



# **LIHEAP: The Basics and Beyond**

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# Congressional Role in LIHEAP

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## (1) Program Authorization

- Law that establishes and governs LIHEAP
- Can be changed; “recent” LIHEAP examples:
  - Creation of Leveraging Incentive and REACH grants (1990 and 1994)
  - Addition of Emergency Contingency Funds (1994)

## (2) Funding LIHEAP

- Authorization of Appropriations
- Appropriations Bills

# Funding LIHEAP: Two Main Pots

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## Regular Funds

- Distributed via formula
- All states, tribes, and territories

## Emergency Contingency Funds

- Cases of “natural disaster or other emergency”
  - Terms are broadly defined
  - HHS has discretion over whether/when distributed
- One or more states, tribes, or territories
- Not always appropriated, and not always distributed

# Authorization of LIHEAP Appropriations

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- Level at which Authorizing Committees think LIHEAP should be funded
  - Senate HELP Committee
  - House
    - Education and the Workforce
    - Energy and Commerce
- Most recent authorization
  - \$5.1 billion in FY2007
- Reauthorization bills in 114<sup>th</sup> Congress: H.R. 2194 and H.R. 2226

# LIHEAP Appropriations

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## Allows Money to be Spent for LIHEAP

- Need Not Follow the Authorization Level

## The President Proposes Funding

- February preceding the start of the fiscal year in October

## House & Senate Pass Bill with LIHEAP Funding

- Before October
- Part of the Departments of Labor, Health and Human Services, and Education appropriations bill

## Lately This Process Hasn't Been Timely

- Makes planning difficult

# FY2016 Appropriations

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## The President Proposed:

- Regular Funds — \$3.19 billion
- Emergency Contingency Funds — \$0\*
- Utility Innovation Fund — \$200 million
- Changes to Weatherization Program
- Changes to Leveraging Incentive/REACH Grants

\* “Trigger” for Mandatory LIHEAP Emergency Contingency Funds

# **FY2016 Appropriations Cont'd**

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## **House and Senate Need Not Follow President's Budget**

- And often don't for LIHEAP

## **House and Senate Budget Proposals Must Adhere to Budget Caps**

- If exceed caps, then sequestration occurs

## **FY2016 Funding Available to the Labor/HHS/Education Subcommittee**

- May be less than FY2015

# Recent LIHEAP Appropriations

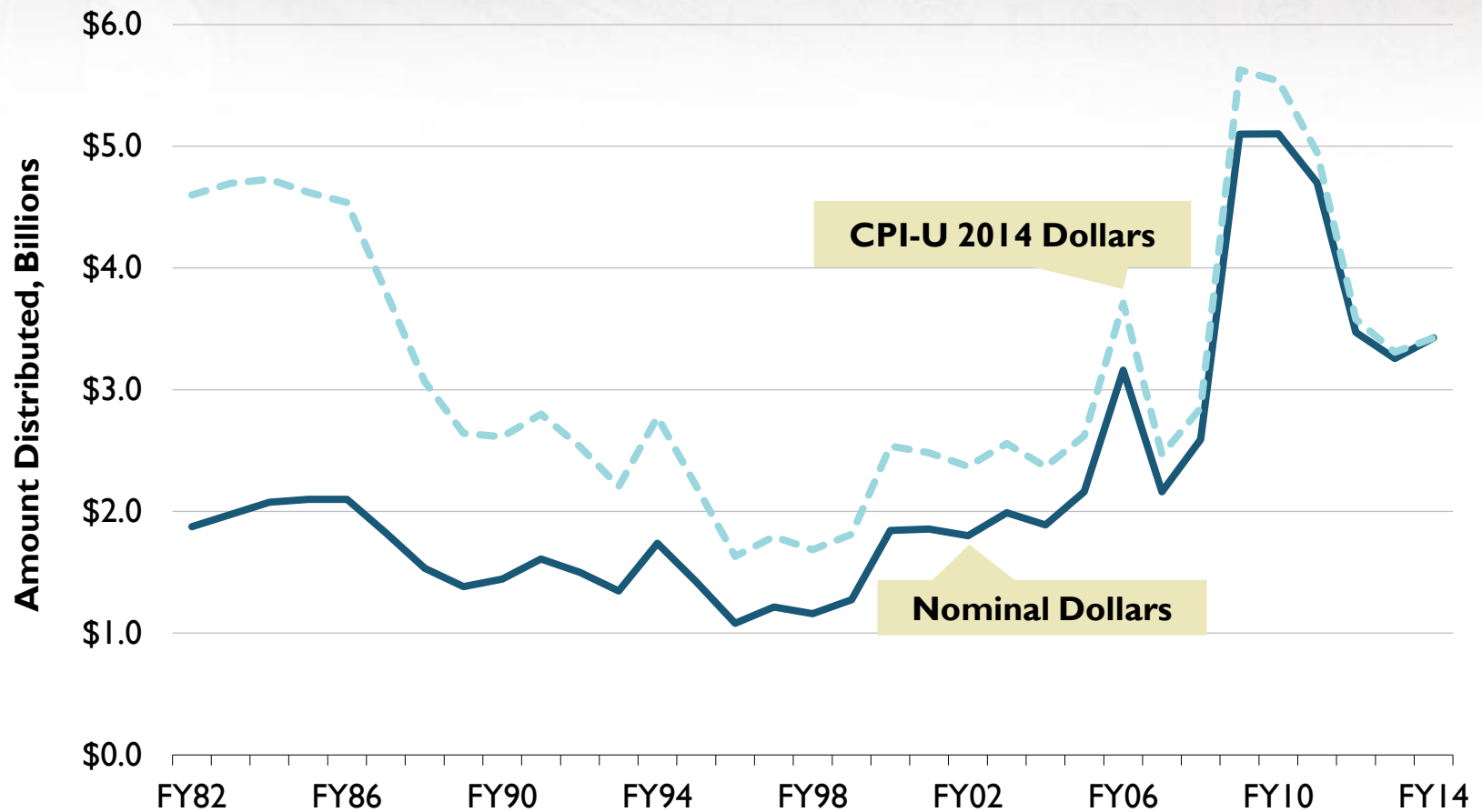
(dollars in millions)

