

# THE IMPACT OF RISING ENERGY COSTS ON OLDER AMERICANS

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HEARING  
BEFORE THE  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE  
NINETY-FIFTH CONGRESS  
FIRST SESSION  
—  
PART 5—WASHINGTON, D.C.  
—

APRIL 7, 1977



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**The Impact of Rising Energy Costs on Older Americans :**

**Part 1. Washington, D.C., September 24, 1974.**

**Part 2. Washington, D.C., September 25, 1974.**

**Part 3. Washington, D.C., November 7, 1975.**

**Part 4. Washington, D.C., April 5, 1977.**

**Part 5. Washington, D.C., April 7, 1977.**

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# THE IMPACT OF RISING ENERGY COSTS ON OLDER AMERICANS

THURSDAY, APRIL 7, 1977

U.S. SENATE,  
SPECIAL COMMITTEE ON AGING,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10:10 a.m., in room 1224, Dirksen Senate Office Building, Hon. Pete V. Domenici, presiding.

Present: Senators Domenici, Chiles, Glenn, and DeConcini.

Also present: William E. Oriol, staff director; Kathleen M. Deignan and Philip S. Corwin, professional staff members; David A. Rust, minority professional staff member; Patricia G. Oriol, chief clerk; Ralph M. Binkley, printing assistant; and Mary A. Parris, assistant clerk.

Senator GLENN [presiding]. The hearing will be in order.

Senator Domenici was scheduled to chair the hearings this morning, but he will be delayed for a little while and has asked me to proceed.

Here he is now. We will let him take the chair.

## OPENING STATEMENT BY SENATOR PETE V. DOMENICI, PRESIDING

Senator DOMENICI. I thank you, Senator Glenn, for opening the hearing. We were in a conference on the accelerated public works bill and that accounts for my delay.

Today we resume our hearings on "The Impact of Rising Energy Costs on Older Americans." When I originally proposed that we once again focus our attention on this issue, I expressed the hope that we would not simply review the problem, but look ahead in search of meaningful, responsible solutions. The steady rise in fuel and utility prices, coupled with the severe winter of 1976-77, has placed a heavy and, in some cases, intolerable burden on the meager budgets of our middle and lower income elderly.

It has been estimated that inflation plus the recent cold weather has added approximately \$12 billion to our Nation's total utility bill. If this estimate is correct, it would mean that each household's utility bill was increased, on the average, by \$171.56 last winter. Needless to say, this burden falls most heavily on those older Americans who are living on a fixed income and are thus unable to recoup such losses.

I was especially pleased by the positive and constructive testimony we received on Tuesday. All of our witnesses focused their attention

and that of the committee on the operation of specific programs designed to assist older persons to better meet the rigors of the energy crisis. I would make special note of the testimony we received from Mr. Wang and Mr. Taubman. Both of these gentlemen shared with us imaginative and thoughtful ideas on how the Federal, State, and local governments can shape or reshape their policies and programs to make them more effective and more responsive to meeting our Nation's needs.

I am certain that today's witnesses will likewise lay out before this committee the pros and cons of the various policy options which will soon confront the 95th Congress.

I understand Senator Glenn has some opening remarks.

#### STATEMENT BY SENATOR JOHN GLENN

Senator GLENN. I do have a short statement. Thank you, Mr. Chairman.

The spring flowers are in full bloom now, but the full impact of one of the severest winters in years lingers on—not only in our memories, but also in our pocketbooks. My own State of Ohio was one of the hardest hit. This past winter temperatures reached record lows and natural gas—the lifeblood of home and industry—was in critically short supply. The natural gas shortage caused schools and businesses to close. At one time 500,000 people in Ohio were unemployed due to that shortage. The combination of the extended cold weather and the sharply higher gas prices sent home-heating bills skyrocketing.

The statistics are very disturbing. The Library of Congress estimates that heating costs nationally will run \$8.4 billion more this winter than last. That is a 49 percent increase—\$139 increase per household—over last year. The Ohio Commission on Aging has found that for the family units with an individual 65 or older in Ohio earning \$312 or less per month, which constitutes one-half of the total elderly family units in Ohio, utility costs were up \$31.8 million for the 3-month period December through February versus the same period last year.

With many poor and elderly families traditionally paying 60 to 80 percent of their incomes for housing and heating, this winter's unexpected costs had a devastating impact on those least able to afford these increases. The result has been an ominous increase in the number of unpaid heating bills. In order to prevent the kind of hardship which utility cutoffs in the cold of winter might create, the Public Utility Commission of Ohio wisely ordered a moratorium between January 23 and March 31 on utility disconnections for failure to pay bills.

The moratorium period in Ohio has now run out and the concern is that the utilities will now begin disconnecting service for failure to pay the bills. The Congress is acting to provide assistance. The fiscal year 1977 supplemental appropriations bill contains the \$200 million for the Community Services Administration emergency fuel assistance program. These funds, which will be made available in the near future, will assist low-income families to pay their high fuel bills. I fully support this assistance effort and feel that the \$13.8 million to be allocated to Ohio will be of substantial benefit to those poor and elderly who

desperately need this assistance. Individuals or families within 125 percent of the poverty level—\$5,500 for a family of four—would be eligible. The maximum amount available per household will be \$250, with payment made directly to the utility or fuel oil dealer.

Consumers who have been plagued by high utility charges require not only Federal assistance but also adequate representation before the State utility regulatory commissions. It is important to keep in mind that the utility regulatory commissions are not themselves advocates of consumer interests but, rather, operate as quasi-judicial bodies. To help in providing for a more balanced presentation in electric utility rate cases, a number of States have established offices to represent consumer interests. These offices have brought significant legal and technical expertise to bear on the issues before utility regulatory commissions and have effectively assisted consumers in commission proceedings.

#### CONSUMER REPRESENTATION AUTHORIZED

I fully support this consumer office concept. On August 14, 1976, Public Law 94-385, the Energy Conservation and Production Act—ECPA as it is known—was signed into law. I introduced an amendment in committee designed to promote electric utility rate reform which was accepted and included as title II of the act. This title contains section 205 relating to consumer representation before State utility commissions. The section authorizes \$2 million for fiscal year 1977 for grants to States to provide for the establishment and operation of offices of consumer services to assist consumers in their presentations before State regulatory commissions.

There is an important need for these offices of consumer services. The utility companies have the funds and expertise available to advocate effectively for higher utility rates. Consumers, not only homeowners but also small businesses, find it extremely difficult to participate in utility rate cases because of the complexity of the legal procedures and the technical nature of the regulations.

Section 205 will provide the needed seed money for new and expanded consumer offices at a critical time in the development of the advocacy assistance concept. The Ford administration requested no funding in the Federal Energy Administration's fiscal year 1977 supplemental budget submission for section 205. President Carter, however, wisely included the full \$2 million in his amended FEA fiscal year 1977 supplemental request to Congress. I am pleased to say that \$2 million is included in the fiscal year 1977 supplemental appropriations bill.

President Carter's energy legislation is to be announced on April 20. It is my hope that, if higher fuel prices are to be proposed as part of his package, adequate safeguards be provided in order to ease or eliminate the additional burden which may be placed on the low-income elderly.

Thank you, Mr. Chairman.

Senator DOMENICI. Thank you, Senator Glenn.

We have three panelists today, and as I understand it, Mr. O'Leary will be our opening witness.

First, we welcome you here. We are glad to have you with us.

Let me see if I can put into two or three sentences what we are trying to do. We know that an American energy policy is going to be announced shortly. We know it is going to be an evolutionary thing. We wanted to make sure that we have developed a record and recommendations on the impact of rising costs of energy on the elderly so that it will be adequately considered as part of any overall energy policy.

Obviously, as we do that, we find areas where we can be critics or advocates. I think we should be past the stage of trying to recite the litany of the problems that confront us. Now we should try to evolve a series of approaches that might be considered to lessen that impact on this particular age group. So we are interested today in hearing your thoughts and ideas. Again we thank you for coming today.

Mr. O'Leary, please proceed.

**STATEMENT OF HON. JOHN F. O'LEARY, ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION, ACCOMPANIED BY DR. PAMELA KACSER, CHIEF, SOCIOECONOMIC IMPACT DIVISION; JERRY A. PENNO, DIRECTOR, CONSUMER AFFAIRS AND SPECIAL IMPACT DIVISION; AND WILLIAM FISCHER, ASSOCIATE ADMINISTRATOR, OFFICE OF POLICY AND PROGRAM EVALUATION**

Mr. O'LEARY. Mr. Chairman, I have a prepared statement that I would simply like to submit for the record, if that is acceptable. However, there are portions of it I would like to share with the committee at this time.

Senator DOMENICI. Your full prepared statement will be made part of the hearing record.<sup>1</sup>

Mr. O'LEARY. I had a great deal of interest in seeing the statistical litany, as you described it, because I think it does point up in cold, hard figures, the impact of rising energy costs on the low-income elderly. Further, these are understated figures at that, Mr. Chairman, because we are dealing with just the year 1976, and our numbers don't incorporate the further price increases that have occurred during the first quarter of 1977, nor the substantial increase in the volume of the demand for energy that occurred during the same period. However, I think you will be interested in seeing some of the facts that FEA has developed.

So today, I would like to outline the impact of increased energy cost on the elderly, as well as to briefly outline the actions taken by the Federal Energy Administration to monitor this situation and alleviate adverse impacts, where possible.

Rising energy prices and overall inflation have made it difficult for many low- and fixed-income people, particularly the elderly, to meet their basic expenses for food and energy. Now let's reflect on that for a moment, Mr. Chairman. Last fall, as you recall, in Albuquerque, we were looking at a situation where not only fixed-income elderly but middle income people were beginning to have to make a choice between food on the table and a warm house. That, of course, is compounded when you take the mean Albuquerque family income of

<sup>1</sup> See p. 308.



about \$11,000, and divide it in two, which gets us down to an income much closer to that of the people we are talking about in today's testimony.

According to studies and data compiled by income and age groupings, FEA has found the following:

First, energy price increases from 1973 to 1976 had a disproportionate impact on low- and fixed-income elderly households—age of household head 60 years or older.

Second, average annual home fuel expenditures in 1976 for the low-income elderly in the northeast region were \$683. This represents a 47.8-percent increase over 1973. Furthermore, this total was roughly two times that experienced in the western region, as a result of two factors: larger heating requirements due to the colder climate, and the widespread use of more expensive fuel oil.

Third, low-income elderly—elderly households with annual incomes of less than \$5,500—spend a greater proportion of their disposable income on energy than do higher income elderly, particularly in the Northeast. Specifically, Mr. Chairman, in 1976, average home fuel expenditures as a percent of disposable income for the low-income elderly households were 27.3 percent in the Northeast, 22.9 percent in the North Central and 15.6 percent in the West, compared with the percentages spent by elderly households in these regions with incomes between \$15,000 and \$20,000 of 4.8, 3.6, and 2.7 percents, respectively.

I look upon that as a startling set of numbers. What we are saying is that home fuel expenditures today are approaching somewhere between a quarter and a third of the disposable income of a very large sector of our population.

#### FUEL COSTS OUTSTRIP BENEFIT PAYMENTS

Generally, increases in retirement, social security, and income-support payments which are often tied to increases in the Consumer Price Index—CPI—have not adequately reflected the increase in energy costs, although they do reflect the overall rate of inflation fairly accurately. The CPI, as a whole, increased 28.1 percent between 1973 and 1976. While prices for some items increased at rates slower than the CPI, the indexed price of energy products rose at a greater rate: 42.2 percent for electricity, 57.1 percent for natural gas, and 83.8 percent for fuel oil.

I think we ought to reflect on that for a moment because, if there is a predicate, it is in these first two statements. First, energy is a very, very significant portion of a low-income elderly households' budget and second, energy prices have been increasing at a rate more rapidly than the general rate of inflation. I think these are the things that you have to take into consideration.

Thus, while social security and supplemental security income—SSI—benefits increased about 30 percent between 1973 and 1976, this increase did not adequately compensate the low- and fixed-income elderly for rising energy costs.

Mr. Chairman, I think those are the points which catalog the points FEA wishes to make. And those are the points that bear most heavily on the question this morning.

I would like to add that last fall, in my State of New Mexico, we had the same problem at the State level, which you are now dealing with at the national level. Our response to it was to make a series of legislative proposals which directly addressed this problem. I will briefly review our proposals. They were to increase the State contribution to AFDC; to increase the contribution to SSI; to make explicit to low-income people that the income accounting for food stamp participation included a turnover—a rollover, so to speak—of utility costs of which they probably were unaware, and that this would permit them actually to offset some of their increased utility bills.

Finally, our recommendations with regard to the negative income tax in the State of New Mexico ran directly to this class of taxpayer, in that if our proposed legislation had been enacted, they would have received direct payments from the State government of around \$150 per household to directly offset increased energy costs.

Mr. Chairman, that completes my initial remarks.

[The prepared statement of Mr. O'Leary follows:]

#### PREPARED STATEMENT OF HON. JOHN F. O'LEARY

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today to discuss the concerns of the aged who are faced with the problems of rising energy costs. Today I would like to outline the impact of these costs on the elderly as well as to briefly outline the actions taken by the Federal Energy Administration to monitor this situation and alleviate adverse impacts where possible.

#### RIISING ENERGY PRICES/INSUFFICIENT INCOME

Rising energy prices and overall inflation have made it difficult for many low and fixed income people, particularly the elderly, to meet their basic expenses for food and energy. According to studies and data compiled by income and age groupings, FEA has found the following:

Energy price increases from 1973 to 1976 had a disproportionate impact on low and fixed income elderly households (age of household head 60 years or older).

Average annual home-fuel expenditures in 1976 for the low-income elderly in the northeast region were \$683. This represents a 47.8 percent increase over 1973. Furthermore, this total was roughly two times that experienced in the western region, as a result of two factors: larger heating requirements due to the colder climate, and the widespread use of more expensive fuel oil.

Low-income elderly (elderly households with annual incomes of less than \$5,400) spend a greater proportion of their disposable income on energy than do higher income elderly households, particularly in the northeast. Specifically, in 1976, average home-fuel expenditures as a percent of disposable income for low-income elderly households were 27.3 percent in the northeast, 22.9 percent in the south, and 15.6 percent in the west, compared with the percentages spent by elderly households in these regions with incomes between \$15,000 and \$20,000 of 4.8 percent, 3.6 percent and 2.7 percent, respectively.

Generally, increases in retirement, social security, and income-support payments, which are often tied to increases in the Consumer Price Index (CPI), have not adequately reflected the increase in energy costs, although they do reflect the overall rate of inflation fairly accurately. The CPI as a whole increased 28.1 percent between 1973 and 1976. While prices for some items increased at rates slower than the CPI, the indexed price of energy products rose at a greater rate: 42.2 percent for electricity, 57.8 percent for natural gas, and 83.3 percent for fuel oil.

Thus while social security and supplemental security income (SSI) benefits increased about 30 percent between 1973 and 1976, this increase did not adequately compensate the low and fixed income elderly for rising energy costs.

### HOUSEHOLD ENERGY EXPENDITURE MODEL (HEEM MODEL)

FEA's data on the impact of energy costs on the elderly is derived from FEA's household energy expenditure model. This model is designed to provide analysis of the socioeconomic impacts of energy price increases on household expenditures generally, and on low-income groups in particular. Since the committee has expressed an interest in the specific capabilities of the model, we are submitting a brief description of the model for your use, and copies of our response to specific data requests by committee staff.<sup>1</sup>

### HOUSEHOLD ENERGY CONSUMPTION SURVEY (HECS)

In order to update the information used in our socioeconomic impact analyses, FEA sponsored a nationwide survey in the spring of 1975 to obtain data concerning the use of household energy by a variety of household characteristics, including energy type, income, location, age, sex, and race of household head. Surveys of this type will be repeated, and the results will be used to update and substantiate the data obtained from microsimulation models such as HEEM.

### LOW-INCOME SURVEY

In addition, FEA's Office of Consumer Affairs/Special Impact, in conjunction with the National Association of Regulatory Utility Commissioners and the Edison Electric Institute, is gathering data for residential gas and oil users to determine the financial burden placed on low-income households by the abnormal cold weather experienced this past winter.

### COMPREHENSIVE HUMAN RESOURCES DATA SYSTEM (CHRDS)

FEA is designing a comprehensive human resources data system which will provide us with a better tool for evaluating the impact of proposed energy programs and policies on a variety of population subgroups, including the elderly. These subgroups will be cross-classified by a variety of demographic and economic characteristics, at national, regional, and State levels. It is expected that this system will be operational by the end of this month.

### FEA PROGRAMS

I would like to turn now to a brief outline of a number of programs that FEA has undertaken which seek to improve the ability of the aged and other low and fixed income consumers to deal with rising energy costs.

#### WEATHERIZATION ASSISTANCE PROGRAM

The weatherization assistance program, authorized by Title IV, Part A of the Energy Conservation and Production Act (ECPA) will assist low-income persons, particularly the elderly and the handicapped, in achieving a healthful dwelling environment and maximum practicable energy conservation in their homes. This program, when funded, will provide grants to State governments and others for the purchase of weatherization materials such as ceiling insulation, caulking, weatherstripping, and storm windows. Our budget request of \$65 million for fiscal year 1978 will fund the weatherization of 460,000 homes occupied by low-income, elderly and handicapped people.

Proposed regulations for the program were issued on March 25, 1977, and public hearings will be held in each Federal region plus Washington, D.C., and Anchorage, Alaska, during the period April 18-26. We expect to issue final regulations by the end of May.

These regulations, and FEA's weatherization program as a whole, have been coordinated with the Community Services Administration (CSA). Final regulations are expected to reflect further CSA comments as well as those of other concerned agencies.

FEA's weatherization assistance program reflects the objective of the Energy Conservation and Production Act, which is to conserve energy. As a result, FEA has developed and is administering the weatherization program as an energy conservation effort giving consideration to social objectives, rather than as a so-

<sup>1</sup> See appendix 1, items 1 and 2, pp. 353, 354.

cial program giving consideration to energy conservation objectives. As such, the program is designed solely to make investments that meet long-term needs, i.e., the installation of insulation, and does not represent the combination of long-term and short-term emergency efforts sponsored by CSA.

#### SECTION 203 (ECPA)—UTILITY RATE DESIGN INITIATIVES

On March 15, 1977, FEA submitted an interim report on electric utility rate design proposals to the Congress pursuant to section 203 of ECPA. This report represents the current state of knowledge concerning the likely effects of alternative rate designs and other regulatory policies. It does not, however, contain recommendations for specific legislative or regulatory action. The tentative conclusions contained in the interim report will be subjected to further review and may be qualified in the final report. The final report will contain specific recommendations for further action if justified, and is planned to be submitted to Congress by January 1978.

#### ELECTRIC UTILITY DEMONSTRATION PROJECTS

FEA's Office of Energy Conservation and Environment, in cooperation with local regulatory commissions, is funding 16 demonstrations of innovative electric rate structures and load management techniques. Seven additional electric utility demonstrations and seven gas utility demonstrations are planned.

As authorized by section 204 of ECPA, the demonstrations are designed to assess consumer response to new rate structures, show the effectiveness of load management practices and technologies, and promote electricity conservation. These projects include demonstrations of peak load, lifeline, flat, and inverted rate structures. Many of these new rate structures could ultimately reduce utility bills for low-income people and for the elderly.

While we do not have complete results by any means, the FEA demonstrations have begun to provide a data base that adequately reflects the wide diversity of electrical systems in the United States and residential responsiveness to a variety of operating environments. Initial results from several projects demonstrating peak load pricing techniques indicate that consumers do respond to time-of-day rates and that they are effective in reshaping the demand patterns of electric utilities.

#### FEDERAL INTERVENTION IN STATE REGULATORY HEARINGS

FEA's Office of Conservation and Environment is currently in the process of participating in State regulatory hearings for the purpose of articulating energy conservation goals as they relate to regional and local utilities. To date, at the invitation of States, State regulatory commissions, or of parties to the proceedings, FEA has participated in 21 State regulatory cases. The purpose of FEA testimony is: (1) to advocate rate structure revisions; (2) to advocate the implementation of load management techniques and controls; and (3) to advocate allied end-use conservation practices. The intervention activities are also designed to support the demonstration projects by insuring that the results of these projects are considered in utility ratemaking proceedings. I am submitting for the record a list which specifically identifies each of the demonstration projects and interventions conducted by FEA.<sup>1</sup>

#### UTILITY CONSUMER OFFICES PROGRAM

FEA is developing guidelines and procedures for the Administration of Utility Consumer Services Office grants authorized by Section 205 of ECPA. If funded, this program will provide almost \$2 million in grants to the States for the establishment or expansion of State offices to facilitate the presentation of consumer interests (including those of the elderly and other low or fixed income people) before State or Federal electric utility regulatory commissions.

It is anticipated that the State offices funded by this program will be involved in three major consumer advocacy activities: (1) making general factual assessments of the impact of proposed rate changes and other proposed regulatory actions on all affected consumers; (2) assisting consumers in the presentation

<sup>1</sup> See appendix 1, items 3 and 4, pp. 360, 368.

of their positions before State and Federal utility regulatory commissions; and (3) advocating, on their own behalf, a position deemed most advantageous to consumers.

The difficulties that the elderly encounter in making their concerns known and considered in rate cases make them potentially one of the greatest beneficiaries of assistance under this program.

#### FEA ACTIVITIES

In addition, FEA is conducting a series of activities focused on obtaining the involvement and representation of the elderly and other low and fixed income consumers in the development of national energy policies.

#### CITIZEN TOWN HALL MEETINGS ON NATIONAL ENERGY POLICY

FEA held a series of 10 citizen town hall meetings on National Energy Policy in its regional cities between March 15 and 21, 1977. The meetings were designed to obtain citizen ideas and opinions which are being seriously considered by the administration in developing the forthcoming energy policy message to the American people. The meetings were attended by approximately 2,700 persons, and a special effort was made to obtain comments from the elderly and groups and organizations representing aging persons.

#### INTERAGENCY COORDINATION OF ENERGY PROGRAMS FOR THE AGING

FEA is a member of the Administration on Aging's Task Force on Aging Statistics. That task force is presently finalizing a directory of aging statistics existing within the Federal Government.

In addition, FEA is working with the Community Services Administration in the development of allocation criteria for a proposed energy crisis relief program. Data for the allocation criteria was submitted to CSA in March 1977.

As I stated in my confirmation hearings, I will continue to offer FEA assistance to other agencies concerning energy and human resource issues.

#### WORKING AGREEMENTS ON AGING

As you know, FEA has worked during the past 3 years with the Administration on Aging (AoA) in the development of two working agreements: one on information and referral systems for the aged, and the other on energy conservation actions for the elderly. It is my opinion that the AoA working agreements have been instrumental in coordinating the services of various Federal programs, thereby creating a more comprehensive delivery system of aging programs to the local level. The energy conservation working agreements are now being updated to reflect new regulation changes within the participating Federal agencies.

#### REGIONAL ACTIVITIES

FEA regional offices continue to work closely with regional Administration on Aging counterparts concerning energy policies and programs affecting the elderly. I am submitting a list of the specific activities of FEA's regional offices for the record.<sup>1</sup>

Senator DOMENICI. Senator Glenn, do you have questions?

Senator GLENN. Yes.

Getting down to the mechanisms of how these might be put into effect, the agency with specific authorization for low-income elderly and handicapped, CSA, has been funding local community action agencies in order to weatherize low-income homes in the past and Congress has just made available an additional \$82.5 million for this year to get many more homes so covered before we get into another winter—hopefully not another winter like we just came out of.

Your agency is requesting funding for fiscal 1978 for weatherization for ECPA. Who is going to have the responsibility finally? We

<sup>1</sup> See appendix 1, item 5, p. 369.

have conflicting programs here the way it appears. Who has the sack on this in the final analysis?

Mr. O'LEARY. As you know, Senator Glenn, it is not unusual to have several agencies with similar authority and jurisdiction in a given area. This is an easily resolved coordinating problem. The reason I am interested in this particular weatherization program, and the reason that I thought that FEA should receive at least partial funding for the program under ECPA, is because I think it is very necessary for my agency to get some experience with the problem out in the field, to see it and touch it and understand what it is like before we begin to administer the much larger national weatherization program that I anticipate will be proposed in some form in the President's message later this month.

Senator GLENN. You would anticipate that any larger program would run under you and not CSA?

Mr. O'LEARY. The larger program would focus on energy conservation rather than low income assistance per se, and consequently would be administered by FEA as one of its energy programs.

Senator GLENN. Would you anticipate after we get the President's message on April 20 that those CSA programs would be under your responsibility.

#### HOME INSULATION NEEDED BY 30 PERCENT

Mr. O'LEARY. No. There are people who cannot pay for the necessary upgrading of their housing and CSA is properly in the business of assisting those people and will continue to be in it. The much broader question of upgrading the energy efficiencies of the full existing stock of housing in this country is FEA's concern. This is a major problem since something like 30 percent of the Nation's dwellings are totally uninsulated, and almost all of the rest require some form of weatherization improvements.

Senator GLENN. I have had a bill in to help provide assistance for the middle and lower income people in this area of home insulation, specifically partial weatherization, but mainly insulation. It does little good for people who have more money to spend on fuel if it runs out through cracks and ceilings. That is an extreme case, of course. What I would do is give some tax benefits to those who went ahead and weatherized their own homes but some of the people we are talking about don't have money to do that. Even if there is a tax benefit where we share some of the burden, they don't have the money to go at it initially.

Mr. O'LEARY. Of course. This program and the program administered by my associate agency, CSA, will address that class of taxpayer.

Senator GLENN. One further question, Mr. Chairman.

The proposed rules under title IV for the weatherization program would anticipate making grants to the States and the States would be responsible for developing a State plan to utilize those funds. Do all States have such organizations set up, or are you going to have to set them up in order to administer this program? If States did not have adequate mechanisms to do what you are trying to do, you are going to have to go in and do it for them. This could be a very complicated procedure, I would think.

Mr. O'LEARY. No. I believe that most States have now, and all States can, without enormous strain on their part, develop the capability to participate in this program. One of the difficulties we have with the Federal Government doing this, Senator, is that 100 percent coverage is not afforded by any program. CSA's programs, for example, reach a very large proportion of the low-income population, perhaps between two-thirds and three-quarters of them, but by no means all.

Mr. CHASE. I think it would be considerably less than that.

Mr. O'LEARY. And we don't have such coverage simply because the programs are brand new and they have not been attempted before. It is for this reason that I think the appropriate place for the administration of such programs is at the local level. I would not like to see a large Federal weatherization bureaucracy established.

Senator GLENN. No; I agree, and that is why I was concerned that we have existing groups in the State prepared to administer this.

Have you so identified groups within each State?

Mr. O'LEARY. Yes; we either have identified, or are in the process of identifying, groups within each State.

Senator GLENN. Who are willing to take up this load of work with you?

Mr. O'LEARY. Yes; and there is almost a universal willingness. There are precursor programs.

Senator GLENN. So we don't find another request coming back from the States for funding to set up the programs.

Mr. O'LEARY. I won't guarantee that.

#### STATES SEEK PERSONNEL FUNDING

Senator GLENN. We have run into that double-shuffle before here. I would hope that it could be done in the States with that understanding. I am serious about this; it is no joking matter. We put a program in and we think we have a State organization all set to administer it, and the first thing we know is they have an expanded need for personnel and, because we put the program in, they want us to fund the expanded personnel to do the benefit before we got in the act.

It is a very complicated thing and one that we find ourselves over that barrel all the time here. I would not want to see this be expanded into something. We are not setting up a great Federal bureaucracy; we are being very pure in wanting to work with the States and having them come back and request a millions of dollars which we might have done better from the Federal level to begin with.

Mr. O'LEARY. I think in this particular instance we are going to be better off working with the States. Remember now, the actual work is going to be done by contractors. It is not going to be done by the individual himself. Our program runs essentially to the purchase of the materials. The major administering responsibility will be an audit function, to see that the materials are actually put in place. It won't be a large consumer of manpower from the standpoint of actually installing insulation and conducting the weatherization program itself, since that will not be done by bureaucrats.

Senator GLENN. Thank you, Mr. Chairman.

Senator DOMENICI. Thank you, Senator Glenn.

Mr. O'Leary, could you give us a bit of perspective? I know that it would be hard to have all the facts but, on the one hand, we are talking about conservation and, on the other hand, we are talking about the impact of rising energy prices on this group of people. I would not want to find ourselves in a position where we have fooled our senior citizens by talking about conservation as if it was going to solve the dilemma that your statistics show.

Let's assume we had weatherization and a host of other programs that directly impact on senior citizens. Would we still not have an incremental problem in terms of the disproportionate percentage of their income going to energy versus what we assumed they would spend on energy when we set up the social security system and these other programs?

Mr. O'LEARY. Let me give you a little numerical example. Projecting these figures into the first quarter of 1977, it is probably realistic to assume that at least some of the people that we are addressing in this particular set of numbers were spending up to 50 percent of their disposable income on their fuel bills or perhaps not paying them during that period of time. Now, what could we have expected from a fully implemented weatherization program? A reduction from 25 percent to perhaps 20 percent of their disposable income spent on fuel.

Senator DOMENICI. So the problem remains significant, even with a fully implemented weatherization program.

Mr. O'LEARY. The weatherization program makes a lot of sense because, if it is run right, it will be cost effective. It is a thing that you want to do. It by no means takes care of the underlying problem which is this massive drain on disposable income of these fixed low-income elderly people.

#### ENERGY CONSERVATION TAX

Senator DOMENICI. So that basic problem is going to remain with us. It is my understanding that the energy policy is not going to try to keep the price of energy artificially low and I have heard Dr. Schlesinger predict that the cost of energy must rise in the future. I assume the report from the President will attempt to project the future price situation for various types of energy.

I have heard that there will be some effort to tax certain aspects of waste that were heretofore described as "take-in money" to force conservation. There has always been a spend-out part in earlier suggested national energy programs, the most recent being President Ford's \$20 billion in and \$20 billion out proposal. Under that proposal, we were to gather up \$20 billion in taxes and spend out the \$20 billion so as to diminish the macroeconomic effect of that out of the economy.

Now, might I ask, would it not be logical to assume that, if we are going to enact some type of energy conservation tax, we ought to seriously consider spending that money on solutions to the type of problems we are talking about today?

Mr. O'LEARY. Mr. Chairman, I want you to know that this is not really my area of expertise. I am in the cold-hearted business of trying to apply sensible economic rules to the development and deployment of the energy resources of this country.



However, I am here before you today because of a very, very strong conviction that these numbers really pinpoint a problem that is not now being touched by the existing social programs.

As I pointed out earlier, in New Mexico we made a start toward dealing with that problem at the State level. New Mexico is fortunate in that it has enough money in its treasury to accomplish this sort of thing. Other States are not in that position. I think my responsibility to you is to tell you what the problem is. There are others here who are concerned with the mechanisms for handling that kind of a problem on the social side. My sympathy runs very heavily to it. I am not experienced in that area and I really don't know whether it should be a State responsibility or a Federal responsibility, but I have to say to you that somebody has to handle it.

Now, as to your specific point, do we take some of the revenues that are almost bound to result from some of the policies contemplated in the President's message and apply them to this purpose? It would seem to me that these statistics indicate that the fixed income elderly are very strong claimants, among others, for a portion of those revenues.

Senator DOMENICI. Perhaps this is not in your area of expertise, but let me just generalize with you again on weatherization. We are barely scratching the surface with the present grant-type program. I think you have already said that in your testimony here today.

Mr. O'LEARY. Yes.

Senator DOMENICI. You expressed the opinion that there will be a lingering problem of how the poor and the fixed income elderly will pay for home insulation unless it is provided to them by Government programs. I assume you would favor broad-based incentives to have those who can afford it and do pay taxes get in the swing of things and maximize weatherization, partial solar add-ons, and so forth, to their houses. Is that correct?

#### NEW HOMES ENERGY INEFFICIENT

Mr. O'LEARY. Yes. We find now, as I mentioned earlier, that most of the houses in this country—and, indeed, this is a tragic commentary—most of the houses being built today aren't energy efficient. One of the things that we must do, to the extent that we can do it in a cost-effective manner, is get the existing stock of structures in this country up to speed. Now I want to stress that I don't think we want to take out too large an insurance policy here since we want our efforts to be cost effective. And we must do this within the next very few years. My own hunch is that if we don't do that in the next 10 years, we are not doing our job appropriately. Further, we must see to it that future housing does not fall into the energy inefficient category of most of the existing houses in this country today or we will have a very substantial problem.

Now you ask, how do we address that? I don't think that improved efficiency will happen in and of itself. Consequently we will have to have some blend of incentives and disincentives to motivate the system in such a way as to insure that improvements are made more sys-

tematically and in a tighter time frame than would occur if we simply permitted nature to take its own way.

Senator DOMENICI. As you look at this problem of retrofitting new standards—which is what we are talking about—what figure are you using as a percentage of housing that must be retrofitted, say, by the year 2000? Will we still have a lot of old stock on hand?

Mr. O'LEARY. We will have a lot of old stock on hand because, as I say, here in 1977 we are still manufacturing substandard housing from the standpoint of energy efficiency. We are only now beginning to apply energy-efficient building standards. New Mexico is a leader in this again, Senator. You will recall that standards were enacted last fall and my understanding is that they went into effect on January 15 of this year.

Senator DOMENICI. Correct.

Mr. O'LEARY. That means everything that is built from this point forward in that State will be 20 to 30 percent more efficient than the average house that was built before. I referred to the fact that two-thirds of the entire housing stock is substantially below standard—a third of it with zero insulation, a third of it very badly insulated. We ought to cure that within the next 10 years at the most, and we should take whatever measures are necessary from the standpoint of interposition of Federal authorities in order to achieve that goal. I don't think we want this problem to still be with us in the year 2000.

#### THE "STALE" EQUITY PROBLEM

Senator DOMENICI. Now, even though this might be more within Dr. Flemming's field, or HUD's, let me just ask you if you are at least aware of this particular theory. We had Dr. Wang, from Chicago, testifying before us during the first day of these hearings. He provided us with a set of facts and a notion. The set of facts revealed that in a major American city, 93,000 homes were owned by senior individuals, and that all of those homes had a substantial equity. He chose to describe that equity as stale equity, and spoke to us of the fact that for most younger—productive Americans, equity was usable—we can sell it, refinance it, borrow on it—but for senior citizens this "stale" equity was not convertible. In many instances it is diminishing rather than increasing. If he is correct and if the data from that major American city is applied across this Nation, there are literally millions of senior citizens occupying homes suffering from the crisis you have described with sizable "stale" equity in their home. The average value in his city was over \$5,000 per house.

What we are looking for is a system that would permit our senior citizens to renovate and insulate their homes and have more available spendable money. Have you ever had these facts presented to FEA as a way to accomplish weatherization or not, and what do you think about exploring it?

Mr. O'LEARY. There are others on the panel that are probably familiar with that. I am not, Senator. Was that K. L. Wang, by the way?

Senator DOMENICI. G. H. Wang, W-a-n-g.

Senator GLENN. Former housing services director in Chicago.

Senator DOMENICI. Do you have any further questions?

Senator GLENN. No.

Senator DOMENICI. Mr. O'Leary, even though we wanted the panel to exchange views, we understand your time constraints. We may submit some written questions to you later and we thank you very much.

Mr. O'LEARY. Thank you very much, Mr. Chairman.

Senator DOMENICI. Our next witness is Dr. Arthur Flemming, Commissioner, Administration on Aging.

We are delighted to have you with us, Dr. Flemming, if you will proceed now.

