

How a Decades-Old Federal Energy Assistance Program Functions in Practice: A Deep Dive into LIHEAP

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INTRODUCTION

The Low-Income Home Energy Assistance Program (LIHEAP) provides critical financial assistance to millions of vulnerable low-income families who are struggling to pay their energy bills. These families, a majority of whom live around or below the Federal Poverty Level (FPL), rely on this aid for assistance year after year. The onset of the COVID-19 pandemic has exacerbated the hardships faced by low-income and minority families and individuals especially, putting them at heightened risk of illness and job loss.^{1,2} As a result, households that were already unable to make ends meet are now facing increased health care costs and a reduced or lost income. LIHEAP funds are an essential form of relief for those forced to make difficult decisions around how to pay for energy, food, healthcare, housing, water, or other essentials. This policy brief examines the history of LIHEAP and how it operates, the program's response during periods of crisis, and how it is carried out in Southeast states. The brief concludes with research opportunities for extending the reach of this vital source of energy bill assistance.

1. Price-Haywood, E.G., J. Burton, D. Fort, and L. Seoane. 2020. "Hospitalization and Mortality among Black Patients and White Patients with Covid-19," *The New England Journal of Medicine*, 382: 2534–2543. DOI: 10.1056/NEJMsa2011686.

2. Gould, E., and V. Wilson. 2020. "Black Workers Face Two of the Most Lethal Preexisting Conditions for Coronavirus—Racism and Economic Inequality," Economic Policy Institute. <https://www.epi.org/publication/black-workers-covid/>.

There are several programs providing energy and crisis assistance to families in need including the Weatherization Assistance Program (WAP) and the Crisis Intervention Program (CIP; see Box 1). LIHEAP often works in tandem with these programs. While WAP focuses solely on weatherization of homes, LIHEAP provides bill assistance in addition to weatherization assistance. It is important to note that weatherization assistance provided through WAP and LIHEAP are distinct. Weatherization in the context of this brief refers specifically to the weatherization component of LIHEAP and is not a reference to WAP.

LIHEAP BACKGROUND

Funding Allocation

LIHEAP is a federal government program that was established in 1980. It is funded by annual appropriations³ to the U.S. Department of Health and Human Services (DHHS), which in turn gives grants to states, tribes, and territories to provide residential energy assistance funds to qualified low-income households.⁴ States, tribes, and territories are the official grantees (fund recipients) of the LIHEAP dollars, which are then distributed to households within each grantee's jurisdiction. State allocations are determined by a formula, which takes into consideration a number of factors, including low-income household energy expenditures in each state. Historically, and to a large extent today, the formula favors cold-weather states.⁵

Household Eligibility

State grantees have the option of setting eligibility for households at or below 150% of the FPL⁶ or, if greater, 60% of the state median income. States cannot exclude a household from eligibility if its income is less than 110% of FPL.⁷

A household can be eligible for one type of LIHEAP funding but be ineligible for another type (see Box 2 for a description of funding types). For example, in fiscal year (FY) 2021, Virginia set its eligibility for heating, cooling, and crisis assistance all at 130% FPL, while setting its eligibility for weatherization at 60% of state median income.⁸ However, the majority of states use the same poverty level for all four components. States have the option to alter these requirements annually.

3 Allocations can fluctuate year-to-year due to Congressional budgetary priorities and/or federal restrictions.

4. Perl, L. 2018. "LIHEAP: Program and Funding," Congressional Research Service. <https://fas.org/sgp/crs/misc/RL31865.pdf>.

5. Prior to 1984, the LIHEAP funding formula emphasized heating-needs of colder states. This formula is referred to as the "old" formula. After 1984, a "new" formula was introduced that removes this emphasis and allocates each state's share based on the ratio of energy expenditures of the state's low-income households to the energy expenditures of all low-income households in the country. Nevertheless, the "old" formula, not the "new" formula, is applied to the first \$2 billion of LIHEAP funds allocated. Only after the \$2 billion threshold is reached does the "new" formula apply. There are also "hold harmless" provisions in the statutory language of the "new" formula that prevent states from losing significant amounts of funding due to the formula change. (Source: "The LIHEAP Formula," Congressional Research Service. <https://fas.org/sgp/crs/misc/RL33275.pdf>.)

