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The Low-Income Home Energy Assistance Program (LIHEAP): Program and Funding

Updated March 23, 2006

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Summary

The Low-Income Home Energy Assistance program (LIHEAP), established in 1981 (P.L. 97-35), is a block grant program under which the federal government gives states and other jurisdictions annual grants to operate home energy assistance programs for low-income households. For FY2006, Congress twice appropriated funds for LIHEAP. First, Congress appropriated approximately \$2.161 billion, of which \$1.98 billion is regular funds (allotted to all states) and \$181 million is emergency contingency funds (allotted to one or more states at the Administration's discretion). The funds were appropriated in the Departments of Labor, Health and Human Services, and Education Appropriations Act (P.L. 109-149), and were then subject to a 1% across-the-board rescission in the Department of Defense Appropriations Act (P.L. 109-148).

Congress added funds to LIHEAP for FY2007 in the Deficit Reduction Act of 2005, P.L. 109-171, enacted February 8, 2006; Congress then made the funds available for FY2006 through S. 2320, which the President signed into law on March 20, 2006 (P.L. 109-204). The Deficit Reduction Act had appropriated \$1 billion for LIHEAP for FY2007 — \$250 million for regular funds and \$750 million for contingency funds. However, S. 2320 changed the allocation of funds — \$500 million for regular funds and \$500 million for contingency funds — in addition to making them available for FY2006. Thus, a total of \$3.161 billion has been appropriated for LIHEAP for FY2006, of which \$2.48 billion is regular funds and \$681 million is contingency funds.

The President's budget proposes \$1.782 billion for LIHEAP in FY2007, all of which would be allocated to regular funds. On March 16, 2006, the Senate voted in favor of the FY2007 Budget Resolution, S.Con.Res. 83. As part of the Budget Resolution, Senator Jack Reed introduced an amendment, S.Amdt. 3074, to add \$3.318 billion to LIHEAP funds, bringing the total assumed for LIHEAP in FY2007 to \$5.1 billion. The amendment passed by a vote of 51-49.

On January 5, 2006, the Administration released its first distribution of contingency funds for FY2006. The release totaled \$100 million, and funds were distributed to all states, the District of Columbia, and the Territories. In FY2005, the Administration released \$277.25 million of the \$298 million in available contingency funds. The first three of four contingency fund distributions, totaling \$250 million, were made to all states on December 23, 2004, January 31, 2005, and March 1, 2005. On September 2, 2005, a fourth distribution of \$27.25 million was made to Alabama, Florida, Louisiana, and Mississippi in the wake of Hurricane Katrina. (See **Table 2**.)

In FY2003, the most current year for which data is available, some 4.8 million households received LIHEAP heating/winter crisis assistance, with an average benefit of \$312, compared with an estimated 4.4 million households in FY2002. More than 493,000 households received cooling aid in FY2003, with an average benefit of \$148, down from 570,000 in FY2002. This report will be updated as legislative or program activities warrant.

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The Low-Income Home Energy Assistance Program (LIHEAP): Program and Funding

Introduction

The Low-Income Home Energy Assistance program (LIHEAP), established in 1981 by Title XXVI of P.L. 97-35, is a block grant program under which the federal government gives states, territories, and tribes annual grants to operate home energy assistance programs for low-income households. For FY2006, Congress first appropriated \$2.161 billion to the program, which includes a 1% across-the-board rescission as mandated by the Department of Defense Appropriations Act (P.L. 109-148). On March 20, 2006, the President signed P.L. 109-204, which makes an additional \$1 billion available for LIHEAP in FY2006, \$500 million for regular funds, and \$500 million for contingency funds.

In FY2003, the most current year for which data could be obtained from the U.S. Department of Health and Human Services (HHS), an estimated 4.8 million households received help meeting heating costs (i.e., heating assistance and/or winter/year-round crisis assistance).¹ In FY2003 more than 493,000 households received cooling assistance, and over 71,000 received summer crisis aid.² Approximately 111,000 households received weatherization assistance through LIHEAP in FY2003.

Recent Developments

FY2006 LIHEAP Funding. Congress appropriated a total of \$3.161 billion to LIHEAP for FY2006 in two separate laws. The Departments of Labor, Health and Human Services, and Education Appropriations Act, P.L. 109-149, allocated \$2 billion for regular funds to be distributed to all states, and \$183 million as emergency contingency funds, which may be distributed at the discretion of the Secretary of HHS. After a 1% across-the-board rescission in the Department of Defense Appropriations Act, P.L. 109-148, these amounts were reduced to \$1.98 billion and

¹ U.S. Department of Health and Human Services, *Low Income Home Energy Assistance Program: Report to Congress for FY2003*. (Hereafter referred to as *LIHEAP Report to Congress for FY2003*.)

² The amount of overlap between households that received cooling aid and summer crisis aid is not known; thus an estimated number of households that received aid related to cooling (comparable to those receiving aid with heating costs) is not available.

\$181 million.³ The contingency funds remain available through September 30, 2006. Because funds were not appropriated until the end of December 2005, Congress passed three continuing resolutions to fund LIHEAP prior to the passage of P.L. 109-149.⁴

Congress made available an additional \$1 billion for LIHEAP in S. 2320, which the President signed into law on March 20, 2006, P.L. 109-204. Senator Snowe introduced S. 2320 on February 16, 2006. It proposed to shift funds originally appropriated to LIHEAP for FY2007, in the Deficit Reduction Act of 2005 (P.L. 109-171), to FY2006. P.L. 109-171 had appropriated \$1 billion for LIHEAP for FY2007 — \$250 million for regular funds and \$750 million for contingency funds. On March 2, 2006, the Senate began to debate S. 2320, and voted 66 to 31 to waive the Budget Act. The Senate then passed an amendment by Senator John Kyl (S.Amdt. 2899) to distribute the entire \$1 billion as regular block grant funds. The bill was further amended on March 7, when the Senate voted in favor of Senator Snowe's amendment to allocate \$500 million to regular funds and \$500 million to contingency funds (S.Amdt. 2913). The Senate voted in favor of the bill that same day. Then, on March 16, the House also voted in favor of S. 2320, and the President signed the bill on March 20. The contingency funds remain available until September 30, 2006.

