

135959

United States General Accounting Office

GAO

Briefing Report to the Chairman,  
Subcommittee on Labor, Health and  
Human Services, and Education,  
Committee on Appropriations, U.S. Senate

April 1988

# LOW-INCOME ENERGY ASSISTANCE

## State Responses to Funding Reductions



135959

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Human Resources Division

B-214417

April 29, 1988

The Honorable Lawton Chiles  
Chairman, Subcommittee on Labor,  
Health and Human Services, and Education  
Committee on Appropriations  
United States Senate

Dear Mr. Chairman:

In your February 29, 1988, letter, you requested that we provide the Subcommittee with information related to the funding of and benefits provided by the Low Income Home Energy Assistance Program (LIHEAP). Specifically, you asked us to (1) determine the amounts of oil overcharge money available and the extent to which the states have applied it to LIHEAP, (2) identify the percentage cuts that have occurred and how the states responded to these cuts, including the extent to which funds were transferred into and away from LIHEAP, and (3) obtain views of state program officials and interest groups on the effects of funding cuts on LIHEAP recipients. As agreed with your staff, we focused our work on the 13 states shown on page 9.

On April 15, 1988, we briefed your staff on the results of our work. This report summarizes the material we presented at that time. It includes information on

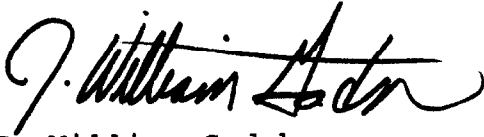
- the availability and use of oil overcharge funds (pp. 10 to 17);
- federal allotments to LIHEAP, total LIHEAP funding, and a projection of possible fiscal year 1989 funding (pp. 18 to 23);
- the number of LIHEAP households provided heating assistance (pp. 24 and 25);
- heating benefit levels per household (pp. 26 and 27);
- LIHEAP transfers to and from other block grants (pp. 28 and 29);

- state LIHEAP officials' comments on the program impact of budget cuts in fiscal years 1987 and 1988, and the expected impact of cuts proposed for fiscal year 1989 (pp. 30 to 37); and
- perceptions of interest groups of past and proposed LIHEAP budget cuts (pp. 38 and 39).

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to other interested congressional committees and members; the Secretaries of Health and Human Services and Energy; the Director, Office of Management and Budget; and other interested parties.

If you have any questions on the material in this briefing report, please call me on 275-2854.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. William Gadsby".

J. William Gadsby  
Associate Director

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Abbreviations

DOE	Department of Energy
HHS	Department of Health and Human Services
NCLC	National Consumer Law Center
LIHEAP	Low Income Home Energy Assistance Program

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# Low-Income Energy Assistance

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## State Responses to Funding Reductions

Briefing to Subcommittee on  
Labor, Health and Human  
Services, and Education  
Senate Committee on  
Appropriations

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# Objectives, Scope, and Methodology

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- Determine Availability and Use of Oil Overcharge Funds
- Identify Effects of LIHEAP Funding Cuts
- Obtain Views of State Program Officials and Interest Groups On Effects of Cuts



## OBJECTIVES, SCOPE, AND METHODOLOGY

The Low Income Home Energy Assistance Program (LIHEAP) block grant was established by the Low Income Home Energy Assistance Act of 1981. Its purpose is to help eligible households meet home energy costs. The Department of Health and Human Services (HHS) administers LIHEAP through the Office of Energy Assistance in the Family Support Administration.

Appropriations for the Low Income Home Energy Assistance Program (LIHEAP) have declined each year since fiscal year 1986, from a level of about \$2.0 billion to about \$1.5 billion in fiscal year 1988. The President's budget for fiscal year 1989 has proposed a further reduction in LIHEAP funding to about \$1.2 billion. This reduction was proposed in recognition of the hundreds of millions of dollars in oil overcharge settlements available to states for this and certain other activities. A similar position was taken by the Administration as the basis for requesting a reduction in the past year. Since 1986, states have received approximately \$3 billion in oil overcharge funds as a result of two court cases, referred to as the Exxon and Stripper Well settlements.

Our objectives were to: (1) determine the amounts of oil overcharge funds available to the states from these two settlements and the extent to which states have applied these funds to their LIHEAP programs; (2) identify the percentage cuts in federal LIHEAP funding that have occurred since fiscal year 1986 and how the states responded to these cuts, including the extent to which federal LIHEAP funds were transferred to other block grant programs; and (3) obtain the views of state program officials and interest groups on the effects of funding cuts on LIHEAP recipients.

We focused our work on 13 states as indicated on the map (see p. 9). These states had been studied in our 1984 and 1986 reviews of LIHEAP.<sup>1</sup> These states include a diverse cross-section of the country and account for about 46 percent of the fiscal year 1988 funding for LIHEAP. These states also represent the varying commitment of the uses of oil overcharge funds for state LIHEAP programs and account for 47 percent of the approximately \$3 billion that has been distributed to the states under the Exxon and Stripper Well settlements.

