

ENERGY AND THE AGED

HEARING
BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
NINETY-SEVENTH CONGRESS
FIRST SESSION
—
WASHINGTON, D.C.
—
APRIL 9, 1981



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ENERGY AND THE AGED

THURSDAY, APRIL 9, 1981

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

The committee met, pursuant to notice, at 9:13 a.m., in room 6226, Dirksen Senate Office Building, Hon. John Heinz, chairman, presiding.

Present: Senators Heinz, Percy, Cohen, Grassley, Chiles, Burdick, and Dodd.

Also present: John C. Rother, staff director and chief counsel; E. Bentley Lipscomb, minority staff director; Eileen Barbera and Meg Power, professional staff members; John Hanson, research associate; Deborah K. Kilmer, minority professional member; Robin L. Kropf, chief clerk; Nancy Mickey, clerical assistant; and Eugene R. Cummings, printing assistant.

OPENING STATEMENT BY SENATOR JOHN HEINZ, CHAIRMAN

Senator HEINZ. Good morning. Today the Special Committee on Aging is conducting an oversight hearing on the vital issue of energy and the elderly. This committee has long been concerned with the ability of low-income elderly persons to keep their homes heated in the winter and cooled in the summer.

In the last few years, Congress has become committed to decontrolling the price of oil and gas in order to let the market provide the incentive for energy conservation. At the same time, we must fulfill our obligation to people living on low incomes—particularly the low-income elderly who must live within a fixed budget—to provide the aid they need to cope with the skyrocketing costs of energy.

When the Congress passed the windfall profits tax bill in 1980, we made a specific commitment to use part of the revenues generated to meet the energy needs of the poor, with a priority on aid to elderly and handicapped people who are most severely threatened by extreme temperatures. It is extremely doubtful that this legislation would have passed without that commitment having been made.

Older people pay far more for energy as a percentage of their income than any other group—nearly 30 percent of their average incomes compared to 8 percent for the average household. Those who are living on fixed incomes cannot make the substantial financial rearrangements necessary to pay for escalating energy costs or for retrofitting to make their homes more energy efficient.

The purpose of this hearing is to examine the effectiveness of the past energy assistance and weatherization programs, the potential

impact of the administration's proposals for an energy assistance block grant, and alternatives for the future.

Specifically, we have asked the witnesses today to address three major issues.

First, we want to explore whether funds under the proposed block grant should be targeted for specific populations or purposes to insure that the needs of the most vulnerable populations will continue to be met.

Second, we are concerned about coordinating the energy assistance and weatherization programs. Through the weatherization program, it is possible that fuel costs in the future can be reduced, thereby reducing the cost of the energy assistance program, and at the same time, conserving precious energy resources.

The third major issue is the amount of Federal resources that will be needed in the future to offset projected increases in energy costs themselves.

Today's hearing will begin with testimony from David Stockman, Director of the Office of Management and Budget, who will address the entire range of low-income energy program proposals. We welcome you to the committee. We will also hear from Linda McMahon, formerly of the Finance Committee, Associate Commissioner for Family Services in the Department of Health and Human Services, who will review the performance of this year's energy assistance program and discuss how it relates to the administration's proposals for a new block grant program.

We are also fortunate to have with us a panel of consumers and administrators of the program, who will provide us with information about their direct experiences with the program to date and recommend alternatives for the future.

The hearing will conclude with representatives of energy suppliers who will review the experiences of their industries with the programs and offer us some projections regarding residential energy costs in the coming years.

Before I call on our first distinguished leadoff witness, I want to take special note of my colleagues who are here, and particularly Senator Cohen of Maine, who has probably been more interested, outspoken, and effective in raising the issues of this hearing than any other single Senator I can think of.

Senator Cohen has served on this committee as long as I have. He served with me in the House Select Committee on Aging; his interest in the problems of the aging is a matter of record. And it was through a great deal of work on his part, and on the part of his staff, that we have been able to structure what I believe will be a very important, hopefully, insightful and ultimately successful hearing.

So I would like to call on Senator Cohen for any opening remarks he has, to be followed by other members of the committee who have something they would like to say at the outset.

Senator Cohen.

STATEMENT BY SENATOR WILLIAM S. COHEN

Senator COHEN. Thank you, Mr. Chairman. After that glowing introduction, I think I won't say anything further, but will submit

my written opening statement for the record. Perhaps I could offer just a few observations, however.

First, I commend you, Mr. Chairman, for acting so quickly to organize these hearings because of their importance. I had a call from someone yesterday from a radio station asking why we are holding these hearings now that spring is just about to bloom, even in the Northeast.

The reason we hold them now is because of the impact of the proposed Reagan administration cuts or cutbacks or transfer of programs. This administration has initiated these new—or perhaps old—ideas.

Second, the winter is just around the corner again. We have an Easter recess coming up, we will have a July recess coming up, we will have the August recess coming up, and before we know it we'll have very few working days in which to deal with the problems before October will be here. By that time snow starts to fly very quickly in the northern part of our country. So that is the reason for the hearings now.

I would like to point out that my good friend, David Stockman, during his confirmation hearings, made a statement to which I agreed at the time, that we should never seek to elevate economic philosophy to a theology. I agreed with him at that time and I agree now. I certainly don't want to be one who will fall down and worship a 20th century "golden calf" that has in its bowels an IBM computer. I think that we have a much higher responsibility than that.

I had, as I said, a long statement. I would like to read just two segments of letters that I have received from two people. The full statement will be included in the record.

Senator HEINZ. Without objection.¹

Senator COHEN. Ms. Ruth Toothaker, age 65, of East Wilton, Maine, writes:

I live alone in a small house with a kitchen, a sitting room, bedroom, and bath. There are two rooms upstairs which I close in the winter. My house is about 100 years old and was insulated by the CAP agency. This was a big help to me. When my husband was alive we made a little too much money to get it insulated free and we couldn't afford to pay for it ourselves, plus we made it for 48 years without asking for help. When the outreach worker said, "Ruth, you are just going to have to take some help." So they did insulate and I have had help with oil for the past 2 years. Even with the oil program I still have to cut every corner I can because it costs me over \$1,150. The \$375 helped a lot but I had to save a lot to keep up with the rest of it. I don't know what we'll do next year if we don't get help with oil . . . freeze, I guess.

Ruth Steward, who is 75, wrote to me and said:

I get scared when I think of not having these services—weatherization and fuel assistance. What are people like me going to do? When I sat in the living room last December and it was 40° below zero, I really appreciated the work they had done and the warmth and secure feeling in my home. They say now all the programs are in danger.

I cite just these two letters or segments of those letters, Mr. Chairman, to point out that there is a great deal of fear and anxiety that is spreading throughout much of the elderly community about what is going to take place next winter.

¹ See page 4.

Since January the price of heating oil has jumped from \$1 to \$1.40 a gallon. There is no end in sight in terms of how high it is going to go. At a time when prices are going up, programs are being reduced. There is a proposed 25-percent reduction in the fuel assistance programs, and termination of the weatherization program as a separate program.

So I think these hearings are particularly important to a vast segment of our population. So I look forward to the hearings, to hearing my friend, David Stockman, and the others to see whether we have elevated an economic philosophy to a theology.

Senator HEINZ. Thank you, Senator Cohen.

[The prepared statement of Senator Cohen follows:]

PREPARED STATEMENT OF SENATOR WILLIAM S. COHEN

Mr. Chairman, I would like to commend you and the professional staff of the committee for moving so quickly to organize this hearing on Federal energy assistance programs and their response to the needs of our elderly. While I am fully cognizant of the fiscal context within which we will consider the low-income fuel assistance and home weatherization programs, I would emphasize that the elderly residents of northern States, such as Maine, view these programs with immediate, even life and death concern.

We must be conscious of the costs incurred by Federal programs, but in this instance to subject these programs to across-the-board cuts is to victimize elderly Americans by contributing to their fears, anxieties, uncertainties, and perhaps to the destitution of health and spirit. I cannot justify to the older residents of Maine, nor to myself, the introduction to their lives of more anxiety.

If anyone present doubts the fears that pervade the daily lives of older Americans, I would suggest a reading of the records from field hearings of this committee that I chaired last year in Boston, Mass., and Bangor, Maine. If you desire stories of heroism and sacrifice, as well as gratitude for assistance, they abound in those hearing records.

In a day when a single penny cannot purchase a measurable amount of heating oil, our elderly residents strive to reduce their expenditures on basic necessities throughout the year so that some small savings may be available when temperatures drop and furnaces are fired. Those savings are undertaken at risk to personal health, but the pennies are saved in order to preserve some personal dignity and self-sufficiency when winter arrives.

Although we must seek to make Federal energy assistance programs more cost efficient, we cannot ignore the questions that remain in the minds of elderly Americans throughout each winter. Where will the money come from for the next purchase of heating oil? What can I do without today so I might increase my chances of having enough money on hand to purchase some heating oil? Can I do without the medicine the doctor prescribed? Can I skimp on the nutrition I require? What life and death choices am I making?

I have with me the written testimony of two elderly Maine women who are unable to appear before the committee today, but I will submit their statements for the record. However, I would like to share a part of their stories with you now.

Ruth Toothaker, age 65 of East Wilton, Maine, writes, "I live alone in a small house with a kitchen, a sitting room, bedroom, and bath. There are two rooms upstairs which I close in the winter. My house is about 100 years old and was insulated by the CAP agency. This was a big help to me. When my husband was alive we made a little too much money to get it insulated free and we couldn't afford to pay for it ourselves, plus we made it for 48 years without asking for help. When the outreach worker said 'Ruth you are just going to have to take some help.' So they did insulate and I have had help with oil for the past 2 years. Even with the oil program I still have to cut every corner I can because it costs me over \$1,150. The \$375 helped a lot but I had to save a lot to keep up with the rest of it. I don't know what we'll do next year if we don't get help with oil . . . freeze, I guess."

Ruth Steward, who is 75, writes, "I get scared when I think of not having these services (weatherization and fuel assistance). What are people like me going to do? When I sat in the living room last December and it was 40° below zero, I really appreciated the work they had done and the warmth and secure feeling in my home. They say now all the programs are in danger."

In recognition of the desperate plight of many elderly and low-income Americans, Congress last year appropriated \$1.85 billion to assist these individuals in meeting

their energy costs. The money has been helpful, but it has not been enough. Now the administration has recommended a 25-percent reduction in low-income fuel assistance for fiscal year 1982. Even if the price of energy remains constant—an unlikely possibility—a 25-percent reduction in fuel assistance will expose Mrs. Toothaker and Mrs. Steward, and millions more in America to unconscionable risks.

In just the past 3 months the price of heating oil has risen from \$1 per gallon to \$1.40 per gallon. This has created a crisis of unprecedented dimensions in Maine. When Americans must choose among basic necessities—food, clothing, health, and shelter—there is in my judgment, a crisis. It is a crisis measured not only in budgets for this or that fiscal year. It is measured by the fears of the elderly, by the wood smoke that swirls from New England's chimneys—for that is a sign of sacrifice; by the lowered thermostats—for that is a sign of sacrifice; by the rooms closed during the winter—for that is a sign of sacrifice; by the unpurchased food and medicine—for that, too, is a sign of sacrifice. All are indicators of the daily risk in which so many elderly live their lives.

I must conclude, unless measures are taken to channel the remaining fuel assistance funds and the greatly reduced home weatherization funds to those most in need, that Congress is willing to ignore a real crisis. It is essential for this committee to consider proposals that will make the low-income fuel assistance program truly responsive to the needs of the elderly. At the same time, we must insure that the home weatherization program is continued aggressively to reduce individuals' energy expenses, as well as Federal payments from the assistance funds.

These are crisis programs. It is incumbent on this committee to consider them in that context, and not solely in the context of national austerity. I, for one, will not measure austerity in terms of human life. In my judgment, that is rather a measurement of public dispossession.

Senator HEINZ. We follow the early bird rule here and it works the following way: Senator Percy is next, then Senator Dodd, then Senator Grassley, who of course came in with me. But the chairman has some prerogatives left.

Senator Percy.

STATEMENT BY SENATOR CHARLES H. PERCY

Senator PERCY. I ask that my statement be incorporated in the record.

Senator HEINZ. Without objection.

Senator PERCY. I hope David Stockman—and we certainly appreciate his being here this morning—would comment on whether he thinks in a block grant program we can work up incentive enough for weatherization. We need a permanent solution because we are going to be supplementing heating costs for a long time, and as long as we are doing it, the payoff is 33⅓ percent or 50 percent sometimes in weatherization programs. It pays us to weatherize. But how can we really get the incentive when people don't have the capital to do it?

It is our money that we'll be spending for years to come and weatherization is just good business. The hearings through the years in this committee have shown the susceptibility of older people to hypothermia as well as heat stroke.

Older people simply can't turn the thermostats down. It is not cost effective for them to do it. They can't stand it and they are going to suffer in health as a result of it.

So again, it is not only humanitarian, it is cost effective for us to do things for the elderly, and your testimony will be very helpful. We appreciate your being with us.

Thank you, Mr. Chairman.

[The prepared statement of Senator Percy follows:]

PREPARED STATEMENT OF SENATOR CHARLES H. PERCY

Mr. Chairman, I strongly support the commitment we in Congress made by enacting the low-income energy assistance program. Rapidly escalating energy costs continue to pose a grim dilemma for the elderly poor, many of who have been forced at one time or another to choose between keeping warm or having a decent meal. Cases where older Americans have died rather than turn on the heat in the winter or a fan in the summer continue to serve as stark reminders to all of us about the necessity of such a program.

At the same time, Congress has also recognized the importance of helping this same group meet these costs by providing money to weatherize their homes. Utility costs are reduced because energy is saved after homes are insulated and storm doors and windows have been installed. I have strongly supported this program, not only because I believe conservation has enormous potential as an energy source, but because weatherization of these homes is a long-term investment for the Federal Government that can save billions of dollars. Energy costs are not going to come down, so unless we continue our efforts to conserve it, payments for energy assistance are going to continue to climb at rapid rates.

That is why I am concerned about the administration's proposals for these programs. The weatherization program now operated by the Department of Energy will not be reauthorized, although I understand weatherization will continue to be one of the eligible activities under the community development block grant consolidation proposal. The administration also proposes to combine into an energy and emergency assistance block grant the low-income energy assistance program and the emergency assistance program. In both instances, funds for the existing programs will be reduced and in the latter case only low-cost weatherization projects will be eligible.

Because, Mr. Chairman, the elderly are particularly susceptible to hypothermia and to heatstroke, they do not really have the option of turning the heat down or not using an air-conditioner. They should not be forced to choose between severe physical discomfort, which in some cases can be life threatening, and other necessities such as food and medicine.

So my concern is twofold. First, that we provide energy assistance to the elderly who truly need it and second, that we continue our efforts on the Federal level to make the best use of scarce resources, both in terms of Federal dollars and energy.

I hope both Mr. Stockman and Miss McMahon will address these concerns in their testimony and give this committee the administration's assessment of how these block grant proposals will meet these important goals.

Senator HEINZ. Senator Dodd.

STATEMENT BY SENATOR CHRISTOPHER J. DODD

Senator DODD. Yes, Mr. Chairman. I would like to welcome my former colleague from the House, Dave Stockman, to the committee, and echo the sentiments expressed by Senator Cohen.

I think it is excellent that we are holding a hearing about emergency fuel assistance and weatherization assistance at this time. Last year, as a Member of the House, I offered amendments for emergency fuel assistance in April and May, and on both occasions was unable to muster the necessary majority to initiate such programs. By November or December, when all the Members heard screams from their elderly and poor constituents, however, the House went about the business of passing a program.

Thus, it is wise that we hold hearings at this particular time to assess what this administration's policies will be with respect to emergency fuel assistance and weatherization. We must begin now to work to structure and organize fuel assistance programs which will meet the needs of our constituents.

I have a series of questions, but I would like to stress to you, Mr. Stockman, my deep reservations about block grants. The poor and more specifically the elderly on fixed incomes in my own State of Connecticut, and throughout the country, already have tremendous problems paying their fuel bills these days.

Decontrolling energy prices has now raised the price of home heating oil to \$1.40 a gallon in my home State. Many of the Northeastern and Midwestern States have older housing stock, raising serious problems in terms of fuel consumption. Block grants would not offer the elderly in these States any guarantees of protection from spiraling fuel prices.

So, Mr. Chairman, if it is appropriate at this point I'll stop here. Later, I will ask some very specific questions about the block grant program that this administration is proposing.

I thank you. And I wish to thank the witness.

Senator HEINZ. Thank you, Senator Dodd.

Senator Grassley.

STATEMENT BY SENATOR CHARLES E. GRASSLEY

Senator GRASSLEY. Thank you, Mr. Chairman.

I don't have an opening statement but I do have three or four unrelated comments that I want to make plus some questions I want to read into the record so that Mr. Stockman can answer those in writing. My reason for doing this at this point is because I am on the Budget Committee and we take up at 10 a.m., and we are trying to complete our work to meet the statutory requirement of reporting our first budget resolution.

First of all, I would like to thank the chairman for the timely holding of these hearings and as my colleague, Senator Cohen said, they need to be held now because winter is, in a sense, just around the corner.

Also, I think we need to realize the historical evolution of these programs, at least the low-income energy assistance program. I think in the time that I have been in the Congress it has been revised three times. So Congress itself as a policymaking branch of government has not really settled upon what we want to do, and now we have before us a program suggested by the administration at a lower level of funding and a different shape, and that, too, will have to be reviewed.

But we can't find too much fault with the administration when the Congress itself has not had a consistent program in this direction.

I would also like to say in a second of three or four unrelated comments that when we deal with elderly people, I don't think we are dealing with the average American statistically. We know they are in the lower income groups in a higher percentage than they are in other population groups, but more importantly, I think we have shown, through food stamp programs, that these people have been reluctant to go on food stamps.

We also had instances reported to the director of the low-income energy assistance program in our State that because this was a fairly mild winter in Iowa and not all the funds needed to be used, some elderly people returned money to the State because they didn't want to take something that they were not entitled to.

I think we need to keep that in the back of the mind and not get this program mixed up with a lot of entitlement programs.

Third, bringing up the subject of entitlement, what started out as a program targeted toward the poorest of the poor has to some degree taken upon it aspects of an entitlement program or maybe

in fact it is an entitlement program now. To that extent, you know we are getting away from the original purpose of it and we may have to get back to that targeted concept that was more originally involved with the program.

But in regard to block grants—and I say this not only to my colleagues and people in the audience, but also to Dave, because we are in a sense, at least as suggested by this administration, moving toward the use of block grants in an all-encompassing way.

I would say this, that we can use the low-income energy assistance program of the past 2 or 3 years as an example of a block grant. If you look at individual States and the experimentation that has gone on in the administration of this program you will see that some States have very efficiently and responsibly administered programs and other States that haven't.

I would like to have the administration look at the differentiation in States administering these programs and then, naturally, accept those that have been the most successful and encourage the widespread use of those administrative procedures throughout the other States. But I think this program is a perfect example of where States have had some ability to experiment and we can learn from that, more so than some other Federal aid programs.

Then fourth and last, a couple questions and these would be for Mr. Stockman. Iowa's energy conservation program administered by the Energy Policy Council contributed greatly during 1980 to reducing Iowa's energy bill by \$521 million from 1979 consumption patterns. In fact, Iowa led the Nation in preserving more petroleum per capita than any other State. The national average was 6 percent and ours was 14 percent less in 1979 and 1980.

So I would like to have the OMB answer why it has recommended eliminating State energy conservation programs in fiscal year 1982? Do you feel their work is done? You may address in your opening remarks but I want to get it on the record if you don't.

My second question is, there have been a great many conflicting statements made concerning the method of implementing block grants to States. Many of these statements imply no regulation or direction on the part of the Federal Government, just in a sense sending checks to the States and/or local communities. Could you, Mr. Stockman, speak to the methodology you foresee in handling the block grants to the States?¹

Thank you very much, Mr. Chairman.

Senator HEINZ. Senator Grassley, thank you.

Before we hear from Mr. Stockman, without objection, I will insert into the record the statement of Senator David Durenberger, who, because of a prior commitment, cannot be with us today.

[The statement of Senator Durenberger follows:]

STATEMENT OF SENATOR*DAVID DURENBERGER

Mr. Chairman, I want to commend you for calling this hearing to consider the impact of the administration's proposals to modify the low-income energy assistance and weatherization programs. This subject is most important to the people of Minnesota and your leadership is appreciated by all who face high fuel bills year after year.

I am also pleased that Jane Brown, who has managed the Minnesota LIEAP program for the past two winters, will be a witness here this morning. Although

¹See page 41 for Mr. Stockman's responses to Senator Grassley's questions.

low-income energy assistance has had some problems, those problems have never been the result of actions taken at the State level. They have all originated right here in Washington, and often here in the Congress. Ms. Brown has done an admirable job, and often against considerable odds, in protecting the health and well-being of Minnesotans.

There are three issues that trouble me greatly when I consider the energy assistance proposals made by the administration. First, is the decrease in low-income fuel assistance that the President has proposed. This reduction of \$450 million comes at a time when the President decontrolled oil prices. Two-thirds of our oil supply is now domestically produced and the decontrol decision increased the average price of that oil from \$24 to \$36 per barrel. That is a 50-percent increase. I just don't understand how the President expects less funds to do the job when his decontrol decision will make the task all that much more difficult.

The second issue is the President's decision to end direct Federal funding for the weatherization program. The President says that cities may use their CDBG funds for weatherization. But in many cases CDBG grants are already committed to other important purposes and it is unlikely that the cities will be able to easily divert them, even considering that weatherization is a most important program. What is more, 80 percent of the CDBG moneys go to urban areas. In Minnesota many of the most difficult weatherization problems are in our rural areas and appears that no money will be available in those cases.

Finally, is the proposal to abolish the Community Services Administration. In the past, both weatherization and low-income energy assistance were delivered by the community action agencies in Minnesota that were supported by CSA. I fear that the CAP's will rapidly disband and that a delivery system for these two important programs will not be available in the coming winter. State officials will have to start all over and create new mechanisms to identify the eligible and deliver the services. What is more we will most certainly lose the coordination between the weatherization program and energy assistance which has existed in the past. When they were both delivered by the same agencies the most expensive assistance problems prompted weatherization relief that reduced the cost of further assistance. That coordination is now threatened by the proposals that are being made.

Senator HEINZ. Mr. Stockman, we understand you have to leave here by 10:30, so without further ado, would you please proceed.

STATEMENT OF HON. DAVID A. STOCKMAN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. STOCKMAN. Mr. Chairman, I have a formal statement, but in view of all the formal statements that have been made already, perhaps I should omit that and simply review the highlights of my statement.¹ I would be very happy to try to respond to the detailed questions that you have about the low-income energy program and the weatherization programs, but first I would like to take a few minutes, if I may, to look at your budget proposals in that specific area within the broader context of the whole range of Federal programs that benefit the elderly and within the even wider context of what we expect the results, the benefits for the elderly will be of the entire economic recovery program.

The reason I request that opportunity, Mr. Chairman, is twofold: No. 1, this is my first opportunity to testify before your committee, and I know that you are concerned with the whole range of Federal programs that bear on the elderly.

Second, when you are dealing with a program like that we have proposed which does call for reductions in literally dozens and dozens of programs, more than 300 budget changes, I fear it is very easy to lose sight of the larger picture, to lose sight of the forest for the trees, the twigs, and branches that we may want to put under the microscope. So to set the context for our discussion today, I would like to review what we see as the overall impacts, move

¹See page 14.

down to the programs, and then try to respond to any particular questions that you may have.

Mr. Chairman, I would be the first to admit the fact that some of the budget reductions we have proposed—and they are extensive—may directly impact elderly beneficiaries. I think that is almost unavoidable in the context of the dozens of program changes that we have proposed and the millions of beneficiaries that participate or benefit in those programs in one way or another.

But I would like to suggest to the committee that there are two other basic propositions that are equally true: No. 1 in our judgment, the elderly will benefit disproportionately from the improvement of macroeconomic performance in our national economy that we expect to result from this overall economic program. We believe that double-digit inflation will be halted and reversed with inflation falling to 8 percent by 1982 and to 5 percent by 1985, thereby preserving the value of fixed incomes and accumulated savings, financial assets, life insurance policies, and so forth, held by the elderly today. I think it should never be lost sight of, especially by this committee, given your concern and focus on the needs of our elderly population, that in the aggregate, the economic gains from improving the inflation rate or reducing it by 1 or 2 percent a year, lowering interest rates, preserving the value of the private savings, fixed incomes, pensions, and so forth, of the elderly, will vastly exceed in dollar amounts any program dollar or transfer payment reductions that might be included in this program in its totality. Right now, the elderly are losing literally billions of dollars per year in accumulated value of their savings, of their assets that they set aside for retirement.

Second, and I think equally importantly, restoration of sound economic growth and healthy real wage gains in the economy will contribute enormously to the longer term solvency of the social security program, the No. 1 source of current income support for the elderly population in our society. I would suggest to the committee that so long as prices rise upward faster than wages, as they have for the last several years, the trust fund will remain on a collision course with insolvency, with major benefit reductions, or massive intolerable tax increases. And in terms of providing for the needs of the elderly over the next 4, 5, or 10 years, that trust fund problem becomes increasingly acute, and the turning around of the economy is more than half of the solution. That is how important it is.

Another point I would make to the committee today is that even after the extensive budget revisions proposed for fiscal year 1982 and to some degree for fiscal year 1981 and future years, Federal budget dollars dedicated to support of the elderly through cash payments, in-kind aid, and social service programs for a whole variety of purposes will rise rapidly in both nominal and real terms after inflation, even when these reductions and revisions are taken into consideration.

As part of my opening comments this morning, Mr. Chairman, I would like to provide just a few figures which I think will set the total context for the amount of assistance that we are providing to the elderly in our society today. I think this will document the

scope of the budget support and commitment of this administration to fully fund elderly programs.

Let's begin at the aggregate level with total budget dollars that can be attributed to direct benefits to the elderly in every program, from social security to the health programs, housing assistance, the Older Americans Act, social services, and so forth. In 1980, budget dollars allocated to these programs to benefit the elderly amounted to \$144 billion. After the revisions that we have requested in the 1981 budget, that amount will rise to \$168 billion, a 17-percent increase over 1980, and a 7-percent increase in real terms even after inflation is accounted for. Furthermore, by 1982, despite the extensive reductions that we have proposed in many, many budget areas, total Federal budget dollars dedicated directly to programs that the elderly benefit from or participate in will rise to \$191 billion, another 14 percent over the 1981 level and another 6 percent real increase after the expected level of inflation.

Now, I suggest to the committee this morning that these numbers in the aggregate represent a \$47-billion increase in Federal budget dollars available to programs that benefit the elderly in just a 2-year period. That is a 33-percent expansion of the Federal effort in these dozens of programs that comprise the aggregate. Even if you set aside or offset for the high level of inflation that we have had during these last 2 fiscal years, there is still a \$17-billion increase from the 1980 level in real terms after inflation. That is a 12-percent increase in real resources provided to programs that benefit the elderly. Another way of expressing it is that this amounts to about \$1,000 per couple in real terms in terms of increase in total Federal effort.

Mr. Chairman, viewed from a priority or allocation perspective as to where Federal budget dollars are going, we see the same pattern. In 1980, 24.9 percent of the Federal budget was allocated to programs that benefited the elderly population. After our budget revisions and the substantial reductions that we have called for, that figure will not decline but will rise considerably. It will rise to 27.4 percent of the entire budget for 1982, as proposed by the administration. We can argue about the distribution, and we can argue about how well these programs are targeted or how cost effective they are, but at least in aggregate terms, this represents a clear priority and a clear increase in the budget in resources and dollars devoted to elderly programs.

Another measure that I would suggest, Mr. Chairman, is the implied budget support per capita or per couple for the elderly population in our society today. That \$191 billion allocated in the fiscal year 1982 budget amounts to \$7,600 per capita for the elderly population, 65 and over, or \$15,200 per couple for the same population. Of course, no one should imply that somehow we are writing the check to each and every retired person, or person over 65 in our country, for \$7,600. Those funds are not evenly distributed. Some of them are disbursed in the form of medical assistance, services, and in-kind aid; and, of course, you have vendors, providers, physicians, hospitals, and social workers in between the Federal budget dollar and the benefit of those services received by the elderly.

But nevertheless, as a measure of commitment of Federal budget resources, I think those numbers are impressive and I think they demonstrate the scope of the commitment that we have in the budget.

Now let me also provide a breakout by major area of program of assistance, so that this point can be further highlighted or dramatized. Obviously, the biggest share of that \$191 billion that is allocable to the elderly consists of social security.

Senator COHEN. Could I interrupt you just a moment, Mr. Stockman?

The point you make now is precisely the point to make. When you suggest that we are doing perhaps a disproportionate, or giving a disproportionate share to the elderly in the programs, haven't they in fact paid for the programs over the years? It is not like the Government is taking this big piece of pie, saying, "Here is a 24-percent share of that pie." They paid for that, haven't they?

Mr. STOCKMAN. Well, Senator, I am not implying that we are providing a disproportionate share. I am trying to assess the total amount of support that is provided. Now we can argue about whether social insurance or social security is entirely earned or whether there is an intergenerational transfer element, which there clearly is. At the beginning I just want to inventory the resources available.

Senator COHEN. When you aggregate something like that, it is like the story of the man who drowned in a pool, the average depth of which was 3 feet. It loses sight of the important point, which is, what about those at the lowest end?

Mr. STOCKMAN. I am getting to that, Senator, if I could proceed.

Senator COHEN. Fine.

Mr. STOCKMAN. Let me begin then by saying that obviously the biggest share of that \$191 billion is accounted for by social security. Social security in 1980 provided \$81 billion for the elderly or retired population. By 1982, this will rise to \$111 billion or by 37 percent.

I think that is an important point to make because the argument has been made or pressed over and over that part of our budget reduction plan ought to consist of a modification of the cost-of-living adjustment. That we should go to a wage-based adjustment or 85 or 80 percent of the CPI, or that we ought to consider, reconsider the cost-of-living adjustment mechanism in its entirety.

But I would suggest to the committee this morning that we have not recommended that for one principal reason, it would reduce the transfer support, income support in this major program area by anywhere from \$2 to \$5 billion a year, depending on which modification of the cost-of-living adjustment that you would choose. And that reduction of support across more than 30 million beneficiaries would far outweigh most of the direct programs that provide assistance that would be normally considered within the context of this debate.

Second, if you set aside social security and look at only those programs that are targeted, that provide transfer payments or in-kind benefits to the lower income elderly on a means tested basis or on a targeted basis, you will find the same pattern. In 1980, we provided \$33 billion worth of this kind of aid primarily through

SSI, food stamps, medicaid, and a variety of the Older Americans Act programs. By 1982, under our revised budget, that will rise to \$40 billion, a 21-percent increase. Most of these funds, I would suggest, are targeted, are means tested, are oriented toward lower income elderly who need income and indirect support from the Government.

A third category, again just to give you some measure of the scope of resources in the change between what exists today and what we are proposing for 1982, would be involved in health services and medical care provisions, medicare, medicaid and the direct health services programs run at the community level. In 1980, that amount had to be \$36 billion. By 1982, the budgeted amount with our revisions will rise to \$48.3 billion, a 34-percent increase. Now, again to express this in another way, if you take the sum of resources provided to the elderly for health care purposes through medicare, medicaid and the direct programs, it amounts to about \$4,000 per couple. Again, a major commitment of resources provided in the budget.

Another area I would point to is housing assistance. As this committee well knows, on the average about 50 percent of the tenants of both public housing and section 8 assisted housing consists of elderly households or elderly single individuals. In 1980, we provided \$2.2 billion in direct subsidies for the elderly in assisted housing. By 1982, that will rise to \$3.4 billion, a 49-percent increase.

Then a final area of resources provided in the budget, which is often overlooked, is the fact that we have some rather substantial and generous tax expenditures that also serve to increase the available resources, the available purchasing power of the elderly, such as the double exemption, the retirement income credit, and the fact that many transfer payments are excludable from the tax system. In 1980, 10 billion dollars' worth of tax expenditures were targeted on the elderly population. By 1982, that will rise to \$16 billion, a 60-percent increase. That is automatically built into the tax system and it is another source of support within the entire Federal budget.

I guess my point here, Mr. Chairman, and members of the committee, is simply to begin this discussion by saying it is easy to find fault with particular program changes at the detailed level and I know that there are obviously going to be better ways to do some of the things that we have proposed, and in some cases we have just clearly made mistakes. That is why we believe that this committee will play an important role in helping to fine tune and helping to reshape those proposals as they move through the legislative process. We propose, you dispose, and in the process there is ample opportunity to consider individual programs under the microscope and to find problems that may exist. But my point here this morning is to urge that we not lose sight of the forest for the trees, as I indicated in the beginning. And the fact is, there is a massive commitment of resources in the Federal budget today that directly with cash assistance or indirectly with in-kind and service aid benefit the elderly population.

As we go through this exercise of trying to substantially reorient the budget, lower its rate of growth and consolidate program activi-

ties so that they provide their benefits more efficiently and more directly to those who need them, I would hope this committee would continually consider those efforts in light of the enormous commitment that we have in the budget.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Stockman follows:]

PREPARED STATEMENT OF DAVID A. STOCKMAN

Mr. Chairman, I am pleased to appear before this distinguished panel to discuss the President's budgetary proposals for programs for the elderly.

As you are undoubtedly aware, Mr. Chairman, the elderly receive a substantial level of support in the Federal budget. In fiscal year 1980, programs for the elderly, when combined with the share of other program resources devoted to elderly recipients, accounted for at least \$144 billion, or a minimum of 24.9 percent of the Federal budget. Under the President's revised budget for fiscal year 1981, that amount would rise to \$168 billion, an increase of 17 percent. The President proposes further increases in program support for the aged in fiscal year 1982, with outlays for elderly program beneficiaries rising to \$190.7 billion, an additional increase of 13 percent. This compares to a 6-percent increase in the 1982 budget as a whole. At that level, Mr. Chairman, the share of budgetary resources focused on aged Americans stands at 27.4 percent of the President's overall budget of \$695.3 billion. In other words, the elderly who are 11 to 12 percent of the total U.S. population, receive 27.4 percent, a more than proportionate share, of Federal resources.

The lion's share of these resources are devoted to maintaining the Nation's social security system. Under the President's proposals, social security payments to the elderly would rise from \$81.2 billion in fiscal year 1980, to \$96.8 billion in fiscal year 1981, and \$111 billion in fiscal year 1982, increases of 19 and 15 percent respectively. Outlays under the medicare portion of the system would also rise commensurately.

Programs focused on the low-income elderly would also be substantially increased. In all, cash assistance and social services outlays in non-social security programs would rise from \$33 billion in fiscal year 1980, to over \$40 billion in fiscal year 1982.

The result of these increases, Mr. Chairman, is a generous level of support for aged Americans. In order to make clear the magnitude of the commitment this administration is making to our elderly citizens, Mr. Chairman, I would like to translate these aggregate numbers into terms that indicate the high level of Federal support for families headed by aged Americans.

In 1982, Mr. Chairman, there will be an estimated 25 million persons aged 65 or older. Taking total spending for the aged into consideration, the Federal Government, under the President's proposals, will spend \$190.7 billion in support of these persons. This works out to an average of \$7,600 per aged person, or \$15,000 per aged couple.

Now, not all of this support is in the form of cash assistance, Mr. Chairman. For example, medical assistance in 1982, under medicare, medicaid, and other health program expenditures for the elderly will provide \$48.3 billion, or nearly \$3,900 annually per couple. Housing assistance provides an additional \$4.17 billion, or \$340 per couple annually. Nutrition assistance, either for the low-income elderly via food stamps, or for the aged and homebound generally through Older Americans Act nutrition programs, provides an estimated \$800 million in support.

Thus, of the total of \$15,200 per aged couple that the Federal Government provides, more than \$4,200 annually is in the form of in-kind benefits and services.

THE PRESIDENT'S PROPOSALS

In fashioning the administration's proposals, Mr. Chairman, we were guided by recognition of this important fact. Rather than viewing individual income and in-kind support programs in isolation, we approached budgetary restraints in the income security area by viewing the overall system of support provided by interlocking programs.

When viewed in this context, Mr. Chairman, the President's proposals can be seen as an effort to refocus cash and in-kind assistance on those who are truly dependent on Federal support. Far from being a random budget-cutting exercise, our proposals are designed to eliminate program duplications and overlaps, while retaining a core package of assistance to those who, through no fault of their own, depend heavily on federally provided cash and in-kind transfers.

SOCIAL SECURITY

Our proposals in the social security area are designed to insure that the trust funds can continue providing basic retirement income support. The program features we have proposed to change—through elimination of the so-called “minimum benefit,” a phaseout of payments to adult students, and elimination of payments upon the death of the worker in those instances where there are no dependent survivors—are provisions which, while well intended, have become a dispensary of special payments without regard to paid-in contributions or need.

It should be noted, Mr. Chairman, that each of these proposals eliminates unneeded payments without reducing support for those who require special assistance. The \$200 million currently being paid to low-income retirees under the minimum benefit provisions will be replaced, dollar for dollar, by increased SSI payments to the truly needy. Needy students who lose cash assistance because of the phaseout of extra benefits to adult students can have their needs met under the Pell grant and guaranteed student loan programs. Those dependent on social security survivors' benefits for income would not be forced to bear additional costs due to the death of the primary insured. In each case, only benefits to those who are not truly dependent on the full level of Federal support provided would be reduced.

MEDICAL CARE

Under current law, the anomalies of Federal requirements under title XIX of the Social Security Act often bar States from fashioning a medical assistance program which focuses support on essential services to the truly needy. Under the President's proposals for medicaid, States would be given the flexibility to more rationally design their medical assistance programs to meet the needs of their elderly populations for acute care and long-term care. Each State would be free to establish a program that makes best use of the health care resources available within its borders. We anticipate that all States will seek and find innovative ways to use this added flexibility to enhance the access of elderly citizens to quality health care.

This flexibility would be complemented by the President's proposal to consolidate numerous categorical health delivery programs into block grants to the States. Under this approach, States would be able to use Federal resources in ways that address the peculiar needs of their citizens. For example, in those States, such as Florida, where there are significant elderly populations, States would have added resources to devote, if they chose, to programing that meets the health care needs of the aged population.

SOCIAL SERVICES

A similar approach is embodied in the administration's proposal to consolidate categorical social service programs into a block grant to the States. The experience to date under the title XX program has been extremely encouraging. Given the flexibility to target social services resources on those groups with special service needs, States have been able to run highly effective service programs, while eliminating much of the cost associated with administrative overhead and program overlap that typify categorical Federal service programs. Under the President's proposal, States would be able to build on this model to focus even greater support on those population subgroups, such as the low-income elderly, that have particular service needs, at a far lower cost than that incurred in the present program structure. Given the unique needs of many of our older citizens, the President has also requested substantial funding for programs under the Older Americans Act. The President has requested an 11.7 percent increase in OAA outlays for fiscal year 1982, to a total level of \$651 million.

ENERGY SERVICES AND ASSISTANCE

Through the decontrol of oil and elimination or redirection of a number of other energy-related spending and regulatory programs, the administration is moving vigorously to promote a more productive and efficient energy marketplace that will work to the benefit of all citizens, including the elderly and other persons on limited incomes.

Previous Federal energy price control and regulatory policies have delayed investments that would increase domestic production from all sources and have discouraged more efficient energy use by consumers and businesses. These policies only postponed the inevitable energy price increases. By freeing normal market forces, the Reagan administration's policies will maximize competition among energy producers and result in the provision of energy supplies and energy conservation services to our citizens at the lowest realistic prices.

We recognize that many citizens may need help in adjusting to the energy cost increases of recent years. The President's budget contains several proposals designed to address this concern, and to help low-income persons in particular.

Federal tax credits for energy conservation and solar energy systems will be continued. The Treasury projects that these programs will provide over \$600 million in 1982 to help homeowners reduce their energy costs by installing cost-effective conservation measures and solar energy devices.

The Department of Energy's weatherization assistance program will be incorporated into the proposed community development support assistance program in the Department of Housing and Urban Development. This will permit communities to continue weatherization efforts for low-income persons more in accord with local needs and priorities. By combining the DOE program with HUD's community development efforts, which currently allocate about \$1 billion annually to some form of rehabilitation, our proposal shifts responsibility for weatherization entirely to the local level where needs can best be assessed and programs can be better designed to meet individual circumstances. This action will help communities to achieve greater levels of efficiency and productivity in their weatherization efforts.

We propose to replace the Department of Health and Human Services categorical energy assistance and emergency assistance programs with a more flexible block grant to States for energy and emergency assistance. State matching funds will not be required. States will have complete flexibility in delivery of fuel assistance and other emergency services to meet citizen needs. States also will be able to use the assistance funds to augment local weatherization efforts and thus reduce the need for continued energy assistance payments.

Consolidation of energy and emergency assistance activities into a block grant to States will eliminate unnecessary restrictions on those programs and increase State flexibility in delivering these types of assistance. This increased flexibility is especially important for energy and crisis assistance, given the severe consequences of a State's inability to act swiftly to assist a poor family heat its home in an unusually severe winter or help a family in a fire, flood, or other crisis situation. States are in a better position to determine the most appropriate distribution of these funds, since they are closer to the individuals and families needing assistance.

Finally, all the indexed cash assistance and social services programs are adjusted for higher energy costs. These include, for example, old-age survivors insurance, disability insurance, supplementary security income, and food stamps.

In sum, the President's proposals constitute a comprehensive and realistic energy program that will benefit and protect all citizens, including the elderly. These proposals will lead to the production of greater and more certain sources of supply, a reduction of the likelihood of further exorbitant increases in energy cost, and the provision of lower energy costs over the long run than would have occurred under the prior administration's policies. They also provide substantial assistance for energy-conserving and energy-efficient solar investments. For the low-income elderly, in particular, the President's proposals adjust income maintenance and social assistance programs for higher energy costs, and provide for improved delivery of weatherization and energy payment assistance services by State and local governments.

SUMMARY

In all, Mr. Chairman, while the administration has called for minor changes in funding for individual program line items, the President's proposed budget represents a strong commitment to adequately fund essential income support and social services for the elderly. At a time when all areas of the budget are being held up for substantial review, and, in many cases, substantial funding reductions, the proposed budget for cash and in-kind benefits for the elderly stands out as a major area where the administration has established clear priorities. I can assure you, Mr. Chairman, that this administration has established clear priorities. I can assure you, Mr. Chairman, that this administration will retain its strong commitment to adequately funding benefits for those who, due to age or infirmity, are truly dependent on Federal support.

FEDERAL OUTLAYS BENEFITING THE ELDERLY

[Dollars in millions]

	1980	1981				1982			
		Carter	Revised economic assumptions	Reagan program changes	Reagan level	Carter	Revised economic assumptions	Reagan program changes	Reagan level
Administration on Aging.....	\$679	\$583			\$583	\$688	-\$37		\$651
ACTION—Older American volunteer programs.....	72	84		83	90		-6		84
National Institute on Aging.....	58	69		68	78	-\$3	+2		77
Senior community service employment program and CETA older workers research.....	238	268		268	280		-1		279
White House Conference on Aging.....	1	2		2	2				2
Medicare ¹	29,331	33,397	+\$617	+\$473	34,487	39,027	+922	-719	39,230
Medicaid.....	4,658	5,486		-113	5,373	6,062	+10	-316	5,756
Other Federal health programs.....	2,030	2,207	-40		2,167	2,419	-43	-29	2,347
Social security ²	81,224	97,084	-250	-20	96,814	113,342	-1,500	-800	111,042
Other retired, disabled, and survivors benefits.....	14,477	16,261	-52	-22	16,187	18,626	-972	-68	17,586
SSI ²	2,274	2,512	-12		2,500	2,776	-50	+200	2,926
Veterans compensation and pensions.....	3,257	3,696			3,696	4,255			4,255
Subsidized public housing.....	2,255	2,795		-25	2,770	3,456		-97	3,359
FmHA housing.....	31	63			63	69			69
Section 202 elderly housing loans.....	723	760			760	741			741
Food stamps.....	483	582		-7	575	652	-17	-70	565
Social services (title XX) ³	489	525			525	543		-149	394
Energy assistance ³	272	311			311	301		-76	225
Other.....	993	1,341	-28	-19	1,294	1,280	-90	-105	1,085
Total elderly programs.....	143,545	168,026	235	265	168,526	194,687	-1,743	-2,271	190,673
Percent total budget.....	24.9	25.4			25.7	26.3			27.4

¹ Reagan program changes shift PIP payments to 1981; single renal dialysis reimbursement; eliminate Carter expansions.

² Explanation of social security reductions and associated SSI of sets. The administration has proposed elimination of several marginal social security "add-ons," as well as several changes in disability insurance. Benefits paid to the aged are not affected by the disability insurance changes, the elimination of payments to postsecondary students between 18 and 22, or continuing lump sum death payments only where surviving aged widows (or minor children) exist to collect benefits. Only the proposal to eliminate the minimum payment amount affects the aged, along with other social security recipients. However, all the needy aged are eligible for a dollar for dollar offset paid from SSI. The SSI offset for the minimum benefits is estimated to be \$200 million in 1982.

³ Proposed for block grant in 1982. Assumes 25 percent reduction from 1981 level, but States have historically favored elderly programs so reductions may be less.

Senator HEINZ. Mr. Stockman, thank you.

You had a hearing over on the House side a day or two ago where the conclusion was reached, as I understand it, with which you agreed, that the elderly as a whole have received an increase in fiscal 1981 going into fiscal 1982 in terms of dollars. It's a smaller increase than inflation; is that not correct?

Mr. STOCKMAN. I didn't agree with that. That proposition was made by one of the members of the committee and I consulted with him afterwards and found out that his math was not correct, I think.

Senator HEINZ. Do the elderly as a whole get an increase larger than inflation?

Mr. STOCKMAN. Yes.

Senator HEINZ. Larger than inflation?

Mr. STOCKMAN. Yes; as I have indicated, the increase in the 1981 budget over 1980 would be 7 percent; the increase in 1982 over 1981 would be 6 percent real terms.

Senator HEINZ. Now if you look within that budget and you kind of draw a line between the low-income elderly and the middle-income elderly, it seems pretty clear that the middle-income elderly who benefit particularly from social security, which is indexed, from medicare which is not proposed for any cuts, are doing quite well. Do you believe that the low-income elderly who are going to be affected by the medicaid cap, by the tightened eligibility on food stamps, and there are elderly affected by the cut in food stamps, what is proposed for SSI, for the reduction in the low-income energy assistance program for the various programs that are, in fact, being reduced, the low-income elderly are going to have their assistance from the Federal Government reduced a good deal more than the middle-income elderly?

Mr. STOCKMAN. Let me answer that question this way. I don't think it is appropriate to say that there are two groups of elderly and that social security benefits one group and these other programs benefit the other. Almost every elderly person in this country today receives social security. And if it were not for social security, they would all be in the second category or a high proportion of them. So to simply set aside social security and say that we are not providing increased resources or keeping up with inflation, I think, is a questionable approach. But even if you did that, my calculations indicate that the total amount of nonsocial security resources, budget dollars, would rise from \$64 to \$80 billion over that 2-year period. That would keep up with inflation.

Senator HEINZ. That includes medicare.

Mr. STOCKMAN. That's correct, and medicaid. And obviously another substantial proportion of the elderly would be poor without medicare and medicaid and the \$60 billion or more in support for medical services that those programs provide.

Senator HEINZ. Have you analyzed the income effects of your proposals on those individuals who are under the social security system and those who are not but are nonetheless elderly, maybe on SSI, maybe on some other income transfer, maybe on minimum benefit, but not above the minimum benefit.

Have you looked at how the administration's proposals affect those two groups of people?

Mr. STOCKMAN. Well, I can't say that we have done it in detail and we could do that on the specific request of this committee if you want very specific data.

Senator HEINZ. Consider it made.¹

Mr. STOCKMAN. Well, then, consider it done as soon as we possibly can.

Senator HEINZ. Well, don't do it too quickly. We will submit for you a specific proposal so that we don't get into a situation where the numbers are a little fuzzy.

Mr. STOCKMAN. Sure.

Senator HEINZ. I don't want to spend a lot of our time going into something that neither you or I are fully prepared to discuss. But I think the concern of many of us on the committee is that there is a distinction you have to make between the relatively middle-income elderly and the relatively poor elderly. Our concern is that as we look at the many program cutbacks, terminations, consolidations, the low-income elderly are not going to come off anywhere near as well as the middle-income elderly. But I don't want to get into whether that is a true statement or not. It is a concern which I want to try and settle rationally with numbers.

Let me ask you some specific questions about the energy and weatherization program.

The weatherization program is proposed to be folded into the community development block grant program. In the State of Pennsylvania some 80 percent of the funds in the community development block grant program goes to cities and large towns. It leaves out, as it does in many States like Maine, I would imagine, and other States, many, many small rural communities, small towns, that simply don't participate in community development block grants.

What is your proposal, as the author of that transfer, for taking care of those areas which are not entitlement cities?

Mr. STOCKMAN. The answer to that is that we have also proposed a change in the basic community development block grant program.

We have proposed a new State block grant that would go on a formula basis to each State to be used for a whole variety of purposes including low-income weatherization in all those parts of the State that do not have a county or city entitlement today. So between the existing city and county entitlement for the major urban areas and the block grant to the States for the remainder of the State, I think you would have the entire State covered and you would have discretionary flexible funds available to be targeted to weatherization purposes or programs if that were the decision of local communities.

Senator HEINZ. Mr. Stockman, you have an excellent reputation for being an efficiency expert and indeed anybody who can come up here with all the things you came up with in such a short time has to be efficient. But programmatically you have a reputation as well, and I want to know whether you believe that it is efficient to take the weatherization program from its current home and put it in a brand new home. At the same time a program with which it

¹ See page 35 for Mr. Stockman's responses to questions submitted by Senator Heinz.

should be coordinated, the low-income energy assistance program, is undergoing some modification; that is if it's block granted.

How would that improve the coordination of the two programs so that we focus the weatherization efforts on the areas of greatest need, which presumably are those recipients of low-income energy assistance who have the highest heating bills?

Mr. STOCKMAN. Well, Mr. Chairman, I think maybe you don't have an either/or situation here. The reason that we proposed to consolidate low-income weatherization in the community development block grant program is that in many cities and areas of the country substantial shares of the CD funds are used for housing rehabilitation. Obviously, weatherization is just one high priority form of housing rehabilitation; so it made sense to do it in that context under that program. On the other hand, I would agree with you entirely that you have a tradeoff kind of question as Senator Percy indicated previously, as to how much you spend on fuel assistance to lower income households versus how much you invest in upgrading their housing structures through insulation and retrofitting. The block grant that we have proposed for energy and hardship assistance also permits those funds to be used for low-cost weatherization purposes as well as for fuel assistance.

Senator HEINZ. Two brief questions: First, if we were to decide that the best way to proceed was to combine the low-income energy assistance program with weatherization, what amount of money represents weatherization in the administration budget?

Mr. STOCKMAN. We don't have a specific earmarked amount. We are proposing that the weatherization that's been done comes out of the community development block grant funds, about \$4 billion a year that we have made available through the revised proposal.

Senator HEINZ. Let me ask you another question. The administration has proposed reducing the amount of money for low-income energy assistance by roughly \$400 million from last year's level. What kind of increase in energy costs do you anticipate for this year?

Mr. STOCKMAN. Well, I would have to submit that for the record.¹

My own view is, barring some unforeseen event in the Persian Gulf that no one can predict, that over the next year we'll have stable oil prices and therefore stable retail prices for heating oil and most other fuels. We wouldn't expect any major increase during the course of the next year.

That is under present conditions with a glut or a surplus developing in the world market. That can change, as you are well aware, at any time if an event, political event that occurs that would disrupt oil production.

Senator HEINZ. From January into February of this year the CPI underwent a double-digit increase; 54 percent of that increase was due to increases in energy costs. If we have that kind of a February, why aren't we going to have that kind of March, April, May, June?

Mr. STOCKMAN. Well, the answer to that is that reflected the passthrough and it takes a couple months to be registered in the

¹See page 35 for Mr. Stockman's responses to questions submitted by Senator Heinz.

price index, of the OPEC increase last fall, as well as some effects from decontrol of a one-time nature.

But I think you asked me what do you expect over the next year, what do you expect in the near-term future? My answer to that was that there is clearly a surplus of crude building up in the world market, inventories are at their highest levels ever, the wholesale prices within the petroleum sector have leveled off in the last several weeks and, as I indicated, barring some unforeseen interruption of oil production internationally, that should bode for a fairly stable price, not that it won't go up a few cents, but nothing like we experienced last year.

Senator HEINZ. My time has expired but I want to bring to your attention something you said. You indicated that oil decontrol had an effect on the January-to-February price index. Now, you yourself have proposed decontrolling natural gas prices on October 1, but a minute ago in your statement you said that you didn't anticipate there would be any energy shocks. Does that mean that you have abandoned your proposal for deregulating natural gas as of October 1?

Mr. STOCKMAN. Well, Mr. Chairman, we have never proposed that. There was one newspaper story written erroneously on the basis of a document having to do with funding for FERC and whether it ought to be \$77 or \$68 million, and there has never been any policy proposal yet developed by this administration on natural gas.

Yes, we think it needs to be accelerated, the phaseout schedule, but we don't have a specific proposal at this point for doing that and that is a totally different matter than just an across-the-board full decontrol on September 30. It has never been proposed and it won't happen.

Senator HEINZ. If I can just state the following, what you said a few minutes ago in response to my other question was that you didn't see any change in energy prices; you thought they would be stable. Obviously, if you accelerate decontrol of natural gas in some way, shape, or form in 1981, there are going to be price increases. It won't be stable. Natural gas is much less expensive on a Btu basis than oil, so if you accelerate decontrol it will go up. We know that. You don't have to be mathematical geniuses to figure that out.

What I have to understand from your statement—unless you feel it is quite inaccurate—is that you will not propose an even partial decontrol of natural gas this year. Is that correct?

Mr. STOCKMAN. I wouldn't necessarily draw that conclusion. I was speaking primarily of oil prices and that's been the major concern in this program because it's been oil-heating homes that have had the huge increases in cost.

But second, we don't consider natural gas pricing policy revision a high priority at the present time. I don't know whether we will have a proposal to present to the Congress this year or not. I suspect that we probably won't, but I couldn't rule that out and I couldn't make an unequivocal statement one way or another.

Senator HEINZ. I noticed.

Senator Cohen.

Excuse me, Senator Chiles is here, Senator Burdick is here.

We are following the "early bird" rule if you have an opening statement.

Senator BURDICK. Here's the early bird here.

Senator HEINZ. Senator Chiles, do you have an opening statement?

Senator CHILES. I'll wait until they have their turn.

Senator HEINZ. Do you have an opening statement?

Senator BURDICK. No.

Senator HEINZ. Senator Cohen is next.

Senator COHEN [presiding]. Thank you, Mr. Chairman.

Mr. Stockman, I think implicit in your statements about the social security, about the programs of the administration benefiting the elderly, was the notion that all social security recipients benefit equally with the increases that are factored into the various programs. I don't think that is exactly correct.

For example, let's assume that you start off with a family or a person in Maine and one in southern California, and each one has an income, a monthly income of \$300 per month. And each is receiving social security. Would you say that each would benefit—have equal position—as these programs have their automatic increases? Would each benefit equally, if in fact the person in Maine has to pay \$300 a month for fuel and the person in southern California pays nothing for home heating fuel?

You can't say on the one hand they are all being treated rather equally under our programs when in fact they are not similarly situated.

Mr. STOCKMAN. No, I didn't imply that. I hope that you have not interpreted it that way. I was trying to indicate the aggregate level of resources, what it amounts to in terms of the Federal dollar provision per capita, but then I indicated, obviously, there may be better targeting required in order to take care of the situations that you have talked about.

Senator COHEN. How would you propose that we undertake a better targeting of those resources going to those most in need taking into account climate, geography, economic conditions, transportation, and so forth? How would you recommend that we target those?

Mr. STOCKMAN. One of the ways that I would recommend is to convert many of these categorical programs to block grants to allow those dollars to be allocated on the basis of local needs at the State level, because there are significant variations from one area of the country to another due to climate, due to geography, due to urban versus rural, due to availability of transportation or non-availability.

Senator COHEN. Now, one of the proposals is that we transfer the weatherization program into community development block grants. Are you aware that 80 percent of those funds went to urban areas and not to rural areas?

Mr. STOCKMAN. Well, that is—you're talking about the entitlement part of community development.

Senator COHEN. I am talking about putting the program over into block grants. Most of those funds have gone to highly populated urban areas not reaching the rural poor.

Mr. STOCKMAN. We have proposed to revise that, as you know. Our block grant would basically be split, two-thirds to the urban areas, one-third to the States that would be targeted on the areas you are speaking of.

Senator COHEN. So two-thirds of the block grant programs will be targeted for urban areas.

Mr. STOCKMAN. Two-thirds of the funds would be available for entitlement cities and counties. One-third of the funds would be available to the States as a discretionary block grant that could be used in the nonentitlement areas of the State.

Senator COHEN. Would cities be allowed to compete for those funds as well as smaller communities?

Mr. STOCKMAN. Cities would be eligible but we would expect that the States would primarily focus those funds on the nonentitlement part of the State.

Senator COHEN. Why allow the cities to be eligible if in fact—

Mr. STOCKMAN. That is a close call. I think Congress may have another judgment on that.

Senator COHEN. Well, I am not sure about Congress having another judgment because I was looking through your statement and in fact I noticed that you point out that one of the Federal—under the present administration's present programs—encouragements to energy conservation, for example, were the continuation of Federal tax credits for energy conservation systems.

I was looking through CRS statistics in terms of who is able to take advantage of energy tax credits. I found, for example in 1978, that roughly 57 percent or about 3.4 million taxpayers had incomes between \$20,000 and \$50,000. And that of nearly 90 million individual tax returns filed in 1978, 60 percent reported income below \$14,000; only 16 percent of the taxpayers who claimed a tax credit had an income below \$16,000.

In my own State of Maine, we had something like 447,000 tax returns and approximately 31,000 of these tax returns included credits which amounted to 7 percent.

If you have one of the coldest States, which is also one of the poorest in per capita income, why not allow those individuals to qualify for tax credits for home improvements, insulation, solar energy, and so forth? How on the one hand can we justify taking price controls off—and the price went from \$1 to \$1.40 in a period of 3 months this year—which action we supported in this Congress—and then say to the same people that we are going to cut the fuel assistance subsidies 25 percent and transfer the weatherization program to a community development block grant approach, of which 80 percent traditionally has gone into urban areas?

Now, what do I tell those people up in northern Maine who can't pay their bills, that we are also taking a 25-percent reduction?

Mr. STOCKMAN. I would answer that question this way, I am not persuaded that is any magic number of \$1.8 billion—which is what the current services level for 1982 would have been—that fully defines an adequate level of support for this program. I think \$1.4 billion is not being niggardly. I think \$1.4 billion could more than adequately do the job if the States would target those funds on the low-income population, elderly, and nonelderly that ought to receive that heating assistance support during the heating season.

Now, as you know, today there is no targeting of this program. Anyone up to the Bureau of Labor Statistics lower income budget is eligible, that is far above the poverty line, far above any commonsense definition of being poor.

I have no doubts, Senator, that if the States would target that \$1.4 billion that they are going to get on a discretionary basis without any Federal bureaucrats telling them what to do, to the genuine low-income households in your State and other States, we could meet the needs handily.

And to say you have cut it 25 percent I don't think defines the whole problem. I would rather say you have provided \$1.4 billion, and, if that money is used wisely, we can get the job done.

Senator COHEN. You are saying, though, that there has been a dramatic increase and will be future increases in the price of oil—that you hold a contingent plan at least to decontrol natural gas if not this year, perhaps next, and whatever we have now is more than adequate to do the job to weatherize, insulate, and subsidize the fuel bills of those who cannot afford to pay them now.

Mr. STOCKMAN. If things changed in the future, obviously, you would want to reconsider that dollar level, but this is a new program, it is only 3 years old and I don't think that we have any hard studies, any clear demonstration that \$1.4 billion is not enough money.

Perhaps this committee will develop it and we would be happy to look at it once that's done, but we haven't seen the evidence.

Senator COHEN. When you testified, I think, about a week or 10 days ago before the Finance Committee you suggested that you would develop a new allocation formula. I wonder if you have had that completed?

Mr. STOCKMAN. Our block grant proposal is almost completed. It will be sent to the Hill in time for immediate action after the recess. We believe the formula will provide funds to those areas of the country like your State that obviously rank on a higher priority.

Senator COHEN. A couple of other questions: I think you suggested in the first confirmation hearing in the Governmental Affairs Committee that we should not subsidize energy use, which is what we do when we hold down energy price.

If that is the case, would you also agree we should not subsidize energy production?

Mr. STOCKMAN. Generally, yes.

Senator COHEN. Well, specifically, what about the Clinch River breeder reactor program?

Mr. STOCKMAN. Well, that is not energy production. Energy electricity we get from that would be entirely a coincidental byproduct. This is a new technology demonstration.

Senator COHEN. You are in favor of its subsidization?

Mr. STOCKMAN. It is in the budget.

Senator COHEN. No, no, I ask you whether you favored it.

Mr. STOCKMAN. There are a lot of things in the budget that I favor strongly, less strongly, and perhaps quite faintly.

Senator COHEN. How would you categorize this one?

Mr. STOCKMAN. Well, it would be on the lower rather than the higher edge of the spectrum.

Senator COHEN. What about the Synfuels Corporation?

Mr. STOCKMAN. Well, I think that we have made a very major change in synfuels. We have taken all those projects out of the budget that would have cost the taxpayers billions over the next several years, freeing up those resources. We have continued the Synfuels Corporation, but it will be run on a basis which emphasizes no direct commitment of Federal dollars to finance projects. Most of the money would have to come from the private sector, the risk would have to be taken by the private sector. Synfuels Corporation will only provide a very modest catalyst in the form of price supports, in case the world oil price falls for totally unforeseen reasons.

Senator COHEN. Are they way off budget?

Mr. STOCKMAN. This isn't really off budget spending. Price supports, if they were used carefully and discriminately, would not have any major effect on the economy or on the Federal allocation or direction of resources.

Senator COHEN. What about public power projects? Should they be subsidized?

Mr. STOCKMAN. Public power projects?

Senator COHEN. Yes.

Mr. STOCKMAN. Are you referring to—

Senator COHEN. I am talking basically about public power projects that have been funded over the years whereby we have subsidized the interest rates for a good many States to have lower cost energy.

Mr. STOCKMAN. It is not a very good practice and throughout the budget we have attempted to lift Federal interest rates to the market rate so that those backdoor subsidies that you speak of would be eliminated.

Senator COHEN. Is that what you propose to do for the coming year, but put the interest rates for future public power projects on a current commercial rate?

Mr. STOCKMAN. Well, I think you're raising a different question there. If you are talking about public power benefits from our Army Corps of Engineer projects or dam construction projects, the answer there is that we ought to get the discount rate because this is a capital item, not an operating loan; we ought to insist on a discount rate that fully reflects the opportunity cost of the capital being used.

Senator COHEN. The only point I want to make is we should take into account regional differences. Water is vital to the West but heat is vital to the East and Northeast, and I would like to see us have equal treatment across the board. We ought to treat those in the West equally by not subsidizing sources of their energy use and not doing the same at least for the others.

Mr. STOCKMAN. We have gone a long way in that direction. Water projects do not have just single output benefits. It is not just public power but they have other benefits as well, and we are making progress on those projects.

Even so, I think between the heating needs of the upper Northeast and water project resources of the South or Southwest, you see a fairly strong degree of evenhandedness in the policy changes that we have proposed.

Senator COHEN. Senator Chiles, I know you have a time problem.

STATEMENT BY SENATOR LAWTON CHILES

Senator CHILES. I have a brief opening statement in case I don't get a chance to get to questions, Mr. Chairman. I would like to insert my more lengthy statement in the record.

Senator COHEN. Without objection, it will be inserted into the record.¹

Senator CHILES. I would like to stress three points vital to the effectiveness of any energy assistance program. First, this committee has a long and productive involvement in the development of energy assistance programs, to guarantee that the elderly receive priority under the programs; this preference is clearly justified by the fact that the elderly pay more for energy expenditures and are more susceptible to weather-related illnesses. And any future programs should certainly recognize this particular preference.

Particular needs of the elderly have been well documented but here we are again talking about how to meet those needs. The distribution methods have changed repeatedly over the past few years.

In 1979, the low-income elderly could apply for a small amount of assistance under the energy crisis intervention program, under CSA.

In 1980, if you were elderly and received SSI, you automatically received a one-time special supplement for energy assistance from then HEW. Older persons could also apply under the energy crisis assistance program (ECAP) under CSA.

Then in 1981, there was much confusion. Most States did not opt for the SSI supplements and required potential recipients to apply for assistance.

Many of us in Congress heard from people who wanted to know when their checks would arrive. Many of the neediest never did find out they had to apply and, therefore, they simply went without.

It seems to me it is time that we put an end to this confusion and develop a program that will operate for more than 1 year. It is obvious that Congress must provide some sort of assistance to the thousands who live in fear of utility bills each month, but around a more permanent program.

The same can be said about the weatherization program. It has waived between CSA, DOE, and now perhaps HUD.

The people are so confused, and so are we, about where the program will be located, it should be nailed down and hooked to energy assistance programs with something stronger than encouragement.

And my last point is addressed to Mr. Stockman in particular. A few weeks ago I understand you told the Finance Committee that you supported efforts only to put money for energy assistance in those States where it was needed and not to pay for air-conditioning in other States.

I think you went on to point out that the heat waves like last year's were extraordinary, unusual phenomena. We agree that it was extraordinary, but it doesn't take an extraordinary heat wave

¹See next page.

to harm and kill many elderly people. Normal heat and humidity also cause discomfort and illness to people afflicted with asthmatic and respiratory conditions or heart problems. To these people, cooling is not a luxury. It is a medical need.

Recent data from CBO shows that the immediate decontrol of oil has caused an increased burden for all American households. The data shows that the impact is greatest on the New England States with the Southern States and Western States not far behind.

The people of Florida pay monthly utility bills with that dreaded fuel adjustment continually rising. Try to tell them that they have not been affected by the decontrol of oil.

The current program's flexibility can allow every State to meet its own particular needs whether hot or cold, and is important to the effectiveness of the program, and that flexibility should not be changed.

Senator COHEN. Thank you, Senator Chiles.

[The prepared statement of Senator Chiles follows:]

PREPARED STATEMENT OF SENATOR LAWTON CHILES

The Senate Committee on Aging has had a long and productive involvement in the development of the energy assistance programs. Since the creation of the first assistance and weatherization programs in the early 1970's, the committee has succeeded in securing language in both the appropriations and authorizing legislation to guarantee that the elderly receive priority attention under the programs.

The rationale for this priority has been documented by this committee over and over again in its series of hearings on "Energy Assistance and the Elderly." These hearings clearly showed that the elderly pay a greater percentage of their incomes on energy expenditures and that their body thermostats cannot adjust to heat and cold as well as those of younger person's.

The elderly's particular needs have been well documented. But here we are, once again, talking about how to meet these needs. The rules keep changing.

For example, if you were elderly in 1979, you could apply for a small amount under the ECIP program under CSA which had elderly priority language in the appropriations legislation.

In 1980, if you were elderly and received SSI, you automatically got a one-time special supplement for energy assistance from then HEW. In addition, older persons could apply for emergency assistance under the ECAP program under CSA where elderly priority was still required.

Then in 1981, there was much confusion. Most States did not issue SSI supplements, but instead required everyone to apply for assistance. The best of outreach efforts didn't inform a lot of needy people. All of us in Congress heard from people who wanted to know when their check would come. Even if they knew they had to apply, they couldn't find the offices. Like the rules, the places where one can apply keep changing. Its very hard to argue with people who claim this confusion is intended to keep down participation.

Now we come to 1982. What will we do now? Whatever it is, I think we should finally perfect something that will be able to operate for more than 1 year. This history is ridiculous. I believe that the 1981 Home Energy Assistance Act has considerable flexibility for Governors to decide on the kind of program and benefit. Yes, it also includes some "restrictions" like requiring that priority be given to those with the lowest income and to households with elderly or handicapped individuals. These sound quite rationale to me.

The energy needs of this country will not disappear for sometime. Hopefully, energy programs sanctioned by other legislation will lead this country away from dependence on other nations for our energy resources. However, until that time, Congress must provide some form of assistance to those who live in fear of the monthly utility bills.

There is evidence which shows that the low-income elderly spend nearly four times more on energy but use less than 50 percent of energy consumed by other households. They certainly try to cut back as much as possible for conservation reasons as well as for their own price controls. But often, these cutbacks are at the expense of their comfort and good health.

It is true that the elderly's homes are often old and poorly insulated. I certainly agree with our chairman and the Senator from Maine that it is economically foolish to keep pumping dollars of assistance into homes that let the assistance seep out the cracks. I am hopeful that the administration can give us more details today on how and where the weatherization program will be administered. Again, it is important to nail down a program that has wavered between CSA, DOE, and now perhaps HUD.

Now, if I may be parochial for a few moments. A few weeks ago, Dave Stockman told the Finance Committee that he supported "efforts to put the money in those States where it was needed, and not to pay for air-conditioning in other States." He went on to point out that heat waves like last year's were "an extraordinary, unusual phenomena." I will agree with him on one point. It was rather extraordinary.

But it doesn't take just an extraordinary heat wave to severely harm and even kill many elderly people. Normal heat and humidity can also cause extreme discomfort and illness to persons afflicted with asthmatic and respiratory conditions or heart problems. To these people, many of whom are elderly, cooling is certainly not a luxury. It is a medical need.

Thousands of elderly are found to have fans or window units but don't use them for fear of utility costs. During last summer's heat wave, witnesses told this committee about instances where volunteers found elderly persons who were mortally afflicted by the heat—yet, they had unplugged window units or fans in the same room. To think that people died from heat prostration because of the overwhelming fear of an electric bill is simply shocking.

Recent data from the CBO shows that the immediate decontrol of oil has caused an increased burden on all American households. In fact, that data shows that the impact is greatest on the New England States with the southern States, and then the western States, not far behind. The people of Florida pay utility bills monthly with that dreaded fuel adjustment continually rising. Try to tell them they haven't been affected by the decontrol of oil prices.

Rising utility costs are a burden on this entire Nation and the home energy assistance program was designed to serve all of the regions. The current program's allocation formula is heavily weighted in favor of the colder States. I will strongly oppose any effort to emphasize this preference any more. We all know how unpredictable the weather can be. This past winter many of the southern States had more snow than the north. The flexibility that is built into the current program which allows every State to meet its own parochial needs should not be changed.

Senator COHEN. Senator Burdick.

Senator BURDICK. I think Senator Dodd was here first.

Senator COHEN. Excuse me, Senator Dodd.

Senator DODD. Thank you, Mr. Chairman.

David, I appreciate your being here. Let me say at the very outset that although I disagree with a number of the choices the administration has made, I think you're doing a remarkable job bouncing from committee to committee answering various questions about specific programs. To that extent, I commend you.

I am not sure whether or not you are aware of this, but last week I was one of the "Gang of 10" who voted against the first budget reconciliation resolution. At the time, I said on the floor of the Senate that I did not disagree with the overall goals of the new administration, but rather with the direction of choices made.

I thought there were some poor choices in the overall package and I guess that is where we disagree. I would like to take your opening remark that we can't lose sight of the larger picture—I think that was the direct quote—and that we can't lose sight of the forest for the trees. I would like to ask you a few questions about this particular point.

Clearly, while it is in our overall national interest to reduce the level of Federal expenditures, I am sure that you would agree that it is also in our overall national interest to reduce the level of consumption of nonrenewable energy resources as quickly as possible. I presume you agree with that.

Mr. STOCKMAN. Yes.

Senator DODD. The consumption of nonrenewable energy resources has certainly been a major source of revenue drain over the years. This drain has been particularly highlighted in the last few years by the dramatic increases in energy prices. Of course, it's also in our national interest to reduce the necessity for people, who have few options, to depend upon State, local, or Federal coffers to provide for the essentials of life.

That should also be a national goal and directive. I assume you agree with that as well.

Mr. STOCKMAN. Yes, sir.

Senator DODD. Well, if we look at the big picture, we have set national goals to achieve energy independence by reducing energy consumption and to cut back on spending Federal dollars. But by deciding to significantly reduce funds for fuel assistance programs and reducing by a half billion dollars, and—to the best of my knowledge—by deleting any line item for the weatherization program, this administration is proposing a program that runs directly contrary to the larger national goal. In a sense, we are being penny wise and pound foolish. We are refusing to allocate dollars for a weatherization program which has assisted more than 600,000 households in this country.

I find it remarkable that we have been able to assist that many households.

It seems to me that if we are going to achieve the mutual goals of reducing energy consumption and Federal spending in the long term, it would be extremely wise to go back and reassess the administration's decision to slash budget funds for emergency fuel assistance and weatherization.

Let me just give you some facts. Those of us who represent the people of our various States have a tendency to be parochial, but for the purposes of discussion here, let me just give you some figures from Connecticut. I expect that Maine and Connecticut and other States are fairly close in terms of these figures.

Senator COHEN. Except for income levels. [Laughter.]

Senator DODD. That's all right, David, you got him over attributes up there.

Senator BURDICK. Can I get in there?

Senator DODD. You can get in as well.

In 1978, in Connecticut, for example, heating oil sold for 50 cents a gallon. During that same year, a single family used a little more than 1,000 gallons of oil. The average fuel bill was about \$540 in Connecticut.

As I mentioned in my opening remarks to you, in 1981 home heating oil costs between \$1.30 and \$1.40 a gallon.

It is estimated that a single family home will spend something in the neighborhood of \$1,200 to \$1,400 this year, in contrast \$541 in 1978.

Actually, figures go a little higher but for the sake of argument, let's leave them there.

As Senator Cohen pointed out, we have seen that the immediate decontrol of oil prices has caused this drastic jump in home heating oil prices. Let's accept your argument that this is merely a one-

time increase. At another hearing, I might argue about whether it will be only a one-time increase.

Then we may find we will have decontrol of natural gas prices in the fall. If what has happened this winter is any indication of what may happen next winter, we are going to see another huge price hike. Even though we don't use quite as much natural gas as we do oil, we will still see a drastic increase in prices.

Now, how does this increase in energy prices fit into your larger picture argument, an argument I have agree is a legitimate one to make? When we find people in this country confronted with a threefold increase in an essential—not a nonessential but an essential item—how we can possibly justify reducing a program that would help curtail energy consumption and provide much needed assistance to those on fixed incomes? The poor don't have the options you and I have. I can move. You can move. But people who are living on fixed incomes can't always move. How can we, in all good conscience, justify reducing low-income fuel assistance by one-half billion dollars and abolish all funding for weatherization programs?

I don't know how the budget cuts you have proposed fit into the larger picture scenario that you described earlier. I would like you to address this issue.

Mr. STOCKMAN. Sure. I think that if you would try to focus that \$1.4 billion that we have provided on the situations that you have described, fixed-income retired households, or individuals, or low-income families, you could do the job even with those increases.

Second, if you would target the funds toward those States that have the highest heating oil shares of the heating market or the greatest number of degree day temperatures in the winter, \$1.4 billion would be more than adequate.

But if we begin the argument or accept the argument that there is an entitlement to air-conditioning which was implied by Senator Chiles a moment ago, that the Federal Government must provide a level of air-conditioning, or the financial assistance to achieve it, to everyone, because somehow that's a right, then we will never have enough funds whether it's \$1.8 billion as you propose, \$1.4 billion as we propose, or \$5 billion.

What I am trying to suggest here, and the reason we have proposed our level rather than yours, is that it is time that we start getting serious about targeting the assistance that we provide to people that really need it, and it is time that we got the pork barreling out of the process of trying to help the needy in this country, and the low-income energy program has been that. And every member of this committee knows it.

It seems to me that if in the context of the tremendous budget problems that we have, 18 percent increase in Federal spending last year, inflation resulting from that, that is hitting the same households that you are talking about. If we can't bear down on the topic and target those funds and target its allocation among the States so that it will reach that fixed income couple in Maine that can't pay that \$1,000 heating oil bill or \$1,200 bill, then we have failed to make rational and responsible decisions.

I think you can do it for \$1.4 billion. That is the challenge or the counterresponse that I would make to your very valid question.

Senator DODD. How are we targeting it in effect? You know that block grants, by their very nature, create adversary relationships. By definition, the various constituencies within a municipality or a State must compete with each other for funds from whatever the total dollar amount of the block grant may be. And I really question whether or not it is fair to force the aged to compete with others for funds. I go back to what I said to you at the outset, I don't envy you having to go from committee to committee like this. But we have a responsibility in this committee to deal with the special problems of older Americans.

Is it really fair to take older Americans in Connecticut, Maine, or any other State, and ask them to join the political fray in Hartford, or Bangor, or wherever, to fight for fuel assistance for themselves? Must they compete with those who wish to build sewer projects? That is what you are doing when you throw fuel assistance for the elderly into a block grant program.

Mr. STOCKMAN. I would disagree because the block grant program we are proposing in this case is for emergency and hardship assistance. Most of the funds would come from the existing low income energy assistance program. There would be two minor categorical programs added to that, the purpose for which those funds could be used would be fairly tightly defined for the kind of situations that low income energy assistance is available for today.

The main reason for making it a block grant is to get HHS out of the matter, to get Federal bureaucrats out of the matter.

Senator DODD. But the State and local bureaucrats are still involved in it.

Mr. STOCKMAN. Somebody has to administer it.

Senator DODD. All right, then we potentially will have 50 different administrations. Given the political nature of local communities and States, we are going to create adversary relationships. And I question whether or not it is wise, either in terms of efficiency or national priorities to abdicate Federal responsibility. Can we leave fuel assistance to the whim of political lobbies back in any of the respective States and really help achieve an overall national goal of reducing energy consumption and expenditures?

Mr. STOCKMAN. Well, I guess there we just have a basic difference of perspective. I don't believe we are any more astute, any more sensitive, any more humane here in Washington; I don't think we are any smarter in our ability to put the funds where they need to go than they are in the State capitals. Somehow you are implying that we can get the job done well here, and it will be done miserably in the State capitals, and I don't believe that.

Senator DODD. I am not suggesting that at all. I don't think you really would believe that I am implying that my good friends in Hartford are less humane than their Senator is. But certainly you don't suggest that the 50 States should determine what our national budgetary goals ought to be.

We need to have a national policy, a coordinated national policy. If reducing energy consumption and reducing the Federal budget are national priorities, why are we abdicating our responsibility in these areas? Why are we leaving the solutions to these problems solely to our 50 different States, not to mention the thousands of municipalities that will be involved in the block grant process?

Senator COHEN. I am sorry, I have to interrupt because I know that Mr. Stockman would like to leave by 10:30. We have one more member to ask questions.

I would point out that ordinarily we spend our 10-minute allotment asking one question and getting a 10-minute response. Senator Dodd has achieved a new high in this committee asking one question during the 10-minute time to get one response.

Senator DODD. I am learning how the Senate works, Bill. We operated under the 5-minute rule in the House. It's taken me a couple months to learn.

Senator COHEN. Senator Burdick.

Senator BURDICK. Mr. Chairman, I will be brief.

Mr. Stockman, I want to get the arithmetic, if I may, of what's been said.

The fuel assistance is funded at \$1.85 billion, and last year I believe it was, and the new block grant with weatherization is \$55 million, making a total of \$2.4 billion.

As I understand, the block grant would be funded at \$1.4. So that a shortfall of \$1 billion is there; is that correct?

Mr. STOCKMAN. You are adding together the weatherization program and low income energy assistance. I am not sure the weatherization program was \$500 million unless you are counting public buildings and that part of the DOE program. That wouldn't add to that.

Senator BURDICK. \$55 million. It is for the social security emergency fund. It will be part of the block grant which you now would like to fund at \$1.4 or \$1.3 billion?

Mr. STOCKMAN. It would round off to \$1.4 billion, I believe.

Senator BURDICK. Whatever it is, the shortfall is \$1 billion, and you maintain we can pick that up by targeting and more efficiency, and tightening, and getting rid of the pork, et cetera, et cetera; do you think we really can?

Mr. STOCKMAN. I am not sure the shortfall is \$1 billion, but I think it can be covered by better targeting, by tighter administration of the program, by putting the funds where they are really needed, yes.

Senator BURDICK. In other words, we will save that \$1 billion if that is the figure, by definitions and qualifications that would be a little steeper.

Mr. STOCKMAN. That's right.

Senator BURDICK. And there would be some people getting assistance today that won't be getting it tomorrow.

Mr. STOCKMAN. That's correct.

Senator BURDICK. Who will be administering this new program?

Mr. STOCKMAN. It would be administered by the States.

Senator BURDICK. The present administration, CSA, won't have anything to do with it?

Mr. STOCKMAN. That's correct.

Senator BURDICK. It seems to me that there is no comparable Federal agency on the local level to do the same kind of a job. Will a new bureaucracy in the State be created at the State and local levels to handle it?

Mr. STOCKMAN. No, sir, I would point out that the low-income energy assistance program is basically State run today. We distrib-

ute, disburse the money from Washington, HHS, but it is a very minimal Federal program in the sense of regulations and Federal administration.

Basically it is run by the States, by the Governors today. We are simply formalizing that and putting it into a block grant with even greater flexibility. The bureaucracy that administers it is a State bureaucracy today.

Senator BURDICK. I understand weatherization is run by the CAPS and they will be out.

Mr. STOCKMAN. The weatherization program, that would be true, yes.

Senator BURDICK. Mr. Stockman, thank you. I am from the northern belt and I am a little afraid that this is a little too deep.

Thank you anyway.

Mr. STOCKMAN. Sure.

Senator COHEN. Senator Chiles does have a few more questions and I would simply remind Senator Chiles that Mr. Stockman does have another commitment on the Hill, I believe, this morning and would like to leave as close to 10:30 as possible.

Senator CHILES. I will try to be brief, of course.

Could you tell me, Mr. Stockman, if the statement that you made to the Finance Committee that I have cited earlier, whether that is your view or the administration's view that we should not pay any money for cooling?

Mr. STOCKMAN. Well, that statement was—the statement that you read was basically correct, but I was not suggesting nor is it our policy, to say there should be no money for cooling or that the funds ought to be exclusively targeted on the so-called Snow Belt States.

What I did say, though, was that the formula ought to be weighted toward those areas of the country, because if we are going to assume a Federal responsibility, it ought to be for meeting the heating bills of those households in the Northeast or the upper Great Plains, or the upper Midwest where they use heating oil in order to maintain temperatures during the winter.

I have indicated I don't believe there is any entitlement to air-conditioning and I don't believe that we ought to create a program premised on the view that air-conditioning is as important as heating during the winter.

Senator CHILES. Have you had a chance to look at the way the formula is weighted now? As far as the weight, it is very, very heavily weighted now.

Mr. STOCKMAN. That is what I was endorsing.

Senator CHILES. That goes for cooling.

Mr. STOCKMAN. I was hoping there would be no retreat and further weighting in the other direction. There is a clear priority difference. It would be nice to help provide air-conditioning for everybody, but we got along 198 years in this country without it.

Senator CHILES. We are not talking about trying to provide air-conditioning for everybody. The formula doesn't provide that now. That's one of those things you just put out. We are talking about people that live in a place in South Beach in Miami where there are buildings with few windows that are virtually ovens. Air-conditioning for such residents is essential, if they are going to live. A

lot of times it is not even air-conditioning. It is a fan. It is a little fan that a fly can light on because it is going about that slow.

And that is the kind of thing that we are talking about, whether you are going to give those people some help. They suffer from respiratory diseases and other conditions. We do have people on the panel here today to tell you about that. Air-conditioning sounds like a luxury to people when you give the verbs off the way you say it. We are not talking about that at all. The formula isn't weighted that way at all.

We are talking about people that have to have some cooling to exist or they have to go out of their homes in the day and go stay in supermarkets or stores that are air-conditioned.

The Senate Committee on Aging was responsible for putting the provision in the Energy Assistance Act that required that the elderly receive priority attention. What happens to that priority if we put it in a block grant? We think it is essential if we are talking about dealing with people and their needs. The elderly suffer more from hypothermia and other related problems, so therefore we created the priority. How do we do that under a block grant? This is a national issue we are talking about.

Mr. STOCKMAN. I think you could probably do the same thing in a block grant. As I recall it, the priority that is in the Federal law is more of an injunction, more of an exhortation than it is something that's been definitely enforced. In fact, we don't even know the split of those who have received low-income energy assistance between elderly and nonelderly. The statistics are simply not there.

I think maybe that kind of language indicating clear priority and national purpose in the block grant would be totally appropriate. But I hate to set up a whole administrative machinery to try to enforce it down to the last dollar and last beneficiary.

Senator CHILES. That would be helpful.

We passed the windfall profits tax. I think that tax is supposed to bring in around \$25 to \$30 billion in the first year, and it goes up from there. As we were passing that tax, one of the things that we said was that we were going to provide some help to the people at the bottom end of the scale that couldn't help themselves. We were also going to try to provide for conservation money and energy development money.

As I recall, the Carter administration was soundly criticized for implying that the windfall profits tax was going to be used simply to reduce their deficit. That was said to be the purpose for it being passed.

Now, you are talking about reducing the allocation from \$1.8 to \$1.3 billion, depending on what other figures you include, such as weatherization. So, aren't you using the windfall profits tax to reduce your deficit?

Mr. STOCKMAN. I suppose in a general way you could reach that conclusion, but I would point out that it was never earmarked. There was great discussion when the windfall profits tax was passed that it ought to be dedicated revenue and trust funds would be created and so forth. That was not the case. And in the law it merely sets a target for how the windfall tax proceeds will be used, but there is no binding policy that was ever passed by the Congress because there wasn't a consensus on that matter.

Senator CHILES. But in fact we are using the \$25 to \$30 billion generated from the tax for reducing the deficit. In addition you are now saying you are going to reduce \$500 million to \$1 billion off of energy assistance that is going to people in need, and that in effect, will also reduce the deficit.

Mr. STOCKMAN. Well, I think I will just agree to that. It is a technical argument but it is probably not that important to solve, but if you want to interpret it that way, I think maybe you are right.

Senator CHILES. It would seem like it was argument fair enough to use a year ago.

Mr. STOCKMAN. I didn't use it. I opposed the tax.

Senator CHILES. Thank you.

Senator COHEN. Mr. Stockman, thank you for appearing before the committee. I would say that I don't think the administration could have a brighter individual or one more capable, and I would say, candid advocate than they have in you.

I will remind you of your own statement that we not allow an economic philosophy to be elevated to a theology in the course of trying to restructure the way in which we are moving.

Mr. STOCKMAN. Thank you.

[Subsequent to the hearing, Senators Heinz, Percy, Pressler, and Grassley submitted questions to Mr. Stockman. Those questions and Mr. Stockman's responses follow:]

QUESTIONS BY SENATOR JOHN HEINZ

Question 1. Since President Reagan's budget was submitted to the Congress last month, many elderly individuals and groups have expressed concern to the committee that the proposed budget will not provide a "safety net" of protection to the elderly, and, more specifically, to the elderly poor and near-poor. In order for the committee to develop a responsible position on the administration's tax, social security, medicare, medicaid, food stamp, low-income energy assistance, housing, Administration on Aging, and health and social services block grant proposals, we need data regarding the impact of these proposals on the elderly population in various income categories. For each of the administration's proposals in these program areas we would like your assumptions and any available supportive data on:

(a) The number of elderly affected whose incomes fall above, near, and below the poverty line.

(b) The amount and type (where relevant) of benefit reductions for the elderly whose incomes fall above, near, and below the poverty line; and

(c) The additional effects on the elderly participating in two or more of the programs proposed for reductions. For these, we would like the numbers of elderly affected and types and amounts of benefits which will be cut for households above, near, and below the poverty line.

OMB response. The administration's proposals for budget reductions contain a "social safety net" for the truly needy with particular protection for the elderly. The plan preserves and maintains the benefits, cash, and in-kind, that constitute the core of our income security and social insurance systems.

Federal programs have been very effective in lifting the elderly out of need. Poverty indices based on cash income are misleading because they ignore the Federal programs which directly meet needs for food, shelter, and medical care. Very few elderly are, in fact, poor when noncash, as well as cash benefits, are taken into account. Fewer than 400,000 families containing an elderly person—2 percent of such families—are poor, based on cash plus noncash benefits, and nonaged families constitute the overwhelming majority (93 percent) of poor families.

The total impact of the budget reductions on the low-income elderly is insignificant. Both CBO and HHS estimates show the numbers of poor and near-poor elderly losing over 5 percent of income to be one-tenth of 1 percent or less—so small as not to be statistically reliable.

Looking at specific programs:

The administration has proposed no reduction in social security retirement benefits. The reduction in unanticipated minimum benefits will not impact the needy

elderly, since they are eligible for SSI benefits. SSI increases will offset dollar for dollar any reductions in minimum benefit payments to needy elderly.

Similarly, the administration has proposed no major changes to the medicare program. Medicare, like social security retirement, is part of the "social safety net" of programs for the truly needy which will be maintained while other programs are reduced.

The administration is proposing to curb the unrestrained growth of medicaid by placing a limit on medicaid expenditures. The administration also proposes to give States significantly increased flexibility to develop their own medicaid programs, reimbursements, etc., in order to target care more effectively and efficiently on perceived priority needs. Thus, the impact of the medicaid proposal on the elderly will depend upon the individual program decisions of the States.

The administration has not proposed a block grant for the Administration on Aging. Rather, the administration has recommended consolidation of certain existing AoA program authorities, with no reduction from 1981 in social service and nutrition funding. Because the consolidation proposal will afford States greater flexibility in targeting services, a decrease in services is not anticipated.

A restructuring of food stamps to complement other nutrition programs and to restore its original purpose of insuring adequate nutrition for needy families will have some incidental effects on elderly. These changes account for almost all of the impact cited above on the one-tenth of 1 percent of poor or near-poor elderly who lose over 5 percent of income and noncash benefits.

The low-income energy assistance program would become part of an energy and emergency assistance block grant to States under the administration's budget proposals. This block grant, along with the health services, preventive health services, and social services block grants, will afford States dramatically increased freedom from Federal administrative, regulatory, and reporting burden. As a result, services under the block grants need not be reduced from present levels, and we cannot estimate the impact, if any, of the block grant consolidations on the elderly. It is important to note that under the block grant proposals States may target services on perceived priority groups and needs including the elderly, and that the block grant legislation will allow for extensive public comment by the elderly and others on the intended and actual use of funds.

The elderly benefit disproportionately from subsidized housing and the section 8 programs. While these beneficiaries will have to pay modestly higher rents, virtually none of the elderly affected are poor or near-poor when their noncash benefits are taken into account, and they are all substantially better off than elderly persons not receiving housing subsidies.

Question 2. A number of energy programs have been serving the low-income elderly including not only the low-income energy assistance and DOE weatherization program but also the program for appropriate small scale technology at DOE, and several community services programs such as weatherization support, hypothermia prevention, and funding for the National Center for Appropriate Technology and finally, weatherization by the Farmers Home Administration. With the exception of LIEAP, all are proposed for major cutbacks or outright elimination. Yet in public testimony the administration rationale for termination is unclear.

Perhaps you can clarify for us once and for all, is it that you believe such efforts are: (a) Entirely unnecessary, or (b) have failed in their existing form, or (c) capable of being assumed by the free market.

Follow-up

If (a): How can it be unnecessary to weatherize homes and provide alternative energy sources for those to whom we are providing Federal dollars to pay energy bills. Isn't it more cost-effective to save the energy? Who will lend money to the poor to spend \$800 to \$1,000 on building improvements themselves?

If (b): It is true that Secretary Edwards told the Governmental Affairs Committee on April 2, that the program of weatherization has failed. But DOE reports ("Program Activities: DOE State and Local Assistance Program" DOE January 1981) say that, since the program reforms in February 1980 all funds have been committed. The rate of weatherization has more than doubled, and savings of 2 million barrels of oil a year or \$75 per average home heating bill per year have already been saved. How do we reconcile these positions?

With respect to the other programs, would you please provide a precise cost/benefit analysis of why they were not effective?

If (c): Now on April 6, DOE Assistant Secretary DeGeorge testified to me, at the Energy Committee, that the Department did not believe the homes of the poor would be weatherized in the absence of a program. And since CDBG does not go to 80 percent of all jurisdictions (63 percent in Pennsylvania) there will be no program in most places.

Can you specify exactly how you expect the poor to get the \$800 to \$1,000 it costs to insulate and put storm windows on a house? How much extra will it cost the elderly who cannot do it themselves?

If traditional lenders, like banks, don't serve these people, do you expect utilities to advance them credit to be added to their fuel bills?

OMB response. The administration is not eliminating major sources of energy assistance for the low-income elderly. In some instances, it has proposed modifications in existing programs to improve their effectiveness and efficiency by giving State and local officials more discretion to target Federal resources where they are most needed. Our response to question 1 above, indicates in some detail the extent to which the "social safety net" of the administration's budget reduction proposals protects the low-income elderly. Regarding certain programs not discussed in question 1, but cited in this question:

The Community Services Administration, except for minor R. & D. activities, does not operate weatherization programs. Some local community action agencies do receive Federal funds for low-income weatherization for the States. The administration is proposing to consolidate the community services and several other social services programs into a social services block grant. This proposal will allow States greatly enhanced flexibility to target resources on those activities and services of highest priority in meeting the needs of their residents.

The Department of Energy's weatherization assistance program is being consolidated with the Department of Housing and Urban Development's community development block grant program. Low-income home weatherization activities will thus continue, but more in accord with local needs and priorities. Currently, about one-third of community development block grant funds, or about \$1 billion annually, is targeted by recipient communities to some form of rehabilitation. Combining the Department of Energy weatherization program with the community development block grant is one example of administration efforts to shift resources and decision-making authority to State and local governments through block grants and program simplification wherever possible. The existing Department of Energy program has been plagued by increasing costs and quality control problems. As currently structured, the Department of Energy program would take 50 to 100 years to reach all the potentially eligible low-income households in the Nation. By shifting administrative responsibility entirely to the local level, communities will be able to devise weatherization efforts most appropriate to their needs and circumstances and achieve greater levels of efficiency and productivity.

The appropriate technology small grants program awards grants to individuals, small businesses, State and local agencies, local nonprofit groups, and Indian tribes. The purpose of these grants is to support development and demonstration of community-based, energy-related technologies and techniques that conserve nonrenewable resources or use renewable resources. Any weatherization assistance this program may provide to the low-income elderly is incidental to the program's mission of promoting small-scale technology. This program has been proposed for termination in fiscal year 1982 because these funds were spent primarily on near-term development and commercialization projects that can, and will, be undertaken by the private sector as they become economic. As one example, the solar industry has objected to an appropriate technology grant that provides workshops on solar systems as unwarranted Federal interference into the free market.

Weatherization is not a principal activity of the Farmers Home Administration's (FmHA's) homeownership loan program, funded at \$2.8 billion in both 1981 and 1982, or of its homeownership repair loan and grant program, funded at \$49 million in both 1981 and 1982. Thus, while the larger program has been targeted for reduction from the prior funding level of \$3.3 billion, this action is not expected to impact significantly on weatherization efforts. In general, there appears to be little demand for the use of these funds to support weatherization. In 1980, only \$1.2 million of \$5 million specifically set aside by FmHA for weatherization was obligated; and in 1981 only \$794,000 out of \$2.5 million available expressly for this purpose has been obligated.

Question 3. As we discussed during the hearing, would you please provide for the committee's record your estimates of the increase in home energy costs between the present and April 1, 1982. It would be helpful to have these estimates broken down by fuel and by region. Please tell us also how the energy consumption of the poor and the elderly will be affected by such increases.

OMB response. We do not have data to provide a complete answer to your question in a timely fashion. Currently, oil prices have been leveling off. Depending on a variety of factors, particularly production policies by countries overseas, oil prices are expected to remain more or less constant in real terms. With respect to natural gas, prices are expected to increase consistent with the provisions of the

Natural Gas Policy Act. We do not know how the energy consumption of the poor and elderly will be affected by such trends. To the extent prices increase, we would expect them to take action to reduce consumption by using energy more efficiently.

Obviously, the administration is concerned about the effects that energy costs have on the poor who find it most difficult to accommodate rapid price increases. Accordingly, Federal policies and programs have been adjusted to be responsive to this concern. For example, all the indexed human services programs reflect higher energy costs. Some of these are: Old age and survivors insurance; disability insurance; supplemental security income; food stamps; school lunch; school breakfast; and child care feeding.

Initially, the indexed programs did not reflect acutely higher energy costs on a timely basis. Now the CPI does reflect the change. The low-income energy assistance authority which was created to deal with the initial price increases will be consolidated in the energy and emergency assistance block grant, so that States will have continued capability to provide fuel cost assistance to their needy citizens. This program will have broader uses and flexibility. When weather conditions do not require added expenditures for fuel bills, the funds could be used to weatherize and otherwise reduce long-term energy consumption. Federal assistance for low-income home weatherization also will continue to be available through the Department of Housing and Urban Development's community development block grant program.

QUESTIONS BY SENATOR CHARLES H. PERCY

Question 1. What kinds of weatherization assistance will be eligible for funds under the energy and emergency assistance block grant? Will there be a dollar limit?

OMB response. The energy and emergency assistance block grant will allow low-cost weatherization jobs on home repairs for energy-related or emergency reasons. There is no dollar limitation on the amounts that can be used for low-cost weatherization.

Question 2. During this committee's March 20, hearing on the administration's budget proposals, Under Secretary of Health and Human Services David Swoap testified that the Department of Energy was working on a block grant which would include large-scale weatherization. Can you tell me the status of that proposal?

OMB response. Under Secretary Swoap may have misspoken. It is the Department of Housing and Urban Development (HUD), not the Department of Energy, that has developed block grant legislation that includes provisions for weatherization. On April 21, 1981, Secretary Pierce sent to the Congress the proposed "Housing and Community Development Amendments of 1981" which would provide funding authorizations for fiscal years 1982 and 1983 for certain HUD programs, including community development.