Due to high anticipated heating costs for the winter of 2005-2006,⁵ Congress made a number of efforts to appropriate additional funds to LIHEAP for FY2006. Initially, the President's FY2006 budget proposed a total of \$2 billion for LIHEAP, of which \$1.8 billion was requested for regular funds. Out of the regular fund amount, \$500,000 would have been reserved for a "feasibility study" to "identify options for a thorough and objective evaluation" of the program.⁶

In the Departments of Labor, Health and Human Services and Education appropriations bill (H.R. 3010), the House Appropriations Committee (H.Rept. 109-143) recommended \$1.985 billion in LIHEAP funding. However, this proposal was

³ In previous years, HHS has made proportionate cuts in the individual budget authorities within LIHEAP — regular funds, contingency funds, Leveraging Incentive and REACH grants, and training and technical assistance — in order to comply with rescission requests.

⁴ P.L. 109-77 funded programs through November 18, 2005, P.L. 109-105 provided funding through December 17, 2005, and P.L. 109-128 provided funding through December 31, 2005.

⁵ Energy Information Administration, "Short-Term Energy Outlook at Winter Fuels Outlook," December 6, 2005, available at [<http://www.eia.doe.gov/pub/forecasting/steo/oldsteos/dec05.pdf>]. The Short-Term Energy Outlook is updated monthly.

⁶ The U.S. Department of Health and Human Services, Administration for Children and Families (ACF) *Justification of Estimates for Appropriations Committees, FY2006*, p. B16-B-18) also appears to assume that \$27.5 million of these regular funds will be set aside for Leveraging Incentive and REACH Option grants. Although the statute [42 U.S.C. 8621(d)] provides a separate authorization for Leveraging Incentive funds, Congress has not used this authority to appropriate funds. Instead, as instructed by Congress (typically in the conference report), HHS has set aside leveraging money from the regular funds appropriation and, as permitted in the statute out of this set-aside, it has reserved 25% for REACH grants [42 U.S.C. 8626b(b)- authority for FY1996-FY1999].

amended on the House floor to add \$22 million, bringing the House-approved FY2006 LIHEAP funding level in H.R. 3010 to \$2.007 billion. All of these funds would have been made available for regular funds. The Senate Appropriations Committee (S.Rept. 109-103) recommended a total of \$2.183 billion in LIHEAP funds. Of this amount, \$1.883 billion would have been available for regular funds, out of which \$500,000 would have been made available for the program evaluation feasibility study (as requested by the President), and \$27.5 million would have been set-aside for Leveraging Incentive grants. The remaining \$300 million would have been available for contingency purposes.

When H.R. 3010 reached the Senate floor, four Senators proposed amendments that would have added funds to LIHEAP in addition to the amounts provided in S.Rept. 109-103. Senator Judd Gregg introduced two amendments to increase the regular funds appropriation to \$3.159 billion (S.Amdt. 2290 and S.Amdt. 2253). Senator Jack Reed proposed to increase total LIHEAP funding to \$5.1 billion (S.Amdt. 2194). Finally, Senators Ben Nelson and Thomas Carper proposed to increase the regular funds appropriation to \$3.483 billion (S.Amdt. 2274). None of the amendments passed, and the Senate approved the amounts in S.Rept. 109-103 in a vote on October 27, 2005.

The first conference report for H.R. 3010 allocated a total of \$2.183 billion for LIHEAP (H.Rept. 109-300), of which \$2 billion was allocated for regular funds and \$183 million for contingency funds. Of the \$2 billion in regular funds, \$27.5 million was provided for Leveraging Incentive grants. On November 17, 2005, the House failed to pass H.Rept. 109-300. After another conference, the second conference report (H.Rept. 109-337) contained the identical amount of funding for LIHEAP. The House approved H.Rept. 109-337 on December 14, 2005; the Senate approved it on December 21, 2005. On December 30, the President signed the bill into law as P.L. 109-149.

Two additional bills contained provisions that would have provided funding for LIHEAP in FY2006. First, the conference report for the Department of Defense appropriations bill (H.R. 2863, H.Rept. 109-359) would have appropriated an additional \$2 billion for LIHEAP for FY2006, of which \$1.5 billion would have gone to contingency funds, and \$500 million would have gone to regular funds. However, the additional LIHEAP funds were removed from H.Rept. 109-359 along with a provision to allow drilling for oil in the Arctic National Wildlife Refuge (ANWR), when, on December 21, 2005, the Senate failed to vote in favor of cloture on H.Rept. 109-359. The provision to allow for oil drilling prevented the cloture vote, and, according to the sponsor of the ANWR provision, Senator Ted Stevens, LIHEAP funding was tied to oil drilling. He stated that future proceeds from ANWR would have paid for the \$2 billion allocation to LIHEAP, and “unless ANWR is back in [the bill], there is not money for LIHEAP...”⁷ As a result, when the Senate removed the ANWR provision in order to ensure the bill’s passage, funding for LIHEAP was also removed from the bill (S.Con.Res. 74).

⁷ Congressional Record, December 19, 2005, pp. S13991-S13992.

A second provision to fund LIHEAP was present in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, H.R. 4939. The House Appropriations Committee adopted an amendment by Representative David Obey, as modified by Representative Ralph Regula, that would make available in FY2006 funds for LIHEAP that were appropriated for FY2007 in the Deficit Reduction Act of 2005 (P.L. 109-171). Representative Obey's amendment would have made the entire \$1 billion in the Deficit Reduction Act available for FY2006, while Representative Regula's amendment would make only the \$750 million in contingency funds available for FY2006. The bill would make the contingency funds available until the end of FY2007. The House is expected to strike the LIHEAP provisions due to the passage of S. 2320 (described in the Recent Developments section earlier in this report).

FY2007 Funding. In his FY2007 budget, the President would provide \$1.782 billion for LIHEAP, all of which would be allocated to regular funds. On March 16, 2006, the Senate voted in favor of the FY2007 Budget Resolution, S.Con.Res. 83. As part of the Budget Resolution, Senator Jack Reed introduced an amendment, S.Amdt. 3074, to add \$3.318 billion to LIHEAP funds, bringing the total amount assumed in the resolution for LIHEAP in FY2007 to \$5.1 billion. The amendment passed by a vote of 51-49.

Table 1 shows LIHEAP funding for FY2005 and FY2006, and proposed funding for FY2007.