We obtained information on the states' use and availability of oil overcharge funds from the Department of Energy (DOE) and a

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<sup>1</sup>States Fund an Expanded Range of Activities Under Low-Income Home Energy Assistance Block Grant, (GAO/HRD-84-64), June 27, 1984; and Low-Income Energy Assistance: State Responses to 1984 Amendments, (GAO/HRD-86-92), May 16, 1986.

National Consumer Law Center (NCLC) report on state uses of oil overcharge funds. NCLC is a nonprofit public interest organization that represents low-income consumers. We interviewed officials in HHS's Office of Energy Assistance concerning the administration of LIHEAP and obtained information that HHS routinely collects from states on funding and program characteristics. We then conducted telephone interviews with state officials responsible for LIHEAP programs within each of the 13 states to update the HHS data and obtain their observations on (1) program changes since fiscal year 1986, (2) the extent to which the changes occurred due to federal budget cuts, and (3) the impact of the changes on program benefits.

Finally, we obtained views on the effects of past and possible future LIHEAP funding cuts from the following interest groups:

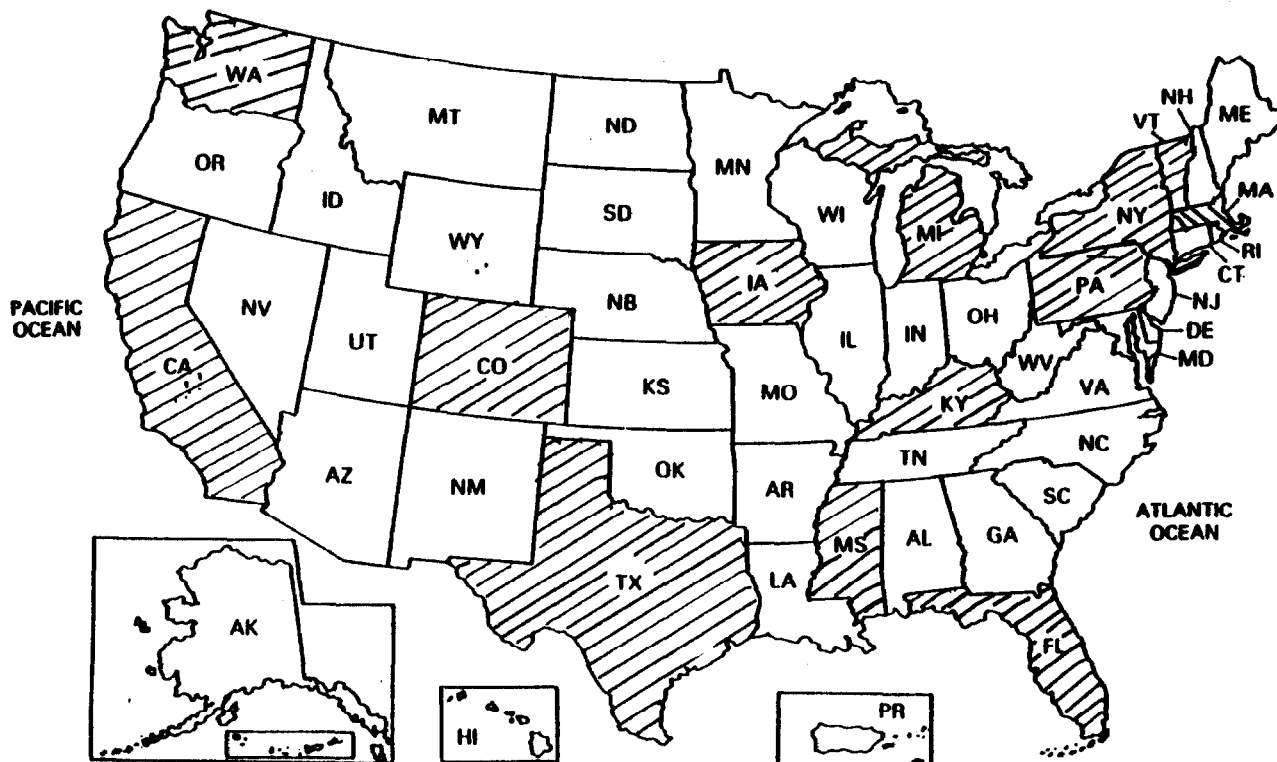
- National Energy Assistance Directors' Association,
- National Low Income Energy Consortium,
- National Community Action Foundation, and
- NCLC.

Because of time constraints, we did not independently verify information provided by federal, state, and public interest group personnel. Also, as requested by the Subcommittee Chairman's office, we did not obtain agency comments on this briefing report.

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# GAO 13 States in GAO Study

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# States' Use of Oil Overcharge Funds

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## Small Percentage Has Gone to LIHEAP

	<u>All states</u>	<u>13 states</u>
<b>Exxon</b>		
DOE programs	76%	78%
LIHEAP	24%	22%
<b>Stripper Well</b>		
DOE programs	17%	21%
LIHEAP	12%	14%
Other activities	71%	65%

Source: Computations based on data from DOE.

