

LIHEAP 2016 Special Study: LIHEAP Performance Measures



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LIHEAP 2016 Special Study: LIHEAP Performance Measures

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List of Acronyms and Abbreviations

ACF	HHS' Administration for Children and Families
CARE	California Alternative Rates for Energy
EHHC	Estimated home heating costs
FY	Federal Fiscal Year
GPRA	Government Performances and Results Act of 1993 (Public Law 103-62)
HHS	U.S. Department of Health and Human Services
HUD	U.S. Department of Housing and Urban Development
ICR	Information Collection Request
LIHEAP	Low Income Home Energy Assistance Program
OCS	ACF's Office of Community Services
OMB	Office of Management and Budget
PART	Performance Assessment Rating Tool
PHA	Public Housing Authority
PMIWG	LIHEAP Performance Management Implementation Work Group
USF	Universal Service Fund

Executive Summary

This exploratory study was conducted to furnish the Office of Community Services (OCS) in the Department of Health and Human Services (HHS) with a better understanding of the new performance measures that were approved by the Office of Management and Budget (OMB) in 2014 for the Low Income Home Energy Assistance Program (LIHEAP). State grantees and the District of Columbia were first required to report on performance measure data in January 2017 for federal fiscal year (FY) 2016. This study examines the FY 2016 data to assess whether the performance measure data furnish meaningful information on program performance across the full range of LIHEAP program design.

Study Purpose

The Government Performance and Results Act of 1993 (GPRA), as amended, focuses on performance results with the goal of providing information to Congress on the achievement of statutory objectives and goals. The Administration for Children and Families (ACF) established performance goals to meet the GPRA requirements. However, a 2003 Performance Assessment Rating Tool (PART) review categorized the program as “results not demonstrated.”

Starting in 2008, OCS worked with grantees to develop a new set of performance measures for LIHEAP. OCS submitted an Information Collection Request (ICR) to OMB in 2014 that was approved in November of that year. Collection and reporting LIHEAP performance measure data was optional for FY 2015 and mandatory for FY 2016.

OCS characterized the performance measures as “developmental.” This means that OCS believes that it needs to work with grantees to assess the effectiveness of these measures in furnishing the information needed to improve program performance. The purpose of this exploratory study is to help OCS to examine whether these performance measures furnish robust information across a range of program designs that can help grantees to measure and improve their program impacts.

Background

The performance measures currently used by OCS for the LIHEAP program furnish information on whether the program is effective in fulfilling the statutory requirement to target program benefits to vulnerable households, including those with at least one member that is a young child, an individual with disabilities, or a frail older individual.

The four new developmental performance measures approved by OMB include calculation of the following.¹

¹ See Section 3 for a more complete description of these performance measures.

- The benefit targeting index for high-burden LIHEAP recipient households.
- The burden reduction targeting index for high-burden LIHEAP recipient households.
- The number of occurrences where LIHEAP assistance restored home energy service of LIHEAP recipient households.
- The number of occurrences where LIHEAP assistance prevented home energy service loss for LIHEAP recipient households.

These developmental performance measures complement the existing set of measures by furnishing important information for assessing the impact of the LIHEAP program.

- The benefit and burden reduction targeting indexes examine the performance of the LIHEAP program with respect to the statutory mandate that requires grantees to target the highest benefits to the households with the highest energy burdens.
- The service restoration and prevention measures furnish information on whether the LIHEAP program is successful in helping income-eligible households to maintain their energy service throughout the year.

The complete set of LIHEAP performance measures allows policymakers to understand who is served by the LIHEAP program, how they are served in terms of program benefits, and whether those benefits are sufficient to ensure that income-eligible households maintain their energy service throughout the year.

Potential Issues with LIHEAP Performance Measures

This study focuses on the Energy Burden Targeting performance measures. These measures categorize households with respect to energy burden and assess whether the LIHEAP program effectively targets benefits to the households with the highest energy burden. For purposes of the measurement, energy burden is defined as a household's energy costs divided the household's gross income. In addition, the measures use data on *all* cash benefits received by the household from the LIHEAP program.

One advantage of these energy burden performance measures is that they require only a limited number of data elements, including household income, LIHEAP benefits, and household energy expenditures. While it is challenging to collect the household energy expenditure data, the calculation of the performance measures is relatively straightforward. However, that advantage is also a potential vulnerability. The performance measures do not take into account some other aspects of grantee program designs that might also be directly related to a household's need for

energy assistance. Issues that might affect the usefulness of the energy burden performance measures include:

- **Vulnerable Households** – As required by statute, many states furnish higher benefits to vulnerable households even if they do not have the highest energy burden.
- **Crisis Benefits** – Many states furnish crisis benefits that are sufficient to resolve a household’s energy crisis and do not consider the household’s energy burden in doing so.
- **Subsidized Housing Utility Allowances** – Many states reduce LIHEAP benefits for households that receive U.S. Department of Housing and Urban Development (HUD) utility allowances that help to pay their energy bills.
- **Ratepayer- and Publicly-Funded Energy Assistance** – In many states, non-LIHEAP benefits also help to reduce the energy burden for low-income households.

This study examines how those factors affect the meaningfulness of the energy burden performance measures and furnishes recommendations on how OCS and the grantees should account for these issues in their performance measurement initiatives.

Findings and Recommendations

This study finds that each of the identified issues can, in fact, affect how useful the new LIHEAP performance measures are for making programmatic decisions. However, it also finds that by specifying appropriate data collection and reporting procedures, and by furnishing training and technical assistance to LIHEAP grantees on how to use these measures, these issues can be addressed in an effective way.

- **Targeting Vulnerable Households** – We found that grantees who offer supplemental benefits to vulnerable households will have lower energy burden targeting indexes if those supplemental benefits do not vary by income and/or energy burden. As such, grantees should be encouraged to target benefit supplements and to examine energy burden targeting indexes separately for vulnerable and non-vulnerable households.
- **Furnishing Crisis Benefits** –Our study found that the inclusion of Crisis Benefits in the energy burden targeting calculations does have the potential reduce index values because those benefits can increase benefits for households with higher income and lower energy burden. However, we still recommend that grantees include all benefits in the calculation. We recommend that OCS encourage grantees to examine the differences in benefit targeting between their regular benefits and their crisis benefits and consider the implications of those differences.

- Subsidized Housing Utility Allowances – Grantees that reduce LIHEAP benefits to households that receive utility allowances will have biased results related to their energy burden targeting indexes. We recommend OCS develop guidelines for grantees that require them to either collect information on the subsidies to calculate “net” annual energy expenditure (i.e. energy expenditures minus the value of subsidies) or exclude these households from the data that they submit to OCS.
- Ratepayer-Funded and Publicly Funded Energy Assistance – For those grantees that have other energy assistance funding sources, the LIHEAP Performance Data Form gives an incomplete picture of the impact of the combined programs. OCS should specify that the LIHEAP Performance Data Form include only LIHEAP benefits in the analysis, but also collect energy expenditures “net” of other energy assistance amounts. Moreover, OCS should encourage grantees to conduct supplemental analyses of the targeting of all available energy assistance.

