7. BABY, IT'S COLD OUTSIDE

Modernizing Energy Assistance Grants

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Since the 1980s, the U.S. government has provided energy subsidies to support low-income families in paying their heating and cooling bills. Historically when families were unable to meet basic energy payments, utility companies may have discontinued services. As a consequence, families faced freezing temperatures in the winter or excessive heat in the summer—all of which can contribute to a range of negative public health outcomes.

Policymakers determined that establishing a program to counteract the potential for negative effects from extreme weather conditions was a public health priority. This was the genesis of the Low-Income Home Energy Assistance Program (LIHEAP), established in 1981. Utility companies favored the approach because it meant they were not on the hook to disconnect services from needy families in the depths of winter. Congressional representatives from cold weather states appreciated the financial grants to their states in the winter; representatives from warm states valued the assistance provided to their states in the summer.

The history of the program and the feel-good factor of supporting needy families led to stable funding for years, with support from a bipartisan and geographically diverse coalition in Congress. However, as budgetary pressures increased after the 2000s, the program also struggled to justify its allocation of funds to state grantees and whether the program used those funds most effectively to target the neediest populations. Numerous executive branch budget proposals, from both Republicans and Democrats, proposed cutting the funding allocated to the LIHEAP block grant.

Determining how much money to allocate to the program was related to understanding an array of factors. The total funding level directly affects the resource supply to provide services. But demand is harder to determine. While the government has information generally about the number of households eligible to receive the subsidies, the actual

scope of the population in need is less clear. Knowledge about need is based on housing characteristics like size and age, family financial stability, heating and cooling systems, home energy efficiency, health conditions of individuals in a household, and, importantly, the weather conditions in a given region and year.

For a program intended to address pressing needs in reducing energy burdens for low-income households, administrators knew relatively little about how to best fulfill the unknown demand for program services and what the most effective strategies for doing so were. One theory was that the best approach was to increase funding for LIHEAP to provide larger or more subsidies. Another theory was that improving general household income supports would be more effective. Still another theory emphasized the need for potential program reforms to ensure that resources addressed the long-term needs of the most burdened households.

ISSUE BACKGROUND

Traditionally, the vast majority of federal funding spent on LIHEAP grants supported direct heating and cooling assistance, or emergency assistance used to replace furnaces and air conditioners during times of crisis. A smaller amount of funding was also available to support energy efficiency upgrades with the goal of improving features of the housing stock over time in order to reduce the costs of heating and cooling.

LIHEAP permits state grantees incredible flexibility to determine how to allocate resources to best meet individual state needs and priorities. In practice, some states ask low-income households to apply for assistance at the beginning of winter, then take the total funding available and distribute it across all eligible applicants. Other states prioritize resources for the elderly and children. Some states encourage high levels of spending on energy efficiency; others virtually none. This mix of state strategies for implementing the program is characteristic of federal block grants, but it also reflects the range of climate, geographic, population, housing, and fuel characteristics across the country.

These characteristics also create tension points for program implementation. Inevitably, each winter there will be a cold spell that will translate into a surge in fuel prices in some part of the country. In the past, LIHEAP had a “contingency fund” that provided flexible funding to address these types of needs. But while weather can be predictable, less predictable is where the need will be greatest. Then in 2012, Congress ceased appropriating flexible contingency funding, meaning states and the federal government had to plan for unexpected changes in temperatures and fuel prices.

In 2014, the price of propane in the United States skyrocketed. For households in the upper Midwest, the high price of propane meant many could not fill their tanks when empty. Paying to refill a propane tank is a lump-sum cost that may cover fuel for multiple months or even an entire winter. The fact that propane prices would spike in the winter was predictable. That year, fall in the Midwest had been wet, so farmers depleted the supply of propane by drying crops prior to sending them to market. The shortage in total propane

supply drove up the price of propane across-the-board, including for residential deliveries for heating homes.

Beyond the context of energy prices and the regional politics of the program, funding LIHEAP is considered sacrosanct in Congress. But the executive branch—regardless of political party in control of the White House—tends to suggest flat or decreased funding for the block grant. Nearly every year of any administration, Republican or Democrat, the funding level for LIHEAP is determined by a combination of political goals about program optics and a need to meet broad spending targets for the entire budget. As a result, the decision about the LIHEAP budget request is anything but evidence-based; it is determined by staff in the White House, political appointees, and budget scorekeepers. That is not to say information and evidence did not play a role historically in program operations, but the funding level was traditionally more politically influenced. In the budget, LIHEAP is a political football.