Among other things, this proposal basically would continue HUD's community development block grant program under which weatherization is already an eligible activity. Section 110 of the bill would repeal the authorization for the Department of Energy's (DOE's) weatherization assistance program and thereby effect the consolidation of the DOE program with the HUD community development block grant program that the President proposed in his budget reform plan of February 18.

Question 3. Last summer DOE issued a report from the Fuel Oil Marketing Advisory Committee that states that low-income families were paying 27 percent of their incomes for fuel and utilities. This is much more than the 10 percent that those in higher income brackets pay. Will the administration's proposals be able to meet the needs of the elderly poor and also help them make their homes energy efficient?

OMB response. Yes, we firmly believe they will. The administration's proposals for budget reductions contain a "social safety net" for the truly needy with particular protection for the elderly. The plan preserves and maintains the benefits, cash, and in-kind, that constitute the core of our income security and social insurance systems.

Federal programs have been very effective in lifting the elderly out of need. Poverty indices based on cash income are misleading because they ignore the Federal programs which directly meet needs for food, shelter, and medical care. Very few elderly are in fact poor when noncash as well as cash benefits are taken into account. Fewer than 400,000 families containing an elderly person—2 percent of such families—are poor based on cash plus noncash benefits, and nonaged families constitute the overwhelming majority (93 percent) of poor families.

The total impact of the budget reductions on the low-income elderly is insignificant. Both CBO and HHS estimates show the numbers of poor and nearpoor elderly losing over 5 percent of income to be one-tenth of 1 percent or less—so small as not to be statistically reliable.

Obviously, the administration is concerned about the effects that energy costs have on the elderly poor who find it most difficult to adjust quickly to rapid price increases. Accordingly, Federal policies and programs have been adjusted to be responsive to this concern. For example, all the indexed human services programs reflect higher energy costs. Some of these are: Old age and survivors insurance; disability insurance; supplemental security income; and food stamps.

Initially, the indexed programs did not reflect acutely higher energy costs on a timely basis. Now the CPI does reflect the change. The low-income energy assistance authority which was created to deal with the initial price increases will be consolidated in the energy and emergency assistance block grant, so that States will have continued capability to provide fuel cost assistance to their needy citizens. This program will have broader uses and flexibility. When weather conditions do not require added expenditures for fuel bills, the funds could be used to weatherize and otherwise reduce long-term energy consumption. Federal assistance for low-income home weatherization also will continue to be available through the Department of Housing and Urban Development's community development block grant program.

Question 4. How many elderly people will lose their low-income energy assistance payments if the administration's proposal is enacted? How many in Illinois, total and elderly?

OMB response. States would be able to continue their low-income energy assistance payments to needy elderly people with the enactment of the energy and emergency assistance block grant. Under the block grant, States will have great flexibility in determining how to assist households in coping with the high cost of home energy and to help households in need of emergency financial aid or other crisis support. Without burdensome Federal regulations and attendant high administrative costs, States will be able to better target energy and emergency assistance to the truly needy such as the poor elderly.

Question 5. Because the present low-income energy assistance program is largely a block grant program now, how does the administration envision States being able to cut costs by 25 percent and not cut back on benefits for the poor?

OMB response. Consolidation of the energy and emergency assistance activities into a block grant to States will eliminate unnecessary restrictions on those programs and increase State flexibility in delivering this type of assistance. Under the block grant, States can adopt innovative approaches to deliver more cost-effective energy and emergency assistance. With better targeting of resources, elimination of burdensome Federal formulas, regulations, and requirements, States will be able to maximize the effectiveness of the Federal funding they receive.

States may also transfer as much as 10 percent from other block grants to the energy and emergency assistance block grant. States are in a better position to determine the most appropriate distribution of these funds, since they are closer to individuals and families needing assistance. We believe that greater State flexibility to operate these programs, together with the resulting administrative savings, will enable States to maintain effective assistance to their needy residents.

Question 6. How will the administration propose to better target the low-income energy assistance program to States that need it the most? Will it involve a change in the present formula?

OMB response. The block grant will for the most part continue the present formula allotments to States for energy and emergency assistance. Approximately 97 percent of the energy and emergency assistance appropriations will be allotted among the States in proportion to the portion each jurisdiction received of the appropriation for the low-income energy assistance program in fiscal year 1981. The remainder will be allotted in proportion to the State's share of the total emergency assistance expenditures (under the AFDC program in part A of title IV of the Social Security Act) by all the States for fiscal year 1980.

Question 7. How many weatherization projects have been completed in Illinois with community development block grant funds?

OMB response. The Department of Housing and Urban Development does not have sufficient information available at the current time to enable us to answer this question.

QUESTIONS BY SENATOR LARRY PRESSLER

Question 1. It is my understanding that the administration is considering the elimination of the commodity reimbursement for the elderly nutrition program. At this time, communities can earn 46 cents per meal served or actual food to put into their program. The current system has been highly successful in encouraging nutrition programs in our small communities and rural areas. I understand that you are transferring money from the Department of Agriculture's budget into the Administration on Aging's budget at a generous amount and then will just grant a certain

amount to the States for meals programs. Are we not reducing the incentive to actually produce more meals by eliminating the commodity reimbursement?

OMB response. The administration is proposing to merge all title III authorities under the Older Americans Act, including the Department of Agriculture's commodity program, into a consolidated social service and nutrition grant. Funds previously associated with the USDA authority will be consolidated with the funds previously associated with HHS authorities under titles III-A, B, and C. This consolidation will allow States to tailor their services for the aged to the specific needs of the State and its elderly population. The categorical constraints will be removed so that States that wish to continue expansion of nutrition services may do so. We believe this flexibility is important because each State's needs and priorities are unique. States will still be eligible to receive USDA donated commodities for use in aging programs or they may use part of their aging funds to acquire, through HHS, commodities purchased through USDA's price support programs.

Question 2. I strongly agree that the States and local communities need to be freed from regulatory burdens in various programs. I support the block grant concept. However, I would appreciate more information on the accountability that will be installed. Will public hearings be mandated to allow the elderly to voice their needs?

OMB response. While the proposed block grants to States will afford States vastly increased flexibility and freedom from unnecessary Federal control and direction, the legislation authorizing these grants provides clear guidance as to their purpose and accountability.

The purposes of each block grant are the purposes of the programs being consolidated, and the proposed legislation authorizing each block grant visibly ties back to purposes of the antecedent programs. The major constraint on the States is that block grant funding must be used for the articulated purposes. States, however, may allocate funds within the acceptable purposes in a fashion which meets State and local priority needs. Certain limitations on fund use also are carried over from current law in each legislative proposal to insure that funds are directed to the essential kinds of activities. For example, funds are not to be used by the States to meet Federal matching requirements or for major construction, except in exceptional circumstances.

The block grant legislation requires that States prepare intended use reports prior to expending funds under the block grant each year. The plan must be developed using procedures which facilitate public comment. States also must prepare activities reports at least every 2 years describing activities under the block grant, recording purposes for which funds were spent, determining the extent to which funds were expended consistent with the required intended use reports. The activities reports must be made public. Thus, the two reports will allow for extensive public input by the elderly and others. In addition, States must conduct independent audits of block grants at least every 2 years in accordance with generally accepted auditing procedures. Certain sections of the Intergovernmental Cooperation Act (ICA) are cited in the legislation to reinforce fiscal accountability.

Finally, to insure that civil rights are protected, the block grant legislation contains language, similar to that of the community development block grant program, which prohibits discrimination on the basis of age, sex, race, color, physical handicap, or national origin. The legislation provides that the Secretary shall request the Governor to secure compliance when a Secretarial determination of non-compliance is found, and provides for Federal action when the Governor fails or refuses to secure compliance within a reasonable period of time (not to exceed 60 days).

Question 3. In recent weeks, I have received hundreds of letters from South Dakota elderly who received low-income energy assistance and weatherization services through community action programs. The local agencies have been receiving funds directly from the Federal Government and meeting the needs of the communities. Is this not the administration's intent—to give grants directly to the State and local agencies? If so, why are we eliminating the Community Services Administration?

OMB response. It is important to realize that the Community Services Administration (CSA) is not the same as the approximately 900 community action agencies (CAA's) that deliver services locally. CSA provides only about one-fifth of the funding for CAA's; the great majority of their funds come from other Federal agencies, States and localities, and community sources. The administration's social services block grant proposal consolidates several social service programs, including community services, into a single flexible grant to States that they may use to meet the highest priority needs of their residents. We anticipate substantial savings in State administrative costs for these programs with the elimination of Federal categorical

programs' burdensome rules and requirements. States will be able to deliver service through the most effective agencies. CAA's would be eligible for these funds, which far exceed the amounts available from CSA. We anticipate that effective CAA's will be able to obtain block grant funds and continue to provide services much as they do now.

At present, over 95 percent of the low-income energy assistance funding is administered by the Department of Health and Human Services as grants to States. States do use CAA's to help distribute this assistance to their needy residents. Under the administration's energy and emergency assistance block grant, States will continue to be able to utilize CAA's for this purpose. The States will also be able to design their programs, due to their enhanced flexibility under the block grant, to provide this assistance more effectively, at lower cost, and better targeted on the needy.

With regard to weatherization, CSA does not, except for minor R. & D. activities, operate such a program. CAA's receive funding for this activity under other Federal programs.

QUESTIONS BY SENATOR CHARLES E. GRASSLEY

Question 1. Mr. Stockman, Iowa's energy conservation program, administered by the Energy Policy Council, contributed greatly during 1980 to reducing Iowa's energy bill by \$521 million from 1979 consumption patterns. I would like to have answered why has OMB recommended eliminating energy conservation programs in fiscal year 1982, and do you feel their work is done?

OMB response. The success of the President's economic recovery program requires severe retrenchment in Federal spending. To achieve this objective we have proposed to eliminate Federal subsidies, like the State energy conservation grant programs, which support activities that the private sector has sufficient incentive to undertake on its own. Rising energy prices and Federal energy conservation tax credits have clearly led to substantial private sector conservation efforts, as the experience of the State of Iowa illustrates. The decontrol of oil prices will accelerate these trends. Under these circumstances, continuing Federal support for State energy conservation programs cannot be justified.

Question 2. There have been a great many conflicting statements made recently concerning the method of implementing block grants to the States. Many of these statements imply no regulation or direction on the part of the Federal Government—just sending of checks to States and/or communities. Could you speak to the methodology you foresee in the handling of block grants to the States?

OMB response. While the proposed block grants to States will afford States vastly increased flexibility and freedom from unnecessary Federal control and direction, the legislation authorizing these grants provides clear guidance as to their purpose and implementation.

The purposes of each block grant are the purposes of the programs being consolidated, and the proposed legislation authorizing each block grant visibly ties back to purposes of the antecedent programs. The major constraint on the States is that block grant funding must be used for the articulated purposes. States, however, may allocate funds within the acceptable purposes in a fashion which meets State and local priority needs. Certain limitations on fund use also are carried over from current law in each legislative proposal to insure that funds are directed to the essential kinds of activities. For example, funds are not to be used by the States to meet Federal matching requirements or for major construction, except in accepted circumstances.

The block grant legislation requires that States prepare intended use reports prior to expending funds under the block grant each year. The plan must be developed using procedures which facilitate public comment. States also must prepare activities reports at least every 2 years describing activities under the block grant, recording purposes for which funds were spent, and determining the extent to which funds were expended consistent with the required intended use reports. The activities reports must be made public. Thus, the two reports will allow for extensive public input. In addition, States must conduct independent audits of block grants at least every 2 years in accordance with generally accepted auditing procedures. Certain sections of the Intergovernmental Cooperation Act (ICA) are cited in the legislation to reinforce fiscal accountability.

Finally, to insure that civil rights are protected, block grant legislation contains language, similar to that of the community development block grant program, which prohibits discrimination on the basis of age, sex, race, color, physical handicap, or national origin. The legislation provides that the Secretary shall request the Governor to secure compliance when a Secretarial determination of noncompliance is found, and provides for Federal action when the Governor fails or refuses to secure compliance within a reasonable period of time (not to exceed 60 days).

As an additional measure to help with the transition into the new block grants, the Departments of Health and Human Services and Education are establishing task forces which will assist States in implementing the block grants and in resolving any implementation problems encountered.

Senator COHEN. Our next witness will be Linda McMahon, who is Associate Commissioner for Family Services, U.S. Department of Health and Human Services.

Welcome, Ms. McMahon. Please proceed as you see fit.

STATEMENT OF LINDA S. McMAHON, ASSOCIATE COMMISSIONER FOR FAMILY ASSISTANCE, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES, ACCOMPANIED BY EDWARD FREEL, PROGRAM MANAGER

Ms. McMAHON. Mr. Chairman, members of the committee, as you stated, I am Linda McMahon, Associate Commissioner for Family Assistance of the Social Security Administration. The Office of Family Assistance is responsible for administering this program you address today.

As I am a recent appointee of the Reagan administration, and was not with the Department of Health and Human Services at this program's inception I have brought with me Ed Freel, who has been the lead program manager during the past year.

I appreciate the opportunity to appear before you today and I would like to address the issues of providing energy and emergency assistance to the low-income population, and present the administration's proposal in this regard. With your permission I will summarize my testimony but will submit the complete text for the record.

Senator COHEN. Your full statement will be entered in the record.¹

Ms. McMAHON. As you know, the crisis intervention program of 1977 has evolved to the current \$1.85 billion LIEAP program. As part of the administration's larger program for economic recovery, we are proposing to consolidate the energy assistance program and the AFDC emergency assistance program into one block grant to be funded at \$1.4 billion. This, of course, will permit States to better target assistance to the households most in need.

The proposal has a very high priority for the administration, both as part of the initial effort designed to restore the health and vigor of our economy, and as one element in the effort to put decisionmaking authority in the hands of the elected State officials who are closer to the people served.

First let me present an overview of the fiscal year 1981 energy assistance program, including some of the shortcomings, then I will describe the emergency assistance program and discuss our proposal for consolidating and improving these programs.

The fiscal year 1981 low-income energy assistance program is authorized in the Home Energy Assistance Act of 1980, which is title III of the Crude Oil Windfall Profit Tax Act, was signed in April 1980. Final regulations for the energy assistance program were published on October 7, 1980, only 6 days after the appropriation was signed. However, interim regulations were published on May 30, 1980, and a conference for all States was held in June to

¹See page 45.

deliver assistance in time for this winter. By the end of November we had reviewed most State plans—our review and approval took an average of 30 days. By the end of December 1980, 45 States had approved plans.

As Mr. Stockman indicated, we do not have full information from all States. However, reports so far indicate that about 40 percent of those served are elderly. States are complying with this requirement through special outreach, simplified access, expedited application assistance, and permitting deductions from income for medical expenses.

Most States have designed their programs to insure that assistance is used only to pay for energy costs. Thirty-five States are providing assistance by making some payments directly to energy suppliers on behalf of eligible households; eight States are employing some form of vouchers or certificates and nine are using two-party checks. Only seven States, primarily those with the lowest average benefit, are using cash payments exclusively, although 44 States are making cash payments to some of their recipients.

Estimated average benefits range by States from \$27 to \$527. Benefits in excess of \$750 are available only in five cold-weather States—where special waivers were granted—and only to large households in the coldest areas of the States where the cost of energy is particularly high.

Eleven States chose to take advantage of the option of making payments for cooling when it is medically necessary. They have set aside approximately \$17 million for this purpose.

Thirty-four States decided, as one means to target the assistance available to their most needy households, to set their income eligibility levels below the maximum permitted in the statute. This maximum was the Bureau of Labor Statistics lower living standard.

Twenty-nine States chose the option of making emergency and crisis assistance available as part of their low-income energy assistance programs. These States are setting aside up to 3 percent of their allocations for crisis situations not covered in their basic programs.

Twelve States have chosen to make automatic payments to recipients of categorical programs. They are doing so to avoid the necessity of making additional income and eligibility verifications. However, all of these States are making provisions for persons not categorically eligible to apply for energy assistance.

I believe that this summary gives the committee a quick overview of how the low-income energy assistance program is operating in the States. Now I would like to turn to a discussion of some of the Federal restrictions and requirements which complicate the administration of the program, and which are at the heart of the program's shortcomings.

Many States use a vendor payment mechanism to deliver energy assistance. However, the current statute requires participating dealers to agree to continue service to recipients who fail to pay their portion of the bill until a detailed procedure is completed. Simply put, this is not an appropriate Federal role, and some fuel dealers have refused to participate because of this requirement.

Changes in State programs—States must submit reports to HHS in extensive detail regarding determination of payment levels and their use of funds.

Limits on benefit levels—States are not permitted to provide higher benefit levels for the elderly or handicapped without detailed, State-based documentation.

Reporting requirements—currently States are required to submit frequent reports on many details of their programs. This includes not only basic data on the expenditure of funds and numbers of households served, but also data on numbers of elderly, handicapped, migrants, young children, and the sex, race, and ethnicity of the heads of households served.

Building operators—States are required to make payments available to operators of public housing facilities on behalf of their subsidized tenants. The amounts of the payments are difficult to compute and the guidelines for determining which building operators are eligible for payments are unclear.

In addition, it is possible that payments are being made both to the project operators and to the eligible tenants for the same energy costs. We believe that subsidies for public housing projects are better left to HUD which has the appropriate expertise in housing project management.

Weatherization and conservation—States are not permitted to make payments to households to provide weatherization and conservation. Many States would have liked to include such a provision as a part of their low-income energy assistance programs.

Emergency and crisis assistance—only 3 percent of a State's allocation may be set aside for emergency situations. These are some examples of problems that the States have with legislative and regulatory requirements of the current program. We believe quite simply that decisions in all these program areas are better left to the State.

The other program being consolidated into the new hardship assistance block grant is emergency assistance authorized by title IV-A of the Social Security Act. Participation in the program is optional to the States, and costs are shared equally by the State and Federal Governments. Currently 26 States and two territories have emergency assistance programs.

The program assists needy families with children in coping with temporary emergency situations. However, States are not able to tailor their emergency assistance programs to specific States' needs and to coordinate them with related State and local programs.

Because of Federal requirements and court rulings, States do not have flexibility in determining who can participate and the duration and frequency of the payments. In addition, assistance can only be provided to families with children.

These restrictions have contributed to the fact that 25 States and one territory have not elected to participate in this Federal/State program.

Now I would like to turn to our proposal. We are asking for a 4-year authorization beginning in fiscal year 1982. We propose to consolidate the best features of both of these separate programs into one block grant.

The States will have broad discretion in all aspects of the program including the use of funds, the population eligible for coverage, the types and forms of assistance provided, and levels of payment. Thus, each State will be able to design energy and emergency programs which can best respond to its own particular needs.

Basically, the only major restriction is that the funds be used to satisfy the purpose of the block grant program.

Reporting requirements will be simple. The State must make its plan for expenditures of funds public in a way which will facilitate public comment; the State must prepare and make public a report on its activities and expenditures; and an independent audit must be made of the program.

Funds would be distributed to the States annually and funds would be allocated so that each State would receive the same percentage of the new grant as it did of the two programs it replaces. States would have up to 2 years to obligate their yearly allocation.

States will be able to use funds for low-cost weatherization or minor home improvements to save energy.

Decisions regarding priorities for use of funds will be made by officials who are close to the problem.

Our budget request for this consolidated block grant represents approximately 75 percent of current funding, or \$1.4 billion. We believe that the effect of the dollar reductions will be offset, in part, by the savings the States will realize by freeing them from the Federal paperwork and program requirements, and as one Governor put it, from all the straitjacket things we lock them into.

Mr. Chairman, in conclusion, I would like to emphasize that in order to successfully design and control their own programs, the States need sufficient planning time to handle this responsibility to the best advantage. We, therefore, urge prompt consideration and action on this part of the President's program for economic recovery.

This concludes my testimony, Mr. Chairman. Mr. Freel and I would be happy to answer any questions you may have.

[The prepared statement of Ms. McMahan follows:]

PREPARED STATEMENT OF LINDA S. McMAHON

Mr. Chairman and members of the committee: Thank you for the opportunity to appear before you today. I would like to address the issues of providing energy and emergency assistance to the low-income population, and present the administration's proposal in this regard.

At the outset, I would like to emphasize that our proposal is a part of the President's larger program for economic recovery—the total package of initiatives designed to restore the health and vigor of our economy. Through this recovery plan, the administration is responding to the country's mandate to reduce growth in Government spending and target resources more effectively.

An integral element of the President's program is a change in the approach to Federal-State relations which will put decisionmaking authority in the hands of the elected State officials who are close to the people served. This commitment is reflected in the proposed block grant for energy and emergency assistance. Under our plan, the legislative authorities for the low-income energy assistance program and the AFDC emergency assistance program would be consolidated into one block grant. This approach will allow States the flexibility they need to give priority to those services which best meet the needs of their residents. States will be able to respond to new and changing conditions, or to adjust to local needs where, in the

past, nationwide requirements have restricted their options. Overall, we believe the States are in the best position to make judgments about the disbursement and uses of funds.

In the first part of my testimony I will present an overview of the fiscal year 1981 energy assistance program. This will include a brief discussion of some of the shortcomings of that program. After that, I will discuss our proposal for correcting some of the shortcomings.

The current energy assistance program provides block grants to States to help low-income households meet their home heating and medically necessary cooling needs. This program, which is totally federally financed, has evolved in 5 years from a \$200-million crisis intervention program administered by the Community Services Administration to a \$1.85-billion grant program which helps to offset the rising energy costs for low-income households in all States and territories.

The fiscal year 1981 low-income energy assistance program is authorized in the Home Energy Assistance Act of 1980 which is title III of the Crude Oil Windfall Profit Tax Act, signed in April 1980. The appropriation for the fiscal year 1981 program, however, was not signed until October 1, 1980. Final regulations for the energy assistance program were published on October 7, 1980, only 6 days after the appropriation was signed. However, interim regulations were published on May 30, 1980, and a conference for all States was held in June. These efforts were to give States a headstart in getting ready to deliver assistance by the winter.

By the end of November we had reviewed most State plans—our review and approval took an average of 30 days. By the end of December 1980, 45 States had approved plans.

While we do not have full information from all States, reports so far indicated that about 40 percent of those served are elderly. This is in keeping with the statutory requirement that elderly and handicapped receive priority treatment in each State's program. States are complying with this requirement through special outreach, simplified access, expedited application assistance, and permitted deductions from income for medical expenses in order to expand eligibility for the elderly.

Most States have designed their programs to insure that assistance is used only to pay for energy costs. A total of 35 States are providing assistance by making some payments directly to energy suppliers on behalf of eligible households; eight States are employing some form of vouchers or certificates and nine are using two-party checks. Only seven States, primarily those with the lowest average benefit, are using cash payments exclusively, although 44 States are making cash payments to some of their recipients.

Estimated average benefits range by States from \$27 to \$527. Benefits in excess of \$750 are available only in five cold-weather States (where special waivers were granted) and only to large households in the coldest areas of the States where the cost of energy is particularly high.

Eleven States chose to take advantage of the option of making payments for cooling when it is medically necessary. They have set aside approximately \$17 million for this purpose. As we get closer to the end of the winter, we expect that other States will add this option to their programs of energy assistance.

Thirty-four States decided, as one means to target the assistance available to their most needy households, to set their income eligibility levels below the maximum permitted in the statute. This maximum was the Bureau of Labor Statistics Lower Living Standard.

Twenty-nine States chose the option of making emergency and crisis assistance available as part of their low-income energy assistance programs. These States are setting aside up to 3 percent of their allocations for crisis situations not covered in their basic programs.

Twelve States have chosen to make automatic payments to recipients of categorical programs. They are doing so to avoid the necessity of making additional income and eligibility verifications. However, all of these States are making provisions for persons not categorically eligible to apply for energy assistance.

I believe that this summary gives the committee a quick overview of how the low-income energy assistance program is operating in the States. Now I would like to turn to a discussion of some of the Federal restrictions and requirements which complicate the administration of the program and which are at the heart of the program's shortcomings. Some examples:

Vendor payments.—Many States use a vendor payment mechanism to deliver energy assistance. However, the current statute requires participating dealers to agree to continue service to recipients who fail to pay their portion of the bill until a detailed procedure is completed. Simply put, this is not an appropriate Federal role, and some fuel dealers have refused to participate because of this requirement. In these cases States are forced to either make cash payments directly to eligible

households, a practice which does not insure that aid is targeted on energy needs, or to send two-party checks, a procedure which complicates administration of the low-income energy assistance program.

Changes in State programs.—States must submit reports to HHS in extensive detail regarding determination of payment levels and their use of funds. If, for example, a State wishes to change its program, by increasing its benefit levels, by changing eligibility requirements, or by adding a cooling plan, it must submit detailed justifications to us for prior approval.

Limits on benefit levels.—States are not permitted to provide higher benefit levels for the elderly or handicapped without detailed, State-based documentation.

Reporting requirements.—Currently States are required to submit frequent reports on many details of their programs. This includes not only basic data on the expenditure of funds and numbers of households served, but also data on numbers of elderly, handicapped, migrants, young children, and the sex, race, and ethnicity of the heads of households served. These data are cumbersome and expensive to collect.

Building operators.—States are required to make payments available to operators of public housing facilities on behalf of their subsidized tenants. The amounts of the payments are difficult to compute and the guidelines for determining which building operators are eligible for payments are unclear. In addition, it is possible that payments are being made both to the project operators and to the eligible tenants for the same energy costs. We believe that subsidies for public housing projects are better left to HUD which has the appropriate expertise in housing project management.

Weatherization and conservation.—States are not permitted to make payments to households to provide weatherization and conservation. Many States would have liked to include such a provision as a part of their low-income energy assistance programs.

Emergency and crisis assistance.—Only 3 percent of a State's allocation may be set aside for emergency situations. Many States would like the flexibility of using larger proportions of their funds for emergencies if conditions so warrant.

Administrative funds.—The legislation placed an arbitrary limit on the amount of funds a State may use for administration. This amount is not responsive to individual State needs; it is more expensive to administer an adequate program in a large rural State than in a smaller or primarily urban State and the more rural States have suffered under this restriction. Additionally, since allocations were higher for the cold weather States, they generally had a larger amount to spend in administrative funds per household.

These are all examples of problems that the States have with the legislative and regulatory requirements of the current program. We believe, quite simply, that decisions in all of these program areas are better left to the States.

The other program being consolidated into the new hardship assistance block grant is emergency assistance authorized by title IV-A of the Social Security Act. Participation in the program is optional to the States, and costs are shared equally by the Federal and State governments. Currently 26 States have emergency assistance programs. The program assists needy families with children in coping with temporary emergency situations. However, it has some serious shortcomings as States are not able to tailor their emergency assistance programs to specific States' needs and to coordinate them with related State and local programs.

For example, because of Federal requirements and court rulings, States do not have flexibility in determining who can participate, and the duration and frequency of the payments. In addition, assistance can only be provided to families with children.

These restrictions have contributed to the fact that 25 States have not elected to participate in this Federal/State program.

Now I would like to turn to our proposal.

We are asking for a 4-year authorization beginning in fiscal year 1982. We propose to consolidate the best features of both of these separate programs into one block grant:

The States will have broad discretion in all aspects of the program including the use of funds, the population eligible for coverage, the types and forms of assistance provided, and levels of payment. Thus, each State will be able to design energy and emergency programs which can best respond to its own particular needs.

Basically, the only major restriction is that the funds be used to satisfy the purpose of the block grant program.

Reporting requirements will be simple. The State must make its plan for expenditures of funds public in a way which will facilitate public comment; the State must

prepare and make public a report on its activities and expenditures; and an independent audit must be made and a copy of the results furnished to the Secretary.

Funds would be distributed to the States annually and funds would be allocated so that each State would receive the same percentage of the new grant as it did of the two programs it replaces. States would have up to 2 years to obligate their yearly allocation. This will allow States to reserve a buffer amount in any year to respond to unpredictable weather-related emergencies. Unused funds from a mild winter could be held for possible use in the next year's program. The reallocation provision in the present energy assistance program would be eliminated. Current law encourages States to quickly spend their allotments, regardless of true need, in order to prevent the funds from being returned to the Federal Government for reallocation to other States.

States will be able to use funds for low-cost weatherization or minor home improvements to save energy. Under existing rules, States cannot use funds for low-cost weatherization such as caulking and weatherstripping.

Decisions regarding priorities for use of funds will be made by State officials, those who are close to the problem, and who are in the best position to determine what is needed.

Our budget request for this consolidated block grant represents approximately 75 percent of current funding, or \$1.4 billion. We believe that the effect of the dollar reductions will be offset, in part, by the savings the States will realize by freeing them from the Federal paperwork and program requirement, and as one Governor put it, from all the "straightjacket" things we lock them into."

In conclusion, I would like to emphasize that in order to successfully design and control their own programs, the States need sufficient planning time to handle this responsibility to the best advantage. We therefore urge prompt consideration and action on this part of the President's program for economic recovery.

This concludes my testimony. I will be happy to answer any questions you have.

Senator HEINZ [resuming chair]. Ms. McMahan, thank you very much. The committee is very interested in the question of how broad the grant of authority to the States in a block grant should be. One way to judge that is for us to evaluate whether an existing problem or problems in the program were caused by the Federal mandate or by the States themselves.

I think your testimony and evidence from State officials contacted is persuasive on the need to change authority, in vendor payments, subsidized building operators, and Federal reporting. But some other problems that have come to our attention are harder to analyze for solution. I'd like to share with you some of the feedback the committee staff has received from States and consumers and have you tell us in each case, if you would, whether the complaint is valid, and whether it is a result of Federal regulation, or a fault in the State's discretionary plan or administration.

For example, there has been some publicity about major delays in delivering payments in the District of Columbia, and Ohio, California, and Washington have made some duplicate payments. Florida and Nebraska are among several States that have not even approached the rate of spending they had anticipated.

Do you care to respond?

Ms. McMAHON. I think in part the problems come about because the program is new, the States had a lot to learn, the administration had a lot to learn, and there was not a lot of time, although we did put our interim regulations out in May, and there were conferences with the States in June.

The Congress did make changes in the allocation formula and some other items as late as October 1, and we had the final regulations out October 7, but that really didn't give the States a lot of time to get their programs in place.

I think that has a lot to do with the fact that some States didn't get money out as quickly as they expected. I would like to ask Mr.

Freel to respond to specific problems since he dealt with the State programs as they were developed.

Mr. FREEL. Senator, I think in almost all the cases you indicated, the problems would go back to the point that Ms. McMahan just made, that a number of States experienced startup problems. This is actually the fifth different set of regulations in 5 years for this particular program.

It has created some problems for some of the States from an administrative point of view. It also involved them in making some projections on numbers of households that would be served, et cetera. They had not been required to make these projections in the past.

Senator HEINZ. Do you believe that the difficulties in the District of Columbia and Ohio were caused by Federal mandates, requirements, and regulations?

Mr. FREEL. Senator, I think they were primarily caused by problems that the States were experiencing in terms of getting the program up to speed.

Senator HEINZ. Do you think the duplicate payments in California and Washington were the result of Federal regulations or mandates?

Ms. McMAHON. I don't believe they could be because in fact the Federal mandate was that there would not be duplicate payments.

Senator HEINZ. Do you think the fact that Florida and Nebraska didn't spend out was because of Federal problems?

Ms. McMAHON. I think it was the startup problem and trying to anticipate what the need would be; that was a new experience for the States. I understand that Florida is getting up to speed now, however, and a fair amount of money has gone out just recently.

Senator HEINZ. As we look at block grant proposals, one of the things we try to imagine is how messed up they could get. We try to imagine the worst case. It is possible with a relatively modest amount of imagination to do that, even taking your proposal.

Could you tell me whether such a plan as I am about to outline would be allowed under the block grant program as set forth by the administration. The scenario is as follows: A State decides to divide up its allotment among AFDC recipients and SSI recipients only, thus omitting about 60 percent of the poverty population, and in June of each year it sends one identical check to each such household. Under this scenario, obviously, benefits are not related to the size or even the existence of fuel bills. They are delivered at a time convenient for the State's computer but unrelated to demands on energy costs. They are not directed to the neediest—60 percent are left out. There is no special effort to reach the elderly. There are no funds for crisis assistance beyond the check. Nothing is provided for weatherization. Could that or could that not happen under your proposal?

Ms. McMAHON. Under the proposal it could happen. I think in the reality of the political world at the State level as well as the Federal level, that it would not happen. I think the States are extremely sensitive to criticism. I know in the program in 1980, there was a lot of criticism about sending out checks to SSI recipients who in fact were not vulnerable households and because of

that criticism the States in the 1981 program did not go that route. They did not ask HHS to send out checks to SSI recipients.

Because the States are as impacted by criticism as Members of Congress are, the State officials would be careful about how they plan their program. They have also now had a lot of experience with different approaches.

Senator HEINZ. That approach, though, is certainly administratively efficient. Certainly easy to do. It certainly makes a lot of people happy.

Ms. McMAHON. It probably makes at least as many people unhappy.

Senator HEINZ. You know it is possible, and of course none of us ever do this kind of thing, for the Governor to say, "Well, those people in Washington, they stopped your check, we only had enough money to help the people we helped. It is certainly not our fault that the Reagan administration cut the amount of money from \$1.85 to \$1.4 billion. We would love to help everybody but don't blame me, the governor, blame Ronald Reagan."

Ms. McMAHON. Well, anything is possible. I do believe, however, that—

Senator HEINZ. We know nobody would blame President Reagan. They might blame us though.

Ms. McMAHON. They might. However, I don't think that the interest groups and the public at large would buy that answer and probably State officials are aware of that. So I believe that particularly because they have had a number of years of working with varying kinds of programs that now they have some sense of the direction they want to go and that they would use good judgment.

Senator HEINZ. Ms. McMahan, one of the other things this committee is deeply concerned about is the apparent lack of coordination at the local level between the weatherization program and the low-income energy program. It is clearly necessary to minimize the amount of money spent on energy-inefficient houses. Can you tell us, looking back, what HHS has done to improve such coordination to date and where it seems to be working particularly well?

Ms. McMAHON. I am going to ask Mr. Freel, who has been working with this, to respond.

Mr. FREEL. Senator, this year the legislation and regulations require that the State include in their plan a process for referring recipients of energy assistance to weatherization programs and most of the plans have included some type of activity where they will be doing this.

Quite frankly, there are times the weatherization programs at the local level are not very enthusiastic about that idea because of their own waiting lists for weatherization. There are so many who apply for emergency assistance, it just adds more to the waiting list. There are those problems that have to be worked out. But I think this year there has been more coordination than there ever has been in the past. I understand later on your panel that Mrs. Brown from Minnesota will be speaking to you and I know they have had considerable experience in Minnesota with working with the weatherization and fuel assistance program.

Senator HEINZ. Is there any place besides Minnesota where coordination has been achieved?

Mr. FREEL. There has been coordination in varying degrees of coordination in a number of places, Oklahoma, Pennsylvania, Delaware, a number of States.

Senator HEINZ. Would you consider the coordination in those States to be excellent, fair, or less than fair?

Mr. FREEL. I am not sure exactly on what criteria I would be rating excellent.

Senator HEINZ. On a 10-point scale.

Mr. FREEL. Excellent, good, and fair.

I think that in those States they have been good. What we could do, if you like, is provide for the record¹ a description of the various States and what they have done in this area.

Senator HEINZ. And I would like some kind of means of evaluating, not just a descriptive terminology type of thing.

Mr. FREEL. One of the things that we are doing is working with the Department of Energy right now on an evaluation of that very question, to look at what the experience has been this year and to evaluate it.

Senator HEINZ. Let me ask you a key question. You mentioned one of the problems with getting the kinds of coordination is that there are two different delivery systems with two different lists, a low-income energy assistance list and a weatherization list.

As long as you have two agencies administering the program, aren't such conflicts likely to continue to occur?

And a second question is, wouldn't it be better to have one service delivery mechanism for the two programs rather than two?

Ms. McMAHON. I don't think it is impossible under two block grants for the States to use one delivery agency to take care of those problems.

Senator HEINZ. It's not. It's not, but there are a lot of pressures for it not to work out that way. You have got competing agencies at the State level, each of which want to have something important to do, and there are internecine political decisions that get made; we all know that. Why wouldn't it be better for us to combine weatherization and low-income energy assistance, in a way that brings about a single delivery system?

Ms. McMAHON. I wouldn't suggest that it wouldn't be better. After listening to Mr. Stockman's testimony, I think that his explanation has to stand. The Department of Health and Human Services block grant develops out of programs within our agency and we don't have the community development block grants, we don't have the DOE weatherization program; we are a cash assistance, human services delivery agency. And I believe that is why the block grants developed the way they did.

Senator HEINZ. Senator Cohen.

Senator COHEN. Thank you, Mr. Chairman.

Would you recommend if you were formulating policy, that we combine weatherization programs with fuel assistance, if you had to make a policy decision as to whether or not it would make good economic sense to try and weatherize those homes that statistically indicate that they consume the most amount of fuel and are owned and rented by the people with the least amount of money.

As a policymaker, what would your recommendations be?

¹See page 57 for Ms. McMahon's responses to questions submitted by Senator Heinz.

Ms. McMAHON. Since I am such a new policymaker, you are putting me on the spot.

Senator COHEN. We have a new administration, so we are making all kinds of policy decisions. I thought you might want to share in that.

Ms. McMAHON. I was about to say that. I don't think it is unreasonable to—

Senator HEINZ. Let me just say to Senator Cohen, despite her modesty, the Finance Committee has been extremely well advised over the last several years by Ms. McMahon.

Senator COHEN. Yes, I have been reading her résumé right here.

Ms. McMAHON. I appreciate that very much.

I don't think it is unreasonable.

Senator COHEN. I mean desirable. I mean if you really wanted to get the most out of your dollars and you find the evidence leads you to a conclusion that people who are least able to pay their bills are also living in homes that are most vulnerable to the weather, and it doesn't make dollars and cents for the Federal Government to be subsidizing payment of fuel if it is simply going up through the chimney; the home doesn't have its walls insulated, or storm doors, or fuel efficient service.

David Stockman is correct; we can't appropriate enough money to keep pouring it in, when to put it into the home, it is simply going up the chimney. I guess I am asking you the question, don't you think it would make more commonsense and economic dollars and cents to combine the two into a single one so you could have those dollars going to those who most need it and who are consuming those amounts of energy?

Ms. McMAHON. I don't think it is appropriate for the Federal Government to dictate to the States which agencies do what at the State level. That is part of the philosophy behind what this administration is trying to do—to give that decisionmaking authority to the States, and I do believe the States can make a reasonable decision to deliver those services in conjunction with each other under our proposals.

Senator COHEN. If that is the case, and I am not opposed to having any Federal participation as far as the weatherization program, but I was wondering why hospitals and public schools were excluded. We will have a Federal assistance program for the weatherization of hospitals and schools.

I would think, let me just tell you this, I would think that as a matter of policy that hospitals and schools would have a higher voice certainly in the councils of local government, would be in a better position to say that we ought to have an allocation of assistance to those who are in hospitals and those who are young children in schools. Why are we restrained?

Ms. McMAHON. The construction program is not in our agency. You know, I am lucky to understand the low-income energy assistance program, much less all the others that are not in our agency. So I really can't respond to that particular question.

Senator COHEN. It appears to be a lack of consistency, and I could pick out other areas, but those two stand in my mind, as to why we maintain control of those two programs for those recipients when they would be in the best position as compared to some rural

family out in the remote parts of a State that doesn't have any assistance at all.

Let me give you an example, of what Senator Heinz is talking about. Suppose a community doesn't qualify, doesn't receive the community development block grant. Suppose that they don't live in that community. What do you do about the person who applies for fuel assistance but isn't going to be part of the community development block grant approach? You got fuel going one direction and weatherization to another.

Ms. McMAHON. Right. We do allow the States to use this block grant, the energy assistance block grant, for low-cost weatherization. So there would be some of that even within this program.

Senator COHEN. Any limitations on the amounts of dollars that could be used under that kind of approach?

Ms. McMAHON. I am not aware that anybody has set a dollar limit. I know that they use the term "low-cost weatherization" but I don't know the parameters of the term. I would assume that that would be something we would take care of by regulation to the extent that we have a regulation.

Senator COHEN. Is there going to be a certain percentage of the funds set aside for administrative expenses or earmarked for administrative funds; do you know?

Ms. McMAHON. No, not for the States themselves. They will be allowed to make the decision as to how much they would use for administrative costs.

Senator COHEN. Will your agency play any role in overseeing how the funds are used or spent—as to whether or not the congressional intent we keep talking about is in fact being fulfilled? Or is it simply a grant where we say, "States, you're on your own, and we assume that you, being closer to the problem, will administer it in a fair and equitable fashion, and therefore we don't want to hear about it other than the appropriation level."

Ms. McMAHON. We will have access to reports that the States will be required to make. They will be required, before they spend the money, to give a public record of what their intentions are and they will be required to have an independent audit once the money is spent, and the Secretary will have that available to him.

Senator COHEN. But what would be HHS's role, if any?

Ms. McMAHON. Our specific role would be technical assistance to the States to sort out best practices. We would make States aware what other States have done in implementing their programs, where they have been able to avoid problems.

Senator COHEN. They come back and say they have two separate lists, one for weatherization and one for fuel assistance, and never the twain shall meet. What do you do at that point?

Ms. McMAHON. I will ask my technical assistance person to tell you.

Mr. FREEL. As a matter of fact, Senator, we have a series of conferences, meetings with the State administrators planned in the spring and one of the workshops will be on conservation and weatherization to help the States put some of those lists together and show them some of the more successful ways that States have discovered to approach this particular question.

Senator COHEN. Is there any restriction going to be placed on the type of assistance that can be provided to the applicants; for example, are you going to have direct cash grants, are you going to have a vendor line credit—any restriction at all?

Ms. McMAHON. The States will be able to decide what delivery mechanism they want to use. To the extent that we have said this is an emergency and energy assistance block grant they will be required to use the money for emergencies and energy problems.

Senator COHEN. What about tenants whose heating bills are included in their rent?

Ms. McMAHON. The States will be allowed to make decisions about how they want to handle that.

Senator COHEN. So I guess all your agency is going to be doing, then, is just reading over the reports filed by the States and making recommendations as to how Minnesota is able to achieve better targeting and better conformity to a goal that has been set by the Congress of the United States. If you want to target these funds to the elderly rural low-income population, for example, through the windfall profits tax, is there no real reinforcement of that goal herein to say, regarding how the other States are doing it?

In other words, what is your job going to be? What are you doing?

Ms. McMAHON. I have the AFDC program, too. [Laughter.]

I believe if in fact the Congress decides to put into the block grant proposal some priorities, obviously, that will change the situation. We believe the States will meet those priorities within our proposal. I believe the elderly and the poor elderly have been well-targeted in the current program. The reason for that is not necessarily that there are requirements for priorities in the law but that, in fact, this is the program that States feel is the best device to get assistance to the elderly, and it's been more acceptable to the elderly to use this program.

So we believe the States will meet those priorities, that they will set those priorities for themselves.

Senator COHEN. Thank you, Mr. Chairman.

Senator HEINZ. Thank you, Senator Cohen.

As I understand your position, then, if a State submitted a plan that was—

Ms. McMAHON. They will not be submitting a plan; let me clarify that.

Senator HEINZ [continuing]. A statement of what they intended to do, that was like the scenario you suggested a few minutes ago, and that would be fine with you at HHS.

Ms. McMAHON. As I say, they will not even submit a plan or a report to us. What they will do is make available to the public within the State—or for that matter to the public anywhere who wants to ask for a copy of it—a statement of their intentions for the program. As you know, we feel that the public within those States will be the ones to put the pressure on to make the program look the way the people in those States want it to look.

We will not be in a position to say this is good, this is bad.

Senator HEINZ. Why shouldn't the Congress insist that there be priorities established clearly, that there be a plan as a condition of forking over \$1.4 billion?

Ms. McMAHON. We feel that in trying to cut back on the Federal role both in the amount of money spent at the Federal level and in the decisionmaking authority, our approach is reasonable because the States really are in a better position to target the funds. We have to target if we are going to cut back, and the States can make those decisions best.

Senator HEINZ. Maybe the States would do a good job. It would be very much easier on you and on us if they did. But we have a responsibility for overseeing the negligent spending of that \$1.4 billion. That money doesn't belong to the Governors, it belongs to the Federal Government. We are turning it over to them for safe-keeping and appropriate administration.

Now, if you, as the Federal administrating official, regardless of whether you call it a block grant with no strings or a categorical, you have responsibility for knowing how that program is being administered at the State level.

If you don't have certain kinds of information, how can you discharge that responsibility to us?

Ms. McMAHON. Well, I envision the responsibility if the Congress passes the legislation that we are submitting——

Senator HEINZ. You don't even want any reporting requirements.

Ms. McMAHON. That's correct. That is why the responsibility would be one different from what you are proposing.

Senator HEINZ. Suppose we call you up here a year after we pass this legislation that you want, and we say, "Tell us how the program is going. Is it going to the low income people, is it going to the elderly, are the weatherization and low-income programs being coordinated?" Things people generally agree upon as essential to the good administration of the program and which if not achieved certainly weaken the justification for spending money on this program. What are you going to tell us? How are you going to tell us anything?

Ms. McMAHON. We will have access to the reports they are required to publish for the public.

Senator HEINZ. Who sets those requirements?

Ms. McMAHON. The requirements of what it is they report?

Senator HEINZ. Yes.

Ms. McMAHON. Well, the State will make a public statement and it will be up to the public to insist——

Senator HEINZ. And it could be two paragraphs long.

Ms. McMAHON. Well, I don't think at the State level, any more than at the Federal level, that the government is in a position to ignore the public. I think the public will put requirements on the States so the Congress doesn't have to.

Senator HEINZ. Well, we are putting a requirement on the Federal taxpayers which people are getting a little sensitive to in about 6 more days, and people on the average are working 4 or 4½ months to make those tax payments.

Tax freedom day is a little later each year. We know the administration wants to do something about that, but nonetheless we have to answer to those taxpayers whether or not their money is

being well spent. You are telling me that you are not going to have any answers.

Ms. McMAHON. It will depend on what they put in their report. Again, I would stress that I believe that the public will be able to put the pressure on the States to give answers about what they are doing with those funds and whether or not they are meeting whatever priorities the people in the State think they should meet.

Senator HEINZ. I have one last question, which is as follows: I would like to know whether the Department believes that low-income households, especially the elderly, whose incomes are not compensating to cover fuel costs now, are these households' incomes going to rise as fast as their energy costs, according to your projections?

Ms. McMAHON. I don't believe there is any way I can answer that question.

Senator HEINZ. What does HHS do down there? [Laughter.]

You must have projections of peoples' incomes. You are the agency that administers income transfer programs. You must have some idea of the aggregate income levels or average income levels for various groups of people.

Ms. McMAHON. I would like to provide that for the record.

Senator HEINZ. There is an awful lot of information down at HHS.

Ms. McMAHON. We have various agencies within the Department that deal with such numbers so I would like to provide that for the record if I may.

Senator HEINZ. I would appreciate that.¹

Senator Cohen.

Senator COHEN. Here's just one example of what is happening here. I received a call from Jeff Green, who is the county community action director who tells me his program has been weatherizing about 50 units a month with an energy savings of between 40 and 60 percent. Because of the inaction of the DOE, we are cutting his crews from 6 to 2 and laying off 20 people.

So you see what is taking place with these reductions. I have to take issue with the statement that we have a 25-percent margin in the fuel assistance program. I don't believe that to be the case. There are more people lining up for help now in my State. This is just one example of what's happening, and I can tell you that it is not like Chris Dodd was saying of paying about \$1,400 for heating fuel, it's more like \$2,100 a year now.

As the price of fuel continues to go up, there will be more people standing in line with fewer and fewer dollars available. That will present a problem, not now but next October and November. As we are still talking about an economic philosophy that is going to assure reduction in administrative overhead, there will be a lot of people out in the cold.

Ms. McMAHON. I would like to point out that there are four block grants being proposed out of the Department of Health and Human Services and within those four block grants 10 percent of each will be available for the States to use with any of the others if they wish to do that. I think there is about \$5 billion in the other three block grants. If energy assistance is a priority in the State of

¹ See next page for Ms. McMahon's responses to questions submitted by Senator Heinz.

Maine, the State could transfer 10 percent of its share of the other block grants to the energy assistance program.

Senator COHEN. Thank you, Mr. Chairman.

Senator HEINZ. Thank you very much, Ms. McMahon.

Ms. McMAHON. Thank you, Mr. Chairman.

[Subsequent to the hearing, Senators Heinz and Percy submitted questions to Ms. McMahon. Those questions and Ms. McMahon's reponse follows:]

QUESTIONS BY SENATOR JOHN HEINZ

Question 1(a). An evaluation of coordination between LIEAP and weatherization on a State-by-State basis with those States which had notable success identified and the program elements which led to that success analyzed.

Response. Following is a listing of the methods used by States in responding to the fiscal year 1981 statutory requirement that there be referral of households eligible for LIEAP to agencies responsible for weatherization. We have not undertaken the extensive review to evaluate the success of the coordination of weatherization referrals on a State-by-State basis.

Summary of Weatherization Issues, As of April 30, 1981

I. Techniques

Weatherization information is disseminated in many ways throughout the States but the following range of techniques characterize the various approaches taken by the energy agencies:

- (1) Brochures at application.
- (2) Applications that ask for "interest in weatherization."
- (3) Booklets available in waiting room.
- (4) Stuffers in checks.
- (5) Pamphlets in the mail.
- (6) Toll-free number on weatherization info.
- (7) Packets of info at intake.
- (8) Multimedia presentation in waiting room.
- (9) LIEAP worker makes referrals to utility companies.
- (10) Informational letters to applicants.
- (11) Posters in waiting rooms.
- (12) Flyers to applicants.
- (13) Same application form.
- (14) Public service announcements on radio and TV by welfare agency.
- (15) Automatic list of interested parties given to weatherization agencies.
- (16) Emergency home repair kits.
- (17) T.A. delegate agencies in the development of topics such as weatherization, utility rights, and community self-reliance.

II. Intake

State plans have indicated an almost even split in terms of how referrals to weatherization are made and where the referral responsibility may be located. For the purposes of this report the following definitions apply:

- (1) The "same agency" reflects those programs wherein the intake process for both LIEAP and weatherization occurs in the same office.
- (2) "Not the same agency" refers to those situations where the LIEAP agency does not administer the weatherization activity but instead refers recipients to State agencies or to community action programs who are vested with the responsibility for weatherization.
- (3) "50/50" refers to those States wherein only some of the intake offices administer weatherization programs. This category reflects a merging of both approaches described above.

The breakdown nationwide for the States weatherization intake profile is as follows:

- The "same agency"—24.
- "Not the same agency"—23.
- "50/50"—4.

Question 1(b). An analysis of the relationship between the household incomes of the poor and near-poor in relation to home energy costs over the past year and projected to April 1, 1982. Simply put, the committee is trying to determine whether the income of the poor, especially the elderly poor, will rise as far as energy costs.

Response. Following are estimates of the costs of heating a home with different fuels in different parts of the country for 1980, 1981, and 1982. These estimates were developed from the Department of Energy's "Short-Term Energy Outlook" and "National Interim Energy Consumption Survey."

At this time we have no data to estimate the income of poor households over the next year. The income of the poor and near-poor will be influenced by congressional and State action on public assistance and social insurance program proposals as well as by the speed of the economic recovery of the Nation as a whole.

ESTIMATED AVERAGE COST OF HOME HEATING

Census region	1980	1981 (projected)	1982 (projected)
Fuel oil/kerosene:			
Northeast	\$1,000	\$1,270-1,370	\$1,520-1,890
North Central	1,040	1,330-1,440	1,590-1,980
South	530	670-730	810-1,000
West	730	930-1,000	1,110-1,380
Natural gas:			
Northeast	530	630-660	710-750
North Central	560	660-690	740-780
South	300	360-370	400-420
West	350	410-430	460-490
Electricity:			
Northeast	690	760-820	820-910
North Central	730	820-870	870-980
South	350	390-420	420-470
West	470	520-560	550-620

These estimates are based upon average consumption for single-family detached housing in the "National Interim Energy Consumption Survey" performed by the Department of Energy. It is assumed that the amount of fuel used for heating will not decline significantly as prices rise through the first quarter of 1982.

Question 2(a). Does the Department have assessment of which were the most successful mechanisms for servicing the aged?

Response. Evaluation of the success of fiscal year 1981 LIEAP in reaching the elderly is a central feature of the proposed Federal evaluation of the energy program. In reporting procedures for fiscal year 1981, States are required to report the number of elderly households served. An assessment will be made of the proportion of elderly served and the best practices used by States in reaching the elderly. A preliminary report to Congress under section 309 of the authorizing legislation is planned for September 1981.

Question 2(b). Has this provision made a significant improvement in energy assistance to older Americans compared to the fiscal year 1980 program?

Response. There is no accurate information on the fiscal year 1980 program upon which we might compare the relative success of the priority requirements in fiscal year 1981 with the actual numbers of elderly served in fiscal year 1980.

Questions 3(a) and 3(b).

3(a). Of all LIEAP recipients, what proportion were welfare, SSI, or social security recipients, and what proportion were nonwelfare?

3(b). Of these elderly recipients, what proportions fall in these categories?

Response. For the fiscal year 1980 program, we will not have the proportions of assisted households which received some other assistance program benefits and the proportion which did not. Reports from States on the fiscal year 1981 program will show the number of elderly households assisted and how many assisted households receive AFDC, food stamps, or SSI. However, we will not have that breakout for elderly households.

We are just receiving the second quarter reports from the States and will be able to provide the data at a later date.

Question 4(a)(1). Please provide a State-by-State list of agencies involved in program delivery.

Response.

LIEAP CONTACTS (AS OF OCTOBER 15, 1980)

Region I

Connecticut: George Coleman, Deputy Commissioner, Department of Income Maintenance, 110 Bartholomew Street, Hartford, Conn. 06115.

Maine: Ms. Bonnie Russell, Division of Community Services, State House Station, Augusta, Maine 04333.

Massachusetts: Ms. Janice Sams De Barros, Division of Social and Economic Opportunity, Boston, Mass. 02108.

New Hampshire: Mr. Gerald Slagle, Division of Human Resources, 15 North Main Street, Concord, N.H. 03301.

Rhode Island: Frederick Williamson, Department of Community Affairs, 150 Washington Street, Providence, R.I. 02903.

Vermont: David Wilson, Agency of Human Services, 103 South Main Street, Waterbury, Vt. 05676.

Region II

New Jersey: Gerald Malanga, Assistant Director, Division of Public Welfare, Department of Human Services, P.O. Box 1627, Trenton, N.J. 08625.

New York: Linda Harmon, Director, Energy Program, New York State Department of Social Services, 40 North Pearl Street, Albany, N.Y. 12243.

Virgin Islands: Lou Johns, Virgin Islands State Economic Opportunities Office, 7 Kings Cross Street, Christianstead, St. Croix, Virgin Islands 00820.

Puerto Rico: Haydee Rodriguez, Secretaria Auxiliar de recursos externos y presupuestos, Department de Servicios Sociales, Isla Grande, Antiqua Base Naval, Building No. 9, Santurce, P.R. 00910.

Region III

Delaware: Douglas Wann, Delaware Office of Economic Opportunity, 820 North French Street (4th Floor), Wilmington, Del. 19801.

District of Columbia: Charles Clinton, Energy Unit—P.G. Government, 1420 New York Avenue NW. (2nd Floor), Washington, D.C. 20005.

Maryland: Frank Welsh, Department of Human Resources, Office of Community Services, 100 North Eutaw Street, Baltimore, Md. 21101.

Pennsylvania: Sam Fresa, Department of Public Welfare, Health and Welfare Building, P.O. Box 2675, Room 333, Harrisburg, Pa. 17112.

Virginia: Guy Lusk, Virginia Department of Welfare, 8007 Discovery Drive, P.O. Box K 176, Richmond, Va. 23288.

West Virginia: Joe May, Department of Public Welfare, Division of Economic Services, 1900 East Washington Street, Charleston, W. Va. 25305.

Region IV

Alabama: Gary Cooper, Department of Pensions and Security, Bureau of Public Assistance, 64 North Union Street, Montgomery, Ala. 36130.

Florida: Alvin J. Taylor, Department of Health and Rehabilitation Services, 1317 Winewood Boulevard, Tallahassee, Fla. 32301.

Georgia: Ms. Fran Buchanan, Department of Human Resources, Energy Assistance Unit, 618 Ponce de Leon Avenue, Atlanta, Ga. 30308.

Kentucky: Diane Simmons, Department of Human Resources, 275 East Main Street, 2d Floor West, Frankfort, Ky. 40621.

Mississippi: James Chandler, Department of Human Resources, Executive Building, Suite 400, 802 North State Street, Jackson, Miss. 39201.

North Carolina: Robert Ward, Director, Department of Human Resources, 325 North Salisbury Street, Raleigh, N.C. 37611.

South Carolina: Lee Spratt, Director, State Economic Opportunity Office, 1712 Hampton Street, Columbia, S.C. 29201.

Tennessee: Ms. Zelma B. Waller, Community Services Administration, 444 James Robertson Parkway, Nashville, Tenn. 37219.

Indian Tribes

Skip Bridge, Tribal Office Building, Mississippi Band of Choctaw, Route 7, Box 21, Philadelphia, Miss. 39350.

Region V

Indiana: David Wright, Office of CSA, 20 North Meridian, Room 202, Indianapolis, Ind. 46201.

Illinois: Mr. Wayne Curtis, Department of Commerce and Community Affairs, 325 West Adams, 4th Floor, Springfield, Ill. 67206.

Michigan: Mr. Robert Swanson, DSS, 300 South Capitol Avenue, P.O. Box 30037, Lansing, Mich. 48909.

Minnesota: Ms. R. Jane Brown, Department of Economic Security, 690 American Center Building, 150 East Kellogg Boulevard, St. Paul, Minn. 55101.

Ohio: Karl Koch, Department of Economic and Commercial Development, P.O. Box 1001, Columbus, Ohio.

Wisconsin: John Verberkmoes, Division of Economic Assistance, P.O. Box 8913, 18 South Thornton Avenue, Madison, Wis. 53708.

Region VI

Arkansas: Barrett Toan, Commissioner, Division of Social Services, Department of Human Services, P.O. Box 1437, Little Rock, Ark. 72203.

Louisiana: Michael S. Haddad, Assistant Secretary, Office of Family Security, Department of Health and Human Services, P.O. Box 44065, Baton Rouge, La. 70804.

New Mexico: Herman C. Grace, Director, Governor's Office of Community Affairs, P.O. Box 5334, Santa Fe, N. Mex. 87502.

Oklahoma: Mr. L. E. Rader, Director, Oklahoma Department of Human Services, P.O. Box 25352, Oklahoma City, Okla. 73125.

Texas: Mr. Merle E. Springer, Deputy Commissioner for Financial and Social Programs, Texas Department of Human Resources, P.O. Box 2960, Austin, Tex. 78769.

Indian Tribes

Peter McDonald, Chairman of the Navajo Nation, Window Rock, Ariz. 86515.

Region VII

Iowa: Robert F. Tyson, Director, Office for Planning and Programs, State of Iowa, Capitol Annex, 573 East 12th Street, Des Moines, Iowa 50319.

Kansas: Mrs. Susan M. Rodgers, Director, State of Kansas Economic Opportunity Office, Suite 1006, 535 Kansas Building, Topeka, Kans. 66603.

Missouri: David R. Freeman, Director, Department of Social Services, Broadway State Office Building, Jefferson City, Mo. 65101.

Nebraska: John E. Knight, Department of Public Welfare, 301 Centennial Mall, 5th Floor, Lincoln, Nebr. 68509.

Indian Tribes

United Tribes of Northeast Kansas, Mrs. Judy Feist, P.O. Box 29, Horton, Kans. 66439.

Kickapoo Tribe, Mr. Mark Sprague, Rural Route 1, Box 157a, Horton, Kans. 66439.

Potawatomi Tribe, Mr. Richard Mitchell, P.O. Box 8, Holton, Kans. 66436.

Region VIII

Colorado: Mr. Ruben A. Valdez, Executive Director, Department of Social Services, 2575 Sherman Street, Denver, Colo. 80203.

Montana: John Allen, Administrator, Community Services Division, Department of Community Affairs, Capitol Station, Helena, Mont. 59601.

North Dakota: Lawrence DeBilzand, Executive Director, Social Services Board of North Dakota, State Capitol Building, Bismarck, N. Dak. 58505.

South Dakota: Ms. Jamie McNulty, Secretary, Department of Social Services, Kneip Building, Pierre, S. Dak. 57501.

Utah: Ms. Jadie Barrus, Executive Director, Department of Social Services, 150 West North Temple, Salt Lake City, Utah 84103.

Wyoming: Mr. Jermy B. Wight, Director, Department of Health and Social Services, 317 Hathaway Building, Cheyenne, Wyo. 82002.

Indian Tribes—Montana:

Bea Noble, Director, Energy Crisis Assistance Program, Confederated Salish and Kootenai Tribes, Administration for Native Americans, P.O. Box 98, Pablo, Mont. 59855.

Marla Fritzier, Director, Energy Crisis Assistance Program, Crow Tribal Council, P.O. Box 413, Crow Agency, Mont. 59022.

Bill Walls, Director, Energy Crisis Assistance Program, Port Belknap Indian Community Council, P.O. Box 819, Harlem, Mont. 59526.

Vicki Connally, HEAP Coordinator, Energy Crisis Assistance Program, Blackfeet Native American Programs, P.O. Box 387, Browning, Mont. 59417.

Ed Eagleman, Director, Energy Crisis Assistance Program, Business Committee of Chippewa Cree Tribes, Administration for Native Americans, Rocky Boy Route, Box Elder, Mont. 59521.

Patricia Badhorse, Director, Energy Crisis Assistance Program, Northern Cheyenne Tribal Council, P.O. Box 128, Lame Deer, Mont. 59043.

Bessie Reddog, Director, Energy Crisis Assistance Program, Assiniboine and Sioux Tribes, Fort Pack Indian Reservation, Administration for Native Americans, P.O. Box 1027, Poplar, Mont. 59255.

North Dakota

Marcie McKay, ECAP Coordinator, Devils Lake Sioux Tribes, Community Center, Fort Totten, N. Dak. 58335.

Joe Dean, ECAP Coordinator, Three Affiliated Tribes, Division of Community and Planning and Tribal Information, P.O. Box 607, New Town, N. Dak. 58763.

Reginold Brien, Director, Energy Crisis Assistance Program, Turtle Mountain Band of Chippewa Indians, CAA, P.O. Box 620, Belcourt, N. Dak. 58315.

Red Gates, Director, Energy Crisis Assistance Program, Standing Rock Sioux Tribe, Office of Native American Programs, P.O. Box 469, Fort Yates, N. Dak. 58538.

South Dakota

Bertha Chasing Hawk, Director, Energy Crisis Assistance Program, Cheyenne River Sioux Tribe, Coalition of Community Services Program (A.N.A.), P.O. Box 20, Eagle Butte, S. Dak. 57625.

Ron Bush, Director, Energy Crisis Assistance Program, Oglala Sioux Tribal, Administration for Native Americans, P.O. Box 379, Pine Ridge, S. Dak. 57770.

Dorie Aronsen, Director, Energy Crisis Assistance Program, Rosebud Sioux Community Action Program, Rosebud, S. Dak. 57570.

Sam Sulley, Director, Energy Crisis Assistance Program, Yankton Sioux Social Services Program, Rural Route No. 3, Wagner, S. Dak. 57380.

Vicky Shields, Director, Energy Crisis Assistance Program, Crow Creek Sioux Tribe, ANA Program, P.O. Box 636, Fort Thompson, S. Dak. 57339.

Don Fallis, Director, Energy Crisis Assistance Program, Lower Brule CETA Program, Lower Brule, S. Dak. 57548.

Delbert Haskel, ECAP Coordinator, Tribal Manpower Department for Sisseton-Wahpeton Sioux Tribes, P.O. Box 262, Sisseton, S. Dak. 57262.

Rick Sorenson, Community Health Representative, Plandreau Santee Sioux, P.O. Box 292, Flandreau, S. Dak. 57028.

Utah

Rex LaRose, Tribal Planner, Ute Indian Tribe, Uintah and Ouray Tribal, Business Council, P.O. Box 129, Fort Duchesne, Utah 84026.

Region IX

Arizona: Rick Burr, State Department of Economic Security, P.O. Box 6123, Phoenix, Ariz. 85505.

California: Alice Huffman, Director, State Office of Economic Opportunity, 555 Capitol Mall, Suite 325, Sacramento, Calif. 95814.

Hawaii: Andrew I. T. Chang, Department of Social Services and Housing, P.O. Box 339, Honolulu, Hawaii 96809.

Nevada: Linda Ryan, Director, State Office of Community Services, 201 West Telegraph, Room 203, Carson City, Nev. 89701.

Indian Tribes

Yavapai-Apache Tribal Council, Pedore Smith, Chairman, P.O. Box 1188, Camp Verde, Ariz. 86322.

LIEAP contact: David Kwail, P.O. Box 1188, Camp Verde, Ariz. 86322.

Colorado River Reservation, Franklin McCabe, Chairman, Route 1, Box 23B, Parker, Ariz. 85344.

LIEAP contact: Elliott Booth, Route 1, Box 23B, Parker, Ariz. 85344.

Fort Mohave Indian Tribe, Llewellyn Barrackman, Chairman, P.O. Box 888, Needles, Calif. 92363.

LIEAP contact: Esther Bogda, P.O. Box 888, Needles, Calif. 92363.

Gila River Indian Community, Alexander Lewis, Governor, P.O. Box 97, Sacaton, Ariz. 85247.

LIEAP contact: Merna Lewis, P.O. Box 427, Sacaton, Ariz. 85247.

Havasupai Tribal Council, Wayne Sinyella, Chairman, P.O. Box 10, Supai, Ariz. 86435.

Hopi Tribal Council, Abbot Sekaquawewa, Chairman, P.O. Box 123, Oraibi, Ariz. 86039.

LIEAP contact: Florence Pauwinnee, P.O. Box 123, Oraibi, Ariz. 86039.

Hualapai Tribal Council, Wilfred Whatóname, Chairman, P.O. Box 168, Peach Springs, Ariz. 86434.

LIEAP contact: Sylvia Querta, P.O. Box 168, Peach Springs, Ariz. 86434.

Kaibab Patute Tribal Council, Bill Tom, Chairman, P.O. Box 302, Fredonia, Ariz. 86022.

LIEAP contact: Karine Beesley, P.O. Box 302, Fredonia, Ariz. 86022.

Navajo Nation, Peter MacDonald, Chairman, Navajo Tribal Council, Window Rock, Ariz. 86515.

LIEAP contact: Bernardine Martin, Division of Social Welfare, Window Rock, Ariz. 86515.

Papago Tribal Council, Max Norris, Chairman, P.O. Box 837, Sells, Ariz. 85634.

LIEAP contact: Austin Nunez, P.O. Box 837, Sells, Ariz. 85634.

Salt River Pima Maricopa Indian Community, Herschel Andrews, President, Route 1, Box 216, Scottsdale, Ariz. 85256.

LIEAP contact: Karl Pearson, Route 1, Box 216, Scottsdale, Ariz. 85256.

San Carlos Apache Tribe, Ned Anderson, Chairman, P.O. Box 0, San Carlos, Ariz. 85550.

LIEAP contact: Sandra Rambler, P.O. Box 0, San Carlos, Ariz. 85550.

White Mountain Apache Tribe, Ronnie Lupe, Chairman, P.O. Box 708, Whiteriver, Ariz. 85941.

LIEAP contact: Cynthia Parker, P.O. Box 1179, Whiteriver, Ariz. 85941.

Region X

Alaska: Eric Hansen, Department of Health and Social Services, Pouch H—07, Juneau, Alaska 99811.

Idaho: Janice Blackburn, Department of Health and Welfare, State House, Boise, Idaho 83720.

Oregon: Mr. Sherwin Cullison, Department of Human Resources, Adult and Family Services Division, 3312 Public Service Building, Salem, Oreg. 97310.

Mr. Jerry Bierble, State Commercial Services Program, 772 Commercial Street (S.E.), Salem, Oreg. 97310.

Washington: Art Cantrall, Planning and Community Affairs Agency, 400 Capitol Center Building—FN41, Olympia, Wash. 98504.

Indian Tribes

Dorothy Palmer, Colville Confederated Tribes, Indian Community Action Program, P.O. Box 150, Nespelen, Wash. 99155.

Ms. Jewell James, Lummi Business Council, 2616 Kwina Road, Bellingham, Wash. 98225.

Charlotte Williams, Muckleshoot Indian Tribe, 39015 Southeast 172d Avenue, Auburn, Wash. 98002.

Denise Avery, Chairperson, South Puget Intertribal, Planning Agency, Route 1, Box 257, Shelton, Wash. 98584.

Mr. Ron Ross, Spokane Tribe of Indians, Box 385, Wellpinit, Wash. 99040.

Sandra Graybal, Tribal Chairperson, Stillaguamish Tribe of Indians, 23102 107th Avenue NE., Arlington, Wash. 98223.

Mary Ellen Cayou, Social Services Director, Swinomish Tribal Community, 950 Moorage Way, LaConner, Wash. 98257.

Ms. Joanne Amick, Quinalt Indian Nation, Taholah Tribal Office, Department of Human Resources, P.O. Box 189, Taholah, Wash. 98587.

Carmelia Fernando, Upper Skagit Indian Tribe, 725 Fairhaven Avenue, Burlington, Wash. 98233.

Sherman Black, Tribe Chairperson, Quileute Indian Tribe, P.O. Box 279, La Push, Wash.

Mr. Phillip Amborse III, Yakima Indian Nation, P.O. Box 151, Toppenish, Wash. 98948.

Mr. Bruce Bowersox, Tribal Chairperson, Hoh Indian Tribe, Star Route, Box 963, Forks, Wash. 98331.

Brad Hubbard, Tribal Chairperson, Nooksack Indian Tribe, P.O. Box 157, Deming, Wash. 98244.

Lillian Henry, Tulalip Tribes, 6700 Totem Beach Road, Marysville, Wash. 98270.

Jack Edmo, Shoshone-Bannock, Inc., P.O. Box 306, Fort Hall, Idaho 83203.

Skip Skannon, Coeur d'Alene Tribal Community Services, Plummer, Idaho 83851. Nez Perce Tribe of Idaho, P.O. Box 365, Lapwai, Idaho 83540.

Question 4(a)(2). Evaluate the impact of the proposed block grant on the type of agency to be chosen next year.

Response. We cannot predict what agency (or agencies) will be selected by each State to administer the fiscal year 1982 energy and emergency assistance block grant. Each State will have the flexibility to decide which agency is best suited to plan and administer its program. This is also a flexibility the States have in the current program.

Question 4(a)(3). What will be the effect on the program of any change?

Response. We are assuming that by "change" the Senator is referring to a switch from one agency to another within a State. We are not in a position to assess the impact a change will have upon the clientele of the energy and emergency assistance programs. Once again, we are confident that the States are in the best position to decide which agency is most suited to administering its program. It should also be pointed out that States have this flexibility in the current program.

Question 4(a)(4). What will be the effect on program delivery of the administration's proposed changes in community action programs?

Response. With the shift to a block grant to States of funds that presently pass to community action programs (CAP) through CSA, the States will be in a position to decide how energy assistance will be delivered. We assume that those CAP's which have been successful will continue and others will not receive funds from the block grant. How each CAP will fare is up to the State and the CAP's own ability to garner other resources. We cannot predict, in any specific way, the precise impact on any specific CAP agency, but we believe States are in a position to determine the most effective delivery system for energy and emergency assistance.

Question 4(b). Please describe the proposed HHS staffing for fiscal year 1982 and beyond for the management of the block grant program and the proposed savings in Federal administration costs over fiscal year 1981.

Response. Federal administrative costs are projected to be decreased from \$4 million in fiscal year 1981 to \$1.2 million for fiscal year 1982. The number of work years will be set at a maximum of 40. The low number of positions, and the reduction in expenditures comes because of a reduced Federal role in a simple, State administered, block grant program as compared to the complex program the Federal Government had to oversee in fiscal year 1981.

Question 4(c). Please provide your estimate of State administrative costs under the proposed block grant as compared to the same costs in fiscal year 1981.

Response. For fiscal year 1981, States are limited to a maximum of 7.5 percent of their allocations in administrative costs for LIEAP. A few States are exceeding that amount with supplements out of State funds. We have no way of projecting, with any degree of accuracy, what percentage of their block grant for energy and emergency assistance a State will use for administration with the reduction in Federal requirements, however, we are certain that States will be required to spend less to assure compliance with Federal requirements.

Question 5. Number of work years.

Response. In fiscal year 1981, 100 work years for the administration of the low-income energy assistance program.

Question 6. State-by-State list of agencies.

We have attached a State-by-State list indicating the type of agency each State planned to use for program delivery.

PROGRAM DELIVERY AGENCIES

	Welfare	CAA	AOA	Native American	Other
1. Alabama.....	X				
2. Alaska.....	X				
3. Arizona.....	X	X			Federal Credit Union
4. Arkansas.....		X			
5. California.....		X			
6. Colorado.....	X				
7. Connecticut.....	X	X			
8. Delaware.....		X			Private social services
9. District of Columbia.....		X			
10. Florida.....	X				
11. Georgia.....	X	X			Local nonprofit agency
12. Hawaii.....		X			

PROGRAM DELIVERY AGENCIES—Continued

	Welfare	CAA	AOA	Native American	Other
13. Idaho.....	X	X			
14. Illinois.....		X			
15. Indiana.....					
16. Iowa.....		X			
17. Kansas.....	X				
18. Kentucky.....	X				
19. Louisiana.....	X				
20. Maine.....		X		X	Local municipalities
21. Maryland.....	X	X			
22. Massachusetts.....		X		X	Local housing authority
23. Michigan.....	X	X			
24. Minnesota.....		X			
25. Mississippi.....		X			*
26. Missouri.....		X			
27. Montana.....		X			
28. Nebraska.....	X			X	
29. Nevada.....		X			
30. New Hampshire.....		X			
31. New Jersey.....	X				
32. New Mexico.....		X		X	*
33. New York.....	X	X	X	X	Department of Labor
34. North Carolina.....	X				
35. North Dakota.....	X				
36. Ohio.....		X			
37. Oklahoma.....	X			X	
38. Oregon.....	X	X	X	X	*
39. Pennsylvania.....	X	X			
40. Rhode Island.....	X	X	X		
41. South Carolina.....		X			Head Start
42. South Dakota.....	X				County government
43. Tennessee.....		X			
44. Texas.....	X	X			Local government
45. Utah.....	X				
46. Vermont.....	X		X		
47. Virginia.....	X	X	X		
48. Washington.....	X	X			Local government
49. West Virginia.....	X	X	X		
50. Wisconsin.....	X				
51. Wyoming.....	X	X		X	*
52. American Samoa.....					
53. Guam.....					
54. Puerto Rico.....					
55. Trust Territory.....					
56. Virgin Islands.....					

The information was obtained from State Plan material as well as information obtained directly from State Reports.

The agencies indicated by (X) are responsible for initial intake.

"Welfare"—refers to the Public Assistance Agency.

"CAA"—Community Action Oriented Agency.

"AOA"—Agencies on Aging.

"Native American"—Tribal Organization is doing intake under the State Program.

"Other" (*)—means no data available.

QUESTIONS BY SENATOR CHARLES H. PERCY

Question 1. What kinds of weatherization activities will be eligible for funds under the energy and emergency assistance block grant? Will there be a dollar limit?

Response. Our proposal calls for low-cost weatherization activities. It is not our current plan to establish a specific dollar limit, but rather, to permit the State the flexibility to define low-cost activities in the context of their overall program.

Question 2. During this committee's March 20 hearing on the administration's budget proposals, Under Secretary of Health and Human Services David Swoap testified that the Department of Energy was working on a block grant which would include large-scale weatherization. Can you tell me the status of that proposal?

Response. The Under Secretary was referring to the administration's proposal to include the low-income weatherization program in the HUD community development and support services block grant.

Question 3. Last summer DOE issued a report from the Fuel Oil Marketing Advisory Committee that states that low-income families were paying 27 percent of their incomes for fuel and utilities. This is much more than 10 percent that those in higher income brackets pay. Will the administration's proposals be able to meet the needs of the elderly poor and also help them make their homes energy efficient?

Response. We expect that States will target their assistance, as they did in the fiscal year 1981 program, to those households in the State that are most in need. This includes the elderly poor.

Also, States will be able to use a portion of their funds to permit low-cost weatherization activities to help make the homes of the elderly more energy efficient.

Question 4. How many elderly people will lose their low-income energy assistance payments if the administration's proposal is enacted? How many in Illinois, total and elderly?

Response. Under the administration's proposal for the fiscal year 1982 energy and emergency assistance block grant the setting of eligibility standards and priority groups is left to the States. It is not possible to predict how many elderly served under this year's program would not be served under next year's, either nationwide or in Illinois.

Our experience over the past 2 years indicates that the States are concerned about their elderly citizens and will continue to give them priority.

Question 5. Because the present low-income energy assistance program is largely a block grant program now, how does the administration envision States being able to cut costs by 25 percent and not cut back on benefits for the poor?

Response. The administration expects that States will use their best judgment, as the officials closest to the truly needy populations, to target the assistance to those households. The States will be able to eliminate some administrative costs related to Federal regulations. Finally it is possible that as the States target the funds to the most needy that some households who have received assistance in the past may not continue to receive assistance.

Question 6. How will the administration propose to better target the low-income energy assistance program to States that need it the most? Will it involve a change in the present formula?

Response. We have recommended the continued use of the formulas under which funds were distributed for fiscal year 1981. Any changes from the current program formulas in the block grants should be initiated by the Congress.

Senator HEINZ. We have a panel of witnesses now, senior citizens and program administrators consisting of Ruth Carlyle, Mona Musser, who I am proud to say is from Millersburg, Pa.; and Jack Ossosky, Jane Brown, and Phillip Gillispie.

Let me ask the witnesses to please, if they can, keep their testimony relatively brief, and summarize it as best you can. We have another panel as you know which will be coming on and we want to leave plenty of time for them.

I would like to ask Ruth Carlyle to be our leadoff witness.

STATEMENT OF RUTH CARLYLE, TAMPA, FLA.

Mrs. CARLYLE. Thank you, Senator.

First of all, I would like to explain that I have difficulty in breathing, and if my voice cracks, it is emphysema and not emotion.

I would like to comment on some of the things Mr. Stockman said. I came here expecting to find the Senators on my left, your right; a group of Draculas waiting to puncture my jugular with the talons of their claws; and the Senators on my right, your left, holding crucifixes and Stars of David to save me.

I am delighted to find that Senator Heinz, Senator Cohen, and Senator Percy, I believe, through their questions, are aware of many of the questions I would like to raise and, Senator Heinz, if my good friends had heard the questions you asked, they would never have asked me how I could say that politically I am a conservative and still care for people.

Mr. Stockman spoke of the elderly who have savings, who have insurance, who have investments. He delineated the groups of the elderly people. There are those who are on basic income, there are those who receive SSI, there are those who receive social security. There is another group. Your Older Americans Act covers Americans between the age of 55 and up. Some of us are not yet 65, and we are totally disabled. We are in a worse position than those who receive social security because we are unable to work. There is no way that we can increase the social security disability grant and there is something even worse. I shall be 64 tomorrow, I am under medicare, but I may not purchase the Blue Cross supplementary insurance until my 65th birthday. I do require surgery. My teeth have shattered, and there are points that cut into my lips, and I may well end up with cancer of the jaw, I have been told. I am too "rich" for medicaid, and too poor to pay the medicare deductible. But I have faith that I will last another 366 days and then go to the hospital.

Mr. Cohen, Senator Cohen, forgive me, you asked whether it is right to subsidize the energy producers and not the poor. I thank you for that because I have often felt that when you provide low-interest loans or subsidies to industry you call it "the American way." But when you give us social security money—which as you, Senator Heinz pointed out we paid for that—we're made to feel we're getting welfare. That is discriminatory and the Congress has passed laws against discriminating against the aged.

Mr. Stockman spoke in billions. I don't think in billions, but I can tell you that the carrots that cost 12 cents last year cost 39 cents this year; the potatoes that were 10 cents last year are 25 cents this year; the onions that were 9 cents a pound are now 39 cents and going up. Other foods have risen similarly.

Now, I have a good diet. I am not living on rice and beans, but it is getting harder to pay for even rice and beans. More than that, our social security indexing, which really keeps us alive—we would be lost without it—is given to us at the end of the year after the fact, and so for 11 months of that year our income is eroding.

Also, Mr. Stockman said that in 1979-80 or in 1980-81 there was a 17-percent increase allowed which meant 7 percent in real dollars.

Our increase was 14.3 percent on a Consumer Price Index which indicated that there had been a rise of 18 percent, so instead of his 7 percent benefit in real dollars, we lost 3.7 percent.

For example, for next year he said there will be a 13 percent increase which will be 8 real percent; but with 3 months to go before our increase comes, the cost of living has already risen 16 percent. That is a 3-percent loss. If my arithmetic is faulty, I would like Mr. Stockman to show it to me. If Congress fills Mr. Stockman's prescription for our ailing economy, he may well report that his "operation was a success, but the patient died of malnutrition."

With your permission, I will go to my remarks. I have never had a chance like this before. I am really thrilled. [Laughter.]

Senator, thank you for giving me this opportunity to speak to you. Although there may be Senate committees reputedly more powerful than yours, the Special Committee on Aging must be the most all-encompassing one in the entire Congress because the infant born this morning when you awoke, is aging at this moment, even as you and I are aging and as each individual who attains the divinely promised threescore years and ten will age. Just like the infant who must look to others for survival, the elderly poor look to you to sustain our lives.

As a representative of the elderly poor, I come not to call names as others have done, nor if you deny my request do I threaten you with ballots. Instead, I hope that my remarks will move you to join the majority of those who are moral without being sanctimonious. In Florida, where I live, we refer to Senator Chiles with respectful affection as "walkin' Lawton" because we know that as long as he is in the Senate, we won't walk alone.

I am delighted that you are here to protect me, Senator.

Not too long ago, a young clergyman asked me a political question, and when I replied, he said that he had learned what I told him in history. Spontaneously I answered, that when I had gone to school we learned it as current events. Each of you is considerably younger than I am, so please indulge me if I appear to be teaching you history, and your duty as Senators under the Constitution.

Senators, I don't have to say this to you, you're on my side, but I do have a long speech, but if you give me permission, I will write it legibly, and you can put it into your record.

Senator HEINZ. Without objection you can have as much time as you need to do that.

Mrs. CARLYLE. I said it was my intent to remind you that our Constitution was adopted to assure that the principles and rights upon which our country was founded would endure forever. Three of those rights were so precious that they were especially stated in the Declaration of Independence. Those inalienable rights are life, liberty, and the pursuit of happiness.

Do we still enjoy those rights?

Well, let's see.

We certainly have liberty throughout our land. Without liberty, I could not dare to intimate that your deliberations might be less than infallible, without fear of arrest or sudden death.

Yet, you invite me to come before you to speak my mind and you listen. For that I thank you.

I have pursued happiness and during my lifetime I have caught and enjoyed more happiness than my arms and heart could hold. For that I thank God.

To make that gratitude known to Him I have always shared my happiness with others who had less. Senators, the more happiness I gave, the more I had, and there were times when it seemed as though happiness was pursuing me. That brings us to life.

I have had much experience with society's treatment of those not in the prime of life. My own father, a master machinist, was considered too old to work in 1920, but that worked to our advantage because my parents opened a candy store, and my brothers

and I always had both my mother and my father at our side all the time when we were growing up. The irony is that in 1941, as World War II approached, my father's skills were needed and though he was 21 years older than when industry had discarded him, he was young enough to work in the shipyards 18 hours a day, 7 days a week, until 1948, when again he became too old to be useful, according to his employers.

Both my parents were immigrants. When my brothers and I did not measure up to their standards of behavior, we were not spanked. We were told we didn't deserve to be Americans.

Young as we were, that was a frightening threat, so we always tried to measure up and to deserve to be Americans.

Today, one of my brothers is an aerospace engineer in New York on the Atlantic coast; the other is an attorney in San Francisco on the Pacific coast; and I live in Florida on the gulf coast.

We three Americans cover America from "sea to shining sea."

During the inaugural and preinaugural festivities and after the ceremonies honoring the returned hostages, I noticed with pleasure that in addition to our national anthem, "America the Beautiful" was always sung. I love that music as much as the President does, especially the prayer it contains, "America, America, may God shed his grace on thee, and crown thy good with brotherhood from sea to shining sea."

You are our brothers' keepers, and it is to your brotherhood that I appeal. Senator Heinz, if you were building a skyscraper would you have a construction company build it if they told you that they would build the structure from the roof down? Would you, Senator?

Senator HEINZ. Not unless it was full of a lot of hot air. [Laughter.]

Mrs. CARLYLE. And hot air is what the elderly poor are given in Florida under the programs you mandate. Are there any among you who would accept the house whose foundation was filled with cracks? I don't think you would. I ask because the elderly poor are too old and too poor to wait for the trickle-down theory. Industry will not hire us. The programs you enact to help us are administered by people more concerned with exceptions than with recognizing genuine emergencies. I heard a social worker ask a social security specialist what could be done to obtain Medicaid for an applicant whose income was 50 cents greater than the allowed limit. The specialist said, "Some people fall through the cracks."

Senators, there are too many cracks for us at the bottom, and when a foundation has too many cracks, the pillars are weakened and the structure crumbles.

Try as I may, I cannot understand how a country with the highest standard of living in the world can have less regard for its elderly than all but the most primitive societies.

So, Senators, although I agree with the President that our country is in a critical condition, that our economy must be turned around, I take issue with the solution offered by his advisers.

The President promised a safety net of security for the truly needy, yet the recommended budget expects those in the subbasement of our economic standard to absorb one-third of the cuts proposed.

It is true that industry needs money if it is to expand but none of the expansion will benefit the elderly poor and disabled. We cannot work. We must be helped by you. And you may be certain that any moneys we receive will go right back into the economy with its multiplier effect. We will not open secret Swiss bank accounts, or establish tax shelters, but we will eat 30 days a month instead of hoping that after the 20th day, a friend will invite us to dinner, and offer us a doggie bag for the next day.

I am sorry about this, I did it this morning, and I didn't know I would be doing this.

When you speak of block grants, I received a letter from you, Senator, the day before I left home, and that sent me trying to get statistics. It took me six telephone calls to find a telephone number where I could find out what the cutoff income limit was to obtain medicaid. When I got that telephone number it took five more calls before I finally got somebody who said, "We don't know what it is, and besides, it's confidential information."

I reminded her of the Government in the sunshine law, the public records law, and she said, "Well, nobody can get that figure."

I said, "Fine, I'll go to the Senate committee and say that you, the agency which is administering the program, have no figure to determine who is and who is not eligible. Do you just throw up the applications in the air and take those that come face up and say they're eligible and the others ineligible?"

Within 3 minutes she called me back with a figure, and, Senators, it is \$258 a month.

Senator HEINZ. Florida is still the Sunshine State after all. [Laughter.]

Mrs. CARLYLE. When I first moved to Florida, it was either too hot or too cold or too wet, but I am awfully glad I live there now because we have Senator Chiles.

At any rate, they said an individual living alone can receive medicaid only if the income is \$258 a month. Can you afford a doctor on that income? I can't.

My income is \$286 a month, too much for medicare and as I explained before, I cannot buy Blue Cross to pick up my medicare deductions.

Most doctors will not accept the medicare assignment, because the allowance is too low and takes too long to arrive.

Last October I caught bronchitis. I did not have the \$16 to pay a doctor. Besides, I know that when you treat a cold, it's cured in 7 days, and untreated it takes 1 week. So I didn't treat it. But by mid-February I was still racked by a painful cough and, although I had no fever, I was breaking out in a cold sweat. Whenever I sat up or stood up I was literally bathed in perspiration.

So I had to go to the doctor. His fee had been raised to \$25 and I was faced with the humiliation of asking him to accept \$16 and to hold that check until March 3 when my disability social security came in.

I never did fill his prescription. Thank heavens spring came and that cured me.

Senators, I have worked hard all my life. I paid taxes, and some years my tax payment was more than peoples' entire income." In

1970 I was a member of a family whose income was in the top 20 percent of the country; the top 10 percent if you count only earned income.

I have done my share of volunteering. I have been a cub scout mother, I have been a brownie mother, I have worked in hospitals, I worked in PTA until the mayor hated the sight of me, and I enraged PTA when they would send resolutions asking for quality education and I would ask them to specify "good quality" so the schools would not think that they had an option.

Anyhow, I lost my money suddenly. There were family reasons—I was divorced. Then I became ill, and in 1974 I had to apply for welfare until the disability waiting period for social security ended. I used to complain about taxes, but it is much better to complain about taxes than to tell a doctor you can't pay him.

The Sermon on the Mount tells us that the meek shall inherit the Earth. Although I feel that Jesus didn't mean potter's field when he spoke of "Earth," if that be the lot of the elderly poor, so be it. We are less concerned with the disposal of our earthly remains than with the disposition of our remainder on Earth.

You must provide us with a life-sustaining level of food, shelter, and medical care. An occasional hyacinth for the soul would be gratifying—but our sense of smell, like our sight and hearing, is weakened, and we don't expect luxuries. However, shelter includes protection from the elements. The rising cost of energy is well known to you—you have provided assistance to keep us from freezing. But, Senators, in the South we have unbearable heat from April through mid-November. Without some cooling system we can suffer heart attacks, pass out, possibly suffer brain damage.

I black out when I grow too warm. I have difficulty breathing and that's it. Last summer I found it necessary to go to a neighborhood shopping mall to keep cool because I could not afford the fourfold increase in my utility bill. It went from \$24 to \$96. It was much more than I could afford.

I would sit on a bench until the security guard would stare at me because I had been there so long. I would browse in a book store, I would look at the new telephone equipment at the GTE store, I would walk slowly through the department stores and when I had done that, fearing the clerks might think me a shoplifter, I found refuge in the ladies' lounge of the department stores. When the last bus for the day left, gentlemen, I went home and I sweated.

I could be polite and say it was "perspiration" but I sweated, and I was uncomfortable.

Senator Heinz, you asked me, "What do you expect the need of the low-income elderly to be for energy assistance and conservation sources over the next few years, and how well will the fiscal year 1982 budget request fulfill those needs?"

This month my electric bill was \$21. That is for one 25-watt electric clock; a refrigerator; about 1 hour of cooking each day; one hour's daily use of the water heater; about 5 hours' use of one 100-watt bulb in whichever room I am in—I have a living room, bedroom, and a kitchen—and between 2 to 5 hours watching a black and white 12-inch television while listening to the radio.

Senator HEINZ. I am going to have to do something that I don't want to do. I am going to have to ask that we put the rest of your

testimony in the record and I'll tell you why. We have this panel of witnesses that have to be heard, and I am informed some of them have other things that they are committed to doing today. We have another panel after this panel, of course. But I guarantee that everything that your statement has to say will be part of our record.

Mrs. CARLYLE. May I write it more legibly? I did it this morning, and it is just handwritten.

Senator HEINZ. Absolutely.

Mrs. CARLYLE. I would like to do that.

Senator HEINZ. I think you are making an excellent case, and I hate to interrupt anybody who is doing so very well indeed.

Mrs. CARLYLE. Thank you.

Senator HEINZ. You have been doing extremely well in making your point. I do apologize to you but in order for everybody else to meet their commitments, I am going to have to ask the rest of your testimony be inserted in the record.

Mrs. CARLYLE. May I just say something about block grants?

At long last, I can say that when something is wrong, I know a better way. I was a computer specialist and, like you, sometimes I hate IBM. But it is possible for SSI recipients and people who are disabled to obtain a direct grant or a voucher, and it is a simple matter to write a program routine if you have any kind of documentation.

I had dinner with a man last night who could do it in a week—and you would not have to worry about States that do not know what they are doing or what the limits are and the people would be helped immediately.

With weather information, you could devise a formula so the amount of the grant could be kept to a minimum each month and it would be scientifically computed. I would like you to consider that, gentlemen.

Senator HEINZ. Thank you very much.

Mrs. CARLYLE. Thank you.

[Subsequent to the hearing, Mrs. Carlyle submitted the following additional statement:]

ADDITIONAL STATEMENT OF RUTH CARLYLE

The Public Service Commission in Florida allows automatic fuel adjustment increases periodically. I believe that the recently permitted \$7-a-month increase would mean we paid a \$12-monthly-fuel-adjustment increase in the last year in my area. That does not include the normal increases granted for inflation.

Can you tell me how much the utility rates will rise in the next 3 years? Then I could tell you what our needs will be? I can tell you that when we used less electricity in 1973—as our President asked us to in order to conserve energy—the utilities were granted an increase in order to maintain their profit margins. And I can also tell you that if I understand the charts I saw in fiscal year 1982 budget, those requests won't fulfill our needs at all.

We live a Spartan existence now. But in Sparta, imperfect infants were exposed to the elements to die. Do you propose to do that to the elderly now? Is that the "American way"? I think not.

For that reason I ask you all to reconsider, and to increase the allotment for the elderly poor and disabled. Senator Domenici, you chair the Senate Budget Committee. Please—I beg you to ask the committee to reconsider the needs of the elderly poor. Find some way to raise our income at least to the poverty level. Funds for grants-in-aid are too often dissipated by administrative costs. Give us at least a poverty level income each month and we will juggle our needs. If you manage that for us, we will crawl to Washington to give you a standing ovation.

If you let us down, and ask us to make sacrifices disproportionate to our ability and needs, then please enact a voluntary euthanasia law. It is better to die quickly with dignity, than by slow starvation and needless deterioration of health.

President Reagan has stated that the figures submitted in the budget are not inviolate. His commitment is to a balanced budget by 1984.

I leave you with this question: What shall it profit a Nation if it balances its budget and destroys its elders?

Thank you for your attention. Please be attentive to our needs.

Senator HEINZ. I would like to ask Mona Musser, who has come all the way from Millersburg, Pa.

STATEMENT OF MONA C. MUSSER, MILLERSBURG, PA.

Mrs. MUSSER. I have been on my way here since 6 o'clock this morning.

I am Mona Musser, and I am the widow of Benjamin Musser. My home is in Millersburg, Pa., a lovely rural town located on the beautiful Susquehanna River. This town is between two ranges of mountains, down in the valley, and we are just 27 miles from our capital city of Harrisburg.

We have 13 active Christian churches in our community, and the population is a little over 3,000 beautiful people.

I am happy to be here today because I have been wanting in some way, somehow, to express my appreciation for the wonderful things, and what it has meant to me to have the service of these two programs. The first check I got was \$300, first one year; and over \$300 this year toward my fuel cost, and my house was winterized in 1979; but in 1977 I used 900 gallons of oil. In 1980, after being winterized, I used 836 gallons. Of course, in the meanwhile, prices rose and, of course, there was little savings in that. But I was able to be comfortable with my thermostat up to 68° most of the winter, and it takes a little bit more to heat for the elderly.

I am very happy and honored to represent the aging in my community, for I am one of them, and have been for some time. In a few days, God willing, I will celebrate my 90th birthday. So you see, I have had so many calls regarding the winterization and also the fuel program. What a blessing it has been no one knows, but those who have experienced it, for it has been a big help to me, and the only reason that I can maintain my home, which I am still in alone, is because of these programs, because I feel that otherwise I can't do it.

Now, my income. In 1980, I had less than \$3,000. The oil cost for that year was between \$700 and \$800. So you can see how that helped me.

Now, the services I received were made available to me through the Upper Dauphin Human Services Center in Elizabethville, Pa., where the Dauphin County Agency on Aging and the Dauphin County Board of Assistance and the county weatherization program make their services available to citizens throughout our rural area. Those services were moved for our benefit from the Harrisburg area into Elizabethville to make it more easy for us to avail ourselves of those services.

Because of the phone service and of course being close by, we were able to reach Elizabethville a lot easier than we could Harrisburg.

The many services for the elderly are readily available through this center and the aging office which is housed there. My experi-

ence with these services have been quite satisfactory and helpful to me.

As I said before, the only reason I am able to stay in my home and enjoy it is because of these programs. I certainly thank you all very much and God bless you, and I hope you will not forget us in the future.

Thank you, Senators.

Senator HEINZ. Mrs. Musser, thank you very much. We are delighted to have you here.

Let me call on Jack Ossofsky of the National Council on Aging.

**STATEMENT OF JACK OSSOFSKY, WASHINGTON, D.C.,
EXECUTIVE DIRECTOR, NATIONAL COUNCIL ON THE AGING**

Mr. OSSOFSKY. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before you and the committee to continue a long pattern of such appearances over the years.

May I say, too, I appreciate the opportunity of sharing this panel with these distinguished citizens. I think we have heard testimony this morning, which I found enormously moving. It puts the reality of what we heard in the first presentation into perspective when compared with what we have just heard from the older people themselves.

I will submit for the record a formal statement and will deal with it in summary.

Senator HEINZ. Without objection, it will be made a part of the record.¹

Mr. OSSOFSKY. I cannot help but react to what I sense is a terrible fraud being perpetrated against older people in our country—the notion that the aged will go unscathed in the current budget cuts, that a safety net indeed exists. It leads people to overlook the reality of cuts in a multitude of programs including energy programs, and weatherization which will—as has just been so clearly articulated—affect older people in the most vigorous fashion.

The safety net, Mr. Chairman, is already under water and older people are being thrown to the sharks.

We cannot permit that to happen, and I urge that this committee do everything it possibly can through its present role of oversight, through its members' roles on other committees to continue the history of this distinguished committee in protecting the rights and meeting the needs of older people, and articulating their terribly important continuing needs.

I am moved by the fact that Mr. Stockman points out that 24.9 percent of the Federal budget is going to older people. Now he has been called on that particular figure before. It's not a figure that is new to this administration. We heard such figures from a past administration. It tends to take into account social security benefits, military pensions, a wide variety of services.