This study finds that there are a number of program design issues that can have an impact on the meaningfulness of the LIHEAP energy burden performance measures. However, the study also found that, despite these issues, the energy burden performance measures can be robust indicators of the effectiveness of grantee energy burden targeting procedures if state grantees follow the guidance recommended in this report. Moreover, the study identified specific training and technical assistance that can help grantees to account for all these issues in their performance management initiatives

I. Study Purpose

The Government Performance and Results Act of 1993 (GPRA), as amended, focuses on performance results with the goal of providing objective information to Congress on the achievement of statutory objectives and program goals. The resulting performance data are to be used in making decisions on budget and appropriation levels. The Administration for Children and Family's (ACF's) current approach to performance goals and measurement for the LIHEAP program focuses on measuring the rates at which the program addresses the statutory requirement to target benefits to income-eligible vulnerable households.

A review of the LIHEAP performance measures in 2003 using the Performance Assessment Rating Tool (PART) gave the program passing grades with respect to *Program Purpose and Design* and *Program Management*. However, the program was judged as *Results Not Demonstrated* because the program did not receive passing grades for *Strategic Planning* or *Program Results/Accountability*. As part of its Program Improvement Plan, OCS committed to conduct outreach to “external program stakeholders, especially state LIHEAP grantees, to develop long-term goals for LIHEAP.”

From 2008 to 2010, OCS worked with grantees on the LIHEAP Performance Measures Work Group (PMWG) to develop a framework for new LIHEAP Performance Measures. OCS then worked with the Performance Management Implementation Work Group (PMIWG) to develop specifications for a comprehensive set of LIHEAP performance measures. In June 2014, OCS submitted an Information Collection Request (ICR) to the Office of Management and Budget (OMB) to mandate the collection of performance data from state grantees and the District of Columbia. OMB approved the ICR in November 2014. Reporting was optional for FY 2015 and mandatory for FY 2016.

In the OMB ICR, OCS characterized the proposed performance measures as “developmental.” That designation indicates that OCS believes that it is important to conduct in-depth research on the performance measurement data prior to setting performance goals. Since LIHEAP grantees have the flexibility to design their programs to meet the needs of their citizens within broad Federal guidelines, OCS perceives that it is important to assess whether the performance measures furnish robust information for programmatic decision-making across a range of program designs.

The performance measures include two types of measures: (1) one set that are focused on energy burden targeting; and (2) a second set that are focused on the continuity of energy service for LIHEAP recipients. This study is designed to help OCS to develop a better understanding of the energy burden targeting performance measures. The study examines how different state benefit determination procedures affect outcomes on the energy burden targeting measures and furnishes

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OCS with information on how to account for those procedures in the development of guidance for grantees on how to use the performance measures data for making programmatic decisions.

II. Background

The LIHEAP statute requires grantees to provide, in a timely manner, the highest level of assistance to those households that have the lowest incomes and the highest energy costs or needs in relation to income, taking into account family size. The LIHEAP statute identifies two groups of low income households as having the highest needs:

- *Vulnerable Households*: Vulnerable households are those with at least one member that is a young child, an individual with disabilities, or a frail older individual.
- *High-Burden Households*: High-burden households are those with the lowest incomes and highest home energy costs or needs.

ACF currently focuses its annual performance goals and measurement on targeting income-eligible vulnerable households. Annually, ACF develops the young child and elderly household member reciprocity targeting index scores — nationally, regionally, and at the state-level — to measure LIHEAP’s targeting performance. However, these measures address only one aspect of the statutory mandate; they do not measure the performance of the program with respect to high-burden households.

Four new developmental performance measures were proposed by the LIHEAP PMIWG and were approved by OMB in November 2014. These performance measures are more outcome-focused and consist of the following:

- The benefit targeting index for high-burden LIHEAP recipient households.
- The burden reduction targeting index for high-burden LIHEAP recipient households.
- The number of occurrences where LIHEAP assistance restored home energy service of LIHEAP recipient households.
- The number of occurrences where LIHEAP assistance prevented home energy service loss for LIHEAP recipient households.

The developmental performance measures address the shortcomings of the existing performance measures in the following ways.

- The benefit and burden reduction targeting indexes examine the performance of the LIHEAP program with respect to the second part of the statutory mandate; they measure whether grantees target the highest benefits to the households with the highest energy burdens.

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- The service restoration and prevention measures furnish information on whether the LIHEAP program is successful in helping income-eligible households to maintain their energy service throughout the year.

The complete set of LIHEAP performance measures allow policymakers to understand who is served by the LIHEAP program, how they are served in terms of program benefits, and whether those benefits are sufficient to ensure that income-eligible households are able to maintain their energy service throughout the year.

Beginning in January 2017, state grantees began reporting the data needed to determine the results of these four outcome-focused LIHEAP performance measures. Grantees have been able to use these data to examine the performance of their FY 2016 programs and consider the implications with respect to their program's design. The following are two examples of how the grantees have made use of these data.

- Iowa Supplemental Benefit – Iowa had funds available to issue a supplemental benefit for their FY 2017 program. They used the FY 2016 performance data to design a benefit assignment procedure for the supplemental benefit that delivered higher benefits to households with higher energy burdens.
- Mississippi Benefit Determination Procedure – After reviewing their FY 2016 performance data, the Mississippi LIHEAP program managers determined that their benefit determination procedure was not treating households with different types of main heating fuel equitably. High-burden households that used electric or natural gas as their main heating fuel were receiving lower benefits than were households that were not-high burden who used a delivered fuel (e.g., propane) as their main source of heat. To address that issue, they made a change in their benefit determination procedures for FY 2018.

These program modifications are consistent with the statutory objective of delivering the highest benefits to the households with the highest energy costs or needs. They demonstrate the immediate value of the energy burden targeting data and the long-term potential for these measures to contribute to increasing the impact of the LIHEAP program.

III. LIHEAP Energy Burden Targeting – Potential Issues

The energy burden targeting measures are designed to use the most basic definition of energy burden. For purposes of the LIHEAP performance measures, energy burden is computed by comparing a household's total residential energy bill to its gross income.

$$\text{Energy Burden} = \text{Residential Energy Bill} / \text{Gross Household Income}$$

The energy burden targeting measures define “high-burden” households as those that have home energy burdens in the top quartile (i.e., top 25 percent) of all LIHEAP recipients for each grantee. For example, if one-fourth of the LIHEAP recipients served by a grantee have an energy burden of eight percent of income or more, any household with an energy burden that is greater than or equal to eight percent of income is classified as high-burden.

The first targeting performance measure – the Benefit Targeting Index – compares the average LIHEAP benefit for high-burden households to the average benefit for all households.

$$\text{Benefit Targeting Index} = 100 * (\text{Average Benefit for High-Burden} / \text{Average Benefit for all Households})$$

For example, if the average LIHEAP benefit for high-burden households is \$500 and the average benefit for all households is \$400, the Benefit Targeting Index is 125. [Note: $\$500/\$400 = 1.2 * 100 = 125$] If the average benefit for the higher-burden households is greater than the average benefit for all households, the Benefit Targeting Index will be greater than 100.

