

INVESTING in LIHEAP

Why Energy Assistance is
More Important Than Ever

C A M P A I G N F O R
HOME ENERGY ASSISTANCE

© March 2014

CAMPAIGN for HOME ENERGY ASSISTANCE

1615 L Street NW, Suite 520
Washington DC 20036
202.429.8855 • info@liheap.org
www.liheap.org

Special thanks to:

Mark Wolfe

Executive Director, National Energy
Assistance Directors' Association

Leon Litow

Division of Energy Assistance,
Office of Community Services,
Administration for Children and Families

Libby Pearl

Specialist in Housing Policy,
Congressional Research Service

Additional Resources:

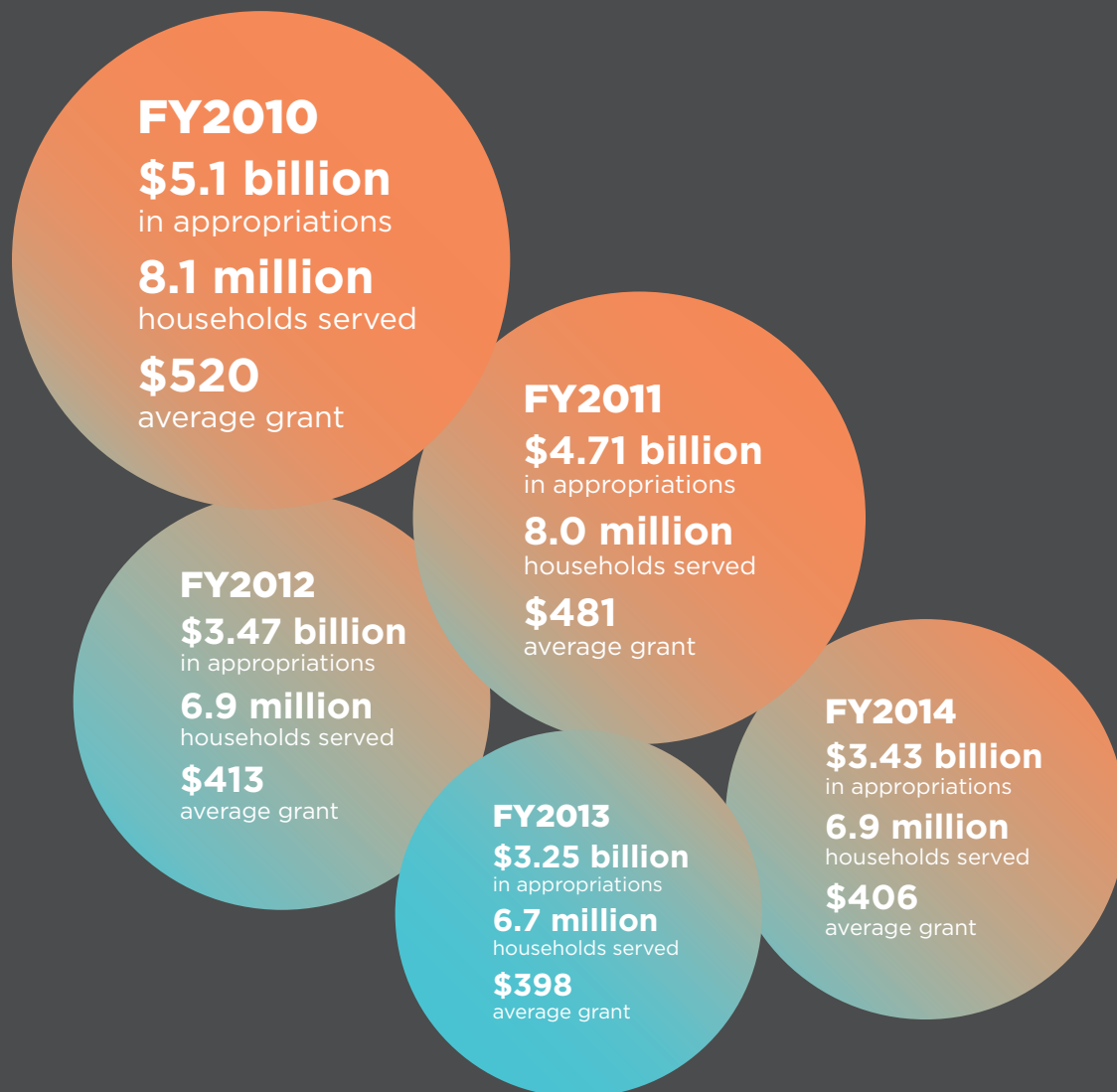
National Energy and Utility
Affordability Coalition
6324 Beryl Road
Arlington, VA 22312
703.642.9070
www.energyandutilityconference.org

