

Legislative Budget and Finance Committee

**The Administration of Pennsylvania's LIHEAP Heating Grant
and Crisis Program**

Report Presentation by Dr. Maryann Nardone at June 26, 2012, Meeting

Good morning. Senate Resolution 165 of 2011 directed the Legislative Budget and Finance Committee to study the efficiency of the administrative functions and operation of the Low Income Home Energy Assistance Program (LIHEAP) heating grant and crisis program. LIHEAP is a federal block grant to assist low income households pay a portion of their home heating needs.

In Pennsylvania, the Department of Public Welfare's Office of Income Maintenance administers the LIHEAP heating grant and crisis program solely with federal funds. Although the final figures are not yet available, Pennsylvania's program is on a path to have processed about 600,000 heating grant applications and over 100,000 crisis grant applications, and to have provided more than \$180 million in heating assistance to low income households this past winter. Virtually all (98 percent) LIHEAP payments are made directly to utilities and fuel vendors, rather than to individuals or households.

We found that states seeking federal LIHEAP funds must annually submit a plan for federal approval and agree to uphold all federal requirements. Such

requirements include, for example, conducting program outreach, notifying eligible households when heating grants and crisis benefits are provided on their behalf to utilities and fuel vendors, operating a crisis grant program through March 15th, and providing an administrative hearing process for applicants to appeal certain DPW decisions.

States must also comply with relevant federal laws related to confidentiality of certain Social Security and Internal Revenue Service data that is to be used in the LIHEAP program when determining eligibility. If a state uses LIHEAP funds in ways not consistent with federal requirements, it must repay the federal government, or that amount could be deducted from future funding.

We found that in recent years, Pennsylvania's LIHEAP program has undergone significant changes, in part in response to national and state concerns about LIHEAP program integrity. Such changes include moving from a manual process for determining benefit amounts to use of a sophisticated new automated system—known as *eCIS*. *eCIS* manages application and claim processing work flow; stores information on a claim and payment; verifies all household members' Social Security numbers, Social Security and Supplemental Security benefits amounts, and death information; checks both criminal and federal and state tax records for household members; and verifies that all required information fields are complete before making a determination of eligibility. The *eCIS* system also determines an

eligible household's payment amount; issues all notices to households, and prepares payment authorizations for review and approval by the Comptroller and State Treasury.

Such technology allows for applications to be processed anywhere in the state, and because the LIHEAP application process does not require a face-to-face interview with the applicant, DPW has begun centralizing LIHEAP application processing to improve administrative efficiency. More than half of all LIHEAP applications are now processed at just six processing centers across the state (Allegheny, Philadelphia, Westmoreland, York, Fayette, and at the Danville State Hospital in Montour County).

Technology has also allowed for centralization of utility and fuel vendor enrollment, provided vendors the option to receive payments electronically, and allows LIHEAP clients to apply for benefits via the Internet through a program known as COMPASS. COMPASS Community Partners (such as hospitals, schools, and church groups) that enter into agreements with DPW also have the option of scanning and submitting required documentation electronically for LIHEAP and various other health and social services programs.

We found LIHEAP applications that are complete when submitted are typically processed by DPW within its 45-day completion target. In 2011 such

applications were approved or rejected for payment within 11 to 44 calendar days. Applications with missing information, however, took much longer—33 to 94 days. In 2012, processing times were longer (33 to 51 calendar days for complete applications and 47 to 88 days for those that were incomplete) due to unanticipated problems with the new computer system. After a payment is authorized, the Comptroller and State Treasury make the payment within 13 to 19 calendar days.

Pennsylvania, like most states, relies entirely on federal funds for the LIHEAP program. In recent years, the unpredictability of federal funds has complicated administration of this part-time seasonal program. Efficient LIHEAP administration requires exact information on funding to set program operating dates, eligibility levels, and benefit amounts, but such information is often not available until halfway through the heating season. For example, DPW started the 2012 program in September 2011 with only prior year federal carryover funding (\$35 million). Pennsylvania's 2012 federal allotment only became available the day before the program opened to new applicants (November 1, 2012), and was \$22 million less than anticipated. Without additional federal funds, DPW would have had to close the heating grant program in late December in order to operate a required crisis program through March 15th. A January resolution of the federal budget impasse and a warm winter allowed DPW to extend the heating grant and crisis program to mid-April and to increase heating grants.

Some of the advocates we spoke to would like to see the program “borrow” state funds to smooth out the uncertainties of federal funding. While this might help in administering the program, it would also subject the state to significant costs if the anticipated federal funding did not materialize. This risk appears to be increasing as the federal government scales back the LIHEAP program, which has been reduced from \$277 million in 2011 to \$209 million in 2012 to an anticipated \$166 million next year (2013).

DPW administers LIHEAP using 7 percent of the federal block grant funds, well below the 10 percent allowed by the federal government. About 70 percent of these funds are for 530 FTE temporary workers from late September to late March. Some would like to see the program hire additional staff to provide for more rapid processing of applications. While reducing the time required to approve applications could be viewed as an efficiency improvement, it would also increase administrative costs and might not result in faster payments because of the delays in receiving federal funds that I mentioned.

Although we generally found that the LIHEAP program is being administered efficiently, the report does contain several recommendations. We recommend that DPW better educate utilities, vendors, and the LIHEAP Advisory Committee members about significant recent changes and their implications for application processing and payment, and that the program reserve the 10 percent of LIHEAP

funding permitted by the federal government so that it will have sufficient funds to start the program in late September. We also recommend that DPW monitor upcoming system changes to assure unforeseen problems are addressed as promptly as possible. Finally, we endorse continued efforts to improve efficiency through greater use of Internet applications and application processing centers where possible.

We thank staff from the Governor's Office of the Budget and the State Treasury. We also thank the Department of Public Welfare's Office of Income Maintenance and the County Assistance Office staff with whom we met for their cooperation and assistance. Finally, we thank the members of the LIHEAP Advisory Committee, representatives of major utilities and heating assistance programs, and low income household advocates for their assistance throughout this study.