

Past and Current Programs. Cash and vendor payments, two-party checks and other types of vouchers, and in-kind assistance in the form of consumer goods have been provided under past energy-assistance programs, with direct cash payments and vendor payments generally the most common. The current program prohibits states from distributing more than 3 percent of their block grant funds in the form of consumer goods or minor home repairs, and from using any such funds to weatherize homes. This ensures that most households receive benefits in cash, or in a form that serves nearly the same purpose as cash (such as vendor payments or two-party checks), and allows recipients a great amount of choice over how to allocate resources. But it also restricts states' flexibility in choosing the form of benefits most suitable, or most cost-effective, in a particular situation.

Other Options. One means of emphasizing the crisis assistance role of an energy assistance program would be to allow or require states to provide aid in the form of household goods such as blankets or space heaters. Providing aid in the form of household goods rather than in cash allows states to ensure, to some extent, that such aid is used for the purpose intended. In some cases, however, these goods may be of less value to recipients than their cash equivalent would be.

Alternatively, if the Congress wished to focus on energy conservation, it could allow states to provide assistance in the form of weatherization. If states did, in fact, use a large portion of their funds for cost-effective weatherization activities, then long-term gain from the program might increase, since less energy would be consumed in future years. On the other hand, the number of households receiving any form of energy assistance could decline significantly. Costs under the current low-income weatherization assistance program average an estimated \$1,000 per household--the maximum allowable in most areas--while energy assistance benefits currently average an estimated \$161. Serving the same number of households as under the current program and providing aid in the form of weatherization would require much higher levels of funding for energy assistance over the next few years, but much lower levels in the more distant future.<sup>6</sup>

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6. The benefits and limitations of low-income weatherization assistance are discussed in greater detail in the last section of this chapter.

Under the Ways and Means Committee's 1982 proposal--as under H.R. 3469--states would be free to provide benefits in any form they chose, including cash, vendor payments, consumer goods, and weatherization assistance.<sup>7</sup> The Labor and Human Resources Committee's proposal, on the other hand, would prohibit states from providing more than 10 percent of benefits in the form of weatherization assistance, and from providing more than a "reasonable amount" in the form of crisis assistance-related consumer goods.

### Funding Levels

Setting funding levels for an energy assistance block grant program, although a somewhat arbitrary process, involves making judgments about the magnitude of low-income households' energy burdens, as well as about the federal government's obligation to help offset those burdens. Federal funding for low-income energy assistance has grown rapidly in recent years--from \$200 million in 1977 to \$1.85 billion in 1981--reflecting the rapid increases in prices that occurred during that period as well as the federal government's growing willingness to help protect low-income households from the effects of those increases. Providing the same level of benefits in 1982 as in 1981 would require an estimated funding level of \$2.25 billion, taking into account expected energy price increases.

The Ways and Means Committee's proposal would authorize up to \$1.4 billion for energy assistance in 1982, and \$1.6 billion in 1983. The 1982 funding level represents a decrease of \$.45 billion, or roughly 25 percent, from the current \$1.85 billion for energy assistance, and a decrease of nearly 38 percent in funding, after accounting for expected energy cost increases in 1982.

The Ways and Means Committee also proposes that, in 1983, funds be distributed to states as matching grants, with the federal government providing 80 percent of all funds. If all states were to participate fully in a matching grant program, the amount of assistance provided to low-income households per federal dollar spent would increase. If some states were not to make use of all available federal funds, however, households in those states might receive less aid than under a block grant program funded at the same level.

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7. H.R. 3469 specifies that funds may be used only for "low-cost" weatherization.

The Labor and Human Resources Committee's proposal would authorize funding of up to \$1.88 billion in 1982 through 1986. In 1982, this represents a 17 percent decrease in funding from the current level after accounting for expected energy price increases.

H.R. 3469 calls for funding of \$1.4 billion for energy and emergency assistance annually in 1982 through 1985.