6. In 2020, a family of 4 with a total income of \$39,300 or less would qualify for LIHEAP funding. Federal Poverty Guidelines can be found at <https://aspe.hhs.gov/system/files/aspe-files/107166/2020-percentage-poverty-tool.pdf>.

7. 42 U.S.C. §8624(b)(2)(B).

8. U.S. DHHS, "Percent of Poverty Guidelines for LIHEAP Components," <https://liheapch.acf.hhs.gov/tables/POP.htm>.

Box 1. Federal Energy Assistance Programs

Low-Income Home Energy Assistance Program (LIHEAP): Assists low-income households with heating and cooling energy costs, bill payment assistance, energy crisis assistance, weatherization, and energy-related home repairs. Administered by the U.S. Department of Health and Human Services (DHHS) and relevant state and local agencies.

Weatherization Assistance Program (WAP): Reduces energy costs for low-income households by increasing the energy efficiency of their homes. Administered by the U.S. Department of Energy (DOE), state energy offices, and local community action agencies.

Crisis Intervention Program (CIP): Assists individuals and families who are experiencing a heating or cooling related crisis, such as a life threatening or health related emergency due to lack of access to a heating or cooling source. Administered by U.S. DHHS and relevant state and local agencies.

Funding Use

LIHEAP funds can be used for heating, cooling, crisis, or weatherization assistance. Up to 10% of program funds can be used for administration.⁹ States must reserve funds to “intervene in energy crisis situations,”¹⁰ which are defined as “weather-related and supply shortage emergencies and other household energy-related emergencies.”¹¹ Additionally, a state may not utilize more than 15% of funds for “low-cost residential weatherization or other energy-related home repair,” unless the state requests and is granted a waiver to utilize up to 25% of funds for weatherization purposes¹² (**Box 2**). States provide annual plans to DHHS for how they anticipate allocating the funds among heating, cooling, crisis, and weatherization assistance.¹³ The plans generally match what is reported after fund dispersal with minor discrepancies.¹⁴

States rarely spend more than 15% of LIHEAP funds on weatherization. From 2001 to 2019, there were only six instances of a Southeast state¹⁵ exceeding the 15% weatherization threshold.¹⁶ The average expenditure on weatherization over this period was 9% of the Southeast states’ total LIHEAP budget. This is in line with the national allocation towards weatherization of 10% over the same period.¹⁷ The majority of funds are used for heating, cooling, and crisis assistance, typically in the form of bill assistance, and the remaining funds are used for administration or are carried over for use in the next fiscal year.¹⁸

Fund Carryover

No more than 10% of funds can be carried over for use in the next fiscal year,¹⁹ and most states do not approach this threshold.²⁰ If a state has not allocated more than 10% of the funds to a designated purpose by September of the fiscal year, then the amount greater than 10% is returned to DHHS and reallocated amongst all grantees in the next fiscal year²¹ (**Box 2**).

There are instances of a state reaching the carryover threshold and, in some cases, returning funds to DHHS. In FY2015 North Carolina carried over 10% of its funds to FY2016, though it does not appear that the state returned any funds to the Federal government for reallocation.²² This also occurred in North Carolina

Box 2. Forms of LIHEAP Assistance

Heating & Cooling: The largest share of LIHEAP assistance goes towards heating, with a much smaller share going towards cooling.

Crisis: The second largest share of LIHEAP assistance goes towards summer, winter, and year-round crisis assistance.

Weatherization: States may use up to 15% of their allotment for weatherization, unless the state has a waiver from DHHS to use 25%.