National Energy Assistance
Directors' Association
1228 31st Street NW
Washington, DC 20007
202.333.5915 • info@neada.org
www.neada.org

“We must use every means that we have to help meet needs. More funding to cover the costs of heating would be a real shot in the arm for those so depressed by the economy.”

**Major Earline May, Program Administrator
The Salvation Army, Steubenville, OH**

FUNDING AND HOUSEHOLDS SERVED FY2010–FY2014



See totals by state on page 12
Source: National Energy Assistance
Directors' Association (NEADA).
Updated March 2014

“LIHEAP services provide peace of mind for families, even if just for a short time.”

Angela Hirsch, Central Missouri Community Action Agency, Columbia, MO



INTRODUCTION

Since its inception in 1981, the Low Income Home Energy Assistance Program (LIHEAP) has evolved into a widely supported, highly effective program that delivers critical short-term aid to our most vulnerable neighbors. LIHEAP is an essential resource for the country’s most underserved populations, including the working poor, the disabled and the elderly living on fixed incomes. LIHEAP is an exceptionally efficient and targeted program, with state block grants flowing to local agencies with specific clients on a short-term basis. Extensive academic research has documented the broader impact of energy assistance, from the “heat or eat” dynamic seen in many lower-income households, to the health effects on children. During tough economic times and with home heating and cooling prices on a steady incline, LIHEAP has never been more important for the protection of millions of struggling families.

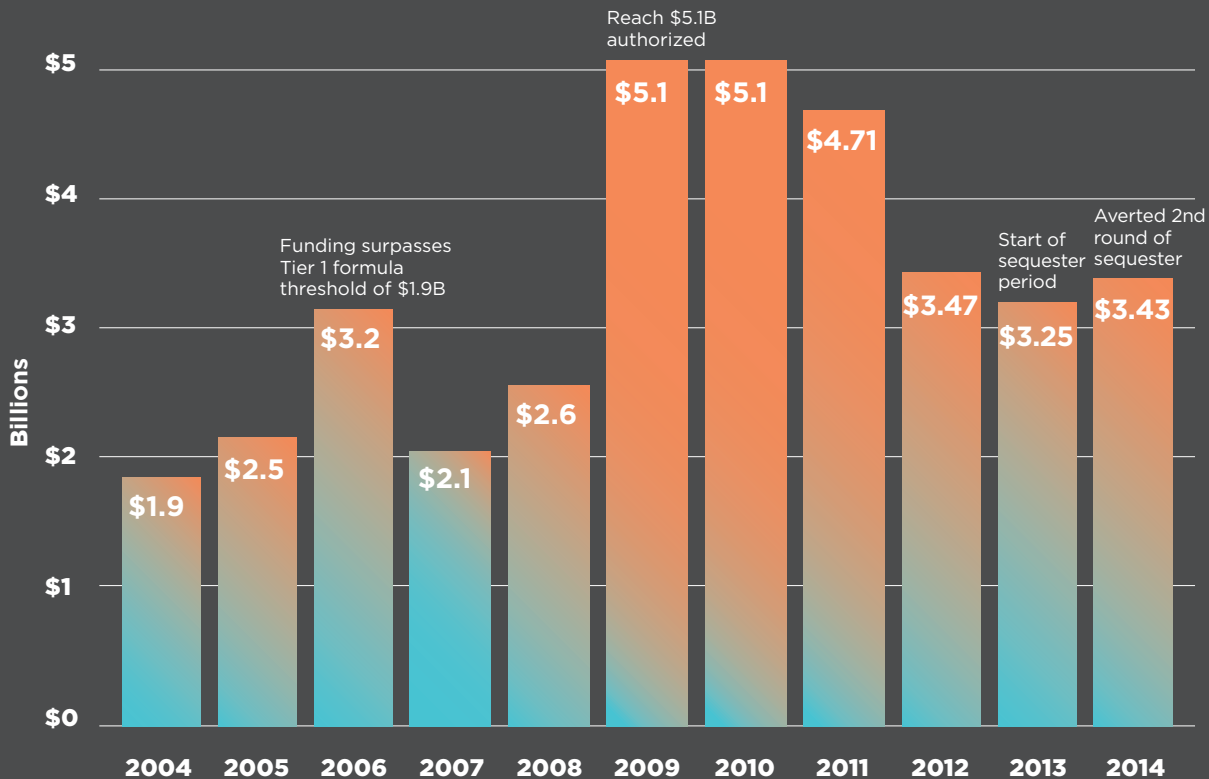
LIHEAP was initially a regional program, with block grants focused primarily on providing annual assistance to cold weather states with a contingency fund providing emergency assistance on an as-needed basis during periods of extreme cold or heat. Over the past decade, a bipartisan consensus emerged that LIHEAP should transform from a