STATES' USE OF OIL  
OVERCHARGE FUNDS

This chart shows how the states, territories, and the District of Columbia (collectively referred to as "states") have been using oil overcharge funds that they have received as a result of the two court settlements. The chart, which is based on reports on state proposals for use of oil overcharge funds, shows that the states have not, on the average, been using a large percentage of their oil overcharge funds to support LIHEAP.

Under the Exxon court decision, states are allowed to use the funds in the LIHEAP program and four energy conservation grant programs administered by DOE.

In addition to these five grant programs, the Stripper Well settlement allows states to use funds for the following:

- Programs approved for support by DOE's Office of Hearings and Appeals under previous oil overcharge cases. These have included public transportation projects, computerized school bus routing, energy audits of government buildings, residential energy assistance, and over 30 other programs.
- Programs referenced in a 1981 consent order with Standard Oil Company of California. Included as possible uses are highway and bridge maintenance and repair, energy assistance programs, and seven other programs.
- Other restitution programs as may be approved by the settlement court, the U.S. District Court of Kansas.

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# Remaining Exxon Funds

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## Some States Have Substantial Remaining Funds; Others Have None

(Dollars in millions)

<u>State</u>	<u>Distributed to states</u>	<u>Allocated by states per NCLCa</u>	<u>Remaining<sup>b</sup></u>
CA	\$194.7	\$109.5	\$ 85.2
CO	22.7	22.6	0.1
FL	98.1	46.0	52.1
IA	27.4	17.7	9.7
KY	27.4	0.0	27.4
MA	70.3	70.0	0.3
MI	71.0	77.7	0.0
MS	28.4	29.4	0.0
NY	159.9	163.1	0.0
PA	96.8	82.4	14.4
TX	157.2	128.0	29.2
VT	5.0	4.7	0.3
WA	<u>32.1</u>	<u>33.0</u>	<u>0.0</u>
Total	<u>\$991.0</u>	<u>\$784.1</u>	<u>\$218.7</u>

<sup>a</sup>Some states have included earned or anticipated interest in their allocation figures, but those amounts were not separately identified.

<sup>b</sup>In cases where interest income resulted in allocations exceeding amounts distributed, we show the remaining amount as zero.

Sources: Distributions to the states were based on data obtained from DOE. Allocations by states were based on data obtained from NCLC.

## REMAINING EXXON FUNDS

The 13 states in our review received \$991.0 million in March 1986 as a result of the Exxon court decision. Of this amount they have allocated \$784.1 million for various programs and have \$218.7 million remaining. The chart shows that seven states have little or no funds remaining, and six states have substantial amounts.

The first column, amounts "distributed to the states" shows DOE data on the amount distributed in March 1986. The second column, amounts "allocated by the states", shows data taken from NCLC's report "State Uses of Exxon and Stripper Well Oil Overcharge Funds." The amounts in NCLC's report reflect the states' most current information when obtained by telephone from September through November, 1987. NCLC officials informed us that the amounts allocated by the states are sometimes greater than the amounts received from DOE because they include accrued and anticipated interest income.

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# Available Stripper Well Funds

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## Stripper Funds Will Provide Additional Money For All Purposes in FY 1989

(Dollars in millions)

<u>State</u>	<u>Available from prior distributions</u>	<u>4/7/88 distribution</u>	<u>Estimated FY 1989 distribution</u>	<u>Total available</u>
CA	\$15.1	\$6.3	\$23.0	\$44.4
CO	2.1	0.7	2.8	5.6
FL	38.5	3.2	11.5	53.2
IA	0.0	0.9	3.3	4.2
KY	11.8	0.9	3.3	16.0
MA	3.6	2.4	8.5	14.5
MI	0.0	2.4	8.5	10.9
MS	1.3	0.9	3.5	5.7
NY	9.2	5.4	19.3	33.9
PA	41.4	3.2	11.8	56.4
TX	38.9	5.1	18.5	62.5
VT	2.0	0.2	0.5	2.7
WA	<u>1.0</u>	<u>1.1</u>	<u>3.8</u>	<u>5.9</u>
Total	<u>\$164.9</u>	<u>\$32.7</u>	<u>\$118.3</u>	<u>\$315.9</u>

Source: Based on data from DOE as of April 13, 1988.



AVAILABLE STRIPPER  
WELL FUNDS

DOE data as of April 13, 1988, show that the 13 states in our review had submitted proposals for using all but \$164.9 million of Stripper Well funds that had been distributed before April 7, 1988 (see column 1). DOE officials informed us, however, that the "total available" figures shown may be inaccurate because some states may have internally approved proposals that have not been submitted to DOE. In addition, the plans often include earned and anticipated interest income generated by the funds.