**STATEMENT OF HON. ARTHUR S. FLEMMING, COMMISSIONER,  
ADMINISTRATION ON AGING, DEPARTMENT OF HEALTH, EDUCA-  
TION, AND WELFARE**

Dr. FLEMMING. Thank you very much, Mr. Chairman.

I appreciate the opportunity of discussing with this committee the Administration on Aging's response to the energy-related problems confronted by older persons. These problems need no further elaboration. We all know that older persons are deeply affected by rising energy costs. Mr. O'Leary has given us an excellent set of statistics which point up the nature of these problems.

The Administration on Aging took steps in 1974 to deal with some of these problems when they emerged as a result of the oil embargo. These steps included:

(1) The development of an interagency working agreement signed by eight Federal agencies in January 1975 designed to better coordinate Federal resources that can help deal with the energy-related problems faced by older persons. An ad hoc task force composed of representatives of the agencies that signed the agreement was also created. The agreement was distributed to the field and we have monitored its implementation regularly.

(2) Special efforts to insure that the winterization funds available to the Community Services Administration served older persons. I am pleased with the relationship we have with CSA and believe it is paying dividends at the local level. For instance, 60 percent of the homes winterized with CSA funds in region VII during fiscal 1976 were occupied by older persons, with 86 percent of the winterized homes in Kansas belonging to older persons.

(3) Continuous efforts to inform State and area agencies on aging about other resources that are available to winterize the homes of older persons. Information has been transmitted on the use of title III funds under the Older Americans Act, HUD's section 312 program that provides small loans for housing rehabilitation, Agriculture's 502 and 504 programs that provide grants and loans for housing rehabilitation in rural areas, and the title IX under the Older Americans Act had the CETA employment programs. This made it possible for older persons who were on these programs to cut down on their food costs and in that way make available additional funds to deal with the energy crisis.

(4) In September 1976, we worked out an agreement with the Federal Disaster Assistance Administration. The agreement is designed to insure that older persons are adequately served in Presidentially de-

clared disaster areas, and to provide, in some instances, for the reimbursement of aging network agencies for services they deliver in such areas.

#### ACTIONS OF ADMINISTRATION ON AGING

In response to this past winter's severe crisis the Administration on Aging took the following steps:

First, we urged State agencies on aging to take immediate actions to contact appropriate area agencies on aging and other public and private bodies in an effort to insure that older persons would receive needed help by initiating outreach and assistance programs. They were urged to proceed to work with Federal Disaster Assistance Administration officials in Presidentially declared disaster areas in accordance with the joint agreement that we have worked out with that agency.

Second, we authorized State agencies on aging to use Older Americans Act funds to provide any needed emergency services.

Third, we sent a member of our field liaison staff to provide special on-site assistance in mobilizing resources in Indiana and New York.

Fourth, we obtained a ruling from the Social Security Administration that receipt of title III funds by older persons would not count as income and thereby jeopardize SSI eligibility or benefits.

We have not endeavored as yet to obtain in-depth reports relative to what happened, but the following anecdotal information indicates, however, that a start has been made in the direction of developing a capacity within the national network on aging to assist older persons when disaster strikes.

In Wisconsin the State agency on aging made available \$140,000 in title III funds to the area agencies to use to meet problems caused by the energy-weather emergency.

In New Mexico the State agency worked with others to help bring about a \$250,000 appropriation by the State legislature to support community action agency winterization programs.

In Kansas \$300,000 in title VII funds were set aside to assist older persons with emergency needs.

In Idaho volunteer youth and CETA workers were organized to chop wood for older persons who heat their homes with wood burning stoves.

#### NEW YORK STATE AAA ACTIONS

In New York, during and immediately following the blizzard in western and north-central New York State, the area agency on aging directors and the title VII nutrition project directors were very active in responding to the needs of the elderly. Some of their efforts include:

(1) Obtaining the assistance of snowmobile clubs, four-wheeler clubs, CB radio clubs, et cetera, for outreach to isolated elderly persons. In one case a local snowmobile club transferred an elderly person to nearby medical facilities for emergency dialysis treatment. The person would otherwise have died within several hours.

(2) Supplying food and preparing meals to be delivered to isolated elderly persons. In some cases, these deliveries included life-sustaining drugs as well.

(3) Expanding telephone reassurance and the information and referral services to contact as many elderly persons in the disaster area as possible. At least 4,000 elderly persons were contacted immediately following the blizzard.

(4) Approximately \$19,000 was spent by the local area agencies on aging and title VII nutrition projects in the nine declared disaster counties. Expenditures included repairs to water-damaged homes, snow removal, and food supplies.

We are now in the process of informing State and area agencies that title III funds under the Older Americans Act can be used to help meet the cost of fuel and utility bills that were deferred during the winter and that have now become due. This memorandum also identifies several other resources, including title XX under the Social Security Act and Community Services Administration funds that are available to help defray these costs.

Also we have awarded a model project grant to the State of New York to determine the psychological, social, and economic impact of the severe winter on the lives of older persons; to evaluate what was done to deal with this impact; and to identify steps that can be taken to improve the manner in which the network deals with the next crisis.

In addition, we have agreed to incorporate language in a revised agreement with the Community Services Administration to support the use of Older Americans Act funds to provide legal counsel to represent older persons and their interests before State proceedings dealing with utility rates and rate structures.

As the members of this committee know, the President has divided legal services as a high priority use where the Older Americans Act funds are concerned and we have been in the area of helping States and to develop a capability for furnishing this kind of service. The latest figures would indicate that 13 percent of the title III funds under the Older Americans Act are used for legal services, and this is certainly one area where these legal services, as Senator Glenn has pointed out, are very much needed.

Also, we will be transmitting materials on the recently announced USDA Farmers Home Administration insulation program to the entire national network and urging that actions be taken to insure older persons obtain a fair share of these resources.

#### HANDBOOK TO BE DISTRIBUTED

We will also be distributing a how-to-do-it handbook on home repair services to State and area agencies on aging. A portion of this handbook will have a direct bearing on weatherization of homes. Home repair, again, is one of the priority services identified in the 1975 amendments to the Older Americans Act. States have projected that, during fiscal year 1977, 5 percent of the title III funds will be used for this purpose, serving approximately 74,000 older persons.

We will also develop case histories of successful experiences in securing changes in inverted rate schedules that result in more equitable rates for older persons—sometimes called lifelines—and moratoriums on termination of utility services. These will be distributed to the net-

work, and State and area agencies will be urged to help bring about the adoption of similar programs in their area.

Rising energy costs and severe winters are going to continue to have an adverse impact on older persons. I believe there are several issues that should be confronted.

First, we must continue to make progress in dealing with the income problems of older persons. There are still at least 3.3 million older persons whose annual incomes are below the poverty level. This is an indefensible situation.

Senator DOMENICI. Dr. Flemming, may I ask you a question on that statement? Who are these 3.3 million low-income elderly and how do we identify them? I assume that you would not refer to the whole social security roster in your efforts to locate these people.

Dr. FLEMMING. No. Let me respond in this way, and it may be what you have in mind. Under the Older Americans Act, in connection with the services for which we are responsible, the Congress had said two things. It has said that we shall not apply a means test. The second thing the Congress has said is we shall give the highest priority to low-income and minority groups. If we are going to achieve the latter objective in the light of the restrictions on the utilization of the means test, then our area agencies must locate their services in areas where they know the low-income persons actually live. This is being done quite effectively particularly in connection with title VII with the nutrition programs. I know of no better way of really identifying them at the local level.

Now, of course, we do know that the SSI program—supplemental security income program—is related to older persons and also the disabled and the blind. We might identify the several million that are involved in the supplemental security income program by working with the Social Security Administration. Actually, however, I feel that you have to get down to the area level. We are very dependent on the area agencies to, first of all, identify where the needs and resources are, and then also to become a focal point for coordinating the use of these resources in line with the discussion that took place a little earlier between the Federal Energy Administrator, for example, and the Assistant Administrator of the Community Services Administration.

#### INVERTED UTILITY RATE SCHEDULES

Second, we must intensify our efforts to change public utility policies that unfairly impact on older persons. Specifically, we must work to reverse inverted rate schedules that now lead to low-income older persons spending, according to a Federal Energy Administration study, three and one-half times more on energy than other income groups. The aging network should vigorously promote the lifeline concept that will make utility pricing policies more equitable for low-income older persons.

I would like to underline that because the thing that we have been trying to say to this network of elderly persons in the State and area agencies is, "yes, you must become focal points within your jurisdiction, but you must be advocates for older persons in connection with all issues that confront the lives of older persons." I know of no issue where advocacy is called for more than in this particular instance.

Third, we must increase our efforts to winterize and repair older persons' homes. The Administration on Aging will continue to work with the Community Services Administration to insure that older persons are served through its winterization program. The Administration on Aging will also work closely with the Department of Agriculture to help insure that older persons are adequately served by the home insulation program I noted earlier. This program, as you know, will initially be funded at a \$1 billion level and can have a major impact on enabling older persons to insulate their homes, and thereby reduce heating costs.

If the Federal Energy Administration is provided with funds for weatherization, and I understand that that process is underway, we will, of course, under the working agreement that we have developed with them and other agencies, work very closely with them.

Fourth, we must continue to work on improving interagency agreements that I referred to so that all the resources that could be made available to older persons to help them deal with an emergency are available when the emergency strikes and not days, weeks or even months after the emergency.

Fifth, we recognize that currently when older persons are given assistance in order to help them cope with an emergency, such as the energy emergency, they may become ineligible for other programs because this assistance is counted as income for the purposes of determining eligibility for benefits. The Department is concerned about this issue and is examining ways and means of solving it. I am sure some recommendations will undoubtedly be made to the Congress by the Department.

May I again say that I appreciate the leadership that this committee continues to provide in this area of critical concern to today's older persons. We welcome the fact that, preparatory to the President's message coming to the Hill, this committee has identified the special concerns of older persons and the kinds of things that can and should be done to deal with those concerns. This, it seems to me, is leadership at its best, and I deeply appreciate it.

Senator DOMENICI. Thank you very much, Dr. Flemming. We do intend, when we close the hearings today, to try to pull together some facts and recommendations to circulate to the committee so that we can get our views to the President before he issues his energy message.

Dr. FLEMMING. I think that is great.

Senator DOMENICI. I have just one preliminary question, and then I will yield to the other Senators.

On page 7 of your statement, you indicated that HEW is examining ways to prevent recipients of emergency assistance from losing their eligibility to receive help under other programs. What is the status of that review and do you expect that it will require special legislation?

#### EFFECT OF EMERGENCY ASSISTANCE ON SSI BENEFITS

Dr. FLEMMING. It is being considered at the present time in the Secretary's office. I do not have any information as to the exact timing of the recommendations that the Secretary may decide to make. I would assume that in some instances it would be necessary to amend

some laws. It may be that the whole matter could be handled by administrative action. You will note that earlier in my testimony I discussed our taking up with the Social Security Administration the issue of whether, if title III funds are used to help older persons deal with this crisis, that would operate against them as far as eligibility for the supplemental income program was concerned.

The Commissioner of the Social Security Administration issued a ruling that it should not operate in such a way as to make them ineligible for SSI. I would hope, in the interest of speed, that in many instances that kind of administrative action could be taken. I have not personally examined, however, all of the laws that are involved here in such a manner as to be able to indicate whether or not some legislation would be required. I do feel this is a very serious issue. I don't think there is anything more frustrating than to provide some assistance to an older person to deal with a particular emergency and then have that older person wake up a week later and discover that, because she or he received that assistance, they are no longer eligible for, let's say, the supplemental security income program, or medicaid, or some other program. The issue includes their receiving assistance from both the private and the public sector. Red Cross assistance is involved here as much as assistance from, let's say, title III of the Older Americans Act.

Senator DOMENICI. I agree with you that this is a deplorable situation, but it is not new; it was simply refocused because of the severe winter we have had. We find many constituents who write us and say: "Thank you for giving us a \$14 increase in our social security check. The net effect is that we lost \$26 because they took us off some other benefit we were entitled to. Could we give the increase back?" To tell you the truth, I introduced a bill saying that we ought to permit them to refuse such an increase if they so desire. I know this may sound ridiculous, but I thought it might bring attention to the fact that sometimes we inadvertently do harm to our fixed income senior citizens. We give them an increase and then take it away in another area, and the net effect is an overall loss.

Dr. FLEMMING. It is very serious, for example, if the net effect is to make the older person ineligible for medicaid.

Senator DOMENICI. That is right.

Dr. FLEMMING. Particularly if that older person is dealing with serious health problems.

Senator DOMENICI. Senator Chiles.

#### STATEMENT BY SENATOR LAWTON CHILES

Senator CHILES. Mr. Chairman, I first want to congratulate you for initiating these hearings. I think it is tremendously important that we are holding these hearings now and I am delighted to hear you say that we are going to take the hearing record and develop some recommendations that hopefully can go to the White House before we receive the energy message. I had the opportunity to chair some hearings on this subject in the past years myself and I think it is clear what the problems are and the serious impact they have on our older citizens.



I think we need to include them in what we consider to be our energy policy and again. Mr. Chairman, I congratulate you on your initiative in seeking authority from Chairman Church to have these hearings because I think it is very important that this new administration understands the energy problems of older Americans.

We can also see what the impact of higher costs is going to be on older citizens as we go forward with this and I think it is imperative that we build in policies in our energy program that will afford relief for the elderly. I hope these hearings will in some way encourage the administration to do that and I am glad that we have the administration's witnesses here today. I know Dr. Flemming is certainly aware of the problems. He has been up here many times and has shown an awareness. We need to make sure that is transmitted all the way up to whomever is going to put together the energy package.

Senator DOMENICI. Senator Chiles, would you yield for just a moment?

I would like to comment on the administration witness previous to your arrival from another hearing. Mr. O'Leary testified that FEA has, under its mandate, been gathering statistics and I am sure that Dr. Schlesinger and the President are being advised of all the data FEA has gathered. The most significant statement from his testimony, and the one I hope the administration will consider—and we will supplement it with our own recommendations—is found on page 2. He speaks of low-income elderly households, with an annual income of less than \$5,400, spending a greater portion of their income on energy than do higher income elderly households. He states that in 1976 the average home fuel expenditures as a percent of the disposable income for low-income elderly households was 27.3 percent, and he indicates that it is worse than that because the 1976 statistics do not reflect the bitter cold period of January and February 1977.

He went on to tell us that even with a weatherization program across the board, the problem is still very severe. He thinks that low-income elderly households may be spending as much as 50 percent of their disposable income for energy and, even with weatherization, it might be as high as 40 percent, and that is completely out of line with the rest of America.

I think that is the basic issue. The productive part of our society can better adjust to this situation by earning more money or putting another person to work, and so forth. The fixed income elderly lack that flexibility. I know you are aware of that from your earlier hearings, and I am very grateful that you were able to join us today.

Senator CHILES. Thank you, Mr. Chairman.

#### TRANSPORTATION FUND CUT RUMORED

Doctor, I just wanted to ask you—I understand the Department of Transportation is planning to cut the State set-asides for the 16(b) (2) specialized transportation program for the elderly and the handicapped. How do you see this affecting the progress of this program in the States?

Dr. FLEMMING. I think that would be a very serious error on the part of the Department of Transportation. We have picked up a ru-

mor to that effect and, on the basis of that, I have written Secretary Adams urging that the program be continued at least at the present level.

I think it might be helpful just to review briefly what that program has accomplished, because I know this committee was a great help to us in getting the program underway in the Department of Transportation.

For example, in fiscal 1975, which was the first year the program was underway, \$20.8 million was awarded to 970 organizations to purchase about 2,000 vehicles in 47 States, specifically for older persons and the handicapped. We don't have the full story yet as far as the fiscal 1976 funds are concerned. The network on aging has responded to this initiative on the part of the Department of Transportation. Twenty-five percent of all of the funds utilized under title III are going to be used in fiscal 1977 for transportation. In other words, 16(b) (2) provides the capital investment.

Senator CHILES. This is what my understanding was. This is just the thrust that gives to our network on aging agencies the ability to purchase these buses or other means of transportation. I find that in my State it is certainly being utilized by the aging agencies and if anything, I think should be encouraging it because it is not a program of which these dollars are doing the whole job; they are just the initiating factor.

Of course, as our hearings developed in the past, it opened my eyes that it is rather ridiculous to say that you are providing some kind of facility for the elderly if they have no means of transportation for getting there. You can have all of the nutrition centers, you can have all of the outpatient clinics, and you can have everything else in the world, but if there is no way to get people there, you have really wasted a tremendous amount of money and resources in providing those facilities, or else you have designated those for a certain few who are within walking distance or who have their own means of transportation.

This program specifically helped in this regard, and I am delighted that you have written the Secretary of Transportation. I hope that we, as a committee, Mr. Chairman, would make sure that our voice is heard by the Secretary of Transportation on this program.

Dr. FLEMMING. Senator, I hope the rumor is an incorrect rumor.

Senator CHILES. I hope so, too.

Dr. FLEMMING. But if it is being seriously considered, I certainly hope that the Secretary will reconsider it because this would represent a setback. As you point out, wherever you go throughout the country older persons continue to tell you that the No. 1 problem is transportation, for the reasons that you have identified.

Senator CHILES. And it has got to get worse now, with the energy crisis. As we see it, it has gotten worse and we know that it will continue to get worse for them.

Dr. FLEMMING. Yes.

Senator CHILES. Thank you, Mr. Chairman.

Senator DOMENICI. Senator Glenn.

Senator GLENN. Thank you, Mr. Chairman.

Your comments on going from one income bracket to another and getting cut out and winding up with less funding—I know this is not

a hearing where we came to tell jokes, but I am reminded about the three greatest lies in the world. The first one was that "I gave at the office," the second one is "The check is in the mail," and the third greatest lie is "I am from the Federal Government and I am here to help you."

I think many of our elderly citizens may feel that way when we run into some of these complex regulations. They feel while we may be trying to help, it is so mismanaged sometimes, or while the intent was good, it really is not getting the job done. It is even counterproductive sometimes. Of course, that is one of the purposes of these hearings, to try to make these things work very smoothly and make them more efficient and get the money to help the people that really need that kind of help.

### LIFELINE RATES DISCUSSED

You mentioned the lifeline rates. I have been interested in some of that on rate structures. Do you favor the lifeline rates as opposed to a direct subsidy for energy needs—fuel bills?

Dr. FLEMMING. Personally, I would like to approach it on a both/and basis rather than either/or. It seems to me that if you succeed in getting the lifeline policy implemented, there is still going to be a problem for older persons and we are still going to have to give them some of the kinds of assistance that we have been talking about.

Senator GLENN. In your testimony you indicated that the change of utility policy will unfairly impact the elderly. You mentioned an inverted rate schedule that means the elderly spend three-and-a-half times more on energy than other income groups. That was a rather startling figure as stated.

Would you care to elaborate or explain a little bit?

Dr. FLEMMING. Well, as I indicated, I am depending on a Federal Energy Administration study. I would be happy to supply that study or a summary of the study for the record. I do not have it with me at the present time. I am sorry Mr. O'Leary has left.

[The summary follows:]

#### SUMMARY OF A STUDY BY THE FEDERAL ENERGY ADMINISTRATION ON THE IMPACT OF RISING ENERGY COSTS ON OLDER PERSONS CONDUCTED IN 1975

The study focussed on three audiences: the individual older consumer, institutions, and Federal programs that serve older persons.

Major findings of the study were:

(1) The elderly poor consume less energy than any other age-income group including the younger poor, and yet they spend a much higher proportion of their total budget on energy expenditures.

(2) The elderly poor spend most of their budget for items of necessity, such as cooking and heating, rather than items of luxury such as discretionary auto transportation.

(3) On a national level, the Consumer Price Index increase for fuel and utilities from 1973-1974 was more than double the increase in the overall items for the CPI (21.5 percent vs. 10.2 percent). This means that a family which spent a greater portion of their budget for fuel and utility expenditures, such as the low-income elderly on fixed incomes, have experienced greater rates of inflation.

(4) Elderly poor households pay a higher price per unit of electricity and natural gas and consume lesser quantities per household than other income groups.

Senator GLENN. Was this as a percent of something else that would make it that—a percent of disposable income? The statement that they are spending three and a half times more on energy than other income groups I find hard to understand. Is this a proportion of income to proportion of something else?

Senator DOMENICI. Proportion of disposable income.

Mr. FISHER. I am Bill Fisher. I am from the Federal Energy Administration.

In Mr. O'Leary's testimony, the numbers show that compared with a low-income group—low-income elderly—and compare them with people with incomes of between \$15,000 and \$20,000, as a proportion of disposable income, it is about three to five times as much.

Senator GLENN. I agree. This jumped out at me because it just said three and a half times more for energy—period. If that was a fact, then there is something really askew here.

Dr. FLEMMING. I was a little too brief in summarizing.

Senator GLENN. All right.

Dr. Flemming, I think while we are concerned primarily with this winter and the emergency we faced—and we are all concerned that that does not happen again—you commented on outreach and assistance programs. I have been concerned that we have those at all times, not only during times of emergency. I think perhaps it is more of a problem in the usual day-in and day-out nonemergency situation for the elderly than it is at the time of emergency.

#### OUTREACH PROGRAMS IMPERATIVE

During an emergency everyone tends to get out and work together—help get the car started, get food to people, get the guy out of the house—yet, it is a day-in and day-out humdrum life for the elderly that really creates a major problem. I hope we have a lot more of the outreach program. Senator Chiles referred to the meals-on-wheels. We have had some of those programs back in Ohio where I grew up—very excellent programs, and well administered. I think most of those Outreach programs, not just in terms of emergency, are what we really need.

Dr. FLEMMING. Senator Glenn, I agree with you. I feel that this is one of the most important issues confronting us in the field of aging because I am convinced that we still have several million persons in this country who are so isolated, so cut off from society, that they are totally unaware of the resources and services that are available to them. That is why I am sure that Congress, in passing the 1973 amendments to the Older Americans Act, which provide for the setting up of this aging network, put major emphasis on the development of information and referral programs reasonably available and accessible to older persons throughout the country. As the network has been put into place we have put major emphasis on the importance of achieving that particular objective.

Senator GLENN. Do you see, out of this past winter in particular and just in general, any specific legislation that you would propose to make us better able to cope with situations like this past winter where real legislative action is needed?

Dr. FLEMMING. Well, like the members of the committee, we are looking forward to the President's program. I hope it will include recommendations on some of the issues that I identified at the end of my statement. This again is why I am so happy that these hearings are being held in order to identify these issues confronting older persons. I hope that the legislative proposals will take cognizance of the very unique problems that confront older persons in this area.

Senator GLENN. In the formulation of this new energy policy that we are looking forward to receiving on April 20, has your advice and counsel been specifically sought with regard to the aged people of our country, the elderly, and how this will affect them?

Dr. FLEMMING. No.

Senator GLENN. That is rather startling to me.

Dr. FLEMMING. Others may have been consulted. I have not been consulted on any pending proposals.

Senator GLENN. Thank you, Mr. Chairman.

Senator DOMENICI. Senator DeConcini.

Senator DECONCINI. I have no questions, Mr. Chairman. Thank you.

Senator DOMENICI. Dr. Flemming, have you had an opportunity to explore or evaluate the overall home mortgage situation of older persons? Do they still have mortgages? Are they still bearing mortgage payments? Has any thought been given to recommending that these mortgages be extended during periods of crisis so that their captive equity could be used for general maintenance, weatherization, or added income?

Dr. FLEMMING. Mr. Chairman, like you, I was very much interested in the testimony that was presented to you by Dr. Wang. I feel that he has put his finger on a very important issue. The latest figures from the Department of Housing and Urban Development would indicate that there are about 10,200,000 older persons—that is, persons 65 and over—who own their own homes. The estimate is that at least 70 percent of the 10 million are debt free, so it is clear to me, anyhow, that the recommendation presented to you by Dr. Wang is a recommendation that is worthy of very careful exploration. It could make a great difference in terms of the cash position of the older person. It does seem to be rather tragic to have an older person with a home that is debt free and yet finding herself or himself in a very serious situation as far as cash flow is concerned.

Senator DOMENICI. You said 70 percent are debt free?

Dr. FLEMMING. That is the estimate.

Senator DOMENICI. On another matter, do we need a supplemental appropriation to replace funds used for emergency assistance during the winter, as far as AoA is concerned?

#### EMERGENCY RELIEF NEEDED

Dr. FLEMMING. Well, I think that it would be worth giving consideration to. As you noticed in my testimony, we have entered into a working agreement with the Federal Disaster Assistance Administration, so when we deal with the Presidentially declared disaster area and have a specific mission from the Federal Disaster Assistance Ad-

ministration, we will be reimbursed—that is, the area agency or the State agency will be reimbursed.

So, in those situations, we do not have a problem. But some of these emergency situations develop outside of Federal disaster areas. Then, when the State or area agencies dip into their funds for the purpose of responding to that emergency, it would be equitable to reimburse them.

If we proceed along these lines, we would have to set up a system that makes sure that State and area agencies clearly identify the amounts involved and what they have been used for. This is an approach that I think is worth considering. This network is so widespread that it can respond very quickly to some of these emergency needs.

We know those who operate the nutrition program sometimes have been able, for example, to set up a program for feeding people who are the victims of an emergency more quickly than any other public or private body. They are there; they are in place. They can move in very quickly. I am sure that is happening right now with the victims of the flood in the Appalachian area. We have word to the effect that some area agencies have moved in and are beginning to respond to the emergency that confronts older persons.

We first more in this area as a result of Hurricane Agnes. At that time, it became very clear that older persons do have special problems and they are apt to be pushed aside unless there are some people in there acting as advocates for them, and also having some resources that can be used to deal with crises.

Senator DOMENICI. One further question on disaster assistance and then one general question and we will go to our next witness.

You all talked to us about the temporary ineligibility of some of our senior citizens for SSI, food stamps, and medicaid assistance when they received disaster assistance. It is my feeling we are going to have some major amendments to our disaster legislation. There will be serious deliberations in a couple of Senate committees on reshaping our overall disaster relief programs.

What would you think about an amendment that would state, as a matter of law, that disaster assistance cannot be counted when you are talking about eligibility for other programs.

Dr. FLEMMING. Personally, I would welcome that.

#### HEAT OR EAT: A FACT?

Senator DOMENICI. Dr. Flemming, there have been a lot of statistics given here today. If you look at them and try to think of the budgets of our senior citizens, it seems that people who are saying that we are getting to the point where it is either heat or eat, have a point. When you have a \$200 monthly budget with a \$55-\$60 energy bill, some rent, some medical attention, transportation, you begin to think that there is not much money left for food, and so forth.

Now, based upon the facts as you have gathered them, can you tell us whether this is really happening to senior citizens in our country? Are they being forced to make a choice between paying for heat or eating?

Dr. FLEMMING. One-and-a-half to two years ago, I held some public hearings, as Commissioner on Aging, in a number of parts of the country. I received evidence from older persons which would certainly tend to substantiate the kind of conclusions that you have identified. When we use an expression of that kind, it may be stated in a somewhat extreme form, but even though that might be the case, it does clearly identify a serious problem. If many older persons are going to meet their energy bills, they are going to have to cut down on the investment that they are making in food. It may not eliminate it completely, but they are definitely going to have to cut down on it.

Senator DOMENICCI. Senator DeConcini.

Senator DECONCINI. Dr. Flemming, perhaps this was asked before I came, but are you prepared to make any recommendations to the committee for changes in the Older Americans Act, or do you have any?

Dr. FLEMMING. We are now in the process within the executive branch of reviewing the Older Americans Act and looking forward to the fact that the authorization for the act expires in 1978. Under the new rules of the Congress, the administration's recommendations relevant to the act, including any possible changes, are to be submitted, as I understand it, by the 15th of May. I am not in a position at this time to indicate what those recommendations may be. That process is now underway within the executive branch.

Senator DECONCINI. And the model project to evaluate New York in response to the crisis situation—is that still under study now?

Dr. FLEMMING. We have made that award and the study is just getting underway.

Senator DECONCINI. When will the findings be available?

Dr. FLEMMING. I would have to take a look at their proposal and submit that date for the record.

Senator DECONCINI. Do you remember—is that a long period of time?

Dr. FLEMMING. No; not a long period of time. Somewhere around probably 9 months, along in there. I will be very glad to correct the record at that point.

[The information referred to follows:]

The final report from this model project will be available 12 months after the initiation of the project—April 1978.

Senator DECONCINI. In your statement, you state area agencies were authorized to use Older American Act funds to provide any needed emergency services during this past winter. How were these agencies reimbursed for the funds they used for this purpose?

Dr. FLEMMING. If this activity is carried on in a Presidentially declared disaster area and if the activities are in response to a mission given the network by the Federal Disaster Assistance Administration, then there will be reimbursement through the disaster funds. If that situation does not prevail, then they are not in a position where they can be reimbursed. I think before you came in I was discussing with the chairman whether or not consideration should be given to legislation that would provide for reimbursement under such a situation. I think it would be a very good thing to consider.

Senator DECONCINI. Thank you.

That is all I have, Mr. Chairman.

Senator DOMENICI. Thank you very much.

Dr. Flemming, you certainly can stay if you would like. We are going to hear from several more witnesses.

Dr. FLEMMING. I will be happy to stay.

Senator DOMENICI. We will now receive testimony from Mr. Robert Chase, who is Acting Director of the Community Services Administration.

We welcome you. This is my second day in a row to hear testimony from you. We heard from you yesterday on energy conservation.

Mr. CHASE. For your sake, I hope it will have changed, Senator.

Senator DOMENICI. Please proceed.

**STATEMENT OF HON. ROBERT CHASE, ACTING DIRECTOR, COMMUNITY SERVICES ADMINISTRATION; ACCOMPANIED BY RICHARD SAUL, CSA ENERGY COORDINATOR, AND JOHN HUTCHINSON, TEAM LEADER, OLDER PERSONS PROGRAM**

Mr. CHASE. Thank you for the opportunity.

I would like to join Dr. Flemming in applauding this committee for taking the leadership position and drawing attention to this very severe national problem. I have the sense that the urgency—which is, in fact, a premise for this hearing—has been fairly well articulated today.

FEA is the depository that the executive branch has available to it in this area. While none of us are satisfied at any point in time with those facts, I think Mr. O'Leary's testimony presented the sort of profile that we all need to set the stage.

The only thing I would like to add to those raw statistics is a little bit of flavor along the lines of the colloquy that you and Dr. Flemming just engaged in, Senator—the heat or eat syndrome. It has been our experience that with the elderly poor, perhaps even more than with the poor at large, that is a very real tradeoff, and there are anecdotes galore that will call attention to that fact.

I think that one of the points that has to be extracted from that experience, though, and kept in mind is that in fact the elderly are more susceptible to the costs of these tradeoffs because they are more vulnerable and because they are less able to cope with the ramifications. That is, they go without fuel or they go without food, or some combination thereof. They are, in turn, more susceptible to illness; and so it becomes sort of a cycle that is particularly painful.

I do have some facts in my testimony about the state of the problem, but let me dispense with that if I may and really deal with two features which I think will be of use and interest to the committee.

**ENERGY CONSERVATION PROGRAM**

One is a brief program description of what the Community Services Administration is now engaged in—the energy area, particularly as it bears on the poor—and then some notions about possible areas of priority exploration in the legislative area.



The CSA energy conservation program is administered by a nationwide network of some 881 community action agencies. Two of its major components are weatherization and crisis intervention. In the past 3 years CSA has allocated \$71.5 million to support energy conservation activities. Approximately 80 percent of these funds have been applied to weatherize 150,000 homes of the poor. The weatherization component is based on a balanced combination of energy conserving improvements—for example, attic insulation, floor insulation, storm windows, storm doors, and other things—at an optimum level of investment, that optimum level being described as the point at which the total dollar energy savings exceeds the total dollar weatherization cost by the greatest amount.

Based on a 1976 survey of ours, it appears as though approximately 70 percent of the total houses that we have weatherized were occupied by elderly people.

Senator DOMENICI. Now, as part of this program, how do you identify those who are to receive your assistance?

Mr. CHASE. Well, Senator, we have outreach facilities in our community action programs. That is, one of the ongoing multiprogram features of the standard community action agency is an outreach facility whereby staff is in constant touch with the poor population. We also fund at the level of \$10 million a year what we call a senior opportunities program, and that, in turn, finances about 1,200 people in the community action network who specifically direct their attention to locating, helping, advising, and supporting the aged poor. I would say, in other words, that we feel we have a pretty good sense of where the poor and near poor are in the areas that we cover at any given time.

In addition, each local project is required to have a project advisory committee, made up of 51 percent poor, plus representatives of the broader community, including public officials, social agencies, and persons involved in energy-related activities, such as fuel dealers or local utilities. This project advisory committee recommends policy to the board of the local administering agency, including limitations on spending and priorities among persons to be served.

#### LAW LIMITS ACCESS TO INFORMATION

Senator DOMENICI. So this is a one-on-one approach—seek them out, find them, help them. There is not any mechanical overall computer way that that is done?

Mr. CHASE. Not that I know of, and I was interested as you opened that line of inquiry earlier because it would appear to be helpful if we could get something like that. I think there are SSI records. The Social Security Act, as well as the Privacy Act, places strict limitations on our access to those, but it seems to me this is an area we should be exploring.

Senator DOMENICI. Are you having difficulty in some areas finding people that are willing to use this particular tool of assistance?

Mr. CHASE. My understanding is that in some cases we are, yes. I think it is a result of a lack of knowledge of the program, a lack of appreciation of the dollar savings that can accrue from the weatheriza-

tion program. There are often concerns about legal liability on the part of the homeowner. There is, I expect in some cases, a concern about being designated as a member of the welfare group. Through a combination of education efforts and this outreach function I described, we do our best to bring down those impediments. The problem in this program is not a lack of eligible candidates.

Senator DECONCINI. Mr. Chairman, would you yield a moment?

Senator DOMENICI. Surely.

Senator DECONCINI. You mentioned the problem of possibly being considered a welfare recipient. Do you compile any numbers on feelings of people, of how many people, when they are approached, give you that reaction?

Mr. CHASE. I don't believe we do, Senator.

Senator DECONCINI. Do you think it is substantial?

Mr. CHASE. My impression is that it is substantial, yes.

Senator DECONCINI. I would not be surprised.

Mr. CHASE. I think that is particularly acute among the aged, but perhaps Dr. Flemming would have some better idea of that.

Senator DECONCINI. Do you have any suggestions as to how to alleviate that problem, other than better communications?

Mr. CHASE. Well, I think the generic problem runs to the stigma that many people feel is attached to welfare programs generally, and conceivably with some of the types of income transfer programs—welfare reform programs, if you will—that are being considered, that stigma will be relieved. Or the perception of that stigma, at least, would be relieved.

Senator DECONCINI. Have you given any thought to having the assistance given in a more subtle manner, just as demonstrative?

Mr. CHASE. I would like the principle. If there are ways to apply it, it would be very nice.

Senator DECONCINI. Well, one that comes to my mind is some possible effort toward property tax relief, where they don't actually receive a check, but they get a credit and it is absorbed or reimbursed by the Federal Government or some local agency if they own a home. I just wondered if any of those had been pursued, to your knowledge?

Mr. CHASE. No; I don't think we have explored those adequately, Senator.

Senator DECONCINI. Thank you.

Mr. CHASE. There are other means, it seems to me, of augmenting disposable income: through the tax system or by other than categorically identifying the needy individual and which would help to relieve that problem. In this context, of course, we are concerned with providing a particular service which those individuals need; mainly, the weatherization of their homes. We do have some data that suggests, in fact, that the benefits in terms of saved income are substantially more than was suggested by Mr. O'Leary earlier today. It is for that reason that we think the weatherization program, particularly as it impacts this particular clientele of people, has enormous potential.

