



# **SERVING NEIGHBORS IN NEED**

On Saturday mornings, Cincinnati resident Kim Navaro prepares herself for her next shift as a volunteer for St. Vincent de Paul. In the Greater Cincinnati region, St. Vincent de Paul is one of several organizations that help families in need connect with assistance programs, including rent, food, and utilities.

Navaro, who has been a volunteer since November 2020, has to ready herself for the Saturday process. At exactly 12:30pm, all of the individuals that she and other volunteers have previously screened during earlier phone calls—typically more than 100 people each week—will dial into the assistance line. The first 15 people who get through to the volunteers on duty will receive as much help as St. Vincent de Paul can provide them. The rest will have to hang up and try again at 12:30pm the following Saturday.

"The demand for assistance has increased significantly because of the pandemic," Navaro says. "We hear from so many families who are struggling because of job losses due to COVID, single moms who have to stay home with children because school isn't in session, and adult children who stay home to care for their parents."

According to Navaro, the volume of calls and the needs of individuals have increased so much and overwhelmed local organizations like St. Vincent de Paul that it's nearly impossible to keep up. St. Vincent serves a wide range of people, from 18-70+ years of age, who are falling behind on utility bills

and other standard expenses. When possible, the organization issues up to \$300 in funds directly to Duke Energy, the local utility provider, to help the individual get caught up on their outstanding bills or avoid a shutoff to protect the health and wellness of these families in need.

"They're so grateful for the help," Navaro said. "They're good people, and a lot of them are working as hard as possible to get current on all of their bills. They have a real uphill battle. On a local level, it's hard to witness our neighbors at such desperate points. They don't know where else to turn."

The COVID-19 pandemic exacerbated challenges that America's low-income households have face for decades: increasingly difficult choices about how to use limited funds for household necessities. Built to address this crisis, the Low Income Home Energy Assistance Program (LIHEAP) celebrated its 40th year as an assistance program in 2021. The program is widely supporting by numerous organizations across the nation, including government officials, nonprofit social service agencies, and the two leading expert organizations: the National Energy Assistance Directors Association (NEADA) and the National Energy & Utility Affordability Coalition (NEUAC). And yet in its 40th year, the nation saw a program that is increasingly essential and continually underfunded. There exists an immense need to expand LIHEAP to support the millions of households, including those feeling the deep and lingering impacts of a global pandemic.

# **LIHEAP: 40 YEARS OF SERVICE**

### The Dilemma of 'Heat-or-Eat'

Across the United States, low-income households have to make difficult and critical decisions about how to use their available income every month. For many Americans, their wages put them in or near the poverty line. In 2022, a four-person household met the federal poverty guideline with an annual income of \$27,750. The reality is that for these households, making decisions about paying rent and utilities, buying groceries, paying for transportation is often a difficult and scary decision. Without enough money to pay for all bills each month, these families often face the 'heat-or-eat' dilemma: deciding whether to put food on the table or keep a home safe with proper heating and cooling.

Since its inception in 1981, the LIHEAP has been on a mission to help families avoid this emotional and stressful dilemma. The program delivers critical short-term aid to our most vulnerable neighbors, including the working poor, individuals with disabilities, and the elderly living on fixed programs.

Extensive academic research has documented the broader impact of energy assistance, from the "heat-or-eat" dynamic seen in many lower-income households, to the health effects on children. LIHEAP continues to be critical in protecting millions of struggling American families. This is especially true during the peak winter heating and summer cooling seasons, when energy bills can comprise nearly 30 percent of a low-income household's monthly income, especially in substandard housing.



# LIHEAP IN THE AGE OF COVID

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

The COVID-19 pandemic brought a new economic crisis to American homes, in particular low-income homes. The official poverty rate in 2020 was 11.4%, up one percentage point from 2019 and the first increase in national poverty in five consecutive years, as reported by the U.S. Census Bureau. In 2020, nearly 37.2 million Americans lived in poverty, which is 3.3 million more Americans than in 2019. Black Americans continued to have the highest poverty rate of 19.5% in 2020, and Hispanics had a poverty rate of 17.0%. In addition, the median household income dropped 2.9% from 2019 to 2020, the first statistically significant decline since 2011.

What all of these statistics create is a high-level snapshot of very real, very personal challenges that millions of Americans face every day. The challenges existed before the pandemic, and they will exist after, too. But what can change is the way we address the need from external programs like LIHEAP. The critical nature of this program was demonstrated in many ways, but perhaps most telling was the shutoff moratoria in 2020 and 2021. Lawmakers and decision-makers united to protect what they knew was essential: living environments that are properly heated and cooled for the safety of those who reside inside.