On April 7, 1988, DOE made additional distributions. The 13 states received \$32.7 million (see column 2). DOE estimates that during fiscal year 1989, an additional \$250 million in Stripper Well funds will be distributed. Approximately \$118 million of this amount could be allocated to the 13 states in our review (see column 3). DOE points out that its estimate could vary significantly since the funds available are determined by court orders and voluntary settlements, not by DOE.

In total, the 13 states could have as much as \$315.9 million available between now and the end of fiscal year 1989 (see column 4). As the chart shows, some states may have considerably more funds available than others. For example, Florida may have \$53.2 million, whereas Vermont only shows \$2.7 million as being available.

# Combined Availability of Exxon and Stripper Funds

## 5 States May Have Funds That Substantially Exceed LIHEAP Reductions Proposed for FY 1989

(Dollars in millions)

<u>State</u>	<u>Remaining Exxon</u>	<u>Available Stripper</u>	<u>Available oil funds</u>	<u>FY 1989 LIHEAP reduction</u>
CA <sup>a</sup>	\$85.2	\$44.4	\$129.6	\$15.9
CO	0.1	5.6	5.7	5.5
FL <sup>a</sup>	52.1	53.2	105.3	4.7
IA	9.7	4.2	13.9	6.4
KY <sup>a</sup>	27.4	16.0	43.4	4.7
MA	0.3	14.5	14.8	14.5
MI	0.0	10.9	10.9	19.0
MS	0.0	5.7	5.7	2.5
NY	0.0	33.9	33.9	43.8
PA <sup>a</sup>	14.4	56.4	70.8	23.5
TX <sup>a</sup>	29.2	62.5	91.7	7.8
VT	0.3	2.7	3.0	2.1
WA	<u>0.0</u>	<u>5.9</u>	<u>5.9</u>	<u>6.8</u>
Total	<u>\$218.7</u>	<u>\$315.9</u>	<u>\$534.6</u>	<u>\$157.2</u>

<sup>a</sup>States with the most substantial available funds.

Sources: Data on oil funds came from previous charts.  
LIHEAP reductions were based on data from HHS.

COMBINED AVAILABILITY OF  
EXXON AND STRIPPER WELL FUNDS

Five of the 13 states in our review may have oil overcharge funds available that substantially exceed the cut they would receive under the proposed fiscal year 1989 LIHEAP reductions (see columns 3 and 4). However, in three states--Michigan, New York, and Washington--the proposed reductions exceed the amounts available.

We do not know the extent to which states will use their oil overcharge funds to replace reductions that may occur as a result of fiscal year 1989 LIHEAP reductions. However, the chart on page 8 shows that historically the 13 states have used only 22 percent of their Exxon funds and 14 percent of their Stripper Well funds for the LIHEAP program.

# LIHEAP Allotments FY 1986-89

## Federal Funding Would Be Cut About 40% Across All States

### LIHEAP ALLOTMENTS FY 1986-89

(Dollars in millions)

<u>State</u>	<u>Net FY 1986 allotment</u>	<u>Net FY 1987 allotment</u>	<u>Percent reduction 1986-87</u>	<u>Net FY 1988 allotment</u>	<u>Percent reduction 1986-88</u>	<u>Net FY 1989 allotment<sup>a</sup></u>	<u>Percent reduction 1986-89</u>
CA	\$94.7	\$83.6	-12%	\$70.3	-26%	\$54.4	-43%
CO	31.7	29.3	-8%	24.6	-22%	19.1	-40%
FL	28.0	24.8	-12%	20.8	-26%	16.1	-43%
IA	36.7	33.9	-8%	28.5	-22%	22.1	-40%
KY	28.2	24.9	-12%	20.9	-26%	16.2	-43%
MA	82.7	76.4	-8%	64.2	-22%	49.7	-40%
MI	109.9	100.2	-9%	84.2	-23%	65.2	-41%
MS	15.2	13.4	-12%	11.3	-26%	8.7	-43%
NY	250.5	231.4	-8%	194.4	-22%	150.7	-40%
PA	134.7	124.4	-8%	104.5	-22%	81.0	-40%
TX	46.6	41.2	-12%	34.6	-26%	26.8	-42%
VT	11.7	10.8	-8%	9.1	-22%	7.1	-39%
WA	38.9	35.9	-8%	30.0	-23%	23.2	-40%
<b>Total</b>	<b>\$909.5</b>	<b>\$830.2</b>	<b>-9%</b>	<b>\$697.4</b>	<b>-23%</b>	<b>\$540.3</b>	<b>-41%</b>

Source: Based on data obtained from HHS.

<sup>a</sup>Net allotments exclude funds set aside within states for Indian tribes. Since these set asides have not been determined for fiscal year 1989, we estimated net allotment by applying the proposed reduction proportionately to each state's net allotment for fiscal year 1988.

LIHEAP ALLOTMENTS FY 1986-89

As is shown, funding for the program has declined steadily since fiscal year 1986--about 9 percent in fiscal year 1987, and a total of 23 percent by fiscal year 1988. If the proposed fiscal year 1989 reduction is enacted, the allotments would be reduced across the 13 states by about 40 percent since 1986.

