

GAO

Briefing Report to the Chairman,
Subcommittee on Human Resources,
Committee on Education and Labor,
House of Representatives

October 1990

**LOW-INCOME HOME
ENERGY ASSISTANCE**

A Program Overview





United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-239591

October 23, 1990

The Honorable Dale Kildee
Chairman, Subcommittee on Human Resources
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

This report was prepared, at your request, to provide background information on the Low Income Home Energy Assistance Program (LIHEAP) in preparation for the program's reauthorization in 1990. We prepared this report as a supplement to a larger study on state implementation of LIHEAP, required by the Low Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(h)). This report contains no recommendations.

Background

LIHEAP provides eligible households with assistance for home energy costs. Assistance is available to (1) help families pay heating and cooling costs, (2) prevent energy cutoff in crisis situations, and (3) help families make their homes more energy efficient. The Department of Health and Human Services (HHS) administers LIHEAP as a state-run block grant to help low-income households meet specific home energy needs. The Office of Energy Assistance—within HHS's Family Support Administration, Office of Community Services—oversees LIHEAP's implementation nationwide.

HHS distributes LIHEAP funds to states using a formula specified by the Low Income Home Energy Assistance Act of 1981. The formula considers such factors as the number of heating degree days, home heating expenditures, total residential energy expenditures, and low-income population in the state.

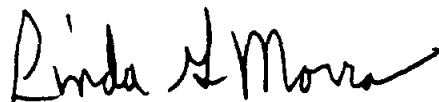
Scope and Methodology

We focused our work on the heating and winter crisis program components because they assist over 90 percent of the households served by LIHEAP and account for over 70 percent of funds spent by the states. This report primarily (1) traces LIHEAP's history and its role in meeting energy needs of low-income households and (2) provides information on administration, funding, and benefit levels. We conducted our work from November 1989 to July 1990.

We are sending copies of this report to the Secretary of HHS, as well as appropriate congressional committees and Members of Congress. We will also make copies available to others upon request.

Major contributors to the report are listed in appendix VII. If you have any questions, please contact me on (202) 275-1655.

Sincerely yours,

A handwritten signature in black ink that reads "Linda G. Morra". The signature is written in a cursive style with a long, sweeping underline.

Linda G. Morra
Director, Intergovernmental and
Management Issues

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Figure 1.1

GAO Key Report Objectives

- Describe Program:
 - history and context
 - role in meeting low income heating costs
 - administration

We focused our work on the heating and winter crisis program components because they assist over 90 percent of the households served by LIHEAP and account for over 70 percent of funds spent by the states. This briefing report reviews national trends since 1982 and summarizes state level data for fiscal year 1989, which are the latest available.

We reviewed and analyzed LIHEAP's legislative history, as well as published HHS program and funding data. In addition, we obtained information on state activities from our review of states' implementation of LIHEAP. We discussed the contents of this report with OEA officials and incorporated their views where appropriate. We conducted our work

LIHEAP History and Context

The Congress has been committed to helping the poor with energy costs for more than a decade. LIHEAP is the most prominent of several programs that the Congress enacted in the 1970s and 1980s to provide energy assistance for the poor. The federal government's objectives in helping to meet energy needs of low-income households, however, have changed somewhat over time. Since the mid-1970s, federal energy assistance for the poor has evolved from a series of one-time crisis assistance programs and help in meeting rapidly rising energy costs to a continuing program of general assistance for a variety of home energy needs. The federal approach has changed from a program administered by the federal government through the states to a state-run block grant. Table 2.1 lists the energy assistance programs enacted since 1977.

Table 2.1: Chronology of Energy Assistance Programs for Low-Income Households

Dollars in millions

Program title	Statute	Date enacted	Fiscal years authorized
Special Crisis Intervention Program	Supplemental Appropriations Act, 1977 (P L 95-26)	5-4-77	1977
Emergency Energy Assistance Program	Supplemental Appropriations Act, 1978 (P L 95-240)	3-7-78	1978
Crisis Intervention Program	Appropriations for FY 1979—Continuance (P L 95-482)	10-18-78	1979
Supplemental Energy Allowance Program for the Low-Income Population	Department of the Interior and Related Agencies Appropriations for FY 1980 (P L 96-126)	11-27-79	1980
Low Income Energy Assistance Program	Crude Oil Windfall Profit Tax Act of 1980—Home Energy Assistance Act of 1980 (P L 96-223, title III)	4-2-80	1981
Low Income Home Energy Assistance Program	Omnibus Budget Reconciliation Act of 1981—Low Income Home Energy Assistance Act of 1981 as amended (P L 97-35, title XXVI)	8-13-81	1982-84
	Human Services Reauthorization Act of 1984 (P L 98-558, title VI)	10-30-84	1985-86
	Human Services Reauthorization Act of 1986 (P L 99-425, title V)	9-30-86	1987-90

Federal LIHEAP funding for 1990 is about \$1.4 billion (including a \$50 million supplemental appropriation enacted in May 1990). Energy assistance to the poor is also available directly or indirectly under several other federal programs, including Aid to Families With Dependent Children (AFDC), subsidized housing, food stamps, and Department of Energy home weatherization assistance. Data are not collected to identify the portion of these programs' expenditures used to meet energy needs. While LIHEAP is primarily funded by the federal government, additional funds have come from legal settlements against major oil

Figure 2.1

GAO Program Objectives Changed Over Time

- Original focus was on crisis assistance between 1977-79
- Scope expanded in 1980

1980-81

The Congress significantly expanded the program to \$1.6 billion for fiscal year 1980 in response to an extremely cold winter, the effects of doubled oil prices in the late 1970s, and oil price decontrol in April 1979. For the first time, the new 1-year program provided routine heating assistance to low-income households in addition to crisis assistance.² HHS distributed some funds directly to individuals and distributed the remainder to states for crisis and heating assistance and established eligibility criteria for states to follow in providing benefits. The program

²42 U.S.C. 5915 (1979).

1981-90: LIHEAP Block Grant Emphasizes General Assistance to Help Meet Broader Home Energy Needs

In 1981 the Congress recognized that energy costs were a large part of low-income-family budgets. The belief that energy was a significant cost item requiring more sustained attention than intermittent emergency assistance led the Congress to redefine the energy assistance program from one of offsetting “. . . the rising costs of home energy that are excessive in relation to household income”⁵ to one of assisting “. . . eligible households to meet the costs of home energy.”⁶ Consequently, the program’s objective changed from helping to meet rising heating costs to providing assistance for a variety of costly home energy needs. (See fig. 2.2.)

⁵42 U.S.C. 8601 (1980).

⁶42 U.S.C. 8621 (1981).

the following fiscal year⁷ and transfer up to 10 percent to other HHS block grant programs, such as Community Services or Social Services.

The Congress established LIHEAP as a block grant giving states the flexibility to direct funds where they believed the greatest needs were. In 1981, the authorizing committees believed states had the capacity to identify the neediest households and target benefits to them and that states were better able to target benefits in accordance with numerous variables, such as income, family size, and differing energy costs. The committees intended to provide states with the broadest possible latitude in the use of block grant funds. They also intended to minimize federal administrative and regulatory requirements on states.

Other Federal Programs Provide Energy Assistance

Low-income households also receive indirect and direct energy assistance through other programs administered jointly by the federal government and the states. Most of this additional assistance is provided indirectly. In these cases, help with energy needs results when benefits are provided to meet another need, such as food or housing. Because states are not required to report data, we do not know the amount of benefits provided that offset energy costs or the number of households served for some of these programs. Examples of programs providing other energy assistance include:⁸

- **Food stamps:** Households receiving food stamps can qualify for additional benefits if they have shelter costs—including home heating—that exceed 50 percent of the net income on which their food stamp eligibility is based. The portion of shelter costs exceeding 50 percent of net income is deducted, lowering the net income and qualifying the household for additional food stamps. These additional food stamps are intended to compensate for higher-than-average shelter costs. About 4.7 million households received \$1.5 billion in increased food stamps because of excess shelter costs in fiscal year 1984—the latest year for which data

⁷An amendment to the 1984 reauthorization legislation (P.L. 98-558) reduced the allowable carryover amount to 15 percent of federal funds payable to that state and not transferred to other HHS block grants.

⁸We did not attempt to develop a comprehensive list of other federal programs providing energy assistance. We identified the programs described here during our review of states' implementation of LIHEAP.

Section 2
LIHEAP History and Context

1987. The amount of benefits that cover home energy cannot be determined because public housing authorities that administer these programs are not required to collect and report these data. However, a recent survey we conducted of households in public and section 8 housing found that tenants whose heat is not included in their rent receive additional allowances ranging from \$10 to \$200 per month to cover utility costs.¹²

- **Low Income Weatherization Assistance:** This program, administered by the Department of Energy, provides for installation of home weatherization materials for low-income households, particularly those of the elderly and handicapped. About 107,000 households received \$161 million in benefits in fiscal year 1988.

¹²This review examined data from 1,900 statistically sampled households at 6 public housing authorities across the United States. For further information on energy allowances for subsidized housing residents, see Utility Allowances Provided to Public Housing and Section 8 Households and Resulting Rent Burdens (GAO/T-RCED-90-41, Mar 7, 1990).

in 1987. In addition, they provide assistance in fewer states than LIHEAP does. However, the impact of some indirect assistance programs is potentially wide; for example, moratoria on utility shutoffs existed in at least 38 states (as of 1984), protecting several million low-income households from otherwise losing their heat under certain extreme weather conditions.