Table 1. Final FY2005 and FY2006 LIHEAP Funding, and Proposed FY2007 Funding

	Regular		Contingency ^a	TOTAL
	State formula grants	Set-asides (\$300,000 for technical assistance, which is permanently authorized in the statute)		
Final FY2005 Appropriation				
P.L. 108-447	\$1.885 billion	— \$27.5 million — leveraging incentive (authorized by conference report language)	\$298 million	\$2.182 billion
Final FY2006 Appropriation^b				
P.L. 109-149	\$1.98 billion	— \$27.5 million — leveraging incentive (authorized by conference report language)	\$181 million	\$2.161 billion
P.L. 109-204 ^c	\$500 million	None	\$500 million	\$1.0 billion
Total	\$2.48 billion	— \$27.5 million —	\$681 million	\$3.161 billion

Proposed FY2007				
President's Request	\$1.782 billion	— \$27.225 million — leveraging incentive (this amount is assumed in Administration budget documents)	\$0	1.782 billion

Source: Congressional Research Service based on P.L. 108-447, P.L. 109-148, P.L. 109-149, P.L. 109-171, P.L. 109-204, and U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF) *FY2007 Justification of Estimates for Appropriations Committees*.

- a. Contingency funds appropriated in FY2005 received the formal budget designation of “emergency” funds. For FY2006, only the Senate recommended this formal designation for \$300 million of its total funding.
- b. Under the Department of Defense Appropriations Act (P.L. 109-148), discretionary spending in FY2006 was reduced by 1% through an across-the-board rescission. The amounts in P.L. 109-149 include the rescission.
- c. The funds made available for FY2006 in P.L. 109-204 were originally appropriated for FY2007 in the Deficit Reduction Act of 2005, P.L. 109-171. Congress shifted the funds to FY2006 in P.L. 109-204.

LIHEAP Contingency Funds. On January 5, 2006, the Administration released \$100 million in contingency funds, its first distribution for FY2006. The funds were disbursed to all states, the District of Columbia, and the Territories using the regular block grant allocation, weighted by the percentage of low-income households in each state that use natural gas, heating oil, and propane for heat. For a breakdown of funds, see **Table 5**. In FY2005 the Administration released contingency funds four times. On three occasions, December 23, 2004, January 31, 2005, and March 1, 2005, the Administration distributed a total of \$250 million to all states in response to higher home energy costs, especially for heating oil and propane. The first two distributions totaled \$100 million each, and the third totaled \$50 million. In each case, half of the contingency amount was distributed to the states based on the same formula used to distribute regular LIHEAP funds, and the remaining half was distributed based primarily on that formula but with certain adjustments made to ensure that extra funds would be received by states with the greatest share of low-income households using heating oil or propane. In early September, the Administration released \$27.25 million to states affected by Hurricane Katrina. Alabama received \$2 million, Florida received \$1.5 million, Louisiana received \$12 million, and Mississippi received \$11.5 million. The funds may be used to pay for energy costs, the costs of transportation to shelters for those whose health is endangered due to lack of access to cooling, utility reconnections, and repairs to furnaces, insulation, and air conditioners. Approximately \$20.75 million is remaining from the FY2005 contingency appropriation. P.L. 108-447 provides that these funds are “available until expended.” After the distribution of funds on January 5, 2006, approximately \$102 million in contingency funds remains available for FY2006.

Table 2 shows recent federal funding levels for LIHEAP, including the amount of contingency funds released.

Table 2. Recent LIHEAP Funding

(Dollars in millions; sums may not equal totals due to rounding)

Fiscal year	Funds appropriated		Contingency funds distributed ^a			Total funds distributed ^b	
	Regular ^c	Contingency	To all states	To some states	Subtotal	Subtotal (to all states)	TOTAL
2002	1,700	300	0	100	100	1,700	1,800
2003	1,788	0	200	0	200	1,988	1,988
2004	1,789	99	40	59	99	1,829	1,889
2005	1,885	298	250	27.25	277.25	2,135 ^c	2,162 ^c
2006 ^d	2,480	681	100	—	100	2,080	2,080

Source: Tables prepared by the Congressional Research Service (CRS).

- a. The amount of contingency funds appropriated in a fiscal year may differ from the amount of contingency funds that are distributed in that fiscal year for two reasons: First, the LIHEAP statute gives the Administration discretion to release (or not release) any of the available contingency funding. Further, these funds, as directed by the Congress in its appropriations language, may be available for release in one or more years.
- b. Regular funds, all of which are included in both of the Total Funds Distributed columns, include all regular funding distributed by formula to the states, the tribes, and the District of Columbia, as well as set-asides for the territories, leveraging incentive grants, REACH grants, and technical assistance (with total set-asides of approximately \$30 million). The “Subtotal to all states” column includes all regular funds plus any contingency funds that were distributed to all states; the “Total” column includes all regular funds plus any contingency funds that were distributed to one or more states.
- c. Regular LIHEAP funds are made available to states on a quarterly basis (October, January, April, and July). However, states may specify what percentage of their total allotment they wish to receive in each quarter, and many states receive all, or the great majority of, their LIHEAP funds in the first two quarterly disbursements.
- d. It is not clear whether the funds appropriated in P.L. 109-204 will be subject to the 1% rescission in P.L. 109-148. As of March 22, 2006, HHS had not distributed the regular funds appropriated in P.L. 109-204.

Energy Act Reauthorizes LIHEAP Through FY2007. The Energy Policy Act of 2005 (P.L. 109-58) reauthorized LIHEAP for FY2005-FY2007. The law was signed by the President on August 8, 2005. With regard to LIHEAP, P.L. 109-58:

- sets the regular funds authorization level for the program at \$5.1 billion in each of FY2005-FY2007 (LIHEAP regular funding authorization was set at \$2 billion for FY2004);
- allows the Secretary of the Interior, when disposing of in-kind oil and gas royalties taken from oil and gas leases, to grant a preference

for the purpose of providing additional resources to support federal low-income energy assistance programs;

- authorizes state energy assistance offices, or those they contract with, to provide LIHEAP assistance to purchase renewable fuels as part of providing this aid;
- requires the Department of Energy to report to Congress on the use of renewable fuels in providing aid under LIHEAP; and
- requires HHS (within one year of the bill’s enactment) to report to Congress on how LIHEAP “could be more effectively used to prevent loss of life from extreme temperatures.”