# Total LIHEAP Funding FY 1986-88

## Oil Funds Help But Do Not Replace Federal Funding Cuts

(Dollars in millions)

States	FY 1986 total funds	FY 1987 total funds	Percent reduction 1986-87	FY 1988 total funds	Percent reduction 1986-88
CA	\$104.5	\$ 104.6	0%	\$ 85.4	-18%
CO	36.2	32.0	-12%	28.5	-21%
FL	29.5	26.3	-11%	23.2	-21%
IA	38.8	36.1	-7%	31.2	-20%
KY	28.8	24.9	-14%	22.4	-22%
MA	98.1	99.8	2%	95.2	-3%
MI	119.9	145.8	22%	105.8	-12%
MS	15.5	13.6	-12%	14.4	-7%
NY	267.7	275.9	3%	225.2	-16%
PA	135.9	154.4	14%	140.3	3%
TX	48.2	42.9	-11%	39.1	-19%
VT	11.7	10.9	-7%	9.2	-22%
WA	40.2	38.5	-4%	31.7	-21%
Total	<u>\$975.0</u>	<u>\$1,005.7</u>	3%	<u>\$851.6</u>	-13%

Source: Based on data obtained from HHS and GAO's 13-state survey.

TOTAL LIHEAP FUNDING FY 1986-88

Total funding available for state LIHEAP activities in each year includes the (1) federal allotment, (2) carryover of funds from the prior year, (3) funding from state and other sources, and (4) those oil overcharge funds allocated to LIHEAP. Considering all sources of available funding, the average fiscal year 1988 funding level among the 13 states was 13 percent lower than the fiscal year 1986 levels. Nonfederal funding sources mitigated the 23 percent in federal cuts between fiscal years 1986 and 1988.

# Projection of Possible FY 1989 Funding

## Funds Available to LIHEAP May Be Much Lower in FY 1989

(Dollars in millions)

<u>Fiscal year</u>	<u>Federal allotment</u>	<u>Cumulative federal cuts since 1986</u>	<u>Other sources<sup>a</sup></u>	<u>Total available</u>	<u>Percent annual change</u>	<u>Percent change since FY 1986</u>
1986	\$909.5		\$ 65.5	\$ 975.0		
1987	830.2	(\$ 79.3)	175.5	1,005.7	+ 3%	+ 3%
1988	697.4	(212.1)	154.2	851.6	-15%	-13%
1989	540.3 <sup>b</sup>	(369.2)	109.3 <sup>c</sup>	649.6	-23%	-33%

<sup>a</sup>Includes allocations from oil overcharge funds, funds carried over from prior year, and allotments from state treasuries.

<sup>b</sup>Proposed in the President's Budget.

<sup>c</sup>Based on DOE and NCLC estimates of oil funds available and the percentage of those funds allotted to LIHEAP in the past. Also includes state funds that LIHEAP officials expect to receive. Excludes any carryover of funds from FY 1988 to FY 1989. Carryovers from FY 1987 to FY 1988 totaled about \$53 million but state officials predict lower carryover amounts for FY 1989.



## PROJECTION OF POSSIBLE FY 1989 FUNDING

In fiscal year 1987, cuts in the federal allotment did not reduce total funding levels for state LIHEAP because of increases from other funding sources, predominantly oil overcharge funds. However, funding from these other sources did not offset the cuts in the fiscal year 1988 federal allotment because of the cumulative nature of the cuts since 1986. Further federal cuts proposed for 1989 could result in a greater shortfall unless states increase funding from other sources, such as oil funds.

In fiscal year 1987, other sources of funding, including allocations from oil funds, amounted to \$175.5 million for the 13 states. This more than replaced the federal allotment cut of \$79.3 million that year and increased total funding levels over fiscal year 1986.

In fiscal year 1988, funding from other sources, including oil allocations, amounted to \$154.2 million in 13 states. It was \$57.8 million short of replacing the cumulative federal cuts of \$212 million since 1986.

If the 13 states allocate the same percentage of oil funds to LIHEAP in 1989 as they did in 1987 and 1988, state LIHEAP programs would have available about \$109.3 million from other sources in 1989 (this does not include funds that may be carried over into 1989 from 1988 because state officials were generally unable to estimate the amount that would be carried over, but believed they would be less than the \$53 million carried over into 1988). The 13 states' share of the federal allotments proposed in the President's Budget for fiscal year 1989 is expected to total \$540.3 million. Therefore, unless the states allocate more funds to LIHEAP from other sources than they have in the past, the 13 state LIHEAP programs may have available to them about \$650 million for 1989 (excluding carryovers), or about 33 percent less than they had available in 1986.