The reality of the facts are that if we were to look at what the Federal Government itself invests on behalf of the aged, more accurately—when we exclude social security benefits as we properly should—that figure is closer to 7 percent of the Federal budget.

¹ See page 77.

These kinds of figures provide the facade that is being erected that the elderly are somehow or other getting a disproportionate share out of the Treasury. But what we have just heard from these two distinguished Americans, certainly questions Mr. Stockman's statement that the result of the "increases" he is proposing is a "generous level of support for aged Americans."

I don't know how anybody can hear the testimony we have just heard and draw that conclusion or continue to support this kind of assertion, that is made time and time again. The reality of the fact is, gentlemen, that in the years 1978-79, the incidence of poverty went from 14 to 15 percent, among those over 65. It went from 3.2 million older Americans living in poverty to 3.6 million older Americans living in poverty. That is an increase of 400,000 older people of a total increase in the Nation of 700,000 people.

No doubt the energy price increases over the last period of time have been a major factor in pushing the aged back into poverty. The U.S. Department of Energy itself estimates that the average low-income household in our country, a third of which are headed by someone aged 65 or over, spent 21.8 percent of its income on home energy, more than four times the 5.1 percent for households of medium income.

Indeed, in addition to the income impact and not unrelated to it, is the whole business of the impact of the energy cost on the health of older Americans. A study just released by the Brookdale Center on Aging of Hunter College, New York City, indicates that as many as 2.5 million older Americans who are living in their homes may be high risk for hypothermia in the winter. Should we ask these people to lower their thermostats even further or raise them in the summer?

The same report went on to suggest that when confronted with a choice of heating or eating, fuel was often obtained at the cost of other essentials.

Our own organization, within its limited resources as a national private voluntary organization, has sought to combine its various programs and focus them in some modest way on these issues of energy. Our senior community service program, which employs middle-age and older workers, gives some examples of things we have sought to do:

Last year in Paintsville, Ky., older workers in our project weatherized 587 homes of elderly and handicapped persons.

Enrollees in New Jersey are undergoing training to bring them information about energy conservation to other older people.

In cooperation with the Tennessee Valley Authority we are helping to train senior aides as energy counselors in northern Alabama.

I will submit for the record some brief statements about those programs with your permission, Mr. Chairman.

Senator HEINZ. Without objection.¹

Mr. OSSOFSKY. In Scranton, Pa., they have been working installing storm windows and doors, calking windows, and later serving as inspectors for the work. This is just the beginning of an effort utilizing the resources we have, to draw attention to this issue.

Yet, the hurrier we race, the behinder we get. The Department of Energy estimates that between 1978 and 1981, low-income house-

¹ See Mr. Ossofsky's prepared statement, page 77.

holds will have lost at least \$14 billion in purchasing power due to the increase in household fuel costs alone. Older people, who own 20 percent of the Nation's housing stock, are being hit particularly hard. That housing for the most part was constructed in cheap-energy, pre-OPEC years and was, therefore, not as well insulated as the more recently built homes are. That era, of course, is over. Whether one agrees or not with the policy of elimination of controls on energy prices, that now is clearly the policy. Other governmental policies such as public utility franchises and pricing policies, interfere with the highly vaunted true "free market" forces.

At least during a period of adjustment to these new price levels, low-income people of all ages, but particularly the elderly, will need continuing assistance. And the framework for that assistance is in place. The largest component, the low-income energy assistance program, provided \$1.8 billion to assist poor families. The program has been reshaped by Congress for the fourth year in a row. It gives States greater discretion in the design of their programs and encourages coordination with existing conservation programs.

Additionally, outreach to older people eligible for assistance was provided for. The extent to which it has been created and actually achieved success remains yet to be determined.

We believe that without a quality blanket outreach program, history will repeat itself and the elderly will be the tail of a very long line.

We asked the Social Security Commissioner last year in drafting the LIEAP regulations to require each State to develop a major coordinated effort in that regard. Yet we do not know how well that program has done nor its companion the energy crisis intervention program. It is hard to get figures that show how older people have been served.

We just heard from someone from HHS telling us about the past difficulty of getting age figures, but about their availability in the future.

It is impossible, as this committee well knows, to determine accurately now the extent to which older people are being served by the title XX program. There has been no requirement for age-categorical reporting. Why should we suddenly believe it will appear now after all the attempts to get it in that program and in the energy assistance program? Without getting the data, without requiring such attention, there is no way to assure ourselves that the priority group that this committee is concerned with gets the attention it so deeply needs.

It may be of interest to you to get some estimates of what the New York State Office on Aging perceives to be the impact of some of the cuts proposed in the consolidation of LIEAP with title IV of the Social Security Act and creation of a not-yet-fully defined emergency human services program. Of course, here, too, we will find ourselves faced with a 75-percent lower total allocation. Somehow the legerdemain creates for us a magical combination of figures in which the sum of the totals will become 25 percent less than it is today.

Currently in New York State, 350,000 elderly households are expected to receive aid from the home energy assistance program,

at a total cost of \$75 million. The State office on aging feels that a 25-percent reduction in that program would mean 85,505 fewer elderly households in that State receiving energy assistance next year.

The figure does not take into account rising energy costs. In State after State where such an analysis is provided, similar experience can be found to exist. As to the weatherization program, our impression is that it is slowly but surely picking up steam, thanks to the changes induced by Congress to relax overly restrictive regulations. NCOA has attempted to coordinate some of these programs in weatherization by bringing together senior community service aides, local voluntary agencies, and others in this effort.

I think it is important to note, too, that the impact of rising energy costs hits first on older Americans but then with great vigor on the institutions and agencies created to serve them. Volunteers are less accessible and less available because of the cost to them of gasoline. The cost of heating or cooling a senior center is rising. The cost of delivery of home-delivered meals rises. The vast network of nutrition sites are paying increased costs for energy, for heating, cooling, and for the delivery of the food. Now that the availability of volunteers is being diminished because of the cost of energy, there is no concomitant increase in allocations to those programs developed under the Older Americans Act and others to close that gap. What we are finding is reduced services to older people by institutions that sought to provide a lifeline for them.

Can the programs be improved? First of all, they have to continue to exist to be improved, but we believe they can be improved. We can preserve the nature and identity of the energy assistance programs. Congress made the judgment only recently that decontrol of oil prices would bring hardships to low-income people and that that hardship should be alleviated with the use of increased Federal tax receipts engendered by decontrol. That principle needs to stand.

Similarly, I reiterate our own belief, from experiences going back for 25 to 30 years with such projects as Medicare Alert and Project Find, that strong coordinated outreach activity must be undertaken at the community level to assure that people who are entitled to services are aware of them and get them.

Obviously, we believe that efforts to target the energy assistance program to older people needs to be continued and reinvigorated, not destroyed.

Participation, however, differs so markedly from State to State, at least in the ECIP programs of the Community Services Administration, that we need to extract some examples of best practice data from the States, share that information, and develop better guidelines to make sure that those programs have an impact on older persons. It is also clear that there needs to be a link between the energy assistance programs, energy conservation programs, weatherization, household audits, consumer education, and appropriate technology services.

It may not be for the first time that this committee has seen it, but the Department of Energy's own fuel marketing advisory committee said last year about one conservation tool, weatherization:

The weatherization of a building to conserve 50 percent of space conditioning energy costing \$2,500, in 1980 dollars, could save roughly 55 million Btu's per year, which is the equivalent of roughly 10 barrels of oil. If the building stood for 20 years, a very conservative estimate, 1.1 billion Btu's, or the equivalent of 200 barrels of oil would be saved. At these levels of savings weatherization is a cheaper source of energy than any available production approach.

But we are urged to do away with weatherization which has both an economic impact for the stock of energy as well as a human impact on older persons.

Indeed, that committee estimates that weatherization of 1.1 million low-income homes over the next decade at a cost of \$2.2 billion a year, could save about 2-billion barrels of oil over the life of the homes. That works out to about \$11 a barrel, not a bad price for oil these days.

In other words, by weatherizing these homes we will end up saving dollars in the long run as well as lives.

According to the Department of Energy Committee, to bring home energy expenditures for families with low incomes into line with the norm would require about \$3.5 billion to \$4.6 billion for the 1980-81 heating season. By contrast, the administration asks for \$400 million less than the current year. To begin a weatherization program seriously intended to save energy for low-income people and for governmental programs would require about \$2.2 billion, as noted before. The administration proposed reducing the already inadequate \$182 million Department of Energy weatherization program to zero. "Try community block grants," they suggest, but aside from other claims on those funds, what about those not fortunate enough to live in metropolitan areas with 50,000 population?

Senator HEINZ. Jack, I am going to have to put the rest of your statement in the record.

Mr. OSSOFSKY. I understand, Senator. I appreciate the problem. Thank you for this opportunity to present this much of the statement.

[The prepared statement of Mr. Ossofsky follows:]

PREPARED STATEMENT OF JACK OSSOFSKY

Mr. Chairman and members of the committee, thank you for inviting me to share with you some of the views of the National Council on the Aging about meeting the energy needs of older Americans during the 1980's.

Thank you also for scheduling this hearing which will help focus attention on the extent of older people's energy needs, and the efficacy of efforts to address them.

Founded in 1950, NCOA is a national nonprofit organization. Its membership includes individuals, voluntary organizations, and associations (social, health, education, housing, religious, etc.), business organizations, and labor unions that are united by a commitment to the principle that the Nation's older people are entitled to lives of dignity, security, physical, mental, and social well-being, and to full participation in society. Those lofty goals are today imperiled on many fronts, but nowhere more dramatically than by the spiraling costs of all home energy. Over the last decade, energy prices have gone up three times as fast as the overall Consumer Price Index—and the extent of the CPI increase itself was due in substantial part to energy cost increases. The U.S. Department of Energy estimates that the average low-income household in America—more than a third of which are headed by someone age 65 or over—spent 21.8 percent of its income on home energy, more than four times the 5.1 percent for a household with medium income.

There could well be substantial health impact as well. According to a report just published by the Brookdale Center on Aging of Hunter College in New York, as many as 2.5 million older Americans living in their homes may be at high risk of hypothermia in winter. Should we ask these people to lower further their thermo-

stat settings? The same report went on to suggest "when confronted with the choice of 'heating or eating,' fuel was often obtained at the cost of other essentials."

NCOA has evidenced a continuing concern over these developments, and has focused several initiatives on energy-related projects:

Last year in Paintsville, Ky., older workers in NCOA's senior community service program (SCSP) weatherized 587 homes of elderly and handicapped persons.

SCSP enrollees in New Jersey are now undergoing training to allow them to bring information about energy conservation to other older people, and conducting energy audits.

In cooperation with the Tennessee Valley Authority, NCOA is helping to train SCSP enrollees as energy counselors in northern Alabama. More details about the Alabama and New Jersey projects are contained in an excerpt from NCOA's journal, "Aging and Work," attached as appendix B to this statement.

An SCSP enrollee in Scranton, Pa., worked with two crews of younger people installing storm windows and doors, calking windows, etc., and later serving as an inspector for such work.

These and similar efforts we have undertaken, Mr. Chairman, reflect our commitment and a certain amount of creativity, both on NCOA's part and on the part of those with whom we work in these initiatives.

Yet the hurrier we race, the behinder we get. DOE estimates that, between 1978 and 1981, low-income households will have lost at least \$14 billion in purchasing power due to increases in household fuel costs alone. Older poor people, who own 20 percent of the Nation's housing stock, are being hit particularly hard. That housing, for the most part, was constructed in the cheap energy, pre-OPEC era, and was therefore not as well insulated as more recently built homes.

To state a truism, that era is over. Whether one agrees or disagrees with the policy of eliminating controls on energy prices, that is now the U.S. policy. Other governmental policies—such as public utility franchises and pricing policies—interfere with true "free market" forces. At least during a period of adjustment to these new price levels, low-income people of all ages, but particularly the elderly, will need some assistance.

The framework for that assistance is already in place, as the committee well knows. The largest component, the low-income energy assistance program (LIEAP), provided \$1.8 billion to assist poor families. This program—reshaped by Congress for the fourth year in a row—gave States greater discretion in the design of their programs, and encouraged coordination with existing energy conservation programs. Additionally, outreach to older people eligible for assistance was provided for. NCOA believes strongly that, without a quality, blanket outreach effort, history will indeed repeat itself and the elderly will be at the tail end of a very long line. Indeed, we asked the Social Security Commissioner last year, in commenting on draft LIEAP regulation, to require each State "to coordinate outreach activities in such a manner as to insure maximum involvement of community agencies currently reaching members of the targeted population. . . . The elderly and handicapped would benefit particularly from this approach as a substantial number could readily apply for benefits through their access to services such as senior centers, elderly nutrition sites and home-delivered meals. This and similar networks serving other targeted groups, should be presented as a required approach for outreach activities."

As yet, Mr. Chairman, we do not know how well LIEAP, or its companion ECIP (energy crisis intervention program) served older people this winter. We do know that the weather was less severe than predicted, and for that we are grateful. We know that, in some States, increased discretion led to program changes that harmed older people. An area agency on aging director in Michigan, for example, recently told a Senate Labor and Human Resources subcommittee that his State had decided to require, as many States had previously done, that assistance be available only for unpaid utility bills. The participation of older Michiganites—who apparently share their age group cohort's abhorrence of unmet obligations—dropped from 48 to 16 percent.

As to the DOE weatherization program, our impression is that it is picking up steam, thanks to changes induced by Congress in overly restrictive regulations. NCOA has attempted to coordinate such efforts with other programs, public and private, linking materials to labor for home energy repairs, fuel assistance, private utility programs, etc.

I should note at this point the impact of rising energy costs upon institutions and volunteers, as well, which serve the aged. Senior centers are forced to cut back services to remain open; volunteers—while willing to serve when gasoline was 40 cents per gallon—stay home when gasoline reaches three or four times that price. As the director of one major midwestern senior center put it recently, "volunteers have always been the key to making a senior center function successfully. [But now]

the cost of volunteering has skyrocketed. Once upon a time driving a car was no big deal, but now that gasoline prices have soared, using one's car in volunteer service can be a major problem to a person on a limited income."

Can these programs be improved? Even before final results are in for the 1980-81 winter, we know the answer is yes.

First, we can preserve the nature and identity of the energy assistance programs. Congress made the judgment only recently that decontrol of oil prices would bring hardships to low-income people that should be alleviated through the increased Federal tax receipts engendered by decontrol. That principle stands. Similarly, I reiterate NCOA's belief, based on our own experience with Project Medicare Alert and Project Find, is that strong outreach activity will be needed even more. That belief was recently reinforced by an Urban Institute study of Federal housing repair programs, which found—"The way that program outreach is performed and the level of careful, personalized attention provided at other stages of program involvement (especially application, eligibility determination, and actual work performance stages) [is] key in determining elderly participation."

Obviously, we believe that efforts to target energy assistance to older people need to be continued, reinvigorated. Participation rates vary so markedly from State to State, at least in the ECIP programs of CSA, that we also need to extract some "best practice" data from States' reports and other sources, to minimize the negative impact of geographical happenstance on the likelihood of an older person being able to receive assistance.

There is also a clear need to link energy assistance programs more closely with such energy conservation programs as audits, weatherization, consumer education, and appropriate technology services.

Permit me to bring to the committee's attention, even if not for the first time, what DOE's Fuel Marketing Advisory Committee said last year about one such conservation tool, weatherization: "The weatherization of a building to conserve 50 percent of space conditioning energy costing \$2,500 (in 1980 dollars) could save roughly 55 million Btu's per year, which is the equivalent of roughly 10 barrels of oil. If the building stood for 20 years, a very conservative estimate, 1.1 billion Btu's or the equivalent of 200 barrels of oil would be saved. At these levels of savings weatherization is a cheaper source of energy than any available production approach."

Indeed, the committee estimates that weatherizing 1.1 million low-income homes over the next 10 years at a cost of \$2.2 billion barrels of oil over the life of the homes. That works out to about \$11 a barrel, not a bad price these days.

NCOA has been promoting all of these conservation techniques, as I mentioned above, but our resources are limited. We would be pleased to work with the committee to develop legislative or programmatic initiatives along these lines. Any such coordination effort should make maximum use of State and area agencies on aging, which are charged with planning and coordinating responsibilities, and senior centers, which are the most common focal points for social service delivery.

As to the resources needed to meet the needs of elderly and other low-income households, they will be substantial. To bring home energy expenditures for these families into line with the norm would require, according to the DOE committee, would have required from \$3.5 to \$4.6 billion for the 1980-81 heating season. By contrast, the administration asks for \$400 million less than for the current year. To begin a weatherization program seriously intended to save energy costs for low-income people—and for governmental programs assisting them in paying their bills—would require about \$2.2 billion, as noted above. The administration proposed reducing the already inadequate \$182 million DOE weatherization program to zero. Try community development block grants, they suggest; aside from other claims on those funds, what about those not fortunate enough to live in metropolitan areas with 50,000 population?

One other major area of impact, particularly in weatherization, are the proposed cuts in CETA jobs. Many of the NCOA efforts, and those of other national and local groups, have utilized CETA public service employees, often young untrained workers, to perform the weatherization under the supervision of a retired carpenter, for example, supported by SCSP funds. Eliminating those jobs eliminates the potential for such collaboration. NCOA also developed a "senior home security program" in St. Louis, Mo., under which older workers provided insulation and other energy conservation improvements. The local utility trains the enrollees, and bills householders for materials through their monthly statements over a period up to 3 years. Labor costs are met through CETA title III, which, under the administration proposal, would be virtually abolished.

Mr. Chairman and members of the committee, it has taken 8 years to get into place these minimal responses to the energy needs of low-income people of all ages.

While some pieces of the puzzle are too new to yet be declared successes, we know that their demise will not help. The market mechanism cannot be expected to respond to fill this gap. As a knowing and forceful participant in national energy pricing policy, the Federal Government cannot walk away while heat exhaustion or hypothermia silences those who would protest.

Thank you very much.

APPENDIX A

NCOA 1981 ANNUAL CONFERENCE ENERGY QUESTIONNAIRE

Participants at an energy-policy workshop at NCOA's annual conference held March 29 to April 1, 1981, in Nashville, Tenn., were asked to react to a number of assertions about national energy policy. They were given the following choices: Strongly agree, agree, no opinion, disagree, and strongly disagree.

Although the sample size was very small (20 to 25 responses per question), they represent the opinions of practitioners and others concerned about the energy needs of older people, and are offered for appropriate use by aging advocates, policy-makers and others.

[Figures in percent]

	Agreed or strongly agreed	Disagreed or strongly disagreed
The Nation's energy problems will be solved primarily by the American people themselves—by consumers, workers, managers, inventors, and investors in the private sector—not by the Government	29.4	70.6
Energy policies which assume private sector solution without Government intervention tend to cause severe adverse impact upon the elderly—impact which is more adverse upon the elderly than upon other age groups	83.3	1.1
The Government's role is to establish sound public policies, based on economic principles, national security concerns, and a due regard for environmental values, so that individuals and firms in the private sector have the incentives to produce and conserve energy efficiently, consistent with the national interest.....	73.7	1.5
The Government's role is not to select and promote favored sources of energy. Doing so risks wasting the Nation's resources	31.6	52.6
The Federal Government is responsible for adverse impacts upon American citizens caused by its policies. DOE, in formulating NEP-III, is therefore responsible for assessing—and avoiding or alleviating—adverse impacts upon the elderly which may be caused by its energy policy initiatives.....	85.0	
Formulation of energy policy must be sensitive to the needs of the poor. But energy policy should not be used as an income transfer program. For example, holding energy prices down for rich and poor alike is an ineffective way to help the poor.....	57.9	31.8
Federal public spending for energy purposes should be limited to those areas where the private sector is unlikely to invest sufficiently, such as high cost, long leadtime technologies with substantial prospects of high payoff. Public spending should not be used to subsidize domestic energy production and conservation since this buys us little additional security and diverts capital, workers, and initiative from more productive uses elsewhere in the economy.....	33.3	40.0
As a group, the elderly are uniquely threatened with major health risks when energy prices rise sharply in a free market economy.....	95.0	
The design of current Federal programs providing emergency energy assistance and weatherization to the elderly and others is effective and should be retained	70.6	23.5
The U.S. Government should also take steps necessary to deal with potential disruptions in world oil markets. These steps include increasing strategic petroleum stocks and eliminating controls on oil which discourage the private sector from dealing with disruptions effectively.....	50.0	35.7
Having already exhausted their known range of available actions, many elderly and poor cannot lower present levels of energy use without outside assistance	100.0	
The most cost effective form of Government energy assistance serving the needs of the elderly would be the efficient delivery and installation of devices, and provision of information, which permanently reduce residential energy consumption. Without such assistance, emergency payments must be continued indefinitely.....	80.0	
The level of oil imports per se is only a rough indicator of the Nation's progress in solving its energy problem. The welfare of the American people is inextricably linked to that of people in other countries, so that the United States cannot insure its own security by a reckless attempt to eliminate imports	57.1	35.7

[Figures in percent]

	Agreed or strongly agreed	Disagreed or strongly disagreed
In addition to severe adverse impacts disproportionately affecting the elderly, free market energy policies also curtail vital institutional activities provided by business, local government, and the voluntary sector which are needed by the elderly.....	54.5	18.2
Energy is an international issue and so the American people have an interest in seeing that other countries establish sound energy policies.....	86.7

APPENDIX B

[From Aging and Work, Winter 1981]

CURRENT EMPLOYMENT PROGRAMS

NCOA/TVA SENIOR ENERGY COUNSELOR PROGRAM

(By Joanne Brodsky, NCOA/SCSP Program Assistant, and Warner Robinson,
NCOA/SCSP Special Projects Coordinator)

The idea for the NCOA/TVA senior energy counselor program grew out of a January 1980, meeting of representatives of various Tennessee Valley Authority (TVA) offices, NCOA and the director of the Huntsville, Ala., senior community service project ([SCSP] sponsored under the senior community service employment program/SCSEP/title V of the Older Americans Act). The meeting was called to develop strategies for increasing the numbers of low-income and older people taking advantage of such TVA energy conservation services as home energy audits, interest-free weatherization loans and conservation education. Though citizen response to the programs has generally been high, elderly and low-income participation levels appeared less than adequate.

A plan emerged to train and employ title V enrollees and other older workers as energy conservation counselors to seek out low-income and elderly persons within their communities. Such a model was based in part on an SCSP fire prevention program already proved successful in several communities.

Senior Energy Counselor Role Defined

Key elements of the senior energy counselor job were to:

Supply information about TVA energy conservation services to individuals and groups.

Visit individual consumers to explain and arrange for necessary TVA conservation services such as home audits, do-it-yourself repairs, low-cost loans, etc.

Serve as liaison persons between consumers and TVA audit personnel to make preliminary home inspections, further explain audit recommendations, answer questions, supply additional information, etc.

Conduct presentations at meetings attended by older persons to alert them to available services and assist them in their use.

Make appropriate referrals to other TVA, community, and social services such as fuel payment assistance and food stamps.

The program was organized so that senior energy counselors would utilize a TVA power distributor's office as their base of operations. Resistance to the program's concept and to the use of older workers on the part of some power distributors resulted in only two locations' participation in the program's initial phase. Though this was deemed adequate for testing the approach, it was clear that more extensive advance education efforts aimed at the power distributors should be undertaken before future program expansions.

The senior community service projects (SCSP's) in Huntsville, Ala., and Gainesville, Ga., became demonstration sites for the program, with each assigning approximately five enrollee positions to area TVA power distributors. Applicant recruitment and initial screening was done by the position's supervisor at the TVA power distributor. Final selection of senior energy counselors was decided jointly by the TVA supervisor and SCSP director.

Power distributor staff orientation to the purposes and operation of the demonstration project, to SCSP and to special aspects of working with older people was

provided by TVA and local SCSP representatives. Power distributors were responsible for providing space, supervision, and support to the senior energy counselors assigned to them.

Energy Counselor Training Given

A comprehensive 32-hour training package for energy counselors and their supervisors was developed and delivered jointly by NCOA and TVA. The objectives of this training were to:

Acquaint senior energy counselors with the work of the energy auditors and enable them to clearly distinguish between the role of the auditor and counselor.

Familiarize senior energy counselors with the technical aspects of the energy audit and of the TVA home insulation program.

Enable senior energy counselors to develop skills in both initiating and maintaining contacts with elderly consumers.

Attending the training were nine senior energy counselors, one SCSP director, power distributor staff, and TVA and NCOA personnel. Teams of TVA and NCOA trainers developed and delivered the sessions. Techniques included lectures, small group discussion, role playing, simulation games, and practice activities, with most supplemented by audiovisual materials.

The training was presented in two residential sessions held during succeeding weeks at Guntersville State Park, Ala. To facilitate participant travel to the training site, the schedule began with an afternoon session, continued through the following full day and concluded on the morning of the third day, for a total of three full training days. Topics included both technical home energy conservation aspects and outreach, communication, and helping skills.

Though the program has experienced minor problems during its initial phase, it can be characterized as successful. Difficulties have largely centered around the need to thoroughly orient the power distributors to the program to insure their full understanding and support of its intent. As previously mentioned, only two power distributors were judged to have responded adequately to the initial program discussion; but even their performance turned out to be somewhat less than hoped for in terms of providing full support and adequate supervision to the senior energy counselors in their charge. The power distributors' tendency to confine the counselors to office tasks rather than permitting them to fully implement their public contact roles, for example, prompted one of the original counselors to resign.

While the level of outreach the counselors perform is increasing, the majority of counselor effort during this phase has centered on responding to inquiries, providing conservation and TVA assistance-related information and initiating contacts with known elderly customers. The counselors have proved themselves useful to both the power distributors and the community-at-large in these efforts and have displayed potential for an increased role in energy conservation efforts.

Efforts To Be Expanded

The actual success and further potential evidenced in this program have prompted both NCOA and TVA to seek additional funding for expanded efforts in the area of energy and the elderly. NCOA, for example, through a grant from the Department of Education's Consumer Education Office, will focus on the northern Alabama TVA territory as one of two demonstration sites in a community energy education program designed to increase public and private utility awareness of the unique home energy conservation needs of the elderly.

Efforts in the TVA area will be aimed at inviting a broad spectrum of community agencies to join a community coalition to conduct energy education activities on behalf of older persons. Participating agencies will include TVA and other utility providers, SCSEP sponsors, community action agencies, service providers, aging groups, and other interested parties. The outcomes of these efforts will be documented to facilitate replication of the concept throughout the country.

NEW JERSEY STATE SENIOR ENERGY CONSERVATION PROJECT

(By Gus Greymountain, NCOA/SCSP Field Representative)

In winter 1981, conservation has taken on a new significance for residents of the State of New Jersey. As recently reported in the national media, water supplies have been short, with northern New Jersey running water hoses across the river into New York City to ease its shortages. The Delaware River was so dry that the annual celebration to observe, through reenactment, George Washington's famous crossing of that river was canceled.

An international trade agreement has been announced between Canada and the United States. A major pipeline will be established to pump natural gas to American consumers. The cost per unit is projected to increase 3 to 400 percent by the time construction is completed. That translates into extensive increases in energy costs to be paid by consumers as well as agencies and service providers. Federal program assistance could very well one day be tied to energy efficiency. (Example: To qualify for weatherization program resources, should an energy audit be required?)

In reference to limited national resources, New Jersey citizens have voted extra money for energy conservation, and the New Jersey Department of Community Affairs, Division on Aging, under director James Pennestri, has established energy conservation as a priority.

NCOA has been administering three senior community service projects (SCSP) in the State—funded under title V of the Older Americans Act through the Office of National Programs, Employment and Training Administration, U.S. Department of Labor—that focus on the creation of community service employment for older workers.

A program goal that has taken on increased significance is the “unsubsidized placement” of greater numbers of older workers assisted by the act. (New Jersey’s unemployment rate has increased as a result of automobile plant closings, and the already tight job market does not offer much hope for job development within the traditional labor market.)

Project Began With Funding

In the fiscal year 1980-81 budgetary process for the three New Jersey SCSP projects, the amounts requested and approved did not utilize the State’s total allocation, in effect creating an undesignated portion of program dollars for the fiscal year. Donald Davis, national director of the NCOA/SCSP project, Warner Robinson, NCOA special projects coordinator, and Gus Greymountain, New Jersey field representative, discussed use of the project dollars with the above-mentioned concerns as major considerations. It was agreed that a title V short-term project be explored that would have energy conservation as its focus.

The project should have several outcomes: Jobs for older workers and, at the same time, provision of a needed and *timely* community service. If organized accordingly, the effort could elevate the profile of older workers in a positive framework: Business and community education.

With this mandate, a survey was made of energy and older workers’ activities. The New Jersey Institute of Technology was identified as having been extensively involved in training public school and university administrators, public health-care managers and building overseers to conduct energy audits of their facilities. The trainees also had to compare the energy use in their buildings to that of an idealized computer model of each building’s most efficient energy use.

Especially impressive were the center’s innovative approaches to technical skills training. Perhaps the biggest departure from “standard” technical training was the introduction of a highly interactive case study/simulation. Institute staff had the experience of developing and conducting the training around the State of New Jersey 25 times to more than 2,000 trainees, which yielded vital expertise in structuring and performing technical task training. It was discovered that individuals offering very different levels of education and responsibility can be effectively trained together; it merely requires planning and imagination.

Demonstration Project Developed

Once the training institute was identified it was a simple procedure to develop the concept and organize the project, and the NCOA/SCSP subgrantees in New Jersey began preparations for a unique demonstration project with significant ramifications for the State’s older residents. An agreement was completed with the New Jersey Institute of Technology, Center for Technology Assessment, to provide special training in the area of energy conservation, specifically energy auditing, to selected title V enrollees.

Completion of the agreement represents several months of coordination and cooperation from all those involved. The four primary participants are the State of New Jersey Department of Community Affairs, Division on Aging; United Progress, Inc. (UPI); Hoboken Organization against Poverty and Economic Stress, Inc., and the New Jersey Institute of Technology. The subgrantees were represented by the project directors; concerns were shared, and objectives established.

The 6-month demonstration project period will continue from January 1981 through June 30. The training format will consist of 5 days of residential training. It is expected that some 30 persons will be trained.

The New Jersey Institute of Technology has agreed to grant recognition to the successful trainees completing the training through certification and appropriate credit.

The 1-week residential training will initiate the demonstration project. The training schedule briefly outlined is: Day I—basic instructions, definitions, simple calculations, simple audit form; day II—simple audit form, computer model; day III—computer model; day IV—field case study; day V—analysis of field audit, critique of case study. There will also be a special orientation training session for the three SCSP project directors and their selected staff.

Trainees Organized Into Teams

The plan is to organize the trainees into 10 teams. An intern from the Institute of Technology will supervise each team and will conduct two audits weekly. Audits will include senior facilities and worksites as well as private homes. In addition, institute staff and faculty will be available 1 day a week for technical assistance and professional support in supervision and management.

The NCOA field representative is facilitating the organization of a project steering committee to include representatives of the New Jersey Institute of Technology, New Jersey Energy Commission, industrial and utility companies, government agencies, and the three SCSP project directors. The committee will have three primary purposes: Job development; public relations, and business and community education.

Another project objective is a "private sector thrust," by which the potential for establishing minority businesses in the energy conservation field will be explored; resource organizations such as the Small Business Administration will be consulted. Trained senior workers will comprise the minority group. The successful establishment of senior businesses is the epitome of unsubsidized placement and a direct private sector economy stimulus.

In this energy-conscious age, the prospects for jobs in the energy field are high. The New Jersey project directors in title V will follow through with job development and placement of enrollees having the required skills.

Senator HEINZ. Our next witness is Jane Brown.

STATEMENT OF R. JANE BROWN, ST. PAUL, MINN., ENERGY ASSISTANCE PROGRAMS DIRECTOR, STATE OF MINNESOTA

Ms. BROWN. Thank you, Mr. Chairman.

I appreciate this opportunity to be here this afternoon. I am greatly encouraged by what I have heard so far in your line of questions and the statements made, especially in the area of the importance of weatherization.

My statement has been prepared and has been submitted. I would appreciate it if you would enter it for the record.

Senator HEINZ. Without objection.¹

Ms. BROWN. I will try to summarize quickly the main items in the statement. In the interest of what I have been hearing so far, I think I could best serve the purpose of this hearing by explaining how Minnesota's program has progressed over the last few years.

We started 5 years ago with a very small weatherization program funded through the Community Services Administration. A couple years after that, energy assistance started, again on a very small level, and for the most part it dealt only with crises.

Last year was the first year we had adequate funding both in weatherization and in energy assistance, the energy crisis assistance program brought enough money to Minnesota so that we could assist with households other than just paying overdue bills or preventing disconnections of services. Under that program we

¹ See page 86.

served 100,000 households, 50 percent of which were headed by elderly persons.

The low-income energy assistance program, although at first difficult to figure out with the new regulations provided, is very much a continuation of last year's program in that we continued to serve households through vendors. We continued to do it through an application process. All of those who would be categorically eligible, such as those receiving supplemental security income, are notified of the program and a shortened application process is provided for them.

One of the reasons we feel that the energy assistance program is particularly effective in Minnesota is because of the combination of programs; energy assistance and weatherization together make sense. To continue to put heat into a house which is not insulated, where there are broken windows, where there are leaks around the windows, does not make sense.

When a household applies for energy assistance, they are immediately—as part of the application process—asked whether or not their home has been weatherized and if so, to what degree. If it has been sufficiently weatherized, fine; if not, there is a continuation of the application process which is the weatherization application.

During the last couple of years there has been tremendous growth in our productivity in the State weatherization program. We are currently weatherizing 22,000 houses a year. This is with the combination of Federal and State money.

Senator COHEN. Excuse me, how much per household does it cost you to weatherize? What is the average cost to weatherize a home?

Ms. BROWN. Right around \$1,200 per house is the average. Again, that is a combination of State and Federal funds.

Senator COHEN. Thank you.

Ms. BROWN. So far we have weatherized 37,000 houses. Using the 1980 energy crisis assistance program figure of 100,000 households as our eligible population for weatherization, we have 63,000 houses left to weatherize in order to feel that we have served that low-income population. This could be accomplished in 3 years if funding were to continue.

Another program we have available to us this year is the energy crisis intervention program, also through CSA. This has allowed us to do a number of educational and information community activities, but I think most significant under that program is what we are doing with supplemental energy sources in Minnesota.

A number of community action agencies have started using solar panels attached to the south side of a home which will heat those adjacent rooms or else they can blow heat into a basement allowing the heat to rise throughout the house.

This greatly reduces the heat requirements on sunny days, and certainly a bit on cloudy days. In Minnesota we have a very high number of Sun days despite the extreme cold weather, so solar makes sense to us.

In other States I know they are doing a variety of other supplemental energy activities.

Again, our aim is not just to pay the bills of the household, but to weatherize their dwellings, keep the heat in and then to cut

down on the need to produce heat by using these supplemental renewable energy resources.

We would like to be able to continue this combination of programs and expand on it. Therefore, I ask that you allow us flexibility in design of the program.

However, I encourage you to put requirements in the law to target elderly and the handicapped, those people without options. Also to require weatherization activities in those States that are high-energy users.

One of the things that we have found out over discussions with State legislators and, of course, with our congressional Members is that there is so frequently the opinion expressed that low-income programs are a drain on our society and a drain on our economy. We feel that a properly run, and properly administered energy assistance program can turn that around. We are enthusiastic about some of the research we are beginning to do in Minnesota as to the payoff period of weatherization and installation of supplemental renewable resources.

We have found that a well-planned program which allows us to make use of everything available to us in our State will indeed reduce the increasing need for energy assistance over the years. It will reduce the consumption of energy, especially imported oil, and thereby it will reduce the national deficit in trade and keep our money back home.

In turn, this is going to increase dollars available within our own national economy, which will in turn promote more employment, which then provides an increased tax base and greater tax revenues.

So if we look at this program in a positive sense rather than in a negative way, rather than as a necessity, but if we start looking at it as an opportunity to make some changes in the economy and in our energy usage, I think that we will best serve the interests of this country and its disadvantaged citizens.

In summary, I want to again state that we ask for flexibility in the program, allow supplemental heating, and that you do authorize and fund weatherization. Ideally it would be in the same block grant so that we can coordinate right away from the Federal and State levels. We need to have the proper funding to support the activities above and to do all of this in a timely manner. If we are able to start planning immediately we will have a much better program next year than we do this year.

Thank you.

Senator HEINZ. Thank you very much.

[The prepared statement of Ms. Brown follows:]

PREPARED STATEMENT OF R. JANE BROWN

The purpose of this testimony is to stress the importance of allowing States flexibility to develop an energy assistance program that will best serve each State's low-income residents and to provide a strategy that will lessen the increasing need for energy assistance, thereby aiding national economic recovery.

STATE FLEXIBILITY

Minimal Federal regulations and broad flexibility will enable States to tailor the delivery of an energy assistance program to the needs of their low-income populations. Each State must be given authority to administer a program that will meet

the energy needs of its low-income residents and make the best use of the State's energy resources.

It is difficult to argue that an energy assistance program which only pays energy bills is anything more than an income transfer program. Energy assistance without provision and funding for weatherization and supplemental renewable energy sources merely camouflages the problems of consumption and cost that will only compound in future years.

Energy assistance is literally vital to the life and health of many low-income families, but it is inefficient merely to pump energy assistance into a home that has virtually no insulation in the walls, cracked or missing storm windows, and no weatherstripping around doors. States must provide financial aid to households to prevent termination of the delivery of energy while applying a variety of weatherization/conservation measures to reduce consumption.

It is shortsighted to ignore the growing availability of quality low-cost supplemental renewable energy sources. For example, supplemental wood stoves, solar panels, and oil burner retrofitting would lessen the impact of the high cost of energy on low-income households and reduce the need for future Federal assistance.

There must be authorization for States to use Federal funds in a combination of the efforts described above. And there must be the assurance of a credible, effective delivery system with adequate funding to fulfill the intent of this ambitious program.

In Minnesota, 26 community action agencies and two county operated programs have weatherized over 30,000 low-income houses with Federal Department of Energy funds since 1978. Before that time, another 7,000 houses were weatherized through the Community Services Administration (CSA) programs. A conservative estimate indicates that this activity has reduced the cost of energy consumption by \$4 million for the current heating season. The available Federal funding for weatherization activities will continue through August 1981; after that date, all Federal and State weatherization funds in Minnesota will be exhausted. There is no Federal funding proposed to continue the program. In 1979-80, 100,000 households, 50 percent of which were headed by persons over age 60, received energy assistance in Minnesota. These households are also eligible for weatherization, which provides the basis for projecting that 63,000 low-income houses remain in need of weatherization. With our current production rate of 22,000 houses per year, that eligible population could potentially be served in 3 years.

It is currently proposed that the Department of Housing and Urban Development community development block grants (CDBG) program will take over the delivery of low-income weatherization services. However, nationally, 80 percent of CDBG funds go to urban areas, 20 percent are awarded to rural communities. Cities are not in the business of delivering low-income weatherization services—there is no history of direct assistance to low-income households in this area.

The sad reality is that the defunding of CSA, and thus the potential disappearance of the community action agency proven delivery system, paired with the elimination of the low-income weatherization program, will leave two deterrents to effective energy assistance. For Minnesota, it will mean the return to the bill paying, "Band-Aid," approach to assistance lacking a conservation component. And it will necessitate reliance on a welfare agency delivery system—a system that many elderly persons (our target population) refuse to use.

The State of Minnesota, aided by its strong commitment to local involvement, has taken the initiative to establish funding priorities for energy assistance/weatherization programs for low-income people. This commitment for the biennium ending June 30, 1981, includes weatherization, \$12 million; energy assistance, \$6 million; and economic opportunity grants to community action agencies, \$3 million. The State has mobilized their energy efforts in partnership with the Federal Government. Now the Federal partner is withdrawing, and State money is not sufficient to continue this needed commitment.

Minnesota proposes that the Federal responsibility is threefold: to afford the States flexibility in program planning with minimal Federal guidelines; to authorize the use of funds for weatherization and supplemental, renewable energy conservation measures; and to appropriate a Federal budget for the Energy and Emergency Assistance Grants Act that will support the continuation of low-income weatherization in addition to energy assistance.

ECONOMIC RECOVERY STRATEGY

Minnesota offers a recommendation for a national policy on energy assistance which has the potential to reduce the increasing need for energy assistance dollars, decrease energy consumption, and reduce the deficit in trade. This in turn will

increase the dollars available within the national economy to promote more employment, an increased tax base, and greater tax revenues.

This ambitious statement can be best supported by the following example of what could be done with an energy assistance/weatherization program which allows for supplemental conservation measures in lieu of or in addition to payment of bills: A household could receive a \$1,200 oil furnace which would reduce energy consumption amounting to \$221 per year, therefore paying for itself in 5.4 years. The \$1,200 investment and \$221 spent in the local economy would increase tax revenues, resulting in a payback period of less than 3 years.

Weatherization in the form of attic insulation would have a similar effect. A \$925 investment in attic insulation would reduce fuel oil consumption by \$184 per year for a payback period of 5 years. Indirect increases in tax revenues would further decrease the payback period.

In 1980, the energy assistance program spent an average of \$7.52 per million Btu on oil-heated houses. At that price, it would have been cheaper to install home biomass burners, which cost \$6.14 per million Btu, including fuel costs. If we include the effects of inflation over the next few years, it would also have been cheaper to install a wind system, which costs \$8.95 per million Btu, not including tax credits.

In Minnesota, passive solar is another logical supplemental heating source due to our extremely cold but sunny winter weather. In the winter months from October 1 to April 30, Minnesota receives solar radiation almost equal to that of Washington, D.C. (In Langleys, 1,729 for Minnesota, and 1,871 for the District of Columbia.)

The evidence of savings to low-income households when weatherization/conservation measures are taken is overwhelming. The energy, especially imported oil, savings is obvious. The impact on the economy is as impressive and, therefore, must be understood.

For every \$1 exported out of our economy for the import of energy there is a loss of \$1 in Federal tax revenues after 4.2 years because this \$1 is not spent and circulated within our economy. It should also be noted that an increase in State and local taxes will increase in almost equal proportion to the increase to Federal tax revenues.

For every \$1 returned to circulation in our economy through the conservation of energy the Federal Government receives 24 cents each year this \$1 remains in our economy. Therefore, for each Federal tax dollar used to conserve \$1 of energy, an additional \$1 in tax revenues is generated in 4.2 years. This results in the Federal Government receiving complete payback for its investment for energy conservation in 4.2 years without considering the additional payback in reduced assistance needs.

This principle which applies to the conservation of energy in increasing tax revenues through the reduction of energy imports also applies to the domestic production of alternative energy sources by reducing our dependence on foreign energy.

The combined energy assistance, weatherization, and conservation program outlined above will potentially have a positive effect on the entire energy dilemma, allowing this country to regard Federal low-income energy assistance as an investment in the economy rather than a burden on tax dollars.

Senator HEINZ. Mr. Gillispie.

**STATEMENT OF PHILLIP H. GILLISPIE, EXECUTIVE DIRECTOR,
SCHENECTADY, N.Y., COMMUNITY ACTION PROGRAM, REPRESENTING NATIONAL COMMUNITY ACTION AGENCY EXECUTIVE DIRECTORS ASSOCIATION**

Mr. GILLISPIE. Mr. Chairman, I also appreciate the opportunity to appear before the committee, and the only regret I have this morning is that Mr. Stockman was not here to hear the eloquent and, I think, moving testimony of Mrs. Carlyle and Mrs. Musser. I want to submit for the record, along with supplemental documents, my statement and try to highlight from my prepared statement¹ only the items that have not been covered by other witnesses.

As you know, I am particularly concerned about the issue because I now live in the hometown of Frank and Katherine Baker, who, at the age of 93 and 92, respectively, were discovered frozen to

¹ See page 91.

death on Christmas Eve, 1973, by their grandson who was home on military furlough. This tragedy occurred because the local utility disconnected their service due to nonpayment of a bill. The numerous deaths and injuries that have occurred subsequent, for the same cause, throughout the United States, point to the severity of the problem we are discussing.

In 1964, the Economic Opportunity Act became law and with it the Federal Government became committed to a number of principles which seem innocent enough when stated, but are quite far reaching when put into practice.

This landmark piece of legislation, now the Community Services Act of 1974, provides the legal basis for the creation and maintenance of community action agencies and states in its preamble: "It shall be the policy of the United States * * * that every citizen shall have * * * the opportunity to live in decency and in dignity."

While we have long recognized that food, clothing, and shelter are human rights, we have been slow to admit that these rights are now being denied many elderly Americans. One of the primary reasons for this deprivation is rising energy costs. While it is necessary for this Government to reaffirm these rights, it is now clear that we must add to that list of human rights, the right to heat and light.

The impact of rising energy costs on low-income Americans, 1 in 5 of whom are elderly is quite staggering. Then I mention three sets of facts, and I will omit the first two because they have been alluded to in other testimony.

The third fact which I think is worth noting and demonstrates the impact of rising energy costs is, the second largest utility in New York, Niagara Mohawk Power Corp., recently reported that 88,000 of its 1.3 million customers were at least 60 days behind on their payments as compared to 76,000 last year. This delinquency rose from \$7.5 million last year to \$11 million currently. That illustrates the scope of the problem. People cannot pay for their home heating.

In addition to the well-known programs of energy assistance and weatherization, there are numerous projects that also provide essential services to the elderly as they seek to cope with the problem of rising energy costs.

You have received testimony about the hypothermia project and I am submitting information for the record on that project and its effectiveness.¹

In contrast, projects such as hypothermia, which a number of people have referred to, along with low-income energy assistance and weatherization, were projects begun by CSA and began field operation in the CAA's nationwide.

In contrast to maintaining the current Federal structure the administration has proposed State block grants as a method of responding to the impact of rising energy costs on the poor. Block grants deserve careful scrutiny and I would like to make three points concerning them, and again I have submitted additional information with regard to block grants for the record.²

¹ See appendix 2, item 5, page 213.

² See appendix 1, item 5, page 132.

First, the role of the Federal Government in establishing uniform standards of service for responding to national problems, national decisionmaking as to how Federal tax dollars are to be spent, is virtually abandoned.

Second, States are not notable for effective handling of such problems. An example of this in New York State is how it has handled weatherization programs which are federally funded, with slow distribution of funds that have frustrated Federal policy.

In New York we have a Home Insulation and Energy Conservation Act, called HIECA. I would like to submit to you a comprehensive study dated March 12, 1981, by the NYPIRG Citizens Alliance which examines in depth the facts and figures of this method of encouraging weatherization. The title of the report is a cogent summary: "A Drop in the Bucket."¹

It explains how utilities drag their feet when it comes to implementing a policy that will ultimately reduce their volume of sales of gas and electricity. Block grant proposals seem to assume that States know what they are doing. This report contradicts this assumption eloquently.

Third, State-run programs cost more. As you have noted, under the administration's plan there is no limit on administrative costs. History shows that State administrative costs are higher. Also the uneven nature of the planning capacity will mean that most States will spend money to meet short-term needs such as energy assistance rather than invest in long-term solutions such as weatherization.

In short, the State block grant approach is a cruel recipe for increased national catastrophe.

Current law states that increasing energy costs pose a threat to the life, health, and safety of older Americans, that it is likely to get worse, and that the factors are beyond the control of those affected. Yet, the only concrete proposals currently under consideration are elimination of special projects like the hypothermia projects previously described, de facto elimination of weatherization, and serious cutbacks in low-income energy assistance.

To the members of this committee I raise an urgent plea: be realistic. At least take the following minimal steps to insure that the Federal Government does not retreat even further from its commitment to the right of the elderly to live in decency and dignity:

First, reauthorize the Community Services Administration through the extension of EOA of 1964 as amended, a revised section 222(a)(5) titled "Energy Crisis Prevention Services." This section can provide the authority for both weatherization and energy assistance, as well as provide the critical link between the two programs.²

Second, appropriate not less than \$1.85 billion for the home energy assistance program, and that is not an increase, that is actually a decrease.

Three, appropriate a minimum of \$100 million for the CSA portion of Energy Crisis Prevention Service for such activities as

¹ See appendix 1, item 6 page 133.

² See appendix 1, item 7, page 147.

hypothermia, alternative energy, and crisis intervention. This year the HEAP program contained \$89.5 million for CSA.

Fourth, appropriate not less than \$400 million for the low-income weatherization assistance program. Again, considering the cut in CETA, that is an actual reduction.

While these steps are small, they will at least maintain a semblance of Federal commitment to solving the problems of the elderly.

In closing I want to repeat once again that I believe when one weighs the enormous energy problems facing older Americans against the current conservative political climate, it would be constructive for the Federal Government to maintain the status quo until such time as the new administration can properly evaluate current programs and propose more efficient and effective ways to protect the life, health, and safety of the millions of low- and fixed-income senior citizens.

Although I am essentially asking you to maintain status quo, this does not mean we believe all current programs are working well or that there are no new ideas worth considering. In the category of new ideas, I call your attention to the "Off-Budget, Income-Indexed, Tax Credit Approach to Low-Income Energy Assistance," which you introduced in the last session of Congress, Senator Heinz. I believe this deserves careful consideration. It is my hope that you will reaffirm, not only in words, but also in dollars, the right of every citizen to live in decency and dignity.

Thank you.

Senator HEINZ. Thank you very much.

Mr. GILLISPIE. And I will submit the documents I have referred to for the record.

Senator HEINZ. Without objection, they will be entered.

[The prepared statement of Mr. Gillispie follows:].

PREPARED STATEMENT OF PHILLIP H. GILLISPIE

Mr. Chairman, my name is Phillip H. Gillispie, and I am the executive director of the Schenectady Community Action Program in Schenectady, N.Y. I am appearing today as the representative of the National Community Action Agency Executive Directors Association which represents the more than 900 community action agencies (CAA's) which were mandated by the Economic Opportunity Act of 1964 to serve 30 million poverty stricken Americans.

We appreciate this opportunity to speak about one of the most pressing and tragic problems facing our Nation; namely, how will the U.S. Government respond to the needs of elderly citizens as they face an increasing inability to gain access to essential energy resources.

I am particularly concerned about this issue because I now live in the hometown of Frank and Katherine Baker, who, at the age of 93 and 92 respectively, were discovered frozen to death on Christmas Eve, 1973, by their grandson who was home on military furlough. This tragedy occurred because the local utility disconnected their service due to nonpayment of a bill. The numerous deaths and injuries that have occurred subsequently for the same cause throughout the United States point to the severity of the problem we are discussing this morning.

In the brief time that I have, I want to accomplish three things:

(1) To emphasize the ideological, legal, and moral foundation upon which CAA's attempt to cope with the problem of energy resources for the elderly.

(2) Outline the need for the involvement of the Federal Government in solving the enormous problem we face; and

(3) Make some specific recommendations that I believe will provide the basis for a truly constructive Federal response.

In 1964 the Economic Opportunity Act became law and with it the Federal Government became committed to a number of principles which seem innocent enough when stated, but are quite far-reaching when put into practice. This land-

mark piece of legislation, now the Community Services Act of 1974 provides the legal basis for the creation and maintenance of CAA's and states in its preamble, "It shall be the policy of the United States * * * that every citizen shall have * * * the opportunity to live in decency and in dignity."

It is our contention that current policies and practices by major energy providers and current proposals by the new administration pose a serious threat to this legal and, I believe, moral guarantee, particularly as it relates to the elderly. Senior Americans who live on a fixed income certainly deserve the decency and dignity of basic human rights. While we have long recognized that food, clothing, and shelter are human rights, we have been slow to admit that these rights are now being denied many elderly Americans. And one of the primary reasons for this deprivation is rising energy costs. While it is necessary for this Government to reaffirm these rights, it is now clear that we must add to that list of human rights, the right to heat and light.

Therefore, as I describe current conditions that cause these rights to be abridged, I hope that you will recall that it is still the policy of this Government that every American shall have the right to live in decency and dignity.

The impact of rising energy costs on low-income Americans, one in five of whom are elderly, is quite staggering. Consider the following three sets of facts:

(1) As of January 1, 1981, approximately 16.1 million households are defined as low income according to the Bureau of the Census. Less than 50 percent of these persons receive payment from SSI and food stamps. Studies show that low-income households have lost \$14 billion in purchasing power between 1978 and 1980 due to increases in energy costs. Even though low-income households use less than half the total energy consumed by the average American household, they spend at least 21 percent of their income on household energy and in some regions of the United States, as much as 30 percent. During the past several years, low-income households spent nearly four times the percentage of their incomes on home energy as did the average American family.

(2) During the past week each Senator has received a letter from William Hutton and myself outlining the impact of home energy costs on the low-income and elderly citizens of his or her State. Mr. Chairman, in your State of Pennsylvania there are 1,728,000 persons below 125 percent of poverty, 377,000 (22 percent) are elderly. For the 12 months ending in February 1981, the average household using oil—the major home heating fuel in Pennsylvania—paid \$1,356 to heat their homes. At the current rate of increase during the next 12 months, they will pay \$1,600. During the single coldest month in Pennsylvania it cost \$232 for the oil to heat the average home. For the SSI recipient who receives \$270 per month this leaves \$38 to pay for food, clothing, and shelter.

(3) The second largest utility in New York, Niagara Mohawk Power Corp., recently reported that 88,000 of its 1.3 million customers were at least 60 days behind on their payments as compared to 76,000 last year. This delinquency rose from \$7.5 million last year to \$11 million currently. A similar problem exists with home heating oil.

For the low-income elderly family to contemplate the future in light of the above statistics is indeed frightening, but to think of the future reduction and/or elimination of programs such as low-income energy assistance and weatherization raises the specter of widespread dislocation and a massive threat to the life, health, and safety of millions of older Americans.

In addition to the well-known programs of energy assistance and weatherization, there are numerous projects that also provide essential services to the elderly as they seek to cope with the problem of rising energy costs. As an example, let me briefly describe the accidental hypothermia project which is operated by my agency in Schenectady and in 20 centers throughout the Nation. British studies over 25 years have shown that about 10 percent of all elderly are in high risk of accidental hypothermia—a condition where deep body temperature drops below 95° F—and causes lasting physical damage or death. The hypothermia projects provide low-income elderly with warm clothing and education about nutrition, weatherization, and the dangers of accidental hypothermia. In two months of operation the Schenectady project, with a few outreach workers, identified 123 older Americans as being in high risk of accidental hypothermia. It is estimated that over 3 million elderly are in risk of this condition.

Projects such as this, along with low-income energy assistance, and weatherization programs were begun by the Community Services Administration and began field operation in the CAA's nationwide.

In contrast to maintaining the current Federal structure, the administration has proposed State block grants as a method of responding to the impact of rising

energy costs on the poor. Block grants deserve careful scrutiny and I would like to make three points concerning them:

(1) The role of the Federal Government in establishing uniform standards of service for responding to national problems—national decisionmaking as to how Federal tax dollars are to be spent—is virtually abandoned.

(2) States are not notable for effective handling of such problems. An example of this in New York State is how it has handled weatherization programs which are federally funded. Slow disbursement of funds has frustrated Federal policy.

In New York, we have a Home Insulation and Energy Conservation Act (HIECA). I would like to submit to you a comprehensive study dated March 12, 1981, by the NYPIRG Citizens Alliance which examines in depth the facts and figures of this method of encouraging weatherization. The title of the report is a cogent summary: "A Drop in the Bucket." It explains how utilities drag their feet when it comes to implementing a policy that will ultimately reduce their volume of sales of gas and electricity. Block grant proposals seem to assume that States know what they are doing. This report contradicts this assumption eloquently.

(3) State-run programs cost more. Under the administration's plan there is no limit on administrative costs. History shows that State administrative costs are higher. Also the uneven nature of the planning capacity will mean that most States will spend money to meet short-term needs such as energy assistance rather than invest in long-term solutions such as weatherization.

In short, the State block grant approach is a cruel recipe for increased national catastrophe. The problem of rising energy costs is a national problem and cannot be treated on a regional or State basis. Nor is there likely to be any lessening of the burden that low-income and elderly citizens must bear due to rising energy costs. The "Home Energy Assistance Act" states in section 302(a)—

The Congress finds that . . .

(5) . . . adequate home heating is a necessary aspect of shelter and the lack of home heating poses a threat to life, health, and safety.

(2) . . . reliable data projections show that the cost of home energy still continues to climb at excessive rates; and

(3) . . . the cost of essential home energy imposes a disproportionately larger burden on fixed-income, lower income, and middle-income households, and the rising cost of such energy is beyond the control of such households.

Current law states that increasing energy costs pose a threat to the life, health, and safety of older Americans, that it is likely to get worse, and that the factors are beyond the control of those affected to do anything about the problem. Yet the only concrete proposals currently under consideration are elimination of special projects like the hypothermia projects previously described, *de facto* elimination of weatherization, and serious cutbacks in low-income energy assistance.

To the members of this committee, I rise an urgent plea: Please be realistic. At least take the following minimal steps to insure that the Federal Government does not retreat even further from its commitment to the right of the elderly to live in decency and dignity:

(1) Reauthorize the Community Services Administration through the EOA of 1964 as amended, a revised section 222(a)(5) titled, "Energy Crisis Prevention Services." This section can provide the authority for both weatherization and energy assistance, as well as provide the critical link between the two programs.

(2) Appropriate no less than \$1.85 billion for the home energy assistance program (HEAP). (This is merely maintaining it at the current level of appropriation, an actual reduction.)

(3) Appropriate a minimum of \$100 million for the CSA portion of Energy Crisis Prevention Service for such activities as hypothermia, alternative energy, and crisis intervention. This year the HEAP program contained \$89.5 million for CSA.

(4) Appropriate not less than \$400 million for the low-income weatherization assistance program. Taking into account the loss of CETA labor and the current operating level of the program, that appropriation would constitute an actual cutback in funding.

While these steps are small, they will at least maintain a semblance of Federal commitment to solving the excruciating problems the elderly are facing. Although the adoption of these recommendations would be a timid move in the face of overwhelming need, when compared with embracing the proposed State block grant approach of the administration to the problems I have outlined, my recommendations may seem bold and innovative.

In closing, I want to repeat once again that I believe when one weighs the enormous energy problem faced by older Americans against the current conservative political climate, it would be constructive for the Federal Government to maintain the *status quo* until such time as the new administration can properly

evaluate current programs and propose more efficient and effective ways to protect the life, health, and safety of the millions of low- and fixed-income senior citizens.

Although I am essentially asking you to maintain status quo, this does not mean we believe all current programs are working well or that there are no new ideas worth considering. In the category of new ideas, I call your attention to the "Off-Budget, Income-Indexed, Tax Credit Approach to Low-Income Energy Assistance." I believe this deserves careful consideration. What I am emphasizing at this time is the need to stem the tide which threatens to erode hard-won human rights for the elderly.

I reject categorically the argument that we owe these Americans nothing. For us to abandon the elderly to the tormenting pressures of rising energy costs would be to sacrifice them and their contributions to corporate greed and governmental insensibility.

It is my hope that you will reaffirm, not only in words, but also in dollars, the right of every citizen to live in decency and dignity.

Thank you.

Senator HEINZ. Because our next witnesses have a time problem, I will ask that our next two witnesses come up and let me ask, at this point, Stephen J. Powers and Stephen Schachman to come to the table.

I understand that Mr. Powers, who has a plane to catch, would want to go first. Please proceed.

Mr. POWERS. Thank you, Senator.

Senator HEINZ. Senator Cohen, would you make this introduction?

Senator COHEN. Yes. I would like to say that Mr. Powers is, as you have noted, the managing director of the Maine Oil Dealers Association which has undertaken a very aggressive furnace retrofit program. I am hoping that Mr. Powers will just tell us briefly about the program and its successes and what proposed reductions and proposed changes in the administration of the program will do to the progress that he and the oil dealers are making in Maine.

STATEMENT OF STEPHEN J. POWERS, JR., YARMOUTH, MAINE, MANAGING DIRECTOR, MAINE OIL DEALERS ASSOCIATION

Mr. POWERS. Thank you, Senator. The Maine Oil Dealers Association is 27 years young. It is a statewide trade association of nearly 300 Maine companies providing energy needs throughout our vast territory. We deliver products and services to every city, town, plantation, and island in Maine.

Since its inception in 1954, MODA has been a leading trade organization in its field, frequently cited as a model for other State home heating associations.

MODA, a charter member of the New England Fuel Institute, is also affiliated with the National Oil Jobbers Council, which represents 15,000 energy industry businesses.

The Maine Oil Dealers Association promotes the highest standards of service for their customers. MODA was the driving force in the establishment of Maine's licensing procedures and requirements for those installing and servicing oil heating equipment.

Throughout the course of the year, we have thousands of contacts with energy consumers. These contacts are the result of service and maintenance visits, product deliveries, telephone calls on various matters, and personal meetings. As the cost of energy has escalated, our members have been increasingly involved with consumers regarding the price and payment of products, credit terms,

and the mutual survival of the consumer and the individual companies.

We have always given the highest priority to serving our customers. We have accomplished this by working with our regional organization, the New England Fuel Institute and our national federation, the National Oil Jobbers Council, to keep pace with the ever-improving technologies.

Because of the increased involvement of State and Federal Government in energy matters, we have also established numerous working relationships in our State capital and in Washington. In addition, we join increasing efforts with volunteer groups, church organizations, and municipalities to seek aid and develop programs to help the elderly through these difficult times.

State and area agencies on aging in Maine are committed, linking with the private sector, to do the best job possible to help the elderly through the bewildering changes resulting from increased energy costs.

We frequently are asked why should oil dealers favor weatherization? What's in it for you?

We care about this program for a number of reasons. Our customers are our friends and neighbors, we want to see them helped; we are taxpayers, and we want to see them helped in an economically sound manner; we are thrifty Yankees and we hate waste; and we are good business people, and we see a growing market for our service departments.

We are not just oil dealers. We are home energy experts. It is our expert opinion that an ambitious weatherization program makes absolute philosophical and financial sense. An investment in energy-saving options is the best possible investment available today.

We are small, independent energy dealers who live in the communities which we serve. Increased energy costs have produced monumental cash-flow problems for us which we must solve without the huge profits benefiting the major oil companies.

We live first hand with the consequences of increasing energy costs every minute of every day in both business and personal life. A conversation with a customer in the office, at the diner, Kiwanis Club, church, store, or wherever, inevitably centers on the hardship created by energy prices, on the severe strain put on all people, and on possible ways to cope, even to survive.

Our biggest concern in this area is the ability of the elderly to meet their physical needs in our society. Probably all of us in this room today are fortunate to some degree, to have so-called discretionary income. We can make some decisions to cope with the changing energy reality and maintain our current lifestyles. We can chop wood, add a part-time job, or cut out a few luxuries.

Not so with the elderly. They are on an economic rack, being stretched by inflation and increased costs. They are in a position that is nothing less than devastating to their well-being.

Many of our elderly live on fixed incomes. They find that their ability to survive is reduced each month. Discretionary income to them is becoming, like their youth, only a memory.

Our members are deeply concerned with this problem. Part of this problem was created by the Federal legislation that created the windfall profits tax, with deregulation of petroleum, and the

resulting higher prices per gallon. Government has a responsibility to provide a solution.

Is there a solution? Yes; on a Federal level we have an energy assistance plan and a weatherization program to help the elderly, using funding revenue from the windfall profits tax. Many of the elderly have told me that they do not know how they would make it without this help. But more help is needed.

Can we improve on these programs? Yes; by expanding the weatherization program to increase efficiency of fuel use in heating systems. The current insulation and weatherization is not enough. Too much energy is still being lost because of old, obsolete heating equipment where 20, 30, 40, and 50 percent of the Btu's are not reaching the living space.

In Maine, 90 percent of the oil-fired equipment is 10 years old or older. I am sure that this is similar in the rest of the country.

This equipment was designed, like our former automobiles, on the assumption that energy would always be abundant and cheap. That assumption is now hurting all of us, but damaging the elderly the most.

Modern oil-fired equipment, flame retention burners, boilers, furnaces, and electronic controls can reduce consumption in a dwelling substantially. At today's energy costs every \$100 invested in improving the efficiency of a heating system will save thousands of dollars in a short period of time. For example, if consumption can be reduced by 20 percent—which is highly possible—and annual use is now 1,000 gallons, then 200 gallons is saved. At next heating season prices, this could amount to over \$300.

By increasing efficiencies of the heating systems in the weatherization program we can help the elderly further reduce energy consumption and costs. This would prove a double benefit because it would help reduce future requirements for energy assistance. Additionally, factors of safety would also be improved.

Maine has gone further than any other State, committing 1 million State dollars to supplement the weatherization program. That appropriation not only testifies to Maine's concern but also demonstrates the importance and effectiveness of weatherization. The good men and women who serve in our State recognized that weatherization presents State government with the welcome opportunity to combine compassion with cost effectiveness.

With your permission, we would like to offer some suggestions for your consideration.

We work with agencies, government, and community groups as well as being closely involved with our customers. Our assistant managing director, Belinda Snell, served on the State's advisory council for the fuel assistance program this past year. Our members were surveyed and their evaluation of ECAP is here outlined for you and I will leave these for you, these statements.¹

Here is what we would like to see happen though:

First, build upon the existing foundation. Trained weatherization crews and administrative staff already exists. Millions of dollars of equipment has been purchased. Delivery mechanisms are already in place and can be modified to become even more effective.

Two, priority of service given to the elderly and handicapped.

¹ See appendix 1, item 8, page 148.

Three, training given to able-bodied applicants to do portions of the work themselves, under program direction.

Four, increased program emphasis upon upgrading heating equipment and efficiencies of that equipment.

Five, development of one application for both fuel assistance and weatherization.

Six, carefully developed program guidelines which would take into account the tough economic realities of single-person elderly and handicapped households, allowing them a higher income eligibility guideline.

Seven, give States control of the program and execution of it.

We believe that the State of Maine has done an outstanding job in administering the fuel assistance and weatherization programs. It has made an impressive start toward a long-term solution to the energy problems of low-income residents by weatherizing 20,000 homes. Thousands are left to be weatherized. We should move forward and it should be done now. One agency has 2,000 applications in fact right now.

We urge the Senate to support weatherization and would be pleased to assist in any way that we can.

Thank you very much.

Senator HEINZ. Thank you very much. I think I will let Senator Cohen ask any questions he may have.

Senator COHEN. I have just a couple of comments. No questions, really. First of all, I would like the record to show, Mr. Chairman, that in the audience is Tim Wilson, former director of the Maine division of Community Services whom I have known for a good many years, and with whom I have worked over the past 9 years. He is now Assistant Commissioner of Mental Health and Corrections, and although he could not be fit into our program, I think he might be willing at some future time not to appear personally but to submit written testimony. He is one of the most effective witnesses we could possibly have on behalf of these programs, having dealt with them on a first-hand basis. I want the record to show that.

Perhaps I could comment to Mrs. Carlyle. I was impressed with your initial expression of apprehension that perhaps, somehow, concern for the older people of this country tends to go along a fall line of Republican versus Democrat. I wanted to assure you that clearly that is not the case. Senator Heinz has been a member of the Aging Committee in the House; he was there at its formation; he has been one of the most active members of the committee, always a leading voice in trying to remove the obstacles, such as mandatory retirement, which you touched on in your testimony. So he has been a young Republican leader out in the front for a good many years on behalf of the elderly. I can recall, also, my maiden speech in the House in 1973; I got up and offered an amendment to a bill, an energy bill at that time, to include tax incentives for people who make renovations to their homes for insulating them.

I was denounced by one member of my own party, a very high ranking member who said it was the most absurd notion he had heard in 25 years of service in the Congress.

I frankly do not find it so absurd. If we gave tax incentives to discover energy, it seems only consistent that we give some sort of

tax incentive to conserve fuel now that we live in a time of increasing scarcity of that kind of fuel. But I want you to know that, and really affirm to you, that concern for the elderly has never been a matter of economic or political philosophy. It is not so now, in fact, if you take note of what happened last week, or what did not happen. An unsuccessful attempt was made by Senator John Chafee of Rhode Island, who joined with Senator Heinz and myself, in support of a Republican initiative to restore programs that have been reduced. I want to assure you that what you have said is not the case.

Mrs. CARLYLE. It is not the first time I have been mistaken, but I want to assure you that I have never been so happy to be wrong.

Senator HEINZ. I would call on Steve Schachman who, I am proud to say, is from Philadelphia, Pa. He is president of the Philadelphia Gas Works. He works serving as chairman of the American Gas Association's task force on low-income energy assistance.

He is also an outstanding leader in our City of Brotherly Love and we are delighted to have him here with us. Steve Schachman.

**STATEMENT OF STEPHEN SCHACHMAN, PHILADELPHIA, PA.,
PRESIDENT AND CHIEF EXECUTIVE OFFICER, PHILADELPHIA GAS WORKS, ON BEHALF OF THE AMERICAN GAS ASSOCIATION**

Mr. SCHACHMAN. Thank you, Mr. Chairman.

We have submitted a formal statement and I would ask that that be made a part of the record.

Senator HEINZ. Without objection, the entire statement that you have submitted will be made a part of the record.¹

Mr. SCHACHMAN. I believe I can summarize in 5 minutes some of the more salient points and touch on one or two things that have not been mentioned.

It should be noted that the American Gas Association on behalf of whom I am testifying today, is composed of approximately 309 natural gas transmission and distribution companies. These companies account for nearly 85 percent of the Nation's natural gas utility sales and provide the primary heating fuel, natural gas, used by 55 percent of the residential housing market.

AGA strongly believes today, more than ever, there is a need for a realistic energy assistance program. Over 2 years ago AGA recognized the need for this, and parenthetically I should say that it should be remembered that in NGPA the cost of natural gas is increasing and is designed to continue to increase.

Therefore, AGA formed the fuel subsidy task force whose members are all policy level officers of their respective companies. The task force was charged with the responsibility of monitoring and discussing with congressional staff the legislative proposals dealing with different forms of energy assistance.

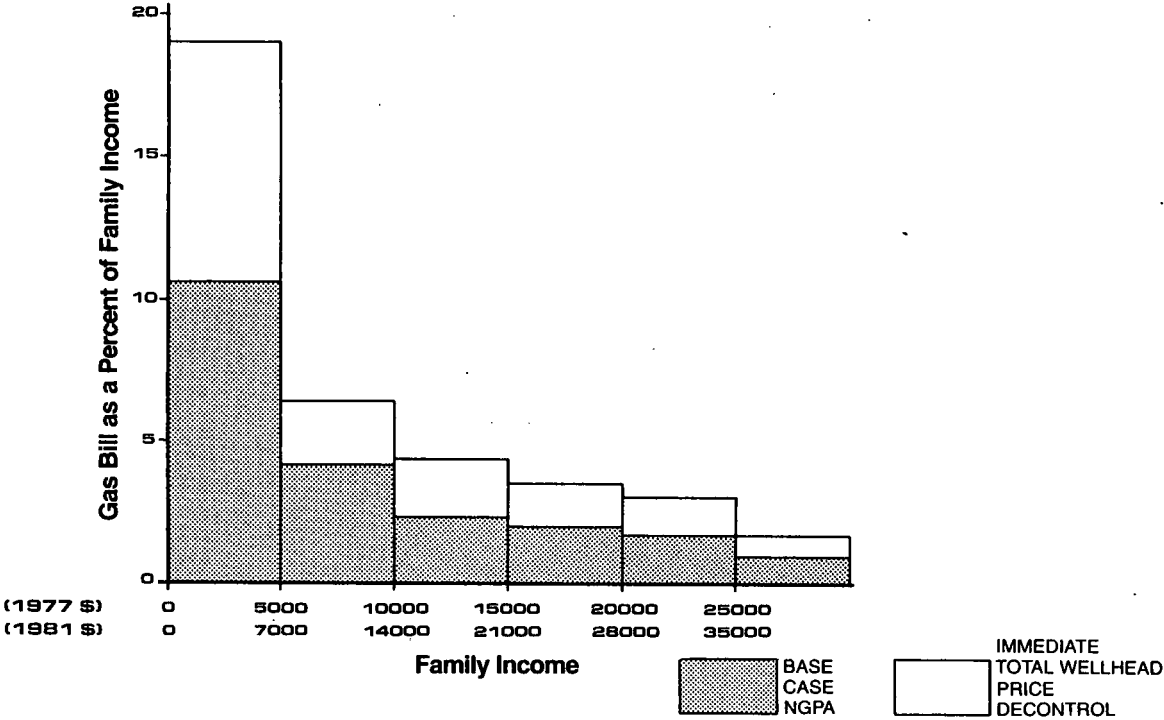
The task force is a liaison with persons in the executive branch who work directly on this issue and additionally the task force has met with various groups representing both urban and rural constituents which share real concerns in the resolution of this issue.

¹ See page 102.

I would also like to mention, since there have been so many things said about HHS, both pro and con, that it is our belief that the staff of HSS has worked diligently to try to make especially this last year's program work. A number of the regulations that you have heard cited that have caused problems concerning State problems are not the result of the regulations but are the result of the fact that the staff of HHS had to deal with a very cumbersome piece of legislation as enacted by the Congress.

I think if you look at the chart which is sitting behind me here, you will see that low-income families are already spending approximately 10 percent of their disposable income for energy.

DIRECT IMPACT OF IMMEDIATE TOTAL WELLHEAD PRICE DECONTROL OF NATURAL GAS ON U.S. INCOME GROUPS



Under NGPA, the Natural Gas Policy Act, natural gas prices will continue to escalate. Therefore, we see a need, at least through 1985, for fuel subsidy programs in the transition from artificially suppressed prices to a free market economy, which adjustments will fall heaviest on those least able to deal with the price increases.

Therefore, we urge enactment of a realistic energy assistance program. I should note that we believe the \$1.85 billion to be made available will be insufficient for next year. Consumers and industry should know what the program will be, that is, the person to be eligible and the dollar availability for them should be enacted for a minimum of 4 years.

Obviously, if fuel subsidies are needed and an accelerated phased price escalation following deregulation is instituted, a fuel subsidy program would be mandated, it would seem that at least the funding should be at twice the level of this year. I am referring to the \$1.85 billion.

Again, looking at AGA projections, you will see that those in the lowest income levels would be required to use almost 20 percent of their disposable income for energy. The senior citizen would be required to double the percent of their disposable income used for energy.

This demonstrates the tremendous pricing impact that we see from immediate deregulation. Also, there would be a resulting projected increase in oil imports of approximately 800,000 barrels a day and without any offsetting benefits. We at AGA have concluded that we must firmly oppose immediate total wellhead deregulation of natural gas.

NGPA price incentives appear to be working well. We see no reason to modify that. However, even without modification of NGPA we believe a fuel subsidy program is necessary. Our experience with prior programs and our work with consumer groups leads us to recommend that the following elements are essential to an effective energy assistance program:

One, provide assistance to users of all major energy sources.

Two, provide flexibility for States to administer the program.

Three, provide timely receipt of payments.

Four, the primary payment system should be direct utility payment or supplier line of credit.

Five, a comprehensive outreach program is absolutely necessary.

Six, there should not be any federally or State imposed moratorium on termination of service for nonpayment.

Additionally we support the concept of enacting the fuel subsidy program through the methodology of a block grant. We suggest, however, several modifications to the administration's proposal. We recommend that the legislation should establish the percentage of funds to be used for fuel subsidy, a percentage to be used for emergency assistance, and a percentage to be used for outreach.

I believe a comparison of funding levels for this past year would clearly indicate, and we support, that the vast majority of funds be earmarked for fuel subsidy.

Lastly, we urge the funding level should be increased over last year.

I was prepared to end my remarks at that point, sir, however, I think there should be one thing added in light of weatherization.

AGA firmly supports the need for weatherization. We believe, however, that the funding levels being discussed now for block grants would certainly not support both the immediate problem—that is, giving fuel aid support to those who most need it—and a weatherization program.

I also would point out that I have heard a number of good things about weatherization but I believe only from Minnesota and Maine. The weatherization, program, as I understand it, at the Federal level has worked somewhat well in more rural areas. It has been a disaster in urban areas. There are a great percentage of urban dwellers who are the people for whom this program is targeted, both fuel subsidy and weatherization. The Federal program to date has not answered that plea.

I think another thing that must be considered in any weatherization program that we discuss is that it has been discussed as a panacea, and that it may well be. But there are a great number of people who have programs available to them who are not making use of those programs. One of the things that we must do is find a way to induce those people to become involved in weatherization, and at the same time, give them an effective weatherization program.

Thank you, Mr. Chairman.

Senator HEINZ. Thank you, Mr. Schachman.

[The prepared statement of Mr. Schachman follows:]

PREPARED STATEMENT OF STEPHEN SCHACHMAN

Mr. Chairman and members of the Special Committee, my name is Stephen Schachman, president and CEO of the Philadelphia Gas Works and chairman of the American Gas Association's Fuel Subsidies Task Force. I am appearing today on behalf of the American Gas Association (AGA), which is composed of approximately 300 natural gas transmission and distribution companies serving over 160 million consumers in all 50 States. These companies account for nearly 85 percent of the Nation's natural gas utility sales, and provide the primary heating fuel, natural gas, used by 55 percent of the residential housing market.

In an analysis recently undertaken, the AGA examined the impacts of immediate total gas price decontrol at the wellhead.¹ In the base case of that analysis, the study projects the impact of phased decontrol of natural gas prices pursuant to current law under the Natural Gas Policy Act (NGPA). The analysis concludes the following:

Low-income households are spending approximately five times as much, in terms of disposable family income, for natural gas as the average American household.

Under the NGPA's phased decontrol of natural gas, low-income households will likely have to budget 10.6 percent of their disposable income to natural gas this year.

These figures demonstrate a definitive need for a low-income energy assistance program. It is important to view this need, however, in the context of a proposal espoused by some who support immediate, total gas price decontrol at the wellhead. In this context, the AGA analysis reveals that on a national average such decontrol would raise the proportion of average family income represented by the annual gas bill to 3.9 percent from 2.2 percent. In comparison, the gas bill, which would consume 10.6 percent of the income of families earning less than \$7,000 under

¹The conclusions and analysis in general are embraced by the following groups as a basically valid projection of the impacts of both the NGPA and the immediate total gas price decontrol at the wellhead on low- and fixed-income households: the National Retired Teachers Association, the American Association of Retired Persons, the Center for Urban Environmental Studies, Inc. (CUES), and the National Black Caucus of State Legislators.

NGPA phased decontrol, would grow to a debilitating 19 percent of family income. The percentage for families with income between \$7,000 and \$14,000 would rise to 7.5 percent from 4.2 percent. Clearly, socioeconomic groups with a higher than average proportion of low-income families would suffer proportionately more under the proposal to decontrol natural gas immediately and totally at the wellhead. In particular, families headed by a person aged 65 or older would spend 6 percent of their income on natural gas, up from 3.3 percent.

The analysis also shows that the average annual residential gas bill would increase under decontrol to \$897 from \$494 under the NGPA phased decontrol. In addition to this near doubling of gas utility bills, the industrial and commercial sectors would drive up the costs of all goods and services, including those necessities which consume the bulk of low-income groups budgets. The cost of food and beverages would increase at an annual rate of 11.9 percent versus 10.3 percent under the NGPA. The analysis also projects that the following increases would occur—clothing and shoes from 5 to 8.5 percent; health services from 11.2 to 13.1 percent; and, transportation services from 11.2 to 13.5 percent.

It is apparent from the study that the current energy price pressures are quite severe and warrant a Federal energy assistance program. Under immediate total gas price decontrol at the wellhead, however, the pressures would be greatly increased and cause a severe adverse economic impact on low- and fixed-income families, particularly families headed by an elderly person.

In light of the above-outlined rapidly rising energy costs and the disproportionate economic impacts on low- and fixed-income persons, AGA believes that a fuel assistance program is vitally important to our Nation. Indeed, without such a program these disproportionate impacts would cause severe economic dislocation among the disadvantaged of society. AGA member companies are committed to meeting the energy needs of their customers and, therefore, will continue to work in support of an equitable, permanent energy assistance program.

As an outgrowth of this commitment, an AGA Task Force on Fuel Subsidies was formed approximately 2 years ago and has been active ever since. It is the responsibility of this task force to investigate the issue of energy assistance to low- and fixed-income consumers and, on the basis of this investigation, to offer policy guidance to AGA on this important issue.

Indeed, the task force has closely examined last year's and this year's energy assistance programs, as well as the design for energy assistance programs in future years. With respect to our experience with energy assistance programs, we have been able to identify areas of general critical concern which have a great impact on the effectiveness of an assistance program. From this perspective, we have also outlined these problem areas and made specific recommendations to improve future assistance programs.

SUMMARY OF AGA'S GENERAL CONCERNS REGARDING ENERGY ASSISTANCE

AGA recognizes certain considerations to be essential elements of an effective and workable energy assistance program. Namely, such assistance legislation should:

- Provide assistance to users of all major energy sources;
- Provide flexibility for States to administer the program;
- Recognize that timely receipt of payments by utilities will reduce administrative costs and billing disruptions;
- Provide assistance to eligible homeowners and renters; and
- Limit total program administrative costs to a small percentage of the overall funds.

To the extent that assistance payments are designed to enable recipients to assume some of their energy costs, AGA supports a requirement that eligible recipients pay the remaining portion of their utility bills not covered by assistance funds. This provides an incentive to conserve energy and minimizes the impact of "uncollectibles" on other paying customers.

AGA believes the best payment system to be a direct utility payment or supplier line of credit. If neither of these is used, AGA identifies, in order of preference, the following acceptable payment systems: Some form of voucher arrangement, a two-party check or, as a last resort, direct cash payments to eligible recipients.

AGA believes that State agencies, and not utilities, should determine and certify the eligibility of energy assistance recipients.

AGA recommends that the eligibility standard be broad enough to encompass the Bureau of Labor Statistics lower living standard income level so as to include energy consumers on both fixed and lower incomes.

AGA emphasizes the importance of including a comprehensive outreach provision since it is essential to communicate the existence of the program to insure the broadest participation possible.

AGA believes that requiring the State agency implementing the fuel assistance program to collect data might be costly and duplicative to the extent that such a requirement pertains to information which can be obtained from the State regulatory authorities. Moreover, if only utilities are in possession of the data requested, that information may be proprietary in nature and, therefore, not appropriate for disclosure.

SUMMARY OF PROBLEM AREAS AND SPECIFIC RECOMMENDATIONS FOR FUTURE PROGRAMS

Restrictions on a utility's ability to terminate service after fair and reasonable notice and opportunity to be heard frustrate both the energy assistance program and the utility's ability to safeguard paying customers. Therefore:

AGA opposes State moratoria on termination of service which prohibit disconnection of utility service after adequate notice, a reasonable opportunity to be heard and a showing of good cause.

AGA believes that if States are to receive Federal energy assistance funds, they must end such State moratoria on utility service disconnection.

AGA supports the establishment of any termination of service standard in Federal energy assistance legislation.

It is critical that energy suppliers have timely receipt of energy assistance funds from the appropriate State agency or customer in order to minimize the administrative and practical difficulties caused by negative cash flow. Also, it is important that funds provided under a Federal energy assistance program are made available to the States on a timely basis.

AGA endorses the block grant concept and AGA believes that within this block grant there should be a fixed minimum percentage set aside for each of the following: The fuel assistance program, the emergency assistance program, and the outreach provisions of the fuel assistance program. We emphasize, however, that the Federal program setting forth this type of grant should require a reasonable public comment period for review of the State plan.

With respect to funding levels, AGA believes that at least the \$1.85 billion funding level of last year's Federal energy assistance program should be provided in the coming year.

Specifically, with respect to funding, AGA believes that within the block grant there should be a fixed minimum percentage set aside for each of the following: The fuel assistance program, the emergency assistance program, and the outreach provisions of the fuel assistance program.

GENERAL CONCERNS OF THE GAS INDUSTRY REGARDING ENERGY ASSISTANCE

A myriad of problems and needs circumscribes the topic of energy assistance. Therefore, it is important to establish general parameters within which such a program should operate. AGA believes that any energy assistance program must be designed to permit: (1) Efficient administration without excessive costs; (2) achievement of the objective of defraying consumer energy costs; and (3) encouragement of energy conservation.

One of AGA's fundamental concerns is that funding from any energy assistance program must be made available to all eligible residential energy consumers, i.e., such program should provide assistance to users of natural gas, electricity, fuel oil, etc. Further, the allocation of assistance by the States should be based on acceptable eligibility standards which clearly define the need for assistance and which provide assistance equitably as between the types of energy used.

It is equally important that an energy assistance program be administered by State governments under minimal Federal guidelines. Establishing only basic procedures at the Federal level would minimize bureaucratic overlay, and would afford each State the flexibility to "tailor" the assistance program to meet individual needs in different localities. Further, such a program should utilize existing State agencies to implement the plan. In this regard, AGA applauds the general approach of limited Federal involvement announced by the Department of Health and Human Services (HHS). This limited HHS involvement will reduce Federal interference with delay and restrictions on the ability of States to administer the energy assistance program. However, it is important that any effective and well-managed energy assistance program include minimal Federal guidelines. Such guidelines should include a reasonable time frame to which States must adhere in setting forth certification of eligible recipients and making timely assistance payments.

Moreover, legislation creating a fuel aid program should be authorized for more than 1 year (e.g., 4 years). This would provide the certainty necessary for effective

future planning efforts by all parties concerned—eligible recipients, State and Federal Government agencies, and energy suppliers.

TYPE OF PAYMENT SYSTEM

Concerning the distribution of energy assistance funds, AGA believes that the best system of payments would utilize direct utility payments or a supplier line of credit. Such direct payments to energy suppliers minimize the possibility of misuse and mismanagement of assistance funds. If neither of these is chosen by the State as the payment system, then AGA recognizes three other acceptable payment mechanisms in the following order of preference: Some form of voucher arrangement between the assistance recipient and the energy supplier, a two-party check with the recipient and utility as joint payees, or, as a last resort, direct cash payments to assistance recipients.

AGA expresses concern that whatever payment system is enlisted, it must provide assurances: (1) That assistance funds are actually used to defray consumer energy costs; and (2) that the possibility of misuse and mismanagement of assistance funds is minimized. Failure of a payment system to fulfill these concerns would cast doubt on a State program's ability to achieve the objective of providing energy assistance to eligible households. The absence of the above assurances in a system of assistance payments could exacerbate the problem insofar as misused or mismanaged funds fail to offset energy costs and result in a continued high level of "uncollectibles" adversely affecting both energy suppliers and gas customers.

In addition, AGA emphasizes that, while any Federal energy assistance legislation can make suggestions as to the type of assistance payment mechanism, such legislation must *not* mandate any particular system of payments. To do so would deny States the flexibility needed to design and implement an assistance program which is tailored to meet the needs and concerns of the particular locale.

GENERAL PARAMETERS OF AN ASSISTANCE PROGRAM

The timeliness of crediting payments to energy suppliers cannot be overemphasized. Timely receipt would reduce the burden of administrative costs due to the delay of payments and would minimize disruption in bill collection procedures.

In regard to the administrative costs of an assistance program, AGA supports a requirement that States provide from non-Federal sources, some portion of the funds necessary to cover these costs. The requirement that States assume part of the burden of the administrative costs creates an incentive for efficient management and maximizes the amount of funds ultimately reaching eligible recipients. Also, AGA supports the principle that administrative costs be limited to a small percentage of the overall State grant.

In addition, AGA supports the inclusion of an outreach provision in any fuel assistance bill. A State or the State-designated agency, in conjunction with volunteer groups and energy suppliers, should undertake efforts to communicate the existence of the program through broad-based public information systems. Such outreach provisions would help insure full participation by eligible households in the energy assistance program.

Finally, as part of the general parameters of an assistance program, AGA strongly supports a provision that eligible households and renters be given equal treatment under a permanent energy assistance program.

THE DIMENSIONS OF THE "UNCOLLECTIBLES" PROBLEM

"Uncollectibles" result from a distribution company's inability to collect past due bills from customers. These "uncollectibles" present a major problem not only for many gas utilities but also for the utility's customers. Through the ratemaking process, utilities include in their cost of service calculations most of the amounts in these "uncollectible" accounts which results in an increase in the costs that all customers must pay. Insofar as some customers are at present only marginally able to pay their utility bills, such increased rates resulting from "uncollectibles" being included in cost of service may, in some instances, render these customers unable to pay their utility bills. This could create more delinquent accounts and further increase the amount of "uncollectibles" which the remaining paying customers, including those receiving assistance subsidies, must absorb.

AGA recognizes the importance of a provision requiring eligible recipients to pay the difference between the actual cost of energy service and the amount of the energy assistance under the program for two reasons. First, such a provision would provide an incentive for eligible recipients to conserve energy. Second, to the extent that such a provision provides an impetus for the payment of this cost differential,

it safeguards all paying customers who are otherwise forced to subsidize nonpaying customers by absorbing the higher rates attributable to uncollectible accounts.

TERMINATION OF SERVICE

AGA opposes both the establishment of a Federal termination of service standard and any State moratoria provision which would prevent regulated utility companies from terminating service for good cause and after adequate notice to the customer and a reasonable opportunity for him to be heard. State moratoria on termination of service are State laws or regulations which prohibit disconnection of utility service after adequate notice, a reasonable opportunity to be heard and a showing of good cause.

Such provisions are detrimental to all utility customers because they deny the utility the only effective recourse it has in dealing with uncollectible bill problems in a responsible and equitable manner. Indeed, under these provisions a utility is unable to safeguard all paying customers from higher rates resulting from the inevitable passthrough of the costs of arising from uncollectible accounts. In this manner, Federal standards regarding termination of service and State moratoria on disconnections operate to frustrate Federal and State energy assistance programs.

AGA believes, therefore, that a Federal energy assistance program should contain no termination of service standard. Further, if a State is to be eligible to receive Federal energy assistance funds, that State must end any moratorium on termination of utility service in instances in which good cause has been shown and adequate notice and a reasonable opportunity for the citizen to be heard by an appropriate agency have been provided.

To highlight the concern of AGA's member distribution companies with respect to "uncollectible" accounts and fair and equitable treatment of all customers, the following should be noted. Many of these companies currently operate budget billing plans and other installment arrangements. These measures provide an effective mechanism for assisting consumers who experience difficulty in meeting their payments, and who might otherwise accumulate arrearages. It is unfortunate however, that, notwithstanding the many customers who sincerely attempt to pay their utility bills, there are a number of customers who simply refuse to honor their obligations regardless of the billing accommodations provided. These customers can take undue advantage of the existence of State moratoria prohibiting termination of service and/or voluntary utility company policies against terminating service during the winter heating months.

ELIGIBILITY STANDARDS

AGA submits that a State or a State-designated agency be required to determine and certify the eligibility of recipients under the energy assistance program. The energy supplier should not be required to make these determinations since they more appropriately lie within the function of the State agency administering the program.

AGA emphasizes that any eligibility standard should be broad enough to include energy consumers on both fixed and lower incomes. Elderly citizens receiving fixed supplemental income under titles IV and XVI of the Social Security Act are also threatened by the prospect of steadily rising energy prices. The Bureau of Labor Statistics lower living standard income level determined annually by the Secretary of Labor should be considered as the program eligibility threshold because such a standard encompasses these legitimate energy assistance needs.

DATA COLLECTION

AGA recognizes another potential problem area insofar as any fuel assistance program might require the collection of data by States. To the extent that this information is already available from the respective State regulatory authority, any requirement that a State agency implementing the energy assistance program compile the same data would be duplicative, costly, and unduly burdensome. Perhaps a better approach would be to require such regulatory authorities to provide this information. Further, if the data sought is available only from the utility itself, the information may be proprietary in nature, and, therefore, not appropriate for disclosure at all.

SPECIFIC PROBLEMS WITH PAST ASSISTANCE PROGRAMS AND RECOMMENDATIONS FOR
FUTURE PROGRAMS

Funding Levels of Energy Assistance

AGA firmly believes that the \$1.85-billion level of Federal energy assistance provided last year is inadequate to meet the needs of energy suppliers' customers, particularly if next winter is especially harsh. AGA does recognize the budgetary constraints facing the Congress and the Nation. We believe that the funding level of the energy assistance program must at least be maintained at last year's level.

With respect to specific funding within the administration's proposed energy and emergency assistance block grant program, AGA believes that fixed minimum percentages of the block grant should be set aside for each of the following: (1) The low-income energy assistance program; (2) the emergency assistance program; and (3) the outreach provisions of the fuel assistance program.

Termination of Service Standards

As stated earlier in our general concerns, AGA emphasizes that the type of termination of service standards and practices which are incorporated in any energy assistance program is critical to the effectiveness of such a program. Indeed, AGA believes that both the restrictive nature of the Federal standard for termination of service and State moratoria on termination of service under present law have done much to frustrate the effectiveness of the low-income energy assistance program. AGA strongly recommends that if States are to be eligible for Federal energy assistance funds then they should end moratoria on termination of service in instances in which adequate notice and a reasonable opportunity to be heard have been provided.

Necessity of Timely Receipt of Assistance Payments by the States

AGA member companies have observed that there are extreme monetary pressures which are placed on energy suppliers and caused by a failure of assistance payments to be transferred to the energy supplier's account on a timely basis. In order to help avoid these pressures, AGA notes that any Federal energy assistance program must make assistance funds available to the States promptly. This is the first step to guaranteeing that energy suppliers will receive funds without delay from either the State agency or the assistance recipient.

CONCLUSION

AGA respectfully submits this statement on fuel assistance with the hope that it provides constructive comments and recommendations on the subject of Federal energy assistance legislation.

Senator HEINZ. Let me ask you, Mr. Schachman, why has the weatherization program, at least as you say, been a disaster in urban areas?

Mr. SCHACHMAN. Sir, the program is, and I can best relate it to Philadelphia, obviously, but it has been run with primarily CETA employees and run by community groups. By the time the community group learns how to put together essentially a business, and gets into the area of training, and tries to keep up with the workload that has been established, it is already behind the 8-ball before it's gotten started.

It takes anywhere from 6 months to 1 year for a community group to establish its program. This program initially caught a great mass of people who do not normally respond to institutional offerings. By that I am talking about the urban poor specifically. They responded in great masses of people. The waiting list for these programs is not in the hundreds and not in the thousands, but in the tens of thousands. They have not been able to produce the numbers for the dollars involved.

The amount of weatherization being done, with the lack of training and the administrative constraints imposed, have caused the program to be unworkable.

I think you could use a program with private industry with inducements to hire people that have already been CETA trained or could be CETA trained on a limited basis as opposed to using an entire CETA crew. If you had a five-man crew and added one person to be trained, I think you would up production in this area in the hundreds of percent, and you would create a job market, therefore, where these people who supposedly were trained could find a job. The market in Philadelphia for weatherization is great. My company runs a program of low interest loans for weatherization. The response to that has been absolutely minimal.

I think if you look at other companies who have mandates for weatherization in the Northeast and the East, you will find similar results.

Ours is not mandated. We took upon ourselves ours because of our situation in the community and being municipally related.

Senator HEINZ. You come from a metropolitan area, Ms. Brown. Would you generally concur or would you disagree with Mr. Schachman's experience in a big city?

Ms. BROWN. I would agree, Mr. Chairman, to some extent with his comments that in a large metropolitan area it does take a little longer to get going due to the number of people involved.

Senator HEINZ. His point, though, was that this program did not really work very efficiently or very well relying on CETA workers.

Ms. BROWN. In response to that, first of all it is working in the metropolitan areas of Minneapolis, St. Paul, Duluth, our larger cities.

Senator HEINZ. What is the secret?

Ms. BROWN. The secret is, as he did suggest, we have a combination of CETA and non-CETA workers and that is what has enabled us, together with State money, to do this. The Federal rules are restrictive in that area although they are lessening.

There are waivers available to take care of it. But I disagree that it has to be done in private industry. The community action agencies have made that combination work, have gotten very skilled crews, together with equipment, as Mr. Gillispie has said, too, and they are up and running. I think we would lose a lot to switch now to any other kind of a delivery system in the State of Minnesota.

Senator HEINZ. This is a question I think I will address to Jack Ossofsky. Earlier today, Mr. Stockman indicated that although he, for the administration, had suggested they had a program for targeting better the low-income energy assistance program, that they would not propose such better targeting. Do you believe that better targeting is possible with the formula that exists, and if so, do you have such a proposal or not?

Mr. OSSOFSKY. Mr. Chairman, we didn't come with a formal proposal. We believe it is possible to target more specifically. We certainly don't believe the answer is to say we need better targeting and not provide guidelines for it.

We think the Congress needs to take the responsibility for how Federal funds are to be utilized, giving considerable flexibility to

the States to determine how they would implement the programs to meet the national purpose.

It seems to me that we need to target first of all on the poorest elements of the population, also on the handicapped, and that includes obviously great numbers of older people.

Senator HEINZ. Let me amend my question to say—I misled you inadvertently, I think—what was meant by targeting was adjusting the amount of money more equitably among the States. As you know, we have a formula that does that. Clearly, within each State there is a different kind of targeting that needs to be addressed. I am talking about the former.

Mr. OSSOFSKY. I would think that it would be important to take a look at how that money is distributed over the States. Certainly, the circumstances in the Northeast and in the northern tier of the country generally requires a different kind of priority than in some of the other areas, such as in the South. Without minimizing at all the needs for cooling and protection for people in very hot climates, the tremendous need for fuel for people in the Northeast, and the high cost of that fuel in the Northeast, it seems to me, would require of us to take a different look at the formula in that regard.

Senator HEINZ. Would it be possible for NCOA to make a proposal?

Mr. OSSOFSKY. We would be happy to take a try at it.

Senator HEINZ. We would appreciate that.¹

Mr. OSSOFSKY. In regard to the urban area question, we feel we have worked effectively with a voluntary agency in St. Louis, for example, utilizing the workers to train CETA employees involving the local utility in the training process of providing weatherization and security services for older people in their homes, and we found we could not meet, within the resources available, the demand. We could not meet the demands of the older people, and enough of the CETA workers could not be properly trained for this purpose. This was a good example in which voluntary agencies working with Government resources and the private sector did attempt this. The difficulty here, of course, is that that program now hangs in the balance as the CETA program disappears, if indeed it is to disappear.