#### Allocation of Funds

The allocation of funds among states may reflect the goal or goals of a low-income energy assistance program. If the program is meant to offset the effects of higher energy prices on the real incomes of the poor, then the distribution of funds among states might mirror the distribution of recent increases in low-income households' total energy expenses. To the extent that the government wishes to target aid on households with high home heating costs or to subsidize the consumption of home heating as a merit good, then a factor related to climate--such as average heating degree days<sup>8</sup>--might be emphasized in distributing funds. If home cooling costs are to be subsidized as a merit good as well, then a factor such as cooling degree days<sup>9</sup> might also be included in the allocation formula. If funds are to be used for promoting energy conservation, then the government might want to target funds on areas in which home heating and cooling costs are highest, and in which conservation methods--such as weatherization--would be most cost-effective, and then require that such funds be used for weatherization.

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8. Heating degree days are the number of degrees the daily average temperature is below 65 degrees Fahrenheit. They are determined by subtracting the average daily temperature below 65 degrees from the base 65. A day with an average temperature of 65 degrees or more has no heating degree days.
  9. Cooling degree days are the number of degrees the daily average temperature is above 65 degrees Fahrenheit. Cooling degree days are determined by subtracting the base of 65 from the daily average temperature. A day with an average temperature of 65 degrees or lower has no cooling degree days.

Past and Current Programs. The distribution of funds among regions under past programs has generally reflected their emphasis on meeting home heating needs. States in the Northeast and North Central regions received the largest allotments per eligible household in 1981, on average, while those in the South received the smallest. Allotments per eligible household currently differ more among regions than do average home energy expenses--as Table 8 indicates--reflecting the allocation formula's inclusion of factors relating to climate and to recent increases in home heating expenses, as well as to the current level of home energy expenses.

Other Options. The past and current energy assistance programs focused primarily on offsetting households' high home heating expenses and, therefore, the formulas used to allocate funds among states took into account such factors as average heating degree days and estimated increases in households' home heating expenses. Under a program that does not differentiate between home heating and home cooling expenses when determining how states should allocate benefits, however, a formula that takes into account cooling degree days as well as heating degree days might be used to allocate funds among states.

The Ways and Means Committee and the Senate Labor and Human Resources Committee proposals for 1982 would allocate energy assistance funds as they were allocated in 1981, reflecting those proposals' emphasis on meeting home heating needs. H.R. 3469 would allocate the combined energy and emergency assistance funds in 1982 as they are currently allocated.<sup>10</sup> Since energy assistance funds would account for roughly 97 percent of the combined energy and emergency assistance funds, the distribution of the combined funds would be nearly identical to the distribution of 1981 energy assistance funds. Thus, although states would not have to use their 1982 funds to serve households with high home heating expenses, the allocation formula would continue to provide the highest amount of funding, in relative terms, to states whose households have high home heating expenses.

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10. The allocation of funds would be based on the proportion of total energy assistance funds each state received in 1981, and the proportion of total federal emergency assistance funds each state received in 1980.

TABLE 8. ESTIMATED AVERAGE HOME ENERGY EXPENSES AND ENERGY ASSISTANCE ALLOTMENT FOR HOUSEHOLDS ELIGIBLE FOR LOW-INCOME ENERGY ASSISTANCE, BY REGION, FISCAL YEAR 1981 (in dollars)

Region <sup>a</sup>	Estimated Average Home Energy Expenses, Eligible Households <sup>b</sup>	Estimated Average Energy Assistance Allotment Per Eligible Household	Allotment as Percent of Home Energy Expenses
Northeast	1,190	155	13
North Central	920	145	16
South	670	55	8
West	700	65	9
Average, All Regions	860	100	12

SOURCES: Congressional Budget Office estimates, based on the Department of Energy's National Interim Energy Consumption Survey, the Census Bureau's March 1978 Current Population Survey, and unpublished data from the Department of Health and Human Services.

a. Table excludes Alaska and Hawaii. See footnote to Table 2 for a list of the states in each region.

b. Based on households with incomes above the BLS Lower Living Standard.

## OTHER POLICY ALTERNATIVES

Increased weatherization assistance or higher general welfare benefits might serve as supplements to, or substitutes for, a separate energy assistance program. These options would more directly address the causes of low-income households' energy problems, such as energy-inefficient housing and low incomes, than have past energy assistance programs.