regional program to a true national program with adequate resources to serve all regions.

The transformation of LIHEAP to a national program is a significant success story. But the expansion of the program on a national basis has increased the responsibility to recognize the economic implications of funding the program at sufficient levels. At current funding levels, however, not all of these homes are able to benefit from LIHEAP assistance, and those who do will receive diminished support despite rising energy costs.

Over the past decade, statistics show that wages for working Americans have stagnated and unemployment figures have risen. The worst economic crisis since the Great Depression has put tens of millions of Americans in a desperately precarious financial state. According to 2012 data from the US Census Bureau, 15 percent of the population have incomes below the poverty threshold. The number of people in poverty was 46.5 million in 2012, an increase of 2.5 percentage points over 2007, the year before the most recent recession. At the same time, energy costs have only continued to rise, placing an onerous burden on consumers. Put simply, a reduction to FY2015 and future funding levels ignores the stark reality of how much the playing field has changed.

LIHEAP FUNDING FY2004–FY2014



IN BRIEF: A LOOK AT THE RECENT BUDGET HISTORY

Since Congress appropriated the authorized funding level of \$5.1 billion in 2009, the program has declined more than 30 percent in recent years.

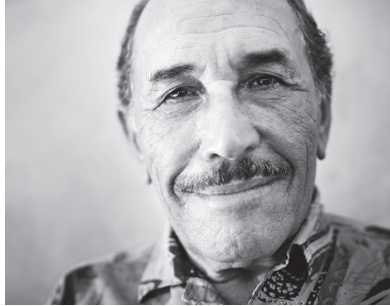
While the program was able to avert a second year of sequestration cuts in FY2014, the number of households eligible for assistance continues to exceed available funding. In fact, according to NEADA, the total number of households receiving assistance has declined by 17 percent between FY2010 and FY2013, from about 8.1 million to 6.7 million.

During the same time that funding has declined, energy costs have remained historically high. As a result, the purchasing power of LIHEAP assistance has been reduced. Recipients have seen their average LIHEAP grant reduced by more than \$100 since 2010, from \$520 in FY2010 to \$406 in FY2013.

The average LIHEAP grant is estimated to cover less than half of the average home heating costs for households this winter, meaning that many low-income families and seniors will have fewer resources available to meet other basic needs.

**“For many,
LIHEAP is the
only thing
standing
between them
and financial
ruin.”**

**Walter Rose, Energy Specialist,
Alaska Regional Native Non-Profit**



PROGRAM OVERVIEW

The Low Income Home Energy Assistance Program (LIHEAP) is one of the most critical components of the social safety net. The program provides heating and cooling assistance to roughly 6.9 million households, including the working poor, those making the difficult transition from welfare to work, disabled persons, elderly and families with young children.

