



INVESTING in LIHEAP

Assessing the Impact of
Economic Stressors on
the Home Energy Crisis

CAMPAIGN FOR
HOME ENERGY ASSISTANCE



“Our Community Action Agencies are only serving about 6% of the folks that come through their doors.... We have a huge gap in the number of people who need assistance and those who are receiving it...huge.”

CYNTHIA ZWICK, ARIZONA COMMUNITY ACTION ASSOCIATION, 2015

THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

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, individuals with disabilities 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. LIHEAP continues to be critical in protecting millions of struggling American 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 not all homes benefit from LIHEAP assistance, and those that do receive limited support.

The worst economic crisis since the Great Depression put tens of millions of Americans in a desperately precarious financial state. According to 2014 data from the US Census Bureau, 13.1 percent of the population has incomes below the poverty threshold. The number of people in poverty was 43.1 million in 2015, an increase of 1.0 percentage points from 2007, the year before the most recent recession.

As the country continues to recover from the Great Recession, millions of households are still trying to make ends meet. According to a 2016 Pew Charitable Trusts report, median income for families in 2014 had fallen by 13 percent from 2004 levels and, at the same time, household expenditures increased by nearly 14 percent, an equation that leaves vulnerable, low-income households deep in the red on their road to recovery. A critical part of this particular segment's recovery comes through supplemental funds via external programs like LIHEAP. This report will show that, despite their necessity, supplemental LIHEAP funds are in a state of stagnant or declining funding levels, putting undue pressure on still-recovering American households.

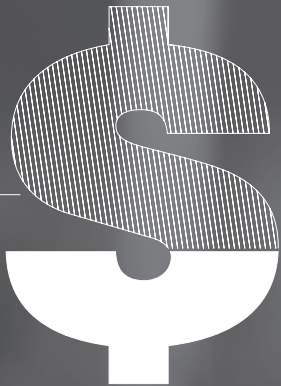
“The LIHEAP benefit oil heat customers receive allows for only one and a half tanks of home heating oil, which is only half of what is necessary to get through a New England winter.”

JOSEPH P. DIAMOND, MASSACHUSETTS ASSOCIATION FOR COMMUNITY ACTION, 2015

POVERTY LEVELS & INCOME



43.1 million people live in poverty
13.5% of population lives below the poverty line



INCOME | EXPENSES

14% rise in expenses for families
13% fall in income for families

REDUCTION OF FUNDING

ABC BUSINESS PLACE
1234 MAIN STREET
ANYWHERE, US 12345

DATE: OCTOBER 4, 2015

PAYCHECK

1,234.56



30% of a low-income family's earnings are spent on energy bills

6.7 million people are currently served by LIHEAP; down from 8.1 million in FY2010



\$425 is the average household assistance provided by LIHEAP



35% of LIHEAP funding has been cut since 2010



OVERVIEW & BUDGET HISTORY

LIHEAP is one of the most critical components of the social safety net. The program provides heating and cooling assistance to roughly 6.7 million households, including the working poor, those making the difficult transition from welfare to work, individuals with disabilities, 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 nearly 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, and this need continues to grow.

In testimony submitted to the House and Senate Appropriations Committees, Subcommittees on Labor, Health and Human Services, Education and other related groups on Capitol Hill, the Executive Director of the National Energy Assistance

Directors Association (NEADA) noted that in FY 2016, the number of households receiving heating assistance is expected to remain at about 6.7 million or about 19 percent of eligible households, with an average grant size of about \$425.

Since FY 2010, LIHEAP has been cut significantly from \$5.1 billion to the current funding level of \$3.3 billion. According to NEADA's testimony, states have been forced to reduce the number of households served by LIHEAP from 8 million to the current level of 6.7 million—a total of 1.3 million additional households that did not receive assistance due to federal cuts to the program.

“Without action now, we will have a crisis on our hands this winter when low income families, seniors and other vulnerable New Yorkers are faced with heating bills they can't afford and have nowhere to turn.”

FORMER SECRETARY OF STATE/U.S. SENATOR HILLARY CLINTON

PROGRAM COMPONENTS

Basic Energy Assistance and Crisis Assistance

Basic energy and crisis assistance is at the core of LIHEAP. According to the U.S. Department of Health and Human Services, states may spend only 10 percent of allocated funds on administrative costs and may transfer up to 15 percent (25 percent with an approved waiver) of costs to support weatherization efforts. The remaining funds are passed on to low-income households through direct grants. The LIHEAP statute authorizes HHS to assist eligible households in meeting the costs of home energy, which are 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.

