On August 22, 1996, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) became law. This comprehensive, bipartisan legislation changed the nation’s welfare system into one requiring work in exchange for time-limited assistance. It created the Temporary Assistance for Needy Families (TANF) program, which replaced the Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and Job Opportunities and Basic Skills Training (JOBS) programs. The law marks the end of federal entitlement to assistance. In TANF, states and territories operate programs, and Indian tribes have the option to run their own programs. States, territories, and tribes each receive a block grant allocation, and states must maintain a historical level of state spending known as maintenance of effort. The basic block grant provides states and tribes $16.5 billion in federal funds each year, through 2002. This amount covers benefits, administrative expenses, and services targeted to needy families.

The 1996 law offers states great flexibility in designing individual state TANF programs. Unless expressly provided under the statute, the federal government may not regulate the conduct of states.

States may use TANF funds in any manner “reasonably calculated to accomplish the purposes of TANF.” The purposes are assisting needy families so that children can be cared for in their own homes; reducing dependency of needy parents by promoting job preparation, work, and marriage; preventing out-of-wedlock pregnancies, and encouraging the formation and maintenance of two-parent families.

**Highlights**

**Work Requirements**

With few exceptions, recipients must work as soon as job ready, or no later than 2 years after coming on assistance. In fiscal year 1997, each state had to ensure that 25 percent of all families in the state were engaged in work activities. This percentage increased to 50 percent in FY 2002. Minimum participation rates for two-parent families started at 75 percent in FY 1997 and increased to 90 percent. (If a state reduces its caseload, without restricting eligibility, it can receive a caseload reduction credit. This credit reduces the minimum participation rates the state must achieve.) During 1997 and 1998, single parents had to participate in work activities for at least 20 hours per week; by FY 2000, they had to participate at least 30 hours per week. Two-parent families had to participate in work activities for at least 35 or 55 hours per week, depending upon the circumstances. Failure to participate in work requirements can result in a reduction or a termination of benefits to the family. However, states cannot penalize single parents with a child under six for failing to meet work requirements if they cannot obtain child care. A state may exempt single parents with children under the age of one from the work requirements and disregard these individuals in the calculation of participation rates for up to twelve months.

**Work Activities**

Activities that count towards a state’s participation rates are unsubsidized or subsidized employment, on-the-job training, work experience, community service, job search, vocational training, job skills training related to work, or education directly related to work; satisfactory secondary school attendance; and providing child care services to individuals who are participating in community service. However, no more than 12 months of vocational training, no more than 6 total weeks of job search, and no more than 4 consecutive weeks of job search may count. Further, effective in FY 2000, no more than 30 percent of those meeting the participation rates may count toward the work requirement on the basis of participation in vocational training or by being a teen parent in secondary school.

**Five-Year Time Limit**

Families with an adult who has received federally funded assistance for a total of 5 years (or less at state option) are not eligible for cash aid under the TANF program. States may extend assistance beyond 60 months to up to 20 percent of their caseload. They may also elect to provide assistance to families beyond 60 months using state-only funds, or they may provide services to families that reach the time limit using Social Services Block Grants.

**State Maintenance of Effort Requirements**

The TANF block grant program has an annual cost-sharing requirement, referred to as “maintenance of effort,” or MOE. Every fiscal year each state must spend a certain minimum amount of its own money to help eligible families in ways that are consistent with the purposes of the TANF program. The required MOE amount is based on an “applicable percentage” of the state’s (non-federal) expenditures on AFDC and the AFDC-related programs in 1994. The applicable percentage depends on whether the state meets its minimum work participation rate requirements for that fiscal year. A state that does not meet the required minimum work participation rate requirements must spend at least 80 percent of the amount it spent in 1994. A state that meets its minimum work participation rate requirements must spend at least 75 percent of the amount it spent in 1994.

In addition to the federal TANF block grant funding, needy states with economic problems may request federal
funds from the Contingency Fund. The Contingency Fund has a more rigorous MOE requirement.

