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GAO

Briefing Report to the Ranking Minority Member, Committee on the Budget, U.S. Senate

May 1988

ENERGY CONSERVATION

States' Expenditures of Warner Amendment Oil Overcharge Funds



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Resources, Community, and
Economic Development Division

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May 17, 1988

The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate

Dear Senator Domenici:

As you requested, this briefing report presents information related to the states' use of funds provided under the Warner Amendment--one of several distributions of oil overcharge funds designated for use in certain authorized energy conservation and assistance programs. Specifically, this report provides (1) the status of all oil overcharge funds, (2) the use of Warner funds and the time it is taking to spend the funds in three states--Arizona, California, and Illinois, (3) the process the states must go through to expend the Warner funds, (4) states' experiences with Warner funds that may apply to their spending the much larger Exxon and Stripper Well oil overcharge settlements, and (5) federal and state monitoring of the use of Warner funds.

The oil overcharge funds come from oil companies as settlement of alleged violations of the federal petroleum price and allocation regulations that were in effect between 1973 and 1981. The oil companies' payments were placed in a Department of Energy (DOE) interest-bearing oil overcharge escrow account in the U.S. Treasury. The distribution of oil overcharge funds to states, as well as injured parties and others, was prescribed by the Congress in the 1982 Warner Amendment, by the court-ordered Exxon and Stripper Well settlements, and by DOE administrative actions. States are to use the Warner Amendment and Exxon funds on five specific energy conservation and assistance programs administered by DOE and the Department of Health and Human Services (HHS). States can use Stripper Well funds on these programs or for other DOE-authorized, energy-related activities. For these distributions, states decide how the oil overcharge funds are used within the authorized programs and activities.

In summary, we found that:

- During fiscal years 1982-87 Warner funds accounted for \$200 million of the \$3.3 billion states received from the oil overcharge escrow account. The Exxon settlement provided about \$2.1 billion, the Stripper Well settlement about \$861 million, and other smaller settlements about \$169 million. The \$3.3 billion was in addition to the \$13.3 billion that the Congress appropriated for the authorized state energy conservation and assistance programs. As of September 30, 1987, about \$1 billion remained in the oil overcharge escrow account to be distributed to states, injured parties, and others, and DOE estimated that another \$2.2 billion in alleged oil overcharges could be collected.
- More than 4 years after their distribution, states had not used all of the Warner funds, partly because of the learning process the states went through on how to effectively use the funds within the state energy conservation and assistance programs, and the necessary but time-consuming planning, review, approval, and reprogramming processes.
- Officials in the states we visited said that their planned expenditures of the Exxon and Stripper Well funds could take 3 to 5 years.
- DOE and HHS relied to a large extent on the states to monitor the use of Warner funds, as they do for appropriated funds under the authorized programs.

We briefly elaborate on this information below and provide details in sections 1 to 4.

States must report oil overcharge fund expenditures to DOE, but they do not have to specifically identify Warner funds. Accordingly, exact expenditure data are not readily available. DOE estimated that, as of June 30, 1987, more than 4 years after the initial distribution of Warner funds, states had not expended between \$20 million and \$40 million of the funds they allocated to four DOE energy conservation programs. Arizona, California, and Illinois had about \$3.7 million of unexpended Warner funds, about 12 percent of the nearly \$30 million these states had received.

Warner funds are "no-year" funds, which means if states do not use the funds during a fiscal year, they can be reprogrammed for use in subsequent fiscal years, adding to the time it takes to use them. In Arizona and California, some funds were not used as initially planned and approved because projects were changed or cancelled. As a result, these states had to reprogram the funds and, in some cases, were required to redo all or part of the state and federal review and approval processes. We point this out not as criticism of the state/federal review and approval processes but merely to identify factors that have contributed to the length of time states have taken to spend their Warner funds.

States' use of Warner funds, a relatively small portion of all oil overcharge distributions, provides an indication of the time it may take the states to use the \$3 billion in oil overcharge funds DOE more recently distributed to the states under the Exxon and Stripper Well settlements. States' use of the Exxon and Stripper Well funds is also the subject of a separate review we are conducting at the request of the Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. We will provide you with copies of that report when it is available.

DOE and HHS instructed the states to use their Warner Amendment funds as they would funds routinely appropriated for the authorized energy conservation and assistance programs. In the three states we visited, they subjected the Warner funds to the same systems of financial and management controls that normally apply to federal appropriated funds. While state controls varied among the different energy conservation and assistance programs, all three states had financial and management systems that identify the status and uses of the Warner funds. DOE and HHS oversight of the Warner Amendment funds was the same as that for appropriated funds and included occasional visits to state program agencies and reviews of state plans and basic financial status information.

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We obtained information for this briefing report from internal records, reports, and other pertinent documents at DOE, HHS, and cognizant state offices in Arizona, California, and Illinois. (See appendix I for a detailed

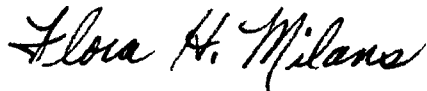
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discussion of our objectives, scope, and methodology.) We discussed the facts in this report with cognizant federal officials and incorporated their comments where appropriate.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this briefing report until 7 days from the date of this letter. At that time, we will send copies to the Secretaries of Energy and Health and Human Services and other interested parties. We will also make copies available to others on request. Should you need further information, please contact me at (202) 275-8545.

Major contributors to this briefing report are listed in appendix V.

Sincerely yours,

A handwritten signature in cursive script that reads "Flora H. Milans".

Flora H. Milans
Associate Director

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ABBREVIATIONS

| | |
|--------|--|
| DOE | Department of Energy |
| EES | Energy Extension Service |
| ERA | Economic Regulatory Administration |
| GAO | General Accounting Office |
| HHS | Department of Health and Human Services |
| ICP | Institutional Conservation Program |
| LIHEAP | Low-Income Home Energy Assistance Program |
| OHA | Office of Hearings and Appeals |
| SECP | State Energy Conservation Program |
| WAP | Weatherization Assistance Program |

SECTION 1

INTRODUCTION

Since 1975, the federal government has promoted states' efforts to conserve and increase energy efficiency levels through energy conservation and assistance grant programs. These programs provide financial and technical assistance directly to states and to public and nonprofit schools and hospitals. During fiscal years 1982 to 1987, the Congress appropriated about \$13.3 billion for states to use in five energy conservation and assistance programs administered by the Department of Energy (DOE) or the Department of Health and Human Services (HHS).

States have also received about \$3.3 billion from oil overcharge funds for use in these programs and other energy-related activities. The oil overcharge funds came from oil companies in settlement of alleged petroleum price and allocation regulations violations that occurred between 1973 and 1981. Oil company payments are made to DOE's interest-bearing U.S. Treasury oil overcharge escrow account for subsequent distribution to injured parties, states, and others. The settlement terms were prescribed by the Congress, federal courts, and DOE administrative rulings.

Specifically, the states received \$200 million from the Warner Amendment, enacted in 1982, and more recently, \$2.1 billion from the Exxon court settlement to be used for five specific energy conservation and assistance programs. States may also use another \$860 million received under the Stripper Well court settlement and other oil overcharge settlements for these programs, as well as other energy-related activities.

FEDERAL EFFORTS TO CONTROL OIL PRICES

As a result of the Emergency Petroleum Allocation Act of 1973, oil companies in the United States were subject to certain price and allocation controls on crude oil and refined petroleum products. These controls were abolished by Executive Order 12287 in January 1981.

DOE and its predecessor agencies were delegated the authority and responsibility for establishing and enforcing compliance with the pricing and allocation regulations. Enforcement and compliance activities are continuing and are carried out through DOE's Economic Regulatory Administration (ERA). ERA is responsible for (1) identifying violations of petroleum pricing and allocation regulations, (2) recovering overcharges, and (3) obtaining restitution for injured parties.

ERA uncovered a number of cases of alleged pricing and allocation violations by oil companies that occurred between 1973 and 1981. These cases involved billions of dollars in alleged oil overcharges for which ERA took legal actions through consent order settlements and court actions.

When the parties injured by the oil companies' overcharges are not readily identifiable during the settlement, ERA can make several types of distributions of settlements of oil companies' alleged violations. For example, distributions have included payments to state governments where the oil companies do business or to a DOE interest-bearing escrow account with the U.S. Treasury. DOE has administratively settled many of these violation cases by signing consent orders with the alleged violators and ordering the overcharge funds deposited into the escrow account.

ERA has taken some cases to court after an administrative decision was contested. In such instances, the court rules on the question of liability and determines the appropriate remedy to accomplish equitable return of any overpayment. If a settlement is achieved, a consent order is written, specifying the agreement between ERA and the oil company in the alleged violation.

COLLECTIONS AND DISTRIBUTIONS OF OIL OVERCHARGE SETTLEMENTS

As of September 1987, oil companies had made payments totaling about \$6 billion into DOE's interest-bearing escrow account. DOE estimated that about \$2.2 billion in additional alleged oil company violations could still be collected. Of the \$6 billion, states have received about \$3.3 billion. Distributions of these funds to the states were the result of the following congressional, court, and DOE administrative actions. (See app. III.)