Direct Assistance Programs

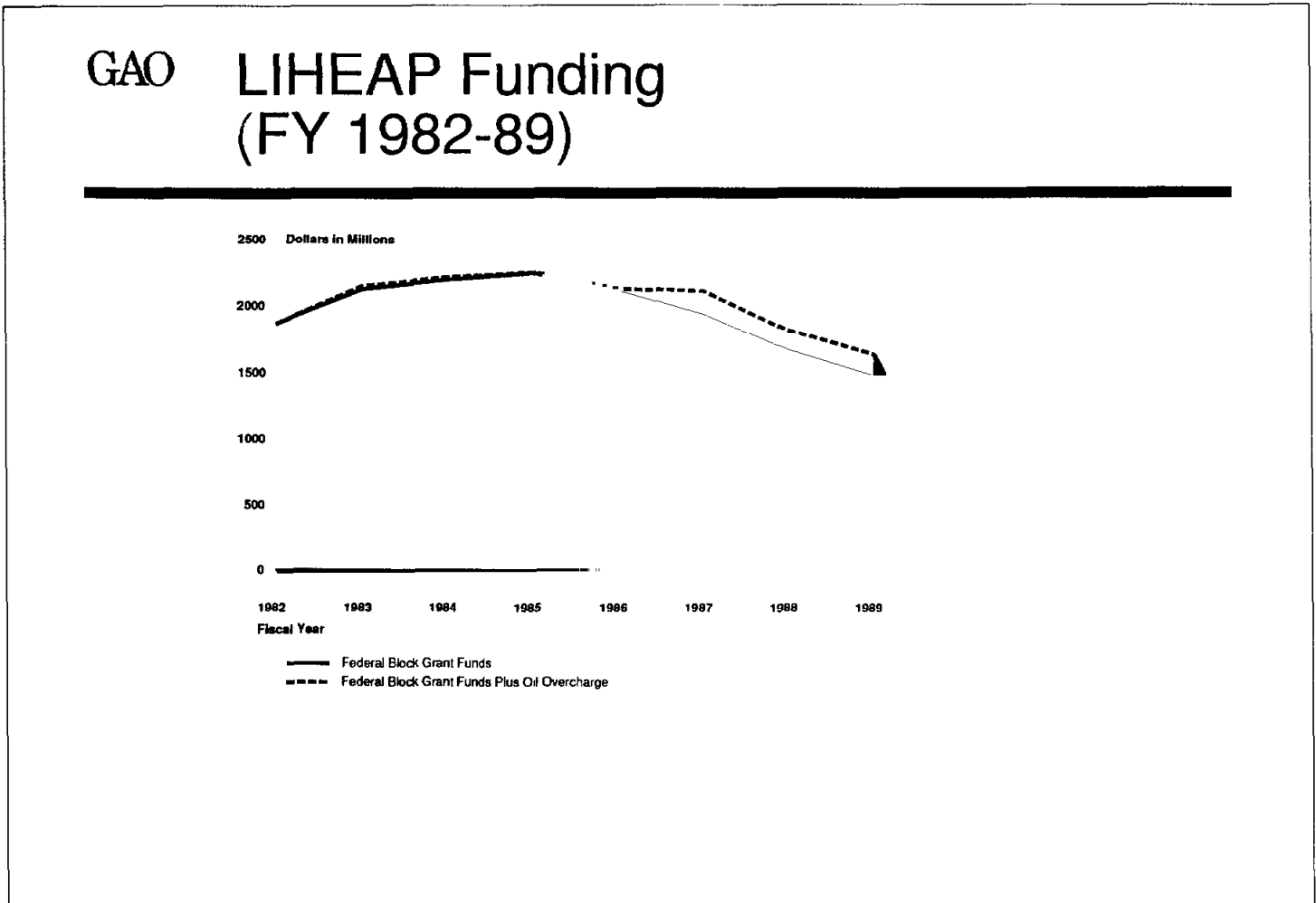
Direct assistance programs make cash payments or provide credit to needy households or their fuel provider. State or local funds and utility-sponsored fuel funds most often provide this assistance. However, in providing these funds, states often match other federal funding grants, such as emergency assistance provided under AFDC. For example, New Hampshire allocated a total of \$200,000 of its AFDC emergency assistance funds for energy needs in fiscal years 1990 and 1991. The state matched this with \$200,000 of its own funds.

Indirect Assistance Programs

Indirect assistance programs typically offer eligible households credit, loans, specially structured payment plans, or protection from loss of heat. Examples of the programs available include:

- moratoria on heat shutoffs under certain extreme weather conditions or in households with a critical need for heat (however, households continue to accrue unpaid heating bills under moratoria),
- loans to meet heating expenses, and
- percentage-of-income plans, that require participating households to pay a certain percentage of their income toward heating costs (costs above this percentage can be passed on to utilities' noneligible customers).

Figure 2.5



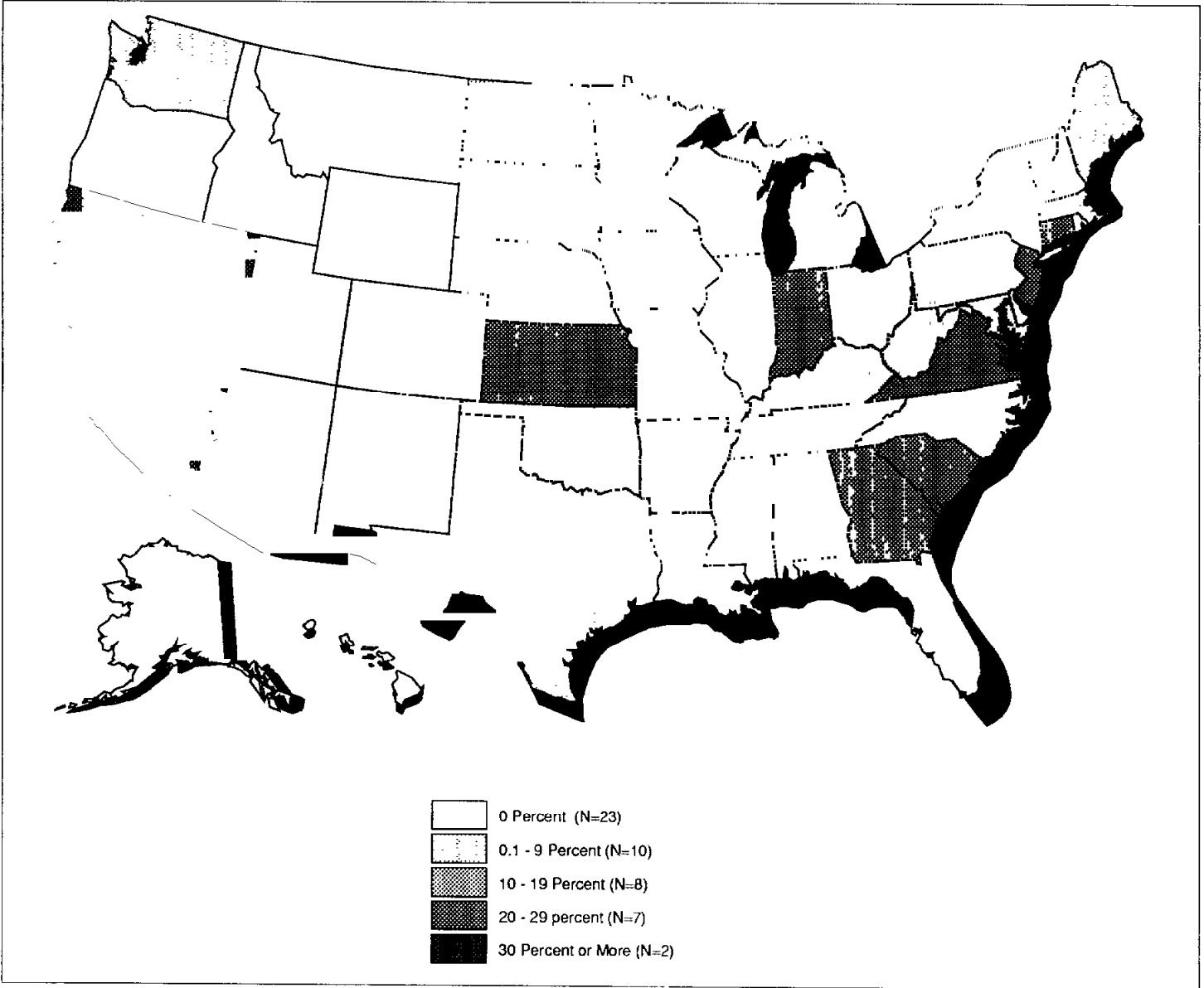
Note. Funding from state and nonfederal sources is not shown

Federal Block Grant Remains Largest Funding Source

While the federal block grant remains the dominant source of LIHEAP funds, it has declined about one-third since 1985. Figure 2.5 illustrates the importance of the block grant as a share of program funding. In fiscal year 1985, total LIHEAP funding was about \$2.3 billion of which 99 percent was federal block grant assistance. In fiscal year 1989, LIHEAP funding was about \$1.6 billion, and the block grant funds comprised 89 percent of the entire amount.¹³

¹³Of the block grant funds, 84 percent are from current year allotments to states and 5 percent from carryovers to the current year. Most, but not all, carryover amounts are from federal funds.

Figure 2.6: Percentage of LIHEAP Funding From Oil Overcharge Funds in 50 States (Fiscal Year 1989)



Minor Role of State and Nongovernment Funds

State and nongovernment funding has historically been very low in both total dollars and as a share of LIHEAP funding. The share of funds from these sources has averaged less than 1 percent since fiscal year 1983. Moreover, funds from these sources decreased 66 percent—to about

Figure 2.7

GAO **Types of LIHEAP Benefits**

- Heating assistance
- Cooling assistance
- Crisis assistance
- Weatherization assistance

Heating and Cooling Assistance

LIHEAP heating and cooling benefits assist households in paying their costs associated with these needs. Nationwide, heating assistance accounts for 62 percent of LIHEAP spending. Cooling assistance is available for those households in which extreme heat may pose serious medical problems to the occupants. It accounts for less than 1 percent of LIHEAP spending.

Crisis Assistance

Crisis benefits help meet emergency needs. These could occur, for example, when a household has used all its heating benefits or sudden

LIHEAP's Role in Meeting the Heating Costs of Low-Income Households

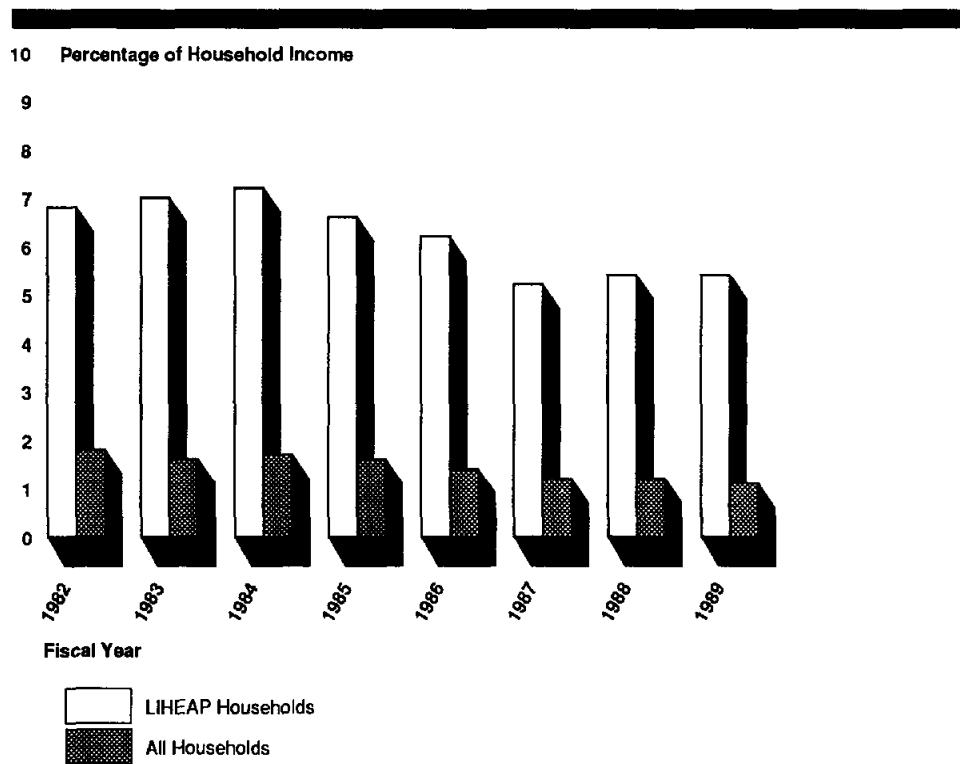
HHS data show that households receiving LIHEAP assistance spend 14 percent of their income to meet total home energy costs. This is about four times greater than the percentage share of income all households spend. Home heating costs alone account for about 5 percent of income for households receiving LIHEAP.¹ LIHEAP benefits pay about one-half of these heating costs, although this amount varies widely by region.² Because each state determines benefit levels for its jurisdiction, average heating benefits vary.

¹The distinction between total home energy costs and home heating costs is important because the statute only allows LIHEAP to assist with heating or cooling costs. LIHEAP benefits do not cover other household energy costs, such as hot water, lighting, and electric appliances. Other studies have attempted to assess LIHEAP by the extent to which it helps meet total home energy costs. Major studies that focused on how well energy assistance programs helped low-income households meet total home energy costs include: Energy and the Poor—The Forgotten Crisis (Washington, D.C., National Consumer Law Center, May 1989), Narrowing the Gap: The Energy Needs of the Poor and Federal Funding (Washington, D.C., Northeast Midwest Institute, Jan. 1988), and Low Income Energy Programs at Mid-Decade: Limits and Opportunities (Arlington, Va., National Association for State Community Services Programs, June 1986).