**Additional Funding**

**Bonuses to reward high performance and reduce out-of-wedlock births.**—Through FY 2003, $1 billion is available to states for high performance bonuses for achieving program goals, such as moving welfare recipients into jobs. There is a separate $100 million annual appropriation for bonuses to the 5 states that have the greatest success in reducing their of out-of-wedlock birth rates, while also reducing their abortion rates.

**Contingency fund, supplemental grants, and loans.**—There is a contingency fund of $2 billion available over 5 years to states experiencing economic downturns. There are a separate $800 million fund available over 4 years to provide supplemental grants for states with high population growth and historically low welfare spending and a $1.7 billion federal loan fund.

**Penalties**

The Department of Health and Human Services (HHS) may reduce a state’s block grant if it fails to do any of the following:

- Satisfy work requirements. A penalty of 5 percent accrues in the first year. The penalty amount increases 2 percent per year for each consecutive failure. The penalty is adjusted based on degree of failure. The maximum penalty is 21 percent.
- Comply with 5-year limit on assistance. Failure to comply results in a 5 percent penalty.
- Meet the state’s basic maintenance of effort requirements. The penalty is based on the amount of the state’s under-spending. The state also loses its Welfare-to-Work funds.
- Meet the State’s Contingency Fund MOE requirement. The penalty is a reduction of the State’s Federal TANF grant by the amount of Contingency Funds received and not remitted.
- Reduce recipient grants for refusing to participate in work activities without good cause. A penalty of between 1 percent and 5 percent is assessed based on the degree of noncompliance. Maintain assistance when a single custodial parent with a child under six cannot obtain child care. Failure to comply results in a penalty of 5 percent.
- Submit required data reports. A penalty of 4 percent accrues.
- Comply with paternity establishment and child support enforcement requirements. Failure to comply results in a penalty of up to 5 percent.  
- Participate in the Income and Eligibility Verification System. A penalty of up to 2 percent accrues.

- Repay a federal loan on time. The penalty will be based on the amount unpaid.
- Use funds appropriately. Misuse of funds can result in states being penalized for the amount misused. If this misuse is found to be intentional, an additional penalty of 5 percent will be assessed.
- Replace federal penalty reductions with additional state funds. This provision results in a penalty of up to 2 percent and requires states to contribute state funds to make up for any reductions in federal funds due to penalties.

The total penalty assessed against a state in a given year may not exceed 25 percent of a state’s block grant allotment. In some situations, states may avoid penalties: (1) if they demonstrate that they had reasonable cause for failing to meet the program requirements or (2) if they develop a corrective compliance plan, receive approval of their plan, and correct or discontinue the violation.

**Personal Employability Plans**

States must make an initial assessment of a recipient’s skills. States may develop personal responsibility plans for each recipient to identify the education, training, and job placement services needed to move into the workforce.

**Teen Parent Live-At-Home and Stay-In-School Requirement**

Unmarried minor parents must participate in educational and training activities and live with a responsible adult or in an adult-supervised setting in order to receive assistance. States are responsible for assisting in locating adult-supervised settings for teens who cannot live at home.

**State Plans**

HHS reviews state plans for completeness only. States must allow for a 45-day comment period on the state plan by local governments and private organizations and consult with them. The state plan must have “objective criteria” for eligibility and benefits that are “fair” and “equitable.” The plan must explain appeal rights.

**Job Subsidies**

The law allows states to create jobs by taking money that is now used for welfare checks and using it to create community service jobs, provide income subsidies, or provide hiring incentives for potential employers.

**Waivers**

States that received approval for welfare reform waivers before January 1, 1997, have the option to operate their cash assistance program under some or all of these waivers, until the waivers expire.
Effective Dates

States had until July 1, 1997, to submit state plans and begin implementing TANF, although they had the option to implement earlier.

HHS published final regulations covering the state TANF programs on April 12, 1999. These regulations took effect October 1, 2000.