Senator DECONCINI. Thank you.

Thank you, Mr. Chairman.

Senator DOMENICI. Mr. Chase, I wonder if, in the interest of time, we might not make your entire statement part of the record.

Mr. CHASE. I would be happy to, Senator.

[The prepared statement of Mr. Chase follows:]

#### PREPARED STATEMENT OF ROBERT C. CHASE

Mr. Chairman, and members of the committee, my name is Robert C. Chase, and I am Acting Director of the Community Services Administration. It is perhaps fitting that I am testifying after Mr. O'Leary, Administrator of the Federal Energy Administration, and before Dr. Flemming, U.S. Commissioner on Aging, for we see our role in CSA as providing a bridge between the concerns of those agencies, with whom we have enjoyed cooperative and productive relationships.

My testimony is directed toward responding to the questions contained in the chairman's letter of March 25 regarding weatherization assistance provided through the Community Services Administration and ways of coping with the unmet energy needs of the elderly poor.

I shall emphasize "elderly poor" and the "near poor"—those whose annual incomes fall within 125 percent of the poverty line—because the Economic Opportunity Act of 1964, as amended, states in section 610: "The Director shall . . . initiate and maintain interagency liaison with all other appropriate Federal agencies to achieve a coordinated national approach to the needs of the elderly poor." The same act was amended in 1975 to include a new program authority under section 222(a)(12) entitled "Emergency Energy Conservation Services Program" and states that the program is "designed to enable low-income individuals and families, including the elderly and the near poor, to participate in energy conservation programs designed to lessen the impact of the high cost of energy on such individuals and families and to reduce individual and family energy consumption." From this language it is clear that the Congress mandated a dual objective—energy conservation as part of national energy goals; and alleviation of energy costs among the near poor and elderly poor.

The need which Congress recognized affects the elderly poor disproportionately. There are in the United States 14,276,240 households with annual incomes at or below 125 percent of the official poverty line. According to a recent survey by the Washington Center for Metropolitan Studies, 37 percent of these are headed by persons 65 years of age and older, compared to 18 percent for all households. Thus, it is twice as likely that a poor household will be headed by an elderly individual than a nonpoor household. The same study points out that "large proportions of the poor and near poor live in regions of the country that are subject to severe climatic conditions." Although they cannot afford high levels of consumption, low-income persons spend twice or more the percentage of their income for energy bills than do upper, middle income households.

The CSA energy conservation program is administered by a nationwide network of 881 community action agencies. Two of its major components are weatherization and crisis intervention. In the past three years, CSA has allocated \$71.5 million to support energy conservation activities. Approximately 80 percent of these funds have been applied to weatherize 150,000 homes. The weatherization component is based on a balanced combination of energy conserving improvements—viz. attic insulation, floor insulation, storm windows, storm doors, and others—and an optimal level of investment, such that each dollar spent on weatherization saves more than a dollar's worth of energy. Based on a 1976 CSA survey, it appears that 71 percent of the houses weatherized were occupied by elderly persons.

#### CRISIS INTERVENTION FUNCTIONS

The crisis intervention component is designed to aid those in desperate situations who cannot turn to the welfare department or other agencies when they are threatened with utility shutoffs and other emergencies. The crisis brought on by the severe weather conditions in January of this year revealed a large number of households that could barely sustain themselves financially. Approximately 8 percent of CSA's energy conservation funds have gone to support crisis intervention. Of 48,423 households assisted, it is estimated that 42 percent were occupied by elderly persons. The remaining 12 percent of CSA funds have gone to support consumer education, alternative energy source applications, weatheriza-

tion for native Americans, weatherization for migrant and seasonal farmworkers, research and demonstration projects for low-technology solutions to the energy problems of poor people (for example, improved wood stoves and the use of windmills), training and technical assistance, and technical support from the National Bureau of Standards.

I should stress that, as a small agency, CSA has had to depend considerably on the cooperation and support of other agencies. Our experience indicates that for every dollar in materials for weatherization, a dollar in labor costs is required. We have relied heavily on Department of Labor CETA slots and Department of Commerce title X slots for the labor portion. The Federal Energy Administration has provided information on fuel prices and usage patterns, particularly among the low income. The Department of Health, Education, and Welfare has shared current statistical data on poverty conditions. Both agencies have contributed to the equitable allocation of program resources. The Administration on Aging in HEW has promoted the effective implementation of the energy conservation program among the elderly through its interagency agreements. Other agencies have also contributed substantively.

Based on our experience in weatherization and crisis intervention services, we believe that the needs of the elderly poor deserve special attention. By virtue of both age and low income, they face the dreary prospect of continuing cold winter weather, inadequately protective housing, insufficient fuel supplies, rising energy costs, utility shutoffs, and severely strained household budgets. Those in rural areas must endure these conditions in relative isolation, since they are less likely to have adequate transportation and other means of social interaction. Often considered unemployable, they have little chance of remedying their situation through employment or even improved access to social services. To provide the elderly poor with relief from these conditions would, in our view, involve a three-pronged effort: (a) adequate income, (b) utility supply and rate structure changes, and (c) expanded energy conservation techniques, with special emphasis on home weatherization.

Any method that provides adequate financial resources to the elderly poor is attractive on its face such as some State AFDC programs and SSI. We are less sanguine about other approaches. The demonstration fuel stamp projects funded by CSA generated considerable community interest and support. However, they entailed serious administrative difficulties, including the separate certification of each participant, complex bookkeeping procedures, and potential legal problems, such as whether to count the assistance in determining other Federal benefit levels. Statewide administration of such a program would mean the loss of local community involvement and might raise the stigma of welfare among participants. The difficulty with tax credits is that they are computed only long after the household has expended funds for energy needs. At present, most income support programs do not react quickly enough to emergency conditions. Also, the welfare stigma prevents the elderly from participating in them in many cases. We believe there may be opportunities for greater responsiveness in the context of welfare reform.

#### REVISE UTILITY RATE STRUCTURES

With respect to utility supply and rate structures, we are interested in a number of proposals that have been communicated to this committee. Specifically, we favor further study and program demonstrations of the lifeline and time-of-day concepts, especially for communities where industrial and commercial growth rates exceed that of residential growth. Lower rates for less use is a principle that would benefit the elderly poor. Where residential customers—like the elderly poor—use energy in off-peakload hours, they should be rewarded with lower rates. The elderly poor should receive special treatment with respect to security deposits, billing, metering, and termination.

The long-term interests of the elderly poor, in our view, are best served by a weatherization program that assures a more efficient use of fuel by low-income households, provides a habitable and healthy living environment, and protects them in part against sudden price rises. Consumer education is integral to this process, so that the elderly poor can apply their meager budgets as sensibly as possible among food, energy, and other basic necessities. Finally, we support the search for alternative energy sources that are readily adaptable to the living

conditions of the elderly poor. To undertake massive research and development efforts without considering the consequences for those with the least resources could, in the long run, worsen their condition.

There is much that we do not yet know about the effects of energy shortages and prices on the elderly poor. We have, however, seen enough to know that the poor—particularly, the elderly poor—face a bleak existence and possibly death unless they receive assistance. For this reason we in CSA are anxious to coordinate our efforts with all groups that are confronting the problem.

I will be happy to respond to any questions the members may have now or upon the conclusion of the panel's presentations.

Senator DOMENICI. I understand the weatherization program that the Community Services Administration is implementing is, in many respects, a pilot program consistent with the way you operate. A great deal of the implementation is left to the local area. As I understand it, you use volunteers and you use CETA employees, all to minimize the cost to the Community Services Agency. I think we would be missing a great deal if you were not going to try to get some usable statistics out of this program. It is, at this point, the major American weatherization program. What are you doing to try to gather the kinds of information that will aid us in understanding the dimension of the weatherization problems? What a million dollars does and does not do, what an investment of so much in a home does and does not do, that kind of thing. Are you doing that as an agency?

Mr. CHASE. We are, Senator, and efforts to collect data are underway. This one is less than satisfactory, but I think it is picking up a little steam. For each house that is weatherized under the program, a weatherization plan is made out and subsequently submitted to our offices. These are computerized. That program is beginning to come into fruition and we are beginning to get some highly useful data. In addition, we have asked the National Bureau of Standards to help us design a research program that will produce hard data on just what savings are possible at what cost to optimal weatherization of the dwellings.

Now, I think perhaps of particular interest is the fact that on a sample basis we encourage the local groups that are doing the weatherization projects to collect, before and after, data on energy usage. They frequently get that with the cooperation of a local utility company, so that we will be able to, over a number of years and through a variety of weather conditions, be able to determine, to a reasonable degree of precision, what the cost-benefit ratio is from a given investment in a particular type of house in a particular climate.

As I did indicate—perhaps as you remember in the testimony yesterday—we have developed by working with the National Bureau of Standards, a more scientific approach. We hope to be using the model developed by the National Bureau of Standards, and a national sample of some several hundred houses weatherized at varying levels. The data from that will be carefully tracked over a couple of years.

Senator DOMENICI. Do you have some minimal standard that you apply to how the work is done and what material they use? I know you have a lot of local autonomy, but there must be some concern that you have a minimum standard so we don't go back 2 years later and find that it was done wrong or that the people are angry because they have to do it over again, or that kind of thing.

## RECOMMENDED PROCEDURE

Mr. CHASE. We provide basic guidance and training materials to the groups and on-site training which includes, for example, the notion that the first thing that they should do in approaching the house is, obviously, to assess it and gain the cooperation of the occupants or the occupant owner. But when they start the remedial program, the first thing they should do is to stop the infiltration of air into the house—actually stop the wind blowing under the door or through the broken windows, and the like. That would seem commonplace, but that not always has been seen to. That is, you have to stop, as nearly as possible, the infiltration of cold air before you provide any insulation or internal heat-saving measures, much less any alternative or increased heat producing and energy producing equipment inside. The basic program guidance for our program is set out in our publication, "A Community Planning Guide to Weatherization," which is based on work by the National Bureau of Standards.

Senator DOMENICI. One last question. When I visited our weatherization program in Albuquerque, run by the local group that operates community service programs there, I found that they were having a very difficult time getting enough people to believe that the program was a good idea. They didn't believe weatherization was needed, or that it really was going to do what you said it would do, so there was a lag; they didn't have enough people willing to participate at that point. This was a few months ago. Now, is that an exception or is this generally the case with reference to the programs out in the field?

Mr. CHASE. It is only a superficial sense that I have from this distance, I am afraid, Senator, but the feeling that does come back to me is that that particular resistance, due to a lack of understanding, is breaking down. I think it is breaking down through our efforts in communicating to these people what the benefits can be. The educational programs of FFA are helpful too, because, as was indicated earlier on a broader scale, the benefits that can accrue from insulation and conservation are getting better understood.

Senator DOMENICI. Senator DeConcini, did you have anything further?

Senator DECONCINI. One thing I would like to ask you.

In your outreach program on weatherization or any other area, do you make any attempt to contact the relatives of the senior citizen?

Mr. CHASE. Yes, very often.

Senator DECONCINI. What is the general response of their assisting?

## FAMILY ASSISTANCE SOUGHT

Mr. CHASE. Well, again it would be very difficult to generalize. I did hear within the last few days an interesting little anecdote in the small community of Bethany in Harrison County, Mo., where an elderly isolated woman in her mid-seventies was living alone in her own house and was living entirely on her social security check of \$170 a month. When our outreach worker located her she had \$50 to her name and her overdue fuel bill was \$167. It was about to be cut off,

Our people identified her, went to see her, and then sought out her two daughters, who were distantly separated from her, and asked them to contribute a part of the outstanding fuel bill, which they did. With our crisis intervention funds, we provided the balance of the amount necessary to insure that the hookup would be maintained. Then we counseled her as well on ways in which she could make more efficient use of her current home—shutting off some of the back rooms, for example. So this hands-on approach is very important. It is this outreach, this technical assistance, this reaching to the family and to other service agencies in the community that can be of help to any particular problem.

Senator DECONCINI. What has concerned me—and I have no basis to know that it is true—is that relatives may tend not to want to help when they know that there is some Government agency there. They will say, “Well, why should I put up a few hundred dollars for weatherization or winterization or paying the bill? You go ahead, Mom or Dad, and try getting the agency money.” I never have been able to resolve how you minimize that, but it really is a concern. It seems to me there might be need for outreach toward those relatives to explain to them that perhaps they want to participate in this. The more they participate, the more your funds are going to be available for other elderly people who may not have any relatives or anyone to assist them. Maybe that is done.

Mr. CHASE. I think it is done as often as we can do it.

Senator DECONCINI. That is all I have.

Thank you, Mr. Chairman.

Senator DOMENICI. How are the elderly going to be identified, or how are they now being identified, under the emergency crisis intervention services?

Mr. CHASE. The exact mechanism has not been worked out and it will probably be different from local area to local area, Senator. As you indicated, we encourage, not just tolerate, this notion of local variety which is essential to the whole community action approach. The most that we expect, though, is that most of the people who will be served under that program will come to the local office, whether that is a community action agency or some other designated by the State government.

I think it does raise a very interesting question for the elderly poor who have this particular transportation problem. It will mean that those agencies which maintain an outreach capability are going to have to maintain at least that level of effort and not be diverted to sitting behind desks and having people come in to them. It is something that we have to watch very carefully.

Senator DOMENICI. Thank you very much, Mr. Chase.

Senator DECONCINI. May I ask one question?

Senator DOMENICI. Yes.

#### USE OF FUNDS FOR LABOR PROHIBITED

Senator DECONCINI. As you know, the current authorization under the Community Services Administration and under the Federal Energy Administration prohibits use of funds for labor. At the same time

there have been reports from the States that the manpower, actually to do the job, is very hard to come by. Do you concur with that and should that be altered? Do you care to comment?

Mr. CHASE. I do, indeed. That has been a problem. The matching funds for personnel have principally been met from CETA and title X, and title X has dried up. We are now in the process of trying to reach some agreement with the Department of Labor such that their funds would match ours and be available through those local delivery systems. I would correct, however, one thing which I think is a common misunderstanding, even in our own agency. In our authority, which is unusually broad, we are permitted to fund personnel. We have chosen in our regulations not to do so, however, in order to bring in these additional funds wherever we could. But in a pinch, we can finance the personnel as well.

Senator DeCONCINI. Do you?

Mr. CHASE. On some occasions, yes. Very few.

Senator DeCONCINI. Thank you, Mr. Chairman.

Senator DOMENICI. Thank you very much, Mr. Chase and Dr. Flemming.

Dr. FLEMMING. Mr. Chairman, could I just amplify the record? At one point Senator Glenn asked me about involvement in the development of the energy policy within the executive branch. I responded negatively because I have not been involved in any discussions relative to the evolution of that policy. We did have an opportunity, however, at an earlier date, of submitting a memorandum to the planning unit in the Office of the Secretary identifying some of these issues. I just wanted to amplify the record on that point.

Senator DOMENICI. Did that memorandum identify the issue we are discussing today of an excessive portion of the disposable income of senior citizens going to energy?

Dr. FLEMMING. Yes. In other words, we used the same kind of factual information that has been used in connection with the hearing. Then in a separate memorandum we did identify the issue of assistance in connection with a crisis affecting eligibility as far as some of these programs are concerned.

Mr. CHASE. Thank you.

Mr. DOMENICI. Our next witness is Mr. Herman Grace. Let me, for the record and for Senator DeConcini, identify Mr. Grace. He is the director of New Mexico's Division of Human Resources. The division receives most of the Federal funding from the Community Services Administration, and administers a number of our community action programs. The energy-related activities undertaken by the division, I assume, will be discussed by our witness, but they are also involved in trying to do what they can within their charter to solve some of the other problems we have been addressing today.

Herman, we are glad to have you with us today. I surmise you are aware that we are operating under some time constraints, but you have come a long way and I want to do what is right by you. If you feel comfortable summarizing your statement, that would be fine; if not, we will be pleased to listen to all of it. If you don't read it, we will make it all part of the record so you need not concern yourself with that. Please proceed.



**STATEMENT OF HERMAN C. GRACE, SANTA FE, N. MEX., DIRECTOR,  
DIVISION OF HUMAN RESOURCES, OFFICE OF THE GOVERNOR,  
STATE OF NEW MEXICO**

MR. GRACE. Nice to see you again, Senator, and it is a pleasure to be here. This is the first time that I have had an opportunity of speaking to U.S. Senators. I have testified in my own State in many legislative committees, but this gives me a very great pleasure.

Before I begin, I did want to place emphasis that I am the SEO director of the State of New Mexico which oversees the community action agencies in our State. Judging by some of the questions that were asked and some of the witnesses who sat here today, I would like to make that point clear in case we do have questions that I should possibly answer a little more thoroughly than were answered here today as to what and how vehicles are being utilized in our outreach program and the statistical information that we have. I have no problem finding our people in our State, as far as supplying them services with the minimal resources that we have.

I will begin by saying that the problems that are faced by the aging in New Mexico are those faced by the elderly nationwide. However, we have learned that two types of programs are essential: those that meet the universal needs of the elderly, and those which can be tailored to local situations.

What we have learned is that today increased problems of the elderly all revolve around energy, and especially energy costs. These costs are degrading the ability of low-income elderly to maintain necessary nutrition, to provide themselves with adequate clothing, to maintain adequate shelter and medical care, to have even minimum mobility—in other words, to do anything but barely exist—and sometimes not even that.

The needs and problems of the fixed income elderly are clearly self-evident. Examples of what is happening in terms of inexcusable utility rate increases and their effects on the lives of the elderly will be submitted to this committee in the form of exhibits.<sup>1</sup> There are obviously hundreds of thousands of similar examples available from every area of the Nation.

What I must recommend, as a general viewpoint, is that legislation be carefully screened to transfer emphasis from statistics gathering and the conducting of more studies to doing the things we all know must be done. Without this emphasis, the plight of our low-income elderly—and that is 25 percent of the elderly population nationally and 35 percent in New Mexico—will continue to deteriorate at a truly alarming rate.

Annual State work plans and proposals, with heartfelt input, memorandums of agreement, or coordinated plans developed by all the Federal agencies, utility companies, and commissions concerned with helping the elderly without monetary resources, are just other ways of taking precious time away from the realistic services we are trying to provide in other specific areas during this energy crunch.

<sup>1</sup> See appendix 2, p. 370. Certain exhibits have been retained in committee files.

## UTILITY RATES INCREASE

In New Mexico, from March 1973 to March 1977, the cost per thousand cubic feet—MCF—of residential natural gas has increased 111.35 percent, rising from 83 cents per MCF in 1973 to \$1.77 per MCF in 1977. That represents an annual increase of 27.84 percent. Already, in New Mexico, sizable additional increases are going into effect. Planned increases for future years are astronomical.

The utility companies start it off this way: No. 1, they call it fuel cost adjustment; No. 2, a new indexing plan; No. 3, the surcharge plan. This is the old rebate trick—they say prices are going up at the well-head and, if they don't, you get a rebate; No. 4, after they have you completely off guard and you don't really comprehend what's going on, they give you your \$19.95 rebate. Here comes the rate increase after all the other rhetoric. They say "we really haven't asked for a rate increase in a long time."

In New Mexico we are beginning the start of the new deal: the averaging system, called the budget plan for the elderly and low income, just when the people are ready to explode. The companies techniques are this—to cool you off. First, they give you your rebate on the surcharge plan; now the second method is the poor people's budget plan—the people will cool off again—fortunately, no explosion. Someday I say, boom, it's going to be too late.

I ask, why is it every time somebody mentions the elderly, poor, near poor, disadvantaged, indigent, or whatever, there is always someone else who will say "Here comes another handout program"? Then the other person will say—by coincidence this individual seems to always have a little money in his pocket: "The free enterprise system should make everybody self-sustaining . . . small businesses have to make it in this so-called free enterprise system. They have to do it the hard way."

But the public utility companies have a locked-in, guaranteed profit. I say, why? Have any of you ever seen a utility company not make a profit? Have you ever tried to read a utility company's financial statement?

I can read mine, and you can read yours.

But someone ought to learn to read theirs and take a good hard look at the profits some people are making at the expense of other people who one time thought these services were a necessity of life. They now come to realize that these services—the little comfort they are gasping for—have become a luxury to them, and by God they are paying a luxury price for it.

These utility cost increases are totally out of proportion with increases in fixed income on which the low-income elderly live. For instance, over the past 3 years, increases in social security and other benefits to the elderly have increased at an average of only 8.1 percent per year. Recent social security increases have been lower than the 3-year average. During this period, the general Consumer Price Index increased at an average of 8.2 percent per year.

## ELDERLY POOR INCREASING

When we consider the increasingly desperate problems of the elderly poor, we must also face the demonstrable fact that the numbers of those elderly poor are increasing at an accelerating rate.

In New Mexico the number of people between 65 and 75 years of age increased 38 percent between 1960 and 1970. We do not have current figures, but we know the rate of increase has continued to accelerate to date. We also know that the percentage of this elderly population living in poverty is increasing at an even greater rate. Energy, food, shelter, and medical costs—inflation in general—all contribute to the indisputable fact that among the elderly we have greater numbers with greater problems.

Our experience in New Mexico is that no single need or problem of the elderly poor can be properly addressed as existing by itself. The problems and needs are interrelated. Obviously when we have to redirect ourselves to another crisis, we have to take away from other specific areas of need.

The costs of energy to the low-income consumer must be considered in terms of control of utilities as well as subsidizing utility costs to those unable to meet them. But right now the most important effort should be geared to the kind of energy conservation effort that provides for family well-being as well as meeting energy costs. That effort is home weatherization.

Energy conservation in terms of home winterization, especially for the elderly, should play a role of equal or greater importance with crisis intervention. It should be fully implemented now. Later will be too late.

Just 2 weeks ago Congressman Flood made a statement to the House Appropriations Committee: "This is a result of a natural disaster." This was when he was talking about the \$200 million, et cetera. The intention here is that this will be a one-shot program to help the poor people, especially the elderly, survive financially.

Gentlemen, this is not a natural disaster. This is a man-made catastrophe. Right now the quick answer would be to pay money to the suppliers for overdue bills for the poor. But is this the answer for next winter, and the next, and the next winter after that?

If we really have and are facing a more severe energy shortage, and we already can see the higher costs staring us in the face, we must stop playing games and start some programs that will retain the little heat the elderly are getting. And if finally the end result is going to be that they can't pay, at least they can live in a little more comfort and we will have accomplished one thing—stopping our elderly people from freezing to death.

In New Mexico 70 to 80 percent of the winterization we have been able to carry out, with severely limited Federal funds, has been for homes of the elderly poor. We have not even scratched the surface of the need of weatherization for the elderly, let alone the much greater numerical winterization need of the State's general poverty population.

In New Mexico we have isolated, through specific research by community action agencies and our Housing Development Corp., over 5,000 homes of the elderly that are severely in need of winterization.

#### WINTERIZATION VOLUNTEER LABOR

If CETA labor is continued and made available in sufficient numbers, this could be accomplished at today's cost for about \$1.6 million. Without CETA or another similar labor source, the cost would be about \$2.58 million. Cost of materials for effective home winterization averages 62 percent.

Senator DOMENICI. Herman, in your previous paragraph, you said "if CETA is continued." Are you talking about continuing it as it is or are you concerned about the program being cut off, or is there some other concern that I am unaware of?

Mr. GRACE. What I am trying to say, Senator, on the present basis community action agencies are using a level of at least 65 manpower employees in the winterization program. We are also in the process of contracting with ACTION for stipend volunteers as well as 15 other volunteers. We also utilize civic organizations and a large amount of volunteer groups that are being utilized throughout the State. What I am trying to indicate is that if we stay with this free labor force we will be able to operate at this dollar amount.

Senator DOMENICI. Do you have any concern that you won't have that labor force available? Are there any contemplated changes in the CETA program that would take it away from you? Are you saying that if we want to meet these particular goals we must continue to give you at least the current level of CETA participation, is that correct?

Mr. GRACE. Exactly. As Mr. Chase just mentioned, the money that is being allowed at the Federal level, in most Federal instructions, there is a maximum of 10 percent being allowed for administration. This has never been used, as far as I know, in New Mexico for actual labor or as salary; it has been used for direct costs, such as gasoline and transportation costs for the program.

Senator DOMENICI. In New Mexico some of CETA's assignments are handled by the State, but where we have local groups, such as Albuquerque in Bernalillo County, they run it through their own manpower advisory groups. Are you getting the same cooperation in terms of CETA assignments from the local planning group as you are state-wide and do you know anything about the national situation? Is there any hangup with CETA providing this kind of labor?

Mr. GRACE. We have had some bulletins where there has been a question by gentlemen, such as yourself, in Congress and in the Senate, that they do not agree that this type of labor should be used in private industry. The method that we have used in New Mexico, until such time as we get a very sound directive that this is a violation of any existing statute of any kind—we are going to use full force on the utilization of CETA. In CETA right now we have new funds that we know we will have for the next 12 to 16 months, and we do have this \$250,000 that was appropriated by the State. They cut that from \$1 million proposed in our original bill.

## LOCAL LEVEL COOPERATION

Now as far as your question to the cooperation between the local manpower services, council agencies, and prime sponsors, we do receive, I would say, more cooperation on the local level than we have, because Albuquerque in Bernalillo County is the prime sponsor in itself. They are separate and they are autonomous from the Governor's office. Now these manpower slots can be a county placement, municipal placement, or State placement, through my office and assigned through to the community action agencies. There is a small question there and we had a few problems, in that they were trying to label our nonprofit corporations as ineligible for Government slots. I think this was taken care of and that they were totally proved to be 100-percent governmental service agencies.

So if I may continue, I would say that this indicates, in talking about labor, there is a clear need for continuation and, if possible, expansion of a CETA labor force geared to conservation efforts.

One vital factor that is often ignored is that the homes in which the low-income elderly live—or exist—are generally substandard, mostly in terms of insulation, quality, and condition of heating appliances and minimum bodily comforts. Our studies of existing housing indicate an elderly person in New Mexico is five times more likely to live in a substandard home than the nonelderly.

The Bureau of Business Research of the University of New Mexico has estimated that more than 73,000 residential units in our State are in need of winterization. It is estimated that the cost of doing this job would be approximately \$23 million. That \$23 million expenditure would have the greatest cost benefit of any Federal expenditure made in our State. But right now, for the incredibly low cost of about \$2 million, we could meet the immediate home winterization needs of our elderly poor. How could we possibly make the mistake of not doing this now?

Federal Energy Administration Chief John O'Leary points out that any amount of fuel conserved is equal to that same amount of additional fuel produced. This figure is made real when it is demonstrated that home winterization reduces heating fuel consumption by 30 to 60 percent.

One of the exhibits<sup>1</sup> that I am submitting to you today is this type of winterization, and one of the examples that I show happens to be the home of my mother, whose records were made completely accessible to me by the public service utility. From 1974 to 1977, even though she has consumed about 6 MCF units less than in 1974, she has paid the equivalent of about a 65-percent increase to the utility. This is in the exhibit and can easily be verified.

But more important are the human values involved in winterization programs. We must stop accepting natural death and crippling figures for our elderly and accept what we all know: that our elderly are dying of cold, loneliness, hunger and malnutrition, of rising feelings of neglect and despair, and of a total fear to face a future which offers less and less hope.

<sup>1</sup> See appendix 2, Item 5, p. 374.

## THE 1939 PROMISE

In 1939 it was the avowed promise of our Government that every American should be provided a decent home in which to live. What has happened is this. We are further behind now than we were then. In terms of the living conditions and general well-being of our low-income elderly, we are failing; and instead of progressing, we are falling further and further from our Government's stated goals. Failure to fulfill that housing promise since 1939 has cost us dearly, and will continue to cost us.

The cost of winterizing the home of every needy older person in this Nation would be far less than expenditures on any one of a thousand unimportant programs—less than the cost of developing, and then discarding, one piece of inadequate military weaponry.

My question is this: Are we going to wait to take care of our elderly until the costs reach into the multibillions instead of millions or, as an extreme, until it is too late? We can do it now. I feel strongly we must do it now. Emphasis on human rights should start at home, in the home, and with the home.

That is the end of my presentation.

Senator DOMENICI. Thank you very much, Herman. Senator DeConcini, do you have any questions?

Senator DECONCINI. Yes. Thank you, Mr. Chairman, I do.

You made a very nice presentation, Mr. Grace. Thank you for traveling this distance.

Mr. GRACE. Thank you.

Senator DECONCINI. We are very honored to have you here today.

You made reference in your statement regarding the utility companies being "locked in." Are you suggesting that something should be done on a national level, or is New Mexico similar to Arizona, which is set by a corporation commission and by statute that they are guaranteed a certain profit on their investment? Then my next question is, if that is true in New Mexico, and I believe it is, isn't it up to the people of New Mexico to elect legislators that would adjust that built-in profit?

Mr. GRACE. I believe that New Mexico has taken a step this past year introducing a limitation as to the tax and to the price that can be charged at the wellhead, and there are various other pieces of legislation. I do have, in my exhibits, some of the samples of our legislation and some proposed legislation that I feel should be passed.<sup>1</sup>

## WHERE DO PROFITS GO?

Naturally, I am a little confused as to the method and the FPC regulations down at the State level. Some States have appointed commissions by the Governor and some have elected officials handling this process. It seems I have been to hearing after hearing and I can't ever seem to find any authority appointing some kind of an investigating force to prove what these companies are doing with their profits. The advertising, the television advertising, the many alternatives—and the public services going against the gas companies and saying, "you can

<sup>1</sup> See appendix 2, items 1, 2, 3, and 4, pp. 370, 371, and 373.

do it better, with electricity; you can do it cheaper with electricity," or "You can do it cheaper with gas,"—all this money has to come from somewhere.

I contend that the coal, the energy, the gas that has to be used is not the same as food or medical or transportation, because food—you can live on a little less, you know. The energy problem is very severe. Without energy of any little amount in our homes in our State, people will freeze to death. We are having to say now, they are dying a normal death or from pneumonia or colds, but this is not the truth. I have an exhibit which I should have let you see while I was speaking, because this gives you an example of some of the homes we have to deal with in doing winterization.<sup>1</sup>

Senator, you asked a question as to how many of these people would want to make a complaint or something because of a poor job or an inadequate job that was done with winterization. We have to realize now that with the guidelines and the instructions that we have that have been developed at the national and regional levels—advisory winterization committees and most of our programs have a limitation of \$250, but our crews are doing plastering, roofing service, and we are replacing floors. We are doing thousands of dollars of work in the little individual homes with volunteers.

You asked a very good question about the families. Well, I happen to do the training on a collection method—of how to use the method of collecting some of the bill from the families. To put it point blank, by insulting the families by asking why they would allow their mothers, their fathers, their uncles, or their aunts to live in these conditions. In 9 out of 10 cases, we get \$100, \$50, \$200 worth of materials, and our labor puts the other \$1,000 to get that roof on. We have people that are getting very sympathetic, as far as roofers and plumbers. It is taking one good selling job and a very, very big amount of dedication, which I think CSA people out in this outreach world have accomplished in the almost 11 years that we have been in operation.

Senator DECONCINI. Mr. Grace, your example here shows some very severe dwellings that are difficult to imagine people living in. I know from my own State that is true because they look very similar. Do you think that some of these dwellings can be weatherized and improved, or are many of them too far gone? Would it be throwing money down the drain, as they say, to attempt to weatherize some of these homes?

Mr. GRACE. Anybody with any expertise in the the construction business can look at it and tell you that in no way would it be feasible to even work on these, but it is not money thrown away, because the infiltration is a very serious problem. We have no place to put these people. The supply and demand—again what I said about 1939, we are further from our goals now than we were then. So this little plastic, these storm windows, the new doors, the doorjamb, the insulation, the caulking, whatever we can use to stop this infiltration and to keep the heat retention in there is accomplishing at least the minimal thing that we want—and that is, keeping them from freezing to death.

Senator DECONCINI. That would lead me to the conclusion that what we really need is more public housing.

Mr. GRACE. Very definitely.

<sup>1</sup> See appendix 2, item 6, p. 376.

Senator DeCONCINI. Or to encourage the private sector to build more public low-income homes.

Mr. GRACE. You asked Dr. Flemming the question as to what the problems are as far as getting subsidies from other programs and how it affects the Administration on Aging. Well, that is one of the most abused, because we have run into types of homes like this where we have talked to the family and relatives and have told them that there is no way that people should be living in homes like this, mainly because, for a lot of them, their only source of heat is wood. We have moved them into trailers or into apartments.

My God, if social security applies an amount of money that it would cost them to live in the present market of any kind of city, then deducts it from SSI, what have we gained? We can't put them in another decent home, and then they have lost the food, and medical, and everything else that applies to it.

Senator DeCONCINI. One last question, Mr. Chairman. Sorry to take so long.

Senator DOMENICI. Not at all.

#### FAMILY RESPONSIBILITY

Senator DeCONCINI. Your reference to 1939, when the Government promised every American should be provided with a decent home—you know, that always troubled me. Those kinds of statements, when they are made, I wonder whether or not they are really realistic. It comes back to my feeling that one of the things that we have lacked—and I would like to know if you concur—is to bring more awareness to the family unit of the responsibility and the duty of caring for the elders in one's family. I support public housing and aid to elderly, but I always worry if that is not really giving the relatives a good excuse not to participate. Do you have any comments or do you care to make any observations in your statement?

Mr. GRACE. Well, in our State we are 46th in the country as far as per capita income is concerned. It is very difficult for me, in my State, to say that I think the family should take the responsibility for the elderly, as far as their parents are concerned, or even close relatives, because they do not have the financial means.

Senator DeCONCINI. In your opinion, what did they do before Government assistance?

Mr. GRACE. Well, I would say, before the strong Government assistance we didn't have the inflationary factor moving as fast as it is. The dollar was worth a lot more.

Senator DeCONCINI. So, in some respects, these programs might have caused damage in the sense of greater inflation?

Mr. GRACE. They could.

Senator DeCONCINI. A total effect of the Government spending.

Mr. Chairman, I just want to thank Mr. Grace for his fine presentation and, indeed, to compliment him on a well-prepared statement and obviously the fine job that he is doing for your State.

I thank you, Mr. Chairman, and compliment you for having him with us today.

Senator DOMENICI. Thank you very much, Senator DeConcini.

Herman, I think you make an extremely strong case for weatherization. I want to say to you that, from my standpoint, I think these are the best dollars we could spend and we should move ahead rather



than backward in this area. The needs are genuine and they are very obvious. We can use very understandable examples, such as yours, or you can use the fancy cost-benefit equation, and it is all going to come out on the side that we have to do this as a country.

### SENIORS NO LONGER RELUCTANT

I also want to say that on my last trip home, I had occasion to visit about five senior citizen centers—talking with the people about their income and finding how many were getting only social security benefits. They presented me with some of their bills. They are no longer reluctant; they are concerned. They will bring their fuel bills and say, "A year ago it was \$22, it is now \$68, and I get only \$198." You know, senior citizens are very proud people, and 2 years ago it was very hard in an audience to say, "How many of you get only social security?" They were very reluctant to tell you—very reluctant to bring you their bills—but the situation has reached crisis proportions.

On the other hand, I talked about this when I was home and I didn't find that New Mexicans were opposed to the notion that we had to have some special help for the fixed-income senior citizens as we moved toward a solution to our energy crisis. Regardless of the kind of group that I was with, whether you have those who say, "Deregulate—price is the controlling mechanism in supply," or whether you have those who want regulation and control, it didn't matter. Everyone seemed to agree that the burden of solving this problem should not be borne by the fixed-income people and that we had to find some way to help.