### Increased Funding of the Weatherization Assistance Program

Weatherization assistance not only increases the real incomes of low-income households, but also, by decreasing energy consumption, helps promote one of the government's broad policy goals. This is especially true since low-income households currently occupy some of the most energy-inefficient housing units.

If the Congress increased funding of the current low-income weatherization assistance program, low-income households' needs for energy assistance would be reduced in future years. The Department of Energy estimates that approximately 820,000 households will have received weatherization assistance under the current program by the end of calendar year 1981.<sup>11</sup> These households represent less than 6 percent of all currently eligible households--that is, those with incomes below 125 percent of the OMB poverty guidelines, or receiving AFDC or SSI benefits. In 1981, \$182 million is allocated for low-income weatherization assistance--one-tenth of the amount allocated for low-income energy assistance.

The current low-income weatherization assistance program is estimated to achieve substantial reductions in energy consumption. According to a report completed by the Consumer Energy Council of America for the National Council of Senior Citizens, the program has yielded, on average, an estimated 26.7 percent

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11. Estimate as of June 1981. See the appendix for a brief description of the current program.

reduction in recipients' consumption of energy for home heating.<sup>12</sup> The report estimated that, in 1981, this reduction in energy consumption would yield annual savings averaging roughly \$182 per recipient household. While annual savings would rise in future years as prices increased, they would diminish if the weatherization materials deteriorated. Assuming--for illustrative purposes only--that dollar savings remained constant in future years, then the costs of the weatherization--which averaged \$968 for the households studied--would be recouped in less than 6 years.

The cost-effectiveness of weatherization varies widely by region, reflecting the differences in average home heating and cooling expenditures among regions. The Consumer Energy Council estimates that, in 1981, the reduction in energy consumption achieved under the current program would yield annual savings ranging from roughly \$78 per household with income below 125 percent of the poverty line in California to \$384 for such households in Vermont. Under the simplified assumption of constant future dollar savings, the costs of weatherization would be recouped by recipient households in California in roughly 13 years, compared to less than 3 years for recipients in Vermont.

There is also evidence that weatherization may cause low-income households to increase the temperature at which they keep their homes. A 1979 study of Minnesota households participating in the Low-Income Weatherization Assistance program reported that approximately 35 percent of the households surveyed turned up their thermostats after their homes were weatherized, thereby reducing the energy savings achieved by weatherization.<sup>13</sup> This

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12. Consumer Energy Council of America Research Foundation, "A Comprehensive Analysis of the Costs and Benefits of Low Income Weatherization and its Potential Relationship to Low Income Energy Assistance" (1981). This report's estimates of dollar savings achieved by the weatherization program are not strictly comparable to the estimates of home energy expenditures presented in this paper, since the two series of estimates were obtained using different methodologies.
  13. Raj Talwar, "Evaluation of the Federal Weatherization Assistance Program in Minnesota" (December 1979), Mid-American Solar Energy Center.

action reflects the fact that many low-income households may choose to spend the increases in their real incomes brought about by weatherization (or by other programs) on home heating.

Rather than funding federal low-income weatherization assistance programs, the Congress could allow utilities to weatherize the homes of low-income households. The cost of such weatherization could be paid for through increases in utility rates. In many areas of the country, weatherization would benefit all utility users, as well as the utility companies, since the decrease in demand for energy would reduce the need for utility companies to expand their energy-production capacity--an investment that is generally very costly.

Despite its advantages, the present weatherization assistance program is limited in several important ways. First, many of the poorest households inhabiting the least energy-efficient housing are unable to benefit from the current weatherization assistance program, because their homes would require costly basic repairs that cannot be financed under the current program. Second, the weatherization program leaves many renters unserved because of the unwillingness of their landlords to cooperate. In general, landlords are required to let the benefits of weatherization accrue to the tenants, and not raise rents as a result of weatherization. These agreements are often difficult to obtain. Third, approximately 13 percent of households with incomes below 125 percent of the poverty guidelines reside in multi-unit structures containing five or more dwellings. Since ineligible and eligible households often occupy units in the same large apartment buildings, the targeting of low-income weatherization assistance is more difficult than the targeting of other low-income assistance programs. As a result, while renters account for approximately half of all eligible households, they make up only slightly more than 10 percent of households receiving weatherization assistance.<sup>14</sup>

The Administration has proposed eliminating the low-income weatherization assistance program in 1982, and allowing states and localities to weatherize homes using Community Development Block Grant (CDBG) funds. Funding for this program would also be reduced from current levels under the Administration's proposal, however.

