

ENERGY ASSISTANCE FOR THE ELDERLY

HEARING
BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
NINETY-SIXTH CONGRESS
FIRST SESSION

PART 2—WASHINGTON, D.C.

SEPTEMBER 13, 1979



Printed for the use of the Special Committee on Aging

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1980

SPECIAL COMMITTEE ON AGING

LAWTON CHILES, Florida, *Chairman*

FRANK CHURCH, Idaho

JOHN GLENN, Ohio

JOHN MELCHER, Montana

DAVID PRYOR, Arkansas

BILL BRADLEY, New Jersey

QUENTIN N. BURDICK, North Dakota

PETE V. DOMENICI, New Mexico

CHARLES H. PERCY, Illinois

JOHN HEINZ, Pennsylvania

NANCY LANDON KASSEBAUM, Kansas

WILLIAM S. COHEN, Maine

E. BENTLEY LIPSCOMB, *Staff Director*

JOHN A. EDIE, *Chief Counsel*

DAVID A. RUST, *Minority Staff Director*

CONTENTS

STATEMENT BY MEMBERS OF COMMITTEE

	Page
Opening statement by Senator Lawton Chiles, chairman	107
Statement by Senator John Heinz.....	108
Statement by Senator David Pryor	112
Statement by Senator William S. Cohen.....	115
Statement by Senator John Glenn	127
Statement by Senator Pete V. Domenici.....	128
Statement by Senator Charles H. Percy.....	130
Statement by Senator Frank Church.....	131

CHRONOLOGICAL LIST OF WITNESSES

Javits, Senator Jacob K.....	118
Mathias, Senator Charles McC., Jr	122
Palmer, John L., Deputy Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare, accompanied by Barry Van Lare, Associate Commissioner, Office of Family Assistance, Social Security Administration, Department of Health, Education, and Welfare; and John Todd, Director of Income Security Policy, Office of the Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Wel- fare.....	136
Weicker, Senator Lowell, Jr	153
Bell, Hon. Samuel, Daytona Beach, Fla., majority leader, Florida House of Representatives	163
Conlan, Thomas L., Jr., Columbus, Ohio, executive director, Ohio energy credits program	168
Maggiore, Anthony J., Jr., Milwaukee, Wis., Chairman, Subcommittee on Energy Assistance, Fuel Oil Marketing Advisory Committee to the U.S. Department of Energy, and Associate Director, Community Relations/ Social Development Commission (CAP), accompanied by Ellen Berman.....	175
Sweet, David C., Cleveland, Ohio, dean, College of Urban Affairs, Cleveland State University, accompanied by Edric A. Weld, Jr.....	177

APPENDIX

Material related to hearing:	
Item 1. President Carter's proposal for low-income energy assistance, submitted by John L. Palmer.....	187
Item 2. "Low-Income Energy Assistance, a Profile of Need and Policy Options," final report of the Fuel Oil Marketing Advisory Committee, U.S. Department of Energy, submitted by Anthony J. Maggiore, Jr.....	194
Item 3. Letter and enclosure from Hon. Robert W. Davis, Member of the U.S. House of Representatives from the 11th District of Michigan, to Senator Lawton Chiles, chairman, Senate Special Committee on Aging, dated September 13, 1979.....	221

ENERGY ASSISTANCE FOR THE ELDERLY

THURSDAY, SEPTEMBER 13, 1979

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

The committee met, pursuant to notice, at 9:40 a.m., in room 5226, Dirksen Senate Office Building, Senator Lawton Chiles, chairman, presiding.

Present: Senators Chiles, Church, Glenn, Pryor, Domenici, Percy, Heinz, and Cohen.

Also present: E. Bentley Lipscomb, staff director; David A. Rust, minority staff director; Deborah K. Kilmer and Kathleen M. Deignan, professional staff members; Joseph Trujillo, minority professional staff member; Theresa M. Forster, assistant chief clerk; and Charlotte B. Lawrence, resource assistant.

OPENING STATEMENT BY SENATOR LAWTON CHILES, CHAIRMAN

Senator CHILES. Good morning. Last week, Deputy Assistant Secretary for Energy John O'Leary told two House subcommittees on energy that the American people will be able to get as much heating fuel as they want this winter as long as they want to pay the price. The Bureau of Labor Statistics estimates that fuel oil prices will be about 50 percent higher than last year. Natural gas prices will be about 10 percent higher. Electricity is estimated to have an increase of about 11 percent.

"As long as they want to pay for it." Most of our low-income elderly live on limited incomes from such sources as social security and supplemental security income—SSI. In the last 5 years, social security benefits have risen 42.7 percent and SSI payments have increased 24 percent. During the same time period, fuel oil prices rose 136.3 percent, electric rates rose 73.4 percent, and natural gas prices increased 126.7 percent.

"As long as they want to pay for it." What if they can't pay for it? What if that once-a-month assistance from the Government doesn't stretch to cover all the monthly bills that must be paid? The committee heard horror stories all last winter about elderly having to make a choice between heat, food, and medical care. This winter is projected to be even worse.

The Senate Committee on Aging has documented the fact that elderly people are affected by rising energy prices to a greater degree than other age groups. Elderly persons paid an average of 30 percent of their income for utilities last winter and are expected to pay as high as 50 percent this winter. In addition, elderly face far greater health problems when subjected to inadequate heating

and cooling. Last year, there were numerous elderly persons who actually froze to death, and in Dallas alone, 20 elderly persons died from heat prostration due to lack of air-conditioning.

In its total energy package, the administration has indicated that a proportion of the revenues from the proposed windfall profits tax would support an energy assistance program for low-income households. However, the earliest this program could provide any relief for such households would be next winter. The energy crisis intervention program under the Community Services Administration has provided a small amount of assistance over the last few winters and is intended to help needy persons with high energy bills this winter. Our witnesses from the administration will give us an update on this program and their proposal for a low-income energy assistance program.

The administration's proposal is one of several the committee will hear about today. Their proposal would provide a one- or two-time winter payment to the recipient while others would offer fuel stamps, tax credits, voucher payments to the energy suppliers, and automatic reductions in utility bills. In addition, several States have State-funded energy assistance programs which have been most effective in lifting the burden of energy costs for the elderly.

The importance of these proposals cannot be overlooked. We all were taken back by the June announcement of the OPEC price increases. We all complain about the increases we read on our fuel, gas, and electric bills. Most of us can juggle our expenses to cover the increases. Most elderly people cannot. The Congress and administration must cooperate to develop the best possible program to help them meet these demanding and necessary costs.

We have several witnesses this morning. We will be interrupting our hearing from time to time as some of our Senators come in and would like to give statements as they go between their other committee business.

Senator Cohen, do you have an opening statement this morning?

Senator COHEN. Yes, I do, but I would prefer to yield to Senator Heinz who served with me on the House Aging Committee and is a pretty eloquent person.

STATEMENT BY SENATOR JOHN HEINZ

Senator HEINZ. Thank you, Senator Cohen.

Mr. Chairman, first of all I want to commend you in holding these very necessary hearings. I have a lengthy prepared statement that I would like to put in the hearing record.

Senator CHILES. It will be inserted in the hearing record.¹

Senator HEINZ. The point of the statement is simply this: It is to bring to the attention of the committee and the Congress legislation that I introduced back on August 2, S. 1633, which is a program to provide for relief from excessive heating costs, utility costs, of low-income elderly. I drafted this legislation because of some severe problems that developed both last year and the year before with the energy crisis intervention program that had been administered by the CSA, the Community Services Administration.

One of the principal problems that caused a great deal of hardship in my State of Pennsylvania was that in order to be eligible to

¹ See page 110.

participate in this program, that was supposed to keep people from having to choose between starvation and freezing, you had to not pay your heating bill. You had to be a debtor. You had to do something that nobody wanted to, which is do something wrong. And then you had to go through the indignity of going down to the local Community Services office and saying, "I have not paid my heating bill."

Those senior citizens, most of them who were too proud—and I salute them for being proud—to submit to such indignities, didn't do that. They are law-abiding citizens. Others scrimped and saved so they would not feel that the next knock on the door was going to be a bill collector saying, "Why haven't you paid your fuel oil distributor? Why haven't you paid the gas company? Why haven't you paid the electric company?"

So, I decided there had to be a better approach, because it cannot be right if we have any moral sensitivity at all to put people first in the position of either choosing freezing and starving, and second, in order to avoid that Hobson's choice, force them to submit to an indignity.

What my legislation does, Mr. Chairman, is to provide for a refundable tax credit to those that supply energy to low-income senior citizen households, whether it is wood or fuel oil, or electricity, if they cut the utility bill, the heating bill, of that senior citizen by 25 percent. They then are able to deduct from their income tax that they owe the Federal Government, or in the case of a company that is not making any money they would be eligible for a refundable tax rebate. They get the amount by which they have reduced that senior citizen's heating bill.

It is a very simple program. It does not cost a lot of money. If everybody participated in the program, the cost estimates that we have are in the neighborhood of \$500 million. It is administratively simple. No new bureaucracy has to be created to make it work. It can be put into effect nearly immediately, in a matter of weeks.

We have worked for 9 months with heating oil distributors, with wood distributors, everybody, to insure that they could in fact utilize this program. Since it does depend on using the strength of the private sector and since they have said, "Yes, we can put it into effect," I have confidence that we will do something the CSA program, and I am sure, the President's block grant proposed recently does not do, and that is that it does not work too well because it passes over all kinds of people who are never found. Some of the people perhaps that the chairman referred to last winter that were frozen to death, the CSA overlooked. Well, that is not the kind of deliverance to which I think these people are entitled.

Finally, and I want to emphasize this, and this is my last point, Mr. Chairman, the legislation provides a level of relief to these low-income senior citizen households that is significantly above what I believe the administration would provide. The administrations relief, as evidenced by the AP story this morning, would apparently be in the neighborhood of \$100 for a single senior citizen. My legislation would provide, according to estimates provided by a congressional office staff, anywhere from roughly \$150 to \$275 per household, compared to the administration's \$111 per household.

I think that since we all know, as the chairman stated, that heating bills are going to be astronomically high this winter, that we don't want to be penny wise and pound foolish. We do not want our senior citizens for another year to have to go through the Hobson's choice of choosing between starving and freezing. So I hope that the administration will look very carefully at this approach. I hope just because it is invented in the Congress it will not cause the administration to reject it out of hand. The fact that it does not depend on the Federal bureaucracy, I hope will, not cause the administration to ignore it altogether. The fact that it is enactable now and will provide immediate relief and is not tied to the windfall profits tax, I hope, will not cause the administration to reject it out of hand now.

Thank you, Mr. Chairman.

Senator CHILES. Thank you, Senator Heinz. Your prepared statement will be entered into the record at this point.

[The prepared statement of Senator Heinz follows:]

PREPARED STATEMENT OF SENATOR JOHN HEINZ

I am pleased to appear before you today to describe a bill that I have introduced to provide assistance to low-income elderly and handicapped individuals in paying their fuel bills.

The burden of high fuel costs on elderly and handicapped persons has concerned me increasingly over the last 2 years as such costs increased much more rapidly than incomes or prices in general. By the committee's own figures, the costs of natural gas and home heating fuel have risen over five times the comparable increase in SSI benefits. I have, therefore, pushed for additional Federal aid for such persons and have supported a number of specific measures that were introduced in the last Congress for this purpose. The bill that I have now introduced makes a number of significant improvements over previous proposals so as to target funds quickly and efficiently to those that need help the most.

This bill would lower fuel costs to elderly and handicapped persons by providing a tax credit to utilities and sellers of oil, coal, and wood for home heating that provide fuel at reduced rates to eligible individuals. Those eligible for assistance would be persons who are age 60 or above or disabled and whose household income is within the limits for eligibility for food stamps or supplemental security income. This would cover single individuals with incomes up to \$376 per month or \$4,512 per year, and couples with incomes up to \$5,676 per year or \$473 per month. It is estimated that some 5 million persons, in some 3.5 million households, would be eligible for assistance under this program.

Eligible persons would have their fuel bills reduced by 25 percent below the regular price. The utilities or other suppliers would claim a credit that would compensate them, on a dollar-for-dollar basis, for the revenues lost as a result of these price reductions. The credit would be refundable so that utilities whose tax liability is less than the cost to them of participating in the program would receive a cash refund. This refund could be paid quarterly to minimize any cash flow problems to participating fuel suppliers.

To receive assistance, eligible persons would obtain identification cards from their local food stamp agency or social security office to show that they qualify for fuel cost assistance. Those who are already on the rolls for one of these programs would receive the cards based on existing records to the maximum extent. Others would have to apply for one or both of those programs to establish eligibility for fuel cost assistance. It would not be necessary to actually use the food stamps, simply to establish eligibility for them, so that persons who are reluctant to use the stamps can still receive fuel cost assistance.

Since the circumstances of lower income elderly and handicapped persons tend not to fluctuate very much, the fuel cost eligibility cards could be effective for fairly long period, say 6-12 months. These cards would be reissued periodically to those who continue to be eligible.

Those who qualify would show their cards to their utility companies or suppliers or home heating fuel and request that their bills be reduced. The participating companies would record the names and social security numbers of those persons and arrange to bill them at reduced rates. These companies would maintain records

showing the actual cost of fuel used by eligible participants and claim tax credits amounting to the 25 percent of those amounts.

The bill calls for an outreach program to be developed by the Secretary of the Treasury in cooperation with the Secretary of HEW, the Administration on Aging, administrators of State and local public assistance programs, public utility commissions and similar bodies, to identify people who are eligible and encourage them to use the program and also to encourage utilities and other eligible companies to participate in the program.

There are a number of advantages to this approach. First, at a relatively modest cost, the bill provides a significant level of aid to the most distressed groups in our country, rather than dispersing small amounts to large numbers of people. By July 1979, the fuel bills of lower income households were estimated to range between \$736 and \$1,094. At these levels, my bill would provide aid of \$184 to \$273 per household per year, which is enough to make a real difference to them. Moreover, those who have extraordinarily high fuel bills, due to severe climate or other factors, would receive a commensurate level of aid.

The bill also provides for reductions of more than 25 percent for eligible individuals whose expenditures for fuel exceed 10 percent of household income for a specified period. Although implementation of this provision would be more complicated, since it would require verification of expenditures on fuel, it would enable agencies to respond to situations of unusual hardship where high fuel costs are literally endangering people's health and safety.

It is estimated that the total cost of this program would be between \$645 to \$957 million per year if all eligible persons participate.

The second major advantage of this proposal is that it can provide assistance to all persons who meet statutory eligibility requirements, and is therefore more equitable. The bill avoids mechanical allocation procedures, such as distributing funds to the States by formula, which sometimes distort the relationship between individual need and benefit levels, and the limitations of arbitrary appropriation levels. Thus, it avoids the situation whereby some people are aided while others in the same situation are not.

The program is administratively simple, can be implemented quickly and can begin to provide aid this winter. Since it relies on existing programs that verify income, age, or disability, a separate verification procedure would not be required. To the maximum extent possible, procedures would be developed that relied on current records and information to identify eligible individuals and provide them with cards showing their eligibility for fuel cost reductions; where possible, such cards would be issued by mail. Because the payments are in the form of a tax credit, there need be no delay in providing assistance because of the need to set up a bureaucracy to run the program and develop payment procedures.

The administrative burden on participating fuel suppliers would also be minimal. These companies would have no verification responsibilities nor would they have to establish complicated billing or record-keeping systems. They would simply record the individuals who had supplied their eligibility cards, reduce the bills to those persons by the required percentage, and claim tax credits equal to the amount of those reductions. The device of a tax credit assures the participating companies that they will be reimbursed in full for the cost of participating in the program on a timely basis, and thus minimizes any reluctance to cooperate.

I have spoken with a number of trade groups and officials representing utilities and home heating oil suppliers, and their reaction to this program has been favorable. Many of these companies recognize the serious difficulties faced by their lower income elderly and handicapped clients, and would like to participate in a program that is workable that would enable these people to meet their fuel costs.

In recognition of the current budgetary situation, this bill is deliberately limited to a small population in order to limit its cost. It, therefore, does not depend upon the enactment of a windfall profits tax, which should be considered on its own merits, or other sources of new revenue. Moreover, it could easily be coordinated with other approaches to assist lower income persons in meeting higher fuel costs.

The important point is that this bill can provide aid quickly and efficiently to those who have been most disastrously affected by higher fuel costs, and who cannot wait while larger and more complex programs are developed. Clearly, Mr. Chairman, my trying to convince you and my other distinguished colleagues on this concerned committee is like preaching to the pulpit. I know you understand how difficult it must be for low-income elderly and handicapped persons to have to make the painful choice between the necessity of having food or heating their homes. America has a moral obligation to help its poor elderly—to see to it that they don't have to choose between freezing and starving.

My bill is a reasonable and responsible first step to help these Americans who gave so much during their lifetimes to help their country. I urge the support of all my colleagues on the Senate Special Committee on Aging in enacting quickly this important legislation.

Senator CHILES. Senator Pryor.

STATEMENT BY SENATOR DAVID PRYOR

Senator PRYOR. Mr. Chairman, I think that while we in Washington debate the energy crisis and point fingers at each other as to who is to blame, we have created a daily crisis in the lives of literally thousands and thousands of elderly citizens. Whatever discomfort or expense, or inconvenience the average American suffers today as a result of rising energy prices, double-digit inflation, the elderly people of our Nation suffer many times over.

I think that the inability to pay fuel bills is a humiliating experience for our elderly citizens. Just as Senator Heinz has so eloquently stated, the elderly of our country are, I would say, the proudest portion of our population. They are understandably proud when they refuse to seek what energy assistance is available, especially if those programs are classified as another dole program of the Federal Government.

Nationally, the elderly people of our country account for almost 50 percent of the poor households and for over 55 percent of the households in the extreme need category. It is apparent that these low income individuals pay a far higher proportion of their annual income for energy than do those in the higher income households.

Last year, the average low-income household spent almost 20 percent of its income for fuel. In some regions of the country last winter, the low-income paid half or more of their monthly income for energy to heat their homes. Unfortunately, the prospect for the future is no brighter. Assuming the additional price increase of 25 percent, the percentage of the average household budget spent on energy will rise to a cost of some 23 percent.

As we set to work to relieve this unbearable burden on the elderly, I think it is essential that we examine some of the reasons why the elderly are so hard hit by rising fuel costs.

First, the majority of the elderly in this country live in low-grade housing in need of repair or in need of weatherization. Their homes are often old, they are often large, built in a time when conservation was not emphasized.

Second, Mr. Chairman, I do not think that a program of energy conservation is truly a viable option for the elderly, because it is much harder for the elderly to adjust to a lower temperature. Usage figures show that the low income are already conserving as much energy as is desirable or is healthy.

According to the Bureau of Labor Statistics for the first 6 months in 1979, household energy costs have increased at twice the rate of social security benefit increases. In July alone, heating oil prices were up 6½ percent for the sixth consecutive large increase this year. Since the Arab oil embargo in 1973, the cost of home heating fuel has risen an average of 110 percent while social security benefits have risen only 24 percent.

Therefore, Mr. Chairman, we do see our dilemma. It is a dilemma that does in fact present a day-by-day crisis in the lives of hundreds of thousands of elderly citizens. I might add again, as

Senator Heinz has stated, proud elderly citizens today are not looking for a handout, are not looking for a dole, but are looking for some adjustment as we approach yet again a predicted hard winter.

Mr. Chairman, I hope that the legislation that we are considering today, and the legislation that other Senate committees will be considering, and the actions that we must take, will be steps in the right direction to address this much needed area of concern.

Thank you, Mr. Chairman. I ask that my prepared statement be entered in the record.

Senator CHILES. Without objection, so ordered.

[The prepared statement of Senator Pryor follows:]

PREPARED STATEMENT OF SENATOR DAVID PRYOR

As a Senator from a State having the second highest percentage of elderly people in the Nation, I am deeply concerned about the impact of skyrocketing fuel costs on America's elderly. Call the energy situation what you will—a problem, a dilemma, a crunch, a squeeze—but the only word which adequately describes it is "crisis." Whatever discomfort, expense or inconvenience the average American suffers as a result of surging OPEC prices, double-digit inflation, and the cost of oil decontrol, the elderly suffer manifold. In enacting a national program to improve our energy situation, it is unthinkable that we would not provide for the serious and particular needs of this very important segment of our population.

Inability to pay fuel bills is a humiliating experience for our elderly. My great concern is that in too many situations, elderly people who are understandably proud refuse to seek what energy assistance is available. Instead they scrimp in other areas as basic as food, clothing, or medicine. It is thus very important that the tone of any program we enact is not of government doles, but rather a perfectly justified and desirable adjustment for a system which is inequitable for those living on fixed incomes.

The past 5 years have shown that the elderly are particularly sensitive to any changes in energy pricing and availability. Nationally, the elderly account for almost 50 percent of poor households and for over 55 percent of households in the extreme need category in the Nation. It is apparent that these low-income pay a far higher proportion of their annual income for energy than do higher income households. Last year, the average low-income household spent almost 20 percent of its income on household fuel and other utilities. In some regions of the country last winter, the low-income paid fully half or more of their monthly income for energy. Unfortunately, the prospect for the future is not brighter. Assuming an additional price increase of 25 percent the percentage of an average household budget spent on energy will rise to 23 percent.

PARTICULAR PROBLEMS OF THE ELDERLY

As we set to work to relieve this unbearable burden on the elderly, it is essential that we examine some of the reasons the elderly are so hard hit by rising fuel costs:

(a) The majority of the elderly live in low-grade housing in need of repair and weatherization. The homes are often old and large, built in a time when conservation was not emphasized, with high ceilings, drafty windows, inadequate insulation, and the like. The elderly often do not have the ready cash to make needed repairs, even though it would be beneficial to them in the long run.

(b) The income of the elderly has not keep pace with rising energy costs. According to Bureau of Labor statistics for the first 6 months of 1979, household energy costs have increased at twice the rate of social security benefits. In July alone, heating oil prices were up 6.2 percent for the sixth consecutive large increase. Since 1974, following the Arab oil embargo, the cost of home heating fuels has risen an average of 110 percent, while social security benefits have risen only 24 percent. Because energy costs have so far exceeded the increase in the average income of the poor, this group has lost \$4 billion in purchasing power since 1972.

(c) Conservation is often not a viable option for the elderly. It is much harder for the elderly to adjust to lower temperatures, and usage figures show that the low-income are already conserving as much energy as is desirable or healthy. Further reduction in consumption could place many elderly at the very brink of survival.

(d) Our current energy pricing policies discourage conservation and are unfair to frugal energy users. Elderly and other low-income persons must pay a higher cost

for the energy they use than other income groups. Changes in this structure are needed. For example, a demonstration project in Arkansas, funded by the Federal Energy Administration, showed that pricing alternatives do indeed cause customers to shift their electric usage patterns.

CURRENT PROGRAMS

Since the cruel winter of 1977, Congress has made significant inroads in the area of energy assistance to the elderly. Through the special crisis intervention and energy assistance programs administered by the Community Services Administration, and the home weatherization program administered by DOE, many households have been helped in time of need.

The 1980 appropriations contain \$250 million for continuation of the crisis intervention and energy assistance programs. In 1979, part of the \$200 million authorized was distributed to the States by formula and the rest was distributed throughout the year for supplemental crisis intervention programs and winter-related disaster relief programs. Families at or below 125 percent of the poverty level were eligible.

DOE's weatherization program provides grants up to \$800 for low-income persons to make energy improvements on their homes. These funds are also available for persons at 125 percent of the poverty level, with special emphasis on helping the elderly. DOE has requested \$200 million in fiscal year 1980 for continuation of the weatherization program.

Arkansas' experience in administering DOE's weatherization program, I am proud to say, has been highly successful. Through a unique statewide delivery system, Arkansas was able to utilize the funds received for this program to best advantage. All funding was administered through the Arkansas Department of Local Services rather than through the 19 local community action agencies scattered throughout the State. The statewide program provides two distinct advantages: (1) It allows the State leverage to get better prices for insulation materials, better contracts with CETA, and better training for technical assistants and administrators; (2) it minimizes duplication of effort and bureaucratic redtape, evidenced by the fact that Arkansas was the first State in the Nation to be certified for the weatherization program in 1977 and 1978.

These programs are, at least, steps in the right direction. They are helpful, but not adequate. There are 16.2 million families in the category at or below 125 percent of the poverty level and 150 percent of the poverty level for the elderly. 7.2 million of these families are headed by persons aged 60 or older. A \$250 million appropriation for the crisis intervention program would provide an average of only \$35 per elderly family. However, last year's fuel bill for the elderly averaged \$604. Clearly more aid is needed.

RECOMMENDATIONS FOR AN ENERGY ASSISTANCE PROGRAM FOR THE ELDERLY

A number of bills to ease the burden caused by rising fuel costs on America's elderly are currently pending before the Committee on Labor and Human Resources. These bills approach the problem through a variety of delivery systems, such as tax credits, energy stamps, and direct payments; and a number of eligibility levels, such as SSI, AFDC, and food stamp recipients, and persons at certain percentages of the poverty level. In preparing one of these proposals for consideration by the full Senate, it is my hope that the committee will recognize elements which I feel are essential to an adequate relief program for the elderly.

(1) Immediate relief must be provided. If a program is not in place by this winter, the health and safety of thousands of the Nation's elderly will be jeopardized. In addition, the legislation should establish a long-term program of energy relief for the elderly.

(2) The legislation should establish a "front-end" payments system or other mechanism whereby eligible families are never required to pay high utility bills out of their own pockets.

(3) There should be provisions for educating, eligible households as to available weatherization programs and the services of various agencies which could help them reduce their energy usage or provide additional aid.

(4) In determining the level of assistance to individual households, the legislation should account for percentage of income spent on energy as well as the income level. One possibility is a sliding scale taking into account income, type of dwelling and type of energy.

(5) The legislation must set up an effective outreach program and must be relatively simple to administer. Administration should be conducted through existing channels, by the Federal, State, and local agencies with the most expertise in this

area and the best access to all regions of the country. State governments should play a large role in the mechanics of delivery, such as determination of individual household eligibility, amount of subsidy to each household, execution of public information efforts and monitoring of the program.

(6) Funds should be set aside for continuation of an emergency assistance program to provide relief for those with exceptional need during times of energy-related emergencies or crisis situations.

(7) The legislation should address the problems of elderly in dealing with transportation problems as well as household fuel problems.

(8) The system should provide assistance for renters who do not pay their own utility bills, as well as individual homeowners.

(9) Consideration should be given to setting a lower threshold of eligibility for the elderly—perhaps 150 percent of the poverty level instead of 125 percent.

(10) The legislation should discourage unnecessary usage of energy.

Let me end by saying that enactment of a comprehensive energy assistance program for the elderly is a No. 1 priority in my mind. I hope that we will have one in place by the time cold weather is here again.

Senator CHILES. Senator Cohen.

STATEMENT BY SENATOR WILLIAM S. COHEN

Senator COHEN. Mr. Chairman, I have a lengthy statement I would like to have entered into the record.

Senator CHILES. It will be entered in the record.¹

Senator COHEN. We are dealing with a problem of national scope, Mr. Chairman, but I would like to get a little bit parochial for just a moment. Since I happen to be the only representative from New England on the committee, I think I have a special responsibility to bring to the committee's attention the kind of energy crisis that we face in my region of the country.

We have a very severe climate, energy wasteful housing stock and a huge dependence on foreign oil, and they all combine to make the cost of fuel in New England the highest in the Nation. When we look at last October's prices, the fuel oil expenditures during the average heating season came to about \$736, and for the low-income consumer the figure was about \$685. With the recent OPEC increases, costs are expected to double and the costs are going to go even higher if we continue to have the kind of harsh winters we have had for the last 2 years.

We find about 142,000 low-income elderly people living alone and 34,000 low-income families headed by people 65 years of age or older living in New England. For these people the energy cost, as a percentage of income, has averaged 29 and 34 percent last year. In my home State of Maine, where 12.2 percent of the people are elderly, roughly one-third have incomes estimated to be below the Federal poverty level established by the Federal Government.

These elderly people are probably the group hardest hit by the energy price increases and the conservation of resources that we now depend on so desperately, as Senator Heinz and yourself, Mr. Chairman, and Senator Pryor have indicated, put elderly households in an extremely difficult position because they are facing this cruel choice of having an adequate amount of food or heating in their homes. The point made by Senator Pryor, recent medical documentation on hypothermia indicate that many elderly are often using energy at lower levels than might be considered either safe or healthy for them.

¹ See page 116.

During the last 2 years, there has been a considerable number of low income elderly who received help from the Federal Government under two programs. One provides cash assistance for utility bills and the other provides weatherization grants to insulate homes. I think these two programs have given us valuable experience in dealing with energy demands faced by the elderly.

During the coming debate on a national energy policy, I think we have to carefully examine the effectiveness of these programs. While I think the special financial aid unquestionably prevented disastrous circumstances for a number of households, it is my belief that any future programs have to assure it is going to reach only those who are truly in need.

Low-income consumers who have sacrificed to pay their heating bills should not be excluded from receiving assistance, as has been the case in the past. In addition, funds, I think, should be released when they can be best utilized. Finally, greater attention must be paid to the weatherization program which has the greatest potential to influence energy conservation and demand reduction.

As our study of the energy crisis and its impact on the elderly progresses, I think we have to recognize that the problems posed by the rising energy costs are not entirely the result of OPEC price increases or shortages of supply. More often than not, utility rate structures are regressive. The low income actually pay more for each unit of consumption than higher consuming, higher income families do.

So-called "Lifeline" proposals which establish the lowest rates for the smallest consumers as well as other proposed utility rate reforms deserve our close analysis. In this important area, greater efforts must be made to reward, not penalize, consumers who conserve energy.

Unfortunately, the efforts of the Federal Government to deal with this issue and its root causes have been woefully inadequate to date. The onset of winter has begun and in the northern reaches of my State, the chill of the night has begun. We need an energy assistance plan which is underway. It has been said that the index of a civilization is the care and concern and compassion that it has for its elderly, so I look forward to see exactly what our civilization really stands for as far as our treatment of the elderly.

Senator CHILES. Thank you, Senator Cohen. Your prepared statement will be entered into the record now.

[The prepared statement of Senator Cohen follows:]

PREPARED STATEMENT OF SENATOR WILLIAM S. COHEN

Mr. Chairman, I welcome the opportunity to participate in this important hearing. No issue has generated more concern among the elderly in my home State.

As New England's only representative on the committee, I bear special responsibility to describe the energy situation we face in that region of the country. New England is overwhelmingly dependent on oil, with 80 percent of its energy requirements derived from this single source. Fully 79 percent of the oil consumed in the region is imported—40 percent from OPEC. These statistics pose a double threat to the region, as oil dependency means extreme supply vulnerability and substantially higher prices than the national average.

One of the most important reasons for the larger amount most New Englanders pay for energy is the type of home heating fuel they use. Alone among the regions of the Nation, New England residents depend significantly on fuel oil. The proportion of all New England households using oil at the 1970 census was 71.2 percent. However, this figure is heavily influenced by the three southernmost and most

populous States. In Maine, for example, the proportion reaches almost 92 percent. Data from the 1976 census annual housing survey does not indicate a substantial fuel shift for the region since 1970. Furthermore, there is no indication that the type of fuel used by low-income households differs from that of all households. Thus, low-income New Englanders are just as dependent on oil as their higher-income neighbors.

Over one-quarter of the region's energy is consumed in the residential sector—60 percent of that is for heating homes. Factors which contribute to this high percentage, from the standpoint of the elderly, are the age of the housing stock and the great proportion of single-unit dwellings. The single-unit home is inherently the most wasteful of heat energy of any housing type. At the time of the 1970 census, well over half of New England's homes were built before 1940. In Maine, the number of pre-World War II dwellings approached two-thirds. As a rule, older housing tends to be occupied by the low-income. The proportion of low-income households in homes built before World War II in Maine may be as high as 84 percent.

New Englanders pay heavily for living in a cold climate. Data from the National Climatic Center indicate that temperatures in the New England region average nearly 37 percent colder than the Nation as a whole; Maine is over 66 percent colder. Of the nine census regions, only one—the west-north-central region—is colder than New England, and by less than 2 percentage points. Only four States in the Nation are colder than Maine: Alaska, Minnesota, North Dakota, and Montana—and Montana only slightly so. In terms of energy need, the situation is compounded during periods of particularly harsh weather. The winters of 1977 and 1978 are cases in point. Those winters were roughly 6.5 percent colder than the average.

Severe climate, energy-wasteful housing stock, and dependence on foreign oil, all combine to make the cost of fuel in New England the highest in the Nation. At last October's prices, fuel oil expenditures during an average heating season are \$736; for the low-income consumer the figure is about \$685. However, with recent OPEC price increases, costs are expected to double. Costs will be even higher if the winter of 1979 continues the harsh tradition of the last two.

In this setting, we find an estimated 142,000 low-income elderly people living alone and 34,000 low-income families headed by people 65 years of age or older in New England. For these people, energy expenditures, as a percentage of income, averaged 29 to 34 percent last year. In my home State, where 12.2 percent of the population is elderly, roughly one-third have incomes estimated to be below the poverty level established by the Federal Government. These elderly people are probably the group hardest hit as energy prices rise and conservation of resources is demanded. Caught in the squeeze of costs and conservation, elderly households are put in an extremely difficult position. Too often, they face the cruel choice of having an adequate amount of food or heating their homes. Recent medical documentation of the hazards of hypothermia suggest that many elderly are often using energy at lower levels than might be considered safe or healthy.

During the last 2 years, a considerable number of low-income elderly received help from the Federal Government under two programs to help reduce fuel bills. One provides cash assistance for utility bills and the other provides weatherization grants to insulate homes. These programs have given us valuable experience in dealing with the energy demands faced by the elderly. During the coming debate on a national energy policy, we need to carefully examine the effectiveness of these programs. While the special financial aid unquestionably prevented disastrous circumstances for a number of households, any future programs must assure that it will reach those truly in need. Low-income consumers who have sacrificed to pay their heating bills should not be excluded from receiving assistance, as has been the case in the past. Moreover, funds must be released when they can be utilized. Finally, greater attention must be paid to the weatherization program which has the greatest potential to influence energy conservation and demand reduction.

As our study of the energy crisis and its impact on the elderly progresses, we must recognize that the problems posed by rising energy costs are not entirely the result of OPEC price increases or shortages of supply. More often than not, utility rate structures are regressive. The low-income actually pay more for each unit of consumption than higher consuming, higher income families do. So-called "lifeline" proposals which establish the lowest rates for the smallest consumers as well as other proposed utility rate reforms deserve our close analysis. In this important area, greater efforts must be made to reward, not penalize, consumers who conserve energy.

Unfortunately, the efforts of the Federal Government to deal with this issue and its root causes have been woefully inadequate to date. I am anxious to hear of the

success individual States have had in implementing their own programs in this area. Perhaps direct aid to States would best serve the diverse energy needs of the various regions of the country.

I look forward to whatever light the witnesses can shed on the issue before us this day.

Senator CHILES. Senator Glenn, before you make your opening statement, Senator Javits has arrived. He has introduced Senate bill 1270 which is a fuel assistance bill and has done considerable work on the issue.

Senator Javits, we are going to interrupt things and allow you to make your statement. We are delighted to have you come before our committee. You have had a great deal to do with shaping much of the legislation that has affected our elderly citizens over the years and we are delighted to have you make your statement.

STATEMENT BY SENATOR JACOB K. JAVITS

Senator JAVITS. Thank you very much, Mr. Chairman. Thank you, Senator Glenn, for yielding to me.

I must congratulate you, Mr. Chairman, on your attendance.

Senator CHILES. They heard you were coming, Jake.

Senator JAVITS. That is just wonderful. I wish we could do as well.

Mr. Chairman, I will take just exactly 2 minutes. I ask unanimous consent that my statement may go in the record.

Senator CHILES. Without objection, it will be made a part of the record.¹

Senator JAVITS. I ask unanimous consent that the statement of Senator Williams of New Jersey, as chairman of the Labor and Human Resources Committee, go in the record. He is unable to be here.

Senator CHILES. Senator Williams' statement will also be made part of the record.²

Senator JAVITS. Thank you. In a word, we feel the time has come for both action and legislation. And we need \$1.6 billion instead of the \$200 million which was provided last year for the last winter season for the interim program. We cannot see any other bill being ready to take up the slack right now. I think that all of us ought to get behind putting in enough money to get an appreciable amount done.

Now, \$200 million last year meant serving under a million families, about 900,000; \$1.6 billion means 6 to 7 million families. The universe that needs it, to use a welfare term, is 25 million. Now the bill that we sponsor, that is, Senator Williams and I, and another bill which I have introduced with Senator Jackson of Washington, approaches the matter more broadly. The first-year price tag on our bill is, roughly speaking, about \$2.5 to \$3 billion. The price tag for later years on the Williams' bill and on our bill is perhaps higher than that.

The differences between them are that in our bill, that is, Senator Jackson's and mine, we propose to deal with low-income families who are on SSI—that is, supplemental security income—food stamps or aid for dependent children, and to provide up to \$45 a

¹ See page 120.

² See page 121.

month or \$580 per year for assistance. We propose to provide it directly to the supplier in a plan.

The Williams bill proposes to do just about the same, except that the money will go to the States with the States enabled to spend the money with certain eligibility criteria which will make about the 25 million households eligible as compared with 12 to 13 million for Senator Jackson's program and mine. We have joined with Chairman Williams, and Chairman Williams has joined with us. In other words, we have endorsed each other's bill, only for the purpose of getting pragmatic schemes before us all so we can act.

We have no pride of authorship—our own, anybody's—here. Get it underway. We think that to do this you have to, in the interim, provide whatever money we can provide. Maybe \$1.6 billion is just out of line, but certainly \$250 million is inadequate. I have given you the parameters; that is, \$250 million for about a million families or \$1.6 billion for 6 million families. We think the universe of need is 25 million. Our bill deals with 12 to 13 million, Jackson's and mine. Williams' bill seeks to reach the whole 25 million.

Thank you.

Senator CHILES. Thank you very much, Senator Javits. We are delighted to have your statement.

I understand you really don't have time to submit for questions.

Senator JAVITS. Well, we have the new nominee for the U.S. Ambassador to the U.N. in front of us right now but if the members have some burning questions, I am never a fellow to stand mute.

Senator CHILES. Does anyone have questions?

Senator DOMENICI. Mr. Chairman, I would like to ask Senator Javits just one question.

This committee started hearings 2 years ago on the impact of energy on elderly Americans with fixed income. Truly other than the program you have described, this \$250 million crisis intervention, we have done little or nothing. Social security add-ons have not kept pace obviously with the rising cost of energy and I am sure the Senators have stated that already in their opening statements.

The big problem is not only how much resource do we want to apply but how can we develop a system which is manageable? I think you would agree with that. When you are talking about the millions of recipients, you cannot just open an office in every city and say, "Here is the criteria, come in."

What is your best recommendation for a manageable system for attempting to help those that need this additional amount of money for an energy cost?

Senator JAVITS. My best recommendation is the automaticity of qualification for those who get food stamps or AFDC or SSI. They are already on the rolls and they should be permitted up to a fixed amount. We suggested \$45 a month. Up to that amount as required to save them harmless against the greater proportion of expenditure of their income for fuel than is set by the regulations.

Now the normal family spends 5 percent. Perhaps a poor family's contribution ought to be 10 percent, but in any case the regulations will set that percent. Beyond that it is a post payment checkout based upon a representation which could be by affidavit of the

individual. There is automaticity of payment because you can't wait for the verification and case worker and so on.

Now we think that once you are on welfare anyhow, most likely that you need this help and therefore we make that suggestion as the best point.

Senator DOMENICI. But that does not have its priority impact on senior citizens. Even though they of late qualify for food stamps, many of them are in desperate condition and just get social security and are not participants in the food stamp program.

Senator JAVITS. It puts everybody in the same condition and therefore includes the elderly and saves you the fact that the elderly are going to fall through the cracks. It is a fact that most of what I have described affects the elderly, although their participation rates are very low when they are eligible. The food stamps, the AFDC, the SSI—certainly the last. Nonetheless, you may be stretching a point. You have to. You yourself have posed the problem. We think that is the best scheme. You are in the winter, you have no choice, and we think the automaticity of this scheme is what commends it.