²Low Income Home Energy Assistance Program: Report to Congress for Fiscal Year 1989 (Washington, D.C., HHS, forthcoming, Oct. 1990). HHS obtains data on low-income households' use of energy assistance from the Census Bureau's Current Population Survey and data on home energy costs, consumption, and fuel type for low-income households from the Department of Energy's Residential Energy Consumption Survey

Section 3
 LIHEAP's Role in Meeting the Heating Costs
 of Low-Income Households

Figure 3.2: Home Heating Costs as a Percentage of Household Income
 (Fiscal Years 1982-89)



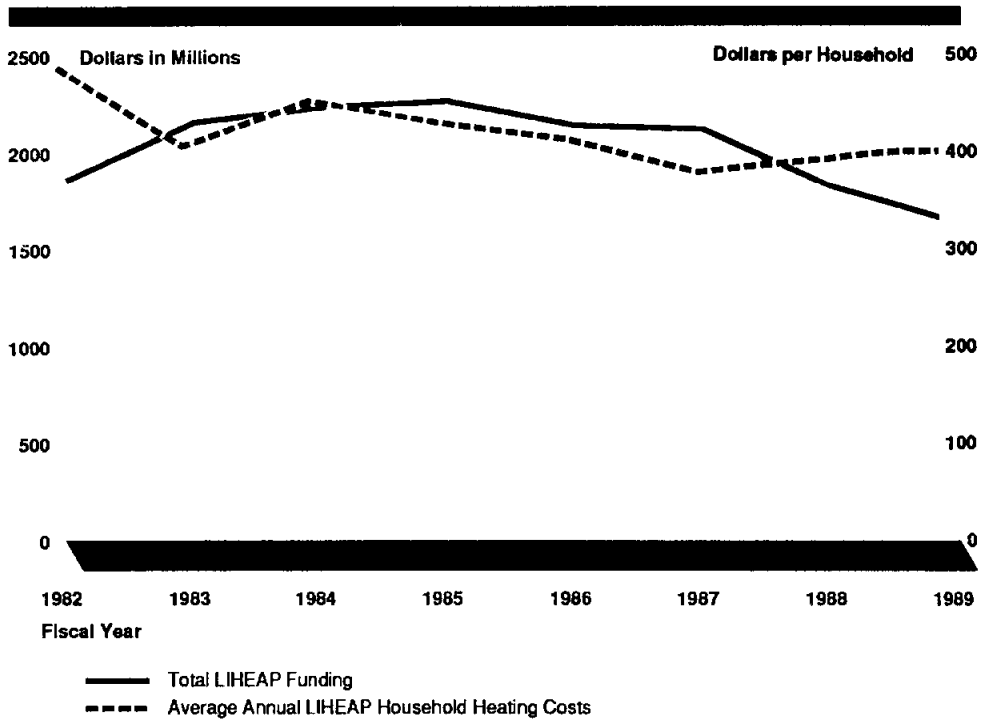
Note: 1984 figure for LIHEAP households is estimated

Heating Costs Consume a Higher Percentage of Low-Income Household Earnings Compared to All Households

LIHEAP households, on average, use about 5 percent of their income (\$395 a year in fiscal year 1989) for home heating costs compared with about 1 percent (\$377) for all households. Heating accounts for much of home energy costs; it averages about 39 percent of total home energy costs for LIHEAP households, and about 34 percent for all households. Nationwide, households receiving LIHEAP assistance use about 14 percent of their income for total home energy costs, on average. By comparison, the average for all households is about 3 percent. Figure 3.2 shows how home heating costs as a percentage of income have generally decreased since 1982.

Section 3
 LIHEAP's Role in Meeting the Heating Costs
 of Low-Income Households

**Figure 3.4: LIHEAP Funding Compared
 With LIHEAP Household Heating Costs**
 (Fiscal Years 1982-89)

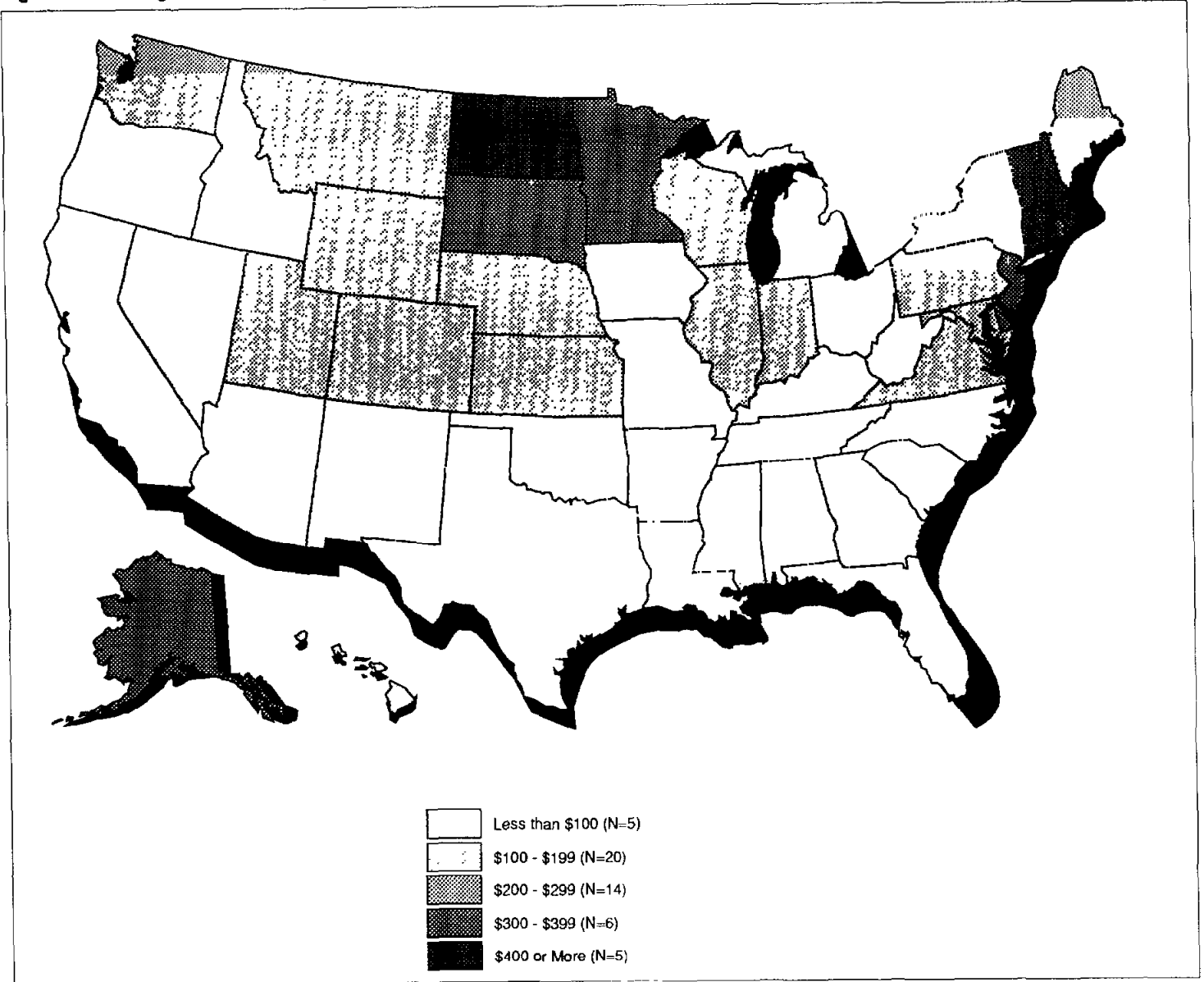


**LIHEAP Funding and
 Household Heating Costs**

Average home heating costs for LIHEAP households have decreased overall since 1982 due in part to stable or declining fuel prices. LIHEAP funding peaked in 1985 and roughly corresponded to the overall decrease in heating costs, as shown in figure 3.4.

Section 3
LIHEAP's Role in Meeting the Heating Costs
of Low-Income Households

Figure 3.6: Average LIHEAP Heating Benefits in the 50 States (Fiscal Year 1989)



Average household heating benefits also varied among states, ranging from \$51 in Texas to \$473 in Connecticut for the fiscal year 1989 season. Figure 3.6 shows how these benefit levels vary across the country. Nationally, heating benefits averaged \$182. Average household winter crisis benefits varied as well, ranging from \$67 in Florida to \$640

LIHEAP Helps One-Third of Eligible Households

About 6 million households receive LIHEAP assistance out of about 17 million that are eligible nationwide, based on income eligibility standards set by the states. While the number of eligible households remained relatively constant since 1986, the number of households receiving assistance decreased about 12 percent. The LIHEAP statute allows states to set maximum income eligibility up to 150 percent of the poverty-level income or 60 percent of the state median income, whichever is higher.⁵ Nonetheless, a state cannot exclude from eligibility any household whose income is less than 110 percent of its poverty level. Twenty-nine states have set their standards below 150 percent. If all states used the maximum federal income eligibility standard of 150 percent of poverty or 60 percent of state median income, about 25 million households would be eligible. Therefore, at existing program funding levels, about one-fourth of eligible households would receive benefits if all states used this standard.⁶

⁵Since states have the option of setting income eligibility at 60 percent of state median income, the poverty level income eligibility standards for seven states are greater than 150 percent. The highest level is 183 percent.

⁶Because we do not have accurate data on the number of eligible households in each state, we cannot determine individual state differences in the percentage of eligible households receiving LIHEAP benefits.

Figure 3.9

GAO Households Receiving LIHEAP Benefits (FY 1982-89)