As such, in May 2021, the inarguable necessity of LIHEAP funds was demonstrated by an additional \$4.5 billion in supplemental funding. These funds were released for FY2021 under the American Rescue Plan of 2021 "for additional funding to provide payments" for LIHEAP.



Estimated **\$24 billion** in utility debt that families were unable to pay during the coronavirus pandemic



During the second half of 2021

- Nearly 1 in 5 U.S. households (19.7%)
  reported that they were unable to pay an energy bill or
  unable to pay the full bill amount, at least one month in
  the last year.
- 39% of low-income households and 30.3% of households of color reporting that they were unable to pay their energy bills.
- 51.2% of low-income households reported that they reduced or forewent expenses for basic household necessities, such as medicine or food, in order to pay an energy bill, at least one month in the last year

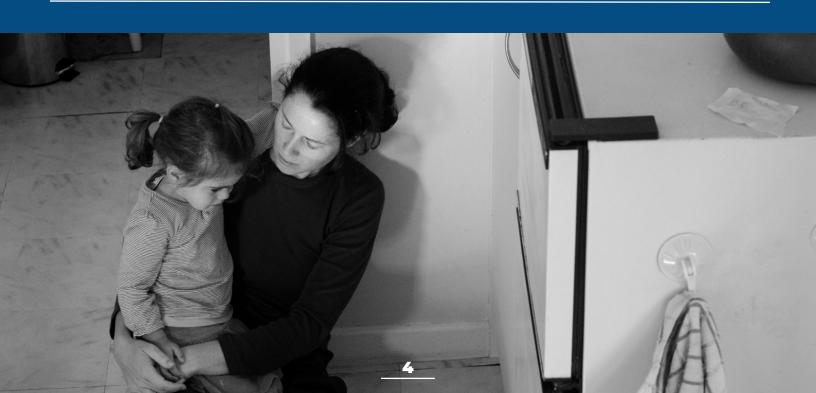
In a 2016 report by Pew Charitable Trusts, nearly 71 percent of Americans surveyed indicated an inability to save money because of unexpected expenses, with more than 26 percent of individuals reporting that this inability to save happens most months or just about every month. When paired with an economic downturn as seen during the COVID-19 pandemic, saving money is no longer the most pressing financial concern for many low-income households. Rather, simply paying bills for daily needs, like utilities and food, becomes the primary focus for many individuals.

With 1 in 5 of all U.S. households (18.6%) reporting that they kept their home at a temperature that felt unsafe or unhealthy for at least one month in the past year, the pandemic-era pressure creates a troubling outlook for low-income households. Indeed, the same report found that 1 in 4 households of color (24.6%) and 1 in 3 low-income households (32.1%) reported that they kept their home at a temperature that felt unsafe or unhealthy, at least one month in the last year.

As low-income households experience increasing pressure to finance core needs, temporary funding from LIHEAP becomes a method by which families are able to maintain safe household environments, particularly for those families with children, seniors and individuals with disabilities. And despite the increase in emergency funding during the pandemic, no long-term solutions have yet been put into place to further—and more thoroughly—meet the growing needs of low-income households.

Even as the nation recovers from pandemic and employment numbers rise, low-income families are left with less flexibility in their spending. In March 2020, state-mandated or voluntary utility shut-off moratoria were in place for 51% of the U.S. population (167 million people). The moratoria put in place in 2020 and 2021 were temporary measures to prevent shut-offs, but when they were lifted, low-income families faced growing bills and mounting debts amounting to more than a year's worth of utility bills that are left outstanding. In 2021, it is estimated that 3.4 million were disconnected from energy.

How do we, as a nation, justify the acknowledgement that utilities are essential elements of creating safe living environments; and yet, when it comes to funding the program that addresses this issue for low-income households, no action is taken to meet the need? Where do people like Kim Navaro, the local volunteer for Cincinnati's St. Vincent de Paul Society, tell individuals to go next?