Senator DOMENICI. Thank you, Mr. Chairman.

Senator CHILES. Without objection, The statement of Senator Javits will be entered into the record at this time.

[The prepared statement of Senator Javits follows:]

PREPARED STATEMENT OF SENATOR JACOB K. JAVITS

Mr. Chairman, I would like to congratulate you and the distinguished members of the Special Committee on the Aging for your profound concern regarding the fuel needs of the elderly this coming winter. Not only are senior citizens on fixed incomes most severely affected by the skyrocketing costs of fuel but they are also the population for whom the dangers of extreme weather—both hot and cold—are greatest. Indeed, virtually every tragic fatality resulting from lack of fuel since the 1973 Arab oil embargo has been the death of an elderly person unable to get an adequate energy supply. And the CSA operated emergency fuel assistance program of these past winters failed to involve adequate numbers of the aged and insisted on humiliating potential recipients by requiring presentation of a notice of shutoff of energy supplies as a condition of receiving assistance.

Chairman Williams, of the Labor and Human Resources Committee, and I look forward to working with your committee in the development of a Senate fuel assistance proposal. Senator Williams had very much wanted to join you today, but he had another engagement and has requested that the testimony he would have delivered be inserted in the record.

Senator Williams and I have each introduced legislation establishing permanent fuel assistance programs. Senator Williams' measure varies in some particulars from the Basic Fuel Assistance Act I introduced with Senator Henry Jackson last June, but I believe we have no fundamental differences. Therefore, I was pleased to join him in this effort to enact the final comprehensive proposal. Similarly, Senator Williams agreed to join Senator Jackson and me as a sponsor of S. 1270. Thus, we are united in our determination to alleviate the disproportionate economic burden borne by poor households because of energy price increases.

Senator Jackson's and my proposal follows the principles laid down by the group of consumers and energy suppliers which advises the Department of Energy through the Fuel Oil Marketing Advisory Committee. It establishes a Federal "entitlement" program under which any household for SSI, food stamps, or AFDC must pay only the same proportion of its income for fuel as the average family pays.

Whereas the middle-income household in the United States paid about 5 percent of its budget for residential fuel last year, low-income elderly families often paid 18 to 20 percent of their budget. My proposal provides up to \$45 a month in assistance once the low-income household has contributed the required part of its income. The assistance is paid to the fuel supplier or utility, which must offer fair credit terms to the recipient and refrain from shutting off heat in winter. It utilizes existing certification and delivery systems through State agencies. And we require that

recipients be provided with weatherization and other conservation services so as not to waste the Federal fuel payment.

Senator Williams' bill offers a similar program to recipients but through a system of formula grants to States. It establishes a new set of eligibility criteria and would make about 25 million households eligible for assistance compared with the 12 to 13 million eligible for my program.

The Library of Congress has been asked to furnish us with an age breakdown of eligibles under both bills which we will gladly share with you when it is available.

Clearly, both proposals differ drastically from the administration's proposal for a \$2.4 billion program based on cash payments which vary by State, but without any consideration of the costs of fuel supplies. \$2.4 billion may cover the impacts of domestic oil decontrol but it cannot begin to compensate for the OPEC price increases of the past 4 years, much less the inevitable rise in world oil prices in the coming months.

Indeed, these increases have brought us to a critical moment for the poor and near-poor of the Nation. A winter looms ahead in which help—far more substantial help than that made available too little and too late in the past 3 years—is desperately needed. No new program can be put in place fast enough, so we must put funds through existing agencies.

The \$250 million appropriated to date may get households in need through to Thanksgiving at best. First, we need to assure that the entire \$1.6 billion the President has proposed will be available. During the debate on the second budget resolution, which begins shortly, I shall be offering an amendment to insure this entire amount is available for emergency fuel assistance instead of the inadequate \$500 million now in the budget.

Second, we need to design, with the Appropriations Committee, guidelines for spending these funds under existing authorities. The administration proposes to send additional checks to SSI and AFDC recipients. However, our estimates show this will miss one-third of the elderly in need and 60 percent of the entire poverty population. Last year's CSA system of emergency aid is also unacceptable, so we must design a flexible program of assistance payments through State and local agencies available to any household under 125 percent of poverty level income and facing high fuel costs. Such an approach will inevitably be imperfect, but I am convinced that if we start now we can make it equitable and target help where it is most needed.

Again, I commend your prompt recognition of these difficult problems and the urgent necessity of solving them and I look forward to working with you accordingly.

Senator CHILES. The statement of Senator Harrison A. Williams, Jr., with an introductory statement by Senator Bill Bradley, a member of this committee who is unable to be with us today, will be entered into the record at this point.

[The statements of Senators Bradley and Williams follow:]

STATEMENT OF SENATOR BILL BRADLEY

I commend the efforts today of the Special Committee on Aging in addressing the very important subject of a national energy assistance plan. Developing an adequate program of assistance to meet the home heating needs of the elderly and low income before a crisis situation arises this winter confirms our ability as legislators to resolve public concerns.

In addition to the testimony to be heard today, I would like to bring to the attention of this committee, the similar efforts and commitment to this issue by my colleague and senior Senator from New Jersey, Senator Williams. He and the members of the Labor and Human Resources Committee have pledged to take quick and effective action in giving assistance to those most in need, the elderly, and low-income families who await this winter uncertain about the prospect of supply and cost of fuel needed to keep a warm home. I think the hearing record would benefit today by the submission of my colleague's statement of his undertakings and hard work on this matter.

STATEMENT OF SENATOR HARRISON A. WILLIAMS, JR.

In less than 8 weeks, some parts of the continental United States will begin experiencing the first freezing blasts of winter. Five months of cold weather will

follow in which millions of American homes will have to be heated by fuel oil which will have risen in price by more than 100 percent over last year.

Since 1973, the country has experienced isolated cases of individuals who have frozen to death in their homes because they could not afford to pay for heating oil. These tragic cases point out the desperation and danger which face many Americans who bear the heaviest burden of the skyrocketing price of heating fuel. Many of them may have to leave their homes when the furnace goes out. Others, the elderly, those living in rural communities, and the very poor, face a worse fate when they may have to live in a house with no heat.

The choice these people face will be very painful and tragic. Many of them will have to face them alone. Their lives will be hanging in the balance unless something is done.

I am proposing to take action now to give assistance to those most in need—the low- and middle-income families and individuals who face the winter of 1979 with great trepidation and anxiety.

The bill I have introduced, the Home Energy Assistance Act of 1979, will offer the necessary relief to those most in need with a minimum of administrative delay. The bill is designed to provide \$6.6 billion over the next 5 years, beginning this year, by formula grants to the States. This formula would take into account the income level of the household, the number of days of cold weather the State experiences in the winter, and the aggregate amount the State spends each year on heating fuel.

A total of \$1.6 billion would be available this year and \$5 billion in each of the four subsequent fiscal years under the Home Energy Assistance Act. Individual families will receive grants ranging from \$100 to \$500 per year depending upon need. The money, where possible, would be paid directly to the utilities providing the energy.

Based on estimates, approximately 25 million households would be eligible for some level of assistance. New Jersey, being a populous northeastern State, would be one of the top recipients for assistance under my bill. More than 680,000 New Jersey homes are eligible under the formula and the State would receive \$54 million this year and nearly \$170 million in each of the next 4 years for home fuel assistance.

In 1978, the average American household spent approximately 5 percent of its annual income on household energy; the average low-income household spent closer to 20 percent. This year, the price of home heating fuel will have risen as much as 100 percent and many low-income families will be paying in excess of 40 to 50 percent of their income to heat their homes. Some on fixed incomes may be faced with energy bills which exceed their total monthly income. This crisis, in bare terms, is literally "heat or eat."

Congress has no choice but take action and provide the right kind of financial assistance to those Americans most in need this winter—the low income, the elderly, and others who face the danger of freezing or starving to death.

My bill will provide immediate relief, and more importantly, build a long-term program of grants to the States for future years. My Labor and Human Resources Committee soon will conduct hearings on the HEAA bill and I will work to see the bill is voted on as rapidly as possible. The weeks between now and December will be short, but will require prompt and decisive action if unnecessary tragedy and death are to be avoided.

Senator CHILES. Senator Glenn also said he would yield his opening statement time or this time to Senator Mathias.

Senator Mathias has introduced S. 1603, which proposes a home fuel stamp program.

Senator Mathias, we are delighted to have you come before this committee this morning; we know you have other pressing business. We would be delighted to take your statement.

STATEMENT BY SENATOR CHARLES McC. MATHIAS, JR.

Senator MATHIAS. Thank you very much, Mr. Chairman.

I will try to be as economical with the committee's time as Senator Javits was.

I have a statement which I would like to ask unanimous consent be included in full in the record together with several articles on this subject.

Senator CHILES. Without objection, it will be made a part of the record.¹

Senator MATHIAS. It is a very difficult subject that we are dealing with and we are dealing with it very late. There are frosts already occurring in parts of the United States. I see among the members of the committee some Senators whose States will be feeling those frosts very soon. To get the ponderous Federal bureaucracy moving and rolling and getting something done before people really begin to suffer is a challenge and it is a very personal challenge.

Last year, I had a constituent who came into my office and said, "It is pretty frightening to go to bed at night and be afraid that you might freeze to death." This was an elderly woman who said she had closed off most of her house and she stayed in the kitchen where the stove provided some minimal heat—the only heat that was in her house after her kerosene tank had run dry.

Those are the kinds of conditions that we are dealing with, really rock bottom situations. This woman lived on \$70 a week, she bought her groceries with food stamps and she really only got through last winter with help from friends who went in and checked on her and loaned her money to buy a little bit of heating oil from time to time. That was the way she made it. That is the kind of urgent situation we have to deal with.

In the past 3 years in Maryland, just as one example, 11,700 households have been certified to receive emergency funds for heating oil under the Community Services Administration's crisis intervention program, but last year alone, 15,000 households applied. That is some measure of the need and the outlook for this winter is very grim. Fuel oil supplies are uncertain, and I say that in spite of the President's assurances and the Department of Energy's assurances that the goal of stockpiling 240 million barrels for the heating season is on target.

Kerosene is, I think, going to be in drastically low supply and there are many, many low income families that depend on kerosene. Oil jobbers are being asked to pay suppliers in advance or within 10 days or be cropped. This is a change in the heating fuel economy and puts unusual strains on small independent business owners because they have to pay lenders increasingly higher interest rates for money that they will not collect from customers for 30 or 60 or 90 days after delivery. I don't think I need to underscore that we face potential human crisis this winter that could make the gasoline crisis of the summer look like a garden of roses.

The emergency fuel program that we enacted in 1977 has been helpful to many thousands of elderly and sick and poor Americans but we have yet to act on any funds for this year, and on top of that the program reaches people only in a time of crisis and only when the State in which they reside has become eligible under this specific criteria. That is why the Senator from Tennessee, Mr. Baker, and I have introduced S. 1603. I think that Senator Baker will be having something further to say on his own on this.

Now this is the heating fuel stamp program, it is not a new idea. As a matter of fact, it was almost 5 years ago to the day that I was before this very committee about the same idea and at that time I

¹ See page 124.

said that the topic we are discussing here today is indeed an important one in the light of the continuing energy crisis in the United States. As winter approaches, the specter of fuel shortages again rises before us and those living on fixed incomes are the least prepared to cope with the shortages.

Now in the 5 intervening years the energy situation has not improved. The hardships imposed on low income and fixed income individuals grow worse year by year and I think it is time for Congress to take a positive step in the area.

I won't list, Mr. Chairman, in detail the provisions of the bill except to say that we would issue fuel stamps in roughly the same manner, and using the same machinery as food stamps. Therefore, we believe it is a program which could be activated very, very fast because the machinery, the institutional mechanism, is already in place.

If there are any questions, I will be happy to answer them; otherwise, I will submit the balance of my statement.

Senator CHILES. We thank you very much for your statement and for your work in this area, Senator Mathias.

Senator MATHIAS. Thank you very much.

Senator CHILES. The prepared statement of Senator Mathias will be entered into the record now.

[The prepared statement of Senator Mathias follows:]

PREPARED STATEMENT OF SENATOR CHARLES MCC. MATHIAS, JR.

Last February, my Baltimore office received an anguished phone call from a 60-year-old Harford County woman who suffers from arthritis—let's call her Mrs. Lee. She had run out of fuel oil during the blizzard which left many elderly and poor people on fixed incomes in physical danger. They did not have enough money to pay for the fuel to get them through the numbing cold. For many, it was the second and third time their oil tanks had run dry. Their scant budgets had collapsed.

"It's pretty frightening to go to bed at night and be afraid you might freeze to death," Mrs. Lee told our caseworker. "I closed off most of the house and stayed in the kitchen where it was warm from cooking."

Mrs. Lee lives on \$70 a week and buys her groceries with food stamps. She got through last winter with help from friends who checked on her regularly and loaned her money to buy heating oil. Others too had to borrow money to get through the winter and are still in debt. Next winter could wipe them out.

In the past 3 years, 11,700 Maryland households have been certified to receive emergency funds for heating oil under the Community Services Administration's crisis intervention program. But last winter alone, 15,000 households applied for these special funds, and that figure does not include the many elderly, near poor, social security pensioners, and others who must eke out an existence on fixed incomes. Winter for them has become intolerable. The most heart-breaking cases involve elderly people who have worked all of their lives, have raised their families, have paid off their home mortgages, and now after a lifetime of sacrifice face the prospect of illness, infirmity, and possibly even death because they cannot pay the skyrocketing cost of home heating bills.

The outlook for the winter of 1979-80 is grim. Fuel oil supplies are uncertain in spite of the Department of Energy's goal of stockpiling 240 million barrels for the heating season. Kerosene, on which many Marylanders depend for space heating, appears to be in drastically low supply. Oil jobbers are being asked to pay their suppliers in advance or within 10 days, or be dropped. This puts unusual strains on these small independent business owners, because they must pay lenders increasingly higher interest rates for money which they will not collect from customers for 30, 60, and sometimes even 90 days after delivery.

We face a potential human crisis this winter that could make this summer's gasoline crisis seem like a garden of roses.

The Federal Government's emergency fuel program enacted by Congress in 1977 has helped hundreds of thousands of elderly, sick and poor Americans get through the last two savage winters. During heating seasons of 1977-78 and 1978-79, we

made \$200 million available each year for emergency fuel under this program. But we have yet to act on funds for the 1979-80 heating season.

And on top of that, this program reaches people only in a time of crisis and only when the State in which they reside has attained eligibility under specific criteria established by law.

That is why Senator Baker and I introduced S. 1603, the Home Heating Fuel Stamp Program Act.

Mr. Chairman, this is not a new idea. As a matter of fact, almost 5 years ago to the day, I testified before this very committee about this very same idea. At that time I said:

"The topic we are discussing here today is indeed an important one in light of the continuing energy crisis in the United States. As winter approaches, the specter of fuel shortages again rises before us, and those living on fixed incomes are the least prepared to cope with such shortages."

Unfortunately, our energy situation has not improved since then. In fact, the hardships imposed on low-income and fixed-income individuals grow worse by the year. It is time for the Congress to take a positive step in this area.

We propose S. 1603 as just such a step. The fuel stamp program as proposed in S. 1603 would be administered in conjunction with the food stamp program currently being run by the Department of Agriculture. By using existing machinery, we would be able to minimize the time it takes to reach the many Americans who will really need help this winter.

Eligibility for the fuel stamp program would be essentially the same as for the food stamp program. Eligible households would receive coupons to be used in paying fuel costs, or in paying a certain percentage of rent costs attributable to fuel costs. The Secretary of Agriculture would be charged with determining the minimum cost of a reasonable amount of home heating fuel for a single heating season, and coupons would be issued in accordance with this determination. The Secretary would also be required to minimize the extent to which assistance provided under this program might induce unnecessary consumption of home heating fuels.

When we talk of a fuel stamp program, we are not talking about handouts or another welfare program. We're talking about providing a lifeline to millions of Americans who have made great sacrifices throughout their lives to provide for their families and for their futures and who, despite their frugality, are being submerged by an inflationary tidal wave beyond their control.

As columnist Kevin Phillips has pointed out, the fuel stamp approach has appeal to conservatives and liberals alike because assisting retired and disabled people who have spent the better part of their lives working "is a far cry from stimulating welfareism * * *." I believe it is an investment in stability.

The present haphazard approach to emergency funds for home heating has also had administrative problems. A General Accounting Office study criticizes the crisis intervention program, pointing out that States have implemented differing priorities for paying people, and observed that the Community Services Administration, "cannot be assured that local programs are alleviating crisis situations in serving households in the greatest need."

In contrast, the Field Foundation's 1978 report, *Hunger In America*, singled out the food stamp program as an outstanding example of a program which not only works, but is well administered. The report notes that far fewer Americans are grossly undernourished today than 10 years ago, and it credits the food stamp program with having made the difference.

The Field study also observes that eligible households can easily gain access to the program, that its administrative mechanism has been improved and simplified, and that the potential for fraud and error has been significantly reduced.

Mr. Chairman, I would like to submit for the record of these hearings two editorials that endorse the idea of a fuel stamp program patterned on the food stamp program.

I appreciate the time that you have given me to explain this proposal, Mr. Chairman, and I urge that this committee move forward quickly in this area. Speedy action now by the Congress may mean the difference between life and death for many old, sick, and low-income people during the coming months.

[Editorial from the New York Times, Aug. 30, 1979]

FOOD, FUEL, AND NECESSITY

The administration knows very well that this winter's heating bills are going to be a shock, particularly to the poor. Witness the meeting that Charles Duncan, the new Secretary of Energy, had in Boston this week with the Governors of nine

Northeastern States. Yet the \$1.6 billion program that the administration hopes will help the poor pay those bills is based on an inefficient patchwork of existing community and welfare programs. There is not time, it is said, to devise any smoother machinery for this winter.

Time, however, is no excuse. The administration could distribute its fuel aid efficiently by using the existing food stamp program.

Food stamp benefits can be raised in 3 months or less, and a regular change in benefits is already scheduled for January. Since major heating bills won't start arriving until late December, that would be early enough to meet this winter's problem. Since the food stamp program is already in operation and covers all the poor, aid could be disbursed at almost no new administrative cost. Moreover, since the program uses the 50 separate States as its basic administrative units, benefits could easily be aimed at States where home-heating costs will rise most sharply.

In the long term, it would be appealing to broaden the food stamp program into one of "necessity" stamps to cover food, fuel or shelter. But formal expansion isn't necessary this winter. What is required now is authorization permitting food stamps to be cashed by fuel dealers and landlords as well as by grocery stores.

The food stamp program today spends \$7 billion a year on 17 million Americans. Monthly benefits are scaled, from \$200 for a family of four with no income at all down to \$26 for a family with an income of about \$600. Additional benefits for home heating aid could be graduated similarly, with most of the money going to those who need it most.

There is no doubt that the need will be great this winter. The average low-income family that uses oil (as do most families in the Northeast, whatever their income) is going to see its home-heating bill increase by \$400 or more, a major financial blow. The \$250 million aid plan pending before Congress would pay only a fraction of the increase. The \$400 million plan Mr. Duncan now describes would, according to the northeastern Governors, pay a poor family only \$50. Even if the administration's full \$1.6 billion plan becomes law—and Mr. Duncan says that all depends on congressional passage of the windfall profits tax on oil companies—the payments would still cover only about half the \$400 increase.

These figures need to be examined carefully in the days ahead to determine whether *any* of the proposed plans is adequate. But while that determination is being made, the machinery for delivering aid should be made as efficient as possible.

The idea of permitting food stamps to be used for fuel is sometimes opposed on the ground that food stamps were designed to increase food consumption. But it is national policy to discourage fuel consumption among both rich and poor. Food stamps do encourage the consumption of food. But in extending the stamps to fuel, no one is proposing to extend so much aid that the poor will be able to afford more oil. The aim, rather, is to cushion the shock of radically higher fuel prices.

Even \$200, to help the average low-income family cover a heating bill which will rise from \$800 to at least \$1200, would still leave that family with more than enough incentive to conserve energy.

[Editorial from the Washington Post, Aug. 14, 1979]

BEFORE WINTER COMES

Unlikely as it might seem, winter is coming. Within 2 months, most people even in this mild and salubrious climate will have their furnaces running. When that season arrived last year, heating oil cost 50 cents a gallon. This year it will be over 70 cents and rising fast. It may well approach \$1 a gallon before the winter's over. Since a house with an oil burner uses, on the average, 1,200 gallons a year, the annual cost of heating that house will jump from \$600 to nearly twice as much, between the beginning of last winter and the end of the next one. What about those families who are poor, and already live at the bare edge of possibility?

The Carter administration keeps talking hopefully but vaguely, about aid to the poor. Unfortunately, Mr. Carter intends to provide that aid out of the revenues of the forthcoming tax on windfall oil profits—which is another version of the same old mistake. The windfall tax is not progressing as rapidly as he had expected. It has yet to begin moving through the Senate Finance Committee—Congress' own Slough of Despond. By designing the tax to support synthetic fuels production plus mass transit plus aid to the poor, the President has insured that just about every lobby in Washington will have an interest in it. The Carter style of linkage has created a formidably broad opposition to the bill, ranging from oil producers fighting the tax to environmentalists fighting the synthetic fuel plants. It seems hardly

likely that this cumbersome mechanism can bring help to the people in greatest need before frost comes.

A more reliable expedient would be fuel stamps analogous to the food stamps that enable poor families to cope with rising prices at the grocery store. This proposal has its drawbacks, as our mail on the subject has copiously pointed out. Economists argue that the same purpose can be achieved more efficiently by expanding the present system of welfare benefits and, for the working poor, income tax credits. But that kind of change in the welfare and tax systems opens up large questions of income distribution that, in a time of rapid inflation, will not be resolved easily or quickly.

There is also the objection that fuel stamps would merely encourage people to drive more and waste gasoline. But the primary purpose of fuel stamps would be to provide home heating and prevent suffering when the temperature falls. Stamps for gasoline would presumably be issued only to people who have to commute long distances to jobs at low wages. These people are a small number, living under great pressure, and not many of them spend their weekends at Ocean City.

No doubt there are tidier and more elegant ways to help families with low incomes, as oil prices soar. Fuel stamps are a crude and rough solution. But there is one thing to be said for them. Unlike the other possibilities, they could be put into operation quickly, before winter comes.

Senator CHILES. Senator Glenn.

STATEMENT BY SENATOR JOHN GLENN

Senator GLENN. Thank you, Mr. Chairman.

I think it is obvious any national energy policy must include consideration of the problems that are facing low income and elderly households that cannot meet continually rising energy costs. We have all heard that some people are being forced to make the choice between heating and eating, and that is literally true for too many households.

On August 30, I chaired a hearing of this committee in Akron, Ohio, and I am pleased that two of the Ohio witnesses are joining us here in Washington today at this continuation of our hearings on "Energy Assistance for the Elderly."

We are very proud in Ohio of the program that has been developed there. It is very effective and that is one reason we had a meeting in Ohio and in Akron. Our State representative, Dennis Eckart, developed Ohio's energy credits program which gives eligible households a 25-percent reduction in their monthly utility bills. Dennis is not able to be with us today because legislation to extend this is before the Ohio Senate right now. He will be represented today by Tom Conlan, executive director of the Ohio Energy Credits Advisory Committee.

The other witness that we have with us today is Dave Sweet, a good friend of mine and a person that I have known for a long time. He is dean of the College of Urban Affairs, Cleveland State University, and they have prepared what I think—and I don't think anybody questions—is the most complete assessment of all these elderly energy assistance plans in the whole country.

The College of Urban Affairs of the Cleveland State University has completed a 6-month study, a 50-State survey of more than 120 energy assistance programs or energy pricing policies proposed or initiated at the State level. The survey shows that more than half the 50 States have begun to provide energy assistance programs to ease the rising energy cost burden on the poor and the elderly and the disabled.

I think the committee staff, when we met in Akron just a couple of weeks ago, were of the opinion that this was by far the most

detailed and comprehensive study that they had seen or come across, so I am particularly glad that we have Dave here with us today. The comprehensive report is entitled "Energy Assistance Programs and Pricing Policies in the 50 States To Benefit Elderly, Disabled, or Low-Income Households."¹ I think it is essential that our committee members, the Congress, and the administration know about Ohio's program and about the extent of energy assistance programs throughout the States.

I might add before Dave testifies later this morning, that he has had experience with the State government himself. He went from there to be on the State Public Utilities Commission of Ohio and now heads up the Department of Urban Affairs at Cleveland State University, so he has had a good background in considering these particular items.

I also look forward to hearing from the administration and congressional witnesses who have proposed various national approaches to providing assistance for energy costs—fuel stamps, cash assistance, tax credits. Obviously we have to get going on these very soon.

We have studied the impact of rising energy costs enough to know the problems which exist; now we must find solutions. Hopefully, our actions will be expeditious and effective, thus allaying the concerns and frustrations of many, including one Ohioan who wrote to me following our Akron hearing:

Dear Senator: I hope you were impressed enough at the hearings held by the Senate Special Committee on Aging, held in Akron recently, to act in their behalf. Mr. Glenn Vore of Marietta testified to the death of 74-year-old Eugene Kuhn.

As an aside, you may recall Eugene Kuhn was the man who was found frozen to death, I believe it was two winters ago, because of being unable to pay an \$18 public utility bill and his electricity had been cut off.

How many more elderly must face the same fate before something is finally done? All this paperwork and planning is a lot of lost time. Certainly with so many so-called smart people, you should be able to come up with a workable plan. The time is running short, winter will soon be upon us.

I think that about states the problem.

Thank you, Mr. Chairman.

Senator CHILES. Senator Domenici.

STATEMENT BY SENATOR PETE V. DOMENICI

Senator DOMENICI. Mr. Chairman, I would like to make a few brief remarks and ask that my complete prepared statement be made a part of the record of the hearing.

Senator CHILES. The statement will be inserted in the record. [See next page.]

Senator DOMENICI. I will comment quickly.

First I want to compliment you and our staff for putting this hearing together. The summary of where we are, which they compiled for us, is an excellent aid for all of us, it does a superb job in laying out the problems.

I would just say that I hope under your leadership, and I believe it will happen, that we will have hearings of this type which lend themselves to a unified effort by this committee in support of some

¹ Printed as a committee print by the committee and available from the committee and the U.S. Government Printing Office.

legislation and then following it through. Although we don't have any jurisdiction to recommend laws, we will proceed with the unified approach to support some measures and see that they are done.

As you know, Mr. Chairman, the Congress has been talking about helping the fixed-income seniors and poor families with energy costs for 4 years. You and I offered an amendment to the tax bill in October of 1977 to give a refundable tax credit. You remember that. It passed 88 to 2. It was deleted in conference. To my knowledge, there has been no substantive law passed, other than to add on to the crisis intervention program a little bit here or there, to really address this issue.

I think the outcome of these hearings is obvious and that we must do something. We must find a way. Regardless of how complicated, we have to get on with it. I compliment you for the good start this morning.

Thank you, Mr. Chairman.

[The prepared statement of Senator Domenici follows:]

PREPARED STATEMENT OF SENATOR PETE V. DOMENICI

Mr. Chairman, I am delighted to join with you today in exploring various approaches to providing assistance to low-income elderly individuals in order to help them meet their energy needs. As a member of the Senate's Energy Committee, I have been deeply involved in the ongoing effort to shape a national energy policy. I have had an opportunity to examine many aspects of the President's new energy proposal in great detail. Because of the limits on that committee's jurisdiction, I have not explored, in depth, those aspects of the President's program which would directly assist the elderly. I am looking forward with great interest to hearing the testimony of the administration's witnesses who will describe exactly how the Carter administration proposes to assist older Americans in meeting the rising cost of energy.

When I first became the ranking minority member of this committee, about 2½ years ago, I proposed a series of hearing to explore the impact on the elderly of rising energy costs. When I made that suggestion I did not want us to simply review the problem—I wanted us to search for meaningful, responsible solutions. We found that the steady rise in fuel and utility prices, coupled with the severe winter of 1976-77, had placed an intolerable burden on the meager budgets of our middle and lower income elderly. Social security benefits had risen 30 percent between 1973 and 1976 but, during that same period, the cost of electricity rose 42 percent, natural gas 58 percent, and fuel oil 83 percent.

We also discovered older persons were already making a heroic effort to conserve energy. In the 2 years since we held those hearings and identified the magnitude of the problem, little has been done by the Congress or by the executive branch to meet the pressing and growing energy needs of our elderly.

On October 27, 1977, I offered an amendment to H.R. 5236, the Energy Tax Act, which would have provided a \$75 per year refundable tax credit to low-income elderly to help them meet their rising energy needs. This amendment was cosponsored by three other members of this committee, Senators Chiles, Church, and Heinz. The energy relief tax credit would have been fully applicable to elderly households who have an adjusted gross income of \$7,500 or less. Families with an adjusted gross income between \$7,500 and \$12,500 would have received a reduced credit. Mr. Chairman, as you probably recall the Senate passed this proposal by an 88 to 2 vote. Unfortunately the provision was deleted by the joint House-Senate conference committee. Mr. Chairman, unless we can evolve a direct, workable, and simple-to-administer formula to help senior citizens meet their energy needs, I will revive this tax credit proposal and offer it once again to the first appropriate revenue bill which comes before the Senate.

Two years have passed since this committee held its last hearings on the energy needs of older persons and I offered my amendment to begin, in a small way, to address the problems facing older persons. Now we are approaching another winter without having in place a mechanism that can meet the needs of low-income older persons. In the absence of Federal action, a number of the States have moved creatively to address this pressing issue. I look forward, Mr. Chairman, to receiving

the testimony of the administration's witnesses and I am also eager to learn more about what certain States have done at the local level to meet this problem.

Senator CHILES. Senator Percy.

STATEMENT BY SENATOR CHARLES H. PERCY

Senator PERCY. Mr. Chairman, thank you very much.

I have just had the privilege of meeting with a group of senior citizens from the State of Connecticut, so I have had a good chance to hear from them firsthand on some of the problems they have. With winter fast approaching, I hope Congress will act rapidly in this area especially when you consider that low-income persons are spending an average of 25 percent of their income on household energy costs, the average household is spending 5 percent, and that these costs are continuing to climb. In order to meet these rising energy costs, the low-income elderly are cutting back on their food bills and other necessities. We must find an answer to this problem.

I commend you, Mr. Chairman, on calling these hearings.

I ask unanimous consent that the balance of my statement be incorporated in the record.

Senator CHILES. Thank you, sir. It will be.

[The prepared statement of Senator Percy follows:]

PREPARED STATEMENT OF SENATOR CHARLES H. PERCY

Mr. Chairman, winter is fast approaching and Congress has not developed an energy plan to relieve the tremendous burden high energy costs place on low-income persons and the elderly. We must be compassionate with the low-income and elderly, and responsive to the dilemma they face in paying rising energy costs and maintaining a sufficient standard of living.

I can remember, so vividly, the 1977 case of the elderly couple who froze to death after their utilities had been shut off. And I can't forget the 20 elderly people who died of heat prostration in Texas last year because they had no air-conditioning. These cases were covered by the news media.

But what of the untold numbers who sat in their tiny efficiencies, wearing sweaters, making the hard choices: Should they spend their money on food or medicine, or should they pay their skyrocketing utility bills? How many died or became seriously ill because of this decision? I believe that this country is faced with an imminent crisis that has to be resolved. In July, the Fuel Oil Marketing Advisory Committee of the Department of Energy put it bluntly: "If a major low-income energy assistance program is not established by next winter (1979-80), the health and safety of thousands of low-income people and the elderly will be jeopardized."

The energy crisis has rendered a severe blow to the poor and the elderly on fixed incomes—the very people who are least able to resist this attack. We have been told that low-income persons spend an average of 25 percent of their income on household energy costs—the average household spends 5 percent. Increases in social security and income supplements have not fully reflected the increase in energy costs. Since 1974, social security benefits have increased by 42.7 percent and supplemental security income by 24 percent. However, between 1974 and June of this year, the cost of natural gas has soared 126.7 percent, fuel oil 136.3 percent, automobile gas 100.9 percent, and electricity 73.4 percent. And energy costs continue to soar. Last week, John F. O'Leary, Deputy Secretary of the U.S. Department of Energy, testified that the average price of home heating oil had increased 51 percent over the December 1978 price. Inflation has continued relentlessly.

In many cases, the low-income and elderly have already cut back on their use of energy to the point where it is questionable whether they are living in a healthy environment. Many utility companies penalize the low-energy user by charging a higher base rate. To make matters worse, many low-income families live in older houses which are not well insulated. Thus the energy they use—at an exorbitant price—is not adequately heating their homes in the first place.

The Department of Energy administers a weatherization program for low-income household which tries to place a special emphasis on helping the elderly. The latest

figures from the State of Illinois reveal that for fiscal year 1977, \$927,000 was spent on weatherizing 1,410 households. For fiscal year 1978, Illinois received \$4,088,880 for this program and to date has spent \$1,123,566 for the complete weatherization of 1,177 homes. But problems exist. Since most of the workers in this program are CETA employees who are limited to a stay of 1 year to 18 months on the job, the local administrators are constantly retraining workers. Thus this program has not been running as efficiently as envisioned by Congress.

The suffering felt by the low-income elderly because of the energy crisis cannot be overstated. Upon my urging, this committee this summer adopted a resolution calling on the President and Congress to develop a program of assistance to meet the particular energy needs of the elderly. I stated at the committee's summer executive meeting that the Alliance to Save Energy, a nonprofit organization, has gone on record supporting a diversion of part of the windfall profits tax for low-income families. The alliance was founded by our beloved former colleague, Senator Hubert Humphrey, former Secretary of HUD Carla Hills, and myself several years ago in anticipation of the energy crisis.

I intend to review carefully each of the proposals submitted to this committee which would help alleviate the painful burden faced by low-income families—and particularly the elderly—in meeting their energy costs. I will support a responsible energy assistance program that truly reflects the urgency that must be felt—and addressed.

Senator CHILES. Senator Church, former chairman of our committee.

STATEMENT BY SENATOR FRANK CHURCH

Senator CHURCH. I am delighted to be here today. Even though I am going to have to manage a bill on the floor and won't be able to stay for the whole of the hearings, I would like to say that I don't know what the answer to this quandry is, and I hope that these hearings will give us a way to find an effective solution.

We all know, and I need not repeat, how heavily the cost of the home heating oil bears upon the budget of older people on limited retirement incomes. I am not sure that we found an answer to how to deal with that problem. If we are going to extend the Federal payment to assist them in meeting their bills, then the question is where do you draw the line, and is there a place where you can draw the line abruptly without considerable injustice to those who fall on one side or the other. That is one of the problems we always face in dealing with a question of this kind.

Another is whether the reimbursement program really meets the need when people lack the money to pay the bills in the first place.

Some of the efforts of the past, as you know, Mr. Chairman, have taken the form of reimbursement. So I don't know. Perhaps other members have a solution for this. If they do, I would welcome it. Perhaps the committee as a result of these hearings can get some guidance, but I can't believe from past experience that we have ever really coped with this problem in a way that was either adequate to the need or equitable.

I commend you, Mr. Chairman, for trying to find a better course to follow for we all understand the problem and the urgency of finding a solution.

Senator CHILES. Thank you very much, Senator Church.

Mr. Palmer, you have been very patient. I cannot remember when I have seen opening statements take an hour. And, we did have other Senators here, and several others wanted to be with us today. Senator Williams and Senator Gaylord Nelson both have introduced bills on the subject but I understand they are tied up and they won't be able to be here. Senator Nelson and Senator

Joseph R. Biden, Jr., have submitted statements for the record of today's hearing, and without objection, they will be introduced into the record at this time.

[The statements of Senators Nelson and Biden follow:]

STATEMENT OF SENATOR GAYLORD NELSON

Mr. Chairman, I appreciate the opportunity to come before the committee today. Since there are many others scheduled to participate in these hearings, I will highlight some major points and keep my comments brief.

Over the past 6 years, energy costs have increased dramatically and the most recent round of price increases have exacerbated an already critical situation. These increases have placed a devastating and disproportionate burden on low-income and near-poor Americans—particularly the elderly. For these people, the high cost of energy and the potential supply shortages represent a crisis situation.

For those who must rely on fuel oil to heat their homes, an even more sobering situation exists due to the rampant increases in fuel oil prices. In Milwaukee, for example, the average price for a gallon of fuel oil in October 1978 was 49.9 cents. As of yesterday, this price had increased to an average of 79.9 cents per gallon, with a price range of 78 cents to \$1.09 per gallon. These price increases already exceed the projected high for this winter of \$1 per gallon and represent a 70-percent-price increase since last October. The total fuel oil bill for many low-income Wisconsin households this year may exceed \$2,000.

Increases in the cost of the basic necessities of life—food, shelter, health care—force many of the 7 million elderly poor, especially those on fixed incomes, to make choices no one should have to make: food or clothing, health needs, or heating. When the elderly are confronted by the monthly choice between energy and food or energy and medical needs, they often pay utility bills rather than buy food or medical prescriptions.

Poor households, nationally, pay a minimum of 20 percent of their income on energy, with many households spending 27 to 40 percent of their income on energy. During the coldest winter months in many of the northern-tier States, such as Wisconsin, energy costs often represent 80 to 115 percent of a poor household's monthly income.

Studies have shown that low-income Americans generally consume less energy per capita than other Americans and have reduced their energy usage to the extent the conditions of their dwelling allow. The housing stock occupied by the low-income and near-poor is generally not energy efficient, is usually older, and frequently in need of home repair.

An analysis of Census Bureau data regarding the Nation's 32 million older Americans reveals that a majority of the elderly: live in older, less energy efficient housing; live in single family detached housing, which consumes more energy than dwellings with common walls; occupy houses which are much larger than their needs would require. As a population, the elderly are growing older, with an increasing number of persons in their eighties, less able to maintain their homes and more susceptible to extremes of temperature and accidental hypothermia.

Compounding the problems associated with energy costs and the energy inefficiency of dwellings, is the fact that the Nation is simultaneously attempting to reduce consumption patterns. Although at some point, excessive prices should induce energy consumption, the supply problems we have experienced in recent months also accentuate the need to conserve. There can be no doubt that more than any other time in the past decade the low-income and the near-poor of this Nation find themselves overpowered by an energy crisis.

In response to this situation, I have introduced legislation—S. 1725—along with Senators Kennedy and Riegle, to establish a comprehensive energy conservation services program for the low-income and the elderly. This legislation addresses, through a comprehensive approach, the energy crisis faced by low-income and near-poor Americans—particularly the elderly. The bill is designed to foster energy conservation and has four major components:

A weatherization program putting unemployed and in-school youths to work insulating and weatherizing homes of low-income and near-poor families.

An energy assistance program and a crisis intervention program to provide financial assistance to respond to energy-related crises experienced by low-income persons.

An energy conservation education, program coordination, and outreach effort to bring about energy savings in low-income households, to inform such households of the various programs available to serve them, and to coordinate all

Federal energy-related programs which serve the low-income and near-poor; and

An energy conservation research, demonstration, and pilot projects component to revise and expand upon current authority within the Economic Opportunity Act to conduct research and to experiment and demonstrate technological innovations to produce energy savings.

Mr. Chairman, I would like to include in the hearing record a more detailed description of S. 1725,¹ which appeared in the September 7 Congressional Record.

In my judgment, the comprehensive approach and emphasis on energy conservation embodied in this bill, will enable the Nation to meet the energy-related needs of the elderly and the poor, while at the same time providing the Nation's unemployed youth with a unique opportunity to help solve the country's energy problems and improve the life circumstances of our senior citizens and needy families.

STATEMENT OF SENATOR JOSEPH R. BIDEN, JR.

Mr. Chairman, I appreciate the opportunity to testify today on one of the most pressing social problems facing this country. The problem is, of course, rapidly rising residential heating fuel prices and its impact upon millions of lower and moderate income households.

Since January of this year, the price of home heating fuels has risen dramatically. The price of residential fuel oil has increased from 54 cents a gallon to 80 cents a gallon in less than 9 months, an increase of over 50 percent. By the end of 1979 fuel oil prices may exceed \$1 a gallon.

To the average American this means that the 200-gallon-fuel-oil tank which cost \$108 to fill last January now costs \$160 to fill. If fuel oil prices reach \$1 a gallon, the cost of filling the tank will be \$200.