LIHEAP Legislation in the 109th Congress. At least ten House and Senate bills introduced in the 109th Congress would provide funding for LIHEAP by increasing federal revenues from the oil and natural gas industries. The methods of obtaining funds include imposing windfall profits taxes on the oil and/or natural gas industries, suspending oil and natural gas royalty relief, repealing tax subsidies to the oil and gas industries, and imposing fines and penalties on those companies and individuals who participate in price gouging in the sale of fuels.⁸ Another bill, H.R. 4318, would allow federal funds to be used for natural gas leasing on the outer continental shelf, with a portion of royalty proceeds to fund LIHEAP. As of March 2006, each of these eleven bills remains in committee.

Two bills introduced in the House propose to amend certain aspects of LIHEAP. H.R. 1210, introduced by Representative Anthony Weiner, seeks to expand access to the program for seniors by raising the maximum federal income eligibility limit to 100% of the state median income — provided that at least 50% of that household’s income was attributable to an individual aged 65 or older. (Current law sets the maximum federal income eligibility for households at 60% of the state median income, or 150% of the federal poverty level, whichever is greater.) H.R. 108, introduced by Representative Gene Green, would mandate that no more than 50% of the funding provided under LIHEAP could be made available for heating purposes. Both bills were referred to the Committees on Energy and Commerce, and Education and the Workforce.

Program Rules and Benefits

Federal LIHEAP requirements are minimal and leave most important program decisions to the states, the District of Columbia, the territories, and Indian tribes and tribal organizations (collectively referred to as grantees) who receive federal funds. The federal government (HHS) may not dictate how grantees implement “assurances” that they will comply with general federal guidelines.

⁸ Among those bills introduced are H.R. 3664, H.R. 3710, H.R. 3936, H.R. 4248, H.R.4263, H.R. 4276, H.R. 4420, H.R. 4449, H.R. 4479, and S. 1981.

Federal Eligibility Standards and Grantee Responsibility. Federal law limits LIHEAP eligibility to households with incomes up to 150% of the federal poverty income guidelines (or, if greater, 60% of the state median income). States may adopt lower income limits, but no household with income below 110% of the poverty guidelines may be considered ineligible. States may separately choose to make eligible for LIHEAP assistance any household of which at least one member is a recipient of Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps, or certain needs-tested veterans' programs.

Within these limits, grantees decide which, if any, assistance categories to include, what income limits to use, and whether to impose *other* eligibility tests. The statute gives priority for aid to households with the greatest energy needs or cost burdens, especially those that include disabled individuals, frail older individuals, or young children. Federal standards require grantees to treat owners and renters "equitably," to adjust benefits for household income and home energy costs, and to have a system of "crisis intervention" assistance for those in immediate need. LIHEAP assistance does not reduce eligibility or benefits under other aid programs. Federal rules also require outreach activities, coordination with the Department of Energy's Weatherization Assistance Program, annual audits and appropriate fiscal controls, and fair hearings for those aggrieved. Grantees decide the mix and dollar range of benefits, choose how benefits are provided, and decide what agencies will administer the program.⁹

Kinds of Energy Assistance Available. Funds are available for four types of energy assistance to eligible households:

- help paying heating or cooling bills;
- low-cost weatherization projects (e.g., window replacement or other home-energy related repair; limited to 15% of allotment unless a grantee has a waiver for up to 25%);
- services to reduce need for energy assistance (e.g., needs assessment, counseling on how to reduce energy consumption; limited to 5% of allotment); and
- help with energy-related emergencies (winter or summer crisis aid).

Use of Funds. The majority of LIHEAP funding is used to offset home heating costs. In FY2003 approximately 72% of all LIHEAP funds were used to provide heating assistance or crisis aid related primarily to heating needs; all states (including the District of Columbia) provided some heating assistance, and nearly all also offered crisis aid related to heating needs. In that same year, 3.5% of funds were used for cooling/summer crisis aid; just 15 states offered cooling assistance and only six offered summer crisis aid. Also in FY2003 10.5% of total LIHEAP funds were used for weatherization services (provided by 46 states); 8.2% of available funds were used for administration and planning purposes (51 states), and 1% of the

⁹ Information regarding state LIHEAP program characteristics and contacts is available at [<http://www.liheap.ncat.org/sp.htm>].

FY2003 funds were used to offer services to reduce the need for energy assistance (provided by 21 states).¹⁰

Households Served. Since the LIHEAP program began in the early 1980s, both the percentage of eligible households served and absolute number of households receiving heating/winter crisis assistance have generally declined. However, in FY2001 both figures increased somewhat before dropping again in FY2002. (See **Table 3** below.) In FY2002, the number of households receiving cooling aid appears to have risen well above the half-million mark for the first time in program history.

States reported that in FY2003 approximately 4.4 million households received assistance with heating payments; 493,694 received cooling aid; approximately 1.1 million received winter/year-round crisis aid; 71,360 received summer crisis aid; and 111,000 received weatherization assistance. Because many households may receive more than one kind of LIHEAP assistance, a total, unduplicated number of households assisted is not available. However, these data are used to estimate that some 4.8 million households received heating assistance or heat-related crisis aid in FY2003.¹¹

The Census Bureau's 2003 Annual Social and Economic Supplement indicates that among all households receiving LIHEAP heating assistance, about 36% had at least one member 60 years of age or older; about 48% had at least one disabled member; and some 23% included at least one child five years of age or younger. These same census data showed that a minority of households receiving LIHEAP heating assistance also received other kinds of federal aid: an estimated 12% received TANF; 24% received SSI; and 26% lived in rent-subsidized or public housing.¹²

Benefit Levels. The constant dollar value of LIHEAP heating/winter crisis benefits declined from the program's beginning through FY2000. In FY2001 it peaked sharply, before declining again in FY2002. In FY2002 the average household LIHEAP heating/winter crisis benefit was \$291 (compared to \$364 in FY2001), and in FY2003, it rose to \$312. The average cooling benefit, which is available to a more limited number of households in far fewer states, had largely risen, until FY2002, when it fell sharply. In FY2003 the average cooling aid benefit was \$148, compared to \$136 in FY2002, and down from \$219 in FY2001 and \$228 in FY2000.¹³

¹⁰ Based on state-reported total LIHEAP expenditures for FY2003 (including federal and any supplemental non-federal funding) of \$2.112 billion. *LIHEAP Report to Congress for FY2003*, p. 14.

