

Energy Poverty is Shifting in America

Changing LIHEAP Can Help

Concern

Recent funding allocations under the Low-Income Home Energy Assistance Program (LIHEAP) are not reaching the Americans who need the greatest assistance. Nearly one in three households in the US reports experiencing “energy poverty,” or the inability to meet their basic energy needs.

Where things stand

Based on formulas designed nearly forty years ago, when the weather in the US was notably different, LIHEAP allocations heavily skew towards cold-weather states while energy poverty is growing in warm-weather states.

Stakes & relevance

As the global climate changes, projections show a decrease in the demand for household heating and an increase in demand for household cooling, especially in the South.

Zooming out

While Congress typically appropriates more than \$3.5 billion annually to the Department of Health and Human Services (HHS) to administer LIHEAP (\$6.1B in FY23), the program would need \$17.9B to lift every American household out of energy poverty.

Key challenges

1. Recent practice of overriding the funding allocation formula through the appropriation process is preventing LIHEAP funds from going to states with the highest energy poverty.
2. While Congress appropriated \$6.1 billion to the Department of Health and Human Services (HHS) to administer LIHEAP in FY23, the program would need \$17.9B annually to lift every American household out of energy poverty.

Clearing the air

This study from MIT designed an optimized LIHEAP allocation formula to demonstrate that available funds could be distributed more equitably and reduce the maximum energy burden faced by any household in the US. The HHS could mimic this formula using data they already collect.

Policy Actions:

1. For LIHEAP funds to follow the geographic shifts in energy poverty, the existing “hold-harmless” provisions in LIHEAP statute would need to be removed during reauthorization.
2. LIHEAP efficiency could be improved by conducting oversight of existing requirement that states provide the greatest assistance to household with the highest energy burdens (42 USC §8624(b)(5)).