Tribal Programs

Federally recognized Indian tribes may apply directly to HHS to operate a TANF block grant program. Eligible tribes include the federally recognized tribes in the lower 48 states and 13 designated entities in Alaska (that is, the 12 Alaska Native regional nonprofit associations and Matlakatla). TANF allotments for Indian tribes are based upon previous state expenditures of federal dollars in AFDC, Emergency Assistance (EA), and JOBS on tribal members in fiscal year 1994. Tribal TANF programs could be implemented as early as July 1, 1997. Like states, Indian tribes can use their TANF funding in any manner reasonably calculated to accomplish the purposes of TANF. They have broad flexibility to determine eligibility, method of assistance, and benefit levels. Unlike state plans, the federal government approves tribal plans. Tribes and HHS must reach agreement on time limits, work requirements, and minimum participation rates.

In addition to authorizing tribes to administer TANF, PRWORA replaced the former tribal JOBS program with the Native Employment Works (NEW) program. The NEW program provides funding for tribes and inter-tribal consortia to design and administer tribal work activities that meet the unique employment and training needs of their populations while allowing tribes and states to provide other TANF services.

HHS published final regulations for the tribal TANF and NEW programs on February 18, 2000.
Food Stamps

The Food Stamp program was designed to provide a means for persons with no or little income to obtain a nutritionally adequate diet. Under this program, single persons and individuals living in households meeting nationwide standards for income and assets may receive coupons redeemable for food for human consumption and garden seeds and plants. The benefits, which are in the form of coupons or Electronic Benefit Transfer (EBT) payments, are accepted at most retail food stores.

The value of the benefits that a unit receives each month is determined by household size, income, and deductible expenses. Households without income receive an amount equal to 100 percent of the June monthly cost of the Thrifty Food Plan (TFP—a nutritionally adequate diet) for a reference family of four adjusted for household size and economies of scale. This amount is updated every October for the new fiscal year to account for food price increases. As of October 2000, an eligible four-person household in the continental United States with no income receives $434 per month in food stamps. Households with income receive food stamps valued at the difference between the maximum allotment and 30 percent of their income, after certain allowable deductions.

To qualify for the program, a household must have (1) less than $2,000 in disposable assets ($3,000, if one member is aged 60 or older), (2) gross income below 130 percent of the poverty guidelines for the household size, and (3) net income, after subtracting the six deductions listed below, of less than 100 percent of the poverty guidelines. Households with a person aged 60 or older or a disabled person receiving either Supplemental Security Income (SSI), Social Security (OASDI), state general assistance, or veterans’ disability benefits (or interim disability assistance pending approval of any of the above programs) may have gross income exceeding 130 percent of the poverty guidelines, if, after subtracting the deductions listed below, the income is lower than 100 percent of the poverty guidelines. One- and two-person households that meet the applicable standard receive at least $10 a month in food stamps. All households in which all members receive Temporary Assistance to Needy Families (TANF) or SSI are categorically eligible for food stamps without meeting these income or resource criteria.

Net income is computed by deducting the following from monthly gross income:

(1) Twenty percent of earned income.
(2) A standard deduction of $134 for fiscal year 2000.
(3) The amount paid for dependent care (up to $200 a month per child under age 2 and $175 for all other dependents) while the dependent’s caretaker is working or looking for work.
(4) Any out-of-pocket medical expenses in excess of a $35 deductible for a person aged 60 or older or a disabled person. If more than one person in the household is aged or disabled, $35 is subtracted once before deducting combined medical expenses.
(5) A child-support deduction for legally obligated child support paid for a nonhousehold member.
(6) An excess shelter deduction, which is total shelter costs including utilities minus 50 percent of income after all the above deductions have been subtracted. Effective October 1, 2000, the limit was $300. For households whose certification period began after March 1, 2001, the limit rose to $340. Households with an aged or disabled person do not have a limit on this deduction.

Households are certified to receive food stamps for varying lengths of time, depending on their income sources and individual circumstances. Recertification is required at least annually. Households whose sole income is from SSI payments or Social Security benefits are certified for a 1-year period. Moreover, households must report monthly income or expense changes of $25 or more or other changes in circumstances that would affect eligibility. Families with income or food loss resulting from disaster situations such as tornadoes or floods may be eligible for food stamps for up to 1 month if they meet the special disaster income and asset limits.

