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HOME ENERGY ASSISTANCE ACT

HEARINGS

BEFORE THE

COMMITTEE ON
OR AND HUMAN RESOURCES
UNITED STATES SENATE

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

S. 1724

TO AUTHORIZE THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE TO MAKE GRANTS TO STATES IN ORDER TO PROVIDE ASSISTANCE TO HOUSEHOLDS WHICH CANNOT MEET THE HIGH COST OF FUEL, AND FOR OTHER PURPOSES AND RELATED BILLS

PROVIDENCE, R.I., OCTOBER 9, 1979
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PART 3



Printed for the use of the Committee on Labor and Human Resources

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HOME ENERGY ASSISTANCE ACT

TUESDAY, OCTOBER 9, 1979

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Providence, R.I.

The committee met, pursuant to notice, at 9:15 a.m., in the third floor courtroom, Federal Building, Providence, R.I., Senator Claiborne Pell presiding pro tempore.

Present: Senator Pell.

Senator PELL. I would like to take this opportunity to welcome all of the participants and guests to this hearing of the Senate Committee on Labor and Human Resources on S. 1794, the Home Energy Assistance Act, which would provide grants to States to assist low- and moderate-income individuals to meet the rising burden of energy costs and establish a long-range mechanism to deal with this problem.

The purpose of this hearing is to gain an understanding from consumers about the energy cost problems they are facing and seek counsel from our State experts and energy suppliers on how to devise legislation to distribute aid to those who need it when they need it.

I strongly support this bill, because double-digit annual increases in the cost of the basic necessities are rapidly approaching levels that the average American can no longer bear. In 1 year, Rhode Island has experienced a 70-percent increase in home heating oil costs, which is too much to expect for low- and moderate-income individuals to absorb.

For many individuals, the phrase "food or fuel" is becoming a dangerous reality. Therefore, we must take action to protect the already-dwindling purchasing power of the elderly, the poor, and moderate-income workers who are seriously threatened by rising energy costs.

I believe these moderate-income workers are those who particularly deserve help, because they are contributing to the general productivity of the state of the Nation. while not adding to the Government's assistance burden.

Several options for distributing domestic energy assistance are currently being discussed in Congress. This particular bill would include these moderate-income individuals and would help them; would minimize paperwork and the administrative burden associated with a plan that utilizes the traditional public assistance mechanism; and would make allowances for States like our own that have higher home heating costs.

We in the Senate have a deep personal commitment to seeking a solution to this problem, and we up in the Northeast are particularly sympathetic to this bill that is proposed.

I must apologize to the witnesses for having requested brevity of their statements, but as they know, the Chair has to catch an airplane to Washington, so I have to leave here at 12 o'clock today. I appreciate very much all of you being here; and I would now ask you to proceed.

We are very lucky at this point, for the lead-off witness is Mr. Edward Burke, chairman of the public utilities commission. John Affleck, director of the department of social rehabilitative services, also will testify, along with Mrs. Anna Tucker, director of the department of elderly affairs, and Fred Williamson, director of the department of community affairs.

This is a panel of representatives of the State government; they will be followed by a panel on community affairs from the Roman Catholic Diocese of Providence, a panel from the AFL-CIO, and a panel of fuel supply dealers. The most important people of all, the consumers, will be participating on the panel on community affairs from the Catholic Diocese of Providence.

Mr. Burke, if you would care to lead off, we would be delighted.

STATEMENT OF EDWARD F. BURKE, CHAIRMAN OF THE RHODE ISLAND PUBLIC UTILITIES COMMISSION AND CHAIRMAN OF THE RHODE ISLAND ENERGY COORDINATING COUNCIL

Mr. BURKE. Good morning. I am Edward F. Burke, chairman of the Rhode Island Public Utilities Commission. I also serve as chairman of the Rhode Island Energy Coordinating Council, and it is in this capacity that I address you today.

At the outset, I would like to thank you, Senator Pell, for affording Rhode Islanders an opportunity to testify today on S. 1724.

I became chairman of the Rhode Island Public Utilities Commission shortly before Governor Garrahy's inauguration in 1977. I can still recall the highly dangerous crisis with which we were confronted. Even then, thousands of citizens were finding it impossible to meet the full burden of energy costs because of spiraling inflation, and because the frigid temperatures of that winter substantially increased energy costs, even though unit prices at that time were relatively stable.

Because State and Federal financial assistance for those in need was not immediately available, we were forced to solicit the citizens of the State for emergency assistance funds until the Federal and State governments were able to meet the continuing crisis with substantial assistance through what came to be known as Crisis Intervention Funding.