Congress permanently authorized emergency contingency funding

at \$600 million in FY1994, and they have remained authorized at that same level. Although overall appropriations have declined, Congress has not provided contingency funds in recent budget cycles in an effort to provide states more certainty around the amount of formula funds that would be available in each program year.

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.

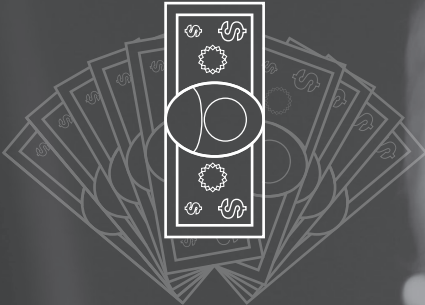
Weatherization

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 improves their health and safety.

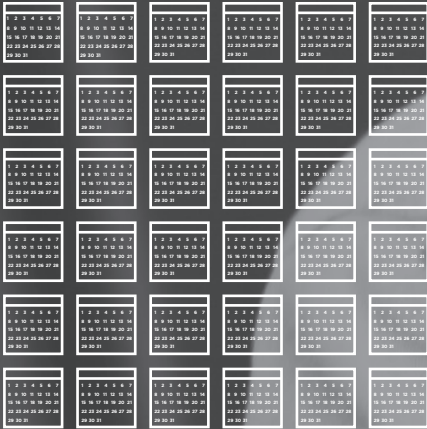
“The budgetary process in Congress makes it extremely difficult to plan the program each year, especially in a state where households start looking for assistance with their heating bills as early as October.”

CARLENE TAYLOR, CONNECTICUT DEPARTMENT OF SOCIAL SERVICES, STATE LIHEAP DIRECTOR, 2014

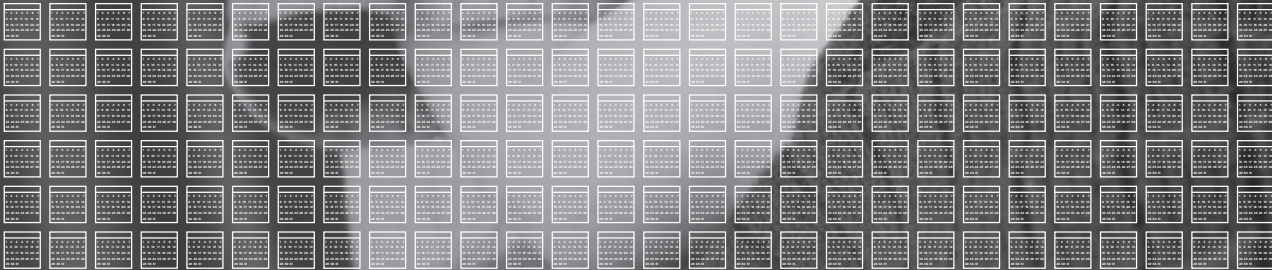
STATE & FEDERAL FUNDING



15% of allocated funds is what each state can spend on weatherization



36 months since Congress has provided contingency funds to LIHEAP

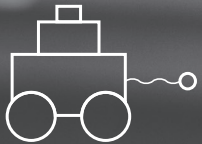


168 months since Congress has provided advanced funding to LIHEAP

THE PEOPLE AFFECTED



20% veterans



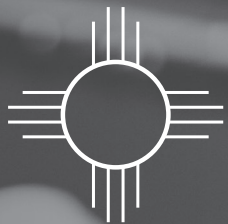
23% children



29% elderly



31% individuals
with
disabilities



153 Native
American
Tribes



CONTINUING RESOLUTIONS

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 and provide temporary authority for federal agencies to stay in operation.

LIHEAP suffers from uncertainties created under the scenario of a continuing resolution in the fall months because many states rely on the program during the cold winter months, which coincides with the new fiscal year. These states traditionally spend more than 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.

“Individuals that have never sought help are now in the trenches just trying to provide for their families and to survive. The largest growing sector requesting assistance: our State’s Veterans.

MID AMERICA ASSISTANCE COALITION, 2014

WHO LIHEAP SERVES

Elderly, Disabled, Children

Many households receiving heating assistance contain elderly residents, individuals with disabilities and/or children. According to data released by HHS and reported by the Congressional Research Service, of all households served by LIHEAP, approximately 29 percent had at least one member 60 years of age or older; 31 percent had at least one member with a disability; and 23 percent included at least one child five years of age or younger.