- The Warner Amendment: Section 155 of Public Law 97-377, a continuing resolution for fiscal year 1983. The Congress, in order to release the funds in DOE's petroleum violation escrow account at the Treasury, directed that \$200 million be disbursed to the states. The funds were limited to five specific energy conservation and assistance programs administered by DOE and HHS. (See section 2 for description of programs.)
- The Exxon settlement: In January 1986, the U.S. Supreme Court declined to review a lower court decision that ordered Exxon to pay about \$2.1 billion in overcharge funds. Distribution of these funds to the states was based on petroleum product consumption in the states. Use of these funds is limited to the five DOE and HHS energy conservation and assistance programs.

- The Stripper Well settlement: In July 1986, the U.S. District Court in Kansas approved a multi-party settlement. Distributions to the states as of September 30, 1987, totaled about \$861 million. States are allowed to use their portion of the Stripper Well funds for other energy-related activities, such as highway and bridge maintenance and repair, in addition to the five DOE and HHS programs.
- Other distributions: There are other smaller settlements which directed distributions of oil overcharge funds to states. These distributions were directed by ERA, DOE's Office of Hearings and Appeals (OHA), or federal court directives. As of September 30, 1987, these distributions totaled about \$169 million.

ENERGY CONSERVATION AND ASSISTANCE PROGRAMS

From 1975 to 1981, the Congress established five energy conservation and assistance programs within DOE and HHS. These programs are designed to encourage energy conservation initiatives at the state and local level through a mix of program activities and to help low-income persons meet home energy costs. Assistance under these programs includes direct financial assistance, personalized information services, technical assistance, and developmental demonstration projects to enhance state and private sector involvement in energy conservation. DOE has administrative responsibility for the following four programs:

- The Energy Extension Service (EES) is a federal/state partnership designed to deliver energy information and technical assistance to small-scale energy users, such as small businesses and individuals. EES was established by the National Energy Extension Service Act of 1977 and has a 20-percent state matching requirement.
- The Institutional Conservation Program (ICP) is a program designed to reduce energy consumption and costs in schools and hospitals. Established by the National Energy Conservation Policy Act of 1978, the program has a 50-percent grantee matching requirement. States may use 5 percent of the grant for program administration.
- The State Energy Conservation Program (SECP) is a program established by the Energy Policy and Conservation Act of 1975, as amended, to promote energy efficiency and reduce the growth of energy demand within the states, through the development and implementation of comprehensive state energy conservation plans. There is a 20-percent state matching requirement.

-- The Weatherization Assistance Program (WAP) is a program that provides for direct installation of weatherization materials for low-income households, in particular, the elderly and the handicapped. The program is designed to make home improvements that reduce heat loss and conserve energy. WAP was authorized under the Energy Conservation and Production Act of 1976, as amended by the National Energy Conservation Policy Act of 1978, the Energy Security Act of 1980, and the Human Services Reauthorization Act of 1984.

HHS administers the Low-income Home Energy Assistance Program (LIHEAP) which was established by the Omnibus Budget Reconciliation Act of 1981, as amended by the Human Services Reauthorization Acts of 1984 and 1986. LIHEAP, a block grant program under HHS, was designed to assist eligible households meet the costs of home energy and to weatherize the homes of low-income persons. States can use block grants to design and administer programs to fit the specific needs of their citizens.

SECTION 2

FUNDS AVAILABLE FOR ENERGY

CONSERVATION AND ASSISTANCE PROGRAMS

Over \$13.3 billion has been appropriated to DOE and HHS for the five energy conservation and assistance programs for fiscal years 1982 through 1987. DOE received \$1.6 billion for its four programs and HHS received \$11.7 billion for LIHEAP. In addition to the \$13.3 billion in appropriated funds, the states received \$2.3 billion in oil overcharge funds from the Warner Amendment and Exxon settlement for these energy programs (\$200 million from Warner and \$2.1 billion from Exxon). Also, the states received about \$861 million from the Stripper Well settlement which may be used for these or other programs. As of September 30, 1987, DOE's oil overcharge escrow account had about \$1 billion available for future distributions to injured parties, states, and others.

APPROPRIATIONS AND OIL OVERCHARGE FUNDS

As shown in table 2.1, funding for DOE and HHS energy conservation and assistance programs for fiscal years 1982 through 1987 has totaled about \$16.7 billion. Appropriated funds accounted for about \$13.3 billion and oil overcharge funds about \$3.3 billion, of which \$200 million is from the Warner Amendment. The Petroleum Overcharge Distribution and Restitution Act of 1986 provides funding of up to \$200 million per year for DOE's four energy conservation programs. The \$200 million may be a combination of funds from DOE's oil overcharge escrow account that the Secretary of Energy determines to be excess to the amounts needed for direct restitution to injured parties and from appropriated funds. The Secretary's determination is to be made at the beginning of each fiscal year. For fiscal year 1987, DOE energy conservation programs received about \$198.7 million--\$134.1 million from the oil escrow account and \$64.6 million in appropriated funds. Although the \$134.1 million was disbursed from the oil overcharge escrow account, these funds are treated as funds appropriated to DOE.

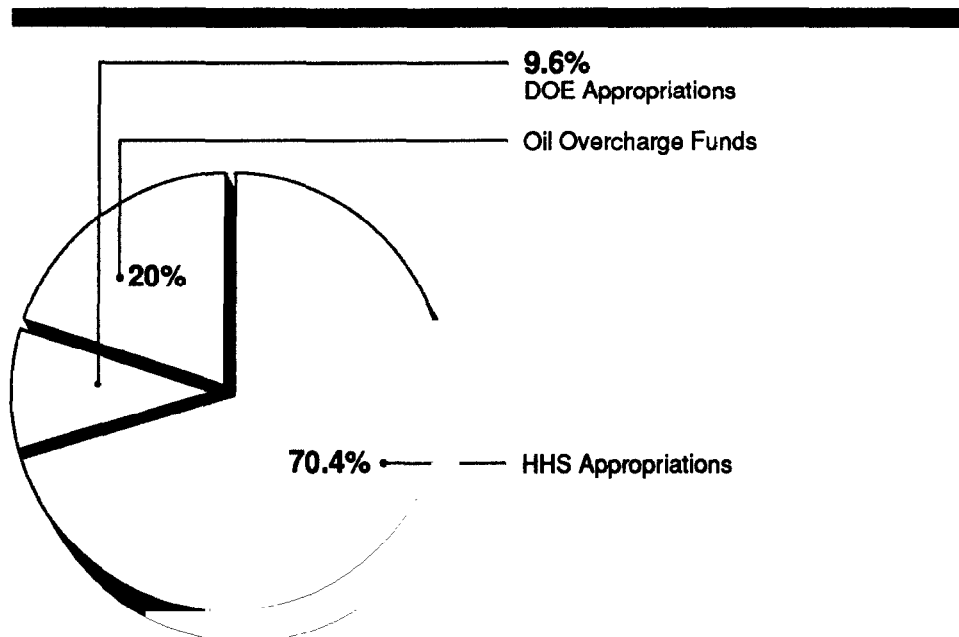
Table 2.1: Funding Available for State Energy Conservation and Assistance Programs from Federal Appropriations and Oil Overcharge Funds, Fiscal Years 1982-1987 (millions of dollars)

| Fiscal year | Federal Appropriations | | Oil overcharge | Total |
|-------------|------------------------|-------------------------------|------------------|-------------------|
| | DOE | HHS | | |
| 1982 | \$ 223.0 | \$ 1,855.3 | \$ 25.0 | \$ 2,103.3 |
| 1983 | 379.2 | 1,954.3 | 210.0 | 2,543.5 |
| 1984 | 268.1 | 2,052.4 | 40.5a | 2,361.0 |
| 1985 | 278.6 | 2,078.0 | 40.5a | 2,397.1 |
| 1986 | 260.5 | 1,988.8 | 2,874.2 | 5,123.5 |
| 1987 | 198.7 | 1,804.8 | 138.0 | 2,141.5 |
| Total | <u>\$1,608.1</u> | <u>\$11,733.6^b</u> | <u>\$3,328.2</u> | <u>\$16,669.9</u> |

^aGAO estimated allocation between fiscal years 1984 and 1985.

^bAppropriated funds allocated to Indian Tribes are not included in total.

Figure 2.1: Percentage of Funding Available for State Energy Conservation and Assistance Programs from Federal Appropriations and Oil Overcharge Funds, Fiscal Years 1982-1987



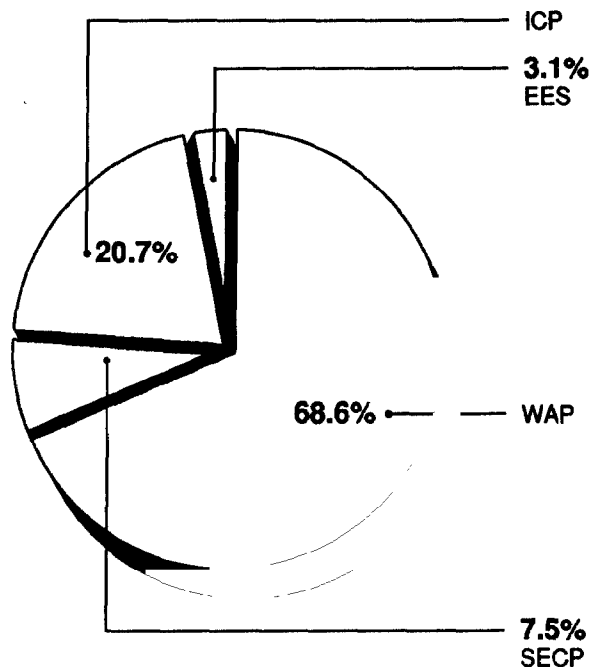
DOE PROGRAMS

Table 2.2 shows how the appropriated funds were divided among DOE's four energy conservation programs. Over the 6-year period, the appropriations were about \$121.4 million for SECP, \$50.5 million for EES, \$1,103.7 billion for WAP, and \$332.5 million for ICP.