For many families, particularly those on low and fixed incomes, this price increase could be catastrophic. The situation is most severe in the northeast where 60 to 70 percent of all homes are heated by fuel oil.

Last winter, the average low-income household spent almost 20 percent of its income on household fuel and utilities. Because of the spiralling costs of energy many low-income households could pay in excess of 40 or 50 percent of their income on household fuel and utilities during the course of this winter.

The Congress received testimony last fall from Anthony Maggiore of the Social Development Commission in Milwaukee, Wis., on the potential impact that higher home heating prices could have on the elderly. Mr. Maggiore stated that:

"For elderly persons in poverty, a 20-percent increase in the cost of fuel oil will mean that during the winter months, 38 percent of their incomes will go for fuel; 99 percent of their incomes will go for complete shelter costs. If fuel oil prices increase by 50 percent, then 48 percent of their incomes will go for fuel oil and 109 percent of their incomes for shelter. At \$1 per gallon, 67 percent of low-income household income would be used for oil, and a low-income elderly family would need 28 percent more income than they currently have just to pay shelter costs."

That is 67 percent of one's income during winter months just to keep from freezing. Where does the senior citizen household get the money to pay the rent or to pay for food and medical care?

Spot shortages in home heating oil supplies in various parts of the country could be a further complicating factor. Although it appears the 240 million barrel goal for home heating oil will be met, regional spot shortages of oil are not inconceivable.

Without an adequate supply of home heating oil some customers, particularly those who live in rural areas, may be cut off from their regular sources because it is no longer economical for distributors to deliver oil to them. Other companies may be reluctant to take on new customers because they are unsure of whether they have adequate stocks on hand to take care of existing customers. If shortages occur it will only compound the serious problems faced by senior citizens and low-income households.

Because the current home heating fuel supply situation is so serious I believe that Congress must take immediate steps to enact a program of emergency fuel assistance for those groups most affected by recent price increases. I am pleased that the Senate Special Committee on Aging has opened hearings on this most pressing problem.

Before I summarize my own proposal to ameliorate the home heating fuel price increases I would first like to amend my own proposal.

When I first started working on my bill, the Emergency Fuel Assistance Act of 1979 earlier this year, I was primarily interested in correcting some of the major

¹ Retained in committee files.

flaws existing in the present programs of fuel assistance administered by the Community Services Administration. At that time, I became concerned that some States were not giving adequate priority to the needs of senior citizens living on fixed incomes. I was also concerned that CSA was doing an inadequate job in advertising the availability of crisis intervention funds in all States.

Because of these problems and the austere budget which was proposed by the administration, I limited the authorization of the Emergency Fuel Assistance Act to \$150 million each year for the next three fiscal years.

Since that time, OPEC has significantly raised the prices of crude oil, thereby triggering a massive increase in the price of home heating oil. Prices for all other major home heating fuels has also increased.

In light of these increases I do not believe it is possible for anyone on a low-income budget to get by this winter without some form of assistance. It will even be difficult for middle-income homeowners.

Consequently, I would like to amend my own proposal to expand eligibility for fuel assistance to low- and moderate-income households. It is becoming apparent that even middle-income households will experience some difficulty in paying fuel bills. We cannot let the burden of higher energy bills fall squarely on the back of low- and fixed-income households.

Mr. Chairman, the most recent estimates from the Congressional Budget Office indicate that revenues from the windfall profits tax have probably been underestimated by the administration. The administration's original estimates were based on OPEC oil prices prior to the last price hike and minus any real OPEC price increases over the next 10 years. Unfortunately, these are unduly optimistic assumptions.

I also believe the projected synfuel expenditures of the Energy Security Corporation will be reduced from the original request made by the administration. The action taken by the White House this week apparently supports this course of action. An expanded program of fuel assistance can, I believe, be accommodated as a result of increased revenues available from the windfall profits tax. These developments will provide nearly \$100 billion in additional revenues over the 10-year period of 1980-90. These revenues I believe will support a \$2 billion program of fuel assistance for this winter.

Such program changes offer us the opportunity to create a very broad based program of assistance for low-income households, an opportunity which I believe we should pursue. The mechanism for distributing assistance to low-income households should be tied closely to the existing network of social programs.

The remainder of my testimony today will concentrate on how we might best deliver assistance to low-income families.

I believe, the primary and overriding goal of a fuel assistance program should be to provide financial assistance to those fixed and low-income households who need the help the most and to provide that assistance in a timely and efficient manner.

Mr. Chairman, senior citizens and low-income families need help in filling their oil and gas tanks now. It is only September, but I am receiving calls from senior citizens who are almost in a state of panic because they do not know where they are going to get the money to pay for the gas or fuel oil to heat their homes this December. They cannot afford to wait until January or February to get assistance.

In order to assist these households, we must to the maximum extent possible, use the existing network of Federal and State social welfare agencies. We do not have the time to create a separate new bureaucracy to operate and administer this important program.

To do this, I believe we should tie a fuel assistance program to the food stamp program. The food stamp program has a uniform, national set of eligibility, certification, and verification requirements. Persons already enrolled in the program could become automatically eligible for fuel assistance. Persons on supplemental security income, medicaid, or social security who are not on food stamps, but who are eligible for assistance, could apply for fuel assistance at the food stamp office. A separate window at the food stamp office could be used for these persons.

Regardless of what form this fuel assistance takes, whether it be cash grants, fuel stamps, or credits, it is absolutely necessary that fuel assistance be available for use against future fuel bills as well as to pay for outstanding, unpaid bills.

One of the major inequities in last year's crisis intervention programs was that only outstanding, unpaid bills were paid. Some households went without food and medical care to scrape up just enough money to pay for another tank of oil. But because they paid their bill they could not be helped.

Furthermore, without a provision to allow this assistance to be used as a credit against future bills, many customers may not get served. Most small fuel oil distrib-

utors must operate on a cash-on-delivery basis. They do not have the cash reserves or liquidity to extend credit to their customers.

Unfortunately, many elderly and low-income families, particularly in rural areas, rely on these small companies to deliver oil and gas to them. My bill specifically mandates that fuel assistance be made available to eligible households for repayment of outstanding unpaid fuel bills and be used as a credit against future fuel bills.

S. 1331 also mandates the creation of a fuel stamp program. Although I am not absolutely wedded to the concept that assistance must be made in the form of coupons or stamps, there are several advantages to this approach.

First, it insures that assistance will be used for fuel. One of the problems with cash grants is there is no assurance that the money will be used for its intended purpose. It is too easy to spend a portion of that grant for some other purpose and still be faced with the problem of an unpaid fuel bill.

Second, a fuel stamp program could make it easy for distributors to operate the program. The customer could pay the distributor in cash or stamps or any combination thereof. The distributor in turn could redeem these stamps with a local bank or a wholesale distributor.

If we are to encourage the small distributor to participate in the energy assistance program we should attempt to reduce administrative responsibilities to a minimum. Otherwise small distributors will not participate.

Finally, I would just like to touch on the issue of energy conservation. No one disputes the importance of energy conservation. Our best hope of reducing long-term energy dependence on foreign sources rests in large part with our ability to conserve energy here at home. However, I do not believe that it is necessary to require households to participate in energy conservation programs as a condition of receiving fuel assistance.

Our primary purpose in creating a fuel assistance program should be to help households pay for fuel bills. Weatherization, insulation, and other conservation activities are important but they need not be incorporated in this bill. Realistically, it is going to take several years to make significant headway towards energy conservation particularly among groups which cannot afford the capital outlays necessary to improve the fuel efficiency of their homes.

Emergency fuel assistance is needed now and the purpose of my bill is to provide that assistance. There remains, of course, a strong incentive for households to conserve under my proposal. Fuel assistance is not going to pay for the whole fuel bill. The unpaid portion will have to be paid out-of-pocket.

In conclusion Mr. Chairman, we need to make our overriding goal the quick passage of a workable emergency fuel assistance program for this winter.

It should be an emergency fuel assistance proposal tied as closely to existing welfare programs as possible.

Assistance must be available for use against future fuel bills as well as for repayment of outstanding fuel bills.

The program should not impose onerous or unworkable administrative burdens on energy suppliers. Otherwise their participation in fuel assistance programs could be jeopardized.

Thank you again for inviting me here to testify. With the strong urging of the Senate Special Committee on Aging, I am confident that a fuel assistance bill will be passed this session of Congress.

Mr. Chairman, I also ask consent to include a summary of my proposal as well as some background articles and editorials in the committee record.¹

Senator CHILES. We know that Mr. Palmer is the Deputy Assistant Secretary for Planning and Evaluation of the Department of Health, Education, and Welfare and that you have done much of the work on the administration's plan. We are delighted to have you and Mr. Van Lare tell us about that plan today.

Mr. PALMER. Thank you, Mr. Chairman.

I certainly didn't mind waiting at all and I am very pleased to see the interest the committee has in this problem.

Senator CHILES. I think it is an indication of the congressional interest, certainly in the Senate, when you see the kind of attendance that we have had today. Please proceed.

¹ Retained in committee files.

STATEMENT OF JOHN L. PALMER, DEPUTY ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY BARRY VAN LARE, ASSOCIATE COMMISSIONER, OFFICE OF FAMILY ASSISTANCE, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE; AND JOHN TODD, DIRECTOR OF INCOME SECURITY POLICY, OFFICE OF THE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. PALMER. Yes; it is gratifying.

I am pleased to be here this morning to outline for you the administration's plans for helping low-income people meet the rising cost of fuel this winter and subsequently. I am John L. Palmer, Deputy Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare. With me this morning is Barry Van Lare, Associate Commissioner of the Social Security Administration, who will, this winter, have responsibility for administering payments made directly to SSI and AFDC recipients and in future years for the entire program. Also, John Todd of my staff is here with me.

I appreciate this opportunity to discuss with you today President Carter's proposal to provide energy assistance to the low-income population. The President shares the committee's concern that the elderly receive adequate energy assistance, and the low-income energy assistance program reflects our commitment to this goal.

In April, President Carter announced his comprehensive energy policy. One essential component of that policy is the decontrol of domestic oil prices which will increase the incentives for both conservation and greater production of oil in America. However, the President also recognized that decontrol would have a disproportionately hard impact on the poor and elderly persons on low and fixed incomes. These people are least able to pay higher prices or to make substitutions in the type of energy they use. Accordingly, the President proposed an \$800 million program to assist the low-income population in meeting higher energy prices.

Subsequent to the President's decontrol announcement, the OPEC countries announced a significant increase in oil prices. Since these prices were higher, the impact of decontrol upon the low-income population was accordingly higher. In order to alleviate the added impact of decontrol and the subsequent OPEC increases, the President announced in July that he would recommend to the Congress increasing the size of his low-income energy assistance program from \$800 million a year to \$1.6 billion for this winter and \$2.4 billion a year beginning in 1981. Yesterday the President announced the details of his proposal and next week statutory language will be available to the Congress.

The President's low-income energy assistance program is comprised of two parts: Special energy allowances and energy crisis assistance. The Special energy allowances program will provide cash payments to meet the increased burden on low-income households created by higher energy costs. The energy crisis assistance program will make funds available to the States for meeting life- or health-threatening emergency or crisis situations.

The President's low-income energy assistance programs are targeted primarily to SSI recipients and other low-income households, a substantial portion of which are persons aged 65 or older. Of the nearly 38 million persons eligible for this assistance, 4.8 million, or 13 percent, are elderly.

Since this winter is almost upon us, the President's proposal contains provisions for implementing the allowance and crisis programs in a slightly different manner for this year than is desirable in the longer run, so that assistance can be provided in the most timely fashion.

Low-income individuals or families facing an emergency due to exceptionally high energy bills or other energy-related causes will be able to receive assistance this winter through the Community Services Administration's energy crisis program. Local community action agencies and other delivery systems specified by the Governor will distribute aid in whatever form appropriate to the need. This program was funded at \$200 million in fiscal year 1979.

We are seeking a total of \$400 million for fiscal year 1980 for this program. Of this amount, \$250 million is already included in the fiscal year 1980 Labor/HEW appropriations bill. The administration is also requesting an additional \$150 million in the fiscal year 1980 supplemental appropriation, which will be transmitted to Congress later this month. Although this \$400 million would be funded from general revenues, the administration is requesting that it be repaid from the energy security trust fund upon its enactment.

The \$1.2 billion in special energy allowances will be provided through two existing programs: supplemental security income (SSI) for low-income elderly and disabled persons, and aid to families with dependent children (AFDC) for low-income families. We are using these programs because they can distribute aid in the most timely fashion and because they target assistance to persons who have been determined to be most needy. So this winter approximately 4 million SSI recipients and 3.6 million AFDC families will automatically receive an allowance, made in one payment, in addition to their regular assistance check under the President's proposal.

These cash payments are intended to alleviate the increases in a household's energy costs and therefore will vary in amount based on the severity of weather in each State. We expect the average payments to be about \$100 for a single person and \$200 for larger households.

Senator DOMENICI. For what unit of time?

Mr. PALMER. For this winter.

Senator DOMENICI. Three months?

Mr. PALMER. There would be a single payment made in this winter, that is right.

Beginning next year, fiscal year 1981, energy assistance would be provided through expanded programs to insure that assistance is available to all low-income families. The entire low-income energy assistance program would be funded at \$2.4 billion per year by the energy security trust fund. Any program of this magnitude presents a substantial administrative challenge. To implement it effectively will require careful preparation and relatively simple program design. I will briefly describe the general characteristics of

the program now and I have more detailed information in a fact-sheet and program specifications which I wish to have submitted for the record.¹

The special energy allowance program will provide cash allowances for low-income households at a funding level of \$2 billion per year, up to 10 percent of which will be used to pay administrative costs. A household can qualify to receive payments through one of two ways: either as an SSI or AFDC recipient, or as a household with income below 125 percent of the poverty line—in 1979 this would be \$4,536 for an individual and \$8,950 for a family of four. Thus, elderly persons who do not participate in the SSI program would still be able to receive an allowance if their incomes were below 125 percent of poverty. We estimate the total number of households who will choose to participate in the program at 12.2 million, totaling 30.5 million persons, approximately 13 percent of whom are expected to be low-income elderly.

The amount of each household's allowance will vary depending on several factors, including the projected number of households which will receive aid and the low-income population's need for home heating as measured by heating degree days in a household's State of residence. Furthermore, a State will have the option to vary the amount and timing of payments within its boundaries if the recipients' energy needs merit such variation. The amount of a single-person household's allowance will be half of that paid to a household with two or more persons. As with this winter's program, we expect the average payment will be about \$100 for a single-person household and \$200 for larger households.

Let me mention this is just in the energy, the other program could supplement that so that the payments would not be limited to the \$100 or \$200. Those would simply be the average to all low-income families. Persons qualifying through SSI will automatically receive their allowances from the Social Security Administration. Other eligible people will be served through State and local welfare offices.

States could request the Secretary of HEW to approve alternate distribution mechanisms such as, for example, a vendor line of credit. If the Secretary approves an alternate structure as an effective and efficient way to aid the poor, States could establish these programs as options for recipients.

Starting next year, HEW would administer a revised energy crisis assistance program consisting of block grants to States. Federal funds of \$400 million from the energy security fund would be available each year; \$300 million in nonmatching funds and \$100 million available for 50/50 State matching. Thus, \$500 million per year would be available if all States fully match. We expect that most Governors will administer this program through their local welfare offices.

The amount of funds allocated to each State would be determined through an allocation formula based on the number of low-income households in the State, the State's, severity of weather, measured by heating and cooling degree days and the amount of fuel oil consumed by the low-income population in the State. Ten

¹ See appendix, item 1, page 187.

percent of a State's allocation will depend directly on the cooling needs of elderly poor persons in the State.

By using this formula we are roughly targeting crisis assistance funds to those States with the greatest energy needs and the largest low income population. The States will determine the eligibility standards within the Federal restrictions that a household's income may not exceed 150 percent of poverty—\$5,443 for an individual and \$10,740 for a family of four in 1979—and its liquid assets must meet limits the same as in the food stamps program. As with this winter's CSA program, the amount and type of energy crisis assistance a household would receive under this program will depend on the State's program and the household's particular needs.

Assistance under both the special energy allowances program and the energy crisis assistance program will not be counted as income in any other means tested programs.

As I think it is clear from the previous discussion, there is no simple answer to this problem. We believe that this program does provide an efficient and effective way to help make up for the purchasing power lost by low-income households because of rising energy costs and to meet emergency needs that this crisis poses. We remain ready and willing to work with you, Mr. Chairman, and other Members of the Congress to insure that energy assistance is provided in a fair, efficient, and timely manner.

I would like to say that in order to implement the type of program the President has outlined and get money to AFDC and the SSI recipients in the \$1.2 billion program it is essential that we would have the program designed and completely approved by Congress in October and the money appropriated by mid-December in order to make payments that would go out roughly January 1 for SSI recipients and February 1 for AFDC recipients. That is clearly later than would be desirable. It is the latest we think is even acceptable in trying to meet the needs that are so pressing on the population this year so that would require very quick and timely action within the next 6 weeks. We are very anxious to work with Congress in every way possible to facilitate that quick action.

Thank you.

Senator CHILES. You say the \$1.2 billion will be furnished through the SSI and AFDC. Does this mean that those programs will foot the bill for this particular winter and then you expect to reimburse them out of the proposed trust fund?

Mr. PALMER. The funding would come from the energy security trust fund and which would use SSI and AFDC as the distribution mechanism; that is, they would not be payments, that part of ongoing SSI and AFDC Benefits.

Senator CHILES. What if we do not pass the energy security trust fund or have not passed it by the time that we have to put these programs into effect?

Mr. PALMER. Senator, in view of the importance of this problem, it is the President's expectation that Congress will act in a sufficiently fast manner to make this money available so that we could meet the schedule that I just discussed.

Senator CHILES. I understand that the President is trying to use this as a wedge to lean on Congress to pass the windfall profits tax.

I happen to be for a windfall profits tax, but I am trying to determine is this an either/or proposition? Is there to be no \$1.2 billion unless there is a windfall profits tax and unless it is passed and in place at the time this money is needed under your proposal?

Mr. PALMER. Senator, at this point my understanding is that the President feels very strongly that the implementation of this program is dependent upon passage of the windfall profits tax because he is not confident that there otherwise would be sufficient money made available in a tight budget year to meet this need.

Were it to become clear at a subsequent date that action is not going to occur in a sufficient amount of time, then I assume that the situation would be reevaluated at that point but at this point, we simply expect and will hope that Congress will act expeditiously enough to provide funds in a timely fashion.

Senator CHILES. You indicate in your proposal that if more participants join up than we expect that you would borrow from the energy security trust fund for future years, assuming you get an energy security trust fund.

Mr. PALMER. Yes; we would expect to try to meet as closely as possible the target of \$2 billion in any given year since the payments would be paid twice yearly under this program. This year, I mentioned we would only anticipate making one payment because of the lateness of the winter in which we could get the money out. In subsequent winters, we would hope to provide it in two installments, one prior to winter and then during the winter.

There would be opportunity to adjust the second payment in light of what the participation in the program is to try to target as closely as possible on a total of \$2 billion. Were that still not met exactly, then we would propose to borrow from the energy security trust fund in order to cover any overage above \$2 billion.

Senator CHILES. I notice with interest that the administration's latest proposal dated September 12 gives authority for the use of energy cost to replace a percentage of heating degree days in the allocation formula when that data becomes available. Who is compiling this data and how will it be included when it is available?

Mr. PALMER. Well, the Department of Energy is now working to develop that data. In our broad consultations with Members of Congress and with outside groups, it became clear that everybody felt that the best basis for determining the allocation formula that would be most responsive to needs would be one that would take into account the actual increased heating costs in various States. At this point, these data are simply not available.

Senator CHILES. That is the real cause for the severity of the problem. It is based not only on where it is hot or where it is cold, but also the burden because of the increased cost and how that burden falls on our older citizens who can't afford to pay for it. Do you have any idea when you expect to have that data?

Mr. PALMER. I am afraid I cannot answer that. I know the Department of Energy is working on it and we will be in close consultation with them over the next few months to ascertain the extent to which these data might be available for the next winter's program. It is quite clear we won't have it for this year. There is a reasonable possibility that it will be available for next winter.

Senator CHILES. The energy assistance proposal indicates that allowances are intended to reach all low-income citizens. I can understand how the SSI and food stamp recipients can be reached. What methods are being proposed to reach low-income people who are not receiving these benefits? Is there a special outreach program planned?

Mr. PALMER. Let me refer that question to Mr. Van Lare if I might.

Mr. VAN LARE. We would expect that two things would happen. One, that we would be able to use data currently available at public assistance offices relative to the food stamp population which would expand the group considerably and in addition would expect to use the social security office, welfare office, aging office, nutrition office, and the like, to do an outreach program. One of the elements in the specifications is that the Secretary would prescribe an outreach program.

Senator CHILES. I think any program that we pass we are going to have to have a very good outreach program, especially if we are going to take care of the needs of the elderly because we just have so many of our elderly in the past who have not signed up for food stamps. We know there is a big resistance against food stamps. SSI seems to pick up more of the elderly but not all of them are even in those programs. Without some kind of outreach program to at least let them know that this is available, many elderly will never participate.

Mr. PALMER. Senator, I would like to add two points. One, we are greatly concerned about the low rate of participation in the food stamp program by the elderly and that is one reason we thought it was very important to not tie the assistance necessarily to the food stamp program as certain other proposals would do but to have another option that was available to the low-income population to establish eligibility for this program.

Two, I would like to mention that the Administration on Aging within HEW is undertaking a very ambitious program currently to provide a number of services that would assist the elderly with respect to winter problems. There is the general information and referral service being provided as Mr. Van Lare mentioned.

Also, they are providing authority for reprogramming of funds through the area aging agencies and also have funded numerous studies and analyses of the effectiveness of existing programs to document the needs of the elderly. I think many of those studies are ones that are sources of information that were provided earlier today.

So this activity will be going on in addition to the low-income energy assistance program itself that would be administered by the Social Security Administration.

Senator CHILES. There has been mention of an energy assistance program for middle-income people perhaps in the form of a tax credit. Can you tell me the status of such a program as this and whether it is expected to be implemented this winter or next winter?

Mr. PALMER. I know there was some discussion of the possibility of this within the administration, but as far as I know at this point there are no plans to have such a program.

Senator CHILES. Your proposal indicates that energy assistance payments would accompany the SSI checks. Does this mean a separate check or an increase in one's SSI payment? Either way will you have a notice explaining that the increase is a one-time payment intended to help with energy cost and the increase will not be forthcoming in each month's SSI check?

I am concerned that the elderly are liable to be confused by this increase and expect it to appear in all future checks or not understand the increase.

Mr. VAN LARE. At the moment, we envision providing this in the form of a separate check, but do anticipate including the type of notice that you describe so that that confusion can be avoided.

Senator CHILES. Senator Cohen.

Senator COHEN. Thank you, Mr. Chairman.

I was going to ask a similar question myself as you did on the last one. The problem that I have is what assurances, No. 1, do you have that this money will be used for energy purposes or energy expenses? Don't we have a problem as far as not clearly identifying the purposes of the money and at least creating in the minds of the recipients that they are going to start seeing this as an ongoing method of support?

I think that is the purpose of the chairman's question, but it raises one to me at least that an increase in the welfare subsidy will be seen as simply an increase in welfare subsidy rather than a long-term program dealing with energy.

I have a question. For example, why is there no additional funding for the weatherization funding if we are really talking about helping the elderly on a long-term basis? This problem is not going to get any better. The price of OPEC oil will continue to go up.

We have contradictory policies in the Government.

I have a question. For example, why is it that we encourage in the Federal housing programs the use of electrical heat? It takes three times as much oil to produce electrical energy as it does for an oil-fired furnace. Why do we continue to encourage the use of electricity in new FMHA housing starts? All we are doing is increasing the burden to our elderly and low-income people without improving the problem.

I have a question. For example, under the administration proposal, you are going to have people who receive special energy allowances and also be eligible for crisis allowance. In essence, you have a situation where you are going to have some duplication, fragmentation in the administration of the program, and a reduction in the amount of people who are actually going to take advantage of the program. I am not sure I understand why that is so.

Senator Heinz raised the question also in terms of dealing with it from another angle, the tax credit proposal. I mentioned to him during the course of our conversations that in my State there is a young man who I used to room with in college who has one of the comprehensive energy audits in the country. Oil companies are now sending their employees to a place called Cornerstones so that we can learn how to conduct energy audits to make the kinds of recommendations for weatherization that have a payback in many cases in 6 months time that cut fuel bills by 50 percent. It seems to me that is the direction we have to go, in terms of providing relief

on any kind of long-term basis, and not simply increasing SSI or another welfare program, as Chairman Chiles, I think, will probably agree, and Senator Pryor, too.

Many of our elderly simply are too proud, too independent, in my own State of Maine to want to be in a position of having to be put on a welfare program before they can get relief. This seems to me to be a crisis intervention program, but we are operating on a crisis basis without dealing with the long-term solution to the problem which is going to continue to fester. I don't think the administration's program deals with that frankly.

Mr. PALMER. I do feel qualified to respond to some of the questions but not all of them.

Senator COHEN. The chairman asked me to repeat that question.

Mr. PALMER. One point that I would like to make is with respect to your concern about the payments not being directly tied to energy costs.

You refer to the point that Senator Heinz made earlier. If people have already paid their energy bill, then that means that they might have made sacrifices in other areas that are equally important. We feel what is important is that their general purchasing power has to somehow be increased in recognition of the particular expense burden that is imposed by higher energy cost.

Senator COHEN. Again that deals with increasing the purchasing power which is important, but how does it deal with the long-term problem? The problem is going to continue to escalate that we have in housing programs which encourage more use of the consumption of energy rather than less. We will get by for this year. Senator Muskie was the first one to offer this program, a \$200 million program. It was a temporary program, and now we are pretty sure it is going to be a permanent program and we are not really dealing with root causes. Hopefully, we will get through this winter, but what are we going to do about next year, or the next year, after with these ever shrinking budgets?

Mr. PALMER. I agree this particular program is not intended to meet the full range of the problem, and I agree that certainly ambitious efforts in conservation and other concerns are absolutely essential. I do know that the administration is at this point taking a very hard look at the weatherization program in the Department of Energy and how that might be expanded and improved, and what role there might be in an expanded way for the CETA program in the Department of Labor. Thus, we are attempting to be as responsive as possible to reducing this higher burden that you mention. Again, as I am sure you recognize, there still is an immediate problem of people needing the money to pay for these higher fuel costs and that is the purpose of this particular program that HEW has been involved in designing.

Senator COHEN. I am sure you don't have the answer to this but perhaps you can find it out for me. My understanding is there have been no regulations designed to define section 310 of the Older Americans Act. You made some reference to the Aging Committee. This proposed regulation came out on July 31, 1979, of the Department of HEW's Office of Human Development Sources, and perhaps you could find out for me why that is so.

Mr. PALMER. I would be pleased to do so.

[Subsequent to the hearing, Mr. Benedict supplied the following material:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., October 24, 1979.

Hon. WILLIAM S. COHEN,
U.S. Senate, Washington, D.C.

DEAR SENATOR COHEN: In the context of the joint hearing before the Senate Special Committee on Aging and the Subcommittee on Human Resources, Senator Eagleton indicated that you are interested in the AoA Guidance to States on Disaster Relief Assistance.

I trust that you will find the attached Program Instruction informative. It outlines policies and procedures to be followed by States in applying for disaster relief reimbursement under section 310 of the 1978 amendments to the act. You may be interested to know that this policy and the procedures have already been implemented relative to the disasters in Puerto Rico and in Alabama.

Our interagency agreement and our close working relationship with the Federal Emergency Management Agency has proven to be invaluable in assisting States to respond to the special needs of older people in major disasters.

I appreciate your personal interest in this issue and please feel free to call on me if I can be of additional assistance.

Sincerely,

ROBERT BENEDICT,
Commissioner on Aging.

Enclosure.

MATERIAL ON "DISASTER RELIEF REIMBURSEMENTS"

(SECTION 310 OF THE OLDER AMERICANS ACT)

Even though there are no specific provisions relating to section 310 of the Older Americans Act in the Title III: Notice of Proposed Rulemaking (NPRM) issued on July 31, 1979 (see discussion below), it should be noted that the NPRM does refer to emergency services as a component of a "comprehensive and coordinated service delivery system." Section 1321.71 ("What is an area plan") states that such a plan "* * * contains a detailed statement of the manner in which the area agency is developing a comprehensive and coordinated system throughout the planning and service area for all services authorized under this part [of the NPRM]." Section 1321.75 ("Comprehensive and coordinated service delivery system") then goes on (in subsection 1321.75(b)(2)) to indicate that "* * * emergency services, including disaster relief services * * *" are among the services that may be supported with title III funds and/or with other funds which the area agency has available to implement the area plan.

The Title III: NPRM did not contain any provisions relating to section 310 ("Disaster Relief Reimbursement") of the Older Americans Act. Funding for section 310 is from discretionary grant resources, specifically from the funds appropriated for "Demonstration Projects" (section 421) under provisions of section 451. AoA decided that it would not be appropriate to include provisions relating to discretionary grant resources in regulations dealing with formula grant programs.

Notwithstanding the absence of provisions for section 310 in the proposed title III regulations, the "Disaster Relief Reimbursements" program is fully operational. AoA issued a Program Instruction (PI-79-25) to the States on September 18, 1979, providing guidance about applying for disaster relief resources. The Program Instruction is attached.

In addition Commissioner Benedict had occasion to correspond with Senator William Cohen (R.-Maine) on this question following the joint hearing by the Subcommittee on Aging, Senate Committee on Labor and Human Resources, and the Senate Special Committee on Aging (October 18, 1979). A copy of the letter to Senator Cohen is attached.

Attachments.

OFFICE OF HUMAN DEVELOPMENT SERVICES,
ADMINISTRATION ON AGING,
Washington, D.C., September 18, 1979.

PROGRAM INSTRUCTION—AOA-PI-79-25

To: State agencies administering plans under title III of the Older Americans Act of 1965, as amended.

Info for: Area agencies on aging and nutrition service providers.

Subject: Disaster relief assistance.

Due date: None.

Content: I. *Background.*—The 1978 amendments to the Older Americans Act, section 310, provide that the Commissioner may reimburse a State for funds that it makes available to area agencies for delivery of social services during a major disaster declared by the President in accordance with the Disaster Relief Act of 1974. This new provision requires that the Commissioner set aside 5 percent of the funds appropriated for discretionary grants under Part C, Section 421: Discretionary Projects and Programs, for the purpose of disaster relief each fiscal year. For fiscal year 1979 the amount of the set aside is \$750,000. It is emphasized that this is a reimbursement program. The law does not permit payment to a State in advance of expenditures or obligations for disaster relief assistance. Ordinarily AoA allows up to \$40,000 for each State per disaster subject to availability of funds.

The provision for disaster relief reimbursement does not change the memorandum of understanding between the Federal Emergency Management Agency (FEMA), formerly the Federal Disaster Assistance Administration, and the Administration on Aging. Program Instruction 76-44, dated September 30, 1976, conveying the memorandum of understanding remains in effect. Also Technical Assistance Memorandum 77-5, dated March 14, 1977, continues to be a useful resource on disaster planning and followup. This new Program instruction outlines policies and procedures that should be followed by States in applying for disaster relief reimbursements under the 1978 amendments.

II. *Purpose of Disaster Relief Reimbursement.*—When the President declares a major disaster, State and area agencies on aging shall continue to work closely with the Federal Emergency Management Agency to assure that elderly disaster victims are linked to appropriate disaster assistance agencies. States should apply to the Regional Director, Administration on Aging for disaster relief reimbursement only for disaster related services which cannot be provided through the disaster relief network or other community resources.

A State intending to seek reimbursement from the Administration on Aging, must first obtain confirmation about the unavailability of needed resources from the Federal Coordinating Officer appointed by FEMA. The following is a list of services which may be considered for disaster relief reimbursement:

A. Expansion of I & R services on a 24-hour-emergency basis, including escort when necessary.

B. Special outreach in order to encourage older victims to make application at FEMA "one-stop" disaster assistance centers (DAC's), as soon as they are opened.

C. Special transportation for elderly victims to "one-stop" DAC's, doctors, clinics, shopping, and such essential travel in the event that transportation has been disrupted and area agency vehicles are not available. Since FEMA funds may be available to fund this service, the State agency should consult with the Federal Coordinating Officer prior to expending Older Americans Act funds for this service.

D. Disaster advocates (case managers) to assist older victims in the one-stop center application process; to followup in assuring that older victims receive approved grants and/or services; and, to protect older victims from unscrupulous repair contractors.

E. Licensed Appraiser services to assist older victims in arriving at realistic estimate of losses incurred in the disaster.

F. Handyman and chore services, including cleanup, since FDAA may not be able to provide these services in sufficient volume through voluntary agencies or religious organizations.

G. Legal services, only when the regular legal service program must be expanded for insurance and disaster assistance grant settlement. (The Federal Disaster Relief Act of 1974, Public Law 93-288, 88 Stat. 143, section 412 provides for assistance to low-income individuals who require legal services as the result of a major disaster.)

H. Assistance to move older victims from temporary housing back to their own places of residence.

I. Other direct services to older persons, when a comprehensive assessment of the disaster situation indicates that older persons have disaster related needs that are unresolved by the Federal, State, or voluntary disaster assistance programs.

III. *Procedures for Application.*—A. The State agency is responsible for making all requests for disaster relief reimbursement.

B. States shall prepare application for Federal assistance, standard form 424 (see attached). In particular, States should assure that item 7 provides complete information, including:

1. Description of each service that was provided;
2. Total cost of each service;
3. Period of time that each service was needed;

4. Efforts to obtain funds or services from other resources, including the disaster relief network; and

5. Amount of reimbursement requested for each service.

C. The State agency shall attach to the application a written confirmation from the Federal Coordinating Officer that the services could not be funded through the disaster relief network.

D. The application for reimbursement shall be submitted to the Regional Director, Administration on Aging for approval within 30 days of the date that the State's funds are expended for disaster related activities. The Regional Director shall notify the State in writing of the decision on the application.

Inquiries: State agencies should address inquiries to Directors, Office of Aging, Regional HEW Office.

Are agencies on aging should address inquiries to State Agencies on Aging. Nutrition service providers should address inquiries to their grantor (State or area agency on aging).

ROBERT BENEDICT,
Commissioner on Aging.

Attachment.

FEDERAL ASSISTANCE		2. APPLICANT'S APPLICATION	3. STATE APPLICATION IDENTIFIER	4. NUMBER	5. FEDERAL EMPLOYER IDENTIFICATION NO.
1. TYPE OF ACTION <input type="checkbox"/> PREAPPLICATION <input type="checkbox"/> APPLICATION (Mark appropriate box) <input type="checkbox"/> NOTIFICATION OF INTENT (Opt.) <input type="checkbox"/> REPORT OF FEDERAL ACTION		a. NUMBER b. DATE 19 <input type="text"/> Year month day	a. NUMBER b. DATE 19 <input type="text"/> Year month day		
4. LEGAL APPLICANT/RECIPIENT a. Applicant Name : b. Organization Unit : c. Street/P.O. Box : d. City : e. County : f. State : g. Contact Person (Name & telephone No.) : h. ZIP Code :			6. PRO. GRANT (From Federal Catalog) a. NUMBER : b. TITLE :		
7. TITLE AND DESCRIPTION OF APPLICANT'S PROJECT			8. TYPE OF APPLICANT/RECIPIENT A-State B-Metropolitan District C-Substate District D-County E-City F-School District G-Special Purpose District H-Community Action Agency I-Other Educational Institution J-Indian Tribe K-Other (Specify): Enter appropriate letter <input type="checkbox"/>		
10. AREA OF PROJECT IMPACT (Names of cities, counties, States, etc.)		11. ESTIMATED NUMBER OF PERSONS BENEFITING	12. TYPE OF APPLICATION A-New B-Renewal C-Revision D-Continuation E-Augmentation Enter appropriate letter <input type="checkbox"/>		
13. PROPOSED FUNDING a. FEDERAL \$.00 b. APPLICANT .00 c. STATE .00 d. LOCAL .00 e. OTHER .00 f. TOTAL \$.00		14. CONGRESSIONAL DISTRICTS OF: a. APPLICANT b. PROJECT		15. TYPE OF CHANGE (Per 12a or 12b) A-Increase Dollars B-Decrease Dollars C-Increase Duration D-Decrease Duration E-Cancellation Enter appropriate letter(s) <input type="checkbox"/>	
16. PROJECT START DATE 19 <input type="text"/> Year month day		17. PROJECT DURATION Months <input type="text"/>		18. ESTIMATED DATE TO BE SUBMITTED TO FEDERAL AGENCY 19 <input type="text"/> Year month day	
19. EXISTING FEDERAL IDENTIFICATION NUMBER				20. FEDERAL AGENCY TO RECEIVE REQUEST (Name, City, State, ZIP code)	
21. REMARKS ADDED <input type="checkbox"/> Yes <input type="checkbox"/> No				22. THE APPLICANT CERTIFIES THAT:	
a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved.		b. If required by OMB Circular A-95 this application was submitted, pursuant to its provisions therein, to appropriate clearinghouses and all responses are attached:		No response attached <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
23. CERTIFYING REPRESENTATIVE a. TYPED NAME AND TITLE		b. SIGNATURE		c. DATE SIGNED 19 <input type="text"/> Year month day	
24. AGENCY NAME				25. APPLICATION RECEIVED 19 <input type="text"/> Year month day	
26. ORGANIZATIONAL UNIT		27. ADMINISTRATIVE OFFICE		28. FEDERAL APPLICATION IDENTIFICATION	
29. ADDRESS				30. FEDERAL GRANT IDENTIFICATION	
31. ACTION TAKEN <input type="checkbox"/> a. AWARDED <input type="checkbox"/> b. REJECTED <input type="checkbox"/> c. RETURNED FOR AMENDMENT <input type="checkbox"/> d. DEFERRED <input type="checkbox"/> e. WITHDRAWN		32. FUNDING a. FEDERAL \$.00 b. APPLICANT .00 c. STATE .00 d. LOCAL .00 e. OTHER .00 f. TOTAL \$.00		33. ACTION DATE 19 <input type="text"/> Year month day	
34. STARTING DATE 19 <input type="text"/> Year month day				35. CONTACT FOR ADDITIONAL INFORMATION (Name and telephone number)	
36. ENDING DATE 19 <input type="text"/> Year month day				37. REMARKS ADDED <input type="checkbox"/> Yes <input type="checkbox"/> No	
38. FEDERAL AGENCY A-95 ACTION		a. In taking above action, any comments received from clearinghouse were considered. If agency response is due under provisions of Part 1, OMB Circular A-85, it has been or is being made.		b. FEDERAL AGENCY A-95 OFFICIAL (Name and telephone no.)	

GENERAL INSTRUCTIONS

This is a multi-purpose standard form. First, it will be used by applicants as a required facesheet for pre-applications and applications submitted in accordance with Federal Management Circular 74-7. Second, it will be used by Federal agencies to report to Clearinghouses on major actions taken on applications reviewed by clearinghouses in accordance with OMB Circular A-95. Third, it will be used by Federal agencies to notify States of grants-in-aid awarded in accordance with Treasury Circular 1082. Fourth, it may be used, on an optional basis, as a notification of intent from applicants to clearinghouses, as an early initial notice that Federal assistance is to be applied for (clearinghouse procedures will govern).