Native American Tribes

As of FY2014, 153 Native American tribes and tribal organizations located in 22 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.

Veterans

Veterans make up nearly 20 percent of all recipients of LIHEAP funds. According to the U.S. Census Bureau's 2015 American Community Survey, there are approximately 1.3 million Veterans living in poverty. More than half a million of these Veterans also have a disability, which further complicates their ability to get or maintain jobs for supplemental income. For decades, homelessness among Veterans has been a growing concern, and eradicating Veteran homelessness has been a leading priority for recent presidential administrations. Among several factors indicated as a method of preventing eviction, many cities' homelessness prevention programs specifically note the importance of maintaining good standing with utilities. This reinforces the ongoing need to support Veterans through important programs like LIHEAP.



“People should not go broke heating
their homes.”

SPEAKER OF THE U.S. HOUSE OF REPRESENTATIVES, PAUL RYAN

THE LOW-INCOME ECONOMIC SQUEEZE

LIHEAP, by design, serves households that qualify as low income. According to the LIHEAP Clearinghouse, an information source managed by the U.S. Department of Health and Human Services, states must set LIHEAP income eligibility standards within the maximum and minimums as established by law. Today, this LIHEAP statute determines that a household must have an income that “does not exceed the greater of 150 percent of the federal poverty guideline or 60 percent of the state median income level.”

When considered in the context of households across the country, low-income households are particularly vulnerable to a recurring cycle of economic struggle. In a 2016 report by Pew Charitable Trusts, nearly 71 percent of Americans surveyed indicated an inability to save money because of unexpected expenses, with more than 26 percent of individuals reporting that this inability to save happens most months or just about every month.

Similarly, Pew reported that many households’ income and expenses vary from month to month, meaning tracking how money is earned and spent is difficult. The inability to forecast income against bills significantly reduces the family’s capacity to budget funds appropriately, thus contributing to the household’s lack of savings. If an unexpected bill arrives and the month’s income has already been allotted to the known expenses, there are very limited resources that most households, particularly low-income households, can turn to for temporary assistance or stopgap measures.

Unplanned expenses, like needing to cover a hospital bill or repair a car, are known as financial shocks. More than 60 percent of American households experienced a shock in the past 12 months, and more than a third of families experienced two or more types of shocks in that same timeframe. Financial shocks know no preferences or predispositions: people of all ages and races and on every rung of the income ladder experienced

financial setbacks at similar rates.

While a minor unexpected bill may seem innocuous, Americans reported that \$2,000 was the median cost of their households’ most expensive shock. Given that 41 percent of households do not have enough liquid savings to cover this expense, it should not be surprising that 55 percent of households struggled to make ends meet after their most expensive financial shocks.

These statistics paint an austere picture of the financial status of American households. When viewed through the lens of the average LIHEAP-eligible family, the picture becomes even bleaker. With limited savings and little-to-no liquid assets, one unexpected bill can impact a household for months—and sometimes years.

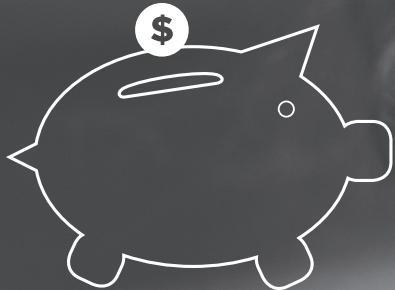
One of the most telling signs of trouble facing low-income households across the country is reflected in a 2016 Pew Charitable Trusts report, *Household Expenditures and Income*. The report assessed household income

and expenditure levels in a post-recession economy, specifically comparing data from 1996 to 2014.