Table 2.2: Disposition of Appropriations for DOE Energy Conservation Programs, Fiscal Years 1982-1987 (millions of dollars) (See app.II for DOE Total Funding by State)

| <u>Fiscal year</u> | <u>SECP</u> | <u>EES</u> | <u>WAP</u> | <u>ICP</u> | <u>TOTAL</u> |
|--------------------|----------------|---------------|------------------|----------------|------------------|
| 1982 | \$ 24.0 | \$ 9.6 | \$ 143.0 | \$ 46.4 | \$ 223.0 |
| 1983 | 23.6 | 10.0 | 242.3 | 103.3 | 379.2 |
| 1984 | 23.6 | 10.0 | 187.0 | 47.5 | 268.1 |
| 1985 | 23.0 | 9.6 | 187.0 | 59.0 | 278.6 |
| 1986 | 17.7 | 7.3 | 183.0 | 52.5 | 260.5 |
| 1987 | <u>9.5</u> | <u>4.0</u> | <u>161.4</u> | <u>23.8</u> | <u>198.7</u> |
| Total | <u>\$121.4</u> | <u>\$50.5</u> | <u>\$1,103.7</u> | <u>\$332.5</u> | <u>\$1,608.1</u> |

Figure 2.2: Percentage of Appropriations for DOE Energy Conservation Programs, Fiscal Years 1982-1987



NOTE: Percentages do not add to 100 percent due to rounding.

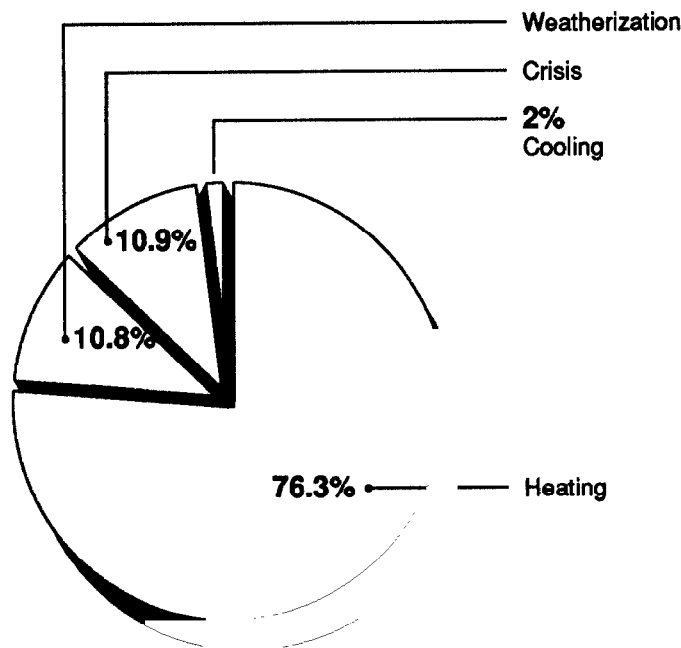
HHS PROGRAM

Table 2.3 shows how states distributed LIHEAP appropriated funds for fiscal years 1982-87. Assistance to eligible households was about \$8 billion for heating, \$208 million for cooling, \$1.2 billion for crisis intervention (household energy emergency needs), and \$1.1 billion for weatherization. States also can use LIHEAP funds for purposes other than direct assistance to eligible households. For example, during fiscal years 1982 through 1987, states transferred about \$581 million to other block grant programs such as social, health, and community services. In addition, states may use up to 10 percent of their annual appropriations for administering LIHEAP funds and may carry up to 15 percent of the funds over from one fiscal year to the next. According to HHS officials, these distributions could include some state and oil overcharge funds.

Table 2.3: States' Obligations of LIHEAP Funds, Fiscal Years 1982-87 (millions of dollars) (See app.II for HHS Total Funding by State)

| <u>Fiscal year</u> | <u>Heating</u> | <u>Cooling</u> | <u>Crisis</u> | <u>Weather-ization</u> | <u>Total</u> |
|--------------------|------------------|----------------|------------------|------------------------|-------------------|
| 1982 | \$1,124.5 | \$ 51.5 | \$ 138.9 | \$ 136.2 | \$ 1,451.1 |
| 1983 | 1,343.3 | 33.0 | 191.8 | 195.5 | 1,763.6 |
| 1984 | 1,372.8 | 32.4 | 225.8 | 186.7 | 1,817.7 |
| 1985 | 1,466.7 | 29.1 | 191.4 | 227.1 | 1,914.3 |
| 1986 | 1,380.4 | 35.2 | 200.2 | 195.9 | 1,811.7 |
| 1987 | 1,373.5 | 26.6 | 208.1 | 205.5 | 1,813.7 |
| Total | \$8,061.2 | \$207.8 | \$1,156.2 | \$1,146.9 | \$10,572.1 |

Figure 2.3: Percentage of Funds Obligated to LIHEAP Activities, Fiscal Years 1982-1987



STATUS OF OIL OVERCHARGE FUNDS

As of September 1987, DOE's oil overcharge escrow account had about \$1 billion remaining for future disbursements to injured parties, states, and others. Total collections from oil companies' payments were about \$6 billion, and interest earned totaled about \$417 million. DOE estimated that future recoveries from

enforcement proceedings will total about \$2.2 billion. See tables 2.4 and 2.5 for the status of oil overcharge collections and disbursements.

Table 2.4: Status of Oil Overcharge Funds as of September 30, 1987 (millions of dollars)

| | <u>Amount</u> |
|---------------------------------------|------------------|
| Collections | \$6,027 |
| Interest earned | 417 |
| Funds available | <u>6,444</u> |
| Disbursements | |
| States | 3,328 |
| DOE'S energy conservation programs | 134 ^a |
| Injured parties/other disbursements | <u>1,969</u> |
| Total funds disbursed | <u>5,431</u> |
| Funds remaining in DOE escrow account | <u>\$1,013</u> |

^aFunds were transferred from DOE's oil overcharge escrow account and were distributed to the states as DOE appropriated funds pursuant to the Petroleum Overcharge Distribution and Restitution Act of 1986.

Figure 2.4: Status of Oil Overcharge Funds as of September 30, 1987 (Percent)

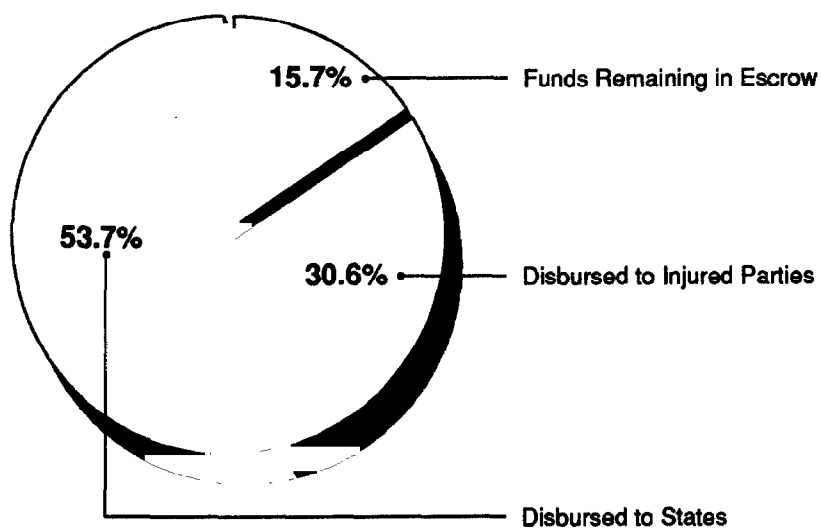
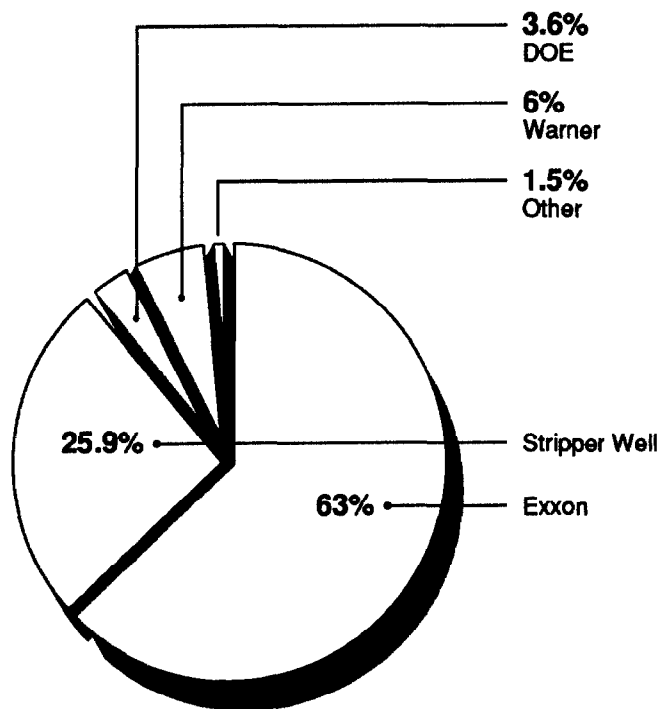