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14. As of August 1980.

## Combining Energy Assistance with Welfare Benefits

Some policymakers argue that energy needs, like other household needs, should be met through existing cash assistance programs, but this would necessitate raising benefit levels and, perhaps, varying them depending on the season of the year. In most states, the payment standards for the principal federal cash assistance programs--AFDC and SSI--currently are set at levels well below the poverty guidelines. Furthermore, while federal SSI payments are indexed to the Consumer Price Index, most states do not increase the SSI state supplements or AFDC payment standards with increases in the cost of living. Thus, rapid increases in the price of energy have lowered the real incomes of many cash assistance recipients.

Incorporating energy assistance into welfare programs would have several advantages. First, this approach would allow consumers complete control over the allocation of their resources and would not create conservation disincentives since benefits would not be tied to the consumption of energy. Second, if a separate energy assistance program was not also administered, total administrative costs would decrease. Third, households would not need to apply for special benefits or wait for new programs to be instituted during the months of greatest need for home energy. Rather, benefits would be timely, and the administrative delays and problems encountered in past energy assistance programs would be avoided.

On the other hand, there are several disadvantages to this type of proposal. First, persons categorically ineligible for federal cash assistance payments (for example, single individuals and childless couples that are not aged or disabled) would also be ineligible for energy assistance. Second, the "energy assistance" portion of welfare benefits would be unlikely to vary with indicators of actual energy burden, such as fuel type. Third, current cash assistance programs are entitlements, while the energy assistance program is subject to the appropriations process. Thus, the Congress might find it more difficult to control federal expenditures on assistance to low-income persons if such assistance was incorporated into the current federal cash assistance programs, than if it was distributed through a separate assistance program.



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APPENDIX. THE FEDERAL GOVERNMENT'S RESPONSE TO THE BURDEN OF HIGH ENERGY PRICES ON LOW-INCOME HOUSEHOLDS

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The history of federal low-income energy assistance programs reflects a diversity of goals. While the Congress has appropriated money for low-income energy assistance programs in every year since 1977, the individual programs have differed greatly.

This appendix describes past and present low-income energy assistance efforts--summarized in Table 1 in Chapter I--examining the amounts and kinds of aid offered, the allocation of benefits, and the effects of the programs on the energy burdens of low-income households. It concludes with a description of the federal weatherization assistance program, which provides a possible alternative or supplement to energy assistance payments.

#### 1977, 1978, AND 1979 PROGRAMS

The 1974 amendments to the Economic Opportunity Act of 1964 authorized the first large-scale low-income energy assistance program and serve as the authority for all such programs funded to date. The 1974 amendments authorized the Community Services Administration (CSA) to perform a wide variety of services aimed at lessening the burdensome effects of the energy crisis on low-income households. While focusing primarily on conservation and weatherization activities, the legislation also permitted emergency loans, grants, and revolving funds to deal with increased housing expenses relating to the energy crisis.

Special Crisis Intervention Program. In May 1977, the Congress appropriated \$200 million for a nationwide Special Crisis Intervention Program (SCIP), intended as a one-time-only emergency measure. This program provided grants to states to aid households with incomes below 125 percent of the OMB poverty line in coping with high home energy bills. Between June and September of 1977, vendor payments and direct grants totaling up to \$250 per household were made on behalf of households with unpaid utility or fuel bills or who had paid their winter energy bills at "great sacrifice." Renters who did not pay for home energy directly, but paid through their rent, were not eligible for benefits. Approximately

82 percent of the funds available were obligated under SCIP, and over one million households received benefits that averaged an estimated \$140. States were allowed to reprogram the remaining SCIP funds into weatherization assistance programs.