During the ensuing 2 years, a series of steps have been taken, both at the Federal and State levels, and in the private sector, to attempt to come to grips with this ongoing problem. I am pleased to say that in Rhode Island, the cooperation of State and local agencies in relation to energy heating assistance has been outstanding.

Despite all of these efforts, however, the sad fact is that because of rising energy costs, many of our citizens are faced with even

more serious problems in paying for fuel during the oncoming heating season.

Governor Garrahy testified before this Commission on September 27th, stating:

> Winter heating costs have the potential for being the most disastrous blow to Rhode Island's low income people since the Great Depression.

Subsequent to his appearance before this committee, Governor Garrahy asked a number of people in the State government to analyze in detail the content of S. 1724. Today we are here to comment on the specifics of this proposal.

While it has been the basic premise of the Garrahy administration to support, wherever possible, the energy proposals presented by President Carter, we feel that in this instance the Williams-Pell bill, which shares the commendable goals of the administration proposals, is legislation which is more closely attuned to the needs of the northeast region.

I am particularly pleased to note that section 4(b) of S. 1724 proposes substantial appropriations from now until fiscal year 1985, thereby providing a necessary continuity of methodology for funding.

The immediacy of the crisis faced in New England as the heating season begins is reflected by the price for heating oil in Rhode Island, which stood at 86 cents per gallon last Friday. I cannot stress enough that whatever is done to allocate funds, it must be done expeditiously.

I will digress for 1 second to say that obviously the interests of twenty-two thousand Rhode Islanders was shown Sunday at the Energy Conservation Exposition at Rhode Island Junior College. I think this is great testimony to all of our citizens who have interest in this subject.

Governor Garrahy and those of us testifying today are encouraged in reading the proposed Williams-Pell bill to note that aid will go to households with incomes up to $11,800, rather than limiting assistance to households with incomes below $8,905.00.

In his remarks of September 27, Governor Garrahy suggested eight critical points which he asked to be considered in devising an emergency heat program for this winter season. According to my analysis of the bill, six of the points are met directly and satisfactorily by the Williams-Pell bill.

The Governor's first point was, "Funding made available should consider the type and cost of fuel supply available in the State." As I mentioned earlier, this is most important to residents of the Northeast, and S. 1724 deals with this problem.

The Governor then said, "Do not impose an assets test." None is imposed in the Williams-Pell bill.

The third and fourth points made by Governor Garrahy clearly were that food stamp eligibility lists provide an insufficient determination of eligibility. He suggested that all low-income people are not eligible for food stamps, and suggested that extensive outreach methods should be utilized to contact those persons eligible for assistance. Under the Williams-Pell bill, States should be responsible for designing programs, making payments, and establishing eligibility.

The Governor also said that, five, "Small oil vendors increasingly want their money up front in cash." Payments made directly to companies or vendors, as called for in the Williams-Pell bill would ease that problem.

The Governor also emphasized that a more realistic eligibility cut-off is needed. As I indicated earlier, S. 1724 has the most realistic eligibility standards of any proposed legislation.

Governor Garrahy also called for elimination of the $90 cap on shelter deduction in the food stamp program. While this matter is not incorporated in the Williams-Pell bill, it is a subject closely related to those purposes of the legislation, as Director Affleck will outline.

Governor Garrahy's final point was that funding is needed now, a theme I am sure you will hear repeatedly this morning. Even if this legislation is adopted by the Congress within the next 2 weeks, there will be a critical lag in the receipt of funding, which requires short-range planning by Rhode Island and all other States.

I am joined this morning by three persons who have played a vital role in developing Rhode Island's response to the heat funding problem: Frederick C. Williamson, the director of the department of community affairs and chairman of the Governor's advisory council on home heating, will make comments concerning the CSA emergency assistance program, including the problems faced by local community action agencies and the recommendations which are being made by the advisory council; John J. Affleck, who is the director of our department of social and rehabilitative services, will provide an overview of the activities of State welfare agencies and will comment specifically concerning eligibility criteria; and Anna Tucker, the director of the department of elderly affairs, is prepared to comment on the problems and concerns of our elderly citizens, and the outreach efforts which the State of Rhode Island is making to reach all segments of our senior citizens population.

I will yield now to Mr. Williamson.

Senator PELL. Mr. Williamson?

STATEMENT OF FREDERICK C. WILLIAMSON, DIRECTOR OF THE DEPARTMENT OF COMMUNITY AFFAIRS AND CHAIRMAN OF THE GOVERNOR'S ADVISORY COUNCIL ON HOME HEATING

Mr. WILLIAMSON. Thank you. Senator Pell and members of the committee, I am pleased to have this opportunity to speak to you today concerning the need to provide sufficient home heating energy assistance that none may suffer physical hardship during the cold of this coming winter, either because of inability to pay or because of the inability of the distribution system to supply the demand for home energy.

