



LIHEAP Primer: 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 Are LIHEAP Grants Calculated and Distributed?](#)
- [4. How Are LIHEAP Funds Used?](#)
- [5. Who Is Eligible for LIHEAP?](#)
- [6. Administering LIHEAP Funds](#)
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1. What Is LIHEAP?

LIHEAP is a federally-funded block grant that distributes a large sum of funds to grantees with only general provisions as to the way the funds are spent in helping make “home energy” bills more affordable for low-income households. “Home energy” is defined in the [LIHEAP statute](#) as “a source of heating or cooling in residential dwellings.”

Under the block-grant structure, Congress determines LIHEAP funding annually, and it is allocated to eligible entities—the 50 states, the District of Columbia, state and federally-recognized tribes and tribal organizations (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. Grantees submit these plans through the federal [Online Data Collection](#) system, commonly referred to as OLDC. The plan also shows that the grantee has signed off on [16 assurances](#), or provisions, found in LIHEAP

Additional LIHEAP Resources

- U.S. Department of Health and Human Services / Office of Community Services, [LIHEAP website](#)
- Office of Community Services, [LIHEAP Frequently-Asked Questions](#)
- LIHEAP Clearinghouse, LIHEAP 101, [Training Tool](#)
- Office of Community Services, LIHEAP 101, [webinar](#)
- Office of Community Services, [LIHEAP Training Resources](#)
- LIHEAP Performance Management [website](#)
- [LIHEAP Clearinghouse](#)
- [National Energy Assistance Directors’ Association](#)
- [Apprise](#)
- [National Energy and Utility Affordability Coalition](#)

statute. The LIHEAP Clearinghouse website has copies of both [state](#) and [tribal](#) plans.

In 2017, 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 153 tribes or tribal organizations received LIHEAP grants to serve low-income households.

2. How LIHEAP Began

After the OPEC Oil Embargo of 1973-1974, several federally funded programs arose to address concerns regarding drastically rising energy prices. The projects assisted elderly and low-income households by providing weatherization services and occasional fuel vouchers. In 1976, the Department of Energy began administering its Weatherization Assistance Program (WAP), which provides weatherization services to low-income households.

As part of the [Crude Oil Windfall Profits Tax Act](#), Congress created the Low-Income Energy Assistance Program (LIEAP) in 1980, which appropriated funds that were split between the Department of Health and Human Services (HHS) and the Community Service Administration. The focus of the program veered away from providing only crisis assistance to preventing crisis situations. Payments directly to fuel suppliers, households, or both were made possible.

In 1981, Congress replaced LIEAP with LIHEAP. The Low Income Home Energy Assistance Program bore great resemblance to its predecessor, however, it also had some modifications. The new program offered grantees much more flexibility and had fewer administrative requirements. Income eligibility was also set as high as 150 percent of federal poverty guidelines (FPG) or 60 percent of state median income (SMI). To learn more about the developments that led to LIHEAP, see this Clearinghouse [document](#).

3. How Are LIHEAP Grants Calculated 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 households in states, along with data related to temperature and the number of heating and cooling days for each state.

Congress also implemented a “hold-harmless level” and a “hold-harmless rate” (see pages 10-11 of the Congressional Research [report](#) for more information) to ensure 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. Figure 1 is a basic guide.

