

## The Low Income Home Energy Assistance Program: A Critical Resource for Low-Income Households

**The Low Income Home Energy Assistance Program is a vital source of assistance for low-income households trying to cope with high energy costs. Even fully funded, program resources are insufficient to meet the needs of all eligible households; proposed cuts would only make the situation worse.**

Residential energy is a critical resource necessary to the health and well-being of every individual. Each household must have adequate access to energy in order to heat and/or cool the home, cook, and power appliances, from light bulbs to life-sustaining equipment.

For many low-income households, the cost of residential energy remains unaffordable. For these families, lack of adequate energy can ultimately result in sickness, death, or mandatory removal of vulnerable<sup>1</sup> members from the household. In addition, the failure of low-income households to pay utility bills has been identified as a leading cause of homelessness.<sup>2</sup>

The Low Income Home Energy Assistance Program (LIHEAP)<sup>3</sup> is a federal block grant

that provides funding to the 50 states and other jurisdictions to operate home energy assistance programs for low-income households. States set independent eligibility criteria within federal guidelines and leverage and supplement LIHEAP funds with state, private, corporate, and charitable funding.

LIHEAP serves as a social safety net, helping low-income households—in particular those spending a high portion of their income on home energy—to meet their home energy needs. The program helps eligible households pay heating and/or cooling bills, helps with energy-related emergencies, and funds low-cost weatherization projects.

### **LIHEAP is historically underfunded.**

LIHEAP was established in 1981 and has since been reauthorized several times. The latest reauthorization, the Energy Policy Act of 2005, authorizes LIHEAP to be funded at a maximum of \$5.1 billion per year. With the exception of fiscal year (FY) 2009 and FY 2010, when the program was fully funded, and FY 2006, when Congress appropriated \$3.16 billion in regular and contingency funds, annual LIHEAP funding has remained below \$2 billion (figure 1).

So far in FY 2011, states have operated on a \$3.3 billion level, and it is expected that the program will receive a total of at least \$4

<sup>1</sup> The statutory description of LIHEAP describes vulnerable persons as including very young children, individuals with disabilities, the elderly, and those with special medical needs.

<sup>2</sup> Jerrold Oppenheim, Theo Macgregor. *The Economics of Low-Income Electricity Efficiency Investment*. Entergy Corporation, 2002.

<sup>3</sup> LIHEAP was established through the Low Income Home Energy Assistance Act, Title XXVI of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35).

## The Low Income Home Energy Assistance Program

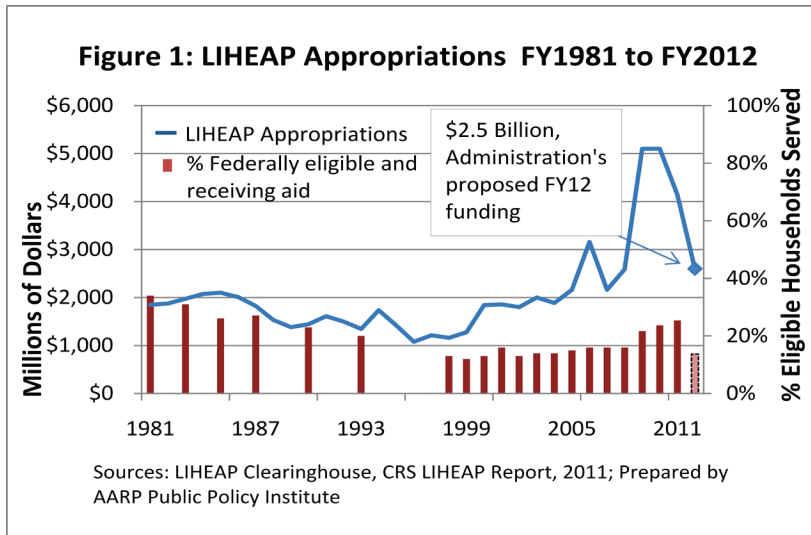
billion in base funding through March 2011. At the current funding level, it is estimated that the program would assist 8.9 million households, or approximately 25 percent of

federal poverty level or 60 percent<sup>5</sup> of the state median income, whichever is greater. Even when LIHEAP is fully funded, limited program resources allow states to grant

funds only to the most eligible households<sup>6</sup>. State LIHEAP programs therefore first assist the most vulnerable households, often those with older or disabled members.

According to a 2010 NEADA survey,<sup>7</sup> 92 percent of LIHEAP households had at least one vulnerable member: that is, at least one member who was elderly, disabled, a child under 18, or a single adult

living with one or more



eligible households. Similarly, the program helped between 20 and 25 percent of eligible households in FY 2009 and FY 2010 (7.6 million households in FY 2009 and 8.3 million households in FY 2010)<sup>4</sup>. The administration's budget request for FY 2012 proposes cutting LIHEAP by \$2.5 billion, or to about half the level of FY 2010 funding. According to the National Energy Assistance Directors' Association (NEADA), the administration's proposed cut would eliminate assistance to 3.5 million low-income households and the program would serve less than 16 percent of eligible households (figure1).