Of particular interest to the LIHEAP program were the findings that low-income families spend a significantly higher amount of their household income on core needs, such as housing (including energy costs), transportation and food. This dilemma—considered in this white paper as the low-income economic squeeze—means that low-income families are hard-pressed to make economic decisions in their households, even among core needs. In addition, the Pew report identified that while all households had less flexibility in their budgets in 2014 than in 2004, lower-income households went “into the red” as their remaining income after expenses plunged by \$3,800—shifting the available money from a positive \$1,500 to a negative \$2,300. Since 1996, lower-income households have experience a growth in household costs of more than 50 percent—tipping the average low-income household’s housing costs to more

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FINANCIAL SHOCKS



71% of Americans indicated an inability to save money

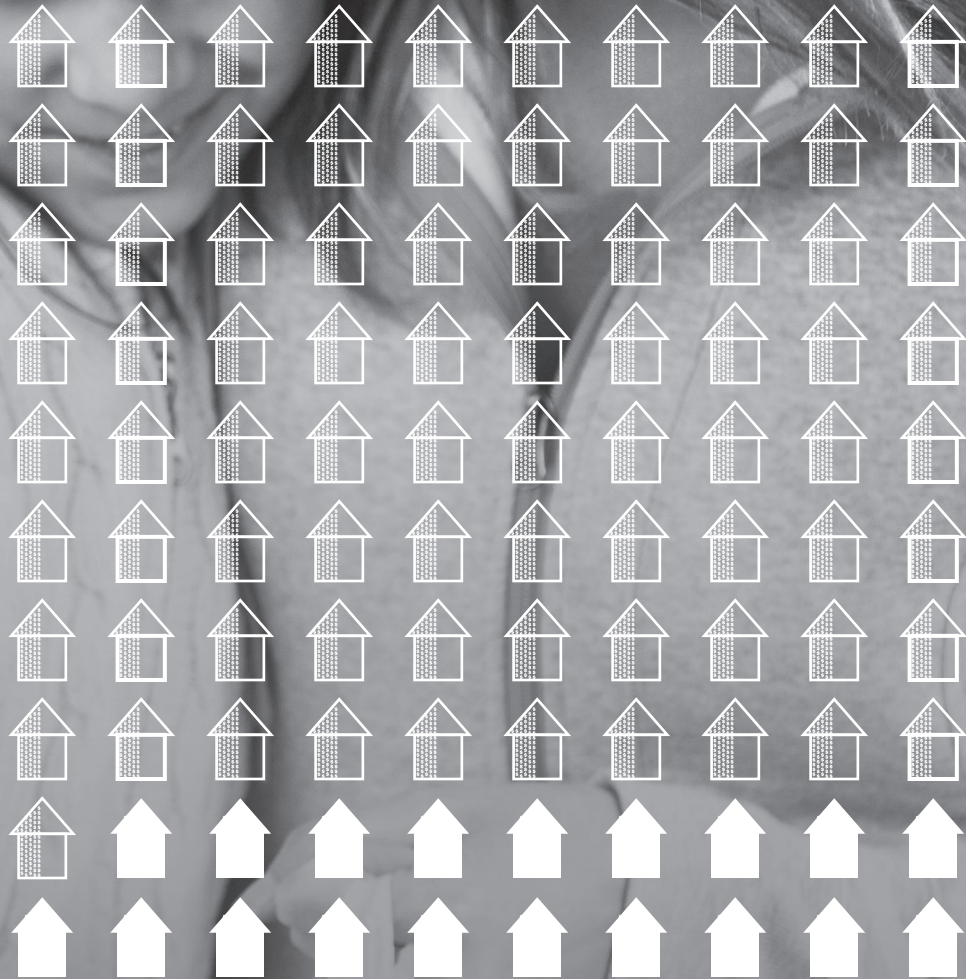


55% of Americans struggle to make ends meet after a financial shock

LACK OF INCOME

40% of a household's total pre-tax dollars are spent on low-income housing costs

19% of eligible households are served by LIHEAP



>> CONTINUED

than 40 percent of their total pre-tax dollars.

The Pew report creates a troubling landscape for low-income households, particularly when viewed in consideration with the declining federal investment in programs like LIHEAP. As low-income households experience increasing pressure to finance core needs, temporary funding from LIHEAP becomes a method by which families are able to maintain safe household environments, particularly for those families with children, seniors and individuals with disabilities.

Why are these numbers relevant? The answer is in the overarching story of an economic squeeze on American households, particularly those that qualify as low income.

The research demonstrates that the majority of Americans across the country are unable to make ends meet after an unexpected financial setback. Low-income households are particularly vulnerable to the cycle of poverty that these financial shocks create. One unexpected bill can push a low-income household into a downward financial spiral that even middle class households struggle to break. Without savings or assets, families rely on credit cards, advanced borrowing and high-interest loans to cover immediate bills, but as interest accrues and minimum payments become due, the gap widens between triaging payments and financial stability.

