Congressional Role in LIHEAP

(1) Program Authorization

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

(2) Funding LIHEAP

- Authorization of Appropriations
- Appropriations Bills
Funding LIHEAP: Two Main Pots

Regular Funds

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

Emergency Contingency Funds

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

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

Allows Money to be Spent for LIHEAP
  • Need Not Follow the Authorization Level

The President Proposes Funding
  • February preceding the start of the fiscal year in October

House & Senate Pass Bill with LIHEAP Funding
  • Before October
  • Part of the Departments of Labor, Health and Human Services, and Education appropriations bill

Lately This Process Hasn’t Been Timely
  • Makes planning difficult
FY2016 Appropriations

The President Proposed:

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

* “Trigger” for Mandatory LIHEAP Emergency Contingency Funds
House and Senate Need Not Follow President’s Budget

• And often don’t for LIHEAP

House and Senate Budget Proposals Must Adhere to Budget Caps

• If exceed caps, then sequestration occurs

FY2016 Funding Available to the Labor/HHS/Education Subcommittee

• May be less than FY2015
## Recent LIHEAP Appropriations
*(dollars in millions)*

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Regular Funds</th>
<th>Emergency Contingency Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2,480</td>
<td>681</td>
<td>3,161</td>
</tr>
<tr>
<td>2007</td>
<td>1,980</td>
<td>181</td>
<td>2,161</td>
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<tr>
<td>2008</td>
<td>1,980</td>
<td>590</td>
<td>2,570</td>
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<tr>
<td>2009</td>
<td>4,510</td>
<td>590</td>
<td>5,100</td>
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<tr>
<td>2010</td>
<td>4,510</td>
<td>590</td>
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<tr>
<td>2012</td>
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<td>2013</td>
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<tr>
<td>2014</td>
<td>3,425</td>
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<td>3,425</td>
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<tr>
<td>2015</td>
<td>3,390</td>
<td>0</td>
<td>3,356*</td>
</tr>
<tr>
<td>2016</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

*Source: U.S. Department of Health and Human Services.*
LIHEAP Funding Since FY1982

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

Three Ways Congress Has Distributed Funds

(1) “Old” Formula
  • Developed in 1981, favors colder-weather states
  • Used in almost every year from FY1982 to FY2007

(2) “New” Formula
  • Developed in 1984, shifted funds to warmer-weather states
  • Used in FY1985, FY1986, FY2006, and FY2008

(3) Hybrid of “Old” and “New” Formulas
  • Inserted into appropriations language
  • Used from FY2009-FY2015
“Old” Formula

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

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

**Relevant Factors:**
- Heating degree days
- Residential energy expenditures
- Number of low-income households
“New” Formula

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

What It Does:

- “New” distribution = states’ shares of low-income household expenditures on heating and cooling.

- Two “hold harmless” provisions to make sure the distribution of funds was not changed too radically.

- Provides that HHS use the most recent data available, so percentages are updated each year.

Relevant Factors: Population shifts, energy prices, increased usage.
Why “Old” Formula Still Matters

Applies to Appropriations Less Than $2 Billion:

• Used most recently in FY2007.

Hold-Harmless Provisions:

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

Congressional Actions

• From FY2009 through FY2015, most LIHEAP funding was distributed using the old formula.
How the “New” Formula Works

(1) Determine how much low-income households in each state spend on heating & cooling, using all energy sources.
   - Btus x Price
   - Natural gas, electricity, heating oil, coal, kerosene, propane, and wood.

(2) Arrive at total dollar amount for heating & cooling.
   - E.g., for Maryland, $571 million.

(3) Divide by all low-income household expenditures in all states to get total percentage: $571 million ÷ $26 billion = 2.2%
Application of “New” Formula Percentages

• **NOTE:** The “new” formula percentages are a *starting point* for how much each state will receive.

• Operation depends on amount appropriated.

• This is because of the hold-harmless provisions.
  
  • **First Hold-Harmless:** States receive at least as much as they received under the “old” formula when appropriations exceed about $2 billion.
  
  • **Second Hold-Harmless:** Certain states with “new” percentages less than 1% of the total may receive an increase in their proportional share at appropriations at or above $2.25 billion.

First Hold Harmless

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

Second Hold Harmless

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

• **FY2009**: First time Congress used this method.
  • All but $840 million “shall be allocated as though the total appropriation for such payments for fiscal year 2009 was less than $1,975,000,000.”

• **Amounts:**
  • “New” = 1/3 of amount above $2 billion
  • “Old” = everything else

• **E.g., 2015:**
  • “New” = $491 million
  • “Old” = $2.9 billion
Questions?