¹¹ *LIHEAP Report to Congress for FY2003*, p. 19.

¹² *Ibid.*, pp. 19-21.

¹³ *Ibid.*, pp. 21-22. The combined average cooling/summer crisis benefit level for FY2003 was \$163, up from \$145 in FY2002. However, for FY2001 this average benefit amount was \$211, and for FY2000 it was \$206. In constant (1981 dollars) the average cooling/summer crisis benefit was worth \$57 in FY1983, \$107 in both FY2000 and FY2001, \$70 in FY2002, and approximately \$80 in FY2003.

Table 3. LIHEAP Heating/Winter Crisis Aid, Selected Years

	Fiscal year								
	1983	1990	1993	1998	1999	2000	2001	2002	2003
Households									
Number receiving aid (in millions)	6.8	5.8	5.6	3.9	3.6	3.9	4.8	4.4	4.8
Number federally eligible (in millions)	22.2	25.4	28.4	29.1	29.0	29.4	30.4	32.7	34.5
Federally eligible and receiving aid	31%	23%	20%	13%	12%	13%	16%	13%	14%
Benefit Levels									
Average benefit (nominal dollars)	\$225	\$209	\$201	\$213	\$237	\$270	\$364	\$291	\$312
Average benefit (constant 1981 dollars) ^a	\$209	\$147	\$129	\$117	\$128	\$140	\$187	\$147	\$154
Costs Offset									
Portion of winter heating bill covered by LIHEAP (for all federally eligible households) ^b	18%	15%	11%	9%	9%	11%	14%	12%	NA ^c
Portion of household income required for home heating (for LIHEAP-recipient households)	<i>Before receiving LIHEAP benefit</i>								
	8.3%	4.5%	4.7%	3.4%	3.3%	3.3%	4.7%	3.6%	4.9%
	<i>After receiving LIHEAP benefit</i>								
	2.6%	2.0%	2.4%	1.3%	1.1%	1.0%	1.7%	1.3%	NA ^c

Source: Table compiled by Congressional Research Service (CRS) based on information provided by or included in the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Division of Energy Assistance, *LIHEAP Home Energy Assistance Notebooks* for FY1998, FY2000, FY2001, FY2002 and FY2003.

- a. The constant dollars are based on the 1981 value of the benefit (using the CPI-U index).
- b. These percentages represent the estimated portion of combined home heating costs for all households federally eligible for LIHEAP that was offset by LIHEAP heating/winter crisis assistance.
- c. FY2003 data for these trends are not yet available.

Although LIHEAP benefits now cover a smaller portion of home heating bills than in earlier years, the portion of household income required for home heating by LIHEAP-recipient households is less than when the program began. LIHEAP recipient households also spend less of their income on heating needs than they did when the program began. After taking into account their LIHEAP benefit, LIHEAP-recipient households spent an average of 1.3% of their total income for heating in FY2002 compared to 2.6% in FY1983. (See **Table 3.**)

Apart from federal funding levels, a variety of factors help determine to what extent LIHEAP is able to meet its stated goal of assisting low-income households in meeting their home energy needs.¹⁴ These include —

- the cost of energy for a given household (influenced by energy price fluctuations and variation in kinds of fuels used);
- the amount of energy consumed (influenced by severity of the weather, energy efficiency of housing, and expected standards of comfort); and
- the number of eligible households (influenced by population size and health of the economy).

Funds and Their Distribution

The LIHEAP statute authorizes regular funds appropriations, which are allocated to all states based on a statutory formula, and contingency fund appropriations, which are allocated to one or more states at the discretion of the Administration. It also authorizes a smaller amount of funds for incentive grants to states that leverage non-federal resources for their energy assistance programs.

Regular Funds. Regular funds are distributed to states according to a three-tier formula in the LIHEAP statute and based on the level of funds appropriated in a given fiscal year.¹⁵ The three-tier formula is the result of changes to the LIHEAP statute in 1984 through the Human Services Reauthorization Act (P.L. 98-558). Prior to the changes in P.L. 98-558, LIHEAP allotments to the states were based largely on home heating needs with minimal consideration of cooling costs, and did not provide for the use of updated data, including population and energy costs.¹⁶

The new distribution formula provides that in determining state allotments the Department of Health and Human Services shall use “the most recent satisfactory data available” and consider home energy costs of low-income households (not simply all households, as was previously the case). These changes to the calculation of state allotments mean that some states will receive a smaller percentage share of regular funds, while some will receive a larger share. In order to offset the losses to certain states resulting from the formula change, and “prevent severe disruption to

¹⁴ See also CRS Report RS20761, *LIHEAP and Residential Energy Costs*, by Bernard Gelb.

¹⁵ States are defined to include the District of Columbia. Indian tribes receive funds out of state allotments that are proportionate to their share of LIHEAP-eligible households in the state. Before state allotments are made, the statute provides that at least one-tenth (but not more than one-half) of 1% of the total appropriation must be set aside for energy assistance in American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

¹⁶ For more information on the history of the LIHEAP formula, see CRS Report RL33275, *Low-Income Home Energy Assistance Program (LIHEAP) Allocation Rates: Legislative History and Current Law*, by Julie Whittaker and Libby Perl.

programs,”¹⁷ Congress implemented two “hold harmless” provisions in P.L. 98-558 to prevent states from losing too much funding. This resulted in the three-tier current law formula, which is described in more detail below.¹⁸

Tier I. The Tier I formula is used to allocate funds when the total LIHEAP regular fund appropriation is less than \$1.975 billion. Neither hold harmless provision applies at the Tier I level, and HHS allocates funds according to the allotment percentages used under the pre-1984 formula. The old formula is used because the amount of appropriated funds required to trigger the new formula is \$1.975 billion. The LIHEAP statute stipulates that for FY1986 and succeeding years, no state shall receive less money than it would have received in FY1984 had the LIHEAP funding in that year been \$1.975 billion.¹⁹ According to HHS, then, the LIHEAP statute requires use of the old allotment percentages when funding is less than \$1.975 billion.²⁰ Funding levels for LIHEAP have only twice exceeded the \$1.975 billion level, in FY1985 and FY1986. Thus, since 1987, states have continued to receive the same allotment percentages they received under the previous LIHEAP formula.