Special provisions allow the homeless, drug addicts, alcoholics, blind, or disabled residents in certain group living arrangements, residents of shelters for battered spouses and children, and persons aged 60 or older to use their coupons for meals prepared at a nonprofit facility. The elderly and homeless may also use their coupons to purchase concession-priced meals from authorized restauraunts. Households with members who are elderly (aged 60 or older), disabled, or lack transportation to the food stamp office may be certified for food stamps through a telephone interview or a home visit.

Initiated on a pilot basis in 1961, the Food Stamp program was formally established by the Food Stamp Act of 1964, with 22 states operating 43 projects, serving 350,000 people. The Food Stamp Act of 1977, as amended (P.L. 95-113), has been extended to all 50 states, the District of Columbia, Guam, and the Virgin Islands. Authorization for this program extends through September 30, 2002. (Since July 1982, Puerto Rico receives a block grant for nutrition assistance rather than participating in the Food Stamp program.) The Food Stamp program is administered nationally by the Food and Nutrition Service of the Department of Agriculture (USDA) and operates through local welfare offices and the nation’s food marketing and banking systems. Since August 1, 1980, persons receiving or applying for SSI payments have been permitted to apply for food

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stamps through local Social Security district offices. The federal government, through general revenues, pays the entire cost of the food stamp benefits, but federal and state agencies share administrative costs.

History of Provisions

Originally, food stamp coupons were purchased by participants. The difference between the face value of the coupons and the amount the participant paid was known as the "bonus value." The amount paid for coupons varied according to household income.

Legislation in 1971 established uniform national eligibility standards and uniform national benefit levels, required family allotments large enough to purchase a nutritionally adequate diet, provided free food stamps to the poorest recipients, required automatic cost-of-living increases in food stamp allotments, and established work-registration requirements for able-bodied adult household members up to age 65 (except students and those needed at home to care for children under age 18). Legislation in 1973 expanded the program (while phasing out the family food distribution program), provided for semi-annual allotments of coupon adjustments, and broadened the categories of persons eligible to participate. The 1973 legislation extended the program nationwide, requiring all states to participate in the Food Stamp program.

Major legislative changes in 1977 eliminated the purchase requirement and allowed households to receive only the bonus portion of their coupon allotments. Deductions from income were limited to a standard deduction, a 20-percent earnings deduction, and a limited combined excess shelter and child-care deduction. The poverty guidelines became the new eligibility limits and, for the first time, households receiving Aid to Families with Dependent Children (AFDC) or SSI payments were required to meet asset and income limits. The work registration requirements were tightened for students and for caretakers, whose children now had to be under age 12. Previously exempt, parents of children aged 12 or older were required to register for work. The age at which the registration exemption for older persons became effective was lowered from age 65 to age 60.

Legislation in 1979 provided a medical deduction to aged and disabled persons, removed the limit on their shelter deduction, and tightened fraud provisions.

The 1980 legislation provided for an annual, rather than semi-annual, adjustment to benefit levels and the amount of the standard deduction. This legislation also restricted student eligibility.

The Omnibus Budget Reconciliation Act and the Food Stamp and Commodity Distribution Amendments of 1981 mandated further changes in the Food Stamp program. For the first time, a "gross income" eligibility standard was applied to all households not containing an aged or disabled person. The earnings deduction was lowered to 18 percent. The updates to the TFP to account for inflation were postponed until October 1982 and the deduction limits were postponed until July 1983. For new participants, benefits for the first month were prorated from the day the application was filed. Boarders and persons who take part in strikes were excluded from the program and the definition of what constitutes a household was tightened. Provisions facilitating claims and overpayment collection and fraud recovery were also enacted. The program in Puerto Rico was replaced by a block grant and monthly reporting/retrospective accounting systems were made mandatory for all states effective October 1983. However, households composed solely of all aged or disabled persons, as defined above, were exempted from the monthly reporting requirements, and migrant households were exempted from both requirements.