Senator HEINZ. We have a number of legislative options available to us with respect to the weatherization program and the low-income energy assistance program. We could attempt to maintain the programs where they are functioning as they are, and there are various consolidation proposals. We could move the weatherization program from one agency to another. We could block grant, as has been proposed, and so on and so forth.

There are quite a number of permutations. Let me examine, with your help, one of those permutations which has been examined a bit today, which is, should we combine in some way, shape, or form, but combine with the presumption there would be at the local level a single administering function, the low-income energy assistance program and the weatherization program?

Let's go from left to right down here and try to get a yes or a no or a maybe out of everybody.

Mr. Powers, what do you think, yes or no?

¹ See appendix 1, item 10, page 158.

Mr. POWERS. Absolutely, definitely.

Senator HEINZ. Mr. Gillispie.

Mr. GILLISPIE. With the understanding that you reserve a significant portion of the funds for weatherization. The problem that one has at the local level with the combined program is that you can respond to the immediate need of helping a wide variety of people pay their utility bills, and put off the more difficult and extensive problem of weatherization so you have to earmark certain funds for weatherization at the local level in order to combine them.

Senator HEINZ. Mrs. Musser, do you think Elizabethtown could stand to have those two combined?

Mrs. MUSSER. I believe the two programs should be joined with weatherization and fuel. I think one would help the other.

Senator HEINZ. You think that would work?

Mrs. MUSSER. I really do.

Senator HEINZ. Jack.

Mr. OSSOFKY. I concur in that, Mr. Chairman.

Senator HEINZ. Ms. Brown?

Ms. BROWN. I concur again as long as there is ample funding to do—either way, I concur, but we have to have the money in the program to do it.

Senator HEINZ. Mrs. Carlyle.

Mrs. CARLYLE. I cannot speak to weatherization but my experience with delivery of services for low-income assistance of any kind is that so much of it is dissipated by administrative costs that I would like to see the Congress pass the dollar to the recipient rather than the buck to the State which does not deliver.

Senator HEINZ. Steve.

Mr. SCHACHMAN. Yes, sir; I think they should if in fact you are going to have a proper funding level. That is most important. If you are talking about \$1.4 billion, my answer would be an emphatic "No." I would make one comment on that funding level, and that is that I noticed witnesses talk about a cutback of \$1.85 to \$1.4 billion and we could by future efficiencies and certain targetings make that program work. One thing seems to have slipped through the cracks, and that is that this program was originally \$3 billion, which was to come out of the windfall profits tax. Then it suddenly got cut to \$2.25 billion, and there was a question of then balancing the budget, so it was cut to \$1.85 billion. We are not at a 25 percent cut; we are below 50 percent of what was the original program target. I am a little put off by the fact that we started with artificial targets of \$1.85 billion and then say we are cutting 25 percent from that. We are cutting the program by more than 50 percent of what it was originally targeted at, which was at \$3 billion.

Senator HEINZ. The only partisan thing I will say is that that \$1.85 billion was made by the previous administration and the Democratic Congress.

Mr. SCHACHMAN. I understand that, but the original target was \$3 billion out of the windfall profits tax and somehow in the discussions of cutting the budget, we all seem to have forgotten where the original target was.

Senator HEINZ. Now comes really the toughest question. There has to be a lot of discussion about block granting, and there are a

variety of ways we can block grant. We can do them the way Dave Stockman and Linda McMahon have proposed, which is, cast that bread out on the water and see where it floats, and we can trust the States to float it exactly where it ought to be.

Maybe some States, maybe all States really, are going to do the right thing and obviously I always have high hopes for people in Pennsylvania, my State, my Governor, my legislature, and Mrs. Musser feels the same, I am sure, but there are other alternatives to block granting. Of course, we intended to block grant title III of the Older Americans Act, and that didn't work out quite so well.

~~Maybe some day we will be able to do it.~~ But it is conceivable to have a set of priorities, it is conceivable you could have a plan submitted, it is conceivable you could have something of an oversight or an approval process in addition to the public comment, and insure that first priorities are being set, and that there is a plan to meet them, and that the priorities are reasonably consistent with national priorities that we in the Congress feel are important and if they are inconsistent, to provide a waiver process for proper showing of cause of why there should be a divergence. That would be in order. Let's take that somewhat more reassuring version of the block grant as our standard. Would a block grant for low-income energy assistance under those kinds of conditions make some sense?

I will start from the right this time.

Mr. SCHACHMAN. I assume, if I understand the question, that it is a block grant with some kind of minimal constraint and minimal reporting requirements; is that correct, sir?

Senator HEINZ. There would be a planning and justification process on some periodic basis, maybe on an annual basis, that would serve as the basis for accountability, and that would obviously involve reporting.

Mr. SCHACHMAN. Yes, sir.

I think that that is the better way to go, especially in light of the problems we have had in extensive pieces of legislation, which have required HHS to then write pages and pages of regulations, which then have caused the program to go to the States at a rather late period of time, and then they are attempting to comply with those regulations.

Taking Pennsylvania is a simple example. If you go from the far northwest corner to the far southeast corner, the cost of your fuels are different, the number of degree days are different, it requires a tremendous amount of input on the State level, and a tremendous amount of planning on the State level to handle this. They should have that flexibility, and they should have the time, and they should know what the program is going to be fairly soon.

So I would, therefore, support block grant with minimal Federal standards and reporting requirements.

Senator HEINZ. Mrs. Carlyle, what do you think? Yes, or no to this in principle? I am not trying to commit you to something you have not seen but in principle what do you think of that for block granting?

Mrs. CARLYLE. In principle it sounds very good, but I would remind the Senator that there are progress reports and progress, and they are not always the same.

Senator HEINZ. We have found that to happen occasionally, yes.
Ms. Brown.

Ms. BROWN. I believe there should be some standards in the program; wide open block grants concern me, too. However, again I have to ask that restraints not be put in that would get in the way of the States who are progressing in a way that makes sense to them and in a way that we could demonstrate to the Federal funding source reviewing our plans that it does make sense.

So if this were to happen in a timely manner so that if a waiver were needed we would have time to get it in and have it approved before it gets cold in Minnesota, that would not be a problem. It does concern me to hear there would be no reporting requirements. I say that, even though this year's reporting requirements are too extensive.

Definitely some reports must be given for our own purposes. We would have to collect statistics at the local level anyway.

Senator HEINZ. Mr. Ossosky.

Mr. OSSOSKY. I am mindful of the environment in which we are all operating, Mr. Chairman, and as a reasonable compromise, where the block grants had clear-cut priorities, goals, and strict requirements for reporting on a timely basis, it is worth a try.

After all, the Congress has redone its energy program four times running now. There is no reason it couldn't redo it a fifth time if this doesn't provide the results.

My concern is we continue to shift the rules of the game so that by the time the local community or the States begin operating it is pretty late to catch up with the people who need the energy assistance for that particular winter. If it is to be done, then we ought to do it very quickly, get it out quickly, and make sure we build into that program a major series of requirements both on how the money is to get targeted, but equally with a very strong provision for outreach.

The major factor missing so far—and this kept being reiterated by other witnesses—is not just how the money gets targeted, but how to assure that those people who are the target—that is not a very good way to say it—know about their rights and indeed are reached, so they can apply for the benefits they are entitled to.

There are already an awful lot of these programs being operated by the States. That is what troubles me about the notion of cutting back 25 percent of some of the dollars. From where? By merely adding more money into that kitty and assuring concerted operation in a situation where community action agencies have been in existence presents a very difficult period of new administration, and new focus.

It would require very strong oversight by the Congress and only with that caveat would I be willing to go along with it.

Senator HEINZ. Mrs. Musser.

Mrs. MUSSER. I don't know whether I understand it correctly but I feel that there should be somebody who really knows and understands this, not only the money but how it is distributed. I don't know if I am expressing it very well.

Senator HEINZ. Let me ask you another version of it. You live just a few miles outside of our State capital; those legislators and the Governor are right in your backyard. Let me ask you the

hardest question of all. Right now there are very strong Federal guidelines as to how the energy assistance program is to be run. If we simply said to the Governor and the legislature, "Here's the money, and as long as you spend it on low-income energy assistance, you can spend it any way you want to to help people."

Would you be willing to trust that legislature and that Governor in your backyard to do the right thing?

Mrs. MUSSER. Well, I would hope that they would do the right thing, but I hope that the people in charge would understand what they are doing. So many times projects are put on and given to folks who don't understand what they are to do, and so I feel that if the money is given to somebody who really understands how it is to be spent, I feel that it would be well.

Senator HEINZ. I am going to be devil's advocate here. You vote for those legislative representatives. You wouldn't vote for somebody who didn't understand, or is it hard to tell sometimes?

Mrs. MUSSER. Once in a while we make mistakes. [Laughter.]

But I am a good Republican and I don't make mistakes very often. [Laughter.]

Mr. GILLISPIE. Mr. Chairman, I am sure that there are programs that the State should operate. I am equally sure that this is not one of them.

The problem of the impact of rising energy costs on the elderly and the poor is national. It can be targeted. You can set up a procedure at the Federal level for targeted percentages of a person's income that they have to pay for home energy that cannot be traded off in formulas, Frost Belt versus Sun Belt, and so on. It needs to be targeted with incomes index program which you are familiar with, and can only be administered feasibly at the Federal level.

Senator HEINZ. Let me play devil's advocate for a minute. This is probably the most categorically focused, narrowly focused, of the administration's block grant proposals. Virtually all that is in it is low-income energy assistance, albeit from two sources. If you said that block granting might be all right in some programs, but of all the programs to pick this has to be the last one you would want to pick. In actual fact this is a program where you say the money has to go to help people on energy bills. It seems to me it is easiest of all programs to block grant.

Mr. GILLISPIE. The reason it is difficult to block grant is that the State has the option of whether to focus their money on what is referred to as the "welfare" aspects, AFDC, SSI, food stamps, which is 50 percent of the people who are eligible. It has a mechanism in place at the State level to service one-half of the people that are available for this. Compare that with the fact that they get only a portion at the State level of the money that is needed to actually meet the overwhelming need. They will target the group of people that they have a mechanism for reaching.

Senator HEINZ. So who will get left out? The AFDC, SSI, and food-stamp people will be left in; right?

Mr. GILLISPIE. The problem with that—yes. The people that get left out are people who are not on SSI, not on AFDC, not on food stamps.

Senator HEINZ. Who are going to be the ones left out?

Mr. GILLISPIE. They will be primarily elderly people who throughout their lives have been too proud to accept "public assistance" and for the first time, as you have heard witness to this morning, are unable to purchase food, clothing, and shelter, and are too proud to go to the local welfare department for assistance.

Senator HEINZ. Under our existing program, is there a requirement that the non-food-stamp, non-SSI, and non-AFDC individuals be served?

Mr. GILLISPIE. Under the current program the States can exert some options, a wide variety of options. Therefore, you get a very uneven delivery of the service throughout the country. Many States utilize community action agencies to do outreach and certification of people who are not just on the rolls already.

Senator HEINZ. Let me ask you, or Jack Ossosky, is there a requirement that that group be served? Or is the answer to that, "I don't know?"

Mr. OSSOSKY. The answer is "No."

Ms. BROWN. Mr. Chairman—

Mrs. CARLYLE. Mr. Chairman, in Florida there is not, and the people are not served. It is very limited.

Mr. GILLISPIE. It does not exist.

Senator HEINZ. Well, in everybody's experience then, and that group in Florida, you believe, is not being served.

Mrs. CARLYLE. And, Senator, may I just comment briefly, when you question the way we vote, sometimes our choice is limited to the lesser of two evils rather than the better of two good.

Senator HEINZ. I wasn't questioning the way you vote.

Mrs. CARLYLE. But you hoped we voted for somebody who would be good.

Senator HEINZ. I am talking about results.

Mrs. CARLYLE. Sometimes we have very little choice in the nominees. We cannot vote "none of the above."

Senator HEINZ. Well, I know you don't feel that way about Senator Chiles.

Mrs. CARLYLE. No, no, nor about you.

Senator HEINZ. Well, under the existing law there is a requirement that all the neediest must be served. Now, is that working or is it not working?

Mr. SCHACHMAN. It is working in Pennsylvania, sir, in fact the senior citizen has been targeted in Pennsylvania to the extent that some of the outreach programs are being set up in the most heavily traveled places by senior citizens such as the center on South Broad Street in Philadelphia which I am sure you are aware of, and other such places. So I know in Pennsylvania this group has been targeted. Whether or not that is true other places, obviously there are differing opinions, but in Pennsylvania it is working.

Senator HEINZ. Does anybody else have any comments on the extent to which it is or is not?

Mr. GILLISPIE. The reason it is not working here and in some areas is—

Senator HEINZ. Is it working in New York?

Mr. GILLISPIE. No. No; because the States have the option to send checks to persons whether or not they are going to use the money for home heating and that includes people who live in public

housing where the heating is paid, people who live in nursing homes where the heating bills are paid. So it needs to be better targeted.

Ms. BROWN. Mr. Chairman, I would like to comment on that also.

Senator HEINZ. Yes, Ms. Brown.

Ms. BROWN. First of all, I feel it is quite clear in the law and regulations that States cannot operate a categorically eligible program only. We took that very seriously, but had it not been there, we still would not have administered a program that would only serve those already receiving assistance of one kind or another. I cannot agree that to put money out to the State automatically assumes that they will go with the very easy to administer automatic payment programs. My understanding is, and I don't know if anyone from HHS is here—and I feel strange being put in the role of defending them—but I don't think they would have accepted a State plan that would not have targeted, but instead just had strictly an automatic payout program. My understanding is that a number of States have requested that and those plans were not approved. They did have to have an outreach component in the program.

Also, in the preprint—the form we had to fill out to apply—the questions were very specific as to how will you target the elderly, how will you give special assistance to the elderly; I can't imagine that HHS would have allowed them to just say, "We won't."

Senator HEINZ. May I just return to Mr. Gillispie a moment. It seems to me, Mr. Gillispie, that if you maintained that you need some kind of stringent requirement to serve the the nonwelfare elderly, and that you maintain that that is not being done now, and that there is such a requirement in existing law, that there is no way to do it.

Mr. GILLISPIE. It can be done through an income index plan that you are familiar with that has a certification mechanism at the local level which certifies that a person must, or rather will spend a certain percentage of their income for home energy; and there will be a subsidy for what the cost of home energy above that is.

Now, that program obviously could be administered by the State. The problem is, Mr. Chairman, that—

Senator HEINZ. What would you be doing?

Mr. GILLISPIE. You would be mandating that the State give money to nonwelfare elderly whether they apply for it or not, and the proposal we have put forward would require certification at the local level of persons eligible for the service.

The certification process would determine the level of subsidy and it would take into account the type of heating and the income of the individual as well as the climate factor, and so on.

Senator HEINZ. Mr. Powers, do you have any comments?

Mr. POWERS. Just one thing, Mr. Chairman. When we had the windfall profits tax, supposedly it was tied in with future funding of this. It was our hope that finally we would have some kind of a permanent program, a vehicle to deliver the services with. We have seen energy assistance now played with through five games and that is part of the problem out there with confusion and the different results that we are getting from the different States. So I

think whatever is decided upon, if we can try to put it into some kind of permanent form so that it is going to be built on and improved upon year after year, and not changing it from different departments and agencies and so on, it would be very very helpful.

Thank you.

Senator HEINZ. We have gone 45 minutes over our time. I would like to reserve the option to submit some questions to some of you that I did not have a chance to ask here today and which you did not have a chance to answer.

[Subsequent to the hearing, Senator Heinz submitted questions to Mr. Schachman and Ms. Brown. Those questions and responses follow:]

QUESTIONS BY SENATOR JOHN HEINZ TO STEPHEN SCHACHMAN

Question 1. Utilities have become increasingly involved in home weatherization activities and I know that Philadelphia Gas Works has been among the leaders in this field. Can you tell us, in general, what services the poor can expect from your industry once the current administration proposals on utility conservation programs and weatherization are enacted?

Response. I do not feel that it would be appropriate for me to comment on this issue for the entire gas industry, however, I will summarize what we at Philadelphia Gas Works have done, and plan to do, in the area of weatherization activities for the poor. PGW has sponsored and will continue to sponsor home energy workshops which provide educational opportunities for our customers specifically relating to low-cost or no-cost energy conservation measures. We currently have three training centers in operation which have been established to train community representatives in energy conservation activities. PGW also has offered and will continue to offer a weatherization package which includes roof insulation, automatic thermostats, and vent dampers. It is our opinion that these devices are the most cost-effective for the housing stock in Philadelphia. We offer financing at an 8 percent interest rate for 5 years, if a customer purchases all three measures of the weatherization package. In addition, the Pennsylvania RCS program will require PGW to provide energy audits to our customers at a cost of \$15. The initial offer of the audits will be made in June 1981. We fully expect that all of these services will continue to be offered to our customers.

Question 2. Can they get financing for insulation and storm windows—say \$800 to \$1,000 loans from their gas utility? How would a utility judge the credit worthiness of potential weatherization customers?

Response. As I had indicated in the answer to question No. 1, financing is available for the conservation measures offered in PGW's package. Currently financing would not be offered by PGW for the installation of storm windows or other measures not included in our weatherization package. The customer is judged as to credit worthiness by a review of their payment habits with PGW and additionally obtaining a credit report for all customers desiring to finance their conservation purchases. At the current time there is, unfortunately, no funding available by PGW to provide conservation measures for customers who do not have the ability to repay the costs involved. We have been addressing this very difficult issue with an Ad Hoc Energy Committee here in Philadelphia. However, at this time no firm recommendation has been developed to alleviate this problem.

Question 3. Can the utility help the elderly who cannot do heavy work, find good contractors?

Response. The Pennsylvania RCS program will provide a list of contractors who perform energy conservation activities in accord with the Department of Energy standards. This list of contractors will be made available to our customers in conjunction with their energy audits.

Question 4. What are Philadelphia Gas Works' plans for conservation services in the absence of Federal programs and what could you do to coordinate your services with those of State energy assistance and weatherization programs?

Response. We anticipate that the conservation services presently offered by PGW would continue with or without Federal programs. It is very difficult to determine what type of coordination can be achieved with State energy assistance and weatherization programs. It is our opinion that the weatherization programs which have been offered to date have been largely unsuccessful in providing much needed energy conservation measures to our community. Additionally, the State energy assistance programs have, as a result of changing Federal regulations, been amend-

ed each year making it extremely difficult to develop a continuity between energy assistance and conservation activities. PGW does stand ready to work with any governmental agency to assist in the development of more effective energy assistance or weatherization programs.

One Federal program with which PGW is very concerned is title V of the Solar Energy and Energy Conservation Act of 1980. The program will encourage the use of solar energy through a grant system which, when combined with existing tax credits, makes the use of solar energy very attractive. PGW is currently conducting research on solar-assisted water heating which we believe may be the most practical application for solar power in the Philadelphia area. In our opinion, elimination or reduction in the Federal grant program, will greatly hamper the development of solar power.

Another issue which deserves comment is the current lack of financing to provide conservation services to the poor. As we have previously noted PGW is unable to provide the financing required for this activity. Efforts are being pursued on the local level to develop a financing plan, however, in light of pending Federal reductions, it is unlikely that local governments will be able to fill this void. This lack of financing will prevent those most in need from receiving essential conservation services.

QUESTIONS BY SENATOR JOHN HEINZ TO R. JANE BROWN

Question 1. Various groups interviewed by the committee staff have proposed different requirements they feel should be in a Federal block grant. We would like to have you tell us if you think each item would be an undue interference in State programs or conversely if it's a particularly good idea to have it in Federal statute or regulations.

- (a) Priority to elderly and handicapped in the program.
- (b) Priority to serving the neediest.
- (c) Prohibiting a welfare-client-only program.
- (d) Mandatory outreach activities.
- (e) Relating benefits to actual home energy bills as a part of income.
- (f) Requiring a specific percentage of the block grant be used for energy purposes.
- (g) Mandating coordination with weatherization.

Are there any requirements not listed here you feel should be included in legislation?

Response. (a) Priority to elderly and handicapped through the outreach effort should be federally mandated, particularly if funding is reduced.

(b) Federal regulations should specify that households with the lowest income receive the greatest amount of assistance.

(c) Federal statute should prohibit States from designing and operating a program that would only make payments to categorically eligible households.

(d) Federal regulations should require States to perform outreach activities specifically for energy assistance. This must be in addition to ongoing program outreach.

(e) Federal statute should require that States determine levels of assistance in relation to household income and actual energy costs.

(f) Federal statute should specify the percentage of the block grant to be used for energy assistance purposes.

(g) Federal regulations should mandate coordination with weatherization, conservation, and alternative energy programs. These programs should be coordinated in the law.

ADDITIONAL SUGGESTED REQUIREMENTS

Federal statute should require States to operate energy assistance through a local delivery system that has an established history of outreach and service to low-income households.

Federal statute should prohibit funds from this block grant to be used to assist operators of publicly subsidized buildings or projects.

Federal regulations should require an appeals procedure for dissatisfied households and the safeguarding of information.

Federal regulations should require States to explore local energy alternatives in an effort to assess the positive effects of conservation. In other words, if funds are used for energy assistance, weatherization, alternative energy sources, and conservation, would the future need for assistance decrease? Would there be an increase in tax revenue? Would there be increased employment in the production of domestic energy?

Question 2. What State reports and data presentations to HHS would you feel would be useful and necessary for congressional oversight of the energy block grant program without imposing too great a burden on States? How does that compare to the fiscal year 1981 reporting requirements? Do you feel the administration reporting proposal as described at the hearing by the HHS witness is adequate?

Response. Minnesota feels that the following data reporting items would be useful and necessary for congressional oversight of the energy block grant program without imposing too great a burden on States:

- (a) Total number of households assisted.
- (b) Total number of elderly headed households.
- (c) Average assistance amount by energy source.
- (d) Total dollars obligated for assistance.

These items represent less than one-fourth of the data items required by the fiscal year 1981 program. It is believed that the requirements of the fiscal year 1981 program are far too burdensome and do not provide information useful to the development of ongoing energy assistance programs.

The administration's reporting proposal as described by the HHS witness would not be adequate. However, the witness' description was contrary to the draft of the administration's proposal which requires quarterly and annual reports from States. The following quote from that draft outlines adequate reporting requirements.

"Section 9(a) requires each State to submit reports required by the Secretary on its expenditure of payments. The reports will be in the form and contain information specified by the Secretary to secure a description of the State's activities. A report must be required annually, but no more often than quarterly. The reports will cover matters such as the amounts and types of assistance furnished and the numbers and characteristics of individuals and families assisted."

ADDITIONAL NOTE

Federal regulations should require States to encourage self-sufficiency through a combined effort of energy assistance, weatherization, and alternative energy sources. We remain confident that the desired solutions to low-income energy problems could be reached by this type of coordination.

The attached "CSA Instruction" (6143-1a) was issued in June 1976, to outline the purpose of the original emergency energy conservation program. It is interesting to note the original intentions of a program to assist low-income households with energy-related problems. We have highlighted some sections. It is exciting to see that the original plan for energy assistance includes the elements which we feel to be of such importance now. Perhaps legislation for fiscal year 1982 can return to the basic intent of the program: "* * * to lessen the impact of the high cost of energy on low-income individuals and families and to reduce individual and family energy consumption."

Senator HEINZ. This is probably one of the largest panels we have had before a congressional committee, and one of the best, too. Thank you all for your testimony and for many of you having come such a very long way. Thank you very much.

The committee is adjourned subject to the call of the Chair.
[Whereupon, at 1:15 p.m., the committee adjourned.]

APPENDIXES

APPENDIX 1

MATERIAL RELATED TO HEARING

ITEM 1. "REAGAN ADMINISTRATION PROPOSALS FOR WEATHERIZATION ASSISTANCE PROGRAMS," REPORT PREPARED BY THE CONGRESSIONAL RESEARCH SERVICE, LIBRARY OF CONGRESS, APRIL 2, 1981

I. INTRODUCTION

The Department of Energy (DOE) currently administers a program of weatherization assistance of low-income households, funded in fiscal year 1981 at approximately \$182 million.¹ Begun in 1975 under the auspices of the Community Services Administration (CSA), the program has weatherized more than 830,000 low-income households since its inception. The Reagan administration proposes to terminate the program beginning in fiscal year 1982 and allow local governments to continue weatherization activities through the community development block grant (CDBG) program administered by the Department of Housing and Urban Development (HUD).

This paper briefly describes the current weatherization assistance and CDBG programs and outlines possible issues raised by the administration's proposal for weatherization activities.

II. THE WEATHERIZATION ASSISTANCE PROGRAM

The Community Services Administration (formerly the Office of Economic Opportunity) and its grantee community action agencies (CAA's) initiated weatherization activities on an experimental basis in 1973. Congress responded to the success of these early projects by adding language to the Economic Opportunity Act in 1975 specifically authorizing energy conservation projects on behalf of low-income persons. During fiscal years 1975 through 1978, CSA received a total of \$220 million for weatherization and other low-income energy activities. In 1976, Congress enacted the Energy Conservation and Production Act, which authorized the Federal Energy Administration (now the Department of Energy) to administer a similar weatherization program for the poor. DOE and CSA both operated weatherization programs in fiscal years 1977 and 1978. However, beginning in fiscal year 1979, appropriations for weatherization were made exclusively to the Department of Energy. The program has been funded at approximately \$200 million each year since fiscal year 1979. According to DOE estimates, approximately 830,000 homes had been weatherized as of August 31, 1980, under both the DOE and CSA programs.

As currently operated, the Department of Energy's weatherization assistance program provides grants to States which in turn fund local organizations (primarily community action agencies) to perform weatherization services such as the installation of insulation, storm windows and doors, and other energy-efficient improvements. DOE funds can be used for materials, administration, program support, training, and technical assistance. Under certain circumstances, DOE funds also can be used for labor and contractors although most of the labor in weatherization projects is supplied through the Department of Labor's Comprehensive Employment and Training Act (CETA) or volunteers. Households eligible for assistance under the weatherization program are those with incomes no higher than 125 percent of the Office of Management and Budget (OMB) poverty guidelines, or those in which a member received cash welfare payments during the previous 12 months under aid to families with dependent children, supplemental security income, or general assistance.

¹ A \$7-million rescission request from this amount currently is pending.

During its early years of administering the weatherization program, DOE was criticized because of slow productivity rates caused largely by a shortage of CETA workers or volunteers. However, DOE undertook a major effort during 1980 to resolve this labor problem and increase productivity. DOE regulations now permit the use of weatherization funds to pay for labor or contractors if CETA workers and volunteers are not available in adequate numbers. Further, grant allotments now are made on the basis of performance so that grantees which are able to utilize resources quickly may receive additional funds. As a result of these and other changes, productivity rates improved from a monthly average during the first quarter of 1979 of 9,300 homes, to a rate of 28,473 homes in August 1980.

III. THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The community development block grant program was first enacted in 1974 by title I of the Housing and Community Development Act. The law consolidated a number of previously categorical community development programs into a block grant to local governments. The program's primary objective, as stated in the law, is "the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." The law also contains a number of specific objectives. The most recent of these, added to the statute in 1980, is "the conservation of the Nation's scarce energy resources." To achieve this objective, Congress added a number of new allowable activities such as: The inclusion of energy efficient designs in the construction and improvement of public works, facilities and site or other improvements; the rehabilitation of buildings, including private residences, to promote energy efficiency; the provision of social services oriented toward energy conservation; the support of nonprofit neighborhood organizations sponsoring energy conservation projects; and the creation of a "comprehensive communitywide use strategy."

Community development block grant funds are distributed in two ways: Entitlement grants to large cities and urban counties which meet certain requirements; and discretionary grants to metropolitan jurisdictions not eligible for entitlements, and nonmetropolitan areas. Of the total amount appropriated for CDBG each year, \$250 million must be set aside for discretionary grants to metropolitan areas. Of the remaining appropriation, 3 percent is set aside for a variety of uses subject to the discretion of the Secretary of HUD. Of the funds remaining, 80 percent is used for entitlement and discretionary grants to metropolitan areas, and the remaining 20 percent is allocated to local governments outside of metropolitan areas.

According to HUD data, cities receiving CDBG entitlement funds used 34 percent of their allotments in fiscal year 1980 for housing rehabilitation and related activities. The next largest category was public works, accounting for 24 percent of CDBG entitlement funds in fiscal year 1980. Urban counties in fiscal year 1980 used 40 percent of their CDBG funds for public works projects and 30 percent for housing rehabilitation and related activities. Small cities reported using 41 percent of the fiscal year 1980 CDBG funds for public works and 36 percent for housing rehabilitation and related activities. Most jurisdictions receiving CDBG funds also reported about 75 percent of their allotment is targeted on the low and moderate income.

In 1977, Congress enacted a companion program to the community development block grant program, known as urban development action grants (UDAG). This program provides assistance to severely distressed cities and urban counties to help alleviate physical and economic deterioration. Community development block grants in fiscal year 1981 are funded at \$3.77 billion; the UDAG program has a fiscal year 1981 appropriation of \$675 million.

IV. REAGAN ADMINISTRATION PROPOSAL FOR WEATHERIZATION

In its February 18, 1981, announcement of a program for economic recovery, the Reagan administration unveiled its proposal to incorporate the DOE weatherization assistance program into HUD's community development block grant program. Also in the February 18 document, the administration announced plans to make both the CDBG and UDAG programs more flexible on the local level. On March 10, 1981, the administration released its more detailed revisions to the Carter administration budget proposals for fiscal year 1982. At that time, the Reagan administration announced: "The Department of Energy's weatherization assistance program is proposed for termination. State and local governments can continue to fund weatherization programs using the Department of Housing and Urban Development's community development block grant program." It also was announced on March 10, that the administration would seek the merger of CDGB and UDAG into a single "more efficient and flexible grant mechanism." The funding level requested by the

Reagan administration for the combined community support block grant in fiscal year 1982 is a reduction of approximately \$500 million from the amount requested by former President Carter for the two programs and a reduction of approximately \$200 million from the \$4.4 billion appropriated for the two programs in fiscal year 1981. Conversations with DOE budget officials confirm that the administration will seek no funds for weatherization in fiscal year 1982 and that DOE will be charged with phasing out the existing weatherization program.

The Reagan administration presents several arguments in defense of its proposal regarding the weatherization program. In the February 18 document, the administration explains that weatherization activities may continue at the discretion of local governments using CDBG funds. This is consistent with the administration's stated policy of consolidating categorical programs into block grants to State or local governments. Block grants are desirable, according to the administration, because they allow Federal funds to be used more in-line with local needs and priorities. Further, the administration feels block grants are cost-effective in that they reduce the amount of administrative overhead at the Federal level and are more flexible at the State and local level. By combining CDBG and UDAG into a single, more flexible grant program, the administration expects funding reductions to be absorbed with minimal adverse impact.

The administration also makes the argument that the current weatherization program as administered by the Department of Energy suffers from increasing costs and quality control problems. The administration states in the February 18 document: "As currently structured, the Department of Energy program would take 50 to 100 years to reach all the potentially eligible low-income households in the Nation. By shifting administrative responsibility entirely to the local level, communities will be able to devise weatherization efforts most appropriate to their needs and circumstances and achieve greater levels of efficiency and productivity."

Finally, the administration made the argument in its March 10 budget document that many of the existing energy conservation programs conducted by the Federal Government are no longer necessary because oil price decontrol and existing tax credits will be sufficient incentives for conservation. "Rising energy prices have led to substantial improvements in the efficiency with which the Nation uses energy," the administration stated.

(Although the administration does not specify this as a rationale for terminating the DOE weatherization program, another proposal in the administration budget would establish an energy and emergency assistance block grant in the Department of Health and Human Services, with weatherization as an allowable activity. However, this energy and emergency assistance block grant would replace, at a lower funding level, two programs currently operating which assist low-income people with heating bills and provide general emergency financial assistance to needy families with children.)

V. ISSUES RAISED BY ADMINISTRATION PROPOSALS

The administration's proposal to terminate the DOE weatherization program and allow local communities to use their HUD block grant funds for this activity raises a number of potential issues which are discussed briefly below.

A. TARGETING RESOURCES ON POPULATION GROUPS

The current weatherization assistance program is specifically geared toward low-income households; i.e., those with incomes not higher than 125 percent of the poverty line or with a member receiving cash assistance. The community development block grant program, on the other hand, is not strictly a low-income program, although the law mandates that projects benefit "primarily persons of low and moderate income." As explained earlier, about 75 percent of CDBG funds are used for projects benefiting the low and moderate income. An issue in merging weatherization assistance into the HUD block grant program may be whether to target funds more specifically on low-income households. Further, DOE's weatherization program includes a priority for the elderly and handicapped. Including a similar priority in the HUD block grant program also may arise as an issue. However, targeting assistance on specific groups through national mandates is not generally consistent with the goals of block grant programs, which are to transfer as much decisionmaking authority as possible to the States or local level.

B. EARMARKING RESOURCES FOR SPECIFIC ACTIVITIES

The administration proposal would add weatherization assistance to the existing list of activities eligible for CDBG funding. Under the current CDBG program, local communities are allowed to set their own priorities and choose the types of activi-

ties they wish to fund from those that are eligible. A potential issue in adding weatherization to the HUD block grant is whether to earmark a portion of funds for weatherization activities. However, as with earmarking resources for certain population groups, this approach is inconsistent with overall goal of transferring maximum decisionmaking authority to State and local officials.

C. ALLOCATION FORMULA

As described earlier, CDBG funds are allocated according to a formula that provides about 80 percent of the funds to metropolitan areas. The urban development action grant program, which would be merged with CDBG under the administration's proposal, also is primarily a metropolitan program. However, the Department of Energy has reported that 38 percent of individuals eligible for weatherization assistance are located in rural parts of the country, based on 1975 census data. A potential issue in merging weatherization assistance into the HUD block grant may be whether to change the allocation formula to provide more assistance to nonmetropolitan areas.

D. FUNDING LEVEL

The administration has proposed a \$500-million reduction in fiscal year 1982 budget authority for CDBG and UDAG from the levels requested by President Carter and almost a \$200-million reduction from the programs' appropriations in fiscal year 1981. The administration also has proposed to eliminate entirely all funds currently provided to the DOE weatherization program. Funding for the community development block grant program already had been reduced from \$3.9 billion in fiscal year 1980 to \$3.77 billion in fiscal year 1981. By further reducing funds available for community development and adding an additional eligible activity, the administration's proposals could result in greater competition at the local level and fewer resources for certain activities. Pressure also would be placed on HUD's block grant program by another administration proposal to terminate entirely the section 312 rehabilitation loan program, currently funded at \$134 million. The administration argues that this program, also administered by HUD, duplicates activities of the CDBG program. The overall funding level for the HUD block grant is a likely issue resulting from current administration proposals.

ITEM 2. "POTENTIAL ISSUES IN THE REAGAN ADMINISTRATION'S PROPOSED BLOCK GRANT APPROACH TO LOW-INCOME ENERGY ASSISTANCE," REPORT PREPARED BY THE CONGRESSIONAL RESEARCH SERVICE, LIBRARY OF CONGRESS, APRIL 3, 1981

INTRODUCTION

Low-income energy assistance and weatherization programs are the primary measures established by the Federal Government to soften the impact on low-income persons of rising energy prices. These programs seek to prevent the poor from being overwhelmed by either the rapid rise in world energy prices or the Federal Government's attempt to decrease U.S. dependence on foreign energy through decontrol of domestic prices.

Low-income energy assistance today is provided through a quasi-block grant program administered by the Department of Health and Human Services (HHS) and a crisis intervention program operated through the Community Services Administration (CSA). The HHS component provides for payment of home heating bills (and cooling bills where medically necessary) for low-income households. The CSA program provides aid such as blankets and temporary shelter in emergency situations. The major weatherization effort is administered by the Department of Energy (DOE) and provides grants to States, which in turn fund local organizations to provide weatherization services, such as the installation of insulation, storm windows and doors, and other energy-efficient improvements.

The Reagan administration has announced its intention to propose legislation that could significantly alter the existing energy and weatherization assistance programs. The proposal, according to administration testimony, will request an energy and emergency assistance (EEA) block grant under which States may provide any of the services currently provided by the three existing programs, as well

as a number of other services.¹ The administration will also propose to end funding for the existing DOE weatherization program. The energy and emergency assistance block grant would give the States "broad discretion in all aspects of the program including the use of funds, the population eligible for coverage, the types and forms of assistance provided, and levels of payment * * * Basically the only restriction would be that the funds be used to satisfy the purpose of the block grant program."²

This paper focuses on potential issues raised by the proposal to move to a pure block grant approach from two categorical grant programs, crisis intervention and weatherization, and one block grant program with many categorical features, HHS low-income energy assistance. Issues relating to other aspects of the administration's proposal, such as decreased overall funds, and continuation of the present allocation formula, are outside its scope. The paper has three sections, a description of the current energy assistance programs, details of the administration proposal, and block grant approach issues.

EXISTING PROGRAMS

LOW-INCOME ENERGY ASSISTANCE (BOTH HHS AND CSA)

The Home Energy Assistance Act (title III of the Crude Oil Windfall Profit Tax) provides 100 percent Federal funds to States for aid to needy households in offsetting the high costs of home energy. (States, however, must pay 50 percent of administrative costs.)

The HHS component is in the form of block grants to States. The act also authorizes \$100 million of total appropriations to be transferred to the Community Services Administration for crisis intervention activities.

The act sets broad priorities for assistance, establishes maximum income eligibility guidelines, limits assistance for residential cooling to cases of medical necessity, and establishes certain administrative requirements which the States must follow. Within these general guidelines the States have broad latitude in designing the actual manner in which energy assistance will be provided. The States set actual eligibility guidelines, methods of payment, and payment amounts.

Each State must submit a plan to HHS that meets certain requirements, such as compliance with Federal guidelines. These plans must describe the form of assistance (cash, vouchers, vendor payments, or other), assure that renters will be served and give priority to the aged, disabled, and households with lowest incomes. Although benefit levels may vary within a State, they must be highest for those whose energy expenditures are highest in relation to income. If vendor payments are provided, energy suppliers must agree to certain conditions regarding stoppage of service to eligible households.

Fiscal year 1981 energy assistance funds were distributed to the States on the basis of a complex formula that took into account coldness of climate, energy expenditures, low-income population, the State's fiscal year 1980 energy assistance funds, and basic minimum allocations.

For fiscal year 1981, approximately \$1.75 billion in grants were distributed to States under the HHS program (See table 1). The percentage of allocated funds which had been used by the States as of April 1, 1981, is unknown. However, testimony indicates that the range is wide. Some States, such as Vermont, have now used all of their energy assistance funds. Other States may be holding some funds in reserve for use in cooling assistance for the upcoming summer. Table 2, prepared by the Region III Fuel Program Administrators gives some indication of the variation in usage of funds, and program design. The methodology (and therefore accuracy) and opinions in table 2 are those of the Region III Administrators, and not those of the Congressional Research Service. Table 3 gives a more complete picture of the variation in State energy assistance programs in fiscal year 1981.

¹ Weatherization services would also be permitted under the community development block grant program administered by the Department of Housing and Urban Development. A separate report is being prepared by CRS dealing with weatherization activities under the CDBG program. The EEA block grant consolidates low-income energy assistance and the emergency assistance (EA) for families with needy children programs. EA is a small (estimated fiscal year 1981 expenditures of \$55 million) program requiring a 50-percent State match. The effect of consolidation on this program is outside the scope of this paper.

² Testimony of David Swoap, Under Secretary of Health and Human Services, before the Senate Labor and Human Resources Subcommittee on Aging, Family and Human Services.

TABLE 1.—FISCAL YEAR 1981 LOW-INCOME ENERGY ASSISTANCE PROGRAM ALLOCATIONS

[In thousands of dollars]

	HHS	CSA	Total State allocation
Alabama	\$15,077	\$597	\$15,674
Alaska	9,624	381	10,005
Arizona	7,291	289	7,580
Arkansas	11,504	456	11,960
California	80,883	3,205	84,088
Colorado	28,201	1,117	29,319
Connecticut	36,789	1,458	38,247
Delaware	4,883	193	5,077
District of Columbia	5,713	226	5,940
Florida	23,856	945	24,801
Georgia	18,862	747	19,609
Hawaii	1,899	75	1,975
Idaho	11,000	436	11,436
Illinois	101,827	4,035	105,862
Indiana	46,104	1,827	47,931
Iowa	32,675	1,295	33,970
Kansas	15,006	595	15,970
Kentucky	23,993	951	24,943
Louisiana	15,414	611	16,024
Maine	23,834	944	24,778
Maryland	28,169	1,116	29,285
Massachusetts	73,591	2,916	76,507
Michigan	96,676	3,831	100,507
Minnesota	69,649	2,760	72,409
Mississippi	12,926	512	13,438
Missouri	40,672	1,612	42,285
Montana	12,903	511	13,414
Nebraska	16,159	640	16,799
Nevada	3,425	136	3,560
New Hampshire	13,929	552	14,481
New Jersey	68,318	2,707	71,025
New Mexico	9,128	362	9,490
New York	223,068	8,839	231,907
North Carolina	33,244	1,317	34,561
North Dakota	14,016	555	14,572
Ohio	90,081	3,569	93,651
Oklahoma	13,859	549	14,408
Oregon	21,857	866	22,723
Pennsylvania	119,821	4,748	124,569
Rhode Island	12,114	480	12,594
South Carolina	11,974	474	12,449
South Dakota	11,384	451	11,835
Tennessee	24,304	963	25,267
Texas	39,688	1,573	41,261
Utah	13,105	519	13,624
Vermont	10,441	414	10,854
Virginia	34,313	1,360	35,673
Washington	35,952	1,425	37,377
West Virginia	15,878	629	16,507
Wisconsin	62,694	2,484	65,179
Wyoming	5,247	208	5,455
Total	1,753,022	69,463	1,822,486

Table 2. Region III Low-Income Energy Assistance Programs
March 23, 1981

	Delaware	Maryland	Pennsylvania	Virginia	Washington, D.C.	West Virginia
State Allocation	\$4,883,091	\$28,000,000	\$119,820,643	\$34,313,289	\$5,700,000	\$15,877,699
Program Allocation	4,516,859	25,900,000	110,834,095	31,739,798	5,272,500	14,686,872
Administration Allocation	366,231	2,100,000	8,986,548	2,573,496	472,500	1,190,827
Benefit Range	\$200-\$500	\$127-\$408	\$10-\$500	\$58-\$750	\$87-\$487	\$65-\$245
Expenditures to date	\$3,605,058	\$13,762,869	\$ 59,800,000	\$22,285,178	\$2,000,000	\$ 7,701,468
Receipt of Federal funds	12/22/80	12/23/80	12/27/80	12/1/80	1/12/81	1/6/81
Application starting date	11/24/80	12/1/80	11/12/80	12/1/80	12/15/80	10/15/80 & 12/1/80
First Payment	12/31/81	1/2/81	1/1/81	12/24/80	1/20/81	1/13/81
Type of Payment	<u>Client</u> <u>Vendor</u>	<u>Landlord</u> <u>Vendor</u>	<u>Client</u> <u>Vendor</u>	<u>Client</u> <u>Vendor</u>	Vendor	<u>Client</u> <u>Vendor</u>
Served to date	10,826	52,144	279,000	N/A	10,000	78,590
Average benefit	\$333	\$251	\$214	\$300	\$200	\$98
Categorically eligible	40%	90%	34%	N/A	N/A	50%
Non-Categorically eligible	60%	10%	50%	N/A	45%	50%
Elderly and Handi-capped to date	45%	44%	39%	N/A	35%	34%
Children	11,969	-	-	-	-	93,360
Served below CSA Guidelines	80%	90%	80%	80%	40%	80%
State Match	Requested \$148,000	None	None	None	\$290,000	None
Guarantee of Record	OEO	OEO	Dept of Welfare	Dept. of Welfare	D.C. Energy	Dept. of Welfare
Sub-Grant No.	3	-	109	124	3	45

Table 2 (con't)
 REGION III LOW INCOME ENERGY ASSISTANCE PROGRAMS
 March 23, 1981

	D.C.	VA.	W. VA.	PA.	DE.	MD.
1. <u>Type of subgrantees</u>	Off. of City Admin., 1 CAP, Dept. HS	124 local Welfare agencies	CAP, Dept. of Welfare, COA	State Welfare Offices	CAPS, Comm. Based Organ.	CAPS
2. <u>Variables in determining benefit levels</u>	Income, type of dwelling, household size	State broken into 5 zones, determine cost in 5 zones of heating fuel & amt.	Household size, fuel type, heat degree day	Household size, fuel type, income, type dwelling, heat degree days	Household size, fuel type, income, dwelling, heat degree days	Income, deg. days, household size, type of fuel
3. <u>Cut-off Procedures</u>	Only if temperature is above 32 degrees	Determined by State Corporation Comm.	Moratorium - no cutoff until 4/1/81	No cutoff before 4/1/81	60 days	No cutoff before 4/1/81
4. <u>Vendor Agreements</u>	Yes, no problems	Yes, some problems with gas companies & electric coops signing	Yes. No problems	PUC regulated, no vendor agreements	Yes. Slow signing	Yes
5. <u>Conservation Activities</u>	Referral to weatherization program, energy audits	Referrals to state agencies	None	Referrals to weatherization	Conservation info to elig. clients, referrals, weatherization, films	Weatherization referrals
6. <u>Services to subsidized housing</u>	Only to those who pay utilities	Very small amount	None	Small percentage	None	Very small percentage
7. <u>Types of Assistance</u>	Fuel oil, minor repairs	Heating only	heating fuel only	Heating fuel, minor repairs, field deliveries	Heating fuel and minor repairs	Heating only
8. <u>Service to Rentors (heat included in rent)</u>	None served	No problems in service to rentors	Yes. Same benefit as non-rentors	Yes. Payments made to rentors	Rentors receive same benefit level as other clients	Yes, but payments made to landlords
9. <u>Coordination with Emergency Welfare Program</u>	By referral	No	No	None. 1-time payment of \$200	No.	Yes, one-time assistance of \$125
10. <u>State or federal constraints</u>	Too much red tape, federal and state	None	None	None	No up-front funds, no State match	Late federal regs. service to bldg. operators, emergency delivery
11. <u>Ending Dates All funds obligated</u>	May	May	May	May	April 15	May

Source: Region III fuel program administrators, Doug Waun, Delaware Energy Programs Coordinator. Data and opinions are those of the Program Administrator and not those of the Congressional Research Service.

TABLE 3.—FISCAL YEAR 1981 LOW-INCOME ENERGY ASSISTANCE PROGRAM—STATE PROGRAM FEATURES

	State income maximum less than Federal maximum (4-person households)	Automatic payments			Forms of benefits			Emergency or crisis assistance ^a	Cooling assistance ^a	Maximum benefit (excluding emergency assistance)
		AFDC	SSI	Food stamps	Vendor payments	Vouchers coupons 2-party checks	Cash ¹			
Alabama	X						X			\$150
Alaska					X		X	X		750
Arizona	X				X	X			X	90
Arkansas	X	X	X	X	X		X	X	X	219
California	X	X	X				X			100
Colorado	X				X		X	X		745
Connecticut	X				X		X	X		635
Delaware	X				X		X	X		469
District of Columbia					X		X	X	X	487
Florida	X						X		X	225
Georgia					X	X	X			295
Hawaii	X	X	X				X			134
Idaho	X					X	X	X		506
Illinois	X	X	X	X	X		X	X	X	430
Indiana	X				X		X	X		286
Iowa					X	X				618
Kansas						X	X	X	X	696
Kentucky	X						X	X		350
Louisiana	X	X	X	X			X			105
Maine	X				X		X			500
Maryland					X	X		X		408
Massachusetts					X		X	X		750
Michigan		X			X	X	X	X		495
Minnesota	X				X	X	X			510
Mississippi	X					X	X			200
Missouri	X				X		X			540
Montana	X				X		X	X		750
Nebraska					X		X	X		750
Nevada	X				X		X	X		600
New Hampshire	X				X	X		X		500
New Jersey	X	X	X		X		X	X	X	650

TABLE 3.—FISCAL YEAR 1981 LOW-INCOME ENERGY ASSISTANCE PROGRAM—STATE PROGRAM FEATURES—Continued

	State income maximum less than Federal maximum (4-person households)	Automatic payments			Forms of benefits			Emergency or crisis assistance ²	Cooling assistance ²	Maximum benefit (excluding emergency assistance)
		AFDC	SSI	Food stamps	Vendor payments	Vouchers coupons 2-party checks	Cash ¹			
New Mexico	X				X	X	X	X		600
New York		X	X		X		X	X		290
North Carolina	X	X	X	X			X			413
North Dakota	X					X	X	X		1,287
Ohio	X				X	X	X	X		418
Oklahoma	X				X		X			300
Oregon	X			X	X		X	X		489
Pennsylvania					X		X	X		510
Rhode Island					X	X		X		500
South Carolina						X				670
South Dakota	X				X		X			495
Tennessee	X				X		X	X	X	623
Texas	X	X	X	X			X		X	133
Utah	X				X		X	X		750
Vermont	X					X	X	X		450
Virginia	X				X		X	X	X	750
Washington	X				X		X			318
West Virginia					X		X	X		225
Wisconsin	X		X		X	X		X		496
Wyoming	X				X		X	X		750

¹ Other States may make cash payments in unusual circumstances where other benefit forms are impractical.

² Other States may provide cooling assistance if available funds are not exhausted by heating assistance needs.

Source: Background material and data on major programs within the jurisdiction of the Committee on Ways and Means, Mar. 10, 1981.

WEATHERIZATION

In 1976, Congress enacted the Energy Conservation and Production Act, which authorized the Federal Energy Administration (now the Department of Energy) to administer weatherization programs for the poor. DOE and CSA (which was continuing weatherization efforts begun in 1973) both operated weatherization programs in fiscal year 1977 and fiscal year 1978. However, beginning in fiscal year 1979, appropriations for weatherization were made exclusively to the Department of Energy. The program has been funded at approximately \$200 million each year since fiscal year 1979. According to DOE estimates, approximately 830,000 homes had been weatherized as of August 31, 1980, under both DOE and CSA programs.

As currently operated, DOE's weatherization assistance program provides grants to States, which in turn fund local organizations (primarily community action agencies—CAA's) to perform weatherization services such as the installation of insulation, storm windows and doors, and other energy-efficient improvements. DOE funds can be used for materials, administration, program support, training, and technical assistance. Under certain circumstances, DOE funds also can be used for labor and contractors, although most of the labor in weatherization projects is supplied through the Department of Labor's Comprehensive Employment and Training Act (CETA) or volunteers. Households eligible for assistance under the weatherization program are those with incomes no higher than 125 percent of the OMB poverty guidelines, or those in which a member received cash welfare payments during the previous 12 months under aid to families with dependent children, supplemental security income, or general assistance.

PRESIDENT REAGAN'S PROPOSAL

As of April 1, 1981, the Reagan administration has not submitted legislation for the energy and emergency assistance block grant. The following discussion is based on the President's March 10 budget revisions and testimony of administration officials.

The administration plans to ask for a 4-year authorization, at \$1.4 billion per year, for the energy and emergency assistance block grant. The funds would be distributed to States to provide assistance for home energy cost, low-cost weatherization and home repairs, temporary financial assistance (food, clothing, shelter) emergency medical assistance, and emergency social services.

As mentioned earlier, an administration official has testified that the proposal will give States wide latitude in program design, provided only that they spend the funds to "satisfy the purpose" of the block grant.

The administration proposal would distribute funds to States annually, but States would have up to 2 years to spend each year's funds. The funds would be distributed so that each State receives the same percentage of the new block grant as its share of LIEA and EA funds in fiscal year 1981.

States would be required to make public their expenditure plans, prepare a post-expenditure report, have the program audited, and provide a copy of the audit to the Secretary.

The administration also intends to ask for termination of the funding for the existing DOE weatherization program, and allowance for weatherization activities to be permitted under the community development block grant program, administered by the Department of Housing and Urban Development.

The proposal outlined above is under review and subject to change.

BLOCK GRANT ISSUES

Due to the amount of discretion left to the States, very little can be said about the actual effects that the President's proposal would have on energy assistance programs. Therefore, what follows is a discussion of issues that are generic to the block grant approach as they apply to the administration's proposal.

The Reagan administration favors the block grant approach to social service programs for several reasons. The administration feels consolidation would reduce the complexity and fragmentation of the current narrowly targeted, multi-program approach. The combination of reduced complexity and increased flexibility that is permitted by block grants would, in the administration's view, enable the States to formulate public policy that more accurately reflects their specific needs. Additionally, consolidated block grants would have at least two beneficial effects on program administration. First, a smaller number of programs and reduced Federal involvement would cut Federal administrative costs, thereby lessening the impact of the President's proposed spending reductions. Second, a decrease in Federal Government regulations would lower State compliance costs and free States to design unique programs.

Specific block grant issues that may arise during congressional consideration of the President's proposals include the question of the targeting of Federal assistance, the effects of block grants on program administration, the Federal Government's responsibility to be accountable for the use of its funds, and others.

TARGETING FEDERAL ASSISTANCE

There are a number of ways in which Federal assistance may be targeted. These include specifying: The eligible population, the kinds of services that may be provided, or the form the assistance must take. Priorities for assistance also may be established.

Current law aims energy and weatherization assistance at the poor and near-poor by establishing maximum allowable income levels. The programs also require that priority be given to the elderly and disabled. The low-income energy assistance program also requires that renters be treated equitably with homeowners. The administration's proposal would give the States complete freedom to direct funds to persons it determines to be most in need of assistance. This does not necessarily mean that there would be a change in the population served by the program. Further, if a change should occur, its direction cannot be predicted. Although it is true that under the administration's proposal States could provide aid to middle and upper income households, there is no evidence that this would be done. In fact, the evidence from the fiscal year 1981 LIEA program is that States have tended to set income eligibility levels below the Federal maximum. Table 3 indicates that 37 States set income eligibility at a level below the maximum.

The proposal's lack of national eligibility rules may raise concerns about treatment of subgroups of the population, such as the elderly, the disabled, or renters. These groups often feel that they are better able to make their particular needs known at the national level where they have effective national organizations, than at the State level, where they may be less effectively organized. The extent of the Federal Government's responsibility to assure protection of subgroups of the population has been a continuing issue.

The current energy assistance programs target funds for specific purposes. For example, the fiscal year 1981 HHS low-income energy assistance program provides funds to defray home heating costs. It limits (or prohibits) the use of LIEA funds for weatherization, cooling costs (except in the case of medical emergencies), or residential gasoline. Except for the broad functions listed above, the administration's proposal would not place restrictions on the use of energy and emergency assistance block grant funds. The perception of need is a prime motive for congressional authorization of funds. In this case, the majority of funds in the President's expected proposal were originally authorized by Congress in response to the perception that low-income households needed help because of the rising cost of home energy. There may be some concern in Congress that without targeted services the funds may not be used to meet the need that was the original impetus for congressional action. On the other hand, the administration's view is that the States are in a better position to judge what their citizens need.

There also have been a number of congressional debates over the form which energy assistance should take. Methods such as vouchers, vendor payments, and cash assistance all have some backing in Congress. Advocates of a particular approach to public assistance may take issue with the administration's proposal to leave this decision to the States.

PROGRAM ADMINISTRATION

The Reagan administration argues that the block grant approach would provide more cost-effective services. Their rationale is that programs designed at the State level for State administration would be both more effective and cheaper.

Decreasing the role of the Federal Government should lower Federal administrative costs, but the extent is uncertain. Under the administration's proposals, all DOE weatherization administration costs would be eliminated and HHS would have fewer regulations to write and no State energy plans to review. However, HHS still would maintain responsibility for distribution of the funds and would run a demonstration project to aid States in designing programs. HHS also would review the audits of the State programs and deal with certain types of complaints. For example, HHS has agreed that Indian tribes should be funded at a level comparable to the support they receive in fiscal year 1981, and will presumably monitor State compliance.

The picture at the State level is less clear. During testimony before a Senate committee, State Governors expressed doubt that the proposed increase in flexibility would significantly reduce State administrative costs. It could be argued that in-

creased responsibility for program design and an increase in the kinds of allowable services would actually increase State administrative costs, thereby offsetting Federal cost reductions. However, an increase in State administrative costs is far from certain and would depend, in part, on the range of services a State decides to provide and the current efficiency of State program administration.

The Reagan administration has indicated that it will propose consolidating the Community Services Administration (CSA) into a more general social services block grant, which would effectively terminate CSA. CSA and its grantee network of community action agencies are the principal delivery system for energy crisis intervention and weatherization programs. The need for an alternate delivery system may be an issue in the debate on the President's proposal.

ACCOUNTABILITY

Philosophically, the issue of responsibility and accountability are at the center of the block grant debate. At issue is the degree to which the Federal Government should be accountable to the taxpayer for the way in which federally collected funds are spent.

The administration, through its preference for block grants, views the Federal Government's role primarily as a tax collector (in the area of social services) and the States as the primary service providers. Even so, the administration does intend to keep some accountability control mechanisms. Its proposal would require States to make their EEA expenditure plans public, to have their programs independently audited, and to provide the Secretary with a copy of the audit.

Those who feel that the Federal Government should take greater responsibility for the use of its funds may favor more control than the block grant approach provides. Control mechanisms range from requiring States to submit plans which meet certain guidelines, as in the fiscal year 1981 LIEA program, to full Federal administration of the program, as in the basic Federal supplemental security income (SSI) program. The degree to which various control mechanisms are effective may also be an issue.

Another accountability issue that often arises in block grant debates concerns what is called "fungibility" of funds. Fungibility is the replacement of own-source funds in a program with Federal revenues. The freed State funds may then be used for other purposes. As a result, new Federal revenues can be spent, in reality, for services well outside the scope of Federal intent. For example, if a State currently is operating a weatherization program with its own funds, it could decide to use the EEA block grant funds to replace its own weatherization funds. The freed funds then could be used for some other purpose, such as capital improvement. The new Federal funds would be responsible for the capital improvement and not for any increase in weatherization services.

Although fungibility of funds has been an issue in previous block grant debates (e.g., general revenue sharing), its effects are not necessarily viewed as negative. The new funds may be seen as relieving some of the burden of social service provision from the State treasuries so that funds may be used in other areas. Also, fungibility can be a problem in categorical grant programs as well.

OTHER ISSUES

The administration's EEA block grant would increase the range of permissible activities while reducing total authorization. Authorization would drop from \$2.105 billion in fiscal year 1981 (\$1.85 billion for LIEA, \$0.055 billion for EA and \$0.200 billion for DOE weatherization) to \$1.4 billion in fiscal year 1982. Whether or not this will dilute funding for needed services may be an issue in Congress.

Finally, in other block grant programs, such as general revenue sharing, public hearings on the proposed use of funds are required. The desirability requiring some kind of public forum on the use of EEA funds may also be an issue

ITEM 3. LETTER TO HON. DAVID A. STOCKMAN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, FROM SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, DATED MAY 29, 1981

DEAR DAVE: During the Special Committee's April 9 hearing on low-income energy assistance, you and I discussed the effects of the administration's various savings proposals on middle- versus low-income elderly. Because you were unable to provide specific information at that time regarding these effects, we agreed that I would submit detailed inquiries on this issue for your response.

I have received your answers, dated May 6, to several questions submitted to you in my letter of April 20. The OMB response to my questions regarding the effects of

the administration's proposals on the elderly was most disappointing. The committee will need more substantive data than that supplied by OMB. Without more detailed answers of my questions, it will be difficult for the committee to assess the effects of the proposal on those now served by existing programs.

This committee takes very seriously its mandate to study and assess the impact of proposed changes in law on the well-being of the elderly. While recognizing the central importance of reducing the rate of inflation and the size of the Federal budget, we also recognize the need to assure that the sacrifices thereby entailed are equitably distributed, and that those least able to sacrifice are not made to bear the full impact of the necessary reductions.

I realize that several data limitations exist that inhibit a definitive reply to some aspect of my budget inquiries. However, I believe that more analytic answers can be provided and would appreciate receiving a followup response from OMB to my original budget questions.

Sincerely,

JOHN HEINZ, *Chairman.*

ITEM 4. LETTER TO SENATOR JOHN HEINZ, FROM DAVID A. STOCKMAN DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, DATED JULY 1, 1981

DEAR MR. CHAIRMAN: Thank you for your May 29 letter regarding our reponse to your questions about the effects of the administration's savings proposals on the elderly.

The administration appreciates and wholly shares your concern that the elderly not bear a disproportionate share of the burden of the administration's proposed spending reductions. Indeed, as I explained in some detail before your committee on April 9, the elderly are generously supported by the administration's proposals.

In developing our proposals, we took very seriously the need to assess their impact on the well-being of the elderly. Consequently, I am surprised at your expressed disappointment with our response to your followup questions to my April 9 testimony. We certainly made every effort to answer your questions both expeditiously and as completely and accurately as possible.

We have assessed our proposals' effects on the low-income elderly as fully as available data would allow, and the results of these analyses are as indicated in the materials submitted to you. Granted, these efforts could not always be as finely drawn as we both would prefer. In some instances, the particular level of program detail you desire is simply unavailable, or, in the case of the new block grants, unknowable in advance of program implementation. In other instances, admittedly, development of particular program proposals did not require as detailed an analysis as you have requested, and additional data addressing your specific concerns may be available.

I am asking my staff to review your questions again carefully to see if any further information can be provided to help you in analyzing the effects of the administration's proposals on the elderly. Should these efforts yield information beyond that which we already have provided to you, please be assured that I shall forward it to you promptly.

Sincerely,

DAVID A. STOCKMAN.

ITEM 5. "IMPACT OF BLOCK GRANTS ON LOW-INCOME ENERGY PROGRAMS," MEMORANDUM FROM FRED MORGAN DUSENBURY, CONSULTANT, TO PHILLIP H. GILLISPIE,¹ EXECUTIVE DIRECTOR, SCHENECTADY COMMUNITY ACTION PROGRAM, INC., DATED APRIL 7, 1981

(1) The administration's proposal, referred to as the "Energy and Emergency Assistance Grant Act" was sent to Congress on March 10. It provides for a 4-year authorization for a State block grant program combining energy assistance and emergency assistance programs in the amount of \$1,428,450,000 for each of the next 4 fiscal years. Inflation and higher energy costs are not considered, and the figure is 25 percent below the combined \$1.85 billion for energy assistance in fiscal year 1981 and \$54.6 million for emergency assistance for this year.

¹ See statement, page 88.

(2) In addition to this cruel recipe for 4 years of increasing catastrophe, national decisionmaking as to how taxes will be spent is virtually abandoned by the Federal Government. Please consider the following elements of block grants:

(a) Each State would establish its own standards of eligibility and the amount and kind of assistance. This conjures up the horror of 50 different standards and 50 different kinds of assistance in varying amounts.

(b) About 97 percent of States allotments would be based on fiscal year 1981 formulae for distribution of energy assistance funds. A little under 3 percent would be based upon the formula used for the ratio of dollars received by States in fiscal year 1980 for the emergency assistance program.

(c) States would be able to provide emergency assistance in a crisis to an individual or family—no longer would it be restricted to AFDC recipients. In other words, the purpose of what has been a very small program would become applicable across the whole block grant instead of just 3 percent of it.

(d) There would be no Federal guidelines given for low-cost weatherization and minor home repairs—again, there could be 50 different ways of doing this.

(e) Each State could transfer up to 10 percent of its allotment to three other proposed HHS block grant programs, namely, health services, health promotion and disease prevention activities, and social services.

(f) Each State could use as much as it wants to for administration costs since there is no ceiling established for these costs. There is also no word of funding for outreach.

(g) All the reporting procedures to HHS on intended use of these funds eliminate provision for public input.

(h) While States would be required to submit annual reports, the provision of "an accurate description of those activities" carried out by the State would be required no more frequently than quarterly.

(i) The proposed legislation would repeal section 222(a)(5) of the Community Services Act which would remove any authority for CSA to play a role in the energy field.

While these are not all the flaws in block grants it would appear that there would be absolutely no national priorities for delivery of services or who is to be served. In fact, this legislation could result in massive increases in administrative costs at the expense of the poor.

(3) This abandonment of Federal function includes the weatherization programs with which you are familiar in New York State. Without intending to be facetious I would like to direct your attention to Senator Moynihan's March 1981 newsletter in which he recalls that on March 3, 1858, "The New York Times" reported from Albany that 86 State senators presented a petition which asked:

"That your Honorable body pass an act for calling a Convention to so alter the Constitution as to abolish both the Executive and Legislative Departments, as they now exist, and to vest the powers and duties thereof on the President, Vice President, and Directors of the New York Central Railroad Company."

Senator Moynihan notes, "the proposal was 'intended as a joke' * * * (but) * * * The State legislature passed the proposition, and it went on the ballot that fall. It failed by only 6,360 votes."

In view of the fact that oil companies are on the way to earning half of all corporate profits in the United States (one-third in 1980), that the 18 largest oil companies produce over 70 percent of our natural gas and own every single pipeline in the country, that 14 of the 20 largest coal reserves are now owned by the major oil companies, and that these oil companies control 72 percent of all U.S. high quality retrievable uranium and since 1973 have acquired every major photovoltaic (solar energy) firm in the United States it might be entirely apropos—a la Senator Moynihan's newsletter—to abolish the Federal executive and legislative departments and to vest the powers and duties thereof on Clifton C. Garvin, Jr., the chief executive officer of Exxon.

ITEM 6. "A DROP IN THE BUCKET," A REPORT ON THE NEW YORK HOME INSULATION AND ENERGY CONSERVATION ACT, PREPARED BY THE NYPIRG CITIZENS ALLIANCE, MARCH 12, 1981, SUBMITTED BY PHILLIP H. GILLISPIE*

New Yorkers spend more money for energy than people in almost any other State, and hit harder by rising energy costs. *On the average, New Yorkers spend one-third more per person for energy than the country as a whole, even though they use one-fourth less.*

* See statement, page 88.

New York is more dependent on foreign oil than any other State, and is therefore more vulnerable to rapid increases in oil prices, which have risen 1,500 percent since 1970, from \$2 to \$32 a barrel.¹ Rising oil prices have contributed to making downstate electric rates twice as high as the national average. *In fact, New York uses about 18 percent of all of the imported oil consumed in America.*²

According to a study by the Energy Action Educational Foundation of Washington, D.C. decontrol of natural gas prices could cost New Yorkers as much as an additional \$18.1 billion between now and 1985, and drain up to \$29.1 billion out of the State.³

Rising energy costs place a heavy burden on people who live in New York, especially low- and moderate-income people who are having an increasingly hard time making ends meet. In 1978, low-income households in New York spent 33 percent of their incomes for energy, compared to 9.6 percent for median-income households. *Thus, low-income households had to spend more than three times as much of their total cash income for energy as did median-income households.*⁴

High energy costs also place a heavy burden on business, and are a major reason why New York is losing so many jobs and tax dollars to other States.

The future of New York depends on developing a program to reduce the effects of rising energy costs and make New York a place where low- and moderate-income people can afford to live and companies can afford to do business.

ENERGY CONSERVATION

There have been many proposals about how to protect New York against high energy costs, but the New York State Energy Planning Board argues that "conservation should be pursued as the cornerstone of the State's energy planning strategy."⁵

"In the face of OPEC and domestic decontrol," according to James LaRocca, commissioner of the State Energy Office, "increased energy conservation is the most immediate means for New Yorkers to deal effectively with rising energy costs."

The New York State energy master plan called conservation "the least expensive, environmentally safest, and most economically beneficial supply option now available in New York," and "one of the few energy supply options that can be used by a State such as New York to create the benefits within the State as opposed to elsewhere. Consuming out-of-State or foreign oil tends to support jobs elsewhere and draw capital out of the State."

A total energy conservation package, including heating system efficiency improvements as well as adequate insulation and storm window protection, can cut residential energy bills about 40 percent, at relatively little cost. In fact, as table I shows, *a family that spent \$1,000 for heat last year could save more than \$6,000 over the next 10 years, above the costs of the conservation measures.*

TABLE I

	Column 1	Column 2	Column 3	Column 4	Column 5
	Cost of energy if don't weatherize ¹	Cost of energy if weatherize ²	Cost of weatherizing	Total cost if weatherize ³	Savings if weatherize ⁴
Year:					
1	\$1,130.00	\$678.00	\$285.70	\$963.70	\$166.30
2	1,276.90	766.14	285.70	1,051.84	225.06
3	1,442.90	865.74	285.70	1,151.44	291.46
4	1,630.47	978.28	285.70	1,263.98	366.49
5	1,842.44	1,105.46	285.70	1,391.16	451.28
6	2,081.95	1,249.17	285.70	1,534.87	547.08
7	2,352.60	1,411.56	285.70	1,697.26	655.34
8	2,658.44	1,595.06		1,595.06	1,063.38
9	3,004.04	1,802.42		1,802.42	1,201.62

¹ "Button-Up: The Residential Energy Conservation Program, 1980," a report by PASNY.

² PASNY report.

³ Study by the Energy Action Educational Foundation on the effects of the decontrol of natural gas on New York, February 1981.

⁴ New York State energy master plan.

⁵ The New York State Energy Planning Board is made up of the commissioners of the PSC, the State Energy Office, and the Department of Environmental Conservation as well as delegates of the speaker of the assembly and temporary president of the assembly. The quote is from the board's order and opinion for the energy master plan.

TABLE I—Continued

	Column 1	Column 2	Column 3	Column 4	Column 5
	Cost of energy if don't weatherize ¹	Cost of energy if weatherize ²	Cost of weatherizing	Total cost if weatherize ³	Savings if weatherize ⁴
Year—Continued					
10	3,394.56	2,036.73		2,036.73	1,357.83
Total.....	20,814.30	12,488.56	2,000.00	14,488.46	6,325.84

¹ Computed at a 13-percent increase per year.

² Computed at a 40-percent reduction by weatherizing.

³ Col. 2 plus col. 3.

⁴ Col. 1 minus col. 4.

These figures are simply based on some assumptions that reflect recent experience: (1) That energy consumption can be reduced 40 percent by a conservation package costing \$2,000; and (2) that energy prices will increase 13 percent a year. Based on these assumptions, table I shows what the savings people would get if they pay for the conservation over 7 years with an interest-free loan.

The \$6,000 savings amounts to 6 free years of heating at current energy prices, and people would pay less, even in the very first year, if they weatherize than they would pay if they don't weatherize. The more energy prices rise, the more money people would save by installing cost-effective conservation measures.

In times of rapidly rising energy prices, low- and moderate-income people can't afford not to weatherize. With proper financing, weatherization is free, since it can be paid for out of the savings that people get in lower energy bills.

The experience of people who installed conservation measures with loans under the Home Insulation and Energy Conservation Act (HIECA) shows the enormous savings that people can get by weatherizing their homes. Paid off over 5 years at 10 percent interest, it cost a total of 88 cents for every gallon of heating oil saved: 4 cents for every kilowatt-hour (kWh) of electricity saved; and \$5.09 for every thousand cubic feet (Mcf) of natural gas saved.

By comparison, a gallon of heating oil now costs \$1.30, and electricity costs about 10 cents per kWh downstate. And of course, energy prices will continue to rise each year. For example, table II shows that even if energy prices only rise 10 percent a year, in 10 years a gallon of heating oil that costs \$1.30 today would cost about \$3.06, while a kWh that costs 10 cents today would cost about 24 cents in 10 years. After 5 years, the weatherization would be completely paid for and the energy that is saved would be entirely free.

TABLE II

	Cost to save gallon of oil	Cost to buy gallon of oil ¹	Cost to save kWh	Cost to buy kWh ¹
Year:				
1.....	\$0.88	\$1.30	\$0.04	\$0.10
2.....	.88	1.43	.04	.11
3.....	.88	1.57	.04	.12
4.....	.88	1.73	.04	.13
5.....	.88	1.90	.04	.15
6.....		2.09		.16
7.....		2.30		.18
8.....		2.53		.19
9.....		2.78		.21
10.....		3.06		.24

¹ At 10 percent inflation.

Over a 5-year period, it would cost an average of 88 cents to save a gallon of heating oil, compared to \$1.59 to buy a gallon of oil, or about one-half as much. During the same 5 years, it would cost 4 cents to save a kWh of electricity, compared to an average of 12 cents to buy a kWh, or about one-third as much. Over a 10-year period, the savings are even more striking: an average of 44 cents to save a gallon of oil, compared to \$2.07 to buy a gallon of oil, or about one-fifth as much; and 2 cents to save a kWh of electricity, compared to 16 cents to buy a kWh, or about one-eighth as much.

The savings that people can get from energy conservation are obviously enormous, and the higher energy prices rise, the greater the savings will be. Yet many people who would benefit the most from weatherization have not installed cost-effective conservation measures because they can't afford the initial investment. Many low- and moderate-income people are excluded from the benefits of conservation even though they are precisely the people who need it the most. To a large extent, low- and moderate-income people live in older, less energy-efficient homes that waste more energy and would benefit most from conservation improvements. At the same time that they are forced to spend more for energy, their incomes are limited, and they are less able to afford high energy bills. Many low- and moderate-income people are caught in a vicious cycle that they can't escape, because they can't afford to pay for conservation improvements that would save them a large amount of money in the long run.

Increasingly, the people who could afford to weatherize their homes have already done so, and the people who still need conservation improvements are not likely to install them without programs that offer attractive financing.

There is a tremendous potential for energy conservation in New York, but it will not take place without financing programs that enable people to pay for weatherization improvements.

HOW HIECA WORKS

The Home Insulation and Energy Conservation Act (HIECA), which was passed in 1977, is the key energy conservation program in New York. The ability to reach the State Energy Planning Board's goal of making conservation "the cornerstone of the State's energy planning strategy" depends largely on how effectively HIECA is implemented.

HIECA was passed, according to the statement of legislative intent that accompanied the bill, because "many homes in New York State lack any insulation or other conservation devices, and only a small percentage of all homes in the State are adequately insulated to current energy efficient standards." HIECA's goal the statement of legislative intent continued, is to "save a significant portion of all energy consumed annually for heating purposes," and assist the "many homeowners * * * who stand to benefit" from energy conservation but "frequently cannot afford the initial cost of energy conservation measures and their installation."

The New York Public Interest Research Group (NYPIRG) strongly supported passage of HIECA because the program has the potential to stimulate large amounts of additional conservation in the State and enable low- and moderate-income people to obtain the benefits of weatherization.

The idea behind HIECA is simple. There are two major reasons why people have not yet weatherized their homes. Many people are simply not aware of the tremendous savings they could get by installing cost-effective conservation measures. And many others don't feel that they can afford to pay for conservation improvements. HIECA is designed to remove these obstacles by: (1) Providing energy audits that will show people how much money they could save by installing conservation measures in their homes; and (2) providing subsidized weatherization loans that can be paid back in monthly installments on utility bills, to help people pay for the weatherization improvements.

Utilities offer three types of audits: (1) Type A audits, in which an auditor inspects a home in person and, based on the results of the inspection, the utility tells people how long it would take for each conservation measure to pay for itself in savings; (2) type B audits, in which people inspect their own home and the utility analyzes the results and provides payback and savings information; and (3) type C audits, in which the utility simply distributes energy workbooks that people can use to inspect their own homes and compute their own savings. Utility companies are allowed to charge up to \$10 for an A audit and \$3 for a B audit, but people below Federal poverty guidelines receive free audits.

Utilities are also required to provide loans for the installation of conservation measures that will pay for themselves in 7 years or less. The interest rate on these loans cannot be higher than the utility's rate of return, which is generally between 9.5 and 11 percent.

Utilities can either provide the loans directly, or arrange with at least two banks in their service area to make the loans. All of the utilities in New York have chosen to arrange for loans through banks rather than make them directly. Some banks require utilities to guarantee the loans, or to make up the difference between the bank's normal lending rate and the utility's rate of return.

Loans are available for installing the following measures, if an audit determines that they would be cost effective in a particular house:

- (1) Attic, ceiling, wall, or foundation insulation.
- (2) Hot water heater insulation.
- (3) Calking and weatherstripping.
- (4) Clock thermostats.
- (5) Oil burner replacement.
- (6) Electronic ignition devices to replace pilot lights in gas furnaces.
- (7) Automatic vent dampers.
- (8) Derating heating and vent systems.
- (9) Replacing oil furnaces or boilers, including conversion to gas.
- (10) Replacing gas furnaces or boilers.
- (11) Installing heat pumps.

Utilities are required to adequately advertise the services available under HIECA, and provide customers with a list of contractors that install conservation measures upon request.

While HIECA has the potential to meet the need for energy conservation in New York, its potential has been almost entirely unfulfilled, and most low- and moderate-income people are still unable to take advantage of the savings they could get from energy conservation.

IMPLEMENTATION OF HIECA: A POOR TRACK RECORD

"No person should be without adequate heat or should be forced to forego conservation improvements by reason of inability to pay." That is the goal established for the State by the New York State Energy Master Plan.

How well is HIECA meeting that goal? How well is HIECA achieving its stated purpose of saving a "significant portion of all energy consumed annually for heating purposes" and assisting the "many homeowners * * * who stand to benefit" from energy conservation but "frequently cannot afford the initial cost of energy conservation measures and their installation?"

According to the Public Service Commission (PSC) which issues a report each January 31 on the implementation of HIECA during the previous year, HIECA is an effective program that is working well and improving each year.

The PSC's "First Annual Report on the Implementation of HIECA," which was written after the program was in effect for 3 months and was based on information reported each year by the utility companies, concluded that: "Overall, we have in place a working home insulation and energy conservation program that has begun to reap benefits for the State and its consumers. Participation in the program is accelerating * * * we look forward optimistically to the continued growth of the program, and we plan to pursue with vigor those actions that will help assure that growth."

The third annual report, written after the program was in effect for 27 months, painted the same optimistic picture:

"From the beginning of the HIECA program on June 15, 1978, to the end of the current report period on September 30, 1980, participation in the program continued to accelerate rapidly * * * Three-quarters of the type A energy audits conducted and the conservation loans granted thus far were initiated in this last reporting year * * * a period covering only 45 percent of the time since program operation began 27 months ago.

"An informal survey of the participating utilities, taken in early January 1981, indicates that interest in the program continues to grow. A audits completed since the beginning of the program total nearly 69,000, up 19 percent since September 1980. Loans are up 42 percent over the same 3-month period with 5,260 loans totaling over \$9 million."

But when compared to the enormous need for weatherization in New York, the PSC's own figures, as reported by the utility companies, actually show the opposite, that HIECA has barely scratched the surface of the need for energy conservation in the States and that the increases in performance, dramatic as they might seem, are insignificant compared to what is needed.

In 2½ years, utility companies have provided 69,000 audits and 5,260 loans. At first glance, that seems impressive. But when compared to the more than 3.5 million homes that are eligible for audits and loans under HIECA, these figures portray an ineffective program that is doing little to meet the conservation needs of the State.

Table III⁶ shows the number of A and B audits that were performed during the first 27 months of the program. Type C audits were not included because the PSC's third annual report concluded that "C audits do not lead customers to make major investments in conservation."

⁶ "Third Annual Report on the Implementation of HIECA."

TABLE III

	Number of eligible homes	Number of A and B audits	
		June 1978 to September 1980	As percent of eligible homes
Brooklyn Union Gas.....	600,000	3,483	0.58
Central Hudson.....	176,000	2,126	1.21
Con Ed.....	760,000	21,159	2.79
LILCO.....	690,000	14,074	2.04
National Fuel Gas.....	600,000	1,950	.32
New York State Electric & Gas.....	533,000	7,542	1.42
Orange & Rockland.....	116,000	1,778	1.54
Niagara Mohawk.....	1,236,000	7,355	.60
Rochester Gas & Electric.....	184,000	2,980	1.62
Total.....	¹ 3,695,000	62,447	1.70

¹ The total of homes eligible under all of the utility companies equals 4,895,000. However, some homes are covered by more than one utility, which leaves a total of 3,695,000 eligible households.

In more than 2 years, less than 2 percent of the eligible households throughout the State were audited. At that rate, it would take 130 years to audit all of the remaining eligible homes in the States. Even if you assume that half of those homes are adequately weatherized and don't need an audit, it would still take 65 years at the present rate to audit half of the remaining eligible homes.

The PSC claimed that the rate of performing audits increased significantly between October 1, 1980, and January 1, 1981, up from an average of 2,312 audits per month during the first 27 months to 3,637 per month. This higher rate came during unusually cold winter months, when people were more likely to take steps to weatherize their homes. But even at that higher rate, it would take 83 years to audit all of the remaining eligible homes.

Based on a 1977 study of insulation levels in New York⁷ the PSC claims that "only a fraction of the eligible homes" need additional insulation. Citizens Alliance was skeptical about that conclusion, and analyzed the 1977 survey to determine if the conclusion was accurate. That analysis suggests that the PSC's conclusion is contradicted by their own figures, and that the vast majority of eligible homes need additional levels of energy conservation improvements. (See appendix A.)

Table IV shows that the implementation of HIECA with respect to providing loans is even less effective than in performing audits.

TABLE IV

	Number of eligible homes	Number of loans		
		Number	As percent of A and B audits	As percent of eligible homes
Brooklyn Union Gas.....	600,000	12	0.34	0.002
Central Hudson.....	176,000	26	1.22	.015
Con Ed.....	760,000	282	1.33	.037
LILCO.....	690,000	121	.86	.018
National Fuel Gas.....	600,000	635	32.56	.105
New York State Electric & Gas.....	533,000	849	11.26	.159
Niagara Mohawk.....	1,235,000	935	11.26	.159
Orange & Rockland.....	116,000	37	2.08	.032
Rochester Gas & Electric.....	184,000	777	26.07	.42
Total.....	3,695,000	3,644	5.84	.098

In more than 2 years, less than one-tenth of 1 percent of the eligible homes and 6 percent of the audited homes received loans under HIECA.

At that rate, it would take over 2,000 years to provide loans for all of the remaining eligible homes, or more than 1,000 years for half of the eligible homes.

⁷ "New York State Residential Insulation Survey, Final Report, 1977" by the PSC, State Energy Office, and New York utility companies.

As the PSC noted, the number of loans increased during the winter months from October 1980 to January 1981, up from an average of 135 loans per month during the first 27 months to 514 loans per month. But even at that higher rate, which occurred during unusually cold months, it would take 598 years to provide loans for all of the remaining eligible homes.

The PSC argues that only a small fraction of the eligible households need HIECA loans, noting that while only 6 percent of the people who received audits went on to obtain HIECA financing, another 51 percent installed conservation measures without HIECA loans. This ignores the important fact that people who used HIECA financing invested an average of \$1,850 on weatherization improvements, compared to only \$400 for people who weatherized without HIECA financing. The problem may well be that HIECA financing is not sufficiently attractive to encourage people to invest more than they can afford to pay in cash, with their own resources. HIECA financing seems to be essential to stimulating all but the most minimal levels of conservation improvements, but the pace of providing loans is far too slow.

The performance of HIECA is even inadequate with respect to the targets established by its own "Guidelines for Implementation." Under these guidelines, utility companies have to show financial hardship if the total amount of their outstanding direct loans and loan guarantees equals less than 1 percent of their total revenues less fuel costs and purchased power. "A lesser amount will be permitted," the guidelines state, "only upon a showing that the 1 percent limit will adversely affect the financing or operating requirements of the utility."⁸

Table V shows that *after more than 2 years, Con Ed and LILCO have not even reached 1.5 percent of this target.*⁹

TABLE V

	1 percent of gross revenues less fuel costs and purchased power	Outstanding loan guarantees	Loan guarantees as percent of target
Con Ed.....	\$21,343,000	\$82,917	0.39
LILCO.....	4,777,000	62,452	1.31
Niagara Mohawk.....	6,884,000	1,624,787	23.60

Loan guarantees don't actually cost the utility company anything unless the loans are defaulted. During the first 27 months, loan defaults only cost utility companies throughout the State a total of \$122,033 out of almost \$7 million worth of loans, or about 2 percent of their total loans. Utility companies actually have very little capital tied up in loan guarantees, and even still are far from meeting the targets set by the "Guidelines for Implementation of HIECA."

Any way it is measured, the contribution of HIECA to stimulating energy conservation in New York has barely been a drop in the bucket compared to what is needed.

PERFORMANCE OF OTHER CONSERVATION PROGRAMS

The performance of HIECA is even less adequate when measured against effective conservation programs that are in operation in other States.

In August 1977, the Tennessee Valley Authority (TVA) began a program to provide free energy audits for all of its customers and interest-free loans for customers who either heated or cooled their homes electrically. TVA set a goal of fully weatherizing 500,000 homes by 1987, at a total program cost of \$214 million. By August 29, 1980, after 3 years of operation, TVA had audited 256,000 homes and provided 109,370 loans. With half as many customers as the New York utilities that are covered by HIECA, TVA performed four times as many audits and provided 30 times as many loans.

Pacific Power & Light (PP&L), the first utility in America to offer interest-free loans, began a free audit program in 1977 and, in 1978, began an interest-free loan program that allows people to repay the principal of the loan when they sell their home. By October 1980, with only one-ninth as many customers as the New York utilities, PP&L performed one-half as many audits and provided three times as many loans.¹⁰

⁸ "Guidelines for the Implementation of HIECA."

⁹ Figures reported to the PSC by utility companies for year ending Sept. 30, 1980.

¹⁰ Data on TVA and PP&L included in PASNY report.

TABLE VI

	HIECA	TVA	P. P. & L.
Number of eligible customers.....	4,895,000	2,450,000	535,000
Number of audits.....	62,447	256,000	30,000
Number of loans.....	3,644	109,370	10,00

Within New York State, the Power Authority of the State of New York (PASNY) began a demonstration residential energy conservation program in conjunction with the 50 municipally owned utilities and rural electric cooperatives that it serves. After only 9 months, PASNY's "Button-Up" program provided 9,253 A and B audits—more audits than 7 out of the 9 largest investor-owned utilities performed in 27 months.

The experience of programs that are working effectively throughout the country shows that by combining aggressive promotion that emphasizes the savings people can get with free energy audits and interest-free loans, it is possible to stimulate significantly higher levels of energy conservation among people who would not otherwise weatherize their homes.

According to John Dyson, the head of PASNY, "The results of the Power Authority program show that conservation works," and that "Citizens can be motivated by a free personalized program combined with an aggressive marketing effort."¹¹ HIECA has not come close to reaching this untapped potential.

WHY HIECA ISN'T WORKING . . . AND WHAT CAN BE DONE ABOUT IT

HIECA is not doing its job, which is to enable a large number of people to weatherize their homes who would not do it without HIECA. Not nearly enough people are getting energy audits and not nearly enough of the people who do get audits go on to make a significant investment in conservation measures.

There are several problems that keep HIECA from working effectively: (1) The quality and quantity of advertising is inadequate, which cuts down on the number of people who take the first step of getting an audit; (2) the \$10 charge for audits also reduces the number of people who request audits; (3) utility companies are underestimating the savings that people could get by weatherizing, which discourages people from installing conservation measures; and (4) the lack of interest-free financing discourages many low- and moderate-income people from even requesting audits and from installing conservation improvements, because they don't feel they can afford it.

There are many reasons why people who need weatherization and could save a lot of money by weatherizing their homes have not yet done so and are not planning to. Some people simply aren't aware of how much money they could save by weatherizing. Others feel they can't afford to pay for weatherization. An effective energy conservation program has to overcome these obstacles, and convince people that they can no longer afford not to weatherize, and provide financing that allow them to pay for it out of the savings they will get.

To be effective, a weatherization program has to deal with all of the reasons why people have not weatherized their homes yet. Its effectiveness depends on putting together a package that includes:

(1) Aggressive outreach and advertising that promotes the program by emphasizing the savings that people would get by installing cost-effective conservation measures. Effective promotion is essential to get people to take the first step of having an audit.

(2) Free energy audits, to encourage as many people as possible to get audits.

(3) Audits that give people an accurate picture of the dollar savings that they can expect to get by installing cost-effective conservation measures.

(4) Interest-free financing that allows people to pay for weatherization out of the savings they will get.

All of these ingredients have to be there for the program to work effectively. People are more likely to get audits if there is effective advertising, if the audits are free, and if there is financing that will enable them to pay for installing conservation improvements. People who take the first step of getting an audit are more likely to invest in conservation if the audit does not understate the savings they are likely to get, and gives them a clear, simple picture of how much money they could expect to save by weatherizing.

¹¹ PASNY press release, Feb. 3, 1981.

If any of the ingredients of this package are missing, the overall effectiveness of the program is reduced significantly. The HIECA program suffers from inadequacies in all of these areas, and its effectiveness is reduced by ineffective promotion; a \$10 charge for audits; systematic underestimating of the savings people could get; and financing at interest rates that are too high to attract many low- and moderate-income people.

ADVERTISING AND OUTREACH

Utility company promotion of HIECA is inadequate both in quantity and quality. When compared with Con Ed's campaigns to oppose public ownership of electric utility service in Westchester or to promote nuclear power and coal, or with LILCO's media campaign to promote nuclear power on Long Island several years ago, advertising to inform people about HIECA has been too little and too uncreative.

Utility companies have shown that they are capable of very effective advertising and promotion, but they have not used those talents to promote HIECA, a program that they opposed from the beginning.

LILCO's newspaper ads ask, "Can Your Home Pass An Energy Audit?" and follow with a full page of unbroken print explaining the program in boring detail. There is little attempt to emphasize how much money people could save by weatherizing. A serious attempt to promote HIECA would start with a headline that asks, "How Much Money Can An Energy Audit Save You?", and show people, with creative graphics, charts, and subheads that they could save a lot of money by getting an energy audit and installing cost-effective conservation measures.

According to the "Third Annual Report on the Implementation of HIECA," utility companies throughout the State only spent \$631,172 to advertise HIECA during the year ending September 30, 1980. That comes to an average of only 12.9 cents for every eligible customer, far from what is needed. Most of the spending was on techniques that are relatively ineffective, like bill enclosures and direct mail, while almost no money was spent on radio and TV advertising or direct community outreach which are far more effective.

TABLE VII.—MONEY SPENT TO ADVERTISE HIECA ¹

	Con Ed	LILCO	Niagara Mohawk
Bill inserts		\$32,440	(²)
Newspaper		6,766	\$34,367
Radio/TV			48,236
Direct mail	\$271,512		
Handout fliers			1,421
Total	271,512	39,206	84,024

¹ "Third Annual Report on the Implementation of HIECA."

² Included in other mailing, no charge to HIECA.

Con Ed only spent about 36 cents per eligible customer to promote HIECA, and even that was far higher than the 5.7 cents LILCO spent and the 6.8 cents spent by Niagara Mohawk.

Without effective and aggressive advertising, HIECA will never get off the ground because few people will even take the first step of getting an audit.

Where grassroots community organization, service agencies, and other nonprofit organizations have been involved in outreach for weatherization programs like HIECA, they have proven extremely effective. According to David Morris of the Institute for Self-Reliance in Washington, D.C., the highest response rate to utility-conducted audits has been around 7 percent but the community energy audit program of the Anacostia Energy Alliance in Washington, D.C., achieved a response rate of over 60 percent.¹²

In New York, the 19th Ward Development Program conducted outreach and publicity for energy audits in Rochester's 19th Ward. From March 1977 to June 1980, the group distributed information about HIECAS door to door, used TV advertising and newspaper articles, and held 29 block meetings. As a result, the 19th Ward, a small part of Rochester, accounted for 103 out of the 185 HIECA loans in the entire Rochester Gas & Electric service area.

¹² Testimony before House Interstate and Foreign Commerce Committee, Sept. 16, 1979.

Experience around the country shows that with effective advertising and promotion, making full use of community organizations and emphasizing the savings people can get, significantly higher response rates are possible for both energy audits and conservation loans that have occurred under the HIECA program.

Inadequate and ineffective advertising remains one of the key obstacles to making HIECA work, and until the outreach and promotion are improved, there is not likely to be much progress in improving the HIECA programs.

FREE ENERGY AUDITS

Experience in energy conservation programs has shown that charging for audits, even as little as \$10, significantly reduces the response rate. A study done for the Department of Energy by Booz Allen & Hamilton, Inc., found that "response is shown to be quite sensitive to the cost of the audit."¹³ The key to an effective conservation program is getting as many people as possible to get audits, and if the \$10 fee stands in the way it should be eliminated.

The \$10 fee does not significantly reduce the costs of energy audits to utility companies. Out of the \$7,714,124 that utilities spend for audits in the year ending September 30, 1980, they were only reimbursed \$411,772 through the fees they charge for A and B audits, or only 8.5 cents for every eligible customer.¹⁴ The money that utilities receive through the audit fees is insignificant, and serves primarily to discourage people from requesting an audit.

Even with the \$10 fee, utilities are subsidizing almost all of the cost of providing an audit. In the year ending September 30, 1980, the utility companies reported that it cost them \$79 to perform an audit, \$69 of which was subsidized by the utility. It makes little sense to charge the remaining \$10 when it significantly reduces the response rate and limits the effectiveness of the program.

In fact, there is evidence that the cost of an audit may go down as the number of audits increases. The cost of an audit decreased from \$94 in the year ending September 1979 to \$79 in the year ending September 1980 because the fixed administrative costs were spread over a larger number of audits.

GIVING AN ACCURATE ESTIMATE OF SAVINGS

People will only install conservation measures if they think they will save a lot of money and the measures will pay for themselves in a short period of time. By systematically understating the saving that people can expect to get while overstating the time it will take for the measures to pay for themselves, utilities have discouraged people from investing in cost-effective conservation measures.

The utilities calculate the dollar savings and the payback period, which are what people really look at, by multiplying the amount of energy people are likely to save by the unit cost of that energy. The unit cost of the energy is crucial.

In calculating the dollar savings that people who installed conservation measures with HIECA financing in the year ending September 30, 1980, Con Ed used the figure of 72 cents per gallon of oil, 5.44 cents per kWh of electricity, and \$4.54 per Mcf of natural gas. The actual price of home heating oil is now \$1.30, or almost double the figures used by Con Ed. And the cost of a kWh is about 10 cents, again almost double the figure used by Con Ed. Thus, people could actually expect to save twice as much money as Con Ed estimated, and the improvements would pay for themselves twice as quickly as Con Ed estimated.

Calculating savings at 72 cents a gallon gives a payback period of 3.9 years, but at \$1.30 a gallon, the current price, it would only take 2.17 years for the measure to pay for itself.

The real savings that people get are determined by how much they would have to spend to replace the energy that they saved by weatherizing. In the real world, energy prices go up each year. By calculating the savings people can get by using current energy prices and acting as if energy costs don't go up each year, the utility companies reduce the number of people who install conservation measures as well as the number of improvements they make.

Con Ed is not the only utility to do this. For the State as a whole, for the year ending September 1980, utility companies calculated the savings that people who installed measures with HIECA financing would get as if oil cost 86 cents a gallon, electricity cost 4.4 cents a kWh, and natural gas cost \$3.20 per Mcf.¹⁵ At 86 cents a gallon, it would take weatherization 2.9 years to pay for itself, compared to only 1.9 years at \$1.30 a gallon. At 4.4 cents per kWh, it would take 2.6 years for weatheriza-

¹³ PASNY report.

¹⁴ Third annual report.

¹⁵ Third annual report.

tion to pay for itself, compared to a payback period of only 1.1 years at 10 cents per kWh.

A clear, simple, and accurate chart that shows people how much they can expect to save by making conservation improvements is essential to stimulating a substantial increase in energy conservation. The higher energy prices go, the more people will save by weatherizing, and that has to be reflected in the audit results they are given.

INTEREST FREE FINANCING

Very few people have applied for HIECA loans. Only 6 percent of the people whose homes were audited used HIECA financing in order to install conservation improvements. This could mean either that there is little need for financing or that HIECA financing is not sufficiently attractive for people who could not afford to weatherize without a long-term loan.

According to the PSC's "First Annual Report on the Implementation of HIECA," "Customers may not perceive the opportunity to finance at the utility's rate of return to be sufficiently attractive for them to finance the installation of energy conservation measures under the program and may prefer to continue to rely on their own resources for their conservation efforts."

That is an overly optimistic interpretation of what is actually happening. The reality is that people who do not need subsidized financing are already weatherizing their homes using their own resources, while HIECA loans are not attractive enough to stimulate conservation among low- and moderate-income people who can't afford to make conservation improvements with their own resources. The HIECA loans are not performing the function they are supposed to. They are not making weatherization affordable for people who could not afford it without them.

According to the "1977 Residential Insulation Survey," 81 percent of the people who had installed insulation in the previous 3 years had paid by cash or check, while an additional 7 percent paid by credit card. Only 8 percent took out a long-term loan.¹⁶ Those could afford to pay for insulation without financing did so, and those who couldn't simply didn't weatherize.

On the average, people who weatherized with HIECA loans invested four times as much as people who weatherized without HIECA financing. People are only installing the measures they can afford to pay for without financing, and as a result are not investing in many measures that would be cost effective.

The pool of people who have not yet weatherized their homes is increasingly made up of people who can't afford to make the initial investment, and would only be able to afford it if they got financing that allows them to pay for weatherization in installments out of the savings they get. There is a tremendous need for financing programs that will stimulate conservation investments among this pool of people, and that will require financing that is more attractive than the loans presently available through HIECA.

The TVA and several utility companies offer interest-free loans that are payable either in monthly installments or when the home is sold. Such financing makes energy conservation free, since even in the first year people would pay less if they weatherized than they would pay if they didn't.

New York clearly needs more attractive financing than is available under HIECA, the kind of financing that is already offered in several States and that convinces people who feel they can't afford to weatherize that in fact they can't afford not to. Until more attractive financing is available, there will be little improvement in the performance of HIECA, and little increase of conservation in the State.

ENERGY CONSERVATION FOR TENANTS

HIECA has been even less effective in meeting the conservation needs of tenants. Tenants living in 1 to 4 family homes are now eligible under HIECA, but very few have participated in the program. In the year ending September 1980, LILCO provided 10,032 audits and 120 loans for homeowners, compared to only 47 audits and 2 loans for tenants. Con Ed provided 17,080 audits and 270 loans for owners, compared to only 39 audits and no loans for tenants. And Niagara Mohawk provided 2,390 audits and 777 loans for homeowners, compared to 45 audits and 6 loans for tenants. HIECA is clearly not working at all for tenants.

