

TESTIMONY
BEFORE THE
SPECIAL COMMITTEE ON AGING
OF THE
UNITED STATES SENATE
ON
THE IMPACT OF ENERGY PRICES ON OLDER AMERICANS

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216 HART SENATE OFFICE BUILDING
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Good morning. Mr. Chairman and members of the Committee, thank you for this opportunity to testify today on behalf of AARP, regarding a national issue of crucial importance to consumers. My name is Nelda Barnett. I'm from Owensboro, Kentucky and I am a member of AARP's Board of Directors.

Energy prices have reached their highest levels in years and consumers across the country have felt the impact in their homes and wallets. Older Americans, however, face some of the most serious consequences of these rising energy costs. My remarks this morning will focus on five critical issues concerning the impact of rising energy costs on older Americans:

- 1) Energy prices are projected to continue to rise into the winter this year;
- 2) Older Americans devote a higher percentage of total spending to residential energy costs and are particularly vulnerable to rapid price increases;
- 3) Rising energy costs force older Americans to adjust their overall spending, sometimes resulting in life-threatening choices;
- 4) In addition to utility services, increased energy costs impact older Americans' reliance on transportation and transportation services; and
- 5) Federal Assistance programs, such as the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program, offer life-saving assistance to consumers, but reach only a fraction of eligible households.

Energy prices are projected to continue their dramatic rise into the cold winter months this year;

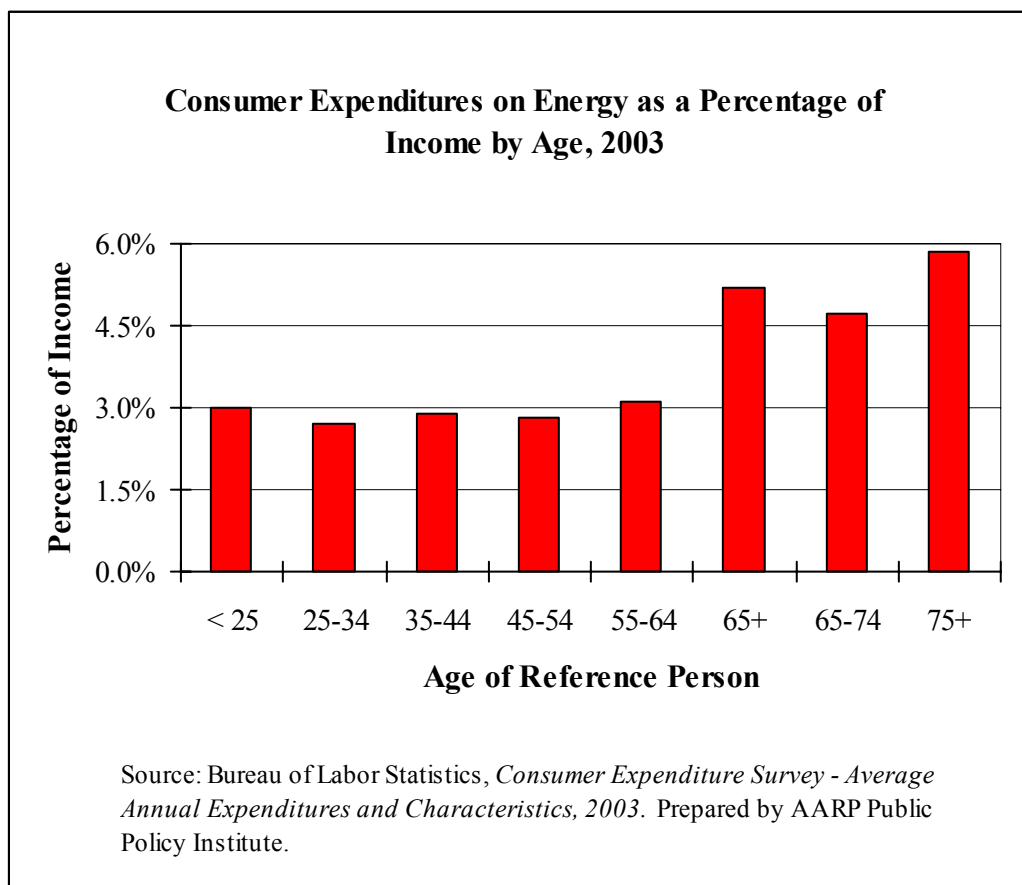
According to the Department of Energy, average household expenditures this winter for natural gas are expected to be 9.4 percent higher; heating oil expenditures are expected to be 34% higher, and propane prices are expected to be 22 percent higher.

Older Americans devote a higher percentage of total spending to residential energy costs.

Older Americans spend a higher percentage of their overall household budget on their energy costs. One factor contributing to this is that older people spend a greater proportion of their income on home heating costs, even after adjusting for weather and home size. Low-income older Americans spend an average of 14 percent of their income on residential energy. However, about one of every four low-income, older households spend 19 percent *or more* of their entire income on home energy bills¹. Too often, low-income older people must choose between risking their health and comfort by cutting back on energy expenditures, and reducing spending for other basic necessities.

The graph below depicts the impact energy expenditures have on older Americans' overall budget. The relative percentage of energy expense, as related to overall household budget, rises dramatically for those over the age of 65.

¹ Consumer Expenditure Survey. *Average Annual Expenditures and Characteristics*, Bureau of Labor Statistics. (2003).



