LIHEAP CLEARINGHOUSE

Issue Brief

Supplemental LIHEAP Funds

Source and Spending

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Historically, state and tribal grantees have received funds that supplement their energy assistance programs. These funds have come from diverse sources, such as the federal LIHEAP, state legislatures, public service commissions, tribal funds and other sources. This Issue Brief discusses the source of these funds and the way grantees spend these funds while complying with the 10 percent carryover rule.

Carryover Rule

Grantees may decide to carryover some of their funds awarded in one fiscal year for use in the following fiscal year. Grantees are allowed to carryover up to 10 percent of unobligated funds to the next fiscal year. These funds may include regular block grant awards, emergency contingency awards, realloted funds, oil overcharge funds, and other sources. If a grantee received a leveraging award, these funds are not included in the 10 percent carryover. According to block grant regulations (45 CFR 96.87(k)), leveraging incentive awards may be obligated during the fiscal year in which they are awarded until the end of the following fiscal year without regard to the limitation on carryover of LIHEAP funds.

All grantees are required to submit a “Carryover and Re-allotment Report” that is due August 1. The report must include the reason the funds cannot be expended in the year they are allotted and a description of the types of assistance these funds will provide in the next fiscal year. The carryover funds must be obligated by the end of the fiscal year after they were awarded. For example, at least 90 percent of the funds allocated to a grantee for FY 2015 must be obligated by September 30, 2015. The 10 percent, or less, that is carried over must be obligated by September 30, 2016.

Each grantee must decide how the carryover funds will be obligated in the following fiscal year. Note that these funds must only be obligated not expended. Examples of ways funds may be obligated or spent are provided in the latter part of this report.

If more that 10 percent of a grantee’s funds are unobligated in a fiscal year, these funds must be returned to the Department of Health and Human Services (HHS). The returned funds are redistributed to LIHEAP grantees in the following year.

Sources of Supplemental Funds

Additional funds for energy assistance generally come from two sources: HHS release of emergency contingency funds or from state or tribal coffers.

In 1994, Congress provided permanent authorization of an emergency contingency fund of up to $600 million (in addition to regular LIHEAP funding) "to meet the additional home energy assistance needs of one or more States arising from a natural disaster or other emergency." The 1998 reauthorization of LIHEAP added a new section that specified additional conditions under which LIHEAP emergency funds may be released, to include: "a natural disaster, any other event meeting criteria the Secretary determines appropriate, or a significant increase in: (1) home energy supply shortages or disruptions; (2) the cost of home energy; (3) home energy disconnections; (4) participation in a public benefit program such as the food stamp program; or (5) a significant increase in unem-

Resources for Supplemental LIHEAP Funds

- LIHEAP Action Transmittal 2014-2 Carryover and Reallotment Report
- LIHEAP IM 2001-13 Uses of LIHEAP Funds
- Clearinghouse table of historical release of Emergency Contingency funds

ployment or layoffs."

Emergency contingency funding that supplements regular LIHEAP appropriations has been distributed to one or more states, tribes or territories every year since 1994, except between 2012 and 2014.

The reason for releasing emergency funds varies widely as does the number of states, tribes and territories that receive each disbursement. The majority of funds have been released for increases in energy price, extreme cold, heat waves and fuel oil shortages. For example, in 2007, $50 million was released to 12 states and tribes that experienced hotter than normal temperatures during August. That same year, seven states shared $25 million based on heating oil use and average temperatures at or below 47 degrees for the 6-month period from October 1, 2006 to March 31, 2007.

Emergency funds have also been released for natural disasters such as flooding, hurricanes or ice storms. In 2005, $27.25 million was released to four states – Alabama, Florida, Louisiana and Mississippi – that were hit hardest by Hurricane Katrina. Alaska received emergency funds in 2000 when an extremely low salmon run was determined a natural disaster.

In the past, the amount of emergency contingency funds released has ranged from $50 million in 1990 to a high of $744 million in 2000. In 2000, there were two separate sources of emergency funding, $300 million from the emergency contingency funds and another one-time allocation of $600 million provided by the Emergency Supplemental Act of 2000 (HR 4425). The majority of the $744 million was allocated to grantees that experienced increases in heating oil, natural gas and propane prices. A lesser amount went to states that endured hot weather and high electricity rates. The remainder of the $600 million Emergency Supplemental Act funds, $156 million, was released in 2001, again to all grantees for increased fuel prices.

More recently, all states, the District of Columbia, tribes and territories shared about $590 million in emergency contingency funds both in 2009 and 2010. In 2010, the funds were released due to the unusually cold weather and the continuing effects of the economic downturn. The most recent release of emergency funds, on January 24, 2011, allocated $200 million to all grantees to help households afford energy costs and avoid making cutbacks on other household essentials.

State legislatures and public utility commissions have also approved funds for energy assistance. In 2006, low-income energy programs received an unprecedented $447 million in supplemental state funding from governors and legislatures in 26 states and the District of Columbia. That same year, public utility commissions in eight states provided over $89 million in assistance from funding sources they control, mostly public benefit funds or universal service funds.