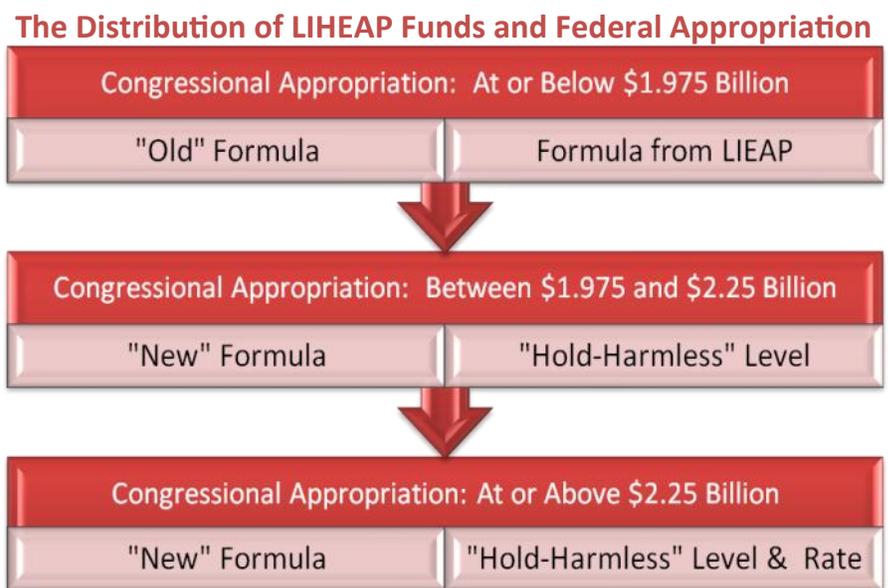


Figure 1

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.

Determining funds for tribes and territories is done through a process known as “set asides.” Set asides for direct-grant tribal grantees are fairly straight forward when based on how many low-income households reside on the reservation. Set asides become more complex if a tribe’s low-income households do not reside on a reservation. Most tribes enter into a state-tribal agreement whereby a tribe negotiates a higher set aside for the tribe. 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 had generally been about 0.134 percent until FY 2014, at which point [HHS increased](#) it to the statutory maximum of 0.5 percent. Once the percentage is determined, the funding 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. These 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. 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 Figure 2. The historic funding low was in 1996 with just \$900 million in regular funds, which was 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.

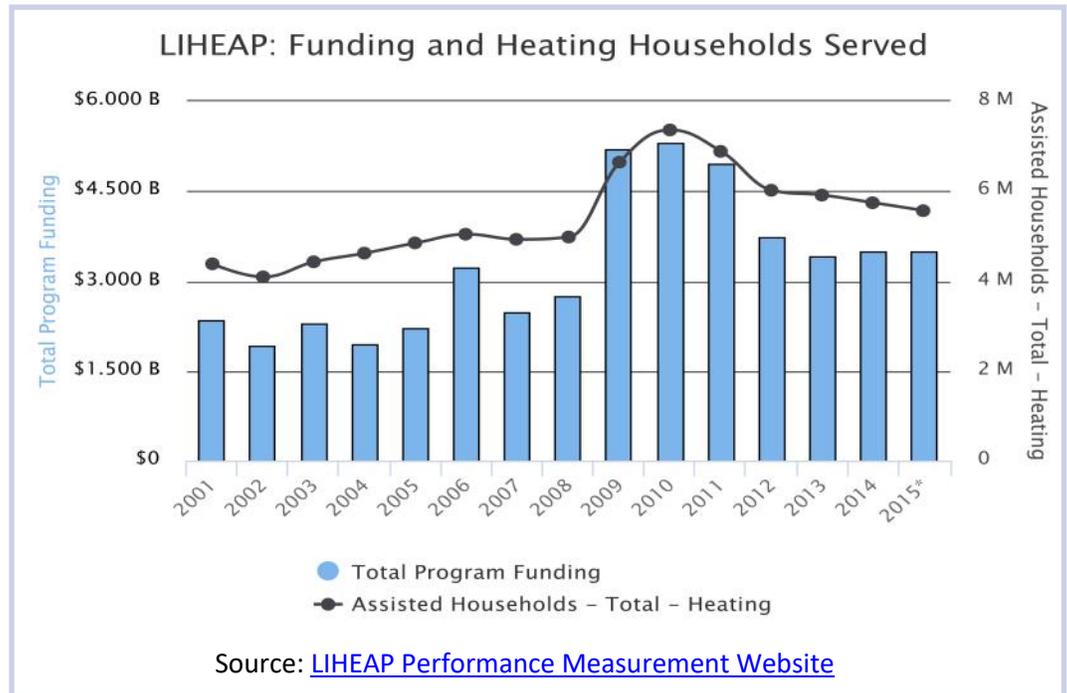


Figure 2

crease the percentage up to 25 percent, it can request a waiver from HHS. A Clearinghouse report on FY 2014 crisis programs can be found [here](#). Figure 3 shows how state allocated funds for weatherization in FY 2014.

The majority of state grantees allocate funds to low-income weatherization, and a little over 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 a few provide no funds for weatherization. In many states, LIHEAP weatherization funds are spent in coordination with the Department of Energy's WAP. 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. The Clearinghouse issued this [report](#) about coordinating LIHEAP and WAP.