Rapidly rising energy costs force older Americans to adjust their overall spending, sometimes resulting in life-threatening choices.

AARP recently surveyed about 850 older Americans across the country to determine if they have taken any steps to deal with the rising energy costs. Consumers have altered their lifestyles in several ways:

- 61 percent have limited the use of energy in their homes;
- 62 percent have raised their thermostat in hot weather or lowered their thermostat in cold weather;
- 48 percent have limited their travel by automobile; and
- 11 percent have turned to public transportation rather than drive their own car.

A number of the older Americans surveyed have also delayed payment for their energy bills (11 percent) and/or their bills for other services (14 percent). In addition, rising energy costs led 11 percent of those surveyed to apply for energy assistance.

Most troubling, however, are the significant number of older Americans that have taken more serious measures to account for rising energy costs. The increased costs have forced them to limit, or do without, essential services and products.

- 12 percent have been forced *to limit or do without food*;
- 11 percent have reduced or done without *medical services*; and
- 10 percent have limited or done without their *prescription drugs*;

As we experience the hot summer months and look ahead to another cold winter, too many older Americans are burdened by the prices they have already paid, and will continue to pay, for mounting energy costs. The safety and security of older Americans should not be compromised.

In addition to utility services, increased energy costs impact older Americans' reliance on transportation and transportation services.

Rising energy costs are also reflected in gasoline prices, which have had an immediate impact on older individuals as well as on the agencies that serve them. Ninety percent of trips by older persons are by private vehicle. Most older people live in communities where public transportation is infrequent or nonexistent, forcing them to rely on automobiles. Transportation is the second highest expenditure category for households age 45 and above, second only to housing. According to the 2001 Consumer Expenditure Survey, transportation consumes, on average, 19 percent of the spending in these households. Gasoline makes up about 16 percent of transportation costs. These costs represent an even higher percentage of household spending for older Americans with lower incomes.

We've seen and heard reports that services for seniors that rely on cars, vans, and trucks – such as transportation services and meals on wheels programs -- are being severely challenged by the sharp increase in gasoline prices. Many meals programs have had little, if any, increase in funding and are operating in deficit to cover the higher gas costs. Volunteer drivers for meals programs are particularly affected by fuel costs. More volunteers are applying for mileage reimbursement, and in many instances, such volunteers, on fixed incomes themselves, have had to leave the program. Agencies find that clients often can't afford to contribute to the cost of their meals. In order to cope,

many agencies have had to make shorter and fewer trips, reduce days of delivery, and substitute frozen for hot meals that permit several days' worth of meals with a single trip.

Higher gas prices particularly affect transportation service providers in rural areas where destinations are at greater distances from one another. Older persons (age 65+) comprise about 40 percent of transit riders in rural areas². We understand that cost increases have led transportation service providers to ask for higher contributions from riders and that they have scaled down some services as well. Urban transit operators have also felt the pinch, but the silver lining is that transit ridership has increased in some areas, such as in Los Angeles, as drivers look for more economical ways to get around.

Federal assistance programs, such as the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program, offer life-saving assistance to consumers.

For many older Americans on fixed incomes, home energy costs are unaffordable. The burden of these costs keeps growing as natural gas, heating oil and propane prices continue to rise. Federal assistance programs for energy services provide a critical safety net for low-income and older American households.

² "Status Report on Public Transportation in Rural America", *Community Transportation Association of America for the Rural Transit Assistance Program*, (1994).

The Low-Income Home Energy Assistance Program (LIHEAP), one of the most critical federal assistance programs, provides financial assistance for home heating and cooling. Without this program's assistance for energy services, many low-income households would have to choose between heating and other necessities such as food, medicine, rent or mortgage. For some older Americans, this presents an unacceptable choice: a warm home during the cold winter or life-sustaining food and medicines. Older Americans should not have to make this choice.

Since 1981, the number of households eligible for LIHEAP assistance has grown. This winter, requests for energy assistance are expected to reach an all-time high. While the need for this program is greater than ever, LIHEAP has struggled to keep pace with the ever-increasing number of eligible households. Based on the latest information available from the Administration on Children and Families, the proposed LIHEAP budget will assist only 14% of the estimated 34 million eligible recipients. In Oregon, LIHEAP was only able to serve 22.3% of the over 320,000 low income households eligible for benefits³. LIHEAP needs at least \$3 billion for the 2006 fiscal year to simply maintain the assistance level it provided in 1982. The FY 2005 funding level for the Older Americans Act Congregate Care program is actually below its FY 2002 level. Some economists are reporting that expensive fuel prices have resulted in higher food costs at both the wholesale and retail levels.

³ The LIHEAP Databook: *A State-by-State Analysis of Home Energy Assistance*, Campaign for Home Energy Assistance, January 2004.

The Weatherization Assistance Program is another valuable federal assistance program. This program provides an alternative solution to high energy bills by utilizing energy efficient measures in the home. Weatherization services are provided to low-income households free of charge, reducing the burden of energy costs they face. The Department of Energy provides the funding and technical guidance to the states to run their own programs in communities with the greatest need. We commend Members of Congress for your continued support of this program.

In conclusion, AARP looks forward to working with the members of this Committee, and Congress, to ensure the welfare of older Americans at a time when burgeoning energy costs have the potential to threaten their safety, health, and welfare.