Without energy assistance, many low-income households would have to choose between heating and eating or other vital necessities. This is especially true during the peak winter heating and summer cooling seasons, when energy bills can comprise roughly 30 percent of a low-income household's monthly income, especially in substandard housing.

LIHEAP was originally conceived in 1981 to address high heating costs, especially in the Northeast. Congress broadened the program in 1984 and

made clear that LIHEAP is needed to help meet the pervasive needs of at-risk Americans in all regions of the country, as they face the rigors of both cold and hot weather.

LIHEAP has nurtured a very positive, effective partnership between the federal government, state governments and the private sector. By leveraging private dollars to supplement federal dollars, LIHEAP has proven that successful relationships can exist between the government, businesses, gas and electric utilities and community-based social service organizations.

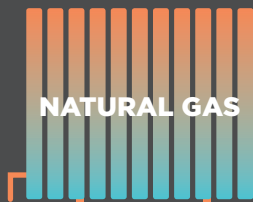
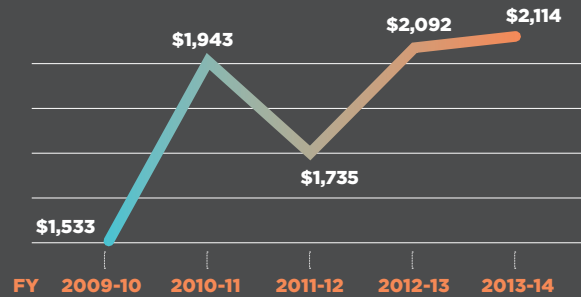
While states, local governments, utilities and charitable organizations have demonstrated their capacity to develop programs to address some energy assistance needs, collectively these programs cannot meet the demand for energy assistance, a need that only continues to grow.

ENERGY PRICE INCREASE: CHANGE IN HOUSEHOLD WINTER HOME HEATING COSTS



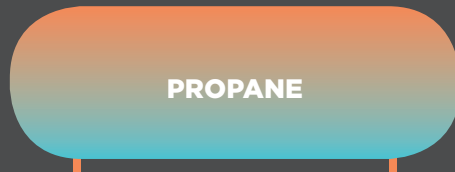
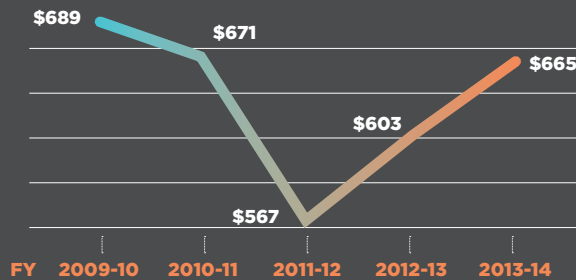
HEATING OIL

37.9% increase 2009-2014
1.1% increase 2012-2013



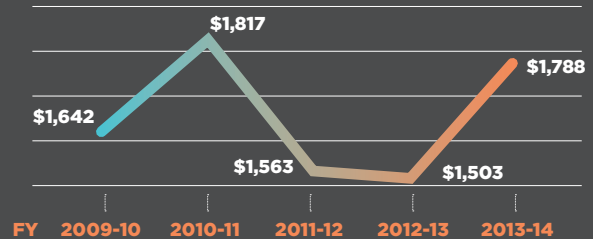
NATURAL GAS

-3.5% increase 2009-2014
10.3% increase 2012-2013



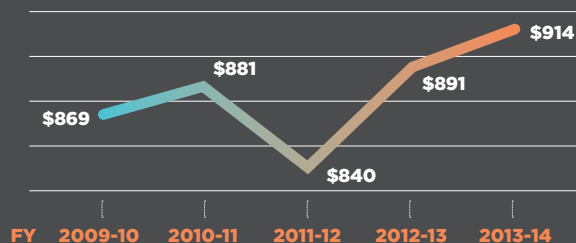
PROPANE

8.9% increase 2009-2014
19% increase 2012-2013



ELECTRICITY

5.2% increase 2009-2014
2.6% increase 2012-2013



Source: National Energy Assistance Directors' Association (NEADA). Updated March 2014

“While we appreciate the increase in funding over the years, we are still only able to serve six percent of those eligible families.”