Administration: Up to 10% of a state’s allotment can be used for program administration.

Carryover: Up to 10% of a state’s allotment can be carried over for use in the next FY. Any amount over 10% that is not used in the designated FY is returned to DHHS for reallocation in the next FY.

9. 42 U.S.C. §8624(b)(9).

10. 42 U.S.C. §8624(b)(9).

11. 42 U.S.C. §8622(3).

12. 42 U.S.C. §8624(k).

13. U.S. DHHS, “LIHEAP Funds by Program Component,” <https://liheapch.acf.hhs.gov/tables/components.htm>.

14. U.S. DHHS, “LIHEAP Data Warehouse,” https://liheapm.acf.hhs.gov/data_warehouse/index.php?report=homepage. Created a “Custom Report” through this website.

15. For the purposes of this brief, the “Southeast” states include Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

16. U.S. DHHS, “LIHEAP Data Warehouse,” “Custom Report.”

17. Ibid.

18. Perl, “LIHEAP: Program and Funding.”

19. 42 U.S.C. § 8626(b)(2)(B).

20. Perl, “LIHEAP: Program and Funding.”

21. U.S. DHHS, “LIHEAP AT 2020-03 Carryover and Reallotment Report FY 2019,” <https://www.acf.hhs.gov/ocs/policy-guidance/liheap-2020-03-carryover-and-reallotment-report-fy-2019>.

22. U.S. DHHS, “LIHEAP Data Warehouse,” https://liheapm.acf.hhs.gov/data_warehouse/index.php?report=homepage. Selected “North Carolina” and “2015” from “Grantee Profile” dropdown tab.

in FY2016.²³ However, in FY2014, North Carolina carried over 10% of its allotment, but 3% of funds are unaccounted for in the LIHEAP Data Warehouse.²⁴ Since North Carolina reached the maximum 10% allowed for carryover, it is possible the missing 3% (or some portion of it) was returned to DHHS for reallocation among the states. Three percent of North Carolina’s total LIHEAP funding that year was \$2.9 million.²⁵ Exploring explanations for carryover decisions and unused funds—perhaps related to lack of program outreach, barriers to access, or administrative delays— in each state in the Southeast would be useful.

Nationally, 75% of LIHEAP funds went towards cooling, heating, and crisis assistance from 2001 to 2019,²⁶ while 77% of the funds were used for the same purposes in Southeast states.²⁷ **Table 1** contains the breakdown of funding by assistance activity nationally and in the Southeast.

Table 1. Percentage of LIHEAP Funds Used for Various Assistance Activities, 2001–2019

	Heating	Cooling	Crisis	Weath.	Other
National	51	5	19	10	15
Southeast	38	14	25	9	14

Households Served

States have discretion in determining the maximum dollar amount benefit that each household receives, which results in variability in the average amount of benefits and number of eligible households served in each state. The number of households served is self-reported by each state. **Table 4** and the associated explanation in the **Southeast Trends** section below provide more analysis on the interaction between household eligibility, average benefits, and percent of eligible households served.

LIHEAP FUNDING RESPONSES TO THE FINANCIAL CRISIS AND COVID-19 PANDEMIC

This section compares the LIHEAP funding during the Financial Crisis with the program’s funding during the still-evolving COVID-19 crisis. Though much of the data has not yet been released for FY2020 and FY2021, preliminary data indicates the federal government’s LIHEAP response to COVID-19 has been less robust than the program’s response to the Financial Crisis of 2007–2008.

At its height, LIHEAP served 22% of eligible households.²⁸ This peak level of funding occurred in FY2010 as part of a multiyear response to the Financial Crisis during which the average LIHEAP allocation was \$5 billion annually from FY2009 to FY2011. In the years leading up to and after the Financial Crisis response, the LIHEAP program has served approximately 15% of eligible households each year, and this remains the case today.²⁹ From FY2017 to FY2021, the average LIHEAP appropriation was under \$3.6 billion.³⁰ The peak funding over that time period was just over \$4.6 billion in FY2020, when the initial approximately \$3.7 billion release was supplemented

23. U.S. DHHS, “LIHEAP Data Warehouse,” https://liheappm.acf.hhs.gov/data_warehouse/index.php?report=homepage. Selected “North Carolina” and “2016” from “Grantee Profile” dropdown tab.