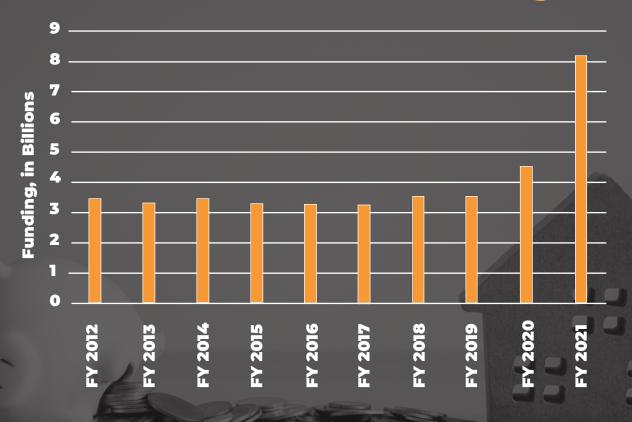


# **HOW LIHEAP WORKS**

LIHEAP is one of the most critical components of the social safety net. The program provides heating and cooling assistance to roughly 6.7 million households. It is an exceptionally efficient and targeted program, with state block grants flowing to local agencies with specific clients on a short-term basis to prevent utility shutoffs or assistance with heating and cooling bills.

LIHEAP has nurtured a very positive, effective partnership between the federal government, state governments and the private sector. By leveraging private dollars to supplement federal dollars, LIHEAP has proven that successful relationships can exist between the government, businesses, gas and electric utilities and community based social service organizations.

# Ten Years of LIHEAP Funding



This chart reflects Federal contributions only. State/local and philanthropic dollars are pooled with Federal money to complete the funding pool.

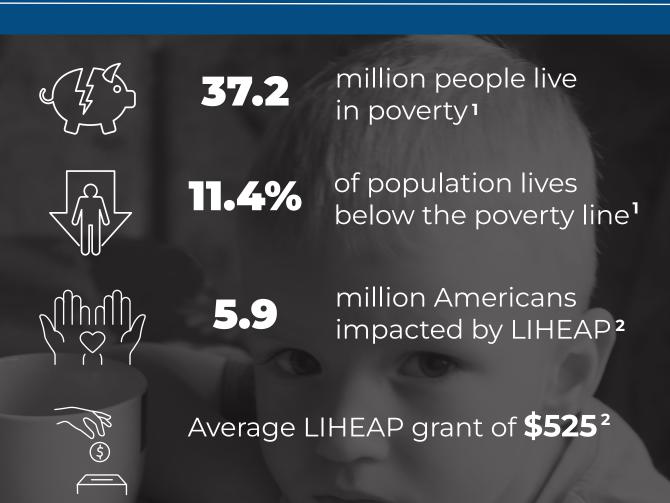
STATE/TERRITORY	NOVEMBER 1, 2021 RELEASE	TRIBAL SET-ASIDES	TOTAL RELEASE NOVEMBER 1, 2021 (INCLUDING TRIBAL AWARDS)
Alabama	\$56,405,838	\$342,537	\$56,748,375
Alaska	\$10,212,167	\$7,196,715	\$17,408,882
Arizona	\$26,214,830	\$1,252,113	\$27,466,943
Arkansas	\$29,809,772		\$29,809,772
California	\$179,228,041	\$701,495	\$179,929,536
Colorado	\$53,827,678		\$53,827,678
Connecticut	\$65,781,165		\$65,781,165
Delaware	\$12,187,981		\$12,187,981
District of Columbia	\$10,333,336		\$10,333,336
Florida	\$89,843,962	\$14,126	\$89,858,088
Georgia	\$71,046,573		\$71,046,573
Hawaii	\$4,719,389		\$4,719,389
Idaho	\$18,929,749	\$965,850	\$19,895,599
Illinois	\$155,362,999		\$155,362,999
lowa	\$49,844,374		\$49,844,374
Kansas	\$33,327,874	\$40,500	\$33,368,374
Kentucky	\$51,647,205		\$51,647,205
Louisiana	\$50,324,254		\$50,324,254
Maine	\$35,028,729	\$1,329,119	\$36,357,848
Maryland	\$69,851,450		\$69,851,450
Massachusetts	\$120,460,943	\$181,239	\$120,642,182
Michigan	\$146,524,923	\$963,903	\$147,488,826
Minnesota	\$106,248,005		\$106,248,005
Mississippi	\$33,175,107	\$67,841	\$33,242,948
Missouri	\$75,090,892		\$75,090,892
Montana	\$19,256,528	\$4,081,082	\$23,337,610
Nebraska	\$29,208,738	\$16,200	\$29,224,938
Nevada	\$12,899,075		\$12,899,075
New Hampshire	\$25,192,436		\$25,192,436
New Jersey	\$112,665,012	\$53,812	\$112,718,824
New Mexico	\$18,984,981	\$977,004	\$19,961,985
New York	\$340,099,314	\$184,620	\$340,283,934
North Carolina	\$96,321,906	\$1,862,049	\$98,183,955