You have obviously made a strong case for weatherization and I believe that any national program that does not have weatherization in it, from the standpoint of helping those who can't afford to provide it for themselves, will be incomplete. We will also need incentives to those who have the wherewithal to encourage them, through the tax structure and the like, to insulate their homes. In addition, you have done some work in New Mexico on solar add-ons, even if it is only 20 percent, and I believe there also has to be a program to create some incentives to get people to use this approach.

The President's adviser is saying energy prices are going up. In addition to weatherization, based on your experience, what would be the best approach to assisting the fixed-income elderly? What comes to your mind as the best management approach, the best and most equitable approach? What should we be thinking of in that area?

### RELOCATION BEST ANSWER?

MR. GRACE. Senator, I think one of the possibilities is relocation—and again we are talking about public housing. I think for many of these people in New Mexico that have, from generation to generation, inhabited these homes, the best solution would be, in the main, to relocate them. Therefore, I would suggest you pick up, possibly in the 502 and 504 Farmers Home Administration sections, on the rehabilitation loan-types, transferring them into grant-types again, or the revival of section 502—of rebuilding with the 1-percent interest subsidy if there is any kind of a mediocre income and repayment of \$18 to \$20 a month would take care of it. I don't see any other alternative.

One of the reasons I place a lot of emphasis on winterization in New Mexico is that, as you know, many people in Washington and many people in the country do not really know the definition of what "rural" really is, unless some of you really come from these types of States. In certain areas, which you are very familiar with, their sole source of heat is wood. The photograph there shows you some of the types of cooking facilities. That is the sole source of heat in this one-room house. Winterization or utilizing what we have right now and getting it to these people—and we have no problem getting to them—is the only method that we have, because they have no other source of heat. If they had thermostats or they had two gas stoves, the bill would go up to \$120 since there is no heat retention. There are all types of infiltration—you could turn the heat up as high as you could to keep the home at a minimal 60-degree level. Therefore, there has to be something to keep what little heat there is in there.

I really don't have any other suggestion, except for relocation or to step up our housing programs. It is going to have to be on the grant method, because right now the criteria is pretty well set up that you have no repayment capability. If you don't qualify, what program or what mortgage authority is going to finance anybody at the age of 65 on a 20- to 30-year mortgage? Not very many.

Senator DOMENICI. We greatly appreciate your coming. I compliment you on your presentation and the ideas that you have given us.

This committee has no legislative authority, but we have committed ourselves to work with the authorizing committees by giving them the benefit of the various ideas, information, and facts that we receive. I think there is a commitment by Chairman Church, shared by me as ranking minority member, that the impact of rising energy costs on senior citizens is one area we intend to pursue.

We thank you for contributing to us in the way you have today.

Mr. GRACE. Needless to say, Senator, I thank you. I read your bulletin with great concern, as to your emphasis on the energy problem, and I am sure that the people in New Mexico know what you are doing.

Senator DOMENICI. Thank you very much.

Mr. GRACE. Thank you.

Senator DOMENICI. Our last witness is Dr. Houthakker.

Doctor, we welcome you. You have been here and know our format. You have a brief prepared statement. If you want to read it, fine; if you want to summarize it, fine; whichever you prefer.

#### STATEMENT OF DR. HENDRIK S. HOUTHAKKER, PROFESSOR OF ECONOMICS, HARVARD UNIVERSITY, CAMBRIDGE, MASS.

Dr. HOUTHAKKER. Thank you, Senator.

I appreciate the opportunity to appear. When the committee staff asked me to appear here I made it clear that I am not an expert on the matters that are of primary concern to this committee. I was told the main purpose of my appearance here would be to give some general perspective on the energy problem and the policy questions that shortly will be before the Congress.

The country is now waiting with baited breath for the magic word from the White House—the energy policy that will at long last permit

us to concentrate on more important worries. Rumors about these proposals abound, but unless Government procedures have improved dramatically, no final decisions have yet been made. Not being privy to the deliberations, I can only make some general remarks about energy, and shall do so in the form of a series of propositions.

First, we need better policies, not because we are running out of oil and gas, but because we have become unduly vulnerable to exploitation by OPEC. Our domestic resources are considerable in oil and gas, large in hydro and uranium, and enormous in coal. Because of price controls and other poorly designed regulations, we do not make good use of these resources and have, instead, made ourselves heavily dependent on foreign oil. As long as our demand for imported hydrocarbons continues to increase, the cartel will have an opportunity for further price increases.

### TOO MANY POLICIES

Second, our basic problem is not that we have no energy policy, but that we have too many—most of them conflicting. During the last 5 years, the administration, the Congress, and the courts have erected a maze of laws and regulations, each intended to deal with one aspect at a time—and often not too suitable even for that limited purpose. Many of these measures have caused distortions that called for further regulations. Thus, price controls on crude oil led to the entitlements scheme which, in turn, created a need for special rules on Alaskan oil. Incredible though it may seem, under present rules this oil, which we need so badly, is an unwanted surplus. The whole labyrinth appears to serve only one industry: the legal profession. Concentrating energy policy in one department may reduce conflicts, but it also creates another bureaucracy that will be looking for things to do.

Third, the touchstone by which to judge the forthcoming energy message is whether it involves more Government regulation or less. If more, we can be fairly sure it is just another exercise in cosmetics, calculated to make good headlines in the next morning's newspapers but soon to be overtaken by further legislation to correct the unintended results. The new program's proposals concerning price controls are especially critical, for without higher prices, we will not get much conservation and no additional production—both of which are essential in the foreseeable future. To the extent regulations are needed, they should not need constant revision, so business can make long-range plans.

Four, none of our present sources of energy offers a magic solution, and none should be ruled out. Oil, gas, coal, hydro, and nuclear all have their pros and cons; the bumper stickers that say "no nukes" are just as irresponsible as the flat statement that "coal is too dirty." New sources such as solar energy should be competitive with existing ones. In deciding how much of each to produce and consume, realistic market prices that reflect environmental costs should be the principal guide, though in the case of imported oil a tariff may be helpful in making us less vulnerable to further OPEC price increases. The market is likely to do a better job than the best intended regulations, and is more consistent with our traditions of political freedom, decentralization of power, and private initiative.

Five, consideration of income distribution should be handled through taxes and transfers, and should not interfere with rational pricing. Those who worry about oil company profits should push for excess profits taxes, not for price controls that only perpetuate and aggravate the underlying problem. The impact of higher fuel prices on the more vulnerable population groups can be taken care of through adjustments in the social security and public assistance programs, some of which are already on an indexed basis. These groups will find their positions strengthened if the overall economy improves, and to accomplish that a realistic energy policy without undue Government interference is necessary.

Senator DOMENICI. Thank you very much for your statement.

Certainly we could spend a long time talking about the policy implications of your statement and your philosophy. I would like to ask you—in your fifth conclusion, you stated:

The impact of higher fuel prices on the more vulnerable population groups can be taken care of through adjustments in the social security and public assistance programs—

And then you add—

some of which are already on an indexed basis.

Are you aware of the index basis that has been used for social security, the Consumer Price Index?

Dr. HOUTHAKKER. Yes; in general terms, I am familiar with it.

#### SPECIAL CPI FOR ELDERLY

Senator DOMENICI. Do you feel that, with reference to those who rely exclusively or almost exclusively on social security, the CPI as an add-on is realistic in light of the energy crisis?

Dr. HOUTHAKKER. It depends to what extent the overall CPI reflects the spending of those who are on social security and public assistance. This CPI is an overall measure and has some defects in that respect. I would be in favor of indexing social security payments through a price index that is more directly responsive to the expenditure patterns of the recipients of these benefits.

Senator DOMENICI. If the present CPI, as it applies to social security, is not indexed so as to relate it to what the elderly spend their money on, need, and use but rather to the general inflationary impact across the board, should we consider a special CPI that more directly reflects the buying patterns of older persons?

Dr. HOUTHAKKER. I think a program having more than one CPI would be very desirable to achieve a closer fit between people's needs and the benefits they receive.

Senator DOMENICI. You indicate, again in this same paragraph, that income distribution should be handled through taxes and transfers and should not interfere with rational pricing policies. You then go on to say that an excess profits tax ought to be the mechanism used rather than price regulation. Are you suggesting that there should or should not be some targeted taxes or charges that might impact on conservation?

Dr. HOUTHAKKER. I am in favor of taxes that might lead to conservation and, in particular, I believe that environmental concerns should be reflected in appropriate taxes. So what I said here is not meant to rule that out. However, that is not really a question of distribution.

The question of distribution arises on the plus side primarily, from what is perceived to be excessive profits. I believe that the right way to take care of that is by special taxation.

Senator DOMENICI. I assume that you would not favor a tiered system of charging for energy but, rather, if there is a need to help a group, do it through taxes or transfer programs, is that correct?

Dr. HOUTHAKKER. Yes, sir. I think that the prospects of discriminatory pricing to favor certain groups are limited. It is a system that lends itself to great abuse, which will only lead to the establishment of a large bureaucracy to enforce it. I believe that the right way to help people in need is to give them additional benefits.

#### PRESENT PRICE SYSTEM OBSOLETE?

Senator DOMENICI. That would not be inconsistent, however, with a finding that the price mechanism by utility companies that grew up during an era of abundance may very well be out of kilter with the pricing system that we ought to use in an era of shortage and conservation, would it?

Dr. HOUTHAKKER. I quite agree with the implication of your statement, Mr. Chairman. I think that the present system of utility pricing is open to very serious objections, and I myself voiced objections many years ago. I believe that the system is unduly proportional and it is discriminatory against smaller users. Some kind of flattening out of the present utility price structure is very desirable.

Senator DOMENICI. Another point you made is that we ought not to regulate unduly how much profit they make but rather tax it if it is excessive. Would you let the marketplace take care of the other aspects of this problem as part of this pricing mechanism?

Dr. HOUTHAKKER. Well, perhaps I may clarify this since this question also came up in an earlier discussion. The utility companies, of course, are regulated in virtually all States. I believe Texas was the last State not to have a commission and they have one now, too. Therefore, when we talk about utility companies, we are talking about a very special category which, as said here earlier, is guaranteed profits, but these profits are limited.

Now this follows from the fact that these utility companies generally have a so-called natural monopoly. This is the reason for regulating them and the reason for guaranteeing them a profit, so that they can provide the service. What I would like to see is for the State regulatory commissions to do a better job, rather than just go by the precedents that were established over the years and which they find it very difficult to change.

I should say that it is primarily a question for the individual States, since they are the ones who do the regulation; however, the Federal Government can exercise some influence on this, particularly through the Federal regulatory commissions, which can influence certain decisions by State regulatory commissions. These Federal regulatory commissions can see to it that the pricing practices of the utility companies are more responsive to our current problems.

Senator DOMENICI. Can you give us the benefit of your predictions as to where the price of energy is going in the United States, say in 10 years, 20 years, or by the year 2000?

## HIGHER PRICES PROBABLE

Dr. HOUTHAKKER. Well, at the moment we are facing the prospect of a rather moderate but sustained rising of prices unless large discoveries are made. That is the main qualification which I have to make there. Large discoveries have been made in the past perhaps contrary to people's expectations. There is no reason to rule them out in the future. Barring that, we do face higher prices. Indeed I think that higher prices are necessary to achieve greater economy in fuel use.

I also believe that if we don't charge higher prices ourselves, then we will, in fact, be giving away the revenues to the OPEC countries without getting anything in return. The present energy situation is such that the OPEC countries can levy higher prices if they want to, if they can agree among themselves. That being so, we may want to forestall them and capture the revenue ourselves, rather than letting it all go abroad.

In that connection I might add that our imported fuel bill is now approaching \$50 billion a year, which is a very sizable amount, and that has a major impact on the domestic economy. One reason why our domestic economy is still faced with a large amount of slack is the continued drain through our balance of payments represented by higher oil prices.

Senator DOMENICI. You have no percentages that you want to share with us on this?

Dr. HOUTHAKKER. Yes; I have plenty of projections I could give you, but before we go into projections it is necessary to specify the assumptions under which these are made. I don't know what kind of energy program the President will come up with later this month; I don't know what response the Congress will have to it—how much of it will be enacted. I happen to think that if there were a free market without a tariff on imported oil, then the price of gasoline would not rise a great deal. Some other prices in the energy area might rise somewhat more.

The price of natural gas at the wellhead is gradually being adjusted, but still has some way to go. It is conceivable that, as we rely more on coal, coal prices will have to go up—in part because of the need for additional environmental measures, in part because of the increased market power that larger coal production will give to the mineworkers union. All of this is going to cost money, so I believe that the energy crisis will rise under those assumptions. It is very appropriate for this committee to consider measures that will relieve the hardship to the aged, and especially the aged poor.

Senator DOMENICI. Thank you very much.

We appreciate your testimony and if we have some written questions, we will get them to you quickly and ask that you answer them as quickly as possible so that we can include them in the hearing record. There may be Senators who were not here who might want to ask you some questions.

Dr. HOUTHAKKER. Thank you.

Senator DOMENICI. I very much appreciate your attendance.

Dr. HOUTHAKKER. I appreciate the opportunity.

Senator DOMENICI. We stand in recess indefinitely until we set another series of hearings.

Thank you all very much.

[Whereupon, at 12:58 p.m., the committee adjourned.]

# APPENDIXES

## Appendix 1

### MATERIAL SUPPLIED BY JOHN O'LEARY<sup>1</sup>

#### ITEM 1. GENERAL DESCRIPTION OF HOUSEHOLD ENERGY EXPENDITURE MODEL

The household energy expenditure model (HEEM) is designed to provide analysis of the socioeconomic impacts of energy price increases on household energy expenditures generally, and on low-income groups in particular. It is based on an energy data file for a nationally representative sample of approximately 50,000 U.S. households (excluding Alaska, Hawaii, and Puerto Rico). Given the specified sample size, the model provides no further geographic breakdown than the nine census divisions. Using existing data files, and thus avoiding the cost and delay associated with a large survey, energy expenditures on various energy types—including electricity, natural gas, fuel oil number 2, and gasoline—were imputed for each household depending on their usage. The primary data source was the public use sample of the 1970 Census of Population, supplemented by travel information from the Nationwide Personal Transportation Study. The data file thus contains a rich assortment of housing and household information in addition to geographic location and energy expenditures.

Using the transfer income model (TRIM), the demographic characteristics and population size, unemployment and income, and energy consumption were updated to 1973, and 1973 disposable income was computed for each household by simulating the national tax and transfer system. These 1973 energy expenditures were validated by a comparison with national control totals and the preliminary results of the 1972-73 Consumer Expenditure Survey of the Bureau of Labor Statistics. A close correspondence was observed, although natural gas expenditures may be overestimated by 15 percent, and gasoline expenditures may be overestimated by 20 percent for households with disposable income above \$15,000.

Energy expenditures in 1974 were estimated on the basis of these 1973 expenditures, the national price increase for each energy type from 1973 to 1974, and the FEA short-run residential price elasticities of demand. Thus it was possible to calculate the first-round, direct effect of energy price increases on household energy expenditures. In a sense, this measure can be interpreted as the tax on income by energy price increases but is only partial in nature. It includes only the effect on direct energy purchases; no account is taken of the indirect purchases of energy by the household. In addition, no estimate is made of the direct effect on the income distribution of higher energy prices by altering the demand for various types of labor and other factors of production. Further, when providing estimates for later years, no attempt is made to adjust the various distributions, i.e. household stock by fuel type, income, employment, etc., to be representative of the projected year of interest. Therefore, it is necessary to assume that these distributions remain constant over time during projection year processing.

<sup>1</sup> See statement, p. 306.

ITEM 2. RESPONSES TO SPECIFIC DATA REQUESTS BY  
COMMITTEE MEMBERS AND STAFF

FEDERAL ENERGY ADMINISTRATION,  
Washington, D.C., March 30, 1977.

Mr. PHILIP CORWIN,  
U.S. Senate Special Committee on Aging,  
Washington, D.C.

DEAR MR. CORWIN: As a followup to your telephone request of March 25, 1977, regarding average household energy expenditure data for 1973, to 1976, I am enclosing several tables based on FEA's household energy expenditure model (HEEM) which I hope will be of interest.

It should be noted that we are, of course, very pleased to be of assistance to the Senate Special Committee on Aging in their efforts to compile and analyze available energy data. However, we feel that the users of this data should be aware of an important limitation of this data file for the proposed use. Essentially, the problem stems from the fact that the model was intended to generate very short run estimates of household energy expenditures with the base year given as 1973. When providing estimates for later years, no attempt is made to adjust the various distributions, i.e. household stock by fuel type, income, employment, etc., to be representative of the projected year of interest. Therefore, it is necessary to assume that these distributions remain constant over time during projection year processing.

In view of this important caveat, it is strongly recommended that the users of this data employ extreme caution when interpreting the meaningfulness of these estimates and to evaluate its significance only in the light of other available evidence.

Once again, I hope these estimates will be of assistance. If we can be of further help please do not hesitate to contact us.

Sincerely

ALAN H. SIMMONS,  
Office of Consumer Affairs  
and Special Impact.

[Enclosure.]

AVERAGE ANNUAL EXPENDITURES ON HOME FUELS<sup>1</sup> BY DISPOSABLE INCOME CLASS BY AGE OF HOUSEHOLD  
HEAD 60 YR AND OVER BY U.S. REGION: 1973-76

Disposable income	Northeast				North Central			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	\$462	\$556	\$631	\$683	\$329	\$445	\$507	\$551
\$5,000 to \$7,499.....	474	570	647	698	368	480	547	594
\$7,500 to \$9,999.....	511	614	698	753	363	496	566	614
\$10,000 to \$14,999.....	566	674	767	829	392	495	566	615
\$15,000 to \$17,999.....	588	704	798	861	387	501	572	623

	South				West			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	\$311	\$372	\$423	\$456	\$269	\$315	\$360	\$391
\$5,000 to \$7,499.....	339	402	458	494	297	348	389	430
\$7,500 to \$9,999.....	363	432	496	528	288	337	384	415
\$10,000 to \$14,999.....	378	447	509	550	332	386	441	478
\$15,000 to \$19,999.....	404	476	540	583	333	393	446	479

<sup>1</sup> Home fuels include electricity, natural gas, fuel oil, bottled gas, and coal.

Source: Household Energy Expenditure Model, FEA.



PERCENTAGE CHANGE IN AVERAGE ANNUAL EXPENDITURES ON HOME FUELS<sup>1</sup> BY DISPOSABLE INCOME BY AGE OF HOUSEHOLD HEAD 60 YR AND OVER BY U.S. REGION: 1973-76

Disposable income	Northeast				North Central			
	1973-74	1974-75	1975-76	1973-76	1973-74	1974-75	1975-76	1973-76
	Less than \$5,000.....	20.3	13.5	8.2	47.8	35.3	13.9	8.7
\$5,000 to \$7,499.....	20.3	13.5	7.9	47.3	30.4	14.0	8.6	61.4
\$7,500 to \$9,999.....	20.2	13.7	7.9	47.4	36.7	14.1	8.5	69.1
\$10,000 to \$14,999.....	19.1	13.8	8.1	46.5	26.3	14.3	8.7	56.9
\$15,000 to \$19,999.....	19.7	13.4	7.9	46.4	29.5	14.2	8.9	61.0

Disposable income	South				West			
	1973-74	1974-75	1975-76	1973-76	1973-74	1974-75	1975-76	1973-76
	Less than \$5,000.....	19.6	13.7	7.8	46.6	17.1	14.3	8.6
\$5,000 to \$7,499.....	18.6	13.9	7.9	45.7	17.2	11.8	5.4	44.8
\$7,500 to \$9,999.....	19.0	14.8	6.5	45.5	17.0	13.9	8.1	44.1
\$10,000 to \$14,999.....	18.3	13.9	8.1	45.5	16.3	14.2	8.4	44.0
\$15,000 to \$19,999.....	17.8	13.4	8.0	44.3	18.0	13.5	7.4	43.8

<sup>1</sup> Home fuels include electricity, natural gas, fuel oil, bottled gas, and coal.

Source: Household Energy Expenditure Model, FEA.

AVERAGE ANNUAL EXPENDITURES ON HOME FUELS<sup>1</sup> AS A PERCENTAGE OF DISPOSABLE INCOME<sup>2</sup> BY AGE OF HOUSEHOLD HEAD 60 YR AND OVER BY U.S. REGION: 1973-76

Disposable income	Northeast				North Central			
	1973	1974	1975	1976	1973	1974	1975	1976
	Less than \$5,000.....	18.5	22.2	25.2	27.3	13.2	17.8	20.3
\$5,000 to \$7,499.....	7.6	9.1	10.4	11.1	5.9	7.7	8.8	9.5
\$7,500 to \$9,999.....	5.8	7.0	8.0	8.6	4.1	5.7	6.5	7.0
\$10,000 to \$14,999.....	4.5	5.4	6.1	6.6	3.1	4.0	4.5	4.9
\$15,000 to \$19,999.....	3.4	4.0	4.6	4.9	2.2	2.9	3.3	3.6

Disposable income	South				West			
	1973	1974	1975	1976	1973	1974	1975	1976
	Less than \$5,000.....	12.4	14.9	16.9	18.2	10.8	12.6	14.4
\$5,000 to \$7,499.....	5.4	6.4	7.3	7.9	4.8	5.6	6.2	6.9
\$7,500 to \$9,999.....	4.1	4.9	5.7	6.0	3.3	3.9	4.4	4.7
\$10,000 to \$14,999.....	3.0	3.6	4.1	4.4	2.7	3.1	3.5	3.8
\$15,000 to \$19,999.....	2.3	2.7	3.1	3.3	1.9	2.2	2.5	2.7

<sup>1</sup> Home fuels include electricity, natural gas, fuel oil, bottled gas, and coal.

<sup>2</sup> Percentages calculated on the basis of the midpoint of each income class.

Source: Household Energy Expenditure Model, FEA.

AVERAGE ANNUAL EXPENDITURES ON HOME FUELS<sup>1</sup> BY DISPOSABLE INCOME CLASS BY U.S. REGION: 1973-76

Disposable income	Northeast				North Central			
	1973	1974	1975	1976	1973	1974	1975	1976
	Less than \$5,000.....	\$459	\$522	\$626	\$676	\$380	\$453	\$516
\$5,000 to \$7,499.....	486	584	664	716	409	487	555	602
\$7,500 to \$9,999.....	522	626	711	766	423	499	570	620
\$10,000 to \$14,999.....	554	661	751	812	460	541	618	673
\$15,000 to \$19,999.....	585	695	790	853	429	557	638	694

Disposable income	South				West			
	1973	1974	1975	1976	1973	1974	1975	1976
	Less than \$5,000.....	\$316	\$378	\$430	\$464	\$268	\$313	\$357
\$5,000 to \$7,499.....	350	416	474	511	286	333	380	412
\$7,500 to \$9,999.....	374	443	503	543	296	345	394	427
\$10,000 to \$14,999.....	393	463	526	569	344	399	455	494
\$15,000 to \$19,999.....	421	492	561	607	380	440	503	544

<sup>1</sup> Home fuels include electricity, natural gas, fuel oil, bottled gas, and coal.

Source: Household Energy Expenditure Model, FEA.

AVERAGE ANNUAL HOUSEHOLD EXPENDITURES ON GASOLINE BY DISPOSABLE INCOME CLASS BY AGE OF HOUSEHOLD HEAD 60 YR AND OVER BY U.S. REGION: 1973-76

Disposable income	Northeast				North Central			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	\$188	\$242	\$260	\$272	\$210	\$271	\$291	\$305
\$5,000 to \$7,499.....	281	362	389	406	350	451	483	506
\$7,500 to \$9,999.....	404	521	558	584	392	505	541	566
\$10,000 to \$14,999.....	463	586	639	670	546	704	754	790
\$15,000 to \$19,999.....	581	748	803	839	701	903	969	1,013

Disposable income	South				West			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	\$196	\$253	\$271	\$284	\$233	\$300	\$322	\$337
\$5,000 to \$7,499.....	383	493	529	553	337*	433	465	487
\$7,500 to \$9,999.....	453	583	625	655	460	593	636	665
\$10,000 to \$14,999.....	526	678	727	761	531	683	733	767
\$15,000 to \$19,999.....	783	1,008	1,081	1,131	421	541	581	607

Source: Household Energy Expenditure Model, FEA.

PERCENTAGE CHANGE IN AVERAGE ANNUAL EXPENDITURES ON GASOLINE BY DISPOSABLE INCOME BY AGE OF HOUSEHOLD HEAD 60 YR AND OVER BY U.S. REGION: 1973-76

Disposable income	Northeast				North Central			
	1973-74	1974-75	1975-76	1973-76	1973-74	1974-75	1975-76	1973-76
Less than \$5,000.....	28.7	7.4	4.6	44.7	29.0	7.4	4.8	45.2
\$5,000 to \$7,499.....	28.8	7.5	4.7	44.5	28.9	7.1	4.8	44.6
\$7,500 to \$9,999.....	29.0	7.1	4.7	44.6	28.8	7.1	4.6	44.4
\$10,000 to \$14,999.....	28.7	7.2	4.9	44.8	28.9	7.1	4.8	44.5
\$15,000 to \$19,999.....	28.7	7.4	4.5	44.4	28.8	7.3	4.5	44.5

Disposable income	South				West			
	1973-74	1974-75	1975-76	1973-76	1973-74	1974-75	1975-76	1973-76
Less than \$5,000.....	29.1	7.1	4.8	44.9	28.8	7.3	4.7	44.6
\$5,000 to \$7,499.....	28.7	7.3	4.5	44.4	28.5	7.4	4.7	44.5
\$7,500 to \$9,999.....	28.7	7.2	4.8	44.6	28.9	7.3	4.6	44.6
\$10,000 to \$14,999.....	28.9	7.2	4.7	44.7	28.6	7.3	4.6	44.4
\$15,000 to \$19,999.....	28.7	7.2	4.6	44.4	28.5	7.4	4.5	44.2

Source: Household Energy Expenditure Model, EPA.

AVERAGE ANNUAL EXPENDITURES ON GASOLINE AS A PERCENTAGE OF DISPOSABLE INCOME BY AGE OF HOUSEHOLD HEAD 60 YR AND OVER BY U.S. REGION: 1973-76<sup>1</sup>

Disposable income	Northeast				North Central			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	7.5	9.7	10.4	10.9	8.4	10.8	11.6	12.2
\$5,000 to \$7,499.....	4.5	5.8	6.2	6.5	5.6	7.2	7.7	8.1
\$7,500 to \$9,999.....	4.6	6.0	6.4	6.7	4.5	5.8	6.2	6.5
\$10,000 to \$14,999.....	3.7	4.8	5.1	5.4	4.4	5.6	6.0	6.3
\$15,000 to \$19,999.....	3.3	4.3	4.6	4.8	4.0	5.2	5.5	5.8

Disposable income	South				West			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	7.8	10.1	10.8	11.4	9.3	12.0	12.9	13.5
\$5,000 to \$7,499.....	6.1	7.9	8.5	8.8	5.4	6.9	7.4	7.8
\$7,500 to \$9,999.....	5.2	6.7	7.1	7.5	5.3	6.8	7.3	7.6
\$10,000 to \$14,999.....	4.2	5.4	5.8	6.1	4.2	5.5	5.9	6.1
\$15,000 to \$19,999.....	4.5	5.8	6.2	6.5	2.4	3.1	3.3	3.5

<sup>1</sup> Calculated on the basis of the midpoint of each income class.

Source: Household Energy Expenditure Model, FEA.

AVERAGE ANNUAL HOUSEHOLD EXPENDITURES ON GASOLINE BY DISPOSABLE INCOME CLASS BY AGE OF HOUSEHOLD HEAD UNDER 60 YR BY U.S. REGION: 1973-76

Disposable income	Northeast				North Central			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	\$298	\$384	\$412	\$432	\$351	\$451	\$484	\$507
\$5,000 to \$7,499.....	349	450	482	505	417	537	576	602
\$7,500 to \$9,999.....	453	584	626	655	501	646	693	725
\$10,000 to \$14,999.....	525	677	725	760	557	718	770	806
\$15,000 to \$19,999.....	673	866	930	972	764	984	1,056	1,104

Disposable income	South				West			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	\$324	\$418	\$448	\$469	\$326	\$419	\$449	\$470
\$5,000 to \$7,499.....	414	533	572	598	399	514	551	576
\$7,500 to \$9,999.....	486	626	671	702	484	623	668	699
\$10,000 to \$14,999.....	569	732	786	822	551	709	761	797
\$15,000 to \$19,999.....	671	864	926	970	741	955	1,025	1,071

Source: Household Energy Expenditures Model, FEA.

PERCENTAGE CHANGE IN AVERAGE ANNUAL EXPENDITURES ON GASOLINE BY DISPOSABLE INCOME BY AGE OF HOUSEHOLD HEAD UNDER 60 YR BY U.S. REGION: 1973-76

Disposable income	Northeast				North Central			
	1973-74	1974-75	1975-76	1973-76	1973-74	1974-75	1975-76	1973-76
Less than \$5,000.....	28.9	7.3	4.9	45.0	28.5	7.3	4.8	44.4
\$5,000 to \$7,499.....	28.9	7.1	4.8	44.7	28.8	7.3	4.5	44.4
\$7,500 to \$9,999.....	28.9	7.2	4.6	44.6	28.9	7.3	4.6	44.7
\$10,000 to \$14,999.....	29.0	7.1	4.8	44.8	28.9	7.2	4.7	44.7
\$15,000 to \$19,999.....	28.7	7.4	4.5	44.4	28.8	7.3	4.5	44.5

Disposable income	South				West			
	1973-74	1974-75	1975-76	1973-76	1973-74	1974-75	1975-76	1973-76
Less than \$5,000.....	29.0	7.2	4.7	44.8	28.5	7.2	4.7	44.2
\$5,000 to \$7,499.....	28.7	7.3	4.5	44.4	28.8	7.2	4.5	44.4
\$7,500 to \$9,999.....	28.8	7.2	4.6	44.4	28.7	7.2	4.6	44.4
\$10,000 to \$14,999.....	28.6	7.4	4.6	44.5	28.7	7.3	4.7	44.6
\$15,000 to \$19,999.....	28.8	7.2	4.8	44.6	28.9	7.3	4.5	44.5

Source: Household Energy Expenditure Model, FEA.

AVERAGE ANNUAL EXPENDITURES ON GASOLINE AS A PERCENTAGE OF DISPOSABLE INCOME BY AGE OF HOUSEHOLD HEAD UNDER 60 YR BY U.S. REGION: 1973-76<sup>1</sup>

Disposable income	Northeast				North Central			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	11.9	15.4	16.5	17.3	14.0	18.0	19.4	20.0
\$5,000 to \$7,499.....	5.6	7.2	7.7	8.1	6.7	8.6	9.2	9.6
\$7,500 to \$9,999.....	5.2	6.7	7.2	7.5	5.7	7.4	7.9	8.3
\$10,000 to \$14,999.....	4.2	5.4	5.8	6.1	4.5	5.7	6.2	6.4
\$15,000 to \$19,999.....	3.8	4.9	5.3	5.6	4.4	5.6	6.0	6.3

Disposable income	South				West			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$5,000.....	13.0	16.7	17.9	18.8	13.0	16.8	18.0	18.8
\$5,000 to \$7,499.....	6.6	8.5	9.2	9.6	6.4	8.2	8.8	9.2
\$7,500 to \$9,999.....	5.6	7.2	7.7	8.0	5.5	7.1	7.6	8.0
\$10,000 to \$14,999.....	4.6	5.9	6.3	6.6	4.4	5.7	6.1	6.4
\$15,000 to \$19,999.....	3.8	4.9	5.3	5.5	4.2	5.5	5.9	6.1

<sup>1</sup> Calculated on the basis of the midpoint of each income class.

Source: Household Energy Expenditure Model, FEA.

FEDERAL ENERGY ADMINISTRATION,  
OFFICE OF THE ADMINISTRATOR,  
Washington, D.C.

Hon. PETE V. DOMENICI,  
U.S. Senate Special Committee on Aging,  
Washington, D.C.

DEAR MR. DOMENICI: In response to your written request of March 25, 1977, requesting average annual household energy expenditure data by age of household head, enclosed are several statistical tables. These are based on the Federal Energy Administration's Household Energy Expenditure Model (HEEM).

FEA is pleased to assist the Senate Special Committee on Aging in its efforts to compile and analyze available energy data. It is also appropriate to briefly describe how these estimates were generated and to indicate some of the more important limitations of the data file.

Essentially, the HEEM model is designed to provide analysis of the socioeconomic impacts of energy price increases on household energy expenditures generally, and on low-income groups in particular. It is based on an energy data file for a nationally representative sample of approximately 50,000 U.S. households (excluding Alaska, Hawaii, and Puerto Rico). The primary data source was the public use sample of the 1970 Census of Population, supplemented by travel information from the Nationwide Personal Transportation Survey. It should be noted, however, that although the data file does contain a rich assortment of housing and household information, it does not generate reliable estimates of energy expenditures by functional end-use, i.e. space heating, water heating and cooking. Consequently, FEA was not able to satisfy this particular data request.

Using the Department of Health, Education, and Welfare's transfer income model (TRIM), the demographic characteristics and population size, unemployment and income, and energy consumption were updated to 1973, and 1973 disposable income was computed for each household by simulating the national tax and transfer system. These 1973 energy expenditures were validated by a comparison with national control totals and the preliminary results of the 1972-1973 Consumer Expenditure Survey of the Bureau of Labor Statistics. When converted to a comparable basis, a close correspondence was observed for electricity and natural gas expenditures. However, a large discrepancy existed for the average expenditures on other fuels, especially for coal and bottled gas.

Energy expenditures for 1974 through 1976 were estimated on the basis of these 1973 expenditures, the national price increase for each energy type from 1973 to the year of interest, and the FEA short run residential price elasticities of demand. Thus it was possible to calculate the first round, direct effect of energy price increases on household energy expenditures. Please note that the model does not take into account the indirect purchases of energy by the household. More importantly, however, when providing estimates for years past 1973, no attempt is made to adjust the various distributions, i.e. household stock by fuel type, income, employment, to be representative of the year of interest. Therefore, it is necessary to assume that these distributions remain constant over time during projection year processing.

In view of these important caveats, it is strongly recommended that the users of these data employ extreme caution when interpreting their meaningfulness and to evaluate its significance only in the light of other available evidence.

Once again, I hope these estimates will be of assistance. If we can be of further help, please do not hesitate to contact us.

Sincerely,

JOHN F. O'LEARY,  
Administrator.

[Enclosure.]

AVERAGE ANNUAL HOUSEHOLD EXPENDITURES ON HOME FUELS<sup>1</sup> BY AGE OF HOUSEHOLD HEAD BY DISPOSABLE INCOME, UNITED STATES: 1973-76

Disposable income	Household head under 65				Household head 65 and over			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$2,000 .....	\$341	\$407	\$463	\$501	\$345	\$412	\$469	\$507
\$2,000 to \$4,999 .....	354	423	481	521	360	429	488	529
\$5,000 to \$9,999 .....	396	471	535	579	396	471	535	580
\$10,000 to \$19,999 .....	458	539	614	665	434	514	585	633
Over \$20,000 .....	520	610	696	755	451	529	603	653

<sup>1</sup> Home fuels include electricity, natural gas, fuel oil, bottled gas, and coal.