24. U.S. DHHS, “LIHEAP Data Warehouse,” https://liheappm.acf.hhs.gov/data_warehouse/index.php?report=homepage. Selected “North Carolina” and “2014” from “Grantee Profile” dropdown tab.

25. Ibid.

26. U.S. DHHS, “LIHEAP Data Warehouse,” “Custom Report.”

27. Ibid.

28. Perl, “LIHEAP: Program and Funding.”

29. Ibid.

30. U.S. DHHS, “LIHEAP and WAP Funding,” <https://liheapch.acf.hhs.gov/Funding/funding.htm>.

by a \$900 million release through the Coronavirus Aid, Relief, and Economic Security (CARES) Act in response to the COVID-19 pandemic.³¹

In response to the Financial Crisis of 2007–2008, LIHEAP funding increased from \$2.6 billion in FY2008 to approximately \$5 billion each year from FY2009 to FY2011. **Table 2** lists the average LIHEAP funding as it is reported in nominal dollars. When adjusting for inflation, the difference between funding during the Financial Crisis and the pandemic is even larger. The breakdown of how LIHEAP funds were allocated for heating, cooling, crisis, weatherization, and other uses³² during the Financial Crisis is depicted in **Table 3**. The COVID-19 pandemic-induced recession is continuously evolving and therefore difficult to evaluate in comparison with the Financial Crisis. However, peak unemployment during the pandemic was 14.4% (May 2020), whereas peak unemployment resulting from the Financial Crisis was 10.6% (January 2010).³³ This is one indicator that people might be worse off as a result of the pandemic than the Financial Crisis, yet LIHEAP funding—just one form of relief—is significantly less than it was in response to the Financial Crisis. Further, those affected by job and income loss during the pandemic are disproportionately low-income and minority households³⁴—the very households that depend the most on LIHEAP funding.

Table 2. LIHEAP Funding and Unemployment during Financial Crisis and COVID-19 Pandemic

	Financial Crisis	COVID-19 Pandemic
Peak Unemployment Rate (%)	10.6	14.4
Average Annual. LIHEAP Funding. (\$B; nominal dollars)	5.0	4.0

Note: Financial Crisis: FY2009–2011; COVID-19. Pandemic: FY2020–2021

Table 3. LIHEAP Fund Use during Financial Crisis (% of Total Program Funding)

Fiscal Year	Heating	Cooling	Crisis	Weath.	Other
2009	53	5	19	10	13
2010	54	5	18	8	15
2011	51	5	21	8	14

31. Data on the use of LIHEAP funds for 2020 has not yet been released. This supplemental funding was released to help “prevent, prepare for, or respond to” home energy needs due to the pandemic (Source: U.S. DHHS, “LIHEAP and WAP Funding,” <https://liheapch.acf.hhs.gov/Funding/funding.htm>). It is presumed that the vast majority (if not all) of the funding was used for heating, cooling, and crisis bill assistance.

32. “Other” uses include costs for administration and carryover from one FY to the next. Neither the allocation for administration nor the allocation for carryover can individually exceed 10% in any FY.

33. Kochhar, R. 2020. “Unemployment Rose Higher in Three Months of COVID-19 Than It Did in Two Years of the Great Recession,” Pew Research Center. <https://www.pewresearch.org/fact-tank/2020/06/11/unemployment-rose-higher-in-three-months-of-covid-19-than-it-did-in-two-years-of-the-great-recession/>.