The second targeting performance measure—the Burden Reduction Targeting Index—compares the average percentage reduction in energy burden for high-burden households to the average percentage reduction in energy burden for all households.

$$\text{Burden Reduction Targeting Index} = 100 * (\text{Average Burden Reduction Percentage for High-Burden Households} / \text{Average Burden Reduction Percentage for All Households})$$

For example, if high-burden households have their energy burden reduced by 50 percent (e.g., from 20 percent of income to 10 percent of income) and the average household has its energy burden reduced by 25 percent (e.g., from 10 percent of income to 7.5 percent of income) the Burden Reduction Targeting Index is 200. [Note: $50\%/25\% = 2 * 100 = 200$] If the average burden reduction percentage for high-burden households is greater than the average burden reduction percentage for all households, the Burden Reduction Targeting Index will be greater than 100.

The statutory language requires that grantees furnish the “highest level of assistance to those households that have the lowest incomes and the highest energy costs or needs in relation to

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income, taking into account family size.” In general, it seems likely that a grantee who is fulfilling that statutory objective will have a Benefit Targeting Index greater than 100 and a Burden Reduction Targeting Index greater than 100.

As grantees have started to work with the LIHEAP energy burden targeting data, they have identified a number of potential issues related to the calculation of energy burden, development of the targeting indexes, and using the performance data and targeting indexes for making programmatic decisions. The purpose of this study is to examine each of the issues that the grantees have identified and furnish OCS with options for addressing those issues in the specifications of the performance measures and furnishing guidance to grantees on how to use the performance measures data for programmatic decision-making.

The potential issues reviewed by this study include:

- **Vulnerable Households** – The LIHEAP statute explicitly includes vulnerable households as those with the “highest level of energy costs or needs.” In response to that directive, some LIHEAP grantees furnish higher heating assistance benefits to vulnerable households, while others offer special benefits (e.g., summer cooling assistance) to vulnerable households. This study examines how having special treatment for vulnerable households can affect the energy burden targeting measures.
- **Crisis Benefits** – The LIHEAP statute requires grantees to reserve a “reasonable amount” of funds until March 15 for “energy crisis intervention.” Moreover, the statute says that grantees should “provide some form of assistance that will resolve the crisis...”. LIHEAP grantees are concerned that when they are attempting to furnish crisis benefits to clients that are sufficient to “resolve the crisis” they are not able to consider how the needed benefit compares to the household’s energy burden. This study examines whether the inclusion of crisis benefits in the calculations of the energy burden targeting reduces the usefulness of the information.
- **Subsidized Housing Utility Allowances** – Some low-income households live in subsidized housing and receive monthly allowances that help them to pay their energy bills. Many LIHEAP grantees give lower benefits to households who receive these utility allowances because their “net” energy bills are substantially lower than those of other households. However, since it is difficult to collect information on the amount of these allowances, the performance data can make it appear that these households have higher energy burden but receive lower benefits than the average recipient household. This study examines how benefit determination procedures for such households are designed and what the implications are for energy burden targeting measures.

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- Ratepayer- and Publicly-Funded Energy Assistance – In the jurisdictions for some grantees, there are other energy assistance funding sources, including ratepayer funds for electric and gas energy assistance and taxpayer-funded assistance for all types of energy. For such grantees, it is difficult to interpret the LIHEAP energy burden targeting measures when the actual energy bill paid by a household is less than what the client was originally billed by the energy supplier. This study looks at the different types of non-LIHEAP energy assistance programs and identifies ways to account for those benefits as part of the analysis of energy burden targeting.

The study examines each of these issues, furnishes information on whether and how each issue affects the validity and usefulness of the energy burden targeting performance measures, and discusses what type of guidance should be furnished to grantees on how to use the performance data for programmatic decision-making in a way that accounts for these issues.

A. Targeting Vulnerable Households

The LIHEAP statute directs grantees to furnish the highest level of assistance to those households that have the lowest incomes and the highest level of energy costs *or needs* in relation to income. One of the groups identified as having the highest level of needs are vulnerable households. In response to that statutory directive, many grantees have developed special procedures that treat vulnerable households differently from other households.

One important question to be addressed by the study is:

If a grantee is otherwise targeting their benefits to those households with the highest energy burden, how much does making special benefits available to vulnerable households affect the energy burden targeting measures?

A related question to be addressed by the study is:

Is there a way to design supplemental benefits for vulnerable households that are most consistent with targeting the highest burden households?

As OCS works toward setting energy burden target performance goals, it will be important for them to account for these issues so that setting energy burden targeting goals does not detract from performance with respect to vulnerable household targeting goals.

1. Targeting Vulnerable Households

There are a number of different ways that grantees can deliver the highest level of benefits to vulnerable households. These include:

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- Application Procedures – Grantees often give vulnerable households priority in applying for LIHEAP benefits or have other special procedures that make it easier for such households to apply for benefits.
 - Early Application – In FY 2017, 21 grantees allowed elderly households to apply for LIHEAP benefits before the program is opened to other types of households.
 - Other Application Procedures – In FY 2017, 49 grantees allowed households with a disabled individual to apply for the program without coming to the LIHEAP office.
- Special Programs – A few grantees have benefit programs that are restricted to vulnerable individuals. In FY 2017, four states had cooling programs that were available only to vulnerable households. That would be expected to increase the average total benefits for vulnerable households compared to other types of households.
- Additional Benefits – In FY 2017, about 20 grantees offered supplemental benefits to vulnerable households. A review of state plans and benefit matrixes found that the lowest supplemental benefit was 25 dollars and the highest supplemental benefit was 220 dollars.

Special application procedures can increase the number of vulnerable households in the population. However, that would affect the Vulnerable Household Targeting Index, but would not have any impact on the Benefit Targeting Index or the Burden Reduction Targeting Index. However, offering vulnerable households higher benefits or making vulnerable households eligible for special benefits (e.g., cooling benefits) might have an impact on benefit and energy burden reduction targeting.

2. Vulnerable Household Performance Statistics

To get a better understanding of how vulnerable households compare to non-vulnerable households, we obtained and analyzed LIHEAP participant data from two states – Minnesota and Montana.

Table 1 furnishes information for Minnesota; it shows the energy burden performance data for all households, vulnerable households, and non-vulnerable households.

- One important finding from Table 1 is that a large share of the LIHEAP households in Minnesota are classified as vulnerable (i.e., have at least one vulnerable individual). About 75 percent of the households with energy burden data are vulnerable households.

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- The second finding is that vulnerable households and non-vulnerable households have very similar energy burden statistics. The average energy bills and average benefit for non-vulnerable households are about four percent higher than those for vulnerable households.

Minnesota does not offer supplemental benefits for vulnerable households. The post-LIHEAP energy burden for vulnerable and non-vulnerable households are almost exactly the same.

Table 1. Statistics for All, Vulnerable, and Non-Vulnerable Households in Minnesota for FY 2016

Statistic	All Households	Vulnerable Households	Non-Vulnerable Households
Number of Households	86,052	64,651	21,401
Average Annual Income	\$18,626	\$18,409	\$19,278
Average Total Energy Bill	\$2,102	\$2,081	\$2,163
Pre-LIHEAP Energy Burden	11.3%	11.3%	11.2%
Average LIHEAP Benefit	\$696	\$688	\$718
Post-LIHEAP Energy Burden	7.6%	7.6%	7.5%

Source: Calculations from Minnesota LIHEAP Data Extract.