There are several reasons why. Tenants often don't live in the same apartment long enough to make an investment in conservation worthwhile. On the other hand, landlords have little incentive to weatherize the building if tenants pay for heating.

¹⁶ Residential insulation survey.

The problem is that both tenants and landlords would benefit from conservation, but neither benefits enough to make them feel that the investment is worthwhile.

Yet the conservation potential among tenants and in multifamily buildings is substantial. There are approximately 2.25 million multifamily units in New York State, over one-third of the State's total housing stock. Over 60 percent of the housing units in New York City are in buildings with five or more units that are not presently eligible under HIECA. Multifamily housing accounts for about 8 percent of New York's total energy consumption, yet its vast potential for energy conservation is ignored by HIECA.

Rising energy costs have become a major factor in the abandonment of multifamily buildings, and large numbers of New York City tenants were without heat last winter as landlords felt the effects of rising energy costs. Energy conservation can help prevent abandonment and help marginal landlords afford to provide heat. But as with low- and moderate-income homeowners, there is a need for attractive financing coupled with effective publicity and accessible energy audits.

New York is also losing a large number of jobs and tax dollars because small businesses are forced to either close or relocate as a result of rising energy costs. Extending HIECA to commercial buildings could play a key role in economic development of the State.

There is a clear need to extend HIECA to multifamily and commercial buildings, but it will also be necessary to iron out the problems that have kept tenants who are already eligible from participating in the program.

Based on the results of this report, NYPIRG Citizens Alliance calls upon the State legislature and the Public Service Commission to hold public hearings throughout the State to determine why the implementation of HIECA has been ineffective and what changes are needed to make the program work up to its full potential.

RECOMMENDATIONS

(1) Require more and better advertising and promotion. The State Energy Office should become responsible for promoting HIECA, and utility companies should be assessed a fee to pay for promotion based on the amount of energy they sell in the State.

(2) Promotion should make full use of direct community outreach, and nonprofit community-based organizations should become involved in providing audits. Nonprofit groups should be reimbursed for the audits they perform by the utility companies, based on what it would cost the utility to perform an audit.

(3) Set mandatory targets for the number of at-home audits that each utility company has to perform each year. These targets should be based on meeting the overall need for energy conservation within a reasonable time period.

(4) Make energy audits free.

(5) Provide demonstration of no cost-low cost conservation techniques as part of at-home audits.

(6) Require utility companies to provide clear, simple, and accurate estimates of how much money people could expect to save by installing conservation measures. These estimates should be based on accurate fuel costs.

(7) Provide interest-free loans: The repayment period should be long enough to allow people to pay for weatherization out of the savings they get, and should allow people to save money even in the first year.

(8) Require all multifamily buildings to have energy audits, and make the results of the audits available to tenants.

(9) Establish one-stop conservation centers where people can conveniently make all of the arrangements to weatherize their homes. The conservation centers would enable people to arrange for an energy audit, arrange for installation of cost-effective measures, obtain financing, and arrange for followup inspections to insure that the measures were installed correctly.

Appendix A

In its "Third Annual Report on the Implementation of HIECA," the PSC claimed that most of the 3.5 million eligible households in the State were already insulated and that "only a fraction of the eligible homes" would benefit from HIECA.

This conclusion was based on a 1977 survey of residential insulation in New York that was prepared jointly by the PSC, the State Energy Office, and the utility companies. If the conclusion is correct, then the performance of HIECA is not as bad as it appears to be, since the need for weatherization would be limited.

However, the data included in the report on the survey actually show a tremendous need for weatherization in the State. The PSC's own figures clearly show that the vast majority of eligible homes are either uninsulated or underinsulated.

The PSC's conclusion that only a fraction of the eligible homes need HIECA was based largely on table VII-A, which showed that "at least 20 percent and possibly as much as 37 percent of the New York homes represent a prime potential for ceiling retrofit."

TABLE VIII-A¹

Amount of insulation:	Percent
None.....	10
Under 3 inches.....	9
3 to 6 inches or more.....	61
Some—don't know thickness.....	13
Don't know if have.....	4
No answer.....	3

TABLE VIII-B¹

Amount of insulation:	Percent
None.....	10
Under 3 inches.....	9
3 to 5 inches.....	38
6 inches or more.....	23
Some—don't know thickness.....	13
Don't know if have.....	4
No answer.....	3

¹ Residential insulation survey.

Table VIII-A shows that 20 percent of the homes either have no insulation or less than 3 inches, and represent a clear need for insulation. An additional 17 percent don't know whether they have insulation or, if they do, how much. This category might need additional insulation.

There is a fundamental problem with table VIII-A, however: 61 percent of the homes fall into a category (3 to 6 inches or more) that includes homes that require additional insulation as well as homes that may be adequately insulated. Current standards consider less than 6 inches of attic insulation inadequate, and many experts recommend 9 inches as being cost effective. Yet the PSC report counts all of these homes as being adequately insulated and not needing additional insulation.

Table VIII-B shows that the results are totally different when homes that have 3 to 5 inches of insulation are sorted out from those that have 6 inches or more. If homes with 3 to 5 inches of insulation are counted as needing additional insulation, the conclusion would be that at least 58 percent and possibly as much as 75 percent of the homes "represent a prime potential for ceiling retrofit." The PSC's own figures, when interpreted differently, show a tremendous need and potential for conservation in New York.

In addition, insulation and storm window protection are only the first step in energy conservation. As energy costs have risen, many other forms of conservation have become cost-effective, such as improvements in heating system efficiency and the use of energy efficient appliances.

As the PSC's "Third Annual Report on HIECA" pointed out, "The recent addition of new conservation services, such as heat pumps and furnace improvements will make the program attractive to a large number of homeowners who are interested in improving the efficiency of their home heating systems even though they may already have taken steps to insulate their homes."

The results of the 1977 insulation survey suggest that as many as three-quarters of the 3.5 million eligible households may need additional insulation, and that the need for improvements in heating system efficiency and for energy efficient appliances is even greater.

The PSC also used figures from the 1977 survey to conclude that there is only a limited need for weatherization loans. A closer look at the same figures, however, suggests a substantial need for financing.

The 1977 survey found that 88 percent of the people who had insulated their homes in the previous 3 years either paid in cash, by check, or by credit card. This can either mean that people don't need financing, or that the people who can't afford to pay for weatherization by cash, check, or credit card also can't afford the kind of financing that is available. The findings of the 1977 survey suggest the latter—that most of the people who need financing are simply not installing conservation improvements because they can't afford existing kinds of financing.

The 1977 insulation survey found a strong relationship between income and the need for additional insulation. To a large extent, the people who need additional attic insulation are, as table IX shows, the people who can least afford to pay for it.

As table IX shows, 43 percent of all the people with no attic insulation had incomes below \$10,000 and 64 percent earned less than \$15,000, while 44 percent of the households that had insulation, but less than 3 inches, earned less than \$15,000. The people who have the greatest need for weatherization also have the least ability to afford it.

TABLE IX¹

(In percent)

Annual income	Amount of attic insulation			
	None	Under 3 inches	Some—don't know thickness	Don't know if have
Under \$10,000.....	43	20	23	24
\$10,000 to \$14,999.....	21	24	19	19
\$15,000 to \$19,999.....	13	18	17	22
\$20,000 to \$29,999.....	10	21	16	13
\$30,000 or above.....	5	10	10	10

¹ Residential insulation survey.

In addition, as table X shows, people who earned less than \$10,000 were only half as likely to plan to add insulation in the coming year as people who earned between \$15,000 and \$30,000, even though their need for insulation was far greater. Above \$30,000, fewer people planned to add insulation, primarily because they felt they already had enough.

TABLE X.¹—Plan to add insulation

Total annual income of household:	Percent
Under \$10,000.....	19
\$10,000 to \$14,999.....	33
\$15,000 to \$19,999.....	37
\$20,000 to \$29,999.....	38
\$30,000 or more.....	30

¹ Residential insulation survey.

The survey examined the reasons people gave for not planning to add insulation in the coming year. While only 1 percent said it was because they couldn't get financing, table XI shows that 34 percent gave reasons related to not being able to afford it—either not having enough money to spend on insulation, spending their limited incomes on higher priority items, or not being able to get financing.

TABLE XI¹

	Percent
Have enough insulation now.....	45
I will not be living here long enough to make an investment in insulation worthwhile.....	20
Don't have enough money to spend on insulation.....	17
Income being spent for higher priority items.....	16
Don't believe will save enough.....	10
Rent home.....	4
Can't get financing.....	1

¹ Residential insulation survey.

Of the people who gave reasons other than feeling that they already had enough insulation or wouldn't be living there long enough to make the investment worthwhile, most of the people who said they weren't planning to insulate gave reasons related to not being able to afford it. These are precisely the people that programs like HIECA have to reach, and there is a need for financing that is sufficiently attractive to stimulate investment in conservation among people who now feel that they can't afford to make conservation improvements.

ITEM 7. PROPOSED NEW SECTION 222(a)(5) OF THE COMMUNITY SERVICES ACT OF 1974. "ENERGY CRISIS PREVENTION SERVICES," SUBMITTED BY PHILLIP H. GILLISPIE¹

(5) A program to be known as "Comprehensive Energy Conservation Services," designed to enable low-income individuals and families, including the elderly and the near-poor, to respond to the growing energy crisis which threatens their health and survival by participating in programs of energy conservation and other energy crisis related activities which will foster household and community energy self-reliance, lessen the impact of high energy costs on such individuals and families, reduce household consumption of nonrenewable fossil fuels, and thereby reduce the dependence of the poor and the elderly on Government subsidy of home energy costs.

The Director is authorized to provide financial and other assistance for programs and activities, including, but not limited to, an energy conservation education program which will educate low-income consumers in energy conserving practices and sound household energy management, including innovative self-help activities and proper maintenance of weatherization improvements; weatherization of dwellings that will reduce heat loss and improve thermal efficiency so as to achieve a substantial reduction in energy consumption for heating and cooling, including the improving of furnace efficiency and provision of auxiliary, low-cost, renewable heating sources, and the carrying out of home repairs and rehabilitation necessary for the health and safety of the occupants; emergency loans, grants, and revolving funds to deal with increased housing expenses relating to the energy crisis; crisis intervention activities to prevent danger to health or survival, including mediation with utilities and fuel suppliers, financial counseling, the provision of emergency fuel supplies, blankets, and warm clothing, and community planning for home energy emergencies; programs designed to offset the increased cost of transportation needed to assure continued access to essential services and employment, and which will develop long-term energy efficient solutions to the transportation needs of the poor and the elderly; the development and support of local community planning and coordination capability in community energy management, energy conservation and alternative energy resource development, that will address the energy needs of the poor and the elderly; and the development and support of projects that will assist rural low-income communities in the development of alternative energy sources such as wind, small-scale hydro power, solar, and biomass conversion, and which will develop and implement agricultural practices, particularly among low-income farmers, which are less energy-intensive and which utilize renewable energy sources and alternative energy technologies; appropriate outreach efforts; furnishing personnel to act as coordinators, providing training and legal or technical assistance, or otherwise representing the interests of the poor in efforts relating to the energy crisis; nutrition, health, and other supportive services in emergency cases; preparation, printing, and distribution of educational and instructive materials in support of these activities; and evaluation of programs and activities under this paragraph. Such assistance may be provided as a supplement to any other assistance extended under the provisions of this act or under other provisions of Federal law, and no benefits provided under this paragraph shall be considered income for the purpose of determining eligibility or level of benefits under any other program of assistance or income transfer, including, but not limited to, public assistance, veterans benefits, food stamps, supplemental security income, medicaid-only, Indo-China relief, railroad retirement, or the WIC program.

The Director, after consultation with the Secretary of Energy and other appropriate Federal departments and agencies, shall establish procedures for the review by the Community Services Administration of proposed and existing Federal programs, regulations, and policies relating to the energy crisis, and shall take other appropriate action necessary to assure that the effects of the energy crisis on low-income persons, the elderly, and the near-poor are taken into account and provided for in the formulation and implementation of such programs, regulations, and policies. In carrying out programs to lessen the impact of the high cost of energy on migrant and seasonal farmworkers and American Indians, the Director shall utilize local public or private nonprofit organizations or agencies where feasible. Delinquency in payment of fuel or utility bills or shutoff of utility service shall not be a prerequisite to or requirement of eligibility for any of the programs authorized under this section. There is established under this section a National Center for Appropriate Technology (NCAT), which shall be a freestanding public benefit corporation to support the activities authorized by this section and to perform such research,

¹ See statement, page 88.

information dissemination, economic development, technical assistance, outreach, grants-making and related functions as will further the adoption, extension, development, and use of nonenergy intensive, noncapital intensive, environmentally benign, low entropy, appropriate technologies, primarily among and on behalf of low-income people and communities. The Center shall maintain headquarters in Montana and maintain other facilities elsewhere for so long as its board of directors, in the absence of good and sufficient evidence to the contrary, deem these locations to be favorable for its successful operation. The Center shall be considered a national laboratory to be used as a resource by any Federal agency or federally supported agency thereof, and may receive contracts or grants from these agencies as well as from private sources to further the Center's mission as set forth in its corporate charter and established herein by the Congress.

ITEM 8. "AN APPRAISAL OF ECAP, THE HOME HEATING ASSISTANCE PROGRAM," PREPARED BY THE MAINE OIL DEALERS ASSOCIATION, SUBMITTED BY STEPHEN J. POWERS, JR.¹

The following information was compiled by Belinda Snell, assistant managing director of the Maine Oil Dealers Association, from a statewide survey of oil dealers. 103 of Maine's 350 dealers completed ECAP evaluation forms at the request of MODA; 87 respondents are MODA members, 16 are not; 46 dealers identified themselves as "small," 54 as "medium," and 3 as "large." The rate of response and the dealer's willingness to complete the survey's many items indicate their concern for the program and their desire to share their experience with it in an appropriate and positive way.

Written comments included: "Best run yet"; "excellent, helped a lot of people"; "worked out well"; "good work—thank you"; "by far the best assistance program they have ever had"; "very satisfactory"; "A-1 program." Seventy-six percent of the dealers believed ECAP worked very well. Seventy-one percent indicated they felt ECAP was better than previous programs.

Also receiving praise were Franklin County CAP, PROP, Oxford County Committee, ACAP, and Waterville CAP.

Many dealers had praise for their towns, but because the survey was anonymous, they are impossible to identify.

Eighty-nine percent of the dealers contacted their customers about the ECAP program. This contact included mailed notices, messages on statements, and even radio reminders. Most dealer contact, however, was a personal phone call or visit to those customers who could benefit from the program.

Eighty-seven percent of the dealers determined that ECAP was well publicized in their area.

Dealers who worked with both CAPS and towns found both to be helpful and working to the best of their abilities on behalf of the program clients. Seven suggested using the towns more in next year's program if possible.

Dealers also found the DCS staff to be of assistance when they needed it help.

Dealers felt that the Governor's agreement signed by participating energy suppliers this year was quite explicit and fair.

Dealers did have some areas of difficulty with the program. Emergency deliveries created problems for 54 percent of them. Frequently dealers responded to such calls only to be able to leave very little product. This was a particularly difficult situation in rural areas.

Sixty-nine percent of the dealers found that the 30-day delay between deliveries was difficult for their customers and for them. For 77 percent of the dealers, many extra phone calls resulted. A majority of dealers believed their customers just did not understand the program.

Because of emergency deliveries, extra paperwork, smaller, less efficient deliveries, and customer confusion resulting in their frequent calls to the dealer, 72 percent of the respondents believe it cost their companies more to handle ECAP accounts.

Dealer comments on problem areas are attached.

Although oil dealers like to sell fuel oil, they are very concerned, as taxpayers and as community members, with the efficient use of program funds. In short, they hate to see tax dollars going out uncalked windows or being wasted in oil-guzzling, outdated heating plants. They concur that "more funds should be available for actual reduction in oil use."

¹ See statement, page 94.

Dealers estimate that 40 percent of their ECAP customers live in housing requiring weatherization. They estimate that approximately 13 percent have 55 gallon storage capacities.

Dealers recommendations for improving the program next year are also attached.

Maine oil dealers were very clear in their evaluation. While they did point out some areas of difficulty, they wholeheartedly support the efforts of all those involved in ECAP's implementation. As one dealer wrote on his survey, "ECAP had its faults, but it did help people who really needed it."

And that's what counts in the final analysis.

Get it off your chest space: This is for problems, complaints, gripes about this year's program.

Comments are presented here in order of the frequency with which they were written on the survey.

(1) Program started too late.
 (2) Emergency deliveries fouled things up.
 (3) Concern for late applicants. The last payment came too late for the full amount to be used by the customer. "Excellent program, but discriminated against latecomers."

(4) A-1 program—no problems. Thank you. Best run yet.

(5) Thirty-day wait between deliveries.

(6) Payments to the dealers took too long to arrive.

(7) Too much paperwork.

(8) Nonregular accounts. Cash and carry's refused to participate in some areas so dealers received new customers about whom they knew nothing. Address for delivery (as opposed to mailing address) what kind of product needed, etc.

(9) Took too long to process client applications.

(10) Customers didn't understand how the program was to work. Resulted in a lot of extra work for dealers as well as confusion to clients.

If I ran the program space: This is for your ideas and suggestions for the ideal, perfect fuel assistance program.

Suggestions are presented here in order of the frequency with which they were written on the survey.

(1) *Start earlier.* Do outreach now. Determine eligibility early so people can plan. Certify quickly.

(2) *Credit the customer's account once,* as soon as determined eligible.

(3) *Give priority to the elderly.* Go to homes of those who can't apply in person. Give them more privacy at application centers. Don't damage their pride. Consider special bills such as medication when determining eligibility. Reach those needy elderly who didn't apply this year.

(4) *Screen applicants better.* Require proof of income. Include assets. Eliminate those who could be caring for themselves.

(5) *Use towns more.* Have as much local input and control as possible. They know the need.

(6) *Use a sliding scale of benefits.* Consider those who don't need the full amount, such as mobile home dwellers. Develop a formula based on percentage of total heating bill. Require able-bodied to pay a certain portion—like food stamps.

(7) *Educate clients.* Give information on the program with certification. Provide guides to weatherization and avoiding runouts. Explain the program clearly to clients as well as CAP-town staffs and dealers. Encourage conservation. Establish program rules early and don't change them.

ITEM 9. "COST OF IMMEDIATE WELLHEAD PRICE DECONTROL OF NATURAL GAS TO LOW-INCOME AND DISADVANTAGED GROUPS," ANALYSIS PREPARED BY THE POLICY EVALUATION AND ANALYSIS GROUP, AMERICAN GAS ASSOCIATION, SUBMITTED BY STEPHEN SCHACHMAN¹

A. INTRODUCTION

Under existing law (i.e., the Natural Gas Policy Act of 1978—NGPA) the wellhead price of new natural gas (gas found since early 1977) is being allowed to increase gradually, culminating in full decontrol of new gas wellhead prices as early as 1985. The price of some of the most difficult and expensive to find "frontier area" gas has already been decontrolled by the NGPA.

There is ample evidence that the NGPA is achieving its goal of moving gas exploration and development activity into the frontier areas, which hold 60 to 70

¹ See statement, page 98.

percent of the potential natural gas resource. However, with the recent change of administration, renewed attention is being given to the proposal that natural gas wellhead pricing decontrol should be carried out immediately and should include both new and old gas.

The purpose of this analysis is to assess the economic impacts—particularly the impacts on various income groups, blacks, and the aged—of a full and immediate decontrol of the wellhead price of natural gas as compared to a continuation of the gas price decontrol schedule set forth in the NGPA as it is presently being implemented.

B. EXECUTIVE SUMMARY OF MAJOR CONCLUSIONS

Immediate total decontrol of natural gas wellhead pricing would increase both inflation and oil imports, producing a substantial adverse economic impact upon the Nation as a whole and particularly upon users of natural gas. This adverse economic impact would be most severe among low-income groups and those on fixed incomes.

Even with total immediate gas wellhead price decontrol, however, the cost of gas house heating will remain lower than heating with fuel oil at the current oil price of \$1.30 per gallon.

NATIONAL CONSUMER COST, OIL IMPORT, AND INFLATIONARY IMPACTS

Gas prices paid by gas users in all consuming sectors (residential, commercial, industrial, and powerplant) would nearly double, resulting in the first year in an increased direct cost to U.S. consumers of more than \$60 billion.

As a result, annual U.S. gas use would decrease about 10 percent (see appendix C) relative to what it would otherwise have been during early 1980's (approximately 1.6 Tcf lost to oil switching and 0.3 Tcf to conservation).

One major consequence would be that U.S. oil imports would quickly rise by 800,000 B/D and continue at that level, largely as a result of the conversion from gas to fuel oil in industrial and powerplant applications.

As a result of the above factors, the rate of inflation would escalate dramatically. In the first year of total deregulation, the GNP deflator would be 12.6 percent—3.4 percentage points higher than the 9.2 percent otherwise anticipated under NGPA.

IMPACT ON THE AVERAGE RESIDENTIAL GAS USER

The national average residential gas bill for households using gas for both heating and baseload would increase in the first year to \$897 compared to \$494 which would be experienced under NGPA.

DIFFERENTIAL IMPACT ON LOW INCOME AND OTHER SOCIOECONOMIC GROUPS

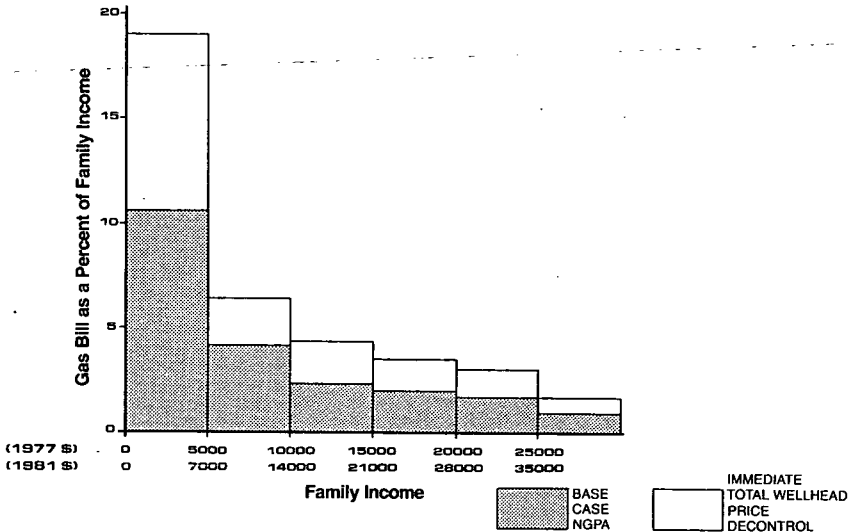
On a national average basis, immediate total wellhead price decontrol of natural gas would raise the proportion of family income represented by the annual gas bill to 3.9 from 2.2 percent. In comparison, the gas bill which would consume 10.6 percent of the income of families earning less than \$7,000 under NGPA would grow to a debilitating 19 percent of family income. The percentage for families with income between \$7,000 and \$14,000 would rise to 7.5 from 4.2 percent.

Socioeconomic groups with a higher than average proportion of low-income families would therefore suffer proportionately more, as exhibit 1 illustrates. (Note that the unshaded portion of the bars represents the additional impact of immediate total wellhead price decontrol.)

- The gas bill for families headed by a black person would rise to 5.5 from 3.1 percent of family income with immediate total wellhead price decontrol of natural gas, on average for the Nation.
- Families headed by a person aged 65 or older would spend 6 percent of their income on natural gas, up from 3.3 percent.

EXHIBIT 1

**DIRECT IMPACT OF IMMEDIATE TOTAL WELLHEAD
PRICE DECONTROL OF NATURAL GAS
ON U.S. INCOME GROUPS**



The increase in gas costs to the industrial and commercial sectors would drive up the costs of all goods and services, including those necessities which consume the bulk of low-income groups' budgets. In addition to the near doubling of gas utility bills, the cost of food and beverages would increase at an annual rate of 11.9 versus 10.3 percent under NGPA; clothing and shoes 8.5 versus 5 percent; health services 13.1 versus 11.2 percent; and transportation services 13.5 versus 11.2 percent.

C. METHODOLOGY AND ASSUMPTIONS

The impacts of immediate total wellhead price decontrol of natural gas on all consumers and on the economy were simulated using AGA's total energy resource analysis (TERA) model and the Wharton Econometric Forecasting Associates (WEFA) annual and industry forecasting model. Impacts on specific income and socioeconomic groups were determined by application of the model's results to base year income distribution and gas use data from the Bureau of the Census and the Energy Information Agency (EIA).

(A) The effects of immediate total wellhead price decontrol of natural gas on end-user gas prices and consumption were simulated on the TERA model (in scenario DM8105 dated February 2, 1981) by modifying the fall 1980 TERA base case as follows:¹

(1) The wellhead prices of old and new gas onshore and offshore were raised to \$5.50 per Mcf (\$5.39/MMBtu) in 1981 based on public statements issued by the Natural Gas Supply Association, a gas producers group. (Escalation clauses in most gas contracts would permit this rise to occur quickly.) This figure is

¹ Assumptions in the TERA base include an average domestic gas wellhead price of \$1.89 in 1981, and a continued high level of exemptions to the Fuel Use Act, and continued implementation of title II incremental pricing phase I with a high sulfur residual oil cap. For further details, see "TERA Base Case Analysis TERA 80-1" (Arlington, Va., American Gas Association Nov. 21, 1980).

consistent with the approximate average wellhead price being paid for decontrolled categories of new gas in January 1981, as derived from the "Foster Bulletin on Deregulated Gas" and other sources. The average gas wellhead price was assumed to rise by stages to \$6.12 per Mcf (\$5.99 per MMBtu) in 1985, the price determined in the base case analysis to bring about market clearing conditions for new gas in 1985 and the years through 2000.

(2) The wellhead volumes of new gas were modified as shown in exhibit 2 to reflect the effects on new gas production of running the onshore and offshore supply models at decontrolled prices,² plus an additional shift in old gas production of 0.5 Tcf of gas per year (peak) from the late 1980's to the early 1980's to simulate "quick gas" infill drilling (i.e., additional drilling in existing reservoirs in order to accelerate production) and maximum production rates in mature onshore areas (see exhibit 2).

(3) In order to develop an internally consistent scenario, the city gate prices of LNG and new technology gas were increased from base case figures of \$3.94/MMBtu for committed (already contracted) LNG, \$4.82 for competitive LNG, and \$4.97 for gas from new technologies to \$6.17 per Mcf (\$6.04/MMBtu) in 1981 and by stages to \$9.80 in 1985 (the same as the North American import prices which are based on wellhead parity with crude oil, lagged by 1 year, adjusted upward by gas transmission costs).

(4) National average residential gas bills were derived by multiplying TERA residential sector gas prices by TERA residential sector per residence consumption levels.

(B) The impact of immediate total wellhead decontrol of natural gas on family income, inflation, and other macroeconomic variables was simulated on the Wharton model. Their November 1980 post-meeting control solution, used as a base case, was not perfectly aligned with the TERA base case. Therefore, the change in wellhead prices, production, and end-user prices and consumption between the two TERA scenarios was calculated and used to modify the Wharton base case.

(C) Determination of immediate total wellhead price decontrol of natural gas impacts on *specific income* groups (not available from TERA. See footnote 1, exhibit 6) involved several steps:

(1) Average annual gas use for April 1978 through March 1979, by households both with and without gas heat classified by family income in 1977, was obtained from the Energy Information Agency's "Residential Energy Consumption Survey" (See exhibit 3).

(2) Gas usage by households without gas heat was subtracted from total usage by households with gas heat to determine heating Btus.

(3) The percentage change in heating and baseload use per residence over the 1978-81 period was calculated from the TERA base and immediate total wellhead price decontrol of natural gas scenarios, and applied to the EIA usage numbers to determine 1981 heating and baseload consumption.

(4) Heating and baseload consumption for 1981 were summed and multiplied by the residential gas price forecast by the TERA model for each scenario to determine the annual gas bill for heating customers.

(5) Mean income for each income category less than \$25,000 was assumed to be the midpoint of the range (e.g., for zero to \$5,000, a mean to \$2,500 was assumed). \$45,000 was assumed to be the mean income for families earning \$25,000 or more.

(6) The growth rate of family income in both scenarios was derived from the Wharton model for the 1977-81 period, and applied to the assumed mean incomes by income category.

(7) The 1981 gas bill (from step 4) was divided by 1981 family income (from step 6) for both scenarios to determine the percentage of income which the gas bill represents.

EXHIBIT 2.—POTENTIAL VOLUMES OF FLOWING NEW ONSHORE GAS IN BASE CASE VERSUS IMMEDIATE TOTAL WELLHEAD PRICE DECONTROL OF NATURAL GAS SCENARIOS

[Trillion cubic feet]

	Base case	Wellhead decontrol	Difference
Year:			
1.....	1.9	2.2	+0.3

² Offshore supply did not change from base case results.

EXHIBIT 2.—POTENTIAL VOLUMES OF FLOWING NEW ONSHORE GAS IN BASE CASE VERSUS IMMEDIATE TOTAL WELLHEAD PRICE DECONTROL OF NATURAL GAS SCENARIOS—Continued

(Trillion cubic feet)

	Base case	Wellhead decontrol	Difference
Year—Continued			
2.....	2.3	2.8	+ .5
3.....	2.8	3.5	+ .7
4.....	3.2	3.8	+ .6
5.....	3.6	4.0	+ .4

Note: These potential increases in gas production did not occur in this analysis because of the significant gas demand shortfall experienced as a result of the higher end-user prices (see appendix C).

EXHIBIT 3.—RESIDENTIAL GAS USE BY INCOME CATEGORY

(In million Btu's per year)

1977 family income (1977 dollars)	Residential gas use: April 1978 to March 1979	
	Households with gas heat	Gas consuming households without gas heat ¹
Less than \$5,000.....	99	34
\$5,000 to \$9,999.....	117	26
\$10,000 to \$14,999.....	115	32
\$15,000 to \$19,999.....	131	29
\$20,000 to \$24,999.....	142	39
\$25,000 or more.....	159	44

¹ These are households which use gas for any and all of the following: clothes drying, cooking, and hot water.

Source: Energy Information Agency, U.S. Department of Energy "Residential Energy Consumption Survey: Consumption and Expenditures, April 1978 through March 1979" (Washington, D.C., U.S. Government Printing Office, July 1980).

(D) Determination of immediate total wellhead price decontrol of natural gas impacts on specific socioeconomic groups required several additional steps:

(1) The distribution of families by income category was obtained from the Bureau of the Census, "Money Income in 1977 of Families and Persons in the United States" for all families, and for families headed by a black or a person aged 65 or older.

(2) For each socioeconomic group, the percentage distribution by income category was applied to the EIA gas use distribution to determine a weighted average total and baseload gas use. This assumed that all families in a certain income grouping use an identical amount of gas regardless of the age or race of the head of the household, and, therefore, that gas usage differed by socioeconomic group only because of the differentials in income distribution.

(3) The annual gas bill for each socioeconomic group was determined as in (C)(2) to (C)(4) above.

(4) The mean income for each group was taken directly from the census report, and then adjusted by the Wharton model data to 1981 levels.

D. RESULTS OF THE ANALYSIS

Immediate total decontrol of natural gas wellhead pricing would result in a near doubling of the gas price paid by all consuming sectors, resulting in a direct cost to U.S. consumers of more than \$60 billion in the first year (see appendix A). Indirect costs would also be incurred in the form of increased oil imports and a substantial increase in the inflation rate.

The increase in gas prices would result in nearly a 10-percent decrease in gas consumption, largely in the industrial sector (see appendices B and C). This decrease in industrial gas demand would result in a nearly equivalent increase in industrial use of oil, because most existing industrial gas-fired capacity is also, and only, capable of promptly switching to oil. The resulting increase in foreign oil imports would be about 800,000 barrels per day over the amount otherwise expected. Additionally, increased use of coal at the expense of increased use of gas is projected in later years.

Residential users, unable to cost-effectively quickly switch fuels, would face a gas utility bill for both heating and baseload use of \$897 (national average), up from the \$494 which would be experienced under NGPA. These factors would result in a dramatic escalation in the inflation rate. In the first year of immediate total decontrol of natural gas wellhead pricing, the GNP deflator would increase 3.4 percentage points to 12.6 percent from an assumed 9.2 percent under NGPA.

The impact of decontrol on gas-consuming families would vary substantially according to their socioeconomic status. As exhibits 1 and 4 illustrate, immediate total wellhead price decontrol would cause great hardship for families at the low end of the income scale. Families earning less than \$7,000 (\$5,000 in 1977 dollars) which would otherwise spend a substantial 10.6 percent of their income on gas, would be faced with devoting an additional 8.4 percent which they could ill afford in order to pay their utility bills. The increase for families earning between \$7,000 and \$14,000, while not as dramatic, is still substantial—from 4.2 percent of family income to 7.5 percent.

Socioeconomic groups with a higher than average proportion of low-income families would therefore suffer proportionately more than the Nation as a whole. As exhibit 5 illustrates, blacks and the elderly are two such groups. Whereas, on average, immediate total wellhead price decontrol of natural gas would result in a U.S. family spending 3.9 percent of its income on gas, up from 2.2 percent, families headed by a black person would have to spend 5.5 percent, up from 3.1 percent. Similarly, the gas bill for families headed by a person aged 65 or older would consume 6 percent of their income with immediate deregulation, compared to 3.3 percent under NGPA gas pricing (see exhibit 6).

Their budgets already strained by increased gas utility bills, low-income gas consumers would be further hurt by the rise in the cost of basic necessities generated by increased industrial and commercial gas prices. Exhibit 7 illustrates the escalation in the cost of those items which, along with housing services, comprise the bulk of low-income groups' budgets—food, clothing, and health and transportation services. These costs would, of course, impact consumers at all income levels, whether or not they use gas, but clearly low-income gas consumers would suffer the greatest hardship.

EXHIBIT 4.—IMPACT OF IMMEDIATE TOTAL WELLHEAD PRICE DECONTROL OF NATURAL GAS ON U.S. INCOME GROUPS

	1977 family income					
	Less than \$5,000	\$5,000 to \$9,999	\$10,000 to \$14,999	\$15,000 to \$19,999	\$20,000 to \$24,999	\$25,000 or more
Annual gas bill (1981):						
Decontrol.....	\$662.59	\$782.54	\$768.98	\$875.36	\$949.62	\$1,063.86
Base case.....	364.31	429.94	422.87	481.82	522.30	585.18
Difference.....	298.28	352.60	346.11	413.54	427.32	477.68
Mean family income (1981):						
Decontrol.....	3,496	10,487	17,478	24,470	31,461	62,922
Base case.....	3,451	10,354	17,257	24,159	31,062	62,124
Difference.....	45	133	221	311	399	798
Gas bill as a percentage of family income:						
Decontrol.....	19.0	7.5	4.4	3.6	3.0	1.7
Base case.....	10.6	4.2	2.4	2.0	1.7	.9
Difference.....	8.4	3.3	2.0	1.6	1.3	.8

EXHIBIT 5.—DISTRIBUTION OF FAMILY INCOME BY AGE AND RACE OF HEAD

[In percent]

1977 family income	All families	Families headed by a black person	Families headed by a person aged 65 or older
Less than \$5,000.....	19.0	33.7	40.2
Less than \$10,000.....	40.2	61.4	71.6
Less than \$15,000.....	57.9	77.4	84.7
Less than \$20,000.....	72.7	87.8	91.1
Less than \$25,000.....	83.3	93.6	94.6

EXHIBIT 5.—DISTRIBUTION OF FAMILY INCOME BY AGE AND RACE OF HEAD—Continued

[In percent]

1977 family income	All families	Families headed by a black person	Families headed by a person aged 65 or older
All income levels.....	100.0	100.0	100.0

Source: Calculated from Bureau of the Census, U.S. Department of Commerce, "Money Income in 1977 of Families and Persons in the United States," Current Population Reports Series P-60 (Washington, D.C., U.S. Government Printing Office, March 1979).

EXHIBIT 6.—IMPACT OF IMMEDIATE TOTAL WELLHEAD PRICE DECONTROL OF NATURAL GAS ON FAMILIES BY AGE AND RACE OF HEAD

	All families	Families headed by a black person	Families headed by a person aged 65 or older
Annual gas bill (1981 dollars):			
Decontrol.....	\$836	\$775	\$761
Base case.....	1460	426	419
Difference.....	376	289	343
Mean family income (1981 dollars): ²			
Decontrol.....	21,402	14,047	12,738
Base case.....	21,130	13,869	12,577
Difference.....	272	178	161
Gas bill as a percentage of family income:			
Decontrol.....	3.9	5.5	6.0
Base case.....	2.2	3.1	3.3
Difference.....	1.7	2.4	2.7

¹ The methodology for determining annual gas use described in sec. C above produced slightly different results on a U.S. average basis than did the TERA model. TERA forecast 125.6 MMBtu per household in 1981 for the base case and 125.7 MMBtu for the deregulation scenario, compared to the 117.0 and 117.1 MMBtu, respectively, estimated from application of TERA growth rates to the EIA and census data. (Note that the increase of 0.1 MMBtu in per household gas consumption in 1981 in the decontrol scenario is the net effect of a 0.1 MMBtu decrease in heating consumption and a 0.2 MMBtu increase in nonheating consumption. These reflect the fact that the TERA base case already contains a very high level of residential conservation, essentially all of the conservation which can be affected quickly. Additionally, the increase in nonheating use reflects a slower rate of addition of new, more efficient appliances in the decontrol scenario.) The annual gas bills calculated directly from the TERA Model are \$897 and \$494 for deregulation and the base case, respectively. For consistency with the calculations by income and socioeconomic group, the results estimated from EIA and census data are used herein.

² Mean family income in 1977 dollars as follows: All families—\$15,306; families headed by a black person—\$10,046; families headed by a person aged 65 or older—\$9,110

EXHIBIT 7.—INFLATION INDICATORS OF PARTICULAR IMPORTANCE TO LOW-INCOME GROUPS

	Percent change, first year		Difference ¹ first year
	Decontrol case	Base case	
GNP price deflator.....	12.6	9.2	+3.4
Price deflator for:			
Food and beverages.....	11.9	10.3	+1.6
Clothing and shoes.....	8.5	5.0	+3.5
Health services.....	13.1	11.2	+1.9
Transportation services.....	13.5	11.2	+2.3

¹ Percentage points.

Source: Decontrol case—Wharton annual and industry forecasting model run dated Mar. 22, 1981. Base Case—Wharton annual and industry forecasting model post-meeting control solution, November 1980

APPENDIX A.—DIRECT COST OF IMMEDIATE TOTAL WELLHEAD PRICE DECONTROL OF NATURAL GAS

[Billions of current dollars per year]

Year	Base case	Deregulation case	Increase: Deregulation over base case
1981.....	\$51,239	\$117,991	\$66,752
1982.....	61,927	126,640	64,713
1983.....	74,795	139,131	64,336

APPENDIX A.—DIRECT COST OF IMMEDIATE TOTAL WELLHEAD PRICE DECONTROL OF NATURAL GAS—Continued

[Billions of current dollars per year]

Year	Base case	Deregulation case	Increase: Deregulation over base case
1984	87,156	146,844	59,688
1985	121,866	149,899	28,033

Source: Derived by multiplying total utility gas sales plus direct sales by the gas price as forecast by the TERA model for each scenario.

APPENDIX B.—NATURAL GAS PRICES BY END-USER

[Dollars per million Btu]

Year	Residential	Commercial	Industrial	Powerplant	Average
Base case:					
1981	\$3.93	\$3.54	\$3.35	\$2.82	\$3.51
1982	4.42	3.99	3.85	3.25	3.98
1983	4.92	4.45	4.43	3.75	4.51
1984	5.59	5.08	5.12	4.37	5.18
1985	6.87	6.40	6.75	6.28	6.68
Decontrol case:					
1981	7.14	6.74	6.40	5.68	6.63
1982	7.55	7.09	6.66	5.98	6.93
1983	8.01	7.49	6.99	6.26	7.30
1984	8.51	7.95	7.45	6.59	7.74
1985	8.86	8.27	7.75	6.89	8.04
Percentage increase—decontrol over base case:					
1981	+81.7	+90.4	+91.0	+101.4	+88.9
1982	+70.8	+77.7	+73.0	+84.0	+74.1
1983	+62.8	+68.3	+57.8	+66.9	+61.9
1984	+52.2	+56.5	+45.5	+50.8	+49.4
1985	+29.0	+29.2	+14.8	+9.7	+20.4

Source: The AGA TERA model, Scenarios DM8044 and DM8105.

APPENDIX C.—NATURAL GAS SALES BY END-USER

[Trillion Btu]

Year	Residential	Commercial	Industrial	Powerplant	Total
Base case:					
1981	5,000	2,765	7,404	1,547	16,716
1982	4,987	2,850	7,954	1,615	17,405
1983	4,971	2,945	8,520	1,633	18,069
1984	4,953	3,013	8,512	1,624	18,102
1985	4,924	3,106	8,784	1,609	18,424
Decontrol case:					
1981	4,936	2,773	6,345	1,488	15,542
1982	4,849	2,857	6,380	1,645	15,731
1983	4,770	2,940	6,627	1,635	15,971
1984	4,701	3,020	6,922	1,603	16,246
1985	4,642	3,096	7,339	1,577	16,653
Percentage increase—decontrol over base case:					
1981	-1.28	+0.29	-14.30	-3.81	-7.02
1982	-2.77	+0.25	-19.79	+1.86	-9.62
1983	-4.04	-0.17	-22.22	+0.12	-11.61
1984	-5.09	+0.23	-18.68	-1.29	-10.25
1985	-5.73	-0.32	-16.45	-1.99	-9.61

Source: The AGA TERA model Scenarios DM8044 and DM8105.

APPENDIX D.—DIRECT IMPACT OF TOTAL IMMEDIATE WELLHEAD PRICE DECONTROL OF NATURAL GAS ON RESIDENTIAL GAS BILLS BY U.S. CENSUS REGION, 1981-84

Census regions	Residential price (dollars per million Btu)			Annual gas bill ¹ (dollars per year)		
	Base case	Decontrol	Plus percent	Base case	Decontrol	Plus percent
New England:						
1981.....	\$6.07	\$9.17	51	\$820	\$1,239	51
1982.....	6.68	9.58	43	883	1,264	43
1983.....	7.17	10.20	42	929	1,313	41
1984.....	7.88	10.34	31	1,002	1,301	30
Mid-Atlantic:						
1981.....	4.54	8.20	81	698	1,265	81
1982.....	5.03	8.68	73	763	1,325	74
1983.....	5.52	9.33	69	826	1,407	70
1984.....	6.25	9.79	57	924	1,459	58
East North Central:						
1981.....	3.89	7.26	87	629	1,171	86
1982.....	4.41	7.67	74	690	1,193	73
1983.....	4.88	8.15	67	739	1,221	65
1984.....	5.49	8.80	60	804	1,271	58
West North Central:						
1981.....	3.46	6.65	92	537	1,030	92
1982.....	3.86	7.12	84	584	1,069	83
1983.....	4.35	7.46	72	641	1,085	69
1984.....	5.00	7.81	56	718	1,101	53
South Atlantic:						
1981.....	4.18	7.69	84	429	801	87
1982.....	4.52	8.07	78	448	817	82
1983.....	4.81	8.52	77	462	838	81
1984.....	5.40	9.15	69	503	872	73
East South Central:						
1981.....	3.23	6.73	108	415	867	109
1982.....	3.69	7.08	92	464	893	92
1983.....	4.25	7.52	77	524	927	77
1984.....	5.13	8.09	58	619	974	57
West South Central:						
1981.....	3.24	5.90	82	317	577	82
1982.....	3.72	6.15	65	355	584	64
1983.....	4.31	6.42	49	400	591	48
1984.....	5.01	6.73	34	453	602	34
Mountain:						
1981.....	3.69	6.83	85	375	691	84
1982.....	4.07	7.12	75	405	699	73
1983.....	4.53	7.42	64	441	707	60
1984.....	5.12	7.74	51	486	717	48
Pacific:						
1981.....	3.92	6.50	66	327	541	65
1982.....	4.56	7.00	54	377	576	53
1983.....	5.16	7.49	45	423	610	44
1984.....	5.89	8.02	36	478	646	35
United States:						
1981.....	3.93	7.14	82	494	897	82
1982.....	4.42	7.55	71	541	923	71
1983.....	4.92	8.01	63	588	951	62
1984.....	5.59	8.51	52	651	982	51

¹ Average residential gas bill for households using gas for both heating and base load (e.g., cooking, hot water, clothes drying).

ITEM 10. LETTER AND ENCLOSURE FROM JACK OSSOFSKY,¹ EXECUTIVE DIRECTOR, NATIONAL COUNCIL ON THE AGING, INC., TO SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, DATED JUNE 10, 1981

DEAR MR. CHAIRMAN: At your committee's recent hearing on "Energy and the Aged," we discussed a possible formula for distributing energy assistance funds in a manner that recognized the life-threatening nature of cold weather in many parts of the country, while not ignoring needs of those in extremely hot climates.

Enclosed is a brief paper that describes such a system in general terms. I note that you have subsequently introduced legislation to preserve energy assistance and to tie it directly to weatherization activities. NCOA commends your efforts.

We look forward to working with you to help vulnerable Americans, especially older Americans, cope with spiraling fuel costs.

Sincerely,

JACK OSSOFSKY, *Executive Director.*

Enclosure.

ENERGY ASSISTANCE FUND DISTRIBUTION

The following is provided in connection with Senator Heinz' request for a proposal on how to distribute funds under an energy block grant. State administration of the program is assumed, although it is hoped that adequate guidance will be given to States on recommended policies and practices. We would strongly recommend that the formula suggested for determining each State's share of total Federal funding be used by each State for distributing assistance to individuals and families.

NCOA recognizes that regional differences have contributed to Congress' difficulty in devising a distribution formula that responds to those suffering the greatest harm from drastic increases in home energy prices. Further, we recognize that home cooling, as well as home heating, is, for some parts of the country, essential to the survival of many older persons with low incomes. We believe that one constructive way of addressing those differences is to focus on what low-income persons themselves believe are most important—the home energy on which they actually spend their own money. This is known as "income indexing."

Basic formula.—When used to calculate each State's share of a national appropriation, income indexing would direct funds to areas in which fuel costs have the greatest impact on the poor, measured by the share of their incomes spent on fuel.

How would such a formula work?

The National Bureau of Standards (NBS) has derived a formula for calculating the annual low-income heating usage for each State. We understand that, without major difficulty, that formula could be adjusted to include cooling degree days (and cooling costs) as well. A home fuel usage cost figure for low-income families can then be established for each fuel in each State, and multiplied by the number of low-income households using that fuel in the State. When the totals for all fuels are added, the result is the State's low-income fuel usage.

Income indexing would subtract from the annual home energy cost for each fuel an amount representing, say, 8 percent of the average income of low-income households in that State. This would be done before multiplying the cost by the number of low-income households using the fuel.

For example, assume that in Pennsylvania the NBS formula determined that the annual low-income cost of natural gas is \$1,800; using census data, the mean income of low-income households in the State is calculated at \$3,500. Then 8 percent of \$3,500, or \$280, would be subtracted from \$1,800. The resulting \$1,520 would then be multiplied by the number of low-income households using natural gas in Pennsylvania, and so on.

The impact of income indexing, as noted, would be to increase allocations to States where household fuel costs for poor persons were highest.

Individual benefit calculations.—States should be strongly encouraged, perhaps required, to use a similar methodology in calculating an individual household's benefit. Instead of average fuel costs, the household's actual costs for the previous year could be used. Ideally, the assistance would cover any amounts over 8 percent of the household's income. With limited appropriations, a State could cover a stated share of the average. Thus, a household would have a strong incentive to conserve energy despite the fuel assistance, since reductions in usage would help the household directly rather than reduce its benefit level.

Conservation.—Speaking more generally, any energy assistance efforts must include incentives to conserve. Using the previous year's energy cost to calculate

¹ See statement, page 73.

current benefits constitutes such an incentive. (So would a reasonable projection of the coming year's costs, a method which, though it avoids "rewarding" profligate energy usage, is more complex administratively.)

NCOA believes that an energy audit, at the option of the household, should be included for all participants as a one-time benefit. This will provide a baseline for consumer education and other conservation efforts.

Similarly, States should be encouraged to tie fuel assistance payments as close as possible to weatherization programs. Although the payment structure provides incentives for poor families to adopt energy conserving practices, these families usually do not have the "up front" money needed to weatherize their homes or add low-cost alternate heating/cooling sources. Similarly, society's interests are subverted when, year after year, public dollars literally go up in smoke with no attempt to address the condition that causes the need for fuel assistance in the first place.

Age preference.—NCOA does not favor a preference for older poor people in the eligibility or benefit calculation methods to be included in the law. We strongly believe, however, that special outreach efforts are needed to reach certain isolated older people, inform them of the availability of energy assistance, and help them through the application process.

This proposed allocation formula owes much in parentage to formulas suggested by the U.S. Energy Department's Fuel Oil Marketing Advisory Committee and the National Community Action Agency Executive Directors Association. Although we share their views regarding income indexing and conservation incentives, we differ in recommended payment mechanisms. It is our belief that low-income persons, regardless of age, should have as much control as possible over their own lives. Either vendor payments or any form of tax credit to fuel providers would further reduce the level of direct involvement of individuals needed for constructive energy resource management. In our judgment, direct payment to households, supplemented with consumer guidance, is a better approach.

We recognize the need to allow States flexibility to fit this program to their unique circumstances. At the same time, to insure that applicants, especially the elderly, can gain access to the program through agencies to which they normally relate—community action agencies, area agencies on aging, and senior centers—we recommend the development of model application procedures and forms. Our recommended formula lends itself easily to a uniform application process which any number of agencies could administer, with the completed form then submitted to the responsible State agency for final eligibility determination and benefit disbursements.

We appreciate this opportunity to share with the committee our thinking on the proper distribution of Federal fuel assistance dollars.

ITEM 11. LETTER TO HON. JAMES M. EDWARDS, SECRETARY, U.S. DEPARTMENT OF ENERGY, FROM SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, DATED MARCH 27, 1981

DEAR MR. SECRETARY: The Senate Special Committee on Aging is holding hearings on April 9 and subsequently issuing a report on "Energy and the Aged." While the Office of Management and Budget will be providing us with testimony and information on the administration's proposals for future delivery of services and assistance to the low-income elderly, the committee needs a written report from the Department of Energy on the weatherization programs of past years in order to evaluate the alternatives for the future.

Would you please supply us, for inclusion in our report, with answers to the following questions about the Department of Energy program which the administration has proposed for termination:

What is the current status of the fiscal year 1981 program in terms of houses weatherized (by State), the current rate of weatherization activity, and current expenditures and commitments for fiscal year 1981 and previous year obligations?

How many elderly and handicapped persons have been served (by State)? How is the legislative mandate to provide priority services to these groups implemented? How many of those served were homeowners? How many renters?

What problems have been encountered in weatherizing rental units and larger multifamily buildings? How can these be resolved? How do these problems impact on the elderly?

Some States had portions of their fiscal year 1980 allocations withdrawn and transferred to other States. Please explain the reasons for these transfers and their outcome. Have the problems which caused the transfers been resolved?

How many eligible households remain to be served? If the eligibility test for weatherization had been the same criterion as for low-income energy assistance,

how would that change the number of buildings in need of weatherization? How long are the waiting lists in each State today?

What proportion of weatherization projects in fiscal year 1981 used CETA labor? What is the cost difference between projects using CETA labor and those not using it? Has the Department denied any requests for waivers of the CETA requirement? Why?

What administrative or other programmatic coordination has been achieved between fuel assistance programs and the weatherization programs? Are there automatic referral procedures from one to the other and, if so, how well have these worked? If not, how are referrals made? Are there combined applications or other one-stop registration for both programs? How would the Department recommend the States best coordinate their low-income energy assistance programs with the newly proposed local weatherization projects?

What kinds of energy savings can be anticipated in various sizes of low-income buildings (by region and fuel type). How might these savings help reduce Government fuel assistance payments?

We understand several meetings were held under DOE auspices in 1980 to discuss alternatives for future weatherization efforts. Could you please summarize for the committee the most significant alternatives discussed and the views of the participants in the meeting on these subjects.

It would be very helpful for the committee to have this information by Friday, April 3, Thank you very much for your help and cooperation.

Sincerely yours,

JOHN HEINZ, *Chairman.*

ITEM 12. LETTER AND ENCLOSURES TO SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, FROM ROBERT G. RABBen, ASSISTANT GENERAL COUNSEL FOR LEGISLATION, U.S. DEPARTMENT OF ENERGY, DATED APRIL 7, 1981

DEAR SENATOR HEINZ: Enclosed are the responses to the questions in your March 27, 1981, letter for the hearing on April 9, 1981, before the Special Committee on Aging.

If you have any questions, please call Ingrid Nelson or Tom Pretorius of my staff on 252-4277. They will be happy to assist you.

Sincerely,

ROBERT G. RABBen,
Assistant General Counsel for Legislation.

Enclosures.

Question 1. What is the current status of the fiscal year 1981 program in terms of houses weatherized (by State), the current rate of weatherization activities, and current expenditures and commitments for fiscal year 1981 and previous year obligations?

Answer. Table 1 contains the houses weatherized (by State) from October 1, 1980, through January 31, 1981, as well as the other information requested.

TABLE 1.—*Current status of the fiscal year 1981 program in terms of houses weatherized*

State:	1981 homes weatherized
Alabama	1,269
Alaska	329
Arizona	422
Arkansas.....	1,424
California.....	2,710
Colorado.....	1,610
Connecticut	1,538
Delaware.....	226
District of Columbia	314
Florida.....	462
Georgia.....	1,334
Idaho.....	864
Illinois.....	5,614
Indiana.....	6,980
Iowa.....	2,050
Kansas.....	2,154

State—Continued	1981 homes weatherized
Kentucky.....	2,541
Louisiana.....	1,003
Maine.....	1,094
Maryland.....	1,669
Massachusetts.....	1,815
Michigan.....	5,212
Minnesota.....	3,957
Mississippi.....	1,048
Missouri.....	5,273
Montana.....	1,291
Nebraska.....	1,511
Nevada.....	316
New Hampshire.....	762
New Jersey.....	2,635
New Mexico.....	1,357
New York.....	9,575
North Carolina.....	2,201
North Dakota.....	1,084
Ohio.....	5,783
Oklahoma.....	406
Oregon.....	1,728
Pennsylvania.....	5,448
Rhode Island.....	944
South Carolina.....	1,572
South Dakota.....	798
Tennessee.....	2,079
Texas.....	644
Utah.....	1,102
Vermont.....	963
Virginia.....	1,645
Washington.....	2,261
West Virginia.....	907
Wisconsin.....	2,034
Wyoming.....	330
Total.....	102,261

The current rate of weatherization activity for fiscal year 1981 is \$26 million per month and an average production rate of 26,000 homes per month. The total commitment of fiscal year 1981 funds is \$114,858,218 (as of March 25, 1981). Previous years obligations were \$490 million. The current expenditures from the beginning of fiscal year 1981 through January are \$104,000,000.

Question 2. (a) How many elderly and handicapped persons have been served (by State)?

(b) How is the legislative mandate to provide priority services to these groups implemented?

(c) How many of those served were homeowners? How many renters?

Answer. (a) The first column of table 2 contains the total number of people assisted by the program since its inception through January 31, 1981. The next two columns indicate the numbers of elderly and handicapped persons who have been assisted, by State, since the inception of the program through January 31, 1981.

(b) The program's regulations require that the State plans specify the numbers of elderly and handicapped to be served, and DOE's regional offices review each State plan to insure that these groups are being given priority in the provision of these services. Since the inception of the program, 349,312 elderly, and 86,618 handicapped persons have been provided with weatherization assistance by DOE.

(c) The last two columns of table 2 compare, for elderly/handicapped households assisted, those which are owner-occupied to those which are renter-occupied. The data shown is cumulative, through January 31, 1981.

TABLE 2.—WEATHERIZATION ASSISTANCE PROGRAM¹

State	Total people assisted	Elderly	Handicapped	Owner-occupied	Renter-occupied
Connecticut.....	9,494	1,899	561	1,276	1,057
Maine.....	19,721	4,597	1,823	5,399	283

TABLE 2.—WEATHERIZATION ASSISTANCE PROGRAM¹—Continued

State	Total people assisted	Elderly	Handicapped	Owner-occupied	Renter-occupied
Massachusetts.....	16,727	2,787	1,518	3,443	1,911
New Hampshire.....	10,555	2,377	433	2,323	382
Rhode Island.....	10,855	1,608	569	1,680	539
Vermont.....	8,207	892	1,366	1,719	472
Total.....	75,559	14,160	6,240	15,840	4,644
New Jersey.....	17,439	2,506	436	2,331	735
New York.....	47,782	8,893	3,098	6,929	2,115
Total.....	65,221	11,399	3,534	9,260	2,850
Delaware.....	2,903	976	182	556	19
District of Columbia.....	3,458	289	72	399	492
Maryland.....	14,817	3,225	430	1,640	1,069
Pennsylvania.....	41,830	23,505	4,226	14,207	4,103
Virginia.....	23,916	12,836	2,861	6,062	467
West Virginia.....	14,823	7,317	2,040	3,181	847
Total.....	101,747	48,150	9,811	26,045	6,997
Alabama.....	65,262	9,257	2,396	2,256	420
Florida.....	3,539	1,329	308	708	11
Georgia.....	17,762	7,098	2,717	2,945	838
Kentucky.....	38,670	10,998	3,255	5,797	743
Mississippi.....	13,642	5,379	1,412	3,063	227
North Carolina.....	14,967	7,143	2,283	3,876	250
South Carolina.....	11,423	3,678	1,085	2,127	186
Tennessee.....	24,507	11,571	2,587	6,361	145
Total.....	139,772	56,458	16,048	27,133	2,820
Illinois.....	43,752	15,745	2,859	9,789	947
Indiana.....	42,934	12,888	2,163	13,964	2,132
Michigan.....	49,333	23,832	7,601	13,306	87
Minnesota.....	58,119	16,308	3,294	16,207	2,764
Ohio.....	36,603	11,066	3,649	11,024	921
Wisconsin.....	16,942	5,136	1,573	5,596	3
Total.....	247,683	84,975	21,139	69,886	6,854
Arkansas.....	11,655	10,529	1,803	4,668	318
Louisiana.....	5,262	4,023	633	1,940	30
New Mexico.....	14,492	6,459	2,483	3,411	201
Oklahoma.....	7,438	6,740	1,184	1,672	180
Texas.....	8,789	9,591	1,898	3,247	52
Total.....	47,636	37,342	8,001	14,938	781
Iowa.....	27,728	10,228	1,883	7,236	1,334
Kansas.....	15,424	7,223	988	5,787	854
Missouri.....	63,045	25,121	6,244	19,850	942
Nebraska.....	21,998	6,448	1,952	4,596	1,007
Total.....	128,195	51,020	11,067	37,463	4,137
Colorado.....	14,972	5,281	715	4,155	162
Montana.....	8,777	2,469	798	2,587	735
North Dakota.....	11,310	3,547	1,113	3,546	546
South Dakota.....	14,599	4,641	764	3,041	533
Utah.....	5,994	1,801	325	1,943	148
Wyoming.....	2,168	1,055	197	771	85
Total.....	57,820	18,994	3,912	16,043	2,209
Arizona.....	6,509	1,691	547	1,615	87
California.....	24,225	8,531	1,823	5,743	981

TABLE 2.—WEATHERIZATION ASSISTANCE PROGRAM¹—Continued

State	Total people assisted	Elderly	Handicapped	Owner-occupied	Renter-occupied
Nevada.....	2,246	962	262	685	84
Total.....	32,980	11,184	2,632	8,043	1,152
Alaska.....	5,749	621	226	1,163	121
Idaho.....	9,741	3,444	759	2,729	771
Oregon.....	11,010	5,016	1,238	3,730	575
Washington.....	23,011	6,549	2,011	6,926	961
Total.....	49,511	15,630	4,234	14,548	2,428
Grand total.....	946,124	349,312	86,618	239,199	34,872

¹ Elderly and handicapped numbers are not mutually exclusive.

Question 3. (a) What problems have been encountered in weatherizing rental units and larger multifamily buildings?

(b) How can these problems be resolved?

(c) How do these problems impact on the elderly?

Answer. (a) Landlords (particularly absentee and corporate landlords) are frequently not readily available or even indentifiable, and it is, consequently, difficult, or impossible to obtain the necessary written permission and agreement from the landlords. Local agencies have therefore tended to concentrate on single-family dwelling units.

(b) Under the administration's proposal to consolidate the weatherization program into the proposed community development support assistance program in the Department of Housing and Urban Development, administrative responsibility for weatherization activities will be shifted entirely to the local level. Under this new program, communities will be able to devise weatherization efforts most appropriate to their needs and circumstances and thus be better able to respond to the needs of people living in rental units and larger multifamily buildings.

(c) Elderly people living in rental units, particularly larger multifamily buildings, are not assisted to the extent they would be if they lived in single-family homes.

Question 4. (a) Some States had portions of their fiscal year 1980 allocations withdrawn and transferred to other States. Please explain the reasons for these transfers and their outcome.

(b) Have the problems which caused the transfers been resolved?

Answer. (a) The 1980 grants were the first to be issued under the new tentative allocation procedures, which use performance as one of the criteria for funding. Under this system, States are assigned tentative allocations which they are entitled to receive if they can utilize the funds during the budget period. However, funding is done incrementally, and States do not necessarily receive the entire amount of their tentative allocation at the beginning of the budget period. Actual grants are based on demonstrated production capability with unspent prior-year funds taken into account. In 1980, States whose carryover funds were sizable, and whose production records indicated they would not need their entire tentative allocation, had their final 1980 grants adjusted downwards. On the other hand, States which could demonstrate the ability to utilize additional funds were provided with larger grants than they would have received under a straight formula distribution. Nationwide, 15 States had their allocations reduced (3 States received no 1980 funds), 27 States had their allocations increased, and 8 States received their original 1980 allocations.

(b) The primary problems were lagging production and expenditures and the consequent sizable amounts of unexpended carryover funds. These problems now appear to be resolved at the national level.

Question 5. (a) How many eligible households remain to be served?

(b) If the eligibility test for weatherization had been the same criterion as for low-income energy assistance program, how would that change the number of buildings in need of weatherization?

(c) How long are the waiting lists in each State today?

Answer. (a) If current production and expenditure rates are maintained, by the end of fiscal year 1981, we anticipate approximately 12 million households will remain to be served.

(b) The eligibility test for the low-income weatherization assistance program is 125 percent of OMB criteria for poverty. The eligibility test for the low-income energy

assistance program permits payments on behalf of households with income under or at the Bureau of Labor Statistics' Lower Living Standard ("Federal Register," volume 45, No. 106, Friday, May 30, 1980, Rules and Regulations, pages 36835 and 36836). Under the low-income weatherization and the low-income energy assistance programs' eligibility tests, 13.1 and 19.7 million households are eligible respectively. Therefore, if the eligibility test for the low-income weatherization assistance program were the same as for low-income energy assistance program, 6.6 million additional households would be eligible for weatherization.

(c) Based on a recent survey of all the States, undertaken by DOE's regional offices, waiting lists range from 2 months to over 3 years, with 35 of the States ranging from 2 to 12 months.

Question 6. (a) What proportion of weatherization projects in fiscal year 1981 used CETA labor?

(b) What is the cost difference between projects using CETA labor and those not using it?

(c) Has the Department denied any requests for waivers of the CETA requirements? Why?

Answer. (a) We don't know what proportion of projects used CETA labor. We do know that approximately 88 percent of the local agencies utilize CETA labor to some extent, and that between 50 and 80 percent of local agencies also utilize labor hired directly or through the services of a contractor.

(b) We don't know the cost difference between the projects using CETA labor and those not using CETA. We have contracted with Oak Ridge Associated Universities to perform a survey to determine the cost differences. We expect to have the final results of this survey available in approximately 1 month.

(c) The Department has not denied any such requests.

Question 7. (a) What administrative or other programmatic coordination has been achieved between fuel assistance programs and the weatherization programs?

(b) Are there automatic referral procedures from one to the other and, if so, how well have these worked?

(c) Are there combined applications or other one-step registration for both programs?

(d) How would the Department of Energy (DOE) recommend the States best coordinate their low-income energy assistance programs with the newly proposed local weatherization projects.

Answer. (a) We do not know exactly how much or what kinds of administration or programmatic coordination have been achieved between fuel assistance and weatherization programs. The Department of Health and Human Services (HHS), however, requires all low-income energy assistance grantees to provide for effective coordination of the energy assistance program with energy conservation and weatherization efforts, including both the DOE weatherization program and other voluntary and private weatherization and conservation programs. The HHS regulations governing the low-income energy assistance program state the following:

"Coordination with weatherization and energy conservation efforts. We (HHS) are requiring that the State plan provide for effective coordination of the State's energy assistance program with energy conservation and weatherization efforts. In particular, we are asking the State to indicate its plan for coordination with government, voluntary agency, and private industry weatherization and conservation programs, with a goal of reducing residential energy usage as well as costs. This will require a description of: The procedures by which weatherization and conservation services for residential purposes are identified; information and instruction about such services provided by local agencies, particularly those participating in the State's energy assistance program; and referral of recipients of energy assistance to conservation and weatherization services." "Federal Register," volume 45, No. 106, Friday, May 30, 1980, Rules and Regulations, pages 36812 and 36813.

(b) The LIEAP does require all of its grantees to institute procedures for assuring, to the maximum extent possible, referral of recipients to existing Federal, State, and local weatherization and energy conservation efforts. DOE has identified 30 States that have a system for automatically referring recipients from one program to the other. Based on a telephone survey of our DOE regional offices, 17 States have an automatic referral system that is working well.

(c) Seven States are using one application form, and 43 use separate applications.

(d) We anticipate that coordination between low-income energy assistance program and local weatherization projects will be accomplished by State and local governments working together with HUD and HHS as the newly proposed block grant programs for community development support assistance (HUD) and for energy and emergency assistance (HHS) are established.

Question 8. (a) What kinds of energy savings can be anticipated in various sizes of low-income buildings (by region and specify fuel type)?

(b) How might these savings help reduce Government fuel assistance payments?

Answer. (a) DOE estimates average annual savings per home of 4.03 barrels of oil equivalent for each home weatherized. The estimate is based on a draft report by the DOE Office of Policy, Planning, and Analysis entitled, "Analysis of the Low-Income Weatherization Assistance Program" and a draft report by Urban Systems Research and Engineering, Inc., entitled, "Analysis of Preliminary State Energy Savings Data." Data is not available to determine energy savings by building type, climate, and fuel type.

(b) By reducing energy consumption of low-income households, weatherization can help reduce the need for Government fuel assistance payments.

Question 9. We understand several meetings were held under DOE auspices in 1980 to discuss alternatives for future weatherization efforts. Could you please summarize for the committee the most significant alternatives discussed and the views of the participants in the meeting on these subjects?

Answer. The Department sponsored two conferences in 1980—one in Butte, Mont., on September 8-9, and one in Nashville, Tenn., on October 24-25—to discuss ways to improve the existing weatherization assistance program. The participants, numbering 31 in Butte and 15 in Nashville, included representatives from local action agencies, State grantees, ACTION, the Community Services Administration, the National Center for Appropriate Technology and the Department of Energy. Copies of the proceedings are attached for your information.

While major alternatives to a federally delivered weatherization program were not considered, participants expressed the need for Federal assistance to be responsive to the diversity of weatherization needs in States and localities across the country by reducing Federal and State regulation, the need for greater local flexibility and discretion in the design and administration of weatherization activities, the need for better coordination among programs, and the need to make greater levels of resources available for such efforts.

Appendix 1

SUMMARY OF PROCEEDINGS OF WEATHERIZATION CONFERENCE HELD AT NASHVILLE, TENN., OCTOBER 24-25, 1980

INTRODUCTION

The following is a summary of the proceedings of a conference on weatherization assistance for low-income persons. The conference was conducted by the National Institute of Public Affairs at the request of Joseph P. Flynn, Jr., Director of the Department of Energy's weatherization assistance for low-income persons program. Its purpose was to bring together people from Federal, State, and local governments, the Congress, industry, and community action programs to find ways to better fulfill the program's goals. Invitees were selected to obtain a representative sampling of people involved in the administration of the program at all levels. A list of those invited by the Department of Energy to participate along with the agenda for the conference may be found in appendix 1.

In preparation for the conference, those invited were interviewed by the National Institute of Public Affairs to obtain their perceptions of the effectiveness of the weatherization program. The questions asked and the responses of the invitees are contained in appendix 2. The consensus of those interviewed was that while recent changes in regulation have markedly improved the effectiveness of the weatherization program, there are still problems with the program's focus, coordination, targeting strategies, and level of support.

The role of the Institute, an affiliate of the National Academy of Public Administration, was to facilitate the discussions and to provide an overview of the operation of the program in terms of how it fits into the scheme of public administration and inter-governmental relations in particular. Enid Beaumont, Executive Director of the Institute, and her staff were assisted in this effort by Chuck Bingman, Executive Director of the President's Management Improvement Council, and Ron Moe, Specialist in Government Organizations, Congressional Research Service, Library of Congress.

EXECUTIVE SUMMARY

The conferees showed very positive reactions to the current weatherization program. Participants also enthusiastically welcomed the opportunity to give suggestions for further program improvement.

Concern was expressed that the current weatherization program is reaching only a small percentage of the poor and it was felt that it should be expanded. To do this, more funds are required. However, issues which need to be addressed in addition to expanding the program include revision of the income eligibility criteria, prioritization of homes which need weatherization, and amounts and type of work to be done.

The program should evolve beyond weatherization to a comprehensive low-income energy conservation program.

Inter-agency coordination needs to be improved especially with the HHS low-income energy assistance program.

BACKGROUND INFORMATION ON WEATHERIZATION PROGRAM

The initial Federal response to the energy needs of low-income households was made by the Office of Economic Opportunity (now Community Services Administration) in 1973. This action, which was ad hoc in nature, included a variety of approaches from short-term or crisis activities such as providing emergency fuel supplies and preventing utility shutoff to long-term activities such as insulating houses. A statutory base was established for the Community Services Administration program in 1975 (42 U.S.C. 2809). The authority was broad in nature and was a statement of purpose rather than a detailed legislative mandate.

Following the energy crisis of 1973, the Congress acted to broaden this base of energy assistance for low-income households through the Energy Conservation in Existing Buildings Act of 1976 (42 U.S.C. 6851). This legislation, first administered by the Federal Energy Administration (now DOE) provided detailed congressional instructions as to the goals and the conduct of the program. Thus, during 1977 and 1978 CSA and DOE ran parallel programs.

In 1978, the National Energy Conservation Policy Act (Public Law 95-619) enacted two significant changes in the weatherization program:

- DOE was given the lead role in Federal weatherization efforts; and
- The authorized funding level for the program was significantly increased.

The DOE program calls for grants to be made to States which then contract with local agencies to perform the work. An important forward step in the program took place in September 1979, with the initiation of the interagency action plan. The plan was designed to improve the level of performance in the weatherization program. Much of the progress in accelerating the pace of the program can be traced to the plan.

In February 1980, DOE by regulation, institutionalized the action plan. The regulation included: Authority to hire direct labor or contractors if volunteers or CETA labor are not available; an increase in the maximum allowable expenditure per dwelling unit low-cost or no-cost energy conservation measures as an interim approach to weatherization: permitting any State, with the approval of the DOE's regional representative, to establish ceilings on indirect costs for weatherization materials, program support and labor, rather than retaining the nationwide \$240 ceiling; new and greater flexibility for weatherizing dwelling units in multifamily buildings; and a requirement that DOE make preliminary "front end" allocations to States, with final allocation adjusted to reflect actual production.

SUMMARY OF PROCEEDINGS

Joe Flynn briefed the participants on the present status of the weatherization program. He then reviewed DOE's two major ongoing evaluations of the program: The Oak Ridge Associated Universities (ORAU) study and the Urban Systems case studies. The ORAU effort is an analysis of the National Center for Appropriate Technology (NCAT) proposal for an expanded weatherization program. Urban Systems is in the process of developing case studies illustrating what works and what doesn't work in terms of the management of the program. Mr. Flynn stressed the difficulty of any formal evaluation of the program because of the many changes in the program and regulations over the last 4 or 5 years.

The conferees then turned to a discussion of the results of the preconference interviews. The areas of prime concern to the attendees were: (1) Need for clearer program definition and focus; (2) coordination between the Department of Energy and its regions, among the various Federal agencies involved, and between States and the deliverers of the service; (3) current levels of funding; (4) targeting and program priorities, including how to reach the large percentage of low-income people in multifamily houses; and (5) need for modifications in technology and regulations on dwellings to enable more efficient operation of the program.

The conferees were then divided into three work groups to examine these five issues in the context of: (1) How to improve the current program, (2) how to develop an energy conservation program for low-income persons, and (3) how to improve

coordination. The summary of discussions in the plenary sessions and the recommendations of the three work groups follow.

1. PROGRAM DEFINITION AND FOCUS

The emphasis of the program has evolved from one of "winterization" to "weatherization." "Weatherization" currently means primarily the installation of insulating materials. The consensus of the conferees was that the program should further evolve beyond this narrow definition of weatherization to a full range of low-income energy conservation measures. Participants also felt that this concept should be broad enough to include the use of solar and renewable energy sources and a well-developed program of educating low-income persons on conservation to inform them about what they, themselves, can do to conserve energy. Participants continually stressed the importance of regarding the weatherization program as an energy conservation program and not a welfare program.

The attendees agreed that further exploration is needed about potential assistance to those households just above the current levels of eligibility. However, any discussion of expanding current program coverage must be viewed as premature, given the very small proportion (5 percent) of eligibles served to date and the current level of program funding. Immediate work might be done in energy conservation education and to evaluate the feasibility of a program reaching these households.

The consensus of the group was that close coordination with the HHS low-income energy assistance program should be a mandatory part of a complete program. Payment of fuel assistance should be closely tied to weatherization and other conservation actions as a condition of further assistance payments. Congress has appropriated \$1.85 billion for fuel assistance, but only \$200 million for weatherization. This year's fuel assistance program, while it contains a mechanism for referral to the weatherization program, does not allow the assistance money to be spent on even inexpensive conservation measures. If the fuel assistance program and the weatherization program were closely integrated, there would be a greater savings in energy and a sounder investment of Federal money. As homes receiving fuel assistance payments are weatherized and made more energy efficient, the amount of the payments required for fuel assistance can be reduced.

NIPA observations: It is clear that the attendees felt that a portion of the Federal funds currently spent for fuel assistance could be better invested in weatherization and other forms of conservation. We are not suggesting converting the weatherization program into a block grant format, but establishing criteria so that maximum effect can be gained from all forms of direct economic assistance in energy programs for low-income people. DOE needs to explore this quickly and, if it is worthwhile, take administrative action or seek legislative authority to reap the benefits of such a program.

It is also clear that further action should be taken to educate low-income persons on conservation and to eventually expand the weatherization program to a full range conservation program for low-income persons.

2. STANDARDIZATION

The problem of consistency throughout the country was commented upon by many of the participants in the weatherization conference. While recognizing that the intergovernmental system is an imperfect one, the attendees suggested the need for new strategies for improving communication and coordination among the levels involved in the administration of the weatherization program.

(a) *Coordination among Federal agencies.*—The relationship among the Federal agencies providing assistance to low-income persons was viewed as an impediment to the effective operation of the program. As one participant described it, "DOE has the policy and the money, DOL has the manpower, and CSA has the delivery systems." Those working in State and local government and in the community action agencies strongly urge a coordinated national policy on low-income assistance program as they relate to weatherization and energy conservation for the poor. It was pointed out that programs added to programs do not constitute a policy and that in terms of ease of delivery, it would be better if related programs were located within one agency. Recognizing that this is probably not politically feasible, the group opted for strong interagency agreements that would require cooperation among DOE, DOL, HUD, HHS, CSA, ACTION, and other Federal agencies on their related programs, and that DOE should be charged with furthering these agreements.

At the local level, community action program managers have been required to direct considerable time and attention away from operations to creating coordination among the Federal agencies. This led to the recommendation for the considera-

tion of a funded position of local program coordinator whose role it would be to deal with DOE, DOL, CSA, HUD, HHS, regional offices, and State and local groups to coordinate work, get clearances and approvals, and interpretations of policy or regulations. Such a local program coordinator could be innovative in developing or locating energy conservation education materials, finding and dealing with multi-dwelling building owners, developing sources of volunteer program participation, developing local demonstrations, investigating alternative sources of labor, finding technical assistance, and generally promoting the program.

(b) *CETA labor*.—A special interagency relationship impacting on the effectiveness of the weatherization program is the requirement that CETA labor be used to weatherize dwellings. In areas where CETA labor is unavailable, waivers may be granted which allow DOE funds to be used to pay for other labor. However, in areas where CETA labor is available, the slots are often left unfilled or are filled by people not capable of performing the work. CETA labor has been used successfully by some organizations, generally those which are able to hire them permanently after their training period; but the consensus of the group was that reliance on CETA labor was substantially reducing productivity. It was pointed out that the training and rehabilitation goals of the CETA program are not consistent with those of the weatherization program which aims for cost-efficient, stable, and reasonably high production levels so that a maximum number of homes can be weatherized. Recent CETA cutbacks make it even less likely that lots will be available for weatherization work in fiscal year 1981 and beyond. The requirement for CETA labor has also led to the underutilization of other labor pools such as the more highly skilled unemployed.

One work group suggested that no more than 30 percent CETA labor be mandatory. Thus, a typical work crew might consist of a supervisor and a team member from a source other than CETA and a CETA worker in a trainee position.

Decreased use of CETA labor would, however, entail higher labor costs funded from DOE's appropriation. Recent experience suggests that wage rates for non-CETA labor are almost as low, yet these workers' productivity is significantly higher. The consensus of the group was that this possibility must be given serious consideration by DOE.

(c) *Relationship of States to DOE and service deliverers*.—There was serious concern over the role of the States in the weatherization program. As currently legislated, weatherization funds go to the States, which then determine the distribution among local programs. While this may work in mostly rural States, in other cases it would be more efficient for DOE to deal directly with large cities and localities who are able to administer the program without State help. Such a passthrough strategy might be attempted through a demonstration project. This would avert the problem of a large city not receiving its fair share of weatherization funds. While the allotments to the States are based on the percentage of eligible persons in the State, the State's allocation of funds to its localities does not necessarily follow the same formula. For example, while 45 percent of a State's low-income residents may live in its largest city, that city may not receive 45 percent of the weatherization money given to that State.

Other problems with States include added administrative burdens caused by State regulation, delay of assistance because of the States' bureaucracies, and draining off of weatherization funds to cover States' administrative costs.

In addition to developing a State passthrough strategy, the participants suggested that DOE consider a provision whereby they could bypass States entirely if they fail to perform. Current regulations allow DOE to withdraw money from States that are not performing at an acceptable level; however, such actions would result in the failure to reach those who need their homes weatherized.

NIPA observations: Participants stressed the need for improved coordination. Their comments suggest that DOE:

- (1) Take the leadership in program coordination among Federal agencies at the Federal and local levels.
- (2) Experiment with ways of improving coordination at the local level including having a local program coordinator.
- (3) Consider revising guidelines on the use of CETA labor with emphasis upon availability and comparative costs of CETA and other labor sources.
- (4) Consider a demonstration project involving a passthrough strategy for major metropolitan areas.

3. FUNDING LEVEL

Participants view the current level of funding as a major problem. The funding for fiscal year 1981 is \$182 million. The current operational level of effort is \$30 million per month. If spending continues to expand at the current rate, DOE must

seek supplemental funds for fiscal year 1981 or curtail the rate of its operations. The group recommended seeking supplemental funding, up to a level of \$350 million, but recognized the difficulty of doing that.

Despite the fact that current funding is not adequate, the pace of meeting the weatherization needs of eligible clientele was universally considered unacceptable. No mutually agreed upon figure for the number of clientele seems to exist. However, if one assumes 12 million dwellings (at 125 percent of poverty level) and uses the current national rate of 300,000 weatherized per year, it would require 40 years to weatherize existing dwellings. It was therefore recommended that DOE go back to Congress, explain this problem, and attempt to get increased funds. Participants felt if adequate funding were available, the present delivery system could be expanded to produce up to 600,000 per year. (See, however, the earlier discussion of CETA requirements.)

4. TARGETING AND PROGRAM PRIORITIES

Determining who should receive the services of the weatherization program was an issue of concern to those who attended the conference. Current regulations define eligibles as those up to 125 percent of the OMB poverty guidelines. This has caused serious problems in, for instance, New York City where those at income levels above 125 percent of poverty are nonetheless in dire need of assistance. As a remedy for this inequity, participants suggested that eligibility be determined on the basis of area income, rather than national income. It was also suggested that the program might be expanded to include up to 150 percent of poverty level for the elderly and the handicapped.

Also at issue is the question of who is served first. Do you first weatherize the home of the person who has the lowest income even though it won't save the most energy or do you weatherize the home where you can save the most energy? The consensus of the group was that regional differences in temperature, type of fuel used, etc., necessitate these issues being decided on a local level.

DOE must also find a way to decide whether, in areas where the clientele at 125 percent of poverty has been exhausted, it should withdraw remaining funds for use elsewhere, or grant authority to define eligibility at a higher percentage of the poverty level.

Multifamily units.—A serious shortcoming of the weatherization program has been its inability to reach one of its most urgent client groups, urban renters in multifamily dwellings. Approximately 56 percent of the eligible population for the program resides in multifamily buildings, but only 11 percent of weatherization to date has been for such units. Problems with the regulations and landlords have prevented them from being served.

The regulations state that at least 66 percent of the people in a building must be eligible before the building can be weatherized. Participants suggested that this figure be reduced to at least 60 percent. The "no significant enhancement" clause in the program legislation has also been a particular problem in the weatherization of multifamily units. The recommendation of the participants was that this clause be dropped entirely since the limit on expenditure per dwelling made it practically meaningless. This will require a legislative change.

Problems in dealing with landlords have plagued those who have been involved with the weatherization of multifamily dwellings. The most serious impediments have been finding landlords, getting their permission to weatherize, and extracting a commitment from them that rents will not be raised due to the weatherization performed. Attendees suggested that DOE pay special attention to the multifamily issue, perhaps by conducting demonstration programs in five large cities where residents of multifamily housing constitute a high percentage of persons eligible for weatherization assistance.

NIPA observations: The consensus of participants clearly indicates that:

(1) DOE revise its eligibility standards to take into consideration income levels in relationship to local rather than national averages, particularly in the higher cost areas such as New York City, and to meet the special needs of the elderly and the handicapped.

(2) DOE conduct demonstration programs in five large cities for residents of multifamily housing.

5. WEATHERIZATION TECHNOLOGY

Participants recommended that the weatherization program encourage mechanical improvements such as furnace repair and use of setback timers in addition to architectural improvements such as insulation and weatherstripping. The impor-

tance of mechanical improvements was stressed in the NCAT study. (See Executive Summary of this study in appendix 3.)

The conference also recommended the development of a mechanism which would encourage regionalized research on various weatherization and solar technologies. Investigation of weather conditions, sun conditions, temperature, and related issues on a geographic basis could determine the best weatherization strategy for a particular locality. Technical assistance and training mechanisms would also need to be developed to inform those in the field about the results of the research.

NIPA observations: The participants' comments suggest that:

(1) DOE encourage mechanical improvements as an integral part of the weatherization program.

(2) DOE support research to determine the best weatherization strategy for a particular geographical area.

6. REGULATIONS ON DWELLINGS

Participants felt that regional differences make it awkward to continue to have limits in the regulations on "per dwelling" expenditures. One recommendation was to substitute an area-based or State-based average dollar limit.

Participants also urged that the amount of funds designated for subgrantee administrative costs be increased beyond the currently allowed 5 percent. Both recommendations will require legislative action.

Appendix 2

DEPARTMENT OF ENERGY WEATHERIZATION PROGRAM

A REPORT ON RESPONDENTS REACTION TO THE WEATHERIZATION PROGRAM

(1) Respondents were asked for their reaction to the weatherization program—is it working? Of the 12 respondents, one stated that the program is not working. One gave an unqualified yes, and 10 stated that the program is just beginning to work. Some of the actual responses were:

"It's working but the question is how well. There's room for improvement."

"It has problems. It's working in some places and not in others."

"It's working but just recently. It's not working well, but it's working."

"It appears to be working better now than in the past but some of its premises should be rethought, specifically, how it fits into the Federal Government's role in promoting energy in general."

"DOE is doing a much better job now. It's running much more smoothly."

"It works within the limits imposed by the legislation. There are quite a few improvements that can be made when we go back to Congress."

"The program as currently structured is accomplishing what it is supposed to now, but as to whether it is serving the needs of the people it is supposed to be serving, the answer is no."

"It's beginning to work. The changing guidelines are finally hitting and having a positive effect at the local level."

"It's working a lot better than it was. It's gotten a lot better."

"At this point in time it's working. Its production and quality has increased due to increased flexibility of DOE regulations within the last 6 to 9 months."

"For us it is working * * *"

"I don't think it's working, but it has not done so because Congress doesn't have a commitment and the upper echelon of DOE isn't sensitive to the problem."

(1a) When asked how the program could be improved the following suggestions were offered:

"A wide range of things—from more money to the whole area of training and technical assistance."

"Relax legislation and allow for more local flexibility. There should be clearer lines of communication from Washington to the local level. The information we get from Washington gets gobbled from the region to the local level. An idea that starts at the Federal level, by the time it gets to me (through State and region), I'm just about told what to do and that may not be appropriate for me."

"The regulations have been a problem. There are probably more things that can be done with the regulations to ease the paperwork. It's difficult to judge at this point since the regulations have changed only in the last 6 to 9 months. People have to catch up. For example, training and technical assistance is a big item—the quantity and quality of training needs to be improved. A lead agency needs to be set up to deal with new techniques coming out. That cross-fertilization is not happening."

"My immediate concern is in the area of quality control at all levels."

"Can improve the program by making it a lot bigger financially. Make it a \$1-billion-a-year program. There are existing problems that would get worse if the program were made bigger. Most CAA's have limited resources. If the program got bigger, it would have to tap other resources to make CAA's bigger. They are beginning to approach what systems they can handle. If expanded, how would they do it?"

"Must move to a more fundamental problem in terms of conservation. Weatherization without the combination of housing rehabilitation doesn't make sense. Energy assistance, energy education, housing rehabilitation, appropriate technology, and conservation all combine for a comprehensive program."

"Resources for the program are not sufficient given the magnitude of the need we are trying to address. How do we go about meeting the need?"

"When the program was first created it was unique. Several other programs are now on the books, e.g., residential conservation, energy audit program, etc., which now permit us to go into the majority of dwellings and see what would be more energy efficient. In addition, CAA's have limited capabilities. About 12 million dwellings needed to be reached and only a half million were. The scope of the program is larger than the size of the structure dealing with it. So we must find other agencies to complement the work of the CAA's if the work is to be done within a reasonable period of time."

"Accountability—without putting an additional burden of paperwork. We want to know how many units are being done and how much money is being spent. For units not being done, what's happening with the money."

"Allowing greater flexibility at the lower level to determine which strategies they wish to implement."

"First, set objectives of how many houses and to what state of existence you want to weatherize them. Then, marshal the program to meet that need."

"Fund those States that can legitimately do the job and do it quickly, especially smaller States—get them out of the way first."

(1b) Respondents were asked to identify ways other than weatherizing houses that would assist low-income people to survive in cold weather. One respondent had no comment. The other responses were:

"Generically weatherization is the best thing that should be done. Mechanical options should be looked at in terms of fuel savings. Low-cost solar options have not been looked at as viable or more viable than moving more into weatherization. The condition of the housing stock should be given consideration. Weatherization, generically, is what should be done. There's a cost return on a program like this. It's better than paying somebody's fuel bill."

"The low-income emergency program run by HHS in combination with the weatherization program should be sufficient."

"Paying fuel bills, the development of cheaper energy sources, education programs, and programs geared toward rate reform."

"Could use more staff support for no-cost, low-cost programs as well as support for solarization and wood stoves that could reduce the use of oil burners."

"Part of the problem is low income and the problem with unemployment. What I look for is to help unemployed people (especially low income) to take part in this program to get the job done."

"There will be a large number of low-income families that won't get assistance. There is a need to provide quicker ways of addressing problems. One issue we will have to address is rentals—the current focus is on the tenant. Maybe we need to focus on the landlord to get him to do some things."

"In New England, for example, weatherized people couldn't afford fuel, so a program had to be started by the State to get people through the winter."

"Fuel assistance payment (through HHS). There's a whole range of conservation programs with broad application to poor people."

"Low-income people spend a disproportionate amount of money on energy. It is not just a matter of surviving, the program should be reducing their consumption so that low-income people spend less."

"The fuel assistance program is more specifically aimed at the issue of survival. The weatherization program should be aimed at reducing energy consumption, and so, the amount of money poor people have to spend on energy."

"I find it immoral that the country spent \$1.9 billion on the fuel assistance program without any thoughts to energy conservation whatsoever."

"(1) Solarization, (2) establish and promote community development corporations."

"Coordination between FHA and the 504 program (low-interest loans)."

"CAA's agencies should not be the only delivery source. Private agencies as well as CAA's should be eligible to do the work. Energy conservation should be thought

of first—this is not a jobs program. We're trying to weatherize homes and trying to teach people how to do it interferes with delivery of the program, so we should contract with private developers to do the work."

(2) The second question asked each interviewee to give his impression on how well coordination of the weatherization program has worked among Federal agencies and programs, between State and local agencies, and between headquarters and the field. The majority of respondents felt that coordination has not worked well at any level. One respondent had no comment and two had positive responses to this question. The actual responses were:

"No, coordination hasn't worked. There may have been gradual coordination in the past at the Federal level with DOE and DOL but that hasn't helped me get CETA workers. HHS and DOE talk about linking programs but that just doesn't happen down here. There is coordination of programs at the local level but, for example, prior to a new CETA director, I got no cooperation from the CETA program. The weatherization program didn't mean anything to the old CETA director and I received the worst workers. The new director and I get along well and now I receive the cream of the crop of CETA members."

"Federal agencies have gotten into a jurisdictional bottleneck and Congress hasn't helped, subsequently, lousy coordination. Although, DOL has coordinated well with DOE. There is poor coordination with DOE and CSA at the Federal level. CSA has covered some administrative costs DOE would not have covered. Some people at the lower levels are making use of both programs. CSA hasn't worked with DOE either."

"Coordination among Federal agencies is not good. So the role of CSA and HHS with weatherization hasn't been adequately dovetailed. Nor has the role of HUD been adequately dovetailed with weatherization. On the State level by and large the same is true but not as bad as the Federal level."

"Coordination is never adequate. Coordination has probably been adequate recently between labor, CSA, and DOE. Need better coordination with HUD."

"Coordination is not adequate on the State level. There's money not being spent. There is clear evidence of not enough coordination. The State program is not effective."

"Good coordination at the Federal level is a very recent affair. It's working fairly well at the moment. Coordination at the State level is less successful primarily because the agencies that deal with weatherization are different from the agencies that deal with energy problems. At the local level, with few exceptions, there is almost no coordination."

"Under the circumstances maybe it's not too bad. It's somewhat of an adversary program. CSA would like it and DOE doesn't want to give it up."

"I'm aware of some local areas having problems with States. Some States are keeping a large part of funds for administrative costs. I'm not really familiar with all the State and local problems."

"Coordination between my agency and DOE has worked very well. At the national Federal level, coordination seem to work quite well. There are some serious problems at the State and local level."

"No, without question coordination is equally bad throughout the system—Federal, State and local."

"A lot to be desired. A lot of personal contact is needed."

"Coordination is poor at the Federal, State, and local levels."

"Coordination has not been good between Federal programs. The linkage between CETA and DOE has not worked well. In terms of coordination between State and locals, our State has been good. There is a need for cross-fertilization among programs. Almost all Federal agencies are slow in their responsiveness and DOE is no exception. There has never been a smooth way to transmit information from the Federal level to the State level to the local level. Better coordination in this area can make for more consistency as a whole."

The respondents were then asked to suggest ways, to improve coordination. Two interviewees offered no specific recommendations. The other responses were:

"Federal program directors should sit down and talk to each other. The same eligibility criteria should be used. There is a management problem at the State and local levels. There should be training and technical assistance on how to effectively manage problems."

"Communication is the most important thing—from the bottom up as well as from the top down. (Provincial attitudes exist that, this is my area, don't touch.) A lengthy discussion about how the program is run is needed. Regional offices should be the focal point, not Washington. Policy should come from Washington but implementation from the regions. Regional offices should interpret what the States

should do and the States tell the regions what works and what doesn't. The regions in turn would tell Washington."

"Coordination can be improved with an understanding by Congress that each region will have different priorities and problems. Also coordination among Federal agencies is essential. Congress can set limits for the program (e.g., \$1,500 per house) but localities should be able to do whatever to meet the need. This can be done by DOE, CSA, HUD, etc., working together."

"Coordination would be improved if the competitive nature could be removed. Congress should make the decision that DOE is going to run the program and that's it. Once that issue is cleared up coordination will follow."

"Coordination can be improved at all levels. The crucial point of coordination however, is at the State level with State governments."

"Improved coordination at the Federal level is a matter of people working with the program talking to HUD and getting a clear understanding of how programs should work and transfer that knowledge to local grantees. I'm not sure how coordination would improve with the State."

"There are gaps in all strata, Federal, State, and local. Those gaps need to be coordinated at all levels in terms of weatherization, education, housing rehabilitation, appropriate technology, and conservation."

"Coordination is improved when the political atmosphere is right. When people in the upper political strata say this is a good program and let's make it work, it probably will. Same at the State level. Coordination also has to do with how Federal regulation works. Problems are minimized if regulations are kept simple."

"Coordination can be improved through national planning. It's going to take more than Joe (DOE) and Ed (HHS). They will have to come to the regions and bully their people to make them get together. There needs to be more face-to-face contact down the line to make people work together. A memo just won't do it."

"Regional DOE offices haven't done much at all. That needs to be improved. I don't know how, but the regional role is confusing."

(3) The third question dealt with evaluation of the weatherization program. More specifically, should it be done, by whom, and using what criteria? All 12 interviewees agreed that the program needs to be evaluated, however, some interesting caveats were offered:

"Evaluation should be conducted. What is needed is an evaluation of the effectiveness of the program as well as its management procedures and processes. Evaluation should be conducted by a combination of inside and outside people. There is merit in having an independent effort done. There is also need for the departments to do short-term evaluations on particular management problems. They can move in quickly and solve problems. Overall evaluation, however, should be done by outsiders. The legislative mandate for the program should be the criteria for an evaluation. Efficiency and the quality of the program should also be given consideration as well as cost effectiveness for reducing energy consumption and cost among low-income people in relation to other alternatives."

"A gaping hole in the program. There's no documentation on how much we're saving on doing the work. I don't want to go on the assumption of a 35-percent savings. I want to be able to look at the last 200 or so houses we did and see how much (fuel) we saved. We must do a study of fuel usage before and after weatherization if evaluation is to be worthwhile. It wouldn't be necessary to do this nationwide for every house, but do a sampling in each region."

"Some of that is fixed. DOE must have some evaluation function because they must report to Congress or they won't get funds. It's a central question. Evaluation can also kill the program. If it requires program managers to fill out 20 pieces of paper for every house, it will kill the program. Evaluation must start at the local level but it must be kept simple."

"State agencies are obliged to do the same thing—to get funds from Federal agencies. States can be as vicious as the feds in demanding a lot of paperwork. Let's keep it simple and get basic facts. Criteria—let's find out how many houses were completed and get some sense as to what extent a house has been winterized."

"The guy that's doing the house (project manager) must provide basic information. The feds should not be out checking on States and States should not have a big team checking on locals. Need more of a trouble-shooting team."

"That depends on how one views evaluation. The term evaluation bothers me. It's one thing if one has achieved its objectives (e.g., to weatherize 1,000 houses, that's a review). A controlled group and an experimental group are needed to determine if it made a difference. To me a review is done to see if it achieved its goals. An evaluation is done to see what difference did it make."

"There are a number of things I'd want out of an evaluation:

(a) "Better information on what impact the program is having with individual assistance and the aggregate on how much energy we're saving and how much money we're taking off people's utility bills.

(b) "What kinds of problems are we having with program regulations creating bottlenecks. What kinds of problems, outside problems, are causing us problems?"

(c) "Identify the management structure of the program at the Federal, State, and local levels. What can we get out of an evaluation to help them improve and make the program more effective.

(d) "How would substantially expanding the program impact on the existing structure. Is the structure sufficient to handle a larger program? (Could it handle quadrupling the size of the program?)"

"The program should be evaluated along every line of government that has a stake in it—Federal, State, and local. The people who should evaluate the program are cities and counties in collaboration with State agencies to see if they are reaching people that should be reached and if the work done is adequate for the job."

"It should be evaluated in terms of the number of households involved not just in terms of energy."

"Yes, evaluation is needed. Except it should be done by local groups to a set of national criteria. The Government should set the amount of energy to be saved per house per dollar amount and they (locals) should determine that so much energy has been saved."

"There should be a programmatic evaluation to see if the program works on the local level and a fiscal evaluation to see where dollars are spent. A team approach should be used for the evaluations. Each evaluation team should have a person not associated with the program. All three levels should be evaluated: Federal (evaluation by a team consisting of State, regional, local representatives, and nonprogram person); State (team composed of regional, Federal, local representatives, and nonprogram person); and local (team composed of Federal, State, regional representatives, and nonprogram person)."

"The program should be evaluated. It should be evaluated by someone with nothing to do with DOE, someone or an organization that has no vested interest in what the report says. Whether the houses are being weatherized and how effectively (is energy being saved?) should be the criteria."

"If you don't have a good track of what's been accomplished, evaluation is tough. Need a good track record for evaluation. If data are not there, you can't evaluate."