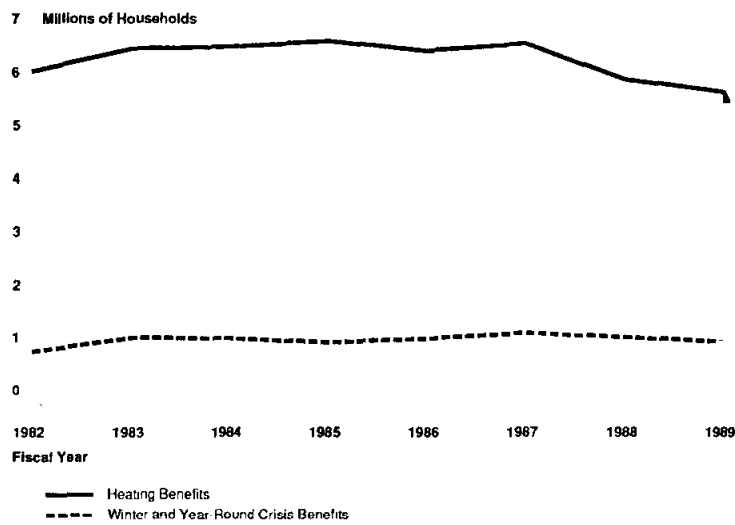
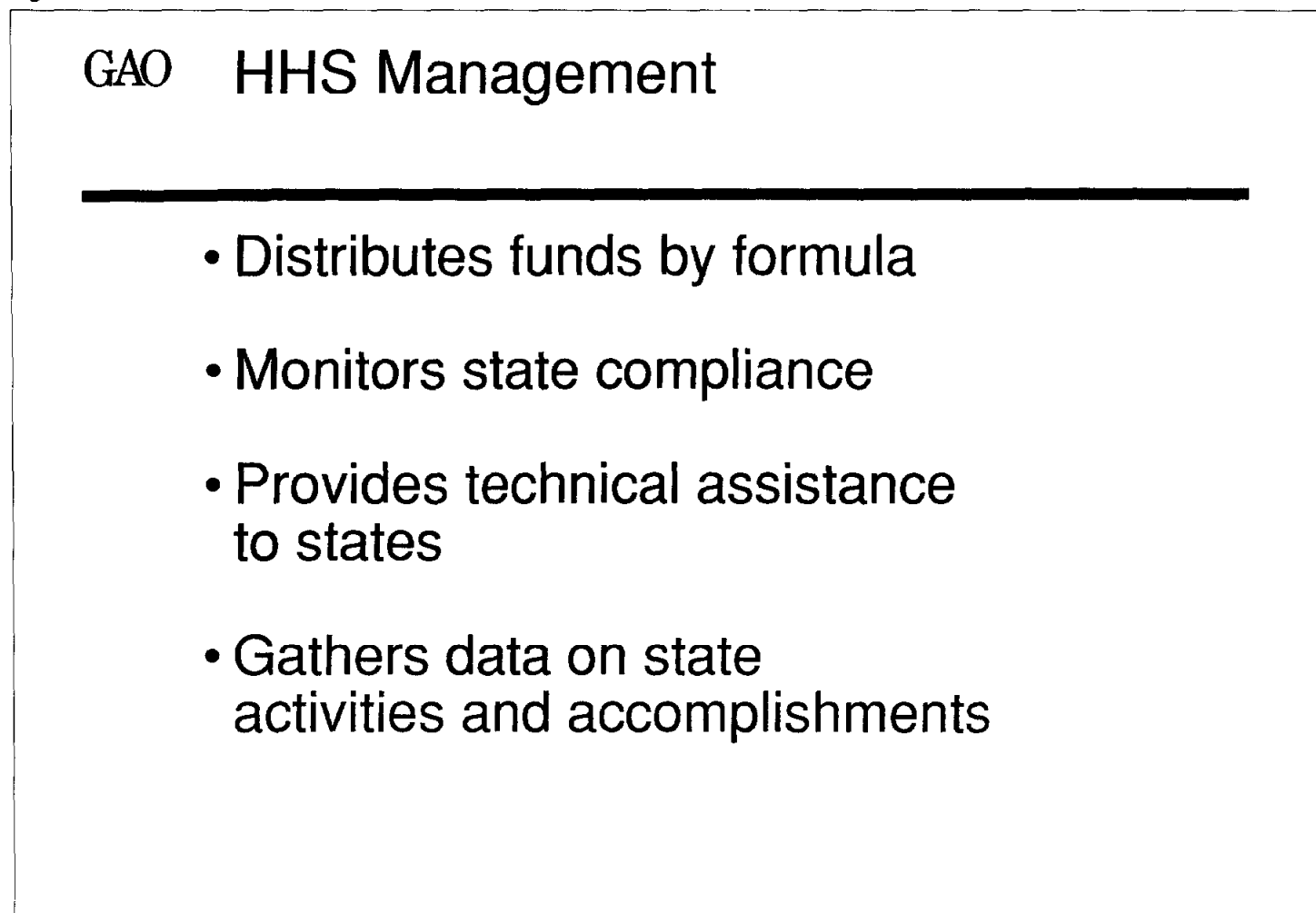


Figure 3.9 shows that the number of households receiving heating assistance between fiscal years 1982-87 was relatively stable, and declined about 14 percent thereafter. This parallels the pattern for LIHEAP funding shown in figure 2.5. Figure 3.9 also shows that the number of households receiving winter crisis assistance increased from about 700,000 in fiscal year 1982 to about 900,000 in fiscal year 1989. Appendix IV shows the change in households served in individual states between 1982 and 1989.

states undertake major program activities, such as determining and providing benefits to needy households, conducting outreach to eligible households, and controlling and auditing the use of funds.

Figure 4.2



Funds Distributed to States by Formula

HHS originally distributed funds to states by a formula established under the 1980 Home Energy Assistance Act. The formula considers such factors as the number of heating degree days, home heating expenditures, total residential energy expenditures, and the low-income population in each state. This distribution formula was first used in 1981.

**Section 4
States Have Primary Role in
Administering LIHEAP**

and financial assistance. HHS prepares several reports on its analyses of these data for distribution to the Congress, states, and any other interested parties.

**Methods for Obtaining
Benefits Differ Among
Program Components**

Based on our discussions with HHS, the following generally summarizes state practices in applying for benefits. Although states typically establish their own application procedures, they are basically similar among all states for each of the program components.

**Heating and Cooling
Assistance**

A household generally must apply for benefits each year. To apply for heating or cooling assistance, a household member typically completes a written application for assistance and presents it at the appropriate local assistance or social services agency (e.g., a community action agency (CAA) or local welfare office) or, less frequently, to their utility company or fuel supplier. Applications can only be filed during the state-specified application period. This period can range from a few weeks to a full year. The state processes completed applications to determine eligibility and benefit amounts. Depending on the state, applications may be processed by local or state agencies. The processing agency notifies the household and/or its energy supplier when eligibility and benefits have been determined. Most states pay benefits directly to the energy supplier and notify the household of these payments. The household then receives credit on its bill.

Crisis Assistance

To apply for crisis assistance, a household member typically applies at a local assistance agency. This agency determines eligibility and benefits. Federal law requires local agencies to provide enough assistance to resolve the crisis within 48 hours of the time an application is filed (18 hours in life-threatening situations). Households generally do not have to be receiving heating or cooling assistance to qualify for crisis assistance. The local assistance agency usually makes payment directly to the energy supplier.

Weatherization Assistance

Typically, a household member applies for benefits at a local administering agency, which sometimes does not administer the heating or crisis components. In many states, this agency may also select the household for priority weatherization because it has unusually high heating costs. Typically, the agency then retains a private contractor to determine

Figure 4.3

GAO States Administer Program Differently

- Components are different
- State administering agencies differ
- Local administering agencies differ
- Local agencies have varied level of activity

States Operate Different Program Components

In fiscal year 1989, every state and the District of Columbia provided heating and crisis assistance. Only 9 states and the District of Columbia provided cooling assistance, while 42 states and the District of Columbia provided weatherization assistance. Figure 4.4 shows the program components operated by each state.

Section 4
States Have Primary Role in
Administering LIHEAP

weatherization component. Table 4.1 shows the number of states in which various types of state agencies administer LIHEAP.

Table 4.1: Number of State LIHEAP Administering Agencies, by Agency Type and Program Component

Type of agency	Number of states administering program component			
	Heating	Cooling	Crisis	Weatherization
Public welfare department	13	2	12	4
Social services department	17	3	18	6
Economic opportunity office	8	3	7	6
Community affairs department	6	2	8	9
State energy office	3	1	3	5
Other agency	9	2	5	13

Note: Column totals may be greater than 51 because some states designate more than one administering agency to operate a LIHEAP component.

Source: Catalog of Fiscal Year 1989 State Low Income Home Energy Assistance Program Characteristics (Washington, D.C.: National Center for Appropriate Technology, Nov. 1989).

At the local level, CAAS and county or local welfare offices are the most common LIHEAP administering agencies. They differ, however, in the number of LIHEAP components they administer. In some states, the same local agency administers all components operated in that state; in most states, two or more local agencies administer different components. For example, in New Hampshire and Idaho, CAAS administer all components of their states' programs at the local level, while in Ohio, CAAS administer the crisis and weatherization components, but other local agencies administer the heating component.

Activities of Administering Agencies Vary

State and local agencies also vary in the types of activities they perform. For example, in New Hampshire, CAAS perform most administrative activities, including outreach, accepting and processing applications, determining benefits, and making benefit payments. Also, the state division of human resources conducts financial management and oversight activities. In Ohio, by contrast, CAAS only conduct outreach for the state's heating component, but conduct nearly all administrative activities for the crisis component. The Ohio Department of Development's Home Energy Assistance Program office conducts most other administrative activities for the heating component, distributes funds to CAAS, and conducts oversight for the crisis component.

Home Heating Costs as a Percentage of Income, by Fuel Type (Fiscal Years 1982-89)

Type of Fuel	1982 ^a	1983	1984 ^b	1985	1986	1987	1988	1989
Natural gas								
All households	•	16	17	17	14	13	12	12
LIHEAP households	59	72	•	72	62	55	58	58
Electricity								
All households	•	12	13	11	11	10	10	09
LIHEAP households	48	52	•	62	58	51	44	43
Fuel oil								
All households	•	31	29	25	24	16	17	16
LIHEAP households	108	126	•	88	90	64	72	65
Kerosene •								
All households	•	• ^c	• ^c	17	17	12	11	09
LIHEAP households	•	• ^c	•	89	64	46	45	53
Liquefied petroleum gas								
All households	•	23	18	18	17	11	14	12
LIHEAP households	62	57	•	47	65	58	62	56

^aData for all households are not available

^bData for LIHEAP households are not available

^cKerosene is included with fuel oil

Source: Low Income Home Energy Assistance Program, Report to Congress for Fiscal Years 1982-89 (Washington, D.C., HHS, Annual Report)

**Appendix III
Average Household Heating and Crisis
Benefits, by State (Fiscal Years 1982, 1985,
and 1989)**

State	FY 1982 ^{a,b,c}		FY 1985 ^{a,d}		FY 1989 ^{a,d}	
	Heating	Crisis	Heating	Winter crisis	Heating	Winter crisis
Oregon	174	195	202	147	192	167
Pennsylvania	256	130	317	177	222	250
Rhode Island	221	263	256	263	360	100
South Carolina	145	55	123	0	83	117
South Dakota	353	137	339	136	318	141
Tennessee	167	•	189	193	191	118
Texas	81	•	66	155	51	134
Utah	285	73	268	64	214	210
Vermont	417	200	440	178	450	170
Virginia	332	150	326	0	267	176
Washington	191	135	162	168	204	143
West Virginia	170	•	162	216	141	143
Wisconsin	237	236	309	180	250	163
Wyoming	429	131	391	188	258	215

Source: Low Income Home Energy Assistance Program. Report to Congress for Fiscal Years 1982, 1985, and 1989 (Washington, D.C., HHS, Office of Energy Assistance, Family Support Administration, Annual Report).