Table 2 furnishes information for Montana; it shows the energy burden performance data for all households, for vulnerable households, and for non-vulnerable households.

- One important finding from Table 2 is that a large share of the LIHEAP households in Montana are classified as vulnerable (i.e., have at least one vulnerable individual). About 77 percent of households with energy burden data are vulnerable households.
- The second finding is that vulnerable households and non-vulnerable households have comparable, but slightly different, energy burden statistics. The average energy bills for non-vulnerable households are about nine percent higher than those for vulnerable households and the average benefit is about 14 percent higher.

Montana does not offer supplemental benefits for vulnerable households. The post-LIHEAP energy burden for vulnerable and non-vulnerable households are similar; the non-vulnerable households have a slightly higher post-LIHEAP burden than do the vulnerable households.

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Table 2. Statistics for All, Vulnerable, and Non-Vulnerable Households in Montana for FY 2016

Statistic	All Households	Vulnerable Households	Non-Vulnerable Households
Number of Households	9,526	7,399	2,197
Average Annual Income	\$13,799	\$14,017	\$13,066
Average Total Energy Bill	\$1,068	\$1,047	\$1,137
Pre-LIHEAP Energy Burden	7.7%	7.5%	8.7%
Average LIHEAP Benefit	\$616	\$596	\$683
Post-LIHEAP Energy Burden	3.3%	3.2%	3.5%

Source: Calculations from Montana LIHEAP Data Extract.

3. Analysis of Energy Burden Targeting Impacts of Supplemental Benefits

Since neither Minnesota nor Montana offer supplemental benefits to vulnerable households, we were not able to assess the “actual” impact of those supplemental benefits on the LHEAP energy burden targeting measures. However, since we obtained data on the client characteristics, we were able to use those data to examine the impact of assigning supplemental benefits to vulnerable households. We examined four scenarios:

1. Baseline – We looked at the FY 2016 benefit targeting index and the burden reduction targeting index for each state.
2. \$50 Supplemental Benefit – We measured the change in those indexes if we added a \$50 supplemental benefit to the account of each vulnerable household.
3. \$200 Supplemental Benefit – We measured the change in those indexes if we added a \$200 supplemental benefit to the account of each vulnerable household.
4. Percentage Supplement – We measured the change in those indexes if we gave each vulnerable household a supplemental benefit that was 10% of their original benefit.

Table 3 shows the values of the Benefit Targeting Index and the Burden Reduction Targeting Index under each of those scenarios. The general finding from this simulation is that offering a fixed-value supplement to vulnerable households reduces the targeting indexes but offering a percentage supplement both delivers higher benefits to vulnerable households and maintains the performance of the program with respect to the targeting indexes.

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Table 3. Index Values for Minnesota and Montana Programs by Scenario for FY 2016

Scenario	Minnesota Benefit Targeting Index	Minnesota Burden Reduction Targeting Index	Montana Benefit Targeting Index	Montana Burden Reduction Targeting Index
Baseline	143	115	131	101
\$50 Supplemental Benefit	140	113	128	98
\$200 Supplemental Benefit	134	108	121	93
10% Supplemental Benefit	142	115	129	99

Source: Calculations from Minnesota and Montana LIHEAP Data Extracts.

4. Findings and Recommendations

In this study, we learned the following about vulnerable and non-vulnerable households.

- Supplemental Benefits - Our research found that 24 states offer supplemental benefits to vulnerable households; 20 states give vulnerable households heating assistance supplemental benefits of between \$25 and \$250; and four states offer cooling assistance to vulnerable households but not to non-vulnerable households.
- Percent of Households Served by LIHEAP – For the two states we examined, more than three-fourths of the households served are vulnerable. We reviewed the information for a number of other states and found that the share of LIHEAP households who are vulnerable varied from a low of about 65 percent of households to a high of over 90 percent of households.
- Household Characteristics – Using the data from Minnesota and Montana, we compared the energy burden characteristics for vulnerable and on-vulnerable households. In general, we found that vulnerable and non-vulnerable households were similar with respect to energy burden.

Using the data from Minnesota and Montana, we conducted a simulation to assess how offering vulnerable households supplemental benefits would affect the energy burden targeting indexes.

- Fixed Supplement – When we added a fixed supplement to the benefit for vulnerable households, it reduced both the benefit targeting index and the burden reduction targeting index. The higher the value of the fixed supplement, the greater the reduction in the targeting index value.
- Percentage Supplement – When we added a 10% supplement to the benefit for vulnerable households, however, there was only a very small impact on the targeting indexes.

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Based on these findings, we can make the following recommendations with respect to the objectives of targeting vulnerable households and targeting high-burden households.

- Vulnerable Households – In most states, at least two-thirds of the LIHEAP recipients are vulnerable households. As such, giving supplemental benefits to vulnerable households has, at most, only a modest impact on energy burden targeting.
- Type of Supplement – OCS should alert grantees that, if they are going to furnish supplemental benefits to vulnerable households, they can maximize their energy burden targeting indexes by furnishing a supplement that varies by income level.

Overall, the study finds that, while targeting vulnerable households and targeting high-burden households can represent competing interests, there are effective ways for serving both objectives.

B. Furnishing Crisis Benefits to Households

The LIHEAP statute requires grantees to reserve a “reasonable amount” of funds until March 15 for “energy crisis intervention.” Moreover, the statute says that grantees should “provide some form of assistance that will resolve the crisis...” LIHEAP grantees are concerned that when they are attempting to furnish crisis benefits to clients that are sufficient to “resolve the crisis” they are not able to consider how the needed benefit compares to the household’s energy burden. This study examines whether the inclusion of crisis benefits in the calculations of the energy burden targeting reduces the usefulness of the information.

The key question with respect to crisis benefits to be addressed by the study is:

If a grantee is otherwise targeting their benefits to those households with the highest energy burden, how much does making crisis benefits sufficient to “resolve the crisis” affect the energy burden targeting measures?

A related question to be addressed by the study is:

Are there ways to design crisis benefit programs that are most consistent with targeting the highest burden households?

The statute requires grantees to furnish the highest level of assistance to those households that have the lowest incomes and the highest energy costs or needs in relation to income taking into account family size. However, that does not necessarily mean that households who have the same energy burden should receive the same benefit. For example, if two households have the same energy burden but one has very high medical expenses, that household might need a higher LIHEAP benefit to help them maintain their energy service.

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1. Crisis Program Recipient Performance Statistics

To get a better understanding of how households who receive crisis assistance compare to those who do not, we looked at the recipient data that we received from the Minnesota LIHEAP program.

Table 4 furnishes information for Minnesota. It shows the energy burden performance data for all households, for households that received heating assistance benefits and crisis assistance benefits, and for households that received only heating assistance benefits.

- Number of Crisis Households – Among the 86,052 households for which we had data, about 30 percent received Crisis Benefits while 70 percent did not receive those benefits.
- Energy Burden – The pre-LIHEAP energy burden is a little higher for the Crisis Households than for the Non-Crisis Households. They have an average energy burden of 12.0 percent compared to an energy burden of 11.1 percent for the Non-Crisis Households. The energy bills for the Crisis Households are about 13 percent higher than those for the Non-Crisis Households, but their income is only 3 percent higher.
- Benefits – The Crisis Households received an average benefit that was more than twice the amount of the average benefit received by the Non-Crisis Households.
- Post-LIHEAP Energy Burden – The average energy burden for Crisis Households after receiving LIHEAP was 6.3 percent. That was lower than the average energy burden for Non-Crisis Households of 8.1 percent.