Many times funds are appropriated from state general funds. In 2006, LIHEAP households in Illinois received an additional benefit after the governor signed a bill which granted $5.2 million in state general funds to LIHEAP. That same year, Oklahoma LIHEAP received a special appropriation from the state general fund of $5.4 million. Ohio and Indiana are among states that have transferred surplus funds from their TANF programs to LIHEAP.

Some states receive funds from revenue derived from utility system benefit charges (SBC) or universal service charges on customer bills. In Delaware, proceeds from the SBC are deposited each month by a utility into a low-income program to be used for fuel assistance and weatherization programs within the utility's service territory. On several occasions, the Georgia Public Service Commission has allocated funds from the state's Universal Service Fund to the state's LIHEAP to help low-income seniors and others pay their gas bills or deposits.

Between 2002 and 2010, the Michigan Public Service Commission awarded funds annually from the Low-Income and Energy Efficiency Fund (LIEE) for low-income energy programs. The LIEE was funded by a surcharge on utility accounts. In 2014, the Low Income Energy Assistance Fund (LIEAF) replaced the LIEE. About $50 million is generated annually by a surcharge on electric utility customers The majority of funds provide benefits during the "crisis season" of November 1 through May 31.

Other sources of supplemental heating assistance funds are from revenue such as gross tax receipts or fines. In some states, higher energy prices have generated excess tax revenue to the states, and, as a result, surplus general funds were available. Colorado legislation provided LIHEAP with multi-year funding, from 2006-2011, from mineral and natural gas severance tax revenues which were generated primarily by natural gas production. In Pennsylvania, a 2006 legislative decision approved a $1 million diversion from Pennsylvania's Gross Receipts Tax, which is a levy on businesses. Funds to supplement LIHEAP in Kentucky have originated from natural gas severance tax receipts.

Oregon LIHEAP has received funds from a settlement with energy companies. Washington's governor signed a bill in 2006 that allocated $7.6 million in emergency aid to low-income families that came from a fine paid by Qwest Communications to the Washington Utilities and Transportation Commission.

Delaware LIHEAP receives funds from the Regional Greenhouse Gas Initiative (RGGI), a coalition working to limit carbon dioxide pollution through a cap and trade system. Funds are derived from the auction of CO_2 emission allowances. Legislation, SB 263, requires that 15 percent of the CO_2 allowance proceeds are directed to low-income consumers — 10 percent to the Weatherization Assistance Program and 5 percent to LIHEAP.

Spending of Supplemental Funds

Although funding is always needed and welcomed, the timing of receiving funds can be an issue. If a grantee's LIHEAP has already ended for the program year, there may not be staff or other resources available for intake and processing benefits. Sometimes a grantee may have a short turnaround time to disburse the supplemental funds and to comply with the carryover rule.

LIHEAP grantees have utilized numerous ways to spend supplemental funds within the obligatory timeframe while abiding by LIHEAP statute. Examples include:

- Extending dates for the heating or cooling season allows additional households to receive benefits
- Sending an additional benefit to clients who have already received a benefit during the program year
- Increasing benefit levels
- Increasing eligibility limits while still remaining within the maximum allowed
- Allocating additional funds to weatherization. A grantee may request a waiver to increase weatherization funds from 15 percent to 25 percent of their LIHEAP funding.
- Adding a component to crisis or weatherization that replaces or repairs heating or cooling equipment. See LIHEAP Clearinghouse Issue Brief "LIHEAP Funds for Furnace Repair and Replacement."
- Purchasing fans or space heaters
- Providing funds for a cooling program. Some grantees, such as Arkansas, only operate a cooling program if funds are available after the heating program ends.
- Setting funds aside for summer purchase or prebuys of heating fuel. Iowa sets aside funds for a summer fuel oil program that locks in prices.
- Maximizing the 10 percent carryover and using the funds for the next year's program start
- Maximizing funds for Assurance 16. Up to 5 percent of annual funds can be used for counseling, needs assessment, and other activities moving clients toward self-sufficiency. See LIHEAP Clearinghouse Issue Brief on Assurance 16.
- Opening heating or cooling centers during emergencies
- Increasing a state's allocation to tribes
- Developing a leveraging incentive program. Grantees can use up to the greater of $35,000 or 0.08 percent of their net Federal LIHEAP allotment to identify, develop and demonstrate leveraging programs.

In cases of natural disasters, grantees may be flexible in the ways they assist households. According to HHS guidance, funds may be used for households that are left without power due to damaged or destroyed homes. Funds may pay for temporary shelters, transportation to shelters, coats and blankets, as well as for utility reconnection and equipment replacement.

This is the seventh Issue Brief that the LIHEAP Clearinghouse has prepared under contract with the U.S. Department of Health and Human Services, Division of Energy Assistance. The content of this publication does not necessarily reflect the views or policies of the Department of Health and Human Services, nor does mention of trade names, commercial products, organizations or program activities imply endorsement by the U.S. Government or compliance with HHS regulations.