Further revisions were made by the Food Stamp Amendments of 1982. Among changes, the maximum allotments were reduced from 100 percent to 99 percent of the TFP and adjustments to the standard and shelter deductions were delayed until October 1, 1983. (Public Law 98-473 restored maximum food stamp allotments to the full cost of the TFP beginning November 1, 1984.) A net income limit for nonelderly and nondisabled households was added to the existing gross income limit. Benefit computations and adjustments were rounded down to the nearest dollar, and new restrictions were placed on the use of the Standard Utility Allowance for the excess shelter expense deduction. At the same time, the definition of disability for food stamp purposes was expanded to include those persons receiving certain veterans’ payments, and annual cost-of-living adjustments to SSI payments and Social Security benefits were not counted in determining food stamp amounts for 3 months.

The Food Stamp program authorization was extended for 5 years by the Food Security Act of 1985 (P.L. 99-198). Among the revisions enacted, the definition of disability for food stamp purposes was again extended to include recipients of State supplementary SSI payments, government disability benefits, and Railroad Retirement disability payments. Households in which all members receive AFDC or SSI were made categorically eligible for food stamps. The earned income, childcare, excess shelter cost deductions, and asset limits were increased as of May 1986. Portions of the income received under the Job Training Partnership Act were now considered countable income. Further, all states were required to implement an employment and training program for food stamp recipients by April 1987.

The Hunger Prevention Act of 1988 (P.L. 100-435) made several changes in the program. It raised the maximum food stamp allotments and established allotments as specified percents of the TFP as of the preceding June. For fiscal year 1989, the allotments were 100.65 percent of the TFP for June 1988; for fiscal year 1990, they were 102.05 percent of the TFP for June 1989; and for fiscal years 1991 and on, they are to be 103.00 percent of the TFP.
Other provisions of the 1988 legislation required states to institute prospective budgeting for households not required to report monthly and retrospective budgeting for households reporting monthly. It extended disability status to individuals who receive interim assistance pending the receipt of Supplemental Security Income, Social Security, or state disability payments, and allowed the elderly, disabled, and those without transportation to apply for food stamps via telephone interviews. It required states to process food stamp applications jointly with AFDC and general assistance applications. It raised the dependent-care deduction from $160 per household to $160 per dependent. It made permanent an amendment in the Homeless Eligibility Clarification Act that exempts residents of shelters from ineligibility as residents of institutions.

Several provisions of the 1988 legislation also affect persons in farming. Households with farm income and expenses were given the option of averaging irregular farm-related expenses and farm income over 12 months and excluding as resources the value of farm land, equipment, and supplies for a period of 1 year after a household member ceases to be self-employed in farming.

The Mickey Leland Memorial Domestic Hunger Relief Act of 1990 reauthorized the Food Stamp program and the Nutrition Assistance Program in Puerto Rico with no major changes through fiscal year 1995.

Legislation enacted in 1992 prevented a one-time decrease of food stamp allotments for the year beginning October 1, 1992, even though the cost of the TFP had declined slightly.

The Omnibus Budget Reconciliation Act of 1993 (Mickey Leland Childhood Hunger Relief Act) made a number of program revisions including the following.

- The earnings of elementary or high school students who were aged 21 or younger were disregarded.
- Households that had breaks in participation of less than a month were allowed to receive a full month’s benefit for the period of the break.
- The children of drug addicts and alcoholics living in treatment centers were permitted to qualify for food stamps.
- Food stamp households participating in demonstration projects were permitted to accumulate up to $10,000 in resources.
- The shelter cap was raised to $231 beginning July 1, 1994, then to $247 beginning October 1995, and was to be eliminated entirely on January 1, 1997.
- The deduction for care of a child or other dependent was raised to $200 per month for a child under age 2, and $175 per month for all other dependents, effective September 1, 1994.
- State agencies were given the option to provide deductions for legally binding child support payments made to persons outside the household, effective September 1, 1994. This deduction became mandatory October 1, 1995.
- The definition of a food stamp household was simplified to allow adult siblings who lived together and adult children who lived with their parents to form separate households if they purchased or prepared food separately.
- The amount of the Fair Market Value of a household’s first vehicle that is excluded from the asset test was increased from $4,500 to $4,550, effective September 1, 1995. The limit was to have been raised to $5,000, effective October 1, 1996, and indexed thereafter.