**Betsy Bolding, LIHEAP Advocate,
Tucson Electric Power, Tucson, AZ**



PROGRAM COMPONENTS

Basic Energy Assistance and Crisis Assistance

Basic energy and crisis assistance is at the core of LIHEAP. States are allowed to spend only ten percent of allocated funds on administrative costs and may transfer up to ten percent to support weatherization. The remaining funds are passed on to low-income households through direct grants. The LIHEAP statute authorizes Health and Human Services to assist eligible households in meeting the costs of home energy, which is defined as a source of heating or cooling in residential dwellings. Households are eligible under federal standards when incomes do not exceed the greater of 150 percent of the poverty level for their state or 60 percent of the state median income. However, states may set income limits as low as 110 percent of the poverty level. The law requires benefits to be targeted to households with the highest energy costs in relation to income and household size.

The Emergency Contingency Fund

The Emergency Contingency Fund is needed to supplement regular appropriations because some winters are worse than others, summers can be accompanied by prolonged heat waves and emergencies in certain regions may require flexibility in meeting needs beyond the formulas established under

the program. For example, funds were released to provide heating assistance to offset extreme cold, price spikes in heating oil, propane and natural gas and to cover the additional cooling costs in the Midwest during a prolonged summer heat wave.

Congress permanently authorized emergency contingency funding at \$600 million in FY1994, and they have remained authorized at that same level. However, as overall appropriations have recently declined, Congress has not provided contingency funds in the last three budget cycles. This was done to ensure that states had certainty around how much formula funds would be available in those program years.

Advance Funding

Advance funding establishes the level of funding for the succeeding fiscal year. An advance appropriation is needed because the heating season formally starts on October 1, the first day of the federal government's fiscal year. When Congressional schedules delay the budget and appropriations cycle, continuing resolutions must be approved.

In some years, Congress has recognized this funding anomaly by providing advance appropriations to ensure that states can plan their disbursements. Advance funding for LIHEAP was discontinued in FY2002, however, and should be restored in the federal appropriations process.

WHO LIHEAP HELPS THE MOST

Close to 80% of LIHEAP recipients using heating and cooling assistance are below 100% of the poverty level, which would be \$23,850/year for a family of four (FY2014 levels). More than 75% of all households receiving LIHEAP assistance have at least one member who is elderly, disabled or a child.



HEATING

4,975,566 total households served
70.7% under 100% of poverty level
23.7% at 101-150% of poverty level
5.6% over 150% of poverty level
31.8% with an elderly member
32.3% with disabled member
70.7% with a young child



COOLING

432,526 total households served
76.5% under 100% of poverty level
22.5% at 101-150% of poverty level
1.1% over 150% of poverty level
39.5% with an elderly member
38.9% with disabled member
20.3% with a young child



WINTER CRISIS

1,294,378 total households served
73.2% under 100% of poverty level
21.5% at 101-150% of poverty level
5.3% over 150% of poverty level
18.7% with an elderly member
27.9% with disabled member
27.3% with a young child



SUMMER CRISIS

101,695 total households served
78.5% under 100% of poverty level
20.3% at 101-150% of poverty level
1.2% over 150% of poverty level
28.1% with an elderly member
34.3% with disabled member
25.9% with a young child

WEATHERIZATION

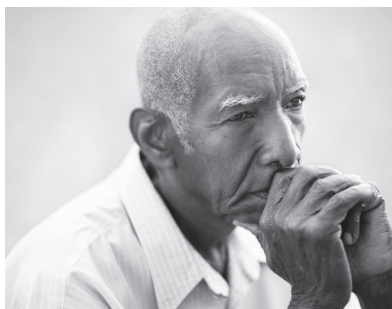
107,885 total households served
54.5% under 100% of poverty level
33.9% at 101-150% of poverty level
11.6% over 150% of poverty level
36.8% with an elderly member
30.1% with disabled member
19.3% with a young child



Source: LIHEAP Report to Congress for FY2008, the most recent year's data available from HHS. Updated March 2014

“I feel like a tremendous load has been lifted. I can’t afford to stress over money when my health is failing.”