APPLICANT PROCEDURES FOR SECTION I

Applicant will complete all items in Section I. If an item is not applicable, write "NA". If additional space is needed, insert an asterisk "*", and use the remarks section on the back of the form. An explanation follows for each item:

- | Item | Item |
|--|--|
| | D. Insurance. Self explanatory. |
| | E. Other. Explain on remarks page. |
| | 10. Governmental unit where significant and meaningful impact could be observed. List only largest unit or units affected, such as State, county, or city. If entire unit affected, list it rather than subunits. |
| 2a. Applicant's own control number, if desired. | 11. Estimated number of persons directly benefiting from project. |
| 2b. Date Section I is prepared. | 12. Use appropriate code letter. Definitions are: |
| 3a. Number assigned by State clearinghouse, or if delegated by State, by area-wide clearinghouse. All requests to Federal agencies must contain this identifier if the program is covered by Circular A-95 and required by applicable State/area-wide clearinghouse procedures. If in doubt, consult your clearinghouse. | A. New. A submittal for the first time for a new project. |
| 3b. Date applicant notified of clearinghouse identifier. | B. Renewal. An extension for an additional funding/budget period for a project having no projected completion date, but for which Federal support must be renewed each year. |
| 4h. Legal name of applicant/recipient, name of primary organizational unit which will undertake the assistance activity, complete address of applicant, and name and telephone number of person who can provide further information about this request. | C. Revision. A modification to project nature or scope which may result in funding change (increase or decrease). |
| 5. Employer identification number of applicant as assigned by Internal Revenue Service. | D. Continuation. An extension for an additional funding/budget period for a project the agency initially agreed to fund for a definite number of years. |
| 6a. Use Catalog of Federal Domestic Assistance number assigned to program under which assistance is requested. If more than one program (e.g., joint-funding) write "multiple" and explain in remarks. If unknown, cite Public Law or U.S. Code. | E. Augmentation. A requirement for additional funds for a project previously awarded funds in the same funding/budget period. Project nature and scope unchanged. |
| 7. Program title from Federal Catalog. Abbreviate if necessary. | 13. Amount requested or to be contributed during the first funding/budget period by each contribution. Value of in-kind contributions will be included; if the action is a change in dollar amount of an existing grant (a revision or augmentation), indicate only the amount of the change. For decreases enclose the amount in parentheses. If both basic and supplemental amounts are included, breakout in remarks. For multiple program funding, use totals and show program breakouts in remarks. Item definitions: 13a, amount requested from Federal Government; 13b, amount applicant will contribute; 13c, amount from State, if applicant is not a State; 13d, amount from local government, if applicant is not a local government; 13e, amount from any other sources, explain in remarks. |
| 7. Brief title and appropriate description of project. For notification of intent, continue in remarks section if necessary to convey proper description. | 14a. Self explanatory. |
| 8. Mostly self-explanatory. "City" includes town, township or other municipality. | 14b. The district(s) where most of actual work will be accomplished. If city-wide or State-wide, covering several districts, write "city-wide" or "State-wide." |
| 9. Check the type(s) of assistance requested. The definitions of the terms are: | 15. Complete only for revisions (Item 12c), or augmentations (item 12e). |
| A. Basic Grant. An original request for Federal funds. This would not include any contribution provided under a supplemental grant. | |
| B. Supplemental Grant. A request to increase a basic grant in certain cases where the eligible applicant cannot supply the required matching share of the basic Federal program (e.g., grants awarded by the Appalachian Regional Commission to provide the applicant a matching share). | |
| C. Loan. Self explanatory. | |

- | Item | | Item | |
|------|--|------|--|
| 16. | Approximate date project expected to begin (usually associated with estimated date of availability of funding). | 9. | Existing Federal identification number if this is not a new request and directly relates to a previous Federal action. Otherwise write "NA". |
| 17. | Estimated number of months to complete project after Federal funds are available. | 20. | Indicate Federal agency to which this request is addressed. Street address not required, but do use ZIP. |
| 18. | Estimated date preapplication/application will be submitted to Federal agency if this project requires clearinghouse review. If review not required, this date would usually be same as date in item 2b. | 21. | Check appropriate box as to whether Section IV of form contains remarks and/or additional remarks are attached. |

APPLICANT PROCEDURES FOR SECTION II

Applicants will always complete items 23a, 23b, and 23c. If clearinghouse review is required, item 22b must be fully completed. An explanation follows for each item:

- | Item | | Item | |
|------|---|-------|---|
| 22c. | List clearinghouses to which submitted and show in appropriate blocks the status of their responses. For more than three clearinghouses, continue in remarks section. All written comments submitted by or through clearinghouses must be attached. | 23b. | Self explanatory. |
| 23a. | Name and title of authorized representative of legal applicant. | 23c. | Self explanatory. |
| | | Note: | Applicant completes only Sections I and II. Section III is completed by Federal agencies. |

FEDERAL AGENCY PROCEDURES FOR SECTION III

If applicant-supplied information in Sections I and II needs no updating or adjustment to fit the final Federal action, the Federal agency will complete Section III only. An explanation for each item follows:

- | Item | | Item | |
|------|--|------|---|
| 24. | Executive department or independent agency having program administration responsibility. | 35. | Name and telephone no. of agency person who can provide more information regarding this assistance. |
| 25. | Self explanatory. | 36. | Date after which funds will no longer be available. |
| 26. | Primary organizational unit below department level having direct program management responsibility. | 37. | Check appropriate box as to whether Section IV of form contains Federal remarks and/or attachment of additional remarks. |
| 27. | Office directly monitoring the program. | 38. | For use with A-95 action notices only. Name and telephone of person who can assure that appropriate A-95 action has been taken—If same as person shown in item 35, write "same". If not applicable, write "NA". |
| 28. | Use to identify non-award actions where Federal grant identifier in item 30 is not applicable or will not suffice. | | |
| 29. | Complete address of administering office shown in item 26. | | |
| 30. | Use to identify award actions where different from Federal application identifier in item 28. | | |
| 31. | Self explanatory. Use remarks section to amplify where appropriate. | | |
| 32. | Amount to be contributed during the first funding/budget period by each contributor. Value of in-kind contributions will be included. If the action is a change in dollar amount of an existing grant (a revision or augmentation), indicate only the amount of change. For decreases, enclose the amount in parentheses. If both basic and supplemental amounts are included, breakout in remarks. For multiple program funding, use totals and show program breakouts in remarks. Item definitions: 32a, amount awarded by Federal Government; 32b, amount applicant will contribute; 32c, amount from State, if applicant is not a State; 32d, amount from local government if applicant is not a local government; 32e, amount from any other sources, explain in remarks. | | |
| 33. | Date action was taken on this request. | | |
| 34. | Date funds will become available. | | |

Federal Agency Procedures—special considerations

- A. *Treasury Circular 1082 compliance.* Federal agency will assure proper completion of Sections I and III. If Section I is being completed by Federal agency, all applicable items must be filled in. Addresses of State Information Reception Agencies (SIRAs) are provided by Treasury Department to each agency. This form replaces SF 240, which will no longer be used.
- B. *OMB Circular A-95 compliance.* Federal agency will assure proper completion of Sections I, II, and III. This form is required for notifying all reviewing clearinghouses of major actions on all programs reviewed under A-95. Addresses of State and areawide clearinghouses are provided by OMB to each agency. Substantive differences between applicant's request and/or clearinghouse recommendations, and the project as finally awarded will be explained in A-95 notifications to clearinghouses.
- C. *Special note.* In most, but not all States, the A-95 State clearinghouse and the (TC 1032) SCIRA are the same office. In such cases, the A-95 award notice to the State clearinghouse will fulfill the TC 1032 award notice requirement to the State SCIRA. Duplicate notification should be avoided.

Senator COHEN. Mr. Chairman, that is all I have.

Senator CHILES. Thank you.

Senator Pryor.

Senator PRYOR. I don't think right now I have any questions, Mr. Chairman. Thank you.

Senator CHILES. Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman.

There is one conceptual question regarding the administration's proposal and the windfall profits tax I would like to get straight on.

Now I know you were asked the question earlier, which you ducked, as I guess if I were in your position I would, too, whether the administration's support for this program was contingent on the passage of the windfall profits tax that would be the trust fund that that implies. Now much as I guess I would if I were in your position duck it, I don't think you can for this reason.

We are talking about a problem that is going to affect the winter of 1979-80. Revenues from the windfall profits tax won't amount to anything during fiscal 1980 which includes the winter of 1979-80. Therefore, it really is inconsistent to say that the windfall profits tax has some direct funding relevance to any program that is going to help our elderly or our other poor cope with high heating costs this winter. In fact, it can't. Indeed, the decision of the President to decontrol oil which some might say would have an effect on heating costs and probably will won't have any significant effect this year anyway because most of the decontrol takes place during calendar 1980 and calendar 1981.

So even the President's actions on decontrolling oil won't really affect the cost of home heating oil this year. What affects it this year is what the OPEC countries did to us just a few months ago. So when I hear people saying that there is some kind of relationship between this and the windfall profits tax, the only conclusion I can come to is that a linkage in fact is being made and we are holding this program hostage, and the elderly hostage, and therefore the passage of a windfall profits tax in fact has no relationship to what we ought to be doing for our senior citizens this year.

You may respond if you want, but I suspect it is not merely your responsibility to respond, it is really a White House responsibility to respond to that particular charge I make.

Mr. PALMER. I think that the only thing that I would add to what I said earlier, Senator, is that I am in full agreement with the fact that it is a very pressing problem, that urgent action is necessary and I am very hopeful that Congress will act as quickly as possible to provide the funds that would be necessary for this program.

Senator HEINZ. Thank you. Eloquently done.

I would like to focus on the crisis intervention program for a minute, which provides \$400 million. Will the HEW-administered program require that eligible recipients have unpaid bills to participate in that as the CSA program now requires?

Mr. VAN LARE. No, it is not our intent. We would expect that the individual States would establish the specific definition that would be used, and that would have to be tied to some specific emergency

situation or likelihood of emergency situation, but we don't anticipate tying it specifically to unpaid bills.

Senator HEINZ. Well, I think that is a terrible problem, because as long as it is tied to some very specific act by the senior citizen, they are going to have to come crawling down to some administering agency office and plead some kind of hardship and then the bureaucrats are going to have to say, "Well, prove it," because that is what bureaucrats do.

I suspect in many States they will do exactly what they did in Pennsylvania and a lot of other States, they will say, "Bring us a bill that you have not paid and that is 30 days overdue because, that, we bureaucrats, can understand." If I was being paid \$8,000 or \$10,000 or \$12,000 a year and didn't want to make a mistake, I guess maybe that is what I would do, take nothing away from those civil servants who would administer it, so I am not blaming them.

What I wish that we might focus on for a moment is, there are really two ways of addressing this problem. Senator Javits, yourselves, and just about everybody else, and with no disrespect to the motives intended, are addressing this problem by saying, "We will find some money somewhere and somehow after the fact and get it to needy senior citizens."

All the proposals do except one which happens to be mine. I approach it very differently. I say, "How can we avoid those problems?" We can avoid those problems if we lower the cost of energy in the first place to the needy senior citizen.

Now I think you have all had a chance to review S. 1633 which establishes eligibility through the SSI or through food stamps in the case of people 60 years and older. I recognize you have a larger population that you are dealing with but it becomes very, very simple for that senior citizen to let his supplier of energy know and it becomes quite simple for the supplier of energy to seek out senior citizens in a way that no bureaucrat can possibly do.

The fuel oil distributor that goes to the home every month or so knows whether someone is old, whether someone is poor. They are there and that is their business, to know their customers. I just wish we would find what I would call a preventive approach, find a way to lower the cost of energy to our needy senior citizens or to other poor rather than put a Band-Aid on the cut or the wound after it has gone deep.

Can you respond to that?

Mr. VAN LARE. I think, Senator, we share much of that concern and there are two elements of our program which are designed to move in that similar direction. The lump sum payment is designed not to be tied to the fact that an individual is running into a crisis or an emergency, it is designed to be paid early enough in the winter season that they will be able to use that to pay bills as they become due.

Another element that we anticipate is to provide the States with the flexibility where the States and the clients wish in the second and subsequent years of the program to make that statement in the form of a line of credit or a direct payment to the vendor, so that kind of an approach could also be available. I think it is important that we not put either the poor citizens or the utility

companies in the situation of having to wait for the availability of this money.

The crisis program is designed—

Senator HEINZ. May I ask you a question. Do you know, do you really believe, that a State receiving Federal money would ever make an advance payment to a utility company ahead of time? Indeed, I have not seen the specifics of draft legislation but the Congress and every administration, Republican and Democrat, gets pretty skeptical about making payments in advance of services for things to be done by the private sector.

I think that is a little bit of wishful thinking on all our parts to make that assumption. The most enlightened State administration would say to Con Edison of New York, "Here is a million dollars, pass it on." What would happen is Con Edison might cut the fuel bill and then they would have to come to the Federal bureaucracy and say, "Here in triplicate are 27,000 things," and so on and so forth, and it would be very cumbersome. I think we realize that.

Mr. VAN LARE. I think the two approaches that have been discussed with both the utility companies and with the individual States are proposals which basically would make clear or identify to a utility company a group of individuals and an amount of money for which they would be eligible to receive payment if they did reduce their bills. Proposals of this kind have been developed by a number of groups like the Fuel Management Committee and others and I think are operating in several jurisdictions on basically a line of credit so that the supplier knows and the recipient knows the extent to which this program would be able to pay fuel bills.

Senator HEINZ. I am glad you brought up the lump sum payment.

This is my last question. I know the chairman very well, I can always tell when he starts squirming out of the corner of my right eye.

The lump sum payment will give \$100 roughly to single individuals and will give \$200 to families. That is a very rough, ready figure and I think inherently wasteful and/or unfair approach. What you will do is if there are two senior citizens rooming together in one room that are not related, two women living together in the same room, they will get \$200. However, if one of those people had moved out just a day or two before eligibility was determined and the check arrived, the one person would get \$100 yet the heating bill for that room is not going to change, assuming it is a one-room house or whatever. It is not going to change. So you would have a gross inequity; either someone would get half as much as they need in the first instance or someone would get twice as much as they need depending on which end of the telescope you look through.

So it seems to me that you have tremendous differences that are unrelated to need. One of the things that I think should be a part of a program is that you relate it to the actual cost of the energy. I don't wish to sound like the only answer to that is S. 1633. That may be true but it does have in it that concept that relief is related to some other variable in this case, the cost of energy, that is in turn related to the need and obviously all eligibility requirements.

You don't have to respond. You can if you want. I am sure the chairman would like you to keep it short.

Mr. PALMER. Would you like me to respond, Mr. Chairman?

I think there are several points that you are raising. You are raising one of the inherent dilemmas of the tradeoff between keeping the program relatively simple so it can be set in place quickly so that the amount of bureaucracy that is necessary is minimal versus doing it in enough detail and with enough discretion that you can really relate it to individual needs of individual households.

We had to pick the particular point on that tradeoff. I don't think we feel necessarily that it is an ideal one and certainly there would be a lot of flexibility for considering alternative ways of doing that. I would like to point out that by and large energy needs do increase as the size of the household and the level of the expenditures of the household increase so that while the kind of inequity you indicate certainly could exist, there would be on average a rough equity performed.

Second, although the payments are not directly related to energy costs, they will vary with the severity of weather in the State of residence and in the household. So when I gave the figures of \$100 and \$200, that was an average. Those figures will actually range as high as almost \$400, for example, in the States of Maine, New Hampshire and others so that we did tie it to some indication of what heating needs were. We felt it was undesirable in the larger program, the allowance program, to tie it to specific energy usage because: One, this would require a very complex bureaucracy to determine what the specific needs of an individual household would be, and two, it would not maintain the kinds of incentives for conservation that are desirable.

Now with this population I would not want to put very heavy weight on conservation but I think it is desirable insofar as possible to tie the assistance to indicators of actual need rather than the expressed explicit amount that people pay so that they benefit even when they take measures to cut back on their actual expenditure on energy.

Senator CHILES. Thank you, Mr. Palmer.

If I can delay any further questions, we have two other members that have come. Senator Weicker is here and he has introduced S. 771, the energy stamp program. We are delighted you are here and know that you have other pressing business. If you would like to give us your statement, we will include it in the record.

STATEMENT BY SENATOR LOWELL WEICKER, JR.

Senator WEICKER. Mr. Chairman, gentlemen, I appreciate the opportunity to testify before the Special Committee on Aging on S. 771.

Mr. Chairman, I do not intend to read my entire statement and I would like it included in the record in its entirety at this point.

Senator CHILES. The statement will be included in the record.¹

Senator WEICKER. I appreciate the opportunity to testify on S. 771, legislation I have sponsored to establish an energy stamp

¹ See page 156.

program to provide financial assistance to low- and fixed-income households to meet skyrocketing residential energy costs.

I first introduced this energy stamp bill on September 7, 1977. The proposal was defeated as an amendment to S. 2057, the National Energy Conservation Policy Act, on September 13, 1977. Then again on October 13, 1977, the Senate approved an amendment I offered to H.R. 5263, the Energy Tax Act, to establish a pilot energy stamp program; unfortunately, the amendment was dropped in conference.

I introduced this energy stamp legislation in 1977 because I was deeply concerned about the impact of high energy prices on families and individuals who could barely afford to pay basic heating costs. The circumstances that moved me to act in 1977 are only magnified as we approach the winter of 1980.

Even if the recent record of abnormally severe winters is broken, the winter of 1980, however mild, promises to be a brutal experience for those with low and fixed incomes and the elderly.

This is what Americans face this winter:

One. Energy supplies, in particular of home heating oil, are being stockpiled but the projected supply levels are by no means certain or even adequate. No one can predict if and when imports may be curtailed or shut off, but we do know that: (a) We have no control over critical imported supplies, and (b) even relatively minor cutbacks such as the loss of Iranian crude this spring have devastating impacts on our lives. We cannot go below one-half of 1 percent without being in a panic situation in the country.

Two. Uncontrollable inflation has riddled every family's budget, especially those with low- and fixed incomes.

Three. The already high cost of energy has skyrocketed. Home heating oil will cost at least 50 percent more this winter than last and could reach \$1 a gallon, several times higher than its cost 5 years ago. Thus, even if the winter is relatively mild, and less fuel is needed, fuel bills will be higher, tragically higher for those already on tight budgets who will have to make impossible choices between heating, food, clothing, and other necessities.

I might add that the pressure has not yet been brought to bear on the Congress of the United States because the fuel oil that is in the tank right now is 50 cent oil. Just wait until the first fill up comes which will probably be in November or December and then, believe me, we are going to go ahead and hear it.

Four. Fuel dealers have announced that they will no longer continue to supply households that don't pay their fuel bills promptly. This may be sound business practice for the dealers, but it has dangerous consequences for those whose budgets are too low to begin with and can't get credit elsewhere.

To address these critical problems, S. 771 is designed to ease the economic burden of meeting skyrocketing costs of low- and fixed-income households.

Briefly, people have problems meeting fuel payments due to economic need would be able to receive energy stamps from either a local branch of the Community Services Administration or an appointed vendor, and then use them to pay the bill directly to the fuel retailer or through the landlord. Retailers and landlords would then convert the stamps into cash, either through banks or

through wholesale heating fuel outlets with the cooperation of the Department of the Treasury.

I believe this proposal offers advantages of simplicity and efficiency because it is modeled upon and implemented through the existing food stamp program.

I think the best solution to the problem of assisting poor and fixed income Americans meet the high cost of energy may be through an energy stamp or fuel stamp program modeled after the food stamp program. However, I realize that such a proposal needs to go through the entire legislative process and there just isn't time to get it in place before this winter.

Now as you know, yesterday President Carter announced in Hartford a program of \$1.6 billion in financial assistance to low- and fixed-income households. The President's proposal is a revised and expanded version of the crisis intervention concept.

I think that if we are going to get anything in place by this winter we better grab ahold of that particular mechanism. We had this matter before us as an appropriations matter. Well, Mr. Chairman, you know this. I think the initial bill was on the Senate side somewhere around \$24 million. Senators Eagleton and Durkin and myself tried to up that price to \$400 million and were cut back to \$250 million only because there was no word from the administration as to what figure they wanted.

We cannot delay this any longer. This matter is months away. As you can tell just from the record of the energy stamps, it has been 2 years knowing full well that the impact of the energy crisis was 2 years and that the Congress has not acted with a permanent mechanism.

So this is a temporary solution, but I think it is absolutely essential that it be in place for the winter and therefore I support President Carter. I certainly support the \$1.6 billion figure. I am not too proud that my branch of the Government is ineffectively acting at this stage of the game rather than taking the participatory oars of 2 years ago, but that is going to do no good this winter. I am not willing to sacrifice the thousands that will be involved by the pride of authorship.

I suggest that we support the crisis intervention program, the \$1.6 billion figure. I would hope that your committee and others that would be involved would put into place over the course of the next several months and during the course of the winter an energy stamp program that will then take over this whole problem come the winter of 1981.

Again I think you know good government is anticipatory, it is not reflective. So, Mr. Chairman and members of the committee, I hope that you will do everything possible to see that funds are in place for those that need them this winter.

One parting thought. People have asked me, well, how does this go with balancing the budget? Well, it does not. It is as simple as that. I have sat here and I have heard my colleagues at least on the Republican side, and I am sure there are those on the Democratic side, put their emphasis on balancing the budget. Then they increase deficit spending, then they talk about tax cuts.

Here we are talking about peoples' lives. I don't care whether the windfall tax bill passes or not. I think it should come from general

funds or wherever, but I think that everybody has a right to live first before we get into the more esthetic forms of living in this country.

I might also add about the stamp program that extreme heat should be included in the crisis intervention program. You have extreme cold in the New England States but in the South there are those who could die from heat exposure and therefore the stamps be available in either case, to those that need to cool or those that need to heat their homes.

Senator CHILES. Thank you very much, Senator Weicker.

The budget resolution does accommodate the \$400 million for the crisis intervention program. That was a part of it. We did increase that by \$150 million in the second current resolution we are supposed to get up on the floor sometime today.

Senator WEICKER. We will be getting to a colloquy on this matter with Senator Muskie. I think that is going to be an inadequate figure compared to what the President sent down, but of importance to us, because I think the real opportunity of this committee is considering the circumstances that are available to us right now. I don't wonder about that but the opportunity of your committee, as I say, is legislative, to get a permanent mechanism in place so we don't go stumbling around like we are here. That is why I introduced S. 771, admitting that it is not going to be timely for this heating season but hopefully for next year.

Senator CHILES. Thank you very much.

Senator WEICKER. Thank you, Mr. Chairman.

[The prepared statement of Senator Weicker follows:]

PREPARED STATEMENT OF SENATOR LOWELL WEICKER, JR.

Mr. Chairman, members of the committee, I appreciate this opportunity to testify before the Special Committee on Aging on S. 771, legislation I have sponsored to establish an energy stamp program to provide financial assistance to low- and fixed-income households to meet skyrocketing residential energy costs.

I first introduced this energy stamp bill on September 7, 1977. The proposal was defeated as an amendment to S. 2057, the National Energy Conservation Policy Act on September 13, 1977. However, on October 13, 1977, the Senate approved an amendment I offered to H.R. 5263, the Energy Tax Act, to establish a pilot energy stamp program; unfortunately, the amendment was dropped in conference.

I introduced this energy stamp legislation in 1977 because I was deeply concerned about the impact of high energy prices on families and individuals who could barely afford to pay basic heating costs. The circumstances that moved me to act in 1977 are only magnified as we approach the winter of 1980.

Even if the recent record of abnormally severe winters is broken, the winter of 1980, however, mild, promises to be a brutal experience for those with low- and fixed-incomes and the elderly.

This is what Americans face this winter:

(1) Energy supplies, in particular of home heating oil are being stockpiled, but the projected supply levels are by no means certain or even adequate. No one can predict if and when imports may be curtailed or shut off, but we do know that: (a) We have no control over critical imported supplies, and (b) even relatively minor cutbacks such as the loss of Iranian crude this spring have devastating impacts on our lives.

(2) Uncontrollable inflation has riddled every family's budget, especially those with low and fixed incomes.

(3) The cost of energy, already high, has skyrocketed. Home heating oil will cost at least 50 percent more this winter than last, and could reach \$1 a gallon, several times its cost 5 years ago. Thus, even if the winter is relatively mild, and less fuel is needed, fuel bills will be higher, tragically higher for those already on tight budgets who will have to make impossible choices between heating, food, clothing, and other necessities.

(4) Fuel dealers have announced that they will no longer continue to supply households that don't pay their fuel bills promptly. This may be sound business practice for the dealers, but it has dangerous consequences for those whose budgets are too low to begin with and can't get credit elsewhere.

To address these critical problems, S. 771 is designed to ease the economic burden of meeting skyrocketing costs of low- and fixed-income households.

People having problems meeting fuel payments due to economic need would be able to receive energy stamps from either a local branch of the Community Services Administration or an appointed vendor, and then use them to pay the bill directly to the fuel retailer or through the landlord. Retailers and landlords would then convert the stamps into cash, either through banks or through wholesale heating fuel outlets with the cooperation of the Department of the Treasury.

I believe this proposal offers advantages of simplicity and efficiency because it is modeled upon and implemented through the existing food stamp program.

However, I realize that a number of alternative low-income energy assistance proposals are being debated at this time:

One such program is already in place: the crisis intervention program administered by the Community Services Administration. In fact, last month in the Appropriations Committee, I joined with Senators Eagleton and Durkin and others in an amendment to the HEW appropriations bill to get this program funded at \$500 million. The Committee decided to appropriate \$250 million but gave the clear understanding this was not enough and more would be needed to do the right kind of job this winter. The conference on the HEW bill also accepted the \$250 million figure.

I think the best solution to the problem of assisting poor and fixed-income Americans meet the high cost of energy may be through an energy stamp or fuel stamp program, modeled after the food stamp program. However, I realize that such a proposal needs to go through the entire legislative process and there just isn't time to get it in place this winter.

We do have the crisis intervention program already in place in the sense of administrative procedures, several years of experience, and trained people to carry it out. While this program has had problems in the past, this is the first year we will have given CSA, the administering agency, some lead time by early funding. I am confident that they will do a much better job than in the past and we will really be able to respond to the need this winter.

The program mechanics are fairly simple: Each State will receive a share of the funds based on a formula which factors in the severity of the winter, the relative increase in the cost of fuel and the number of low-income individuals in the State. The State Governors submit a plan for the administration of the program. Eligibility requirements will be the same as in past years: Households at 125 percent or less of U.S. census poverty level (currently \$7,750 for a family of four and \$5,200 for a family of two) or for heads of households eligible for SSI, the supplement security income assistance. Recipients receive up to a maximum of \$400 per household and benefits will be in the form of assistance with utility bills relating to energy. Part of the benefit could be in the form of cash grants, maximum of \$50, or for such emergency items as blankets, food, and so forth.

Mr. Chairman, as you know, yesterday President Carter announced a program of \$1.6 billion in financial assistance to low- and fixed-income households. The President's proposal is a revised and expanded version of the crisis intervention concept.

Another proposal, with similar goals through different mechanisms, S. 1724, the Home Energy Assistance Act, was introduced on September 7, 1979, by Senator Williams. S. 1724 authorizes \$1.6 billion to be distributed on formula basis to the States to implement State plans for low-income and elderly assistance in meeting residential fuel costs. I have cosponsored S. 1724 and urge the members of this committee to consider supporting it also.

I believe this Congress can and will reach a consensus on emergency energy assistance to meet the needs of low- and fixed-income households this winter. However, I caution that this winter is uncomfortably close—in many parts of the country the heating season is weeks away.

So I come before this committee not advocating my proposal over all others; indeed energy stamps may be the best long-term solution to this problem. But as to the short term, the issue is basic human need, and we must not forget that. This Congress has precious little time to debate this issue; even with consensus, it will be something of a miracle, if adequate funds are made available in time to make a difference this winter.

Let us hope for a mild winter but also remember, a mild winter is not the answer. Only concerted Federal action can keep the heat on for millions of Americans.

Senator CHILES. Senator Pryor?

Senator PRYOR. I would just like to ask one question of Mr. Palmer. I am proud that the President has at least addressed this issue by recommending to the Congress a program, but the longer I sit here this morning the more concerned I am that this program, just to be very honest with you, is not ready to be introduced. I think there are a lot of questions that have not been answered about this program, and I have a fear right now of raising a lot of false hopes with the elderly people in this country. I am also very concerned that it was proposed too late, even if we pass it now, as proposed by the President.

I just would like to ask this question. Is HEW prepared to administer this program? Are we prepared to cut the redtape and do what is necessary within the bureaucracy of HEW to properly and fairly implement this program?

Mr. VAN LARE. We have attempted to develop in this program one that we believe can be put in place and operated within a 60- to 90-day period after enactment—60 days for payment to the SSI population, probably an additional 30 days for the States to make their payments. We are committed to do this with the minimum of redtape and with the minimum of the administrative requirements as possible, so that the program can be done this winter.

Senator PRYOR. There are a lot of possibles and probables and maybes. That is my concern. I think we are doing this very late.

Mr. VAN LARE. There are steps that cannot be taken by the administration until legislation has been enacted.

Senator PRYOR. You are saying until the windfall profits tax is enacted.

Mr. VAN LARE. We need to know the basic decisions, to whom funds are to be paid, and how much they are to be paid, before the administrative system can be put in place. Once that decision is made, to the extent that the program provides for automatic payments to SSI recipients and automatic payments to AFDC recipients, we can get the program underway within those time frames.

Mr. PALMER. I just would like to add that Secretary Harris, of course, is fairly new to the Department, but she has made it quite clear that she considers this the most urgent problem facing her and the Department right at this point in time and she has ordered that we move with all speed possible. Mr. Van Lare is going to take it as far as he can before he knows the details of the final program, as Congress would pass it, and from that point we are confident that we can make the deadlines that he indicated.

It is also important to point out, I think, that we do believe that we do not necessarily need authorizing legislation for the \$1.2 billion this winter. The CSA authority would probably permit us to get the \$1.2 billion out if it were handled through the appropriations process and then allocated over to HEW so that that is one thing that could cut the time that might be necessary in terms of congressional deliberations.

Mr. VAN LARE. Let me reemphasize, if I may, the ability to do it this winter depends on the decision to have a relatively simple program. It is not going to be possible to establish new eligibility criteria, to establish a new system of screening, a new payment mechanism to do it on the time frame that we have talked about, and that is largely why we have recommended this vehicle. It

needs to be tied to some existing program so we can use existing eligibility and payment mechanisms.

Senator PRYOR. If we pass this program, does it mean new people, new staff?

Mr. VAN LARE. That will have some impact because we are talking about the ability to issue funds in the range of \$7 million.

Senator CHILES. What do you mean by some impact? Now that worries me.

Mr. VAN LARE. There are provisions that would allow up to 10 percent of this money to be used for the cost of administration. I suspect that the actual cost at both the State level and the Federal level would be considerably less than that because of time and existing administrative mechanisms.

Senator PRYOR. Mr. Chairman, I have no more questions.

Senator CHILES. Senator Glenn.

Senator GLENN. I would recommend that everyone consider this Ohio plan that we will hear more about from Mr. Conlan and Mr. Sweet a little later on this morning. I think this would solve some of the problems raised by the Senator from Pennsylvania, Mr. Heinz, on the inequity of one person getting \$100 when they didn't need it and perhaps some other people needed it.

Very basically, the Ohio plan pays 25 percent of utility bills for those who qualify. The payment is made to the utility company and the people being served receive a 25-percent reduction on their bill. It is a very simple system and it has been working very well. I would question the administrative cost brought up by Mr. Palmer. I suppose 10 percent is realistic. Was that just arrived at off the top of somebody's head or do you have actual slots for that 10 percent of administrative cost?

Mr. VAN LARE. That is based on what it cost us to determine eligibility and make a payment and based on the assumption of how many people will be coming in automatically through the SSI and the AFDC program. We don't have identified specific positions at this point.

Senator GLENN. Let me give you a comparable figure, the figure that I think Mr. Sweet will testify to. The Ohio plan has a 1.7 percent administrative cost, so I am told. That is doing the job, getting it to exactly the people that need it. You can use these eligibilities you are talking about or you can use an outreach program which we are attempting to do in Ohio. You can use the elderly to contact the elderly, they know their compatriots better than anybody else. You can use SSI or other things of that nature.

Let me ask this question; you say on page 5 of your statement:

States could request the Secretary of HEW to approve alternate distribution mechanisms, such as, for example, a vendor line of credit. If the Secretary approves an alternate structure as an effective and efficient way to aid the poor, States could establish these programs as options for recipients.

How much planning have you done in that area? Would you anticipate that on a program such as we have in Ohio that would qualify under something like this or have you had a chance to look at our program?

I think our program could be a model for the rest of the country and be very simple, easy to administer, get more money to those that need it. It may be something that the committee wishes to

consider, but would we qualify? Would we get a certain reimbursement back if your plan was approved as one of those alternate distribution plans?

Mr. PALMER. I am not familiar with the details of your plan so I cannot speak to that.

Senator GLENN. I hope you stick around when Tom Conlan and Dave Sweet testify or give their report.

Mr. PALMER. One of the things that may not be that obvious from the broad outlines of the program is that there is quite a bit of flexibility available in crisis assistance. It is really given to the States with a large degree of discretion with respect to how they allocate the money. I would think that the plan that you describe would probably be eligible for its use.

Senator GLENN. You are talking about using the crisis intervention funds and putting them over into this then, is that right?

Mr. PALMER. The crisis intervention money is highly discretionary, so I say almost anything that a State that wants to do that is reasonable and meets severe need would be eligible to use that money.

In subsequent years, States also could, at their option, choose to use a distribution mechanism different than the one that we have outlined for the \$2 billion in special allowances such as a vendor line of credit or the kind of proposal you are talking about.

Senator GLENN. The basic program would still be administered through the States, you would not administer it directly, is that correct?

Mr. PALMER. We would expect to administer directly the payments to SSI households, but the States would be the administering agencies for other population groups, and they would have flexibility to request that they handle it in a different way than the way that I have outlined today.

Senator GLENN. If you administer directly, that runs up the cost tremendously. You have to write a check for every household.

Mr. PALMER. In the case of SSI, it would simply provide a check to those already participating in the program so the added administrative cost would be rather small.

Senator GLENN. Well, I don't want to belabor that because I know we have other witnesses. I won't go ahead, Mr. Chairman, but I hope that we very seriously consider our Ohio plan and hear our witnesses. I think it does take care of the objections that other members have brought up as to some pitfalls a standard payment, the administrative costs, some things like that.

Thank you.

Senator CHILES. Senator Percy.

Senator PERCY. Thank you, Mr. Chairman.

Senator Glenn and I spent part of the morning over at the White House with the President, the Secretary of Energy, and the Secretary of Treasury, and all concurred with our conservation program. We are talking about making payments to people for energy costs, but strong emphasis should be placed on conservation.

As far as the weatherization of their homes, they don't have the money to pay for it. They probably don't want to put too much of their own capital into a home that they may only be in a relatively

few number of years. People do it certainly in their twenties, thirties, or forties, but probably not in their later years.

I wonder if you look upon your responsibility in HEW to really get this word out. The Department of Energy does administer a program for low-income households which tries to help the elderly.

As I look at the State of Illinois in the fiscal year of 1977, less than \$1 million has been spent on weatherizing 1,410 homes. In fiscal year 1978, Illinois received \$4,088,000 for this program and to date it has spent only \$1,123,566 on the complete weatherization of 1,177 homes. This is really not at all what we had in mind in trying to help out.

How can we work with you to get the word out about this program? What comments would you care to make on weatherization, insulation, and all of those things that need to be done to homes occupied by the elderly to save energy rather than just help pay for energy that is wasted? Forty to fifty percent of that energy might be recovered and a significant cost savings would result from weatherization.

Mr. PALMER. I certainly agree that large conservation efforts have to be a primary part of an overall energy policy. As you know, HEW does not have the appropriate authorities for funding weatherization programs in any large way; those are done largely through the Department of Energy. We are, however, very concerned about providing the kind of information to constituency groups that we serve that would make them aware of what opportunities are available to them both in terms of Federal funds, State and local funds, and the technical know-how that would be necessary to help them improve their insulation.

We are doing two things. One, we are reviewing all of the program authorities within the Department to see what kinds of added activities can be undertaken either directly with our funds or at least through project grant recipients and other agencies that receive HEW funds at the State and local level. In addition, with respect to the elderly, the Administration on Aging has been quite active in developing a large number of different projects that would be of assistance in this regard.

AoA is allowing some reprogramming of funds to meet certain emergencies that might exist. They are providing through their area agencies on aging and other outlets, the kinds of technical information and referral information on what is available in the local area. They are funding several model weatherization projects in different parts of the country. So there are a number of activities particularly targeted on the elderly.

Senator PERCY. I know you have discussed previously the windfall profits tax. I would like you to know that the Alliance to Save Energy's board of directors, which includes representatives from major corporations, utilities, and oil companies, adopted a resolution fully in support of a diversion of part of the windfall profits tax for low-income families. This would particularly help the low-income elderly in meeting their energy costs. The resolution was introduced by an oil company executive and was supported solidly right down the line.

Our concern might be that everyone else is in there bidding to get that money. This morning at the White House, we talked about

\$88 billion in windfall profits tax. Who are the advocates to see that the first priority on using those windfall profits taxes is directed to those who really need assistance now rather than waiting for an alternative synthetic fuels program whose impact will not be felt for 10 years? Will there be adequate funds to meet these needs and would you be advocates to urge the administration to put a high priority in this area?

Mr. PALMER. Well, we certainly would be trying as much as possible. The other elements of the administration that are involved in this decision are also concerned about the needs of the low-income population to meet these higher energy costs. I can assure you that the President has already made the commitment to allocate the \$1.2 billion for this winter that he has asked for and the \$2.4 billion for the succeeding years of the energy security trust fund—which is anticipated to be at least 10 years—so \$24 billion was earmarked for this purpose. I have no doubts that the form in which the windfall profits tax passes would provide more than adequate funding to meet these particular needs.

Senator PERCY. Do I have time for a quick question?

Senator CHILES. Yes.

Senator PERCY. I don't think we have talked about those elderly who pay for their fuel costs through rent. The rent is raised to cover the cost of fuel like the airlines are raising their fares to cover the cost of fuel. How do we help those people, the renters?

Mr. PALMER. That is one reason we felt tying payments strictly to existing bills with known direct cost was undesirable in some respects. The special energy allowance program would provide cash allowances simply based upon the severity of weather that is faced by low income households and would not be tied direct to whether they have direct heating bills. They will then have increased cash available to them to make those higher rent payments.

Senator PERCY. Thank you.

Senator CHILES. Thank you very much.

We are delighted to have you with us today except you were here longer than we thought you would be here. Thank you very much.

Mr. PALMER. Thank you for having us. We were pleased to stay this morning.

Senator CHILES. Our next witness will be Hon. Samuel Bell, majority leader of the Florida House of Representatives.

Because of the hurricane, Governor Graham is not able to be with us.

We know of your interest in this area and of the concern that all of our States have, and certainly Florida, with our tremendous number of senior citizens. While we don't quite enjoy the severe winters that the Northeast and part of the Central States do, we do enjoy some of the highest energy prices that exist in the Nation, and our problem is just as great, sometimes trying to cool as the rest of the Nation is trying to heat.

Many of those same citizens who leave the Northeast to escape that severe winter find that they perhaps jump out of the frying pan into the fire because they come to Florida and they are not cold but they are not cool either. They are burning up because of not being able to have sufficient resources for being able to cool themselves.

We are delighted to have you here.

**STATEMENT OF HON. SAMUEL BELL, DAYTONA BEACH, FLA.,
MAJORITY LEADER, FLORIDA HOUSE OF REPRESENTATIVES**

Mr. BELL. Thank you very much, Mr. Chairman.

I might say that Governor Graham, our Governor, was to be here today but did feel that he should be in Florida. Unfortunately, it does appear that we have damage in the western panhandle around Pensacola, and substantial property damage.

I believe that I am here today expressing a feeling that is shared by both the executive and the legislative branches of the government in Florida, something that may be rare but on this issue I believe we agree.

Senator CHILES. When I was in the legislature in Florida the Governor would never dare allow one of us to come and speak for him.

Mr. BELL. This might be my last time, but we will find out.

First of all I would like to say that we do support the enactment of the energy assistance program. I certainly agree with many of the things that were said here today. We urge that your committee help insure that assistance is available to all eligible citizens, wherever they live, in amounts which fairly reflect their ability to pay for energy they need and their need to use energy to protect and assure their health and well-being and the actual cost increases that they are experiencing.

Obviously the deregulation and other events are going to increase not only the direct cost of energy but also the secondary impact resulting from deregulation and I think this is something that needs to be taken into consideration, not only heating costs but costs of energy generally—the costs of heating hot water, the costs that are passed along in necessities through the fertilizers, food, and consumption of energy in those areas.

These costs will be difficult enough for the average-income family to bear but they will have a devastating effect on low-income families. These families, classed as being in the poverty categories, spend—I think there have been various figures mentioned, but I think one that appears to be in the middle of those figures is about 20 percent of their income on energy, whereas nonpoverty families spend so much less. We are all aware that older Americans tend to be among the less affluent persons in our society.

