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STATEMENT OF
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BEFORE THE

SUBCOMMITTEE ON FAMILY AND HUMAN SERVICES
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

ON

STATE IMPLEMENTATION OF THE LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss implementation of the low-income home energy assistance block grant. During the past year we visited 13 states (California, Colorado, Florida, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, Pennsylvania, Texas, Vermont, and Washington) to examine a wide range of issues that were of interest to your subcommittee as well as other committees of the Congress. These states include a diverse cross section of the country and account for about 46 percent of the national block grant appropriations and about 48 percent of the Nation's population. Our draft report, which was made available to you earlier this week, provides a comprehensive picture of block grant implementation in these 13 states. Today, I would like to focus on three areas:

--states responses to expanded authority and increased funding,

--program administration under the block grant, and

--the perceptions of the block grant from state officials and interest groups.

Before discussing our observations, it would be useful to highlight the dramatic growth in federal programs providing energy assistance. Initially, such programs focused on emergency situations, and between 1977 and 1980, about $200 million annually was awarded to help states assist low-income households with large unmet utility bills. Prompted in part by the increasing cost of home heating oil, federal funding rose to over $1 billion in 1980, and $1.7 billion in 1981.

Effective October 1, 1981, the Low-Income Home Energy Assistance block grant expanded states' administrative authority and allowed funds to be used for a broader range of activities to help eligible households meet home energy costs. Additionally, 1982 federal funding was set at $1.8 billion--an increase of about 6 percent over 1981. Federal funding continued to grow in 1983 and 1984 to $1.9 and $2.0 billion respectively. The level of federal funding is important because low-income home energy assistance activities in states generally are separate programs supported with federal funds. In 1983, only 3 of the 13 states contributed state funds to the energy assistance programs, and no state's contribution exceeded 25 percent of their federal award.

STATES MADE GREAT USE OF THEIR EXPANDED PROGRAM AUTHORITY

Aided in part by increased federal funding, states have altered how low-income energy funds are spent. Most states' exercised their new authority to transfer up to 10 percent of their low-income energy funds to other block grants. In 1982 and 1983, 10 of the 13 states transferred a total of $116 million. With few exceptions, states transferred close to the maximum amount allowed, and about $112 million, or 97 percent of transferred funds, went to the social services block grant to help offset federal funding reductions.

Similarly, by 1983 all 13 states had exercised their new option to use up to 15 percent of their funds for weatherization services. As a result, weatherization expenditures were about $56 million in 1982, and rose to $77 million in 1983. Moreover, eight states were using between 10 and 15 percent of their funds for weatherization.

States also gave increased emphasis to crisis assistance in the absence of the prior program's 3 percent limitation on such spending. Consequently, crisis assistance expenditures in the 13 states rose sharply--from $35 million in 1981 to $91 million in 1983. By 1983, spending for crisis assistance in nine states exceeded the previous limit of 3 percent of a state's total award.

As the 13 states took advantage of their new options, heating assistance expenditures declined, although they still accounted for about 70 percent of total spending in 1983. Also, although the block grant removed the requirement that cooling assistance be medically necessary, there was little change in this program component.

Most states also used their new authority to carryover up to 25 percent of their federal energy assistance funds into the following year. Ten states carried over more than $78 million into 1983, and nine states an estimated $67 million into 1984. The portion of a state's total award carried over varied considerably. For example, funds carried over into 1983 ranged from less than 1 percent to more than 21 percent of states' awards. Five states carried over less than 10 percent, and four states carried over more than 15 percent. Program officials reported that the wish to start the following year's program earlier and the expectation of reduced block grant funding were the primary reasons.

BLOCK GRANT BRINGS LIMITED ADMINISTRATIVE CHANGE

While states adjusted funding priorities, few changes were made to the organizations responsible for energy assistance activities or to program management procedures. In 12 of the 13 states, agencies involved in administering the prior program were designated the lead agency for the block grant. Also, states generally retained the structure used for providing services prior to the block grant. The states' involvement in program administration also continued under the block grant as all 13 states were monitoring their programs, providing technical assistance, collecting data and auditing funds. Several audit reports were completed, and some of those reports contained recommendations for improving state program management.

The block grant expanded the flexibility provided states under the prior program to define eligibility, determine benefits, and distribute assistance. Accordingly, the variety of approaches adopted under the prior program generally continued under the block grant.

States employed a wide range of eligibility considerations. All 13 states used an applicant's income, and 10 states also used a household's eligibility for other public assistance programs, such as Supplemental Security Income. In addition, states considered various other eligibility factors such as the availability of assets or the inclusion of an elderly or handicapped person in the household.

Similarly, the 13 states considered a variety of factors in determining benefit levels. This is best illustrated by the heating program component where 12 states considered household size, and 11 states considered household income. Also, eight states considered the type of fuel used, and six gave consideration to the household's geographic location.

States also used several methods to provide heating, cooling, and crisis benefits. The most common were checks to households, two-party checks and direct payments to vendors. In contrast, weatherization benefits were always in the form of services provided such as caulking, weather-stripping, and insulation.

Although few administrative changes were made, there were numerous indications of administrative simplification. According to state officials, the block grant enabled 10 of the 13 states to reduce the time and effort related to preparing grant applications and reporting to the federal government, 7 states to improve planning and budgeting activities and 7 to change or standardize administrative procedures. However, specific state level cost savings could not be quantified, and officials offered varying perceptions of changes in administrative costs.

PUBLIC INVOLVEMENT ACHIEVED THROUGH VARIOUS MECHANISMS

As required, all 13 states made their draft low-income energy assistance plans available for public comment and reported holding public hearings on their 1983 funding proposals. Also, 10 states used advisory committees in their decisionmaking process. Program officials in at least eight states said that advisory groups, along with statistical measures of program performance and service needs, and informal consultations were the most important sources of information in making program decisions.

State officials generally believed that levels of public participation and interest group activity were greater under the block grant than the prior programs. However, program officials reported that the involvement of governors and legislatures has not changed since the prior program in 10 and eight states respectively.

Interest groups were most satisfied with their access to state officials, the time and location of hearings and the time alloted to block grants at those hearings. The primary areas of dissatisfaction were the opportunity to comment on revised plans, the timing of hearings and the comment period on draft plans. Interest groups that testified, attended hearings or submitted comments on state plans were more satisfied with state processes than those not as actively involved.

Forty-three percent of the interest groups believed that changes made by the state adversely effected individuals or groups they represented. Thirty-seven percent viewed state changes favorably, and the remainder said there was no impact.

Overall, state executive and legislative branch officials found the block grant to be more flexible and less burdensome. They also viewed the block grant approach to be more desirable than the prior program. Conversely, about half the interest groups tended to view the block grant as a less desirable method of funding energy assistance programs.

We would be pleased to respond to questions.