Mr. Gomez, a 73 year-old man suffering from Parkinson’s disease and crippling arthritis, lives off of a \$637 SSI payment.



Weatherization

States may allocate up to 15 percent of their basic grant allocation for low-cost residential weatherization or other energy-related repair and up to 25 percent if they meet certain conditions and obtain a waiver from HHS. The weatherization program reduces the heating and cooling costs for low-income families by improving the energy efficiency of their homes and thereby improving their health and safety.

Leveraging Incentive Programs

Approximately \$20–30 million of program funds are used annually to reward states for programs that spur additional fundraising or encourage private expenditures through the Leveraging Incentive Program.

Residential Energy Assistance Challenge Option (REACH)

The purpose of REACH is to minimize health and safety risks that result from high energy burdens on low-income Americans, prevent homelessness due to inability to pay energy bills, increase energy efficiency and target energy assistance to individuals in greatest need. REACH was first funded in FY1994. Up to 25 percent of funds appropriated for state leveraging programs may be made available for REACH incentive grants to states. Such funding may be used for costs of planning, implementing and evaluating state REACH programs.

Elderly, Disabled, Children

Many households receiving heating assistance contain elderly residents, disabled residents and children. In 2008, more than three-quarters of all households receiving LIHEAP assistance had at least one member who was elderly, disabled, a child under 18 or had a single adult living with one or more children. When low-income families cannot afford their high energy bills, they are often forced to make tough choices. According to a 2011 Children’s Health Watch report issued by Columbia University, energy insecurity is associated with poor health and development in very young children. Children in households that can only afford to heat or cool their homes by cutting back on food or medically necessary prescription medications are more likely to be hospitalized and underweight, a sign of inadequate health.

Indian Tribes

In FY2013, 162 Indian tribes and tribal organizations located in 25 states received funding through LIHEAP. The funds come out of the gross allotment for each state. Several tribes can form a consortium to administer the funds. The FY2014 tribal set-aside from regular block grant funds was nearly \$5 million.



IN BRIEF: CRs AND LIHEAP

What are they? A continuing resolution, known generally as a CR, is a type of appropriations legislation passed when Congress and the President fail to pass a budget. Regular appropriations bills are passed annually to cover federal government spending across departments, agencies and programs. A CR allows the previous fiscal year's spending levels to carry forward at the same levels (or with minor modifications) for a set amount of time or until a regular appropriations bill is passed. CRs can be passed to avoid highly disruptive government shutdowns, like the shutdown of October 2013, and provide temporary authority for federal agencies to stay in operation.

How does this impact LIHEAP? LIHEAP suffers from uncertainties created under the scenario of a continuing resolution in the autumn because many states rely on the program during the cold winter months, which coincides with the new fiscal year. These states traditionally spend over 70 percent of the LIHEAP funds during the first two quarters of the federal fiscal year. While the administration established a special "seasonality" consideration for LIHEAP and other programs that use their funds disproportionately during this period, the continuing resolution still affects the state's ability to plan properly until there is certainty in the final level appropriated.

“There are instances where people with no heat in their house light candles or the stove in an effort to try and keep warm and the house catches on fire...so there’s no question LIHEAP is life-saving.”

Greg Sileo, Director of Office of Home Energy Programs, Maryland Department of Human Resources



RECOMMENDATIONS

1. Troubling unemployment and poverty figures coupled with increased utility costs underscore the importance of maintaining LIHEAP as a national program with capacity to provide ongoing assistance in all regions of the

country. LIHEAP payments serve as “bridges,” allowing households to avoid shutoffs so that they do not have to make the difficult choice between paying for home energy bills or other necessities, such as prescription drugs or food. To that end, it is essential that LIHEAP appropriations be funding at the \$5.1 billion authorized level, with the clear recognition that even at this funding level, a significant majority of eligible households are unable to receive assistance due to lack of funds. If anything, during this period of economic turmoil and high-energy costs, we must look for further ways to expand and grow this vital program.