Fiscal Year	Regular Funds	Emergency Contingency Funds	Total
2006	2,480	681	3,161
2007	1,980	181	2,161
2008	1,980	590	2,570
2009	4,510	590	5,100
2010	4,510	590	5,100
2011	4,501	200	4,701
2012	3,472	0	3,472
2013	3,253	0	3,253
2014	3,425	0	3,425
2015	3,390	0	3,356*
2016	?	?	?

Source: U.S. Department of Health and Human Services.



# LIHEAP Funding Since FY1982



**Source:** Nominal dollars from the U.S. Department of Health and Human Services. CPI-U inflation adjusted dollars are CRS calculations using Department of Labor data.

# Appropriations and the LIHEAP Formula

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## Three Ways Congress Has Distributed Funds

### (1) “Old” Formula

- Developed in 1981, favors colder-weather states
- Used in almost every year from FY1982 to FY2007

### (2) “New” Formula

- Developed in 1984, shifted funds to warmer-weather states
- Used in FY1985, FY1986, FY2006, and FY2008

### (3) Hybrid of “Old” and “New” Formulas

- Inserted into appropriations language
- Used from FY2009-FY2015

# “Old” Formula

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**Reason Enacted:** 1970s were a time of high heating prices, so formula focused on heating need.

**What It Does:** Provides states with a fixed % of funds based on data from late 1970s/early 1980s.

## Relevant Factors:

- Heating degree days
- Residential energy expenditures
- Number of low-income households

# “New” Formula

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**Reason Enacted:** In part due to recognition that cold-weather states benefitted from the old formula.

## **What It Does:**

- “New” distribution = states’ shares of low-income household expenditures on heating and cooling.
- Two “hold harmless” provisions to make sure the distribution of funds was not changed too radically.
- Provides that HHS use the most recent data available, so percentages are updated each year.

**Relevant Factors:** Population shifts, energy prices, increased usage.

# Why “Old” Formula Still Matters

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## Applies to Appropriations Less Than \$2 Billion:

- Used most recently in FY2007.

## Hold-Harmless Provisions:

- Old formula amounts are the benchmark for holding states harmless.

## Congressional Actions

- From FY2009 through FY2015, most LIHEAP funding was distributed using the old formula.

# How the “New” Formula Works

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(1) Determine how much low-income households in each state spend on heating & cooling, using all energy sources.

- Btus x Price
- Natural gas, electricity, heating oil, coal, kerosene, propane, and wood.

(2) Arrive at total dollar amount for heating & cooling.

- E.g., for Maryland, **\$571 million**.

(3) Divide by all low-income household expenditures in all states to get total percentage: **\$571 million ÷ \$26 billion = 2.2%**

# Application of “New” Formula Percentages

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- **NOTE:** The “new” formula percentages are a *starting point* for how much each state will receive.
- Operation depends on amount appropriated.
- This is because of the hold-harmless provisions.
  - **First Hold-Harmless:** States receive at least as much as they received under the “old” formula when appropriations exceed about \$2 billion.
  - **Second Hold-Harmless:** Certain states with “new” percentages less than 1% of the total may receive an increase in their proportional share at appropriations at or above \$2.25 billion.

# “New” Formula: Hold Harmless Provisions

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## First Hold Harmless

- States that gain the most have their shares reduced (e.g., Nevada, Arizona, Florida).
- States that would otherwise lose funds are held harmless (e.g., most Upper Midwest and some Northeastern states).

## Second Hold Harmless

- Certain small population states receive a bump up in their formula percentage rate (e.g., District of Columbia, Montana, Vermont).
- States that gain the most funding are again reduced (e.g., Nevada, Arizona, Florida).



# Hybrid “Old” & “New” Formulas

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- **FY2009:** First time Congress used this method.
  - All but \$840 million “shall be allocated as though the total appropriation for such payments for fiscal year 2009 was less than \$1,975,000,000.”
- **Amounts:**
  - “New” = 1/3 of amount above \$2 billion
  - “Old” = everything else
- **E.g., 2015:**
  - “New” = \$491 million
  - “Old” = \$2.9 billion



**Questions?**