The recognition of this need as expressed in the Home Energy Assistance Act, S. 1724, that authorizes grants to households that cannot meet the high cost of fuel, is supported as a timely, comprehensive legislation that should not be delayed in its passage. The immediacy of the heating season makes it imperative that no time be lost in the legislative process, in order to prevent harm to the health and well-being of the vulnerable, low income and elderly segment of our population.

The ability of any household to meet the excessive cost of heating fuel this coming winter will be strained to the breaking point. While it may mean only a reordering of budget priorities for households at higher income levels, for those at low- and near-low income levels, the elderly and the infirm, it can mean the difference in choice among heat, food, clothing and shelter.

While in previous years there have been crisis intervention programs funded through the community services administration to assist low-income families and the elderly, the coming winter and those that will follow have none. The cost of home heating oil is expected to go to 90 cents a gallon, possibly before the winter is over. The ever-present specter of short supply places another dimension on the problem.

We no longer have an intermittent crisis situation intervened by ad hoc legislation on an annual emergency basis; always too little and too late. We have a continuing problem that can only be met by continuing Federal legislation.

Therefore, the provisions of S. 1724 that carry authorized sums to August 1, 1984, under the administration of HEW provides a continuity of resources essential to the problem. Essential also are provisions for Federal sharing of administration of the program on a continuous basis.

An administratives setup would have the effect of sharing accountability and certain data gathering. States should be reimbursed for any expenditures made for early implementation of the Home Energy Assistance Act. Delays in Federal initiation of the program should not stall assistance to those in need.

Senator Pell, I am pleased to state that Rhode Island is ready to meet the challenge and the requirements of S. 1724. In the past 3 years of energy assistance experience we have developed an administrative and operational structure that work cooperatively with community-based agencies to deliver a responsive program with the requisite accountability.

The flexibility built into S. 1724 will allow the State to determine the essential elements of program delivery; and will permit the State department of community affairs, the department of social and rehabilitative services, the Department of Elderly Affairs, and the nine community action agencies to implement the Home Energy Assistance Act.

Approximately 50,000 households are under 125 percent of the poverty level, and will be eligible at one time or another this coming winter to receive benefits under the act. About one-third of these are eligible, elderly; and although approximately 60 percent of the families receive welfare assistance, the other 40 percent are so-called "working poor" and elderly on fixed incomes.

The direct contact with outreach capabilities of the community action agencies in both urban and rural neighborhoods of the State will be employed to reach all eligible families, including the elderly and the handicapped. In addition, each household will be checked for inclusion in the weatherization and energy conservation program that has already insulated over 3,000 homes since August 1977.

It is expected that most of the elderly will be reached through the senior citizen and other outreach programs in the department

of elderly affairs; in addition to the outreach program of the community action agencies.

The State Department of social rehabilitative services (SRS) administers an ongoing energy assistance program established by the government in general assembly, through the passage of State legislation that raises welfare standards during the winter months.

However, the severity of past winters, however, has forced many of these recipients to exhaust their heating allotments and resort to crisis intervention funds to relieve their temporary heating emergency. As this occurred, the SRS department has utilized its staff capability to assist the community action agencies in processing and reporting the large number of eligible households in this category.

The appointment by the Governor of an advisory committee on home heating, consisting of State officials, businessmen, and affected citizens, has provided new interest and concern, not only in the plight of the consumer being addressed, but also the financial viability of the small oil dealer who wants to remain a part of the low-income neighborhood delivery system.

The possible establishment and utilization of a private fuel fund, similar to the privately financed heat fund that supplemented energy assistance 3 years ago, is being revived.

Another concern, of course, is the ultimate ability of the support plan to give the families that needed assistance because of lack of heat.

Finally, it is vital that any formula that is devised and becomes a program be cued to the highest cost of oil in the geographic area. This is important because we in the Northeast certainly need assistance that perhaps may not be needed in other areas of the Nation because of differences in climate and the impact on residents of different areas.

Senator, and honorable members of the committee, I appreciate the privilege of speaking to you today, and I urge your favorable consideration of this statement.

Senator PELL. Thank you very much indeed. Mr. Affleck?

STATEMENT OF JOHN J. AFFLECK, DIRECTOR, DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES

Mr. AFFLECK. Good morning, Senator. I am John J. Affleck, as Mr. Burke has indicated, director of the department of social and rehabilitative services, and I very much appreciate the opportunity to testify this morning with my colleagues.

I would suggest that the bill, as you very sensitively note, addresses one of the most critical issues facing our American public today; namely how to insure low-income and dependent families adequate means to secure heat this winter.