I want to concentrate particularly on these proposals as they affect the South and Florida. The impact of rising energy costs on fixed-income elderly can be summarized by a few examples:

In 1977, home fuel expenditures for the low-income elderly were approaching somewhere between one-fourth and one-third of disposable income.

Energy price increases from 1973 to 1976 had a disproportionate impact on low- and fixed-income elderly households.

While social security and supplemental security^o income increased about 30 percent between 1973 and 1976, the indexed price of energy products rose at a much greater rate: 42.2 percent for electricity, 57.1 percent for natural gas, and 83.8 percent for fuel oil.

I congratulate this committee on the work that it has done in this area. One of the things which was mentioned earlier and which is of particular concern to us was the statement regarding the effects of heat on the elderly. Examples have been given here today about the elderly at the time of extreme cold suffering in the North. I would also direct your attention to the elderly persons living in south Florida and in a mobile home with emphysema during the heat of summer, and I would say that that type of suffering is just as fatal as is the freezing cold of the North.

I would submit that some of the formulas that have been discussed here today in proposals fail to take into consideration that air-conditioning for the elderly in the South is not a luxury but rather a necessity.

These facts underscore our contention that an energy assistance program should not only deal with the special needs of those who are poorest and those on fixed incomes—both of which categories include substantial percentages of our Nation's elderly—but must reflect energy needs beyond just home heating. I think this is the point that we want to underline.

Another point is not only other energy expenditures other than just heat but also the relative cost of that energy. It was pointed out earlier by one of the Senators on this committee that New England has a high fuel oil consumption, and this is equally true in Florida where electric power is our major source of energy and that is developed primarily from oil burning with the generators that burn mostly imported oil. This cost is going to increase substantially and will be reflected in the impact on the elderly.

I would like to submit my prepared statement, which is also the Governor's statement.

Senator CHILES. Your entire prepared statement will appear in the record of today's hearing.¹

Mr. BELL. I would like to conclude these remarks by saying that we feel a formula that takes into consideration only a percentage of the population which is elderly and heating degree days fails to consider important components of the impact. We feel that the cost of energy, the relative buying power of different parts of the Nation in terms of the average income and the other impacts of energy usage, particularly on the elderly, are important factors that should be considered in the final determination of a distribution formula.

Again, I would like to say on behalf of Governor Graham and the leadership of the Florida Legislature that we are very encouraged by your efforts to enact an energy assistance program, but we do urge you to consider these additional factors in making a final determination as to how these funds should be distributed.

Senator CHILES. Thank you very much for your statement.

I note that you point out part of the country is greatly dependent on oil to heat homes and fill our energy needs and that one of the basic reasons given for the low energy, low-income assistance program is the impact of the escalating OPEC oil. Florida, of course, has felt the major impact of the foreign oil price increases, and you have pointed out that that has come through fuel surcharges on electric bills, as opposed to heating oil bills in the Northeast. How

¹ See page 166.

would you characterize what has happened to energy costs in Florida since the 1973 embargo?

Mr. BELL. Well, it has been substantial. In 1973 the cost for 1,000 kilowatt-hours in Florida was about \$21.39, in Florida today it is about \$39.91. There has been a substantial increase in cost.

Senator CHILES. How does that compare with the energy cost in other parts of the country?

Mr. BELL. Well, in some parts of the country I think it is graver. For instance, in the Northwest, where energy is largely produced through hydroelectric capabilities, I don't think the cost is as great. Nationwide though, it is right on the button.

In January 1978, the U.S. Department of Energy shows the cost for 1,000 kilowatts is \$40.90, which is virtually the same as in Florida, and in 1973, the cost was about \$21.85, so there is no reason to differentiate unfavorably toward Florida or other States such as Florida in general.

Senator CHILES. Well, you point out that Florida, even with our relatively mild winter, still has a high individual energy cost when compared to other parts of the country.

Mr. BELL. That is correct. I have some figures here. I don't want to belabor the point, but these are some figures produced by the Urban Institute here in Washington, and it shows Florida particularly in terms of poverty households. The figure that I have here shows that in 1977-78, 17 percent of the income of poverty households went to energy expenditures. So you compare the figures: Michigan is 19 percent, New Mexico, 17 percent; Ohio, 19 percent. The point is that despite the fact that there may be some variations in weather conditions, when you take a look at income capabilities in energy expenditures in Florida that—

Senator CHILES. Those kinds of comparisons and the cost comparisons of what the increase in energy is you feel would be a much fairer way to set up any program.

Mr. BELL. There is no question. No question.

Senator CHILES. You make references in your statement to the physical condition of many of the residences of the elderly persons. In the South, homes are often old and poorly insulated. A lot of our people live in trailer parks, in trailers, and actually they are notoriously very bad the way they are insulated. What does that situation mean in terms of energy costs?

Mr. BELL. Well, there was a time when people thought that to come to Florida meant that you didn't really have to have much of a house, but I think we are seeing the fact that houses in Florida have not been properly insulated. The jalousie window is a famous method of construction. Mobile homes, these kinds of things, simply are not by design designed to withstand heat or cold and both of those are problems for the elderly who come to Florida in increasing numbers and it is a substantial problem.

Senator CHILES. In terms of crisis intervention programs, what needs exist in a relatively mild weather State like Florida for assistance to low-income elderly people?

Mr. BELL. I think in that crisis area, we do need to continue that program to weatherize homes both in the north Florida and in the south Florida area, where the extreme heat is a severe problem.

Senator CHILES. Are there any particular programs that the State of Florida is now working on, either in regard to the crisis intervention of weatherization?

Mr. BELL. Well, under Governor Graham, we have revitalized our own independent energy program. We are prepared to play a role in whatever programs the Federal Government may design, and we are continuing with the programs across the whole range of energy problems.

Senator CHILES. We thank you very much for your appearance today and for your statement. We are delighted to see the interest of the Governor and the Florida Legislature in this problem.

Mr. BELL. Well, I say that it has been very encouraging for me to see the broad interest from all the Members of the Senate who have been here this morning. It is obvious that this is considered as a major concern and I think that this is the result of your leadership in large part. We are very proud of you in Florida and I am glad to have the opportunity to be here with you today.

Senator CHILES. Thank you. Your prepared statement will be entered in the record at this time.

[The prepared statement of Mr. Bell follows:]

PREPARED STATEMENT OF SAMUEL BELL

Mr. Chairman and Members of the Committee, I am pleased to appear before you today to discuss the elements of a national energy assistance program for persons with low and fixed incomes; a target population which includes a substantial portion of our Nation's elderly.

We are all aware that energy costs are severely straining the budgets of many Americans. Nor is it news that the burden is most severe for persons with low and fixed incomes. These citizens will be the most severely affected as the impacts of oil price decontrol and OPEC price increases ripple through the economy.

For these reasons, I support enactment of an energy assistance program that will help alleviate these impacts on those who will least be able to afford them—for those citizens who will without such a program, be forced to make cruel choices between the basic necessities of life.

Both the administration and the Congress are now moving to enact such a program. I urge this committee to help insure that assistance is available to all eligible citizens—wherever they live—in amounts which fairly reflect: (1) Their ability to pay for the energy they need; (2) their need to use energy to protect and insure their health and well-being; and (3) the actual cost increased they are experiencing.

ENERGY COSTS AND LOW-INCOME PERSONS

It is clearly essential that a program of this nature be an integral part of any oil deregulation plan. The General Accounting Office has predicted that deregulation will increase the direct cost of energy to the average family by about \$157 per year in direct energy costs for gasoline, home heating oil, electric utilities, and other fuels. If the secondary impact of inflation resulting from deregulation is included—including cost increases in plastics, fertilizers, food, and other items—the figure is in the neighborhood of \$200 per household, and because these figures were computed before the recent price increases for imported oil, they are considered low.

These cost increases will be difficult enough for the average income family to bear, but they will have a devastating impact on low-income families.

The U.S. Department of Energy indicates that whereas in 1975 families with an income over \$30,000 per year spent 6.3 percent of their income on energy, and that families in the \$15,000 to \$20,000 range spent 9 percent of their income on energy families in the under \$5,000 per year category spend 18.4 percent of their family income on energy. This is further borne out by the fact that families classed as being in the "poverty" category spend 20.2 percent of their income on energy, but families in the nonpoverty class spend only 9.7 percent.

ENERGY AND OLDER AMERICANS

We are all aware that older Americans tend to be among the least affluent persons in our society. While 11 percent of the entire U.S. population is below the poverty level, 16 percent of the elderly are below the poverty level, and when "low income" is defined to mean "within 125 percent of poverty level," the percentage leaps. According to a recent study by the Urban Institute, 56 percent of all "low-income" households are headed by a person receiving social security income. In my own State, Florida, the percentage is even higher—66 percent.

Not only do the elderly tend to have fewer resources with which to meet increased costs, but their housing tends to be less energy efficient than for the Nation as a whole. Homes of the elderly often lack adequate insulation and their appliances tend to be older and less efficient. Those on fixed incomes are less likely to have sufficient resources to make the substantial housing improvements necessary to reduce their month-to-month energy costs.

The impact of rising energy costs on the fixed-income elderly can be summarized simply in the following terms:

In 1977 home fuel expenditures for the low-income elderly were approaching somewhere between one-fourth and one-third of disposable income.

Energy price increases from 1973 to 1976 had a disproportionate impact on low- and fixed-income elderly households.

While social security had supplemental security income increased about 30 percent between 1973 and 1976, the indexed price of energy products rose at a much greater rate: 42.2 percent for electricity, 57.1 percent for natural gas, and 83.8 percent for fuel oil.

While the current situation is difficult for low-income senior citizens, their problems will become even more difficult in the future. The U.S. Department of Energy projects that by 1990 households headed by a person below age 65 will be spending 9.2 percent of their disposable income for energy—but families headed by a person over age 65 will have to spend 12.7 percent. This unquestionably means that the impact of rapidly rising energy costs is going to be far more difficult for older Americans than for other groups and that any assistance program aimed at relieving the burden of increased home energy costs of those most in need clearly must recognize the special needs of the elderly.

ENERGY AND HEALTH

This committee has done a substantial amount of work in determining the energy needs of the elderly as well as the impact of energy costs on these citizens. Of particular concern is the threat that the inability to pay increasing home energy bills poses to their health. As you are well aware, the elderly have a decreased ability to compensate for variations in temperature. The devastating effects of extreme cold on the elderly are widely documented and accepted.

However, it is not as widely known that the effects of heat can be equally devastating. Testimony before this committee in 1977 by the National Institutes of Health made it clear that the stresses imposed by heat can result in disease and even death. It is distressing to me, as I know it is to this committee, that this knowledge is not just hypothetical. Elderly persons not only can, but have, suffered disease and death as a result of exposure to heat.

I want to emphasize that I am vitally aware of the importance of meeting the heating needs of the elderly. However, air-conditioning, often viewed as a luxury, is a necessity for thousands of elderly citizens who reside in Florida and other Southern States. This fact does not appear to have been recognized in some of the energy assistance proposals now under consideration.

These facts underscore our contention that an energy assistance program should not only deal with the special needs of those who are poorest and those on fixed incomes—both of which categories include substantial percentages of our Nation's elderly—but must reflect energy needs beyond just home heating.

ALLOCATION BASED ON ENERGY COSTS AND ABILITY TO PAY

In our view the final element in an equitable assistance program is a distribution of oil which reflects the differential costs of energy from region to region and from State to State in relation to the ability of citizens in these areas to pay them. Attention to these factors will be particularly important in light of decontrol. Areas such as New England and Florida both rely heavily on oil for home energy needs. While increased prices are transmitted through higher heating oil costs in New England and through increased electric utility bills—fuel surcharges—in Florida, the rate of increases are expected to be similar. Energy cost increases in the Pacific

Northwest, however, are likely to be somewhat less because of that region's high reliance on hydroelectric power.

Set against these regional differentials in home energy price increases is a similar differential in indexes of ability to pay such as per capita or family income. It seems to us that a distribution formula should reflect those two critical elements in determining the amount of assistance an eligible recipient would receive.

An Urban Institute study of 1977-78 State data on the percent of income spent for home energy—a measure which takes into account costs in relation to available income—shows that expenditures from 13 percent of income in California to 28 percent in New Hampshire; in Florida, 17 percent; Idaho, 16 percent; Arizona and New Jersey, 21 percent; Washington and Nevada, 15 percent; Massachusetts, Texas, Wyoming, and South Carolina, 20 percent; Arkansas, Michigan, Ohio, and Georgia, 10 percent.

This data adjusts for regional differences in personal and family income as well as for differences in the form and cost of energy. Whether Congress uses this simple data or a more refined and sophisticated version is not particularly important. What matters is that assistance levels bear a reasonable relationship to need and ability to pay wherever eligible citizens reside.

In conclusion we reiterate that the fundamental elements of a national energy assistance program for persons who are least able to cope with rising energy costs must be equitable. We urge this committee's support and assure you of our willingness to assist in any way possible.

Senator CHILES. Our next witness is Thomas Conlin, executive director of the energy credits program. I understand he is appearing in place of Representative Eckart who had to remain in Ohio today because his energy credits bill is before the Ohio Senate.

We are delighted to have you with us.

**STATEMENT OF THOMAS L. CONLAN, JR., COLUMBUS, OHIO,
EXECUTIVE DIRECTOR, OHIO ENERGY CREDITS PROGRAM**

Mr. CONLAN. Thank you, Mr. Chairman.

First of all, I want to thank you for permitting me to testify now. I will be departing for Ohio right after I leave here. We are having the final hearing on our bill in Ohio, which does give help to elderly, disabled, and low-income people with their energy cost needs, and I will get to that in a few moments.

I am here in place of Ohio State Representative Dennis Eckart, who is the prime architect of the Ohio energy credits program, and the person most responsible for the legislation. He introduced it in 1977. We have had the program for 2 years on a temporary basis.

What I would like to do is to read Mr. Eckart's letter to you, Mr. Chairman. I have with me his statement, which he was going to present to this committee, and what I will do is not read it but I will touch on a few highlights and some of the main points. If I can impart some information and some data which might be needed to advise you about our experience in Ohio, that is what I hope to do.

Senator CHILES. All right. His statement in full will be inserted in the record if you will give us a copy.¹

Mr. CONLAN. Fine, Mr. Chairman. The letter from Dennis E. Eckart, State representative, 18th house district, to the Hon. Lawton Chiles, dated September 13, 1979, reads as follows:

Dear Senator Chiles: I would like to take this opportunity to thank you for inviting me to testify before the U.S. Senate Committee on Aging concerning "Energy assistance for the elderly."

I would like very much to present my remarks to you in person, since I believe that it is important that the Federal Government become intimately involved in this most serious of areas. I have attached a copy of my prepared remarks and it is

¹ See page 173.

quite clear that the fixed-income person is becoming deeply affected by the rapidly rising costs of energy.

As chairman of the Joint House-Senate Energy Credits Advisory Committee in Ohio, and the sponsor of Ohio's energy credits program, I believe very strongly that the State of Ohio has a great deal at stake in the kind of a program that is developed by the Federal Government. Ohio's program extends benefits in excess of \$45 million to over 300,000 households.

Unfortunately, the reason I am unable to be with you at your hearings is that the continuation of this program, which I have once again sponsored in the Ohio General Assembly, is scheduled for a vote in the Ohio Senate the same day as your hearings. I am sure that you would agree with me that my primary concern must be to Ohio elderly and disabled citizens who are counting on the continuation of our energy credits program. I have already provided your staff with copies of our energy credits committee report, which I believe is the most illustrative of the efforts of the States in this regard. It would be my sincere hope that any program which is going to be created by the Federal Government would take into account the efforts of the individual States. Furthermore, any Federal program must be reflective of the different needs in different areas. A program that is based exclusively on income levels and does not reflect geographic characteristics, or fuel supply availability, or population concentrations, is not going to succeed. While a degree-day element would be important for Northern States, it would work an injustice for Southern States because the concerns of providing energy in the very warm summer months can be equally important to an elderly person as providing heat during the winter months. On the other hand, your committee's recommendations must take into account the rapid increase of the prices for fuel oil and natural gas which is peculiar to the hearing characteristics of the North. I am sure your committee is aware of this problem.

Your task is not an easy one. I do ask that in your committee's deliberations you take into account the vagaries that affect the 50 States of our country, as well as the tremendous efforts already being put forth by some of the individual States. We, in Ohio, are proud of our program. It is one of the most ambitious, far-reaching and, yes, costly of all the efforts of the individual States. But we are sure it is worth the price.

Thank you for your consideration in recognition of the State of Ohio's efforts. The staff of my committee and I stand ready to assist you in whatever possible manner to help prepare an energy assistance program which will truly be responsive to the needs of all Americans.

Thank you again.

Sincerely,

DENNIS E. ECKART.

Mr. Chairman, some of the other highlights on the paper—I will try to make these brief—the fact that there are other energy assistance programs in existence. In addition to our evaluation of Ohio's energy credits program over the first 2 years, we looked at other programs throughout the country. We did look at how those programs ran, what the delivery systems were, what kinds of benefits there were, how many people were reached, and what kind of outreach programs existed.

We have also looked at and made a survey of gas and electric and other kinds of fuel prices throughout the country, and we have that information contained in our reports, which I will just mention, and I will leave them here and would like to make those part of our testimony. One is the report, entitled "Alternatives to the Ohio Energy Credits Program,"¹ which was prepared under our direction by the National Regulatory Research Institute, and discusses various qualitative concepts of approaches to energy assistance for low-income people.

We also have prepared a thorough evaluation of the energy credits program, which is contained in volume I of our report.

¹ Retained in committee files.

Mr. Chairman, we also looked at the energy related Federal assistance programs that impacted on Ohio. We also looked for ways that we could get not only direct assistance to people, but get direct assistance to this defined target group of people, and maybe do something of a more permanent nature; namely, to shore up and to give the proper emphasis and management to a workable weatherization/conservation program. In that regard, we found that there are 10 or 12 different varieties of opportunities for people to avail themselves of Federal weatherization programs plus we have done some things in Ohio. There is a distinct lack of coordination among those programs.

I just want to take one moment to mention that in the review of the States' plans that are being submitted under the National Energy Conservation Policy Act. I would hope that Congress interest would be that one of the review criteria would be whether the individual States took into account and developed a plan to coordinate all of the various Federal programs that are now available to them. We have found, not only in Ohio, but elsewhere, that this is not the case.

We have in our bill, which we hope will be passed tomorrow. several millions of dollars to provide a consistent labor force to supplement the Federal weatherization program of the U.S. Department of Energy.

Another report which Dr. David Sweet and Edric Weld prepared for us and which Dr. Sweet will elaborate on in his testimony, I am sure, is a survey of the 50 States. It takes a look at the various kinds of programs that they have.

I would also like to say that we do have a wealth of other kinds of data which might be interesting to anybody who is developing or formulating a nationwide policy and that is information that would be available.

We also, Mr. Chairman, participated, and we are the only State in the country who has gone to this extent, with Ohio's Consumer Council, the primary sponsor, the Public Utility Commission, and the Ohio Department of Energy, in a thorough and scientific residential utility usage survey. The seven major Ohio electric utility companies were surveyed and a proper sample of the residential class of customers was taken by a field interview of over 4,300 people. For the first time, we are able to combine data, because we took that demographic information and we went back to the utility companies, both the gas and electric, and extracted the individuals' usage for 12 months. which coincided with the time that they were interviewed. So for the first time we were able to combine actual usage consumption with demographics—size of household, what kind of housing stock it was for example, in terms of whether it was insulated. This provided us with an accurate profile of the residential class of utility customers.

The final report on that is not completed yet, but we have some usable data for anybody who would wish it.

The current place where we are in Ohio, and I will just go into how our program works, is that the Ohio House bill 657 is going to come out with a dollar amount of \$92 million in benefits. It breaks down into \$74 million for the energy credits program, \$10 million for a weatherization program, with the moneys primarily for labor

and \$12.5 million for an emergency low-income energy assistance program.

Briefly, the energy credits program eligibility requirements for people are aged 65 and over or disabled mentally or physically at any age. For the first 2 years of the program, we expended benefits of about \$45 million in the first year for 270,000 households, and the second year about 305,000 households.

The income criteria, the first year was \$7,000, and the second year we increased it \$7,420. What is going into law right now is a \$9,000 income. The benefits are given to people in two ways, those who receive their heating source from the utility company—which for people enrolled in our program by actual count are 80 percent—receive if they have an income between zero and \$5,000 a 30-percent discount off their bills rendered in the months of December through April. That reflects the usage consumption of November through March.

Persons in the income category of \$5,000 to \$9,000 receive a 25 percent heating discount. Those persons which heat with other fuel commodities such as heating oil No. 2, propane, coal, kerosene, wood, will receive a one time cash payment of \$125.

People who are master metered or rent who pay their utility costs as part of their rent will qualify under that part of the program and receive a one time cash payment of \$125.

The application process is a simple one. The form requests only basic information, and forms are available throughout Ohio at various public locations. Persons enrolled the previous year are sent a renewal. The applications ultimately end up at the Ohio Department of Taxation and are sorted, weeding out duplications. The department certifies those who are eligible and distributes those names to the appropriate utility companies in Ohio. We have 152, and about 10 of them handle maybe 85 to 90 percent of the Ohio consumers.

The utility company grants the discount to those persons on the list, and then they send the discount information to the State auditor's office. Within 30 days after that, the utility company is reimbursed 90 percent for each of the 5 months. The balance of payment due is made by June 30.

The people who receive the one-time cash payment are mailed a check, between February 1 and 15, by the State auditor's office.

We have an outreach program. We have developed a profound management plan which brings together a variety of people who are in the business of helping other people—private, government, and so on—and it has paid off, and it is not that costly.

I heard Senator Glenn earlier refer to Ohio's program administrative cost being 1.7 percent. That was the cost in the first year. We expanded the program the second year, and did some special kinds of things, which caused a slight increase in cost. The total administrative cost to the State of Ohio over the last 2 years of the program averaged 2.4 percent.

The second part of what we are doing is that we found that the U.S. Department of Energy's weatherization program, in conjunction with the CSA, was being administered and implemented through the Ohio Department of Economic and Community Development and subgranted to the 48 community action agencies in

Ohio. It was not working and we analyzed it and that analysis is contained in volume 1 of our report.

I think there is ample universality to the things we say here and the programs we looked at. The same Federal programs quite possibly apply elsewhere, but rather than just find fault we did something about it. Our bill calls for Ohio to have a separate office of weatherization and one of the requirements is that they must coordinate all the weatherization programs. Also, as I said earlier, we have provided \$10 million for a consistent supervisory labor supply which will supplement and relate directly to the Federal weatherization program. That is what our sentiment is concerning the weatherization and conservation. Also, Mr. Chairman, it is a priority with the elderly and disabled Ohioans.

The third part of the program is a low-income energy assistance program. Ohio's Federal crisis intervention program in 1979 resulted in \$9.3 million coming into Ohio compared to \$15 million in 1978. That is a significant drop, even in the teeth of general inflation, fixed incomes not moving accordingly, and energy prices just going out into the universe.

So we have provided \$12.5 million for low-income energy assistance, similar criteria as the Federal rules. It supplements the Federal program. So I suggest, and I think it is quite evident, Mr. Chairman, that Ohio may have emerged as a beacon throughout the country as a State that did not wait for the Federal Government to do something in a timely way.

I know that a low-income energy assistance proposal has been submitted by the President. I add that I have not had a chance to examine it thoroughly. I wonder when it is going to happen and if the support and the assistance is going to get to us in time. I would just like to say a couple of more things and then I will be finished.

Getting back to what we are saying, Mr. Chairman, is that rather than to have a Federal bureaucracy come in to the individual States such as Ohio and directly superimpose a program, we would like to stress that ways to cooperate be examined. There must be a way to do this thing on a partnership basis and to somehow get the best that the States have to offer. I would suggest that you keep the delivery system and the implementation procedures as simple as possible.

We could sit down in 1 week's time and devise an elaborate plan, and make sure that it is as equitable and perfect as possible, and there will not be any fraud, and there will not be any this or that, but when you get down to the practical world, it does not work very well and it confuses the heck out of the people that you are trying to help if it is not simple. That is what we found in Ohio and it may hold true throughout the country as well.

Mr. Chairman, when we made our survey of the energy people used, we took those persons on the energy credits program and their usage consumption before they were on the program and after. We found that compared with the winter period prior to receiving the discount, the consumption changed very little after the benefit was received.

Mr. Chairman, our undisputable facts revealed that the energy consumption did not change that much. I can also say that in the area of natural gas—and this is true with heating oil—that as the

income changes, the amount of the cost of heating a space remains about the same and does not begin to increase until you hit the income level of about \$20,000 and higher. We found that people over 65 years old use a little bit more natural gas than people under 65 years old. When we look at electric heating, we found a distinct correlation between low-volume usage and low-income people, and that, in fact, as the income goes up we see the pattern is that the electric cost increases as well.

Mr. Chairman, I would like to thank you on behalf of Representative Eckart who had hoped to be here and was not able to be here. I would also like to say that Mr. Eckart and I and others have appreciated the various energy workshops that Senator Glenn has held throughout Ohio and the various chances we have had to be at hearings that has allowed us to hear some things and to sharpen our ideas.

Our office and staff and Mr. Eckart are available and ready to help you and your office in any way we can and to get into some roll-up-the-sleeves kind of work. Finally, I encourage prompt action and immediate passage of appropriate legislation that would institute a separately needed national energy assistance program.

Thank you, Mr. Chairman.

Senator CHILES. Thank you very much. We are delighted to have you here today giving this statement of Representative Eckart. We know that Representative Eckart has done a lot of work in this area that Senator Glenn has told us about, and he has told us about the hearing that he held for our committee in Ohio. We certainly look forward to analyzing the Ohio program as we go forth with the Federal program.

Thank you very much. The statement of Representative Eckart will be entered into the record now.

[The statement of Representative Eckart follows:]

STATEMENT OF OHIO STATE REPRESENTATIVE DENNIS E. ECKART

"The biggest open gap in our Nation's energy policy," is how Deputy Secretary of Energy John F. O'Leary described it. Senator Edward M. Kennedy was more direct in calling it "the greatest failure of our Nation's energy policy."

Actions and proposals of the last few weeks lend added urgency and immediacy to the problem. President Carter's proposal of decontrol of domestic oil prices and his proposal to use a windfall profits tax to partially offset resulting fuel price increases poses several questions: whether the proposed average assistance of \$100 a year would come close to matching the rise in oil prices for fixed-income families and what the chances are for passage of a windfall profits tax in the Congress.

Both the President's energy security fund proposal and the draft proposal advanced by the Department of Energy are designed to alleviate the energy cost burden on the people. But they overlook the many energy assistance programs for the fixed income and elderly already conducted by States and localities with non-Federal funds.

Once again, both Federal proposals focus on addressing a nationwide problem only through Federal action. They neglect the significant potential for leveraging such State and local programs as the more than 100 covered in a survey of the 50 States conducted by Cleveland State University's (CSU) Institute of Urban Studies and submitted to the Ohio General Assembly's Energy Credits Advisory Committee, which I chair.

In making its proposal, the U.S. DOE accurately describes the scope and severity of the problem: fixed income households spend about 33 percent of their annual income on energy, compared with 10 percent for middle-income families; yearly energy costs have risen from \$337 in 1972 to \$1,103 for poor families and even worse for other families; the housing stock of fixed-income families generally is in poor condition; and conservation is difficult for those who already have cut energy use to unsafe or unhealthy levels. The U.S. DOE committee recommends a complex, \$3.2

billion, federally administered program covering some 15 million households—those at or below 125 percent of poverty level income who spend more than 10 percent of annual income on energy.

In a recent breakfast meeting with new Energy Secretary, Charles Duncan, I underscored the immediate need for the Federal Government to pay attention to our efforts at the State level. We don't need another "Federal solution" rammed down our throat, but we will attempt to create a meaningful partnership that takes advantage of all levels of input.

Just one indication of the magnitude of existing State and local assistance that could be part of a coordinated Federal-State effort is the Ohio Energy Credits Program. The program was initiated after passage of legislation which I sponsored in October 1977. By providing a 25-percent winter discount on gas or electric bills, as well as one-time payments to users of other fuels, the program directed \$21.2 million of aid to 270,570 elderly or disabled homeowners and renters in 1977-78 and \$23.9 million to some 300,000 participants in 1978-79.

Legislation (H.B. 657) which has already passed the Ohio House appropriates over \$80 million for even greater assistance to Ohio's elderly and disabled to help them pay their winter heating bills. It is expected that over 370,000 households will receive benefits under my program. Although the Senate has yet to vote on my bill, action is expected in September.

Our committee has examined the activities of other States in this regard. These approaches included direct financial aid, such as the \$38 million Michigan program providing maximum benefits of \$200 for poor and elderly homeowners and \$160 for renters, and the \$2.5 million Wyoming program providing direct tax refunds averaging \$380 to eligible elderly and disabled residents. Special utility rate reductions are offered in other States such as Rhode Island, which provides a lower rate schedule for the elderly poor, and North Carolina, where discounts are available to those who meet State weatherization standards.

In addition to the Federal weatherization programs totaling \$130 million in 1978, States provide such assistance as direct aid, tax incentives and energy audits to help homeowners find sources of energy waste. Oregon, for example, offers a voucher of up to \$300 for eligible senior citizens making certain weatherization improvements. Load management programs, aimed at reducing peak demand and the need for expensive new utility construction, offer time-of-day pricing and interruptible service options; in Vermont, participating homeowners can take advantage of an off-peak electric rate of 1.9 cents per kilowatt hour compared with 10.32 cents during peak hours.

The diversity of agencies and layers of government already involved in energy assistance points to the need for a comprehensive, coordinated approach linking up Federal, State, and local efforts.

The CSU survey results also underline the need for simple, understandable and substantial assistance if those the programs are designed for—individuals and families with the greatest needs—are to become aware of and able to take advantage of the aid available. For example, the Ohio program, with a minimum of redtape and clearcut eligibility standards, has been successful through the cooperation of State and local government and the energy utilities and has emerged as the largest and most successful in the country.

Congressional guidelines and appropriations can set minimum national standards and Federal funding levels for an effective energy assistance program, but such a program must reflect State and local resources and differing needs in different regions of the country. A comprehensive program should include a combination of direct financial assistance, effective weatherization programs, rate structures providing incentives for conservation, and load management techniques.

Many consumers now have both the incentive and the means to manage their energy uses and make decisions that can cut energy costs. But the fixed income, the elderly, and the disabled will continue to need assistance not only to offset the high price of energy, but also to use energy more efficiently. A program to address this major omission in our Nation's energy policy must include both Federal resources and the best the States have to offer.

The cost of energy, however, is soon going to outstrip the people's ability to pay for it. Programs which provide for assistance to fixed income or elderly and disabled citizens are beneficial in that they provide needed help in a time of crisis, however, an energy policy which assumes that the middle-income working family is going to continue to be able to pay rising energy costs is faulty. We must continue to make real progress in attacking hitherto unsolved problems of master metering, weatherization of rental units, insulation standards, energy audits, and building code revisions. We must closely examine and change where necessary those provisions of the law which allow utility companies to take unfair advantage of their customers.

Elimination of the declining block rate structure, seasonal rates, time-of-day pricing, more effective load management are among the issues that the State legislature must address. All people from the poor to the very rich must pay for their energy consumption, however, those costs must not be exorbitant, unreasonable or unfair. Regulation, which is supposed to be the substitute for competition has demonstrated its inability to deal with the public regulatory process and the people who implement that process.

The question of energy and the cost that people must pay for their energy is not a passing social issue that will soon fade on the horizon. The time to speak up is now. The President suggests, the Congress and the legislature legislates, but it is the people who ultimately must pay the bill. If our country is to grow and remain strong, the time is now to develop a sound and sane energy policy.

Senator CHILES. Now we are going to hear from a panel of Anthony Maggione and David Sweet. Mr. Maggione is the chairman of the Subcommittee on Energy Assistance, Fuel Oil Marketing Advisory Committee to the Department of Energy, and associate director, Community Relations/Social Development Commission (CAP), Milwaukee, Wis. David Sweet is the dean of the College of Urban Affairs, Cleveland State University, Cleveland, Ohio.

Mr. Maggione.

STATEMENT OF ANTHONY J. MAGGIORE, JR., MILWAUKEE, WIS., CHAIRMAN, SUBCOMMITTEE ON ENERGY ASSISTANCE, FUEL OIL MARKETING ADVISORY COMMITTEE TO THE U.S. DEPARTMENT OF ENERGY, AND ASSOCIATE DIRECTOR, COMMUNITY RELATIONS/SOCIAL DEVELOPMENT COMMISSION (CAP), ACCOMPANIED BY ELLEN BERMAN

Mr. MAGGIORE. Mr. Chairman, I am Anthony Maggione, Chairman of the Subcommittee on Energy Assistance, Fuel Oil Marketing Advisory Committee to the Department of Energy. To my left is Ellen Berman who is a member of the Fuel Oil Marketing Advisory Committee as well as the Consumer Energy Council of America.

Do you want us to proceed, for me to go ahead and then to hear Mr. Sweet?

Senator CHILES. I think that will be fine. I have a copy of your statement.

Mr. MAGGIORE. I will try to summarize briefly.

Senator CHILES. Thank you, sir.

Mr. MAGGIORE. I will summarize the report very briefly and then I would like to speak to some other issues.

Senator CHILES. Fine.

Mr. MAGGIORE. The document¹ that I submitted represents the efforts of the Fuel Oil Marketing Advisory Committee of the Department of Energy to develop and recommend a program designed to alleviate the problems of low income and elderly persons in obtaining and purchasing essential home energy supplies.

During the past heating season this committee, composed of consumers, refiners, wholesalers, retailers, and State government representatives, became increasingly aware of the problems confronting low income and elderly persons in obtaining necessary household energy. A subcommittee was appointed by the chairman of the FOMAC to develop a needs assessment and a program design tailored to meet identified needs. The full committee reviewed the

¹See Appendix, item 2, page 194.

work of the subcommittee and agreed that the draft should be presented for public comment.

A public forum was held on April 10, 1979, at which U.S. Senators and Congressmen, National and State governmental officials, public utilities, trade associations, community action agencies, and consumer groups provided comments. The committee reviewed the transcripts of the public forum as well as other written communication to the committee at their meeting on April 23, 1979, and incorporated such relevant testimony into this final document.

This document was presented to the Department of Energy for consideration. We had that needs assessment and I would like to highlight that needs assessment.

On the needs assessment we discovered that:

There is a specific Federal mandate for an energy policy that protects the poor from disproportionately large effects on their income, resulting from increased energy prices.

In 1978, alone, rising energy costs in the United States caused low-income households to suffer a loss in purchasing power of more than \$4 billion, over and above that which they would have suffered if energy costs had risen at the rate of inflation.

In December 1979—and it is important to understand that our data is through December of 1978—the average low-income household spent approximately 18.4 percent of its annual income on household energy, excluding gasoline costs. This is almost 4.7 percent more than middle-income families paid.

Our study indicated that barring a particularly harsh and severe winter the energy pricing and delivery practices would penalize the user. The quality of the poor housing stock will further penalize them in their efforts to cut energy costs.

Reduction in the use of home heating oil by poor households who are already using energy at lower levels than might be considered safe or healthy.

The committee came up with five criteria: Equity, conservation, efficiency of administration, provision of energy assistance prior to severe crisis, and adequacy.

After examination of many different program designs that had been submitted nationally and locally, the committee determined what would be the best choice in terms of implementing the design criteria. Our formula very simply is the amount of energy times the cost of such energy minus 10 percent of the person's annual income. Assistance would be provided only for energy costs which exceed a certain percentage of the household income.

The following details of the program should be implemented through a line of credit established with the recipients' energy suppliers. There should be a special portion of the program designed to help those who do not pay their own energy bills and are not able to take direct advantage of it.

The committee considered a number of Federal agencies for the administration of the program but did not decide on this specifically.

In closing, the committee believes that the need for a program of this nature is immediate and urgent as a result of the recent price increases. It should be noted that the data that we have in our report whereby we project the potential increased cost in energy

results in aiding the low-income people who pay in excess of 50 percent of their income on fuel. It should also be noted that the report does not deal with just heating costs but also deals with the heating costs in the southern and western portions of the country.

Thank you.

Senator CHILES. Thank you, sir. I am going to hear from David Sweet now and then we will ask you some questions.

STATEMENT OF DAVID C. SWEET, CLEVELAND, OHIO, DEAN, COLLEGE OF URBAN AFFAIRS, CLEVELAND STATE UNIVERSITY, ACCOMPANIED BY EDRIC A. WELD, JR.

Mr. SWEET. I would like to introduce Edric Weld, on my right, who is the project director of the program that Mr. Conlan described when he undertook the surveying programs of the 50 States aimed at addressing this issue that your committee is concerned with.

I have a number of comments which Professor Weld and I have summarized in written testimony, which I will not repeat, and I assume will be introduced into the record.

Senator CHILES. It will be included in the record.¹

Mr. SWEET. We looked at State programs and we divided the State programs of energy assistance and pricing policies in the 50 States to benefit elderly, disabled, or low-income household into four basic categories:

Direct financial assistance such as the Ohio program and programs that are available in other parts of the country.

Lifeline utility rates which are the rate structure approach.

Weatherization and conservation programs.

Finally, programs which we categorized in the load management category for utilities which not only would benefit low income families but all utility consumers.

So those four basic areas were the areas that we reviewed and State programs were categorized into those four segments.

In summarizing our testimony, we make 12 points drawing on this experience.

The first point is that the need to assist elderly and low-income households to deal with rising costs of energy is recognized in almost every State in the Nation.

Over half of the States have already implemented a local energy assistance program in addition to those initiated and financed by the Federal Government.

Mr. Maggiore pointed out to me prior to this session that in no way does our report seek to reflect the opinion or the policy recommendation of the States already doing that so it does make the point that there is significant interest and concern by State legislatures and regulatory agencies regarding this problem area.

Programs implemented at the State and local level encompass a wide diversity of program types and delivery systems ranging from short range emergency help to long run conservation programs.

No single program appears to meet fully the needs of the elderly, the disabled, and other low-income households faced with rising costs of energy.

¹ See page 182.

Then I would say that probably the major point that I would like to make this morning is that there is a desperate need for coordination of the various proliferating programs in this area at the Federal and State level:

(a) Given the diversity of approaches which are now being developed, there is a need to coordinate the design of services in order to provide consumers with packages of programs and services which are mutually reinforcing.

(b) Given the many agencies and the numerous levels of government which must necessarily become involved in energy assistance, there is a need to coordinate both policy and service delivery efforts at the Federal and State levels.

As a Member of Congress, in response to Federal initiatives, I think it would behoove your staff just to list on a board in an organizational structure the various Federal programs and agencies that are now devoting their attention and begin to see how a coordinated vehicle can be developed so that we can target both the kinds of programs and the individual receiving these aids in a more effective fashion.

Energy assistance programs should be simple, comprehensible, and substantial if they are to meet the needs of target populations.

In the long run, weatherization and conservation may be the single most cost-effective strategy for providing energy assistance to elderly and low-income households.

I would suggest, as Senator Glenn indicated, that additional testimony was entered into the record in the hearing on August 30 in Akron, Ohio, which I think the staff is aware of, and I will not repeat some of the factual information that is presented therein.

I would like to commend Mr. Maggiore and his committee because I think their document is the most definitive outline of the problem confronted by low income and elderly that we have seen in reviewing programs in this area.

Although I cannot say that I have had a chance to review in any great detail the statement provided by Mr. Palmer this morning, I would like to offer, for what they are worth, a couple of suggestions or comments regarding his proposal, vis-a-vis, what is going on in the States, and I think basically this could be summarized in seven points. Those seven points reinforce many of the things that Mr. Maggiore has stated.

The first one is that the program is defined as an energy assistance program, as his testimony indicated. I believe it should be directly targeted for reimbursements of energy costs. By that, I suggest that your committee seriously consider the concept of the better line of credit similar to what is going on in Ohio at this time.

Second, the program should facilitate coordination of energy assistance programs, not just add another Federal program amongst the exploding array of programs that we have served on; the variety of Federal agencies to take its position and seek to deliver some service or funds.