Tier II. For appropriations above \$1.975 billion and up to \$2.25 billion, the Tier II rate applies, and HHS uses the formula enacted in 1984 to calculate state allotments. Under the Tier II formula, a hold harmless *level* applies, and no state may receive less funding than it would have received under the Tier I distribution rate *as it was in effect for FY1984*, assuming a \$1.975 billion appropriation.²¹ State allotment *percentages* may be different, however. To ensure that states receive their hold harmless levels of funding, those states that gain the most funding under the new formula must have their percentage share of funds ratably reduced to bring other states up to the hold harmless level.²²

¹⁷ Report of the Committee on Energy and Commerce (H.Rept. 98-139, Part 2), to accompany H.R. 2439, May 15, 1984, p. 13.

¹⁸ For more information on the formula and the percentage share of funds a state would receive at various levels of funding, see CRS Report RS21605, *Low-Income Home Energy Assistance Program (LIHEAP): Formula and Estimated Allocation Rates*, by Julie Whittaker and Libby Perl.

¹⁹ 42 U.S.C. §8623(a)(2)(A) (2003).

²⁰ U.S. Department of Health and Human Services, *Low Income Home Energy Assistance Program: Report to Congress for FY1987*, p. 133. The statutory provision that provides for use of the old formula is 42 U.S.C. §8623(a)(3) (2003).

²¹ Since this language was enacted, Congress further provided that HHS could use regular LIHEAP funds appropriations for Training and Technical Assistance (P.L. 99-425). It also authorized Leveraging Incentive Grants (P.L. 101-501) and the REACH option (P.L. 103-252) — both of which it generally funds out of regular LIHEAP funds. These debits on the regular funds account were not in place for FY1984. Because they affect the level of regular funds available for state grant allotments by a little more than \$25 million, *it is possible* but not certain that HHS would not implement the newer formula before a regular funds appropriation level of approximately \$2.0028 billion.

²² 42 U.S.C. §8623(a)(3) (2003).

Tier III. The Tier III formula applies to funding levels at or above \$2.25 billion. The Tier III rate uses the Tier II methodology to distribute funds, but adds a second hold-harmless requirement, a hold harmless *rate*. States that would receive less than 1% of a \$2.25 billion appropriation must have their funds allocated using the rate that would have been used at a hypothetical \$2.14 billion appropriation (if this rate is greater than the calculated rate at \$2.25 billion). In both the Tier II and Tier III rates, a state will not be allocated less funds than the state received under the Tier I distribution as it was in effect in FY1984 (had the appropriation level been \$1.975 billion).

Contingency Funds. The statute currently provides an annual authorization of \$600 million for LIHEAP contingency funds (contingency funds are authorized indefinitely).²³ Appropriated contingency funds may only be released at the discretion of HHS and may be allocated to one or more states based on their needs. The statute authorizes the appropriation of contingency funds “to meet the additional home energy assistance needs of one or more States arising from a natural disaster or other emergency.” The term “emergency” is defined in the LIHEAP statute to include a natural disaster; a significant home energy supply shortage or disruption; significant increases in the cost of home energy, home energy disconnections, participation in public benefit programs, or unemployment; or an “event meeting such criteria as the [HHS] Secretary may determine to be appropriate.”

Leveraging Incentive and REACH Funds. In 1990, P.L. 101-501 amended the program statute to provide a separate funding authorization of \$50 million (\$30 million if regular funds appropriated are under \$1.4 billion) for incentive grants to states that leverage non-federal resources for their LIHEAP programs.²⁴ Such resources might include negotiated lower energy rates for low-income households or separate state funds. States are awarded incentive funds in a given fiscal year based on a formula that takes into account their previous fiscal year success in securing non-federal resources for their energy assistance program. In 1994 (P.L. 103-252) the statute was further amended to provide that of any incentive funds appropriated, up to 25% may be set aside for the Residential Energy Assistance Challenge Option (REACH). Under the REACH option states may be awarded competitive grants for their efforts to increase efficiency of energy usage among low-income families and to reduce those families’ vulnerability to homelessness and other health and safety risks due to high energy costs. The funding authorization for Leveraging Incentive and REACH grants is separate from regular funds, and the programs were not reauthorized in P.L. 109-58. In practice, however, Congress has funded these initiatives at \$22 million to \$30 million with dollars set-aside out of annual regular fund appropriations.

Other Funds. States are allowed to carry over unused funds from a previous fiscal year (limited to 10% of funds awarded a state). A diminishing amount of money may also be available from previously settled claims of price control violation

²³ 42 U.S.C. §8621(e) (2003).

²⁴ 42 U.S.C. §8621(d) (2003).

by oil companies.²⁵ Finally states have the authority to transfer funds to LIHEAP from certain other federal block grants (including TANF).

Legislative History

Since it was created by the Low Income Home Energy Assistance Act of 1981 (Title XXVI of P.L. 97-35), the LIHEAP program has been reauthorized or amended seven times. The legislation and some of the significant changes made are briefly discussed in the following paragraphs.

In 1984, P.L. 98-558, established a new formula by which regular LIHEAP funds are to be distributed in every year (after FY1985) in which regular appropriations exceed \$1.975 billion. This level of funding was exceeded in FY1986 but has not been reached in any year since then.

In 1986, P.L. 99-425 extended the program with few changes. In 1990, P.L. 101-501 created the Incentive Program for Leveraging Non-Federal Resources and authorized a July to June program year (or forward funding) for LIHEAP to allow state program directors to plan for the fall/winter heating season with knowledge of available money. This program year language was subsequently removed, although the statute now states that money appropriated in a given fiscal year is to be made available for obligation in the following fiscal year. Congress last provided advance appropriations for LIHEAP in the FY2000 appropriations cycle.

In 1993, P.L. 103-43 extended the authorization of LIHEAP for one year but made no other changes. In 1994 (P.L. 103-252) Congress stipulated that LIHEAP benefits and outreach activities target households with the greatest home energy needs (and costs), and it enacted a separate and permanent contingency funding authorization of \$600 million for each fiscal year. The 1994 law also established the competitive REACH grant option. In 1998, P.L. 105-285 authorized annual regular funding for each of FY2002-FY2004 at \$2 billion and made explicit a wide variety of situations under which HHS is authorized to release LIHEAP contingency funds.