"Evaluation needs to be done. There needs to be some good analysis on how much energy we're really saving. That analysis should be done on a statewide basis. Evaluation should be done by a third party technical monitoring system. We're not getting the numbers on how much energy we're saving. We need to get a better handle on what is possible and economical to do in weatherization. Richard Cranshaw is doing some good things that should be looked at and included."

(4) The next question asked, what changes, if any, do you see needed in regulations, rules, or legislation? One interviewee had no comment. The remaining responses were:

"Legislation should match up better with the regulations than it does now. Funds need to be set aside for direct monitoring of weatherization activities, research activities, and monitoring activities. Some other energy renewable options should be used and more flexibility of how the money can be used. There should be increased flexibility especially in terms of moving money into new ideas and in thoroughly evaluating what has been going on so far."

"(a) More money for the program. (b) Explicit demonstration of authority in the program. (c) Change rules on the current cap (10 percent limit) and administration. (d) Look at broadening current delivery mechanism. More flexibility is needed in that."

"They have gone through a battery of changes."

"Need more money in order to spend more on each dwelling, so that the weatherization of a dwelling is only one of several things that is done to that house. We need to be able to use alternatives to weatherizing houses—to be able to buy wood stoves, to install solar water heaters, install water control mechanisms, repair furnaces. We also need to deal with cooling homes which we have not dealt with so far."

"There should be greater flexibility given to local subgrantees. More flexibility at regional and State levels in dealing with a broader array of organizations (i.e. let other agencies do the work)."

"There needs to be approximately 1,000 changes but clearly geared to local needs with fluid criteria as long as the program meet the end result. They should not be told that they can't repair roofs or replace windows, so long as they do not go over

the dollar amount allocated. Local concern should be the theoretical basis for legislation."

"The biggest change in regulations should be a cost analysis of how money is to be spent on houses. Allocation should be done on a regional basis. It costs more money to buy materials in Maine than in Philadelphia. Cost is based on the proximity to materials and that should be used to determine amounts States will get."

"It depends on what the proposed requirements are. The one's I've seen haven't been approved yet, so I can't comment. However, legislation is needed that would provide more money to design a comprehensive energy program. The current level of funding is inadequate for a comprehensive program."

"Three changes: (1) Legislation will have to be amended to increase administrative funds at the local level if CSA doesn't have the money. (2) It doesn't make sense to specify the way money should be spent on labor and materials. Local people should make those decisions. (3) Ceilings are too rigid covering the amount of dollars. Problems are different in rural New York than those of the inner-city tenements. Word has to get out that this is nibbling at the program. People have to start talking and thinking big. Instead of \$200 million, maybe \$20 billion over 5 years."

"Where legislation allows us to work on existing heat sources, it should allow us to replace heat sources (e.g., from oil to wood stoves)."

"The \$1,600 labor waiver should be standard. The 5 percent administrative limit has to be changed. It's impossible to administer a program for 5 percent. We should be able to provide some labor support for the low-cost, no-cost program."

"Allow the local level to decide what's appropriate. We're told by the State what work should be done on every house. However, what the State mandates us to do is not the most appropriate thing to be done. So the dilemma often arises concerning our following an inappropriate mandate or violating our contract and do what needs to be done."

"At the moment, an improvement in the procedures for monitoring program implementation so agencies can acquire more timely and accurate data to the full extent to which legislative requirements are being met. The quantity of units being done as well as the quality of work—how much energy is being saved, are the most needy people getting served, has relationship with CETA worked out, has it increased jobs for low-income people."

(5) Lastly, each respondent was asked to state what he would like to see come out of the Nashville meeting. A variety of responses were given:

"Develop a consensus of the most significant problems. Identify the top five problems and get a consensus on how to deal with those problems, through legislation, regulation, etc."

"I would like to know where Joe Flynn is headed. Sooner or later Joe must stop soliciting information from the field and let us know where he's headed and buy into that. He should lay out his program and let us advise him. If he has an idea of what the future of the program should look like he should lay that out and let us tell him where the strength and weaknesses are."

"From what I've seen so far Flynn is going in the right direction, but he should use this conference to let us respond to his plans for the future."

"A dedication to the premise that the role of Government is to support local efforts to conserve energy and not to impose stringent rules and regulations which inhibit local creativity. This applies not only to the Federal level but, more importantly, to the State and local levels. Rules and regulations of the bureaucracy."

"I would like to see whether changes in legislation are needed more than changes in regulations. I'm concerned that every effort be made to achieve current program levels before expanding it. (Some efforts are being made to expand the clientele to include non-low-income people, types of dwelling units to be served, and other changes to open the program.)"

"It's critical to have people running the program attend the Nashville meeting."

(1) The program is not big enough. If we make it bigger how would we do it? Don't focus on the need, we already know that, but on how we take care of the need.

(2) Focus attention on the rental problem."

"A comprehensive blueprint for a new weatherization legislation that would take into consideration all the lessons we've learned from operating the program so far."

"Where the program manager of the weatherization program sees gaps that need to be filled, he should provide an outline of his goals and provide information on how to fill those gaps based on a consensus. With things as they are (rules, regulations, etc.) what should we do?"

"An opportunity to focus on the broader policy issues and get all the programs to work together to maximize efforts."

"Understanding the differences in regions without attacking each other. For example, in the South, money is needed for air-conditioning and the North should be understanding. Also, the South needs to understand what the North needs 9 months out of the year. There is such a small amount of money to work with. A different tempo should be set so that the program is not a stepchild or a program run to supply jobs. Those types of things need to be discussed. We must air those kinds of attitudes."

"I want to get a feeling of how people in the local areas feel they're working with DOE and CSA so we can take action. Also an idea of the rate local people feel things are getting done. Is the current pace OK or can they get more done with more funds? Some States are not spending the money?"

"Strategies for: Cap priority issues (10 percent ceilings). Reallocation of funds—what kind of impact (positive or negative)? The extent to which States hold control over the program. Lots of administrative funds are held at the State level and needed at the local level. Some States get along fine with limited administrative funds. Some States have good relations with locals."

"I would like to see DOE get a better perspective on the weatherization program and take action where necessary in terms of regulations, statewide initiatives, and enabling legislation. I hope this will be a start in the development of a modified weatherization program that would have some increased flexibility that goes beyond the existing law. This will be a good place to get ideas in those changes and maybe someone will draft legislation."

ITEM 13. LETTER TO ACTING DIRECTOR, COMMUNITY SERVICES ADMINISTRATION, FROM SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, DATED MARCH 16, 1981

DEAR SIR: On April 9, the Senate Special Committee on Aging is holding a hearing on "Energy and the Aged" to evaluate alternative assistance strategies. Members of the committee are deeply interested in finding the most cost-effective and efficient way to meet the special needs of the low-income elderly for fuel and energy efficiency improvements.

As the committee is collecting information on all energy programs affecting the low-income aged population, we would very much like a full description of the existing or recent energy programs at CSA, including emergency funding under the fuel assistance program, which have served the elderly in the fiscal years 1980 and 1981, with an analysis of their impact on the elderly population in particular. If you have prepared estimates of the impact of the administration's block grant proposals on the future of such efforts, we would be interested in seeing them.

Dr. Meg Power is our committee staff contact for the hearings and will be available to work with you. It would be most helpful to have these materials by April 1.

Sincerely,

JOHN HEINZ, *Chairman.*

ITEM 14. LETTER AND ENCLOSURES TO SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, FROM M. DIANE ELLIOTT, ASSOCIATE DIRECTOR FOR EXTERNAL AFFAIRS, COMMUNITY SERVICES ADMINISTRATION, DATED APRIL 3, 1981

DEAR MR. CHAIRMAN: In accordance with your request of March 16, 1981, please find enclosed materials explaining fiscal year 1980-81 CSA energy programs which have served the elderly.

The enclosed papers discuss the operation of CSA's various energy programs, the problems they seek to resolve, and their relationship to the elderly. To supplement the explanatory materials, we are also enclosing a number of articles which describe and analyze these programs.

If you have any questions, please do not hesitate to contact me.

Sincerely,

M. DIANE ELLIOTT,
Associate Director for External Affairs.

Enclosures.

ENERGY CRISIS INTERVENTION PROGRAM—ENERGY AND ELDERLY

The Community Services Administration pioneered and has been involved with the provision of services to relieve energy-related crises as experienced by low-

income families and individuals since 1977 and the inception of the special crisis intervention program (SCIP). This program was followed by the emergency energy assistance program (EEAP) in 1978, and the crisis intervention program (CIP) in 1979. These programs were administered under the broad language of section 222(a)(5) of the Economic Opportunity Act which gives CSA the authority and flexibility to provide Federal coordination for comprehensive programs of energy conservation assistance. These programs were carried out through CSA's network of community action agencies (CAA's) and although the conditions and scope of services varied, all programs provided voucher payments to energy suppliers on the behalf of eligible participants and gave priority to low-income elderly persons. These programs were funded at levels of \$200,000.

During the winter of 1979-80, CSA administered the energy crisis assistance program, CSA's largest energy program both in total dollars and numbers of eligible households assisted. Funded by Congress in two separate appropriations totaling \$400 million, ECAP funds were distributed according to a congressionally mandated formula and administered by State governments in accordance with plans designed by the State to meet the specific needs and conditions unique to that State. Development of individual State plans resulted in variations of benefit levels, local deliverers, and specifics of service. However, CSA regulations delineated income eligibility and placed special emphasis on outreach services giving highest priority to the elderly through mandating special outreach, accessibility, and eligibility considerations. Funding levels of local ECAP's were supplemented by the discretionary ability of State governments to augment programs using all or portions of the energy block grants received under the Department of Health and Human Services (HHS) energy assistance program (EAP). Thirty-nine States put block grant funds into ECAP's and raised the overall funding to \$665 million. CSA had administrative responsibility for all funds distributed through the ECAP State plan mechanism.

Through ECAP, 1,021,750 elderly headed households received bill paying and other services related to the alleviation of energy crisis conditions.

In August 1980, as a result of reported hardships and deaths of primarily elderly persons across southern portions of the country, Public Law 96-321 was signed into law enabling CSA to provide assistance to low-income elderly and other persons affected by the prolonged heat wave. The heat energy assistance program (HEAP) allocated \$21 million to 11 States through the CAA network for provisions of services ranging from the establishment of cooling centers to the organizing of "daily check-ins" on elderly shut-ins to the payment of fuel bills in life-threatening situations. Out of a total of 216,944 households assisted by HEAP, 161,489 were elderly headed.

For fiscal year 1981, 89.3 million was assigned to CSA, out of a total \$1.85 billion under the provisions of the home energy assistance section of the Windfall Profit Tax Act of 1980 to administer the energy crisis intervention program (ECIP) and fund a national elderly outreach effort. Through ECIP, CAA's, community-based organizations and limited purpose agencies have been funded to address all of the energy-related needs not alleviated through a bill payment approach and move the low-income poor and elderly to lesser degrees of energy program reliance. In addition to complementing the low-income energy assistance program (LIEAP), as administered by HHS, through the provision of access and direct services (blankets, warm clothing, etc.), ECIP also provides for mobilization of existing goods and services, comprehensive energy-related community planning and education and, where appropriate, provision of alternate energy sources such as wood-burning stoves.

Project Energycare, incorporating the facilities and expertise of various national, State, and local aging groups under the coordination of the National Council of Senior Citizens was funded at a level of \$3 million through specific provisions of the windfall profit tax legislation. Project Energycare has engaged in a massive outreach program geared to insuring low-income elderly and handicapped persons and participation in the LIEAP. The philosophy of the involvement of the elderly in energy programs and to identify other needed services and provide referrals.

Elderly participation in the aforementioned energy programs and others administered through CSA's Office of Program Development such as the weatherization assistance program (now DOE funded) and the accidental hypothermia prevention program have taught many lessons. Paramount among those lessons is that: (1) The effect of rising fuel prices is felt in the social, economic, medical, and environmental aspects of the elderly persons existence. Documentation is readily available on the reality of low- and fixed-income elderly persons attempting to survive by living at minimum levels with respect to life-sustaining necessities at best and having to choose between them at worst; (2) experts in the field of energy see no immediate changes in the present national energy delivery system thereby negating

the goal of attaining stable levels of self-sufficiency with respect to the fixed-income elderly. Statistics on the ever-increasing percentage of elderly income devoted to energy costs are abundant and will be continually in need of updating; and (3) the number of elderly, both eligible and willing to participate in programs, especially related to energy assistance, will increase. ECAP indicated that many persons who had never before participated in programs of this nature were involved and provided other vitally needed services.

Not withstanding the growing numbers of elderly served by energy programs which are funded at increasingly larger levels, there have been no prior claims that amounts allocated would serve to provide relief to all those in need of assistance. ECAP was proposed to cover 22 percent of the total eligible population. LIEAP funding is at an increase of \$5 million over 1980 energy funding and out of 51 States operating LIEAP, 6 had exhausted funds by the end of February and an additional 8 projected depletion of funds by March 31. The fact that the lessons learned with respect to the energy problems of the elderly are not new and startling underlines the gravity of the situation. The continuing and escalating nature of the energy problem necessitates a quickened pace in order to maintain the status quo. Reductions in funding require double time.

The shift to a block grant funding of categorical programs could ideally provide some necessary refinements to elderly/energy assistance programs as they exist by eliminating duplication of services, providing more efficient local programing and insuring all facets of the energy problems, as they impact upon the elderly community, are given equitable consideration. Given the elimination of problems which appear to be inherent to Government decisionmaking—favoring of communities and groups which have income, political leverage, or the power of significant numbers—there are still issues of program structure and administration which have not been sufficiently surmounted in the operation of previous State block grant programs.

The brutal facts are that even when Federal guidelines were straight forwardly set forth as to steps and activities to be undertaken to insure elderly participation, as in ECAP, the variation of outreach implementation resulted in variations of service to the elderly. For instance, elderly households assisted out of the total elderly households eligible, range from 77.84 in Maine, to 46.69 in Minnesota, to 17.5 in Mississippi, to a dismal 5.35 in Texas. The time constraints of planning and implementing a weather-related program held precedence over extruding of good methods of elderly identification and outreach plans from States not already predisposed to such activity. Hence the statistics indicated above.

In that many Governors welcome the shift to State block grant allocation methods, despite the overall 25 percent cut in funding, this transition period is an ideal time at which to assist State governments in establishing efficient, responsive, effective, and accountable programs through guidance in planning and assistance management. An approach of this kind would further insure that the intent and goals of the program were being met.

Assistance to States on the development of programs should probably take four major forms:

(1) The earmarking of funds to be used for activities such as energy assistance, health services (etc.), with special assignment of levels of poor and disadvantaged participation.

(2) Provision of technical assistance for assessing local needs, developing plans, managing efficient, and effective programs, and establishing systems to promote fiscal and programmatic accountability.

(3) Inclusion of provisions for citizen monitoring and evaluation of block grant programs, could improve limited fund utilization and insure the direction of program activities toward the "truly needy" as mandated by the administration.

(4) The requirement that States set clear and measurable goals for programs and the Federal imposition of sanctions related to the attainment of those goals. With the reduction of Federal regulations and enforcement, it is important that States are fully aware of the administration's commitment to its social program policies and the usage of Federal moneys.

The success or failure of the block grant initiative will depend upon its implementation. Considerations of implementation cannot be made without attention to the factor of time. In the case of energy/elderly concerns, there is no time to be lost. Energy programs are, on the main, ahead of the process in that plans developed at the State level already exist as a result of ECAP and LIEAP. Adjustments and refinements based on the experiences and statistics of the past 2 years and augmented by the concern and expertise of bodies such as yours may be a starting point.

The principles of block grant programing have potential for both improving local control and shifting the focus of Federal programs. Reaching this potential will.

depend upon circumventing the failures of past block grant programs such as the lack of accountability of title XX programs, the local abuse of CETA and the unresponsiveness and waste of LEAA. Many of the programs to be operated under the present block grant initiatives are crucial to the existence of the participant groups, the low-income elderly being a vivid example. Reliving the inequities of the past could have final and absolute repercussions for them.

ENERGY PROGRAMS—OFFICE OF COMMUNITY ACTION

CSA's emergency energy conservation program is carried out pursuant to authority of section 222(a)(5) of the Economic Opportunity Act of 1964, as amended.

PURPOSE

The major assumption underlying this program is that the problems of the low-income people, and of much of the elderly population, created by the energy crisis have severely limited their ability to maintain minimum living conditions and, in some cases, to survive.

The major goal of the program is to enable low-income individuals and families, including the elderly and the near-poor, to participate in energy conservation programs designed to lessen the high cost of energy on such individuals and families and to reduce individual and family energy consumption.

A major component of the program has been to support weatherization activities increasing the thermal efficiency of the home. Another is to help insure participation of the poor and the near-poor, including the elderly, in the decisionmaking processes that will determine the pricing structures and availability of increasingly scarce energy resources. Alternative, renewable energy resources are the focus of many grantee efforts, to bring to the poor and the elderly energy supplies such as solar heating, wood stoves, or small-scale vehicles fuel alcohol technology, that can augment—if not replace—conventional, costly fossil fuel energy supplies in their household and farm sites.

In addition to funding projects that strive for long-term solutions to the energy needs of the poor, CSA carries out energy crisis intervention activities to prevent hardship or danger to health due to utility shutoff or lack of fuel. Crisis intervention activities have included arranging guarantees of fuel supply, mediation with local utilities and fuel distributors; financial counseling, and provision of blankets, warm clothing, and emergency fuel supplies in crisis situations. Carried out by the Community Action Agency network, crisis intervention activities also include local community outreach, education, and planning to avert energy-related crisis in the winter months—or in extraordinary heat waves which also have proven to be health- or life-threatening situations to the poor and the elderly. CSA energy programs have also supported training efforts and publications designed to help the poor and the elderly learn how to conserve their own energy use as well as to bring to the attention of decisionmakers the special burdens on the poor and the elderly which are a consequence of the increasing costs and associated problems of energy supplies.

CSA-funded energy projects have addressed energy needs of the poor and have demonstrated effective solutions to them in a variety of settings and ways. Problems of the urban poor, tenants, rural residents, and marginal farmers have all been addressed through CSA-funded project activities in recent years. CSA-funded projects have addressed design questions of solar and alternative technology, adapting alternative systems to conditions and situations of varieties of kinds of housing stock.

Illustrations of the kinds of activities supported under section 222(a)(5), E.O.E. of 1964, as amended, are attached. Descriptions are provided for two program emphases—in accidental hypothermia and in energy education and access—which are funded in several States throughout the country. Briefer descriptions are provided for other kinds of projects activities addressing energy needs of the poor. Customarily, these kinds of projects assign priority for participation to the elderly poor and to those facing particular risk form energy emergency situations.

Materials are also included describing activities of the National Center for Appropriate Technology, a CSA grantee headquartered in Butte, Mont., which conducts research, technical assistance, grant support activities, and clearinghouse activities devoted to energy needs of the poor.

Finally, a copy of "Too Cold—Too Dark," a CSA-funded report by the Grier Partnership on the impact of rising energy costs on the poor is enclosed.

ACCIDENTAL HYPOTHERMIA

I. BACKGROUND SUMMARY/PAST ACTIVITIES

Accidental hypothermia in the elderly has many contributing factors, including inadequate nutrition, isolation, income, and the aging process itself. Elderly persons, the victims of rising energy costs, and the demand for energy conservation, are considered at high risk of hypothermia, possibly a fatal condition. Increasing energy costs force low-income elderly persons to set back their thermostats, or to cut down on fuel consumption to the point where household temperatures below 70° may cause a drop in the core temperature of the body. Because elderly persons in these circumstances may lack sufficient blood flow to quickly overcome drastic temperature drops, the condition known as hypothermia may set in, and if not diagnosed and treated promptly, may cause death.

The personal energy program (PEP), a demonstration project funded in Maine for the past 3 years, was developed by CSA to cope with this problem. PEP is a remarkably successful demonstration program. It deals with the social indicators which are known to cause hypothermia such as nutrition deficiency, substandard housing, health problems, lack of family support and visitation, and lack of appropriate clothing. PEP has produced an important body of knowledge on the incidence and medical causes of this syndrome which will be used to structure the 1980-81 national expansion of the program at a \$4-million level in 15 Northern States serving approximately 10,000 households.

The Maine project was the only one of its kind funded in the United States. It was based on British research which indicates that the elderly are the greatest potential sufferers of accidental hypothermia. It is estimated that in the United States 10 percent of the elderly population, or 2.3 million persons could be "at risk." Recognizing this danger, CSA focused on the need to expand the Maine experience to other cold States. The Administration on Aging was successfully involved in Maine and attempts will be made by individual grantees to work with AoA among other agencies in an effort to mobilize major resources in support of this accidental hypothermia program.

II. GOALS AND OBJECTIVES

The goals of the project are to provide outreach assistance in energy education, nutrition education, activities education (level of activity the individual can perform depending on health), the clothing package, and information and referral to other agencies. Grantees will train outreach workers using the training and technical assistance capabilities of two T/TA agencies funded through this grant, the Diocesan Human Relations Services and the Midland Energy Institute, Kansas City, Mo. Clothing packages will be prepared through contracts with manufactures, local craft organizations, sewing clubs, etc., in an effort to involve the local communities in the program implementation activities.

Direct services are also intended to open up the whole question of accidental hypothermia and the elderly in the medical community and in social service agencies mandated to assist the elderly. It is important that medical diagnosis include appropriate techniques for identifying hypothermia. Not many hospital emergency rooms are equipped to handle these cases, nor many physicians yet fully informed about the symptoms and treatment. The personal energy program will have a vital impact on the need for closer scrutiny and better handling of such patients. While social services agencies may deal with nutrition and medical services, this project may act as a catalyst to coordinate all services designated for the elderly.

CSA/energy program anticipates that as those services are developed and implemented, information about accidental hypothermia will become more commonplace and that more accurate diagnosis of elderly medical problems will be made. While this funding will not solve all the acute crises which face the elderly, some of the more obvious problems may be alleviated. Certainly, comprehensive energy education directed to the elderly by all agencies serving this population will create public awareness.

CSA hopes to encourage additional research into the factors which cause accidental hypothermia. The National Institute on Aging has performed minor research insufficient to encourage any institutional change whether in legislation or in medical services.

Additionally, quantifiable data on the program such as numbers of persons at risk, numbers of persons served and where, should have strong impact toward promoting institutional change.

III. PARTICIPANTS/BENEFICIARIES

The beneficiaries in the projects are elderly persons, generally over 60 years of age (Indian reservations use a slightly lower age cutoff).

A. Participants

Information reported on the Maine project tells us these program participant characteristics:

- Eighty percent of the clients have an income below 100 percent of CSA poverty guidelines (\$3,400 for a family of one).
- More than half of the clients spent over 25 percent of their income on primary heating fuel.
- The average client is 72 years old, resides in a rural area, often quite isolated, in an owner-occupied, single-family home.
- All clients live in housing that is, to some degree, substandard.
- Eighty-two percent of the clients live in homes that have multiple conditions causing them to be substandard.
- Seventy percent of the clients reported that their homes were not insulated. Thirty-seven percent of the clients reported that they had no storm windows or doors.
- Thirty-nine percent of the clients did not receive food stamps at the time of the interview.
- Only eleven percent of the clients received meals on wheels.
- Only seven percent took meals at a congregate meal site.
- Items from the personal energy package most used by clients are the blanket, vest, thermal long underwear, and snuggies.
- 58 percent of the clients reported they had multiple chronic illnesses.
- 80 percent of the clients reported they did not receive medical care in the home.
- Fifty-three percent of the clients live alone.
- Forty percent of the clients live with one other person.

ACCIDENTAL HYPOTHERMIA—WHAT IS IT?

Hypothermia is a condition produced when the body's temperature regulating mechanism fail to respond to cold, resulting in significant decrease in body temperature. If the body temperature drops below 90° F, a marked decrease in the heat and respiratory rates occurs and vital organs are damaged. Serious hypothermia can cause permanent brain damage or ventricular fibrillation (irregular heartbeat), which in both cases could lead quickly to death if left untreated.

Elderly people are the most likely accidental hypothermia candidates due to inadequate income, isolation, and the aging process itself. The elderly pay the highest percentage of their income and the highest prices of electricity and other fuels because they use so little. Many elderly simply do not have money to properly heat their homes or to consume sufficient foods vital to their survival. Bedridden elderly are especially vulnerable since a low level of physical activity has been known to contribute to hypothermia. Many times medication prescribed by doctors is a drug which tends to impair the body's response to cold and inadvertently endanger the elderly's life.

Only recently have studies on this subject been undertaken in the United States. Research in Great Britain over the past 25 years, however, has determined that 10 percent of the aged in Great Britain were susceptible to accidental hypothermia. The subject studies have concluded that at least 2.3 million elderly within the States could be vulnerable.

Medical clues:

(1) Muscles rapidly contracting or shivering is a normal indication of the body working to generate metabolic heat. *Most hypothermia victims do not shiver*—a very distinct indication that their temperature responses have been affected.

(2) Many elderly seem unaware of the cold, while others shiver and put on sweaters.

(3) Dizziness or vertigo, a failure of the blood muscles to constrict in response to certain stimuli, can be caused by either a change in position or cold temperatures.

(4) Medications prescribed to treat anxiety, depression, nausea, and sedation, particularly chlorpromazine and other phenothiazines can increase vulnerability to accidental hyperthermia.

(5) Any condition that blunts the body's response to cold—strokes, arthritis, hypothyroidism, blood clots, etc.

(6) A previous exposure to hypothermia may lead to a recurrence if the conditions are right.

Medical signs: Hypothermia should be suspected if any of the following signs appear:

- (1) Bloating face, pale or oddly pink skin color.
- (2) Trembling in one arm or leg, but no shivering.
- (3) Irregular or low heartbeat, slurred speech, and shallow or slow breathing.
- (4) Low blood pressure.
- (5) Drowsiness—coma is very possible if the body's temperature drops below 90° F.

Recovery depends entirely upon what stage of the hypothermia condition the elderly person is in when discovered. If the body temperature never drops below 90° F, and other complications do not occur, chances for a normal recovery are good. If the temperature falls to between 80° F and 90° F, most victims will recover, but lasting damage is very likely to take place. If the temperature drops below 80° F, most victims will not survive. The mortality rate is unfortunately very high.

The personal energy program is the Diocesan Human Relations Services' response to the growing problem of accidental hypothermia. Entitled, the personal energy program for low-income elderly, this program was designed to help the elderly in seven Maine counties survive the harsh winters. Initial funding from CSA for the amount of \$102,580 and additional money from the Administration on Aging gave the DHRS the opportunity to start a program in fiscal year 1977.

A personal energy plan was developed for each client by senior energy aides and existing homemaker service agencies. This plan included a package of thermal clothing, fuel saving devices, a program to save on monthly energy bills, information on adequate nutrition, and services available from related programs. An important goal was to establish regular personal contact with the persons to be served.

The program's initial objectives are immediate as well as long range. The project was designed with a special evaluation component to enable it to be expanded as a nationwide demonstration project for projected future studies.

Data collected could feasibly establish new programs and encourage the passage of legislation to enable the elderly to survive, while a medical research component to study the physiology of why the elderly cannot maintain their body heat could draw some conclusions as to what can be done to prevent a potential epidemic among the elderly segment of our population.

The grant was planned to serve approximately 1,000 to 5,000 of Maine's elderly. At least 100 senior citizens were to be employed as senior energy aides.

More effective publicity was to be developed to insure that the elderly and those responsible for their welfare know about their particular vulnerability to the cold and the programs available to meet their needs.

The first year's results of the personal energy program showed that while most of the objectives had been met, unfortunately only 228 clients were able to benefit from the program. A crucial factor was the delay in receiving funds from the Administration on Aging for the program administration. Finally, the administrative staff was established and the service activities got underway.

The 1978 grant of \$36,225 enabled the project to continue purchasing materials for the clients' clothing packages as well as to pay staff salaries. The Diocesan served 464 new clients; revised the data collecting instruments; worked out an evaluation contract with the University of Southern Maine and made an agreement to work with Maine Task Force on Aging and Cooperative Extension Service. In 1978, CSA granted the Diocesan an additional \$48,638 for fiscal year 1979-80 and refine training curriculum.

The services offered by the personal energy program were an appropriate response to the problems which made elderly people more vulnerable to accidental hypothermia. The final evaluation indicated that the services were delivered successfully. The clients' responses, when asked to evaluate the program, were extremely favorable. Over 96 percent said that the services provided by the program helped them keep warm. Seventy-four percent said that they received other services (food stamps, winterization) as a result of their contacts with the energy aide. Seventy-one percent stated that they were eating more balanced meals as a result of their contact with the energy aide.

CSA ENERGY ACCESS AND EDUCATION PROGRAM (GRANTEES IN 34 STATES)

CSA-funded projects in energy access and education carry out activities in consumer education, training, and technical assistance in energy conservation and consumer issues, and formal participation in hearings and other forums addressing energy policy issues affecting the elderly and the poor. Grantees have represented the poor and the elderly, providing expert testimony, in questions relating to questions of energy pricing, supply, and distribution, frequently centering on utility rate design and customer service issues.

Since their inception in 1978, CSA-funded energy access and education projects have helped consumers throughout the country to realize substantial savings in costs of energy. Because low-income people and the elderly on fixed incomes bear disproportionately high costs for the energy they use, and because they customarily do not have access to energy decisionmaking bodies, these projects have been particularly instrumental in insuring that the special interests and needs of the poor are heard by those engaged in energy policymaking processes.

Although it is difficult to precisely quantify savings for the poor and the elderly from overall totals of savings that these projects have helped to effect, we know that these groups have benefited substantially. We know, for example, from studies by the Grier Partnership and DOE's Fuel Oil Marketing Advisory Committee, that the poor pay from 13 to 58 percent of their annual income on home energy, exclusive of gasoline, depending on where they live and what their primary fuel is.

The CSA-funded projects have been able to help low-income people directly and indirectly participate in complex questions in energy pricing and policy. They have helped low-income people and the elderly understand what proposed utilities rates and policies will mean to them, have helped to articulate the concerns of the poor and the elderly relative to energy policy, pricing, and supply, and have been able to present technical experts for State and local hearings of utilities commissions, legislatures, and other public bodies.

Examples of the kinds of savings which have been realized in part from the work of these projects follow.

In *Colorado*, in addition to winning utility rate and utility overcharge cases in excess of \$80 million, the CSA-funded project persuaded the Public Utility Commission to agree to 14 of 16 utility shutoff rule changes including: (a) Personal contact before shutoff, (b) 6-month installment payment option to pay overdue bills, (c) third-party notice of shutoff required upon consumer request, (d) no shutoff upon medical certification, (e) bilingual shutoff notice requirement, (f) increased notice of customer rights required, (g) no weekend or holiday terminations, (h) notice to tenants of landlord's shutoff notice. These rule changes are expected to reduce Colorado winter shutoffs from approximately 10,000 to 5,000 annually. Most of these are low income and elderly.

In *Oregon*, a successful intervention by the CSA-funded project in a utility rate design proceeding, will help save consumers \$324 million, of which the poor and the elderly would realize a \$59-million saving in energy costs. The grantee is also participating in an appeal of an adverse decision on "lifeline rates" which could, if "lifeline" rates were adopted, save low-income and elderly consumers \$67 million.

In *Kentucky*, the CSA-funded project made possible substantial participation by low-income people in TVA hearings on issues of utility service termination, security deposits, and connection charges. Hearing officers found the project's efforts especially useful in surfacing concerns of the poor and the elderly.

Listed below are examples of the kinds of activities the energy education and access projects carry out to insure access to and participation by the poor and the elderly in energy decisionmaking processes at the local, State, and regional levels.

CSA energy access projects will:

(1) Function as a forum for helping low-income individuals and the elderly to articulate their energy-related objectives, priorities, and strategies.

(2) Develop community education and training programs aimed at helping the poor and elderly understand energy issues and the benefits of energy conservation.

(3) Provide technical, administrative, and financial resources to low-income community-based organizations so they might research local energy policies and undertake activities which would lead to acceptance of policies which would benefit and protect the interests of the poor and elderly.

(4) Research energy policies at the State and/or regional levels which affect poor persons and undertake activities which could lead to beneficial changes in legislation or administrative regulations.

(5) Provide information and technical assistance to low-income persons and decisionmakers at all levels throughout a State or region on energy issues (such as the formation of a center or a clearinghouse, or development and distribution of newsletter.)

(6) Build coalitions around CAA's and other relevant groups, organizations and service delivery systems in order to develop and implement legislative, administrative, and regulatory strategies regarding energy issues which would have an impact on the poor.

(7) Prepare testimony and provide access support for low-income consumer representation in hearings before commissions, State legislative committees and/or congressional committees responsible for energy matters and issues.

(8) Develop and implement techniques for involving the poor in formal processes of energy-related policymaking bodies at the local and State levels.

(9) Research and make recommendations related to determining the effectiveness of various Federal and State energy programs aimed at the poor, particularly the low-income energy assistance program.

EXAMPLES OF OTHER CSA PROJECTS AFFECTING THE ELDERLY AND POOR

COMMUNITY RENEWAL TEAM OF GREATER HARTFORD, INC.—\$150,000

This project will address the special problems of renters in the Asylum Hill area of Hartford. Asylum Hill is an area of poor and near-poor households, 95 percent renters, with a high proportion of elderly who are being forced out of their apartments by rent increases which have been upheld by the courts as justified by increased utility and fuel costs. The grantee will seek to establish, through loan guarantees or a revolving loan fund, incentives for landlords to retrofit multifamily dwellings without penalizing tenants through additional rent increases for costs of energy and building conversion. This project is expected to leverage significant amounts of private moneys for financing of building conversions.

COMPREHENSIVE ENERGY CONSERVATION—\$300,000

Comprehensive energy conservation project will build on the experience of the CSA/NBS optimal weatherization research project to test the thesis that a comprehensive approach to the energy problems of the poor, including optimal weatherization (adding funds to existing DOE weatherization funds to permit optimal weatherization of dwellings), alternative energy sources (solar, wind, wood, etc.), training education for dwelling occupants to motivate them to adopt conserving lifestyles, and encouragement of community institutional innovations and reforms (cooperatives, energy conserving utility rates, etc.) will enable the poor to approach energy self-sufficiency, and will prove to be more cost-effective, in both fiscal and social costs, than continuing subsidy of the energy bills of the poor. The projects will build also on the experience of CSA's past programs in solar and alternative energy, energy conservation education, and the energy access projects.

FEDERATION OF SOUTHERN COOPERATIVES—\$450,000

The Federation of Southern Cooperatives will continue its efforts to assist low-income farmers and other rural residents to use renewable energy resources to lower costs of household or farm production energy supplies. Activities will concentrate on members of cooperatives in Georgia, South Carolina, Mississippi, and Alabama providing training and technical assistance and limited financial support so that poor rural residents can install solar greenhouses or heating, wood stoves, and small-scale alcohol stills for vehicle fuels, and engage in energy conserving agricultural practices at their home and farm sites. A high percentage of Federation members are elderly rural residents or low-income farmers.

CAPE AND ISLANDS SELF-RELIANCE COOPERATIVE, MASSACHUSETTS—\$350,000

This grant will provide one-year support to the emerging Cape and Islands Self-Reliance Cooperative in its efforts to increase the energy and food self-sufficiency of low-income people and others in a geographic area that is highly dependent on imported energy resources and food supplies. The grant will support organizing efforts for the cooperative as well as membership services. In time, the co-op expects to serve 2,000 residents of the area, over half of whom will be low-income people.

The cooperative will assist members in developing comprehensive approaches to meeting their home energy and food needs. Co-op staff will perform comprehensive audits of members' residences, assessing weatherization/conservation potential and need; renewable energy potential; patterns of home energy/food consumption; and food production potential.

Plans will be devised for ways members can more fully meet their home energy/food needs, through conservation, renewables, and food production. The co-op will assist members in meeting costs of implementation, through financial counseling, helping with applications for public and private financing, the through costs savings achieved through bulk purchasing. The co-op will attempt as much as possible to consolidate sources of Federal assistance, such as energy crisis assistance, FmHA loans and grants, and weatherization funds, to meet comprehensive home energy/food needs of the poor. Members will be invited to workshops on energy and food production, with sessions planned on energy conservation, water conservation,

small-scale gardening, home-scale aquaculture and livestock production, and construction of solar and wind services.

HYDROELECTRIC DEVELOPMENT ACTIVITIES

CSA has awarded four small grants to nonprofit organizations engaged in activities to develop local generation of electricity through hydroelectric development. Three of the grantees (Oakland Borough, Pa.; Committee for Economic Improvement of Essex County, N.Y.; and SouthEastern Vermont Community Act Inc., Vt.) are devoting staff efforts to studying the feasibility of developing abandoned dam sites to generate local electricity to decrease costs of power to area residents; increase local revenues for services such as medical outreach and nutrition education or housing for the poor and the elderly through sales of electricity eventually generated; or provide economic stimulus to the area through job creation and providing power for new industries. The CAA of Belknap-Merrimack Counties (N.H.) is developing "microhydro" projects at a minimum of five low-income households, installing generating equipment in streams adjacent to poor households. This project will test the usefulness of microhydro as a way of meeting energy needs of the rural poor as well as of providing income to them through sales of excess electricity to utilities. Priority will go to households of elderly poor homeowners found to be at particular risk in meeting their energy costs.

WOOD PROJECTS

Coastal Enterprises, Inc. (CEI), Development Corporation Wood Conversion Project—\$94,000

Working with banks and wood dealers, CEI is establishing financing arrangements that will assure affordable wood stove conversions and supplies of seasoned wood to low-income energy assistance program (LIEAP) and energy crisis intervention program (ECIP) clients, thus assuring an adequate and safe fuel supply. In recent years the poor, and especially the elderly, have only been able to afford green wood which has caused a serious fire hazard.

Portland, Maine, CAA Wood Co-op—\$73,800

This grant will continue the second year of a successful co-op funded out of the regional office, which has cut fuel costs for poor families by as much as 50 percent. The grantee is the people's regional opportunity program, the Portland CAA.

Maine Wood Pellet Stove Conversion Demonstration—\$53,000

The Maine SEOO has proposed to demonstrate the effectiveness of wood pellet stoves in the homes of 40 elderly and handicapped persons (for whom carrying firewood for a normal stove presents a serious problem) using wood pellets produced by a new plant in Maine. The grant would provide a stove and 5 tons of pellets (enough for a heating season) to each of the participating low-income elderly and handicapped households.

Oxford County (Maine) Wood Conversion Project—\$30,000

The Oxford County CAA is the operator of a rural home repair project with which it proposes to combine a firewood stove conversion project.

Wood Stove Conversion Project (New Hampshire)—\$39,000

The Belknap-Merrimack Community Action Agency will carry out chimney cleaning/retrofit and installation of wood stoves in conjunction with its existing funded rural home repair project.

New Hampshire State Economic Opportunity Office (SEOO) Furnace Repair and Replacement Project—\$100,000

As a part of last year's energy crisis assistance program (ECAP) the New Hampshire SEOO was permitted to carry out a furnace inspection program. As a result of the inspections more than 100 furnaces were found to be unsafe and ordered removed from service, leaving the households without permanent heat. Since Department of Energy weatherization only permits expenditures of up to \$100 for furnace repair, these funds are needed to supplement the DOE moneys in order to repair or replace, as necessary, the furnaces of the affected households.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY

The National Center for Appropriate Technology (NCAT) is a national grantee funded out of title II, section 222(a)(5), Community Emergency Conservation Services. NCAT is a nonprofit organization which performs research, development, outreach, technical assistance, information, and grants to promote and extend the use of appropriate technology for low-income people.

NCAT's diversified research program has developed many technical prototypes of technologies geared toward helping the low-income elderly. Once a technology is proven at their research center, NCAT demonstrates the applicability of this technology through their grants program and information components. The technologies are then spread throughout the country via their training and outreach staffs. A perfect example of this kind of development and extension is illustrated by NCAT's work with attached solar greenhouses. Solar greenhouses could potentially save 6,500 barrels of petroleum per day according to NCAT's "Energy and the Poor" policy paper. NCAT has developed a unique design of solar greenhouse which produces energy and enable the owner to grow food. This technology has particular application to the low-income elderly who are priced out of food and fuel markets, have their own housing and experience in gardening. Once the NCAT design was tested and perfected, NCAT awarded 100 grants to CAA's for the construction of the NCAT greenhouse on the homes of the low-income elderly. NCAT held 12 workshops around the country in order to train CAA and interested organizations in building these greenhouses and has recently published a greenhouse manual which is held in wide acclaim.

Greenhouses are not the only technology that NCAT has focused upon in serving its low-income/elderly constituency. NCAT, through its national newspaper "AT Times" has published self-help primer on low-cost cooling aides for the elderly caught in last year's heat wave. NCAT has published and funded several groups in community gardening and has developed cold-frame self-help brochures. In addition, NCAT's weatherization materials clearly focus toward simple things the elderly can do to save money and energy for survival in hard times. Lastly, NCAT has designed several modular and super-insulated homes which they see as the most efficient small-scale housing to best serve low-income elderly needs. These housing designs will be published in May 1981.

SOFT PATHS FOR POOR PEOPLE

(An Address by Edwin C. Kepler, Executive Director, National Center for Appropriate Technology, Before the National Conference on Optimal Weatherization, Washington, D.C., December 10, 1980)

There was a time only a few decades ago when Americans seemed as ready to express their faith in modern technology as TV preachers today are their faith in right wing conservatism. But since then that faith in technology has come into serious question. Nuclear power, as it turns out, is not going to give us energy so cheap it won't be worth metering, as some of its advocates in the fifties promised. DDT and certain other wonder chemicals turned out to be Frankensteins. During the past 15 years, environmentalists have developed a catalog of ways in which technology has helped to poison and pollute the planet Earth, and they have been successful in conveying their concerns to the citizens of the world.

Of course, we are all beneficiaries of modern technology. I for one am particularly grateful for the technology that enables me to watch the fascinating documentaries that appear on PBS, documentaries such as "Nova," "Cosmos," and the 10 part series that just concluded this Sunday called "Connections." I hope you watched some of the episodes in "Connections." It was about the technological connections throughout this history of mankind that shape the way we think and live.

One of the clearest thinkers in the appropriate technology field, Tom Bender, noted several years ago that the technologies people employ tend to determine the way in which they lead their lives. You can confirm this observation for yourself by reflecting for a moment on how pervasively three technologies you employ—TV, the telephone, and the automobile—affect your life, your family relationships, your social relationships, the way you perform your work, the way you use your leisure, the very rhythm of your life. And the way you live your life tends to affect the values you uphold.

Clearly, as Bender pointed out, those who concern themselves with the quality of life in the United States and elsewhere—that is, with such questions as personal freedom, social justice, and economic well-being—must concern themselves with the source, the nature, and the human impact of technology.

In the final segment of "Connections" that aired last Sunday, the narrator, James Burke, reviewed the various ways in which changes in technologies occur and then addressed the major concern by raising these two questions: Can ordinary people such as you, me, Justice Burger, Ronald Reagan, or any other person not trained in scientific and technological matters, control the development and uses of technology? And, second, should we try? Those are the key questions the series was about. Incidentally, the series, which must have been extremely costly to produce, was sponsored by A.T. & T., whose own answer to the questions is probably indicated by the slogan it uses in connection with other TV programs. You've heard it: "The system is the solution!"

All of this has some bearing on the subject assigned to me, "Soft Paths for Poor People," as I hope will be clear in a moment.

Mr. Burke, the narrator, offered his own answers to the first question. He said that ordinary people, lacking scientific training, are not competent to understand or to judge modern technology. Even further, he said we are not competent to know reality. Only highly trained scientists and technologists know reality; the rest of us—judges, presidents, artists, weatherizers, whomever—we deal in human emotions, and emotions, he said, are merely interpretations of reality, not reality itself.

Then Mr. Burke went on to the second question. Even if we ordinary people were to try to control the development of technology, what options would we have? He said we would have four. First we might ban all high technology and seek a return to the simple rural life of an earlier century with dependence on muscle and solar power for energy. (You may recognize this as a pejorative attempt to represent the position of soft path advocates.) This option he dismissed by saying it is too late to exercise it. We already have too many people on Earth for this option, he said. Another option might be to keep the technologies we have, use them to improve the condition of mankind around the world, but permit no work on new technologies. That he said wouldn't work because without further technological progress there would be no way of paying for the dissemination of present technologies. A third option might be to keep present technologies and to permit the development only of selected new technologies that would serve mankind. But that option won't work either, he said, because we are not competent to make wise selections. So that leaves the fourth option, which is business as usual, even though, he conceded, that most likely will mean ever more rapid change, ever more confusion, greater disorientation between man and the natural world of which he is a part, and he even suggested that we ordinary people might lose our ability to control our own lives, bringing to mind Orwell's *1984*!

The question of soft paths for poor people is a part of this larger philosophical controversy. And that controversy is at the heart of many decisions that are being made right now in the development of plans for the Reagan administration. That's why I believe it is important here to try to frame the issue of soft path attitudes toward technology in a way that is not prejudicial to the interest of poor people, or, for that matter, of any of us who want freedom of choice in the way we choose to live.

Champions of the soft path (which is a term often used interchangeably with the term "appropriate technology") believe that by the deliberate selection and adoption of certain energy-related technologies and by foregoing others many people can achieve more satisfying lives than they can experience as total dependents on the high technology of a highly industrialized society.

The kind of technologies favored by soft path champions are those that can be characterized as small scale, decentralized, moderately labor intensive, community or individually controlled, environmentally benign, and generally, although not exclusively, involving simple or low technological skills. In effect, this means that soft energy people favor the development of renewable energy resources and the practice of conservation.

Soft path people believe that the overriding imperative for adopting the course they champion lies in the indisputable fact that fossil fuel energy resources are finite in character, as is uranium, and that sooner or later a transition to renewable resources will become essential. Better to do it sooner, they say, while an easy and smooth transition can be effected. Better to conserve petroleum for higher level uses than burning oil and gas in furnaces and engines.

It is not my understanding that any soft path people advocate a moratorium on future scientific or technological research and development. None that I know of would say that any of the options posed by Mr. Burke in the documentary, "Connections," is valid as stated. Most, I believe, would support the position adopted by Harvard professors Robert Stobaugh and Daniel Yergin, authors of the best selling book, "Energy Future," which calls for a balanced energy program in the United

States that gives all forms of energy development a fair, competitive chance to prove their merit.

Most soft energy path champions also believe that if subsidies, entitlements, and price constraints are removed from the exploration, transportation, and refining of petroleum, the commercial development of renewable resources and of conservation practices will boom. Solar applications are already cost-effective in some parts of the country. Cutting back on Government intervention in petroleum economics, plus anticipated higher prices in the future will soon extend those areas, they believe, to most parts of the country.

To a soft path person, conservation of energy means more efficient use of resources, not necessarily less use. But to the extent that efficient use results in savings of energy, conservation may be equated with production, a step toward national self-sufficiency.

In doctrinaire terms, the soft energy path can only be described as a conservative approach to the energy crisis. It calls for freedom of choice and increased self-reliance on the part of individuals, certainly goals that are compatible with conservative doctrine. It calls for increased energy independence for communities, a proposition with obvious and perhaps critical military defense implications. It asks for fair and open competition in the marketplace. And it stands for efficient, cost-effective use of resources through recycling, weatherization, and other appropriate conservation measures.

Further, the soft energy path promises to yield more jobs and more net energy per dollar than high technology sources. For example, a study by the Council on Economic Priorities has found that \$6 billion invested in solar applications would yield three times the number of jobs and twice the amount of net energy as \$6 billion invested in nuclear plants.

With all of that, it is hard to imagine how anything could fit better into conservative doctrine than the proposition that this country develop a soft path energy system that is not antitechnology. It is a call for free market competition among energy technologies.

But what about the poor? Would a soft path energy system help them?

When I accepted my position as executive director of NCAT, I did so because I thought I could see clearly the relevance of appropriate technology to the future well-being of the poor in this country. I reasoned that, given this Nation's heavy dependence on imported petroleum, the rigidities of the major economic institutions, and the lack of governmental support for hard-headed conservation measures, inflation was bound to continue to soar well into the future. This had to mean, I told myself, that an ever increasing number of the low-income population would find themselves priced out of the market for necessities: for food, shelter, space and water heat, health care, and transportation. For such people, alternatives that might free them from markets that no longer served them would have to be found. Developing alternatives for poor people I saw as a most important focus for appropriate technology and for NCAT.

Now, 2 years later, I would like to be able to say that events have proven those fears and apprehensions to have been wrong. But I don't believe that to be the case. I believe there are very hard times ahead for low-income people, including those above the poverty line, as well as those below it.

These are not compassionate times. The hard fact is that the American people are less prone today than they were 15 years ago to be concerned about the plight of the poor or the problems of minorities. That is the finding of a survey made earlier this year by the Council on Environmental Quality with support from the Department of Agriculture, DOE, and EPA. Specifically, the survey found that the percentage of people who believed that helping the poor in poor areas should rate as one of the three top national priorities among social and environmental issues had declined by 3 percent, while the percentage of people who believed that reducing racial discrimination should be one of three top social and environmental priorities declined by 16 percent.

The incoming administration has made clear its intention to seek to revitalize American industry and commerce by reducing regulations and eliminating price constraints. If that results in increased productivity, employment, and prosperity, those of us who are a part of the mainstream economy—that is, those of us whose incomes might be expected to keep pace with rising prices—well might cheer. But for other millions who will remain unemployed, or are on fixed incomes, or are dependent on Government transfer payments, higher prices inevitably mean greater hardship regardless of the general level of prosperity. For these people, the development of alternative technologies that can increase their ability to care for themselves may be their best hope for survival.

For the past 2 years we at NCAT have been doing our best to make appropriate technology available to the poor. In that period we have made a couple of hundred grants to community action agencies and other organizations that serve low-income groups. We have published about 50 publications both at technical and at consumer levels. Our field personnel have offered technical assistance and other services to local organizations. We have held and we have subsidized workshops and conferences around the country. But despite our best efforts, I can't say that we have impacted any significant percent of the Nation's poor.

The problem is obvious. We are a small organization with research, development, and demonstration capabilities, but with only about 100 employees. Clearly, we can't expect to impact directly by ourselves the millions of poor people in this country. We must depend on local organizations to do that with our support and technical assistance. But community action agencies do not have funds with which to implement appropriate technology programs on a broad scale. If CSA were able to budget \$50 or \$100 million yearly for use by CAA's for that purpose, or if the weatherization program were expanded to include renewable energy installations and other appropriate technologies, then results might be different.

But that is not the case. Therefore, we at NCAT decided, we would be well advised to make a case for a public policy that would enable poor people to benefit from appropriate technology. To that end, almost a year ago, NCAT published a national policy proposal called, "Energy and the Poor." In essence, our proposal stated that if certain energy-related problems of the poor were dealt with on a national scale—as we outlined—problems of heat for living areas and hot water, transportation to jobs and needed services, and food—this Nation would achieve a greater net savings of energy at less cost and in a shorter time than that promised by the synfuels program which was then still under consideration. Further, we pointed out that, in comparison with the synfuels program, our proposal promised to produce many times more jobs, required no investment in the development of new technologies, was not threatening to the environment, or to Western water supplies, was less risky in terms of the results it would produce, offered greater opportunities for the creation of new local business enterprises, and, of special importance, would go a long way toward solving the major social problem of helping the poor to survive the energy price inflation that this country now endures.

In short, our proposal was eminently sensible and practical. We circulated copies all around the country, and particularly in Washington, D.C. Reaction was limited, but favorable. The Baltimore Sun ran an editorial in which it called our proposal the most sensible energy proposal it has come across. Some Members of Congress spoke well of it and it was published in the Congressional Record. A DOE official touted it within that organization and sent a copy to Oak Ridge for a check on our computations. (To the best of my knowledge, no one has faulted our statistics or our claims.) And yet today, our proposal, for all the great good sense it makes for the country and for all the great good it might do for the poor, our proposal is dead. We intend to revise it, improve on it, and bring it back again, but right now it has virtually no attention and generates no public interest.

Meanwhile, the synfuels bill was signed into law and billions of Federal dollars are now being advanced to support it, even though experts have predicted that its ultimate cost will be several times the \$88 billion presently earmarked for it, and even though its technological footing is so uncertain as to prompt the chief economist of Standard Oil Co. to publish in the New York Times (October 12, 1980) a statement which included the following: "Let me state further that no known technical expert on synfuels really believes (at least in private) that the United States can come close to meeting the energy production goals set for SFC (Synfuels Corporation)."

My purpose in bringing all of this to your attention is not to deride the synfuels program. To help combat energy inflation and to help make this country militarily less vulnerable, the United States desperately and quickly needs to cut oil imports by at least 5 million barrels a day and any viable energy program that can contribute to that end, in my opinion, ought to be tried. The synfuels program has been judged to be one such, and the proposal NCAT has advanced ought to be another.

The synfuels program is claimed to be able to produce between 1.5 and 2 million barrels a day of crude oil equivalent by 1992. Our proposal would produce a similar amount in half that time. With both programs together, and with present nuclear plans added in, this country still would not be energy self-sufficient.

Notwithstanding interpretations given to recent election results, the American people are ready now to support a serious effort to develop a soft path energy program. In this respect, the people are ahead of their leaders, including the scientists and technologists so highly touted by Mr. Burke. The national survey

commissioned by the Council on Environmental Quality that I mentioned above also asked which three sources of energy this country should most strongly concentrate on developing; 61 percent said solar, 35 percent said energy conservation, 36 percent said coal, 31 percent said water power, 28 percent said oil and natural gas, 26 percent said synfuels, and 23 percent said nuclear.

Federal energy priorities are arranged in almost exactly the opposite order of that list.

A soft path energy program for poor people could relieve them of the misery the energy crisis heaps on them and at the same time it would serve the national interest. But there does not appear now to be any chance that a soft path program will be enacted for the poor unless the merits of the soft path in general are accepted in the Nation's broader energy policy.

Clearly, improvements in our national energy policy call for inclusion of large-scale soft path programs. But how can that be achieved? I don't know. It might help if someone could find a sponsor for a documentary that would make the case for the soft path as skillfully as "Connections" did for high tech.

Think about it. It is a problem for all of us. What possible solution do you see?

APPENDIX 2

STATEMENTS AND LETTERS FROM INDIVIDUALS AND ORGANIZATIONS

ITEM 1. STATEMENT OF THE NATIONAL RETIRED TEACHERS ASSOCIATION/AMERICAN ASSOCIATION OF RETIRED PERSONS

The associations have grave concerns about the administration's proposal to consolidate the low-income energy assistance program and AFDC emergency assistance into a block grant which would be funded at 25 percent below current levels. With energy prices continuing to skyrocket, we are concerned that the elderly's energy needs will be "lost in the shuffle" on a block grant which would allow States total discretion in dispersing moneys for an energy or an emergency assistance program.

ENERGY COSTS AND THE LOW-INCOME ELDERLY

Low-income elderly are not in a position, by virtue of their age and income, to compete for scarcer nondesignated resources at the State or local level. The administration's proposal would have that effect by block granting only 75 percent of the combined programs' moneys to the States with no Federal "strings" attached other than " * * * funds must be used to satisfy the purpose of the block grant program." Such a proposal provides no guarantee that needy older persons will receive their fair share of the funds.

Needy older persons must be assured that they will receive energy assistance because of the impact higher fuel costs have on their budgets and the disturbing trend which indicates that the poverty rate among the elderly is now increasing.

Since 1972, fuel costs have increased three times more than the increase for any other items in the Consumer Price Index. This precipitous increase severely and disproportionately impacts on the elderly and particularly on those living on relatively fixed incomes. Because the price inflation for fuel has risen faster than the overall CPI, energy costs outpace increases in social security and supplemental security income benefits under the automatic benefit adjustment provisions. Furthermore, because these benefits are adjusted after price increases rather than rising in tandem with them, the purchasing power of these income components decreases as energy costs rise.

This occurrence is demonstrated by the decline in the elderly's real income and the precipitous increase in rates of poverty and near poverty among them. In 1969, 25 percent of the elderly were below the poverty level. Through expansion of government support programs in the late 1960's and throughout most of the 1970's, much progress was made in reducing the rate of poverty among the elderly. By 1978, the aged poverty level had declined to less than 14 percent. The 1979 poverty data, however, revealed very startling and disturbing statistics. In just one year (from 1978 to 1979) the poverty rate for the elderly jumped from 13.9 percent to 15.1 percent. That is the largest rate increase since the Census Bureau began collecting statistics. While the aged poverty rate escalated in 1979, the rate for persons under age 65 remained static at 11.1 percent. Furthermore, the rate of near poverty (125 percent of the poverty level) for the elderly rose to 24.7 percent as compared to 15.2 percent for the under age 65 population.

In the same year, 21 percent of the elderly-headed households had annual incomes at or below \$5,000 as compared to only 9 percent of the non-elderly-headed households. Sixty-two percent of the elderly-headed households had annual incomes at or below \$10,000, compared to only 21 percent for the non-elderly-headed households. Even adding the cash value of in-kind benefits the elderly receive cannot change the fact that the elderly as a group generally subsist on low and in many cases, extremely inadequate incomes.

The income situation for the near future appears even bleaker. According to a 1980 association commissioned study, entitled "Inflation and the Elderly," Data Resources, Inc. forecasted that *even if current programs remain in place with no legislated cutbacks*, the elderly's share of income relative to that of the nonelderly will decline sharply beginning in 1981. The 1979 Census Bureau statistics indicate that this trend had already begun 2 years ago with respect to the very low-income elderly.

Not only do the low-income elderly have little financial ability to absorb higher fuel costs, they also have little flexibility to shift consumption patterns to accommodate the higher prices of fuel. Studies done by the Bureau of Labor Statistics indicate that older persons in comparison to younger consumers, spend a disproportionate amount of their income on basic necessities. In comparison to the nonelder-

ly, the elderly already spend 33 percent more of their budgets on fuel and utilities, 11 percent more on housing, 44 percent more on out-of-pocket health expenses, and 11 percent on food at home.

The elderly already use less energy than any other age group, they tend to live in older dwellings which are poorly insulated and they are more susceptible to the extremes of hot and cold weather. In short, no group of citizens is more vulnerable to and less able to cope with temperature changes and the costs which accompany the heating or cooling necessary to live.

THE ADMINISTRATION'S PROPOSAL

In addition to providing no assurances that the elderly poor will receive assistance, the administration proposes to reduce by 25 percent the funding for this program on the grounds that the block granting will reduce administrative costs. These are not justifiable grounds for reform in our opinion, because the program is already distributed to the States as a block grant. Furthermore, reducing funds for this assistance ignores the fact that energy costs are continuing to increase over and above the 200 percent increase which occurred between 1972 and 1979. The recent acceleration of oil price decontrols and the expected gas price decontrols will continue to push fuel prices beyond the reach of many needy older persons.

Oil price decontrols (and expected gas price decontrols) are Federal initiatives. It is incumbent upon the Federal Government, therefore, to continue to provide energy assistance to those in need. There is a mechanism with an adequate funding source in place to provide this assistance. Currently, the program is funded through the windfall profits tax which, in essence, redistributes the taxes levied on the high profits oil companies are experiencing due to oil price decontrols to low-income households which can ill afford the skyrocketing costs of home energy. The States do not receive revenue from this tax and may therefore be reluctant to pick up any additional costs for this assistance. It is important to note that under the current program, 95 percent of the moneys are already in the form of block grants to States which draw up their own plans, subject to HHS approval, for dispersing available funds. Currently, Federal guidelines do allow States some flexibility in determining local needs.

We recognize that the intent of the administration's proposal is to allow States more flexibility in determining the needs at the local level by freeing State administrators from cumbersome, time-consuming Federal regulations. We agree that the program has had its problems, complex and lengthy regulations and has at times restricted the options available to the States to meet local needs. We do not believe, however, that simply block granting the funds for this program will correct the problems. We agree that State reporting requirements should be simplified, but we also believe that there must be strong but minimal Federal guidelines for administering the program.

In addition to simplifying State reporting requirements, the associations agree with several other concepts contained in the administration plan. States should be allowed up to 2 years to spend their annual funding allocations. The more flexibility a State has in allocating the funds, the greater ability they have to respond to weather-created crisis.

States also should be allowed to use funds for weatherization. The associations have long advocated the need to include weatherization in this program as it is not fiscally realistic to continue to subsidize the energy bills for homes which are not fuel efficient.

The administration's idea take a step in the right direction, but unfortunately they do not even go far enough to meet the administration's goals for reducing government spending and targeting resources more effectively. Currently, energy assistance programs are administered by six Federal agencies through approximately 250 State government units and through more than 6,000 local grantees. In addition, more than half of the States have created local programs to provide energy relief. We have attached a copy of the list compiled by the associations which enumerates how fragmented energy assistance programs are throughout the Federal Government.

THE ASSOCIATIONS' RECOMMENDATIONS

Rather than continuing the current fragmented approach of placing some energy assistance programs at the State level (through the block grant) and keeping other initiatives in various agencies in Washington, we would suggest that it would make more sense for the various energy assistance programs to be consolidated at the Federal level. Such a coordination of programs would make current benefits more accessible, eliminate duplication or overlap, and fill in the gaps to meet needs where

current programs do not. Furthermore, streamlining programs would reduce administrative costs, and within budgetary constraints, make it possible to reach more needy persons.

In our view, this consolidated Federal energy assistance program would have three major components: direct assistance, weatherization, and outreach. Each State would have the flexibility to determine how best to meet these three goals, which would give them more flexibility and allow them in turn to consolidate fragmented energy assistance programs within their jurisdiction.

We recommend the following changes with regard to direct assistance provided by the low-income energy assistance program:

First of all, the program must be funded at adequate levels in order to help the elderly meet their energy costs. This program is authorized under the windfall profits legislation to be funded at considerably higher levels than the Congress has appropriated. For the winter of 1980-81, the program was authorized at \$3.1 billion, but Congress approved funding at a level of \$1.85 billion, \$1.25 billion below authorized levels.

Second, the income eligibility standard for the program should be expanded to include at least those with income up to 150 percent of the poverty level. The income eligibility standards used for the last 2 years (125 percent of poverty for the winter of 1979-80 and 100 percent of the BLS lower living standard for the winter of 1980-81) are simply too low to reach the needy population.

Third, older persons should be allowed a special exemption for medical expenses in determining eligibility to take account of their higher out-of-pocket costs.

Fourth, the program should be continued to be administered through block grants to States. This approach can substantially reduce program fragmentation, allow States to design and implement programs to reflect the needs of the States, and facilitate coordination and cooperation between State and Federal programs. States should have more flexibility, but Federal guidelines must be in place to assure that the intent and purpose of the program is carried out at the local level as well as provide accountability for the use of Federal funds.

As part of the guidelines for administering the program, States should be required to: Develop and implement comprehensive energy assistance programs; make provisions to assure local coordination of all relevant social services; and develop local plans to assure broad-based energy assistance information dissemination and outreach. Ideally, these costs should be borne through a partnership of public and private agencies.

Finally, States should be encouraged to provide the bulk as energy assistance in the form of direct cash payments. This approach utilizes the most effective and rapid way to disperse payments to needy persons.

National energy relief assistance efforts should also emphasize weatherization and conservation. The materials and incentives to weatherize and the information and weatherization and conservation must be made available to the elderly. According to a study by the Congressional Office of Technology Assessment, approximately 43 percent of low-income households have no insulation, 58 percent have no storm windows or storm doors, and 39 percent have no thermostat or valve with which to regulate their heat. In the long run, moneys spent on weatherization and conservation may be one of the most cost-effective methods of energy assistance.

The final component of national energy assistance efforts is outreach. For the elderly, this is a particularly important component. Their personal prejudices toward assistance programs (the welfare stigma) preclude their participation in other assistance programs, such as SSI and food stamps. Since States tend to administer all assistance programs through local welfare offices, large numbers of needy elderly persons will not be aware of and end up being left out of the low-income energy assistance program and other State and local assistance programs. While direct cash payments would alleviate this problem to a large degree, we urge that moneys also be earmarked for the specific purpose of elderly outreach.

CONCLUSION

Since oil price decontrols and expected gas price decontrols are Federal initiatives, the associations believe that assistance for those unable to bear the high costs is a Federal responsibility. Title III of the Windfall Profits Tax law provides the mechanism and a more than adequate funding source for this assistance.

During reauthorization of the low-income energy assistance program, the committee should reexamine, coordinate and consolidate current energy programs. A consolidated Federal energy assistance program with three major components, direct assistance, weatherization, and outreach, should continue to be block-granted to the States with strong but minimal Federal guidelines. This would assure more flexibility for the States and more comprehensive assistance for those in need. We believe

that this approach would be in keeping with the administration's goal to reduce Government spending (by eliminating overlap, duplication, and excessive administrative costs) and targeting resources more effectively (by freeing up these additional costs).

A GUIDE TO FEDERAL ENERGY-SAVING PROGRAMS ¹

Program	Administering agency	Eligibility	Description	Benefits
DIRECT ASSISTANCE				
Low Income Energy Assistance Program.....	Department of Health and Human Services.	Households receiving lower than average incomes, with priority to the elderly and the handicapped.	Program, funded by Windfall Profits Tax, offers eligible householders help in paying for fuel, utilities required for heating, and air conditioning when necessary for health. Federal government manages program through state plans.	Direct assistance to low income householders in paying their energy costs. Benefit levels vary according to fuel costs and climate in different parts of country.
INFORMATION				
Energy Extension Service	Department of Energy	Small energy users	Provides information to small energy users on conservation and renewable energy sources. Pilot projects are underway in 10 states.	Energy information and technical assistance.
HOUSING WEATHERIZATION, REPAIR AND REHABILITATION .				
Weatherization Assistance.....	Department of Energy—Community Services Administration.	Income at or below 125 percent of the poverty level.	Provides for low-income persons to reduce home heating costs by weatherization paid for by public funds.	Insulation, caulking, storm windows, and energy saving modifications of furnaces. Program provides up to \$800 for materials and labor for weatherization.
Residential Conservation Service	Department of Energy	All residential customers of major gas and electric utilities who live in buildings with four or fewer units.	Provides for householders to receive information and assistance on how to finance installation of energy conservation measures.	Conservation improvements varying according to state standands.
Title I Home Improvement Loans	Department of Housing and Urban Development.	Sufficient income to carry loan, generally good credit.	Offers government-insured loans for major or minor home improvements, including energy conservation measures.	Loans for up to 12 percent interest with maximum amounts ranging from \$5,000 to \$25,000.
Section 312 Property Rehabilitation Loan	Department of Housing and Urban Development.	Borrowers must show they can repay loans and are not able to secure financing from other sources on comparable terms.	Provides direct federal loans at three percent interest for rehabilitation of single and multifamily property. Weatherization, solar energy systems, and fireplaces may be included.	Low interest loans to finance major home improvements.

A GUIDE TO FEDERAL ENERGY-SAVING PROGRAMS ¹—Continued

Program	Administering agency	Eligibility	Description	Benefits
Urban Homesteading.....	Department of Housing and Urban Development.	Participating local governments select homesteaders on equitable basis.	Federal government transfers titles of houses it owns to local governments. Local governments sell them for token sums, as low as \$1; buyers must rehabilitate the property and occupy it for at least three years.	Homesteader acquires full title to property when all requirements are met.
Community Development Block Grant Program.....	Department of Housing and Urban Development.	Cities and urban counties receive funds on basis of formula which includes population, poverty level, and local housing conditions.	Cities and counties can use funds for varied projects. Individuals can get grants and loans for improvements including weatherization.	Block grants to local governments for a wide variety of community development activities.
Section 203(b) and (k) Home Mortgage Insurance.....	Department of Housing and Urban Development.	Applicants must be good credit risks.	Programs provide mortgage insurance for homes with one to four units. Purpose is to encourage home ownership, and installation of solar energy systems. Loans are for purchase or rehabilitation.	Government insured loans for purchase or rehabilitation of housing.
Neighborhood Development	Department of Housing and Urban Development.	Nonprofit organizations accountable to residents and active in neighborhood rehabilitation programs.	Program offers funding, technical assistance, training, and information to neighborhood self-help organizations to encourage their efforts for community improvement including energy conservation projects.	Wide variety of assistance to encourage communities to improve with their own efforts.
Section 8 Lower Income Rental Assistance.....	Department of Housing and Urban Development.	Tenants with income of 80 percent or less of the median for their local areas.	Offers rent subsidies to low-income families so they can afford decent housing in the private market. Money goes directly to building owners and now requires cost effective energy efficiency standards in building.	Tenants receive subsidies so that they need not pay more than 25 percent of their income for rent.
Section 241 Property Improvement Loans	Department of Housing and Urban Development.	Qualified owners of insured projects.	Insures loans made by private lending institutions for improvements to apartment buildings, nursing homes, hospitals, or group practice facilities that carry mortgages insured by Federal Housing Administration. Energy conservation improvements and solar energy systems are included in the program.	Projects to install energy conservation systems that reduce energy consumption and costs.
Energy Tax Credit/Residential Energy Credit.....	U.S. Internal Revenue Service.....	All taxpayers who spent money for qualifying energy conservation measures for their homes since April 19, 1977.	Program grants tax reductions for taxpayer investments for such energy conservation measures as insulation, storm windows, furnace improvements, clock thermostats, and solar installations.	Direct tax reductions up to \$2,200 for home energy conservation improvements.

Older Americans Act, title III	Department of Health and Human Services through State and local agencies.	All persons 60 years of age or older.	Broad social service program with funds allocated to states. State agencies can provide broad assistance for energy-related needs of elderly persons.	Purchase of food, fuel, clothing, snow removal, emergency home repairs, weatherization, emergency evacuation and living arrangements. Benefits vary according to states standards.
Social Security, title XX	Department of Health and Human Services through State and local agencies.	Low income persons meeting standards set by each State.	State social welfare programs, using Federal funds, can give energy-related assistance, although not all states include such help in their State plans.	Householders can get help for home conservation repairs, and to pay utility bills. Benefits differ widely because of various state standards
Rural Housing Weatherization	Department of Agriculture, Farmers Home Administration.	Families in rural areas with incomes less than \$15,600 per year. Larger benefits are available to those with incomes less than \$7,000 a year.	Programs offer loans ranging from \$1,500 to \$7,000 for home improvements, including weatherization, for families living in rural areas.	Home weatherization loans on favorable terms.
NON-HOUSING ASSISTANCE				
Crisis Intervention Program.....	Community Services Administration through local community action agencies.	Households with incomes at 125 percent of poverty level or less.	Program provides funds to local community action agencies so that they can provide help to households in crisis caused by winter weather. Assistance may include blankets, clothing, furnace repairs, fuel, and emergency housing repairs.	Wide range of assistance to low-income families, including the elderly, to meet crisis in winter weather.
Volunteers in Service to America (VISTA) Retired Senior Volunteer Program (RSVP).	ACTION	Older persons can qualify as volunteers. Communities with workable plans can implement their plans with volunteers.	RSVP provides volunteers 60 years old or more to carry out wide range of projects, including many related to energy conservation. VISTA volunteers are persons 18 years old or more who provide many services including some related to energy needs.	Older persons can do useful work helping people meet energy needs. Communities can use volunteers for energy-related projects.

A GUIDE TO FEDERAL ENERGY-SAVING PROGRAMS ¹—Continued

Program	Administering agency	Eligibility	Description	Benefits
Science for Citizens	National Science Foundation	Nonprofit community groups.....	Sponsors forums, conferences, workshops, and planning studies to foster community-discussions of policy issues involving science and technology, including energy problems. Program also provides scientists and engineers who serve 1 year with nonprofit community groups who need their expertise.	Community organizations can get expert help from scientists and engineers to help them meet local problems, including energy needs.
CONSUMER PROTECTION				
Insulation Labeling	Federal Trade Commission	Not applicable.....	Commission issued proposed rules requiring manufacturers to give accurate information on the effectiveness of insulation materials they sell.	Insures that consumers have the information they need to choose insulating materials that serve their needs.
Insulation Safety	Consumer Product Safety Commission.	Not applicable.....	Commission issued standards governing flammability of cellulose and other materials which are used widely as insulation materials.	Reduced fire hazards from cellulose and other materials used for insulation.
Appliance Labeling	Federal Trade Commission	Not applicable.....	Commission issued proposed rules requiring manufacturers of home appliances to inform consumers about the energy efficiency of their products.	Consumers could determine the approximate operating costs of most major appliances before they buy them.
SOLAR ENERGY				
Solar Heating and Cooling Demonstration Program.....	Department of Housing and Urban Development and Department of Energy.	Builders, developers, State and local agencies.	Program offers grants to demonstrate the feasibility of solar heating and cooling for many residences in the country.	Lower cost energy for many homes in different areas of the country.
National Solar Heating and Cooling Information Center	The Franklin Research Center, funded by the Department of Housing and Urban Development.	No requirements	The Center provides information on the feasibility of solar energy to encourage the general public and industry to consider solar systems for homes and commercial buildings.	Central information source on solar heating and cooling, including a toll-free telephone number.
Regional Solar Energy Centers	Department of Energy	No requirements	Energy Department has established four regional solar energy centers to provide information, technical assistance, education, and other support to encourage wider use of solar energy.	Each center provides information and assistance on solar energy for different parts of the country.

APPROPRIATE TECHNOLOGY

National Center for Appropriate Technology	Funded by the Community Services Administration.	Community actions agencies and other non-profit community organizations.	Center promotes development and use of creative, small-scale technology, including community energy systems, in low-income areas. Results of its research are available to the public at nominal cost.	Research and practical information to encourage wider use of energy-saving systems.
Appropriate Technology Small Grants Program	Department of Energy	Individuals, local nonprofit organizations, State and local agencies, Indian Tribes and small businesses..	Program encourages the development of innovative, small-scale energy systems using local materials and skills to meet community needs..	Grants up to \$50,000 to develop and demonstrate innovative energy systems.

¹ Sources: 1, "Compendium of Federal Programs for Community Energy Conservation," U.S. Department of Housing and Urban Development; 2, data from U.S. Department of Energy.

ITEM 2. STATEMENT OF WILLIAM R. HUTTON, EXECUTIVE DIRECTOR,
NATIONAL COUNCIL OF SENIOR CITIZENS

On behalf of the millions of older persons that make up the membership of the National Council of Senior Citizens, I am pleased to provide the Senate Special Committee on Aging written testimony on energy assistance, the needs of older persons, and prospects for the future. The Senate Special Committee has long sought to improve the living standards of our Nation's elderly and has, therefore, advocated changes in existing programs consistent with a critical review of government policies. We ask no more than that committee members carefully assess the impact of today's energy costs and legislative proposals on the lives of the many millions of older citizens living throughout America. From everything we know, from the preliminary research results we have prepared and affixed to this report, from the hundreds of letters we have received and the thousands of conversations that we have had with our members and with other older citizens, their present situation is indeed grim and their future holds little hope for improvement. No amount of rhetoric can hide this fact.

Thousands more of our older citizens will die, many times that number will become sick, require hospitalization and incur higher medical bills, and all will experience a marked decline in their standard of living, a measure of happiness and comfort that we have all worked so hard for. Why? Because of two opposite movements—the precipitous rise in energy costs, now helping to push inflation to an annualized rate of 16 percent,¹ and the proposed 25-percent reduction in energy assistance benefits for next year and the parallel withdrawal of the Federal Government from a national problem of harrowing proportions.

In cooperation with other national aging, civic, religious, and labor organizations, the National Council of Senior Citizens has been engaged in an outreach effort, called Project EnergyCare, to inform older and disabled persons about available energy resources programs. This experience is providing us with a deep appreciation of the suffering caused by rising energy prices on low- and moderate-income households. Since the low-income energy assistance program already contains many of the block grant characteristics advocated by the administration, it has also given us some insight as to what the roles of both the Federal and State governments should be when operating energy programs and how to improve the delivery of needed services in the future.

The following are a few excerpts² from letters that we have received in the course of our efforts. They tell the story best:

Webster City, Iowa: "I am 80 years old. I rent a 3-room and bath apartment. I have been here 5 years * * * (and) * * * my rent has gone up from \$90 a month to \$170 a month due to the big increase in gas and utilities * * * My income is from a small widow's pension. * * *"

Kansas: "On behalf of a friend I'd like to get him a supplement to his social security—enough to pay utilities and still eat right at the same time.

"He is disabled, heart attack and now a stroke. * * * His home is where he'd like to stay, not on a veteran's porch. He can take care of himself, too proud for welfare * * * Now he has turned off the gas heater to his water—takes cold baths to save energy of higher payments * * * these cold baths will make him sick again, cannot afford medicine. * * * —Friends who care but are on social security too."

Radford, Ill.: "Last year I was denied assistance (energy) for fuel for heating because I was \$60 or \$80 over the guidelines as was set up by the U.S. Government but * * * I went \$600 in the red. * * * Would it be possible to give me an answer soon as possible because * * * I have went over \$900 in the red because of increase in fuel oil * * *"

Leesport, Pa.: " * * * The fear of pipes freezing has never left me this month (March) and it would be reassuring to know what I could do * * *"

West Palm Beach, Fla.: "Please help me. I am 70, bedridden, a heart patient after a stroke. I get only \$213.60 a month even tho I paid into (social security) 44 years. My SSI and food stamps have been taken away from me. This month I sold my wedding ring to pay my light bill * * *"

Can the situations described in these letters possibly exaggerate the impact of energy prices on low- and fixed-income budgets? Preliminary data prepared for NCSC show that these problems are not unique and, moreover, clearly indicate that it's going to get worse. For States represented on the committee, projected home energy costs are:

¹ The Washington Post, Saturday Apr. 4, 1981.

² Attached is a more complete sampling of letters.

HOME ENERGY EXPENDITURES

State	Elderly below 150 pct. of poverty line and total population below 150 pct. (1975) ¹		Maximum monthly SSI benefit, 1 person (Nov. 1980)	SSI population (1980)	Current annual costs, primary fuel source (1981)	Projected costs primary fuel costs (1982) ²
	Number	Percent				
Arkansas.....	139,000	(19)	\$238	81,448	\$590	About \$680.
Connecticut.....	64,000	(15)	340	23,378	1,696	More than \$2,000.
Florida.....	388,000	(18)	335	167,828	511	570.
Illinois.....	291,000	(15)	NA	124,778	1,534	1900.
Iowa.....	104,000	(22)	238	26,344	651	750.
Kansas.....	84,000	(22)	238	21,364	601	690.
Maine.....	41,000	(15)	248	22,458	1,773	More than \$2,100.
Minnesota.....	138,000	(20)	272	33,734	1,602	More than \$2,000.
Montana.....	20,000	(12)	287	7,124	581	670.
New Jersey.....	163,000	(14)	369	83,914	1,670	Nearly \$2,000.
New Mexico.....	34,000	(9)	238	25,486	644	740.
North Dakota.....	29,000	(17)	238	6,752	1,488	Over \$1,800.
Ohio.....	290,000	(15)	238	122,224	654	750.
Pennsylvania.....	377,000	(16)	270	168,989	1,356	More than \$1,600.
South Dakota.....	29,000	(17)	253	8,280	1,488	Over \$1,800.

¹ With the exception of single person households, 150 percent of the OMB poverty line by and large represents a subgroup of the eligible population for Low Income Energy Assistance. Income eligibility for this program is based on the Bureau of Labor Statistics Lower Living Standard. 1975 is the most recent data available. We have included information concerning Supplement Security Income benefits and numbers of persons participating since there is more recent (1980) data available and many SSI participants are elderly. Two hundred and thirty eight dollars is the maximum federal payment for a single person and \$357 is the maximum for a couple. SSI recipients are automatically eligible for energy assistance, but do not automatically receive aid.

² Projected fuel costs are based on the rate of increase from February 1980 to February 1981 and do not reflect the impact of full oil price decontrol.

Price data is based on information gathered by the National Community Action Executive Directors Association. Climatic data is based on the National Oceanic and Atmospheric Administration and consumption data from the U.S. Department of Energy. Demographic and economic data is from the Bureau of the Census.

For many fixed low-income households, payment for home energy exceed 25 percent of available annual income and in many winter months, clearly surpass the income accessible to the household. Usually a one-time payment, the low-income energy assistance program assistance now averages about \$110 per household and, under the administration's budget proposal, will be about \$82 per household. This sharp reduction would occur at a time when energy costs are rising precipitously: 23 percent increase in oil and 15 percent for other energy sources during the February 1980-81 period alone.

The National Council of Senior Citizens strongly supports increased funding for energy assistance for low-income households. With an estimated 26,000 deaths each year among the elderly, due to exposure or "hypothermia," Congress cannot turn its back on a preventable disease that is the sixth leading cause of death and that endangers an additional 2 million older persons.³

At the very least, the present commitment of \$1.85 billion for low-income energy assistance should remain untouched. Given inflation, a current services budget in actuality represents a major cut to be borne by those that can least afford such sacrifices.

Another important energy program for our Nation's senior citizens is the weatherization program, that helps insulate residences, thereby effecting significant cost savings, and making people more comfortable. Weatherization activities should be expanded and not eliminated as proposed. We strongly support maintaining this program at its current annual expenditure rate and under the administrative purview of the Department of Energy. Energy assistance and weatherization activities go hand in hand and this partnership necessitates adequate investments in each. Otherwise, greatly restricting the availability of these services for thousands of needy households is the only option left and this option—to harm the needy—has been publicly rejected by the administration. Let's have no more false promises.

Adequate funding levels are critical, so is the manner in which these services will be delivered. In order to make budget cuts more palatable to State governments, the administration has proposed a deal—license to the Governors to operate programs as they please. Will people, particularly the elderly and disabled, be better off this way? The response is, no.

³ These figures are based on National Institute on Aging preliminary statistics and may, in fact, greatly understate the problem.

Our experience is that so-called "block grants" to States do just that: They "block" or obstruct low- and fixed-income households from receiving needed assistance. Of course, greater local administrative flexibility in certain program areas would be beneficial. But these changes should be based on actual program experience and not determined by some vague assumption that State government is "closer" to the people and can better deliver services. In fact, this assumption is not a new one; it dictated our social and civil policies for many, many years until the failures of States to meet the needs of the poor became so striking that the Federal Government had to intervene. Precisely because States would not assist State residents, who are first and foremost citizens of this Nation, the Federal Government became active in protecting civil rights and delivering needed economic and social services.

Have times changed since then? Are States better equipped now to administer these programs than they were years ago? Again, our experience tells us, no. The Senate Special Committee on Aging should carefully review the past block grant record before committing these programs to a path from which it would be difficult to disengage them once problems arise.

Senior citizens have never been well served by services from title XX administered by States. CETA, another block grant program administered by States, have provided few job opportunities for older workers. The community development block grant (CDBG) has often not reached the very poor and may have actually precipitated neighborhood decline by concentrating funds in wealthier and politically more powerful communities. Apart from this very serious question concerning the provision of services to those most in need, is the State record any better concerning accountability or administrative efficiency? Our discussions with organizations that have monitored various block grant programs and our experience tells us that the very opposite is true: higher administrative costs, substitution of Federal aid for State dollars, and much less accountability for meeting program goals. Nobody is well-served in this fashion.

Elderly participation in energy assistance programs has increased, in part, because of the EnergyCare outreach effort, but far more importantly because of an active Federal commitment to outreach by States. As we understand the administration's proposal for energy assistance, outreach would be sacrificed. So would the following: Limitations on administrative costs, clearly defined activities, emphasis that those most in need be served, protection of the legal rights of applicants, program accountability to the Federal Government, public involvement in program design, prohibition on counting energy assistance as income for determining eligibility or benefit levels for other assistance programs. At a minimum, these protections should be included in Federal legislation. If it becomes treated as another welfare program, administered exclusively through local welfare offices, the elderly won't apply and won't be served.

Like everyone else, senior citizens want some measure of economic security and want to be treated with dignity and respect when they seek help. These goals that they have worked so hard for would be torn asunder by the administration's proposals. Rising energy prices are going to be with us for some time in the future. The well-being of millions of seniors and disabled persons should not be held hostage to an economic recovery program that may or may not work, and that, even if successful, won't result in tangible benefits for a long time to come. Our present generation of older persons neither have that time to wait nor do they have the financial resources to survive this energy policy.

ITEM 3. STATEMENT OF THE NORTH CAROLINA SENIOR CITIZENS' FEDERATION AND THE SOUTHERN COUNCIL OF LOW-INCOME ELDERS

INTRODUCTION

This testimony comes to you from the North Carolina Senior Citizens' Federation (NCSCF), in Henderson, N.C., and the Southern Council of Low Income Elders, which represents the elderly poor in eight southern States. NCSCF has a membership of 20,000 low-income elderly from across North Carolina, while a member group, the Alabama Caucus on the Black Aged has 15,000 members. The Southern Council represents the interests of 1.5 million elderly poor across the South. These organizations are responsible for finding ways to insure that the survival needs of the elderly poor are met, and to find ways to improve their prospects for independence, self-reliance, and an improved quality of life.

The federation and its executive director, Inez Myles, have worked for 10 years to insure that the elderly poor obtain those benefits which are their birthright, and

their human right. Ms. Myles is largely responsible for creating the council, and serves as well as the chair of the Elderly Committee of the National Community Action Agency Executive Directors Association. This statement represents the views of Ms. Myles, NCSCF, and the Southern Council.

The primary objective of this testimony is to present our views on the impact of the proposed budget cuts, rescissions, and program terminations on the elderly poor who are supposed to be protected by the "social safety net." We fail to find that net. Without that net, we estimate that thousands of the elderly poor will either die or experience enormous suffering or irreparable physical or mental damage.

There are two points we want to emphasize in this discussion. First, the budget cuts, rescissions and program terminations will have their greatest negative impact on the most "truly needy"—the elderly poor. The cumulative and interactive effects of these cuts cannot be precisely determined due to a lack of data, although any reasonable analyst would have to conclude that they will result in major hardships. Further, the proposed termination of the Community Services Administration (CSA), the only Federal agency mandated to serve the poor and elderly poor through community action agencies, means that there will be no national emphasis on the problems of the poor, and no national focus on efforts to increase independence and reduce welfare dependence. CSA has, in particular, served the needs of the elderly poor, with fully 20 percent or \$85 million of its budget being directed to meet the needs of the elderly poor. This targeting has been accomplished at only 6 percent overhead, when calculated on a national average, for community action agencies. The block-granting of these funds to the social services block grant, and its reduction to 75 percent of current value, means there is no guarantee whatsoever that the needs of the elderly poor will be met, reopening the gap which CSA has effectively filled for years.

Second, there are at least two major contradictions in administration policy toward the "truly needy." First, the public stance of the President has been a commitment to serve those most vulnerable in the society. The elderly poor are certainly the most vulnerable group in the Nation. And yet the budgetary ax has threatened to eliminate, rescind, or severely cut back those programs that enable them just to survive (see appendixes II, III).

Second, and related to the first point, this administration says it is committed to reducing dependency on public programs, and to increasing independence and self-reliance. A careful analysis of the budget cuts tells a different story. The elimination or reduction of programs which benefit the elderly poor will have the net effect of increasing dependence on public dollars. By eliminating or cutting back on services which link the isolated elderly to meals, health care or social support, there is a much greater likelihood that the 800,000 elderly poor served by CSA will have to be institutionalized or receive other tax-supported services at the State or local level.

We fail to see the logic, the political reality, or basic human compassion in these contradictory positions. The administration has apparently decided to cut just for the sake of cutting. They lack an understanding of the programs or how existing community-based institutions work to achieve self-reliance, and do so at a far lesser cost than other comparable institutions.

Now, the administration would argue, as Mr. Stockman has on several occasions, that the elderly poor have fared well, since the Administration on Aging has been spared budget cuts. We would hasten to make two points very clear. First the Administration on Aging is not mandated to serve the poor. In fact, in the 1978 amendments to the Older Americans Act, Congress made it quite clear they had no intention of making this program "means-tested" or a poverty program. AoA, on the other hand, contends that it has served the poor quite well. In our examination of their 1980 performance data, however, we find no valid or reliable basis to support that contention.

Second, and even more important, is the fact that even if AoA's programs did target the elderly poor, they would miss the key ingredient of the CSA approach to dealing with poverty: namely to promote self-reliance and independence for the poor. Services alone make the poor dependent. Efforts to empower the poor and to enable them to become effective citizens so they can serve themselves is the objective of the CSA program. We can expect the transfer of responsibility for the elderly poor to either AoA or Human Service block grants to result in more, not less, dependency on public tax dollars at all levels of government.

But we intend here to do more than just criticize the administration for its confusion, contradictions, and lack of compassion for the elderly and the poor. We propose an alternative formulation for a policy which consists of two parts: a program, and a mechanism for its implementation. The program is the guarantee of a survival net for the elderly poor—a livable income, and the necessary housing,

medical care, and supportive social services so they may live in dignity. The mechanism is already in place—community action agencies. They are community-based and accountable, extremely cost-effective, and have proven their capacity over the last 15 years to provide the necessary outreach, gap-filling, education and training, innovation, advocacy and support to insure the independence of the elderly poor. It is less expensive to keep this mechanism in place than to create another system, and in no way could another system duplicate the capacity of CAA's to be accountable and responsive without replicating their structure.

In the balance of this discussion, we will describe the conditions of the elderly poor, and the need for the survival net, the impact of the budget cuts on them, why block grants do not work for the poor, and our alternative program to serve the elderly poor.

I. THE ELDERLY POOR NEED A SURVIVAL NET

There were 5.9 million elderly poor in 1979 (at 125 percent of poverty), or 16 percent of all the poor at that line, and 25 percent of all the people over the age of 65. In 1978, just a year earlier, there were 5.4 million elderly poor, an increase of one-half million people in 1 year. The poverty rate in the last few years has been increasing, with a 1.3 percent jump in just a single year. Both inflation and an overall increase in the number of elderly have combined to reverse a trend toward less poverty. As the number of elderly increases over the next decade, so too will the number who are poor. Clearly their problems will get worse before they get better.

While all elderly poor are vulnerable and "truly needy," some are more vulnerable than others. The cuts will have a particularly devastating impact on four subgroups of the elderly poor who are at extreme risk:

(1) *The frail elderly.*—Those elderly who are over 75 years of age, a group growing more rapidly in size than any other. In 1900, they were 25 percent of those elderly over 65; by 1975, that percentage had grown to 37 percent. They have severe physiological and psychological problems, little money, and are least able to afford the nutritious meals, health care, and heating oil they need to stay alive.

(2) *Minority elderly.*—In 1978, there were 3.9 million elderly blacks over the age of 65. Of these, 30 percent are poor, compared to 10 percent for whites. Among those blacks over 65, the poverty rate has been fluctuating between 34 and 36 percent since 1974, compared to 12 to 14 percent for whites. Among families headed by an elderly black in 1978, they were 4 to 5 times more likely to be poor than whites. Finally, the proportion of elderly blacks who are poor is 2½ times that of elderly whites. There are 1.1 million Hispanic elderly and 500,000 Pacific Asian and Native American elderly. Although there is limited data on these elderly, their median incomes tend to be lower than those of blacks.

(3) *Rural elderly.*—We know relatively little about the rural elderly poor except that 36 percent of the elderly poor live in rural areas. The most significant problem for this is isolation and the related problem of little transportation. Without a car or public transit, their lifeline is literally nonexistent, unless dial-a-ride or minibus services are available from organizations like community action agencies.

(4) *Single, black, elderly women.*—Fully 61 percent of the elderly women are single. There are 100 females to every 69 males over 65. On the whole they have 50 percent of the median income level of their male counterparts. Single black elderly women are among the poorest of the poor—80 percent of this group are below 125 percent of the poverty line.

The litany of problems the elderly poor face should be well known by now. These conditions will be substantially exacerbated by the proposed cuts. We agree with the administration on one point: inflation, particularly in the basic necessities of housing, energy, health care and food, is the most serious problem the elderly poor face. From 1973 to 1980, the Consumer Price Index rose over 80 percent, while their real incomes could not keep pace. In the basic necessities, inflation for 1980 alone rose 18 percent. But we do not agree with the administration's solutions to the inflation problem. Tax incentives which benefit the rich do not help the poor. And the decontrol of prices on heating oil and gas have pushed the poor to the financial precipice. Home heating oil costs, from 1973 to 1980, rose 241 percent.

The conditions of the lives of the elderly poor place them in a most precarious position. A major jolt in just one aspect of their lives, like heating oil, can tip the balance, making it virtually impossible to survive. We have summarized these conditions in appendix I. In the energy area, for example, without budget cuts, over 25,000 elderly poor die each year from accidental hypothermia. Fully 2.5 million are at risk from exposure either to too much heat or cold. In health care, chronic conditions like arthritis, heart disease, high blood pressure, and diabetes affect 86 percent of the elderly population not in institutions. Similarly serious problems

exist in nutrition, housing, transportation, mental health, long-term care, and social services.

Across the board, these people are the most vulnerable in our society, the most needy of the "truly needy." The severity of these needs, and the marginality of their existence, means that even without cuts of any kind their prospects are bleak. With the cuts, their hopes for any decent form of life in their later years will disappear altogether. The elderly poor must have a survival net which guarantees a minimum level of security and insures their dignity.

II. IMPACTS OF THE PROPOSED BUDGET CUTS, RESCISSIONS AND TERMINATIONS

A thorough review of the cuts proposed by administration has been made by NCSCF and the Southern Council, and they have reviewed them in terms of their impacts on the elderly poor. The cumulative and interactive effects of these cuts, rescissions and terminations cannot be precisely calculated at this time. However, any reasonable analyst would have to conclude that they will result in hundreds of deaths, and thousands of people suffering severe hardship and irreparable physical or mental damage. Further, we can anticipate an increased public tax burden as those elderly poor once able to live independently are forced by these cuts to seek assistance from public welfare at the State or local levels.

What is particularly disturbing to us is that the proposed cuts, rescissions and terminations come in the areas most essential to the elderly poor: Social security, medicaid, food stamps, housing, energy assistance, and social services. Of particular concern to us is the proposed termination of the only agency which has been mandated to meet the needs of the elderly poor, the Community Services Administration. It is clear to us that without these programs, and the Community Services Administration, there is no safety net, and no prospect that the needs of 6 million elderly poor will be effectively met.

THE BUDGET CUTS

For fiscal year 1982, the administration has proposed a total of \$45 billion in cuts which either directly or indirectly affect the elderly poor. A selected list of cuts which most directly threaten their survival is presented in appendix II. Among the more significant cuts are medicaid, which is slated for \$5 billion in cuts through fiscal year 1986, while \$2.3 billion is being cut from food stamps, meaning 3.3 million poor people will have their benefits reduced.

THE BUDGET RESCISSIONS

In addition, \$14 billion in program funds are to be rescinded for fiscal year 1981. A selected list of these rescissions which impact on the elderly poor is included as appendix III. In section 8 assistance for low-income renters, for example, \$4.8 billion is being rescinded, while \$2.2 million will be withdrawn from the National Institute on Aging. An additional \$14.5 million will be rescinded for 13 new senior companion programs, and \$10 million will be taken back from title III Older Americans Act social services.

PROGRAM TERMINATIONS

The administration has also proposed a series of agency or program terminations effective October 1, 1981. The elimination of the Economic Development Administration, for example, means cuts in elderly housing. Perhaps the most serious proposal for the elderly poor, however, is the termination of the Community Services Administration, the Nation's only agency mandated to serve the poor. 20 percent of CSA's budget, or \$85 million, is expended on services for the elderly poor, while 54 percent of CSA's individual program beneficiaries are in this group. There is a national network of over 900 community action agencies and limited purpose organizations, including 210 senior opportunities and services programs, which reach out to find the frail, rural, isolated and homebound elderly. They provide transportation links to hospitals, doctors, grocery stores; they provide emergency energy assistance; they fill critical service gaps, and link those in need to resources necessary to survive. The termination of CSA means the end of the only agency dedicated to promoting independent and self-reliant living for the elderly poor.

THE TAX CUTS

The President's "across-the-board" tax cut plan will not help the elderly poor either. They would receive at most \$1 per month if they earned less than \$5,000 a

year. Less than 36 percent of the elderly population would receive any more than that under these proposals.

The cumulative and interactive impact of these cuts, rescissions, and terminations at this point is unknown, and difficult to calculate. We know, however, that they will result in death and unnecessary suffering. But that burden will be borne by the individual, and will largely be hidden from public view. If a single, rural, frail elderly woman dies in her home in Alabama or Utah because they lacked food or transportation to the local hospital, could we say with any certainty that it was Mr. Reagan's fault? What is most insidious about these cuts is the climate of fear it has created for the elderly poor, resting their proposals on the assumption that poverty is the individual's fault. The administration's lack of compassion is awesome, and their rationalizations for failing to support their rhetoric about a safety net with dollars, represents a cruel hoax, a new kind of technician's viciousness, and a failure to understand what our Nation's moral obligation is to the elderly poor.

III. BLOCK GRANTS DO NOT WORK FOR THE POOR OR ELDERLY POOR

It seems silly to have to argue against block grants again in 1981 when it was patently clear 5 years ago that this form of trickle down doesn't work for the poor. Once moneys are given to the State or local governments, even with guidelines which specify the poor as an eligible group, the funds go to other groups, to the underwriting of capital expenditures, to subsidize existing personnel slots, or to the pet projects of those who have the most political influence with the chief executive. Without guidelines, this problem will simply be exacerbated.

Our experience with revenue sharing, and block grant programs in community development (CDBG), law enforcement, and title XX social services have shown us that the poor do not benefit. In fact, a recent national impact evaluation of the CDBG program, in terms of the poor, found that in 65 to 75 percent of the cases, the program did not serve its intended purposes. For the poor this meant that economic development meant displacement from their homes, and that housing assistance went to the moderate income group.

And there are other major problems with block grants besides their failure to ultimately impact on the poor. Careful research has found:

(1) *No accountability.*—Without targeting, reporting procedures, monitoring, there is no way to hold local or State officials accountable for the expenditure of public funds.

(2) *More bureaucracy.*—Instead of one Federal agency, there will be 50 State bureaucracies, and in many States with local option, hundreds of county or city bureaucracies implementing these programs.