^aFigures were reported by states and are not necessarily the results obtained by dividing dollars for heating or winter/year-round crisis assistance benefits by the number of households assisted

^bFor 1982, HHS did not prescribe a format for reporting the number of households assisted

^cMay include data for states that operated summer crisis programs. Summer and winter crisis benefits were not reported separately in this year

^dIncludes average benefits for households assisted by states that operated year-round crisis programs (i.e., 10-12 months)

^eFigures include cooling benefits provided under combined heating and cooling assistance programs

**Appendix IV
Households Receiving Heating and Winter
Crisis Assistance, by State (Fiscal Years 1982,
1985, and 1989)**

FY 1985 ^{a,d}		FY 1989 ^{a,d}		Percentage change for heating		
Heating	Winter crisis	Heating	Winter crisis	FY 1982-89	FY 1982-85	FY 1985-89
88,627	•	65,103	5,720	-59	-45	-27
11,372	384	8,194	2,158	-22	8	-28
34,072 ^e	12,264	33,754	3,306	-3	-2	-1
73,822	1,139	59,616	16,968	67	107	-19
434,448 ^e	107,828	460,015	99,463	-2	-7	6
55,403	1,892	62,904	368	-23	-33	14
76,140	4,017	74,620	3,191	18	20	-2
13,238	4,800	11,274	713	-10	5	-15
14,268	1,987	12,570	1,503	19	35	-12
157,749 ^e	6,089	179,342	13,838	72	51	14
91,707	11,498	83,770	25,673	-13	-5	-9
26,969 ^e	•	5,919	0	-79	-5	-78
40,971	1,676	34,091	1,517	32	58	-17
364,108	17,763	277,924	12,874	-27	-5	-24
151,271	14,425	135,266	14,754	17	31	-11
106,556	396	92,607	1,750	20	38	-13
46,511	•	48,318	0	-21	-24	4
113,778	23,316	48,783	84,380	54	259	-57
124,589	0	58,167	0	-49	10	-53
60,741	4,041	51,501	9,776	15	36	-15
89,833	4,018	80,221	8,765	16	30	-11
142,769	•	120,610	15,328	-10	7	-16
305,943	79,913	262,403	83,927	-29	-17	-14
134,382	18,396	108,299	13,119	4	29	-19
63,085	2,738	53,224	2,289	-6	11	-16
147,173	16,189	119,779	20,800	-24	-6	-19
22,460	•	21,224	379	43	52	-6
37,103	2,676	30,678	8,752	-13	5	-17
11,339	11,339	12,115	678	52	43	7
26,546	7,056	21,540	1,950	-10	11	-19
190,593	23,847	128,662	12,533	-37	-7	-32
55,857	5,171	40,180	5,612	13	57	-28
991,820	60,334	770,053	54,703	-21	2	-22
160,800	48,168	166,073	37,193	16	12	3
20,107	1,347	17,626	1,595	34	53	-12
423,635	122,065	365,420	121,962	14	32	-14
84,451	•	88,877	6,034	35	29	5

(continued)

**Appendix IV
Households Receiving Heating and Winter
Crisis Assistance, by State (Fiscal Years 1982,
1985, and 1989)**

FY 1985 ^{a,d}		FY 1989 ^{a,d}		Percentage change for heating		
Heating	Winter crisis	Heating	Winter crisis	FY 1982-89	FY 1982-85	FY 1985-89
87,797	4,406	61,199	2,652	-23	10	-30
356,510	93,958	311,179	86,549	4	20	-13
29,655	19,096	23,005	5,497	-24	-2	-22
84,351	11,726	84,826	7,914	40	39	1
23,068	2,581	20,990	377	32	45	-9
82,918	13,214	58,856	12,920	-31	-2	-29
296,048	17,881	354,545	26,506	34	12	20
42,841	138	40,575	295	22	29	-5
20,038	2,252	15,916	1,457	-18	3	-21
113,553	•	112,492	8,480	12	14	-1
113,156	42,589	64,711	25,121	-31	20	-43
73,352	15,303	69,700	14,335	25	31	-5
214,091	14,873	160,292	4,217	-2	31	-25
14,002	78	11,036	725	26	60	-21
6,545,616	857,809	5,600,044	890,616	-7	9	-14

Source: Low Income Home Energy Assistance Program Report to Congress for Fiscal Years 1982, 1985, and 1989 (Washington, D.C., HHS, Office of Energy Assistance, Family Support Administration, Annual Report)

^aFigures were reported by states

^bFor 1982, HHS did not prescribe a format for reporting the number of households assisted

^cMay include data for states that operated summer crisis programs. Summer and winter crisis assistance were not reported separately in this year

^dIncludes households assisted by states that operated year-round crisis programs (i.e., 10-12 months)

^eFigures include households that received cooling benefits provided under combined heating and cooling assistance programs

Key Legislative Amendments to LIHEAP

Limiting State Program Discretion

Human Services Reauthorization Act of 1984 (P.L. 98-558)

Section 8623(C) ¹	Requires states to operate the crisis component through public or non-profit agencies with (1) experience in administering the crisis component under the Low Income Energy Assistance Act of 1980 or the Low Income Home Energy Assistance Act of 1981, (2) experience in assisting low-income individuals in their community, and (3) the ability to operate an effective crisis program. The former provision did not specify agencies to operate the crisis component at the state level.
Section 8626(b)(2)(B)	Reduces the maximum carryover allowance from 25 percent to 15 percent of the net state allotment, ² less amounts transferred to other block grants and set aside for Indian tribes.
Section 8626(b)(2)(A)	Adds requirement that states explain why they are requesting to carry forward a portion of their allotment to the following fiscal year and describe the types of assistance to be provided with these amounts.
Section 8623(E)	Eliminates the option for states to request direct payments to Supplemental Security Income households by the federal government.
Section 8624(b)(2)(B)(i)(ii)	Maintains the maximum household income eligibility limits (150 percent of poverty or 60 percent of state median income), but prohibits states from setting eligibility limits lower than 110 percent of the poverty level income in fiscal year 1986 and thereafter.
Section 8624(b)(5)	Provides that states agree not to give differential treatment in awarding benefits to categorically eligible and income eligible households.

¹Citations Are for the U.S. Code, Title 42

²Net allotment means the amount payable to the state that is not carried over from the prior fiscal year and not transferred to other block grants.

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Section 8624(b)(8) Provides that states give assurances not to exclude income eligible households from receiving LIHEAP benefits.

**Human Services
Reauthorization Act of
1986 (P.L. 99-425)**

Section 8623(c)(1)(2) Requires states to (1) provide crisis assistance that will address the crisis within 48 hours after the household has applied for it (18 hours in life-threatening situations), (2) accept crisis applications at geographically accessible sites, and (3) provide special assistance in applying for crisis benefits to the physically infirm. These requirements can be waived by HHS during natural disasters or other emergencies.

Section 8624(c)(1)(B) Provides that the state plan shall describe the benefit levels to be used for each type of assistance, including crisis and weatherization and other energy-related home repair.

Section 8624(c)(1)(C) Provides that the state plan shall describe alternatives for use of funds reserved for but not spent on crisis assistance.

Fiscal Year 1985 Formula for Distributing LIHEAP Block Grant Funds to States

Allocations are made to states, territories, and Indian tribes. Territories receive approximately 0.14 percent of the total appropriation (which is based on the amount they received in fiscal year 1981). HHS may set aside up to \$500,000 each year for training and technical assistance activities. The remainder is allocated among states based on each state's share of total heating and cooling costs of low-income households in the nation.

Payments shall be made only to eligible households with incomes at or under the greater of 150 percent of the poverty level for that state or 60 percent of a state's median income. Tribal allocations are taken out of each state's allotment based on a tribe's share of eligible households in that state, or by state-tribal agreement. Funds are distributed under the 1985 formula only in the event annual appropriations exceed \$1.975 billion. Otherwise, funds are distributed based on the percentage of the total funds the states received in fiscal year 1981.

MATHEMATICAL STRUCTURE: (Fiscal Year 1985 or thereafter)
STATE SHARE = COST/COSTTOTAL

DEFINITIONS:

COST = home heating and cooling costs of all low-income households in each state.

COSTTOTAL = home heating and cooling costs of all low-income households in the United States.

There are two hold-harmless provisions: (1) In fiscal year 1985, states were guaranteed to receive not less than they did in fiscal year 1984. (2) In fiscal year 1986, no state would receive less than it would have in fiscal year 1984 if the appropriation had been \$1.975 billion. In addition, if appropriations reached or exceeded \$2.25 billion and if any state received less than 1 percent of the total allocation, it would receive the percentage share it would have received if the appropriation were based on \$2.14 billion (the amount authorized, though not appropriated, for fiscal year 1985).

**Appendix IV
Households Receiving Heating and Winter
Crisis Assistance, by State (Fiscal Years 1982,
1985, and 1989)**

State	FY 1982^{a,b,c}	
	Heating	Winter crisis
Oregon	79,482	3,193
Pennsylvania	297,942	54,188
Rhode Island	30,401	17,819
South Carolina	60,631	10,128
South Dakota	15,865	1,392
Tennessee	84,757	1,465
Texas	264,163	•
Utah	33,188	41
Vermont	19,432	2,988
Virginia	100,000	2,000
Washington	94,099	14,966
West Virginia	55,937	9,707
Wisconsin	163,722	18,608
Wyoming	8,766	13
Total	5,993,620	707,173

Households Receiving Heating and Winter Crisis Assistance, by State (Fiscal Years 1982, 1985, and 1989)

State	FY 1982 ^{a,b,c}	
	Heating	Winter crisis
Alabama	160,692	17,270
Alaska	10,526	372
Arizona	34,746 ^e	7,663
Arkansas	35,742	3,168
California	468,305	83,902
Colorado	82,220	9,235
Connecticut	63,430	1,678
Delaware	12,589	2,819
District of Columbia	10,574	3,824
Florida	104,418 ^e	6,275
Georgia	96,434	221
Hawaii	28,392 ^e	874
Idaho	25,853	414
Illinois	382,119	17,893
Indiana	115,132	49,048
Iowa	77,139	13,015
Kansas	61,058	7,669
Kentucky	31,701	41,974
Louisiana	113,247	•
Maine	44,683	1,822
Maryland	69,324	21,549
Massachusetts	133,773	•
Michigan	368,858	100,125
Minnesota	104,394	•
Mississippi	56,722	•
Missouri	157,263	5,081
Montana	14,802	1,000
Nebraska	35,346	2,857
Nevada	7,948	1,067
New Hampshire	23,929	6,168
New Jersey	205,325	16,000
New Mexico	35,528	•
New York	970,056	43,840
North Carolina	143,400	16,939
North Dakota	13,137	1,180
Ohio	320,759	85,723
Oklahoma	65,671	•

Average Household Heating and Crisis Benefits, by State (Fiscal Years 1982, 1985, and 1989)

Rounded to the nearest dollar

State	FY 1982 ^{a,b,c}		FY 1985 ^{a,d}		FY 1989 ^{a,d}	
	Heating	Crisis	Heating	Winter crisis	Heating	Winter crisis
Alabama	\$53	\$124	\$112	•	\$112	\$100
Alaska	430	229	485	\$300	381	377
Arizona	136 ^e	165	125 ^e	125	127 ^e	100
Arkansas	139	111	114	127	102	120
California	73	124	129 ^e	150	73 ^e	161
Colorado	263	217	347	98	255	473
Connecticut	521	279	520	200	473	119
Delaware	270	106	328	99	326	100
District of Columbia	293	150	334	200	241	163
Florida	152 ^e	92	139 ^e	0	80 ^e	67
Georgia	146	118	150	150	129	194
Hawaii	57 ^e	229	58 ^e	151	195 ^e	0
Idaho	265	72	228	100	165	126
Illinois	212	285	226	290	205	325
Indiana	234	212	272	189	258	157
Iowa	267	209	279	103	175	150
Kansas	133	155	214	•	205	0
Kentucky	159	148	130	260	105	162
Louisiana	46	•	64	0	79	0
Maine	431	197	340	117	297	152
Maryland	228	170	253	•	254	•
Massachusetts	477	•	560	112	439	•
Michigan	116	369	129	474	147	407
Minnesota	438	•	473	0	330	640
Mississippi	155	•	160	0	127	131
Missouri	198	256	241	180	198	194
Montana	337	250	462	0	292	250
Nebraska	308	164	409	265	226	226
Nevada	218	118	239	44	168	135
New Hampshire	443	148	454	139	431	134
New Jersey	234	163	312	145	388	163
New Mexico	237	•	194	70	132	90
New York	149	221	215	299	174	335
North Carolina	147	138	175	0	112	114
North Dakota	560	175	625	187	437	171
Ohio	187	200	180	155	123	178
Oklahoma	126	•	135	•	105	114