AVERAGE ANNUAL HOUSEHOLD EXPENDITURES ON HOME FUELS AS A PERCENT OF DISPOSABLE INCOME BY AGE OF HOUSEHOLD HEAD, UNITED STATES: 1973-76<sup>1</sup>

Disposable income	Household head under 65				Household head 65 and over			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$2,000.....	34.1	40.7	46.3	50.1	34.5	41.2	46.9	50.7
\$2,000 to \$4,999.....	10.1	12.1	13.7	14.9	10.3	12.3	13.9	15.1
\$5,000 to \$9,999.....	5.3	6.3	7.1	7.7	5.3	6.3	7.1	7.7
\$10,000 to \$19,999.....	3.1	3.6	4.1	4.4	2.9	3.4	3.9	4.2

<sup>1</sup> Calculated on the basis of the midpoint of each income class.

Source: Household Energy Expenditure Model, FEA.

AVERAGE ANNUAL HOUSEHOLD EXPENDITURES BY SELECTED FUELS BY AGE OF HOUSEHOLD HEAD BY DISPOSABLE INCOME, UNITED STATES: 1973-76

Disposable income and fuel type	Household head under 65				Household head 65 and over			
	1973	1974	1975	1976	1973	1974	1975	1976
Less than \$2,000:								
Electricity.....	\$151	\$175	\$197	\$210	\$144	\$167	\$189	\$200
Natural gas.....	156	175	205	232	163	182	213	241
Fuel oil.....	186	251	281	300	176	237	265	284
Bottled gas.....	227	288	323	343	234	287	333	354
Coal.....	184	291	318	339	163	257	282	301
\$2,000 to \$4,999:								
Electricity.....	155	180	203	216	151	175	197	210
Natural gas.....	160	179	210	237	163	182	213	241
Fuel oil.....	187	252	282	302	187	252	282	302
Bottled gas.....	235	299	334	355	249	316	354	375
Coal.....	180	284	312	332	195	307	337	359
\$5,000 to \$9,999:								
Electricity.....	179	208	235	249	173	200	226	241
Natural gas.....	172	193	225	255	167	187	219	249
Fuel oil.....	197	265	297	318	197	266	298	319
Bottled gas.....	258	327	367	389	271	344	385	410
Coal.....	203	320	351	374	236	372	408	434
\$10,000 to \$19,999:								
Electricity.....	214	248	280	297	193	224	253	268
Natural gas.....	205	229	268	304	188	210	246	278
Fuel oil.....	227	307	344	368	189	255	285	305
Bottled gas.....	288	365	409	434	300	381	427	453
Coal.....	209	330	361	386	203	320	350	374
Over \$20,000:								
Electricity.....	246	286	323	343	321	256	289	307
Natural gas.....	225	251	294	333	184	211	247	279
Fuel oil.....	211	284	318	341	133	179	201	215
Bottled gas.....	340	431	483	512	289	367	412	437
Coal.....	207	327	358	382	276	436	478	510

Source: Household Energy Expenditure Model, FEA.

### ITEM 3. FEA ELECTRIC UTILITY DEMONSTRATION PROJECTS

January 18, 1977

F. DEMONSTRATION PROGRAM SUPJARY  
ELECTRIC UTILITY PROJECTS

SPONSOR/LOCATION/PROJECT MANAGER	PARTICI- PATING UTILITY(S)	PERIOD OF PERFORMANCE	KEY SUBJECT MATTER	DELIVERY OF PRELIMINARY EXPERIMENTAL DATA
1. Original 10 projects				
1.1 Vermont - Public Service Board  (Wayne Foster (802) 828-2321)	Green Mountain Power Co.	11/74-1/77	Rates: Inverted demand, off-peak, three part, peak KW demand, interruptible, & contract. Residential - Voluntary participation. Also testing hydronic heat storage & ripple control. Objectives: test customer acceptance/response to above rate forms, and their impact on utility revenues and load shaping.	Sept 76
1.2 Connecticut - Public Utilities Commission  Jackalyne P. Smith (203) 566-3696	Connecticut Light & Power Company	6/75-3/77	Rates: Three-part peak load rate. Residential - Voluntary participation with customer incentives to invest in load control devices. Objectives: Test customer response to TOD rates; determine demand deferral and cost savings potential.	Nov 76
1.3 New Jersey - State Energy Office  Charles Richman (201) 648-3290	Jersey Central Power & Light	6/75-12/78	Rates: Two part TOD rates with different P/OP ratios and seasonal variation. Residential - Mandatory participation. Also testing bi-directional load management system. Objectives: test customer response to TOD rates and the technical and economic feasibility of demand control system.	Aug 77
1.4 Ohio - Public Utilities Commission  Robert Wayland (614) 466-2338	Dayton Power & Light Co. Toledo Edison Co. Buckeye Power Co.	6/75-12/77	Rates: two-part TOD rate, seasonal. Residential - Voluntary participation. Also testing radio control of water heating and HVAC loads, and heat storage. Objectives: Investigate changes in customers consumption patterns; study the feasibility of supervisory load control, study the cost impact of heat storage; model changes in industrial demand to determine impact on efficient utility operations; develop a generalized computer program to determine the incremental cost of producing electricity.	Mar 77
*Potential obligations (unsolicited), not yet approved.				

DEMONSTRATION PROGRAM SUMMARY  
ELECTRIC UTILITY PROJECTS

SPONSOR/LOCATION/PROJECT MANAGER	PARTICIPATING UTILITY(S)	PERIOD OF PERFORMANCE	KEY SUBJECT MATTER	DELIVERY OF PRELIMINARY EXPERIMENTAL DATA
<p>1.5 Arkansas - Public Service Commission</p> <p>James P. Herden (501) 371-1174</p>	<p>Arkansas Power &amp; Light Co.</p>	<p>6/75-7/77</p>	<p>Rates: Three-part TOD rate with different P/OP ratios and seasonal variation. Residential, commercial, industrial - mandatory participation. Objectives: analyze elasticity of demand under cost based rates and determine the medium term implications of demand changes on utility operating and capital costs.</p>	<p>Nov 76</p>
<p>1.6 Arizona - Solar Research Commission</p> <p>James F. Warnock (602) 271-3682</p>	<p>Arizona Public Service Co.</p>	<p>6/75-12/76</p>	<p>Rates: Three-part TOD with multiple P/OP ratios. Residential - Voluntary participation. Demonstrate customer controlled load management devices, off-peak HVAC systems, utility controlled load management devices. Objectives: assess the societal and economic implications of TOD rates and load management systems and the impact on utility fuel consumption and future generating requirements.</p>	<p>Dec 76</p>
<p>1.7 Los Angeles - City</p> <p>Dennis B. Whitney (213) 481-5685</p>	<p>Department of Water &amp; Power</p>	<p>6/75-9/79</p>	<p>Rates: Lifeline, Seasonal, flat and TOD rates (2 part) with multiple P/OP ratios and varying peak periods. Residential - voluntary participation. Objectives: assessment of customer response and impact on utility operations of time varying rates &amp; feasibility of system-wide implementation.</p>	<p>Jul 77</p>
<p>1.8 Wisconsin - Public Service Commission</p> <p>J. Robert Malko (608) 266-6099</p>	<p>Wisconsin Public Service Corp.</p>	<p>9/75-11/80</p>	<p>Rates: TOD rates to be determined; Residential - mandatory participation. Objectives: measure price and demand elasticity, and customers' comprehension of pricing signals; compare effect of rates on moderate and high-use customers; evaluate feasibility of wide adoption of new rates.</p>	<p>Jun 77</p>

DEMONSTRATION PROGRAM SUMMARY  
ELECTRIC UTILITY PROJECTS

SPONSOR/LOCATION/PROJECT MANAGER	PARTICIPATING UTILITY(S)	PERIOD OF PERFORMANCE	KEY SUBJECT MATTER	DELIVERY OF PRELIMINARY EXPERIMENTAL DATA
<p>1.9 Michigan - Public Service Commission</p> <p>Robert Benko (517) 373-8171</p>	<p>Detroit Edison</p>	<p>8/75-12/77</p>	<p>Energy Management program; two-part TOD rate in effect (not a function of the study); Industrial - voluntary participation. Objectives: measure energy consumption before and after implementation of energy management program with emphasis on savings at system peak; results will be analyzed for broad applicability potential; participants offered a monetary incentive to invest in load control devices.</p>	<p>Jan 77</p>
<p>1.10 New York - Public Service Commission</p> <p>Joseph Rizzuto (518) 474-1931</p>	<p>Consolidated Edison</p>	<p>1/76-3/77</p>	<p>Rates: two-part seasonal &amp; TOD rate. Residential and small commercial - participation to be determined. Objectives: institutional and legal analysis of load management opportunities, assess customer and system impacts of time-varying rates, estimate the cost effectiveness of various load management strategies.</p>	<p>Mar 77</p>
<p>2.0 Six New Projects</p>				
<p>2.1 California - Energy Resources Conservation &amp; Development Commission &amp; Public Utilities Commission</p> <p>Richard M. Hairston (916) 322-4523</p>	<p>Pacific Gas &amp; Electric Co. San Diego Gas &amp; Electric Co. Southern Calif. Edison Co. Sacramento Municipal Utility District</p>	<p>7/76-8/78</p>	<p>Rates: Time-of-day coupled with various pricing periods and/or a peak period demand charge with and without load management tariff provisions; Interruptible rates; and special off-peak rate incentives. Industrial, Commercial, Residential - Both mandatory and voluntary participation expected. Objectives: assess the actual impact, cost, and system implications of shifting all large customers to TOD rates &amp; determine the costs and benefits of extending alternative tariffs to residential and low demand customers.</p>	<p>For the following 6 recently-funded demonstrations, delivery date of preliminary experimental data will not be established until after the experimental design is refined. The refined proposal is to be delivered to FEA within 90 days after contract award.</p>



DEMONSTRATION PROGRAM SUMMARY  
ELECTRIC UTILITY PROJECTS

SPONSOR/LOCATION/PROJECT MANAGER	PARTICIPATING UTILITY(S)	PERIOD OF PERFORMANCE	KEY SUBJECT MATTER	DELIVERY OF PRELIMINARY EXPERIMENTAL DATA
2.2 Puerto Rico - Commonwealth  Alberto Bruno-Vega (809) 724-8980	Water Resources Authority	7/76-7/80	Rates: Time-of-day rates using the Turvey marginal cost approach. Residential, Commercial, Industrial- Voluntary participation. Objectives: To measure consumption changes, estimate utility and customer savings and analyze the distribution of impacts across customer classes.	
2.3 North Carolina - Utilities Commission  Robert Koger (919) 829-4271	Carolina Power & Light Blue Ridge Electric Membership Corp.	7/76-7/79	Rates: Two part TOD rate with seasonal peak adjustment, multi-part rate (customer, energy and demand charge), & multi-part time based. Residential-Mandatory participation. Objectives: evaluation of system load curve implications, and the costs, benefits, and customer attitudes and responses to alternative peak load rates.	
2.4 Edmond - City (Oklahoma)  Dallas Graham (405) 341-4550	Edmond Municipal Electric Co.	9/76-3/78	Rates: Seasonal, Time-of-day, and Flat rates. Residential-Mandatory participation. Objectives: to measure and analyze changes in patterns, consumer acceptance and revenue changes under the test rates and determine the feasibility of system wide implementation.	
2.5 Washington - State Energy Office  Jacob Fey (206) 753-2417	Seattle City Light Clark County PUD Puget Sound Power & Light Co.	9/76-10/78	Rates: Seasonal and inverted rates, also cash rebates to public housing residents who conserve. Residential, Commercial, Industrial-Mandatory participation. Education and incentives for insulation retrofit in older, electrically heated homes. Objectives: controlled evaluation of rate increases; analysis of relationship between income and energy use; implement and assess cost-effective means of providing feedback that results in electrical energy conservation.	

DEMONSTRATION PROGRAM SUMMARY  
ELECTRIC UTILITY PROJECTS

SPONSOR/LOCATION/PROJECT MANAGER	PARTICIPATING UTILITY(S)	PERIOD OF PERFORMANCE	KEY SUBJECT MATTER	DELIVERY OF PRELIMINARY EXPERIMENTAL DATA
<p>2.6 Rhode Island - Public Utilities Commission</p> <p>Thomas Chmura (401) 277-3500</p>	<p>Blackstone Valley Electric Company</p>	<p>9/76-10/78</p>	<p>Rates: Three part TOD rate with at least two peak periods. Residential and supermarkets - Mandatory participation. Objectives: determine customer response and whether the resulting load management benefits warrant costs incurred in wide implementation &amp; establish principles of time-of-use costing and rate structure design for multi-state utility system.</p>	

NATURAL GAS DEMONSTRATION PROJECTS

<u>SPONSOR/LOCATION</u>	<u>Participants</u>	<u>PERIOD OF PERFORMANCE</u>	<u>KEY SUBJECT MATTER</u>
Arizona Economic Planning & Development Office	Univ. of Arizona Cities of Phoenix & Tucson State Dept. of Education Citizens Energy Task Force Energy Policy Office	4/76 - 4/77	Examine effectiveness of public education programs for natural gas conservation utilizing communications media, information brochures and aerial thermal infrared photography. Report will analyze the strengths and weakness of the above techniques and the feasibility of infrared photography for measuring changes in insulation.
California Energy Resources Conservation & Development Commission	Pacific Gas & Electric Co. San Diego Gas & Electric Co. Southern Cal. Gas Co.	4/76 - 4/77	Survey the residential market to identify and analyze the financial and institutional impediments to upgrading insulation in existing residential structure; investigate the feasibility of increasing the utilization of electronic ignition devices on new and existing appliances; develop and implement a pilot audit service for industries to optimize natural gas usage.
New York Department of Public Service	Brooklyn Union Gas Co. Penn Controls Div. of Johnson Service Co.	4/76 - 4/77	Determine the gas saving potential and cost effectiveness of replacing pilot lights in residential gas heating systems with electronic ignition devices. Cost, customer acceptance, equipment reliability, service requirements and safety aspects will also be evaluated.
Ohio Public Utilities Commission	Ohio State Univ. Ohio Energy Resource & Development Agency	4/76 - 4/77	Analysis of alternatives to current roll-in pricing policies, including incremental cost pricing for emergency purchases and synthetic gas, and pooling approaches permitting gas allocations to be traded among curtailed industrial customers. Guidelines will also be developed for utility gas pricing and gas curtailment plans.

Table C-3--Demonstration Program Summary

ELECTRIC DEPTS	RATES						METERS						
	Regulation/ Stock Use	Time-of- Use	Flat	Life-line	Inverted	Time- of-Use	Conventional Meter	Two Register Meter	Water Meter	2-way With Comby	Three Register Meter	Indicating Demand Meter	Water Meter With Tag Tape
Arizona	X	X									X		
Arkansas	X	X											X
California	X	X					X				X		X
Connecticut	X	X											X
Edmond, Oklahoma	X	X											X
Los Angeles	X	X	X	X			X						X
Michigan													X
New Jersey	X	X	X						X <sup>4/</sup>				X
New York	X	X											X
North Carolina	X	X											X
Ohio	X	X											X
Puerto Rico	X	X		X	X	X	X						X
Rhode Island	X	X				X							X
Vermont <sup>2/</sup>	X	X			X	X	X						X
Washington	X			X			X <sup>3/</sup>						
Wisconsin	X	X	X		X								X

1/ Used as a control for comparison to other rates.

2/ Interruptible and contract rates are also demonstrated.

3/ Includes 50 prototype in-house meters which display usage and cost continuously.

4/ Includes automatic meter reading device

NOTE: Definitions of these terms are those used in the text of the Report and some projects may be using slightly different terms to describe the rates, meters and load management technology being used.

Table C-3--Demonstration Program Summary--Continued

ELECTRIC DEMO	DIRECT METHODS								INDIRECT METHODS					END-USE CONSERVATION		
	Rise Switches	Load Limiting	Central Control Systems	Industrial Incentives	Lead Utility	Storage Power	Peaking Power	Demand Control	Customer Storage	Hybrid Space Heating	Wind Power Devices	Improve End-Use Efficiency	Reduce for Use of Work-Of	Elimination of Waste Material		
Arizona	X	X	X					X	X	X						
Arkansas											X	X				
California		X	X	X				X								
Connecticut								X		X						
Edmond, Oklahoma																
Los Angeles								X			X	X				
Michigan		X														
New Jersey			x1/								X	X				
New York			X													
North Carolina								x2/								
Ohio			X					X				X				
Puerto Rico																
Rhode Island																
Vermont	X		X					X	X		X		X			
Washington										X						
Wisconsin																

1/ Power line control possible

2/ Tentative

## ITEM 4. FEDERAL INTERVENTION IN STATE REGULATORY HEARINGS

OFFICE OF ENERGY CONSERVATION AND ENVIRONMENT, FEDERAL ENERGY ADMINISTRATION REGULATORY INTERVENTION PROGRAM, APR. 4, 1977

## Summary of regulatory participation

Docket number and utility	FEA status	Requested by	Testimony filed	Brief filed
C				
California PUC No. 54279 et al. (Pacific Gas & Electric).	Amicus.....	Environmental defense fund.....		Apr. 2, 1975
California PUC No. 56408 (Southern California Edison).	Party.....	Commission.....	Aug. 30, 1976	Dec. 16, 1976
Colorado PUC No. 935 (Colorado Public Service).	Amicus.....	do.....	Oct. 8, 1975	
Colorado PUC No. 5693 (generic hearings).	Party.....	do.....		(1)
Connecticut PUCA No. 760204 (generic hearings).	do.....	do.....	Oct. 1, 1976	
Dallas, Tex. (undocketed) (Dallas Power & Light).	Amicus.....	do.....	Oct. 13, 1976 Feb. 14, 1976	
Delaware PSC No. 829 (Delaware Power & Light).	Party.....	do.....	Feb. 2, 1976	
Hawaii PUC No. 2793 (generic hearings).	do.....	do.....		(1)
Kentucky PSC No. 6723 (Louisville Gas & Electric).	do.....	Attorney general of Kentucky, et al.	Mar. 23, 1977	
Maryland PSC No. 6808 (generic).	Amicus.....	Commission.....	Feb. 27, 1976	Sept. 2, 1976
Massachusetts DPU No. 18810 (generic ratemaking).	do.....	do.....	Sept. 15, 1976	
Minnesota PSC No. ER2-1 (Northern States Power).	ds.....	Commission.....	Sept. 23, 1975	
Nevada PSC No. 579 (Sierra Pacific Power).	do.....	do.....		May 17, 1976
New Hampshire PUC No. DR 75-20 (generic hearings).	do.....	Governor's office.....	Jan. 20, 1976	
New York PSC No. 26806 (generic hearings).	Party.....	Commission.....	Aug. 11, 1975	Mar. 20, 1976
North Carolina UC No. E-100, sub 21 (generic hearings).	do.....	do.....	Jan. 27, 1976 Dec. 10, 1975	Apr. 9, 1976
Oklahoma CC No. 25897 (Oklahoma Public Service Co.).	do.....	Oklahoma Sierra Club, et al.	Dec. 16, 1975 Mar. 31, 1977	
Pennsylvania PUC No. 76-PRMD-7 (generic hearings).	do.....	Commission.....	Feb. 7, 1977	
South Dakota PSC No. F-3062 (Northern States Power).	do.....	do.....	Apr. 26, 1976	July 12, 1976
Tennessee Valley Authority (generic investigation).	Participant.....	TVA.....	June 7, 1976	
Wisconsin PSC No. 01-ER-1 (generic ratemaking).	Party.....	Commission.....	Sept. 6, 1976	

<sup>1</sup> Participant in case, but FEA testimony not due until later date.

## SCOPE OF TESTIMONY

FEA submissions typically consist of direct testimony, defended on cross-examination, and often supplemented by briefs. The general thrust of FEA submissions does not change from case to case and, in general, has supported rate structure reform incorporating time-of-use considerations and elimination of most declining block features of present rates. Specific data and recommendations developed in the testimony, of course, differ from case to case in accordance with the varying characteristics of individual utility systems. FEA testimony typically addresses:

- The economic and energy rationale for rate reform, in particular time-of-use rates, as part of a comprehensive conservation strategy;
- Appropriate costing and pricing methods for determining such rates;
- The costs of implementing such rate designs;
- The benefits of time-of-use rates;
- Practical recommendations for implementing a comprehensive utility rate reform and conservation program.

## RESULTS

It is very difficult to specifically identify results from individual intervention activities, in large part because of the complex nature of the regulatory process. Utility rate proceedings typically comprise a wide range of diverse—although sometimes allied—interests competing before a regulatory commissions charged with setting “just and reasonable” rates on the basis of the broad public interest.

In this context, it is very difficult to point to any one party's testimony or briefs as the determinative factor in any rate decisions. However, of the cases in which FEA has participated, decisions in four—California, New York, North Carolina and Wisconsin—substantially reflect the recommendations FEA has made. As noted above, though, it is difficult to ascribe the results to FEA's testimony in itself.

Finally, a number of proceedings FEA has participated in are still continuing, and have yet to reach a conclusion of any kind.

#### ITEM 5. FEA REGIONAL OFFICE ACTIVITIES RELATING TO THE AGED

*Region I.*—A report entitled "The Energy Crisis and New England's Elderly" has been prepared and implemented through the Federal Regional Council and the Federal Executive Board. The report outlines accomplishments, problems, and future directions of existing energy related programs affecting the elderly.

*Region III.*—Through the Federal Regional Council, a plan is being developed to enable elderly persons in West Virginia to obtain home heating coal. In West Virginia some elderly persons have been unable to obtain coal for home heating because small mines have gone out of business and dealers are unable to accommodate residential end-users.

*Region V.*—FEA's Regional Office of Consumer Affairs/Special Impact has developed an information and referral system on energy information for the aged by taping radio and television programs with local networks to inform citizens about local aging programs.

*Region VI.*—FEA's regional office participated in four 2-day public forums on energy and the elderly, cosponsored by the Southwest Regional Council and various State agencies. Forums were held in Arkansas, Louisiana, Oklahoma, and New Mexico.

*Region VII.*—FEA, in conjunction with the Federal Executive Board's Committee on Community Services, sponsored an energy conservation seminar for the elderly in the Kansas City area.

*Region VIII.*—A slide presentation was developed to acquaint elderly citizens and others with utility rate structures and the regulatory process.

## Appendix 2

### EXHIBITS SUBMITTED BY HERMAN C. GRACE<sup>1</sup>

#### ITEM 1. SUGGESTED LEGISLATION FOR UTILITY REGULATION AS IT RELATES TO THE ELDERLY POOR

It is essential that utility corporations be required to assume a greater share of social responsibility. All indications are that this must be done by Federal legislation, since utility lobby groups often control State legislatures.

Utility corporations have been blatant in ignoring social responsibilities, spending huge sums on touting, through advertising and public relations, meaningless band-aid public gestures and then adding these costs to what the already over-burdened consumer is paying.

Major elements of utility rate revision could include, but not be limited to, restriction of the widespread abuses utility companies (and that specifically includes those in New Mexico) have been getting away with under automatic rate adjustment clauses. These include accounting techniques which are obscure to the point of being undecipherable; failure to pass-on savings from new techniques and new fuel sources; overcharges for fuel by fuel producers which are owned by the utility; use of adjustment clauses to charge customers for mistakes and inefficient operations and failure to seek efficient operations since charges can be passed on; rate base and utility profits padding; failure to use and promote energy conservation programs.

Utilities should as soon as possible be prohibited from all advertising and other activities designed to promote use of their energy resources. Such advertising is entirely made up of self-serving image building, use of false or misleading information to prevent customer protests, and to further the inflationary and energy wasting spiral.

Money previously spent on advertising should be invested in energy conservation programs, especially those designed to aid the elderly. Utilities should help finance insulation, the conversion of wasteful heating systems to other energy sources, and assistance to the consumers in energy conservation.

Rate structure revision should emphasize special provisions to protect the poor from rising utility and fuel rates. All families should be able to purchase a basic amount of electricity and home heating fuel at reasonable "Lifeline" rates which would not be subject to rate increases, except in limited, predetermined increments. In the case of electricity, charges for each customer's first 400 kilowatt-hours should be limited to about 2.5 cents per KWH.

Fuel adjustment clauses should be very carefully reconsidered and, if continued, should be severely restricted to include actual costs of fuel alone, and to prevent sweetheart arrangements with fuel producers and utility owned fuel producers

Part of any utility rate regulation should include, in addition to the "lifeline" concept, third party notification prior to any utility cut-off. This is especially needed since most cut-offs go to the elderly. The third party should be designated by the utility client, and could in most cases be a service agency such as a community action agency. Often, the elderly fail to receive or understand cut-off notices or for various reasons are unable to respond.

The Federal Power Commission (FPC) accounting system, which utilities use, includes an "uncollectable account allowance." Utilities hide this fact, and instead of using it in hardship cases use it to increase profits. This should be prohibited.

<sup>1</sup> See statement, p. 339.



## ITEM 2. NEEDED WEATHERIZATION AND ENERGY LEGISLATION

(1) Legislation to weatherize the homes of low-income people 65 years and older. It is estimated that about one half of the people that fall in this group could be served over a three year period at a cost of \$250 million.

(2) Legislation to expand the present Community Services Administration and the Federal Energy Administration weatherization effort. It is estimated that 20-40 percent of the homes of the eligible low-income people could be winterized over a three year period at a cost of one billion dollars.

(3) Legislation to expand the time period for present emergency fuel assistance program appropriation to the Community Services Administration to April 1978. Legislation should allow any unused funds in the program to be used in weatherizing homes.

(4) Legislation to set up a large demonstration solar supplemental heat and food production greenhouse project. This would be particularly effective for rural elderly poor providing both low cost additional home heat and a low cost source of food, while giving the elderly a sense of accomplishment.

(5) Legislation designed to encourage all forms of energy savings for all segments of the population. Loans and grants for home weatherization and energy saving devices (clock thermostats, etc.). Application of advanced technology in energy conservation. Example: infra-red thermal scanning. A major infrared scanning program should be instituted, similar to the state-wide program proposed for New Mexico last year.

(6) Legislation designed to assist those families receiving Social Security, Supplemental Security Income (SSI) and Aid to Families with Dependent Children (AFDC) in managing their limited incomes in coping with rising energy costs. Such legislation might allow for the issuing of energy payment stamps similar to food stamps administered by the Department of Agriculture.

(7) Legislation designed to meet emergency needs of low-income and elderly persons through reactivating emergency funds administered by Welfare Offices. Such a fund could be utilized by welfare department staff to assist families suffering from crisis situations related to rising energy costs which affect all aspects of their well-being.

## ITEM 3. HOUSE BILL 527, STATE OF NEW MEXICO, FIRST SESSION, 1977

An act relating to the public health and welfare; authorizing approved home winterization services to qualified low-income families and individuals to reduce utility expenditures and to conserve residential energy use; making an appropriation

Be it enacted by the legislature of the State of New Mexico:

SECTION 1. Short title.—This act may be cited as the "Emergency Home Winterization Act".

SECTION 2. Legislative intent. It is the intent of the legislature that the Emergency Home Winterization Act be used to expand the emergency energy conservation programs being administered by community action agencies, to assist recipients of federal supplemental security income benefits, recipients of aid to families with dependent children and other needy families qualifying under federal home winterization guidelines. Funds provided under the Emergency Home Winterization Act are to be used for making and affecting winterization services to certain low-income individuals and families. Specifically, the homes of qualifying individuals and families will be repaired and insulated in such a way as to reduce fuel consumption and to lessen the expenditure for utilities to the homeowner. It is the intent of the legislature that funds appropriated in the Emergency Home Winterization Act be used to the maximum extent to generate available federal and local governmental funds and mobilize other resources which may be applied to the same program.

SECTION 3. Administration of act.—A. The New Mexico division of human resources office of the governor, is given authority under the Emergency Home Winterization Act to monitor determination of eligibility of persons to be granted assistance. The division of human resources will work closely with and affect agreements with the community action agencies and will provide technical assistance to community action agencies and local governments in program implementation. Community action agencies will utilize already developed expertise in carrying out winterization activities. In counties not covered by community ac-

tion agencies, programs under the Emergency Home Winterization Act will be administered directly by the division of human resources in cooperation with local entities. Manpower programs and all other available federal programs will be used to supplement the Emergency Home Winterization Act to the fullest extent.

B. The division of human resources shall coordinate, at the state level, all aspects of the home winterization program with appropriate state agencies, including, but not limited to, the energy resources board, the health and social services department and the employment security commission.

C. The division of human resources shall carry out a continuing process of monitoring winterization activities carried out by each community action agency to determine cost-benefits and quality of all work done and to assure compliance with qualification requirements for winterization clients.

D. The division of human resources shall require from the community action agencies, monthly reports which will utilize a form based on that required by the community services administration for expenditure of federal winterization funds. These reports will show units winterized, cost per unit, breakdown of costs between state and local resources, manpower utilization and number of persons affected.

E. The division of human resources shall institute and carry out an evaluation of winterization activities which will show family cost-benefits and actual fuel conservation.

F. The division of human resources shall serve as the coordinating agency to prevent duplication or overlap between federally-funded winterization programs and winterization activities funded by the state.

G. State winterization funds shall only be allocated to meet winterization needs above and beyond those that can be met by currently available federal winterization funds, whatever their source.

SECTION 4. Persons eligible for emergency home winterization services.—

A. Winterization services such as weather-stripping doors and windows or home insulation, pursuant to the Emergency Home Winterization Act, shall be provided to or on behalf of:

(1) those individuals who are identified to the division of human resources by the bureau of supplemental security income as recipients of supplemental security income under Title XVI of the Social Security Act, and who are not living in nursing homes or intermediate care facilities;

(2) those individuals who are identified by the New Mexico health and social services department as recipients of aid to families with dependent children, under Section 13-17-9 NMSA 1953; and

(3) those families presently qualifying for assistance under the federal home winterization programs and where an energy-related emergency affecting health and welfare is clearly defined.

B. No more than two hundred dollars (\$200) in winterization services per household may be provided under the Emergency Home Winterization Act, provided, however, that qualified recipients are homeowners.

SECTION 5. Time of payments.—Emergency Home Winterization Act funds shall be made available by the division of human resources between July 1, 1977 and June 30, 1978, with early emphasis on development of energy needs assessments and the implementation of home winterization programs.

SECTION 6. Responsibilities of local governments.—Prior to allocation of funds appropriated in the Emergency Home Winterization Act to any given county in the state of New Mexico, whether within the jurisdiction of a community action agency or not, local entities within that county must provide matching cash, winterization materials or other in-kind contributions equaling at least twenty-five percent of the state funds being allocated for the activities outlined in the Emergency Energy Conservation Act.

SECTION 7. Reporting.—A full report of all winterization activities and evaluations of all winterization programs authorized by the Emergency Home Winterization Act shall be presented by the division of human resources to the legislature, including audits of fund expenditures. Monthly and annual reports of all expenditures of funds appropriated under that act will be provided by the division of human resources to the department of finance and administration.

SECTION 8. Appropriation.—One million dollars (\$1,000,000) is appropriated from the general fund to the division of human resources, office of the governor, for expenditure in the sixty-sixth fiscal year for the purpose of carrying out the provisions of the Emergency Home Winterization Act. No more than twenty

thousand dollars (\$20,000) of this appropriation shall be used for administration of the Emergency Home Winterization Act and administrative costs shall be limited to auditing procedures, and independent audits as required by the state auditor's office. All procedures and accounting practices to safeguard the expenditures of winterization funds shall be established and monitored by the department of finance and administration. Any unexpected and unencumbered balance at the end of the sixty-sixth year shall revert to the general fund.

SECTION 9. Effective date.—The effective date of the provisions of this act is July 1, 1977.

#### ITEM 4. REMARKS TO THE NEW MEXICO HOUSE APPROPRIATIONS AND FINANCE COMMITTEE ON HOUSE BILL 527

Mr. Chairman, members of the committee, I am Herman C. Grace, director of the New Mexico Division of Human Resources. Three years ago I came before this committee to speak in favor of a million dollar appropriation bill. This bill was to provide administration funds for community action agencies in the State. The Nixon administration gave orders to shut us down. Fortunately, the courts overruled the administration's request and the national funds were not terminated, therefore, eliminating the need for a State appropriation.

Although some of the faces on this committee have changed, you saw fit to approve this appropriation. I come to you today to speak in favor once again for a \$1 million appropriation to New Mexico CAA's and other local entities. Unlike the bill 3 years ago, however, this is not a bill designed to support administrative functions. This bill is designed to buy materials and to pay for program costs in the existing weatherization projects throughout the State.

We already have on board the manpower necessary to utilize these funds for weatherization. What the bill will provide for is the additional purchase of weatherization materials for weatherstripping, repairing major cracks, installation of storm windows and insulation, as well as repairing roofs and heating units.

The eleven CAA's in New Mexico have received over the past 3 years \$465,000 from CSA for weatherizing homes and for emergency crisis intervention which allows payment of a utility bill to prevent utility turn-offs. Well over \$400,000 of this amount has been spent for weatherizing homes. Close to 2,000 homes have been weatherized at an average cost of \$157.08 per home. Well over 4,000 families have been assisted through the crisis intervention portion of the program. But the fact remains that these projects are woefully underfunded, if we are to maintain the capability of responding to the energy needs of the elderly, the poor, and the near poor of the State.

Gentlemen, it is my belief that weatherization is a necessary element of any energy program or package. Weatherization promotes conservation. It makes the homes of the low-income and elderly population which this bill will serve more efficient in heat retention. I ask you to consider the plight of these sectors of our population. There are elderly citizens on social security or fixed incomes trying to cope with the problem of skyrocketing fuel prices. When they are unable to pay a fuel bill and are threatened with a shutoff, there is no one they can turn to except for the minimal services we provide. And even when emergency assistance has been rendered it does not resolve the problem, because there is always next month's bill to cope with.

The CAA's have a track record to examine. They have been in this business and they are capable of expending these funds effectively and efficiently.

I'd like to cite an article in the March 7 issue of Newsweek. There are obviously people who are better experts on the subject of weatherization than myself and I'd like to share with you their thoughts on weatherization and the energy problem. The newly appointed chief of the Federal Energy Administration John O'Leary points out that a barrel of oil conserved is as good as a barrel of oil produced. He states, "people ask whether conservation isn't just rhetoric, and I reply that its the surest, cheapest source of energy we have."

I'd like to quote further from the article: "Fully one-third of U.S. houses have no insulation at all and, as one expert says, 'Eskimo igloos offer better winter protection than most of our present buildings.' (President) Carter's advisers are considering a mandatory program to 'retrofit' every home in the country with enough insulation to meet stiff Federal standards. O'Leary estimates the job

would cost about \$8 billion—and who would pay? And 'How' is still an open question."

It has been reported by the Bureau of Business and Economic Research of the University of New Mexico that more than 73,000 units in the State of New Mexico are in need of weatherization. To completely weatherize every home in the State requiring it would cost \$23 million. The \$1 million appropriation called for in House Bill 527 would be a step in the right direction and would allow for the weatherization of homes most critically needing such services owned by persons least capable of paying for increasing energy costs.

The Newsweek article states that a nationwide insulation program could cut residential energy use by the equivalent of 4 million barrels of oil per day. At current prices, America's oil import bill could be cut by \$2.8 billion a year.

Gentlemen, House Bill 527 will go far in responding to the needs of those sectors of our population which are often ignored: The poor and, especially, the elderly. We must stop accepting the natural death figures of our elderly when all of us sitting here today know they are dying of the cold, hunger, loneliness, and oppression.

The largest percentage of these funds will be spent on material purchases; \$20,000 will be used for program audits and data gathering. None of these funds will be used for salaries or jobs. As I stated earlier, we have the manpower to do the job and, if this measure passes, I expect the creation of many more jobs. We simply need funds for the direct services that are needed. I strongly urge your favorable consideration of this very worthwhile measure. I'll also be happy to answer any questions you may have.