Table 2.5: Oil Overcharge Funds Distributed to States Through September 30, 1987 (millions of dollars)

| | <u>Amount</u> |
|-------------------------------------|-----------------------|
| Legislatively Directed Distribution | |
| Warner Amendment | \$ 200 |
| Court Directed Distributions | |
| Exxon | 2,098 |
| Stripper Well | 861 |
| Other | 49 |
| DOE-Directed Distributions | <u>120</u> |
| Total | <u>\$3,328</u> |

Figure 2.5: Distribution to States of Oil Overcharge Funds Through September 30, 1987 (Percent)



FUNDING FOR ARIZONA, CALIFORNIA, AND ILLINOIS

Table 2.6 shows the total amount of appropriations and oil overcharge funds distributed to the three states we visited. Table 2.7 shows how the states allocated the Warner funds to the five energy conservation and assistance programs and the amounts unexpended as of June 30, 1987. The use of Warner funds in these three states is discussed in detail in sections 3 and 4.

Table 2.6: Appropriations and Oil Overcharge Funds for Arizona, California, and Illinois, Fiscal Years 1982-1987 (millions of dollars)

| | <u>All States</u> | <u>Arizona</u> | <u>California</u> | <u>Illinois</u> |
|------------------------|-------------------|----------------|-------------------|-----------------|
| <u>Appropriations:</u> | | | | |
| HHS | \$11,733.6 | \$44.8 | \$547.8 | \$688.9 |
| DOE | 1,608.1 | 10.0 | 57.0 | 92.2 |
| <u>Oil Overcharge:</u> | | | | |
| Warner | 200.0 | 2.0 | 18.9 | 9.0 |
| Exxon | 2,098.4 | 21.6 | 194.7 | 96.1 |
| Stripper Well | 861.0 | 8.8 | 78.8 | 39.5 |
| Other | <u>168.8</u> | <u>1.5</u> | <u>18.7</u> | <u>10.1</u> |
| Total | <u>\$16,669.9</u> | <u>\$88.7</u> | <u>\$915.9</u> | <u>\$935.8</u> |

Table 2.7: Status of Warner Amendment Funds as of June 30, 1987, in Arizona, California, and Illinois

| <u>State</u> <u>Program</u> | <u>Amount</u> <u>allocated</u> | <u>Unexpended funds</u> | |
|--------------------------------|-----------------------------------|-------------------------|----------------|
| | | <u>Amount</u> | <u>Percent</u> |
| Arizona ^a | \$ <u>2,020,000</u> | \$ <u>388,500</u> | <u>19</u> |
| SECP | 845,000 | 337,500 | 40 |
| EES | 190,000 | 51,000 | 27 |
| WAP | 150,000 | 0 | 0 |
| LIHEAP | 835,000 | 0 | 0 |
| California | <u>18,914,000</u> | <u>1,778,000</u> | <u>9</u> |
| SECP | 6,870,400 | 598,700 | 9 |
| EES | 1,311,000 | 41,400 | 3 |
| ICP | 4,732,600 | 1,137,900 | 24 |
| LIHEAP | 6,000,000 | 0 | 0 |
| Illinois | <u>9,016,200</u> | <u>1,490,200</u> | <u>17</u> |
| SECP | 1,746,300 | 203,500 ^b | 12 |
| ICP | 7,269,900 | 1,286,700 | 18 |
| 3-State Total | <u>\$29,950,200</u> | <u>\$3,656,700</u> | <u>12</u> |

^aArizona amounts include interest earned on the Warner Amendment funds. Interest earned could not be readily separated from total funds.

^bIncludes potential SECP program loan repayments of \$178,000. If and when the repayments are received, Illinois plans to reprogram these funds into the loan program in order to pay program costs.

SECTION 3

STATES' USE OF WARNER AMENDMENT FUNDS

The states' spending of the \$200 million in Warner Amendment funds in their energy conservation and assistance programs has been a time-consuming process that could be repeated as states use the other larger oil overcharge fund distributions. After 4 years, the three states we reviewed had spent \$26.3 million of the \$30 million in Warner funds they received. Also, they had only spent about \$29 million of their \$439 million in Exxon and Stripper Well settlement funds as of June 30, 1987.

FACTORS AFFECTING STATES'

USE OF FUNDS

In February 1983, \$200 million of oil overcharge funds were distributed to states under the Warner Amendment. As shown in table 2.7, the three states we reviewed had not spent as of June 30, 1987, about \$3.7 million, or about 12 percent, of their nearly \$30 million in Warner Amendment funds. DOE estimated that all the states had between \$20 million and \$40 million in unexpended Warner Amendment funds in the four DOE energy conservation programs as of June 30, 1987.

The Warner Amendment directed the distribution of funds to states for use in five energy conservation and assistance programs, which also receive federal appropriated funds. The states were instructed to follow the federal program procedures for appropriated funds in their use of the Warner funds. State and federal planning and approval processes for using the funds required considerable time. State legislatures and executive agencies allocated funds to specific programs, planned projects and activities in those programs, and authorized the spending of funds entrusted to state treasuries. Federal oversight agencies reviewed the states' planned uses of these funds. State and federal planning and approval review processes are further complicated when the funds are not used as originally planned when projects are changed, cancelled, or deferred or when state or institutional matching funds are not provided. In these instances, the funds may be reprogrammed and subject to further planning and review.

This necessary but time-consuming process for using Warner funds is influenced by the following factors:

- The Warner Amendment provided "no-year" funds, and states had no requirement and little incentive to spend them within a particular time frame.

- Some of the energy conservation and assistance programs, such as the WAP and LIHEAP programs, can quickly assimilate and use the additional oil overcharge funds with relatively little reprogramming or restructuring. In contrast, other programs, such as the SECP and EES programs, were likely to use the Warner funds on new projects or activities that had to be planned and developed. These differences were reflected in the spending patterns of the three states we visited. As of June 30, 1987, these states had spent all \$7.0 million of the Warner funds allocated to the WAP and LIHEAP programs, whereas about \$3.7 million of the \$23.0 million allocated to the SECP, EES, and ICP programs had not yet been spent.

- Typically, more than one state agency has responsibility for energy assistance program activities. With multiple organizational participants, additional coordination is often needed. The state energy offices and economic security agencies are usually involved, but the agency mix varies from state to state. Table 3.1 shows the agencies with program responsibilities at the three states we reviewed.

The processes for using Warner funds are described in more detail below.

Table 3.1: State Agency Program Responsibilities In Arizona, California, and Illinois

| <u>State</u> | <u>Program</u> | | | | |
|--|----------------|------------|------------|------------|---------------|
| | <u>SECP</u> | <u>EES</u> | <u>ICP</u> | <u>WAP</u> | <u>LIHEAP</u> |
| <u>Arizona</u> | | | | | |
| Energy Office | X | X | a | X | b |
| Department of Economic Security | | | | | X |
| <u>California</u> | | | | | |
| Energy Commission | X | | X | | |
| Energy Extension Service | | X | | | |
| Department of Economic Opportunity | | | | c | X |
| <u>Illinois</u> | | | | | |
| Department of Energy & Natural Resources | X | c | X | | |
| Department of Commerce & Community Affairs | | | | c | c |

^aAgency has program responsibility but all the remaining Warner funds initially allocated to ICP were moved to SECP in 1984.

^bSince January 1987, the Arizona Energy Office also manages the LIHEAP weatherization component.

^cAgency has program responsibility but no Warner funds were allocated.

THE PLANNING AND APPROVAL PROCESSES

The process of planning for the use of Warner funds, obtaining federal and state agency approval, and implementing those plans required considerable time. States first had to allocate the Warner funds to any of the five energy conservation and assistance programs. The responsible state agency would then develop plans to use the funds in accordance with the procedures and requirements of each specific program. Federal approval of the planned uses and state authorization to spend the funds then had to be obtained before a project or program could be implemented. The time

required for these processes was influenced by the timing of the receipt of the Warner funds, the speed in allocating the funds to energy conservation and assistance programs, the timing of program planning cycles, and whether the funds were spent within authorized periods. The unexpended and unobligated funds may be carried over, resubmitted for spending authorization, or reprogrammed through all or part of these allocation, planning, authorization, and review processes, thus adding to the time involved in using these funds.

Allocation to Energy Assistance Programs

The states first decided which of the five energy conservation and assistance programs would receive Warner funds and the amount each program would receive. This allocation process contrasts with that for federal funding for these programs, where the congressional appropriation designates the level of funding for the various programs.