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](#) and this Clearinghouse [issue brief](#). During its 2016 regional trainings, HHS stressed the importance of reporting the inputs, outputs, and outcomes of Assurance 16 programs. One of its presentations can be found [here](#).

For a breakdown of how states planned to divide their funds among program components for FY2017, please see this Clearinghouse [table](#).

Effective in 1996, contingent upon available annual funding, 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 pro-

grams 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 income-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...”

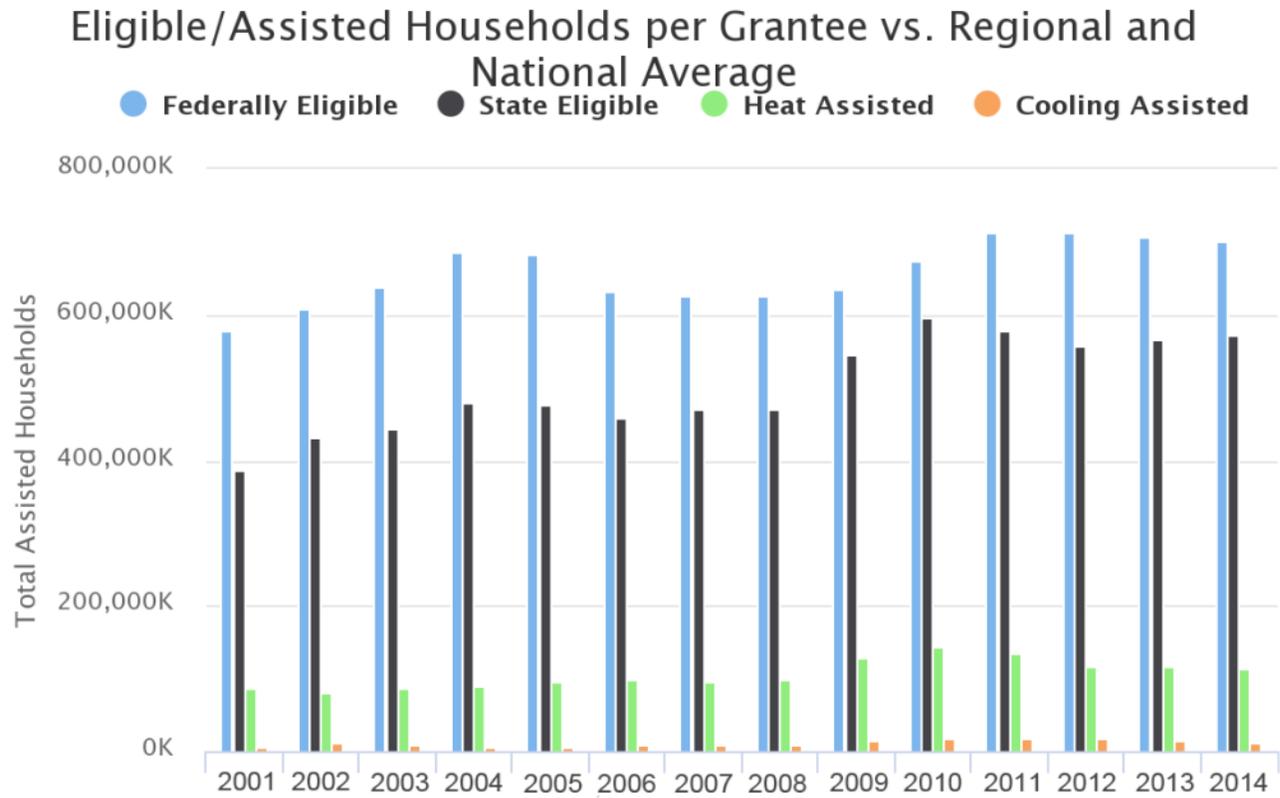
By statute, grantees may set income-eligibility for households as high as 150 percent of FPG or, if greater, 60 percent of SMI. Grantees may establish lower income eligibility levels, but no household below 110 percent FPG can be considered ineligible. A table listing the income guidelines used by state grantees in 2017 can be found [here](#), and the graph on this [page](#) also gives a quick overview. This FY 2017 graph is also included as Appendix I to the Primer.