It seems clear that Crisis Households are different from Non-Crisis Households. While the average energy burden before receiving LIHEAP for Crisis Households is only a little higher than that for Non-Crisis Households, they received a much higher LIHEAP benefit and had a lower energy burden after LIHEAP than do Non-Crisis households.

Table 4. Total Assistance Benefit Statistics for All, Crisis, and Non-Crisis Households in Minnesota for FY 2016

Statistic	All Households	Crisis Households	Non-Crisis Households
Number of Households	86,052	25,652	60,400
Average Annual Income	\$18,626	\$18,952	\$18,487
Average Total Energy Bill	\$2,102	\$2,285	\$2,024
Pre-LIHEAP Energy Burden	11.3%	12.1%	11.0%
Average LIHEAP Benefit	\$696	\$1,098	\$525
Post-LIHEAP Energy Burden	7.6%	6.3%	8.1%

Source: Calculations from Minnesota LIHEAP Data Extract.

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One possible explanation for why a household would need to apply for Crisis Benefits is that their Heating Assistance Benefit is not sufficient to make their energy bills affordable. To examine this question in more detail, we compared the performance statistics for the Crisis Households and Non-Crisis Households when only the Heating Assistance Benefits were counted. Table 5 furnishes information on the Heating Assistance part of the LIHEAP benefit.

- **Benefits** – The Crisis Households received a Heating Assistance benefit that was about 7 percent higher than the benefit received by the Non-Crisis Households. That would be expected since the Crisis Households had higher energy bills than did the Non-Crisis Households, and the Minnesota benefit determination procedure is designed to pay higher benefits to households with higher energy bills.
- **Post-LIHEAP Energy Burden** – The average energy burden for Crisis Households after receiving the Heating Assistance benefit was 9.1 percent compared to an average energy burden for Non-Crisis Households of 8.1 percent.

The Heating Assistance benefit does not reduce the energy burden for Crisis Households to the same level as that for Non-Crisis Households. But, even though there is a difference in post-LIHEAP energy burden, it does not seem that the modest difference would be the explanation for why those households need Crisis Assistance.

Table 5. Heating Assistance Benefit Statistics for Crisis and Non-Crisis Households in Minnesota for FY 2016

Statistic	All Households	Crisis Households	Non-Crisis Households
Number of Households	86,052	25,652	60,400
Average Annual Income	\$18,626	\$18,952	\$18,487
Average Total Energy Bill	\$2,102	\$2,285	\$2,024
Pre-LIHEAP Energy Burden	11.3%	12.1%	11.0%
Average LIHEAP Heating Benefit	\$535	\$560	\$525
Post-LIHEAP Energy Burden	8.4%	9.1%	8.1%

Source: Calculations from Minnesota LIHEAP Data Extract.

These data are useful to the Minnesota LIHEAP program in that they show that the need for Crisis Benefits is not likely to be caused by a problem with the way that they assigned Heating Assistance benefits. Rather, it is likely that there are some other factors that determine whether a household applies for a Crisis Benefit.

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2. Impact of Crisis Program Benefits on Energy Burden Targeting Indexes

The analysis above found that, for Minnesota, there are only modest differences in the income, energy expenditures, and heating assistance benefits for Crisis Households and Non-Crisis Households. However, Crisis Households receive average total benefits that are more than twice the average total benefits for Non-Crisis Households. It seems likely that this could have an impact on the LIHEAP Energy Burden Performance Measures.

This study used the data from Minnesota to examine whether and how much the Crisis Benefits changed the Energy Burden Targeting Indexes. In Table 6, the first column shows the Targeting Index values that Minnesota reported on the FY 2016 Performance Data Form. Their Benefit Targeting Index was 143 and their Burden Reduction Targeting Index was 115. The second column of the table shows what the targeting indexes *would have been* if they were computed looking just at the Heating Assistance Benefits. The table shows that the Benefit Targeting Index for Heating Assistance would have been 146 instead of 143 and that the Burden Reduction Targeting Index would have been 118 instead of 115. It is clear that including Crisis Benefits in the Targeting Index calculations does have some impact on the value. However, that impact is modest.

Table 6. Energy Burden Targeting Indexes for All Benefits, for Total Assistance Benefit Statistics for Crisis and Non-Crisis Households in Minnesota for FY 2016

Targeting Index	Reported Targeting Indexes (Heating Assistance and Crisis Assistance)	Modified Targeting Indexes (Heating Assistance Benefits Only)
Benefit Targeting Index	143	146
Burden Reduction Targeting Index	115	118

Source: Calculations from Minnesota LIHEAP Data Extract.

The analysis found that one factor that mitigates the impact of including Crisis Benefits in the targeting calculations is that Crisis Households are in lower poverty groups than are Non-Crisis Households. Table 5.4 shows the distribution of poverty level for All Households and Crisis Households. While 52 percent of Minnesota’s LIHEAP clients have incomes at or below the Poverty Income Guidelines, 57 percent of the Crisis Households are in that category.

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Table 7. Distribution of Poverty Group for All Households and Crisis Households for Minnesota for FY 2016

Poverty Group	All Households	Crisis Assistance Households
Less than 100% of Poverty	52%	57%
100% to LT 150% of Poverty	32%	27%
150% of Poverty or More	16%	16%

Source: Calculations from Minnesota LIHEAP Data Extract.

Since the analysis only examined the data for one state, it was important to consider whether other states would have different circumstances. Overall, are Crisis Households more likely to be lower income or higher income than Heating Assistance Households? The study used data from the Data Warehouse of the LIHEAP Performance Management Website that is based on state grantee Household Reports to examine that question. Table 8 shows that—nationally—while 65 percent of LIHEAP Heating Assistance clients have incomes at or below the Poverty Income Guidelines, about 72 percent of the Crisis Assistance clients are in that category. As such, it is likely that including Crisis Benefits in the targeting index calculations will not have a major impact on the usefulness of those statistics to understand program benefit targeting.

Table 8. Distribution of Poverty Group for All Households and Crisis Households for the LIHEAP Program for FY 2016

Poverty Group	All Households	Crisis Assistance Households
Less than 100% of Poverty	65%	72%
100% to LT 150% of Poverty	37%	22%
150% of Poverty or More	8%	6%

Source: Calculations from the Data Warehouse of the LIHEAP Performance Management Website.

3. Findings and Recommendations

In this study, we learned the following about Crisis and Non-Crisis Households.

- **Energy Burden** – Our research found that, in Minnesota, Crisis Households have energy burden that is a little higher than the Non-Crisis Households. That is caused mainly by the fact that those households have energy expenditures that are, on average, about 13 percent higher than those for the Non-Crisis Households.
- **Benefits** – In Minnesota, the Crisis Households received average total LIHEAP benefits that were more than twice the amount of the average total LIHEAP benefits received by Non-Crisis Households.