Third, the program should support ongoing State programs, where appropriate, and not duplicate those State efforts and recognize the variability of problems and approaches. You represent a State where actually cooling costs are much more significant than

in Ohio. In Ohio, our heating costs are our major costs and that is also true in New England. I think part of that is based on the income.

Mr. Conlan spoke of a survey of 4,200 households in Ohio on their energy use. It was very interesting to note that particularly among low income and senior citizens interviewed, 80 percent of them were aware of State programs addressing this issue, but less than 20 percent were aware of any Federal program, although we know that there are a significant number of Federal programs operating in Ohio. I guess the point that is reinforced in my own mind is that State programs are perhaps a more appropriate vehicle for delivering a more significant level of efforts in this area.

The fourth point, the Ohio energy credits program, which Mr. Conlan outlined, is probably the longest program and it is only 2 years old, that has been under scrutiny with a comprehensive evaluation program. That program served 300,000 households last winter, or approximately maybe around 500,000 people. It cost \$25 million. It provided a 25-percent discount on winter heating costs. The administrative cost of the program changed from 1.7 to 2.4 percent. That is a program that I think should be reinforced.

If we look at my fifth point, the ramifications of the administration's proposal, in doing some quick calculations the program in Ohio would serve around 200,000 low-income elderly and perhaps 180,000 low-income families. In other words, there would be a slight expansion in terms of the low-income families served, but no significant expansion in terms of the low-income elderly served. In that program, there will be a ceiling in the income level of around \$8,950, as I recall.

If we were to take the funds that I guess might come to Ohio, \$75 million in the first year and \$145 million in the second year, and if we were to flow those funds through the existing mechanism already available in Ohio and add to it the \$25 million to the \$40 million that the State is putting up, I think it sort of boggles the mind in terms of the possibilities of leveraging State and Federal resources to put together a significant effort.

Senator CHILES. Do you think the State could still be putting up the same amount of funds?

Mr. SWEET. I think the Federal Government should require that they do that. First, in fact the administration program says that it cannot be used as a substitute for State programs that have either been in effect or are anticipated to be placed into effect. What the Energy Credits Crisis Committee did in their submission to the general assembly was to outline what additional resources were available, not knowing where those resources might come from.

On pages 47, 48, and 49 of our variety of alternative policies we list a couple of assumptions. I have already indicated that the Federal program would add 25/40 to the amount that State is putting up. If the Ohio program were expanded so that the age or age eligibility were lowered to 62 and an income ceiling of \$50,000 was placed on eligibility, we could offer a 40-percent discount on winter heating cost or direct payment of \$125 at a cost of \$88 million. That would service 688,000 households in Ohio.

On the other hand, if the funds were used to flow through to provide benefits to people of all ages, we could go up to as high as

\$10,000 income level, and again assuming 100-percent participation that program cost would be \$95 million. We are still well within the funds requested or that will be provided if the administration's program is enacted.

I would suggest coming back to some of the points that have been made by the panel earlier, or the committee earlier, which is that additional moneys could then go back to reinforce weatherization and conservation programs which I think it is pretty well established is the wrong longrun way of trying to address this problem.

So I use those simple applications to say there are a number of computations and permutations that can be put forth in reinforcing State level programs that I think would have very desirable impacts.

The other point is that the States can administer, at least based on the experience in Ohio, at lesser than the 10-percent cost proposed in the administration proposal. I think the proposal also contains—and this is not intended as a criticism but it is intended as a midwinter energy oil bias. An oil bias of programs in Ohio of 69 percent of our people heat with natural gas.

The second is that it also does not, I think, adequately reflect the programs that are now underway in the States. It does not adequately represent the impact of cooling costs on some of the families in the South and Southwest.

Finally, I would suggest that the administration has suggested that they have a program immediately put in place for this winter, which I certainly agree with, but at the same time that the opportunity exists to develop some innovative demonstration programs that could use the next fiscal year money in coming up with State initiated programs on their own.

You have States represented that are undertaking innovative programs—New Jersey, Pennsylvania, Ohio. I would say let's seek to reinforce these programs and put together a model of coordination and then report back to the Congress on effective means of implementing programs of this nature.

Senator CHILES. Thank you very much for your statement, Mr. Sweet. We are probably going to have some questions of both you and Mr. Maggiore but the majority we are going to have to submit for the record. Our time has run considerably beyond what we thought we would run this morning.

I note Senator Glenn has some remarks or questions that he would like to make. I am going to have to leave right now to attend another meeting that I have to attend. We want to thank you very much for your testimony and thank both of you for your studies. I think they are both comprehensive and they are going to be useful to our committee as we try to analyze the various plans which have been put forth, in addition to the administration's plan, in trying to determine what recommendations we can make to the legislative committees.

The Finance Committee held hearings on the one compliance bill that has to do with the tax credits. All the other plans go to the Committee on Human Resources. We will be trying to develop some kind of committee position. I know that your statement is going to be very, very helpful to us.

Thank you very, very much.

Senator GLENN [presiding]. I have a couple of questions. I would apologize, along with the chairman, for the truncated nature of our hearings here today. We did have several things that happened today that we could not have foreseen.

With regard to the report, when we were in Akron, Mr. Sweet, we talked about the possibility of having this published either as a committee report or through some government agency here so that this would be more available to people doing or interested in similar programs in all the 50 States. Would there be any objection to that or what is the proprietary nature of this that we would need to recognize or require before we could publish?

Mr. SWEET. Senator, I think as I indicated in Akron, I am sure the Energy Credits Advisory Committee, which is the sponsoring agency and in fact has copyrighted the study, would be very willing to do that. It could be worked out, and I am sure with Representative Eckart we could get that appropriate clearance.

Senator GLENN. Fine. I just wanted to clarify in case we wanted to do that. I think it is an excellent study as I indicated earlier this morning when I was here.

We feel we have been in the forefront with the energy assistance program considering you have worked for 3 years to come up with an effective program. Has anyone in the administration ever inquired about the program or study, or taken any recognition of all that work? Were there recommendations made therein?

Mr. SWEET. Yes, Senator, I think we have been in communication with a variety of officials, particularly at the Department of Energy, coming from the State public utilities commission prior to it going to—I feel strongly in many States the public utilities commission has been deluged with questions inquiring on what you are going to do with rising energy rates. So we have been working very closely with the Office of Utility Systems in the Economic/Regulatory Administration regarding this. At the same time, a number of individuals on the White House staff have been provided copies of the report also.

Senator GLENN. What kind of discussions have you had with regard to allowing the States the options to continue existing plans with some sort of Federal support or funding? Would that be possible with our Ohio plan, as you see it?

Mr. SWEET. Senator, as I think you accurately pointed out during your questioning of Mr. Palmer, there is a general statement on page 5 of the presentation that he made which indicated that States request the Secretary of HEW for an approved distribution mechanism such as under a line of credit.

Mr. Maggiore and his committee have endorsed that approach. I think that is the way we approach the problem. I think that particular paragraph would have to be defined more explicitly to determine whether the full leverages of the Ohio program with the authority of the Federal resources would actually occur.

Prior to your coming into the room, I was mentioning to Senator Chiles that with just some back of the envelope calculations, I think that if the approximate \$75 million that will flow into Ohio this coming year and \$145 million that would flow in next year under the administration proposal were to go to reinforce the Ohio

energy credits program, it could have a major impact on lowering or eliminating the age requirement and lifting or raising the income requirement for participation in the program or increasing the level of benefits.

So you have got three dimensions of policy options: The age criteria, the income criteria, and the benefit criteria, all of which could be significantly enhanced I think more efficiently by State administration of the program.

Senator GLENN. Thank you Mr. Sweet. Your prepared statement will be entered into the record at this time.

[The prepared statement of Mr. Sweet follows:]

PREPARED STATEMENT OF DAVID C. SWEET

We welcome the opportunity to testify today before the U.S. Senate Special Committee on Aging on energy assistance programs for the poor and elderly.

The College of Urban Affairs at Cleveland State University recently completed a 6-month, 50-State survey of more than 120 energy assistance programs or energy pricing policies proposed or initiated at the State level. The survey shows that more than half the 50 States have begun to provide local energy assistance programs designed to ease the rising energy cost burden on the poor, the elderly, and the disabled.

The existence of a wide range of State energy assistance programs is particularly significant in view of the Carter administration's commitment to earmark a substantial portion of the proposed energy security fund to help offset the impact on low-income households of rising prices resulting from deregulation. Up until now, the significant potential provided by ongoing State and local programs and has been largely overlooked in developing national energy policies to help low-income households cope with dramatic energy cost increases.

Our survey shows clear evidence of the need for a comprehensive, coordinated approach linking Federal, State, and local resources to provide energy assistance for the poor and elderly. It is our personal view that the administration proposal should be designed to encourage and reinforce existing State programs and distribution networks rather than establishing an entirely new—and costly—bureaucracy.

Our report is titled "Energy Assistance Programs and Pricing Policies in the 50 States to Benefit Elderly, Disabled or Low-Income Households." It is conducted under a contract with the Ohio General Assembly's Energy Credits Advisory Committee, chaired by Representative Dennis E. Eckhart, as part of a comprehensive evaluation of Ohio's 2-year-old energy credits program. It inventories the range of different ways in which State legislative and regulatory bodies have responded to the need for energy assistance for the poor and elderly. Programs described in the report include:

Chapter II, direct financial aid to help poor and elderly households pay for energy (22 programs surveyed).

Chapter III, lifeline utility rates providing lower-than-average or frozen rates for initial blocks of energy used (29 programs surveyed).

Chapter IV, rate reductions for target groups of poor and elderly households (13 programs surveyed).

Chapter V, weatherization and conservation assistance (23 programs surveyed).

Chapter VI, load management techniques designed to encourage energy use during off-peak periods (35 programs surveyed).

The specific features of each chapter are summarized in the executive summary which is presented at the beginning of the report. Some of the general conclusions relating to the entire report are as follows:

(1) The need to assist elderly and low income households to deal with rising costs of energy is recognized in almost every State in the Nation.

(2) Over half the States have already implemented local energy assistance programs, in addition to those initiated and financed by the Federal Government.

(3) Most of these State programs have been implemented within the last 2 years. Although our study did not attempt to calculate the overall fiscal magnitude of programs carried out with non-Federal funds, it is clear that many States have made significant financial commitments to such programs.

(4) programs implemented at the State and local level encompass a wide diversity of program types and delivery systems ranging from short-range emergency help to long-run conservation programs.

(5) No single program appears to meet fully the needs of the elderly, the disabled, and other low-income households faced with rising costs of energy.

(6) A comprehensive approach, therefore, appears to be required to deal effectively with the problems of assisting those households most impacted by rising energy costs.

(7) Two kinds of coordination appear to be important: (a) given the diversity of approaches which are now being developed, there is a need to coordinate the design of services in order to provide consumers with packages of programs and services which are mutually reinforcing. (b) Given the many agencies and the numerous levels of government which must necessarily become involved in energy assistance, there is a need to coordinate both policy and service delivery efforts at the Federal and State levels.

(8) Relatively little attention has been paid to energy assistance programs related to natural gas as opposed to electricity.

(9) Energy assistance programs should be simple, comprehensible, and substantial if they are to meet the needs of target populations.

(10) In the long run, weatherization and conservation may be the single most cost-effective strategy for providing energy assistance to elderly and low-income households.

(11) Consumers increasingly have both the incentive and the means to manage their total energy use much as they manage other aspects of their household budgets. Residential energy policy may now be particularly effective when it helps consumers to help themselves in coping with the high costs of energy. The cumulative effects of mutually reinforcing energy policies on consumer behavior are likely to be substantial.

(12) Special provision may have to be made, however, to assist the elderly to deal with conservation incentive rates and other behavior oriented policies.

This 50-State survey is a first-phase effort in our college's development on an agenda of practical programs to address the problem of rising energy costs and the poor. Through funding that will be provided by the U.S. Department of Energy and requested from the Ford Foundation, we plan additional research to refine the initial data base, further evaluate current programs and their impact, thoroughly review the alternatives, and establish a process to provide information and assistance to legislative and regulatory bodies as well as other agencies and organizations concerned with helping the poor and elderly cope with spiraling energy costs.

National energy policies designed to redress what Senator Edward M. Kennedy calls "the greatest failure of our Nation's energy policy" should take advantage of—rather than neglect—the substantial financial commitment made by the States and the experience gained in ongoing State and local energy assistance programs throughout the country.

Senator GLENN. Mr. Maggiore, your report states that the President and the Office of Energy Policy and Planning recognize a national energy plan must solve our energy problems in a manner that is "equitable to all regions, sectors and income groups." In your opinion, is the administration's energy assistance proposal equitable to all regions, sectors, and income groups?

Mr. MAGGIORE. It is not. It is not because what it does, very simply, is to give most of the money which is very low, the figure is low, but the most of the money to the less number of people who are eligible under the guidelines and the least amount of money to the most number of people who are eligible.

In other words, that most elderly and most poor people in this country are not AFDC or SSI, so what you have is 1.2 percent goes to less than 50 percent of the eligible population and the Government is left with \$400 million to deal with over 55 to 60 percent of the elderly population. It does not make sense.

Neither does it make sense to send checks out to people. Obviously, the administration plan does not really begin, for all practical purposes, until the end of the year. We have a crisis that we are going to have in a matter of 4 to 5 weeks. Low-income people now on home heating oil, many elderly survive on \$25 to \$27 a month. In thousands of such families, 250 gallons of home heating oil

would cost them \$200. They would not have enough money in November and December to pay for rent or food or whatever. So the crisis is far greater than the administration recognizes.

There are ways to do this. There are unexpected funds available. These funds have not been released in substantial quantities to deal with the crisis. I have many, many reservations with the administration's money—it is not energy sensitive, it is not energy assistance planning, it is a simple matter that does not make sense. I think the Congress and the Senate ought to have an opportunity to develop a sound economical program that does make sense and would help most of our poor people.

I must also point out the administration plan in terms of its current design will not substantially help the elderly. Many elderly will not receive services under that plan.

Senator GLENN. I think in fairness to the administration, you stress the SSI and the AFDC which they base things on. They want to move beyond that. They look at that as just the starting point. Those are the most needy. They are not limiting it to SSI and AFDC.

Mr. MAGGIORE. I think the pattern I am speaking to is the pattern that has been going on for the last 3 years. The administration plan, as proposed, has not changed the pattern. The pattern I am talking about is the pattern of not adequately serving the elderly in 1977.

The community services say 50 percent of the people served in that program in 1977 were eligible, 60 and above. In 1978 and 1979, the guidelines changed and it went from 50 percent to 15 percent. This is the proposal we heard about yesterday that continues that pattern. What I have heard about for 1981 continues that pattern.

The point I am making is that we are talking about whether people are going to survive or not. If they pay \$250 for oil out of the \$275 monthly income, we are talking about an impossible situation. These are the elderly I am referring to.

So regardless of their intent to broaden it next year, we are talking about broadening it within the context of food stamps. The pattern continues and that is what I am speaking of.

Senator GLENN. Have you gone through our Ohio plan, have you studied it?

Mr. MAGGIORE. Lightly. The representatives here, Mr. Sweet and Mr. Eckart, presented testimony at the FOMAC public hearing. I have not seen the actual legislation that is being discussed now, but I have some knowledge of the plan, yes.

Senator GLENN. I would be interested in any comment you want to submit after you have had a chance to look through the plan and see what you think of it. I think it does address some other problems that were brought up by the members. Particularly, Senator Heinz raised a question about a specified amount going to each person, when actually if they are living together, their needs may be different. That would not be fair and could waste a lot of money.

I think David indicated earlier to me a 1.7 percent figure for administrative costs in Ohio as opposed to 10 percent the administration is talking about, that is a very sizable chunk of money.

Mr. SWEET. I think it would be much better to deliver services to the targeted population.

Senator GLENN. Yes.

Mr. MAGGIORE. The comments of Mr. Sweet earlier, he focused on home heating oil. It is the Fuel Oil Marketing Committee of the Department of Energy. Much of the legislation that has been discussed, many of them are fuel oil sensitive.

I agree with Mr. Sweet, the problem is just as severe for them on natural gas as on home heating oil. The study we did in Wisconsin has weighted low-income families who use natural gas utilize 81 percent of their income during the winter months on fuel oil and housing, and those on home heating use as much as 90 percent of their income. So the crisis in natural gas exists and is not recognized to the extent that the crisis is in the area.

Senator GLENN. Well, it is equal with natural gas in Ohio, I can guarantee that. Three winters back we had about a half million people unemployed. Gas was not coming through. We are some 86 percent dependent on the interstate pipeline. Since that time more gas is available. The cost has gone up. It is not limited to just one particular type of fuel as we are all aware.

We are going to have to end this. I would ask that you be responsive if you would, please, to any questions that we might wish to submit from other committee members that were not able to be here today, or follow up questions to those that were here, and questions the staff wish to put to you to fill out our committee record.

We appreciate your being here today very, very much.

The committee will stand in recess subject to the call of the chairman.

[Whereupon, at 1 p.m., the committee adjourned.]

APPENDIX

MATERIAL RELATED TO HEARING

ITEM 1. PRESIDENT CARTER'S PROPOSAL FOR LOW-INCOME ENERGY ASSISTANCE, SUBMITTED BY JOHN L. PALMER¹

PRESIDENT CARTER'S LOW-INCOME ENERGY ASSISTANCE PROGRAM IN BRIEF

PURPOSE

The program is designed to ease the burden on the low-income population caused by increases in the cost of energy resulting from the gradual decontrol of domestic oil prices and increases in the price of OPEC oil.

THE PROBLEM

The poor already spend proportionately more of their income on fuel and utilities than any other group; the rising cost of energy will increase that disparity. Since the poor cannot spend less on other goods without cutting their consumption of necessities such as food and clothing, their hardship will increase.

PROPOSED SOLUTION

A two-part program will provide the poor with added resources to help meet higher energy costs through (1) direct cash assistance to restore purchasing power lost because of energy price increases; and (2) special financial assistance to meet health- or life-threatening energy-related emergencies.

INTERIM PLAN: WINTER OF 1979-80 (FISCAL YEAR 1980)

Special energy allowances will be paid to individuals and families in the supplemental security income and aid to families with dependent children programs. Size of payments will recognize differences in climate. Allowances for individuals living alone will probably average about \$100; for families, \$200. Funding will be \$1.2 billion to be reimbursed by the energy security fund. Approximately 7.3 million households—3.6 million individuals and 3.7 million families—will benefit. This program will be administered by HEW, in cooperation with the States.

The *energy crisis assistance program* will be improved and will continue to be administered by the Community Services Administration. It will be funded at \$400 million to be reimbursed from the energy security fund.

LONG-TERM PLAN: FISCAL YEAR 1981-83

Special energy allowances.—Allowances will be available to households receiving SSI or AFDC or with income below 125 percent of the Federal poverty level. Size of payments will recognize State and local differences in heating needs of the low-income population. Individuals living alone will receive half as much as families. About 12.2 million households—5.9 million individuals and 6.3 million families—will benefit. Two billion dollars will be appropriated from the energy security fund.

Energy crisis assistance program.—\$300 million, in nonmatching block grants, will be allocated to States annually to establish energy crisis assistance programs. An additional \$100 million will be available each year in 50/50 matching grants. The amount of States' grants will depend on the size and past fuel consumption of low-income population and on climate. States will submit plans for their use of the grants and will be permitted to provide a range of assistance to households with income below 150 percent of the poverty level.

Both components of the long-term plan will be administered by HEW, in cooperation with the States.

¹ See statement, page 136.

LOW-INCOME ENERGY ASSISTANCE FACT SHEET

INTRODUCTION

Background

On April 5, 1979, President Carter announced, as part of his energy policy, the gradual decontrol of domestic oil prices to encourage conservation and stimulate development of domestic oil and other energy resources.

To protect those least able to meet the higher energy costs caused by decontrol, the President called for an \$800 million low-income energy assistance program to be funded by windfall-profits-tax revenue through the energy security fund.

In June, however, the Organization of Petroleum Exporting Countries (OPEC) announced a new increase of roughly 40 percent in the price of oil, further eroding consumers' purchasing power.

Impact on the poor

All Americans are feeling the effects of decontrol and the OPEC price hike; they are paying more for fuel, gasoline, and goods such as plastics and prescription drugs that are derived from petroleum. The poor are particularly hard hit. Although their energy consumption is lower than average, their expenditures for fuel and utilities represent a considerably larger-than-average share of their income. Furthermore, low-income families have little flexibility to adjust their budgets for higher fuel prices and remain able to pay for food, shelter, clothing, and other necessities.

By 1981, the poor and near-poor will spend approximately \$5 billion per year more for energy than they would have spent in the absence of decontrol and the OPEC increases. Of this amount, about one-third can be ascribed to the effects of decontrol.

To help low-income Americans meet this increased hardship, the President now proposes an expanded low-income energy assistance program of \$1.6 billion for the coming winter and \$2.4 billion in fiscal year 1981 and the following years.

This program cannot compensate for the total increase in energy costs, but it will alleviate substantially the impact of decontrol and, to some extent, the burdens imposed on the poor by the OPEC price increases.

MAJOR FEATURES OF THE PRESIDENT'S LOW-INCOME ENERGY ASSISTANCE PROPOSAL

The President's low-income energy assistance proposal has two parts:

The special energy allowances program will provide cash allotments to help low-income people meet higher energy costs.

The energy crisis assistance program will give States money to help the low-income population meet energy-related emergencies.

The programs will be authorized for 3 years beginning in fiscal year 1981 and will be funded by the energy security fund at an annual rate of \$2.4 billion. At the Federal level, the programs will be administered by the Department of HEW.

In the meantime, because the poor are already feeling the impact of rising energy prices and because the coming winter will soon increase the danger of physical hardship, the President proposes putting an interim plan into effect for fiscal year 1980 to provide aid quickly by using existing administrative channels.

The interim plan will cost \$1.6 billion to be funded by the energy security fund on passage of the windfall profits tax.

INTERIM PLAN—WINTER OF 1979-80 (FISCAL YEAR 1980)

Special energy allowances

Purpose.—The allowances will provide the most vulnerable portion of the low-income population with cash to help restore purchasing power lost because of rising energy prices.

Eligible population.—Aged, blind, and disabled persons receiving supplemental security income (SSI) and families participating in the aid to families with dependent children (AFDC) program will be eligible to receive special cash allowances to help meet their increased energy costs. It is estimated that about 7.3 million households—3.6 million individuals and 3.7 million families—will receive special energy allowances this winter.

Funding.—The program will be funded at \$1.2 billion by the energy security fund.

Administration.—The Department of HEW will administer the payments to SSI recipients and oversee the administration of payments to AFDC recipients through the same State social services departments that already serve them. States will be reimbursed for administrative costs up to 10 percent of the program expenditures they administer, estimated prospectively.

Payment formula and size of allowances.—Although all low-income people are adversely affected by rising fuel costs, the needs of individual families vary depending on the climate in the State in which they live, the type of fuel they use, and their ability to conserve energy. To recognize these variations in need, allowances will be based on the following formula:

50 percent of the available funds will be divided equally among eligible low-income households expected to participate; and

50 percent will be allocated to low-income households on the basis of the number of heating degree days² in the State in which they live. (It would be desirable to base grants, in part, on the increase in energy costs faced by residents of a State. Data on this are unavailable at present. The energy assistance legislation will give the Secretary of HEW authority to use such a method, when data become available.)

Single-individual households will receive allowances half as large as those received by families.

The Federal Government will set payment amounts for each State. However, States will be permitted to vary intra-State payments to AFDC families as long as: All families receive at least the payment prescribed for the lowest payment State; the overall average payment equals the federally prescribed average payment for that State; and the intra-State variation is based on demonstrable differences in the cost of energy needs.

It is estimated that the national average allowance for a single-individual household will be about \$100; and for a larger household, about \$200. The actual size of the allowances will depend on estimates of the number of eligible households. Table I contains the estimated average payment for single-individual and larger households in each State.

Distribution of allowances.—Special allowance checks will be sent to SSI and AFDC recipients through established channels. Payments will be made once during this winter, as early as possible.

Energy crisis assistance

Purpose.—No standardized energy allowance program can provide for unforeseen emergencies or take care of exceptional variations in needs. For that reason, CSA will operate an energy crisis assistance program, giving States substantial flexibility to design programs that meet the particular needs of their low-income population, pursuant to the regulations promulgated in the Federal Register of September 4, 1979.

Eligible population.—Low-income households with income below 125 percent of the poverty level and SSI recipients who are heads of households will be eligible.

Funding.—Funding of this program, administered by the Community Services Administration (CSA), will be \$400 million distributed to States as block grants requiring no State matching funds. General fund appropriations are being sought now through existing CSA authority and will be reimbursed by the energy security fund upon its establishment.

Administration.—States will make grant money available to low-income families and individuals through local community action agencies and other existing delivery systems. Payments will be made to meet emergency fuel needs and for in-kind assistance such as the purchase of space heaters, emergency repairs, food, and clothing and other supportive services. No more than \$400 in crisis assistance will be provided to a household in any given year.

LONG-TERM PLAN—FISCAL YEAR 1981-83

Special energy allowances

Eligible population.—In addition to recipients of SSI and AFDC, eligibility will be extended to all households with income below 125 percent of the Federal poverty level.

Approximately 15.3 million households will be eligible for energy allowances. It is estimated that between 75 and 85 percent of those eligible will participate in the program. An estimate based on the midpoint of this range indicates that 12.2 million households—5.9 million individuals and 6.3 million larger households—will participate in the program. A low-income household will be eligible for one energy allowance. One energy allowance will go to a household with an income below 125 percent of the poverty line even though the household includes an individual recipient of SSI cash assistance.

² The "number of heating degree days" is the total number of degrees by which daily average temperature falls below 65° F. in the course of a year.

It is estimated that the average national allowances for single-individual households and for families will be about the same as in fiscal year 1980.

Funding.—Two billion dollars a year will be spent on the special energy allowance program.

Administration.—The Department of HEW will administer the payments to SSI recipients and oversee administration of payments to others through State agencies. These agencies will compile lists of low-income households eligible to receive special allowances. States will be reimbursed for administrative costs up to 10 percent of the program expenditures they administer, estimated prospectively.

Payment formula and size of allowances.—The formula used to determine the size of allowances will be the same as the one used during fiscal year 1980 (see page 3 for details).

Distribution of allowances.—Energy allowances will be paid in two installments, probably in November and February. If the number of participating households receiving the first installment exceeds or falls short of projections, the Secretary of HEW will reduce or increase the size of the second installment to keep the total cost within the \$2 billion limit.

Allowances will be distributed in two basic ways:

HEW will send payments directly to SSI recipients. To receive aid through SSI, a household will have to be receiving SSI at the time the allowances are paid.

A Federal-State distribution system, based on existing benefit-payment mechanisms, will be set up to make all other energy-allowance payments. Households eligible to receive aid in this manner will include low-income families who meet income and assets requirements paralleling those for the food stamp program, and low-income individuals including aged, blind, and disabled persons who did not qualify in time for the payment distributed through SSI.

States will be allowed to apply to the Secretary of HEW for waiver of program rules if they can demonstrate that they can operate an alternate program, such as one utilizing direct payments to energy vendors, more effectively and efficiently. Participation in a vendor-related program will be voluntary for households.

States will notify recipients of income-tested programs about the special energy allowance program and will develop lists of all eligible households. Families whose income and asset information is not already on file will apply for allowances at local welfare offices.

Applications for energy assistance must be filed by the end of the month prior to the months in which States make payments. States will disburse energy allowances a month after SSI distributes them to provide time to screen out duplicate payments.

State responsibility.—Each State will have to submit a plan describing its outreach and distribution system for special energy allowances. States will not be permitted to reduce benefits paid by other needs-tested programs such as AFDC or housing subsidies because of the availability of energy allowances.

Energy crisis assistance

Eligible population.—States will establish eligibility standards for crisis assistance. All SSI recipients will automatically be eligible, and States will be allowed to extend eligibility to other households with incomes below 150 percent of the poverty level. Only households experiencing energy-related crises will be eligible for assistance. State plans must include provisions for outreach to the eligible population, particularly the elderly. The number of households that will benefit from energy-crisis assistance will depend on States' definitions of "energy-related crisis" and eligibility.

Funding.—HEW will distribute \$400 million from the Federal energy security fund in block grants to States. \$300 million will be distributed as block grants needing no matching State funds. States will have to match their portions of the remaining \$100 million on a 50-50 basis. If all States do so, \$500 million will be available for the energy crisis assistance program.

Administration.—The Department of HEW will administer the program, determine the size of matching and nonmatching grants, approve State plans for use of the funds, issue regulations, monitor the program, and provide technical assistance.

States will administer and operate their own programs through designated agencies. Administrative costs, not to exceed 10 percent of program funds, will be negotiated prospectively.

Formula for determining State grants.—The formula to be used for allocation of block grants to States will target crisis assistance to States estimated to have the largest number of households potentially requiring crisis assistance. The use of heating and cooling degree days as a measure reflects the program's primary

emphasis on meeting climate-related home-energy needs. Fuel oil is used as a base because its price has increased faster than that of any other type of fuel.

The formula will distribute Federal funds to States in this way:

- 20 percent based on the number of low-income households in a State;
- 20 percent based on a State's low-income population's need for heating as measured by heating degree days;
- 10 percent based on a State's low-income elderly population's need for cooling as measured by cooling degree days;³ and
- 50 percent based on the amount of fuel oil consumed by the low-income population in the State.

As in the special energy allowance program, if a method of determining increased home-energy expenditures can be devised that is more efficient and accurate than the method based on heating and cooling degree days, the Secretary of HEW will be authorized to use it in the formula.

Estimates of the size of grants for which States will be eligible are shown in table II. These estimates assume that all States will fully match Federal funds available for crisis assistance.

The amount of crisis assistance a household receives will vary with its needs and the operation of its State's program. However, no household will be permitted to receive more than \$400 in energy crisis assistance in any one year.

State responsibility.—States will submit plans detailing how they intend to spend their energy crisis assistance program grants to the Secretary of HEW for approval. The grants must be used to help low-income households faced with life- or health-threatening situations. States will have the option of making vendor payments (or issuing two-party checks) for extraordinarily high fuel bills, emergency fuel deliveries, temporary shelter, or other in-kind assistance such as space heaters. Funds will not be available for home weatherization because other programs provide for such projects.

States will not be permitted to reduce grants distributed by other income-tested programs, including the special energy allowance program, because of the availability of energy crisis assistance program funds.

TREATMENT OF OTHER JURISDICTIONS

The District of Columbia will be treated as a State for the purposes of the program.

A total of \$10 million, divided on the basis of total population, will be distributed as nonmatching grants to Puerto Rico, Guam, the Virgin Islands, and the Northern Marianas for energy-crisis assistance.

Each jurisdiction will develop a plan appropriate to its energy needs and have it approved by HEW. The eligibility ceiling will be the same as the Food stamp program eligibility ceiling.

TABLE I.—SPECIAL ENERGY ALLOWANCE PROGRAM

Energy assistance payments to households in a State are apportioned as follows:
(1) Half of the funds available are distributed uniformly across all eligible households in all States.

(2) Half of the funds available are distributed to low-income households on the basis of number of degree days in their State of residence.

These are preliminary estimates of the payment amounts. They are based on current projections of the relevant measures. Actual payment levels will differ from these as better estimates of the eligible population become available.

TABLE I.—SPECIAL ENERGY ALLOWANCE PROGRAM

	Percent of total benefits	Average payment to single person household	Average payment to multiperson household
Alabama.....	2.09	\$79	\$158
Alaska.....	.17	179	358
Arizona.....	.82	75	151

³ In the past, the "number of cooling degree days" was the total number of degrees by which daily average temperature rose above 65° F. in the course of a year. Because of the energy shortage, the formula may be adjusted to count the total number of degrees above some higher temperature level.

TABLE I.—SPECIAL ENERGY ALLOWANCE PROGRAM—Continued

	Percent of total benefits	Average payment to single person household	Average payment to multiperson household
Arkansas.....	1.38	85	170
California.....	8.67	80	160
Colorado.....	1.27	129	257
Connecticut.....	1.07	119	237
Delaware.....	.23	103	206
District of Columbia.....	.46	97	194
Florida.....	2.57	57	114
Georgia.....	2.78	79	158
Hawaii.....	.14	49	99
Idaho.....	.41	127	255
Illinois.....	5.47	118	235
Indiana.....	2.08	114	227
Iowa.....	1.17	127	253
Kansas.....	.80	104	209
Kentucky.....	2.28	99	197
Louisiana.....	1.90	68	136
Maine.....	.77	140	280
Maryland.....	1.38	103	207
Massachusetts.....	2.74	210	240
Michigan.....	4.57	126	251
Minnesota.....	2.01	148	297
Mississippi.....	1.66	76	152
Missouri.....	2.67	106	212
Montana.....	.43	143	285
Nebraska.....	.66	116	232
Nevada.....	.23	99	197
New Hampshire.....	.35	135	270
New Jersey.....	2.90	111	223
New Mexico.....	.76	103	206
New York.....	9.85	116	233
North Carolina.....	2.95	87	174
North Dakota.....	.36	157	313
Ohio.....	4.84	114	229
Oklahoma.....	1.48	89	177
Oregon.....	1.02	108	217
Pennsylvania.....	5.61	114	228
Rhode Island.....	.47	116	233
South Carolina.....	1.30	79	159
South Dakota.....	.39	136	272
Tennessee.....	2.52	92	183
Texas.....	4.80	72	144
Utah.....	.51	124	247
Vermont.....	.35	139	278
Virginia.....	1.88	98	195
Washington.....	1.53	114	228
West Virginia.....	1.17	107	213
Wisconsin.....	1.88	135	270
Wyoming.....	.18	139	278
U.S. total.....	100.00	98	198

TABLE II.—ENERGY CRISIS ASSISTANCE PROGRAM

Percentage distribution of energy crisis assistance State allocation is determined as follows:

(1) 20 percent of total appropriation is allocated by the number of households receiving SSI or with incomes below 125 percent of the poverty line.

(2) 20 percent of total appropriation is allocated by the number of heating degree days times the number of households receiving SSI or with incomes below 125 percent of the poverty line.

(3) 10 percent of total appropriation is allocated by the number of cooling degree days times the number of elderly persons receiving SSI or in households with incomes below 125 percent of the poverty line.

(4) 50 percent of total appropriation is allocated by the amount of fuel oil consumed per household in the State times the number of households receiving SSI or with incomes below 125 percent of the poverty line.

The computation assumes full matching by all States.

These are preliminary estimates. They are based on current projections of the relevant measures. Actual allocations may differ from these as better data becomes available.

TABLE II.—ENERGY CRISIS ASSISTANCE PROGRAM

[Dollars in millions]

	Percentage allocation to each State	Total program dollars to each State ¹
Alabama.....	1.56	\$7.82
Alaska.....	.18	.89
Arizona.....	.59	2.96
Arkansas.....	1.05	5.23
California.....	4.27	21.37
Colorado.....	.61	3.05
Connecticut.....	1.90	9.49
Delaware.....	.28	1.41
District of Columbia.....	.44	2.20
Florida.....	3.13	15.64
Georgia.....	2.00	9.99
Hawaii.....	.09	.46
Idaho.....	.44	2.19
Illinois.....	4.37	21.85
Indiana.....	2.56	12.80
Iowa.....	.95	4.77
Kansas.....	.57	2.83
Kentucky.....	1.68	8.38
Louisiana.....	1.99	9.97
Maine.....	1.61	8.03
Maryland.....	1.44	7.21
Massachusetts.....	4.44	22.18
Michigan.....	3.90	19.51
Minnesota.....	2.34	11.69
Mississippi.....	1.62	8.12
Missouri.....	2.04	10.19
Montana.....	.35	1.73
Nebraska.....	.59	2.95
Nevada.....	.17	.87
New Hampshire.....	.66	3.32
New Jersey.....	3.88	19.39
New Mexico.....	.49	2.47
New York.....	14.49	72.43
North Carolina.....	3.97	19.86
North Dakota.....	.28	1.38
Ohio.....	4.23	21.17
Oklahoma.....	.99	4.94
Oregon.....	.84	4.19
Pennsylvania.....	6.51	32.53
Rhode Island.....	.84	4.19
South Carolina.....	1.53	7.66
South Dakota.....	.31	1.56
Tennessee.....	2.01	10.03
Texas.....	4.43	22.15
Utah.....	.28	1.42
Vermont.....	.55	2.76
Virginia.....	2.06	10.30
Washington.....	1.17	5.84
West Virginia.....	.89	4.44
Wisconsin.....	2.33	11.67

TABLE II.—ENERGY CRISIS ASSISTANCE PROGRAM—Continued

[Dollars in millions]

	Percentage allocation to each State	Total program dollars to each State ¹
Wyoming.....	.10	.48
Total.....	100.00	500.00

¹ Assumes all States take full advantage of Federal matching funds.

ITEM 2. LOW-INCOME ENERGY ASSISTANCE, A PROFILE OF NEED AND POLICY OPTIONS, FINAL REPORT OF THE FUEL OIL MARKETING ADVISORY COMMITTEE, U.S. DEPARTMENT OF ENERGY, SUBMITTED BY ANTHONY J. MAGGIORE, JR.¹

I. EXECUTIVE SUMMARY

This document represents the efforts of the Fuel Oil Marketing Advisory Committee (FOMAC) of the Department of Energy (DOE) to develop and recommend a program designed to alleviate the problems of low-income and elderly persons in obtaining and purchasing essential home energy supplies.

During the past heating season, this committee, composed of consumers, refiners, wholesalers, retailers, and State government representatives, became increasingly aware of the problems confronting low-income and elderly persons in obtaining necessary household energy. A subcommittee was appointed by the Chairman of the FOMAC to develop a needs assessment and a program design tailored to meet identified needs. The full committee reviewed the work of the subcommittee and agreed that the draft should be presented for public comment.

A public forum was held on April 10, 1979, at which U.S. Senators and congressmen, national and State governmental officials, public utilities, trade associations, community action agencies, and consumer groups provided comments. The committee reviewed the transcripts of the public forum as well as other written communication to the committee at their meeting on April 23, 1979, and incorporated such relevant testimony into this final document. (See appendix E for list of persons commenting on the working draft document.)

This document is presented to DOE for consideration, with the recommendation that as soon as possible they seek legislation to implement the proposed program.

NEEDS

The assessment of need among low-income families for energy assistance addressed three broad topics:

(1) The existence of a Government mandate for a program to redress the harm caused the poor by energy cost increases.

(2) The impact, in dollar terms, of the rising cost of home energy since 1972 of low-income families.

(3) The specific economic factors in the marketplace that makes energy cost burdens particularly onerous for the poor.

Overall, the needs assessment document finds that:

(1) There is a specific Federal mandate for an energy policy that protects the poor from "disproportionately large effects on their income" resulting from increased energy prices.

(2) In 1978 alone, rising energy costs in the United States caused low-income households to suffer a loss in purchasing power of more than \$4 billion, over and above that which they would have suffered if energy costs had risen at the rate of inflation.

(3) The average total income of the poor household has decreased in real terms since 1972, making the acquisition of adequate energy for this group more difficult.

(4) In December 1978, the average low-income household spent approximately 18.4 percent of its annual income on household energy, excluding gasoline costs.

(5) Poor in certain regions of the country bear a particularly harsh, and disproportionate, burden in paying for energy use.

¹ See statement, page 175.

(6) Structural factors in the energy pricing and delivery system work against the low-income user.

(7) The quality of the poor's housing stock further penalizes them in their efforts to cut energy costs.

(8) Reduction in costs through conservation is extremely difficult in poor households, who are often already using energy at lower levels than might be considered safe or healthy.

(9) The ability to offset increased energy costs through product substitution in the marketplace is lower for energy than for any other necessity good utilized by poor households.

PROGRAM DESIGN

The committee believes that action must be taken to alleviate the burden placed upon the poor caused by the above combination of factors through the implementation of an energy assistance program.

The general population for which the program should provide assistance would be those households whose total annual income is less than 125 percent of the Federal poverty level and who are spending more than 10 percent of their annual household income on energy. In addition, the committee felt that for households headed by elderly persons (60 and above) the annual income level for eligibility should be 150 percent of poverty. Utilizing such income criteria, the committee determined that 16.2 million households would be eligible for the program, with over 7 million of such eligible households being headed by an elderly person.