Emergency Energy Allowance Program. In 1978, the Congress appropriated another \$200 million for a somewhat different crisis intervention program--the Emergency Energy Assistance Program (EEAP). This program, unlike its predecessor, permitted payments only on behalf of households with large unmet home energy bills. It also provided assistance in the form of blankets, space heaters, emergency repairs, and temporary shelter. Between March and May of 1978, EEAP provided benefits averaging \$165 to roughly 900,000 households. Less than three-fourths of EEAP funds had been obligated by the time the program was due to end in May 1978. Rather than being returned to the Treasury, the unobligated funds were spent during the first six months of 1979 under a court order extending the program beyond its original expiration date.

Crisis Intervention Program. Funding of \$200 million for the 1979 Crisis Intervention Program was distributed among three sections: the Regular Crisis Intervention Program, the Special Crisis Intervention Program, and the Winter-Related Disaster Relief Program. While all but a few of the warmest states received funds under the first of these sections, only states in which there occurred winter-related energy emergencies received funds under the second or third. Like EEAP, the Crisis Intervention Program served households with incomes below 125 percent of the OMB poverty line who had unpaid energy bills, and provided assistance in the form of household supplies as well as through vendor payments. Approximately 91 percent of funds available in 1979 were spent on crisis assistance activities while the remainder were used to support other CSA activities.

#### 1980 INTERIM ENERGY ASSISTANCE PROGRAMS

The 63 percent rise in home heating oil prices that occurred during 1979, and the announcement of the decontrol of domestic oil prices, prompted the Congress to increase funding for low-income energy assistance to \$1.6 billion in 1980. Funding was distributed among:

- o An Energy Crisis Assistance Program (ECAP), funded at \$400 million, and administered by the CSA. Under ECAP,

community action agencies provided vendor payments, cash, and consumer goods to households with incomes below 125 percent of the OMB poverty line or that were headed by an SSI recipient.

- o An SSI-energy allowance program, also funded at \$400 million, but administered by HHS. This program provided direct cash payments to all SSI recipients who were not in Medicaid institutions.
- o An Energy Allowance Program (EAP) through which HHS provided \$800 million in block grants to states. States distributed their EAP funds using one or more of four options. Under Option A, payments were made to participants in the AFDC program only. Under Option B, food stamp and/or General Assistance recipients also received aid. If Option C was chosen, block grant funds were combined with ECAP funds and distributed by CSA. Under Option D, states were free to devise their own plans for distributing assistance. Overall, states allocated approximately 31 percent of their block grant funds to Options A and B, 38 percent to Option C, and the remainder to Option D.

#### The Allocation of Funds

In 1980, low-income energy assistance funds were allocated among states by means of three different formulas, which took into account climate, change in home heating expenditures between 1978 and 1979, and each state's share of the eligible population. Overall, states in the Northeast and North Central regions received the largest allocations per family below 125 percent of the OMB poverty guideline, while states in the South received the smallest average allotment per low-income family, reflecting the formulas' emphasis on climate (see Appendix Table 1). Among cold-weather states, those with the heaviest use of fuel oil--which has undergone larger price increases than electricity and natural gas in recent years--received the largest per-family allocations.

APPENDIX TABLE 1. AVERAGE HEATING DEGREE DAYS, AVERAGE HOME ENERGY EXPENSES OF LOW-INCOME HOUSEHOLDS, AND AVERAGE ENERGY ASSISTANCE ALLOTMENT PER LOW-INCOME HOUSEHOLD, BY REGION, FISCAL YEAR 1980

Region <sup>a</sup>	Average Heating Degree Days <sup>b</sup>	Average Home Energy Expenses of Low-Income Households in Dollars <sup>c</sup>	Average Energy Assistance Allotment per Low-Income Household in Dollars	Allotment As Percent of Home Energy Expenses
Northeast	5,956	1,000	235	24
North Central	6,369	740	190	26
South	2,852	580	65	11
West	3,940	600	100	17
Average, All Regions	4,715	720	135	19

SOURCES: Congressional Budget Office estimates, based on the Department of Energy's National Interim Energy Consumption Survey, the Census Bureau's March 1978 Current Population Survey, and various published documents from the Community Services Administration and the Congressional Research Service.