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- Energy Burden Targeting Indexes – The analysis demonstrated that Targeting Indexes computed using Heating Assistance benefits only showed a higher level of targeting than those indexes did when Crisis Assistance benefits were included. However, the change in the value of the targeting indexes was modest and still showed that Minnesota was targeting higher benefits to higher burden households.
- Poverty Level of Crisis Households – Supplemental analysis of the FY 2016 LIHEAP Household Report data showed that both Minnesota statistics and National statistics demonstrate that Crisis Households are more likely to have income at or below the Poverty Income Guideline than are Heating Assistance recipients. That shows that Crisis Assistance benefits are, in general, targeted to lower income and higher burden households.

Based on these findings, we can make the following recommendations with respect to the calculation of energy burden targeting indexes.

- Calculation Procedures – This analysis finds that including Crisis Benefits in the energy burden calculation procedures is appropriate. Doing so may reduce the energy burden targeting indexes by a modest amount. However, it also is consistent with the objective of measuring how LIHEAP benefits are distributed.
- State-by-State Analysis – It is appropriate for state grantees to use their LIHEAP Household Data reports to examine whether their Crisis Assistance recipients have lower incomes or higher incomes than their Heating Assistance recipients. Those who find that their Crisis Assistance recipients have higher incomes are likely to find that including Crisis Assistance benefits in their energy burden targeting indexes will have an impact on the value of those statistics.

Overall, the study finds that the current procedures for calculating the energy burden targeting indexes furnish the best overall estimate of energy burden targeting for use by policymakers.

C. Subsidized Housing Utility Allowances

Some low-income households live in subsidized housing and receive monthly allowances that help them to pay their energy bills. Some LIHEAP grantees give lower benefits to households who receive these utility allowances because their “net” energy bills are substantially lower than those of other households. However, since it is difficult to collect information on the amount of these allowances, the performance data can make it appear that these households have higher burden but receive lower benefits than the average recipient household. This study examines how benefit determination procedures for such households are designed and what the implications are for energy burden targeting measures.

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The key question with respect to households who receive subsidized housing utility allowances to be addressed by the study is:

What are the best ways for grantees to collect and report information for households who live in subsidized housing and have their LIHEAP benefits adjusted to account for that assistance?

This study does not furnish information on or make policy recommendations with respect to the design and implementation of any such adjustments.

1. Subsidized Housing and LIHEAP Benefits

According to information published by the LIHEAP Clearinghouse in November 2013 and updated in 2016, “the Department of Housing and Urban Development (HUD) provides housing assistance to more than 3 million American families, including 1.3 million living in housing directly owned by public housing authorities (PHAs) and 2 million living in privately owned housing where the owner or tenant receives rental assistance from HUD usually under Section 8 vouchers or certificates.”² The Clearinghouse publication further reports that some LIHEAP grantees deny benefits to households who receive HUD housing subsidies and that other grantees reduce the LIHEAP benefits for such households in some way.

Some examples of ways that grantees reduce benefits for households that receive HUD subsidies include the following.

- Massachusetts – The Massachusetts LIHEAP program gives households who live in subsidized housing or in a Low-Income Tax Credit building a “partial LIHEAP benefit.”
- Indiana – The Indiana LIHEAP program uses a point-based system. Households that live in housing that ***does not*** receive a subsidy get one additional point. In a recent year, households received about \$25 for each point.
- Colorado – The Colorado LIHEAP program deducts \$180 from the EHHHC (estimated home heating costs) that is used as part of the LIHEAP benefit calculation procedure.
- Maryland – The Maryland LIHEAP program reduces the percentage of the energy bill paid when a household receives a HUD subsidy. For example, for a household with income at or below 75 percent of the Poverty Income Guideline, the Maryland LIHEAP program pays 95 percent of the natural gas bill. However, if the same household received a HUD subsidy, the LIHEAP program pays only 50 percent of the natural gas bill.

² See the publication at the following location – <https://liheapch.acf.hhs.gov/pubs/440.htm> – on the Clearinghouse website.

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The statute stipulates that grantees should pay the level of assistance to those households that have the lowest incomes and the highest level of energy costs *or needs* in relation to income. However, the listed grantees perceive that households who receive a HUD subsidy have a lower level of need than other households at the same income level who do not receive a HUD subsidy.

2. Impact on Energy Burden Targeting Index Calculations

There are several different ways that states adjust or deny LIHEAP benefits to households who receive HUD subsidies. They include:

- Energy Costs Included in Rent – There are at least three ways that LIHEAP grantees treat HUD Subsidy Households.
 - Denial – Some states deny LIHEAP benefits to households who receive a HUD rental subsidy and have the cost of energy included in their rent.
 - Conditional Denial – For households who receive a HUD rental subsidy and have their heat included in the rent, some states only deny LIHEAP benefits to households whose net rental costs (i.e., rental cost minus HUD subsidy) is less than or equal to 30 percent of their income.
 - No Change – Some states treat these households in the same way as other low-income households who have the cost of heat included in their rent.
- Energy Costs Paid Directly – Some states give HUD subsidy households a reduced benefit, while others do not change their benefit determination procedures for such households.

The treatment of households whose energy costs are included in rent is not relevant to the LIHEAP energy burden targeting measures calculation procedures. Households with their energy costs included in rent do not have energy bills and therefore are not included in the energy burden targeting calculation procedures. No special treatment of the data for such households is recommended at this time.

However, for those state grantees who reduce LIHEAP benefits for HUD subsidy households, that adjustment can affect the energy burden targeting index calculations in the following way.

- Pre-LIHEAP Energy Burden – The energy burden for LIHEAP households is calculated as the household's energy bill divided by the household's income.
 - Note: Grantees who reduce the LIHEAP benefit to account for HUD subsidies are doing so because they perceive that the “net” energy burden (i.e., energy burden

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after accounting for the HUD subsidy) is less than the “gross” energy burden (i.e., the energy burden computed from simply looking at the bill from the energy vendor). However, we did not identify any grantee that collects and tracks the amount of the household’s HUD subsidy.

- **LIHEAP Benefit** – A non-subsidized household receives a “regular” benefit, while a subsidized household receives a “reduced” benefit.
- **Benefit Targeting Index** – The benefit targeting index compares the average benefit for high-burden households to the average benefit for all households. Under the current instructions, identification of high-burden households is based on the “gross” energy burden since state grantees generally do not track information on the amount of the HUD subsidy.
 - **Special Note:** Many HUD-subsidized households would be counted as “high-burden” households since they have relatively low income. Since they are “high-burden” but receive reduced LIHEAP benefits, they reduce the average LIHEAP benefit for “high-burden” households and reduce the value of the LIHEAP Benefit Targeting Index.

If a state is otherwise targeting the highest LIHEAP benefits to the highest burden households but reduces benefits for HUD-subsidized households, it could appear that the grantee is not targeting their benefits.

3. Recommended Procedures

There are two potential solutions to this issue. Grantees can either collect and track HUD utility subsidies or they can exclude those households from their Performance Data Form calculation.