Even as the nation recovers from the economic recession, low-income families are left with less

flexibility in their spending. In fact, low-income families spend a higher percentage of their income on core needs, including energy costs, than other households. At the same time, household costs for this same group have increased by more than 50 percent. The economic squeeze is applied from nearly all directions, and low-income families are left trying to stretch their dollars to cover food, transportation and shelter. At some point, the budget breaks—and it breaks faster when unexpected bills arise.

At what point do families reach their limit? And where do they turn when they need help? LIHEAP ought to be the resource available to qualifying homes to help them break this cycle of dipping into one already-tight household budget

bucket to pay for another. The vitality of programs like LIHEAP is critical to helping these families make ends meet, and it takes one household decision—heat or food, for example—off the table.

As federal funding for LIHEAP decreases, so too does the program's reach. The number of American households receiving heating and cooling assistance from LIHEAP is about 6.7 million. These households consist primarily of families with an elderly member, one or more children, or an individual with disabilities. Currently, LIHEAP serves only 19 percent of eligible households, leaving millions of households with no access to funds or assistance.

“When we think of LIHEAP and what a difference it makes, it is huge. It makes an enormous difference to families.”

MONICA MARTINEZ, COALITION TO KEEP MICHIGAN WARM, 2015

“No family should be forced to choose between paying the heating bill and putting food on the table...This critical energy assistance for families with modest incomes will help those most in need.”

U.S. SENATOR BARBARA A. MIKULSKI, 2015

RECOMMENDATIONS

Funding

Research shows that households with the lowest levels of income are feeling increasing financial strain to cover even core living expenses. As the nation continues to recover from the Great Recession, it is essential to fund LIHEAP's core budget. Continued decline in funding levels puts millions of households at risk. It is recommended that LIHEAP appropriations be funded at no less than the \$4.7 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.

Delivery of Services

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. It is recommended that states form proactive strategies and committees to ensure LIHEAP funds are efficiently handled and reach vulnerable low-income households the program is intended to serve. The Campaign for Home Energy Assistance is prepared to organize state coalitions and focus groups to assist states with this process.

Advanced Funding

It is recommended that Congress approve one year of advanced funding of LIHEAP 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.

\$4.7 billion

the minimum level of
LIHEAP funding requested
to serve those in need



TESTIMONIALS

“Funding levels impact how many low-income Californians can be reached with services. Potential cuts would also impact the availability of administrative funds at both the state and local level.”


RACHEL ARREZOLA
CALIFORNIA DEPARTMENT OF COMMUNITY SERVICES & DEVELOPMENT, 2015

“LIHEAP provides support to a basic life necessity that can oftentimes be overlooked.”

TAURA EDWARDS
INDIANA ENERGY ASSISTANCE PROGRAM, 2014

“Because Oklahoma is very hot in the summer, we don’t feel like our summer cooling assistance program is optional. A cut in funding means we reduce our benefits even further than they already are OR we significantly reduce the number of households we serve.”

CARI CRITTENDEN
OKLAHOMA DEPARTMENT OF HUMAN SERVICES, 2015



“(Our tribe) has only received limited funds for fiscal year 2014, and funding has been depleted since February. We anticipate there will be a continued need for assistance throughout the summer months. We hope funds will stretch the remainder of the fiscal year.”

**SUE ELLEN ELMBLAD
MICHIGAN KEWEENAW BAY
INDIAN COMMUNITY, 2014**

“With LIHEAP funds helping households in South Carolina with limited incomes pay their home heating and cooling bills, these families and individuals can use their income to pay for other critical necessities such as food and medicine.”

**JEANNIE CHAFFIN
SOUTH CAROLINA HHS ADMINISTRATION
FOR CHILDREN AND FAMILIES, 2016**

“With temperatures across Missouri dipping below freezing, we want to make sure that families in need are able to stay warm without having their heat shut off, or going into the spring with a winter’s worth of debt.”

**MISSOURI GOVERNOR
JAY NIXON, 2015**



Special Thanks

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

Libby Pearl Specialist in Housing Policy, Congressional Research Service

Pew Charitable Trusts, with special thanks to Erin Currier, Walter Lake, Sarah Sattlemeyer and Kristin Schulte

“...it’s absolutely imperative that Congress substantially increase funding for the LIHEAP program, the fuel assistance program that provides help for lower-income Americans.”

U.S. SENATOR BERNIE SANDERS, 2015

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

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