(3) *Significantly higher costs.*—State bureaucracies implementing similar programs have a 15-percent operating cost. Community action agencies have a 6-percent cost.

(4) *Severe start-up problems.*—State and local agencies have little or no understanding of the Federal programs which for 15 years have effectively met the needs of the poor. They will have to be trained, issue guidelines, gear up, allocate funds, and begin administration before any services will be provided. This could easily take 9 to 12 months. It will occur during the winter of 1982, meaning the elderly poor may easily not get energy assistance needed to stay alive. Supporting this position we find the National Governors' Association which has recognized the seriousness of this problem and the State capacity to handle it.

(5) *Fewer service dollars.*—Cutting the total amount of funds available by 25 percent means fewer services will be available to the elderly poor.

(6) *Only the strong survive.*—Certainly this will be true for individuals. It is also true for organizations serving them. They will have to compete against far more potent political forces—such as local governments, line agencies, and trade associations—for dollars.

(7) *More fraud, waste, and abuse.*—As the number of agencies involved in fund decisions increases, and as monitoring and accountability provisions are eliminated, the potential for fraud, waste, and abuse increase geometrically.

(8) *No citizen input means ineffective programs.*—Without effective citizen participation, whatever dollars do get to the poor are more likely than not to be improperly applied. State and local bureaucrats simply have little sensitivity to or experience with the real needs of the elderly poor.

Again, it seems silly to debate this point. Block grants simply do not work for the poor. They will only benefit the more powerful interests in our society. Thus, even what the administration has offered up as a continuation of programs is a cruel hoax for the elderly poor.

IV. SURVIVAL NETS AND COMMUNITY ACTION AGENCIES

The first principle of an alternative program for the elderly poor is a guarantee that they can survive in dignity. This means, at a minimum, congressional commitment to the survival net of programs: A guaranteed income (social security and SSI), housing, food, social services, health care, transportation, energy assistance, recreation, employment and educational opportunities. It means that they must be targeted to the elderly poor. In practical terms it means:

- (1) Not passing the proposed cuts, rescissions, and terminations.
- (2) Redirecting the tax cut package to benefit the poor.
- (3) Rejecting the block grant approach to programs for the poor and elderly.
- (4) Reauthorizing the Economic Opportunity Act, EDA, and other jobs and development programs which target assistance to the poor.
- (5) Insisting that if block grants are to be implemented, they be line-itemed for the poor and the elderly poor; that strict guidelines and monitoring provisions be included.
- (6) Reallocating defense dollars to survival net programs.
- (7) Closing tax loopholes so upper income individuals and corporations pay their fair share.

The second principle of an alternative program is the maintenance of a community institution to serve the poor, namely community action agencies, and their limited purpose counterparts. The elderly poor must have an ombudsman, an intermediary which can translate complicated State and local programs and regulations into terms the elderly can understand. They need an advocate, a planner, a service provider which is sensitive to their needs, permits them to participate in decision-making, and listens to their opinions. They need a community institution which is dedicated to their independent living and self-reliance.

Community action agencies were originally mandated to provide services and advocate for the interest of the poor. This program has gone well beyond that role. It has created new ways to serve the poor, as in the case of Head Start or Job Corps. It has leveraged millions of dollars from private and public sources, created jobs, and started new businesses. It has trained and educated a generation of low-income people to participate effectively in the political system. It has established self-reliance and self-help as its primary objective, and has enabled thousands to move off of, or stay off welfare as a way of life.

The community action agency is an institution that must be preserved. It is the ombudsman for the poor. Without it, local and State governments will, of necessity, have to confront the poor directly.

CONCLUSION

We ask you to consider the implications of these cuts, rescissions, and terminations for the elderly poor. We ask you to reconsider the administration's proposals, and to insist on the survival net and community action agency alternative.

As the richest Nation on earth, we have an obligation to the 6 million elderly poor which is beyond the demands for a balanced budget. As a God-fearing people, we have a moral obligation to honor the dignity of the elderly poor as human beings, and to protect their birthright as Americans, and to respect with our financial and political support their 50-plus years of hard labor which has built this country. For us to turn our backs on them now is the worst form of treachery.

Appendix I

CONDITIONS OF THE ELDERLY POOR

PHYSICAL HEALTH AND HEALTH CARE

Chronic conditions such as arthritis, heart disease, high blood pressure, and diabetes affect 86 percent of the older population not in institutions. These require trips to the doctor, special diets, exercise, drugs, rehabilitation therapy, and special provisions for daily living. Good health care is hard to get for the elderly poor, however, since there are not enough trained personnel, lack of access and transportation, a complicated medical system that must be negotiated, few or no cost controls, and incomplete coverage by medicaid and medicare. These problems are pronounced for the black elderly where an estimated 40 percent have unmet health care needs.

MENTAL HEALTH

Fully 25 percent or one in every four suicides in the United States is committed by persons over the age of 65; 13 to 15 percent of the older population are in need of immediate mental health services. As of 1980, it was estimated that 80 percent of those in need of mental health services did not receive them. The incidence of mental health problems is also much higher in those population groups that are poorer.

ENERGY AND HYPOTHERMIA/HYPERTHERMIA

This is one of the greatest threats to the elderly poor in either the winter or summer. It is particularly acute for the 56 percent of them who live in the North-east/Midwest where increasing oil prices make heat difficult to purchase. Fully 2.5 million elderly are at risk. Exposure to even mildly cool temperatures, e.g., 65 degrees, can trigger accidental hypothermia (cold). We do not know yet how many people die each year since the epidemiology is still new, and there is inadequate data, however a conservative estimate is 25,000. Without sufficient funds to pay for energy bills, the elderly poor are increasingly being forced to choose between food and heat. The decontrol of oil and natural gas prices will hit them hardest.

FOOD AND NUTRITION

Certainly good and nutritious food is the best defense against illness and institutionalization. It is difficult to document the nutritional status of the elderly, but we can say that many depend on their one hot meal a day for their diet. Food is clearly the number one financial cost for the elderly poor, with one-third of their budget spent on it, on the average. They are increasingly being forced to make tradeoffs among the basic necessities of life, which Federal programs targeted to them obviate.

HOUSING

Isolation is one of the biggest problems, particularly for the homebound or the rural elderly poor; 25 percent alone in 1976, compared to 16 percent in 1960. Rising taxes and fuel costs, as well as condominium conversion, are forcing these people out of their homes and into rental units, halfway houses or institutions. The shock and trauma associated with moving the elderly, particularly the frail elderly, adds substantially to their physical and mental stress.

Appendix II

THE BUDGET CUTS AND THE ELDERLY POOR¹

1. SOCIAL SECURITY

The minimum payment of \$122/month is to be eliminated as are death benefits; the cost-of-living adjustments are to be delayed; the eligibility age for receiving social security is to be increased to 68.3 million persons now receiving the social security minimum benefit will have their benefits reduced. Only 145,000 will apply for extra SSI benefits, of 580,000 eligible. 700,000 will be affected by the termination of death benefits, and thousands will be pushed onto welfare rolls, or already crowded nursing homes.

2. MEDICAID

\$5 billion are to be cut from the budget by 1986 through a spending "cap." This could translate into sharp reductions in the health benefits available to 5 million elderly poor who depend on medicaid. We fully anticipate an intensified dual health care system, States having to pay the difference in costs, with millions going without medical care at all. Further, hundreds of thousands of others will be unable to meet the medicare coinsurance and deductible costs, since medicare covers only about 40 percent of their health care costs.

¹ This data has been compiled from association sources as well as the House Select Committee on Aging, "Analyses of the Impact of the Proposed Fiscal Year 1982 Budget Cuts on the Elderly," Apr. 6, 1981.

3. FOOD STAMPS

Tightening up on eligibility and rigidly enforcing the 130 percent poverty line will mean \$2.3 billion dollars in cuts, the elimination of benefits for 125,000 elderly, and 920,000 elderly and disabled individuals to continue receiving the stamps will be denied a small increase approved by Congress to offset their high health expenditures.

4. HOUSING ASSISTANCE

Increasing the contribution to 30 percent; reductions in outlays for construction and improvements; terminated funding for congregate housing. This means 727,340 elderly poor tenants will have to pay an average of \$202 more per year in rent for subsidized housing. 52,447 elderly will lose rent subsidies that would have allowed them to live in decent affordable housing through section 8. An additional 1,150 elderly will lose the low-income housing that was to be built under Farmers Home Administration assistance.

5. MEDICARE

It will be cut so that necessary home health benefits would be denied to 3,100 persons, reimbursement would not be available for a vaccine that would save 5,000 lives over a five year period, and thousands of nursing homes would be inspected less frequently.

6. CETA

Funding that provided jobs to 50,000 older persons will be eliminated; 26,000 elderly workers will lose their jobs immediately; as many as 262,000 will be unable to receive badly needed services that have previously been provided by CETA public service employees.

7. SOCIAL SERVICES

The termination of the Community Services Administration will mean loss of targeted benefits to 800,000 of the most hard to reach elderly poor. This will result in increased hardship, death, and institutionalizations, as well as increased State welfare costs as they shift to dependency status. A 25 percent cut in the social services programs will mean less assistance to 1 million elderly, 400,000 of them on SSI.

8. HOMEMAKER SERVICES

86,804 elderly and disabled persons are likely to lose homemaker and chore services that make it possible for them to remain independent. It will increase institutionalization.

9. LEGAL SERVICES CORPORATION

187,000 older persons will be denied Federal legal services if the corporation is terminated.

Appendix III

BUDGET RESCISSIONS AND THE ELDERLY POOR

The following list of rescissions is selective, from a total of \$14 billion the Reagan administration proposes for fiscal year 1981 alone. We have selected cuts which impact on the elderly.

1. The Economic Development Administration will be terminated, including programs for elderly housing.
- (2) Reduction of \$30 million in adult education.
- (3) Reduction of \$6 million in handicapped educational services.
- (4) Rescind \$4 million to eliminate the home health agency startup program.
- (5) Eliminate \$8.1 million in Native American health facilities.
- (6) Rescind \$2.2 million of the National Institute on Aging.
- (7) Phase out public health service hospitals.
- (8) Rescind \$10 million in title III Older American Act funds for social services.
- (9) Rescind \$580,000 for the Federal Council on Aging to reduce activities in improving long-term care and evaluation of programs under the Older Americans Act.

(10) Rescind \$4.8 billion for section 8 rental assistance, and \$300 million for modernizing public housing.

(11) Phase out temporary public service employment for low-income individuals in times of high unemployment.

(12) Rescind \$14.5 million for 13 new senior companion programs and \$1.7 million in VISTA.

(13) Rescind \$28.1 million in health maintenance organization program and phase it out.

LONG-TERM CARE

The "at risk" population with chronic degenerative conditions is mushrooming as the elderly population grows. And yet public and private home health programs meet only 25 percent of that need. 20 percent of all elderly will at some point in time spend time in a nursing home, which will have to be paid by medicare or medicaid.

TRANSPORTATION

Mobility is one of the biggest problems of the elderly poor. Fully 40 percent of all elderly are without a car, and for those who have them insurance premiums are among the highest. For those who must rely on public transportation, it is either very expensive or it is infrequent, inaccessible, or doesn't exist at all. For the 5.7 million elderly who have some form of mobility limitation, for those in rural areas especially, transportation is a serious impediment to their independence.

SOCIAL SERVICES

Many of the elderly poor get no supportive social services at all. For others, however, homemaker, homebound, telephone reassurance, transportation, and other nutrition or support services are the key difference between a life of independence and an institution. For blacks, however, a number of service equity studies recently showed that less than one-half of those eligible for benefits actually got them.

ITEM 4. STATEMENT OF THE PHILADELPHIA CORPORATION FOR AGING

Philadelphia Corporation for Aging is the State designated area agency on aging for Philadelphia with responsibility for coordination and administration of Federal, State, and locally funded services for the elderly. It is also our mandate to advocate for the elderly. We present our comments on the future of energy assistance to low-income elderly out of grave concern for the threat to their well-being posed by escalating energy prices.

BACKGROUND

Most lower income elderly in the Northeast are now spending in excess of 25 percent of their incomes on energy costs alone. The average fuel oil bill in Philadelphia this winter for a single row house averaged between \$1,200 and \$1,500. The price of home heating oil has increased 410 percent since 1973; the price of gas, 160 percent. Deregulation of oil and proposed deregulation of natural gas have created economic pressures of crisis proportions for low-income persons. The elderly are particularly vulnerable to these increases because health needs and susceptibility to hypothermia do not allow excessive lowering of thermostats to save fuel costs. To do so is to exacerbate widespread chronic health problems and in some instances threaten life.

PROPOSED FEDERAL BUDGET CUTS

LOW-INCOME ENERGY ASSISTANCE PROGRAM

It has been proposed that the LIEAP program be folded into State block grants which will be reduced by approximately 25 percent. This will severely affect lower income elderly. Approximately 18,000 elderly had received energy assistance (this year) by March in Philadelphia County. In the case of a reduction of 25 percent, either the number of elderly receiving assistance would be reduced at least by 4,500 or the amount of the benefit would be reduced from a current average of about \$110 to about \$82. It is apparent that this year's decreased level of assistance over last year was very inadequate when fuel oil bills in Philadelphia this winter have averaged between \$1,200 and \$1,500. This program was instituted to provide relief

for poor people's fuel costs caused by oil deregulation in the Windfall Profits Tax law.

The conference committee agreement on this legislation recommended that 25 percent of anticipated tax revenues be available for energy assistance to the poor. Based on this formula, at least \$6 billion would be available in fiscal year 1982—far more than the \$1.4 billion allocated to this program by the Reagan administration, or the \$1.8 billion appropriated during the present fiscal year.

DEPARTMENT OF ENERGY WEATHERIZATION PROGRAM

The Reagan administration has proposed that the DOE weatherization program be folded into the community development block grant. The weatherization program is of critical importance to lower income elderly, the target population for this program. The current waiting list in Philadelphia is over 4,000 and the program has not taken applications in over a year. It is estimated that a minimum of 69,000 elderly homeowner households have qualifying incomes (130 percent of poverty or below) for this program in Philadelphia alone. To date, approximately 4,000 persons have received weatherization.

The elderly live in older, less fuel-efficient houses; 70 percent of Philadelphia elderly live in houses built before 1939. Most are living on low fixed incomes. The cost of heating a house by oil has risen from an average of \$220 in 1973 to \$1,143 in 1980. As noted above, gas costs have increased 160 percent during this period. Weatherization can reduce these costs by at least 25 percent.

Low-income elderly cannot afford to pay for energy conservation themselves or undertake weatherization measures themselves. It is imperative that the incredible hardships brought about by oil decontrol and rising gas prices be lessened by weatherization for those most vulnerable.

Low-income weatherization in all likelihood cannot compete for funding in community development block grants. With no required targeting and significant proposed CDBG budget cuts, there is little hope that weatherization activity will continue. Yet this form of energy assistance is the most cost effective long-range benefit to lower income persons. But even at present funding levels, weatherization has received about one-twelfth (\$183 million) the funding of low-income energy assistance cash transfer payments.

PROPOSALS FOR FUTURE ENERGY ASSISTANCE FOR THE ELDERLY

1. Adequate Funding

As stated above, current funding levels of both the low-income energy assistance program and the weatherization program are very inadequate to meet the enormous needs of lower income elderly. LIEAP assistance contributed between 10 and 20 percent of the costs of persons' fuel for those who applied. Fuel oil prices have increased 30 percent since November alone, and doubled since 1979. The promise of energy assistance to lower income persons to buffer deregulation simply has not been kept.

The conference committee agreement on the Windfall Profits Tax has recommended that 25 percent of anticipated tax revenues be available for energy assistance to the poor. Based on this formula, at least \$6 billion would be available in fiscal year 1982—far more than the \$1.4 billion allocated to this program by the Reagan administration. Of the \$3.1 billion authorized for energy assistance, only \$1.8 billion was actually appropriated in fiscal year 1981. We urge that Congress appropriate at the least 25 percent of anticipated windfall profits tax revenues for energy assistance to lower income persons. A guideline for adequacy of energy assistance should be to reduce to 25 percent the proportion of household income spent on housing including energy costs, as now stipulated for subsidized housing in the Brooke amendment.

2. Targeted Assistance

It is our view that an untargeted "block grant" mechanism for delivering of energy assistance and energy conservation service will not adequately serve the elderly. Older persons who are homebound, more isolated or reluctant to "take a handout" are less able or likely to compete for limited funds. We urge Federal legislators to stipulate who appropriated funds are to serve and restrict program guidelines sufficiently so that money is spent for the purposes intended. As stated above, it is particularly critical that weatherization funding is maintained in a separate program, with elderly as a target population; since these services will never be able to compete for funding in community development block grants.

We support the continuation of sliding scale payments to recipients of low-income energy assistance as an equitable system. However, as previously stated, current

payments on this scale have been too low and the income eligibility limits should be increased, particularly for one person households.

3. Outreach

Particularly critical for providing energy assistance to the elderly is an effective outreach program. The State of Pennsylvania has again this year allocated inadequate resources to outreach measures, relying instead on volunteer efforts, overburdened staff and energy supplies. Specific and mandatory guidelines with required adequate funding for outreach efforts must be established at the Federal level.

We suggest that direct mailings to the elderly for both outreach and intake purposes, perhaps with social security checks, would increase participation.

Outreach workers must be adequately trained.

4. Multiyear Legislation

Energy assistance has suffered from year-to-year enactment. Programs do not begin until well into the winter. Many persons do not receive assistance until March or April when their circumstances have reached crisis proportions. We urge the enactment of legislation which will allow for year-around energy assistance, including preventive energy counseling. This counseling should include referral to energy conservation programs, and energy-related home repair services, budgeting, negotiations with utilities, etc.

5. Direct Payment to Clients

Direct payments for energy assistance should be made to households rather than vendors. Many bureaucratic foul-ups have occurred with payments being sent to the wrong vendors, being sent so late that vendors have refused to deliver fuel or credit. Direct payments should also be made to eligible renters and not to landlords so as not to effectively exclude many renters from the program. Legislation should also provide for protection for tenants against rent raised because a tenant has received energy assistance, enforceable through the courts.

6. Weatherization

As previously stated, current funding levels for weatherization services for lower income persons have been approximately one-twelfth of funding for cash transfer energy assistance payments. Clearly, the long-range key to providing maximum home energy assistance for low-income households is to instead emphasize conservation investments. Conservation services can provide leverage which can produce fuel savings substantially greater than the amount of fuel which could be purchased with the same dollar. It is conservatively estimated that weatherization measures can reduce fuel costs by 25 percent per year, thus providing this level of assistance each successive year.

We propose that funds for weatherization for lower income elderly households be a significant proportion of energy assistance, perhaps one-third. As noted above, in Philadelphia alone, there are at least 69,000 elderly homeowner households who are income eligible for weatherization and in need of this assistance. Provision must also be made for weatherization assistance to elderly renters, who must often also bear the burden of increased fuel costs.

We recommend that as part of a comprehensive energy assistance program, the administering agency should:

- (1) Conduct an energy audit for each recipient of energy assistance.
- (2) Prepare a plan of those actions the individual can undertake at little or no expense, those weatherization services and energy-related repairs to be provided by a local program.
- (3) Followup procedures to insure the actions have been taken.

Adequate funding must be provided to carry out these activities.

It has been estimated that of the over 10 million low-income dwelling units in the country, by December 1980, only about 550,000 had been weatherized. This is a national priority of the utmost importance.

7. Public Participation

We encourage the inclusion in future energy assistance legislation, stipulations for meaningful public participation. Public hearings and notices must be required so that those who are eligible have an opportunity to participate in the development of a program whose object is to provide a benefit to them.

Thank you for this opportunity to offer our comments.

ITEM 5. STATEMENT OF JOYCE S. HARMON, DIRECTOR, CENTER FOR ACCIDENTAL HYPOTHERMIA, DIOCESAN HUMAN RELATIONS SERVICES, INC., PORTLAND, MAINE

This testimony presented today grows out of a concern for the plight of the older people in this country, especially that of the poor and the near poor.

One must first be aware of the demographic changes that have taken place in this century. From 1905 to 1977, birth rates declined from 31 per thousand to 15 per thousand. At the same time, the percent of the total U.S. population 65 years old and over has increased from 4.1 percent in 1900 to 11 percent in 1980 (see table I). Life expectancy has increased by 3.6 years and the odds of any one person living to 100 years of age is now 1 in 10,000 (see table II).

TABLE I.—Percent of total U.S. population 65 and over.

Year:	Percent
1900	4.1
1920	4.6
1940	6.8
1960	9.2
1980	11.0
2000	¹ 11.7
2020	¹ 14.6
2040	¹ 16.1

¹ Estimated.

TABLE II.—LIFE EXPECTANCY

Current age	Life expectancy (yrs)	
	Males	Females
At birth	68.9	76.6
55 years	20.6	26.2
65 years	13.9	18.3
75 years	8.7	11.6
85 years	5.5	6.9

The myth that most elderly people are institutionalized must also be expunged as only 5 percent of older people are in an extended care facility at any one time. Seventy-five percent of the elderly live in their own homes and after 75 years of age less than 5 percent change between their own homes and a nursing or boarding home situation.

As we enter this decade, we find those poor and near poor elderly that have struggled to meet their most meager needs are now being faced with a reduction in the very services that make their existence barely tolerable. While energy consumption has been reduced substantially in New England, a recent report by the Northeast-Midwest Congressional Coalition indicates that from 1970 to 1980 the cost of the average residential energy bill in New England has increased from \$386 to \$1,325 and in the Midwest from \$367 to \$1,150. With 75 percent of the elderly population living in their own homes, it is not difficult to assess what the impact of reduced fuel assistance, weatherization, and other programs are going to have on these people.

Fuel assistance must be a top priority for services to the elderly and should be provided before all other energy services because it influences an immediate need and has immediate impact.

The fuel assistance provided must be adequate. Guidelines for the amount of moneys distributed to individuals should reflect income, if the home is weatherized, degree days of the area, and health risks. If these guidelines are taken into account, fuel assistance programs in the past will prove to be inadequate.

The ever-rising cost of heating fuel has made the risk of accidental hypothermia among the elderly even greater. Though many have carefully planned for their retirement, their income cannot compete with inflation. In Maine, 41,000 elderly persons have incomes at or below 150 percent of the OMB poverty guidelines. Using February 1982 prices, it is estimated that low-income households will spend an average of \$1,773 per year for home energy. This figure does not include the cost of gasoline. Using current prices, it is predicted that low-income households will spend

at least \$285 for heating fuel during the single coldest month. If one compares this to the \$248 maximum supplemental security income payment made in Maine to a single person, it is obvious that the high cost of heating fuel will have a grave impact on the livelihood of many elderly.

The 1972 oil embargo brought a new interest in energy conservation and the Federal Government urged everyone to lower their thermostats to 65 degrees or below. This suggestion has been seriously heeded by many elderly who do not realize the danger which could result from such actions. Other energy conservation measures such as insulation, storm windows and caulking which help many Americans to save money on heating fuel and live more comfortably during the winter are unavailable to low-income elderly. They cannot afford the materials, are unable to install them or cannot pay to have them installed. Government weatherization programs can be very effective in assisting with this problem, but it seems that this program does not have the resources to meet the demand and many who are eligible for the programs are placed on a waiting list for several months before they receive weatherization services.

Weatherization should be a second priority for services to the elderly. An energy efficient home will decrease the cost of heating, thereby decreasing the client's dependence on fuel assistance. It will also serve to upgrade the poor standard of housing which plague many of the elderly's homes because they cannot afford to repair them or are unable to make the repairs themselves.

The Maine personal energy program has been designed to assist elderly persons who are at risk of accidental hypothermia. Services provided by energy aides are information and education on accidental hypothermia, energy education; low cost—no-cost tips on home energy conservation, nutrition education, information and referral and a clothing package. Our priorities for service are those elderly, 60 years or older, at or below 125 percent of CSA poverty guidelines, who live alone and/or are isolated; have no daily contact with others, are ill and/or suffer from an illness that makes them immobile or decreases their ability to do things for themselves, and who live in substandard housing.

An important component of PEP is outreach. Many elderly resist social services, so outreach is stressed not only to seek out and serve those elderly most at risk of accidental hypothermia, but also to personalize information and referral about services that are available to them. This year alone, 18 percent of our clients were unknown to other agencies and consequently many referrals were made. Programs such as food stamps (26 percent of referrals), weatherization (24 percent of referrals), and fuel assistance (18 percent of referrals), were introduced to clients that may not have heard of the service or were confused about their entitlement. Effective outreach has been accomplished through intensive community-based publicity. Proprietors of local markets or postmasters/mistresses of small towns provide more names of high-risk clients than mass medial campaigns. Clergy, fuel oil dealers, police/sheriff's departments are other avenues for referrals, as these people are aware of those elderly most isolated or alone who may have been overlooked by the existing social service network.

PEP has been designed in order to coordinate services with other programs for low-income elderly. Energy aides work in conjunction with community action agencies, area offices on aging, cooperative extension services, and homemaker/home health aide programs. Cooperating agencies have not only been an excellent referral source for clients at risk of accidental hypothermia but have become service providers for clients who were not previously known to them. With this connection, as well as the presentations about accidental hypothermia to congregate meal sites, clubs and service organizations, a network of coordination has been developed to guarantee comprehensive service delivery.

PEP clients, on an average, are 75 years old. It has been found that over 60 percent live alone with incomes averaging between \$3,000 and \$3,999 per year, or approximately \$285 per month. With two elderly persons in the household, the average income is between \$4,000 and \$4,999 per year, or approximately \$375 per month. Medical research has indicated that there are several conditions that blunt the body's response to the cold. Hypothyroidism, circulatory or heart conditions, and/or high blood pressure. These conditions has been diagnosed in 78 percent of the clients; therefore, increasing the risk of accidental hypothermia. Medications also effect the body's ability to respond to the cold, and 55 percent of the clients seen were taking either tranquilizers, nerve pills, or sleeping pills.

The following case examples reflect the need for personal energy program services and also the need for an energy aide to act as an advocate for those clients in order to provide quality services. The reader should keep in mind these are examples and not extremes:

(1) A 72-year-old gentleman, living in a one-room shack, with no inside plumbing or running water, was discovered by an energy aide. This man had extremely arthritic hands. He was not receiving fuel assistance or food stamps. He was eating all of his meals cold, straight from a can. Through the intervention of the energy aide, this man now has fuel assistance and food stamps. He is also cooking his food and finds it tastier. Not surprising—his stomach is feeling much better.

(2) A couple in their 60's were found by an energy aide, without heat for 7 days. They had heated with wood, but had run out and were waiting for the fuel assistance program to provide them with wood. To further compound the risk of accidental hypothermia, the man was an alcoholic. The house was substandard; bad wiring and no running water. Our energy aide spoke to the town manager and had the town deliver two cords of wood.

(3) A 70-year-old woman was discovered with partial frost-bite. She exhibited some early symptoms of hypothermia: drowsy, confused, sluggish speech and movements. Due to the efforts of the energy aide, a community effort was launched. Her home was weatherized, proper medical attention administered, PEP and fuel assistance services were provided.

Programs like the personal energy program can be very effective in preventing accidental hypothermia and assisting clients in whatever means necessary during the winter months. However, the effectiveness of this program may be lost if it is not supported by fuel assistance and weatherization programs.

The Diocesan Human Relations Services, Inc., received funding in 1977 from the Community Services Administration (CSA) to develop a model project to seek out and serve poor elderly people at risk of accidental hypothermia. This innovative approach to serving the poor in a time of high energy costs and scarce resources was not the first time that CSA had approached the energy problem at the grassroots level. The weatherization program was started by CSA in Maine as a model some years ago and has saved millions of gallons of fuel oil and has undoubtedly reduced cold related health problems. Without the support of an agency dedicated to identifying and serving the needs of the poor, it is unlikely that either of these services would have been established.

The model project in Maine, the personal energy program, found many isolated elderly with incomes too small to meet the basic daily requirements. After paying fixed costs, the remaining funds were inadequate for meeting food and clothing needs. As a result, these people were trying to make ends meet by conserving on heat to the point of unknowingly putting their health in jeopardy. The well worn phrase "heat or eat" has a grisly meaning for those of us that have direct contact with the poor and near poor elderly.

The model project is only touched upon briefly as more detailed information has already been provided to your committee.

As the cost of energy soared and the problems became more acute, CSA continued its support of the accidental hypothermia project by funding development of education and training materials and finally by funding programs modeled after the Maine personal energy program in 20 States (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, Pennsylvania, New Jersey, New York, Illinois, Wisconsin, Michigan, South Dakota, Montana, Wyoming, Idaho, Kansas, Nebraska, Iowa, and Missouri), and establishing the Center for Accidental Hypothermia to provide training, technical assistance and to gather data from all of the direct service programs in the 20 States.

As the current administration puts forth its policy direction of making block grants available to States for the funding of services, it raises several problems in my mind.

First, innovative programs designed to address unmet needs in a totally new area should be developed nationally. Most often, State or local funding sources are unwilling to risk the funds, time, and reputation. The accidental hypothermia program is a good example. It was looked upon as crazy. No one was aware of the program of accidental hypothermia as it was yet to be documented in this country. Not only were social service programs not aware, but health professionals and hospitals were not addressing the condition.

Second, when the need is documented there should be a mechanism for the program to be implemented in other States and the leadership is best provided at the national level. An example of this would be the establishment of the Center for Accidental Hypothermia funded by CSA to provide training and technical assistance to other agencies across the country. It is unlikely that such a center would have been established as a result of a block grant funding process at the State level with all human service programs competing for the same dollars.

Third, the energy problems which face our Nation are very complex and are in need of new innovative approaches to them. Though many State's energy problems

are unique, there continues to be a need to share information and expertise in order to develop the best solutions. Without leadership from the national level, this exchange of information may very well come to an end. The energy needs of the poor and elderly are at a most critical point. It would be unfortunate to deny them any possibility of a realistic, workable solution to this problem.

ITEM 6. STATEMENT OF SALLIE STEMPLE MORGAN, DIRECTOR, RAPPAHANNOCK-RAPIDAN AREA AGENCY ON AGING, CULPEPER, VA., AND CHAIRPERSON, VIRGINIA ASSOCIATION OF AREA AGENCIES ON AGING

As director of the Rappahannock-Rapidan Area Agency on Aging in Culpeper, Va., I have personally been receiving phone calls over the past five winters from desperate older persons with little or no money who are out of fuel, whose utilities have been cut off, whose furnaces have ceased working, etc. The first winter we were in existence, our staff did the best we could to seek out donations and other assistance to respond to these emergencies. In subsequent years, the situation became much worse as fuel prices soared and supplies were scarce. Hundreds of calls for help came in, starting in October and continuing through March. Donations and small local emergency funds could not begin to meet the need for help.

Fortunately, two major Federal initiatives helped our community to respond to energy emergencies as the intensity of the problem increased. Federal fuel assistance funds have come under different names and through different bureaucratic channels since 1977, the latest effort being the low-income energy assistance program authorized under title III of the Crude Oil Windfall Profits Tax Act of 1980. In 1977 and 1978, our agency administered the fuel program for the five-county area we serve. Both years, the funds finally got to us long after the winter's emergencies were over (August and May, to be precise), but at least the funds helped pay the back bills people had accumulated and enabled some to purchase fuel for the coming season.

We learned quite a lot about older people's energy needs during those 2 years. We learned that most older people are extremely upset when they are unable to pay their bills. It was common to find that people had gone without food or medicine in order to pay an electric bill. We found that proud older people, who had worked all of their lives but who were now trying to survive on a small social security check, came to ask for help for the first time ever. Many had resisted applying for food stamps or medicaid or supplemental security income because they were too proud to ask for assistance. Their response to the fuel programs told us that older people were indeed becoming desperate.

During the past 2 years, the welfare department has administered the fuel programs in Virginia. This winter our agency again had numerous calls from older persons who had received some assistance through the fuel program in December or January, but who were still unable to pay for all the fuel they needed to get them through the winter. Similar situations were reported throughout the State.

It is my understanding that the administration has proposed a 25 percent reduction in the funding for the fuel assistance program, and has proposed that the program be held at this reduced level for the next four fiscal years. Clearly, judging from our experience this winter, even the current level of assistance has failed to meet the need that exists. The proposed reductions would drastically affect low-income families. Reduced benefit levels will be further eroded by rising energy costs, and many older people will simply not be able to heat their homes. More than 50 percent of the older people in our area are living on incomes below \$5,000. These people aren't begging for government "handouts" but they need help from somewhere if they are going to make ends meet.

I have often heard the comment that the best thing we can do for the elderly is to control inflation. While it is obvious that a reduction in the inflation rate would help older persons stretch their minimal resources, even the most optimistic economist would not claim that we can keep energy costs from rising at all. And even if fuel costs stayed exactly the same as they are today, people living on fixed incomes could not afford to pay the total costs for a winter's supply of fuel. They couldn't this winter, and they won't be able to next winter.

It is no exaggeration to say that the low-income energy assistance program, funded at levels consistent with the rise of energy costs, is an absolutely necessary support for older persons living on low incomes. The other Federal program which has been extremely helpful to older persons in dealing with their energy problems has been the home winterization program funded through the Department of Energy. The program is designed to help low-income households conserve fuel, thereby enabling them to reduce their fuel bills. For an average expenditure of \$450

per home, the winterization program in our area has insulated, put up storm windows, repaired furnaces, put up weatherstripping, etc., for 316 low-income households over the past 2½ years. Considering that each of those households will save about 31 percent per year on fuel bills after their homes have been winterized, it is evident that the program results in savings that far surpass the initial expenditures involved. In spite of the fact that the winterization program is cost-effective, offers long-range assistance to low-income persons, provides jobs, helps reduce the consumption of fossil fuels, and will ultimately help reduce the need for government supported energy assistance, the administration has proposed that the winterization program be folded into the Department of Housing and Urban Development's community development block grant program, with no allocation of additional funds to HUD to support the merged programs. With no Federal mandate for winterization programs and no funds to support the program, the administration is essentially proposing that the program be eliminated. The ultimate tragedy is that this illogical move comes at a time when the winterization program has overcome the startup problems involved in any such effort and is finally producing results, and at a time when low-income people need the most help in dealing with rising fuel costs and reductions in other assistance programs.

Elimination of the winterization program is a false economy. The program should be strengthened, and paired with an adequate energy assistance program. In time, as more of the elderly and other low-income families have winterized homes, the need for the latter program will be reduced. At this point in time, however, older people with limited resources need immediate financial help in paying their fuel bills as well as long-term assistance in reducing their energy consumption.

We hope that the members of the Senate Special Committee on Aging are sensitive to the genuine needs described herein, and that you will take action, along with your colleagues, to support the continuation of these efforts to meet the energy needs of older persons.

ITEM 7. LETTER FROM JAMIE McNULTY, ADMINISTRATOR, LOW-INCOME ENERGY ASSISTANCE PROGRAM, DEPARTMENT OF SOCIAL SERVICES, STATE OF SOUTH DAKOTA, TO SENATOR LARRY PRESSLER, DATED MARCH 27, 1981

DEAR SENATOR PRESSLER: In reference to your March 19, 1981 correspondence, I would like to offer the following comments concerning the energy and emergency assistance block grant proposal.

As program administrator of South Dakota's low-income energy assistance program (LIEAP), I am very much in favor of this proposal. The Home Energy Assistance Act of 1980 regulations do not offer our State the flexibility a rural State needs to effectively develop and administer an energy assistance program. As you know, a sparsely populated rural State like South Dakota encounters service delivery problems due to the large elderly population, unpredictable climate, lack of mass transportation systems, along with travel, staff, and budget cutbacks in State government.

Under the current LIEAP regulations, States would be expected to provide a 50 percent administrative cost match in fiscal year 1982. South Dakota's administrative costs are expected to be approximately \$400,000. It is highly unlikely that the legislature would grant us a \$200,000 expenditure appropriation to administer this program. Counties may come up with some of this but I think it is unrealistic to assume that our 66 counties can find this amount of money in their budgets.

A more immediate problem we face is our current administrative costs. The present energy assistance legislation mandated a comprehensive approach to energy assistance, accountability from the State agency administering LIEAP and clearly defined reporting requirements. To effectively administer LIEAP, a sophisticated computer system was designed. Startup costs are high. States are allowed 7½ percent for administration. As you are probably aware, South Dakota's winter has been extremely mild. Even with higher energy costs, energy usage was down. Elderly South Dakotans are a proud people who generally do not ask for help until they necessarily need it. Our projections concerning applications have been lower than expected. Regardless of numbers of applications taken, or payment amounts obligated, certain administrative costs still exist.

Larger States may issue 10 times the dollar amount of energy assistance aid issued in South Dakota and may serve 10 times as many households at roughly the same administrative cost. It is inequitable that a rural State should be expected to pay the same dollar match as a State with 10 times the amount of benefits.

Under a block grant, the administrative match requirement would be eliminated.

One targeted group assisted under LIEAP is the elderly. Approximately 56 percent of South Dakota's LIEAP households contain at least one elderly member. To effectively serve elderly households outreach activities have been used extensively. Outreach activities are necessary in part due to the sparsely populated nature of South Dakota. Elderly households are often unable (due to poor health or inadequate transportation) or unwilling to come to a local social services or county office to apply for LIEAP.

Approximately 7,400 elderly households will receive LIEAP assistance in fiscal year 1981 with an average payment of \$320. Energy assistance has a significant impact for households living on fixed incomes in meeting the rising costs of home heating.

With an energy block grant proposal, South Dakota would be better able to identify and assist low-income elderly households. Outreach activities could be expanded to help alleviate elderly households "falling through the cracks" because their pride keeps them from inquiring about energy assistance.

During the current fiscal year, we saw the need to raise our income guidelines and certain payment amounts. Under existing Federal regulations, plan amendments had to be approved by the Federal Government after a 20-day public comment and review period. Considerable research had already been conducted by State office staff before the decision was made to submit LIEAP plan amendments for Federal approval. The proposed amendments were all advantageous to LIEAP eligible households. Six weeks elapsed before Federal approval was received which creates service delivery problems when dealing with a 4-month application period.

Administrative costs also increased due to publication of notice requirements and printing. Under a block grant proposal, if the State saw the need to amend its energy assistance program, hopefully this could happen in a more timely fashion.

The LIEAP office is in the process of evaluating the program. Outreach and eligibility determination workers, energy suppliers, county commissioners and social services staff involved in LIEAP service delivery will help evaluate the effectiveness of LIEAP in meeting the intent to help low income households offset the rising costs of home heating. Public hearings will be held in late summer or early fall to obtain input from the public. Once this data is collected the LIEAP staff will be able to determine what needs to be improved to effectively develop and administer the fiscal year 1982 energy assistance program. Block granting would allow the State the flexibility needed to provide energy assistance according to the needs and priorities of South Dakotans.

Thank you for the opportunity to comment on this proposal. Feel free to contact me if you would like additional information or if you feel it would be helpful for me to testify at the Senate Aging Committee oversight hearing.

Sincerely,

JAMIE McNULTY.

ITEM 8. LETTER FROM HELEN GAUDET, BANGOR, MAINE, TO SENATOR WILLIAM S. COHEN, DATED MARCH 31, 1981

DEAR SENATOR COHEN: Just a short note of appreciation for your support in behalf of the old ones on low incomes.

Last week, the crew came from Penquis and did the most thorough and wonderful job of insulating my home. I was just overcome with the whole business since I will be saving fuel from now on.

It would be an impossibility to keep this house if it wasn't for the help I get. God bless the whole crew from the Penquis—they were so thoughtful and anxious that I be satisfied. God bless you, too, Senator Cohen. Please continue to speak in our behalf. I am indeed most grateful.

Sincerely,

HELEN GAUDET.

ITEM 9. STATEMENT OF RUTH TOOTHAKER, EAST WILTON, MAINE

Mr. Chairman, members of the committee, my name is Ruth Toothaker, I live in East Wilton, Maine, and I am 65 years old. I have been a widow for the past 14 months. My husband and I were married for 48 years. We were the parents of 12 children. We lost our first child 4 years ago. The rest are still living and are all in the East Wilton area. I have 38 grandchildren and 5 great-grandchildren. I spend most of my free time as a volunteer, running the clothing center for Franklin County Community Action Council, which is just up over the hill. I have done

volunteer work for the agency for the past 10 years. When people ask me why I spend so much time up there, I tell them "Because I like to help poor people."

I live alone in a small house with a kitchen, sitting room, bedroom and bath. There are two rooms upstairs which I close up in the winter. My house is about 100 years old and was insulated by the CAP agency. This was a big help to me. When my husband was alive, we made a little bit too much money to get it insulated free and we couldn't afford to pay for it ourselves, plus we had made it for 48 years without asking for help. When the outreach worker said, Ruth you are just going to have to take some help; so they did insulate, and I have had help with oil for the past 2 years. Even with the oil program, I still have to cut every corner I can because it costs me over \$1,150, and the \$375 helped a lot, but I had to save a lot to keep up with the rest of it. I don't know what I'll do next year if we don't get help with oil—freeze I guess.

I do everything I can to cut back on my oil bill. I put banking around the outside bottom of my house. To do this I buy heavy plastic and put it on about a yard high all around the house and attach it with a staple gun. Then I get out my storm windows, which are large wooden frame windows that fit over each window and have to be put on with a screwdriver. I also put plastic on the inside of all my windows. I close up my back door by nailing plastic over it. It makes me nervous to have only one way out of the house, but it lets in too much cold air. I also close up my bedroom and sleep on the couch in the sitting room. I keep a rug in front of my front door to keep out the cold drafts, but that door is pretty well taken care of, because it has felt all way around it. I keep my thermostat turned down to 65 degrees and put on more clothes. I have two pair of insulated underwear that my husband used to wear that I keep on most of the time in the winter. I also wear heavy sweaters, slacks, and wool socks with sneakers. Sneakers are warmer than a pair of shoes to me.

I had to learn how to pinch a penny and keep warm right from the start. When you raise 12 kids on the little my husband made working on the State highway department, you don't get a chance to spend it foolishly. I learned right off quick that you don't or can't want everything you see and pretty soon it just becomes a way of life. You don't wait or look for extra money because you know there won't be any. When we had been married for about 10 years and had 6 kids, we were able to buy our first home for \$16 a month, which came hard. It was sort of an apartment in the upstairs portion of an old grange hall. It was real old when we got it. It had five rooms and a flush and running cold water. It did not have a bathtub or a shower, so I heated water and bathed my kids in a washtub. I also heated hot water and washed all my clothes by hand in the same washtub. We raised all our kids in that apartment that we heated with oil burners. We had to leave that home in April of 1977 when it was condemned by the town when the chimney fell down. We really didn't want to leave our home where we had lived so many years, but we didn't have a choice. Out of all the difficulties we had to face in our married life, leaving that home was probably the hardest thing we ever had to do.

We were lucky, though, and the bank gave us a loan to buy the little house which is right near where the old one was and where I live now. It wasn't so bad once we got moved in, and we had hot water and a bathtub for the first time in our married lives.

When my husband died, there was money enough from his life insurance to pay his burial expenses and to pay off the mortgage and have the town sewer put in (which I had to do but did not want to, but it was government regulations). I had to spend about \$300 to have it put in, plus it costs me \$43 quarterly now, just to flush my toilet. I think I'm pretty lucky though. My house is mine free and clear, and it's a good thing, because I don't know how I could pay a mortgage payment and all my other expenses out of my small social security check and SSI check which comes to \$267 a month.

The first bills I pay each month are my lights, which run about \$40 a month; my telephone, which is about \$17. Then, with the \$210 I have left, I have to pay my food and save out money enough for my quarterly bills of water, sewer, house insurance and taxes, which run together about \$655 a year, which means I have to take out about \$55 a month. This leaves me with about \$155 to buy oil with or food. In the summer I'm OK, but in the winter it's another story. Last winter, in addition to the \$375 I got from the fuel program, it cost me \$807 on oil, which took about \$135 a month for the 6 months I run my furnace. Even though the first frost of the season occurs in September, I don't turn on my furnace until November 1, and I turn it off April 30. Even when it is often 20 or 25 degrees outside, I can usually get by without my pipes freezing up. I keep it off just as long as I can. You can see in the winter, after I pay for my oil, there is less than any money left and I have to save enough in the summer to get me through the winter. I try to buy all the food I can on sale

and stock my freezer so I only have to buy a very minimum of groceries in the winter. Most winter months, all I buy is milk, bread, and eggs.

I'm luckier than many of my neighbors. I have one neighbor who has been on C.O.D. for the last few years. The town has to help her some. She can't get any oil unless she has the money to pay for it. She and her invalid husband get a little more money than I do, but they have medical expenses that aren't all paid for by the State and their house is bigger than mine. She has high blood pressure most of the time, and I know a lot of it is because of worrying about bills. They are really poor.

I have another friend who is 77 years old and who has a big house a few miles away. She's had her house on the market for the past 3 years and can't sell it because it costs too much to heat. Her annual income is \$3,200. Last year, she spent \$1,200 on oil, just about one-third of her money, and she has wood too. She can't move and get into a low-income apartment because her house is counted as an asset. She cries all the time, keeps her thermostat at 60 degrees and goes without food. The outreach staff is real worried about her, but she says she'll freeze to death before she'd ask the town for help. I'm afraid she will too.

In the clothing center, I hear lots of people are scared because they think the CAP agency and its programs are going to be cut. They don't know what they will do if they don't have help with their oil or wood next winter. I have applied and hope the CAP agency is going to put in a wood stove and chimney for me. I hate to have to start burning wood at my age, but I guess I'm going to have to. I don't think the people in Washington know what it's like when it's 40 degrees below zero and you are afraid you might freeze to death. I'm really scared about next winter if we don't have programs to help the poor. The towns sure can't do it all.

ITEM 10. REGION III (DELAWARE, DISTRICT OF COLUMBIA, MARYLAND, PENNSYLVANIA, VIRGINIA, AND WEST VIRGINIA) ENERGY COORDINATOR'S COMMITTEE REPORT ON THE LOW-INCOME ENERGY ASSISTANCE PROGRAM (LIEAP) AND ITS FUTURE, SUBMITTED BY MARGARET ALFORD, RICHMOND, VA.

INTRODUCTION

Since their beginnings in 1975, Community Services Administration (CSA) and 1981 the Department of Health and Human Services (HHS) sponsored energy programs in Federal region III have been funded through State-level agencies, State offices of economic opportunity or their equivalent. Conducting these programs, which have included a number of weatherization grants as well as three major rounds of crisis intervention funds, has enabled its administrators to gain a great deal of valuable experience and practical wisdom that may be useful in designing future programs.

The Region III Energy Coordinators' Committee, composed of key members of the State energy staffs and Federal representatives, has been meeting bi-monthly for the past 3 years to share information on and discuss matters of import to energy programs. In August 1978, the group met to put together information on both the special crisis intervention program (SCIP) of 1977 and the emergency energy assistance program (EEAP) of 1978. This information formed the substance of a paper entitled "Emergency Energy Programs in Federal Region III: A Policy Paper by Its Administrators Aimed at Improving the Effectiveness of Future Programs."

Since, according to most of the reviewers of last year's paper, the committee's observations and recommendations were useful in putting together the current programs, the group decided to record its observations again.

If the issues have been sharpened by the present public debate, they have not thereby been made easier to resolve. Spiraling fuel costs (especially fuel oil), spot nonavailabilities of fuel, and double-digit inflation affecting all the necessities of life have combined to impose tremendous hardships on America's poor. If the winter of 1981-82 is anything other than extremely mild, \$1.50-a-gallon fuel oil promises to threaten the lives or well-being of many poor people in the East and Midwest unless decisive, practical Federal action is taken as soon as possible.

Such action could take several forms, but the theme of this paper is that short-term stop-gap programs that do not become operational until the spring will be too little too late this year. Although details are still hazy, enough has been learned from weatherization programs and 3 years of crisis intervention that a workable comprehensive energy program can be constructed. The guiding assumption in the following is that such a program would be best conceived if it built on the strengths of past programs and managed to avoid their shortcomings.

REGION III REPORT TO HOUSE COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE
ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, MARCH 24, 1981

I. INTRODUCTION

As deliberations intensify in formulating a low-income energy assistance program for future years, it is important to review the issues that State-level program administrators have raised with an eye to developing a program that can be administered efficiently in a time of fiscal constraint and that can be tailored to the needs of each State. Since all areas of program development require support, however, the matter of level of funding must be addressed before any discussion of program technicalities. Therefore, this presentation details our recommendations with future program support first and then examines the agenda for program reform that is the consensus of the region III program administrators.

A. Future Funding

Current program funding for LIEAP was provided at \$1.8 billion. Recommendations have recently been offered to add new responsibilities to this program which can impact the amount which will ultimately be available for low-income energy assistance.

To accommodate incrementally each of these additions and adjust for inflation, an appropriation in excess of \$2.1 billion would not be an unreasonable request:

LIEAP appropriation for 1980-81 (billion)	\$1.8
Proposed AFDC emergency assistance program	0.055
Low-cost, no-cost energy conservation	Unknown
Inflation factor223
Total (billion)	2.078

Even without the added potential cost of low-cost, no-cost energy conservation, funding for LIEAP to: (a) Continue current energy assistance benefit levels; and (b) provide adequate service within new program areas would have to be increased unless other actions can be identified to contain actual costs.

States are conscious of the need to control public costs and believe that program efficiencies can be identified which will allow States to continue the same level of service for the same amount of funding provided in 1980-81. A reform agenda is offered in this document with the intent of supporting State actions which can contain operating costs. The net result of this approach can be greater service without the added costs.

To accomplish this, however, will require two specific Federal actions:

- (1) Provide States with greater leadtime so that actions to increase productivity can be carefully developed as program plans are set to implement new requirements.
- (2) Resolve funding and reform issues so that State actions can proceed as quickly as possible.

B. Reform Agenda

In order to achieve this objective, several issues need further attention with the view of providing States with the tools to reduce program costs. While an initial listing is not likely to encompass every concern which may ultimately arise, it is appropriate to help focus the direction and effort of policy development once these first discussions are concluded.

Areas within which new legislation can facilitate the objectives of low-income energy assistance include:

Consistent funding guidelines in terms of total grant amount and multiyear programing so that States have adequate leadtime to develop effective long-range programing in the most efficient way.

Early action this year to assure that the next program is carefully planned at the State and local level.

Preserve flexibility in establishing Federal guidelines in terms of income eligibility, types and forms of assistance, appropriate linkages with energy conservation, and administrative procedures. Unnecessarily rigid regulations can deter State actions to assure a high level of productivity in implementing program requirements; and

Administrative costs should be provided State operations according to formulas or procedures which are sensitive to State funding and operating constraints.

Addressing many of these concerns will likely require further detailed analysis before worthwhile options can surface. To assist this process, brief summaries of

each area are attached. Of course, the effectiveness of this review process will reflect the time and effort that we all ultimately contribute.

II. CONSISTENT FUNDING AND LEVEL OF SUPPORT

Future funding for LIEAP should provide a level of support to all States consistent with the need to meet: (1) Increased needs of low-income households; (2) the rising cost of energy; and (3) the need for additional services designed to conserve future energy consumption and, ultimately, reduce the need for direct assistance. However, what each State can do in administering a program which will achieve these benefits will depend to a large extent upon two important conditions:

(1) The level of funding that each State receives to carry out these activities out of the total amount allocated nationally; and

(2) The term for which funding will be available to operate the program on a continual basis.

The first condition can be met if a rational method is devised to distribute funds among the participating States. Such a formula should consider: (a) Localized heating demand and costs; and (b) the ability of its households to pay for energy. The conditions should be carefully studied at the national level to support the allocation formula that will be used to distribute funds.

Whatever amount is ultimately distributed to individual States, it would best be done according to a multiyear plan. It is exceedingly difficult for States to implement efficient operating procedures where program guidelines are changed annually. State planning which can reduce the cost of LIEAP will be most productive if it can be assured that the resources it commits now will likely benefit program operations for a number of years in the future. Investment in equipment, for example, can reduce operating costs if it is properly directed. However, initial investment costs may only be justified if the benefits are to be spread over a multiyear period.

III. EARLY ACTION

Previous energy assistance programs have suffered from final authorizations and publication of final regulations that have often pushed into the heating season which assistance was to have been distributed. This left State program administrators little time to develop plans, create efficient systems, provide for useful public participation, or to adequately train staff and brief concerned members of the public and the Government. Additional difficulty was created because each program was different enough from its predecessor that substantial portions of old systems were discarded and new ones developed to accommodate each new program.

We feel confident that we can operate efficient, equitable programs within the funding constraints described earlier if we have time to plan, create responsive systems, and to iron out wrinkles before next season's cold weather brings the client population to our doors. Rational systems cannot be developed when State staff are kept busy putting out fires that could have been prevented by early planning.

In order to effect the administrative and programmatic economies necessary in order to provide more service with effectively less money, States need to know the exact shape of the coming year's program as soon as possible. Tomorrow would not be too early.

IV. FLEXIBILITY

We recommend that States be given flexibility to design and operate programs that deliver the appropriate mix of energy conservation services to low-income households. Traditionally, three kinds of energy assistance that have been made available to low-income people are:

1. *Emergency Assistance*

Programs such as those originally administered by the Community Service Administration offered assistance when households were faced with terminations of service from fuel vendors or when they could demonstrate that they had no money to pay for space conditioning costs. These programs also offered assistance in the form of blankets, space heaters, and communal living situations in response to weather emergencies.

2. *Income Transfer To Pay Heating Costs*

Income transfer programs, as opposed to emergency programs, have been conducted to offset the impact of rising energy costs on low-income people, realizing that the Government did not need to wait for an emergency situation to recognize that assistance was needed. These programs have ranged from blanket payments to

categorically eligible households to more direct programs that deliver payments to fuel vendors after a household has made a special application for assistance. Income transfer programs are an essential stopgap measure necessary to help low-income Americans survive in spite of high energy prices, but in most respects, they are welfare programs.

3. Conservation Activities

Conservation activities have included the provision and installation of conservation materials like storm windows, attic and wall insulation, and caulking. Furnace modification and efficiency adjustment have also been successful elements of the conservation effort. These activities not only offer immediate assistance, they relieve the need for further help.

Each State should have the flexibility to develop a comprehensive program of assistance that addresses the short- and long-term needs of low-income citizens, provides for as much conservation as possible, and which utilizes the resources offered in the State and to the greatest possible extent. While the emergency and life and health-sustaining needs of low-income people must be met, if conservation activities are not included, this year's and each successive year's clients will be at least as vulnerable to the devastation of high fuel bills, probably more so if the effects of oil and gas decontrol have trickled down to home energy consumers. On the other hand, weatherization means jobs, usually for low-income people.

Flexibility would also allow for the provision of benefits to the neediest people. This means that in some cases, the distribution of benefits on the basis of income alone is not an equitable scheme. Last year's program used the concept of vulnerability which we endorse.

The problem is to design an administratively efficient way to determine client vulnerability—and amount of benefit—as equitably as possible. Unfortunately, experience has shown that it is virtually impossible to determine energy needs by a system of energy bill inspection.

If poor people only did business with utility companies, utility companies always read meters regularly, and benefits could be paid after the heating season, such a procedure might be practical. However, none of these circumstances hold in the real world of oil vendors, changing weather patterns, and immediate needs for benefits when it is cold. Therefore, it is crucial to find some scheme which predicts as closely as possible what bills would be. This means that fuel type and cost, weather conditions, and housing circumstances must be taken into account to predict accurately.

Under LIEAP, there were as many solutions to the problem of matching benefits to energy-related needs—vulnerability—as States in the Union. For present purposes of illustrating the concept of vulnerability as it relates to the eligibility and administrative efficiency, let us describe one generic benefit scheme which was employed in the fiscal year 1981 LIEAP by the smallest and largest States in region III, Delaware and Pennsylvania.

The benefit scheme assigns weights to various factors which affect vulnerability. In descending order of importance, these factors are income, fuel type, weather, dwelling type, and household size.

Income.—The scheme assigns a heavy weight to poverty, measured as total family income (not adjusted to household size). Seventy-five points are assigned applicants with zero household income, 65 points to applicants with an income of \$4,470 (lower living standard poverty index for single member households), and zero points for incomes of \$17,140 and above.

Fuel type.—Fuel type is a surrogate for fuel costs, which vary greatly from State to State and even within States. In region III States, a million Btu's of electricity tends to cost three times as much as gas and half again as much as heating oil. Therefore, a multiplier factor is used to adjust benefits to take into account differences in vulnerability due to different costs of energy used for space heating.

Weather.—On the average, winters in northern Pennsylvania counties are 40 percent more severe than in the region around Philadelphia. A weather factor ranging from zero to 15 points is assigned each county based on past weather statistics.

Dwelling type.—Single family detached dwellings cost more to heat than do most apartments, although there is great variability in this area. The benefit weight here is quite low in any case, with apartments being assigned zero points, mobile homes two, and single family detached dwellings five.

Household size.—Energy-related vulnerability is typically a very weak function of household size, so this factor is quite small. One point per family member is added in the benefit equation.

The resulting calculation for vulnerability is as follows:

$$V \text{ equals } (I+W+DT+HS)\times F$$

Where

V is vulnerability
 I is the income factor
 W is the weather factor
 DT is the dwelling type
 HS is the household size
 F is the fuel factor.

Benefits may be calculated by multiplying the vulnerability factor times a "planning factor" which remains constant for all calculations of benefit.

$$B \text{ equals } P\times V$$

The planning factor may be adjusted at the beginning of a program year to equitably distribute a State's share of LIEAP funds to its best estimate of the number of clients that will be served during the year.

V. ADMINISTRATIVE COSTS

The low-income energy assistance program allows States to use a portion of its total grant award to support program administration costs. By regulation, the limit on how much could be set aside from the total grant was set at 7.5 percent. This method of providing administrative cost support has three principal shortcomings:

(1) Smaller programs will have less total resources to undertake the administrative functions called for in HHS regulations.

(2) Linking the amount of administrative dollars to total program costs can create a great deal of uncertainty for budget planners since actual costs will not be fully known until the end of the program; and

(3) A blanket administrative limit for all States may not accurately take into account program and administrative differences that exist among individual States.

The 7.5-percent limit is not an absolute constraint on administrative costs. Individual States can augment this Federal share by appropriating their own resources. However, the timing of such appropriations cannot always be accomplished in stride with the administrative timetable set down by HHS for conducting LIEAP.

Second, relying upon State funds for even a small proportion of administrative support places LIEAP in direct competition with numerous other demands upon the State treasury. Since many of these demands represent priorities which have been developed over a period of years, the sudden emergence of this funding request may not bode well for its ability to compete.

All States which elect to participate in the LIEAP grant program must undertake certain nearly identical activities whose level of effort is not always governed by the volume of households which will ultimately be served. The development of a State plan, for example, can require as much time and expense in a State the size of Delaware as it does in a larger jurisdiction if the same procedures and functions are to be planned and designed for implementation. The mechanisms will simply serve more people and will not necessarily be more complex or costly to establish or administer.

The HHS regulations link the level of allowable administrative costs to total actual program expenditures, a figure which will not be absolutely known until the conclusion of the program. The best preliminary plans for administrative activities may be thwarted by major variances in the level of program benefits actually provided. Frequent changes in Federal program guidelines from year to year and their impact upon service volume have made it exceedingly difficult to forecast the number of households that might avail themselves of this benefit, as well as the amount for which they might be eligible. These variables must be known if a total cost forecast is to have any acceptable precision.

Prescribing a standard administrative allowance for all States does not reflect realistic differences that may exist among States and the characteristics of households which are likely to be served.

The cost of administering LIEAP in a highly urbanized State may be quite different than the cost within a predominantly rural environment. However, under the present method of determining administrative costs, a rural and an urban State both receiving the same total grant amount will also receive identical administrative funds.

RECOMMENDATION PAPER AND COVER LETTER

DEAR——: In the past, low-income energy assistance programs have been designed with very little benefit of the perspectives of State program operators. Yet legislators, members of the staff of Senate committees who draw up legislation for energy assistance programs, and officials of the Department of Health and Human Services would welcome ideas for improving the legislation. Accordingly, a group of State administrators of this year's LIEAP in region III have met to put together our thoughts on the most important issues which should be addressed in drawing up the legislation for upcoming programs.

"The Low-Income Energy Assistance Program: Recommendations for Changes in the Reauthorization Legislation" is the result. I am attaching a draft for your review and action.

Although its authors are LIEAP administrators in the mid-Atlantic States, we have tried to emphasize only those programmatic concerns which we believe are common to all States. Further, we have deliberately kept the paper short on the theory that it will thereby have greater impact.

The main themes of the paper are timing, streamlining the legislation and regulations, and increasing the flexibility for States to tailor future programs to the needs of their low-income citizens.

Clearly, timing—fast action by the Congress in reauthorizing a multiyear program—is the most important issue likely to affect the quality of service delivered by future programs. Accordingly, we think it is crucial to convey this message to appropriate policymakers as soon as possible.

Our group has considered sharing our perspectives with our own congressional delegations, with the Senate Committee on Labor and Human Resources (Chairman, Senator Orrin Hatch of Utah; Ranking Minority Member, Senator Edward Kennedy of Massachusetts), and with the Secretary and program people of HHS. But, of course, the more these and other policymakers hear from LIEAP administrators, the more likely they are to help improve upcoming legislation and thereby raise the quality and efficiency of assistance. Therefore, we invite you to share the attached paper—suitably modified, if you see fit—and your own wisdom on the program—with whomever you think appropriate.

In all events, we would like to be in contact with you concerning your insights as a State LIEAP administrator on the issues taken up in the attached draft and on how best to convey the message to policymakers.

THE LOW-INCOME ENERGY ASSISTANCE PROGRAM: RECOMMENDATIONS FOR CHANGES
IN THE REAUTHORIZATION LEGISLATION

Title III of the Windfall Profits Tax Act of 1980 established a low-income energy assistance program (LIEAP) administered by the Department of Health and Human Services (HHS). In accord with HHS regulations, States prepared detailed plans for conducting their energy assistance programs and, upon approval by HHS, were issued block grants.

Most of the \$1.85 billion Congress appropriated to conduct the LIEAP in fiscal year 1981 is being disbursed by States to low-income applicants (or to their energy dealers on the applicants' behalf) to help "meet the burden of rising energy costs." Recent increases in the price of crude oil coupled with the likelihood of deregulation of natural gas will make this burden on the poor even heavier for the foreseeable future. It is thus essential that this very visible low-income energy assistance program be continued and that funds appropriated to conduct it be adjusted upward to reflect the increasingly grim energy circumstances faced by America's poor.

Title III included a number of positive features which should be retained in future legislation. For example, the act incorporated the important concept of households' degree of vulnerability to energy costs, and rightly stipulated that benefits be tailored to reflect households' economic circumstances. Second, States were given a measure of flexibility in designing their energy assistance programs through State needs. We believe that by extending this principle of flexibility and State-level planning processes coupled with certain simplifications of both the legislation and regulations, future LIEAP programs will be able to serve clients more efficiently and more equitably. A list of suggestions that will accomplish such simplifications is included below.

RECOMMENDATIONS FOR FUTURE LIEAP LEGISLATION

1. Reauthorize Program on a Long-Term Basis and Publish Regulations As Soon As Possible.

Our primary recommendation for effecting improvement of future programs concerns timing: Congress should act as soon as possible to reauthorize the low-income energy assistance program for at least 3 years. (The fiscal year 1981 LIEAP was signed into law on April 2, 1980, yet States barely had enough time to get their programs operational by the beginning of winter.) The legislative mandate for conducting energy assistance programs has never been for more than 1 year, and each of the past programs¹ has contained features that have made them importantly different from one another. Such instabilities result in inadequate planning time, administrative inefficiencies, and a poor image with clients, vendors, and the public. A reauthorization for a longer period which simplifies program requirements and allows States to play lead roles in program planning will result in better, more stable and efficient programs across the country. Regardless of whether or not a multiyear reauthorization is enacted, the timely publication of any new program regulations is vitally important. States must be given adequate time to design effective and efficient programs.

2. Eliminate the Requirement for Agreements With Large Energy Suppliers

The act authorizing the current LIEAP includes a provision for securing agreements from participating large home energy vendors on procedures and minimum time limits for terminating service to clients of the program. Every State already has procedures on service termination and fair hearing processes that publicly regulated utilities must follow for *all* customers. Including an additional requirement for this kind of agreement is an inappropriate provision of the LIEAP legislation, and has proven to be an obstacle to effective program administration.

3. Eliminate the Absolute Requirement for Payments to Building Operators

This element of the current act addresses an energy-related matter which should most appropriately be dealt with in other-than-LIEAP legislation, if at all. The building operators provision requires that States pay operators of federally subsidized housing LIEAP benefits whose amounts must be determined as a complex function of heating costs and tenant eligibility. The provision, which is administratively complicated and expensive to carry out, results in diminishing the benefits that can be paid to low-income households. If the Congress determines that building operators of federally subsidized housing units should be compensated for costs entailed by increased energy prices, amendments to the National Housing Act or the Housing and Community Development Act would appear to be more appropriate legislative mechanisms.

4. Give States Flexibility To Include Crisis Assistance and Conservation Measures

Crisis assistance, aimed at responding to energy-related emergencies, is limited by this year's act to 3 percent of a State's total LIEAP allotment. Individual States should be allowed to expand this limit to best meet their specific circumstances.

Current LIEAP legislation prohibits States from engaging in conservation work using this program's funds. Yet lowering the need for energy for home heating and cooling through conservation improves the economic circumstances of the household (and ultimately of the Nation) and lessens the need for energy assistance. States should be allowed to include in their future LIEAP plans provisions to conduct energy conservation activities.

5. Simplify the Legislation and Implementing Regulations

The flexibility referred to above can best be achieved by simplifying the legislation and its implementing regulations. Every State has unique demographic characteristics, energy-related problems, and administrative capabilities. Legislation defining broad program objectives without mandating overly specific operational requirements will afford each State the opportunity to design a program that can most effectively and efficiently satisfy its energy assistance needs. For example, States should be given greater latitude to use program funds to meet emergency energy needs. Similarly, States should be allowed to specify their own populations of greatest need ("target groups"), and should be permitted to define eligibility criteria and benefit levels that will most equitably serve these populations. Finally, greater

¹The special crisis intervention program (SCIP of 1977, the emergency energy assistance program (EEAP) of 1978, the energy crisis intervention program (ECIP) of 1979, and the energy crisis assistance program (ECAP) of 1980 are the major programs which preceded this year's LIEAP.

flexibility will enable States to integrate this program with other local level goals and efforts (e.g., conservation activities and emergency programs).

6. Adopt an Incremental Approach to Administrative Costs

Although current legislation requires that States provide a 50-percent match with Federal funds to administer the LIEAP, the Secretary of HSS granted a blanket waiver of this provision, primarily on the ground that there was insufficient time for State legislatures to appropriate the requisite funds. Instead, in most States, the current year's program is being conducted with 100 percent Federal funds, States being allowed to spend up to 7½ percent with no match required to administer programs. (All administrative costs above 7½ percent must be borne by States in this year's LIEAP.) This sum is adequate to administer the program for most large States, but since there are certain necessary fixed costs of operation, a floor of perhaps 10 percent should be established to allow small States to conduct effective programs.

If a long-term program authorization is legislated as recommended above, the planning process can be simplified, training costs can be lowered, professional staffs can be developed, service delivery efficiency can be increased, and administrative costs can be lowered. In consequence, we recommend that for large States, administrative costs be authorized as follows: Fiscal year 1982, 7 percent; fiscal year 1983, 6 percent; and fiscal year 1984, 5 percent. For States whose future LIEAP authorizations are less than \$15 million, we recommend a similar descending schedule whose absolute value is based on demonstrated need. If State sharing of administrative costs is to become a requirement in the future, the Congress should allow States plenty of time to pass requisite enabling legislation.

SUMMARY OF COMMENTS ON RECOMMENDATION PAPER

In the past, low-income energy assistance programs have been designed with very little benefit of the perspectives of State program operators. Yet legislators, members of the staff of Senate and House committees, who formulate legislation for energy assistance programs, and officials of the Department of Health and Human Services welcome ideas for improving legislation.

With this thought in mind, a group of State administrators of this year's fuel program in region III met in February and put together their ideas on the most important issues which should be addressed in formulating future legislation.

These recommendations were sent out to all States, accompanied by a letter requesting input from program managers (coordinators) and any additional information or suggestions which they deemed pertinent to the presentation.

Staff members within region III States, were assigned a number of States throughout the country which they were to contact after a number of weeks to solicit comments and suggestions and discuss any additional concerns that were not in region III. Response was recorded from 30 States. Following is a cursory summarization of those responses:

The primary concern and agreement of all States commenting on the recommendation paper was that the reauthorization of LIEAP must be on a long-term basis (suggested 3-year authorization) and that final regulations be published as soon as possible. This would afford States adequate planning and training time, and would eliminate many administrative inefficiencies within the implementation of the fuel program. As indicated by States, the most outstanding problem was posed by inadequate time for startup, which resulted in serious problems later on in the program. Most States are now utilizing computer systems, resulting in more efficient programs and, in the future, less administrative cost. These States need ample time to accurately set up a computer program to encompass all necessities of the program.

At least 90 percent of the States concurred with the recommendation paper, dealing with building operators participation. The overall feeling was that LIEAP should not be involved with subsidized housing and that assistance should be administered 100 percent through HUD grants.

The lack of cooperation by vendors was cited by approximately 60 percent of the States commenting. Some said vendors resented signing a new agreement each year and felt each time the agreement was drawn up, there were new stipulations they deem unnecessary and cumbersome. Many vendors and utility companies refused to sign or cooperate. Most States felt the vendor situation could be even more critical next year unless regulation became more flexible.

Comments on budget cuts ran from one extreme to the other. Some felt that budget cuts will not effect the elderly or handicapped, or other households in critical need, but borderline households that have received much needed assistance in the past may not be eligible with the cuts. One State said its main concern is "decontrol," not budget cuts. Without decontrol, they claim they could have operat-

ed their program on 10 to 15 percent less administrative funds. Several States in the process of instituting cooling programs feel any cut in budget would adversely affect their efforts to meet cooling needs. Another State that has served 700,000 households this year and is still processing applications (due to the lifting of the moratorium on shutoffs on April 15) would scarcely be able to operate an energy assistance program if they suffered a 25 percent budget cut, and said they didn't have enough funds for this year's program to serve the eligible population.

Stability in the program and more flexibility for States were frequently mentioned by all States as a must under future regulations. All felt that individual States should be able to pattern their programs to suit their own particular needs and enabling States to develop long-term operational procedures which would cut administrative costs.

The importance of keeping in close touch with State officials as consultants was stressed by all. Most States concurred that State coordinators need more input into future legislation in order that needs of the low-income population are better understood and met.

Individual problems encountered in the operation of LIEAP were generally similar in all the States. Suggestions for drawing up legislation for upcoming programs, for the most part, coincided with those of RECC III. Position papers are being planned by most States and will be distributed in the near future. One State took RECC III's recommendations, and with some additions, submitted it to their congressional delegates.

In conclusion, the majority of States totally agreed with the recommendations and requested that they be expanded into a nationwide circular.

LIEAP ALLOCATIONS FOR FISCAL YEAR 1981 LOW-INCOME ENERGY ASSISTANCE PROGRAMS

State	HHS	CSA	Total
Alabama	\$15,076,782	\$597,415	\$15,674,198
Alaska	9,623,855	381,344	10,005,199
Arizona	7,291,310	288,917	7,580,227
Arkansas	11,504,297	455,856	11,960,153
California	80,882,545	3,204,959	84,087,504
Colorado	28,201,219	1,117,469	29,318,688
Connecticut	36,789,478	1,457,778	38,247,256
Delaware	4,883,091	193,492	5,076,583
District of Columbia	5,713,468	226,395	5,939,864
Florida	23,855,973	945,289	24,801,262
Georgia	18,861,795	747,396	19,609,191
Hawaii	1,899,493	75,267	1,974,760
Idaho	11,000,348	435,887	11,436,235
Illinois	101,826,954	4,034,878	105,861,832
Indiana	46,104,377	1,826,879	47,931,256
Iowa	32,674,799	1,294,734	33,969,533
Kansas	15,005,729	594,600	15,600,328
Kentucky	23,992,570	950,702	24,943,272
Louisiana	15,413,687	610,765	16,024,452
Maine	23,833,713	944,408	24,778,125
Maryland	28,169,247	1,116,202	29,285,450
Massachusetts	73,591,153	2,916,039	76,507,192
Michigan	96,675,763	3,830,763	100,506,526
Minnesota	69,649,410	2,759,848	72,409,258
Mississippi	12,925,992	512,191	13,438,183
Missouri	40,673,651	1,611,687	42,285,339
Montana	12,902,720	511,268	13,413,988
Nebraska	16,158,946	640,296	16,799,242
Nevada	3,424,511	135,696	3,560,206
New Hampshire	13,929,307	551,947	14,481,254
New Jersey	68,317,949	2,707,089	71,025,038
New Mexico	9,128,212	361,704	9,489,916
New York	223,068,441	8,839,054	231,907,495
North Carolina	33,243,961	1,317,287	34,561,248
North Dakota	14,016,247	555,392	14,571,639
Ohio	90,081,158	3,569,453	93,650,611
Oklahoma	13,858,652	549,147	14,407,799
Oregon	21,857,131	866,086	22,723,217
Pennsylvania	119,820,643	4,747,875	124,568,518

LEAP ALLOCATIONS FOR FISCAL YEAR 1981 LOW-INCOME ENERGY ASSISTANCE PROGRAMS—

Continued

State	HHS	CSA	Total
Rhode Island	12,113,523	479,997	12,593,520
South Carolina	11,974,035	474,469	12,448,504
South Dakota	11,383,649	451,075	11,834,725
Tennessee	24,303,957	963,041	25,266,998
Texas	39,688,375	1,572,646	41,261,021
Utah	13,105,171	519,290	13,624,462
Vermont	10,440,512	413,704	10,854,216
Virginia	34,313,289	1,359,659	35,672,948
Washington	35,951,971	1,424,592	37,376,563
West Virginia	15,877,699	629,151	16,506,851
Wisconsin	62,694,479	2,484,260	65,178,739
Wyoming	5,247,030	207,913	5,454,942
Total	1,753,022,273	69,463,251	1,822,485,524

REGION III LOW-INCOME ENERGY ASSISTANCE PROGRAMS—MARCH 23, 1981

	Delaware	Maryland	Pennsylvania
State allocation	\$4,883,091	\$28,000,000	\$119,820,643
Program allocation	4,516,859.17	25,900,000	110,834,095
Administration allocation	366,231.83	2,100,000	8,986,548
Benefit range	\$200 to \$500	\$127 to \$408	\$10 to \$500
Expenditures to date	3,605,058	\$13,762,869	\$59,800,000
Receipt of Federal funds	Dec. 22, 1980	Dec. 23, 1980	Dec. 27, 1980
Application starting date	Nov. 24, 1980	Dec. 1, 1980	Nov. 12, 1980
First payment	Dec. 31, 1980	Jan. 2, 1981	Jan. 1, 1981
Type of payments	Client/vendor	Landlord/vendor	Vendor/client
Served to date	10,826	52,144	279,000
Average benefit	\$333	\$251	\$214
Type of fuel:			
Natural gas	18 percent		47.3 percent
Coal	1 percent		5.4 percent
Oil or kerosene	74 percent		39.4 percent
Electric	6 percent		6.5 percent
Liquid petroleum gas			1.4 percent
Other	1 percent		
Categorically eligible	40 percent	90 percent	33.9 percent
Noncategorically eligible	60 percent	10 percent	66 percent
Elderly and handicapped to date	45 percent	44 percent	39 percent
Children	11,969		
Served below CSA guidelines	80 percent	90 percent	80 percent
State match	Requested—\$148,000	200,000	None
Grantee of record	OEO	OEO	Dept. of Welfare
Subgrant number	3		109
Total eligible population	30,000	287,250	1,000,000
Denials	2 percent	9 percent	14 percent

REGION III LOW-INCOME ENERGY ASSISTANCE PROGRAMS—MARCH 23, 1981

	Virginia	Washington, D.C.	West Virginia
State allocation	\$34,313,289	\$5,700,000	\$15,877,699
Program allocation	31,739,798	5,272,500	14,686,872
Administration allocation	2,573,496	427,500	1,190,827
Benefit range	\$58 to \$750	\$87 to \$487	\$65 to \$245
Expenditures to date	\$22,285,178.21	\$2,000,000	\$7,701,468
Receipt of Federal funds	Dec. 1, 1980	Jan. 12, 1981	Jan. 6, 1981

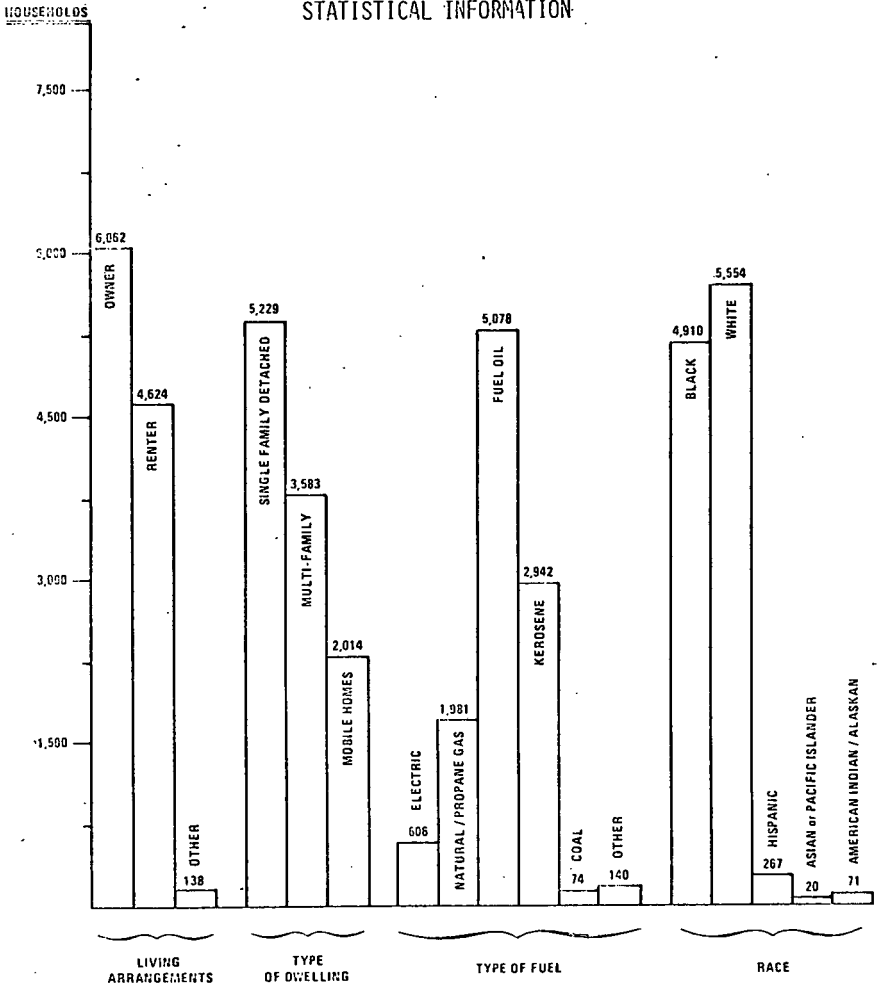
REGION III LOW-INCOME ENERGY ASSISTANCE PROGRAMS—MARCH 23, 1981—Continued

	Virginia	Washington, D.C.	West Virginia
Application starting date	Dec. 1, 1980	Dec. 15, 1980	Prescreening 10/1, Dec. 1, 1980.
First payment	Dec. 24, 1980	Jan. 20, 1981	Jan. 13, 1981.
Type of payments	Vendor client	Vendor	Client/vendor.
Served to date		10,000	78,590.
Average benefit	\$330	\$200	\$98.
Type of fuel:			
Natural gas		40 percent	47 percent.
Coal			17 percent.
Oil or kerosene		35 percent	15 percent.
Electric		25 percent	12 percent.
Liquid petroleum gas			5 percent.
Other			4 percent.
Categorically eligible		55 percent	50 percent.
Noncategorically eligible		45 percent	50 percent.
Elderly and handicapped to date		35 percent	44 percent.
Children			93,360.
Served below CSA guidelines	80 percent	40 percent	80 percent.
State match	None	\$290,000	None.
Grantee of record	Dept. of Welfare	D.C. Energy	Dept. of Welfare.
Subgrant number	124	3	45.
Total eligible population	500,000	50,000	140,000.
Denials	17 percent	2 percent	18 percent.

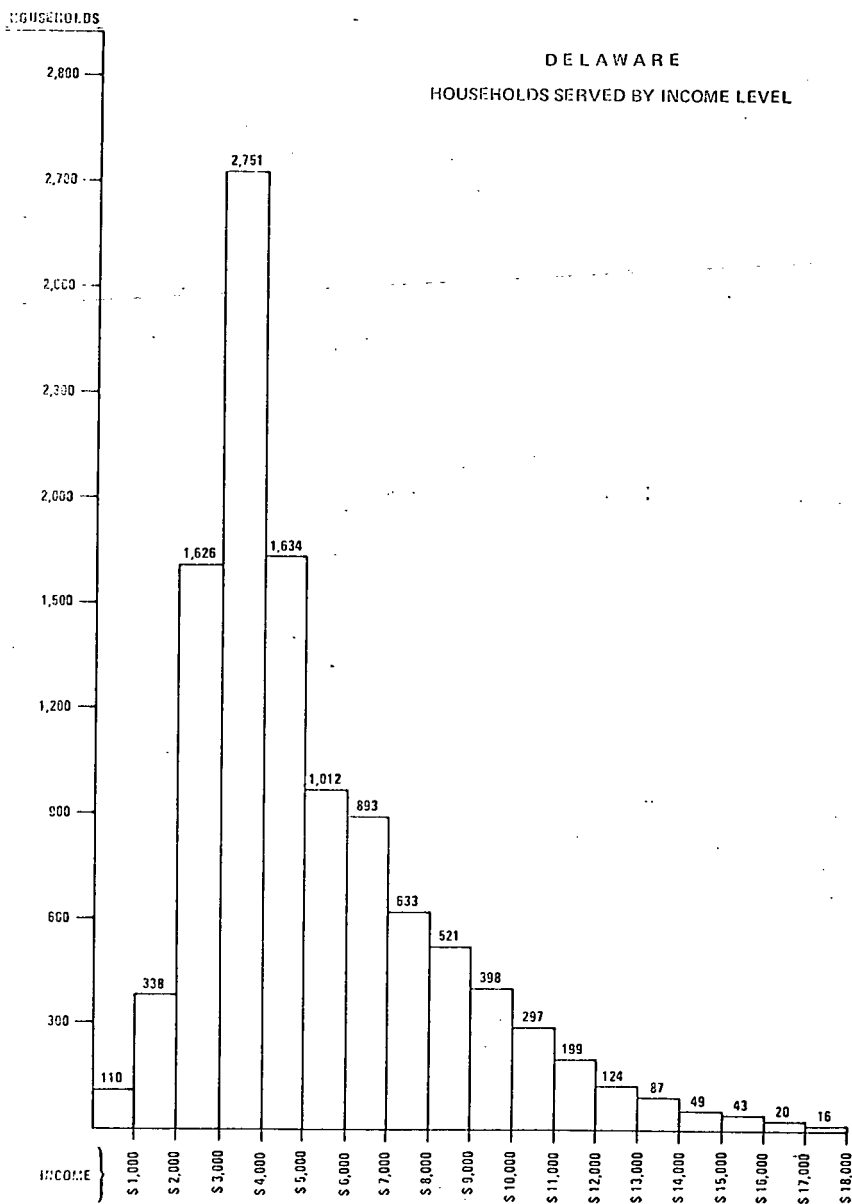
	Delaware	Maryland	District of Columbia	Virginia	West Virginia	Pennsylvania
1. Type of subgrantees	CAPS	CAPS	Office of City Administration 1 CAP, Dept. HS.	124 local welfare agencies..	CAP, Dept. of Welfare, COA.	State Welfare Offices.
2. Variables in determining benefit levels	Household size, fuel type, income dwelling, heat deg. days.	Income, deg. days, household size, type of fuel.	Income, type of dwelling, household size.	State broken into 5 zones, determine cost in 5 zones of heating fuel and amount.	Household size, fuel type, heat degree day.	Household size, fuel type, income type dwelling, heat deg. days.
3. Cut-off procedures	60 days	No cutoff before April 1	Only if temperature is above 32 degrees.	Determined by State Corporation Commission.	Moratorium. No cutoff until April 1.	No cutoff before April 1.
4. Vendor agreements	Yes (slow signing)	Yes	Yes. No problems	Yes. Some problems with gas companies and electric Co-ops signing.	Yes. No problems	PUC regulated, no vendor agreements.
5. Conservation activities	Conservation info to eligible clients, referrals, weatherization films.	Weatherization referrals	Referral to weatherization program, energy audits.	Referrals to State agencies..	None	Referrals to weatherization.
6. Services to subsidized housing	None	Very small percent receive assistance.	Only to those who pay utilities.	Very small amount	None	Small percentage.
7. Types of assistance	Heating fuel and prepare alternative heating services.	Heating only	Fuel oil, minor repairs	Only heat	Heating fuel only	Heating fuel, minor repairs, field deliveries.
8. Service to renters (heat included in rent)	Renters receive same benefit level as any other client.	Yes, but payments made to landlords.	None served	No problems in service to renters.	Yes. Same benefit as nonrenters.	Yes. Payments made to renters.
9. Coordination with emergency welfare program.	No	Yes, one time assistance of \$125.	By referral	No	No	None. One time payment of \$200.
10. State or Federal constraints	No upfront funds, no State match.	Late Federal regs, service to building operators, emergency delivery.	Too much redtape, Federal and State.	None	None	None.
11. Ending dates (all funds obligated)	April 15	May	May	May	May	May.

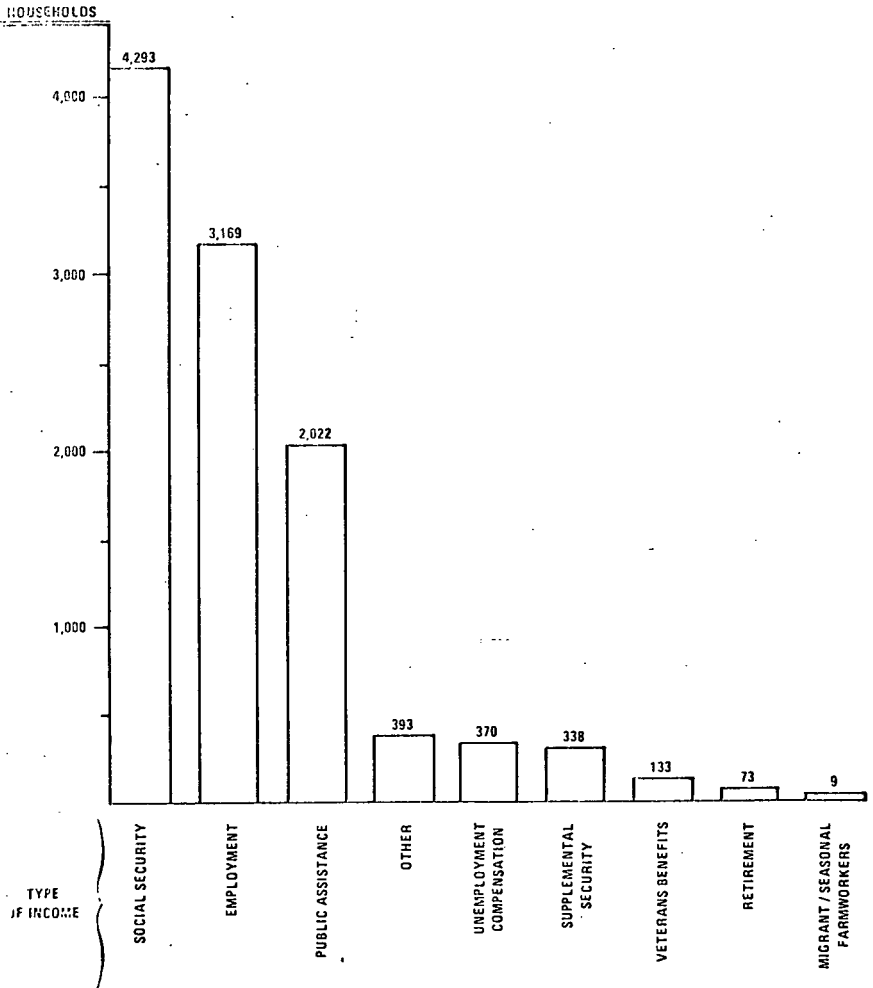
DELAWARE

STATISTICAL INFORMATION



DELAWARE
HOUSEHOLDS SERVED BY INCOME LEVEL



DELAWARE -
APPLICANT BY MAJOR SOURCE OF INCOME

LOW-INCOME ENERGY ASSISTANCE PROGRAM, STATEWIDE REPORT—APRIL 1, 1981

		Fuel obligation	
		Type	Percent
Total households served	10,831	Fuel oil	46
Total dollars obligated (82 percent)	\$3,600,776	Natural gas	18
Average benefit	\$332	Electricity	6
Elderly served (35 percent)	3,807	Coal	1
Handicapped (8 percent)	901	Kerosene	28
Children	19,565	Other	1

New Castle County, Catholic Social Services

Fuel obligation:		<i>Percent</i>
Fuel Oil		66
Natural Gas		26
Electricity		4
Coal		1
Kerosene		4
Other		1
Units:		<i>Households</i>
Single		1,510
Mobile		232
Multi		3,103
Total		4,845
Total dollars obligated (71 percent)		\$1,550,532
Average benefit		\$320.00

Kent County, Catholic Social Services

Fuel obligation:		<i>Percent</i>
Fuel Oil		39
Natural Gas		12
Electricity		6
Coal		1
Kerosene		42
Other		1
Units:		<i>Households</i>
Single		1,352
Mobile		270
Multi		936
Total		2,558
Total dollars obligated (79 percent)		\$866,499
Average benefit		\$339.00

Sussex County, Sussex County Community Action Agency, Inc.

Fuel obligation:		<i>Percent</i>
Fuel Oil		24
Natural Gas		12
Electricity		10
Coal		1
Kerosene		50
Other		4

<i>Sussex County, Sussex County Community Action Agency, Inc.—Continued</i>	
Units:	<i>Households</i>
Single	2,341
Mobile	233
Multi.....	854
	<hr/>
Total	3,428
	<hr/>
Total dollars obligated (108 percent).....	\$1,183,745
Average benefit.....	\$345.00

STATISTICAL INFORMATION FOR OTHER STATES

	Alaska	Minnesota	Indiana	Tennessee	North Carolina	Texas	Iowa
State allocation.....	9.6 million	69,649,410	46 million	24.3 million	30,750,644	39.6	32.6 million.
Program allocation.....	9 million	63,425,704	42,550,000	22,477,500	28,444,344.20	36,630,000	30.1 million.
Administration allocation.....	5.83	5,233,706	3,450,000	1,822,500	2,306,299.80	2.97	2.4 million.
Benefit range.....	200 to 650 (to be raised).	\$50 to \$1,045	\$182.50 to \$350	\$80 to \$623	\$61 to \$374	\$20 to \$147	\$112 to \$618.
Expenditures to date.....	As of Mar. 31, 2.9 million.	50,000,000	29 million	20,229,750	96 percent supplemented 20.2 million.	29 million	21 million.
Receipt of Federal funds.....	Dec. 29, 1980	Mid-December	Mid-December		Plan approved Dec. 31, 1980.	Jan. 1981	Jan. 10, 1981.
Application starting date.....	Jan. 1, 1981	Feb. 1, 1980	Oct. 17, 1980	Jan. 18, 1981	Dec. 1, 1980	Jan. 5, 1981	Dec. 15, 1980.
First payment.....	do.	Late December	Through IRS, probably Feb. 1981.	Subcontract made direct payment.	Dec. 17, 1981	Jan. 26, 1981	Jan. 20, 1980.
Date of payment.....	Vendor/renter	Vendor/tenant	Vendor tax credit to client.	To vendors form of check.	Direct to client	Client	Client/vendor landlords.
Served to date.....	Mar. 31, 1981, 4,650.	100,000	112,026	App. 35,000; 17,000 pending.	199,217	485,217	64,000.
Average benefit.....	\$480	\$619	\$259	\$578	\$155	\$60 to \$70	\$280 to \$300.
Type of fuel.....		Primary fuel oil					
Natural gas.....		25,925	60 percent	5,900	52,238		
Coal.....		188	3 percent	3,300	115,583		
Oil or kerosene.....		47,376	16 percent	650			
Electric.....		5,959	11 percent	20,000			
Liquid petroleum gas.....		14,948	9 percent	2,300			
Other.....		5,604	2 percent	2,900	31,396 (wood)		
Categorically eligible.....							
Noncategorically eligible.....	35 percent	More than 60 percent				100 percent	
Elderly and handicapped to date.....	1,240 (elderly)	46,000 (elderly)	49 percent (elderly)	20,000 (elderly)			50 percent.
	757 (handicapped).	14,000 (handicapped).	22 percent (handicapped).	(handicapped).			
Children.....	1,491 (hh)	28,000		11,114			
Served help, CSA guidelines.....			101,480			All	66 percent.
State match.....	None	1,030,000	None	Not sure	None	None	None.
Grantee of record.....	HSS	Dept. of Econ. Sec.	HHS	CSA	Dept. of Human Services.	State agency	State agency.

STATISTICAL INFORMATION FOR OTHER STATES—Continued

	Alaska	Minnesota	Indiana	Tennessee	North Carolina	Texas	Iowa
Sub-Grant No.	0		28—only for emergency.	22	0	1	1.
Total eligible population		150,000 hh	Approximately 185,000.		(Highly inflated) 335,000.	800,000	211,000.
Denials.....		6	23 percent	1,090		13,000	8 percent.

FUTURE OF THE WEATHERIZATION ASSISTANCE PROGRAM

Introduction

Rapidly escalating energy costs have been especially devastating for elderly people and others who live on low or fixed incomes. An elderly woman who lives on \$200 per month in social security income may spend 50 to 100 percent of that amount during cold weather just to keep her home warm. While costs of heating fuel have skyrocketed during the past 7 years, her income has increased only slightly during the same period. Like many other elderly and low-income people, she is faced with a cruel decision: Whether to pay to heat her home and go without adequate food, medicine, and other necessities, or vice versa. "Conservation through price" is not an option for her.

Congress recognized this very serious situation in 1975 when it passed legislation which directed the Community Services Administration to begin a program of weatherization and crisis intervention for low-income households.

Since 1975, the weatherization program has grown and in 1978 was transferred to the Department of Energy (DOE). DOE awards grants to States to administer the weatherization program. States, in turn, contract with local community-based organizations or local governments to weatherize the homes of qualifying persons.

Weatherization consists of installing insulation and storm windows, stopping air infiltration into the home by caulking, weatherstripping, replacing broken glass, and making repairs where necessary.

Authorizing legislation for the Department of Energy's weatherization assistance program is contained in the Energy Conservation in Existing Buildings Act (title IV of the Energy Conservation and Production Act), amended by the National Energy Conservation Policy Act of 1978 and the Energy Security Act of 1980.

Problem Assessment

There appears to be no relief in sight from rapidly rising fuel costs, especially with decontrol of oil and natural gas. Low-income people, especially those who are elderly or handicapped, will continue to face life-or-death situations unless they continue to receive assistance with their energy costs.

The fuel assistance program, which helps low-income people pay their fuel bills, is at best a stopgap measure. As fuel costs rise, the need for additional assistance grows proportionately. And, the investment in the program serves only a temporary purpose; nothing permanent is achieved, except to keep the recipients from freezing to death.

Decontrolling pricing may encourage production of more oil and gas, but producing more energy will not help low-income people pay their fuel bills. Therefore, the only long-term solution available today is a vigorous conservation effort aimed at reducing fuel consumption by low-income people, with a resulting reduction in their energy costs.

Current Status

Although past legislative and regulation restrictions have made it difficult to operate the most cost-effective weatherization program possible, the majority of States in the Nation currently are operating very effective weatherization programs. In Federal region III, studies have shown an average savings of 35 percent on heating fuel consumption after weatherization, after allowing for heating degree day differences.

The investment for weatherization services, unlike some Federal social programs, returns benefits year after year. The savings realized by the recipients of weatherization enable them to spend their money on other necessities such as food, and help reduce their dependence on other public assistance programs.

The weatherization program has had a positive economic impact on the States and communities in which it operates. Supplies are bought locally, and in some cases the volume of weatherization program business has encouraged industry, such as storm window or insulation factories, to open in areas where the program operates. In some cases, local contractors are hired to do the weatherization work.

The DOE weatherization program was earlier plagued with difficulties such as labor shortages, restrictions on certain uses of funds, and other problems which resulted in slow production of weatherized homes. However, in the past year, the program has turned around significantly, and has been improved with better quality control and regulations. Monthly totals of weatherized homes are ranging between 30,000 and 35,000 nationally. In region III alone, about 115,000 homes have been weatherized since the program began in 1976, at a current average materials cost per unit of \$450.

Present Concern—Folding Weatherization Into CDBG Funds

The region III weatherization coordinators are very concerned over the current Reagan administration proposal to fold the weatherization program into the Department of Housing and Urban Development's community development block grants, with no accompanying transfer of funds for weatherization, and in fact an overall decrease in CDBG funds. This move, if approved, will virtually eliminate the weatherization program for low-income households.

The current delivery mechanism (Federal categorical grant to the State, which contracts money to local agencies), has proven effective. It assures even provision of services, greater quality control, and more effective training and monitoring of the personnel providing weatherization services. Local agencies already are given much authority in running the program; the State serves primarily as administrator of the program.

The region III weatherization coordinators have the following concerns about the proposal to fold weatherization into local CDBG funds:

(1) The primary purpose of community development block grants and the purpose of the weatherization program are different. The purpose of the CDBG program is to develop communities according to the various developmental needs in the individual recipient communities. The purpose of the weatherization program is to help those with limited resources to conserve energy.