# LIHEAP Households Assisted in Heating Program

## Households Assisted Declined

(Households in thousands)

<u>State</u>	<u>FY 1986</u> <u>heating</u> <u>assistance</u> <u>households</u>	<u>Percentage</u> <u>change</u> <u>1986-87</u>	<u>FY 1987</u> <u>heating</u> <u>assistance</u> <u>households</u>	<u>Percentage</u> <u>change</u> <u>1987-88</u>	<u>FY 1988</u> <u>heating</u> <u>assistance</u> <u>households</u>	<u>Percentage</u> <u>change</u> <u>1986-88</u>
CA	423	-21%	334	43%	479	13%
CO	62	5%	65	11%	72	16%
FL	173	-2%	170	2%	174	1%
IA	115	-2%	113	-9%	103	-10%
KY	119	-18%	97	-52%	47	-61%
MA	141	1%	142	-4%	137	-3%
MI	287	72%	493	-42%	287	0%
MS	59	12%	66	6%	70	19%
NY	943	-5%	892	-12%	788	-16%
PA	397	5%	418	-4%	400	1%
TX	311	3%	321	0%	320	3%
VT	20	-10%	18	0%	18	-10%
WA	95	3%	98	-29%	70	-26%
<b>Total</b>	<u>3,145</u>	3%	<u>3,227</u>	-8%	<u>2,965</u>	-6%

Source: Based on data obtained from HHS and GAO's 13-state survey.

## LIHEAP HOUSEHOLDS ASSISTED IN HEATING PROGRAM

Overall, the total number of households assisted through heating assistance (the principal component of the LIHEAP program) in the 13 states declined by only 6 percent (about 180,000 of 3.1 million households) between fiscal years 1986 and 1988. Reductions in households assisted occurred in 6 of the 13 states.

The most significant overall reduction (61 percent) occurred in Kentucky. A state program official said eligibility was discontinued for individuals other than the elderly and disabled in its heating program in fiscal year 1988. Those households no longer eligible for heating assistance, however, remained eligible for the state's crisis assistance program, which increased significantly in fiscal year 1988.

# LIHEAP Heating Benefits

## Benefits Declined Mainly in States That Did Not Provide Oil Funds to LIHEAP

<u>State</u>	<u>Average annual benefits FY 1986</u>	<u>Percentage change 1986-87</u>	<u>Average annual benefits FY 1987</u>	<u>Percentage change 1987-88</u>	<u>Average annual benefits FY 1988</u>	<u>Percentage change 1986-88</u>
CA	\$141	-2%	\$138	-46.0%	\$ 74	-48%
CO	380	-24%	289	-6.0%	271	-29%
FL	103	3%	106	-13.0%	92	-11%
IA	264	-11%	235	-9.0%	215	-19%
KY	126	-14%	108	-3.0%	105	-17%
MA	564	-4%	540	0.0%	540	-4%
MI	139	9%	152	-2.0%	149	7%
MS	179	-28%	128	0.0%	128	-28%
NY	229	-11%	203	19.0%	241	5%
PA	209	12%	235	-1.0%	233	11%
TX	63	-11%	56	-9.0%	51	-19%
VT	431	2%	439	3.5%	455	6%
WA	162	12%	182	-2.8%	177	9%

Source: Based on data obtained from HHS and GAO's 13-state survey.

## LIHEAP HEATING BENEFITS

Between fiscal years 1986 and 1988, 8 of the 13 states reduced their heating benefit levels. Five of the eight states had not received oil overcharge funds for the LIHEAP program or had received only small amounts. The other five states that did not reduce benefit levels received oil overcharge funds.

Two states reported that the lower benefit levels were not a result of funding reductions, but were due to improved economy or mild winters. For example, benefit levels in Colorado declined by 29 percent between fiscal years 1986 and 1988. However, a state LIHEAP official attributed most of the reduction, which had primarily occurred in fiscal year 1987, to a mild winter that resulted in reduced heating costs.

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# LIHEAP Transfers to Other Block Grants

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## Transfers Continue in 6 States Stopped in 3 States

<u>State</u>	<u>FY 1986<sup>a</sup></u>	<u>FY 1987<sup>a</sup></u>	<u>FY 1988<sup>a</sup></u>
	-----	percent	-----
CA	10.0	10.0	10.0
CO	10.0	10.0	10.0
FL	10.0	10.0	10.0
IA	Does not transfer		
KY	10.0	10.0	10.0
MA	Does not transfer		
MI	10.0	10.0	-
MS	Does not transfer		
NY	1.0	-	-
PA	Does not transfer		
TX	10.0	10.0	10.0
VT	0.5	0.5	-
WA	10.0	7.5	8.0

<sup>a</sup>Percentages rounded.

Source: Percentages based on data obtained from HHS and GAO's 13-state survey.

## LIHEAP TRANSFERS TO OTHER BLOCK GRANTS

The authorizing legislation for LIHEAP allows states to transfer up to 10 percent of their federal allotment to other block grants. In fiscal year 1986, 9 of the 13 states had transferred funds to other block grants. According to several state program officials, these transfers were generally based on decisions made by state legislatures or other departments. By fiscal year 1988, four of the states had either eliminated or reduced their transfers, for example, Michigan eliminated its 10 percent transfer. Five states have continued to transfer 10 percent of their allotment to other programs.

