Income Home Energy Assistance Program or “LIHEAP” is a federal grant program, enacted in 1981, that assists low-income households with their energy needs.
  - Heating
  - Cooling
  - Crisis Assistance
  - Weatherization
- States, tribes, and territories receive allotments of funds from the federal government.
- These grantees have discretion in determining how to allocate funds and in determining household eligibility.
- Sometimes grantees supplement with their own funds.

# Origins of LIHEAP: High Oil Prices

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- **1973:** During and after the OPEC Oil Embargo, there were multiple legislative proposals for energy assistance.
- **1974:** Emergency Energy Conservation Services Program enacted, modeled on a Maine Community Action Agency initiative (primarily a weatherization program).
- **1977:** Special Crisis Intervention Program was the first program where direct payments were made to vendors and utilities (vs. weatherization).
- **1979:** Another spike in oil prices. Multiple proposals for energy assistance programs in Congress and from President Carter.

# 1970s: Increase in Heating Oil Prices



Source: Harrison Donnelly, "Carter, Congress Divided On Winter Fuel Aid To Poor," *Congressional Quarterly Weekly Report*, October 6, 1979, pp. 2205-2208.

# 1980: Enactment of Low Income Energy Assistance Program (LIEAP)

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- Predecessor program to LIHEAP enacted as part of the Crude Oil Windfall Profits Tax Act of 1980.
- Flexible block grant to states for energy assistance.
  - Emphasized need for heating assistance (vs. cooling). Funds for cooling when *medically necessary*.
- Fund distribution reflected emphasis on heating need.
- In place for one year, FY1981, with appropriation of \$1.85 billion.
- Eligible households were those at or below BLS\* lower living standard.

\* Bureau of Labor Statistics

# 1981: Enactment of LIHEAP

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- Similar to LIEAP.
- New uses of funds:
  - Weatherization
  - Cooling without need to show medical necessity
- Retained the same fund distribution to the states.
- Additional state flexibility regarding:
  - Who states choose to serve
  - Reporting requirements (not as extensive)
- Authorized \$1.875 billion for each year from FY1982-FY1984.

# LIHEAP Federal Eligibility

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- **Income Limit:** Households with incomes at the greater of 150% of poverty or 60% of state median income.
- **Income Floor:** States may not make ineligible any households with incomes less than 110% of poverty.
- **Categorical Eligibility:** States may make eligible any household where a member receives:
  - TANF
  - Food Stamps
  - SSI
  - Certain Veterans Benefits

# LIHEAP State Eligibility

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- In FY2012, most states (39) have maximum incomes of at least 150% of poverty for heating benefits.
  - States might have different eligibility levels for crisis assistance and weatherization.
- 12 states have income limits below 150% of poverty.
- 21 states have automatic or expedited eligibility for certain categorically eligible populations.
- 11 states have asset tests.

Source: LIHEAP Clearinghouse website, <http://www.liheap.ncat.org/>.

# LIHEAP Administration and Mechanics

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- Often administered through local Community Action Agencies or human services offices.
- Applicant eligibility has become more important.
  - 2010 Government Accountability Office report found instances of ineligible households receiving benefits.
    - *Low-Income Home Energy Assistance Program: Greater Fraud Prevention Controls Are Needed*
    - E.g., more states requiring applicants to provide Social Security Numbers.
- In most instances, benefit payments are made directly to utilities.

# LIHEAP Funding

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- Primarily two types of funding:
  - Regular funds (sometimes called “block grant” funding)
  - Emergency Contingency funds (implemented in 1994)
- Regular funds are distributed by formula.
- Emergency Contingency funds are distributed based on Administration discretion.
- Funds are appropriated in the same year they are distributed, sometimes hindering state planning.
  - Program was forward funded from FY1993 to FY2001.

# Emergency Contingency Funds

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- Funds are not always appropriated by Congress (e.g., FY2012).
- The statute allows distribution in cases of “natural disaster or other emergency,” defined broadly:
  - Natural Disaster includes cold or hot weather;
  - Emergency includes increases in:
    - Home energy costs;
    - Utility disconnections;
    - Participation in public benefits;
    - Unemployment.
- HHS decides when and how funds are distributed.