(2) Some areas of a State, particularly rural areas, would receive no weatherization funds at all, since CDBG funds are distributed unevenly in States, with the bulk going to cities and towns. In region III, 38 percent of eligible clients live in rural areas, ranging from 20 percent rural in Maryland, to 81 percent rural in West Virginia.

(3) No excess funds are available in CDBG's for weatherization. In fact, a 25-percent cut in CDBG funds is proposed.

(4) Weatherization would be "lost" in the midst of such a broad-ranging program. There would be no targeting of funds for weatherization. Also, weatherization may not be the best political investment for a locality to make with CDBG funds.

(5) If weatherization is chosen as an activity for the locality under CDBG funds, a whole new weatherization operation would need to be set up in each locality, smaller in scale, and much less efficient than the existing delivery network. Trained personnel and managers, tools, equipment, and materials would be idle. The weatherization program as it now operates would be dismantled, and momentum which has been built up by States, particularly in the past year, would be lost.

Advantages of State-Level Administration

Experience in region III demonstrates the advantages of administering the weatherization program from the State level. When the original CSA weatherization program began operation in 1975-76, the region III States were the only States in the Nation funded on the State level. Funding for other States went directly from the Federal Government to individual local agencies. The States in region III were soon far more productive than any other weatherization program in the Nation. Local agencies in the States in region III had the highest material quality standards, most efficient crews and paid less for materials than other regions.

When the weatherization program was transferred to the Department of Energy in 1978, statewide funding became the national method of funding chosen by the Department of Energy. Since DOE began this method of funding nationally, and ended funding direct from the Federal Government to localities for weatherization, other areas of the Nation have improved to the point at which production and quality of most States' weatherization programs is consistent.

Efficiency can be improved by funding a statewide basis in the following areas:

- (1) Consistent quality control (fiscal year programmatic).
- (2) Allocation of resources to areas where they are needed most.
- (3) Sharing of information such as comparison of material costs, weatherization techniques, and new materials.
- (4) Increased purchasing strength with suppliers.
- (5) Better training and technical assistance capabilities.
- (6) Avoidance of high costs which would result from duplication of training, monitoring, and other services in each locality where the program operates.

Recommendations

The region III weatherization coordinators make the following recommendations for the future operation of the weatherization program:

(1) *Make categorical grants from the Federal Government to States.*—Recognize the continuing need to target low-income households for special weatherization/energy conservation services, and the advantages—both for the recipients and the Nation as a whole—of operating the weatherization program from the State level.

(2) *Delegate the authority for selection of the form of administering the weatherization program in the State to the Governor.*—Each Governor is best able to identify the means of administering and operating the weatherization program most effectively in the State. Governors should be given maximum flexibility to design a comprehensive weatherization program to meet the needs of their individual States.

(3) *Provide long-term authorization and funding for weatherization.*—This will allow the administrators to plan for the program, assuring consistency and efficiency, and will allow State legislators to appropriate funds to complement the Federal grant.

(4) *Provide adequate funding for weatherization.*—If adequate funding is not committed to weatherization and other conservation programs for elderly and low-income persons, the need for increases in fuel assistance program funds will rise each year. Clearly, the wiser investment is in weatherization.

(5) *Maintain consistency in Federal sponsorship of the weatherization program.*—Tremendous amounts of time and tax dollars are wasted when programs are moved from one Federal sponsoring agency to another. New regulations, new systems of administration, new forms, and new staff all tend to disrupt program operations for a few years after the move. This was clearly shown in the disruption and problems which resulted when DOE assumed administration of the weatherization program in 1978. The DOE program has just recently begun to weatherize a significant quantity of homes monthly. Much more needs to be done in program management to operate the program even more effectively. But, constantly changing the sponsoring agency solves no problems.

Conclusion

Free market pricing of heating fuels may encourage conservation among some groups of Americans. However, low-income, elderly, and handicapped people on fixed incomes have no flexibility in their budgets to absorb the increased cost of fuel, are already using the minimum amount of fuel necessary to keep their homes warm, and do not have available funds to invest in conservation measures themselves. The wisest solution to this dilemma is to reduce energy consumption in low-income households, thereby reducing the need for other forms of public assistance.

A weatherization program for low-income persons has proven effective across the Nation in keeping its recipients warmer in cold weather, and in making them more self-reliant. The proposal to fold the weatherization program into community development block grant funding invites inefficiency and waste of time and funds. In order to serve the largest number of eligible people most effectively, the Federal Government should continue to make grants for weatherization directly to States. Governors of States are in the best position to then allocate the available resources fairly where they are needed the most.

Experience in region III has demonstrated the advantages of administering the weatherization program on a statewide basis. Region III weatherization coordinators believe that a program which is cost-effective, creates jobs and businesses, drops consumption of fossil fuels, and helps people to pay their energy bills in the future should not be eliminated or diluted. Energy is probably the biggest problem facing the Nation and the elderly and poor in particular. The weatherization program can help to solve the energy problem if it is continued as an identifiable grant program to States with sufficient funding to provide maximum benefit to its recipients and to the entire Nation.

ITEM 11. LETTER AND ENCLOSURE FROM JOHN G. BUCKLEY, CHAIRMAN, FUEL OIL MARKETING ADVISORY COMMITTEE, U.S. DEPARTMENT OF ENERGY, TO SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, DATED APRIL 23, 1981

DEAR SENATOR HEINZ: From 1974 until 1981, the Fuel Oil Marketing Advisory Committee ("FOMAC") provided guidance to the Department of Energy and its predecessor agencies on programs and policies which affected marketers of home heating oil and consumers of that product in all regions of the United States. During the last 3 years, the committee reviewed the effect of rising energy costs on low-income households, and in 1979 issued a report, "Low-Income Energy Assistance Programs; a Profile of Need and Policy Options," explaining the need for financial assistance to such households. This report was updated in 1980 together with an assessment of the need for such assistance. Both reports made specific recommendations regarding the implementation of a program designed to meet those needs. The enclosed briefing paper explains the continuing need for such a program particularly to the poor and the elderly, and recommends a program model for its implementation.

If I can be of any assistance in providing information regarding FOMAC's research and recommendations, please do not hesitate to call upon me.

Very truly yours,

JOHN G. BUCKLEY.

Enclosure.

BRIEFING PAPER ON THE LOW-INCOME ENERGY ASSISTANCE PROGRAM

HISTORY AND PURPOSE OF FOMAC

The Fuel Oil Marketing Advisory Committee ("FOMAC") was established in 1974, pursuant to the Federal Advisory Committee Act (Public Law 92-463), as an advisory committee to the Federal Energy Administration, predecessor agency to the Department of Energy ("DOE"). Until its dissolution in February 1981, FOMAC provided DOE with advice concerning the wholesaling and retailing of fuel oil as it relates to the development and implementation of policies and programs of the DOE. The committee was composed of refiners, wholesale and retail marketers of fuel oil, and consumer and State government representatives from all regions of the country.

Between 1978 and 1981, the committee focused its attention on the effect of rising energy costs on low-income households. Thus, in 1979 FOMAC published a preliminary report—"Low-Income Energy Assistance Programs; a Profile of Need and Policy Options"—documenting the need for financial assistance to low-income households in light of ever-increasing energy costs, and made specific recommendations regarding the implementation of a program designed to meet those needs. A final report was published in 1980. That information was used by the Congress in development of the current low-income energy assistance program.

The purpose of this briefing paper is to highlight the following:

- (A) Need for a low-income energy assistance program.
- (B) Fuel cost projections.
- (C) Recommended program model.
- (D) Integration of fuel assistance and conservation programs.
- (E) Administrative recommendations.

A. Need Assessment

FOMAC's study and analyses of the impact of rising energy/fuel prices on low-income households indicate the following:

- (1) In 1980 there were approximately 16.2 million households defined as low income at 125 percent of poverty for the general poor population and 150 percent of poverty for the elderly (reference: U.S. Bureau of Census).
- (2) Of the total population size indicated below, less than 50 percent received payments from aid to families with dependent children (AFDC), supplemental security income (SSI) and food stamps. Thus, based on the income eligibility standards indicated in (1), most households in the United States which are poor, do not receive public assistance.
- (3) FOMAC studies have documented that the poor will have lost \$14 billion in purchasing power between 1978 and 1980 due to increases in energy costs.
- (4) In 1980, the poor spent at least 35 percent of their income directly on energy and at least 21 percent of their income on household energy. In some regions of the United States that percentage (21 percent) is now well over 30 percent of household income.
- (5) Low-income households spend nearly four times more the percentage of their income on household energy than the average American household.
- (6) Low-income households, on the average, use less than 50 percent of the total energy consumed by the average American household and 25 percent less household energy.
- (7) Such households have less ability to offset increased energy costs through product substitution in the marketplace than for any other necessity they utilize.
- (8) Finally, low-income households continue, by necessity to occupy low quality, energy inefficient housing stock, and lack financial resources to implement significant conservation improvements.

B. Fuel Cost Projections

- (1) The average cost of crude oil for 1981 as a result of price increases due to crude oil decontrol and the OPEC action of January 1981 is between \$36 and \$38 per barrel. This number is a 50-percent increase over the \$25 per barrel average cost of crude oil in January 1980.
- (2) Nationally, natural gas costs will increase between 15 to 20 percent during 1981.

C. Recommended Program Model

After careful review of various program designs, FOMAC supports an income indexing-vendor line of credit program model. This model would provide assistance to eligible households on:

Energy needed.—Heating/cooling needs would be based on size of dwellings and heating/cooling degree days.

Cost of fuel.—Cost would be calculated on the basis of price of fuel to provide needed heating and cooling.

Percentage of income.—Households receiving assistance would be responsible for a portion of their heating/cooling expenses on the basis of income. (This system is generally referred to as income indexing.)

The FOMAC model would operate through a vendor line of credit, thereby assuring that the benefits are utilized for household energy. This system would place responsibility on the vendor for delivery and recordkeeping. In this system, once program eligibility was determined and a client selected his/her vendor(s), actual payment of the subsidy would be made directly by the Government to the selected vendor. With variations, the FOMAC model could be used to assist households in which energy costs are included in the rent.

The FOMAC model would serve to offset some of the design flaws of the 1979-80 Federal energy assistance program in four ways:

(1) Assistance would be more proportional to household energy needs and ability to pay.

(2) Assistance would be more readily available to all the poor, especially the elderly and working poor not enrolled in public assistance programs.

(3) The national, local, and individual allocations of assistance would be more closely tied to heating/cooling needs versus poverty status alone.

(4) Assistance provided to low-income households would have to be utilized for fuel bills.

On May 30, 1980, the U.S. Department of Health and Human Services (HHS) issued interim final regulations setting forth the requirements for States seeking allotments under the Home Energy Assistance Act of 1980. These regulations have incorporated some of the major features of the FOMAC proposed program design as well as recommendations contained in the FOMAC report issued in 1979. In addition, the HHS regulations also attempt to resolve many of the program design problems characteristic of the 1979-80 energy assistance program.

The cost of implementing the FOMAC design nationally would have ranged from \$3.5 to \$4.6 billion for the 1980-81 winter heating season. This figure is significantly more than the \$1.8 billion actually appropriated in the budget.

Under the income eligibility guidelines for the 1980-81 energy assistance program approximately 20.7 million households were eligible for assistance. If 75 percent of such households had participated and received an average of \$200 per household, the total budget needed for 1980-81 would have been \$3.1 billion, excluding administrative costs.

D. Integration of Fuel Assistance and Conservation Programs

One of the central conclusions of FOMAC's analysis of low-income energy assistance was that energy assistance and weatherization programs should be combined to produce the most cost-effective approach to meeting the energy needs of low-income households.

The combination of assistance and weatherization, in accordance with the FOMAC approach, would be preferable to a single financial assistance program from both a national and consumer perspective for a number of reasons.

(1) It would lead to administrative efficiencies by reducing the costs of administering two programs that service essentially the same population.

(2) It would lead to increased efficiency in the use of energy by maintaining incentives to conservation as well as disseminating information about energy conservation to the target population.

(3) On a cost-benefit basis, weatherization represents a capital improvement to the Nation's building stock. Money spent for weatherization ultimately decreases the amount of money needed for energy assistance payments.

Thus, FOMAC urges the new administration to conduct the program on a scale that effectively meets the energy needs of the low-income population and improves the Nation's energy position by increasing the efficiency of energy use.

E. Recommendations

FOMAC makes the following recommendations to the new administration:

(1) Continuation of the low-income energy assistance program to protect the health and safety of low-income households.

(2) Utilization of a program model which contains the following elements:

- (a) An income indexing/vendor line of credit approach.
- (b) Reorientation of the program from an income transfer "welfare" program to a comprehensive low-income energy assistance program that focuses on energy conservation efforts as well as fuel assistance and provides services to all the eligible poor.
- (c) Promotion of philosophy encouraging individual self-reliance through energy conservation.
- (d) Integration and combination of the fuel assistance program administered by HHS with the low-income weatherization program administered by DOE.
- (e) Consideration of expanded funding levels for both programs, realizing administrative cost savings if program reorganization and integration occur.
- (f) Reasonable limitations on national, State, and local program administrative costs.
- (g) Practical and reasonable Federal regulations and guidelines especially as they relate to consumers and fuel vendors.
- (h) Provision for "emergency" energy assistance to low-income households when a situation exists whereby the health and safety of the household is jeopardized.

ITEM 12. STATEMENT OF THE ALLIANCE TO SAVE ENERGY,
WASHINGTON, D.C.

On April 9, 1981, the Special Committee on Aging held a hearing to consider the proper structuring of the low-income energy assistance and weatherization programs in helping less fortunate older Americans cope with rising fuel costs. We have been informed that the record of this proceeding will be held open through April 17, 1981, for written comments from the public, and we therefore wish to submit this statement for the committee's consideration.

The Alliance to Save Energy is a national nonprofit organization composed of representatives of the business community, government, labor, academia, and the environmental and consumer movements. Formed in 1977, it is dedicated to advancing energy conservation as a key component of national energy policy and our national security interests. It is chaired by Senators Charles Percy and Alan Cranston and numbers among its financial supporters and adherents approximately 85 major U.S. corporations, the leadership of organized labor, and more than 100 U.S. Senators and Congressmen.

The Alliance's comments will focus both on the low-income energy assistance program ("LIEA"), administered by the Department of Health and Human Services, and the Department of Energy's weatherization program. Looking first at the LIEA program, we believe that any authorizing legislation for this program should specify clearly the uses to which LIEA moneys may be put. Those uses should be stated broadly to include not only payment of fuel bills, but also improvements in heating systems, and other weatherization measures in structures housing eligible LIEA recipients.

Regarding the weatherization program, we advocate its retention under its own authorization within the Department of Energy. Should it be transferred to the Department of Housing and Urban Development and folded into HUD's block grant programs, as now proposed by the administration, it would likely assume a low priority in State and local use of those grants and perhaps be de facto terminated. In addition, the administrative structure for the weatherization program is now well established at DOE, the program has recently increased markedly in effectiveness, and significant ground would be lost in transferring it at this point.

Nor should the weatherization program be merged with the LIEA program, particularly if such a merger would entail the risk of having funds hitherto designated for weatherization purposes used to pay fuel bills. We would advocate instead that these two programs, although remaining separate and distinct and administered by different Federal agencies, should be authorized on an identical multiyear basis and their authorizing legislation should be written to promote, or possibly require, coordination between the two programs at the State and local level wherever possible. Finally, we advocate a reauthorization of funding for community action agencies, which currently receive essential operating support through the Community Services Administration and which often serve as the local implementing agency for the LIEA and weatherization programs, among many others. If the Community Services Administration is to be eliminated, as the administration proposes, funding for these local agencies should be transferred to the Department of Health and Human Services.

I. LEGISLATION AUTHORIZING THE LIEA PROGRAM SHOULD SPECIFY CLEARLY THE USES TO WHICH LIEA MONEYS MAY BE PUT

In its April 9 hearing, the committee received testimony from Linda McMahon, Associate Commissioner of the Social Security Administration. Ms. McMahon presented the administration's view that the LIEA authorization should permit the use of LIEA funds for "low-cost weatherization" as well as payment of fuel bills. A similar statement was made by Hon. David B. Swoap, Under Secretary of Health and Human Resources, in testimony on March 24, 1981, to the Senate's Subcommittee on Aging, Family and Human Services. Mr. Swoap went on to give "calking and weatherstripping" as examples of "low-cost weatherization."

On neither occasion, however, did these witnesses define the term "low-cost weatherization." As a result, we are not sure whether the administration would advocate limiting the use of LIEA funds to so-called "low-cost" improvements, particularly as they involve the shell of a building rather than its heating system. Would energy-delivery improvements such as furnace retrofits also be included in the administration's proposal even if they might involve a somewhat greater expense than traditional "low-cost" items?

Regardless of the administration's position on these questions, we would urge that any authorizing legislation for the LIEA program state without doubt—i.e. without undefined terms or ambiguities—the permitted uses of LIEA funds. This should be done to make clear to the States and localities the breadth of discretion they will have in distributing such funds.

As we will discuss in the next section of these comments, more assistance in meeting fuel costs can often be provided to LIEA recipients if part of their Federal payments is used to retrofit their furnace or provide other weatherization improvements. We are therefore concerned that if permissible uses of LIEA funds are left vague in the authorizing legislation, State and local administrators may be hesitant to broaden the range of permissible uses beyond simple payments of fuel bills. This may be especially true if such officials would be subject to suit, or simply believe they might be sued, for exceeding the bounds of permissible uses set in the LIEA authorization. Vagueness at the Federal level thus could frustrate a broader, more effective use of LIEA funds by State and local administrators in future years. For this reason, we urge that this question of permissible uses be addressed fully and effectively by Congress in reauthorizing the LIEA program.

II. PERMISSIBLE USES OF LIEA FUNDS SHOULD INCLUDE IMPROVEMENTS IN HEATING SYSTEMS AND OTHER WEATHERIZATION MEASURES AS WELL AS PAYMENT OF FUEL BILLS

In the Home Energy Assistance Act of 1980, Congress authorized the LIEA program for fiscal year 1981 to help low-income recipients "meet the rising costs of home energy." Since fuel costs have continued to rise sharply in the past year, this program will be needed all the more in fiscal year 1982.

Rising fuel costs, however, will also dictate that LIEA funds be used even more effectively wherever possible in fiscal year 1982. While we would advocate the use of some part of available LIEA funds in fiscal year 1982 for dollar-for-dollar payments of fuel bills, we believe that the total amount of energy assistance delivered to LIEA recipients often can be increased if the balance of appropriated LIEA funds is used to retrofit their furnaces or weatherize their homes. This contention, furthermore, becomes all the more true as the price of home heating fuels continues to rise.

In appendix A hereafter, we set forth at length the reasons why such a "mixed use" of LIEA funds is preferable to their use for fuel payments alone. The essential principle, however, is relatively simple. For a given amount of LIEA assistance, the amount of energy which can be purchased will be less each year as fuel prices continue to go up. This means that the Federal Treasury constantly will have to increase its assistance to low-income recipients just to keep them at their present level of fuel consumption. If such increased payments are made, the Federal Treasury will suffer more and more each year. If they are not made, low-income recipients will suffer more and more. The choice is not a happy one.

If part of a recipient's LIEA payment is used for certain energy conservation measures, however, the amount of energy assistance can often be increased—even in the first year after retrofit—when compared to using the entirety of that payment to pay fuel bills. And, as fuel prices continue to climb year after year, the dollar value of energy saved through such improvements will continue to go up. The amount of fuel actually delivered will decrease slightly each year, but nowhere near the reduction which will occur if LIEA payments are used exclusively to pay fuel bills.

While we make no claims that this use of some portion of LIEA funds for energy conservation will meet the needs of all LIEA recipients in future years, it will contribute substantially toward assisting the poor in meeting their rising fuel bills while minimizing the costs to the Federal Treasury in doing so. Evidence of this is found in a Department of Energy demonstration project now underway in Philadelphia to retrofit furnaces in 200 low-income homes. As is discussed at greater length by DOE's program manager (appendix B hereafter), the initial results of this program indicate an energy saving of approximately 22 percent per home. This will amount to a reduction in fuel bills which will more than offset retrofit costs within 2 years. And, as the cost of home heating fuels continues to rise in future years, additional savings not only will continue to accrue, but also will increase in dollar value each year.

Recently we have been informed by LIEA program administrators in Delaware and Pennsylvania that they would be interested in using their LIEA allotments in future years to implement this "mixed use" concept on a statewide basis. If these pilot programs were implemented and proved successful, as we are confident they would be, other States likely would begin to implement similar programs in future years. The initial hurdle to getting these "mixed use" programs underway, however, is assuring that the congressional designation of permissible uses is worded not only clearly, but broadly.

We would therefore urge that the language concerning permissible uses in Federal authorizing legislation be worded to include not merely payment of fuel bills, but also furnace retrofits, other improvements to heating systems within a building, and weatherization of the shell of the building. This would give State and local authorities maximum discretion in allotting LIEA funds among multiple uses to meet the fuel-assistance needs of eligible recipients within their jurisdictions.

III. THE WEATHERIZATION PROGRAM SHOULD BE RETAINED UNDER A SEPARATE AUTHORIZATION WITHIN THE DEPARTMENT OF ENERGY

The administration has announced its intention to transfer the weatherization program in fiscal year 1982 from the Department of Energy to the Department of Housing and Urban Development. Weatherization would be folded into HUD's community development block grant and urban development action grant programs, but with no additional funding for these programs to meet weatherization requirements. On the contrary, funding for both of these programs would be cut back substantially under the administration's proposed budget.

The result of such a proposal would be competition between weatherization and other uses authorized under CDBG and UDAG for a smaller pot of Federal dollars than was authorized in fiscal year 1981. Such a result would be highly undesirable in terms of the weatherization program. Although this program suffered some administrative problems in its early stages in fiscal year 1981, those problems largely have been removed and the program is now functioning as intended to provide weatherization services to eligible recipients. As we have argued above in the context of LIEA, using Federal funds for energy conservation purposes is one of the more effective means available at present to cope with the rising cost of home heating fuels. Just as some LIEA funds should be used for this purpose, so should the weatherization program be continued at its present level of effectiveness in distributing conservation funds.

If the administration's proposal to transfer the weatherization program is adopted, however, the use of funds for weatherization purposes within HUD block grants is likely to diminish substantially or virtually be eliminated. Both CDBG and UDAG already fund certain uses of the moneys appropriated for these programs, and constituencies have formed at the State and local levels to assure that such uses continue to be funded in the future. If weatherization is now added to these block grants, it will have no comparably established constituency and thus will be at a disadvantage in competing for block grant funds. The result, all too likely, is that weatherization will assume a low priority in HUD's programs and will receive relatively little funding compared to its present level within DOE.

For this reason, we oppose the administration's plan to shift the weatherization program to HUD.

Nor do we favor the merging of the weatherization program with LIEA. During the April 9 hearing, various questions were raised by committee members regarding lack of the coordination in past years between the LIEA and weatherization programs. While we do not question the validity of the concerns raised by the committee in this regard, we would urge caution if any thought is raised about improving coordination by merging these two programs.

Our concern arises from the possibility—or, in some instances, the likelihood—that LIEA funds will be used predominantly or exclusively for payments of fuel bills

in coming winters even if the Federal authorization permits other uses. While we advocate a "mixed use" concept for LIEA funds, as set forth above, we do not exclude the possibility that some States or local officials will find it politically advantageous, or administratively simpler, or both, to distribute LIEA payments to recipients merely for payments of fuel bills. If this "worst case" scenario does come to pass, it would be desirable to confine its effects to LIEA and not let it extend to funds previously earmarked for the weatherization program. Therefore we think it would be undesirable to combine LIEA with weatherization if the result might be an even greater "tilt" toward payments of fuel bills at the expense of other uses of energy assistance funds.

If LIEA and weatherization remain separate and distinct programs when next reauthorized by Congress, we believe that one means of addressing the committee's concern about lack of coordination might be to provide mechanisms in such authorizing legislation to promote or require coordination between these programs in specific instances. If an applicant were determined eligible for assistance under the LIEA program, for instance, an inquiry might be required to determine whether he was also eligible for weatherization assistance. If he were, he might be given the opportunity to file a simultaneous application for assistance under both programs and to have that assistance coordinated, in terms of the uses to which his combined payment was put, to maximize the fuel assistance benefits to him.

IV. THE LIEA AND WEATHERIZATION PROGRAMS SHOULD BE REAUTHORIZED ON AN IDENTICAL MULTIYEAR BASIS

One of the most important factors in improving both the LIEA and weatherization programs in the future is to enact a multiyear authorization for each program.

With regard to LIEA, one fundamental reason to authorize this program on a multiyear basis is to enable the full range of permissible uses, discussed above in section II of these comments, to be funded effectively. As discussed at greater length in appendix A hereafter, a multiyear authorization of the LIEA program may be a necessity if the total cost of a furnace retrofit or other, more expensive conservation measure is to be financed out of LIEA payments. In most States, payments in a single year are not great enough to finance these improvements, even if the entirety of the payment were to be used for this purpose. With part of each recipient's LIEA funds being used to pay fuel bills each year, it would be even more necessary to spread the financing of the retrofit or other energy conservation measures over a multiyear period.

With regard to both the LIEA and weatherization programs, the need for multiyear funding arises for a second reason. After various startup problems last year, these programs are now functioning efficiently, and will continue to do so if their fiscal year 1982 authorizations are enacted in timely fashion. If these authorizations are delayed, however, various "reactivation" problems can be expected once these programs get underway again. The key, therefore, is continuity in authorizations—and in Federal appropriations thereafter.

As has been demonstrated by the LIEA program and its predecessors, and in numerous other instances, the best way to assure continuity of authorizations is *not* to write a 1-year authorization and thereafter rely on good intentions for the timely consideration and passage of next year's authorization. Too many potential disagreements, competing bills, delays, and other factors exist in the legislative process to consider such a strategy reliable, and any changes in the authorization from one year to another take their toll in the additional time and resources needed to write supplemental regulations and perform other tasks to make program implementation conform to congressional changes.

What is needed, rather, are multiyear authorizations with ongoing congressional oversight, plus a thorough review and possible renewal once the authorization expires. This would better insure a period of continuity in the LIEA and weatherization programs, hopefully for at least 3 years. To allow for various startup delays and inefficiencies which may result from new authorizations for both of these programs—even if weatherization is left in DOE—we suggest that a minimum authorization of 4 years is desirable for both programs.

To promote maximum administrative coordination between the weatherization and LIEA programs, we would emphasize that an attempt should be made to authorize these two programs for the same number of years, i.e., four at a minimum. In this way, the programs would come up for review and possible reauthorization at the same point in the future. The interrelationships between these programs thus would be recognized implicitly, and coordination would exist on Capitol Hill in the same way that it should be required at the State and local levels in dispensing LIEA and weatherization assistance.

V. FEDERAL FUNDING FOR COMMUNITY ACTION AGENCIES SHOULD BE REAUTHORIZED AND TRANSFERRED TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

The administration's budget proposals call for the elimination of the Community Services Administration in fiscal year 1982 and, with it, elimination of CSA's funding of community action agencies ("CAA's" or "CAP agencies") at the local level. In recent years, CSA has supplied the essential funding for operation of the CAA's—i.e., the "glue" that has held most of these local agencies together. In turn, the CAA's have been the lynchpin in the delivery of Federal assistance to eligible recipients. With trained, experienced staffs, they have established and operated programs involving various types of Federal assistance. In these efforts, they have identified, processed, and paid recipients under Federal programs and, through various outreach activities, have assisted many of the elderly, disabled, illiterate, and others in seeking Federal assistance for which they are eligible but unable to obtain on their own.

The CAA's have performed such services under not only CSA programs, but also those of other Federal departments and agencies. In recent years, these local organizations have organized and operated HHS energy assistance programs and DOE's weatherization program at the local level, and they continue to perform such functions for these two departments in fiscal year 1981. Since they have dealt with both fuel and weatherization assistance, they have become an ideal vehicle for local implementation and coordination of these two Federal energy programs.

The administration, however, proposes to eliminate CSA funding for the CAA's, and to do so not through an orderly phaseout over several years but immediately. We believe that such a drastic step is ill-advised and will lead to needless confusion, to disruption of effective delivery mechanisms for Federal assistance, and thus to more of the "waste in government" that the administration seeks so ardently to eliminate.

Under the administration's proposals, part of the Federal funds distributed in block grants could be used for administrative costs at the State and local levels. These administrative funds presumably would replace CSA funding of the CAA's in establishing and operating local distribution agencies.

The price for carrying out the administration's plan, however, would be substantial. First, with the elimination of CSA funding, the moneys needed to provide essential organization and administrative support for most CAA's would be eliminated. Some CAA's can provide this support through the very substantial funding they obtain from particular Federal programs, and they might survive a cutoff of the CSA "glue" money. Most CAA's however, are not so well connected to the Federal Government, and they likely would die. Thus there would be considerable disruption in the delivery of Federal funds, plus the inevitable costs of starting up new distribution mechanisms of the local level. Such a transition would take much time and effort, and might well result in the loss of experienced CAA personnel because block grant funds were not yet available, or because of hiring limitations, or for a variety of other reasons. In the meanwhile, eligible recipients of Federal aid would not be given the attention they would otherwise receive.

Rather than one local distribution agency for multiple Federal assistance programs, furthermore, there likely would be a proliferation of local agencies under different block grants. If so, a period of years may be required to consolidate these new agencies—if they *are* consolidated at all. Still more time and effort would have been wasted on local organization, and the result would be only to bring matters closer to where they now stand with the CAA's.

If it is wise to eliminate CSA at this time—a question we are not addressing here—then we believe that the CAA's should *not* be eliminated also. Continuity of local distribution mechanisms is needed, and the CAA's together with their support structure within CSA should therefore be transferred to HHS with the objective of promoting over several years an orderly transition to the administration's proposed block grant funding of local distribution agencies.

In light of the relationship of CSA to HHS in recent years, such a transfer would not be disruptive or illogical. Indeed, Federal assistance in meeting increased energy costs and in weatherizing structures was administered by CSA from fiscal year 1974 to 1978. It was only in fiscal year 1979 that Congress gave HHS and CSA a coordinate role in fuel assistance activities under the energy crisis assistance program ("ECAP") and completed a transfer of the weatherization program to DOE which had begun in the previous year. In fiscal year 1979, HHS nominally operated the primary fuel assistance effort, with CSA operating a crisis intervention program. In practice, however, CSA operated the primary fuel assistance program in 35 of the 50 States. Only in fiscal year 1980, under the LIEA program, did HHS actually assume primary operating responsibility for the fuel assistance effort. What has occurred, therefore, has been an administrative transition from CSA to HHS in

the fuel assistance program since fiscal year 1979, and our proposal for the transfer of the CAA's to HHS only carries that transition one step further.

A second reason for transferring the CAA's to HHS arises from the recently announced intention of HHS to permit LIEA funds to be used for "low-cost weatherization" if Congress concurs. The expertise that the CAA's have in operating weatherization programs at the local level, if integrated into HHS, would enable this recent change in HHS policy to be implemented effectively and with minimal startup costs. At the same time, the CAA's could continue to administer DOE weatherization funds at the local level. Thus they could continue in their role as integrator of the energy assistance efforts of both HHS and DOE at that level.

We urge that this suggestion be considered as an alternative to the administration's approach to the CAA's. The expertise and capabilities of these agencies should not be lost through a sudden cutoff of Federal funds to them, particularly when the CAA's play so vital a role in assisting the elderly and other disadvantaged citizens in coping with the rising cost of energy.

Appendix A

ENERGY SAVINGS THROUGH FURNACE RETROFITS

To most effectively assist the low-income elderly in coping with constantly increasing fuel costs, the Alliance To Save Energy believes that permissible uses of LIEA funds should be defined broadly to include not only payment of fuel bills but also furnace retrofits and other weatherization measures. We have mentioned furnace retrofits in particular because, as noted in appendix B hereafter, they often result in substantial energy savings in a very short period of time. If only part of an LIEA recipients Federal assistance is used each year during a 4-year-LIEAP program to retrofit his furnace, the result usually will be more fuel assistance to him—even in the first year—than if his entire payment is used to pay fuel bills.

To illustrate how this approach could be implemented, consider the following example. Assume that the State plan calls for energy assistance payments of \$300 for qualifying households now using oil heat. Assume further that this \$300 payment is broken into two parts. \$150 would be paid directly to the household to assist with energy bills. The remaining \$150 would not be paid directly to the household but rather would be paid to a home heating oil equipment dealer to finance the installation of specific oil heat efficiency improvements. The Alliance has identified two oil heat retrofit packages which appear especially cost-effective.

One package involves the installation of a flame retention head burner on existing oil heating equipment. Studies performed by the Brookhaven National Laboratory for the Department of Energy have confirmed that such burners, on the average, can save 15 percent of the oil used during the heating season.¹ These burners can be installed on virtually all oil heating systems and are relatively inexpensive. According to data gathered by the Department of Energy, these burners can be installed for a price ranging from \$325 to \$375¹ in most parts of the country. For many low-income families, installation of a new flame retention burner would also serve to replace burners which are grossly inefficient because they are beyond the maximum recommended age for replacement.

For example, according to the oil heat industry, a third of the residential oil burners currently in service are over the maximum recommended age for replacement. The age of the equipment is known to adversely affect efficiency. For these systems, the savings produced by a new flame retention burner may be on the order of 18 to 22 percent. In addition, the household gets a new burner and avoids the necessity of having to replace its present outdated model.

A second, even more effective retrofit package which involves minimal additional cost includes the installation of a new flame retention burner as well as a matched end cone to allow for reducing the firing rate. Many existing oil boilers are oversized and have burner nozzles which are too large for efficient combustion. By reducing the firing rate as well as excess air openings around the mounting and blast tube, the efficiency can be substantially improved beyond the 15 percent which can be expected from the installation of a flame retention burner alone. According to the Brookhaven National Laboratory:

"In most cases, the collective benefits from the 'retention head burner,' 'optimized fine tune' and the 'tubulator' options justify the addition of the 'reduced firing rate'

¹R. Hoppe, W. Graves, & F. J. Salzano, "Evaluating and Selecting Options for Oil Refit Programs," Brookhaven National Laboratory (February 1980) under contract with the U.S. Department of Energy. The price range quoted for 1980 was \$300 to \$350. We have increased these amounts—and others in this appendix—by an approximate amount to reflect 1981 costs. A copy of this Brookhaven report is found immediately hereafter as appendix A-1.

option. This combined optional package can achieve an estimated annual fuel savings of 25 percent * * *²

Significantly, Brookhaven National Laboratory estimates that the cost of this combined package is just \$450 in 1981. This means that for the additional expenditure of approximately \$75, an additional 10-percent reduction in fuel use can be achieved.

The Alliance suggests that States should be allowed to determine which—or both—of these two options they wish to invest in. The Alliance recommends the second option since, for a small additional investment, substantial additional savings can be achieved. States which wish to begin with a less ambitious retrofit package could, of course, merely provide for the installation of the flame retention burner.

The actual financing of the retrofit package would be arranged through a contract process between the State and equipment suppliers. Each State would advertise for bids from heating equipment manufacturers to achieve the lowest possible cost for installation of the measures described above. Since the program would effectively provide a large market to distributors without their having to incur marketing costs, the State may be able to get installation bids at very attractive prices. This is particularly true if the State can promise the bidders a large volume of business.

Once the low bidder has been selected, the implementing agency would enter into a contract with that company providing for payment for all improvements installed over a 4-year period. The amount paid the equipment supplier would cover not only the installation costs but also reasonable interest payments for the deferred purchase price. The Alliance has checked with a number of banks and believes that an interest rate of 15 percent is appropriate.

Assuming this 15-percent interest rate is adopted, the actual payment schedule included in the contract would work out as follows: Assume the State decided to invest the second retrofit package, which has been estimated to cost \$450. In the first year, the State would pay the equipment supplier \$150. This leaves a balance of \$300 on which 15-percent interest would be paid for a period of 3 years. The actual interest payments work out to a total of \$74.40 over 3 years, which for the purposes of this example, we have rounded off to \$75. Thus, the Government's total obligation to the heating oil equipment distributor for each installation would be a total of \$525 (\$150 initial payment plus \$300 balance plus \$75 interest, computed at 15 percent over 3 years). To return this total to the equipment supplier, the Government would pay \$150 in each of the next 2 years and \$75 in the third year, for a total of \$525.

In other words, the low-income household would receive \$150 in cash for the first 3 years of the program and \$225 in the fourth year.

To compute the actual savings to the low-income household from the installation of the retrofit package, we have assumed that the household is located in one of the New England States where most of the houses are heated by oil. According to the Department of Energy, a typical oil-heated home in New England used 1,200 gallons of heating oil in 1979-80.³ The installation of the retrofit package would be expected to save 25 percent of that total in the first year and each year thereafter. Thus, in the first year, the installation of the package would be expected to save such households 300 gallons of heating oil. If we assume that heating oil will cost \$1.40 per gallon during the winter of 1980-82,⁴ this means that the combined benefit of the savings produced by the installation as well as the oil which can be purchased with the \$150 cash grant amounts to \$570 of energy assistance (\$1.40 times 300 plus \$150) or the equivalent of 407 gallons of heating oil. Needless to say, if the Department had simply given the same low-income household a \$300-cash payment, that \$300 could have purchased only 214 gallons of oil. By taking the approach suggested by the Alliance, the Department is able to effectively provide the low-income household with 193 additional gallons of oil or \$270 additional dollars of home assistance, an increase of 90 percent over what would have otherwise been provided by simply making a cash payment of \$300.

As impressive as these numbers are, they understate the ultimate value of the proposal to the low-income household. The reason is that, if oil prices continue to increase, the retrofit package will produce savings in fuel oil each year and those savings will become increasingly valuable as the price of oil rises. On the other hand, if the State were simply to pay the low-income household \$300 each year for

² *Id.*

³ Information supplied in a telephone conversation between J. Menkin of the Alliance and a representative of region I in Boston, Mass.

⁴ This is a very conservative estimate since the cost of home heating oil is approximately \$1.40 per gallon in some part of the United States now. If fuel costs are estimated higher, the case for furnace retrofits is all the more compelling.

the next 4 to 5 years, the \$300 payment would buy less and less oil each year if oil prices continue to rise.

To illustrate the effect of oil price increases, we have prepared the table set out below. In preparing it, we have made a very conservative assumption that oil prices will rise by 10 percent per year between now and 1985. In reality, oil prices have risen by a substantially greater percentage within just the last 2 years. Obviously, the greater the increase in oil prices, the more valuable the retrofit package becomes.

TABLE 1

	Assumed price	Current proposal will buy (with no savings)	ASE proposal will buy (with 25 pct fuel savings)
1981-82.....	\$1.40	214 gallons at \$300.....	407 gallons worth \$570.
1982-83.....	1.54	195 gallons at \$300.....	397 gallons worth \$612.
1983-84.....	1.69	177 gallons at \$300.....	389 gallons worth \$657.
1984-85.....	1.86	161 gallons at \$300.....	380 gallons worth \$708.
1985-86.....	2.05	146 gallons at \$300.....	373 gallons worth \$765.

To illustrate, let us examine the figures for the winter of 1982-83. If we assume that the price of heating oil has increased 10 percent to \$1.54 per gallon, a straight cash payment of \$300 will buy just 195 gallons of home heating oil. On the other hand, if the approach suggested by the Alliance were adopted, the retrofit package would be expected to again save 300 gallons of oil, which in 1982-83 would not be worth \$420 but rather \$462. If this \$462 savings is combined with the \$150 cash payment which would also be made in 1982, the total amount of effective energy assistance is \$612. This \$612 in energy assistance would be able to purchase 397 gallons of fuel oil. This 397 gallons compares to the 195 gallons which the straight cash payment of \$300 would have allowed the low-income household to purchase.

The same sort of analysis can be completed for the years 1983-85, as shown on the table above. Needless to say the effective gap between a straight cash grant and the Alliance's proposal becomes even more pronounced in subsequent years.

Appendix B

DEPARTMENT OF ENERGY,
Washington, D.C., April 8, 1981.

Ms. LYNN COLLINS,
Director of Conservation Programs,
Alliance To Save Energy,
Washington, D.C.

DEAR LYNN: Most of the data on the energy savings resulting from the retrofits being installed in Philadelphia is now in. Since it will be several weeks before we will complete the computer runs and our analysis, I thought you would be interested in a preliminary assessment of the results.

The results we are getting are exactly what was predicted, i.e., 22 percent reduction in average oil consumption. To date, more than half of the 200 planned retrofits have been completed. The remaining retrofits will be completed by May 15, 1981.

As you know, the purpose of the energy consumption monitoring was simply to document that retrofits performed under this administrative setup (i.e., using fuel oil dealers to do the work and a low-income service organization to administer the program and monitor the dealers) would produce about the same savings as Brookhaven National Laboratory and others have reported for the same retrofit performed under more controlled conditions. Brookhaven predicts about 22 percent average savings for a burner retrofit with nozzle optimization and a setback thermostat.

Even though we are just attempting to verify what BNL has predicted, we have taken great pains to accurately monitor energy consumption. We are using three separate measures of oil consumption.

First.—In all 200 homes we are measuring actual fuel deliveries before and after the retrofit and adjusting for degree days.

Second.—In each case we are performing combustion efficiency tests before and after the retrofit is performed. Using Brookhaven and National Bureau of Standards data we then calculate the seasonal efficiency improvement (equivalent to the percentage fuel oil savings) that would result from the measured improvement in steady state efficiency.

Third.—The first 100 homes retrofitted were monitored in a more rigorous manner. One hundred homes were identified where the homeowners had made no changes in the house or their living habits which could significantly effect the fuel consumption. Next we divided the homes into two groups with the same average and total oil consumption and steady state efficiency before retrofit. The groups were also matched as closely as possible on housing type and furnace or boiler type. Each of the heating systems in these 100 homes were fitted with a running time meter which records the burner "on time."

We determined the nozzle size and by multiplying the nozzle size in gallons per hour times the "on time" in hours we could determine the oil consumption over any period of time.

One of the groups of 50 homes was assigned as the control group and will be retrofitted only after we have collected our data on the test group. The test group of 50 received the burner retrofits earlier in the winter. As soon as the retrofits in the test group were completed we began reading the meters on all 100 homes weekly.

By comparing the savings measured for the test group with any savings which occurred for the control group we were able to determine if some part of the overall savings for the test group is due to the increase in oil prices or other factors not associated with the changes in equipment.

Our preliminary calculations by each of these three methods above indicate that the average reduction in oil usage is between 22 and 23 percent. We expect to have the final report on this pilot project completed by May 15, 1981, and will send you several copies at that time.

Sincerely,

WAYNE E. GATHER, Jr.,
Program Manager.

ITEM 13. LETTER AND ENCLOSURES FROM WALKER NOLAN, VICE PRESIDENT, LEGISLATIVE AFFAIRS, EDISON ELECTRIC INSTITUTE, WASHINGTON, D.C., TO SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, DATED APRIL 29, 1981

DEAR MR. CHAIRMAN: I want to take this opportunity to thank you and your committee members for the recent interest you have shown in the field of low-income energy assistance. Specifically, I am referring to the April 9, 1981, Washington hearing on this topic. We at the Edison Electric Institute (EEI) believe that your committee can play a vital role in highlighting the energy assistance needs of the financially disadvantaged. To that end, we applaud your efforts.

Though EEI did not formally testify at your April 9, 1981, hearing, our interest in the low-income energy assistance field remains keen. I have attached a copy of the recently adopted EEI statement of policy on this topic. This statement addresses the short-term or crisis needs of low-income persons through the effective implementation of a low-income energy assistance program. The important long-range goals of conservation and weatherization are not broached by the statement.

Also attached are examples of what one company, Baltimore Gas & Electric, is doing to assist low-income persons. The two-page document highlights programs conducted in B.G. & E. to assist in the payment of utility bills. The more lengthy document demonstrates the individual initiative taken by this company in the establishment of a "fuel fund" program in conjunction with the city of Baltimore. These programs are indicative of the sensitivity and outreach of electric utility companies to financially disadvantaged persons.

I request, Mr. Chairman, that you include the attached documents in the record of the April 9, 1981, hearing. We at EEI remain ready to assist you and your colleagues in your important work in the field of human assistance.

Sincerely yours,

WALKER NOLAN.

Attachments.

EEI STATEMENT OF POLICY ON LOW-INCOME ENERGY ASSISTANCE

The Edison Electric Institute, the association of investor-owned electric utility companies recognizes that many Americans face economic hardship in providing for the necessities of life. The escalating costs of food, medical care, housing, transporta-

tion, and now energy, are contributing to this hardship. It is clear, therefore, that while aggressively seeking ways to alleviate the energy crisis, society also must find practical ways to help those who have become its innocent victims.

Congress has recognized the need to provide financial assistance to members of low-income households who are most vulnerable to rising energy costs. Programs to date, however, have been characterized by excessive Federal involvement in administration, by imperious regulation of energy vendors and by built-in delays in delivery of assistance to needy households.

To correct such shortcomings, Edison Electric Institute believes that Congress should restructure the Federal energy aid program to incorporate the following characteristics:

I. DESCRIPTION

It should be of permanent or multiyear duration, based on legislation enacted by Congress.

It should be a separate aid program, independent of other Federal programs that offer additional types of assistance.

II. SCOPE

It should assure that aid is provided to eligible users of all major forms of household energy.

It should recognize, as did the Senate Labor and Human Resources Committee in designing the fiscal year 1981 program that " * * the aggregate residential energy expenditure levels include all energy used in residential dwellings, regardless of purpose."

It should provide aid for all types of energy usage, including both heating and cooling.

III. ELIGIBILITY

It should recognize that existing State and/or local agencies have the knowledge and expertise to best administer the certification of eligibility.

It should establish income level—or need as reflected by income level—as the basis of eligibility.

It should be available to renters as well as homeowners.

IV. FUNDING

It should be a federally funded program, centralized in a single Federal agency and administered by individual states.

It should provide financial block grants for energy assistance to the States. Individual States will know best their local conditions, can best identify their needy, are better able to provide emergency set-aside assistance and are the proper authority to identify the type of energy assistance required and the months in which that assistance should be delivered.

V. ADMINISTRATION

It should recognize that the best means of achieving the congressional intent of providing assistance to the needy is to insure that aid payments are made directly to the energy vendor, or that appropriate lines of credit are established.

It should impose no recordkeeping requirements on individual energy vendors beyond those required for normal auditing purposes.

It should, to the maximum extent possible, encourage coordination between State regulatory and welfare/social services agencies. Federal or State regulatory guidelines which contravene traditional State agency jurisdiction should be avoided.

It should recognize that the Congress has mandated through existing Federal law the consideration of service termination policies and a number of alternatives to assist the needy. State regulatory authorities are presently reviewing these alternatives. The implementation of a low-income energy assistance program should not affect the congressional mandate of State regulatory authority review.

EEl and its member companies do not look to the Federal and State governments alone to carry the responsibility of helping the financially disadvantaged. Many of the Institute's members have worked closely in recent years with governmental agencies in developing programs and administrative procedures designed to alleviate the hardship. Many companies have developed individual programs designed to assist needy customers. Because of the varied and diverse regulatory climates within which individual utilities operate, such programs are by necessity local in

nature. The industry will continue to search for additional ways to help resolve the problem and stands ready to assist the Federal and State governments in their refinement of the low-income energy assistance program.

PROGRAMS CONDUCTED BY BALTIMORE GAS & ELECTRIC TO ASSIST THE POOR IN UTILITY BILL PAYMENTS

(1) *Even monthly payment plan.*—This is a longstanding program whose purpose is to allow customers to level their bill payments. It was extensively liberalized in 1978 to allow even those with some history of credit problems to participate. Currently, 88,000 customers are on our gas heating plan and 26,000 are on our electric cooling plan.

(2) *Special agreements.*—This is another program of longstanding whose purpose is to allow customers who fall behind in their payments to develop a reasonable payment agreement with us. It is directed to meet individual needs and is established for the individual after a reasonable down payment and an agreement to pay the rest in equal, monthly payments up to 6 months of duration. This plan was used extensively after the blanket moratorium in 1978-79. In April and May of 1979 we set up 16,000 plans representing \$5.8 million in revenue. Of that total \$5.4 million was repaid.

From January 1, 1980 to May 31, 1980, over 9,700 special agreements were taken in the amount of \$3.2 million. As of March 1, 1981, \$2.9 million, or 92.3 percent, has been repaid.

(3) *Third-party notification.*—This program was begun in 1979. It allows a customer to designate another party to receive delinquent notices. It is aimed more for those who are unable to respond to the notices themselves because of age or infirmities. We have approximately 2,267 participating in this plan. About 20 accounts per month find themselves in the collection stream and have notices sent to the third party. There is no responsibility for bill payment on the part of the third party, but the notice serves to urge them to assist where they can.

(4) *Hospital termination plan.*—This plan was begun late in 1979. Its purpose is to allow us to coordinate with hospital social service workers in delaying termination to needy customers who are being released from the hospital. This protects them from termination until they have an opportunity to get back on their feet and work with us to resolve prior bills. During 1980, we received 63 such cases.

(5) *Fuel funds.*—This concept was implemented in Baltimore City in May 1979. It offers a bill credit from B.G. & E. which can be matched with funds from private charitable agencies and the customer himself. It is aimed at helping those just above the poverty level. Plans were established late in 1979 in Anne Arundel County and Howard County. So far, 5,200 customers have been assisted and we have provided bill credits of \$390,000 in addition to the initial seed grant of \$10,000.

(6) *Winter termination programs.*—The first of these programs was instituted on November 15, 1979, and was concluded on April 1, 1980. During this period of time we deferred termination for nonpay to customers whose incomes were below 125 percent of the Federal poverty level. The level was \$8,375 for a family of four. In addition, we deferred termination for 30-day periods for those customers whose income fell between the 125 percent poverty level and 50 percent of the median income for the State of Maryland (\$10,000 for a family of four).

This program provided termination protection of 16,000 customers until April 1, 1980. It also provided 30-day termination protection for 1,800 customers. We further referred these customers to the appropriate agencies for Federal assistance where appropriate and to the various fuel funds.

The second of these programs was instituted on November 17, 1980, and will conclude on April 1, 1981. We used the new Federal poverty guidelines for deferral of termination to low-income customers (i.e., \$12,770 for a family of four). As of March 1, 1981, we had deferred termination for a total of 25,899 customers.

To provide additional protection for those households which were in need, other than for strictly low-income reasons, during both years we deferred terminations where we had evidence of the presence of elderly, handicapped, or seriously ill occupants and families with preschool children.

FUEL FUNDS

A report of the Baltimore Gas & Electric Co.'s participation in the creation and operation of fuel funds in Baltimore City and in surrounding counties, prepared and presented by W. S. Snyder, Baltimore Gas & Electric Co.

During the spring of 1978, Councilwoman Victorine Q. Adams, Fourth Councilmanic District, Baltimore City, and numerous religious and business leaders met

regularly to discuss the energy needs of the poor and of the marginal income residents of Baltimore City. The committee members saw the need to establish and maintain a centralized fuel fund which, in time, they hoped would become self-perpetuating. The immediate concern of the committee was to assist the city's poor with their fuel needs.

Our company was involved in these discussions at an early date, and on March 14, 1979, Baltimore's Mayor William Donald Schaefer acknowledged, by public proclamation, the fund's and the company's efforts in their quest to help the needy with their energy related problems. Announcement was made that Baltimore Gas & Electric Co. would provide a seed grant of \$10,000 to the committee to be utilized as "gear up" moneys and would also provide \$190,000 of "credit dollars," to be matched on an equal basis with private funds collected from city residents, and forwarded to the company.

On May 15, 1979, a formal agreement was signed by Mr. R. C. Bryant, vice president, consumer services, Baltimore Gas & Electric Co., and Mrs. Victorine Q. Adams, representing the Baltimore Fuel Fund Committee, Inc. This agreement, a copy of which is included in the packet which will be available at the end of the presentation, identifies the Baltimore Fuel Fund Committee as a nonprofit corporation organized to establish a program to enable the public and private sectors to assist low-income persons who are unable to pay heating bills during the winter months.

The Maryland winters of 1976-77, 1977-78, and 1978-79, involved prolonged and abnormally severe weather and caused greater than normal consumption of energy for house heating purposes. Consequently, a financial hardship was imposed on many fixed- and low-income persons. They experienced difficulty in paying for higher than usual heating bills because they were unable to obtain assistance funds or had not been able to obtain sufficient assistance. We must remember that at the date of this agreement, the substantial Federal funds available for the winter of 1979-80 had not been announced.

The signed agreement announced that the Baltimore Fuel Fund Committee intended to coordinate an energy conservation and education program to assist Baltimore City residents who demonstrated a need for financial aid for paying heating bills incurred during harsh winter weather. Please note that "heating bills" were not restricted to bills for gas and electric service.

The committee agreed to provide a staff to administer the program and fund and to solicit contributions to the fund from fuel providers, local businesses, religious and charitable organizations, and from the general community.

The fund entered into an agreement with the Department of Social Services of the city of Baltimore, known as DSS, whereby DSS would screen and process persons in need of financial assistance to pay winter heating bills, and where appropriate, certify these persons qualifying for assistance to the Baltimore Gas & Electric Co.

The company stated in the agreement that we were willing to participate in such a project and to have our participation in such a project made an integral part of our civic and charitable contributions program. The energy credits to be provided by the Baltimore Gas & Electric Co. were to be considered as charitable contributions to be borne by the company's stockholders and not by our ratepayers.

The agreement announced that the program was intended to meet the following objectives:

(1) To provide assistance to fixed- and low-income persons, who, because of circumstances beyond their control, have difficulty in meeting home heating needs.

(2) To reduce the number of persons cut off from fuel services.

(3) To create a coordinated, businesslike approach in addressing the problem of fuel utilization and conservation where education and financial resources are most limited. I must tell you that this objective of the program has had limited implementation.

(4) To reduce the operating costs of energy providers by reducing the number of uncollectibles and collection costs borne by all customers.

(5) To provide a vehicle through which persons applying for heating bill payment assistance can be educated on the importance and benefits of energy conservation. Again, I must say that there is still substantial work to be done in this field.

The agreement listed the administrative duties of the fund as:

(a) The establishment of a permanent office location.

(b) The creation of an adequate staff, which could consist of volunteers.

(c) The establishment of an official fund banking account.

(d) The establishment of satisfactory administrative and recordkeeping procedures.

(e) The employment of an independent auditor to examine the financial statements and records and to issue a report thereon, at least annually, which shall be available to our company.

(f) The establishment of "audit trail."

(g) The procurement of necessary forms.

(h) The establishment of an ongoing public relations and promotional program to publicize the program and fund.

During 1979, in reality, the period ending June 30, 1980, the company agreed to provide \$1 in bill credits for every \$1 which the fund receives from private sources and sends to the company. In subsequent years, the agreement calls for the company to provide \$1 in bill credits for every \$2 which the fund receives from private sources and forwards to the company. The company, in no event, is required to match contributions from public, tax-supported sources.

The agreement recites that the company's obligation to match contributions from private sources is terminated when the company's matching bill credits to the fund, coupled with any other form of assistance which it has provided to other customers qualifying for assistance and residing outside of Baltimore City, reaches an annual aggregate level of \$200,000. I will speak in a moment of other funds that have now been created in jurisdictions adjacent to Baltimore.

The agreement provides for cooperation between the fund and the company to correlate the program and the fund with the company's existing even monthly payment plan. The fund or its designee, the Department of Social Services, is to encourage customers to apply for our even monthly payment plan.

The date of termination of the agreement is April 1, 1982.

As of April 1, 1980, 1,727 customers had been assisted by the fund in the amount of \$109,272.13.

The Baltimore Gas & Electric Co. serves the residents of several counties adjacent to Baltimore City. Anne Arundel County is located to the south of the City. Annapolis, our State Capital, is also the County seat. On November 21, 1979, an agreement was signed by Mr. R. C. Bryant, our vice president of consumer services, and a representative of the Anne Arundel County Economic Opportunity Committee at Annapolis. This agreement is practically identical to the one establishing the Baltimore fuel fund. In February 1980, we mailed a bill insert, drafted and printed at Anne Arundel County's expense, with the current bills to our Anne Arundel County customers. The insert asked for \$1 from each household, and a \$5 contribution from each business, which were to be mailed to the Anne Arundel County Fuel Fund, P.O. Box 1951, Annapolis, Md. Officials of the fund informed us that they raised \$12,817.95 from this effort. However, as you have already guessed, some of our customers mailed their contributions to us. Contributions received in our home office were credited to the customers' accounts, and we notified them of this action. The few contributions received at our Annapolis office were delivered to the fund.

As of April 1, 1980, we had received payments in the amount of \$12,188.22 for 132 customers from the Anne Arundel County emergency fuel fund.

Howard County is located to the west of Baltimore City and Baltimore County. It is a political jurisdiction that includes the nationally known new city of Columbia, which was developed by the Rouse Corp.

On January 24, a third agreement was signed with the Community Action Council of Howard County. It is very similar to the other two agreements. This document created the Howard County Fuel Fund Committee. I have included in the informational packet a copy of a letter sent to Howard County residents by the officials of the fund requesting contributions. On April 3, 1980, we were informed by officials of that fund that they had received contributions of \$1,900 and that four applicants were being processed for aid from the fund.

We have met with representatives of Baltimore County, which practically surrounds Baltimore City, and discussed the possibility of establishing a Baltimore County fuel fund. We seriously doubt if fuel funds will be established in the other counties we serve. The establishment of funds in some of these other counties would present unique problems involving the collection and the sharing of the funds between several utilities.

The existing economic conditions and a large, rural, agricultural area in Carroll County lead us to believe that there is little possibility of a fund being established in this political jurisdiction.

Our management intends to make another commitment in the amount of \$200,000 in credit dollars for the year ending June 30, 1981.

Fuel funds—an idea whose time has come? We think so.

ITEM 14. WESTERN GOVERNORS' POLICY OFFICE HUMAN SERVICES
ISSUE PAPER

LOW-INCOME ENERGY ASSISTANCE

ISSUE

The manner in which funds are allocated to States for the low-income energy assistance program must be examined to determine if the program is providing an equitable and responsible distribution of funds to States for needed services, especially those in the West.

BACKGROUND

The low-income energy assistance program (title III of Public Law 96-233, the "Crude Oil Windfall Profit Tax Act of 1980") provides funding to States for individuals that require financial assistance for both heating and cooling. The program does not provide funds for home weatherization, although many feel that a necessary and logical component in providing for energy assistance should include conservation measures to encourage decreased consumption of oil and gas in the home through home weatherization and other energy-saving techniques.

A consensus of Human Service officials of the 12 Western Governors Policy Office (WESTPO) States believe that, in principle, the low-income energy assistance program offers a means of providing for persons in need of energy assistance. However, the program could achieve its objectives in a more comprehensive and equitable manner.

DISCUSSION

A need exists to redesign the allocations formula for low-income energy assistance to better represent the various regions of the country. As presently stated:

"The funds will be distributed in several ways. Ninety-five percent will be allocated to the States based on a formula, as follows: Fifty percent (of the 95 percent) will be distributed on the basis of residential energy expenditures in individual States relative to the total residential energy expenditures nationwide. The other 50 percent (of the 95 percent) will be based upon heating degree days and numbers of households with incomes at or below the lower living standard established by the Bureau of Labor Statistics."

In reviewing each part of the formula separately:

The distribution of funds on the basis of residential energy expenditures relative to total residential energy expenditures nationwide is a clear and relatively precise method of distributing moneys, provided that energy expenditures are averaged over a period of the past 5 years. Averaging is a critical point in providing for an equitable distribution of funds since one hard winter, or mild summer, in a given region of the country could result in dictating how future moneys would be allocated. Energy expenditures should be determined by an average of recent years. This will more adequately reflect the long range pattern of energy consumption.

The second part of the formula states: "The other 50 percent (of the 95 percent) will be based upon heating degree days and numbers of households with incomes at or below the lower living standard established by the Bureau of Labor Statistics." The use of heating degree days as developed by the National Oceanic and Atmospheric Administration provides an unbiased look at where energy consumption needs exist. Furthermore, heating and cooling degree data, as provided, can be used directly to determine the Btu's that are needed to heat/cool the population of any given geographical area over a period of time. Yet, within the formula, no provision is made for consideration of cooling needs. While in the opinion of some, cooling is considered a luxury, in certain regions of the Nation temperatures have reached well over 100° and claimed the lives of over 2,000 people in 1980, a strong argument for including cooling days. It should be realized that whether a person freezes or succumbs to heat exhaustion, the results can be dangerous to personal health, and even terminal. This is particularly so for the elderly and handicapped populations.

In the last part of the formula several questionable aspects arise with the data collected from the Bureau of Labor Statistics (BLS) on "Annual Costs of Lower Budget 4 Person Family" which is to be used in computing the lower living standard for energy assistance program allocations. The data as reported by BLS are limited to 24 metropolitan areas and four nonmetropolitan regions. Of the States affiliated with the Western Governors' Policy Office, figures are reported for only Denver, Colo., and Anchorage, Alaska, which means that metropolitan areas other than Anchorage will have allocations based on statistics representing Denver or another metropolitan area outside of their respective State. Nonmetropolitan areas

throughout the Rocky Mountains are similar bound to a statistical measurement for the Western region. Furthermore, it is generally conceded that total budgetary costs will vary for low-income families between cities and differing rural areas of States, yet no definitive measure is available from the statistics used by which adjustments for these variations can be made. States that have families with higher (or lower) budgetary needs will be affected disproportionately in terms of funding allotments, since their allocations would be based on budget figures from areas outside their own geographical region. The WESTPO States suggest that determination of the number of families with budgetary needs for energy assistance be calculated on the basis of census bureau, State, and municipality data, again averaged over a reasonable period of years, to determine the households needing assistance based on income as related to regional cost of living.

A final consideration to be made is in regard to the basic purpose of the program itself. While the intent of the law is to assist those who need help in paying for high energy costs, it should also be argued that the most productive legislation is that which will occur over time eliminate its own usefulness and provide a savings to the Nation. Weatherization as a substantial part of the program should, in fact, assist in eliminating the need for energy assistance for excessive energy usage. The present regulations, however, effectively eliminate the opportunity for States to provide heating/cooling dollars along with minimal home weatherization materials.

As originally proposed by Congress, the low-income energy expenditure program was to receive 25 percent of the revenues incurred from the Crude Oil Windfall Profits Tax Act of 1980. The result, however, has been to provide less than 5 percent of the fiscal year 1981 revenues for energy assistance, as part of this effort to control the economy and maintain Federal budget integrity. This in turn is scheduled to be cut by 25 percent for fiscal year 1982. A worthwhile tradeoff consideration is to increase funding for the purpose of weatherization and to allow for decreased funding for energy usage over a period of years.

The 10 percent limitation of administrative costs, while notable for its intent to keep expenditures related to program oversight down and the funds flowing to the eligible at a maximum, has proven to be impractical and an impediment to fair reimbursement for States. The variation in costs from State to State depending upon a multitude of factors cannot be ignored. In addition, established mechanisms of longstanding, such as cost allocation plans, are more accurate processes for identifying administrative costs in lieu of an arbitrary limit.

Despite the relative newness of this program there already appears the seemingly inevitable propensity on the part of Federal administrators and Congress to burden the program with an expanding and complicated array of regulations, all of which will eventually burden the program with unnecessary requirements and affect efficiency.

RECOMMENDATIONS

To more effectively and equitably disperse funds to States for low-income energy assistance for energy usage the allocation formula should be reconstructed as follows to include:

(a) A 5-year rather than the proposed 1 year average of residential energy expenditures to determine the base for State funding.

(b) Use of both heating and cooling degree days as follows: Heating (7 months) and cooling (3 months) with a base cooling degree figure of 90° to provide States with exceptionally high temperatures to receive a portion of funds for cooling.

(c) Use of Bureau of Census poverty index figures which will provide for equitable data for all States.

To minimize dependence of the elderly, poor, and handicapped on the low-income energy assistance program, for excessive energy usage:

(a) Funds should be allocated for the express purpose of providing low cost weatherization, and

(b) The allocation of funds should be maintained at levels which will provide revenues to continue energy assistance for excess energy usage until weatherization will allow for subsequent decreases in funding.

To provide for more practical administration of the program, the imposed limitation of 10 percent administrative costs should be provided from the statute to clarify the State's ability to effectively administer and determine the needs of the program.

Place absolute limits on the size, form, breadth, and complexity of regulations governing the program's administration by States.

ITEM 15. STATEMENT OF THE SOUTHERN GOVERNORS' ASSOCIATION

On behalf of the 17 States, the U.S. Virgin Islands, and the Commonwealth of Puerto Rico, which share membership in the Southern Governors' Association, thank you for allowing us this opportunity to present testimony.

The decade of the 1970's brought increases in energy costs far greater than any ever before experienced by the people of the United States. No State, no region, no single individual has escaped the impact of those increases. Not only has the cost of energy itself risen dramatically but the cost of goods and services has also increased. For example, between 1972 and 1980, the Consumer Price Index rose a total of 92 percent.

While the Southern Governors' Association supported most of the actions of the Federal Government which attributed to this increase in energy costs, we also realized that low-income families would need assistance in meeting the costs of their energy needs. The development of such assistance programs was vital to the southern region since more than 42 percent of the Nation's poor live in the South and this does not include the influx of refugees to the South. The Southern States have absorbed 78 percent (86,000) of the Cuban refugees and about one-fourth (108,000) of the Indochinese refugees population. However, we have grave concerns about the low-income energy assistance programs and the associated funding allocation formulas which have failed to identify and reach the target population.

The funding allocation formulas in past years' programs have been heavily weighted in favor of cold weather States, even when those States have a far smaller percentage of poor people than some warm weather States. The programs were designed to provide assistance for home heating rather than meeting the needs of all the Nation's poor. It was said that people don't die from the heat, and home air-conditioning is a luxury, while home heating is a necessity. We would hope that the 1,265 deaths which occurred during this past summer's heat wave, deaths which were directly attributable to the extreme heat, have dispelled that theory forever. According to the Center for Disease Control in Atlanta, Ga., the majority of people who died from the heat were old, poor, and nonwhite.

While we have no specific funding allocation formula to offer, we would like to make several observations about the program. If this is to be one of the "safety net" programs for the Nation's poor, then several factors should be considered when allocating available funds: First, the number of poor households, in each State should be included; second, the cost of residential energy; and third, the climate extremes, both heat and cold. A formula giving appropriate weight to each of these factors should redress some of the inequity built into the present program.

In addition, the program should continue to operate all year long as is now provided under the current funding. Last year's program, with a cutoff date of June 30, effectively prevented an adequate response to the heat wave which hit the southern and midwestern United States. According to news reports at the time, which were later verified by the National Oceanic and Atmospheric Administration, in the 1 month period from June 22 to July 21, 1980, 1,098 persons died from heat-related causes. Of that total, 941 deaths occurred in the Southern Governors' Association's member States.

Before the heat wave ended in August 1980, a total of 1,265 deaths had occurred as a result. Only three other summers since 1900 have caused more heat-related fatalities than last summer and the death toll was approximately seven times greater than the average summer heat-related death toll of 175. An indepth study conducted in St. Louis and Kansas City, Mo., by the Center for Disease Control in Atlanta, Ga., revealed that the average age of those individuals hospitalized for heatstroke was 71.3 years in St. Louis, and 68.6 years in Kansas City. It is apparent from those average ages that the victims of heatstroke were indeed the elderly.

It is clear that every summer will not be like the summer of 1980, just as it is clear that every winter will not bring recordbreaking cold. It is also clear that if we are to meet the needs of poor, elderly, minority citizens then we must be able to react if either a summer or winter proves to be severe. The low-income assistance program as it existed last year, fails to provide either the equity in funding or the needed flexibility to allow States to truly assist poor people in meeting weather emergencies.

We are certainly not proposing that we pay to air-condition every home in hot weather States. Nor are we proposing that some portion of available funds be specifically designated for heat relief. What we are proposing is that the States be given adequate resources and then allowed to design a program which meets the unique needs of that particular State. The Congress acted quickly last year to provide an additional \$21 million for financial aid to low-income and elderly persons caught in the heat wave. However, that bill was signed into law on August 4, 1980, when the heat wave was almost over. The rhetorical question was asked then, "Who

could have foreseen the specter of older Americans dying from heat?" This year we need not be asked to foretell the future. We are now aware of the potential disaster which can occur in a weather emergency. The opportunity also exists to be prepared the next time it happens.

The low-income consumer of energy bears a heavy burden from the recent actions to decontrol domestic energy costs. While these actions will prove beneficial in the long run from an energy supply standpoint, they also mean higher costs for needed energy. Last summer's electricity usage volume meant still higher prices and larger utility bills for poor families, some of which already spend as much as 40 percent of disposable income for energy. The total electric output for the week of August 3, 1980, was 51.8 billion kilowatt hours, the second highest output ever for a single week.

According to the National Oceanic and Atmospheric Administration, the accumulated costs of the heat wave in additional electricity totaled \$1.3 billion. This problem is made even worse due to the higher per unit rates charged by electric utilities in the summer.

The Southern Governors' Association has long supported the idea of combining the low-income energy assistance program with weatherization. It makes little sense to continue to pay residential utility bills without making an effort to insure that the residences are weatherized properly. We still support that concept and feel that sufficient flexibility should be allowed the States so that funds for low-income assistance can be used to aid the poor in other ways instead of just paying utility bills. It should be noted that one problem this past summer, especially in Missouri, was that some homes retained heat too well and did not cool off during the night. In such cases the purchase and installation of fans and air-conditioners may be a proper step to take. In the majority of Southern States, however, the substandard quality of the housing stock also manifests itself in higher energy costs. In cheaply designed dwelling units, and particularly in mobile homes which are prevalent in Southern States, air-conditioning is not a luxury in the summer but a necessity.

The program operated last year was not an energy assistance program but an income transfer program. It was not sensitive to energy costs or needs nor was it coordinated with the other Federal energy programs such as weatherization. Because it was primarily designed to reach those households which were already receiving some form of public assistance, the program failed to reach the target population. The elderly poor in the South, many of whom are too proud of ask for public assistance, were overlooked until they began to die from the extreme heat of the summer. But even if each and every one of those needy individuals had been identified and the heat wave anticipated, due to the inequity of the funding allocation formula, the Southern States would not have had the resources to assist them properly.

We would urge you to consider a basic restructuring of this program. The record would indicate that the States are in a better position to design an assistance program if given that degree of flexibility. In addition, the allocation of funds will continue to prevent the Southern States from helping their poor citizens if the formula is to be heavily weighted in favor of cold weather.

We would also urge you to consider that this type of program would be more effective over the long term, and perhaps more cost-effective, if the housing stock were first weatherized to prevent energy waste. Continuing to assist low-income families to purchase energy which escapes through uninsulated walls, ceilings, doors, and windows seems a less than desirable approach to public assistance.

In your attempt as Members of Congress to redesign this energy program we would hope that while we try to understand what it is like to be old and poor in a northern climate, we also try to understand what it is like to be old and poor and living in Dallas, Kansas City, Birmingham, or Macon in the summer.

Thank you.

ITEM 16. "MAXIMIZING ENERGY ASSISTANCE TO LOW-INCOME AMERICANS," SUBMITTED BY LAURENCE F. KINNEY, SENIOR RESEARCH FELLOW, ENERGY RESEARCH CENTER, SYRACUSE RESEARCH CORP., SYRACUSE, N.Y.

This paper describes a pilot program being conducted over the winter of 1980-81 to raise the energy efficiency of oil-burning furnaces of low-income families. If done on a significant scale, an important decrease in oil imports could result.

Exponentially rising fuel costs sparked by the oil embargo of 1973 are likely to be even more dramatic as the effects of price decontrol become reflected in the marketplace. For many of America's poor, the price that must be paid to stay warm in the winter now represents a very considerable portion of family budgets already

strained by double-digit inflation. For those who live in colder climates and must heat with oil, the economic realities are especially grim. Many even modest-size dwellings require 1,000 gallons of fuel oil to get through the winter, and at more than \$1 per gallon, families on fixed incomes of only several thousand dollars per year are facing life-threatening realities.

The pilot program described here is designed to save homeowners 20 percent or more on their annual heating oil bills. If the program were expanded to, for example, 100,000 homes for the 1981-82 heating season, the resulting savings would be 20 million gallons of heating oil per year worth \$22,330,000 at current prices. The cost of such a program, about \$55 million, would be repaid through conserved oil in just over 2 years. The effect of this conservation approach on low-income people served would be a permanent 20 percent fuel oil subsidy. This permanent subsidy could be achieved for a one-time cost of about \$550 per household.

ENERGY ASSISTANCE PROGRAMS

Over the 4 years preceding the winter of 1980-81, Congress authorized a series of "energy crisis assistance programs" aimed at helping poor families pay their energy bills. Although each of these programs had worthy aims and managed to provide some families with much-needed assistance, meager funding and bad timing plagued them all.

The Windfall Oil Profits Tax Act of 1980, signed into law on April 2, included as title III legislation which established the low-income energy assistance program for 1980-81. The LIEAP legislation detailed congressional intent on a number of matters upon which previous legislation was silent. For example, it required States to develop plans for conducting the program which must meet a set of criteria established by the administering agency, the Department of Health and Human Services. Plans were required to include procedures for encouraging public participation and determining procedures and benefit schemes for equitably serving a much larger number of low-income families than under previous programs. Congress appropriated \$1.85 billion to conduct the 1980-81 LIEAP.

As required by the windfall tax legislation HHS produced a set of interim final regulations for conducting the LIEAP within the required 60-day period following the President's signing. Over the summer and early fall of 1980, HHS received and reviewed comments on the interim regulations which covered all important aspects of the program. For example, some commenters urged HHS to use part of the LIEAP funds to support conservation work. The final regulations, published in the "Federal Register" of November 7, 1980, included reviews of the comments received and reflected changes that HHS deemed appropriate and legal. Citing congressional intent and the preexistence of a weatherization program, the final LIEAP regulations made no provision for allowing States to conduct conservation services under the HHS program.

WEATHERIZATION PROGRAMS

Weatherization programs, administered at first by the Community Services Administration and presently by the Department of Energy, have been underway since 1973. There are currently about 1,200 local projects conducting low-income weatherization operations through community action agencies, other community-based organizations, and local governments. The DOE program pays for weatherization materials, program operational costs, and a significant portion of labor. The Department of Labor, through several titles of its CETA legislation, supplies part of the working force which forms weatherization crews. The total DOE funding for weatherization in fiscal year 1981 is \$182 million. Thus, conservation efforts on behalf of the poor are funded at less than a tenth of the level of the cash payments program, LIEAP.

Typically, conservation measures undertaken by crews include caulking and weatherstripping to stop air infiltration, adding attic insulation, and installing storm windows. Although current program guidelines also allow for small-scale furnace repairs under the aegis of weatherization, few projects include the raising of furnace efficiency as a routine element of their weatherization operations. Yet, there is abundant evidence that retrofitting oil burning furnaces for energy conservation can achieve significant savings—15 to 25 percent—for a relatively modest investment. Since this is the level of savings normally achieved by other weatherization measures whose total costs are usually greater, the energy-conserving benefits-to-costs of oil furnace retrofits appear quite favorable.

ADDING FURNACE RETROFITS TO ENERGY ASSISTANCE

It is these facts which led members of the staff of the Department of Energy's Office of Conservation and Solar Energy and others to suggest that HHS use a part

of its LIEAP program as a vehicle to establish a furnace retrofit program. In a comment on the LIEAP interim regulations, for example, the Alliance to Save Energy (a Washington-based nonprofit organization chaired by Senator Charles Percy) developed an economic argument which is very favorable to a furnace retrofit program and an outline of some possible organizational arrangements to conduct it.¹ Although HHS concluded that it would be neither consistent with the congressional mandate of the Windfall Oil Profits Tax Act nor administratively feasible to launch a large-scale furnace retrofit program in connection with LIEAP this year, it expressed strong interest in the idea.

Other organizations expressed strong interest in the idea of a furnace retrofit program, too: DOE's region III office, the Office of Weatherization Assistance, the Pennsylvania Department of Public Welfare, the Institute for Human Development in Philadelphia, the Pennsylvania Petroleum Association, and more than 30 fuel oil dealers in the Philadelphia area. With enthusiastic support from the Office of Conservation and Solar Energy—one of whose charges is to complement the efforts of private industry in promoting the rapid adoption of energy-saving technologies—DOE launched a pilot program to retrofit 200 oil burning furnaces in the Philadelphia area during the winter of 1980–81.

THE PILOT PROJECT

The aim of the pilot project is to demonstrate the feasibility of using windfall profits tax funds to affect long-term energy conservation measures in low-income homes. The pilot program is being administered by Federal and State agencies with private industry—fuel oil dealers—performing the conservation retrofit work. The pilot is focused on identifying and resolving the management and operational issues that could arise in a large-scale program. In addition, costs and fuel savings are being carefully monitored to verify that the savings shown in the Brookhaven research can be replicated by fuel dealers in the field.

Over 1,000 fuel oil dealers nationwide have already received training in upgrading furnaces under DOE's fuel oil conservation marketing program. In the pilot project, 30 fuel oil dealers in the Philadelphia metropolitan area who have received this training based on the Brookhaven findings are doing the work. For each job this includes:

- Correcting any unsafe conditions of the heating system.
- Thoroughly cleaning all flue passages.
- Replacing the existing burner with a new "flame retention" oil burner.
- Installing a clock thermostat; and
- Conducting an instrumented furnace tuneup to optimize firing rates and overall performance.

Other repair work such as the installation of a new combustion chamber or new controls is accomplished if needed.

The primary element in the retrofit work is the installation of a flame-retention oil burner. This new burner is designed to achieve more uniform mixing of fuel oil and combustion air. Thus, instead of blowing unburned fuel up the flue, the result is near total combustion, higher flame temperatures, cleaner stack gases, and improvements in efficiency of at least 15 percent due to this conservation measure alone. In combination with the other measures listed above, overall improvements of 20 percent or more are routine. This means that a 1,000-gallon-per-winter home becomes an 800 or even 750 gallon-per-winter home. At \$500 per retrofit job, the fixed price fuel oil dealers participating in the program have agreed to accept, the payback period is 2 years.

Even if one ignores such benefits as extending the useful lifetime of low-income families' furnaces, stimulating effects to the local economy, and ultimately lessening the demand for imported oil, this looks like an attractive investment.

Coordination for the pilot program plus logistical support, technical assistance, and quality control are being provided by the Institute for Human Development. The institute is a nonprofit organization in Philadelphia which both conducts the local weatherization project and provides technical services in furnace maintenance, energy conservation, and research.

The Institute for Human Development's work under the pilot program is twofold: Project management and research/data collection. In the role of project manager,

¹ A copy of the Alliance To Save Energy's comments on the LIEAP interim final regulations may be obtained from the Alliance at 1925 K Street NW., Suite 507, Washington, D.C. 20006. The economic argument is founded on a series of research projects conducted by the Brookhaven National Laboratory. Of particular interest is "Evaluating and Selecting Options for Oil Retrofit Programs," a Brookhaven report published in February 1980 (also available from the Alliance to Save Energy).

the institute is simulating the activities of a local agency charged with conducting a well-run furnace retrofit program. This includes:

- Client identification (in concert with LIEAP operators).
- Heating system safety and efficiency check.
- Client certification (in concert with LIEAP operators).
- Work order writing and contracting with fuel oil dealers.
- Post-retrofit efficiency testing, inspection, and quality control.
- Payment to vendors and fiscal control; and
- Client followup, problem solving, and coordinating with other programs (such as weatherization).

These responsibilities would be common to those of any local organization managing a furnace retrofit program. But for purposes of the pilot project, the institute is also playing a research and data collection role. This includes:

- Drawing a stratified random sample from last year's clients of the energy crisis assistance program to maintain good geographical distribution.
- Providing technical assistance to fuel oil dealers as necessary and in cases in which dealers cannot perform the retrofit work, providing necessary conservation services.
- Monitoring actual fuel use of 100 of the 200 furnaces being retrofitted, using 50 as a control group for late winter retrofit and 50 others for early winter retrofit.
- Calculating fuel use as a function of weather (heating degree days) and computing savings achieved by retrofit work; and
- Providing information for preparing a detailed project report. This will include notes on administrative arrangements that seem to work well, as well as technical results of the pilot project.

In addition to the management and research work of the Institute for Human Development, the pilot project is being documented and evaluated by independent nonprofit organizations. In consequence, the final report will include a detailed description of the pilot project, a compendium of practical wisdom from experienced oil furnace retrofitters about what to do (and what to avoid), a report on what a sample of clients, oil dealers, program administrators, and policymakers have to say about the project, an analysis of the economics of the retrofit operations derived from empirical data gathered this winter, and a policy analysis of various options the Federal Government should consider in the oil furnace conservation field.

THE FUTURE

Energy costs have already increased to the point at which the average low-income household in this country must spend almost 25 percent of its income to pay energy bills. In a world of dwindling resources, instabilities in the Mid-East, and price decontrols, the costs of oil and other fossil fuels are sure to increase for the foreseeable future. It is thus responsible public policy to insure that poor people can survive, and subsidy programs like the low-income energy assistance program are necessary. But such subsidy programs do not pay dividends, save energy, or lessen our dependence on fossil fuels.

Conservation programs on behalf of the poor have all these benefits and, in the long run, can lead to lessening the need for subsidy programs. Weatherization is a good start, but at present funding levels, only 1 to 3 percent of the low-income housing stock is being weatherized each year.

Furnace upgrading may be the best buy of all. The savings are real and immediate, the costs are modest, and the payback periods short. Such programs are, by their nature, administratively simpler to conduct, primarily because the private sector plays a leading role in doing the retrofit work. There are good reasons for believing that it will be feasible to gear up to conduct large-scale programs in the 20 major fuel oil consuming States within a year.

In all events, the lessons learned from this winter's pilot project will be most useful in designing expanded furnace conservation efforts in the future.

ITEM 17. STATEMENT OF THE UTILITIES COUNCIL ON COMMUNITY DEVELOPMENT, WASHINGTON, D.C.

The Utilities Council on Community Development (UCCD) is an informal association of electric utility and gas distribution companies (list attached) concerned with national issues affecting the welfare of their customers and the communities they serve. Energy assistance to low-income individuals and families in the form of grants to enable such persons to pay fuel bills, or to weatherize homes, or to provide emergency food and shelter is of deep concern to utility companies, not only because

it enables these customers to pay their bills, but also on the same humanitarian grounds that all citizens share.

Various proposals are now or may shortly be pending before the Congress to restructure the Federal agency aid programs. Legislative alternatives range from combining the low-income energy assistance program, crisis intervention, weatherization, and emergency assistance under title IV of the Social Security Act into one block grant, or variations thereon, to streamlining current law to increase State flexibility, yet retaining the categorical focus on low-income energy assistance. The administration has requested about \$1.4 billion for its proposed block grant program, a reduction of about \$900 million from what the total appropriation for the four programs it would combine was in fiscal year 1981.

UCCD supports the concept of increasing State flexibility. UCCD believes also that a block grant approach to energy assistance, combined with a possible budget reduction will seriously dilute the ability of the States to assist and adversely affect those in our society most in need of assistance to manage rapidly rising energy costs. Therefore, UCCD supports a categorical approach for low-income energy assistance, with a specific set-aside for crisis intervention.

Should a block grant approach be favored by the committee, however, UCCD suggests that the following features be incorporated into the assistance legislation to correct the following shortcomings:

- It should specify a fixed minimum percentage set-aside for each of the programs folded into the block grant and restrict use to low-income individuals and families.
- It should require weatherization assistance, to the extent funds are available and need exists, for each recipient of a grant to pay fuel bills.
- It should limit the State program administrative costs to not more than 10 percent of the overall funds.
- It should permit carryover of unexpended funds to the next succeeding year.
- It should not permit transfer of funds to health and social service block grants.
- It should authorize and encourage vendor payments.
- It should permit expenditure of funds for cooling and heating and for all forms of fuel.
- It should permit assistance to homeowners and renters.

UCCD supports the President and Congress effort to control Federal spending and reduce inflation. Inflation, however, has had a devastating effect on the ability of millions of households to meet their ordinary and necessary expenses, and this is especially true for millions of low-income individuals and families. Utilities have taken many steps, independent of Federal or State assistance, to help their customers, but their ability to provide help is greatly restricted, as it should be, by the regulatory process. Adequate Federal funding is, therefore, essential to assist this country's least able citizens to manage through the most difficult times.

We earnestly urge support for the legislative changes discussed above and for adequate funding when the appropriation for the program is acted upon.

MEMBERS OF THE UTILITIES COUNCIL ON COMMUNITY DEVELOPMENT

Atlantic Electric Co., Central Hudson Gas & Electric Corp., Consolidated Edison Co., Green Mountain Power Co., Jersey Central Power, Laclede Gas Co., Mississippi Power & Light Co., Northeast Utilities, Pennsylvania Power & Light Co.

ITEM 18. LETTER FROM PAUL RODGERS, ADMINISTRATIVE DIRECTOR, NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS, WASHINGTON, D.C., TO EACH MEMBER OF THE SENATE SPECIAL COMMITTEE ON AGING

DEAR SENATOR: The National Association of Regulatory Utility Commissioners (NARUC), whose membership includes the commissions of the 50 States engaged in the regulation of utilities, respectfully urges you to support continued energy assistance to low-income households at an undiminished level, plus an increase to reflect inflation.

The executive committee of the NARUC, which is the policymaking body of the association, met in Washington, D.C., on February 26, 1981, and overwhelmingly endorsed the continuation of low-income energy assistance.

As State commissioners who oversee the regulation of retail electricity and natural gas rates, we are continuously aware of the burden that increasing residential fuel costs impose on the consumer and are especially mindful of the hardships these increases work upon the poor.

During these leaner times, low-income households are confronted with an intolerable and impossible prospect for the future: They face escalating prices for residen-

tial fuels but acutely decreased assistance from the Federal and State governments to meet basic needs. Adequate shelter requires more than sound walls and a secure roof. Especially for those who live on fixed incomes, assistance must be provided to insure their health and, in some cases, their lives.

That consumers will continue to pay more for heating oil, natural gas, and electricity is inevitable as the prices of residential fuels begin to reflect the actual costs of producing and distributing them.

Yet some relief must be granted to those who cannot bear the financial expense and other harsher costs. As reported in the New York Times on March 26, 1981, delinquency rates in paying gas and electric bills are rising because thousands of Americans cannot afford the increasing prices.

We thank you for your concern. The NARUC would welcome the opportunity to testify in the hearing before your committee.

Your support will be deeply appreciated and long remembered.

Yours sincerely

PAUL RODGERS.

ITEM 19. LETTER FROM ROBERT D. LYNCH, EXECUTIVE VICE PRESIDENT, EMPIRE STATE PETROLEUM ASSOCIATION, INC., NEW YORK, N.Y., TO SENATOR JOHN HEINZ, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, DATED MAY 18, 1981

DEAR SENATOR HEINZ: I am writing to you to express the views of the Empire State Petroleum Association ("ESPA") concerning energy costs assistance for residential consumers. The policy objectives and scope of implementation of such a program were the subject of discussion at hearings before the Senate Committee on Aging on April 9, 1981. I ask that this letter be included in the record of those hearings.

At present, gross inequities exist in energy pricing, with residential consumers of oil paying nearly double those of natural gas users. It is unfair that residential oil consumers, most of whom live in the Northeast, must pay the market price of oil plus the windfall profits tax while residential gas consumers, most of whom are in the Southwest, are insulated from market prices by wellhead price regulation, incremental pricing subsidies, and utility gas use restrictions. The disparity in treatment between these two energy consumer groups must be resolved by the Congress; at present, it is the residential oil consumer who is bearing the full burden of decontrol. Moreover, these inequities demand a redirection of the existing consumer assistance program that will target specifically the oil consumer for primary assistance.

In testimony before the Senate Committee on Aging on April 9, 1981, David Stockman indicated that, inevitably, there will be an increase in energy costs as a result of the decontrol of natural gas. But Mr. Stockman fails to recognize the impact decontrol has already had on the home heating oil consumer. There is an unequivocal need for energy assistance legislation for low- and middle-income consumers of oil and natural gas in order to effectuate the participation of all consumers in President Reagan's energy plan and to ameliorate the burdens of immediate decontrol.

Furthermore, arguments that immediate decontrol of natural gas prices will cause undue consumer harm are unfounded and blind to the existence of oil price decontrol. It is inconsistent and unjust to the Nation's 14 million oil heat consumers to be concerned with the impact of the decontrol of natural gas on consumers, while not acting to assist residential oil consumers with the already present burden of decontrol. The enactment of short-term energy assistance legislation for both oil and gas consumers can alleviate any severe adverse consumer impact.

We urge you to take action to end the discrimination against oil heat consumers and enact comprehensive energy assistance legislation now.

Sincerely,

ROBERT D. LYNCH.

ITEM 20. LETTER FROM JACK POWERS, PRESIDENT, VIRGINIA ASSOCIATION OF COMMUNITY ACTION AGENCIES, INC., RICHMOND, VA., TO SENATOR WILLIAM S. COHEN, DATED APRIL 9, 1981

DEAR SENATOR COHEN: I understand that the Senate Committee on Aging is holding a hearing April 9, 1981, which will include testimony on the energy needs of elderly people. On behalf of the Virginia winterization program, I would like to provide the following comments on the future of the Department of Energy's (DOE)

weatherization assistance program for elderly, handicapped, and low-income persons. This program is in jeopardy under current Reagan administration proposals. It is a valuable, cost-effective program which has helped thousands of elderly people in Virginia and elsewhere in the United States.

In its 1982 budget cuts, the Reagan administration has proposed to eliminate funds for the weatherization program from the DOE budget, and fold it into the community development block grants (CDBG) program, with no accompanying transfer of weatherization funds to CDBG and, in fact, an overall decrease in CDBG funds. Furthermore, the Reagan administration has proposed rescission of \$6.9 million in weatherization 1981 funds nationwide.

It is particularly important for you in your position on the Senate Committee on Aging to support the continuation of weatherization as a categorical grant program to States, and reject the idea of funding it through the Department of Housing and Urban Development's community development block grants.

The Virginia Association of Community Action Agencies (VACAA), which has operated the Virginia winterization program since 1976, and has weatherized more than 21,000 homes since then, believes that the Reagan proposal will permanently damage, or even eliminate, the weatherization program in Virginia for the following reasons:

(1) Most rural areas do not receive CDBG funds at all, and therefore rural residents of Virginia would be denied access to weatherization services. About 54 percent of eligible Virginia households live in rural Virginia.

(2) The weatherization program is presently functioning well under its present system in which the State allocates the weatherization funds from DOE to local operating agencies across the State. Funds are distributed equitably to both rural and urban areas, and State-level administration assures better quality control, monitoring, and efficient use of funds.

(3) Local initiative already is built into the program because local community-based organizations, such as community action agencies, agencies on aging, and local governments actually carry out the program in localities, hiring crews and other staff, buying materials, and installing the materials on the homes of eligible people.

(4) Community development block grants may be used for about 12 purposes. The decision on how to use the funds is left to the recipient locality, which might decide not to operate weatherization at all. In any case, the total amount available for weatherization under CDBG funding would be very small, and inadequate to fill the need for this service in Virginia.

(5) Under the Department of Energy, the program has made great strides in increasing production and improving quality of work. If the program is transferred to CDBG funds, thousands of dollars of tools, equipment, and materials would be idle. The program would have to start from "scratch" to find and train competent program managers and staff.

Rapidly escalating energy costs have been especially devastating for elderly people and others who live on low and fixed incomes. Studies show that an elderly woman on social security income of \$122 per month may spend 50 to 100 percent of that income on heating fuel during cold weather. Like many others, this woman faces a cruel decision; whether to pay to heat her home and go without adequate food, medicine, or warm clothing, or vice versa.

Since 1976, the Virginia weatherization program has helped about 50,000 people who face this situation by weatherizing their homes. Under Federal grants, the program has installed insulation, storm windows, and caulking and weather-stripping on the homes of eligible persons across the State.

The average home shows a saving of 31 percent per year in heating fuel used after weatherization. The recipients—usually elderly people—stay warmer in cold weather, and because they are spending less money on fuel, they are less dependent on other forms of public assistance to fulfill their basic needs.

Virginia has made efficient use of its funding for the program; although it ranked 19th in its share of total nationwide allocations for weatherization through 1980, Virginia ranked 12th in number of homes weatherized during the same period. The program has saved the equivalent of about 5.5 million gallons of oil since its inception.

The weatherization program in Virginia also has made a positive economic impact on the communities in which it operates by doing thousands of dollars of business with local merchants and in some cases stimulating development of industry, such as storm window and insulation factories, in the State.

The Heritage Foundation recommended in its study for the Reagan transition team that the weatherization program be funded at \$400 million per year. It noted that the weatherization program is one social program which provides long-term,

tangible benefits and is very effective at cutting energy use and making poor people more self-reliant.

A program which is cost-effective, creates jobs and supports local businesses, drops consumption of fossil fuels, and helps poor people to become more self-reliant should not be diluted or eliminated. Energy is probably the biggest problem facing the Nation and the poor in particular.

To provide maximum benefit to its recipients—both rural and urban—and to the Nation as a whole, the weatherization assistance program must remain as an identifiable grant program to States, with sufficient funding.

I urge you to reject President Reagan's proposals for eliminating 1982 funding for weatherization and folding funds into CDBG grants, and to urge your congressional colleagues to do likewise.

Sincerely,

JACK POWERS.

ITEM 21. LETTER FROM RUSSELL E. CLARK, PROGRAM MANAGER, LOW-INCOME WEATHERIZATION PROGRAM, ARIZONA ENERGY OFFICE, TO MEG POWER, STAFF MEMBER, SENATE SPECIAL COMMITTEE ON AGING, DATED APRIL 27, 1981

DEAR DR. POWER: Thank you for taking the time to discuss the legislative futures of low-income weatherization assistance (WAP) and low-income energy assistance program (LIEAP).

We think that it is important to note that 50 percent of WAP beneficiary households in Arizona have been elderly heads of households with another 10 percent of the completions being handicapped heads of households. Of the total 60 percent completions, many are both elderly and handicapped household heads. Clearly, the WAP is reaching the low-income households which are most in need of this high-priority public assistance.

The investment for weatherization of low-income residence return an energy and monetary savings for the people year after year. The people have more financial resources to spend on other necessities, such as food. It follows that there will be a lessened dependence upon other public assistance programs. In stark contrast, LIEAP will be required year after year with greater outlays if the program is to keep up with rapidly escalating fuel costs.

The weatherization of elderly/handicapped homes will provide high health risk households with a greater degree of illness prevention. With rapidly escalating medical care costs, it would seem that the Federal Government would recognize the attractiveness of the weatherization investment in enhancing illness prevention.

Free market pricing of heating fuels and the electricity required to operate mechanical cooling systems may encourage energy conservation among some groups of Americans. However, low-income households (elderly and handicapped fixed income households in particular) have no flexibility in their budgets to absorb the increased costs necessary to keep their residences warm and cool. They have no "extra" or discretionary income to invest in energy conservation measures. The elderly and handicapped do not have the physical mobility and manual dexterity required to wield tools and climb into crawl spaces.

The DOE WAP is now operating quite smoothly after some unfortunate rough road resulting from the cessation of the CSA weatherization effort. We hope that DOE WAP receives at least another year's grace before any decision is made to locate weatherization in a different Federal agency. We have a program which is delivering valuable services to needy households and which can continue to do so into the future.

If your Senate Special Committee on Aging had the opportunity to talk with some of the elderly households with whom we have talked, there would be no doubt in the Senator's minds that the weatherization program is a high performance public sector investment.

Sincerely,

RUSSELL E. CLARK.

ITEM 22. STATEMENT OF DR. ALVIS ADAIR, REPRESENTING THE WASHINGTON, D.C., COMMISSION ON AGING

Good morning Mr. Chairman, and other members of the Senate Special Committee on Aging. I am Dr. Alvis Adair and it is pleasure for me to be here with you this morning to discuss this very important topic of energy aid for the elderly.

I am here representing the District of Columbia's Commission on Aging, a citizen's advisory group to the mayor, city council, and the office on aging. I will not dwell too long on the importance of the low-income energy assistance and weatherization programs for we all know without it countless numbers of older persons would simply die from effects of a severe winter or summer.

We also know that social security and supplemental security income (SSI) benefits and other pension programs have not kept up with the spiraling inflation rate and in recent years the cost of energy to consumers has increased by well over 100 percent while social security and SSI benefits have increased a mere 42 and 24 percent respectively.

Because of inflation, we also know that elderly people account for almost half of the poor and needy households in this country.

Elderly persons for the most part live in older homes that are generally energy inefficient, so weatherization and energy assistance programs are essential to America successfully dealing with this energy crisis.

The administration is proposing massive cuts in the energy program, \$677 million in conservation and well over \$1 billion in other energy-related programs such as synfuels and solar energy and proposing that after these cuts the remaining totals be merged into block grants to States.

Older persons and aging services have never fared well in the block grant approach to funding. Historically when placed in competition with youth, families and nonelderly handicapped individuals and groups for scarce resources, the older person loses.

There is something wrong with a government plan that would put vulnerable people at odds with each other and then shift that responsibility to the States.

Funding for these programs are already inadequate, forcing States to place a ceiling on the dollars which can be invested into one home, generally \$1,000. With this ceiling, all of the repairs that need to be made to make a home energy efficient cannot be made. Thus, the programs at their present funding levels are inadequate to address the need.

To get to the issue of the block grant and targeted resources, let me just state for the record, reduced funding and block grants will not help States with large populations of poor people with a broad range of needs.

When so-called block grants get to the States, it will be no more than formula grants or line item appropriations with less funding.

Aging advocates will push for targeted funds for specific purposes for the elderly and we are an aging advocate, but the only way we are going to insure adequacy of funding is to restore the budget to the level to meet the demonstrated need.

Coordinating services will eliminate some duplication, thus furnishing opportunities to provide additional services. This we all want, but what we do not want is the continuation of the horror stories of 70-year-old elderly women freezing at home and dieting on dog food.