The governor, state legislature, and/or other state program officials in the three states we visited are typically involved in the allocation of Warner funds after receiving input from the state energy agencies and public hearings. In Arizona, the governor controlled the initial program allocations of Warner funds, with input from the state energy office and public meetings. Effective in 1987, the Arizona state legislature and the governor jointly decide on how to allocate oil overcharge funds. The governors of California and Illinois made the initial program allocations of Warner funds, subject to later legislative action.

The allocation procedures and decisions at the states we visited varied. Some states allocated Warner funds to one program, other states allocated the funds among two or more energy assistance programs. The extent to which state energy agencies, state legislatures, and the public were involved in the process also varied among states. Also, initial allocation decisions were later changed in some instances. For example, California changed its initial allocation 10 months after the funds were received. Further, the states did not necessarily transfer Warner funds to the responsible program agency at the time program allocation decisions were made. For example, while Arizona made its initial allocation decision in May 1983, the LIHEAP agency did not receive all of the allocated Warner funds until April 1984.

Program Planning

The state program plans were to be developed in accordance with the specific federal program requirements and state procedures for each energy conservation and assistance program. The states had to integrate the Warner funds into the various program planning cycles. The extent of program planning and preparation, and the time it took to do this, was largely dictated by the federal planning procedures. DOE and HHS generally require

annual plans for the SECP, WAP and LIHEAP programs. EES plans cover a three-year period, while ICP plans cover different time periods. The ICP, WAP, and LIHEAP programs applied the Warner funds to existing conservation, weatherization, and income assistance programs, whereas some SECP and EES projects funded with the Warner Amendment were new and required start-up plans.

The planning process also was complicated by inconsistencies between federal fiscal years, state fiscal years, and various program years. For example, state fiscal years start on July 1 in the three states we reviewed in contrast to the federal fiscal year which starts on October 1.

The states' planning is further complicated by the program funds coming from federal appropriations, state appropriations, and oil overcharge funds at different and sometimes unscheduled times. Some energy conservation and assistance program plans for using Warner funds also had to include plans for using federal appropriations, state and local matching funds if needed, and other available oil overcharge funds. The timing of the receipt of funds from these various sources can vary considerably. For example, the Warner Amendment distribution was made in February 1983, a date unrelated to the normal state or federal fiscal years, the receipt of other oil overcharge funds, or any program planning cycle.

The three states we visited initially incorporated their Warner funds into the 1984 and 1985 program planning year cycles. The responsible state program agencies generally planned the use of the funds allocated to them. In some instances, other state entities were involved and changed the plans. For example, the California state legislature, through the Department of Finance, directed changes in the planned uses of Warner funds allocated to the LIHEAP program; shifting funds between the weatherization and crisis assistance program components. This redistribution of funds occurred in December 1983--10 months after Warner funds were initially received--and the state LIHEAP agency could not complete its plans for using Warner funds until the redistribution was completed.

Spending Authorization

State spending authorization must be obtained before states can implement the planned Warner Amendment programs and projects. The authorization to spend these funds may come from the governor or an agency within the governor's office, the state legislature, or combinations thereof. While this state spending authorization is also required for other federal and state funded programs, it nonetheless contributes the time necessary to use available funds.

California and Illinois required that programs receiving Warner Amendment funds go through the regular state legislative

authorization process. In both states, this process involved the passage of appropriation legislation to be signed by the governor. In Arizona, control over Warner funds was initially vested solely with the governor, who authorized the expenditure of these funds without legislative action. In 1987, Arizona changed this process, and the state legislature is now included in the authorization process.

At the three states we visited the time that elapsed from when Warner fund allocations were completed and state spending authorization was received ranged from no extra time in Arizona, where the Governor made the decision, to a 5-month period for the California LIHEAP program authorization, where both the Governor and state legislature were involved.

Federal Review and Approval of State Plans

Federal approval or acceptance of the state program plans was another step required before the state could spend the Warner funds. As discussed above, the plans cover differing time periods and cover projects and activities funded with both oil overcharge and federally appropriated money. The SECP, EES, ICP, and WAP program plans are submitted to DOE; the LIHEAP plans are submitted to HHS.

DOE Approval

SECP program plans are required annually. They must include (1) a description of planned program activities and how these activities will achieve SECP program goals and (2) budgetary and time milestones information. According to DOE, the plan will be approved if it meets DOE's program criteria and regulatory requirements and if the proposed measures are consistent with the state's energy conservation goals.

EES annual program plans must cover a 3-year period. According to DOE, the plan is approved if it adequately describes such elements as the program objectives, audience to be served, methods used to identify conservation barriers, organizational responsibilities, administrative procedures to be used, and if it meets program regulatory requirements.

ICP program plan requirements differ from other programs. The participating states must develop an open-ended (no specific time period) ICP program plan delineating the state's planned operational, evaluative, financial, and review procedures. The plan is approved if DOE determines that the plan conforms with ICP regulations. In addition, unlike the other programs, DOE retains responsibility for the final approval of individual ICP projects.

DOE requires annual WAP program plans that identify and describe the projected expenditures and number of dwellings to be

weatherized, the state's climatic condition, the type of weatherizing to be performed, the estimated energy savings, the number of eligible elderly and handicapped clients, and how the plan will be implemented. If the plan complies with DOE requirements and program regulatory requirements are met, approval will be granted.

HHS Acceptance

HHS requires annual LIHEAP program plans from the states and reviews the plans for completeness. Each plan must contain "assurances," explaining how the state will use the funds, how the funds will be disbursed, eligibility criteria, outreach efforts, method of payments, and other fiscal and program controls to be used. States are allowed to interpret the LIHEAP statute, which gives them added flexibility in designing and administering their program. If HHS accepts the plan as complete, the state may spend its LIHEAP funds. This acceptance does not necessarily mean that the state program is consistent with program requirements. States are responsible for assuring that the plan complies with federal legislation and regulations and with state accounting procedures.

Carryover, Reallocation, and Reprogramming of Funds

States can implement the various Warner-funded energy conservation and assistance program projects and activities after the state spending authorization and the federal plan approval/acceptance conditions are met. The expenditure or obligation of Warner funds, however, was not always completed during the state-authorized funding period due to delays in the disbursement of Warner funds to the specific program agencies. Any remaining unexpended and unobligated funds may be

- carried over for use in the same program during the next year (without additional planning or review),
- resubmitted for state spending authorization as originally planned,
- reprogrammed for alternative use within the same energy conservation or assistance program, or
- reallocated for use in a different energy conservation or assistance program.

Figures 3.1 to 3.3 chart the Warner funds from their initial allocation to the various programs in three states through June 30, 1987. It was not feasible to determine the time elapsed for each of the state and federal actions effecting the distribution, allocation, programming, and expenditure of Warner funds.

Figure 3.1: Time Frame of Arizona's Warner Amendment Expenditures by Program, Through June 30, 1987

| Program | Initial allocation | Revised allocation | Year | | | | | Amount remaining |
|---------|--------------------|--------------------|--------|------|------|------|------|------------------|
| | | | 1983 | 1984 | 1985 | 1986 | 1987 | |
| | ---(Thousands)--- | | | | | | | (Thousands) |
| EES | \$190 | \$190 | —————→ | | | | | \$ 51 |
| ICP | \$160 | \$ 0 | | | | | | \$ 0 |
| SECP | \$585 | \$845 | | | | | | \$338 |
| WAP | \$250 | \$150 | | | | | | \$ 0 |
| LIHEAP | \$835 | \$835 | —————→ | | | | | \$ 0 |

^aAll \$160,000 was reprogrammed from ICP to SECP in June 1984.

^bAbout \$100,000 was reprogrammed from WAP to SECP in June 1984. The remaining funds had been spent.

Figure 3.2: Time Frame of California's Warner Amendment Expenditures by Program, Through June 30, 1987

| Program | Initial allocation | Revised allocation | Year | | | | | Amount remaining |
|---------|--------------------|--------------------|------|------|------|------|------|------------------|
| | | | 1983 | 1984 | 1985 | 1986 | 1987 | |
| | --(Thousands)-- | | | | | | | (Thousands) |
| EES | \$ 964 | \$1,311 | | | | | | \$ 41 |
| SECP | \$8,439 | \$6,870 | | | | | | \$ 599 |
| ICP | \$3,511 | \$4,733 | | | | | | \$1,138 |
| LIHEAP | \$6,000 | \$6,000 | | | | | | \$ 0 |

^aAbout \$347,000 was reprogrammed from SECP to EES in January 1984.

^bAbout \$1,271,000 was reprogrammed from SECP to ICP in January 1984.

^cAbout \$49,000 was reprogrammed from ICP to SECP in August 1986.