Legislation enacted in 1994 primarily provided means to combat fraud in the coupon redemption process. Legislation enacted in 1995, prevented a one-time decrease of food stamp allotments in Alaska for the year beginning October 1, 1994, even though the cost of the TFP for Alaska had declined slightly.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 made sweeping changes to the Food Stamp program. Additional restrictions were placed on the eligibility of certain low-income persons.

- Legal immigrants became ineligible for benefits, unless they met one of the following criteria: were naturalized citizens, had worked and paid taxes in the country for 40 quarters (or were the spouse or minor child of someone who had met the work requirement), had served in the U.S. Armed Forces (or were the spouse or child or a veteran) or were refugees, asylees, or persons granted a stay of deportation when admitted and have lived in the United States for less than 5 years. Legal immigrants currently receiving benefits were allowed to receive benefits until their first recertification after April 1, 1997, or until August 22, 1997, whichever date came first.
- Time limits were imposed for childless unemployed adults aged 18-50. Those who are not disabled are limited to receiving 3 months of benefits in any 36-month period, unless they are working 20 hours per week, participating in a work training program for at least 20 hours per week, or participating in work fare. States may request waivers for areas with at least 10-percent unemployment or insufficient jobs.

Other key provisions included the following:

- The maximum allotment was set at 100 percent of the Thrifty Food Plan, effective October 1, 1996.
- The standard deduction was frozen at $134.
- The excess shelter deduction cap was set at $250, effective January 1, 1997 (instead of being lifted), to be raised to $275 on October 1, 1998, and $300 on October 1, 2000.
• The earnings of elementary or high school students aged 18-21 was counted again.
• Households with breaks in participation of less than a month received prorated benefits for the period of the break.
• Adult children under age 22 living with their parents were counted in the same household as their parents.
• The amount of Fair Market Value for a household’s first vehicle that is excluded from the asset test was frozen at $4,650, effective October 1, 1996.
• State and local energy assistance was counted as income.
• Recipients could be disqualified or given sanctions for a variety of reasons, such as failure to pay child support, receipt of multiple benefits, or failure to meet work requirements.
• States were permitted to operate a simplified Food Stamp program for households in which all household members participate in the state’s Temporary Assistance for Needy Families program. In the simplified Food Stamp program, states may utilize their TANF rules to determine Food Stamp program benefits provided the TANF rules do not increase the aggregate cost of the Food Stamp program.
• States were required to implement Electronic Benefit Transfer (EBT) systems for issuing benefits before October 1, 2002, unless USDA granted a waiver.

The Balanced Budget Act of 1997 increased funds for the Food Stamp Employment and Training program, restricted the use of these funds, and made them available until spent. States were required to earmark 80 percent of these funds to provide work or training programs to childless, unemployed, able-bodied 18-50 year olds. The Act also allowed states to grant discretionary exemptions from the time limits for up to 15 percent of a state’s unwaived caseload of childless, unemployed, able-bodied 18-50 year olds.

The Agricultural Research, Extension, and Education Reform Act of 1998 partially restored benefits to legal immigrants. Those who were lawfully residing in the United States on August 22, 1996, and are either: (1) blind or disabled (using the Food Stamp Act definition of "disability"), (2) aged 65 or older on August 22, 1996, or (3) under the age of 18 were eligible for benefits effective November 1, 1998. In addition, refugees and asylees were made eligible for the first 7 years after admittance into the United States (extended from 5 years). Members of Hmong or Highland Laotian tribes aiding U.S. personnel during the Vietnam War, and their spouses or unmarried dependent children were made eligible. Cross-border Native Americans were also made eligible.

Other provisions reduced the funding for Employment and Training Programs by $100 million in 1999 and by $45 million in 2000 and reduced payments for Food Stamp program administrative costs.

The Electronic Benefit Transfer (EBT) Interoperability and Portability Act of 2000 (P.L. 106-71) required States to make their EBT systems inter-operable across State lines by October 2, 2002.