The statute allows grantees to make households automatically eligible (referred to as “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 means-tested veteran programs. This [table](#) shows which state grantees use categorical eligibility.

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 Clearinghouse [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



Source: [LIHEAP Performance Management Data Warehouse Website](#)

Figure 4

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 Clearing-house 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 defines the term “highest home energy needs” to mean:

“the home energy requirements of a household determined by taking into account both the energy burden of such household and the unique situation of such household that results from having members of vulnerable populations, including very young children, individuals with disabilities, and frail, older individuals.”

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 grantee 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, grantees have developed a variety of definitions for administrative and program costs. The following are typical activities that many grantees 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 Clearinghouse [page](#) and this [issue brief](#).

[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 sub-grantees), 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 community action agencies as their local administrative agencies for at least one component of their LIHEAP, while the others use county social services offices or other non-profits. For more on sub-grantees, please see [this page](#).

Due to their smaller sizes, most tribal and territorial grantees do not utilize sub-grantees. 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, income, 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 LIHEAP 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 income-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. For a more detailed look at some examples, please see this Clearinghouse [report](#). 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](#) and in this [report](#).

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.”

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

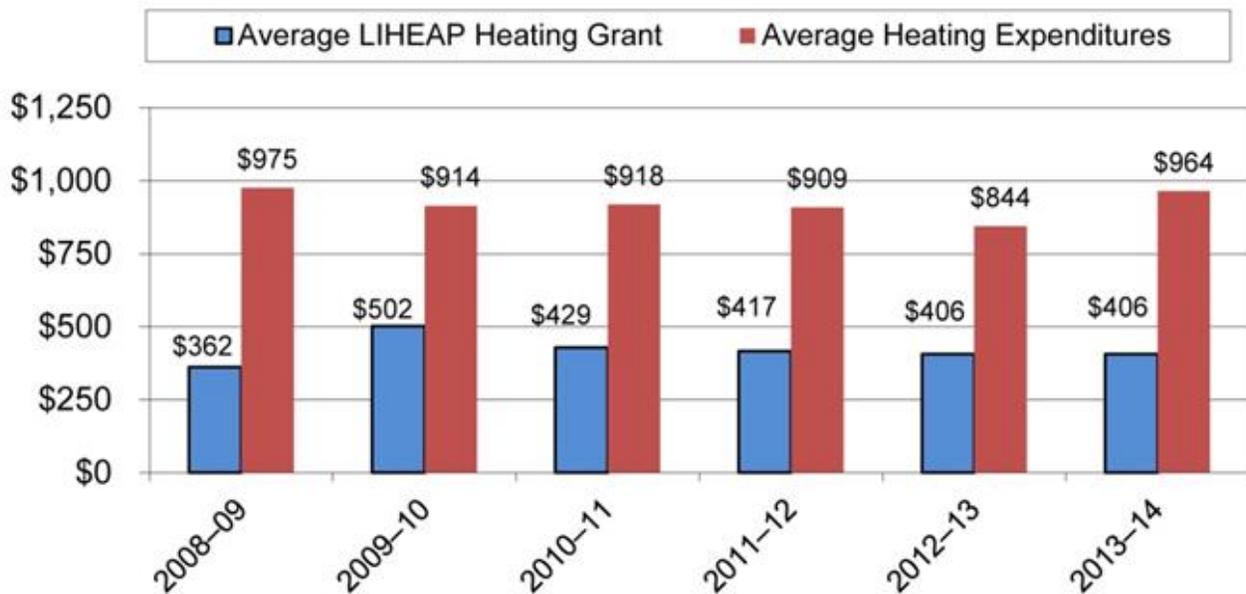
those with the lowest incomes that pay a high proportion of household income for home energy.”

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.

As Figure 5 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 an agreement 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.