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# Results of FY 1987 LIHEAP Reductions

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\*Program officials in 5 of 13 states reported negative effects

- MS and KY reduced benefits
- TX restricted eligibility criteria
- FL eliminated weatherization
- WA closed summer crisis program early

\*Program officials in 8 of 13 states reported no negative effects

- CA, MI, NY, and PA attributed this to oil overcharge funds
- CO, IA, and VT had improved economies and/or mild winters
- MA reported no negative effects due to energy efficiencies gained through its energy conservation program



## RESULTS OF FY 1987 LIHEAP REDUCTIONS

Fiscal year 1987 was the first year states experienced significant federal LIHEAP funding reductions. Officials in some states reported that the use of oil overcharge funds mitigated the effects on service populations.

### States Reporting Negative Effects

In fiscal year 1987, LIHEAP officials in five states said they reduced benefit levels, restricted eligibility criteria, and eliminated or closed programs early to cope with federal reductions.

- Mississippi and Kentucky reduced average heating and crisis benefit levels by 27 and 10 percent, respectively.
- Texas reduced the number of households provided cooling assistance by 40 percent. It changed eligibility requirements so that only the medically needy would receive cooling assistance.
- Florida eliminated its weatherization program, which provided \$4 million to 3,600 households in fiscal year 1986.
- Washington closed its summer crisis program early. Officials said this action probably did not have a serious impact on recipients. However, had they not received oil funds to offset a quarter of their federal allotment reduction, they would have had to take more serious actions.

### States Reporting No Negative Effects

LIHEAP officials in eight states reported no effects on their programs as a result of fiscal year 1987 reductions. Officials from California, Michigan, New York, and Pennsylvania said that oil overcharge funds prevented reductions in LIHEAP benefits or households in their states. In Colorado, Iowa, and Vermont, improved economies and mild winters mitigated overall impact because there were fewer applicants for assistance or lower costs for heating. Massachusetts officials stated that efficiencies gained through that state's aggressive energy conservation program allowed them to absorb the federal allotment cut with no negative effect on program recipients.

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# Results of FY 1988 LIHEAP Reductions

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\*Program officials in 7 of 13 states report negative effects

- KY changed eligibility criteria
- FL and TX reduced benefits
- NY and WA closed programs early
- CA reduced heating benefits and restricted eligibility criteria
- VT eliminated weatherization

\*Program officials in 6 of 13 states report no negative effects

- MA, MI, MS, and PA received oil overcharge funds
- CO used carryover funds
- IA had improved economy and mild winter

## RESULTS OF FY 1988 LIHEAP REDUCTIONS

Fiscal year 1988 was the second year that states experienced the effects of federal funding reductions for LIHEAP. Four states, which reported reduced benefits in fiscal year 1987, reported further reductions in fiscal year 1988. Three other states reported benefit reductions for the first time in fiscal year 1988.

### States Reporting Negative Effects

Kentucky, Florida, Texas, and Washington officials reported reductions in addition to the ones they made in fiscal year 1987.

- Kentucky, which reduced heating benefits in fiscal year 1987, restricted eligibility for its heating program to the low-income elderly and disabled. Kentucky officials said this reduced the number of recipients by 50 percent, thereby increasing their crisis assistance program by 80 percent.
- Florida, which reported eliminating weatherization in fiscal year 1987, reported reduced heating/cooling assistance benefits by 13 percent per household.
- Texas, which reported changing eligibility criteria for cooling assistance in 1987, reported reduced heating/cooling assistance benefits by 10 percent per household.
- Washington closed its summer crisis program again in fiscal year 1988. Program officials also reported that federal budget cuts were the primary reason for their 30-percent reduction from fiscal year 1987 in the number of households provided heating and crisis assistance. They explained that beneficiary assistance funds are distributed to jurisdictions within the state and that some jurisdictions began running out of money as early as February. They said they stopped taking new applications for crisis assistance statewide in mid-March. In addition, they said they normally operate a summer crisis program for colder areas of the state but that there will not be sufficient funds to operate the summer program this year. They said the impact would have been more severe had it not been offset by an allocation of \$420,000 in oil overcharge funds.

California, Vermont, and New York reported negative effects from budget cuts for the first time.

- California tightened eligibility standards in some jurisdictions and reduced heating benefits by half for

each household. Program officials said the impact would have been more severe had it not been for a \$14.5 million oil allocation to LIHEAP.

- Despite an improved economy resulting in fewer applications for assistance and the receipt of \$90,000 in oil funds, Vermont eliminated weatherization assistance in response to federal budget cuts. During the prior year the state LIHEAP program had weatherized 1,140 homes.
- New York reported that they began running out of money and closed programs early, thus providing assistance to approximately 10 percent fewer households than in fiscal year 1987.