Figure 3.3: Time Frame of Illinois' Warner Amendment Expenditures by Program, Through June 30, 1987

| Program | Initial allocation | Revised allocation | Year | | | | | Amount remaining |
|---------|--------------------|--------------------|------|------|------|------|------|------------------|
| | | | 1983 | 1984 | 1985 | 1986 | 1987 | |
| | --(Thousands)-- | | | | | | | (Thousands) |
| SECP | \$1,746 | \$1,746 | | | | | | \$ 203 |
| ICP | \$7,270 | \$7,270 | | | | | | \$1,287 |

Changes to initial allocation decisions resulted in some reallocation actions. For example, as shown in figure 3.1, Arizona reallocated \$160,000 of its Warner funds from ICP to SECP. States also changed the size of approved projects which required reprogramming actions. For example, in fiscal year 1985, California reduced an approved SECP streetlight improvement program by almost \$1.9 million and reprogrammed the funds to other SECP projects.

Project cancellations and deferrals also resulted in some state reprogramming or reallocation actions. The reprogrammed funds were again subjected to the planning and review processes appropriate for those programs. In 1984, California reallocated and reprogrammed \$2.9 million when DOE disallowed an SECP project. About \$1.3 million was reprogrammed to other SECP projects, \$1.2 million was reallocated to ICP, and \$347,000 was reallocated to EES, as shown in figure 3.2.

Several ICP projects were deferred or cancelled, as of June 1987, when the required state or institutional matching funds were not provided or a project was determined not feasible. In Illinois, for example, action on a \$940,000 Warner-funded ICP project at the University of Illinois was deferred pending the receipt of local matching funds. According to Illinois officials, the project was given additional time to meet the matching requirement. However, as of June 1987, the state ICP agency was considering the cancellation of that project. This Illinois project represents about 65 percent of Illinois' unexpended Warner funds. California also had about \$1.1 million remaining of the funds it committed to Warner-funded ICP projects that were cancelled, determined not feasible, or completed under budget. These California projects represented about 64 percent of that state's unexpended Warner funds, as of June 1987.

In some instances, the use of the Warner funds made further programming actions likely. For example, Illinois used some of the Warner funds in a SECP loan program. As the loan repayments are received, the funds are reprogrammed and used to cover program costs. Illinois officials estimated that these loan repayments may continue for several more years and that they will not be able to spend all of its Warner funds until this occurs.

California's use of Warner funds for LIHEAP illustrates how several factors can combine to extend the time required for states to use their oil overcharge funds. Over 3 years elapsed while California used its Warner funds for LIHEAP. This occurred even though the program was already in place, with a statewide system of local assistance providers and established payment, monitoring, and reporting procedures.

California received its Warner funds from DOE in February 1983. The allocation of these funds was completed in December 1983, as discussed previously, when the state allocated \$4 million to LIHEAP's crisis intervention and \$2 million to LIHEAP's weatherization activities. The California LIHEAP agency could not use the allocated funds until it modified the contracts with its local energy assistance agencies to authorize their use of the funds. In June 1984, the state LIHEAP agency approved the revised contracts with its existing local LIHEAP providers for about \$5.4 million. According to state officials, the agency did not award the remaining \$600,000 because it was 6 months into the LIHEAP

program year, and some local agencies could not readily absorb the funds. At the end of the state LIHEAP program year (December 31, 1984), the state needed 90 days to closeout the contracts and determine unexpended balances. The state determined in April 1985 that about \$1.3 million remained in unexpended and unawarded funds. These funds could not be budgeted until the next state fiscal year, which began in July 1985. The state then granted the remaining \$1.3 million of Warner funds to its local agencies for use in the next LIHEAP state program year which began in January 1986. The funds were expended by December 1986.

IMPLICATIONS FOR OTHER OIL OVERCHARGE FUNDS

The states' experiences with using their Warner Amendment funds will be applicable, to some extent, in their use of the oil overcharge funds distributed under the Exxon and Stripper Well settlements. Similar experiences are most likely with the Exxon funds because the terms of that settlement are comparable to those of the Warner Amendment. States are given more flexibility in planning how they will use their Stripper Well funds.

As under the Warner Amendment, there are no time limits for using Exxon or Stripper Well funds. In addition, the states can earn interest on these funds, thereby expanding the amount of funds available for use in authorized programs and projects. It has taken more than 4 years to use the Warner Amendment funds and, as of June 30, 1987, the three states we visited had used very little of their available Exxon and Stripper Well funds. While state officials told us that their goal was to spend these funds in 3 to 5 years, as of June 30, 1987, state approved plans for two of the three states did not account for spending all the funds within their desired time frames.

Exxon funds, like the Warner Amendment funds, must be used in the five energy conservation and assistance programs. Therefore, their use will be subject to the same review and approval processes. Stripper Well funds may be used for the energy conservation and assistance programs, but there is no requirement to do so. States may also use Stripper Well funds for any project or program previously approved by DOE's Office of Hearing and Appeals (OHA). For example, California had tentative plans to use Stripper Well funds for highway, mass transit, and year-round school projects. A DOE review committee, not the DOE energy program offices, will review and approve the state plans for these projects. States' use of Exxon and Stripper Well funds is the subject of another review we are conducting at the request of the Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce.

SECTION 4

PROGRAM MONITORING AND REPORTING

DOE and HHS have relied to a large extent on the states to manage and monitor the energy conservation and assistance program activities and expenditures funded with federal appropriations and oil overcharge distributions. Federal agencies' monitoring and oversight of these programs consisted of the normal review and approval of state energy conservation and assistance program plans, as discussed in section 3. This review process was supplemented with periodic visits to state agencies and the states' submission of basic financial status information in quarterly reports for the DOE programs. The three states we visited managed their Warner Amendment funds as they would other state or federal funds entrusted to their control; existing monitoring, reporting, and evaluation requirements were applied.

DOE PROGRAM MONITORING

Warner Amendment funds have been monitored the same as appropriated funds in DOE's programs. DOE's approval of state program plans provided program oversight of Warner Amendment funds. DOE operations office staff perform desk reviews of state energy assistance program plans before they are approved. The review and approval of these plans gave DOE the opportunity to determine whether planned projects and activities using Warner Amendment funds complied with DOE's program requirements. Some state program plans, such as SECP plans, included descriptions of intended uses of appropriated funds, as well as oil overcharge (e.g., Warner Amendment) and state funds.

DOE operations office staff occasionally visited state program agencies to observe and discuss program activities funded with both federally appropriated and oil overcharge funds. The frequency of these visits was affected by staff resources and travel funding. Some of the oversight visits were handled by outside contractors. State officials told us that visits to distant states--such as Arizona--were made about twice a year for SECP and EES and about once a year for WAP.

The quarterly financial report of obligations and expenditures provided regular state financial reporting to DOE about the energy conservation and assistance programs. This report contains information about states' uses of appropriated and oil overcharge (e.g., Warner Amendment) funds. DOE San Francisco Operations Office officials told us that the quarterly reports provide some fiscal accountability, but they are not really intended to provide program results information.

Other than the quarterly report previously mentioned, the states are not required to regularly provide financial information about the uses of oil overcharge funds. Because DOE did not have readily available information on precisely how the Warner funds were spent, how much was obligated, how much interest was earned, or how much was still available, it requested this information for us from the states. Based on the states' responses, DOE estimated that \$20 million to \$40 million of the Warner Amendment funds in the four DOE programs remained unexpended as of June 30, 1987.

We also noted that it was difficult to obtain complete, consistent, and current information on the states' use of Warner funds. At the states we visited, information on the expenditure of these funds was fragmented among several state agencies, which complicated statewide reporting. While the individual state agencies could determine the status of the funds, it was difficult to get an overall state perspective of the Warner Amendment activity. In addition, we found that, in the past, Illinois and California reported that their Warner funds were expended when they had actually been transferred to another state agency or were only committed to be spent.

In a previous review, we found that, with limited monitoring of state programs and expenditures, DOE was not always aware of whether states were in compliance with federal requirements. Our February 4, 1988 report, entitled Energy Conservation: States' Use of Interest Earned on Oil Overcharge Funds (GAO/RCED-88-51, Feb. 4, 1988), stated that four of eight states we contacted were not using the interest earned on their Warner Amendment funds for energy conservation and assistance programs as DOE policy required. DOE officials acknowledged that they were unaware of this situation and said that they would take appropriate actions.

HHS PROGRAM MONITORING

HHS monitors the LIHEAP program as it does other block grant programs. HHS headquarters reviews the LIHEAP program plans and conducts periodic compliance reviews which together provide the primary federal monitoring of these funds. States are also required to conduct audits of their LIHEAP activities every 2 years and report the results to HHS.

HHS performs a desk review of the materials states submit with their annual program plans. Full compliance reviews of programmatic and financial operations, including on-site visits, are conducted at selected states. Through fiscal year 1987, HHS had selected 10 states each year to receive this full compliance review. Currently, the number of full compliance reviews and the selection of states is determined by factors such as funding levels, the date of the last review, or the awareness of compliance concerns in a state. According to an HHS official, all but 10

states had received a full compliance review by the end of fiscal year 1987, 3 are scheduled during fiscal year 1988, and the remaining 7 will receive a full compliance review in future years.

As part of its monitoring, HHS requires that states report on the number and income levels of the households served in the preceding year, any transfer of funds between LIHEAP and the other block grant programs, and funds to be carried over for obligation in the succeeding year. The reporting format, however, is left to the discretion of the states. While HHS did not require regular reports from the states on their expenditures of the Warner Amendment funds, HHS surveys the states by telephone twice a year to determine how LIHEAP funds are spent. States' participation in this survey is voluntary. According to an HHS official, no state has refused to participate.