**Expenditures for Heating Fuels vs. Average LIHEAP Grants
FY2009 - FY2014**



Source: AARP Public Policy Institute, [Winter Heating Costs Report](#), (January 2015)

Figure 5

Sources of State Leveraging in Fiscal Year 2012

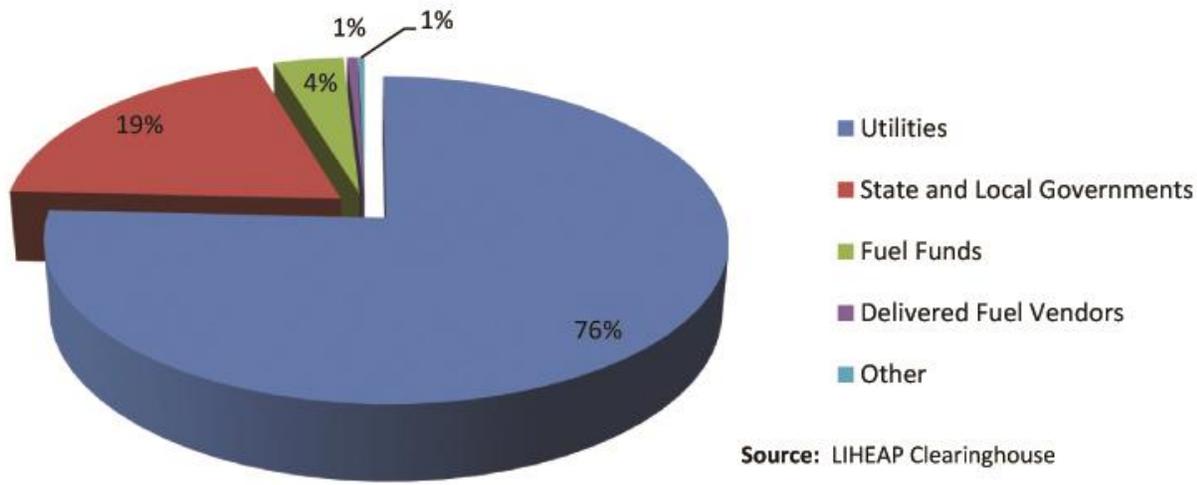


Figure 6

9. LIHEAP Leveraging-Incentive Program

As Figure 4 shows on page 6, LIHEAP funding has never been adequate to assist all income-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 before 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 "[leveraging incentive](#)" provision in the 1990 LIHEAP reauthorization 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 set aside up to 25 percent of block grant funds as leveraging incentive funds through the federal regular block grant appropriations process. When made available by HHS, grantees desiring leveraging incentive funds, must submit a separate leveraging incentive funds application to HHS for a particular fiscal year, based on leveraging activities carried out during the previous fiscal 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 2012, because Congress has not funded the leveraging incentive provision.

The last year for which HHS awarded leveraging incentive awards was FY 2012. Leveraged resources going towards home energy bills, or rate assistance, totaled just over \$3 billion. Sources for this funding can be found in Figure 6.

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 ratepayer-funded programs for 2014 is available [here](#). The estimated total for these ratepayer-funded programs is over \$4.3 billion. See this Clearinghouse [report](#) for more information about leveraging.

10. Performance Measurement and Management

Determining the impact social service programs have on recipients is part of evaluating their success. For LIHEAP, state grantees gather and report data for performance

measures that seek to quantify the impact the program has on its low-income recipients. State grantees began reporting with FY 2016 data.

The push for performance measurement data resulted from a process beginning in 2003. The Office of Management and Budget (OMB) conducted an [assessment](#) of LIHEAP and concluded that the program lacked “meaningful performance measures” and “results [were] not demonstrated.” In June 2008, HHS formed the LIHEAP Performance Measures Work Group to bring state directors together to create performance measures.

By November 2014, HHS’ Administration for Children and Families (ACF) had gone through the required process and announced that OMB had approved the collection and reporting of data related to four new performance measures. The measures are: Benefit Targeting Index, Burden Reduction Targeting Index, Service Restoration, and Service Loss Prevention.

To help state grantees with the performance measures process, HHS offers resources through the LIHEAP Performance Management [website](#). The site contains numerous training tools, sample documents, and best practices to assist grantees. While much of the website is public, grantees can get login information to access other data on the site. Login info can be obtained by sending an e-mail to marisal@ncat.org.

11. 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.

This LIHEAP Primer has been prepared by the LIHEAP Clearinghouse under contract with the U.S. Department of Health and Human Services, Division of Energy Assistance. The content of this publication does not necessarily reflect the views or policies of the Department of Health and Human Services, nor does mention of trade names, commercial products, organizations or program activities imply endorsement by the U.S. Government or compliance with HHS regulations.