34. Ibid.

SOUTHEAST TRENDS

The Southeast is particularly vulnerable to energy insecurity, a chronic problem with roots in the historical racial and economic inequities of the region.³⁵ The region has some of the lowest energy rates in the contiguous U.S. yet has average residential electric bills of over \$130/month—the highest in the contiguous U.S.³⁶ As a result, low-income Southerners spend a disproportionate amount of their income on energy, and they often struggle to do so. The LIHEAP funds have an important role to play in mitigating these difficulties, as they provide direct bill assistance and weatherization assistance to those in need. This program, however, does not reach the majority of Southerners struggling to make ends meet.

Table 4 below shows total LIHEAP funding, average benefits, federal and state household eligibility, and percent of households served³⁷ in Southeast states in FY2019.³⁸ The percent of eligible households served in FY2019 in the region was approximately 15%, which is consistent with the national average. However, there is high variability amongst the states. For example, while Arkansas served approximately 22% of eligible households, Florida served just over 6%.³⁹ Furthermore, the benefits received by recipients in each state varied widely in FY2019. On average, grantees in Arkansas, Kentucky, North Carolina, and West Virginia received hundreds of dollars less than grantees in Florida, Mississippi, and South Carolina (see **Table 4**).

Table 4. FY2019 Funding, Eligibility, Households Served, and Average Benefits

Grantee	Total Program Funding (\$)	Avg. Heat Ben. (\$)	Avg. Cool Ben. (\$)	Fed. Elig. (# of households)	State Elig. (# of households)	% Served
Alabama	57,083,450	340	339	575,106	498,171	14
Arkansas	33,675,548	133	125	326,686	322,507	22
Florida	105,285,752	472	472	1,975,974	1,684,340	6
Georgia	80,017,085	347	398	1,015,917	1,014,818	16
Kentucky	54,749,639	150	0	545,139	387,096	20
Louisiana	50,914,267	387	372	596,676	596,341	12
Mississippi	32,218,286	461	454	342,923	335,004	12
North Carolina	96,714,462	254	0	1,091,569	754,753	17
South Carolina	49,313,371	708	536	519,675	454,826	9
Tennessee	65,675,797	450	450	712,256	622,582	16
Virginia	100,478,072	449	267	878,301	423,226	15
West Virginia	32,408,824	267	0	237,729	199,618	21

35. Bryan, W. 2020. “Energy Insecurity in the Southeast,” Southeast Energy Efficiency Alliance. <https://storymaps.arcgis.com/stories/ce22fa68b37141f388d8df06c9bd4fb1>.

36. Ibid.

37. Self-reported by each state.

38. Average weatherization benefit was not provided in the LIHEAP Data Warehouse.

39. U.S. DHHS, “LIHEAP Data Warehouse,” “Custom Report.”

Table 4 illustrates interesting trends around how different Southeast states utilize the LIHEAP funds. It appears that some states prioritize a higher dollar amount for each household that receives benefits (e.g., Florida, Mississippi, South Carolina), whereas other states provide a lower average benefit and reach a higher percentage of eligible households (e.g., Arkansas, Kentucky, North Carolina, West Virginia). Two states that represent these different approaches are Florida and North Carolina. Both states received approximately \$100 million in 2019, yet Florida’s total average benefit (heating + cooling) is \$944, whereas North Carolina’s is \$254.⁴⁰ It makes sense then that the percentage of eligible households served in Florida (6.3%) is significantly lower than that of North Carolina (16.8%). Future research could evaluate the two approaches to determine if one approach more effectively satisfies the heating and cooling needs of low-income households. It is also significant to note that some states (e.g., Kentucky, North Carolina, West Virginia) elect to not provide cooling assistance according to the LIHEAP Data Warehouse. It would be interesting to (1) confirm that this is actually the case, and (2) if so, learn why.