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriation Act, 2001 (P.L. 106-387) made the following changes to the Food Stamp program:

• Effective July 2001, at state option, state agencies could substitute TANF vehicle rules in place of food stamp vehicle rules provided that the TANF vehicle rules were more liberal.
• Effective March 2001, for households whose certification period began on or after March 1, 2001, the maximum excess shelter deduction limit rose to $340, and was to be adjusted for inflation on October 1, 2002 and every year after.

An estimated 17.2 million persons per month participated in the Food Stamp program during fiscal year 2000. The average monthly value of food stamps per person was about $72.79 and the total value of benefits issued during the year was $15.0 billion. Total federal government costs for this program were $17.1 billion.
Low-Income Home Energy Assistance Program


Reauthorizing the LIHEAP program for fiscal year 1995 through fiscal year 1999, the Human Services Amendments of 1994, Public Law 103-252, made a number of revisions to the LIHEAP statute.2 There were no new provisions that became effective in fiscal years 1997–99.

Under LIHEAP, grants are provided to the states to assist eligible households to meet the costs of home energy. In addition to the 50 states and the District of Columbia, grants were provided in:

- fiscal year 1997 to 6 insular areas, and 121 Indian tribes or tribal organizations;
- fiscal year 1998 to 6 insular areas, and 128 Indian tribes or tribal organizations; and
- fiscal year 1999 to 5 insular areas, and 130 Indian tribes or tribal organizations. Fiscal year 1999 represents the nineteenth year that an energy assistance program has been administered at the federal level by HHS.

In accordance with the act, the Secretary of HHS has left maximum policy discretion to the states. The federal information collection and reporting requirements for states were substantially reduced to require only information essential to federal administration and congressional oversight. State decisions, directed by public participation in the development of grant applications, largely replaced federal regulations in shaping the program for fiscal years 1982–99.

Funding

For fiscal year 1997, $1 billion was appropriated under P.L. 104-298, including the set aside of $25 million for leveraging incentive awards. The President released an additional $215 million in emergency contingency funds in response to an extraordinary cold wave and increases in bulk fuel prices during the 1996–97 winter. Fiscal year 1997 funds were distributed approximately as follows:

1. $965 million in block grants to the 50 states and the District of Columbia;
2. $9 million in direct block grants to 121 Indian tribes and tribal organizations;
3. $1.3 million in block grants to the Commonwealth of Puerto Rico, Virgin Islands, America Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands/Palau; and
4. $18.8 million in leveraging incentive awards to 39 states, and 26 tribes and tribal organizations;
5. $6.2 million in REACH awards to 6 states, 3 tribes and tribal organizations;
6. $212 million in emergency contingency funds to 50 states and the District of Columbia, $3 million to 121 Indian tribes and tribal organizations, $200,000 to 6 insular areas; and
7. $0.3 million for training and technical assistance.

For fiscal year 1998, $1 billion was appropriated as advanced funding under P.L. 104-208, including the set aside of $25 million for leveraging incentive awards. The President released an additional $160 million in emergency contingency funds in response to an extraordinary heat wave and a disastrously low salmon run in Alaska. Fiscal year 1998 funds were distributed approximately as follows:

1. $965 million in block grants to the 50 states and the District of Columbia;
2. $9 million in direct block grants to 128 Indian tribes and tribal organizations;
3. $1.3 million in block grants to the Commonwealth of Puerto Rico, Virgin Islands, America Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands/Palau; and
4. $18.8 million in leveraging incentive awards to 39 states, 26 tribes and tribal organizations;

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1 Effective in fiscal year 1987 the Primary Care Block Grant was repealed by the Health Services Amendment Act of 1985 (P.L. 99-80) enacted April 26, 1986.
2 The 1994 amendments provided that up to 25 percent of leveraging incentive funds may be set aside for the Residential Energy Assistance Challenge (REACH) program, which was funded for the first time in fiscal year 1996.
(5) $5.8 million in REACH awards to 7 states, $400,000 to 6 Indian tribes and tribal organizations;
(6) $151 million in emergency contingency funds to 12 states and $9 million to 33 Indian tribes and tribal organizations; and
(7) $0.3 million for training and technical assistance.