# Regular Funds

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- Distributed via a formula that depends on the amount appropriated.
- The way funds were distributed under LIEAP, the predecessor to LIHEAP, plays a part.
- Three smaller pots of funds are also included in the regular fund appropriation:
  - Grants to the territories (0.134% of total);
  - Leveraging Incentive and REACH grants (\$27 million); and
  - Funds for Training and Technical Assistance (\$3 million).

# The LIHEAP Regular Fund Formula

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There are often references to “old” and “new” formulas.

- BUT, there is only one LIHEAP formula in statute.
- “Old” formula refers to the LIEAP Formula:
  - At appropriations below about \$2 billion, states receive share of funds under LIEAP.
  - States also assured at least the LIEAP amount of funds when appropriations exceed \$2 billion.
- So it’s important to know about LIEAP formula.

# “Old” Formula Percentages

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- LIHEAP initially adopted the LIEAP formula percentages (1981).
- The data underlying each state’s share tended to favor states with colder climates.
  - Use of “heating degree days,” a measure of average temperatures below 65° F;
  - Increase in heating expenditures; and
  - Residential energy expenditures of all households.
- The proportions received by each state were static (i.e., new data not incorporated).

# How “Old” Formula Percentages Were Determined: Complicated

## P.L. 96-223

Assign each state the option under which they receive the greatest proportion of funds. If Options 2 and 3 both result in a greater proportion than Option 1, assign the state the lesser of Option 2 or 3.

## P.L. 96-369

Each state receives the greater of 75% of the amount under P.L. 96-223 or Option 1 or Option 2 under P.L. 96-369.

<p><b>Option 1</b>  <math>\frac{1}{2}</math> Residential energy expenditures  <math>\frac{1}{2}</math> (Heating degree days)<sup>2</sup> * Households with income <math>\leq</math> BLS lower living standard</p>	<p><b>Option 1</b>  <math>\frac{1}{2}</math> Increase in home heating expenditures from 1978-1980  <math>\frac{1}{2}</math> (Heating degree days)<sup>2</sup> * Population with income <math>\leq</math> 125% of poverty</p>
<p><b>Option 2</b>  <math>\frac{1}{4}</math> Residential energy expenditures  <math>\frac{3}{4}</math> (Heating degree days)<sup>2</sup> * Households with income <math>\leq</math> BLS lower living standard</p>	<p><b>Option 2</b>  <math>\frac{1}{4}</math> Total residential energy expenditures 1980  <math>\frac{3}{4}</math> (Heating degree days)<sup>2</sup> * Households with income <math>\leq</math> BLS lower living standard</p>
<p><b>Option 3</b>  <math>\frac{1}{2}</math> Residential energy expenditures  <math>\frac{1}{2}</math> Heating degree days * Households with income <math>\leq</math> BLS lower living standard</p>	
<p><b>Option 4</b>            Funds sufficient for a minimum benefit of \$120 per AFDC and/or Food Stamp-Recipient household</p>	

Source: CRS Report RL33275

# 1984: “New” LIHEAP Formula Enacted

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- Enacted in part due to recognition that cold-weather states benefitted from the LIEAP Formula.
- “New” distribution = states’ shares of low-income household expenditures on heating and cooling.
- Two “hold harmless” provisions to make sure the distribution of funds was not changed too radically.
- Provides that HHS use the most recent data available, so percentages are updated each year.
  - Though there is still a lag in data.

# The “New” LIHEAP Formula: Cold- vs. Warm-Weather States

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- The “new” LIHEAP formula tends to direct a greater share of funding toward warmer-weather states.
  - Heating degree days are no longer used as a factor.
  - Increase in heating expenditures is no longer used.
  - Focus on low-income household expenditures (vs. all household expenditures) favors areas of the country with more low-income households.
- Relevant factors include population shifts, prices of different home energy sources, and increased usage.