#### ITEM 5. UTILITY CONSUMPTION STATISTICS OF MARGARET GRACE

##### ELECTRIC CONSUMPTION

	Amount	Tax	Total bill	Cost/unit (kilowatt hour)
1975:				
January.....	\$12.03	\$0.51	\$12.54	\$0.0362427
February.....	11.27	.48	11.75	.0349702
March.....	11.83	.50	12.33	.0360526
April.....	7.46	.32	7.78	.042054
May.....	8.28	.35	8.63	.0368803
June.....	10.11	.43	10.54	.0588612
July.....	12.88	.54	13.42	.0351308
August.....	16.19	.69	16.88	.0409708
September.....	14.96	.64	15.60	.0356164
October.....	15.44	.66	16.10	.0367579
November.....	17.13	.73	17.86	.0351574
December.....	22.71	.97	23.68	.036847
1976:				
January.....	19.91	.90	20.81	.0356946
February.....	15.83	.71	16.54	.0380229
March.....	17.02	.77	17.79	.0357228
April.....	17.59	.79	18.38	.0386947
May.....	15.56	.70	16.26	.0382588
June.....	18.17	.82	18.99	.0382862
July.....	17.10	.77	17.87	.0385961
August.....	15.48	.70	16.18	.0365237
September.....	17.98	.75	18.73	.0339927
October.....	19.47	.88	20.35	.0384688
November.....	23.85	1.07	24.92	.0374736
December.....	20.19	.91	21.10	.038018
1977:				
January.....	19.02	.86	19.88	.0392885
February.....	17.07	.86	17.93	.0444913

## WATER CONSUMPTION

	Amount	Tax (cents)	Consumption
1975:			
January.....	\$2.30	10	1,500
February.....	5.80	25	6,500
March.....	2.30	10	1,700
April.....	2.30	10	700
May.....	5.11	22	5,300
June.....	5.11	22	5,300
July.....	2.52	11	2,400
August.....	2.40	10	1,900
September.....	3.24	14	3,100
October.....	2.94	12	2,800
November.....	2.40	10	2,200
December.....	2.63	11	2,500
1976:			
January.....	2.42	11	4,300
February.....	2.52	11	2,400
March.....	2.40	11	2,200
April.....	2.40	11	2,200
May.....	3.15	14	3,000
June.....	3.92	18	3,900
July.....	3.75	17	3,700
August.....	6.47	29	6,900
September.....	4.34	20	4,400
October.....	2.84	13	2,700
November.....	6.71	30	5,700
December.....	4.19	19	3,300
1977:			
January.....	3.48	16	2,700
February.....	2.96	13	1,800

## NATURAL GAS CONSUMPTION

	Units used (Mcf)	Amount
1974:		
January.....	53	\$42.96
February.....	43	35.73
March.....	31	27.83
April.....	25	24.00
May.....	8	9.32
June.....	4	5.46
July.....	3	4.34
August.....	4	5.46
September.....	3	4.34
October.....	11	13.55
November.....	18	20.68
December.....	32	34.49
1975:		
January.....	45	50.24
February.....	38	43.04
March.....	33	37.91
April.....	24	28.59
May.....	5	7.32
June.....	4	6.21
July.....	5	7.32
August.....	2	3.54
September.....	5	7.32
October.....	8	10.89
November.....	21	26.23
December.....	41	47.92
1976:		
January.....	49	61.75
February.....	39	49.96
March.....	34	38.03
April.....	34	38.03
May.....	16	19.42
June.....	7	10.03
July.....	9	12.53
August.....	6	10.55
September.....	8	13.69
October.....	15	25.87
November.....	29	47.57
December.....	45	71.80
1977:		
January.....	48	76.36
February.....	39	63.17
March.....	39	65.25

<sup>1</sup> Service charge \$5.21.

<sup>2</sup> Service charge \$7.30.

<sup>3</sup> Service charge revenue credit \$7.30.

## ITEM 6. PHOTOGRAPHS OF LIVING CONDITIONS IN RURAL NEW MEXICO



It seems incredible that people could actually live under these circumstances—but they do. This is the home of a man, 80, and his wife, 76, in rural San Miguel County, near Las Vegas, N. Mex.

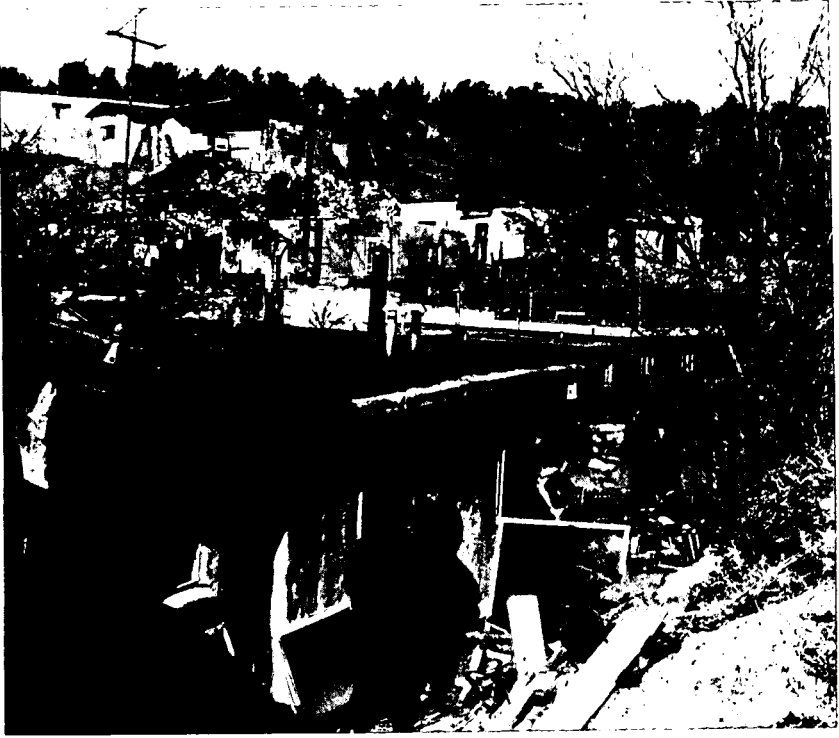


This, or something like it, is the sole source of heat to combat the often bitter winters that many rural residents of New Mexico face.



Leaky roofs are one of the major problems facing the limited-income elderly in New Mexico. Leaking roofs cause erosion of walls and the eventual collapse of the roof.





A weatherization crew from the Santa Fe, N. Mex., Community Action Organization, are shown installing inexpensive, but effective, plastic storm windows on the home of an elderly man and his wife.

### Appendix 3

## LETTERS AND STATEMENTS FROM INDIVIDUALS AND ORGANIZATIONS

### ITEM 1. LETTER FROM BERTHA S. ADKINS, CHAIRMAN, FEDERAL COUNCIL ON THE AGING, WASHINGTON, D.C., TO SENATOR FRANK CHURCH, DATED APRIL 11, 1977

DEAR SENATOR CHURCH: This letter is in reply to your inquiry of March 25, 1977, regarding the concerns of the Federal Council on the Aging about the effects of rising energy prices on the elderly and the especially urgent nature of this past winter's weather crisis on the elderly.

At the regular quarterly meeting of the Council on March 8-9, 1977, the Council heard a report from Council member Monsignor Charles J. Fahey on how the weather/energy crisis had affected older persons in New York State and how the Administration on Aging and the New York State Office on Aging had been involved. Generally, the Council indicated their satisfaction with the work of the Administration on Aging and a number of State units on aging in moving to meet some of the immediate problems of the elderly during this past winter. The excellent relationships which had been developed over the years between the Administration on Aging and the Federal Disaster Assistance Administration proved their value in the speed with which help did reach many older persons.

The Federal Council on the Aging intends to continue its examination of Federal programs which are primarily intended to meet the short-range and immediate needs of older persons affected by cold weather and energy crises. At the same time, the Council is initiating efforts to identify the longer-range impact on the elderly from the rising costs of energy and its implications for national income maintenance policies for the elderly. This matter will be explored further at the May 19-20, 1977, quarterly Council meeting, and policy recommendations will be made where appropriate.

Since the record of your Special Committee on Aging hearings will be closed by that period, please consider this letter as an interim report from the FCA on "The Impact of Rising Energy Costs on Older Americans."

Sincerely,

BERTHA S. ADKINS,  
*Chairman.*

### ITEM 2. LETTER FROM HARRIET MILLER, EXECUTIVE DIRECTOR, NATIONAL RETIRED TEACHERS ASSOCIATION/AMERICAN ASSO- CIATION OF RETIRED PERSONS, TO JAMES R. SCHLESINGER, ASSISTANT TO THE PRESIDENT, DATED MARCH 18, 1977; SUB- MITTED BY PETER W. HUGHES, LEGISLATIVE COUNSEL, NRTA/ AARP

DEAR MR. SCHLESINGER: As you may be aware, our associations have taken an exceedingly active role in energy matters, offering testimony and comments to seven different Congressional committees since 1973. The reasons for our involvement should be quite clear. We represent 10.5 million elderly persons and the energy market is one of particular importance to older people. The new Consumer Expenditure Survey produced by the Bureau of Labor Statistics indicates that while the average household devotes 5.3 percent of its budget to home heating, this particular commodity absorbs 7.5 percent of the total budget of an elderly household. We should add that although this survey is new, it was undertaken in 1973, before energy prices began their precipitous increase. As we will indicate below, it is likely that these percentages are much higher today.

Your public notice states that the Nation has yet to adjust to the real and growing cost of energy. In our opinion, this lack of adjustment may in part be attributed to the fact that the real cost of energy is as yet an unknown, and that explanations offered for rapidly increasing prices leave much to be desired. In hearing after hearing, we have found that the producers of natural gas were unable to state what it costs to produce that which they sell. A study released by Secretary Andrus in February provides evidence of an industry effort to withhold gas from the market. Over and over we find that policy decisions have been made on energy matters without the most basic of information. It seems wholly reasonable that before we let domestic energy prices track those set by a foreign cartel, we should certainly know what the real costs of domestic energy production are, particularly that which is produced on government property. In short, in order to develop an energy policy which is both rational and supported by the public, very basic questions concerning energy supplies, production costs, and profit margins must be answered. We would urge the establishment of an office charged solely with the responsibility of verifying and clarifying an energy situation which is today almost entirely defined in terms of industry provided data.

Should it be determined that price increases are, in fact, necessary, we would urge that the process be gradual and that consumers be given sufficient time to make appropriate adjustments.

There is no question but that some mechanism must be established to assist low-income people in the payment of utility bills. We have had literally thousands of letters from our members complaining about the price of home heating and there is ample evidence that these prices are imposing a significant financial burden on the poor and near poor. Regardless of income, the elderly have a much more highly inelastic demand for home heating than do other age groups. There is a great deal of medical evidence that older people experience rather severe levels of physical discomfort when the temperature reaches 55° to 60°. Under these circumstances, voluntary conservation calls for a much greater sacrifice for older people relative to the young and higher prices to induce a conservation response will tend to result only in a reduction in income available for other goods and services. In short, the elderly will tend to pay the price rather than reduce consumption and this should be kept clearly in mind during discussions of natural gas deregulation, increased prices for heating oil or tax mechanisms to induce conservation. Their special needs should also be given consideration in any plan designed to assist households in making their homes more energy efficient.

Finally, we urge that due consideration be given to environmental matters if future plans call for the increased use of coal rather than cleaner energy sources. The American Public Health Association has produced a number of studies indicating that, should a major switch to coal occur without strict clean air standards, the Nation can expect a greatly increased incidence of respiratory problems among the at-risk population, the majority of which are elderly people. Clean air is not simply an esthetic concern for older people. Rather, it is a matter of physical health or even life.

In summary, whatever policy direction is taken, we would hope that it be based upon objective and accurate information, that consumers be given time to adjust, that the serious financial burdens imposed on the poor be recognized, and that the unique energy needs and concerns of the elderly, regardless of income level, be allowed for.

Thank you very much for your solicitation of our comments and we hope that you find them useful. We would be pleased to expand upon them or answer any other questions you may have concerning energy and the elderly.

Sincerely,

HARRIET MILLER.

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ITEM 3. LETTER FROM WES UHLMAN, MAYOR, SEATTLE, WASH.,  
TO SENATOR FRANK CHURCH, DATED MARCH 30, 1977

DEAR SENATOR CHURCH: Thank you for your thoughtful letter of February 10, 1977, regarding appropriate governmental responses to the special needs of the Nation's elderly, made more difficult by the current energy crisis.

Fortunately, the problems here in Seattle have been relatively mild in comparison to other parts of the country. Our local aging programs are able to respond to many of the problems encountered by older persons.

We have a small home weatherization program, an outreach client advocate program, and others designed to assist older persons to maintain their independence.

We do share with other communities the problem of inadequate resources to meet all the identified needs, especially during crisis periods. We are currently very interested in securing congressional action on a national emergency energy conservation program.

We have developed a city energy office and have opened an aggressive conservation office in our municipal electric utility.

Our municipal utility and our municipal office on aging (also the local area agency on aging) are currently developing a special project with CETA funding to do energy conservation assessment for older homeowners.

What we need is more stable funding for assessment and the actual insulation and weatherization work which follows. We have current programs operating successfully, but the funding is minimal from Community Services Administration and HUD Community Development. Perhaps even more important than this is the problem of fuel costs which you mention. This might require special energy stamps or some such mechanism.

Our local utility discount program currently covers combined water, sewer, and garbage utilities. We are proposing the inclusion of electric bills. But this would not go very far in meeting the general increases in all energy costs of home maintenance for low-income elderly.

Some relief would be provided by revised rate schedules designed to encourage conservation and benefit low energy users.

I would certainly support your Energy Savings Demonstration Act as a means for testing a number of innovative strategies. We in Seattle have been aggressive in this area, but find that we need Federal assistance in order to make the sort of impact required by the extreme situation now confronting us.

You have my fullest support and that of our USCM Task Force on Aging. If I can be of further assistance in the coming weeks, please call on me.

Sincerely,

WES UHLMAN.

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ITEM 4. LETTER FROM RENÉE BRERETON, DIRECTOR, MOUNTAIN PLAINS CONGRESS OF SENIOR ORGANIZATIONS, DENVER, COLO., TO SENATOR FRANK CHURCH, DATED MAY 17, 1977

DEAR SENATOR CHURCH: The degree of financial impairment due to rapid and unprecedented utility rate increases during this last winter is common knowledge.

In region VIII the gas prices tended to increase up to 65 percent over last year's bills in a majority of geographic localities. The staff at both the public utilities commission and the utility companies had to be substantially increased in order to handle the increase in consumer complaints. The tone of the older community seems to be one of suspicion over the increase, along with frustration and fear for the future.

A limited resource has taken control over the economic stability of older citizens who once considered themselves financially prepared to enter retirement. For lower income, senior citizens find utilities consuming upwards of one-third of their winter budgets. Older citizens in the San Luis Valley (a majority of whom are Spanish speaking) are using wood stoves rather than buying gas; an easy choice to make when wood stoves are available.

The economic and social indicators suggest that some change is drastically needed. The criteria for change should remain cognizant of three factors: (1) that any change involves dealing with a monopoly which should not be directly subsidized; (2) that programs developed to handle the problem should be administered in a simple form which is compatible with lifestyles at a controllable cost; and (3) that the businesses' practices and policies of the utility industry be carefully scrutinized.

Direct cash payments will soon be administered by the Community Services Administration to directly aid with individual bills; yet it should be realized that this will reach only a limited few and that there are additional methods to reach a population at risk (i.e. tax returns, inserts in social security checks, etc).

Beyond the need for direct emergency cash payments or increased financial assistance to cover increased energy costs, we must improve the consumer protection area of the utility industry.

There are currently no national policies for utility rate structure-setting. Major variations in price exist between industrial and residential electric and gas users. Additionally, a majority of States charge a higher price proportionately to those residential users who conserve energy. President Carter's energy plan has addressed this practice. MPCSO encourages the elimination of the declining block rate and raising of industrial rates which are set more in line with residential rates.

Utility consumer protection could be greatly improved through additional funds becoming available to hire economists, attorneys, and accountants to represent residential utility consumers in gas and electrical rate hearings.

Practice of the gas and electric industry needing careful examination include daisy chaining—filtering money through various utility companies to increase the price of the end product; differences in oil and gas prices between subsidiary and nonsubsidiary companies; the necessity for any type of advertisement on behalf of the utility industry; the issue of the gas and fuel cost adjustments and what costs are included in these factors. In the six-State area covered by MPCSO, not one State has hearings or audits to provide a check-and-balance system for the cost adjustments.

In 1975 two-thirds of the increased gas cost was due to the gas cost adjustment.

National policies need to be set to determine utility shutoff procedures and the development of budget billing or extended time in which to pay utility bills. There are also management procedures that could be initiated by the utility companies to reduce their cost, such as having customers read their own meters.

I have included a packet of press materials<sup>1</sup> relating to the Mountain Plains Congress of Senior Organizations and the Colorado Utilities Task Force (of which MPCSO is the founding member). This will provide the committee with a brief overview of what a consumers organization can do to protect the public on limited funds (\$250), especially in times such as these.

With warmest regards,

RENÉE BREBETON.

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ITEM 5. LETTER FROM FRANK W. NAYLOR, JR., ACTING ADMINISTRATOR, FARMERS HOME ADMINISTRATION, TO SENATOR FRANK CHURCH, DATED APRIL 13, 1977

DEAR SENATOR CHURCH: We are pleased to provide information on the weatherization programs of the Farmers Home Administration (FmHA), as requested in your letter of March 25 addressed to Assistant Administrator L. D. Elwell.

Under the regular section 502 home repair loan program, families with low and moderate incomes can borrow up to \$7,000 to improve their homes, but must bring the houses up to minimum property standards.

Loans are for up to 25 years. Interest rates are based on each family's adjusted annual income. The interest rate will be 1 percent if the adjusted family income is less than \$3,000. If the income is more than \$3,000, but less than \$5,000, the interest rate will be 2 percent. If income is between \$5,000 and \$7,000, interest will be 3 percent.

Other home improvement loans are repayable in 33 years. These loans are made at the regular interest rate (currently 8 percent), or with "interest credits," depending upon family size and income.

This program was announced by Secretary of Agriculture Bob Bergland on February 28.

On March 22, Secretary Bergland and representatives of seven rural electric cooperatives signed the first agreements to begin the rural home weatherization loan program.

Under the program, low- to moderate-income rural families may borrow up to \$1,500 to insulate their homes and thereby reduce their heating and cooling costs.

The FmHA funds the program. The Rural Electrification Administration (REA) and the National Rural Electric Cooperative Association (NRECA) coordinate the program with local electric cooperatives.

Local electric cooperatives that choose to participate in the program accept applications from borrowers, approve qualified contractors to perform the work,

<sup>1</sup> Retained in committee files.

bill the FmHA after the weatherization work is satisfactorily completed, and spread the cost of the loan through small monthly installment payments added to the customers' monthly co-op billing.

Although the program is too new to provide actual cost, it is estimated that the average loan for home insulation will be about \$500. Terms of the loan are 8 percent for 5 years. This would compute to a monthly installment payment of about \$10 which, in many cases, will be less than the savings on the fuel bill.

Currently, moderate income is defined as an adjusted annual family income of not more than \$15,600 a year in the 48 contiguous States, Puerto Rico, and the Virgin Islands. The amount increases to \$18,500 in Hawaii and Guam, and to \$23,400 in Alaska. Adjusted annual family income is arrived at by deducting from actual gross income (1) a 5-percent allowance, and (2) \$300 for each minor child in the household.

Studies show that areas of relative heat loss in an uninsulated frame house are approximately as follows:

	Percent loss
Cellings -----	40
Walls -----	13
Windows and doors -----	25
Floors -----	15
Uninsulated furnace ducts -----	8

These are the areas of treatment on which the rural housing weatherization loan program will concentrate.

The estimated cost puts the funding for this program within the capability of the current FmHA allocation for section 502 housing loans and grants without the need to seek additional funding from Congress.

Under this program, the FmHA provides loan and grant assistance to very-low income, owner-occupants to make repairs and/or minor improvements to homes and/or farm buildings in order to remove health and safety hazards.

The program authority is limited to a maximum of a 20-year term and \$5,000 for each loan.

Enabling legislation for this program was enacted in 1949. The program was actually initiated in 1950.

The FmHA has not maintained separate data on weatherization work included in home improvements financed by agency loans. However, some degree of weatherizing benefit is realized from most loans since: (1) work performed under section 502 loans must bring houses up to minimum property standards, and (2) section 504 loans are made to correct severe faults that usually have affected heating of the homes.

In fiscal year 1976, plus the transition quarter (July 1, 1975 to September 30, 1976), loans to senior citizens totaled: section 502, 2,849; section 504, 1,749.

Rural housing loans by FmHA are currently available in all rural areas of the 50 States, Puerto Rico, Virgin Islands, and Guam, including towns of up to 20,000 in non-SMSA areas, and rural towns of up to 10,000 in SMSA counties.

Applicants for section 502 loans should be:

- In need of decent, safe and sanitary housing.
- Owners of homes to be built or improved with FmHA loans.
- Unable to obtain housing loans from private lenders on reasonable terms.
- Of low or moderate income. Current ceilings on the two classifications are as follows:

	Annual adjusted family income	
	Low	Moderate
48 contiguous States, Puerto Rico, Virgin Islands -----	\$10,000	\$15,600
Hawaii, Guam -----	12,200	18,500
Alaska -----	15,000	23,400

Applicants for section 504 loans should be:

- Homeowners of very-low income who cannot qualify for section 502 loans.
- In need of repair loans to remove health and safety hazards in severely deficient houses.

Section 504 grants can be made to senior citizens (age 62 and over) who cannot afford to borrow on the section 504 loan terms.

In the nonmetropolitan areas (10,000 people and under) there are 24 million households of which approximately 5.1 million are headed by persons 65 years of age or older. Of this number of households, 79 percent are home-owned and 21 percent are in rental housing. So, in rural America, there are approximately 4 million homes occupied by elderly owners. Thirty-five percent of these homes are substandard. Some of the dwellings do not yet have indoor plumbing.

The U.S. Department of Agriculture, under the new administration, intends to take an active role in serving the needs of low-income people and elderly people. It is estimated that 80 percent of the very low income people in America are elderly. In households in FmHA areas, 52 percent of the households heads of 65 years of age and older have an annual income of \$3,000 or less.

The administration is projecting for fiscal year 1978 \$20 million (\$15 million for loans and \$5 million for grants) to assist low income and elderly people through section 504 housing programs. The grants are restricted to the elderly. The loan money is available from the FmHA's Rural Housing Insurance Fund; grant money is appropriated by Congress.

This is the same level of authorization for section 504 assistance that was provided in fiscal years 1975, 1976, and 1977.

Sincerely,

FRANK W. NAYLOR, Jr.

ITEM 6. LETTER AND ENCLOSURES FROM REV. ARTHUR J. V. DURBIN, FORMER PRESIDENT, SENIOR COUNCIL OF OLDER PEOPLE OF MAINE, WATERVILLE, MAINE, TO SENATOR FRANK CHURCH, DATED MAY 3, 1977

DEAR SENATOR CHURCH: When the letter was received from your office to ascertain the impact of rising costs on the elderly in Maine, I made an announcement to the senior citizen centers and received many replies. All indicated that the rising cost of fuel made it difficult to survive on their incomes. The reaction is generally as reported below.

Cost of heating four rooms with kerosene: \$240.55 in 1970 and \$482.85 in 1976. Increases in cost of rent along with rising cost of fuel cause many hardships for the elderly.

Impossible to keep thermometer down to 65 degrees and remain healthy. Many elderly have to leave their farm homes and find housing elsewhere. These homes are old and in need of winterization. Some have been helped by the Federal funds and many more are in need of servicing.

In this northern climate where the winters are long and cold, it is necessary to use more fuel than in many other parts of the country.

An elderly widow reports that with rising cost of fuel and other cost in caring for her home she will have to sell it and apply for Federal low-income housing.

An elderly couple has to pay for fuel from their meager savings account and worry about what they will do when that is used up.

One widow reported that after paying for fuel and other house expenses she has only \$13 a month left to purchase food.

Mr. Perley Beane, director of Waterville Housing Authority of which I am a commissioner, reports to me that there is an increased demand for elderly housing. In Waterville area alone there are over 200 certified applications which have been approved. These are from the elderly who cannot maintain their homes any longer and find it necessary to apply for low-income housing. They must wait for new public housing to be built in this area as there are no vacancies at the present time.

A few elderly have converted their oil burning furnaces to wood in the rural areas where wood is plentiful. Because of old age infirmities they find it difficult to handle the wood.

Enclosed is a report from Pittsfield Coal and Oil Co. on the rising cost of coal from 1970 to 1977. The cost of coal and the problem of transportation would prohibit its practical use in Maine. Also enclosed is a report from the Housing Advocate of the Northern Kennebec Community Action Council.

It has been my privilege to secure this information for you. I hope it will prove helpful to your committee. I appreciate your concern and your efforts in working to relieve the hardships on the elderly caused by rising fuel costs and inflation.

Sincerely,

ARTHUR J. V. DURBIN.

[Enclosures.]

PITTSFIELD COAL & OIL CO., INC.,  
Pittsfield, Maine, March 6, 1977.

Rev. ARTHUR DURBIN,  
Waterville, Maine.

DEAR SIR: The following are the retail prices on coal as you requested for 1970 and 1977.

Stove and nut: 1970, \$40.50; 1977, \$87.

Rice: 1970, \$34.50; 1977, \$82.

Pea stoker: 1970, \$35; 1977, \$97.

Glad to be able to assist you in this matter.

Sincerely,

GEORGE C. MOODY,  
President, Pittsfield Coal & Oil Co., Inc.

NORTHERN KENNEBEC VALLEY COMMUNITY ACTION COUNCIL,  
Skowhegan, Maine, April 27, 1977.

Rev. ARTHUR DURBIN,  
Waterville, Maine.

DEAR REVEREND DURBIN: The impact of increasing shelter costs on elderly people living on fixed incomes became evident over this past winter.

As housing advocate, I was in contact with more than 50 senior citizens requesting information and assistance with a variety of problems ranging from buying wood to retrieving security deposits.

Patterns of living reflected more belt-tightening and more "making do with-out," wherever possible. As the following case histories show, many elderly were barely maintaining when they requested information on services. Some were slow to participate in programs they considered welfare.

Case histories: (1) 67-year-old widow with cataracts tried to return to part-time work to pay fuel bills and taxes. Declined services; (2) 67-year-old homeowner spent winter with boots on to keep warm. Decided in spring she could no longer keep up maintenance on two-story house she lived in all her life. Accepted services at suggestion of relatives; (3) 73-year-old person living with unsafe heating source. Only called when fuel company refused service.

Sincerely,

DIANE STRATTON,  
Housing Advocate.

ITEM 7. LETTER AND ENCLOSURE<sup>1</sup> FROM JERRY R. SHORT, DIRECTOR, EAST CENTRAL COMMUNITY ACTION PROGRAMS, STRATTON, COLO., TO WILLIAM E. ORIOL, STAFF DIRECTOR, SENATE COMMITTEE ON AGING, DATED MAY 17, 1977

DEAR MR. ORIOL: I have an enclosure that I'm sure will be of great interest to you. A lot of work went into the gathering of facts and the final preparation of this booklet.

The program for local services and VISTA volunteers that I sponsor did an outstanding job in collecting the data.

We hear a lot of talk these days about rising utility costs and their effect on the elderly and elderly poor, but little documented fact. We feel that we have that documented fact. All of us can help remedy this situation if we take an active part and work together.

If you have any questions or comments about this booklet, please feel free to call me.

Sincerely,

JERRY R. SHORT,  
Director.

[Enclosures.]

<sup>1</sup> Portions of enclosed report have been retained in committee files.



EXCERPTS FROM "A MATTER OF SURVIVAL," THE EFFECTS OF RISING UTILITY COSTS  
ON THE ELDERLY

INTRODUCTION

The information for this booklet was collected by four volunteers from the program for local service (PLS) Vista volunteers, and represents 3 months of home visits, numerous phone calls, and countless miles driven by these persons to the homes of senior citizens in Lincoln, Kit Carson, Cheyenne, and Elbert Counties in Colorado Planning and Management Region 5. Region 5 lies along the Colorado-Kansas border.

The following numerical tables represent the comparative costs for utilities for people over 60 years of age in a rural area of Colorado. The majority of those questioned own their own homes. Most of these homes were built after the First World War and before the Depression of the 1930's, resulting in infiltration of air and weathering of the structure. These people are, for the most part, retired. They cannot move and, more importantly, should not have to leave their homes.

The following material however, represents more than just numbers and categories. It represents the astronomical cost of utilities on the elderly, and especially the elderly poor. The energy crisis and the rising cost of utilities have hit the elderly the hardest.

As one can see from the report, the percentages range from 1 percent to 101 percent of the total income, with an average of 25 percent. The utility rates for those elderly receiving under \$300 is 32 percent. The actual breakdown is explained in the "Summary Data" at the end of this report.

There are many adverse effects of higher utility rates, especially for the elderly poor; among them are:

(1) Utilities are a higher priority than food. Food is the only variable cost which can be cut. When need for body heat increases due to the cold, food budgets are decreased.

(2) With poor nutrition, there are increased medical and health problems.

(3) Because of increased medical problems, an additional and unexpected expense is incurred.

(4) With medical problems, transportation becomes an insurmountable difficulty in rural areas because country roads and blizzards make isolation an annual reality.

SUMMARY DATA

Of the 229 elderly persons interviewed in this survey, 59 percent had an income of \$300 or less per month. Of this 59 percent, the average income was \$205 per month. The elderly whose income was \$300 or less paid out 32 percent of their income on utilities.

As evidenced above, utility bills are consuming a greater percentage of total monthly incomes. It is apparent that extreme measures must be taken in order to cope with the problems of survival.

For example, if this survey would apply to middle-class level of income using the same percentages, a 50 percent utility bill for a family income of \$1,000 per month would equal \$500. Is this the point when traditional methods of housing would change?

In observing the high-rate pattern of utilities, and their effects on the low-income population, it can be predicted how other levels will be affected as utilities continue to use a greater percentage of family income. The low-income, and especially the elderly, are facing these problems today. The alternatives for the general population would be the same as the low-income populace are already practicing as noted below:

(1) Cutting expenditures for other items such as food, clothing, recreation, and transportation.

(2) Living in smaller homes, or moving to low-cost housing.

(3) Living with other people in smaller areas.

(4) Turning off the heat and wearing coats to keep warm.

The elderly have fewer utility options and there is greater dependency on convenience utilities. With increased age, there is less usage of wood and coal because of the physical demands of their usage.

The elderly are being forced to leave their homes because of these increasing costs. Home is the basic essential to emotional stability and independence.

Alternatives for the loss of home are:

- (1) Applying for low-income housing (usually not available in rural areas).
- (2) Living with relatives.
- (3) Applying for admission to a nursing home when there is no need for that type of care.

The sociological and psychological effects of such changes are dramatic and are portrayed as conditions become intolerable. The picture on the cover of this booklet is illustrative of the conditions more Americans will be facing.

**ITEM 8. LETTER AND ENCLOSURES FROM CARL E. RENSHAW, SPRINGFIELD, ILL., TO SENATOR FRANK CHURCH, DATED MAY 2, 1977**

DEAR SENATOR CHURCH: Pursuant to your letter of March 30 regarding "The Impact of Rising Energy Costs on Older Americans," I wish to say that I have been in contact with the Office of Lt. Gov. Dave O'Neill and with Mrs. Josephine Oblinger, director of the Department of Aging for the State of Illinois.

I am enclosing for your p.o.s.b.e use and for the record an energy statement by Mrs. Oblinger, along with a letter of endorsement from the Lieutenant Governor.

I trust that these materials will be of some help to you in the upcoming hearings pertaining to the subject mentioned herein.

I shall be happy to be of further assistance should you need to call on me.

Yours truly,

CARL E. RENSHAW,

[Enclosures.]

STATE OF ILLINOIS,  
OFFICE OF THE LIEUTENANT GOVERNOR,  
*Springfield, Ill., April 11, 1977.*

Mr. CARL RENSHAW,  
*Springfield, Ill.*

DEAR MR. RENSHAW: I have reviewed the material you gave me regarding the position of the Department on Aging on energy problems of the elderly and have found it quite complete. The position of the Department on Aging receives the Lieutenant Governor's endorsement and I have enclosed a letter which you may want to forward to Senator Church, along with the Department on Aging's statement.

I hope that this is satisfactory and if you should need additional assistance please feel free to contact me at Room 214, State House, Springfield, Ill.

Sincerely,

ERNEST D. TEAGLE.

**STATEMENT OF THE ILLINOIS DEPARTMENT ON AGING AT THE CHICAGO TOWN MEETING, MARCH 21, 1977**

Because of the reports from State and area agencies on aging concerning the hardships suffered by older persons during the severe winter due to costs of energy/fuel, as well as the physiological and psychological effects, the Illinois Department on Aging appreciates the opportunity to comment on that aspect of the Federal energy policy considerations which could most affect our agency's efforts and the people we serve.

The answers certainly are not simple to this problem. Each aspect of the energy crisis is related to the other. One cannot just isolate the hardships caused by the severe weather and take a look at the best way to solve this problem because it is contingent on other aspects of energy. To appropriate as much money as is needed to pay people's heating and utility bills will not solve the problem. However, until we can solve related problems, some type of relief should be provided for those persons who cannot afford the rising fuel costs and utility rates because they are on a fixed income, such as Social Security or retirement pensions.

Those social service programs developed to make cash assistance payments have eligibility requirements established related to the poverty level. However, with the severe winter this year, many of those persons just above the poverty

line are faced with fuel and utility bills that they just cannot afford. Programs set up through the Older Americans Act, and administered by the Illinois Department on Aging, are not designed to make cash assistance payments to elderly persons. The regulations have always been geared toward providing services, so even with an exception granted by the Administration on Aging to use such funds for direct assistance, our programs are not structured to handle cash assistance. The Illinois Department of Public Aid is the agency in the State of Illinois which has such a cash assistance system; however, eligibility requirements are very restrictive. The Community Services Administration has provided additional funds specifically for emergency assistance; however, now they are in the process of duplicating a system like public aid.

Instead of all social service agencies trying to address the problem on an individual basis and sending clients from one agency to another to see who has the cash assistance to help them, there should be one central agency which handles all energy-related problems. Instead of Aging, Public Aid, and/or the State Economic Opportunity Office getting involved in weatherization and emergency assistance efforts, all of this should be handled by one agency. In order for each of these social service agencies to handle energy problems for their own clients, since energy is so important, each agency must attempt to develop an expertise in the field of energy or employ individuals from energy-related fields. The social service agencies could coordinate, amongst themselves, so each would handle a different type of energy problem; however, if energy is taking on the importance that is expressed by these hearings set up by the President, then efforts should be made to centralize the energy program.

Some of the problems the elderly people are faced with are extreme. Many older persons have written to our agency asking for assistance with reference to their heating bills. One lady received a supplemental security income check of \$167 per month. Her gas bill for November and December was \$117. This represents approximately 35 percent of this lady's income for the month. Most of the requests for assistance received by our agency have been with regard to gas bills. People are just unable to pay the bills this severe winter. One man, in fact, receives a total monthly income from social security and supplemental security income of \$187.80 and his oil bill from January 10 to February 10 was \$148.35.