- a. See footnote to Table 2 for a list of states in each region. Table excludes Alaska and Hawaii.
- b. Heating degree days listed in this table are averages of those used in allocating funds under the ECAP.
- c. For the purpose of this table, low-income households are defined as those with incomes below 125 percent of the OMB poverty line.

## Eligibility, Participation, and Benefit Levels

In contrast to earlier years' programs, in which all households had to apply for aid and attempts were made to relate benefits to households' actual energy needs, the 1980 programs also provided automatic payments to all recipients of certain types of public assistance, regardless of their actual energy expenses. Overall, roughly half of all the 1980 energy assistance funds were distributed as automatic payments to public assistance recipients, and therefore served as cash assistance supplements rather than as crisis assistance payments.

At most, 9.9 million households--roughly two-thirds of all households with incomes below 125 percent of the OMB poverty line or receiving public assistance--received energy assistance in 1980. Benefit amounts varied widely by state and program. Within the continental United States, SSI-energy allowance payments ranged from \$39 in Florida to \$250--the maximum allowable--in many of the colder states, while average benefits under ECAP ranged from \$51 in Mississippi to \$472 in North Dakota. The ECAP program and EAP option C served roughly 2.4 million households, with benefits averaging roughly \$218, or 30 percent of the average home energy expenditures of eligible households (see Appendix Table 2). An estimated 3.6 million families were served under EAP options A, B, and D with benefits averaging \$121, or 17 percent of the average home energy expenditures of households with incomes below 125 percent of the poverty guidelines. In addition, roughly 3.8 million persons in households received SSI energy allowance benefits, which averaged \$97. Since households were eligible to receive benefits under more than one program, the number of households receiving any benefit was most likely considerably lower than 9.9 million.

Benefits to individual households were calculated in many different ways. Automatic payments to public assistance households varied only with household size, region, and type of public assistance received, but did not vary with actual energy expenditures or income. Application-based programs such as ECAP, on the other hand, attempted to tailor payments to energy need. While some states developed complex formulas, or relied on a household's income, intrastate region, and type of home fuel to determine energy need, most states simply paid a household's energy bills up to a certain maximum.

APPENDIX TABLE 2. HOUSEHOLDS SERVED AND THEIR AVERAGE BENEFITS UNDER THE 1980 LOW-INCOME ENERGY ASSISTANCE PROGRAMS

Program	Households Served <sup>b</sup> (Millions)	Average Benefit per Recipient <sup>a</sup> As a Percent of Average Home Energy Expenses of Low- Income Households <sup>c</sup>	
		In Dollars	
Energy Allowance Program, Excluding Option C	3.6	121	17
Energy Crisis Assistance Program, including EAP Option C	2.4	218	30
SSI-Energy Allowance Program <sup>d</sup>	3.8	97	13

SOURCE: Congressional Budget Office estimates, based on the Department of Energy's National Interim Energy Consumption Survey, and published and unpublished documents from the Department of Health and Human Services and the Congressional Research Service.

- a. A household could receive more than one benefit and, therefore, the average benefit per household was actually somewhat higher than the average benefits presented above. Estimates are preliminary.
- b. Household figures represent the number of payments made to households. Thus, they represent a maximum estimate of the number of households served, since a household could receive more than one benefit.
- c. For the purpose of this table, low-income households are defined as those with incomes below 125 percent of the poverty line.
- d. Excludes roughly 200,000 payments made to persons in institutions.

## Types of Benefits

Application-based programs and those making automatic payments differed in the forms in which benefits were provided. Automatic payment programs generally provided direct, one-time-only, cash payments to households. Under ECAP, on the other hand, states offered a variety of types of benefits, including cash payments of up to \$50 per household, vendor payments or lines of credit, and goods such as blankets and space heaters. Vendor payments were by far the most common form of assistance.