(continued)

Home Heating Costs as a Percentage of Income, by Region (Fiscal Years 1982-89)

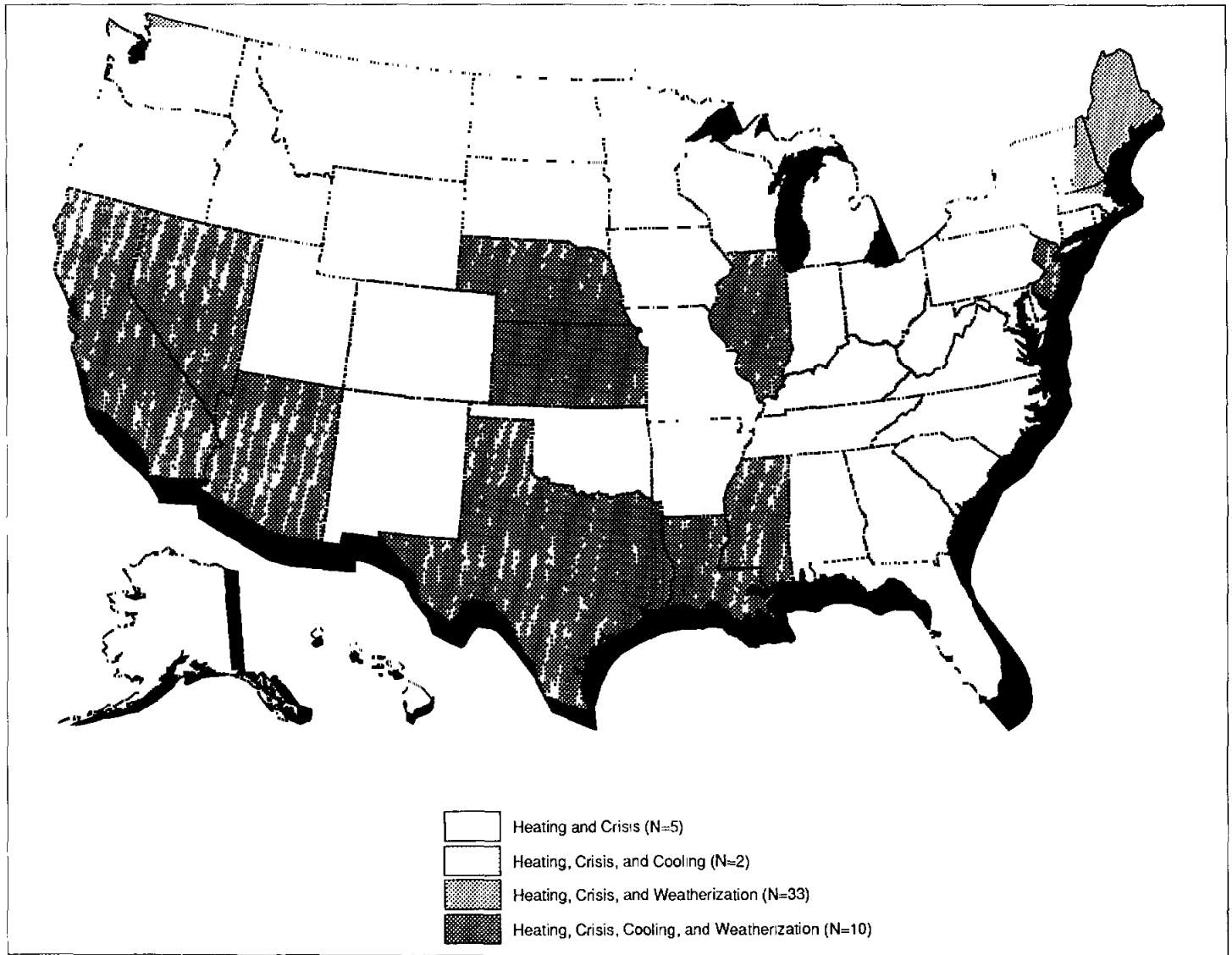
Region	1982 ^a	1983	1984	1985	1986	1987	1988	1989
United States								
All households	•	1.6	1.7	1.6	1.4	1.2	1.2	1.1
LIHEAP households	6.8	7.0	7.2	6.6	6.2	5.2	5.4	5.4
Northeast								
All households	•	2.6	2.7	2.2	2.1	1.7	1.7	1.5
LIHEAP households	8.9	11.0	10.1	7.8	7.1	6.4	8.0	6.9
North Central								
All households	•	1.9	2.2	2.1	1.8	1.5	1.5	1.5
LIHEAP households	7.7	8.9	9.0	8.7	8.2	6.9	7.3	7.4
South								
All households	•	1.2	1.3	1.1	1.1	0.9	1.1	0.9
LIHEAP households	4.3	5.0	5.5	5.0	4.7	3.7	4.5	4.2
West								
All households	•	0.9	0.9	0.9	0.7	0.7	0.6	0.6
LIHEAP households	3.0	3.3	3.3	3.8	3.2	2.8	2.3	2.3

^aData for all households are not available.

Source: Low Income Home Energy Assistance Program Report to Congress for Fiscal Years 1982-89 (Washington, D.C., HHS, Annual Report). The 1984 data for LIHEAP households is estimated by GAO.

Section 4
 States Have Primary Role in
 Administering LIHEAP

Figure 4.4: LIHEAP Components Operated by the 50 States (Fiscal Year 1989)



State and Local
 Administering Agencies
 Vary

State public welfare and social services departments most commonly administer the LIHEAP heating and crisis components. In a smaller number of states, however, economic opportunity, community affairs, or state energy departments or offices administer these components. Social services departments and state economic opportunity offices most commonly administer the cooling component. Community affairs departments are the most common administering agencies of the

what weatherization features the household needs and to install them. The contractor usually receives cash payments directly from the agency.

States Have Wide Latitude in Administering LIHEAP

States have broad discretion to meet the statutory requirements of LIHEAP and distribute benefits. Because it is a block grant, states can—within the statutory requirements—choose their methods of administration, eligibility criteria, benefit levels, and funding levels for the various program activities, such as weatherization and crisis assistance. For example, the statute requires states to agree to provide, in a timely manner, the highest benefits to households with the lowest incomes and highest energy costs in relation to income, taking into account family size. It prescribes no more detailed requirements for varying benefits in this manner. As a result, each state has developed different combinations of factors to use in varying benefits.

The original statute (P.L. 97-35) did contain some limits to state discretion in specific areas, such as placing upper limits for states' income eligibility standards. However, the Congress has set additional limits over the past 6 years in response to specific instances in which it felt states were not meeting the program's objectives. For example in 1984, the Congress prohibited states from setting income eligibility lower than 110 percent of the poverty level (effective from fiscal year 1986 on). The Congress took this action after discovering that some states were setting income eligibility levels far lower than intended. Appendix VI lists the more significant congressional actions limiting state discretion since the program was created in 1981.

States Use Latitude to Administer LIHEAP Differently

Because they are given broad discretion, states vary in how they operate their LIHEAP programs. This includes the primary state and local administering agencies and the types of activities performed by state and local agencies (see fig. 4.3).

**Section 4
States Have Primary Role in
Administering LIHEAP**

The current LIHEAP statute provides that funds be distributed to states according to the percentage distributions calculated in fiscal year 1984, in any year appropriations are \$1.975 billion or less. As a result, the relative proportion of total funds distributed to each state in fiscal year 1990 is the same as it was in fiscal year 1984. Funds were distributed in this manner every year except fiscal years 1985 and 1986. The 1984 reauthorization amendments changed the distribution formula, but also provided that it would be used only if funding exceeded \$1.975 billion. When funding fell below this level in 1987, the percentage distribution used before 1985 was restored (see app. V).

**State Plan Review and
Monitoring**

HHS annually reviews each state's program plan before the beginning of the fiscal year in which it is to take effect. HHS must ensure that each plan addresses all statutory assurances and meets all statutory requirements for completeness. It awards funds as soon as it determines a state's application is complete. Potential compliance problems are noted for later resolution. HHS then reviews all applications for compliance with the statute and also conducts eight or nine detailed state compliance reviews each year based on more detailed program documents submitted by these states. HHS also makes site visits to a number of these states.

**Technical Assistance to
States**

HHS provides guidance to grantees describing relevant issues, and technical assistance through the LIHEAP Clearinghouse. The Clearinghouse serves as a centralized source of information and advice on providing energy assistance and administering programs. It responds to specific questions and concerns of individual states, and issues memoranda to states on ideas or issues of common concern.

In addition, HHS issues periodic bulletins advising states of new program developments and other relevant issues and responds to inquiries from states. HHS also promotes the dissemination and exchange of ideas for implementing LIHEAP by preparing an annual catalog of state program characteristics and funding research, conferences, and workshops.

**HHS Data Gathering and
Reporting**

Throughout the year, HHS gathers and analyzes data on state programs and national patterns of energy use and costs in low-income households. These data include state-reported statistics on sources and uses of funds and households served, and Census Bureau and the Department of Energy statistics on low-income household energy use, costs, income,

States Have Primary Role in Administering LIHEAP

States have primary responsibility for administering LIHEAP and distributing benefits. Although the federal government has placed some limits on state discretion, states continue to have a wide range of options in determining and distributing benefits. Figure 4.1 outlines the key administrative characteristics of the program.

Figure 4.1

GAO Program Structure

- Administered by HHS
- Broad state discretion
 - lessened in recent years
 - tighter eligibility, reporting requirements
- States administer program components differently

Federal Role Is Limited

HHS's responsibilities include distributing funds to states; reviewing state plans and uses of funds; monitoring state compliance with the law; providing technical assistance; and gathering and reporting data, such as (1) national trends in energy use, (2) energy costs for low-income households, and (3) state activities and accomplishments (see fig. 4.2). By law,

Figure 3.8

GAO Households Served by LIHEAP (FY 1989)

- 5.6 million households received heating benefits
 - 2 million are elderly
 - 1 million are handicapped
- 1 million households received crisis benefits

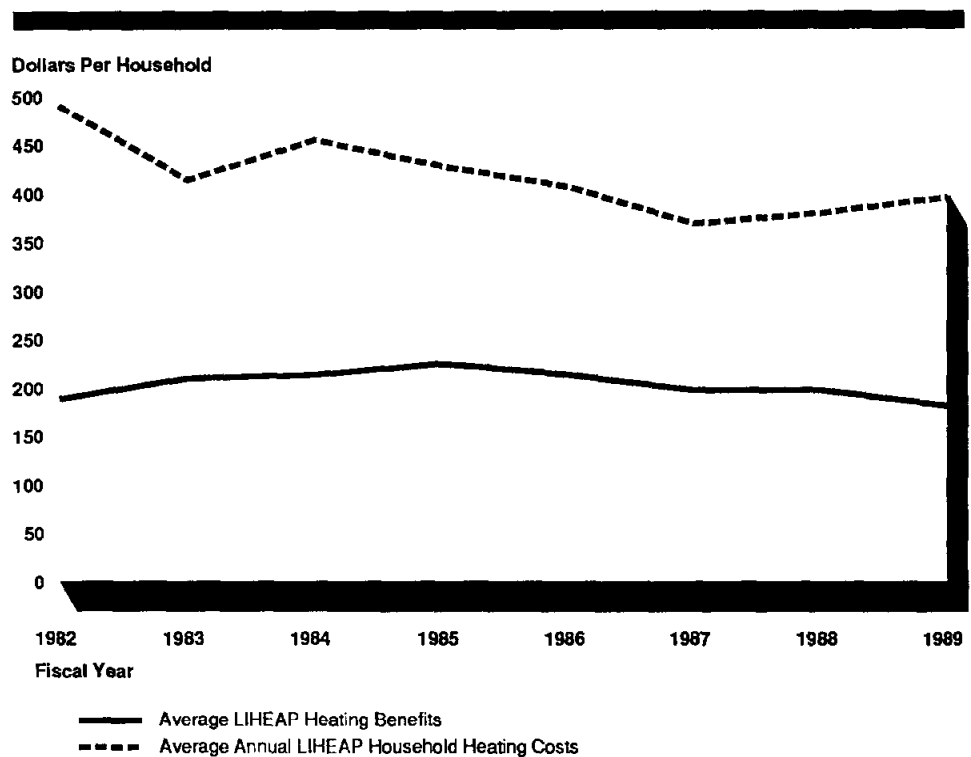
About 5.6 million households received heating assistance from LIHEAP in fiscal year 1989, including about 2 million households with elderly residents and about 1 million with handicapped residents.⁷ (See fig. 3.8.) About 1 million households received crisis assistance in fiscal year 1989; about two-thirds of these also received heating assistance.