Finally, in 2005 the Energy Policy Act (P.L. 109-58) reauthorized the program and raised the LIHEAP regular funds authorization level to \$5.1 billion. It also explicitly permitted the purchase of renewable fuels as part of providing LIHEAP assistance; required the Department of Energy to report on use of renewable fuels in provision of LIHEAP aid; required HHS to report (within one year of the legislation's enactment) on ways that the program could more effectively prevent loss of life due to extreme temperatures; and allowed the Secretary of the Interior, when disposing of in-kind oil and gas royalties taken from oil and gas leases, to grant a preference for the purpose of providing additional resources to support federal low-income energy assistance programs.

²⁵ *LIHEAP Report to Congress, FY2003*, p. 11. For FY2002, \$3.3 million in oil overcharge funds was available to two states.

Issues

LIHEAP Formula. The Energy Policy Act of 2005 requires HHS to report to Congress on how LIHEAP “could be used more effectively to prevent loss of life from extreme temperatures.” Neither the act nor the conference report directs how HHS should fulfill this requirement. The requirement that such a report be made was first included in House legislation (H.R. 1644) in the 108th Congress and, according to the accompanying committee report, was intended to “assist the [HHS] Secretary in developing a more accurate formula allocation methodology” to better meet the home energy assistance needs of “vulnerable populations.” At the time, the House Energy Committee report asserted that any formula developed should use the best statistical data and models now available; be a simple, easy-to-understand science-based mechanism that considers state-level expenditures for low-income home heating and cooling needs; and include annually updated, state-level heating and cooling degree day and fuel price information.²⁶

Table 4. LIHEAP Funding by State, FY2003 to FY2006
(Dollars in millions)

State	TOTAL funds distributed ^a (regular and contingency)			Regular allotment ^b	Contingency distributed ^c	TOTAL
	FY2003	FY2004	FY2005			
Alabama	16.1	15.4	19.9	16.664	0.658	17.321
Alaska	7.8	7.5	10.1	7.440	0.394	7.834
Arizona	7.2	6.9	7.7	7.448	0.236	7.684
Arkansas	12.3	11.8	13.5	12.796	0.571	13.367
California	86.1	82.4	91.7	89.287	4.409	93.696
Colorado	30.2	28.9	32.4	31.342	1.674	33.017
Connecticut	43.8	40.2	46.8	40.920	2.304	43.224
Delaware	5.8	5.3	6.2	5.431	0.272	5.703
District of Columbia	6.3	6.2	6.7	6.355	0.314	6.668
Florida	25.9	24.5	29.6	26.527	0.256	26.783
Georgia	20.3	19.4	22.5	20.979	0.856	21.835
Hawaii	2.0	1.9	2.2	2.113	0.012	2.125
Idaho	11.8	11.1	12.2	11.642	0.382	12.024
Illinois	109.6	104.5	117.2	113.259	6.560	119.819
Indiana	50.2	47.3	53.9	51.274	2.652	53.926
Iowa	35.5	33.5	38.9	36.343	2.040	38.384
Kansas	16.1	15.4	17.4	16.678	0.923	17.601
Kentucky	26.1	24.6	28.1	26.686	0.972	27.659
Louisiana	16.5	15.8	29.8	17.144	0.661	17.805
Maine	28.6	25.1	30.6	25.541	1.540	27.080
Maryland	32.1	30.8	34.2	31.332	1.512	32.844

²⁶ U.S. Congress, House Energy and Commerce Committee, *Energy Policy Act of 2003: Report to Accompany H.R. 1644*, 108th Congress, 1st sess., H.Rept. 108-65, Part 1, p. 145.

State	TOTAL funds distributed ^a (regular and contingency)			Regular allotment ^b	Contingency distributed ^c	TOTAL
	FY2003	FY2004	FY2005	FY2006		
Massachusetts	86.1	80.4	91.9	81.820	4.655	86.475
Michigan	104.9	105.0	112.5	106.792	6.650	113.442
Minnesota	77.5	71.5	84.0	77.469	4.241	81.710
Mississippi	13.8	13.2	27.4	14.350	0.622	14.972
Missouri	43.8	41.7	48.1	45.240	2.184	47.424
Montana	11.9	11.2	12.8	12.178	0.595	12.7730
Nebraska	17.4	16.6	19.0	17.970	0.980	18.950
Nevada	3.7	3.5	4.0	3.809	0.135	3.944
New Hampshire	16.9	15.2	18.3	15.493	0.913	16.406
New Jersey	78.7	74.5	83.9	75.798	4.518	80.316
New Mexico	9.1	8.7	9.9	9.392	0.524	9.916
New York	260.1	243.4	277.9	247.980	14.984	262.964
North Carolina	37.5	33.6	40.6	36.319	1.253	37.571
North Dakota	12.6	12.4	14.0	12.174	0.535	12.709
Ohio	98.1	98.4	104.7	100.195	5.436	105.630
Oklahoma	13.6	13.0	14.7	14.008	0.693	14.701
Oregon	23.8	21.8	25.0	23.880	0.516	24.396
Pennsylvania	136.7	130.9	145.5	133.273	7.653	140.926
Rhode Island	14.2	13.2	15.1	13.435	0.842	14.277
South Carolina	13.4	12.3	14.6	13.318	0.412	13.730
South Dakota	10.4	9.6	11.6	10.410	0.517	10.928
Tennessee	26.4	24.9	28.3	27.033	0.776	27.809
Texas	42.5	40.7	46.2	44.144	1.584	45.728
Utah	13.8	14.0	14.7	14.285	0.834	15.119
Vermont	12.6	11.4	13.8	11.613	0.680	12.293
Virginia	39.1	37.5	41.7	38.166	1.346	39.512
Washington	37.7	35.4	39.9	38.367	0.745	39.112
West Virginia	17.4	17.4	18.5	17.660	0.725	18.385
Wisconsin	69.5	64.3	75.3	69.733	3.875	73.608
Wyoming	5.5	5.2	5.9	5.626	0.291	5.917
Subtotal	\$1,939	\$1,840	\$2,111	\$1,929	\$98.910	\$2,028
Tribes ^d	19.3	19.0	20.1	20.702	0.954	21.656
Territories ^e	2.5	2.5	2.9	2.644	0.135	2.779
Leveraging/REACH ^f	27.3	27.3	27.3	27.225	0.0	27.225
Training/Tech. Asst. ^g	0.3	0.3	0.3	.297	0.0	.297
TOTAL	\$1,988	\$1,889	\$2,162	\$1,980	\$100	\$2,080

Source: Table compiled by the Congressional Research Service (CRS) based on U.S. Department of Health and Human Services (HHS) data.