## Treatment of Indirect Home Energy Purchasers

Approximately 16 percent of low-income households do not pay for their principal home heating fuel directly, but, rather, pay such costs indirectly through their rent. These households--referred to as indirect energy purchasers--were treated the same as direct energy purchasers under most energy assistance programs making automatic payments to public assistance recipients. Indirect energy purchasers were treated very differently from direct purchasers under most application-based programs, however. Two such programs provided no benefits at all to indirect energy purchasers and four provided only in-kind aid such as blankets and space heaters.<sup>1</sup> Although most states did permit payments on behalf of indirect energy users, many required that such payments be made to the landlord in return for an agreement that the landlord would rebate part of the tenant's rent or would not raise the rent for a specified time. Many landlords were reluctant to enter into such agreements, leaving most indirect energy purchasers unaided.

## Administrative Costs

Administrative costs varied widely by state and type of program, ranging from less than 1 percent to over 10 percent of total program funds. Since application-based programs provided assistance tailored to individual household energy needs, and often performed a good deal of outreach and intake services, they generally experienced fairly high administrative costs, averaging roughly 10 percent. Automatic payment programs, on the other

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1. Urban Systems Research and Engineering, Inc., "Short-Term Evaluation of the Low-Income Energy Assistance Program--Interim Report" (August 1980).

hand, required very little interaction with clients and, in most cases, led to administrative costs of less than 5 percent.

#### 1981 LOW-INCOME ENERGY ASSISTANCE PROGRAM

The Crude Oil Windfall Profit Tax Act of 1980, enacted in March of that year, authorized \$3.1 billion for a home energy assistance program in 1981. A continuing resolution, passed in October 1980, appropriated \$1.85 billion for low-income energy assistance in 1981, but the funds were provided under the authority of the Economic Opportunity Act Amendments of 1974.

#### Allocation of Funds

The distribution of funds among states was a major concern in legislative debates leading to the 1981 Low Income Energy Assistance program. As passed, the Windfall Profit Tax Act specified a complex allocation formula employing such factors as heating degree days, aggregate residential energy expenditures, and the distribution of low-income and public assistance households. This formula would have allocated a substantially larger share of funds to the South and to the West than the share allocated in previous years. The House of Representatives rejected that formula during the appropriations process, however, and instead constructed one that would have placed more emphasis on climate and on recent increases in home heating expenditures, thereby increasing northern states' shares of funds. The legislation that eventually appropriated funds for the 1981 program used yet a different formula that, while similar to the House Appropriations formula, was somewhat more generous to the warmer states.

Of the block grant funds distributed under the compromise formula, states in the Northeast and North Central regions received the largest average allotments per eligible household while those in the South received the smallest (see Table 8 in Chapter 4). Average allotments per eligible household differ more among regions than do average household home energy expenses, reflecting the allocation formula's emphasis on heating needs and recent increases in home heating expenses, rather than the actual level of home energy expenses.

## Eligibility, Participation, and Benefit Levels

Households with incomes less than the Bureau of Labor Statistics' Lower Living Standard (which averaged \$12,600 for a family of four during the year beginning May 1980), households containing a recipient of AFDC, SSI, Food Stamps, or certain veterans' benefits, and one-person households with incomes below 125 percent of the OMB poverty line may receive aid under the 1981 Low Income Energy Assistance program. An estimated 17.2 million households, more than one-fifth of all U.S. households, meet these income eligibility criteria, which are considerably more lenient than those used in previous years. However, states were given the option of applying stricter income standards, and 32 states have chosen to do so.<sup>2</sup>

The states administering low-income energy assistance programs estimate that roughly 10 million households will participate, with benefits averaging roughly \$160 per household. Maximum benefits per household are estimated to range from \$100 in Arizona to \$1,500 in Montana.

If households receiving energy assistance have the same average home energy expenses as those eligible for such aid, then this aid will reduce the average home energy expenses of recipient households from an estimated \$860, or 13 percent of income, to \$700, or 11 percent of income. These estimates may understate the proportions of income spent on home energy by program beneficiaries, both before and after receiving aid, however, since eligible households with high home energy expenses in relation to income may be more likely to participate than those with low home energy expenses in relation to income.