⁷The totals for households with elderly or handicapped members may overlap; i.e., some elderly households may also be handicapped households.

Section 3
LIHEAP's Role in Meeting the Heating Costs
of Low-Income Households

in Minnesota for the fiscal year 1989 season.⁴ Nationally, they averaged \$208. Appendix III shows average household heating and winter crisis benefits for all states and the District of Columbia.

Figure 3.7: Average LIHEAP Heating Benefits Compared With LIHEAP Household Heating Costs
(Fiscal Years 1982-89)



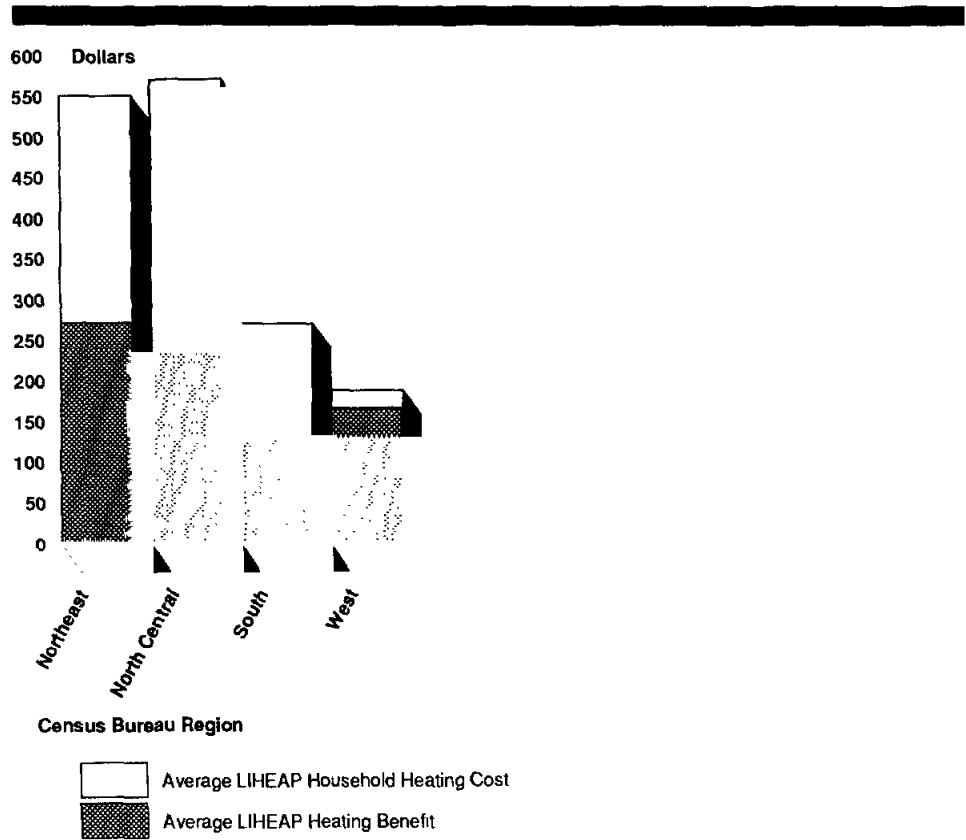
Shifts in Household Heating Costs and Benefit Levels (Fiscal Years 1982-89)

Average LIHEAP household heating costs, nationwide, declined by 19 percent between fiscal years 1982-89. Nationwide, average heating benefits declined about 4 percent during this time (although they increased steadily to 1985 then gradually fell). Figure 3.7 compares these trends. Appendix III shows the change in benefit levels for each state between fiscal years 1982-89.

⁴These averages do not include three states that did not provide winter crisis benefits and two states that placed crisis applicants into their heating programs.

Section 3
 LIHEAP's Role in Meeting the Heating Costs
 of Low-Income Households

Figure 3.5: Home Heating Costs Offset by LIHEAP Benefits, by Census Bureau Region (Fiscal Year 1989)



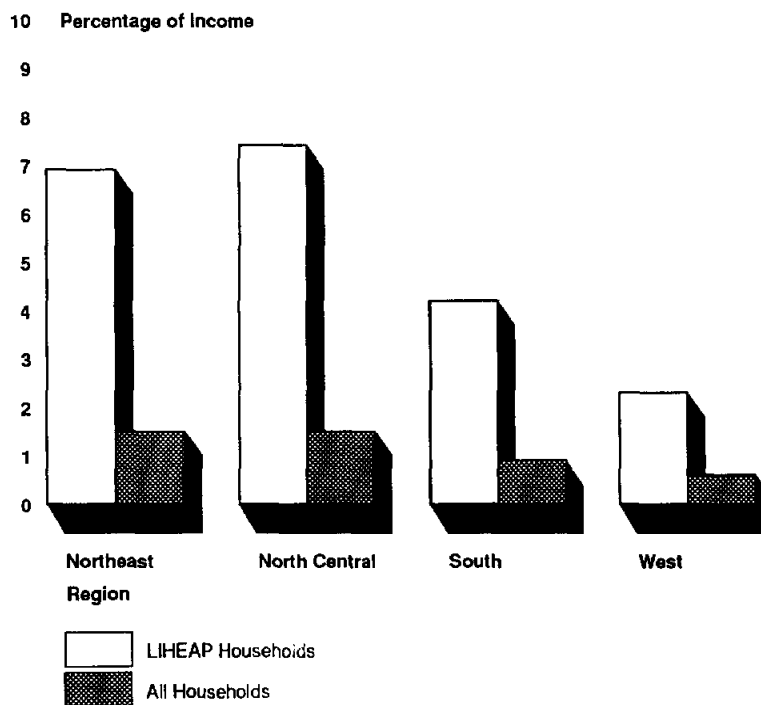
Amount of Heating Costs LIHEAP Benefits Offset Varies by Region

The proportion of household heating costs LIHEAP benefits offset varies across regions of the country. It ranges from a household average of 41 percent of heating costs in the North Central states to an average of 88 percent in the West.³ Figure 3.5 shows the differences among Census Bureau regions.

³The average offset nationwide is about 52 percent.

Section 3
LIHEAP's Role in Meeting the Heating Costs
of Low-Income Households

Figure 3.3: Home Heating Cost as a Percentage of Household Income, by Census Bureau Region (Fiscal Year 1989)



Average heating costs, however, vary significantly by region and fuel type. By region, the costs for LIHEAP households range from 2 percent of income in the West to over 7 percent in the North Central states. Figure 3.3 shows the differences among Census Bureau regions. By fuel type, costs range from 4 percent of income for electric heat to almost 7 percent for fuel oil. Appendix I details heating costs as a percentage of income for each region. Appendix II details these costs by fuel type.

Figure 3.1

GAO Energy Costs and the Needy

- Total home energy cost is about 14% of LIHEAP household income
- Heating cost is about 39% of total home energy cost
- LIHEAP benefits offset about 52% of recipient heating costs
- LIHEAP assists about 1/3 of eligible low-income households

About one-third of eligible households (6 million) receive heating and winter crisis assistance. Most of these, about 5.6 million, received LIHEAP heating assistance in fiscal year 1989. About one-third of households receiving heating assistance have elderly residents, and 19 percent have handicapped residents.

severe weather forces the household to use more heat than it is able to pay for. Households receive benefits to help make a payment that will restore shut-off heating or cooling service, prevent service from being shut off, or meet other energy crisis needs. It comprises about 12 percent of LIHEAP spending.

Weatherization Assistance

Households can receive benefits that include free materials and labor to install energy conservation or weatherization features, such as insulation and storm windows. This benefit is intended to help a low-income household reduce its energy costs over a period of years. This component comprises about 9 percent of state LIHEAP spending.¹⁶

¹⁶Transfers to other block grants, carryovers to the following fiscal year, and expenditures for administrative costs account for 16 percent of state LIHEAP expenditures.

Section 2
LIHEAP History and Context

\$6.4 million—in fiscal year 1989, from the \$17 to \$19 million maintained in the previous 4 fiscal years. This decrease resulted when Massachusetts reduced its LIHEAP funding support by about 80 percent in 1989.

As shown in table 2.2, 13 states contributed their own funds or channeled funds from private sector sources into LIHEAP between 1985 and 1989. Six states made contributions in fiscal year 1989, ranging from 0.3 to about 11 percent of their total LIHEAP funding. Each year since 1985, between three and eight states used their own or private sector funds for LIHEAP. Private funds come from such sources as utility-sponsored fuel fund donations or reimbursements from utilities to cover state administrative costs.¹⁵

Table 2.2: State and Other Funding for LIHEAP (Fiscal Years 1985-89)

Dollars in thousands					
State	1985	1986	1987	1988	1989
Arkansas	.	.	\$535	\$200	\$67
Delaware	.	.	.	.	67
Georgia	.	.	654	313	.
Indiana	1,747	.	.	.	.
Louisiana	.	.	187	.	.
Maryland	.	.	48	88	1,198
Massachusetts	17,000	14,213	14,000	14,000	3,437
Missouri	.	.	263	2,213	.
Oklahoma	7	1,347	1,139	.	1,617
Rhode Island	.	.	.	.	50
South Carolina	.	82	159	.	.
Texas	.	.	.	650	.
Virginia	.	1,500	.	.	.
Total	\$18,754	\$17,142	\$16,985	\$17,464	\$6,435

Note: Figures are reported to HHS by states

Source: Low Income Home Energy Assistance Program Report to Congress for Fiscal Years 1985-89 (Washington D.C., HHS, July 1986-Aug 1989, forthcoming, Oct 1990)

LIHEAP Provides Four Types of Assistance

Individual households can receive LIHEAP benefits under four components: heating, cooling, crisis, and weatherization assistance (see fig. 2.7). Each component has a different purpose.

¹⁵Utilities reimburse states for their costs when they request states to provide data on or to process applications for households that may be eligible for utility-sponsored energy assistance programs.

Oil Overcharge Settlement Funds Replaced Part of Federal Cuts

Since 1985, oil overcharge settlement funds have increased as a percentage share of LIHEAP funds and offset some of the decrease in federal block grant funds. These funds became available from legal settlements related to price overcharges made by those crude oil producers who violated price controls (the controls were abolished in 1981). Federal law allows the Department of Energy to recover these funds through regulatory or court action, after which, it distributes the funds to states and territories from a separate escrow account. States and territories must use most of their oil overcharge funds for LIHEAP and any of four Energy programs.¹⁴ They can also use some of their oil overcharge funds for other discretionary projects that promote energy conservation and are approved by the Department of Energy.