The committee's initial cost estimate for a program of this size, including 10 percent of total budget for administrative costs, is approximately \$3.2 billion, assuming a 75-percent-participation level of eligible households.

The committee sought to incorporate the following five criteria in its design of a program to provide assistance:

Equity: Benefits should vary directly with need. Both horizontal and vertical equity should be addressed.

Conservation: The provision of benefits should discourage excessive use of energy.

Efficiency of administration: Administrative costs should be held to a minimum while adequately serving the recipients of assistance.

Assistance should be provided *prior* to the onset of a crisis and before household energy expenditures have imposed severe financial burdens and health risks.

The program should be flexible enough to adapt to market changes.

After examination of many different program designs, the committee determined that an income-indexing program design would be the best choice in terms of implementing the committee's eligibility and program design criteria. Such a design would relate assistance for needed energy in a manner that responded both to energy prices and household income. It is also the most efficient in terms of meeting the five criteria noted above.

In this design, assistance would be determined on the basis of a household's needed energy times the cost of such energy less a percentage of annual household income representing the annual energy cost for which the household would be responsible. The low-income population would be responsible for payment of a percentage of fuel costs. Assistance would be provided only for energy costs which exceed a certain percentage of household income.

The following details of the program were agreed upon:

Provision of assistance to low-income people should be implemented through a vendor line of credit established with the recipient's energy suppliers.

There should be a special portion of the program designed to meet the needs of renters who do not pay their own energy bills, and who are thus unable to take direct advantage of line of credit assistance.

Conservation incentives should be built into the program through the financial assistance formula, as well as through integration of energy audits, weatherization, and consumer education programs in the overall program design.

Three agencies were considered by the committee for administration of the program; each was thought to possess different strengths and weaknesses. The agencies cited were the Department of Housing and Urban Development; the Social Security Administration of HEW; and the Community Services Administration.

The committee considered several different options for program funding. These were:

Utilization of a portion of the oil import tariff.

Utilization of a portion of a crude oil equalization tax.

Utilization of the refiner rebates to the DOE resulting from prosecution of refiner overcharges.

Funding from general revenues.

Utilization of a value added "Btu tax" on all energy.

Utilization of a portion of the Federal gasoline tax.

Utilization of the increased tax revenues which result from decontrol.

After careful consideration, the committee rejected the first three options as being inequitable, legally, and politically unsound, and incapable of generating the broad base of support necessary to insure the program's success. The committee felt that the fourth option—general revenue funds—was the most equitable but also favored full exploration and development of the latter three options. The committee also recommended that other funding sources be explored and considered.

The committee believes that the need for a program of this nature is immediate and urgent. As a result of the recent dramatic increases in the price of household energy, unless a major low-income energy assistance program is established by next winter (1979-80), the health and safety of thousands of low-income people and the elderly will be jeopardized. Thus, the committee recommends to the Department of Energy that they seek legislation to implement this or a similar program as soon as possible.

II. NEEDS ASSESSMENT

A. INTRODUCTION: THE COST OF HOME ENERGY USE

Relative price stability in energy existed in the United States until the early 1970's. Historically, Americans have paid little by world standards for their energy, and supplies have been assumed to be inexhaustible. However, beginning in 1972-73, abrupt changes in international and national economic and governmental policies caused energy prices to increase explosively, with crude oil prices more than quadrupling by 1978.

Figure 1 traces the movement of fuel prices from 1972 to 1978. A period of relative price stability extended through 1972. In 1973, this pattern altered abruptly, the overall Consumer Price Index (CPI), measuring the price of all goods and services in the economy, increased 55.9 percent between 1972 and 1978, while fuel oil/coal prices increased 151.7 percent in the same period.² And because the cost of energy is itself a large factor in the CPI, the differential between energy price movements and price increases in nonenergy goods and services is, in fact, even more dramatic than this comparison suggests.

Low-income households have been hit hard by this increase in energy costs—far, far harder than they would have been had energy cost increases simply matched the rate of inflation. Further, the increase in energy cost has taken, proportionally, a much larger bite out of the low-income family's budget than it has out of the budget of middle-income families.

In 1978, the national average of total direct household expenditures for energy (including transportation and gasoline), by low-income households exceeded one-quarter of their average income (25.3 percent). In this same year, median-income families were spending an estimated one-tenth (10.4 percent) of their income for their total energy costs (see table I).

While the average household spent approximately 4.7 percent of its annual income on energy for household purposes in 1978 (fuel and utilities, excluding transportation and gasoline), the average low-income household spent over 18.4 percent of its income on household fuel and utilities (see table II).

Estimates further indicate that with additional price increases of 25 percent in the near future (possibly prior to 1980)—a not unthinkable occurrence—the percentage of a median income household budget spent on home energy will rise to 6 percent for median income households and to almost 23 percent poverty households (see table II).

² Bureau of Labor Statistics.

TABLE I.—ESTIMATED NATIONAL AVERAGE OF HOUSEHOLD EXPENDITURES FOR TOTAL ENERGY COSTS, 1978¹

	Annual costs		Cost as percentage of income	
	Low-income household, median income (\$3,283) ²	Typical median-income household (\$16,000) ³	Low-income household	Typical income household
Average energy expenditure.....	\$832	\$1,678	25.3	10.4
10 percent increase in energy expenditure.....	915	1,846	27.8	11.5
25 percent increase in energy expenditure.....	1,040	2,097	31.6	13.0
50 percent increase in energy expenditure.....	1,248	2,517	38.0	15.7

¹ Estimates for all direct household expenditures including gasoline costs. It should be noted that these figures represent national averages and do not reflect regional differences. Estimates in this table are based on the Energy Information Agency CHRDS data base.

² Bureau of the Census Current Population Reports, "Consumer Income" series P-60, No. 115, Issued July 1978.

³ Bureau of the Census, Current Population Report, series P-60, No. 116, Issued July 1978.

TABLE II.—ESTIMATED NATIONAL AVERAGE OF HOUSEHOLD EXPENDITURES FOR HOUSEHOLD ENERGY COSTS, 1978¹

	Annual costs		Cost as percentage of income	
	Low-income household, median income (\$3,283) ²	Typical median-income household (\$16,000) ³	Low-income household	Typical income household
Average energy expenditure.....	\$604	\$768	18.4	4.7
10 percent increase in energy expenditure.....	668	845	20	5.3
25 percent increase in energy expenditure.....	755	960	22.9	6
50 percent increase in energy expenditure.....	906	1,152	27.5	7.2

¹ Estimates include only household expenditures; gasoline expenditures are not included. It should be noted that these figures represent national averages and do not reflect regional differences. Estimates in this table are based on projections based on unpublished data received from the Bureau of Labor Statistics. Similar projections based on data from the Urban Institute's Survey of Households (1976), the Energy Information Agency CHRDS series and data contained in the Consumer Expenditure Survey (1972-73) produced similar results, with the range of difference being plus or minus \$30.

² Bureau of Census Current Population Reports, "Consumer Income" series P-60, No. 115, Issued July 1978.

³ Bureau of Census, Current Population Report, series P-60, No. 116, Issued July 1978.

Indeed recent data indicates that price increases may have already placed average home energy costs for the poor at 23 percent of their budgets for 1979. While the CPI index for fuels and utilities has increased only 216 to 232.2 (an increase of over 16 points), much larger increases have occurred in those fuels by which homes are customarily heated. From January 1, 1979, through April 30, 1979, the CPI for fuel oil and piped gas rose dramatically. The fuel oil index jumped over 75 points (from 296.9 to 375.3); the piped gas index rose over 35 points (from 263.1 to 296.8).

CONSUMER PRICE INDEX

	Year end average, 1978	May 31, 1979	CPI increase	Percent increase
Fuel and utilities.....	216.0	232.2	16.2	6.9
Fuel oil.....	296.9	375.3	78.4	26.4
Piped gas.....	263.1	296.8	35.5	13.5

Clearly, the continually increasing prices in 1979 will impose even burdens on the incomes and thus, lives of the elderly and poor.

It should be once again stressed that the above data reflects the national average cost. A wide range of cost differences exist as heating requirements, type of fuel utilized, and cost of energy vary from region to region. In New England, for example, 1978 expenditures for household energy exceeded 23 percent of mean poverty income and total energy costs exceed 30 percent of income. Because of a high utilization of fuel oil, costs in this region have increased sharply since that time (see table III).

TABLE III.—ESTIMATED NEW ENGLAND LOW-INCOME HOUSEHOLD EXPENDITURES FOR TOTAL ENERGY AND HOUSEHOLD ENERGY COSTS, 1978¹

	Annual costs: Low-income household ² (median income \$3,283)		Cost as percentage of income	
	Household energy	Total energy	Household energy	Total energy
Average energy expenditure.....	\$784	\$1,008	23.6	30.7
10 percent increase in energy expenditure (exceeded May 1979).....	862	1,109	25.9	33.8
25 percent increase in energy expenditure.....	980	1,260	29.5	38.4
50 percent increase in energy expenditure.....	1,176	1,612	35.8	49.1

¹ Household energy figures do not include transportation/gasoline expenditures; total energy costs include transportation/gasoline expenditures. Estimates in this table are based on the Energy Information Agency CHRDS data base. See also January 1979 "Analyzing Impacts of Energy Costs of Residents of New England" prepared for the New England Regional Energy Project and Griens "High Fuel Oil Prices: The Impact on Low-Income Households" (August 1978).

² Bureau of the Census Current Population Reports, "Consumer Income" series p-60, No. 115 issued July 1978.

Data from a Community Services Administration crises intervention program in a large Midwestern city show that poverty level clients of this program were using over 1/5 (20.5 percent) of their income on gas heating bills and oil users were spending 31.8 percent of their income on heating bills during the winter months (October 1978 through March 1979).

Total fuel and utility bills for gas users represented 25.7 percent of their income; for oil users total fuel and utility bills represented 45.7 percent of monthly income. These low-income families spent 81.9 percent of their monthly income on total shelter (heating, utilities, and housing) if they used gas and 92.9 percent of monthly income if they used oil.

In addition, many low-income households and especially elderly households have incomes which are less than the median poverty income and, therefore, expend more than 18 percent of their income on household energy.

The increases in energy prices since 1972 have meant that the poor, whose average income has not increased in real terms, have lost ground in real purchasing power. In 1972 low-income persons spend approximately \$216 on home fuels and utilities. If fuel prices had risen with the general rate of inflation, low-income families would have spend approximately \$340 on energy costs in 1978. The above estimates, however, indicate that an average low-income family was spending approximately \$604 on household energy costs. This increase represents an average loss of purchasing power of \$265, due to rising energy costs over and above general inflation.

In the aggregate, this would indicate that the 16.2 million low-income households would have suffered a loss of over \$4 billion in purchasing power in 1978—\$4 billion of income transferred away from the most economically disadvantaged in our society because of escalating prices.

B. GOVERNMENT REACTION: CONCERN AND MANDATE

During this period, there has been continued and increasing governmental recognition that low-income households face an energy dilemma with an order of magnitude greater than that faced by most American households. Initial Government concern was demonstrated by the Community Services Administration (CSA) in 1973-74 through pilot project funding of a weatherization program in the State of Maine and energy crisis intervention programs in Wisconsin, Colorado, and Pennsylvania. In 1977, 1978, and 1979, Congress and the Senate expressed their concern through authorization of special crisis intervention and energy assistance programs implemented through CSA. Such programs have been helpful but not adequate.

The crux of the problem was stated by one observer in these words: "Budgets, which cannot meet basic living needs to begin with, cannot reallocate resources to pay for energy without taking money away from other basic needs, such as food, clothing, and health care."³

Governmental acknowledgment of the problem was expressed in 1977 by John O'Leary, then Administrator of the FEA. Mr. O'Leary produced figures for the Senate Committee on Aging which showed that as early as 1975 the percentage of disposable income spent on energy in some parts of the country was as high as 27

³ Anthony J. Maggiore, Jr., testimony to Subcommittee on Housing and Consumer Interests of the United States, House Select Committee on Aging, Sept. 26, 1978, p. 3.

percent and estimated that in the recent winter there were many elderly poor who were spending as much as 50 percent of their disposable income on energy.⁴

President Carter and the Office of Energy Policy and Planning also recognized the special problems caused by rising energy costs for the low-income household. The fifth guiding principle of the National Energy Plan I (NEP I) was that the United States must solve its energy problem in a manner that "is equitable to all regions, sectors, and income groups." Specifically, the White House stated that:

In particular, the elderly, the poor, and those on fixed incomes should be protected from disproportionately adverse effects on their income. Energy is as necessary to life as food and shelter.⁵

NEP I further recognized that:

Existing emergency assistance programs are deficient in assisting low-income persons to meet sharp, temporary increases in energy costs due to shortages or severe winter.⁶

Clearly, then, those in Government have been concerned with the effects of energy price increases on those least able to afford them. Yet in 1979, every indication is that the poor have borne the brunt of rising energy costs in exactly the manner that public officials hoped to prevent. Senator Kennedy recognized this fact in his January 9, 1979, speech to the National Association of Broadcasters. He stated that:

In major northern cities those at or under the poverty level last winter paid more than 45 percent of their income for energy, according to the National Center for Community Action. "Let them freeze in the dark" has become not just a clever cliché, but a cruel reality.

The time is obviously right for a specific Government program to alleviate the harm caused to the poor by escalating energy prices.

C. THE PARTICULAR ENERGY HARDSHIP OF THE POOR

It is apparent that the low-income households in America pay a far higher proportion of their total annual income for energy than do higher income households. However, it must be understood that these aggregate factors represent only a national average. The poor in various regions of the country where climate conditions are more severe than average—and energy costs are higher—face a still greater problem. For example, it was estimated in 1978, that it costs New England residents 38.8 percent more than the national average to supply adequate energy to their homes⁷ (see figure 2). This points to the magnitude of the disparities in need and the resulting numerous cases of extreme hardship that lie behind the aggregate average figures.

Structural factors inherent in the energy delivery system combine to make the energy burden on the poor yet higher. First among these factors is the operation of the energy pricing structure. Utilizing inverted pricing schedules, with declining rates at higher usage levels, utility companies charge higher unit prices for those consumers using smaller amounts of energy (see table IV). As low-income households consume less energy than the average household they are particularly affected by inverted pricing schedules. Due to higher per-unit prices paid by low-income households, the difference in total amounts spent annually for energy between low-income households and all households was *less* than the difference in energy consumption (see table V).

TABLE IV.—NATIONAL WEIGHTED AVERAGE CHARGES FOR RESIDENTIAL SERVICE, 1972–78, CITIES OF 2,500 POPULATION AND MORE

[Average charge (in cents)]

Year	Kilowatt-hours used				
	100	250	500	750	1,000
January 1:					
1978.....	6.87	5.39	4.44	4.16	4.10
1977.....	6.54	5.14	4.17	3.90	3.82
1976.....	6.15	4.82	3.85	3.57	3.49

⁴ John O'Leary, testimony before the Senate Special Committee on Aging, Apr. 7, 1977, p. 2.

⁵ The National Energy Plan, Executive Office of the President, Energy Policy and Planning, Apr. 29, 1977, p. 29.

⁶ *Ibid.*, p. 28.

⁷ Eunice and George Grier, "The New England Energy Consumer," January 1979. p. 28.

TABLE IV.—NATIONAL WEIGHTED AVERAGE CHARGES FOR RESIDENTIAL SERVICE, 1972-78, CITIES OF 2,500 POPULATION AND MORE—Continued

[Average charge (in cents)]

Year	Kilowatt-hours used				
	100	250	500	750	1,000
1975.....	5.89	4.60	3.59	3.30	3.28
1974.....	4.99	3.79	2.82	2.55	2.49
1973.....	4.65	3.47	2.51	2.26	2.19
1972.....	4.51	3.34	2.40	2.15	3.07

Source: DOE/EIA 0040/1 typical electric bills—Jan. 1, 1978.

TABLE V.—DIFFERENTIAL IN CONSUMPTION AND EXPENDITURES FOR ELECTRICITY AND NATURAL GAS BETWEEN LOW-INCOME HOUSEHOLDS AND ALL U.S. HOUSEHOLDS, 1975

	Low-income households	All U.S. households	Difference (percent)
Electricity: ¹			
Average annual Btu's per household (million)	60.6	94.2	55.4
Average annual cost per household (dollars)	\$188.00	\$278.10	47.9
Average price per million Btu's.....	\$3.10	\$2.95
Natural gas:			
Average annual Btu's per household (million)	109.8	136.3	24.1
Average annual cost per household (dollars)	\$182.30	\$224.60	23.2
Average price per million Btu's.....	\$1.66	\$1.65

¹ The Public Utility Regulatory Act of the National Energy Act states that utility companies must consider, among other things, the applicability of a prohibition against declining block rates which favor larger users by pricing successive blocks of electricity at lower per-unit prices, and further, lifeline rates for essential needs.

Source: Washington Center for Metropolitan Studies, National Survey of Household Energy Use, 1975.

The same inverted pricing structure applies to fuel oil; for economic reasons most companies reduce the cost per gallon of fuel for large orders and increase the cost per gallon for smaller orders. Further, those using fuel oil are confronted with additional problems. In general, low-income consumers have smaller storage capacities and, with rare exception, do not have adequate resources to purchase larger orders even if they have larger storage capacities.⁸ In addition, the credit and delivery practices of fuel oil dealers inadvertently penalize the poor. Because of credit practices, low-income persons are normally prevented from using credit or budget payments to pay for the fuel. They generally do not have a high enough credit rating to warrant these deferred approaches. As a result, low-income consumers are forced to pay "cash on delivery" (c.o.d.) for fuel oil. The c.o.d. system is particularly onerous for the poor and near-poor. For most households, fuel expenditures occur in a relatively short period of a few months. Those on credit or budget plans can spread fuel cost over a much longer time period than the low-income household which is forced to pay cash on delivery.

Further, since low-income households do not generally have credit plans, they are for the most part denied automatic refills. They cannot have their tank filled when oil is needed, but only when they have sufficient cash for immediate payment. In addition, it must be noted that in many cases, persons who are not on credit or budget payments are forced to pay certain "surcharges" for such items as delivery at certain times and to certain places.⁹

The low-income family is further penalized by the quality of their housing stock, which is generally older, in poorer repair, and less well insulated than those houses utilized by higher income households. In northern climates, this results in the need to use more fuel to maintain a certain temperature than in well-insulated homes. Thus, the low-income family's home is likely to be even less well heated than is suggested by the fact that the poor consume less energy per household than does the average American family.

⁸ Testimony, Anthony Maggione, fuel oil evidentiary hearing.

⁹ Ibid.

In the South, the substandard quality of the poor's housing stock also manifests itself in higher energy costs. In cheaply designed dwelling units—particularly in mobile homes which are prevalent in Southern States—air-conditioning is a necessity. Temperatures in nonair-conditioned low-income southern homes present severe health hazards to the occupants—many of whom are elderly, suffering from respiratory or heart ailments made worse by increase in home temperature. In Dallas, Tex., July 1973, over 20 people died from heat prostration. They were all elderly, poor, and lacked air-conditioning.

D. ECONOMIC CONSTRAINTS IN THE MARKETPLACE: WHY THE POOR HAVE LOST GROUND SINCE 1972

There are three overriding economic factors in the marketplace which explain the poor's exceptional inability to adjust to higher energy costs. These are:

The average real income of the poor household has actually decreased since 1972.

Reduction in costs through conservation is extremely difficult for poor households.

Substitutability is lower for household energy needs than for most other goods or services in the economy.

According to the most recent national figures the disposable income of the poor and near-poor has not kept pace with the overall CPI (see figure 3). The major public assistance programs have not made up the inflationary gap for those low-income households receiving aid. All items in the CPI rose approximately 30 percent from 1973 to 1976. Unemployment insurance payments rose only 27.8 percent during the same period; further, since unemployment insurance is an inherently unstable and limited form of income, this probably had less impact on real income maintenance than is generally assumed. The more steady income maintenance programs did not come close to matching inflation during this period. Average AFDC benefits rose about 19 percent between 1973 and 1976, indicating a drop of roughly 8.5 percent in real income, while supplemental security income (SSI) rose an average of 19.19 percent, amounting to a decrease in real income of about 7.8 percent.¹⁰ Thus, a situation existed in 1976/1977 in which the major income transfer mechanisms did not maintain the real purchasing power of those receiving aid. This same decline in real purchasing power faced all households whose income from any source had risen less than 30 percent during the 1973 to 1976 period. Clearly, the low-income and elderly households, many of whom are on fixed incomes, are most seriously affected.

On a national aggregate level, reduction in household energy consumption through conservation has been somewhat successful in helping people live with higher energy prices. Northeast fuel oil dealers estimate that the response by homeowners to the first wave of price increases in 1973-74 was a 15-percent-average reduction in the use of home heating oil.¹¹ However, this tactic for reducing the amount of income spent on energy has not and will not work well for the poor. Simply put, evidence is ample that the poor generally are already conserving as much as they are able—more, in fact, than could be regarded as healthy. As table V shows, low-income households use 54 percent less electricity and 24.1 percent less natural gas than the average U.S. household. Thus, the average low-income family subsists on lower amounts of energy than the average American, and has already conserved to the point of endangering health.

Conservation methods involving the upgrading of the quality of the housing unit are, by and large, out of the financial reach of the low-income family. While many poor would stand to gain through conservation resulting from the upgrading of their homes—as the dwellings tend to be highly inefficient in per-Btu utilization of energy—the cash is simply not available to them.

Unlike most middle- and upper-income families, the cash flow of the low-income family is not flexible enough to meet crisis situations. The large cash outlays needed for weatherization would be available only by forgoing expenditures on such pressing necessities as food or clothing. Further, due to low credit ratings, or in some cases because their homes are in an allegedly "redlined" neighborhoods low-income households' access to home improvement loans is severely limited. Further, since a higher proportion of low-income families rent, rather than own, their homes, there is little incentive to make improvements in which they would have no equity. To compound the problem, landlords renting units to low-income families often keep their units in poor repair and are reluctant to make improvements. Clearly, low-income families are already financially constrained to be thrifty in their energy use.

¹⁰ Social Security Bulletin, April 1977; Department of HEW, Social Security Administration.

¹¹ Transcript, case No. DEH-0058, DOE Office of Hearings and Appeals, August 1978.

This thriftiness is an illustration of the fact that low-income families have little or no scope for further reduction of energy use.

Substitutability is the dynamic economic factor which sets energy-caused income problems apart from other price- and inflation-related income problems affecting the poor.

Substitution is the avenue that a consumer has open to offset the effect of an increase in price for a given good or service in the marketplace. If a good increases in price to the point that consumers cannot afford sufficient quantities of that good, they will substitute for it a different, cheaper good of the same general type. In most necessity items, substitution is a practical possibility. In food and clothing there are many alternative goods which consumers may substitute for a single good that they can no longer afford—for instance, there has been a dramatic rise in the purchase by consumers of nonname brand food products in the last 5 years of spiralling prices.

But in energy, substitution, particularly in the short term, is a practical impossibility. Current options available to the greatest number of low-income people for provision of household energy are limited to three: oil, gas, and electricity.

Capital costs of substitution among the three options are so prohibitively high that substitution has been proven to take place only over the very long term—only with changes in the housing stock itself. Thus, low-income consumers do not have the practical option of substituting a different form of energy for their present source as their bills climb even higher. (Clearly, efforts should be made to utilize alternative sources where practical—such as solar, and so forth.)

Thus, energy, of all goods and services consumed by low-income households, presents a unique threat to the poor's well-being. They are in a worse overall position to fight high energy prices than they were before the beginning of the oil price spiral in 1972. They are incapable, generally, of reducing their costs through reductions in consumption. And they have no other available option to continued consumption—there is no practical substitution possible that would provide cheaper energy sources. The unique nature of this hardship demands direct action to meet the goals of National Energy Plan I (NEP I). It is incumbent upon the Government to institute a plan of assistance to ease the hardship caused the poor by high energy prices.

III. ELIGIBLE POPULATION AND PROGRAM SIZE

The committee determined that households at or below 125 percent of poverty should be eligible for energy assistance. At 1978 levels, the income of a family of four at 125 percent of poverty was \$7,750 per year. It was recognized that households at somewhat higher income levels were also in need of aid. However, given the probability of financial constraints being placed on the program, broader coverage was deemed impractical.

The only exception to the 125-percent-eligibility criterion recommended by the committee was the inclusion of elderly households with incomes up to 150 percent of poverty. Given the special needs of the elderly poor, the fixed nature of their income and their usually small household size, the committee recommended that income eligibility levels be set at 150 percent of poverty.

Using the above income-eligibility criteria, there would be approximately 16.2 million households initially eligible for assistance. Of these 16.2 million, almost 7.2 million households (44 percent) are headed by persons 60 or older.

This group of households represents those who have been most affected by increased energy costs. This is the sector for which calculations have been presented which show a loss of purchasing power due to higher energy prices of over \$4 billion in 1978 alone. To fully redress the situation would be impossible. Death and suffering are not easily forgotten with the mere reimbursement of funds. However, an energy assistance program could help elevate the dilemma confronting low-income people.

IV. PROGRAM MODEL

A. PROGRAM CRITERIA

Once an income ceiling was placed on a eligibility, policy judgments, as well as fiscal considerations, concerning the nature and extent of program coverage were required.

After lengthy discussion, the following criteria were developed by the committee to judge a variety of program options:

(1) *Equity*: Benefits should vary directly with need. The subsidy should take into consideration climate, type of fuel, household size, and household income. The program should include the concepts of horizontal and vertical equity—benefits should be distributed on the basis of need both within specific income groups and

across different income groups. For example, horizontal equity should result in equal treatment of low-income urban and rural recipients.

(2) *Conservation*: The provision of benefits should seek to encourage the conservation of energy, preferably directly, but at least indirectly.

(3) *Efficiency of administration*: With the requirements of adequate fiscal controls, program integrity, and responsiveness to clients, administrative costs should be held to a minimum while helping the broadest range of eligible persons.

(4) *Provision of energy assistance prior to severe crisis*: Benefits should be provided in a form that reduces initial client payments and removes financial burdens from vendors, that is, "front-end assistance," should be available.

(5) *Adequacy*: The program design should offer benefits which are significant and outweigh the costs of the program. The program should also have the flexibility to be responsive to market charges.

The committee examined several possible forms which a low-income energy assistance program could take. In evaluation, two aspects of any possible system were appraised:

- (a) The type of program which would satisfy objectives (1), (2), and (5) above.
- (b) The delivery system for the program, which, when implemented, would best satisfy objectives (3) and (4) above (a summary of the positive and negative aspects of the types of programs examined, as well as a brief description of each program type is contained in appendix A).

B. INCOME INDEXING PROGRAM DESIGN

The type of program which the committee recommends to provide assistance to low-income persons is income indexing. The committee felt that a program based on needed energy and cost for such energy, less an acceptable percentage of energy expenditures which would be required of the household, could meet the needs of low-income persons in the most equitable fashion.

An income eligible household would receive program assistance if the generic total cost of needed home energy exceeded a certain percentage of household income (see appendix D for a brief description of the recommended formula).

The amount of assistance would be based on needed energy and the cost of such energy. Regional differences would be taken into account in the formula through inclusion of degree days and regional costs of energy. Those households in regions which had higher degree days for heating or cooling and had higher prices for energy would receive proportionately more assistance.

The "percentage of income" criterion could take two distinct forms. First, the standard "percentage of income" could be fixed. An eligible household would receive assistance for energy costs which exceed a certain fixed percentage of income. For example, if a household had an income of \$5,000 annually, it would receive assistance for needed energy costs which exceed \$500 (10 percent of the household income). For reasons of equity and ease of administration, the committee favored this approach.

However, a sliding "percentage of income" scale could be utilized to possibly expand program coverage. For example, a household earning \$3,000 a year could perhaps only be expected to spend 3 percent of its income on home energy use to be eligible for the assistance program, while the minimum home energy expenditure of a family earning \$7,000 might be set at 11 percent of income for qualification. With a sliding "percentage of income" scale, assistance would vary inversely with the income and thus would provide greater assistance to eligible households with lower incomes than the fixed percentage approach.

The income-indexing system is best equipped to satisfy the committee's belief that eligibility and amount of assistance should be derived from both energy needs and income level. Income indexing ties these two parameters together more closely than any other available program option and best meets program criteria (1), (2), and (5) above.

C. SUBSIDY DISBURSEMENT

The delivery system for the subsidy that the committee believes best satisfies (3) and (4) is the vendor line of credit with credit flowing through the individual's primary energy supplies. In this system, once program eligibility is determined and a client selects his/her vendor(s), actual payment of subsidy is a matter between the selected vendor and the Government. Administrative costs are greatly reduced by this system in comparison to one which must process payments to each individual recipient on a regular basis. Further, for the dealer, costs are reduced as cash flow problems are minimized. The vendor is not constrained in peak season purchasing decisions by delays of Government reimbursement. Rather, the vendor is provided a

predetermined amount of payment for such energy delivered against which bills sent to the recipient are reduced.

Several options exist for the disbursement of the subsidy. First, the line of credit could be established in such a way that a monthly subsidy would be made to vendor(s) chosen by the client. The subsidy amount would be in proportion to energy usage in each month in the heating/cooling season.

Second, the line of credit could be provided to the vendors on a quarterly or an annual basis. The drawdown rate would be determined by the client's usage and the amount by which bills have been reduced through the guaranteed Government subsidy.

Generally, regardless of what variation of subsidy disbursement is utilized, there is an increased likelihood that delivery practices for low-income households will be regularized in such a way that costs for all parties concerned will be reduced. Indeed, an incentive may exist for the vendor to encourage low-income households to standardize their purchasing and payment practices because of the attractiveness of possible cost savings.

In these ways the low-income household may find itself, for the first time, able to take advantage of financing practices usually available only to most other Americans.

The committee includes with its recommendation of the above form of subsidy disbursement, a recommendation that those vendors who participate in the program be required to abide by a termination policy and procedure which should be detailed in the program legislation and guidelines which are established for this assistance program.

D. COVERAGE OF HOUSEHOLDS IN WHICH ENERGY COSTS ARE INCLUDED IN RENT

The committee realized that some special provisions had to be made for the approximately 4 million low-income households whose fuel and/or utility costs are included in their rental payment.

Such renters are not responsible for direct payment of energy bills—rather, the property owner pays these bills from the rental payment. This category of renter would be bypassed by an energy-subsidy delivery system which provides a subsidy directly through the individual's principal fuel supplier. Thus, a method had to be developed to include eligible renters in the energy assistance program.

A variety of alternatives were considered to assist renters whose energy bills are included in their rent. Cash payments were rejected as being too difficult to monitor and not tied directly to energy costs. Provision of fuel stamps in lieu of subsidy was determined to be too administratively cumbersome.

The use of vouchers to apply as part of the rent and to be redeemed by the landlord at the landlord's energy supplier appeared to be the best approach to assist renters whose energy costs were included in their rent. On the basis of needed energy, each household would be allocated a certain amount in a fuel voucher. These vouchers would be submitted along with the remainder of the rent due for given periods. The landlord would receive the voucher in lieu of part of the rent payment. The landlord could then redeem these vouchers with his or her energy supplier.¹²

For example, a household would be allocated a certain amount for needed energy, for example, \$40 for a winter month. This voucher would be included as partial payment of rent, for example, if the rent in the above case was \$200, the household would submit a check for \$160 and include the voucher for \$40 to cover total rental costs. The landlord would then redeem the voucher at his/her fuel provider for the energy costs which were included at the building.

Another alternative is also possible:

- (1) The renter establishes an account at the landlord's energy supplier.
- (2) The amount of subsidy would be taken directly from the bill which the vendor provides the landlord.
- (3) The renter would pay the difference between the total rent and the amount provided by the subsidy.

In this way, front-end assistance would be provided for the entire program and payment mechanism would be constant. However, this approach would be administratively complex. The renter would have to negotiate with the fuel supplier to establish a subsidy amount.

¹² A variety of voucher systems could be established. The renter could have a voucher redeemable at a particular vendor. General vouchers could be used which the renter would sign and could be redeemed by any vendor.

A specific agreement would have to be worked out between the landlord and renter to assure that the amount would indeed be deducted from the rent owed by the tenant.

In either approach, renters could receive assistance; the landlord could use the vouchers for reimbursement of his/her energy expenses or have an energy bill reduction. The vendor would be able to assist low-income renters with basically the same program design as used for eligible households who pay their own energy expenses directly.

E. CONSERVATION INCENTIVES

The program is designed to provide ongoing assistance, and at the same time, to offer incentives and opportunities for conservation.

A variety of conservation incentives are built directly into the method of providing assistance.

Assistance will be provided only for needed energy.¹³

In almost all cases, the household will be required, on a monthly basis, to pay for energy beyond the subsidy amount. Conserving energy will reduce the amount which the household would pay.

By utilizing conservation approaches which reduce energy usage below the established norm, the household is able to utilize its income for other purposes.

In addition, the overall program design calls for the inclusion of a broad range of energy conservation assistance, Energy audits, weatherization, energy education, and appropriate technology services to low-income households served by the energy assistance program are integral elements of the total approach. A systematic approach to the energy problems and needs of low-income persons requires such integration of conservation services with the provision of assistance in paying for needed energy.

The local administering agency would be responsible for coordinating provision of energy assistance with other local energy conservation programs. When clients are declared eligible for energy assistance, they would simultaneously be enrolled in a range of energy conservation programs. Energy audits would be implemented in homes in which assistance is provided. Whenever possible, weatherization would be performed in those households which receive assistance. Clients would also be enrolled in conservation education programs. Such programs would provide information, skills, and motivational techniques which would assist low-income households to implement conservation practices. Appropriate technology information would be shared, and assistance would be provided to implement such alternatives.

It should be recognized that this program will indeed result in expansion in the recipient's purchasing power (the "income effect" produced by any income transfer program), but it is the committee's belief that the income effect produced by the program will be small enough that there is no possibility that the program will cause excessive use of energy. This belief is based upon several factors. First, there is ample evidence that low-income household's present utilization of energy often is lower than is safe or healthy. There are many deaths each year attributed to inadequate home heating or cooling. Second, it is evident that the income elasticity for home energy over the relevant range of income is low. Third, the proposed amount of the subsidy is not at levels to make substantial differences in the family's consumption habits for any commodity or service.

The net projection, therefore, is that this program may provide many low-income families the opportunity for the first time since 1972, to experience energy consumption at minimum humane levels—levels throughout reasonable and proper for all other members of our society.

In summary, conservation is viewed as an integral part of the overall program and will be encouraged to the largest extent possible. Most importantly, the incentives for conservation clearly relate to the households' ability to have income available for other purposes. Savings through conservation will accrue to the household and the net impact on increased energy use through provision of subsidy will be minimal.

Not only will the program design provide an incentive for conservation, but by making energy payment assistance part of a comprehensive energy conservation program, it assures that the poor will have both opportunities and incentives to conserve.

¹³It was recognized that unusually severe weather as well as other factors will, at times, result in additional justified need. In these cases, a crisis intervention program similar to the one operated by the Community Services Administration should be utilized. The committee strongly recommends the continuation of a crisis program at a \$40 to \$50 million level.

F. PROGRAM ADMINISTRATION

Three agencies appear to offer certain strengths in terms of program administration at the Federal level.

The Community Services Administration is one alternative. Its experience in energy, its mandate to serve as a demonstration agency, its Community Action Agency network, and its established relationship to nonwelfare poor are basic strengths of this agency.

The Department of Housing and Urban Development (HUD) also has several strengths. HUD's delivery system has access to all regions of the country and some established ties to rural as well as urban areas. HUD's principal responsibility is housing, and it has considerable experience in programs related to low-income needs and shelter.

The Social Security Administration (SSA) has strong experience with income transfer programs and with the elderly, who comprise approximately 44 percent of the eligible population. Further, SSA has a wide scope in terms of outreach to potential recipients. SSA offices are numerous and its penetration into urban and rural areas is the most thorough of the agencies considered.

The administration of the program on a local level would necessarily include at least the following functions:

- (1) Determination of individual household income eligibility.
- (2) Establishment of the amount of subsidy to which each eligible household would be entitled.
- (3) Authorization of vendor to establish a "line of credit" for subsidy.
- (4) Execution of public information and outreach efforts.
- (5) Monitoring to prevent system abuses.
- (6) Provision of energy conservation counseling and service integration with other energy assistance agencies. (Example: weatherization, energy audit, and so forth.)

V. PROGRAM COST ESTIMATE

To arrive at an estimate of cost for this type of program, the committee decided to limit eligibility to those families at or below 125 percent of poverty level who currently spend more than 10 percent of their annual household income on energy and also included elderly households whose incomes were at or below 150 percent of poverty. While additional detailed research is required, the cost of a program with these eligibility requirements is estimated to lie between \$3 and \$4 billion annually.

A preliminary analysis of total program cost was carried out using the following formulas on a State-by-State basis.¹⁴ These State totals were then added to obtain a national figure.

No. 2 fuel oil: $(400 \times .119 \text{ (degree days)}) \times \text{fuel cost} = \$310 \text{ (number of households)}$.

Natural gas: $(47,000 \times 15.5 \text{ (degree days)}) \times \text{fuel cost} = \$310 \text{ (number of households)}$.

Electricity: The total cost of electricity used was calculated using the average use figure for low-income families in "The Energy Crisis and Low-Income Americans" by Eunice Grier (1977) and the September 1978, per kWh cost of electricity (MER, January 1979).

While it is clear that there are great differences in regional costs and usage which should be taken into account, specific use data for low-income households is scarce. It is hoped that while regional differences need to be addressed to include cooling needs, the aggregate average will suffice as a rough estimate of total use of energy, including use for cooling. Based upon the calculation above and in appendix B, total home heating/cooling program cost was estimated at between \$2.5 and \$3 billion.

Inclusion of other household energy costs would result in the addition of approximately 33 percent of total assistance costs. Thus, if all household energy costs are included, the total costs of the program would lie between \$3 and \$4 billion. If it is assumed that the administrative costs runs 10 percent to total budget, then projected program costs range from \$4.3 billion, assuming a 100-percent rate of participation, to \$3.2 billion at a participation rate of 75 percent, utilizing the subsidization level contemplated above.

Clearly, estimated costs will vary greatly if different final eligibility criteria and level of subsidization are selected, and a different rate of participation is assumed.

¹⁴ The following is a brief explanation of the formulas. $(400 + .119 \text{ degree days})$ and $(47,000 + 15.5 \text{ degree days})$ are taken from the INGAA formulas for average fuel oil and gas use, respectively; \$310 equals 10 percent of the median income for poverty households.

VI. PROGRAM FINANCING

A variety of options for financing the program were studied by the committee. After careful consideration, the committee rejected the following three options as being inequitable, legally and politically unsound, and incapable of generating the broad base of support necessary to insure the program's success:

Utilizing the rebates from refiners to the DOE resulting from prosecution for refiner overcharges.

Utilizing the crude oil import tariff.

Utilizing a crude oil equalization tax.

The following options were considered much more acceptable:

Direct funding from the Federal Treasury (the committee felt this to be the most equitable option).

Funding from the imposition of a value added, "per-btu" tax on all forms of energy.

Utilization of a portion of existing Federal gasoline tax (it is probable that utilization of only 2 cents of the existing tax would yield full program funding).

Utilization of the increased tax revenue which will result from decontrol.

The committee recommended exploring the latter four options in detail, while seeking out further detailed information regarding all possible methods for program funding.