Social service agencies can try to set up cash assistance programs to help pay these bills, but it won't help if related issues aren't addressed also. The Federal and State governments would continue to feed money into such a cash assistance program, with no end in sight. This would just be temporary symptomatic relief. One important related issue is to change the utility rates. Utility rates are set up to benefit those persons who are large users of the service. The person who turns down their heat or electricity does not benefit with the present rate system. The Illinois State Legislature is presently struggling with a change in utility rates, called a lifeline bill. It would establish a minimum rate and minimum wattage needed for homes, both without electric heat and those with electric heat. Maybe, it would be possible to develop a minimum usage factor based on 65 degrees. Higher rates would then go into effect over the minimum usage. Everyone realizes utility companies are out to make a profit, so the more one uses of their service, the higher the profit. If everyone cuts back on usage, then their profits will suffer. One must realize that we no longer have the benefit of cheap fuel. Maybe heat and utilities should be recognized as a necessity and regulations applied appropriately. If a small community has only one utility company and one needs the service, then one must use that company. There is no opportunity for selection of the cheapest service. The idea of Government subsidizing utilities just so they don't lose any profits is a major concern to be considered.

Closely associated with high fuel bills and use of utilities is the overall aspect of conservation. Incentives are needed to encourage people to conserve energy. We have been spoiled, as a Nation, with regard to usage, availability, and cheapness of energy. Maybe some type of tax incentive could be developed to increase energy conservation. Put a tax on the bigger cars. However, even if people are willing to put forth an effort on an individual basis, it comes back to incentives for the fuel and utility providers not to raise the prices.

One program which seems to have proven very beneficial in this energy crisis is the insulation of homes for the low-income and elderly. This program needs

to be expanded and centralized under an energy office, rather than being provided by various social service agencies. For those persons who can afford to insulate their own homes, insulation repairs could be included as a tax deductible item on the tax return. Closely related to insulation of a person's home are building code requirements on insulation. All new homes being built should require a minimum amount of insulation. This would require controls on the building of homes and close monitoring of construction.

As we said previously, our main concern is the hardship, caused by the weather, on the elderly population; however, all aspects of energy are inter-related and must be addressed. The department on aging has attempted, on a very limited basis, a loan program for cash assistance through a local agency, such as the Salvation Army. There are many problems with a loan program, especially for the fixed-income individuals we are serving. How can someone expect to pay back a loan, even interest-free, when their budgets are stretched as far as they can go now?

An agreement reached at the National level between several Federal agencies, including Administration on Aging and Federal Energy Administration, was intended to prevent fragmentation of agencies and pull together what resources were available. However, new directives have continued to perpetuate such fragmentation; consequently, there is no centralized point at the national level—let alone the State level—where people can go for information. There is no one agency which can insulate all the homes that need it, but there should be one which can serve as a focal point for needed assistance.

**ITEM 9. LETTER AND ENCLOSURE FROM LOU GLASSE, DIRECTOR, NEW YORK STATE OFFICE FOR THE AGING, ALBANY, N.Y., TO SENATOR FRANK CHURCH, DATED APRIL 22, 1977**

DEAR SENATOR CHURCH: I am enclosing a background paper, prepared by my staff, entitled, "Fuel and Energy Problems Faced by Older New Yorkers," dated April 1977. We have been advised by your committee staff that the paper can be introduced as written testimony to be incorporated as testimony presented to the committee April 5-7 during hearings on "The Impact of Rising Energy Costs on Older Americans."

I share your committee's concern for the devastating effects rising fuel costs are having on older Americans. As you will note in the background paper, the estimated cost increase this past winter (based on average residential usage and cost increases reported by New York State utility companies for comparable periods in 1975-76 and 1976-77) for the 577,600 New York State residents 60+ characterized as the "low-income head of households" is projected to be 44.6 million. This figure is considered to be conservative, since we know older people require more heat; they live in older houses that are larger, have no insulation, or are poorly insulated. The average residential usage and cost figures factor in all variables, resulting in figures that are not representative.

In the sample survey we conducted to obtain information for your hearings, area agencies on aging consistently reported older persons receiving fuel bills that minimally doubled last year's heating costs. In two instances, older persons reported they attributed conservation measures they had taken during the coldest winter months as a precipitating factor in subsequent periods of hospitalization for pneumonia.

One area agency on aging director commented that to pay fuel bills, older persons will frequently do without other necessities that are not fixed costs, such as food and medicine; therefore, health deteriorates eventually resulting in extensive and expensive periods of hospitalization. In these instances, local community action programs' winterization funds would not be of assistance for persons who would qualify based on income, since we understand they have adopted a policy of assisting in the payment of bills only after a disconnect notice has been received.

I understand one method of assistance your committee is taking into consideration is a supplemental appropriation to title III of the Older Americans Act, specifically for the purpose of providing cash payments to older persons to assist them in paying heating costs. As you undoubtedly know, Commissioner Fleming has issued such authorization vis-a-vis a mailgram dated April 4, 1977:

"State agencies on aging are authorized to use title III OAA funds for the purposes of emergency assistance to pay fuel and utility bills of older persons related to the weather emergency." Our office will in turn issue an information memorandum to the area agencies on aging authorizing them to use title III funds for this purpose. I do anticipate that compliance will be difficult since 49 of our 55 area agencies on aging are in the public sector (one Indian tribal organization and five under private nonprofit auspices) and thus must have authorization from the county board of legislators to modify their approved budgets. Further, most area agencies on aging have obligated and encumbered their title III funds for administrative purposes and service contracts. They would, therefore, have to reduce existing budget items in order to free-up funds.

I have some reservations about utilizing title III funds in this manner. My concern is based upon two factors. First, title III would partly become an income maintenance program with potential fiscal demands that could seriously diminish the social service components. Further, this is a problem that will continue and, therefore, the use of title III should be viewed as an interim approach and not a permanent solution. This problem is an income maintenance problem and effective solutions cannot be gained through service programs but by reform in the income maintenance programs like SSA, SSI, and EAA.

Secondly, the availability of assistance through three different programs promotes a three-way competition among area agencies on aging, the community actions' winterization program, and local welfare districts with emergency assistance to adults (EAA) and/or title XX. Because of limited funds in each program and the knowledge of the existence of coverage in the other programs, each agency may resist providing immediate assistance to older persons in hopes they will obtain it from one of the other agencies. This desire to keep their funds from being seriously depleted by this coverage may result in older people being "ping-ponged" between the three types of agencies.

I recognize this cannot be changed this year for the immediate crisis, but future plans should focus on having assistance available through one program that is visible and created for this specific purpose. In this way, older people can obtain immediate relief without getting the "runaround" from different social agencies.

I feel a valid approach in line with the current major Federal policy shift would be to construct an elderly consumer price index (ECPI) which would reflect the increased weight of fuel, utility and other costs in the older American's budget, with geographic variations. Such an index should effectively represent the profound differences in the cost of living by region.

The ECPI would then become the basis for periodic increases in social security and SSI benefits, thus providing a direct means of cash assistance to the elderly.

I understand the urgency in considering the use of title III funds for this purpose this year; however, I would strongly recommend that consideration be given to establishing a mechanism at the Federal level to include additional assistance as a component of a cash assistance program. Of concern to our office is the need to broaden current eligibility levels to include the large group of older persons who are slightly above poverty level but marginally existing under the impact of escalating food, medical, and energy costs. These individuals characteristically are independent, are determined to be self-sufficient, and would probably deeply resent requesting assistance from any agency that is identified as providing assistance or services to the poor.

Thank you for the opportunity your committee extended to our office to testify at the hearings in early April. We appreciate the concern the committee has consistently demonstrated for the plight of the elderly and the outstanding advocacy function you perform.

Sincerely,

Mrs. LOU GLASSE.

[Enclosure.]

#### FUEL AND ENERGY PROBLEMS FACED BY OLDER NEW YORKERS: A BACKGROUND PAPER

Each winter, New York State's older citizens face increasing difficulty in meeting their fuel and energy needs. Much of this difficulty is directly related to the conditions of their housing. High heating consumption resulting from poor insulation and/or deteriorating homes is not uncommon. As a result, elderly persons greatly need some measure of relief from the high cost of fuel and utilities.

## BACKGROUND

The winter of 1976-77, one of the coldest in the history of this Nation, has revealed in a dramatic way the desperate situation of our older citizens regarding energy costs. As so often happens, it has taken a crisis to focus attention on a problem which has existed for a long time and which, without immediate attention, will continue to worsen after the crisis has passed.

Several factors contribute to the difficulties faced by the elderly in coping with their energy needs. One of the most significant is the simple fact that older people have usually resided in their homes longer than younger people. According to a 1972 survey conducted for the New York State Office for the Aging,<sup>1</sup> the median length of time an older person had occupied the same home was 17 years. By contrast, the average American family moves once in 5 years. Thus, it is no surprise that the 1970 census found that 69.2 percent of all older-headed households live in houses that are at least 31 years old.<sup>2</sup>

Older citizens own older houses than younger people do—houses more likely to need structural repairs or installation of modern insulation, houses more likely to have antiquated, inefficient, or worn-out heating systems, and furthermore, houses often likely to be too large for the owner's present needs or too difficult for his or her limited physical and financial resources to maintain.

The other major factor which contributes to the older person's disadvantage in meeting energy needs is the strain of rising costs against his or her relatively shrinking budget.

In 1975, the median annual income for households headed by persons over age 65 was \$5,585, while the median income available to households headed by those under 65 was \$13,532. Older persons are also more likely than younger persons to have incomes which fall below the poverty standard. In 1970, over 20 percent of New York State's elderly existed on incomes below the poverty level, while under 10 percent of those under 65 did so.<sup>3</sup>

## CONTINUED PRICE INCREASES

The continuing, and increasing, problems of the elderly in dealing with the inflation of energy costs can be clearly demonstrated. Over the past few years the price of fuel and utilities has changed from one of the slowest-growing budget items to the fastest. It is well known that medical care costs have been increasing sharply year after year; but increases in the costs of fuel and utilities now surpass even those for health care, as shown below:

CONSUMER PRICE INDEX (1967=100) \* ANNUAL AVERAGE

	1973	1974	1975	1976	January 1977
All items.....	133.1	147.7	161.2	170.5	175.3
Food.....	141.4	161.7	175.4	180.8	183.4
Rent.....	124.3	130.6	137.3	144.7	149.0
Medical care.....	137.7	150.5	168.6	184.7	194.1
Fuel and utilities.....	126.9	150.2	167.8	182.7	194.8

\* U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Price Index," monthly.

Although the current figures are not available, several basic components in the fuel and utilities category had already increased sharply from 1970 to 1974:

	Percent
Fuel oil.....	110
Natural gas.....	60
Electricity.....	59

These increases, especially those in oil and gas as will be shown later, significantly affect older persons and further restrain their already limited resources.

<sup>1</sup> New York State Office for the Aging, "Statewide Survey of the Status and Needs of the Aging in New York State, 1972."

<sup>2</sup> U.S. Bureau of the Census, "1970 Census, Subject Report: Housing of Senior Citizens."

<sup>3</sup> New York State Office for the Aging, "Status of the Aging: Older New Yorkers in 1976," December 1976, p. 3.

Between 1973 and 1976 average social security payments increased about 33 percent, while fuel and utility costs increased 44 percent. Information is not available on the next adjustment to social security payments but it is not likely that it will cover the increase in these costs. In the last year, the price of fuel and utilities has gone up another 11 percent.

Even without continued inflation or periodic benefit increases, it is easy to criticize the basic level of the payments under income support programs. These low levels place the elderly at an immediate disadvantage, and cost-of-living increases cannot make up that initial disparity. Neither social security nor supplemental security income provides a basic income sufficient for anything but the barest essentials.<sup>6</sup>

As a result, older people's alternatives are limited; either they cannot continue using energy at the same level as before—already inadequate for their physical needs and limited to bare necessities—or they must make up the difference from other items in their budget. The CPI for all items has increased almost 32 percent since 1973. Since an estimated 90 percent of an older person's budget is already consumed by essentials, there is little room to absorb these crippling increases.<sup>7</sup>

#### AGING CAUSES INCREASED NEEDS

The effects of difficult housing circumstances and increasing costs are further complicated by the fact that older people actually need to use more energy than younger people because of the physical effects of the aging process.

The U.S. Public Health Service reports that nearly 85 percent of the non-institutionalized aged have at least one chronic condition.<sup>7</sup> About 38 percent of the national population aged 65 or older have arthritis, compared with 9.7 percent for adults under age 65. Nearly 20 percent of the aged have heart conditions, although only 4.7 percent of the adults under age 65 do. Roughly 20 percent of the aged suffer from hypertension, while only 6.9 percent of the adults under age 65 are so afflicted.<sup>8</sup>

Conditions such as arthritis and diabetes restrict movement and impair circulation, and create the need for more heat. Furthermore, chronic heart and circulatory problems may require the use of more heat in the winter and air conditioners in the summer; people with respiratory problems may need humidifiers; people with failing eyesight may need intensive central lighting. In recognition of the increased needs of older people, standards set by the New York State Division of Housing and Community Renewal require 14 percent more heat in elderly housing.

But do New York State's elderly use the increased energy their physical condition requires? The answer is "no"; they cannot afford it.

#### OLDER PEOPLE CONSUME LESS AND PAY MORE

According to a recent investigation by the U.S. Senate Special Committee on Aging,<sup>9</sup> the average American uses energy only for the most basic of human needs, yet pays about 14 percent of his income for that energy, while a younger family, with more diverse and greater consumption habits, typically pays about 4 percent of its income for energy. According to a study by the Federal Energy Administration:<sup>10</sup>

- The elderly poor consume less energy than other age groups but spend a much higher proportion of their income for the energy-related expenditures.
- The aged poor's energy costs are primarily for everyday necessities—such as cooking and heating—rather than discretionary luxury items.
- The elderly poor pay a higher per unit cost for electricity and natural gas than other income groups.

<sup>6</sup> New York State Office for the Aging, "Status of the Aging", p. 6.

<sup>7</sup> U.S. Department of Labor, Bureau of Labor Statistics, "Three Budgets for a Retired Couple, Autumn 1975," 1976. (Intermediate level budget used here.)

<sup>8</sup> U.S. Public Health Service, "National Health Interview Survey," annual.

<sup>9</sup> U.S. Public Health Service, "Health in the United States, 1975," 1976.

<sup>10</sup> U.S. Senate Special Committee on Aging, "The Impact of Rising Energy Costs on Older Americans," 1975.

<sup>11</sup> Summarized by the U.S. Senate Special Committee on Aging, "Developments in Aging: 1975 and January-May 1976," 1976, p. 140.

It must be kept in mind that all of this information describes the situation before the current crushing combination of severe weather conditions and price increases caused by fuel shortages. The severity of this winter for New York State's older citizens, in terms of discomfort, further health impairment, irreversible financial drain, and personal deprivation, cannot possibly be evaluated. Unfortunately, this year is a continuation of steadily worsening conditions.

#### ENERGY USE FOR HOME HEATING BY LOWER INCOME FAMILIES

As illustrated below, 1970 census information on energy use by lower income (under \$6,500 per year) households in New York State shows relatively little difference by age in terms of type of fuel used. Older lower income households are slightly more likely than younger to use gas rather than fuel oil for home heating, while the reverse is true for renters.

#### HOUSE HEATING FUEL USED BY LOWER INCOME HOUSEHOLDS IN NEW YORK STATE

	Percent of household heads 14-64		Percent of household heads 65 plus	
	Owners	Renters	Owners	Renters
Gas.....	42.2	37.9	45.7	31.8
Oil.....	53.1	55.7	50.4	64.0
Electricity.....	1.1	1.8	1.1	1.1
Other.....	2.9	4.7	2.9	3.2

It is interesting that older lower income homeowners are almost equally divided between the use of gas or fuel oil as a heating source; oil is slightly more common. The dwellings of older low-income renters rely more heavily on fuel oil for heating. Overall, however, age makes little difference in fuel use among those lower-income households.

#### SPECIAL PROBLEMS OF OLDER HOMEOWNERS

Some 46 percent of all elderly New York State residents are homeowners, which means that they have been especially susceptible to the effects of inflation on the costs of maintaining a home. Home repairs, which can substantially reduce energy waste and needless costs for fuel, are simply beyond the economic reach of many older persons. Insulation offers an effective improvement with a quick return on the investment. Simple furnace or heating system maintenance and checks for safety and efficiency can greatly reduce heating costs. The cost of these necessary repairs is often a burden on older homeowners.

Furthermore, the costs of preventive home repair and maintenance are also on the rise. During the period 1970 to 1974, the cost of reshingling a roof increased 69 percent and the cost of repairing a furnace increased 45 percent. Since 1974, these homeownership expenses have increased even further. We can see, therefore, that not only is it increasingly more expensive to simply live in a home, it is also more expensive to maintain or repair the home in spite of the advantages of keeping it energy efficient.

#### THE COLD, HARD REALITY

Because the winter of 1976-77 has been so severe, the President has declared nine counties in upstate New York disaster areas.<sup>11</sup> Utility companies both in these counties and in other parts of the State report that average residential gas and electric bills for the year between March 1, 1976, and February 28, 1977, were substantially higher than the year before.

In Buffalo, New York, the average residential bill for this period was reported to be \$138 more than the previous year's average. This average can be used to analyze the impact upon older persons.<sup>12</sup>

<sup>11</sup> Cattaraugus, Chautauqua, Erie, Genesee, Jefferson, Lewis, Niagara, Orleans, and Wyoming Counties.

<sup>12</sup> The estimates are based upon increases in the costs of gas and electricity. Comparable information on fuel oil is not available, but it seems reasonable that the situation is similar; therefore, estimates based on gas and electricity are made for the entire population.



The New York State Office for the Aging estimates that there are currently 61,000 older (60+)-headed households in the nine counties that have incomes of less than the lower level budget prepared by the U.S. Bureau of Labor Statistics (about \$5,000 for a retired couple for autumn 1975). Applying the average cost increase, we find that the low-income elderly in these storm-struck areas have had to pay \$8.4 million more for heating and lighting their homes than they paid last year.

Bills in the remainder of the State were reported to have risen at about half the rate of the hardest-hit counties. Therefore, since there are about 516,600 low-income 60+-headed households in the other 53 counties of the State, we estimate that the increase for these people totals \$36.2 million.

Thus, for all low-income older (60+)-headed households in New York State, the increased cost of fuel and utilities for the 1976-77 winter over the past year's level is estimated to be \$44.6 million—a devastating blow for those having no financial cushion with which to absorb the impact.

#### THE HUMAN COSTS

A few selected examples reported by county offices for the aging in some of the nine disaster counties illustrate the actual effects on individual lives of the circumstances summarized above:

A man over the age of 65 in Cattaraugus County, living alone, has an income of \$3,800. Although he began the winter with his house fully insulated, half of the house closed up, and his thermostat at 60 degrees, his fuel bill tripled over the course of 3 months. He shut off one room after another, and finally left home during the day in an effort to keep warm.

A couple in Cattaraugus County with an income of \$4,680 (entirely social security), have faced utility bills that are double last year's and amounts to two-thirds of their monthly income. They need storm windows, but the income eligibility cut-off for the weatherization program is \$4,625.

An older man from Niagara County turned to the county office for the aging for help because he was unable to buy his food stamps. After paying his utility bill he had \$1.43 left to purchase food for the month.

An 83-year-old widow from Jamestown, in Chautauqua County, lives on an income of \$248.65 per month in combined social security and SSI benefits. She has no savings. Between December 1976 and February 1977, her monthly expenses for basic essentials averaged as follows:

Gas .....	\$92.00
Electricity .....	15.00
Wood .....	25.00
Food .....	100.00
Telephone .....	8.50
<b>Total .....</b>	<b>238.50</b>

During the blizzard her cellar door blew off and her utility appliances, such as the hot-water heater, were damaged.

A 92-year-old widower in Sherman, N.Y. (also in Chautauqua County), has an income of \$255.50 per month from social security, SSI, and renting an apartment in his home. His average monthly expenses between December 1976 and February 1977 were:

Gas .....	\$186.00
Electricity .....	13.00
Food .....	50.00
Telephone .....	4.65
Taxes and insurance .....	30.00
<b>Total .....</b>	<b>283.65</b>

The man was hospitalized with pneumonia, which he believes was caused by keeping his thermostat at a very low setting.

As pointed out by the director of the Chautauqua County Office for the Aging, older people tend to pay their bills even at the cost of having no money for food. For the rural elderly, even the office for the aging's nutrition program may not be any help in such circumstances, because the nearest site may be 15 to 20 miles away, totally inaccessible in a storm. Older people often have no extra money to pay increased bills and no financial or physical means of dealing with emergencies such as storm damage.

Poor nutrition, exposure to cold because of attempts to conserve, and worry over mounting fuel bills have already done irreparable damage to the health of older New Yorkers—and the crisis continues.

## SUMMARY

With each winter older persons experience more and more difficulty in meeting and paying for their energy needs. In spite of the increased energy requirements associated with the normal aging process, older persons consume less energy than they might need to maintain their health. At the same time, they pay more of their income than others do for that energy.

Among lower-income older households, gas and oil are the major sources of heating fuel. Older homeowners face the additional problem of increased cost for home maintenance and repair.

The single greatest difficulty faced by older persons is the rapid and substantial increases in the costs of fuel and energy. These increases, and those for other necessities such as food and medical care, strain the limited budget of most older persons.

Not only are levels under income support programs modest to begin with, but overall cost of living increases also do not adequately compensate for the actual increases facing older persons in their purchase of necessities. These factors, combined with the increased energy usage and escalating energy costs of this winter, make it essential that relief from the ever more oppressive cost of energy be provided to older persons. Without such relief, the burden on older persons of increased energy costs will continue to grow.

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ITEM 10. STATEMENT OF JOSEPH C. DAVIS, THE GRAY PANTHERS OF METROPOLITAN WASHINGTON, D.C.

My name is Joseph C. Davis. I am chairperson of the Housing Task Force of the National Gray Panthers. I am also a retired engineer who before retirement worked for 25 years at the National Bureau of Standards, much of the time in the Center for Building Technology as a research engineer. Since retirement I have written columns in the Washington Post, Washington Star, The Christian Science Monitor, and other papers on subjects relating to air-conditioning and home heating. I have written two books with a partner, Mr. Claxton Walker of Potomac, Md., one entitled, "Buying Your House: A Complete Guide to Inspection and Evaluation," and the other on saving energy in your home, title unknown. The latter book is now under review by the publisher and should be on the market around July 1, 1977.

As you know, the Gray Panthers is a progressive group made up primarily of older people who are concerned about the plight of the elderly as inflation continues to increase and makes their lives more difficult.

I would like at this time to discuss the effect the energy crisis will have on the older people of America as the years go by and efforts are made by the Government, industry, and the citizens to conserve our existing supply of fossil fuels.

When we discuss the plight of the elderly in the United States we are talking about a significant portion of the population. The U.S. Census Bureau figures show that people 65 years or over now total about 22.4 million, and project that by the year 2000 these people will total about 24.7 million. This is equivalent to saying that these people now constitute about 11 percent of the population today and will constitute about 12 percent in the year 2000. In the year 2030, this Bureau estimates that they will constitute about 17 percent of the total population.

The old people are a special sector of the population: They are generally much poorer than people in the middle-age brackets. Furthermore, their bodies are more delicate and they cannot stand the cold as well as younger people.

The fact that they are poorer and more delicate means that they are not subject to the same guidelines for energy saving as the rest of the population. Writers, including me, talk glibly about adding storm windows and insulating houses to help save our energy supply and to save money for homeowners. I submit, however, that the low level of income of homeowners in the rural and urban areas makes these pronouncements ridiculous. The cost of storm windows is high—beyond the reach of most of them—and even if they did the payback time for storm windows in a 3-bedroom house is something like 15 years. The

same reasoning applies to insulation for the attics and the walls of their houses. An old person cannot stand the recommended 68 degrees in a home as easily as a young person. It is bad enough when the temperature indoors is 68 degrees and outdoors is about 30 degrees, but when the indoor temperature is 68 degrees and the outdoor temperature is down around zero degrees, the situation is unbearable for the old person. The cold air filters into the house through cracks, the windows and walls are cold, and the heat from this person's body is drained away to these cold surfaces at a much faster rate than when these surfaces are somewhere between 68 and 30 degrees. Sweaters are of little help under these conditions.

Any talk in the future about recommending a lowering of the indoor temperature to 65 degrees is nonsense and almost criminal for the elderly.

It is fashionable today to talk about letting the utility companies conduct programs for insulating homes. How unfair this is to older folks to give this responsibility to the very same companies who, either because of ineptitude or artificially holding back our natural gas supply, caused us to nearly freeze in our homes. These companies, no doubt, will lend many homeowners the necessary money to retrofit their homes but will charge interest at rates approaching 18 to 20 percent. Moreover, the same redlining procedures so common to the mortgage lending business for houses will also prevail, thus keeping people in the inner cities from taking advantage of the retrofitting programs.

Instead, retrofitting of homes for all people should be done by the government at low interest rates. Tax incentives would help. But for old people in the low-income brackets it should be financed by outright grants. The Community Services Administration (formerly the Office of Economic Opportunity) already has a program for helping the older poor with insulating their homes. This program is miniscule in scope but should be studied and possibly increased to a level by a factor of 100,000 if we are to help these indigent old people and save energy for the future.

Every effort should be made to put an end to crisis-type oil and natural gas energy "shortages". They were exceedingly hard on the elderly. The gas "shortage" of 1973 in rural areas was particularly hard for the elderly who had to beg and borrow rides to get to church, see their grandchildren, shop, or go to work. The natural gas "shortage" of the winter of 1977 caused terrible discomfort and, in a few cases, death of old people, because the gas companies turned off the gas supply because of failure of customers to pay the gas bill.

Stronger methods than the present Public Utility Commission arbitration system now in effect are needed for regulating utility price increases. Usually the public utility commissions, unless heavy public pressure is exerted, give the utility companies nearly all they ask for. In many cases these companies charge the residential consumer for expensive and sometimes unnecessary nuclear power plants through billing charges instead of borrowing from the banks and paying interest like other industries do. The Gray Panthers urge that lifeline rates be instituted by all utility companies so that families that use a low level of energy, or kilowatt hours, during a billing period be given a special low rate.

In order to stop these periodic crisis-type "shortages," and to improve the arbitration procedures on utility prices, it is mandatory that the Federal Power Commission be reorganized so they are responsible to the public and not just to the oil and electric companies. Information on pricing supplies and resources of oil and natural gas must be made available to the government and the public, and not just the private property of these companies.

The Gray Panthers are opposed to increases in gasoline prices as a measure to save energy, as well as deregulation of oil and natural gas prices. Both measures are shortsighted and will help but little in conserving our fossil fuel reserves. If there is to be a benefit it will be only a benefit to the oil companies and not to the people of the United States.

Our organization requests that research on solar energy, wind energy, and other new types of energy source be pursued vigorously. Although it may be necessary to go the route of using more coal to feed the machinery of industry, ways must be found to keep our atmosphere clean of sulfur dioxide and other pollutants—the by-product contaminants of burning coal. The elderly suffer mostly from polluted air and the death rate increases among us significantly during each alert episode. (See my article, "The Elderly: Pain and Power", which appeared in the July 1974 issue of the magazine *Equilibrium*).

Just a few words about the housing problem in the United States and how they relate to the energy problem. As we all know there are thousands of boarded-up

houses in the cities. These are becoming more and more dilapidated every day due to weathering and vandalism. Yet many of them have sound structural walls and roofs. A twin evil to this is the thousands of unemployed young people who day by day become increasingly more cynical, and who live by their wits—oftentimes outside of the law.

Why can't the administration cure these twin evils with one stroke by using these unemployed young people to renovate these houses using the latest energy-saving techniques, and at the same time provide increased living quarters for people, including the elderly who are waiting in long lines to find quarters in the National Capital Housing Authority public housing facilities? To this end, the Gray Panthers call for a Works Project Administration (WPA) to treat the decayed areas with boarded up houses in the cities as disaster areas and train the unemployed discontents in building trade skills so they become decent law-abiding citizens making their contribution to society. It is an idea whose time has come.

Innovative schemes like this were successful in the days of the New Deal in the 1930's. Why can't they be tried now?

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**ITEM 11. STATEMENT OF KATHLEEN WATSON GOODWIN, CHAIRMAN,  
MAINE COMMITTEE ON AGING, AUGUSTA, MAINE**

It is a pleasure to have this opportunity to submit written testimony to the committee regarding the impact of rising energy costs on the elderly. In a comprehensive study of the status and needs of Maine's elderly, entitled "Over 60 in Maine: A Progress Report" (1975), the Maine Committee on Aging found that the two most significant problems facing Maine's 170,000 elderly are health and income related. Obviously these two problems areas are interrelated and their severity is increased by unexpected rises in energy costs coupled with the long and severely cold winters we in Maine face. Increased energy costs are a burden many of Maine's elderly simply cannot afford without foregoing necessities such as food and medications. For many of our elderly, there is simply no choice. They cannot afford to go without nutrition and needed drugs for fear of worsened health. Yet if they are forced to live in homes they cannot properly heat, they will likewise jeopardize their health.

To be more specific, the median real income of an older person in Maine in 1975 was \$2,640. Of these elderly, 35 percent are below the low-income standards of the Bureau of Labor Statistics. Furthermore, Maine's average monthly social security benefit payment is the lowest of all the New England States (\$192.15) and lower than the average national monthly benefit (\$203.54). Yet for 77 percent of Maine's elderly, social security is one of their two largest sources of income. The study also revealed that the four items of greatest expense for the elderly were food, heat, taxes, and utilities. In fact, 18 percent of all elderly reported that heat was their single largest expense; 25 percent listed heat as their second largest expense. Those elderly who live alone report rent and heat as their greatest expenses.

While Maine's fixed-income elderly attempt to adjust their limited budgets to cope with severe winters such as the one we have just experienced, their major costs rise at unpredictable rates. An elderly person on a low, fixed income simply does not have the fiscal flexibility to adapt to erratic weather and inflation. For example, according to Maine's Office of Energy Resources, the average retail cost of No. 2 fuel oil in September 1973 in Maine was about 21 cents per gallon. In September 1976, that same gallon cost about 43 cents. For those elderly who heat with wood, the price of one cord of hard wood has increased by 50 percent from 1974 to 1976. Such costs are an overwhelming burden for many of Maine's elderly. As a result of insufficient income to afford rising energy costs—and I remind you that I have only used costs of some forms of heat, not the broader range of all energy-related costs such as utilities and petroleum products—many elderly are forced to adapt their lifestyles for reasons of simple survival. To pay for heat, some elderly will reduce their purchase of other necessities and risk severe health problems. Others who may wish to remain in their homes are forced to move to elderly housing units. Such units are so limited that we have yet to meet the full need, and elderly who cannot find such housing are then forced to seek public assistance or alternative living, such as moving in with a relative. I regret that I do not have available hard data on the numbers of

elderly who find themselves in such situations. For some, the winterization services of the community action agencies are sufficient to insulate their old homes, retain heat, and save costs. Here again, the service is limited and cannot serve all in need.

The increase in energy costs creates an increase in cost, not only to the elderly in his or her home, but also increases the costs of these winterization projects and social services, particularly transportation and congregate meals programs which must prepare food as well as heat serving sites; elderly housing; long-term care; and public assistance. To illustrate, we contacted the 40-unit senior citizens housing project in rural Guilford, Maine. From November 1972 to November 1973, the average cost per unit per year for electric heat and lights was \$365; for oil heat and lights, \$236. In 1976, those costs grew to \$470.28 per year for electric heat and lights, and \$286 per year for oil heat and lights. Statistics received from the First Allied Corp., which operates six long-term care facilities in Maine, reports an increase in heating costs of about \$15,500 from fiscal year 1974 to fiscal year 1976. For a more general estimate, the Maine Municipal Association, in a survey of Maine communities, found that in 1976 and 1977, about 20 percent of all general assistance costs were for fuel.

While these figures are simply illustrations of rising fuel costs, when coupled with the data on the low income of Maine's elderly, it is readily apparent that the rising costs of energy impose severe hardships on the old. As you review the testimony presented to you, I would urge the committee to consider a range of responses which would help make more flexible the income of older people. Our study, "Over 60 in Maine: A Progress Report," found that the public program in Maine with the highest awareness and use ratio by the elderly was our elderly householders tax and rent refund program. Through this program, older homeowners and renters with incomes of up to \$4,500 for an individual and \$5,000 for a couple receive rebates on their property tax (or 25 percent of their rent) which allows them increased available cash for home maintenance and other necessities. We would urge you to also investigate Maine's lifeline electricity program which affords low-income elderly low-cost electrical rates. I believe the testimony of Mr. Archie Gaul of the Central Senior Citizens Association of Augusta, Maine, has addressed this program, and I will not repeat it here. Finally, we urge you to consider the ramifications of increasing energy costs on the essential support services such as transportation, nutrition, health care, housing repair, and winterization. As costs increase for such programs, maintenance of effort becomes more difficult and program expansion becomes impossible at precisely the time when more elderly, also suffering under rising personal costs, are urgently in need of these services.

I hope that this brief overview of the impact of rising energy costs on Maine's 170,000 elderly will prove helpful to the committee. If we can be of any further assistance to you, please contact us. We commend you for conducting these public hearings on this crucial issue and hope that your recommendations will receive the fullest consideration by Congress and the Nation's utility companies.

Thank you.

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#### ITEM 12. STATEMENT OF BLANCHE APPLEBEE, WESTERN OLDER CITIZENS' COUNCIL, INC., NORTH JAY, MAINE

I very much appreciate your invitation to have a part in the hearing before your committee on "The Impact of Rising Energy Costs on Older Americans":

First, because I am convinced that the program resulting from the energy hearing at which I testified in November 1975 was the major factor that enabled the elderly to weather the first winter of the energy crisis.

Second, because I am convinced that the impact of rising costs of energy has created a new problem area for the elderly. I am referring to that large group of us whom, for want of a better phrase, I call the respectable elderly poor. People who have scrimped and saved and gone without most of their lives (even during the great depression) in order to pay their bills, maintain their own homes, take part in their communities, and keep off welfare—people who retired with minimum social security and/or minimum pension or other resources.

But they continued a lifelong plan of cutting one's coat to fit one's cloth, and they were doing all right until last winter when the rising costs of energy wiped out most of the cloth supply. One man told me his heating bill went from \$300 in 1976 to \$1,000 in 1977.

A woman said, "I could pay my fuel bills, except that I just can't seem to give up eating." She wasn't being funny.

Under a special ruling, the gas company provided her with gas during the cold weather. Now she has received a bill for \$300 and a notice of termination unless the bill is paid. "I'll just have to give up my home," she said.

She is just one of the many, many people in this situation. People who stand to lose not only their homes, but their community status and their personal dignity. Nobody knows how many. They are proud of their independence; they keep their affairs to themselves.

But I know hundreds of them. They are my friends, my neighbors, and my coworkers in the many local, regional, State, and Federal programs which we carry on for the elderly of our State—all on a volunteer basis.

I know who they are because I have been chairman of a local senior citizen center for 9 years; secretary of Project Independence (Western Older Citizens Council, which is a State area task force); on the executive board of the State Council of Older People; and served a 3-year term on the Maine Committee on Aging, ending last October.

We have all kinds of programs for the poor, the disabled, the unemployed—it does seem as though someone could devise something to help the respectable elderly poor weather this crisis.

This is my purpose in bringing this matter before the Senate Committee on Aging. I hope—and I believe—that this committee can find a solution. Could it possibly be resolved along lines similar to those by which a stricken community is declared a disaster area? Far-fetched, perhaps, but it may have the germ of a workable idea.