The increased importance of overcharge funds in comparison with the block grant funds is shown in figure 2.5. The use of overcharge funds in LIHEAP increased from about \$6.2 million in fiscal year 1985 to \$173.7 million in fiscal year 1989. The share of total funding from oil overcharge funds increased from less than 1 percent in fiscal year 1985 to almost 11 percent in fiscal year 1989. Available oil overcharge funds are decreasing and expected to run out in the mid-1990s.

The significance of oil overcharge funds as a share of total LIHEAP funding varies widely among states, as shown in figure 2.6. For example, these funds comprise about 23 percent of Georgia's total LIHEAP funding, while New Hampshire uses no oil overcharge funds for LIHEAP. This disparity occurs for two reasons. First, oil overcharge funds are distributed to states on the basis of petroleum-product consumption in each state. This includes gasoline and other nonheating fuels. As a result, the percentage distributions of oil overcharge funds to each state differs from the percentage distributions of federal LIHEAP funds. For example, while Florida received 1.4 percent of federal LIHEAP funds from 1982 to 1987, it received 4.6 percent of the total overcharge funds during that time. Second, states may use these funds for non-LIHEAP activities, such as energy conservation. In fiscal year 1989, 27 states apportioned oil overcharge funds to LIHEAP in amounts ranging from 0.1 to 46 percent of their total LIHEAP funds.

¹⁴For more detailed background on the origin, distribution, and uses of oil overcharge settlement funds see, *Energy Conservation: Funding State Energy Assistance Programs* (GAO/RCED-87-114FS, Mar. 1987) and *Low-Income Energy Assistance: State Responses to Funding Reductions* (GAO/HRD-88-92BR, Apr. 1988). The four programs are the State Energy Conservation Program, Energy Extension Service, Institutional Conservation Program, and Weatherization Assistance Program.

Figure 2.4

GAO LIHEAP Funding Sources (FY 1989)

- 89% from federal block grants
- Over 10% from oil overcharge funds
- Less than 1% from state and private sources

LIHEAP Is Primarily Federally Funded

As shown in figure 2.4, about 89 percent of LIHEAP funds in fiscal year 1989 came from federal block grant appropriations. Over 10 percent of program funds came from oil overcharge settlements, and less than 1 percent came from states and other nonfederal sources. Since 1986, oil overcharge settlement funds have become a more significant funding source. They have offset a portion of the decline in funds from the federal block grant, which dropped 34 percent between 1985 and 1989.

Figure 2.3

GAO Nonfederal Energy Assistance

- Direct programs include:
 - cash assistance
 - fuel funds
- Indirect programs include:
 - percent of income programs
 - loans
 - moratoria on shut-offs

Nonfederal Energy Assistance

Many state and local governments, utilities, and charitable organizations provide energy assistance. As figure 2.3 shows, these programs provide both direct and indirect assistance. They provide benefits to both LIHEAP and non-LIHEAP recipients.

The extent to which these other programs meet low-income heating needs nationwide is unknown because limited data exist on total funding and households served by them. Available data suggest that most of these programs are relatively small; for example, a total of about \$31 million was available nationwide from utility-sponsored fuel funds

are available.⁹ We are not able to report the amount of deductions attributable to home heating costs because such data are not collected.

- **Aid to Families With Dependent Children:** All states consider home energy a basic living need, which AFDC benefits are intended to support. Ten states designate a portion of AFDC monthly benefits as energy aid. These states, however, do not require households to spend this portion on energy needs. Therefore, we cannot be sure of the actual extent AFDC households met their energy costs with these designated benefits. We were able to develop an estimate of the value of these energy designations for 1987—the latest year for which data are available. This estimate shows that—on an average monthly basis—about 1.3 million households received about \$49.4 million in AFDC benefits designated as energy aid in these 10 states.¹⁰

Ten states also provide AFDC emergency assistance to eligible households for energy-related emergencies, such as utility shutoffs or fuel shortages. Another 14 states and the District of Columbia provide such assistance for unspecified emergencies. In these cases, it is not clear whether energy-related emergencies are excluded from coverage. We do not know the total emergency benefits provided or the number of households served for energy-related needs because states only report combined data for all covered emergencies.¹¹

- **Subsidized housing:** When home heating is included with rent, tenants in federally assisted public housing or section 8 housing receive indirect heating assistance through rent subsidies. Tenants in units where heating is not included with rent can receive an allowance in the form of reduced rent payments to help meet these costs. About 4 million households received housing assistance under these programs in fiscal year

⁹Shelter costs include rent, mortgage payments, property taxes, and electricity, as well as heating and cooling. On average, households claiming a shelter deduction received additional annual food stamp benefits of \$312.

¹⁰We made this estimate for each state by (1) calculating the proportion of assistance designated as energy aid in the maximum monthly benefit for a family of three, (2) applying the proportion designated as energy aid to the average monthly benefit to determine the average monthly energy designation, and (3) multiplying the average monthly energy designation by the average monthly number of AFDC families. In addition, some states provide supplemental AFDC benefits during the winter months specifically to assist with higher heating costs. We were not able to readily identify these states or determine the total amount of these benefits.

¹¹An average 19,300 families a month received emergency AFDC assistance for all covered emergencies in the 10 states providing assistance for energy-related emergencies. Monthly benefits ranged from \$95 to \$416. Total benefits provided for the year amounted to nearly \$65 million in these states. These statistics are from 1987—the latest year for which data are available.

Figure 2.2

GAO LIHEAP Block Grant Created in 1981

- Changed emphasis to general home energy assistance
- Added weatherization
- Gave states increased flexibility
 - fund transfers
 - carryovers

The Low Income Home Energy Assistance Block Grant was enacted as part of the Omnibus Budget Reconciliation Act of 1981. It was authorized for 3 years beginning in fiscal year 1982. LIHEAP retained the heating, cooling, and crisis components and continued distributing funds to states by formula. The new law, however, added low-cost home weatherization as an additional form of assistance funded under the block grant and also gave states greater flexibility in distributing block grant funds by allowing them to carry over 25 percent of these funds to

had separate allotments for (1) crisis assistance (\$400 million distributed by the Community Services Administration), (2) heating assistance for Supplemental Security Income recipients (\$400 million), and (3) heating assistance to other needy households (\$800 million). The funds had to be spent for purposes specified in the law.

For fiscal year 1981, the Congress established a more comprehensive energy assistance program with the enactment of the Crude Oil Windfall Profit Tax Act of 1980. In drafting this act, the Congress considered using tax revenues obtained from oil companies' high profits to fund a program to help the poor meet increasing heating costs. Although the program was never financed in this manner, the Congress nevertheless enacted the Home Energy Assistance Act of 1980, which established LIHEAP, as part of the Windfall Profit Tax Act.³ The Congress appropriated \$1.85 billion to fund the program in 1981.⁴

The new program provided routine heating and medically necessary cooling assistance in addition to crisis assistance. It replaced the 1-year program for 1980 and functioned somewhat like a block grant. Two alternative formulas were used to distribute funds to states; each state received whichever allotment gave it a larger share of the total funds. Under the new program, the three components were combined into a single program with one appropriation. This gave states greater flexibility to use the funds where they believed needs were most critical.

³42 U.S.C. 8601-8612 (1980)

⁴This appropriation was made entirely from general revenues. The measure signed into law used authority from the Economic Opportunity Act to appropriate the funds rather than the Windfall Profit Tax Act.

companies for overcharges during the 1970s. A few states also contribute funds to the program, and many other programs operated within the states provide direct and indirect energy assistance other than LIHEAP.

1977-81: Programs Provide Crisis Assistance to Help Meet Rising Home Heating Costs

1977-79

Between 1974 and 1979, total home energy prices rose between 50 and 108 percent (depending on fuel source) as a result of economic changes, including increased costs of imported oil and oil price decontrol. The federal government initially provided crisis heating assistance to low-income households in response to these rising energy prices in the 1970s (see fig. 2.1). A series of 1-year programs was developed, the first of which was funded in 1977 to provide assistance limited to meeting emergency needs.¹ The assistance included restoring heat that was shut off or filling fuel tanks during the winter. States received funds to distribute to eligible households under federal rules. The Congress used this approach for 3 years with funding of about \$200 million each year.

¹From 1974 through 1976, limited funding was available for energy crisis assistance under programs operated by the Community Services Administration designed to meet various other low-income needs as well.

Section 1
Introduction

from November 1989 to July 1990 in accordance with generally accepted government auditing standards.

Introduction

The Low Income Home Energy Assistance Program (LIHEAP) provides eligible households with assistance for home heating and cooling, energy crises, and weatherization. In preparation for the 1990 LIHEAP reauthorization hearing, the Chairman of the Subcommittee on Human Resources, House Committee on Education and Labor, requested a briefing and a report on LIHEAP's history and characteristics. We provided the briefing on January 29, 1990, and this report summarizes that briefing. The work on which the briefing and this report are based is part of work we are performing for a larger, mandated study on states' implementation of LIHEAP.

Under LIHEAP, established by the Low Income Home Energy Assistance Act of 1981,¹ the federal government distributes funds to states using a legislated formula. States then tailor their own assistance programs to meet the needs of their low-income households. The Department of Health and Human Services (HHS) administers LIHEAP. The Office of Energy Assistance (OEA)—within HHS's Family Support Administration, Office of Community Services—is responsible for overseeing LIHEAP's implementation nationwide.

Objectives, Scope, and Methodology

This report:

- traces the evolution of federal energy assistance programs through the establishment of LIHEAP,
- describes program funding sources,
- discusses the extent to which LIHEAP covers the heating costs of the poor and serves eligible households,
- describes the level of benefits provided to assisted households, and
- provides an overview of federal and state LIHEAP administration.

These objectives are summarized in figure 1.1.

¹7 U.S.C. 2014; 42 U.S.C. 8621-8629 (1981).

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Abbreviations

AFDC	Aid to Families With Dependent Children
CAA	community action agency
HHS	Department of Health and Human Services
LIHEAP	Low Income Home Energy Assistance Program
OEA	Office of Energy Assistance

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Results in Brief

LIHEAP is the most prominent of several federal programs that provide energy assistance to the poor. The federal government's objectives in helping to meet energy needs of low-income households have changed somewhat over time. The original focus was on crisis assistance during the mid-1970s. In the 1980s, however, its scope expanded to include more comprehensive energy assistance to low-income households. The federal approach to providing this assistance has also changed from a federally administered program to a state-run block grant.

Because states have broad discretion in administering program components, such activities as application procedures for obtaining benefits vary among states. Each state, however, must submit a program plan to HHS before the beginning of each fiscal year. HHS is responsible for ensuring that each state plan addresses all statutory assurances and follows all federal requirements. HHS also provides the states with technical assistance and promotes the dissemination of information on ideas and issues of common concern.

Households receiving assistance spend about 5 percent of their income on home heating costs—compared with about 1 percent for all households. About 6 million households—one-third of those eligible—receive heating or winter crisis benefits. Of these, about 2 million have elderly residents and about 1 million have handicapped residents.

Between fiscal years 1985 and 1989, LIHEAP funding dropped steadily from \$2.3 billion to \$1.6 billion. In fiscal year 1989, federal funds comprised 89 percent of LIHEAP funding. Revenue from overcharges by oil companies contributed 10 percent and state and private sources the remaining 1 percent.

Agency Views

As requested by your office, we did not obtain written agency comments on this briefing report. We did, however, discuss its contents with officials of the Office of Energy Assistance and incorporated their comments where appropriate.