In 2015, as the Obama administration was preparing its final budget proposal to Congress, the White House became interested in identifying "good government" initiatives with bold new ideas that also achieved broad administration goals. Coincidentally, within the White House complex, an active discussion about how to improve LIHEAP was already underway. Policymakers tacked LIHEAP onto budget framing that involved staff in the White House's Office of Management and Budget, the Domestic Policy Council, the U.S. Department of Health and Human Services (HHS), and external, non-governmental stakeholders. The stakeholders were collectively trying to determine a proposed funding level alongside a strategy for improving the long-term viability and effectiveness.

EVIDENCE AVAILABILITY

A vast range of evidence was available about LIHEAP operations and program participants' need, though the program lacked impact evaluations to characterize the extent to which the program affected intended outcomes.

Performance measures

For years, a series of performance measures that tracked the energy burden across sensitive subpopulations informed HHS implementation of LIHEAP. Individual state grantees largely report the data to support the performance measures on an annual basis. A 2005 evaluation suggested that high-burden households tend to receive more LIHEAP funding than households with lower energy burdens, though there were substantial gaps in benefit targeting.[1] HHS nonetheless routinely presented performance measures to Congress and to the American public in the budget and funding justifications.

Energy information

The Energy Information Administration at the U.S. Department of Energy collected data in a survey it operated on behalf of HHS. The Residential Energy Consumption

Survey specifically added questions about LIHEAP receipt to support the development of performance measures as well as other program insights.[2] While useful, the Residential Energy Consumption Survey is an intermittent survey rather than an annual one, leaving HHS with updates about LIHEAP participants' characteristics and energy-consumption patterns once every four or more years.

The Energy Information Administration also provides HHS and the American public with extensive information about energy prices, including predictions for fuel demand and costs over the winter. The short-term energy outlook includes projections for different fuel types in the winter and consideration of regional price variations.[3] This information is first available in the fall and the administration updates it monthly through the winter, with summary descriptive statistics published as open data.

Weather and climate information

The U.S. Department of Commerce's National Oceanic and Atmospheric Administration makes information available about how much variation from the norm different parts of the country's temperatures are. For example, using ambient temperatures, the agency estimates how much energy is needed to warm a building to a comfortable temperature. The information is a proxy for energy demand broadly across the country and applies for both cool and warm climates. Both historic and projected statistics are available.[4]

Population eligibility characteristics

The U.S. Census Bureau's American Community Survey provides statistics about household incomes and eligibility to serve as a proxy for need across the country. The Census Bureau provides statistics about poverty levels and household members at varying geographies through public-use datasets, which can provide insights about eligible and vulnerable populations, with consideration of age or disabilities in the household. The Census Bureau also collects and analyzes data about utility costs, which HHS uses to allocate some grant funding.

Housing characteristics

The U.S. Department of Housing and Urban Development collects additional data through the American Housing Survey.[5] In conjunction with the Census Bureau's Current Population Survey, the Department of Housing and Urban Development can generate statistics about the characteristics of homeowners in poverty on a biennial basis. For example, the housing survey can determine the share of households below the federal poverty line that rent versus own and that also have an elderly member of the household. While less specific to the LIHEAP-recipient population, these data are timelier than those collected by the Energy Information Administration. The survey also allows for stratification of housing and individual characteristics useful to understand trends in the housing stock over time.

Taking all of this information together, a robust depiction of LIHEAP-eligible and LIHEAP-recipient households emerges—a depiction analysts can pair with broader

climate, weather, and fuel price statistics to provide insights for policymakers about projected trends and performance.

EVIDENCE USE

In preparing for the 2016 White House budget proposal, Obama administration officials requested recommendations about how to develop a final decision on the LIHEAP funding level as well as any policy adjustments that might be reasonable for the program. Career and political staff considered the entire array of evidence in weighing whether to suggest policy changes to the program and, if so, what those changes would be. However, the determination about the funding level was largely based on politics and broader budgetary targets for the budget.

Every year, the Office of Management and Budget (OMB) runs a routine process for formulating the president's budget proposal. In September, agencies submit their budget requests to the White House for consideration, then the staff at OMB review, analyze, and refine the proposals with input from political appointees and agencies. It is a process of weighing priorities, incorporating the president's agenda, and promoting effectiveness and efficiency in government operations.

When considering potential LIHEAP changes, staff across OMB came together to discuss the intersection of multiple programs that relate to funding energy costs, addressing low-income household needs, and related energy efficiency operations. For example, the Supplemental Nutrition Assistance Program (SNAP, previously known as food stamps) can support some utility payments, meaning low-income households have multiple potential resources for addressing high energy costs or burdens. The staff had to weigh potential changes in an array of other programs as well as LIHEAP in formulating recommendations about how to proceed. In addition, the Obama administration had broad goals about achieving certain energy efficiency outcomes, which are relevant for LIHEAP because a portion of grant funds can go toward efficiency activities.