STATE MONITORING

The states we visited treated Warner Amendment funds like funds derived from any source (state, federal, or other). Each state subjected the Warner funds to their normal systems of state financial and management controls. States used a variety of techniques to monitor their energy conservation and assistance programs, including desk audits of client information, work progress reports, site visits to local agencies, and inspection of work performed.

States' monitoring varied among the five energy conservation and assistance programs that received the Warner Amendment funds. The additional Warner Amendment funds for the LIHEAP program were accommodated under existing monitoring procedures because the Warner Amendment funds allocated to this program represent only a small portion of the overall program funding. However, the SECP and EES programs, which can involve new and innovative conservation projects and energy education activities, generally required some additional state monitoring.

OBJECTIVES, SCOPE, AND METHODOLOGYOBJECTIVES

The Ranking Minority Member, Senate Committee on the Budget, in a September 17, 1986, letter, requested information on funding through both congressional appropriations and the distribution of oil overcharge funds for state energy conservation and assistance programs. In subsequent discussions with his office, we agreed to provide information for fiscal years 1982-87 on (1) the use, status, and length of time it is taking to expend oil overcharge funds made available to the states by the Congress in the 1982 Warner Amendment in three states--Arizona, California, and Illinois, (2) the process the states must go through to expend the funds, and (3) states' experiences in using Warner funds that may apply to their spending of the much larger Exxon and Stripper Well oil overcharge settlements. We also updated funding information contained in our March 31, 1987, fact sheet to the Ranking Minority Member entitled Energy Conservation: Funding State Energy Assistance Programs (GAO/RCED-87-114FS).

SCOPE AND METHODOLOGY

The distribution of oil overcharge funds to states is generally based on states' petroleum product consumption during the period when these products were regulated. We selected three states--Arizona, California, and Illinois--which combined received about 15 percent of the Warner Amendment funds and represented a mix of large and small, warm weather and cold weather states. These states used their Warner Amendment funds, in varying combinations, in all five authorized energy conservation and assistance programs. We also considered the Committee's interests and preferences in selecting states.

At DOE and HHS headquarters and at DOE's Chicago and San Francisco Operations Offices, we discussed the distributions of oil overcharge funds to states, the planned uses of these funds, and the federal roles in providing guidance and program oversight. We examined applicable legislation, policies, procedures, regulations, and correspondence pertaining to oil overcharge refunds to the states.

We obtained information from DOE and HHS showing how the oil overcharge funds were distributed and spent. To determine how states used or planned to use the appropriated and oil overcharge funds, we reviewed states' financial status reports submitted to DOE, state accounting records, program plans, interagency agreements and contracts, and specialized oil overcharge reports.

At each state visited, we met with program, financial, and management officials from the state agencies responsible for administering the five energy conservation and assistance programs. We identified how decisions on the allocation and use of Warner funds were made, identified changes in the planned use of these funds, and determined the level of program expenditures and the level of unexpended funds.

To identify the planning and oversight systems for oil overcharge and appropriated funds at the state level, we reviewed program plans, monitoring procedures, and program summary reports. Where the program was implemented through local contractors or agencies, we determined what system the state used to monitor local agencies. We also reviewed states' audits and program evaluations. We discussed state plan submission procedures with the responsible state officials and how oil overcharge funds fit into that planning process.

To identify the oversight systems federal agencies used for appropriated and oil overcharge funds, we interviewed DOE headquarters and field office officials and HHS headquarters officials on their monitoring activities and reviewed states' financial status reports and program activity reports.

In obtaining data from existing DOE, HHS, and state information systems, we did not test the systems for accuracy. Our review was conducted between May 1987 and January 1988 in accordance with generally accepted government auditing standards.

TOTAL FUNDING FOR EACH STATE'S ENERGY CONSERVATION
AND ASSISTANCE PROGRAMS, FISCAL YEARS 1982-87

| State | DOE | HHS ^a | Oil overcharge | Total |
|---------|------------------------|-------------------------|------------------------|-------------------------|
| Ala. | \$ 17,547,500 | \$ 102,034,300 | \$ 51,350,900 | \$ 170,932,700 |
| Alaska | 11,327,900 | 42,116,000 | 13,179,900 | 66,623,800 |
| Ariz. | 9,986,900 | 44,800,700 | 33,858,200 | 88,645,800 |
| Ark. | 15,395,800 | 78,216,000 | 40,468,500 | 134,080,300 |
| Calif. | 56,968,000 | 547,764,800 | 311,135,600 | 915,868,400 |
| Colo. | 30,928,500 | 189,332,200 | 35,835,900 | 256,096,600 |
| Conn. | 23,405,000 | 246,990,600 | 54,945,800 | 325,341,400 |
| Del. | 6,187,000 | 33,193,000 | 15,429,900 | 54,809,900 |
| D.C. | 7,015,200 | 38,568,000 | 7,480,900 | 53,064,100 |
| Fla. | 7,612,300 | 162,155,400 | 154,180,800 | 333,948,500 |
| Ga. | 20,619,100 | 128,238,400 | 74,658,400 | 223,515,900 |
| Hawaii | 4,139,400 | 12,752,300 | 23,038,300 | 39,930,000 |
| Idaho | 13,668,000 | 73,243,200 | 13,875,300 | 100,786,500 |
| Ill. | 92,172,400 | 688,855,800 | 154,838,000 | 935,866,200 |
| Ind. | 44,600,200 | 310,855,400 | 82,231,100 | 437,686,700 |
| Iowa | 35,387,700 | 219,366,300 | 43,891,200 | 298,645,200 |
| Kans. | 18,503,900 | 101,535,600 | 39,198,300 | 159,237,800 |
| Ky. | 30,080,400 | 163,113,300 | 42,970,900 | 236,164,600 |
| La. | 13,520,300 | 104,647,000 | 81,297,700 | 199,465,000 |
| Maine | 22,340,300 | 158,696,600 | 23,818,100 | 204,855,000 |
| Md. | 22,602,400 | 191,518,300 | 58,066,700 | 272,187,400 |
| Mass. | 47,734,000 | 493,946,300 | 110,504,600 | 652,184,900 |
| Mich. | 97,269,100 | 649,663,200 | 114,690,000 | 861,622,300 |
| Minn. | 69,073,700 | 467,559,900 | 57,379,400 | 594,013,000 |
| Miss. | 12,058,600 | 87,781,100 | 45,288,400 | 145,128,100 |
| Mo. | 42,566,600 | 275,143,000 | 66,048,300 | 383,757,900 |
| Mont. | 16,055,500 | 70,107,800 | 14,912,900 | 101,076,200 |
| Nebr. | 19,360,700 | 108,341,800 | 24,451,100 | 152,153,600 |
| Nev. | 6,363,300 | 23,226,600 | 13,770,100 | 43,360,000 |
| N.H. | 12,815,900 | 93,516,100 | 15,057,600 | 121,389,600 |
| N.J. | 45,655,900 | 463,756,400 | 118,938,500 | 628,350,800 |
| N.Mex | 12,747,200 | 57,005,900 | 21,478,600 | 91,231,700 |
| N.Y. | 149,272,900 | 1,496,818,800 | 250,026,200 | 1,896,117,900 |
| N.C. | 28,811,300 | 225,725,300 | 73,281,200 | 327,817,800 |
| N. Dak. | 17,005,200 | 82,999,100 | 12,567,000 | 112,571,300 |
| Ohio | 86,379,800 | 612,415,500 | 127,011,200 | 825,806,500 |
| Okla. | 18,394,900 | 90,068,600 | 41,672,200 | 150,135,700 |
| Oreg. | 19,986,700 | 146,740,600 | 33,161,500 | 199,888,800 |
| Penn. | 99,530,800 | 804,430,500 | 153,411,500 | 1,057,372,800 |
| R.I. | 10,677,700 | 80,993,300 | 12,716,900 | 104,388,000 |
| S.C. | 12,793,700 | 81,409,600 | 39,224,000 | 133,427,300 |
| S.Dak. | 15,213,300 | 64,873,200 | 11,997,900 | 92,084,400 |
| Tenn. | 28,797,900 | 165,238,700 | 54,041,600 | 248,078,200 |
| Tex. | 39,328,600 | 269,834,900 | 248,365,500 | 557,529,000 |
| Utah | 14,760,400 | 84,890,200 | 20,061,800 | 119,712,400 |
| Vt. | 11,274,300 | 70,093,600 | 7,729,900 | 89,097,800 |
| Va. | 28,812,700 | 232,873,600 | 83,772,600 | 345,458,900 |
| Wash. | 30,043,100 | 232,820,800 | 51,169,000 | 314,032,900 |
| W.Va. | 20,831,600 | 107,224,800 | 19,962,900 | 148,019,300 |
| Wisc. | 56,183,800 | 420,907,000 | 58,243,200 | 535,334,000 |
| Wyo. | 8,277,900 | 35,226,700 | 13,760,200 | 57,264,800 |
| Terr. | 16,052,600 | 0 | 57,743,100 | 73,795,700 |
| Total | <u>\$1,608,137,900</u> | <u>\$11,733,626,100</u> | <u>\$3,328,189,200</u> | <u>\$16,669,953,400</u> |

^aAppropriated funds for Indian Tribes are not included in total.