- **Tracking HUD Utility Subsidy Payments** – At the time of application, some grantees ask clients whether they received utility subsidies from HUD under Section 8. If the grantee collected and tracked information on the amount of the subsidy, they could use that information to compute a “net” energy bill for the household. For example, if the energy vendor reported that the household’s annual energy bill was \$1,400 and the household received a \$50 per month utility subsidy (\$600 per year), the grantee could report the “net” energy bill as \$800 instead of \$1,400. Once that was completed, the grantee could include the household in the Performance Data Form processing.
- **Excluding HUD Subsidy Households from the Performance Data Form** – If the grantee is unable to collect and track the HUD utility subsidy payment for the individual household, it would be preferable to collect information from the utility company on energy

expenditures but exclude the household from the Performance Data Form calculations. If those households are included, the Performance Data Form gives a biased estimate of the grantee's targeting performance. However, it is still useful to collect the expenditure data so that the grantee can do supplemental analysis of how they are serving these households.

The first option is preferred since it furnishes a clearer picture of the grantee's targeting performance. The second option furnishes that grantee with useful information about targeting performance for non-subsidized households. To develop a more complete picture of targeting for subsidized households, the grantee would need to conduct additional research on those households.

D. Ratepayer-Funded and Publicly Funded Energy Assistance

In the jurisdictions for some grantees, there are other energy assistance funding sources, including ratepayer funds for electric and gas energy assistance and taxpayer-funded assistance for all types of energy. For such grantees, there are circumstances where it may be difficult to interpret the LIHEAP energy burden targeting measures.

1. *Type of Energy Assistance Programs*

There are many different designs for ratepayer-funded and publicly funded energy assistance programs. Some examples include:

- District of Columbia – The LIHEAP office receives federal funding, city funding, and ratepayer funding for energy assistance. With respect to their LIHEAP program, the District of Columbia uses federal funds until they are depleted, and then uses the funds furnished by the city government to pay benefits. With respect to the ratepayer funds, those funds are granted by the utility companies to households that apply for and receive LIHEAP benefits. Those funds are used to give LIHEAP recipients a discount on their electric and/or gas bill.
- California – All households who have an electric bill or a natural gas bill are allowed to apply for the California Alternative Rates for Energy program (CARE) and receive a discount from the utility on their electric and/or gas bill. Households self-certify for the program and do not have to participate in the LIHEAP program.
- New Jersey – All LIHEAP participant households in New Jersey are screened for eligibility for the Universal Service Fund program (USF), which furnishes households with assistance for their electric and natural gas bills. A household first applies for the LIHEAP program. If they are determined to be eligible for the program, they receive a LIHEAP benefit that is reported to the utility company. After that, the household then receives a ratepayer-funded electric assistance credit that is sufficient to ensure that their net electric bill is no

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higher than three percent of income and a ratepayer-funded natural gas assistance credit that ensures that their net natural gas bill is no higher than three percent of income. Households do not receive any supplemental assistance with the cost of delivered fuels.

- Pennsylvania – Each of the investor-owned electric and gas utilities in Pennsylvania are required to furnish energy assistance to their low-income customers. Most of the utilities have some form of a “percent of income” plan where the amount a customer is required to pay is based on a certain percentage of their income. When the household receives a LIHEAP grant, they can use that grant to pay part or all of the amount that they are required to pay to the utility company.
- Wisconsin – The state LIHEAP office gives the household a LIHEAP grant that is applied to the heating fuel and a ratepayer-funded grant that is applied toward the electric bill.

In most cases, the programs work in the following way. First, the LIHEAP program certifies that a household is income-eligible for benefits and furnishes a LIHEAP grant to the household. Then, a utility company will furnish electric or natural gas service to the client at a reduced rate. However, in the Wisconsin example, the utilities pay into a public benefits fund and the state program office uses those funds to make payments back to the utility companies on the account of income-eligible households. In the California program the utility companies furnish service at a reduced rate and do not require that households apply for LIHEAP assistance.

2. Impact on Energy Burden Targeting Index Calculations

LIHEAP grantees are required to file reports to OCS that furnish information about their LIHEAP programs. In submitting those reports, grantees only report on the use of funds that were received from the LIHEAP program and only report on those households that received benefits from LIHEAP. Grantees do not report on other sources of funding except when they are asked to submit a leveraging report. Grantees do not report on the number of households that were served with other types of funding (e.g., households from the District of Columbia who were served with city funds) or on the ratepayer-funded or publicly funded benefits that they receive.

- In the Household Report, the grantee reports on the number of households who received a LIHEAP benefit that was paid for with the LIHEAP Block Grant funds.
- In Module I of the Performance Data Form (i.e., the Grantee Survey), grantees report on the way that funds were used and on the average benefit paid with LIHEAP funds.
- In Module II of the Performance Data Form (i.e., the LIHEAP Performance Measures), grantees are expected to report on the energy bills that the households received from the

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utility company and on the LIHEAP-funded benefit that they received to help pay their energy bills.

For Module II of the Performance Data Form, the grantee only should report the benefit that was received from the LIHEAP program. However, it is more complicated to determine which energy expenditures the grantee should record on the form. There are at least three possibilities on what should be reported.

- Full Retail Bill – One approach would be to report the full amount of the retail bill that the household would have received if the household had not participated in any energy assistance program.
- Discounted Bill – A second approach would be to ask the vendor to report the amount of the retail bill net of any ratepayer-funded credits or discounts that were applied to the account.
- Bill Net of non-LIHEAP Assistance – A third approach would be to ask the vendor to report the retail bill net of *any* energy assistance credits, including those that were funded by other public sources.

It is not obvious which approach furnishes the best information on the extent to which the LIHEAP program targets benefits. The first approach listed above shows how well the LIHEAP program would be targeting benefits if there were no non-LIHEAP energy assistance programs, while the last approach shows how well the LIHEAP program targets benefits given that households receive other forms of assistance.

3. Non-LIHEAP Electric Benefit Simulations

To get a better understanding of what the different approaches to energy expenditure reports would tell a LIHEAP grantee, the study used the actual Minnesota data to examine how different types of electric energy assistance benefits might work and how different reporting procedures would show the impact of these benefits.

We started by using three different approaches to assigning “ratepayer-funded benefits” to the actual LIHEAP clients.

- Model #1 – In this model, we assigned each LIHEAP household a 30% discount on their energy bills. [Note: This is similar to the California program model.]

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- Model #2 – In this model, we assigned a 40% discount to the lowest income households, a 30% discount to the next income group, and a 20% discount to the highest income group. [Note: This is similar to the Wisconsin program model.]
- Model #3 – In this model, we assigned a benefit to each household that was sufficient to reduce their electric energy burden to 5% of income. [Note: This is similar to the New Jersey program model.]

We then examined the values of the energy burden targeting indexes using two different calculation procedures.

- Calculation Procedure #1 – In this procedure, we added the ratepayer-funded assistance benefit to the LIHEAP benefit to calculate the benefit targeting index and the burden reduction targeting index.
- Calculation Procedure #2 – In this procedure, we subtracted the ratepayer-funded assistance benefit from the household's energy expenditures to calculate the benefit targeting index and the burden reduction targeting index.

Table 9 shows the Benefit Targeting Index and Burden Reduction Targeting Index values that would be calculated under each ratepayer assistance model using each of the calculation procedures.

