LIHEAP 101, 201 and 301: The Basics and Beyond

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What is LIHEAP?

- 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

• **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

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

- 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**

- 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

• **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

• 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.

LIHEAP Administration and Mechanics

- 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

- 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

- 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

- 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

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

• 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

<table>
<thead>
<tr>
<th><strong>P.L. 96-223</strong></th>
<th><strong>P.L. 96-369</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
</tr>
</tbody>
</table>

**Option 1**
- ½ Residential energy expenditures
- ½ \( (\text{Heating degree days})^2 \) * Households with income \( \leq \) BLS lower living standard

**Option 2**
- ¼ Residential energy expenditures
- ¾ \( (\text{Heating degree days})^2 \) * Households with income \( \leq \) BLS lower living standard

**Option 3**
- ½ Residential energy expenditures
- ½ \( \text{Heating degree days} \) * Households with income \( \leq \) BLS lower living standard

**Option 4**
Funds sufficient for a minimum benefit of $120 per AFDC and/or Food Stamp-Recipient household

**Option 1**
- ½ Increase in home heating expenditures from 1978-1980
- ½ \( (\text{Heating degree days})^2 \) * Population with income \( \leq 125\% \) of poverty

**Option 2**
- ¼ Total residential energy expenditures 1980
- ¾ \( (\text{Heating degree days})^2 \) * Households with income \( \leq \) BLS lower living standard

**Source:** CRS Report RL33275
1984: “New” LIHEAP Formula Enacted

- 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

- 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

• “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?

• Determine how much low-income households in each state spend on heating, using all energy sources.
  • E.g., the state of Kansas (FY2012 percentages):
    • (Btus of electricity used by low-income households in KS * price of electricity in KS) + (Btus of natural gas used by low-income households in KS * price of natural gas in KS), 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

- 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 = 0.00967
- Kansas share of formula funds under the “new” formula is 0.967%.
Application of “New” Formula Percentages

• **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

- **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

- **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

• 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)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Regular Funds</th>
<th>Contingency Funds</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>2002</td>
<td>1,700</td>
<td>300</td>
<td>2,000</td>
</tr>
<tr>
<td>2003</td>
<td>1,788</td>
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<tr>
<td>2004</td>
<td>1,789</td>
<td>99</td>
<td>1,889</td>
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<tr>
<td>2005</td>
<td>1,885</td>
<td>298</td>
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<tr>
<td>2006</td>
<td>2,480</td>
<td>681</td>
<td>3,161</td>
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<tr>
<td>2007</td>
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<tr>
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<tr>
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<td>5,100</td>
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<tr>
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<tr>
<td>2012</td>
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**Source:** U.S. Department of Health and Human Services.
Questions?