FIGURE 1

THE CONSUMER PRICE INDEX - FUEL PRICES
1972 = 100
SOURCE: Bureau of Labor Statistics

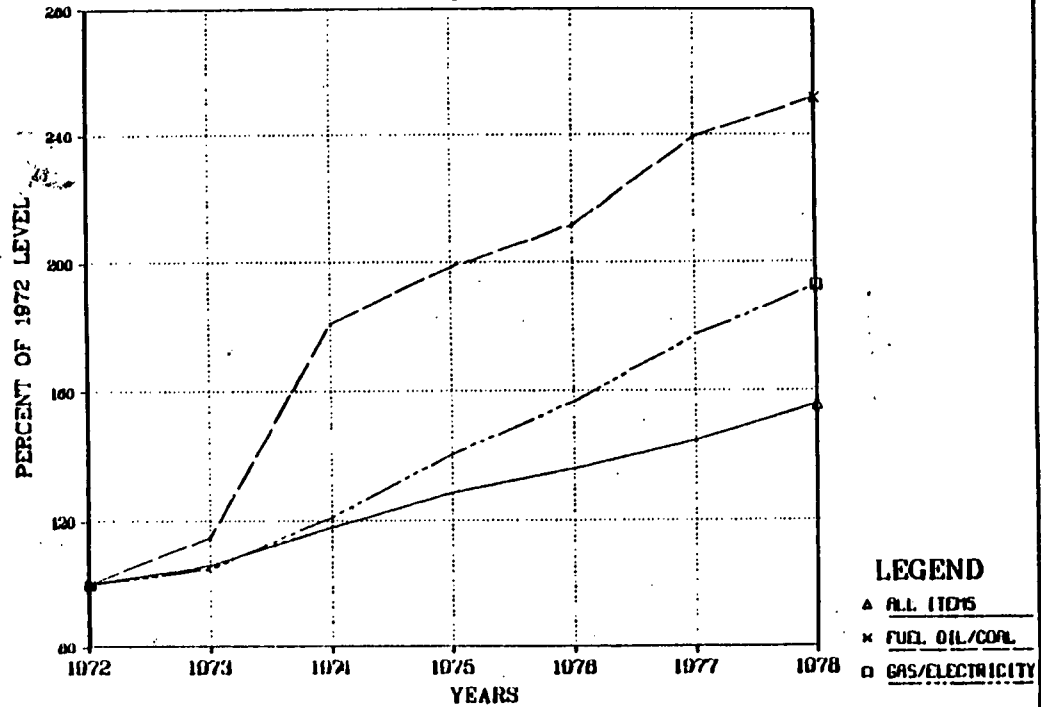
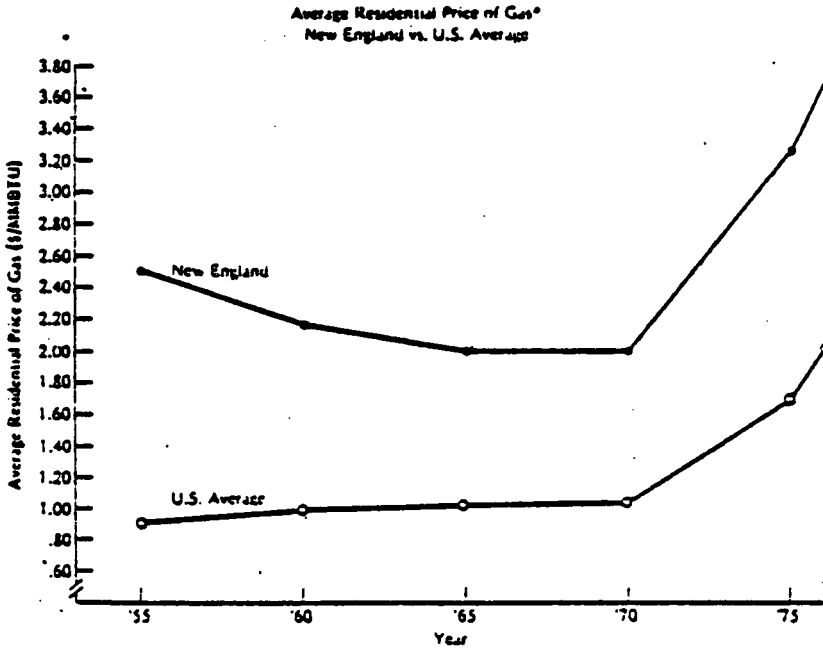


FIGURE 2

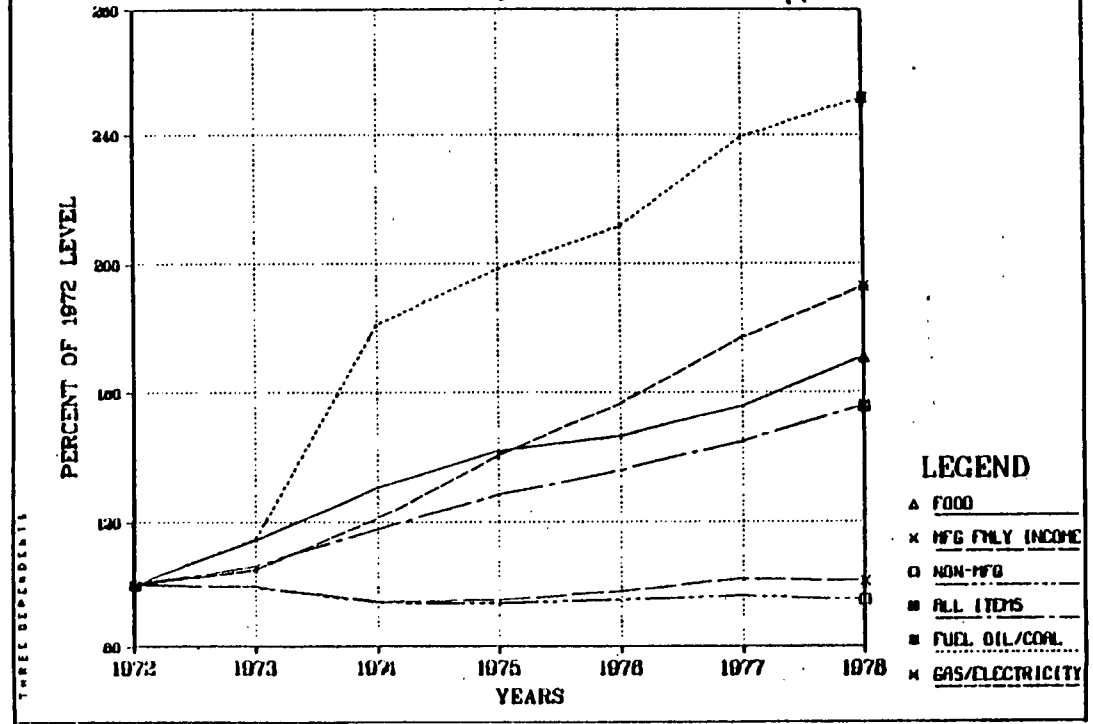


Source: Table 93, Pg. 116, "Gas Facts", 1977 American Gas Association

*Includes cooking & water heating uses as well as heating

FIGURE 3

THE CONSUMER PRICE INDEX/SPENDABLE INCOME
1972 = 100
SOURCE: Bureau of Labor Statistics.



APPENDIXES

APPENDIX A.—PROGRAM DESIGN OPTIONS

	<u>Energy Stamps</u>	<u>Income Indexing</u>	<u>Income Indexing with % Payment</u>
Basic Program	On the basis of income eligibility persons would be able to purchase or receive stamps redeemable for fuel or utility expenses at authorized vendors. Stamps could be free or purchase requirements based on income could be established.	Once a household has spent 10% of its income on energy, the household's remaining costs for energy would be paid through the household's energy vendor.	Same as income indexing with percent amount of government subsidy varying with energy use and income.
Some Possible Advantages	Similar to food stamps. Only income criterion needed, which simplifies administration.	Both income and energy use are used as criteria for eligibility. Households must use their own income first before payments are made.	Both income and energy use are used as criteria. Household makes first payments, then continues to pay.
Some Possible Disadvantages	Receipt of stamps is not tied to energy use. If there is payment for stamps, there would be an increased burden on income of poor.	No upper limits are placed on energy expenses reimbursed which could encourage unnecessary usage.	Local administration is required and is complex. No ceiling is placed on usage.
Conservation Incentives	May occur if recipients must pay for a portion of the stamps.	Administration complex	Indirect incentives

Appendix A.--Program Design Options--Continued

	<u>Energy Entitlement</u>	<u>Per Capita/Household Formula Grant</u>	<u>Dealer Credit</u>
Basic Program	A household is guaranteed a set amount of energy. The household pays for the first 10% of its energy. Remainder of cost, up to set energy amount is paid to an energy vendor.	Each eligible household would receive a grant of money, to cover additional costs due to energy expense increase	Using a formula incorporating income criterion, each dealer would send to the administering agency an invoice for energy delivered over set amount
Some Possible Advantages	Standard energy use as well as energy costs and income are used as criteria. Upper limits are placed on expenditure by set energy amount.	Ease of administration e.g. using Welfare Department	Income and energy costs are included as criteria. Minimal local government administration would be involved. After certification, transactions would flow between funding source, dealer, and client.
Some Possible Disadvantages	Government required to set standard energy amount. Administration is complex.	Allocation is tied to income, not to energy. In addition the money need not be spent on energy.	Financial and Administrative strain could be placed on fuel dealers.
Conservation Incentives	Indirect incentives.	Indirectly, through income limits.	

Appendix A.--Program Design Options--Continued

	<u>Tax Credit</u>	<u>"Indiana" Plan</u>	<u>HEW Project Fuel</u>
Basic Program	Each low income person would receive a cash tax credit for all energy bills over a certain ceiling, e.g. 10% of income.	Senior citizens in poverty are provided a credit, not to exceed \$200, for electricity and heating fuel. The credit is deducted from their bill prior to the bill being sent. The vendor deducts the credit amount from his state sales tax deposit.	In emergency or crisis situations, local administering agencies would provide assistance within broad federal guidelines. The amount of assistance would be paid in cash and tied to need.
Possible Advantages	Energy use and Income are used as criteria. Only one central agency is required for processing.	Clients receive bill deductions. Vendor receives payment immediately. Administration is simple. Energy tax is used for energy cost.	Tied to local need and circumstance. Allows for broad administrative discretion at the local level.
Possible Disadvantages	Low-income persons cash flow does not allow rebate process. Complex accounting for client required. Many low-income persons do not file taxes. Cost of auditing returns would increase. Local staff would have to assist clients in tax preparation.	Payments are extremely limited. Not all states have sales tax. Total burden is on the state.	Cash payment not clearly tied to fuel. Assistance is not provided until serious crisis occurs. There is no provision for ongoing assistance.
Conservation Incentives		Indirect incentive through providing limited assistance.	

Appendix A.--Program Design Options--Continued

NEW

Utility Grant Program

Basic
Program

A subsidy would be paid to utility company or fuel vendor for a portion of the fuel cost of an eligible household. The amount of subsidy would vary inversely with the income of the eligible population.

Possible
Advant-
ages

Direct vendor payments are used.

Possible
Disad-
vantages

No upper limit is placed on usage.

Conserva-
tion
Incentives

APPENDIX B

DATA USED IN COST CALCULATION

FEDERAL REGION	# OF HOUSEHOLDS BELOW 125% OF POVERTY 1/ (000's)	AVERAGE HEATING DEGREE DAYS 2/	FUEL PRICES		
			#2 HEATING OIL (cents/ gallon)	NATURAL 6/ GAS (cents/ cubic foot)	TOTAL 7/ ELECTRIC BILL
1	655	6,956	55.1 8/	.0041	\$795.65
2	1,506	5,703 3/	54.0 8/	.0034	795.65
3	1,443	4,803	52.8 8/	.0029	795.65
4	3,063	2,797	47.9 10/	.0024	795.65
5	2,470	6,748	49.8 8/	.0023	795.65
6	1,859	3,011	50.1 9/	.0019	795.65
7	755	5,640	45.9 10/	.0019	795.65
8	378	7,797	46.3 10/	.0018	795.65
9	1,644	3,125 4/	45.9 10/	.0023	795.65
10	434	7,321 5/	48.3 10/	.0029	795.65

1/ From 1975 ESEA Special Poverty Census.

2/ Source: For each State this involves weighting the heating degree day totals for several intra-State geographical divisions by the percent of the State population residing in each division. Figures used here are averages over the period 1931 to 1973.

3/ Excludes Puerto Rico and Virgin Islands.

4/ Excludes Hawaii and Trusts.

5/ High due to influence of Alaska.

6/ Averaged from State figures. Source: "Gas Facts", 1977 American Gas Association.

7/ For average low-income households. This gross estimate was derived from the average consumption of electricity for a low income family in 1975 (Grier, 1977), and the average cost per kwh for September 1978 (DOE, MER, 1/79).

8/ Price derived from DOE Tel. Survey of Jan. 2-6, 1979. The figures for Regions I and II were averaged from the fuel oil prices for all the states in the Region; for Region III the figure is based on the state of Pennsylvania; and the Region IV figure is based on the average of six states within the Region.

9/ Price taken from "Residential Heating Oil Prices By Region," MER, Nov. 1978.

10/ National Average of Heating Oil Prices for Oct. 1978, DOE, MER, Jan. 1979.

APPENDIX C

GENERIC TOTAL HOME ENERGY COST

A generic total home energy cost would be used with the income level to determine eligibility, and the amount of assistance. The cost formula would be simple, yet take into account regional differences through climate, fuel used, and fuel prices. The formula would also take into account the size of the dwelling. For example, it has been estimated that the amount of fuel oil required to heat a 5 or 6 room house equals, in gallons, $400 + (.119 \times \text{heating degree days})$. The number of gallons obtained through this formula would be multiplied by cost per gallon to provide a dollar amount for heating costs.

APPENDIX D

AMOUNT OF ASSISTANCE

Regardless of the delivery system, assistance would be provided to each eligible household for a given heating or cooling season according to a simple formula:

Amount of assistance = (needed energy \times cost of such energy) \times percent of household income

The generic total (needed energy \times cost) would be the figure calculated to determine, in conjunction with income, program eligibility. This total cost figure would be reduced by a percent of income to determine subsidy amount. If a fixed percent were used, the generic energy cost would be reduced by that specific percent to reach the subsidy figure. If a sliding "percent of income" scale is implemented, the generic energy cost would be reduced by the appropriate percent for differing income levels.

APPENDIX E

STATEMENTS AND WRITTEN PAPERS PRESENTED TO THE FUEL OIL MARKETING ADVISORY COMMITTEE (FOMAC) RE: LOW-INCOME ASSISTANCE PROGRAM

The following is a listing of statements and written comments presented to FOMAC re: a proposed low-income assistance program.

Statements and papers provided to the committee in the order of receipt as of May 31, 1979, are as follows:

1. Opening remarks of Hon. Larry Young, chairman of the FOMAC forum, April 10, 1979, Representative of the State of Maryland; Director, Joint Center for Urban Environmental Studies, Washington, D.C.
2. Deputy Secretary John O'Leary, U.S. Department of Energy.
3. Senator Edward M. Kennedy, State of Massachusetts.
4. Congressman Toby Moffett, State of Connecticut.
5. Congressman Edward J. Markey, State of Massachusetts.
6. William R. Hutton, executive director, National Council of Senior Citizens and secretary-treasurer, Citizen/Labor Energy Coalition.
7. Frank Welch, State of Maryland Office of Economic Opportunity.
8. David Lukes, member, Georgia State Legislature.
9. Robert McDongall, National Conference of State Legislatures.
10. Frank Hodgdon, American Gas Association.
11. Robert Greenes, Public Fuel Service, New York, N.Y.; FOMAC member.
12. Robert Fortes, member, Massachusetts State Legislature.
13. Stephen Schachman, Philadelphia Gas Works, Philadelphia, Pa.
14. James Feldesman, counsel, Consumer Energy Council of America, Washington, D.C.
15. Dennis Eckhardt, member, Ohio State Legislature.
16. Martin Garber, American Petroleum Institute.
17. Clark Watson, chairman, American Association of Blacks in Energy.
18. John Buckley, vice president, Northeast Petroleum; FOMAC member.
19. Gov. Ella Grasso, State of Connecticut.
20. Phillip H. Gillespie, National Community Action Directors Association, Washington, D.C.
21. Allen Davis, National Consumer Law Center, Boston, Mass.
22. Carol Allen, New Jersey Energy Advocacy Project, Trenton, N.J.
23. Jane Jachinczyk, National Oil Jobbers Council, Washington, D.C.
24. Larry Martinez, Community Affairs Division, State of New Mexico.
25. James G. Miller, Wisconsin Power & Light Co.
26. Chuck Clinton, Office of the Mayor, Washington, D.C.
27. Lt. Gov. Thomas P. O'Neill III, State of Massachusetts.

28. Congressman Henry S. Reuss, State of Wisconsin.
 29. Ottavio Manco, Multi-County Community Development Corp. Highland, N.Y.
 30. Henry W. Maier, mayor, city of Milwaukee, Wis.
 31. George Sterzinger, New England Regional Energy Project, Burlington, Vt.
 32. Russell G. Murray, Research Institute, Legal Services Corp., Washington, D.C.
 33. Greg Glass, Florida Association of Community Action Agencies, Tallahassee, Fla.
 34. John Harder, Kauai Economic Opportunity, Inc., Lihue, Kauai, Hawaii.
 35. Mark Sachs, Community Action Programs Executive Directors Association of New Jersey, Inc., Trenton, N.J.
 36. J. C. Halbrooks, Sterling, Conn.
 37. Senator Mike Gravel, State of Alaska.
 38. Pat Stewart, Kentucky Association of Community Action Agencies.
 39. Congressman Clement J. Zablocki, State of Wisconsin.
 40. Ben E. Johnson, president of the Common Council, Milwaukee, Wis.
 41. Gerald Miller, State Department of Management and Budget, Lansing, Mich.
 42. Phil Smith, Rural Alaska Community Action Program, Inc., Anchorage, Alaska.
 43. Senator William Proxmire, State of Wisconsin.
 44. Bruce Ratner, Commissioner, Department of Consumer Affairs, New York, N.Y.

FUEL OIL MARKETING ADVISORY COMMITTEE

Committee member	Firm	Location
Joseph R. Albers, 5556 Vine St., Cincinnati, OH 45217, 513-242-5300.	Este Oil Co.....	North Central.
Ellen Berman, 1990 M St. NW., Washington, DC 20036, 202-659-0404.	Executive director, Consumer Energy Council of America.	Mid-Atlantic.
Sid Berson, 50 Harvard St., New Britain, CT 06051, 203-223-2717.	Energy Unlimited, Inc.....	New England.
Vern Birrenkott, Rural Route, Lemmon, SD 57638, 605-374-3612.	Birrenkott Oil Co.....	North Plains.
Charles Burkhardt, 20 Summer St., Watertown, MA 02172, 617-924-1000.	Executive vice president and treasurer, New England Fuel Institute.	New England.
Dr. Chas. J. Cicchetti, Hill Farms State Office Building, 4802 Sheboygan Ave., Madison, WI 53702, 608-266-1242.	Chairman, Public Service Commission.....	North Central.
Robert DeBlois, Cofax St., Pawtucket, RI 02860, 401-722-8000.	DeBlois Oil Co.....	New England.
Robert W. Fawcett, Tyler Court, Cambridge, MA 02140, 617-547-2360.	Fawcett Services, Inc.....	Do.
Rod Flannery, 318 East Main St., Wessington Springs, SD 57382, 605-539-1300.	Flannery Oil Co.....	North Plains.
Robert B. Greenes, 357 East 116th St., New York, NY 10029, 212-722-3000.	Public Fuel Service.....	East coast.
Ken Guscott, Prudential Center, Boston, MA 02199, 617-267-9260.	Ken Guscott & Associates.....	New England.
Charles Jacobus, 700 West State St., Milwaukee, WI 53213, 414-258-7700.	Quick Flash Fuel Co.....	North Central.
John Kaneb, 295 Eastern Ave., Chelsea, MA 02150, 617-884-7570.	Northeast Petroleum Industry.....	New England.
William F. Kenny, Jr., 44 East 23d St., New York, NY 10010, 212-254-1111.	Meenan Oil Co., Inc.....	East coast.
Henry Lee, 79 Boylston St., Cambridge, MA 02138, 617-495-1350.	Research program coordinator for Energy and Environmental Policy Center.	New England.
Robert P. McGinley, 15 Mount Joy St., Mount Joy, PA 17552, 717-653-1411.	The SICO Co.....	Mid-Atlantic.
Tony Maggiore, 161 West Wisconsin Ave., Milwaukee, WI 53203, 414-272-5600.	Associate director, Community Relation and Social Development Commission.	North Central.
Louis G. Reames, Camden, SC 29020, 803-432-6106.	Camden Gas & Oil, Inc.....	Southeast.
George Romanoff, 1741 4th Ave. South, Seattle, WA 98134, 206-622-6050.	Cascade Fuel Oil Co., Inc.....	West coast.
Robert W. Schrimpf, P.O. Box 484, Alton, IL 62002, 618-254-7341.	Piasa Motor Fuel.....	North Central.

FUEL OIL MARKETING ADVISORY COMMITTEE—Continued

Committee member	Firm	Location
Jake J. Simmons, 1185 Avenue of the Americas, New York, NY 10036, 201-636-3000.	Amerada Hess Corp.....	East coast.
John B. Wade, 533 South 5th St., Elizabeth, NJ 07296, 201-248-3300.	The Fairlie & Wilson Co.....	Do.
Byron S. Weil, 300 West Washington St., Chicago, IL 60606, 312-726-9606.	Oils, Inc.....	North Central.
Larry Young, 1012 14th St. NW., Suite 906, Washington, DC 20005, 202-347-6020.	Director, Joint Center for Urban Environmental Studies, State Legislator (Maryland).	Mid-Atlantic.

BIBLIOGRAPHY

PUBLICATIONS

Baldwin, F. P.; and Kinney, L. F.: "Weatherization Program in Region III. A Management Study. Final Reports." NTIS PC All/MF AOL. Syracuse, NY: Syracuse Research Corp., December 1976.

Baroni, Father Geno, Assistant Secretary of HUD for Neighborhoods, Voluntary Associations, and Consumer Protection: "Energy and Urban Policies/Programs," DOE Office of Consumer Affairs, Washington, DC, 1978.

Barth, Michael C.; Mills, Gregory; and Seagrave, Charles: "The Impact of Rising Energy Prices on the Low-Income Population: An Analysis of the Home-Heating Problem and Policy Alternatives." Technical Analysis Paper 3. Washington: Office of the Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare, March 1975.

Bendick, Campbell; et al.: "Final Interim Report, The Special Crisis Intervention program." The Urban Institute, CSA Grant 31607.

Berman, M. B.; et al.: "The Effect of Electricity Price Increases on Income Groups: Western United States and California." R-1050 NSF/CSA. Santa Monica, CA: The Rand Corp., 1972.

Berman, M. B.; and Hammer, M. J.: "The Impact of Electricity Price Increases on Income Groups: A Case Study for Los Angeles." R-1102-NSF/CSA. Santa Monica, CA: The Rand Corp., 1973.

Bloom, Martin; et al.: "The Effect of Rising Energy Prices on the Low and Moderate Income Elderly." Washington: Federal Energy Administration, March 1975.

Bolling, Royal, Jr., Massachusetts State Representative: "Energy and Urban Policies/Programs." DOE Office of Consumer Affairs, Washington, DC 20461, 1978.

Bossong, Ken: Citizen's Energy Project of the Center for Science in the Public Interest, selections from "Local Energy Action Program Survey." Washington, DC, September, 1977.

Brannon, Gerald M.: "The Income Distribution Effects of Energy Policy," Ford Foundation Energy Policy Project Report: Energy Taxes and Subsidies, 1974.

Brazzel, Herlett; et al.: A distributional analysis of the 1985 energy projections for "The Annual Report to Congress of the Energy Information Administration." Analytical Memorandum AM/IA/78-09, Department of Energy, June 1978.

Davie, Bruce F.; and Duncomke, Bruce F. (Georgetown University): "Income Distribution Aspects of Energy Policy," Ford Foundation Energy Policy Project: Studies in Energy Tax Policy, 1975.

Frankena, Frederick: "Energy and the Poor: An Annotated Bibliography of Social Research." Exchange Bibliograph 1307. Monticello, IL: Council of Planning Librarians, July 1977.

Goedert, Jeanne E.; and Goodman, Jack L., Jr.: "Indicators of the Quality of U.S. Housing." Paper 249-2. Washington: The Urban Institute, September 1977.

Grier, Eunice S.; and Greer, George: "High Fuel Oil Sales: The Impact on Low-Income Households." A report to the CSA. The Grier Partnership, August 1978.

Grier, Eunice S.: "The Energy Crisis and Low-Income Americans: An Analysis of Impact and Options." Washington: The Washington Center for Metropolitan Studies, June 1977.

Hampton, John (National Tenants Organization): "Poverty and Power," Equilibrium, July 1974, vol. 2, No. 3.

Herendeen, Robert A.: "Affluence and Energy Demand," *Mechanical Engineering*, October 1974: 18-22.

Herendeen, Robert A.; and Tanaka, Jerry: "Energy Cost of Living." Document 171. Center for Advanced Computation, University of Illinois, 1975.

Hull, Everson W.: "Implications of U.S. Energy Policy and a Vibrant Economy for Employment Opportunities of Black Americans, March 1977.

Kelley, Tom: "The American Energy Consumer," Ford Foundation Energy Policy Project Report: The American Energy Consumer, 1975.

King, Jill A.: "Impact of Energy Price Increases on Low-Income Families." FEA/B-76/126. Washington: Federal Energy Administration, 1975.

Kinney, L. F.; DeWitt, L. B.; et al.: "Weatherization Training: A Notebook for Weatherization Projects." NTIS PC A08/MF AOYL, Contract OEO-30200/L/76/01. Syracuse, NY: Syracuse Research Corp., December 1975.

Lockeretz, William: "Growth of Residential Consumption of Electricity: Distribution Among Households at Various Consumption Levels," *Land Economics*, May 1975: 149-157.

Newman, Dorothy K.; and Day, Dawn (eds.): "Ford Foundation Energy Policy Project Report: The American Energy Consumer." Washington: The Ford Foundation, 1975.

Pace, John P. (National Economic Research Association, New York City): "Life-line Rates: Will They Do The Job?" *Public Power*, November-December 1975, vol. 33, No. 6.

Palmer, John L.; Todd, John E.; and Tuckman, Howard P. "The Distributional Impact of Higher Energy Prices: How Should the Federal Government Respond?" *Public Policy* 24, fall 1976: 545-568.

Richardson, Paul: "York Branch Study of Fuel Debts." *Poverty* 36, spring 1977: 16-17.

Roach, Patricia M., Citizens Energy Project of the Center for Science in the Public Interest, Selections from "Local Energy Action Program Survey," Washington, DC, September 1977.

Robinson, Stuart, N.; Clark, Roy E.; Margulis, Stephen T.; and Turner, George E.: "Review of Existing Data on Energy Use in Residential Buildings." Washington Center for Building Technology, National Bureau of Standards.

Saunders, R. B. II: "Social Impacts of National Energy Plans on Minority Communities," April 1978.

Schenider, Alvin (Syracuse University). "Blacks, Cities, and the Energy Crisis," *Urban Affairs Quarterly*, September 1974, vol. 10, No. 1.

Schlesinger, James, Secretary of Energy: "Energy and Urban Policies/Programs", DOE Office of Consumer Affairs, Washington, DC, 1978.

Struyck, Raymond J.: "The Housing Situation of Elderly Americans." Paper 0001-3. Washington: The Urban Institute, November 1976.

Walker, Nolan E.; and Draper, E. Linn: "The Effect on Electricity Price Increase on Residential Usage of Three Economic Groups," *Texas Nuclear Power Study—Social, Demographic, and Economic Effects*. Study No. 1. Vol 5. Austin: Center for Energy Studies, University of Texas, 1975.

"A Community Planning Guide to Weatherization," September 1975, CSA.

"Analysis of the Proposed National Energy Plan," Prepublication Draft, Office of Technology Assessment, Congress of the United States, Washington, DC, June 1977, p. 8.

"Annual Housing Survey: 1974, United States and Regions General Housing Characteristics. Part A." U.S. Department of Commerce, Bureau of the Census, U.S. Department of HUD, Office of Policy Development and Research.

"Annual Housing Survey: 1974, United States and Regions, Financial Characteristics of the Housing Inventory." Part C, U.S. Department of Commerce, Bureau of the Census, U.S. Department of HUD, Office of Policy Development and Research.

"Energy and the Poor: An OTA price study. Design Alternatives, Inc.

"New Analysis Shows Dramatic 15 percent Inflation Rate for Basic Necessities in Second Quarter of 1978," news release from National Center for Economic Alternatives.

"Preliminary Report for Public Review." New England Energy Congress, November 1978.

"Shares of Heating Fuels in U.S. Housing." Petroleum Industry Research Foundation, Inc., August 1978.

"The Effects of Rising Energy Prices on the Low- and Moderate-Income Elderly, March 1975. GPO: 041-018-00059-3.

"The Impact of Rising Energy Costs on Older Americans Part 1," Senate Committee on Aging hearings, 93d Congress 2d session, September 24, 1974.

"The Impact of Rising Energy Costs on Older Americans Part 2," Senate Committee on Aging hearings, 93d Congress 2d session, September 25, 1974.

TESTIMONY

Hutchinson, John, mayor of Charleston, W. Va., chairman of Energy and Environment Committee, U.S. Conference of Mayors, "Energy and the City" Washington, DC 1977: p. 289.

Keith, John P., president, Regional Plan Association, also at hearings published in "Energy and the City," Washington, DC 1977: p. 7.

Kelly Richard, U.S. Congressman of Florida, also in "Energy and the City," Washington, DC 1977: p. 354.

Kennedy, Edward M., U.S. Senator of Massachusetts, "Opening Statement Before the Subcommittee on Energy," Joint Economic Committee, U.S. Congress, March 16, 1978.

Maggiore, Anthony J., Jr., "Energy Needs of the Elderly Poor" testimonies to House Subcommittee of Housing and Consumer Interests 1978, Senate Committee on Aging, 1979.

O'Leary, John F., currently DOE Deputy Secretary, testimony before the Committee on the Budget published in "Distributive Impacts of Proposed Changes in National Energy Policies." U.S. Government Printing Office (92-695-0), Washington, DC 1977: pp. 6, 16.

O'Leary, John F., at hearings before the Subcommittee on Energy of the Joint Economic Committee, Congress of the United States published in "The Impact of the President's Energy Plan on the Northeast," U.S. Government Printing Office, Washington, DC 1977: p. 14.

Roach, Patricia M., member, National League of Cities Task Force on Energy. Testimony at hearings before the Subcommittee on the City of the House Committee on Banking, Finance, and Urban Affairs, September 16, 1977, published in "Energy and the City." U.S. Government Printing Office (98-452-0), Washington, DC 1977: pp. 255-256.

SPEECHES AND PAPERS

Clements, A.C. (A.C. Clements & Associates, Puerto Rico): "Self-Sufficient Energy Integrated Design and Construction Method for Low-Cost Self-Help Housing Programs". Paper presented at ISES/SES of Canada Sharing the Sun Conference, Winnipeg, August 15-20, 1976.

Cohen, Ruben: "Setting Equitable National Goals for Household Energy Conservation." Paper presented at the annual meeting of the American Sociological Association, New York, August 1976.

Kauvant, William: "City Future—Energy Future, the Interrelationships Among Metropolitan Physical and Social Structure and Energy Supply and Use." Paper delivered at a symposium sponsored by the Energy Institute and the College of Social Sciences, University of Houston, June 1977.

Kennedy, Senator Edward M.: "Restoring Competition to Energy." An address before the New England Broadcasters Association, January 9, 1979.

Newman, Dorothy K.; and Wachtel, Dawn Day: "Energy, the Environment, and the Poor." Paper presented to the Society for the Study of Social Problems, Montreal, August 1974.

Ohio Energy Credits Advisory Committee: "Alternatives to the Ohio Energy Credits Program," March 1979 and draft copy of the "Energy Credits Advisory Committee's Report to the Ohio General Assembly," March 1979. "Energy Assistance Programs and Pricing Policies in the Fifty States to Benefit Elderly, Disabled, or Low-Income Households," March 1979.

Perlman, Robert; and Warren, Roland: "Effects of the Energy Crisis on Households of Different Income Groups." Paper presented at the annual meeting of the Society for the Study of Social Problems, San Francisco 1975.

Perlman, Robert; and Warren, Roland: "Energy Savings by Households of Different Incomes in Three Metropolitan Areas." Waltham, Mass.: Heller School for Advanced Studies in Social Welfare, Brandeis University 1975.

Smith, A. E.; et al. (University of Pennsylvania) "Solar Energy Application Considerations for Housing in Depressed Communities." Report presented at ISES/SES of Canada Sharing the Sun Conference, Winnipeg, August 15-20, 1976.

ITEM 3. LETTER AND ENCLOSURE FROM HON. ROBERT W. DAVIS, MEMBER OF THE U.S. HOUSE OF REPRESENTATIVES FROM THE 11TH DISTRICT OF MICHIGAN, TO SENATOR LAWTON CHILES, CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING, DATED SEPTEMBER 13, 1979

DEAR MR. CHAIRMAN: I am pleased to hear that you have scheduled hearings on the important and immediate problem of assisting elderly Americans in meeting their energy needs. This is a matter of utmost concern to me, and I would like to submit some comments in this regard.

First, I should like to relate to you a case study of an energy assistance program which was run in my home State of Michigan. This program provided limited cash assistance to citizens who experienced difficulty in meeting their heating bills. Unfortunately, however, the assistance was provided on a post facto basis. That is, consumers were forced to pay their heating bills in their entirety before receiving any assistance from the State. Obviously, such a restriction almost totally negated the positive effect of the assistance, because the consumers had to face the very financial burdens which the program was designed to avert. Thus, I respectfully would recommend that if a cash assistance program were considered by your committee, such benefits should be provided in such a manner that consumers would not have to pay their bills before receiving assistance.

The central dilemma, therefore, is devising a reimbursement system wherein assistance can be provided (probably on a credit basis) to relieve the consumer of the immediate burden of facing high heating bills; and, simultaneously to provide compensation for the heating fuel supplier, whose business increasingly is becoming dependent on a cash-and-carry payment system.

Second, I am concerned about the amount of assistance being considered in various proposals, including the President's recommendations which were announced yesterday. I personally believe that in an area of the Nation such as northern Michigan, a \$200 benefit to elderly citizens or individuals living on a low or fixed income would be of minimal assistance. My district begins its heating season in mid-September. Already this year, there have been frosts and Autumn has begun. Furthermore, the heating season continues into May. Thus, with the heating season so long, the cost of meeting heating bills (before the necessary societal changes of converting to alternative sources of energy can be effected) is tremendous. Consequently, I propose that consideration be given to providing assistance on a percentage grant basis like the section 8 housing assistance program. Such a system would naturally take into account the different costs of heating homes in various regions of the nation. The program then could provide 50 percent (or thereabouts) of an eligible citizen's winter heating bill. The individual could be required to meet the remainder.

Third, I would like to relay to you some of my impressions concerning the national energy plan as it relates to the American consumer. Again it appears as if another well-intended Federal policy will, in the end, be supported by the consumer. Although I support the concept of oil and gas price decontrol as a basis by which the true value of energy can be determined, thereby providing the most effective means by which to allocate and distribute a valuable product, I am concerned that the consumer will bear a disproportionate share of the cost of this policy. Indeed, it appears as if many oil companies will reap increased income from the decontrol of oil and gas prices, and the Federal Government also will receive a "hidden" \$140 billion over the next 10 years (some critics have placed the figure as high as \$600 billion). The only major segment of our economy which will not benefit from this policy, then, is the most important one—the consumer. In this regard, I should like to draw your attention to the enclosed article which appeared in a recent edition of the Washington Star.

In lieu of the expected "windfall revenues" from the new tax, I would propose the diversion of more of these funds toward increasing direct assistance to elderly and poor citizens and away from direct Government involvement in the production of energy. The President's proposal of using \$2.4 billion of the windfall revenues for this purpose clearly is inadequate. Additionally, knowing the Government's track record so far with its involvement in industry, I would tend very skeptically to regard any further intervention.

At this point, I should like to share some comments with regard to the conventional program of heating assistance administered by the Community Services Administration: the crisis intervention program, or the energy emergency assistance program. There are two blatant flaws in the eligibility criteria for this program and they need to be addressed in any discussion of heating assistance for poor and elderly Americans.

First is the requirement that one's income must be less than 125 percent of the national poverty level. This criterion again is being proposed by the President's recommendations to Congress. In my opinion, this cutoff is completely unreasonable.

This means that a single individual would be ineligible for assistance if his or her income were only \$4,250 under last year's energy emergency program. Indeed, a CRS study on winterization indicated that the 1977 median income for rural elderly citizens was \$4,200. With the rate of inflation taken into account, it is easy to see that most elderly Americans would immediately be ineligible for assistance. This clearly is unfair in an area such as northern Michigan, where it is not uncommon for an individual to spend close to \$1,000 in one heating season for fuel oil.

Also, there is an inverse relationship between relative cost of heat and one's income. Since heating fuel is a necessity (as opposed to most gasoline or motor fuel) and since a disproportionate amount of one's income must be diverted toward heating costs in colder climates, then a low cutoff becomes more inequitable to those individuals who most need assistance. Another unfortunate reality is that a large proportion of poor people pay more for their heat because they cannot afford the home improvements necessary to cut their heating costs. Consequently, I would recommend providing assistance to individuals whose incomes are 200 percent of the poverty level as adjusted for regional differences in the cost of living.

The second flaw in the CSA's energy assistance program last year was an eligibility criterion which required that an applicant for assistance needed to incur a debt or unpaid bill before receiving benefits. I find such a requirement absolutely incredulous. Not only does such a policy actually encourage personal indebtedness (not exactly a virtue) but it renders the entire program intolerable for a majority of poor citizens who have enough pride to pay their bills, no matter what sacrifice is entailed.

I appreciate this opportunity to communicate some of my impressions to you. It is my hope that in your endeavors, some of these and other considerations relating to the cost of energy and its effects on our elderly and poor consumers will be discussed.

Respectfully,

ROBERT W. DAVIS,
Member of Congress.

Enclosure.

[From the Washington Star, Sept. 4, 1979]

WINDFALL PROFITS TAX—OR WINDFALL TAX?

(By Warren A. Rawson, Jr.)¹

One aspect of the spectacular rise in oil and gasoline prices is becoming absolutely crystal clear; somebody in this country is going to make a lot of money from it.

Right now it is the oil companies with oil reserves in this country that seem to be raking in the benefits of the de facto increase in the value of crude oil. However, it appears to be relatively certain that the Federal Government is about to wade in with a windfall profits tax to take away all those "unearned profits."

While the oil companies have invested heavily in leases and drilling and equipment, there certainly is some truth in the argument that they did nothing to earn the vast increase in the value of their oil reserves that has been legislated by the OPEC cartel. However, that does seem to be at the heart of the free enterprise system.

To twist a phrase slightly, "You invest your money, and you take your chances." Looking at the other side of the coin, how many politicians would be raising a cry to save the oil companies if there had been vast new discoveries of oil or some cheap substitute that had drastically reduced the value of the oil that the companies had invested heavily to obtain.

At the same time, I am having trouble trying to decide what the Federal Government has done to earn this vast sum that they intend to rake in in the form of a windfall profits tax. Now mind you, I think there is some merit in the argument that these profits just as rightly belong to the country as to the oil companies; what I object to is having the President and each Senator and Representative think up new ways to spend my money.

My money? Yes, my money and yours. After all, it isn't the money that is coming up out of the ground, it is oil. That means that the money is coming from the ultimate consumers of that oil, and that is you and I—the consumers.

Now that's not really a startling conclusion. But what just amazes me is why we are all sitting idly back and listening to all the proposed ways for the Government to spend all this money. Instead of trying to spend these windfall profits, why don't

¹The author, a Fairfax resident, is a Naval officer.

we just treat them as another part of the Government income and use them to pay for what we are already buying.

The Federal budget is consistently running huge deficits, and many of the economic experts will tell you that is a lot of what is wrong with our Nation's economy. Instead of finding new ways to spend this money, let's use it to eliminate the Federal red ink and reduce the personal and corporate income taxes.

Using these funds to reduce taxes shouldn't be so unthinkable. After all, it is the individuals and corporations who buy oil and gas who are ultimately paying the windfall profits tax, not the oil companies. To look at it another way, if we don't use the funds obtained to reduce taxes, we are in effect raising taxes on all those who consume oil—and that includes every one of us.

That brings us back to the title of this piece. Congress and the President have discovered this painless (to them) way to raise taxes and pass the blame to the oil companies rather than being held to account for it themselves.

Make no mistake about it, if the windfall profits tax isn't used to eliminate the Federal budget deficit and/or cut taxes, there is a windfall all right, but it is a windfall tax not windfall profits.