There are also questions around how the “average benefit” is calculated. While some states provide just one payment, other states offer multiple payments to the same household. For example, North Carolina provides a one-time vendor payment to a utility to help eligible households pay their heating bills.⁴¹ Arkansas provides two types of benefits payments: “Regular” and “Crisis.”⁴² The LIHEAP Clearinghouse Data does not make explicit whether one household has received both types of benefits payments, and how this overlap is reported when it occurs. As a result, it is difficult to determine the average total benefit that a household is receiving through the program. Similarly, in Florida, a household can apply for assistance up to three times per year.⁴³ It is unclear whether the average annual benefit accounts for a single household receiving multiple payments, or if the average benefit is calculated for every discrete payment. Investigating how states report their average benefit numbers would be useful for better understanding the total average benefits that households are receiving.

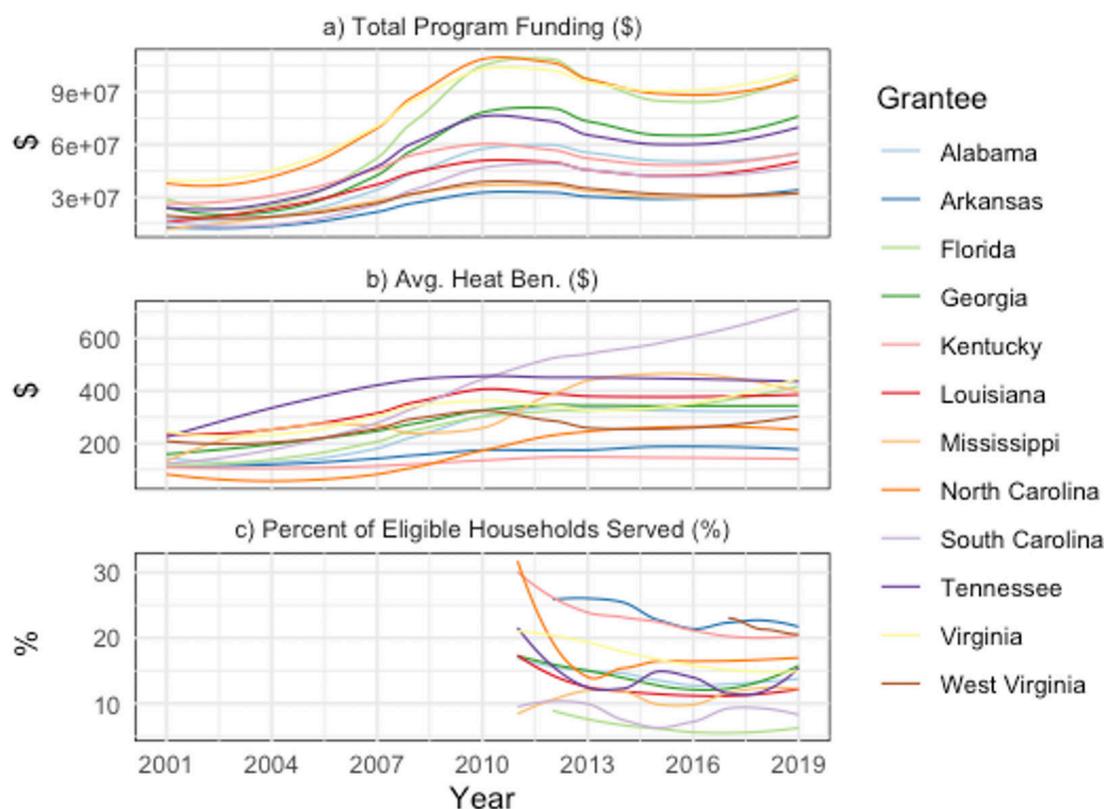
40. It is in the states’ discretion to determine how much each eligible household receives, and receipt of funds is on a first-come, first-serve basis. The majority of eligible households do not receive any assistance.

41. “North Carolina Low-Income Energy Assistance Program,” <https://www.benefits.gov/benefit/1564>.