- Procedure #1 Outcomes – Procedure #1 furnishes performance indicators that demonstrate the targeting performance of the combined set of assistance programs. Since the 30% discount *does not* target higher burden households, it actually reduces the indexes. On the other hand, the indicators for the percent-of-income model demonstrate that this model can increase the overall targeting effectiveness compared to the effectiveness of the LIHEAP targeting.
- Procedure #2 Outcomes – Procedure #2 furnishes performance indicators that demonstrate the targeting performance of the LIHEAP assistance benefit, taking into account the existing ratepayer-funded assistance program. Since this procedure only takes into account the amount of the LIHEAP benefit, the LIHEAP benefit targeting index only changes a small amount. [Note: Any changes in the benefit targeting index are a result of which households are categorized as high-burden after receipt of the ratepayer-funded energy assistance.] However, subtracting the ratepayer-funded benefit from the household's energy expenditures [Calculation Procedure #2] does affect the burden reduction targeting index. The ratepayer assistance will reduce the total energy expenditures for the highest

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burden households and, as a result, the LIHEAP benefit will cover a larger share of the energy bill and the burden reduction targeting index will increase.

This simulation shows that it is important to consider issues related to ratepayer-funded and publicly funded energy assistance programs in collecting and reporting the data for the Performance Data Form Module II.

Table 9. Index Values for Minnesota by Scenario and Calculation Procedure FY 2016

Ratepayer-Funded Assistance Model	Benefit Targeting Index (Calculation #1)	Burden Reduction Targeting Index (Calculation #1)	Benefit Targeting Index (Calculation #2)	Burden Reduction Targeting Index (Calculation #2)
Baseline	143	115	143	115
30% Discount	136	110	144	116
Variable Discount	144	116	146	120
Percent of Income	183	148	145	144

Source: Calculations from Minnesota LIHEAP Data Extract.

4. Recommended Procedures

There are two potential solutions to this issue. Grantees can either add ratepayer-funded and publicly funded energy assistance benefits to a household’s benefits [Calculation Procedure #1] or they can subtract those benefits from the household’s energy expenditures. [Calculation Procedure #2.]

- Calculation Procedure #1 – This procedure gives the grantee the best information on the combined performance of the two programs together.
- Calculation Procedure #2 – This procedure gives the grantee and OCS the best information on the performance of the LIHEAP program.

We recommend that OCS continue its practice of requiring grantees to report *only* on LIHEAP-funded benefits in the grantee reporting forms. As such, OCS should specify that grantees should use Calculation Procedure #2 for submitting forms to OCS. However, the information furnished by Calculation Procedure #1 is extremely valuable to the grantee to demonstrate to state-level policymakers the combined impact of the energy assistance programs. As such, OCS should encourage grantees to calculate these alternative measures for their own performance management needs.

IV. Findings and Recommendations

This study finds that each of the identified issues can, in fact, affect how useful the new LIHEAP performance measures are for making programmatic decisions. However, it also finds that by specifying appropriate data collection and reporting procedures, and by furnishing training and technical assistance to LIHEAP grantees on how to use these measures, any issues can be addressed in an effective way.

A. Targeting Vulnerable Households

Our research found that about one-half of states furnish supplemental benefits to vulnerable households and that certain approaches to furnishing supplemental benefits can have an impact on the energy burden targeting indexes. Based on our findings, we make two recommendations to OCS.

- **Supplemental Benefit Design** – The best way to minimize the impact of offering supplemental benefits on benefit targeting is to give the highest supplemental benefits to those vulnerable households that have the highest energy burdens. OCS should encourage grantees to include that in their benefit design.
- **Supplemental Analysis** – We do not recommend that OCS change the Performance Data Form calculation procedures. However, we do encourage OCS to furnish training and technical assistance to grantees that helps them to understand how to compare the energy burden targeting outcomes for vulnerable and non-vulnerable households separately.

One factor that mitigates the impact of this issue on performance measurement for the LIHEAP program is that, for most states, between two-thirds and three-fourths of all LIHEAP recipients have at least one vulnerable household member.

B. Furnishing Crisis Benefits to Households

Our analysis of the data from Minnesota shows that the households that received crisis benefits in Minnesota had an energy burden that is only slightly higher than that for households that do not receive crisis benefits. However, the average benefit for crisis households was almost twice the amount of the average benefit for households that do not receive crisis. Since this means that some households who do not have the highest burden are receiving relatively high benefits, the energy burden targeting indexes are lower when regular benefits and crisis benefits are included in the Performance Data Form calculations than they are when the regular benefits alone are included. Following are our recommendations regarding this issue.

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- Calculation Procedures – This analysis finds that including Crisis Benefits in the energy burden calculation procedures is appropriate. Doing so may reduce the energy burden targeting indexes by a modest amount. However, it also is consistent with the objective of measuring how LIHEAP benefits are distributed.
- State-by-State Analysis – It is appropriate for state grantees to use their LIHEAP Household Data reports to examine whether their Crisis Assistance recipients have lower incomes or higher incomes than their Heating Assistance recipients. Those who find that their Crisis Assistance recipients have higher incomes are likely to find that including Crisis Assistance benefits in their energy burden targeting indexes will have an impact on the value of those statistics.

Overall, the study finds that the current procedures for calculating the energy burden targeting indexes furnish the best overall estimate of energy burden targeting for use by policymakers.

C. Subsidized Housing Utility Allowances

It is common for a LIHEAP income-eligible household to receive a utility subsidy payment from HUD or other sources that can significantly reduce their energy burden. We recommend that OCS furnish the following procedures.

- Tracking HUD Utility Subsidy Payments – OCS should recommend that, whenever possible, the grantee collect information from clients on the annual amount of utility subsidies and use that to compute a “net” energy bill for the client.
- Excluding HUD-Subsidized Households from the Performance Data Form – If the grantee is unable to collect and track the HUD utility subsidy payment for the individual household, OCS should advise the grantee that it would be preferable to collect information from the utility company on energy expenditures but exclude the household from the Performance Data Form calculations.

The first option is preferred since it furnishes a clearer picture of the grantee’s targeting performance. The second option furnishes that grantee with useful information about targeting performance for non-subsidized households. To develop a more complete picture of targeting for subsidized households, the grantee would need to conduct additional research on those households.

D. Ratepayer-Funded and Publicly Funded Energy Assistance

A large number of states and the District of Columbia have ratepayer-funded or publicly funded energy assistance programs. We recommend that OCS advise grantees to account for those benefits in the following way.

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- Benefits – The benefit amounts reported on the LIHEAP Performance Data Form should include *only* the amount of LIHEAP-funded benefits made available to the household.
- Energy Expenditures – To the extent possible, the energy expenditures reported on the LIHEAP Performance Data Form should be “net” of the energy assistance received from other sources.

We also recommend that OCS furnish the training and technical support to assist grantees in the development of their own performance data indicators that examine the combined impact of the LIHEAP-funded energy assistance *and* the energy assistance furnished by other funding sources.

E. Summary of Findings

This study finds that there are a number of program design issues that can have an impact on the meaningfulness of the LIHEAP energy burden performance measures. However, the study also found that, despite these issues, the energy burden performance measures are robust indicators of the effectiveness of grantee energy burden targeting procedures. Moreover, the study identified specific training and technical assistance activities that can help grantees to account for all of these issue in their performance management initiatives.