For fiscal year 1999, $1.1 billion in advance funding was appropriated under P.L. 105-78, including the set aside of $27.5 million for leveraging incentive awards. The President released an additional $175.3 million in emergency contingency funds in response to an extraordinary heat wave and relief for energy-related damage caused by severe flooding in North Carolina. Fiscal year 1999 LIHEAP funds were distributed approximately as follows:

(1) $1.06 billion in block grants to the 50 states and the District of Columbia;
(2) $9.6 million in direct block grants to 130 Indian tribes and tribal organizations;
(3) $1.5 million in block grants to the Commonwealth of Puerto Rico, Virgin Islands, America Samoa, Guam, and the Commonwealth of the Northern Mariana Islands; and
(4) $20.6 million in leveraging incentive awards to 33 states, 23 tribes;
(5) $5.6 million in REACH awards to 5 states, $681,000 to 6 Indian tribes and tribal organizations, $124,000 to 1 insular area, and $512,000 for states' second and third year REACH administrative costs;
(6) $174.6 million in emergency contingency funds to 26 states and $699,000 to 18 Indian tribes and tribal organizations; and
(7) $0.3 million for training and technical assistance.

The funds appropriated for LIHEAP provide payments to eligible households for heating or cooling costs and for home energy crises. Up to 15 percent of the available funds may be used for low-cost residential weatherization or other energy-related home repairs. Grantees can request from HHS a waiver to allow up to 25 percent of available funds to be spent for low cost residential weatherization or other energy-related home repairs.

To receive grants in each of the three fiscal years, each state had to submit an application consisting of assurances by its chief executive officer and a plan describing how the state would carry out those assurances. In the assurances, the state agreed to:

(1) use funds only for the purposes of the statute;
(2) make payments only to eligible low-income households;
(3) conduct outreach activities;
(4) coordinate LIHEAP activities with similar and related programs;
(5) provide, in a timely manner, that the highest level of assistance will be furnished to those households with the lowest incomes and highest energy costs in relation to income, taking into account family size, except that the state may not differentiate between categorically eligible and income eligible households;
(6) give consideration to agencies that have previously managed the program when designating local agencies to carry out the purposes of the program,
(7) assure that energy suppliers receiving benefits directly on behalf of eligible households not treat assisted households adversely;
(8) treat owners and renters equally;
(9) use not more than 10 percent of its allotment for planning and administration;
(10) establish fiscal control and accounting procedures for proper disbursal of and accounting for federal funds, establish procedures for monitoring assistance provided, and prepare an annual audit;
(11) permit and cooperate with federal investigations;
(12) provide for public participation in the development of its plan;
(13) provide an opportunity for a fair administrative hearing to individuals whose claims for assistance are denied or not acted on with reasonable promptness;
(14) cooperate with HHS in collecting and reporting data under section 2610 of the statute;
(15) provide outreach and intake through additional state and local government entities or community-based organizations under certain circumstances; and
(16) use no more than 5 percent of funds to encourage and enable households to reduce their home energy needs.

Eligibility

The unit of eligibility for energy assistance is the household, defined as any individual or group of individuals who are living together as one economic unit for which residential energy is customarily purchased in common, either directly or through rent. The Act limits payments to those households with incomes under the greater of 150 percent of the income guidelines or 60 percent of the state's median income; or to those households with members receiving benefits from the Temporary Assistance for Needy Families (TANF) program, SSI, food stamps, or need-tested veterans' benefits. No household may be
excluded from eligibility on the basis of income alone if household income is less than 110 percent of the poverty guidelines. States are permitted to set more restrictive criteria as well.

**Payments**

States make fuel assistance payments directly to eligible households or to home energy suppliers on behalf of eligible households. Payments can be provided in cash, fuel, prepaid utility bills, or as vouchers, stamps, or coupons that can be used in exchange for energy supplies. Payments are to vary in such a way that the highest level of assistance is furnished to households with the lowest income and highest energy costs in relation to income, taking into account family size.