42. Arkansas Department of Energy and Environment, “Low Income Home Energy Assistance Program,” <https://www.adeq.state.ar.us/energy/incentives/liheap.aspx>.

43. Florida Department of Economic Opportunity, “Low-Income Home Energy Assistance Program,” <https://floridajobs.org/community-planning-and-development/community-services/low-income-home-energy-assistance-program>.

Figure 1. Southeast State LIHEAP Trends 2001–2019



Note: Figure 1 depicts Southeast trends from 2001 to 2019 in a) Total Program Funding; b) Average Heating Benefits; c) Percent of Eligible Households Served.⁴⁴

Florida consistently has the lowest percentage of eligible households served, followed by South Carolina. However, while South Carolina has consistently provided the highest benefit of all the Southeast states over the last decade, Florida’s average heating and cooling benefits are similar to the other states. Kentucky and Arkansas, two states that consistently serve a higher percentage of households, tend to provide lower average benefits. The interaction between number of eligible households, percentage of households served, and average benefits each household receives is an area ripe for additional research.

The Total Program Funding graph shows the increased LIHEAP funding from FY2009 to FY2011 in response to the Financial Crisis (**Fig. 1**). It will be interesting to track and analyze how the funding response to the COVID-19 pandemic compares.

ADDITIONAL QUESTIONS TO DISCUSS/RESEARCH

This preliminary exploration of LIHEAP has uncovered areas ripe for additional research and discussion. While attention has been drawn to these research areas throughout the policy brief, specific questions to investigate are highlighted below:

- (1) The disparity in percentage of LIHEAP funds used nationally for heating assistance (51%) vs. cooling assistance (5%) is notable (see **Table 1**). Why are funds more likely to be used for heating assistance than cooling assistance? Given the use of the “old” formula (see Footnote 5 on page 2 above) and the

44. The majority of Southeast states started reporting Percent of Eligible Households Served in 2011.

continued emphasis on heating cold homes with the first \$2 billion of LIHEAP funding, people in cold-weather states are favored. Is the South getting its fair share of LIHEAP funding?

- (2) The percent of households served by LIHEAP is around 15% and leaves the majority of people who qualify for assistance without it. Given this, what is the motivation behind altering eligibility requirements when in reality access to the funds will always be highly restrictive, regardless of the threshold set (barring any major reform in the program or funding allocation)? Are there barriers to household participation in the program, such as a lack of outreach/awareness or a complicated application process? Why do states alter eligibility requirements between the various assistance types? Why do they enact a more stringent eligibility rule?
- (3) Why do states carry over LIHEAP funds from one fiscal year to the next when there is clear demand for the funds every year? Is there a relationship between the carryover of funds and the barriers to household participation? What are these barriers? To what extent are funds sent back to the federal government, and for what reasons?
- (4) How does the LIHEAP response to COVID-19 compare with the program's response to the Financial Crisis? Track and evaluate the different responses.
- (5) How do states determine what level of average benefit to provide? How do states weigh the tradeoffs between assisting less people with more money versus more people with less money? Is there a minimum/maximum threshold benefit under/over which it would make more sense to give the money to someone else? What is the optimal benefit, from the state's perspective and from the perspective of the household recipients? How often does a household receive some amount of assistance but still get shut off?
- (6) Why do some states (e.g., Kentucky, North Carolina, West Virginia) elect not to provide cooling assistance, despite having high summer temperatures?
- (7) How widespread is household awareness of LIHEAP as a source of assistance? Are the agencies who interact with these households regularly (for reasons not related to LIHEAP) able to convey LIHEAP's benefits and explain how it could help them?
- (8) How many households apply for LIHEAP but are rejected, and for what reasons?
- (9) What percentage of the average low-income energy bills (for households that receive LIHEAP) are covered with LIHEAP payments?
- (10) Are funds better allocated to WAP in order to reduce energy bills (and deal with the fundamental problem leading to the need for bill payment assistance)? How do the weatherization aspect of LIHEAP and WAP interact?