STATE/TERRITORY	NOVEMBER 1, 2021 RELEASE	TRIBAL SET-ASIDES	TOTAL RELEASE NOVEMBER 1, 2021 (INCLUDING TRIBAL AWARDS)
North Dakota	\$19,265,767	\$6,086,686	\$25,352,453
Ohio	\$140,491,616		\$140,491,616
Oklahoma	\$38,316,431	\$5,322,835	\$43,639,266
Oregon	\$33,704,628	\$597,571	\$34,302,199
Pennsylvania	\$182,800,266		\$182,800,266
Rhode Island	\$21,871,003	\$37,444	\$21,908,447
South Carolina	\$45,075,485	\$9,392	\$45,084,877
South Dakota	\$17,374,542	\$3,215,307	\$20,589,849
Tennessee	\$66,094,438		\$66,094,438
Texas	\$149,493,827		\$149,493,827
Utah	\$23,370,922	\$331,148	\$23,702,070
Vermont	\$18,882,628		\$18,882,628
Virginia	\$88,899,086		\$88,899,086
Washington	\$57,425,673	\$2,141,723	\$59,567,396
West Virginia	\$28,716,292		\$28,716,292
Wisconsin	\$95,638,461		\$95,638,461
Wyoming	\$9,029,976	\$460,935	\$9,490,911
Total to States	\$3,316,831,060	\$38,439,244	\$3,355,270,304
Total to All Tribes	\$38,439,244		
Territories			
American Samoa	\$278,797		\$278,797
Guam	\$611,253		\$611,253
Northern Mariana Islands	\$212,305		\$212,305
Puerto Rico	\$15,172,934		\$15,172,934
Virgin Islands	\$578,007		\$578,007
Total to Territories	\$16,853,296		\$16,853,296
GRAND TOTAL	\$3,333,684,356	\$38,439,244	\$3,372,123,600

While states, local governments, utilities and charitable organizations have demonstrated their capacity to develop programs to address some energy assistance needs, collectively these programs cannot meet the demand for energy assistance, and this need continues to grow.

In his testimony before the House Subcommittee on Labor, Health and Human Services and Education and Related Agencies in support of FY 2022 funding for the Low Income Home Energy Assistance Program, Mark Wolfe, Executive Director of the National Energy Assistance Directors Association, noted that FY2021 funding levels enabled the "program to serve about 5.9 million households or about 16.7 percent of eligible households. About 70 percent of these households have at least one vulnerable and at-risk member who is elderly or disabled or have a child under the age of six." The average grant, Wolfe noted, was about \$525 per family.

Most notably, Wolfe testified on the importance of LIHEAP for low-income families, who spend a disproportionate amount of their income (17.3%) on energy bills, which is more than five times the rate for non-low-income houses.



<sup>1.</sup> United States Census Bureau. "Income, Poverty and Health Insurance Coverage in the United States: 2020."
2. Testimony of Mark Wolfe, Executive Director, National Energy Assistance Directors Association, before the House Subcommittee on Labor, Health and Human Services and Education and Related Agencies in support of FY 2022 funding for the Low Income Home Energy Assistance Program. May 19, 2021.

# **PROGRAM COMPONENTS**

### **Basic Energy & Crisis Assistance**

Federal funding is determined each Fiscal Year through the Congressional Appropriations process, beginning with the Labor HHS Appropriations Subcommittees in the House and Senate. The program itself is administered by U.S. Department of Health and Human Services. Program funds are allocated via block grants determined by a statutory formula. States may spend only 10 percent of allocated funds on administrative costs and may transfer up to 15 percent (25 percent with an approved waiver) of costs to support weatherization efforts. The remaining funds are passed on to low-income households through direct grants.

LIHEAP has been operating under an annual authorization of up to \$5.1 billion per year, although the program has only been fully funded in the Appropriations process once in its history. In moments of crisis – including the pandemic – supplemental funds have been pooled with traditional Appropriated funds to create a larger funding pool.

The LIHEAP statute authorizes HHS to assist eligible households in meeting the costs of home energy, which are defined as a source of heating or cooling in residential dwellings. Households are eligible under Federal standards when incomes do not exceed the greater of 150 percent of the poverty level for their state or 60 percent of the state median income. However, states may set income limits as low as 110 percent of the poverty level. The law requires benefits to be targeted to households with the highest energy costs in relation to income and household size.

#### **The Emergency Contingency Fund**

The Emergency Contingency Fund historically was used to supplement regular appropriations because some winters are worse than others, summers can be accompanied by prolonged heat waves and emergencies in certain regions may require flexibility in meeting needs beyond the formulas established under the program.