2. In keeping with LIHEAP’s growth from a regional to a national program, we must continue to improve the delivery of services, especially in those areas where the program is relatively new. In these newer communities, officials are working to establish best practices by learning from the successes and challenges faced by states with more established programs. These efforts should be supported through technical assistance and other proactive strategies to ensure LIHEAP remains focused on reaching the vulnerable low-income households the program is intended to serve.

3. LIHEAP would strongly benefit from one year advanced funding in the appropriations process. The flexibility provided by advanced funding would allow state administrators more planning and greater discretion in the allocation of resources. It is difficult to overstate the effect of predictability in funding for creating a more streamlined, targeted and effective program in the years to come.

LIHEAP ACTUAL STATE REGULAR FUND ALLOCATIONS (\$ IN MILLIONS)

	FY 2010	FY 2010 Served	FY 2011	FY 2011 Served	FY 2012	FY 2012 Served	FY 2013	FY 2013 Served	FY 2014
Alabama	\$58.8	109,671	\$59.4	80,628	\$47.4	76,655	\$48.3	60,594	\$48.9
Alaska	\$25.3	16,634	\$23.7	18,709	\$18.0	18,187	\$17.2	19,000	\$18.9
Arizona	\$33.7	10,312	\$32.9	13,785	\$23.9	17,244	\$23.3	16,000	\$23.6
Arkansas	\$35.8	70,535	\$34.9	59,709	\$28.5	52,233	\$26.7	67,523	\$27.5
California	\$202.7	287,679	\$202.8	334,458	\$154.6	252,643	\$145.4	194,189	\$153.6
Colorado	\$34.3	123,388	\$62.1	125,099	\$47.3	100,795	\$44.3	96,009	\$46.4
Connecticut	\$96.9	113,385	\$98.3	117,920	\$79.5	100,416	\$76.0	100,709	\$77.4
Delaware	\$15.2	20,265	\$15.2	20,780	\$11.9	18,661	\$12.6	17,737	\$13.1
Dist. of Columbia	\$13.9	31,647	\$14.1	27,953	\$10.7	20,131	\$9.9	21,189	\$10.5
Florida	\$110.4	76,502	\$107.7	67,799	\$80	57,645	\$76.4	44,592	\$77.4
Georgia	\$87.3	250,062	\$85.2	212,849	\$61.7	158,955	\$60.4	156,649	\$61.2
Hawaii	\$6.0	8,509	\$6.0	10,194	\$6.1	10,001	\$5.4	9,859	\$6.2
Idaho	\$26.9	52,349	\$27.1	52,424	\$20.6	48,990	\$19.2	45,000	\$20.2
Illinois	\$232.9	425,176	\$238.7	421,077	\$185.7	350,000	\$160.2	322,756	\$167.5
Indiana	\$104.1	186,634	\$102.7	168,576	\$80.0	134,930	\$72.4	133,595	\$75.8
Iowa	\$67.8	101,401	\$68.1	95,018	\$54.8	88,492	\$51.3	85,777	\$53.7
Kansas	\$41.8	58,699	\$42.3	62,008	\$32.1	53,683	\$31.4	47,117	\$31.1
Kentucky	\$57.7	330,537	\$58.3	171,218	\$46.4	148,630	\$43.5	130,481	\$48.3
Louisiana	\$51.9	46,493	\$53.1	44,331	\$43.4	27,433	\$40.9	27,654	\$42.1
Maine	\$54.3	69,930	\$53.6	62,363	\$39.9	54,384	\$37.4	44,556	\$39.2
Maryland	\$82.0	134,691	\$85.5	136,789	\$69.8	123,868	\$70.4	113,787	\$68.5
Massachusetts	\$175.5	206,488	\$175.2	212,714	\$132.7	200,174	\$132.3	190,432	\$140.1