For LIHEAP, analysts at OMB developed a comprehensive analysis of information from the range of sources about demand, supply, projected price changes, and other programmatic features in a memorandum provided to the OMB director and the senior policy staff. The memo presented tradeoffs and acknowledged the gaps in knowledge that remained due to a lack of impact evaluations about program outcomes.

Traditionally in the OMB process, the career staff present these findings along with a recommendation to the OMB director. For LIHEAP, the recommendation was to develop substantial reforms about the long-term sustainability of the program, essentially shifting resources to the efficiency part of the program to develop improvements to the housing stock over time. Another prong of the recommendation was to create a policy that better linked funding to changes in weather patterns and prices in order to reflect the real-world changing conditions. A final prong recommended allocating funding for research, evaluation, and

innovation in the program. OMB's political officials agreed, based on the descriptive analysis available, that long-term changes made sense for the program.

In the ensuing weeks and months before the White House published the budget, OMB and HHS officials refined the proposal. The final proposal, presented in the president's fiscal year 2016 budget included funding for innovation and research, provided some funding for the traditional program, increased resources for energy efficiency activities, and developed a funding mechanism that would provide resources to state grantees when there were substantial anomalies in temperatures, fuel prices, or the eligible population for the program.[6] While the public justification of the policy reforms did not present the detailed references or analysis, OMB and HHS officials agreed on the analytical basis for the decisions reached about policies in the LIHEAP budget proposal for the year.[7]

While evidence was largely unused for deciding the actual funding level, the policy reforms proposed for LIHEAP were based on a variety of data sources and a collation of descriptive statistics or trends about key aspects of the program. Even then, substantial gaps and uncertainties remained about the eligible population, grantee implementation, and other program characteristics. But decision-makers were able to apply the evidence available to inform the most substantial proposed reforms to LIHEAP since the 1980s.

In the end, Congress did not adopt the administration's proposal and, in subsequent years, provided additional funding to the program. But the development of the proposal spurred broader discourse among stakeholders about better developing stronger evidence for potential reforms to the program.

LESSONS

- ***Politics is inevitable for certain funding decisions.*** When making the funding decisions about LIHEAP, politics was an inevitability that affected the level of funding requested and provided. However, the program lacked—and still does—impact evaluations about program outcomes that could affect future perceptions about whether the program achieves intended goals.
- ***Decisions happen without perfect evidence.*** The information available for LIHEAP decisions, including for proposing major reforms, includes vast uncertainties about the program operations, grantee performance and implementation, and characteristics of the population that might be relevant for aspects of the decision. But at the same time, much information was known. Policymakers were comfortable proposing reforms even in the face of uncertainty, and they recognized that they would still need to make budget decisions without perfect information.

- ***Motivated leadership could rely on credible staff.*** Career staff prepared sophisticated analysis underlying the decisions about the LIHEAP reforms at OMB. The staff established credibility with political appointees and senior career officials in making recommendations, while relying on a variety of trusted government data sources. The recommendations were within reason and plausible for policymakers to consider, so motivated leadership at the career and political level could advance the dialogue about reforming the policies with trust that at least analytically the decisions were based on the best available information.

- ***Data have to exist to be used***. Staff used many government data sources to develop a rationale for how to reform policy, and all of those datasets were publicly available. Open data can provide analysts information to make powerful and compelling arguments about what actions to take. Information had to be available first before analysts could use it. This suggests that attention to data infrastructure and availability is a key aspect of ensuring policy analysts can effectively operate in dynamic environments for decision-making.

- ***A learning agenda for LIHEAP would be productive.*** Given the gaps in knowledge about LIHEAP when reforms were on the table in 2014, a strategic plan to learn more about the program moving forward would be useful for policymakers. There has been some discussion about stakeholders developing a plan to study the program's effectiveness at achieving long-term outcomes. This in turn could support the production of research that would be useful for future reforms and that OMB staff and other policymakers would likely use in determining how to shape energy assistance activities in coming years. The proposed reforms from 2015 demonstrate that in the context of LIHEAP, policymakers were eager to identify and use available information to help inform the framing and extent of reforms—filling in knowledge gaps would only improve this capability. ■

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Available at: https://www.acf.hhs.gov/ocs/resource/2015-recs-liheap-household-administrative-data-matching.

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4 National Oceanic and Atmospheric Administration. "Degree Days Statistics: States and Cites." Climate Prediction Center. Available at: https://www.cpc.ncep.noaa.gov/products/analysis_monitoring/cdus/degree_days/.

5 U.S. Census Bureau. "American Housing Survey." Available at: https://www.census.gov/programs-surveys/ahs.html.

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7 U.S. Department of Health and Human Services. *Fiscal Year 2016 Justification of Estimates for Appropriations Committees*. Administration of Children and Families, 2015, 27-49.