#### States Reporting No Negative Effects

Mississippi, which experienced negative effects in fiscal year 1987, said that negative effects continued in fiscal year 1988. However, it reported no increase in these effects in fiscal year 1988 because they were offset by oil fund allocations.

Colorado reported no negative effects because it carried over a large amount of funds from fiscal year 1987 as a result of a mild winter. Massachusetts, Michigan, and Pennsylvania continued to report no negative effects because oil funds have consistently offset federal LIHEAP reductions in these states. Iowa reported another mild winter in fiscal year 1988, and that its economy continued to improve.



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# Effects of Proposed FY 1989 LIHEAP Reductions

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\*All 13 states predict negative impact

\*States report the following as possible coping strategies

- Change eligibility criteria
- Eliminate program components
- Reduce scope of services

\*Potential effects

- Benefit levels will be reduced
- Fewer households will be served
- Number of crisis applicants will increase

EFFECTS OF PROPOSED FY 1989 LIHEAP REDUCTIONS

All LIHEAP officials in our 13-state study indicated that the 20-percent reduction proposed in the President's fiscal year 1989 budget would have a negative effect on LIHEAP benefits and its service population.

The majority of LIHEAP officials we interviewed anticipated making a combination of program changes in order to deal with the proposed reductions. State strategies would include: restricting program eligibility to eliminate the least needy; eliminating certain program components, like weatherization; and reducing the scope of services currently provided, i.e., eliminating outreach programs.

Most state LIHEAP officials predicted that the proposed fiscal year 1989 reduction would result in fewer households being served at reduced benefit levels. LIHEAP officials also indicated that more individuals will apply for crisis assistance as a result of their elimination from the heating program.

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# Perceptions of Interest Groups

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## \*Overall perception

- Federal reductions have negative impact
- Oil money only partially compensated for federal reductions
- Oil money is nearly depleted
- Good state economies and mild weather mitigated negative impact in some states

## \*States have done one or more of the following:

- Changed eligibility criteria
- Reduced range of services
- Eliminated transfers
- Reevaluated carryover policy
- Started programs late or closed programs early
- Sought other funding sources

## \*Effects of FY 1987 and FY 1988 reductions

- Reduced benefits
- Reduced households served

## \*Effects of proposed FY 1989 reductions

- Serious negative impact predicted
- States have already exercised available options
- Substantial oil funds not likely in the future



## PERCEPTIONS OF INTEREST GROUPS

We asked four key interest groups involved with LIHEAP to comment on the effects of federal reductions to LIHEAP in fiscal years 1987 and 1988, as well as those proposed for fiscal year 1989 on program recipients. The four interest groups interviewed were: National Low Income Energy Consortium, National Community Action Foundation, NCLC, and the National Energy Assistance Directors' Association. The following comments reflect the opinions of the four interest groups.

Interest group officials said the fiscal year 1987 and fiscal year 1988 LIHEAP federal reductions adversely affected recipients. They believed that oil overcharge funds only partially offset the federal LIHEAP cuts in fiscal years 1987 and 1988. Further, they felt that a significant amount of the oil overcharge funds have either been used and/or are already obligated by states for other eligible activities. In both fiscal years 1987 and 1988, they reported that good state economies and mild weather improved some states' abilities to deal with the reductions.

The interest group officials reported that in fiscal years 1987 and 1988 states reduced their programs because oil overcharge funds never fully offset federal LIHEAP reductions. For example, states restricted eligibility criteria to better target the populations most in need. States also limited other services. For example, they reduced outreach sites, telephone hotlines, and homebound visits. Further, some states eliminated their transfers to other block grants. In addition, some states reduced the amounts they traditionally carried over to begin the next year's program in order to meet immediate needs, while other states planned additional amounts of carryover in order to meet future needs. Other management strategies included starting programs late or closing them early and seeking funding from other sources, such as state appropriations and private fuel companies. Significant funds from other sources, however, were not forthcoming.

Interest group officials noted that state actions in response to budget cuts in fiscal years 1987 and 1988 resulted in decreases in the amounts of benefits received and the numbers of households served. For example, results from 36 states of a fiscal year 1988 survey of state LIHEAP directors sponsored jointly by NCLC and the National Energy Assistance Directors' Association, show that 24 states will use oil overcharge funds for their programs in fiscal year 1988; however, 16 of these 24 are also cutting benefits or households served or closing their program early in order to cope with the federal reductions.

The proposed fiscal year 1989 reduction would have serious negative effects on the LIHEAP program and recipients, according

to these interest group officials. They said that, in fiscal years 1987 and 1988, states used available oil overcharge funds and exhausted most program options to deal with the cuts. They believe that states will not have substantial amounts of oil overcharge funds in fiscal year 1989, and that most program alternatives to cope with reductions have already been exercised by state LIHEAP directors. Therefore, they believe that the fiscal year 1989 proposed reduction will result in fewer recipients receiving LIHEAP assistance.

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