Congress permanently authorized emergency contingency funding at \$600 million in FY1994, and they have remained authorized at that same level. Although overall appropriations have declined, Congress has not provided contingency funds in recent budget cycles in an effort to provide states more certainty around the amount of formula funds that would be available in each program year. However, program advocates have clarified the overarching need for all funding available to be directed to state programs. This distribution of

funds allows states and organizations to better assist individuals households in need who qualify for the program. In both FY2020 and FY2021, the emergency contingency fund was \$0.

#### Weatherization

States may allocate up to 15 percent of their basic grant allocation for low-cost residential weatherization or other energy related repair and up to 25 percent if they meet certain conditions and obtain a waiver from HHS. The weatherization program reduces the heating and cooling costs for low-income families by improving the energy efficiency of their homes and thereby improves their health and safety.

#### **Planning for Distribution**

Federal spending is designed to work under a fairly coherent process: the White House presents a budget blueprint to Congress; House and Senate Appropriations Committees determine spending levels for each Federal program; then these are all reconciled into spending bills that fund the government. Unfortunately, this process, known as "regular order," has not functioned in well over a decade. Instead, every year Congress passes a series of continuing resolution, known generally as a CR, as a means to keep government running while Congress and the White House finalize spending levels for the rest of the fiscal year.

For LIHEAP Administrators, this creates a particular challenge, as there can be significant uncertainty about how much funding will be available during the critical winter months.

Cold weather states traditionally spend more than 70 percent of the LIHEAP funds during the first two quarters of the federal fiscal year. While policymakers informally established a special "seasonality" consideration for LIHEAP and other programs that use their funds disproportionately during this period, the continuing resolution still affects states' ability to plan properly until there is certainty in the final level appropriated.

Another approach would be to return to the "Advanced Funding" model that was in place until FY2002.
Advanced Funding sets funding levels a full year in advance, meaning program administrators would have much more time to accurately plan how to spend their state allocation.

# **MEETING THE NEED**

### Elderly, Disabled, Children

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

#### **Native American Tribes**

As of FY2014, 153 Native American tribes and tribal organizations located in 22 states received funding through LIHEAP. The funds come out of the gross allotment for each state. Several tribes can form a consortium to administer the funds. The FY2014 tribal set-aside from regular block grant funds was nearly \$5 million.

#### Veterans

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





billion: the minimum level of LIHEAP funding requested to serve those in need <sup>3</sup>



of eligible households are served by LIHEAP 4



### The people affected: 4

153 Native American Tribes

31% individuals with disabilities

29% elderly

23% children

20% veterans

<sup>3.</sup> National Energy & Utility Affordability Coalition House FY2022 Appropriations Letter. 4. LIHEAP Clearinghouse Tribal Data: liheapch.acf.hhs.gov



### A Framework for the Future: Policy Recommendations

In a deeply divided Washington, DC LIHEAP is a bit of an anomaly with near universal support for its mission and respect for the practitioners who administer the program.

With that said, program experts have specific recommendations for how this deeply admired program can be even better.

### **Annual Funding**

Put simply, LIHEAP needs a greater annual Appropriation. While program supporters acknowledge and respect new investments in core services like water and broadband, we must recognize that LIHEAP has been underfunded for years. LIHEAP experts like NEADA and NEUAC are evaluating a wide range of funding proposals, with advocates supporting a modernization efforts that could see funding requests all the way from the current authorization of \$5.1 billion up to \$40 billion.

The key question for policymakers is how to define eligibility. The program can continue to operate at a high level with marginal increases in Federal funding that would allow all states to maintain robust investments. Similarly, LIHEAP practitioners welcome a conversation about how LIHEAP fits into a more expansive social safety net.

The most important, non-negotiable emphasis is the need for more robust program funding across the board.

### **Delivery of Services**

In keeping with LIHEAP's evolution from a regional to a national program, states can improve delivery of services, especially in areas where the program is relatively new. States are eager to share best practices, engage more effectively with the public, track and evaluate metrics of success and maximize LIHEAP's role in a holistic approach to households in need. Additional flexibility in how states can invest LIHEAP funds can strengthen the overall program infrastructure and maximize return on investment for our collective tax dollars.

#### **Advanced Funding**

Congress should consider reestablishing Advanced Funding for LIHEAP, giving program administrators the necessary lead time to make decisions on how to best allocate resources and engage with the public. A combination of a robustly funded multiyear commitment with flexibility to invest targeted dollars in response to economic or weather-related crises could strike a proper balance.

This report was created in support of LIHEAP.org, a website and informational resource managed by Bracy Tucker Brown and supported by a grant from Michigan Energy First.