The 1981 program is intended to provide benefits that are closely related to each household's energy burden. States generally estimate a household's energy burden on the basis of factors such as household income level and size, intrastate region, and the type of home fuel used. As a result, the program is basically application-based in nature. Although states are allowed to make automatic payments to public assistance

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2. Based on states' plans as of June 1981.

recipients, and 12 states have chosen to do so, they are prohibited from offering larger benefits to such households than to similarly situated nonpublic assistance households, and may not make automatic payments to persons who do not bear a burden from rising home energy costs.

Under the Low Income Energy Assistance program, states have the option of providing cooling assistance in situations where cooling is medically necessary. Only 12 states, however, have set aside funds for cooling assistance, and only 7 of the 17 southern states have done so.<sup>3</sup> Other states, however, will use funds left over from their winter heating assistance programs to provide cooling assistance.

#### Types of Benefits

Under the 1981 program, states have the option of providing energy assistance benefits through direct cash payments, vendor payments, or certificates to be exchanged for energy supplies. They are prohibited, however, from using more than 3 percent of their block grant funds to provide such in-kind aid as food, warm clothing, or minor home repairs.<sup>4</sup> Cash and vendor payments will probably serve as the most common forms of assistance in 1981, since 47 states intend to provide at least some benefits in the form of cash, and 35 plan to provide at least some benefits in the form of vendor payments.

#### The Treatment of Indirect Energy Purchases

Unlike previous years' programs, the Low Income Energy Assistance program requires that indirect energy purchasers be treated the same as direct energy purchasers. When information on the actual energy costs of indirect purchases is not available from the landlord, these costs are to be estimated based on the energy expenses of similarly situated direct energy purchasers.

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3. Other states have plans to provide cooling assistance under review by HHS.
  4. These types of aid could, however, be provided through CSA's crisis intervention program.

## Administrative Costs

States are allowed to spend up to 7.5 percent of their federal funds on administration in 1981, with additional administrative expenses paid out of nonfederal funds. Virtually all the states are expected to have used the full 7.5 percent for administration, with many spending nonfederal funds as well. These relatively high administrative costs reflect the fact that the 1981 program is application-based, relates benefits closely to actual household energy burden, and performs a significant amount of outreach.

## LOW-INCOME WEATHERIZATION ASSISTANCE PROGRAM

The Congress has attempted to alleviate the high energy cost burden of low-income households--and at the same time reduce energy consumption--by funding low-income weatherization assistance programs. Between 1975 and 1978, CSA provided low-income weatherization assistance, with the Department of Energy (DOE) also providing such aid in 1977 and 1978. By 1979, DOE was the sole administrator of the program, which was funded at roughly \$200 million per year in 1979 through 1981.

Under the current low-income weatherization assistance program, DOE allocates funds to states, which in turn divide the money among local community action agencies. These agencies perform such activities as caulking, weatherstripping, patching, insulating attics, installing storm windows, and, in some of the colder areas, insulating walls. When possible, labor is provided through Comprehensive Employment and Training Act (CETA) programs. As of August 1980, expenditures averaged \$600 per household, but DOE officials expect this average to rise to \$1,000--the maximum allowable expenditure per household in most areas--during 1981. Households with incomes less than 125 percent of the OMB poverty line, or containing at least one AFDC or SSI recipient, qualify for weatherization assistance.

Weatherization activities proceeded at a very slow rate during the first several years of the program. Between 1975 and 1979, only 21 percent of the \$480.5 million in available funds had been spent, and fewer than 250,000 homes had been weatherized.

By September 1980, however, the total number of homes weatherized had doubled, and homes were being weatherized at a rate of roughly 30,000 per month. DOE officials expect to have weatherized 820,000 homes by the end of calendar year 1981, representing approximately 6 percent of eligible households.

Despite the progress made to date in weatherizing the homes of low-income households, little information is available on the types of weatherization activities that are most efficient for low-income households. In particular, information is lacking on the amount of energy savings that result from different types of weatherization activities, and on the most appropriate methods of weatherizing large multi-unit structures. In the future, however, data from both private and public weatherization projects may provide this needed information.