# “New” Formula Still Incorporates “Old” Formula

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- “Old” formula percentages apply when appropriations are at or below **about \$2 billion**.
  - Generally, states are entitled to at least as much as they would have received under the “old” formula at an appropriation of \$1.975 billion.
  - If there’s not enough funding for each state to receive that *amount*, then they receive the *percentage*.
- Means that states receive the same percentage as under LIEAP.

# The “New” Formula Percentages: How Are They Calculated?

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- Determine how much low-income households in each state spend on heating, using all energy sources.
  - E.g., the state of Kansas (FY2012 percentages):
    - $(\text{Btus of electricity used by low-income households in KS} * \text{price of electricity in KS}) + (\text{Btus of natural gas used by low-income households in KS} * \text{price of natural gas in KS}), \text{ etc.}$
  - Do this for heating oil, coal, kerosene, propane, and wood.
  - Arrive at total dollar amount for heating: **\$204,463,146**
- Do the same using electricity for cooling: **\$56,141,496**

# Calculating “New” Formula Percentages, Continued

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- Add total heating and cooling expenditures. Total for KS = **\$260,604,642**
- Divide each state’s total by the total expenditures by low-income households on heating and cooling in the country:
  - $KS = \$260,604,642 / \$26,951,718,097 = \mathbf{0.00967}$
- Kansas share of formula funds under the “new” formula is **0.967%**.

# Application of “New” Formula Percentages

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- **NOTE:** The “new” formula percentages are a *starting point* for how much each state will receive.
- Operation depends on amount appropriated.
- This is because of the hold-harmless provisions.
  - **First Hold-Harmless:** States receive at least as much as they received under the “old” formula when appropriations exceed about \$2 billion.
  - **Second Hold-Harmless:** Certain states with “new” percentages less than 1.0% of the total may receive an increase in their proportional share at appropriations at or above \$2.25 billion.

# “New” Formula: Appropriations Above About \$2 Billion

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- **First Hold-Harmless** provision applies.
  - States receive at least as much as they would have under the “old” formula at an appropriation of \$1.975 billion.
- States that gain the most under the “new” formula have their shares reduced.
  - E.g., Texas, Nevada, and Florida.
- States that would otherwise lose funds are held harmless.
  - E.g., most Upper Midwest and Northeastern states.

# “New” Formula: Appropriations At or Above \$2.25 Billion

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- **Second Hold-Harmless Rate** applies.
- **Note:** The First Hold-Harmless Level continues to apply as well.
- Under the second hold-harmless rate, certain small population states receive a bump up in their formula percentage rate.
  - Receive less than 1% of funds at an appropriation of \$2.25 billion. E.g., Alaska receives 0.488%.
  - Percentage share at \$2.14 billion exceeds percentage at \$2.25 billion. E.g., at \$2.14 billion, Alaska receives 0.514% of the total compared to 0.488%.
- States that gain the most funding are again reduced.
  - E.g., Texas, Nevada, Florida.

# Use of “New” LIHEAP Formula

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- Until FY2006, the “new” formula had mostly not been used.
  - Appropriations too low to trigger “new” formula.
- FY2006: \$2.48 billion in regular funds appropriated.
- FY2009 – FY2012: Hybrid of “old” and “new” formula
  - “Old” formula applied to majority of funds.
  - “New” formula used to distribute 1/3 of funds above \$1.975 billion.
- FY2013: President’s proposal also a hybrid.

# Recent LIHEAP Funding (dollars in millions)

Fiscal Year	Regular Funds	Contingency Funds	Total
2002	1,700	300	2,000
2003	1,788	0	1,788
2004	1,789	99	1,889
2005	1,885	298	2,182
2006	2,480	681	3,161
2007	1,980	181	2,161
2008	1,980	590	2,570
2009	4,510	590	5,100
2010	4,510	590	5,100
2011	4,501	200	4,701
2012	3,472	0	3,472

Source: U.S. Department of Health and Human Services.



**Questions?**