Thank you for the consideration which I know you will give to this matter.

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#### ITEM 13. STATEMENT OF ROBERT J. AHRENS, DIRECTOR, MAYOR'S OFFICE FOR SENIOR CITIZENS AND HANDICAPPED, CHICAGO, ILL.

Chicago's Mayor's Office for Senior Citizens and Handicapped appreciates the opportunity to submit testimony on the effects of rising energy costs on the elderly. In view of last winter's extreme harshness and the predictions that more of the same is forthcoming, it is a particularly urgent problem.

According to Chicago's over-65 population, published by Chicago's Department of Development and Planning in 1974, there were 355,298 persons in Chicago who were age 65 or older as stated by the U.S. census. Twenty-two percent of the elderly had incomes below the poverty level. Forty-one percent of Chicagoans over 65 were homeowners. The Community Development and Housing Coordinating Committee for the City of Chicago stated in its 1975 Preliminary Report on the Community Development Program that the elderly comprise 40 percent of the total households in Chicago that are in need of housing assistance because they live in substandard housing or pay more than 25 percent of their income for housing.

Eleven percent of all homes in Chicago are substandard or dilapidated and 13 percent are basically sound but require minor repairs. Most older housing stock needs some type of weatherization.

Not only homeowners but elderly renters also find themselves in difficulty when poorly weatherized, substandard, or improperly managed units leave them without sufficient heat. In Chicago, they have recourse to the Mayor's Office of Inquiry and Information that has responsibility for investigating complaints and insuring compliance with the city ordinance that stipulates the minimum temperatures that must be maintained in rental units. Although this office does not keep records of its clients by age, it estimates that 25 percent of all the calls are from senior citizens. As of April 14, 1977, the office had received 28,209 calls from people who lacked heat in their homes. Since older people and families with young children are the first to call, it is estimated that 7,053 callers were elderly persons. The figure is probably low since only one person in a multiple-dwelling unit is counted.

A number of factors account for the particular vulnerability of the elderly. Elderly persons who live on low fixed incomes are without sufficient funds to repair or insulate their homes against the weather. Yet, they spend much time at home, especially in inclement weather, and usually require high temperatures for comfort. The only alternative is to use more fuel. Higher utilization of ever

more costly utilities requires progressively greater percentages of this low, fixed income. Often, service is terminated for nonpayment, or tragic choices must be made such as reducing food intake or medical care. Clearly, physical frailties in the elderly preclude do-it-yourself solutions more readily available to others. Yet, neglect of property speeds up neighborhood blight which, in turn, brings a whole new set of complex problems for the elderly who are less mobile and trapped in such blighted areas. At least one elderly woman of whom we know, even entertained the possibility of selling her building because her heating bill was over \$1,000. She, like any older person, ought not to be so anguished because of energy's rising costs.

The 59 percent of the over-65 population living in apartment buildings are also vulnerable to increasing energy costs, directly and/or indirectly. Those elderly persons whose units are individually heated pay larger utility bills. The elderly persons living in multiple-dwelling units where the heat is supplied by the landlord suffer indirectly: their rents are raised to compensate for the owners' increased expenses. If those multiple dwellings are poorly weatherized, the costs to the landlord for weatherization are passed on to the renter.

#### RECOMMENDATIONS

(1) We urge the continuation and expansion of weatherization assistance programs to enable elderly persons to reduce the use of fuel without undue discomfort. Adequately heated homes and protection against fuel loss through weatherization may even prevent some costly illnesses and institutionalization may be avoided.

(2) We strongly urge, also, consideration of a program of retroactive benefits for elderly homeowners and renters residing in areas such as Chicago where no moratorium was instituted on utility costs during the bitterly cold winter of 1977. In such areas this vulnerable group was forced to accept the high costs of utilities, obviously to the detriment of their other basic needs and income stability.

(3) Proposals for establishment of so-called lifeline utility rates for the elderly should be examined carefully to avoid possible charges of discrimination. Some proponents of lifeline rates argue for minimum rates for all consumers for usage below a specified maximum number of units; others argue that lifeline rates should be applicable only to certain classes of individuals, such as the elderly, the disabled, or persons on the public welfare rolls.

(4) Consideration should be given to the establishment of a rebate program for elderly persons below a given income, such as \$10,000, when utility costs exceed  $x$  percent of annual income. An example of a similar rebate is that provided under the Illinois Senior Citizens and Disabled Persons Property Tax Relief Act for senior citizens and disabled persons with incomes below \$10,000. The amount of the grant depends on the amount of property taxes accrued or rent paid and total household income.

(5) Proposals for gasoline tax increases must be reviewed in relation to possible greater isolation of the elderly from their scattered families and in relation to possible reduced services by service providers with already strained budgets. Such proposals must include provisions for mass transit in all areas of the country.

Some predict that within 3 years energy costs will be as high as rent and mortgage payments, thus the need for subsidies, controls, and the development of alternative, economical sources of energy is imperative. We urge you to support whatever measures are necessary to reduce the impact of rising energy costs on older Americans.

#### ITEM 14. STATEMENT OF DR. KENNETH W. CLARKSON, PROFESSOR, LAW AND ECONOMICS CENTER, UNIVERSITY OF MIAMI SCHOOL OF LAW, CORAL GABLES, FLA.

I would like to thank this committee for permitting me to submit my analysis on what is one of the more vital concerns facing all Americans, and especially older Americans.

Since the initial hearings over two and one-half years ago, there has been a substantial increase in the impact of rising energy costs on older Americans, particularly during the winter of 1976. These developments, coupled with the

earlier findings by the Federal Energy Administration (FEA) in "The Effects of Rising Energy Prices on the Low and Moderate Income Elderly" (Washington, D.C.; U.S. Government Printing Office, March 1975) are likely to increase significantly the interest in identifying and/or proposing a specific solution for reducing the impact of rising energy prices on the elderly. In this context, I would like to direct my comments toward a particular method for focusing benefits on this group, the potential use of energy coupons.

As members of the committee may be aware, I have extensively studied a major Federal program involving the use of food coupons. The results of my analyses of the food stamp program are likely to be of considerable interest to the committee since the general legislative and administrative provisions and resulting outcomes associated with my study can be applied to a proposal to institute energy coupons as a method of reducing the impact of rising energy prices on the poor. My remarks will be directed first to the benefits of energy coupons and then to the potential difficulties associated with administering and using them.

The major benefits of energy coupons as a method of reducing the impact of rising energy cost on older Americans would be an increase in the probability that the funds allocated to reducing energy coupons or stamps would be restricted to expenditures associated with approved energy sources, although specific uses may vary. Stamps, for example, could be used only for energy costs such as fuel, gas, or electricity bills, or they could be broadened to permit substitution of insulation or other methods that might reduce prices to the elderly. Proponents of the coupon approach likely will also argue that it permits a targeting of benefits to those individuals who have the largest energy impacts upon them. Thus, coupon benefits may be set higher in the north where energy consumption is greater. This would, of course, discourage individuals from moving from colder or higher energy-using sections of the country to those areas where energy costs are significantly lower. In this respect targeting benefits would maintain existing pressures on energy resources.

The distortion of consumption toward energy activities will cause significantly more demand increasing pressures on energy sources resulting in energy prices rising higher than they would under a more general program such as a special automatic consumer price index increase in general transfer payments to the elderly (discussed in the FEA report).

The distortion of consumption may also increase significantly the probability of illegal and legal substitutions decreasing the impact desired by the specific nature of the program. For example, in my analyses of the food stamp program, individuals whose subjective valuations were less than the market value of the food stamp allotment were found to buy nonfood services, such as increased conveniences or packaging services. These results are discussed in my study on "Food Stamps and Nutrition" (Washington, D.C., American Enterprise Institute, April 1975) a copy of which is enclosed.<sup>1</sup> The actual outcome, of course, would depend upon (1) the size of the purchase requirement, if any, (2) the size or allotment of energy coupons, and (3) the recipient's previous expenditures on energy consumption.

Energy coupons as a means of decreasing the impact of energy prices on the elderly are also likely to be more expensive to administer. This is because the program would likely have a separate administrative structure and/or a complicated criteria for eligibility. My research on food stamps, for example, reveals that the administrative costs associated with the food stamp program are more than three times the costs associated with cash transfer programs, such as Social Security. This has caused me to conclude that in-kind transfer programs that use coupons will be relatively inefficient when compared to other programs. Overall, the food stamp program takes at least \$1.09 to transfer \$1 in bonus stamps which recipients value at approximately \$.82 (see below).

The above, of course, merely identifies the major benefits and costs of using energy coupons as a means of reducing the impact of rising energy prices on the elderly. Should the committee consider a specific form of energy coupons, I would be happy to supply an analysis of the particular aspects or provisions of the proposed solution. I would, however, like to remind the committee that any proposed solution in this direction should be proceeded with extreme caution, given our experience with the food stamp program.

<sup>1</sup> The excerpt mentioned follows this statement. The balance of the report is retained in committee files.



## EXCERPTS FROM "FOOD STAMPS AND NUTRITION"

(By Dr. Kenneth W. Clarkson)

## INDIRECT BENEFITS

In addition to benefits to recipients, there may be benefits from the food stamp program for other members of society. Increased food consumption by lower-income individuals may be highly valued by some upper-income groups, and transfers from the higher-income to the lower-income groups could therefore increase overall welfare. Furthermore, transfers in kind may produce greater external benefits than those produced by an equivalent cash grant. This point was argued by Secretary of Agriculture Freeman in testimony before the House Agriculture Committee in 1967:

"But the advantage of the food tieup is that they use what they have been spending on food, secure the stamps which then means an additional amount—which means that the money is going for food. It is not going for something else. This is very important, very important."<sup>1</sup>

Finally if transfers of food from taxpayers to lower-income families represent a public good as viewed by contributors, then all individuals who place a positive value on this activity may share the benefits of the transfer without exclusion. When recipient private demand for the transferred good (food) and the collective demand for food transfers varies indirectly with price and directly with income, then the optional quantity rises with increases in income for either recipients or givers, up to the point where the incremental value of additional units of the transferred good is zero.<sup>2</sup> Increases in collective demand for greater food consumption by the poor will increase the amount of food transferred to the poor. Moreover, the total food subsidy will also increase. Finally, until the marginal value placed by food givers on recipient food consumption falls to zero, increased recipient demand will increase the quantity of food transferred to recipients.<sup>3</sup>

The food stamp program, like other public organized activities, presents certain problems in organization and production. If an activity represents a public good but is privately financed, there will be an underproduction of the transfer activity because exclusion of noncontributors is prohibitively costly. But public sector organization and financing through tax revenues may be equally difficult. Under existing government institutions, the program may exist when the net benefits or even the gross benefits are negative. (This is a consequence of the logrolling properties of the U.S. legislative branch and is discussed in Appendix C.)

Other theoretical problems also make difficult the determination of external benefits from the food stamp program. If there are external benefits from all goods consumed by an individual, it can be shown that there is no *a priori* case for public subsidy of any kind.<sup>4</sup> Since most of the goods and services consumed by the poor involve some form of public subsidy, this fact is particularly important in an evaluation of the external benefits of the food stamp program—particularly if the program involves negative general purchasing-power transfers that decrease the recipient's ability to purchase other important goods. Finally, one must determine the level of taxpayer objectives yielding external benefits. One of the major objectives of the food stamp program (assumed to be derived from voter preferences) is improvement in the nutritional value of the diets of needy families.<sup>5</sup> It is important to know the extent to which this outcome is achieved.

<sup>1</sup> U.S. Congress, House, Committee on Agriculture, *Hearings to Extend the Food Stamp Act of 1964 and Amend the Child Nutrition Act of 1966*, 90th Congress, 1st session, March 15 and 16, 1967, p. 38.

<sup>2</sup> See Edgar O. Olsen, "A Normative Theory of Transfers." *Public Choice*, vol. 6 (Spring 1969), pp. 39-58. These results also assume given individual preferences, endowments, ownership of productive factors, technology, and allocation rules such as pricing.

<sup>3</sup> The amount of the food subsidy will, however, depend on the characteristics of the giver's demand function. If the demand is currently elastic, the subsidy will rise, and if inelastic it will fall, with increases in recipient's income: see Olsen, "A Normative Theory of Transfers."

<sup>4</sup> Browning, "Multiple Consumption Externalities."

<sup>5</sup> A special U.S.D.A. survey covering two of the initial eight pilot projects revealed that a large majority of moderate- and higher-income families favored the food stamp program and felt that it should be continued: see U.S. Congress, Senate, Committee on Agriculture and Forestry, *Hearings on the Food Stamp Act of 1964*, 58th Congress, 2d session, June 18 and 19, 1964, p. 39.

Data from studies of the pilot food stamp program in the early 1960s and of participating areas in the late 1960s and early 1970s yield a mixed picture of the improvement in the diets of needy families. Initial studies of two pilot projects—Detroit, Michigan, and Fayette County, Pennsylvania—during September and October 1961 (when nutrition advice was provided and the use of food stamps was carefully policed) showed increases in total participant food expenditures of 34 percent and 9 percent respectively.<sup>6</sup> In Detroit, the percentage of diets meeting recommended allowances for eight nutrients (protein, calcium, iron, vitamin A, thiamine, riboflavin, niacin, and ascorbic acid) rose 19 points from 29 percent to 48 percent (a difference which is statistically significant at the 5 percent level). The gain in Fayette County was somewhat lower (26 percent to 39 percent) and statistically insignificant at the same level. Furthermore, in Fayette County the average level of protein, calcium, iron, thiamine, and riboflavin consumed by participants actually declined as a consequence of reductions in milk, milk products, eggs, and grain products. Both areas, however, showed increases in food energy as a result of increased consumption of sweet and fatty foods. For example, in Fayette County the average quantity of purchased soft drinks rose by 40 percent between April–May 1961 and April–May 1962.<sup>7</sup> Since the pilot project studies are the only ones that show a statistically significant increase in the nutritional adequacy of participants' diets, it should be emphasized that these projects included "an educational program . . . [which helped] the participants in the wise use of their newly-gained purchasing power in an effort to prevent the use of this buying power for frivolous food."<sup>8</sup>

Other studies on the relative experience of participants and nonparticipants for the food distribution and food stamp programs in 1969–1970 generally indicate little improvement in diet (see Appendix D).<sup>9</sup> Between September 1969 and June 1970, for example, families that remained in the food stamp program showed only a small improvement in diet adequacy, even when the average size of the federal bonus nearly doubled. Moreover, families participating in the food stamp program were using a large part of their increases in purchasing power for nonfood commodities and for purchased food lacking the nutrients most needed in the family's diet. In general, survey results indicated that the slightly increased food expenditures by families participating in the food stamp program were not significantly different from expenditures by nonparticipating families. It should also be noted that families who switched from the food distribution program to the food stamp program did not improve dietary adequacy. More recently (1971), studies for two California counties indicate that the food stamp program does not alter the purchasing preferences of most recipients (72 percent), but results instead in the purchase of larger quantities of the same food items.<sup>10</sup> In the 28 percent who changed product mix, most participants spent proportionally more on luxury or nonfood items such as candy and soft beverages.<sup>11</sup> A 1973 study showed that over one-third of the nation's counties are classified as "failure to feed counties" and 263 counties still have relatively serious hunger problems (see Table 11.)<sup>12</sup> As shown in Appendix D, hunger and malnutrition remain national problems despite federal food assistance programs totaling more than \$4.2 billion in fiscal year 1973.

In sum, evidence on the dietary consequences of the food stamp program supports the conclusion that the nutritional objectives of the program are generally

<sup>6</sup> Robert B. Reese and Sadye F. Adelson, *Food Consumption and Dietary Levels under the Pilot Food Stamp Program, Detroit, Michigan and Fayette County, Pennsylvania*, U.S. Department of Agriculture, Agricultural Economic Report No. 9, June 1962.

<sup>7</sup> Nick Havas and Robert E. Frye, *Pilot Food Stamp Program: Its Effects on Retail Sales in Fayette County, Pa. and McDowell County, W. Va.* (U.S. Department of Agriculture, Agricultural Economic Report No. 29, April 1963).

<sup>8</sup> Pearlberg, *Subsidized Food Consumption*, p. 43.

<sup>9</sup> J. Patrick Madden and Marlon P. Yoder, *Program Evaluation: Food Stamps and Commodity Distribution in Rural Areas of Central Pennsylvania* (University Park, Penn.: Pennsylvania State University, June 1972); Dale M. Hoover and James K. Whittaker, *Regression Analyses of the North Carolina Nutrition Survey Data: Some Problems and Tentative Findings* (Raleigh, N.C.: Institute of Statistics, North Carolina State University, December 1972); and J. Gerald Feaster and Garey B. Perkins, *Families in the Expanded Food and Nutrition Education Program: Comparison of Food Stamp and Food Distribution Program Participants and Nonparticipants*, U.S. Department of Agriculture, Agricultural Economic Report No. 246, September 1973.

<sup>10</sup> Logan and DeLoach, *Food Stamp Program*.

<sup>11</sup> *Ibid.*, p. 6.

<sup>12</sup> U.S. Congress, Senate, Select Committee on Nutrition and Human Needs, *Hunger—* 1973.

not being satisfied and that the program in fact makes little positive contribution to diet improvement and apparently worsens the diet of some food stamp recipients. Furthermore, since the agricultural sector gains little from the program, the primary benefits of the food stamp program are general income supplementation and consumption of more convenient and palatable, but not more nutritious, foods.

TABLE 11.—HUNGER AND FAILURE-TO-FEED COUNTIES IN THE UNITED STATES, 1968 AND 1973

State	Hunger counties, <sup>1</sup> 1968	Hunger counties, <sup>2</sup> 1973	Failure-to-feed counties, <sup>3</sup> 1973	Total counties <sup>4</sup>
Alabama.....	17	3	1	67
Alaska.....	0	0	0	* 1
Arizona.....	1	0	7	10
Arkansas.....	6	28	12	75
California.....	2	0	6	56
Colorado.....	0	0	31	63
Connecticut.....	0	0	0	* 10
Delaware.....	0	0	0	3
District of Columbia.....	0	0	0	1
Florida.....	9	9	19	64
Georgia.....	50	15	21	159
Hawaii.....	0	0	0	4
Hawaii.....	0	1	22	39
Idaho.....	0	2	55	102
Illinois.....	2	0	54	92
Indiana.....	0	0	74	99
Iowa.....	0	2	99	105
Kansas.....	13	14	20	120
Kentucky.....	11	4	2	64
Louisiana.....	0	0	1	16
Maine.....	1	1	9	7 24
Maryland.....	1	0	3	14
Massachusetts.....	0	0	1	83
Michigan.....	0	2	47	85
Minnesota.....	0	3	3	81
Mississippi.....	38	3	28	7 115
Missouri.....	2	3	25	41
Montana.....	1	1	73	93
Nebraska.....	0	13	7	7 17
Nevada.....	0	0	10	10
New Hampshire.....	0	0	0	21
New Jersey.....	0	2	0	32
New Mexico.....	7	0	9	62
New York.....	0	0	41	100
North Carolina.....	28	30	23	43
North Dakota.....	1	4	30	88
Ohio.....	0	0	17	77
Oklahoma.....	5	1	4	36
Oregon.....	0	0	19	67
Pennsylvania.....	0	0	0	* 2
Rhode Island.....	0	0	5	46
South Carolina.....	18	9	25	47
South Dakota.....	7	16	24	95
Tennessee.....	11	16	94	254
Texas.....	35	67	20	29
Utah.....	0	0	0	* 12
Vermont.....	0	0	65	* 133
Virginia.....	14	32	4	39
Washington.....	0	0	4	55
West Virginia.....	0	0	0	70
Wisconsin.....	1	0	42	21
Wyoming.....	0	0	16	
Total all States.....	280	263	1,062	10 3,042

<sup>1</sup> Counties with 40 percent or more below the income poverty line and no more than 25 percent participation in Federal food assistance programs.

<sup>2</sup> Counties with 25 percent or more below the income poverty line and no more than 33 percent participation in Federal food assistance programs.

<sup>3</sup> Counties with less than 3% of eligible poor participating in some Federal food assistance program.

<sup>4</sup> Does not include counties with large Indian reservation populations.

<sup>5</sup> For food program purposes.

<sup>6</sup> Welfare districts.

<sup>7</sup> Includes 1 independent city.

<sup>8</sup> Public assistance districts.

<sup>9</sup> Includes 37 independent cities.

<sup>10</sup> Includes 40 independent cities.

Source: U.S. Congress, Senate, Committee on Nutrition and Human Needs, "Hunger—1973," 93d Cong., 1st sess. May 1973, pp. 8, 10-12.

There are additional possible negative benefits of the food stamp program. Past and current eligibility requirements have permitted participation by certain groups (college students, teachers, and strikers) that have low incomes during certain periods (such as summer school vacation periods for teachers) but high levels of wealth (either current or discounted future incomes). As a result of complaints from taxpayers, both college students whose parents claim tax dependency or are not eligible for food stamp benefits and teachers are no longer permitted to participate.<sup>13</sup> Even so, in Madison, Wisconsin, for example, 65 percent of all recipients are college students,<sup>14</sup> and strikers are still eligible for full benefits if they meet monthly income and asset requirements. Certain groups, such as the National Labor-Management Foundation, have argued that food stamps and other welfare payments effectively result in governmental subsidies of strikes.<sup>15</sup> In fact, since the strikers can receive up to 84 percent of the national average hourly take-home pay in food stamps and other welfare benefits, the incentives for strikers to reach early settlements is not so great as it might otherwise be.<sup>16</sup> In the Westinghouse strike of 1970-1971, nearly all (98 percent) of the workers residing in Delaware County, Pennsylvania, received food stamps in January 1971.<sup>17</sup> During 1973, it has been estimated that strikers collected over \$238 million in food stamp bonuses.<sup>18</sup> Some strikers find welfare and food stamp benefits sufficiently attractive that they do not return to work after strikes are terminated. Continuous pressures to prohibit striker participation in the program have been unsuccessful to date.<sup>19</sup>

Another objective of the original food stamp program was to increase the incomes of food producers, distributors and retailers. Available evidence indicates that the food stamp program has been only partially successful in attaining these outcomes. After adjustment is made for seasonal factors, it can be determined that sales in participating stores increased an average of 8 percent during the pilot projects.<sup>20</sup> Part of the increase is attributable to increased quantities of purchased food and part to higher prices of food items included.<sup>21</sup> In one survey, prices of fifteen food groups in retail stores participating in the pilot projects were found to have risen more than four times the national average rise during the same time.<sup>22</sup> Approximately 8 percent of the total sales volume involved food coupons. In another sample where food stamps represented 9 percent of sales volume, sales rose 7 percent when adjusted for seasonal factors and short-run price increases averaged 3.3 percent.<sup>23</sup>

If the food stamp program continues to be expanded at its present rate, increases in national food sales and food prices could become substantial. Before fiscal year 1973, food coupons always represented less than 3 percent of national food sales. Current estimates indicate they will exceed 7 percent of total sales by fiscal year 1975.<sup>24</sup> This increase should produce increases in economic activity for food producers and wholesale and retail establishments. A hypothetical (but characteristic) situation calculated for the study of the food stamp program in

<sup>13</sup> Students were excluded from participation by the 1971 Food Stamp Act amendments. A recent Supreme Court ruling overturned the exclusion, but new U.S. Department of Agriculture regulations explicitly exclude students from eligibility unless their families are also eligible or do not claim tax dependency for federal taxes. See *Federal Register*, vol. 40 (January 10, 1975), p. 2204.

<sup>14</sup> "Many University Students Are Turning U.S. Food Stamps into a Form of Scholarship," *New York Times*, January 2, 1975, p. 12.

<sup>15</sup> U.S. Congress, House of Representatives, Committee on Agriculture, *Hearings on Food Stamp Program: Investigation and Extension*, 93rd Congress, 1st session, March 13: April 10, 11, 12, and 16, 1973, p. 50.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*, p. 80.

<sup>18</sup> Armand J. Thieblot, Jr. and Ronald M. Northrup, *Welfare and Strikes: The Use of Public Funds to Support Strikers* (Philadelphia: University of Pennsylvania Press, 1972), p. 193.

<sup>19</sup> Unsuccessful amendments to prohibit strikers from participation were offered in 1968, 1970 and 1971. In each case the amendment lost by a close margin. *Ibid.*, p. 46.

<sup>20</sup> U.S. Congress, Senate, Committee on Agriculture and Forestry, *Hearings on Food Stamp Act of 1964*, p. 39.

<sup>21</sup> Havas and Frve, *Pilot Food Stamp Program*.

<sup>22</sup> Bureau of Labor Statistics show that prices in the national sample rose 0.3 percent and those in the pilot test areas 1.4 percent from April/May 1961 to April/May 1962. *Ibid.*, p. 10.

<sup>23</sup> Nick Havas, *Pilot Food Stamp Program: Impact on Retail Food Store Sales in Avoyelles Parish, La.*, U.S. Department of Agriculture, Agricultural Economic Report No. 55, May 1964.

<sup>24</sup> Computed from Table 6 and U.S. Department of Agriculture, *Food Consumption, Price Expenditures: Supplement for 1972*, p. 78.

Del Norte and Humboldt counties (California) shows how a 5 percent increase in sales from food coupons can yield a 30 percent increase in profits.<sup>25</sup>

It should be recognized that the increased benefits to food producers occur at the expense of other producers and of consumers. First, a rise in food prices reduces net benefits to food stamp recipients and imposes pecuniary losses on all members of society, including the nonparticipating poor, in proportion to their food consumption. These losses will, of course, be offset by lower prices of nonfood items, but the net effect of the two forces is impossible to determine. Second, incomes of nonfood producers, wholesalers, and retailers will fall relative to incomes in the food industry.

Finally, there may be secondary benefits to taxpayers from increased output if malnutrition is reduced. Improved nutrition may significantly reduce the amount of resources needed to cure health problems. Since malnutrition can be linked to infant and child mortality, retardation, and other health problems, the costs of solving these problems can be reduced by improvements in nutrition. Moreover, improved learning capacity and productivity from reductions in malnutrition have been positively linked to national development and growth.<sup>26</sup> Several studies have shown that vitamin and caloric supplementation of previously inadequate diets will increase output, improve merit score, and reduce absenteeism and turnover.<sup>27</sup> However, since only a minority of low-income persons had inadequate diets before the food stamp program began and since inadequacies were also found in the diets of various middle- and upper-income groups (ranging from 31 to 22 percent through the various levels), income supplementation does not appear to be the best path for the elimination of malnutrition.<sup>28</sup>

<sup>25</sup> Logan and DeLoach, *Food Stamp Program*, p. 21.

<sup>26</sup> A. Berg, N. S. Scrimshaw and P. L. Call, eds., *Nutrition, National Development and Planning* (Cambridge, Mass.: MIT Press, 1973).

<sup>27</sup> H.A. Kraut and E. A. Muller, "Nutrition and Industrial Performance," *Science*, vol. 104 (1946), pp. 495-97, and Henry Borsook, "Nutritional Status of Aircraft Workers in Southern California," *Milbank Memorial Fund Quarterly*, vol. 23 (1945), p. 111.

<sup>28</sup> U.S. Department of Agriculture, *Dietary Levels of Households in the United States*, March 1957.

Appendix 4

COMMITTEE CHARTS: COST OF HOME FUELS AS PERCENTAGE OF ELDERLY INCOME

CHART 1

Average Annual Cost of Home Fuels and Percent of Income Spent on Fuel, Age 60 and Over, 1973 and 1976 (by disposable income and region)

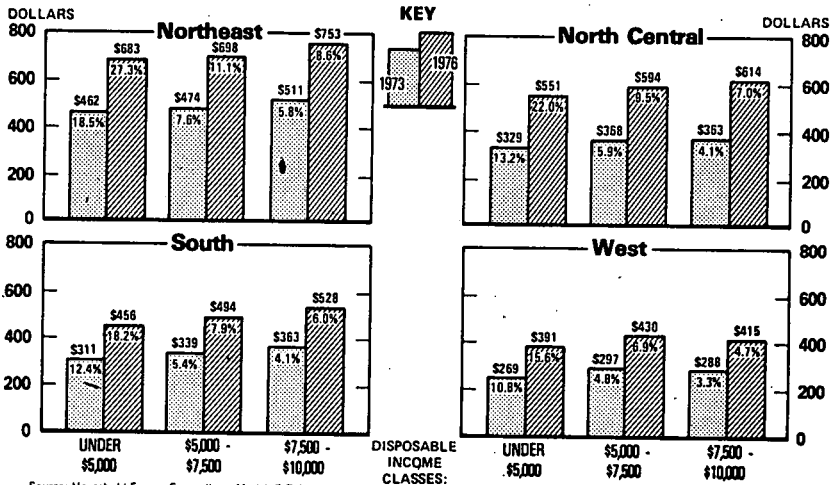
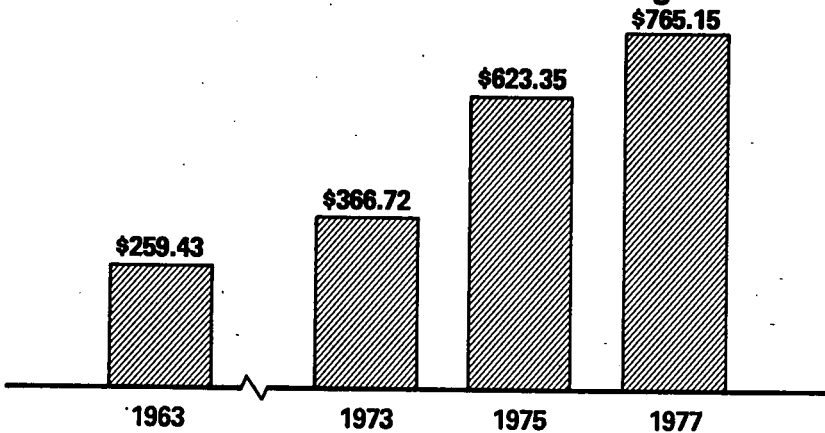


CHART 2

FUEL OIL No. 2  
U.S. Average, Annual Residential Heating Bill

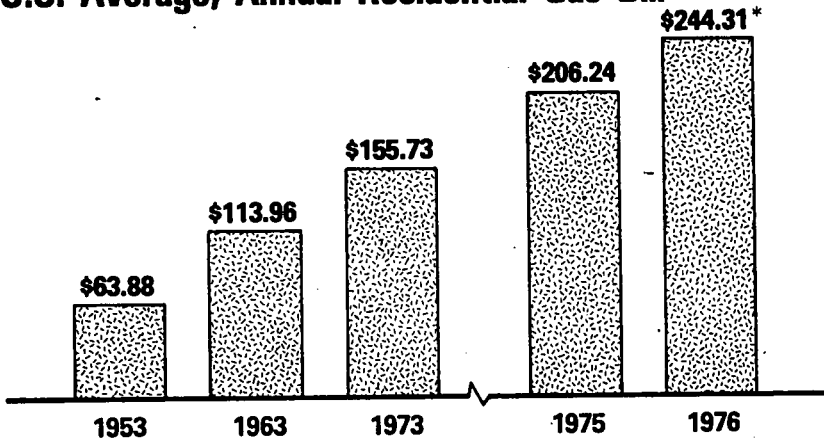


Source: American Petroleum Institute

CHART 3

## NATURAL GAS

### U.S. Average, Annual Residential Gas Bill



Source: American Gas Association

\*Preliminary Estimate

CHART 4

## AUTOMOBILE GASOLINE

### U.S. Average, Cost per Gallon, Regular

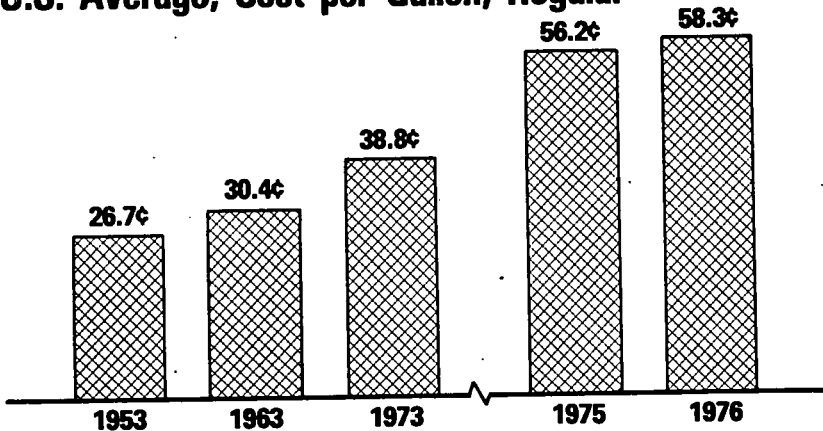
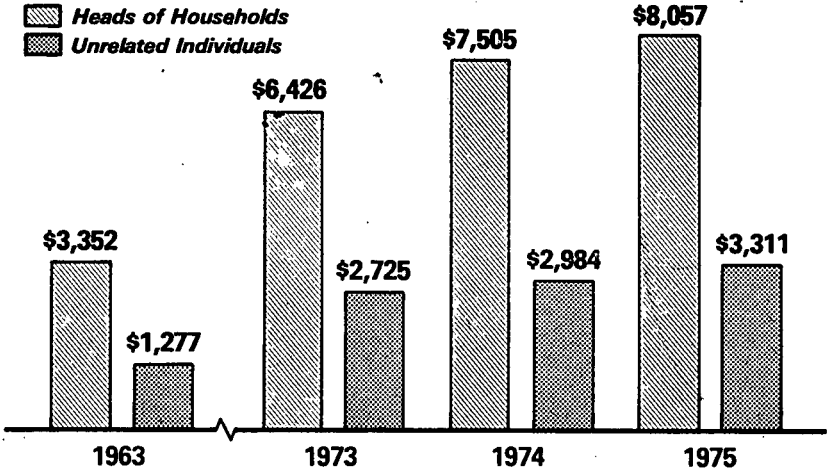
Source: 1974-1976 Federal Energy Administration;  
1953-1973 Federal Highway Administration

CHART 5

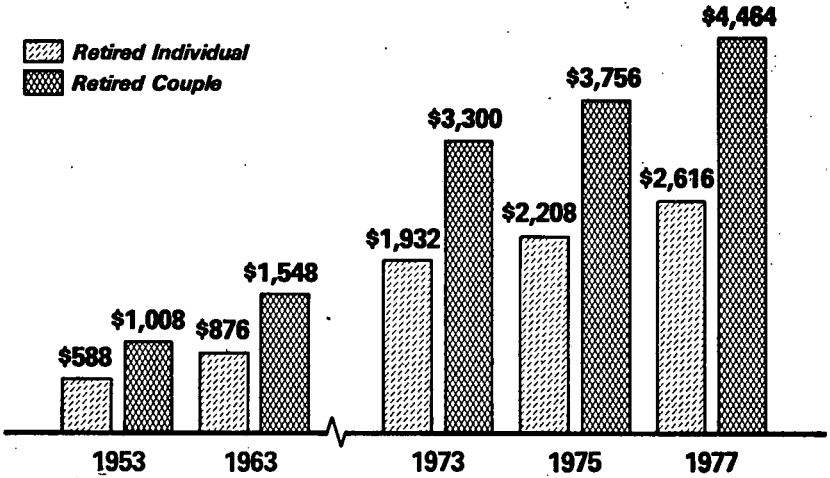
## U.S. Median Annual Income -- Age 65 and Over



Source: Bureau of the Census

CHART 6

## Average Annual Social Security Benefit



Source: Social Security Administration