### LIHEAP targets the most vulnerable households.

Under federal law, states must limit LIHEAP eligibility to households with incomes at or lower than 150 percent of the

<sup>5</sup>In federal fiscal years 2009 and 2010, legislation raised the income eligibility for LIHEAP to 75 percent of state median income. As a part of the federal government's current Continuing Resolution, this limit carried over to FY 2011 and remained in effect as of this update.

<sup>6</sup> From analysis of the 2010, 2009, and 2008 March Supplement editions of the Current Population Surveys. AARP estimates that approximately 53.4 million households have incomes at or below 150 percent of the federal poverty level.

<sup>7</sup> J. Berger, Ferraro, & R. Yang. 2009 National Energy Assistance Survey: Final Report. Retrieved February 28, 2011, from [http://www.neada.org/communications/surveys/2010-04-19NEADA\\_2009\\_Survey\\_Report.pdf](http://www.neada.org/communications/surveys/2010-04-19NEADA_2009_Survey_Report.pdf).

<sup>4</sup> Rebecca Thiess, President Obama's 2012 budget: An analysis of the budget cuts. Economic Policy Institute. February, 2011.

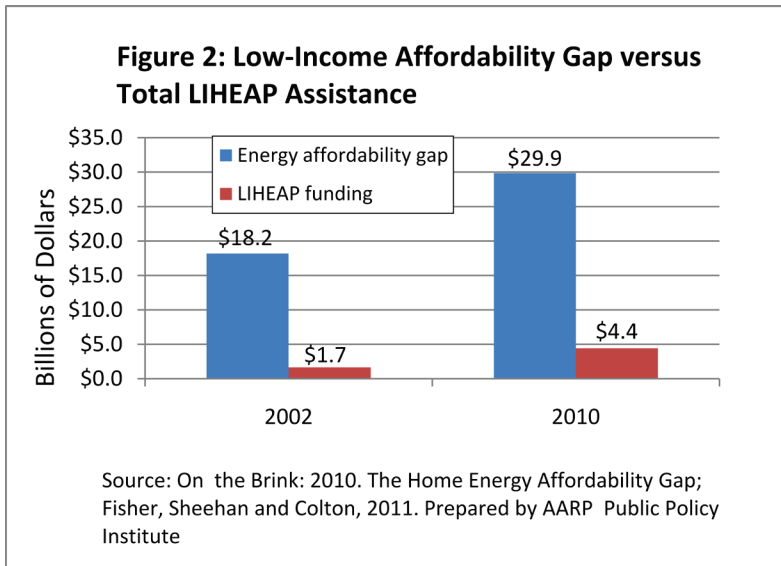
children.<sup>8</sup> Survey respondents spent an average of 14 to 20 percent of total household income on residential energy (pre-LIHEAP), and 40 percent (including one-third of seniors) reported that they had a more difficult time paying their energy bill than they had the previous year. Finally, 67 percent of older survey respondents reported that they had spent less than necessary for household necessities in order to pay energy bills.

**The gap between energy affordability and actual energy costs is almost \$29 billion for low-income households.**

Energy costs have remained high since 2000, and there is a significant gap between these costs and what low-income households can afford to pay. A recent study<sup>9</sup> shows that in the winter of 2009/2010, energy bills totaled over \$28.9 billion more than low-income households could afford to pay. Federal energy assistance during that period amounted to \$4.4 billion, leaving a gap of almost \$25.4 billion in energy assistance needs. Between 2002 and 2010, the energy affordability gap increased by \$11.7 billion, while LIHEAP funding increased by \$2.8 billion (figure 2). This represents a 64.1 percent increase in the gap between the cost

of home energy and the amount low-income households can afford to pay.

**Congress should increase funding to LIHEAP so that the program more adequately serves eligible low-income households; states should continue to leverage LIHEAP funds.**



LIHEAP is the most important source of assistance for low-income households trying to cope with high energy costs, yet even when the program is fully funded, many eligible households go without aid. Therefore, Congress should fund the program to serve households eligible for its services more adequately, and states should aggressively and creatively leverage LIHEAP funds and identify and develop supplementary state, corporate, and charitable sources of low-income energy assistance.

<sup>8</sup> The survey found that 79 percent of recipients reported an annual income of less than \$20,000, and 62 percent reported incomes at or below the federal poverty level.

<sup>9</sup> On the Brink 2010: The Home Energy Affordability Gap. Retrieved February 28, 2011, from [http://www.homeenergyaffordabilitygap.com/downloads/011\\_Released\\_Apr11/](http://www.homeenergyaffordabilitygap.com/downloads/011_Released_Apr11/).

April, 2011

Written by Ann M. Jackson  
AARP Public Policy Institute  
601 E St., NW  
Washington, DC 20049  
202-434-3910; E-Mail [ppi@aarp.org](mailto:ppi@aarp.org)  
© 2011 AARP <http://www.aarp.org/ppi>  
Reprinting with permission only.