- a. The totals shown in these columns include regular fund allocations to states (net of the direct awards to tribes) and any contingency funds awarded to the state in that year. In FY2003 the regular funds appropriation was \$1.788 billion and HHS distributed \$200 million in contingency funds to all states (for higher fuel costs). In FY2004 the regular funds appropriation was \$1.789 billion and HHS distributed \$99.4 million in contingency funds to all states (because of higher

fuel costs — with a greater share of the funding awarded to 19 states, including the District of Columbia, that also experienced extreme cold). In FY2005, the regular funds appropriation was \$1.885 billion, and HHS distributed \$250 million to all states, and \$27.25 million to four states (Alabama, Florida, Louisiana and Mississippi) after Hurricane Katrina.

- b. Includes 1% rescission in P.L. 109-148. LIHEAP funds are released on a quarterly basis.
- c. This column shows the amount of FY2006 contingency funds released. The total available contingency funds includes \$20.75 million in FY2005 contingency funds, and \$183 million appropriated in P.L. 109-149.
- d. This funding is made directly available to or for tribes but is reserved out of a given state's allotment amount. As prescribed in the statute, the tribal set-aside from a state gross allotment is based on tribal households in that state.
- e. The statute provides that HHS must set-aside not less than one-tenth of 1% and not more than one-half of 1% for use in the territories (American Samoa, Guam, Puerto Rico, Northern Mariana Islands, and the U.S. Virgin Islands).
- f. The statute provides a separate funding authorization for competitive grants under the leveraging incentive program (designed to encourage states to increase non-federal support for energy assistance). It also provides that up to 25% of any leveraging funds made available may be reserved for competitive REACH grants (for state efforts to increase efficient use of energy among low-income households and to reduce their vulnerability to homelessness and other problems due to high energy costs). The Congress has in recent years stipulated that a certain portion of the LIHEAP regular funds be set aside for leveraging grants and, of this amount, HHS has reserved 25% for REACH grants.
- g. The statute provides that HHS may reserve up to \$300,000 for making grants or entering into contracts with states, public agencies, or private nonprofits that provide training and technical assistance related to achieving the purposes of the LIHEAP program.

Table 5. LIHEAP Funding: FY1982 to FY2007
(Dollars in thousands)

Fiscal year	Regular Funds ^a			Contingency Funds ^a		TOTAL Distributed
	President's request	Authorized	Appropriated	Appropriated	Distributed	
1982	\$1,400,000	\$1,875,000	\$1,875,000	—	—	\$1,875,000
1983	1,300,000	1,875,000	1,975,000	—	—	1,975,000
1984	1,300,000	1,875,000	2,075,000	—	—	2,075,000
1985	1,875,000	2,140,000	2,100,000	—	—	2,100,000
1986	2,097,765	2,275,000	2,100,000	—	—	2,100,000
1987	2,097,642	2,050,000	1,825,000	—	—	1,825,000
1988	1,237,000	2,132,000	1,531,840	—	—	1,531,840
1989	1,187,000	2,218,000	1,383,200	—	—	1,383,200
1990	1,100,000	2,307,000	1,443,000	—	—	1,443,000
1991	1,050,000	2,150,000	1,415,055	195,180	195,180	1,610,235
1992	1,025,000	2,230,000	1,500,000	300,000	0	1,500,000
1993	1,065,000	<i>ssan^b</i>	1,346,030	595,200	0	1,346,030
1994	1,507,408	<i>ssan^b</i>	1,437,402	600,000	300,000	1,737,402
1995	1,475,000	2,000,000	1,319,202	600,000	100,000	1,419,202
1996	1,319,204	2,000,000	900,000	180,000	180,000	1,080,000
1997	1,000,000	2,000,000	1,000,000	420,000	215,000	1,215,000
1998	1,000,000	2,000,000	1,000,000	300,000	160,000	1,160,000
1999	1,300,000	2,000,000	1,100,000	300,000	175,299	1,275,299
2000	1,400,000	<i>ssan^b</i>	1,100,000	900,000	744,350 ^c	1,844,350 ^c
2001	1,400,000	<i>ssan^b</i>	1,400,000	600,000	455,650	1,855,650
2002	1,400,000	2,000,000	1,700,000	300,000	100,000 ^d	1,800,000

Fiscal year	Regular Funds ^a			Contingency Funds ^a		TOTAL Distributed
	President's request	Authorized	Appropriated	Appropriated	Distributed	
2003	1,400,000	2,000,000	1,788,300 ^c	0	200,000 ^f	1,988,300
2004	1,700,000	2,000,000	1,789,380	99,410	99,410	1,888,790
2005	1,800,500 ^g	5,100,000	1,884,799	297,600	277,250	2,162,050
2006	1,800,000 ^g	5,100,000	2,480,000	681,000	100,000	2,080,000 ^h
2007	1,782,000	5,100,000	—	—	—	—

Source: Table prepared by the Congressional Research Service (CRS) based on HHS data.

- a. Amounts listed under the Regular Funds heading are for *regular* funding only. In 1994, Congress enacted a permanent \$600 million annual authorization for contingency funding. As shown, however, before this authorization contingency funds were sometimes made available.
- b. Such sums as necessary.
- c. President Clinton released \$400 million of these FY2000 contingency funds in late Sept. 2000 making it effectively available to states in FY2001.
- d. These funds were distributed out of the total FY2002 contingency appropriation (P.L. 107-116). With the end of FY2002, the remaining \$200 million of these contingency funds expired.
- e. The final FY2003 appropriations act (P.L. 108-7) included \$1.688 billion in new regular funds and converted into regular funds \$100 million of remaining contingency funds originally appropriated in FY2001 (P.L. 107-20).
- f. These funds were distributed out of contingency dollars appropriated as part of the FY2001 supplemental (P.L. 107-20). That law provided that the funds were “available until expended.” Congress subsequently converted some of these dollars into regular funds (see tablenote e).
- g. Of this amount the President requested that \$500,000 be set aside for a national evaluation.
- h. As of March 22, 2006, funds appropriated in P.L. 109-204 had not been distributed.