Michigan	\$233.5	614,589	\$228.3	616,435	\$173.5	616,435	\$165.6	623,549	\$165.5
Minnesota	\$144.5	164,783	\$145.2	172,099	\$116.8	163,254	\$109.3	147,636	\$114.5
Mississippi	\$39.6	73,223	\$38.8	30,369	\$31.6	33,406	\$29.3	30,065	\$30.1
Missouri	\$95.3	165,669	\$95.6	163,343	\$68.2	147,003	\$66.6	145,617	\$70.9
Montana	\$31.6	28,054	\$31.7	24,165	\$24.1	22,683	\$22.5	20,697	\$23.7
Nebraska	\$39.6	44,191	\$39.8	39,172	\$30.2	38,284	\$28.2	37,605	\$29.6
Nevada	\$15.8	27,479	\$15.5	32,544	\$11.2	22,981	\$10.9	26,088	\$11.1
New Hampshire	\$34.1	47,215	\$34.3	45,252	\$26.1	38,021	\$24.3	36,805	\$25.6
New Jersey	\$177.2	317,690	\$180.9	289,323	\$136.7	300,087	\$124.5	276,841	\$124.6
New Mexico	\$22.4	52,558	\$22.5	53,232	\$17.1	64,995	\$15.9	68,462	\$16.7
New York	\$479.5	1,361,371	\$495.8	1,497,508	\$375.7	1,447,774	\$350.2	1,457,448	\$366.8
North Carolina	\$109.4	309,595	\$111.3	352,369	\$83.0	68,445	\$87.7	88,260	\$88.3
North Dakota	\$34.3	16,061	\$34.5	15,840	\$26.2	14,000	\$24.5	13,800	\$25.7
Ohio	\$223.1	426,410	\$225.4	457,701	\$165.5	459,286	\$144.8	454,520	\$154.3
Oklahoma	\$47.9	110,962	\$47.7	74,379	\$36.1	51,308	\$35.9	92,531	\$37.1
Oregon	\$45.4	92,375	\$45.6	88,000	\$36.7	82,000	\$24.3	69,301	\$35.9
Pennsylvania	\$282.3	602,032	\$280.4	626,969	\$209.6	384,334	\$190.8	391,461	\$203.1
Rhode Island	\$29.6	37,100	\$29.8	36,403	\$23.2	31,886	\$23.9	27,731	\$23.8
South Carolina	\$47.3	53,674	\$46.9	52,392	\$36.3	44,016	\$38.3	33,086	\$38.8
South Dakota	\$27.9	22,825	\$27.9	24,255	\$21.3	25,216	\$19.9	24,943	\$20.9
Tennessee	\$72.1	77,402	\$71.6	83,422	\$55.4	72,258	\$56.9	72,776	\$58.1
Texas	\$183.6	34,753	\$179.2	47,355	\$129.8	25,398	\$127.1	26,870	\$128.7
Utah	\$32.1	51,103	\$32.2	53,658	\$24.5	44,284	\$22.9	42,871	\$24.1
Vermont	\$25.6	27,850	\$25.7	26,546	\$19.5	27,363	\$18.2	27,457	\$19.2
Virginia	\$100.9	142,905	\$102.8	144,495	\$80.4	147,155	\$78.9	137,324	\$81.9
Washington	\$74.6	97,664	\$74.9	111,157	\$60.3	84,090	\$56.4	71,592	\$59.1
West Virginia	\$38.9	87,166	\$39.0	98,612	\$29.7	103,000	\$27.7	90,627	\$29.1
Wisconsin	\$130.1	215,325	\$130.7	226,381	\$105.2	214,966	\$98.4	214,531	\$103.1
Wyoming	\$12.9	14,393	\$12.9	13,472	\$9.8	11,436	\$9.1	10,153	\$9.7

Source: Funding data from *The LIHEAP Formula: Legislative History and Current Law*, Congressional Research Service, July 2013.
Households served data from NEADA annual surveys and refers to heating assistance specifically.

**“[LIHEAP is] a
program that has
proven year after
year to be a good
investment not only
in saving human lives
but as an effective
expenditure of
taxpayer dollars
as well.”**

**Tim Bruer, Director,
Wisconsin Energy Services Inc.**

C A M P A I G N F O R
H O M E E N E R G Y A S S I S T A N C E

1615 L Street NW, Suite 520
Washington DC 20036
202.429.8855 • info@liheap.org
www.liheap.org