

However, with LIHEAP funds available for obligation on the basis of the Federal fiscal year starting October 1, if grantees were required to submit leveraging reports by July 31, they would not be able to include leveraging activities for the last two or three months of the fiscal year. The interim rule therefore modified the reporting dates for reports to be submitted before forward funding began. The deadline for submission of reports while LIHEAP funding is provided to grantees on the basis of the Federal fiscal year of October 1 through September 30 was set as October 31 of the fiscal year for which leveraging incentive funds are requested—on month after the end of the fiscal year or base period for which leveraging activities are reported.

In a comment on the interim rule, a State recommended that HHS change the leveraging report submission deadline to two months after the end of the base period, to allow local entities at least one month to report leveraging results for the full base period to States, and to allow a "reasonable amount of time" for States to analyze the reports and include allowable resources in their leveraging reports.

The Human Services Amendments of 1994, Public Law 103-252, enacted May 18, 1994, reauthorizing LIHEAP through FY 1999, provides for forward or advance funding (that is, funding appropriated one year in advance) on the basis of the Federal fiscal year of October 1 through September 30. Thus, the July through June program year will not be implemented.

Public Law 103-252 specifies that leveraging reports are to be submitted "2 months after the close of the fiscal year" during which the grantee provided the leveraged resources to eligible households. The final rule makes this technical change to the regulations at § 96.87(h)(2), stating that "Leveraging reports must be postmarked or hand-delivered not later than November 30 of the fiscal year for which leveraging incentive funds are requested." Leveraging reports submitted later will not be considered for a share of leveraging incentive funds. The new deadline is two months after the end of the base period and two months "into" the award period, effective with the leveraging reports to be submitted on FY 1994 leveraging activities. (The report on FY 1994 leveraging activities must be submitted by November 30, 1994. Any

LIHEAP plan amendments necessary to qualify FY 1994 leveraging activities under criterion (ii) or criterion (iii) of section 96.87(d)(2) must be submitted by September 30, 1994.)

Leveraging reports should be mailed or delivered to the following address: Director, Office of Community Services, Administration for Children and Families, Department of Health and Human Services, 370 L'Enfant Promenade, S.W., Washington, D.C. 20447.

#### *Determination of Grantee Shares of Leveraging Incentive Funds*

Section 96.87(i) of the interim final rule set the formula used to allocate leveraging incentive funds among grantees submitting leveraging reports. The formula in the interim rule was used to allocate leveraging incentive funds in fiscal years 1992, 1993, and 1994. As indicated under "Effective Date" near the beginning of this preamble, it also will be used to allocate leveraging incentive funds in FY 1995 that reward FY 1994 leveraging activities. This means that the revised formula included in this final rule and described below will be used beginning with leveraging incentive funds awarded in FY 1996 to reward FY 1995 leveraging activities.

Section 2607A of the LIHEAP statute requires HHS to develop a formula for allocating leveraging incentive funds that takes into account the size of the grantee's regular LIHEAP allotment (allocation), and the value of the grantee's leveraged resources in relation to its regular allotment amount. The legislative history also includes recommendations for the formula.

After considering ideas for possible formulas, and then three different formulas under three different scenarios, we selected the two-part formula that was in the interim rule. The formula we selected, which we called "Formula One," was intended to carry out Congress' intent to give the largest reward to the grantees that were most successful in leveraging their LIHEAP dollars. We included in the preamble to the interim rule a detailed discussion of the three formulas, with examples of how allocations would differ under each. (See pp. 1972-1976 of the **Federal Register** dated January 16, 1992; 57 FR 1972-1976.)

Under the interim rule's formula, we distributed half of the leveraging

incentive funds for an award period based on the value of the leveraged resources/benefits provided by a grantee during the base period relative to its net allotment under the regular LIHEAP program during the base period, as a proportion of the total value of leveraged resources/benefits provided by all grantees in relation to their regular net allotments during the same period. We distributed the remaining half of the funds based on the value of leveraged resources/benefits that a grantee provided during the base period as a proportion of the total value of leveraged resources/benefits provided by all grantees. No grantee could receive a leveraging incentive award larger than its regular LIHEAP allotment during the base period. When the formula would have resulted in a grantee receiving an incentive award larger than its regular allotment, the "excess" funds were reallocated to the other grantees receiving leveraging incentive funds. The leveraging figures used in these calculations were based on the net value of the countable leveraged resources in grantees' leveraging reports, as approved by HHS.

We received eleven comments regarding the formula used to determine grantee shares of leveraging incentive funds. Some of the commenters supported our selection of Formula One, while others suggested using a different formula or modifying our selection in some way.

In determining what allocation formula to adopt in this final rule, we considered not only the comments we received, but also experience we have gained in the last three grant periods in using Formula One for allocations based on the actual leveraging reports submitted by grantees. We reconsidered all three of the formulas discussed in the preamble to the interim rule and calculated what leveraging grant awards would have been in FY 1994 if we had used each of them. The actual FY 1994 awards—based on Formula One—are shown below, as are the allocations that would have resulted if we had used Formula Two and Formula Three, and State and territorial allocations that would have resulted if we had distributed the funds under the regular LIHEAP block grant allocation formula, rather than using them in the leveraging incentive program.