

# Low Income Home Energy Assistance Program 2026

**Understanding “Obligation” in LIHEAP Funding**  
*(Definition, Process, and Impact on Subgrantees)*

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# Federal Obligation Timelines

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As noted in [LIHEAP IM-2022-02](#), it is the responsibility of grant recipients to timely obligate LIHEAP funding for allowable purposes in accordance with the grant recipients' own rules, to the extent they do not conflict with federal rules. Annual LIHEAP awards have two-year obligation periods.

As set forth in [42 U.S.C. § 8626 \(b\)\(2\)](#) and in the [LIHEAP Supplemental Terms and Conditions](#) (PDF), **at least 90 percent of any LIHEAP grant must be obligated in the same year it was awarded. Up to 10 percent of the award may be carried over for obligation in the following year.** Grant recipients must track all LIHEAP funds separately to ensure compliance with this requirement. LIHEAP funds that have not been obligated in accordance with this requirement are subject to return to the U.S. Department of Health and Human Services (HHS) for inclusion in the annual reallocation of unobligated funds.

<https://acf.gov/ocs/policy-guidance/liheap-im-2024-04-liheap-obligations-expenditures-and-refunds>

# What Does “Obligation” Mean?

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For Subgrantees, obligation is when the subgrantee commits/awards LIHEAP funds to a specific beneficiary individual or households

Represents the point when **funds are allocated/reserved for a specific beneficiary**

Under federal rules, once a household is approved for LIHEAP assistance, the subgrantee “obligates” funding for that applicant.

Obligation means the agency has legally committed those federal funds to that specific household benefit, and assigned the benefit to a fiscal year funding, even if the payment has not yet been issued to the utility vendor



# Obligation vs. Expenditure

It is important to distinguish obligation from other financial terms:

**Obligation:** When Subgrantee commits the funds to a specific beneficiary.



**Expenditure/Liquidation:** Payments made on invoices, approved household applications, etc., that were committed within the proper timeline for obligation/commitment.



# Why Obligation Matters

- THDA must assure that its subgrantees obligate at least 90 percent of the total amount of THDA's award within the first fiscal year.
- THDA may only hold a maximum of 10 percent of its award for obligation by its subgrantees in the second fiscal year.
- If funds are not obligated by the deadlines, THDA must return the funds.

# THDA's Obligation Rules for Subgrantees

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To comply with the federal obligation rules, subgrantees must meet the following obligation requirements:

**Year 1:** Subgrantees must commit 90% of their allocation to specific households or the funds must be returned to THDA.

**Year 2:** Subgrantees may carry over a maximum of 10% of their award for obligation in fiscal year two.

# Vendor Payment & Invoice Requirements

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**Subgrantees must submit invoices to THDA within 60 days of the end of the month in which a determination on an application is made**

- **Subgrantees shall evaluate each application for regular LIHEAP assistance, determine eligibility status (pending, approved, denied, wait-listed) and notify the applicant within forty-five (45) calendar days from the end of the month in which the application was received.**
- **Subgrantees shall issue benefit payments to Vendors within forty-five (45) days of the end of the month in which determination on an application is made.**
- **Invoices may be submitted weekly, bi-weekly, but at a minimum, monthly.**
- **Each invoice must be accompanied by the required supporting documentation. Payment is contingent upon the submission of all documentation, as prescribed by THDA.**



# Practical Implications for Agencies

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Subgrantees must timely process applications and invoices.

Subgrantees must avoid delays that could violate program obligation deadline rules and result in recapture of funds.

Subgrantees must maintain and provide clear documentation to ensure compliance during audits.