OIL COMPANY OVERCHARGE FUNDS DISTRIBUTED

TO STATES THROUGH FISCAL YEAR 1987

| States | Warner Amendment | Exxon | Diamond Shamrock | OHA | Stripper Well | Miscel- laneous | Total |
|--------|---------------------|---------------|---------------------|--------------|------------------|--------------------|---------------|
| Ala. | \$2,966,400 | \$ 32,192,100 | \$ 747,200 | \$ 1,171,100 | \$ 13,211,800 | \$ 1,062,300 | \$ 51,350,900 |
| Alaska | 796,600 | 8,272,500 | 188,400 | 200 | 3,331,300 | 590,900 | 13,179,900 |
| Ariz. | 1,982,600 | 21,565,600 | 499,500 | 121,700 | 8,831,600 | 857,200 | 33,858,200 |
| Ark. | 2,154,400 | 25,949,700 | 619,700 | 777,400 | 10,956,600 | 10,700 | 40,468,500 |
| Calif. | 18,933,800 | 194,717,000 | 4,457,800 | 5,890,800 | 78,817,700 | 8,318,400 | 311,135,600 |
| Colo. | 2,065,200 | 22,715,900 | 523,600 | 958,400 | 9,257,500 | 315,300 | 35,835,900 |
| Conn. | 3,295,800 | 34,900,300 | 827,000 | 652,700 | 14,621,600 | 648,400 | 54,945,800 |
| Del. | 913,800 | 9,944,800 | 231,200 | 194,300 | 4,087,700 | 58,100 | 15,429,900 |
| D.C. | 466,400 | 4,603,500 | 116,300 | 168,000 | 2,056,700 | 70,000 | 7,480,900 |
| Fla. | 9,115,000 | 98,114,500 | 2,249,900 | 2,182,800 | 39,779,800 | 2,738,700 | 154,180,800 |
| Ga. | 4,302,800 | 46,625,500 | 1,084,400 | 1,675,700 | 19,173,000 | 1,797,000 | 74,658,400 |
| Hawaii | 1,382,400 | 14,482,100 | 334,600 | 300 | 5,915,700 | 923,300 | 23,038,300 |
| Idaho | 788,400 | 8,690,700 | 199,800 | 312,200 | 3,533,600 | 350,600 | 13,875,300 |
| Ill. | 9,044,400 | 96,105,500 | 2,236,700 | 7,861,200 | 39,545,800 | 44,400 | 154,838,000 |
| Ind. | 4,728,600 | 51,631,400 | 1,199,500 | 3,443,200 | 21,207,900 | 20,600 | 82,231,100 |
| Iowa | 2,467,600 | 27,423,700 | 634,500 | 2,107,000 | 11,218,400 | 40,100 | 43,891,200 |
| Kans. | 2,110,600 | 23,958,500 | 545,900 | 2,917,200 | 9,651,800 | 14,400 | 39,198,300 |
| Ky. | 2,572,800 | 27,438,600 | 624,200 | 222,500 | 11,036,500 | 1,076,200 | 42,970,900 |
| La. | 5,944,200 | 51,536,300 | 1,158,300 | 2,106,600 | 20,479,300 | 73,000 | 81,297,700 |
| Maine | 1,452,000 | 15,094,400 | 358,000 | 214,000 | 6,329,300 | 370,500 | 23,818,100 |
| Md. | 3,578,000 | 36,416,000 | 871,900 | 1,401,000 | 15,415,700 | 384,100 | 58,066,700 |
| Mass. | 6,682,600 | 70,340,900 | 1,667,000 | 1,259,000 | 29,473,700 | 1,081,400 | 110,504,600 |
| Mich. | 6,569,600 | 70,991,500 | 1,659,200 | 5,486,900 | 29,335,900 | 646,800 | 114,690,000 |
| Minn. | 3,286,400 | 36,066,200 | 845,000 | 2,200,900 | 14,940,500 | 40,400 | 57,379,400 |

| States | Warner Amendment | Exxon | Diamond Shamrock | OHA | Stripper Well | Miscel- laneous | Total |
|--------|----------------------|------------------------|---------------------|---------------------|----------------------|---------------------|------------------------|
| Miss. | \$ 2,381,600 | \$ 28,378,600 | \$ 665,000 | \$ 910,600 | \$ 11,757,100 | \$1,195,600 | \$ 45,288,400 |
| Mo. | 3,735,600 | 41,516,300 | 961,500 | 2,742,000 | 16,999,800 | 93,200 | 66,048,300 |
| Mont. | 868,600 | 9,584,700 | 220,400 | 260,400 | 3,897,000 | 81,900 | 14,912,900 |
| Nebr. | 1,378,800 | 15,504,900 | 359,100 | 823,300 | 6,349,100 | 35,900 | 24,451,100 |
| Nev. | 774,200 | 8,767,300 | 197,200 | 69,800 | 3,487,500 | 474,200 | 13,770,100 |
| N.H. | 891,400 | 9,797,600 | 226,900 | 96,400 | 4,012,700 | 32,600 | 15,057,600 |
| N.J. | 7,503,400 | 75,432,900 | 1,797,600 | 1,316,400 | 31,782,900 | 1,105,400 | 118,938,500 |
| N.Mex. | 1,195,200 | 13,692,700 | 319,000 | 132,700 | 5,640,000 | 499,000 | 21,478,600 |
| N.Y. | 15,379,200 | 159,874,600 | 3,770,800 | 2,428,300 | 66,669,900 | 1,903,500 | 250,026,200 |
| N.C. | 4,315,000 | 47,029,800 | 1,093,000 | 1,510,200 | 19,324,400 | 8,900 | 73,281,200 |
| N.Dak. | 698,200 | 7,721,400 | 178,500 | 813,100 | 3,155,700 | 0 | 12,567,000 |
| Ohio | 7,124,200 | 79,740,300 | 1,829,800 | 1,394,200 | 32,352,800 | 4,569,800 | 127,011,200 |
| Okla. | 2,367,600 | 26,234,300 | 601,400 | 1,835,300 | 10,633,600 | 0 | 41,672,200 |
| Oreg. | 1,964,200 | 20,721,700 | 482,700 | 397,100 | 8,534,400 | 1,061,400 | 33,161,500 |
| Pa. | 9,175,400 | 96,803,600 | 2,267,300 | 3,418,800 | 40,087,600 | 1,658,800 | 153,411,500 |
| R.I. | 767,200 | 8,005,300 | 193,100 | 265,000 | 3,413,700 | 72,700 | 12,716,900 |
| S.C. | 2,339,200 | 25,187,600 | 580,600 | 791,100 | 10,264,600 | 60,900 | 39,224,000 |
| S.Dak. | 668,800 | 7,502,000 | 174,100 | 574,300 | 3,078,500 | 200 | 11,997,900 |
| Tenn. | 3,174,600 | 34,603,200 | 787,900 | 1,380,300 | 13,930,900 | 164,600 | 54,041,600 |
| Tex. | 17,091,200 | 157,187,100 | 3,592,600 | 6,187,800 | 63,519,800 | 787,000 | 248,365,500 |
| Utah | 1,124,200 | 12,454,500 | 287,300 | 696,500 | 5,079,400 | 420,000 | 20,061,800 |
| Vt. | 458,000 | 5,005,200 | 116,500 | 73,400 | 2,060,700 | 16,100 | 7,729,900 |
| Va. | 5,080,600 | 53,376,900 | 1,249,800 | 1,662,600 | 22,096,700 | 306,100 | 83,772,600 |
| Wash. | 3,119,000 | 32,121,600 | 743,600 | 613,100 | 13,148,200 | 1,423,400 | 51,169,000 |
| W.Va. | 1,170,000 | 12,902,900 | 291,000 | 410,000 | 5,145,600 | 43,300 | 19,962,900 |
| Wis. | 3,344,400 | 36,966,600 | 856,800 | 1,916,900 | 15,148,800 | 9,700 | 58,243,200 |
| Wyo. | 784,000 | 8,874,400 | 198,600 | 282,200 | 3,511,000 | 110,100 | 13,760,200 |
| Terr. | 3,525,800 | 33,668,200 | 774,100 | 9,700 | 13,686,400 | 6,078,800 | 57,743,000 |
| Total | <u>\$200,000,000</u> | <u>\$2,098,433,400</u> | <u>\$48,695,800</u> | <u>\$76,336,600</u> | <u>\$860,978,200</u> | <u>\$43,745,800</u> | <u>\$3,328,189,200</u> |

RELATED GAO PRODUCTS

Low-Income Energy Assistance: State Responses to Funding Reductions (GAO/HRD-88-92BR, Apr. 29, 1988).

Energy Conservation: States' Use of Interest Earned on Oil Overcharge Funds (GAO/RCED-88-51, Feb. 4, 1988).

Energy Conservation: Funding State Energy Assistance Programs (GAO/RCED-87-114FS, Mar. 31, 1987).

The Department of Energy Should Improve Its Management of Oil Overcharge Funds (GAO/RCED-85-46, Feb. 14, 1985).

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