As Mr. Burke noted, I do speak from the vantage point of director of SRS, and I remind us that I have the basic concern and daily responsibility for some 15,000 recipients of SSI in Rhode Island, some 17,000 AFDC families, and some 4,000 individuals with families who receive general public assistance; representing about 7 percent of Rhode Island's population.

Beyond this, however, I really speak for such individuals with families throughout America, in my capacity as chairman of the

National Council of State Public Welfare Administrators. And already, my colleague from Vermont, Commissioner David Wilson, has addressed you, testifying on the same day as Governor Garrahy, September 27. He testified on behalf of the council for your committee, and identified some of the specific areas of very real concern to the welfare administrators of this country.

Now, while my professional and personal concern is with those dependent on public funds for their daily needs, I do underscore what you indicated in your opening remarks: the deep concern for the plight of the low-income individual families throughout America, whose problems may, in some respects, be even greater than those dependent upon public funds at any point in time.

The fact that the bill addresses the needs of low-income individuals below the 125 percent figure is very significant in both weighing the bill's merits and developing support for the bill.

Let me address the bill specifically in terms of principles which really have been developed by the task force on emergency energy assistance, which the State administrator has formulated under Commissioner Wilson's direction. The bill is essentially in substantive agreement with those principles.

Consequently, it is important for us to note that the Council of State Administrators has formally adopted the position that S. 1724 is the preferred legislative vehicle at this time for attempting to meet critical heating needs this winter.

Let me note two points, and then address the bill specifically. First, we note that the poor and the elderly in our State and the other colder regions of our country may spend as much as 50 percent of their income this winter for heat. This is an appalling figure, and is really, I would say, physically impossible without some outside assistance being available to most such families.

Second, despite this very serious issue, there is really no money, no hard money that I can identify today that is available for assistance; and consequently, the fact that 1724 is on the front burner is encouraging, as it really gets to the heart of the issue in the four specific ways that I feel are essential.

One, it avoids linking funds to revenues from the prospective windfall profits tax. That may be a very desirable means of funding, but it is very much in the future, and it seems to me very difficult to contemplate in terms of the winter that we face today.

Second, the bill avoids the quagmire of the fuel stamps proposal, a plan that would be extremely difficult to manage and truly an administrative headache in terms of trying to be responsive to the needs that we see.

Third, S. 1724 uses the Department of Health, Education, and Welfare, or whatever Health and Welfare will be called after Education moves from it, as a vehicle for implementation.

Finally, and most importantly, S. 1724 offers the States the degree of flexibility in administration that I believe is essential, that I would feel every welfare administrator, indeed every Governor, would advocate. I also think, as I have indicated, that it offers the best legislative vehicle at this point to move now for this winter.

Now, in saying that, it may very well be that the Congress may want to mandate direct vendor payments completely at a future

point, but I don't feel that this really can be adopted as the method in this winter.

Further, the Congress may want to make distinctions among the various categories of dependent individuals, general assistance, SSI, and AFTC, in the future; but again, I do not feel that this is feasible or possible for this winter.

The most compelling concern that I have for S. 1724 at this point deals with the trust for vendor contracts with the fuel dealers. For me, this seems a bit unrealistic at this point, and I am pleased to see that the bill offers a second opportunity for the States to avoid being committed to that particular method.

When I say I am concerned about the direct contract or vendor method, I speak in relation to the needs and the reality of the people with whom I am most concerned. Most of our dependent families and individuals are receiving their fuel oil cash on delivery, although small dealers selling to families for the most part are not geared to credit lines, or elaborate recordkeeping techniques.

I would hope that the States are given the opportunity to use alternate means of payment, rather than mandating the direct fund method. With this significant reservation, I believe the bill offers the most significant and viable approach to a critical issue at this juncture in our American history, and I hope and urge that you exercise, as I know that you are doing, every possible influence in developing this piece of legislation so that we may be able to implement it this year, rather than losing further time and indeed further ground in our concerns for low income and dependent families. Thank you, Senator.

Senator PELL. Thank you very much, Mr. Affleck. Mrs. Tucker?

STATEMENT OF ANNA TUCKER, DIRECTOR, DEPARTMENT OF ELDERLY AFFAIRS

Mrs. TUCKER. Thank you, Senator Pell, for the opportunity to testify at this hearing. Your concern for older Rhode Islanders is appreciated by the Rhode Island Department of Elderly Affairs and all senior citizens in Rhode Island.

With the cold weather approaching, there is little doubt that the coming months will pose problems for many Rhode Islanders. While the availability of heating fuel appears at this time to be adequate, the cost of fuel and all energy sources has increased phenomenally over the past year.

This situation poses some very special problems for the 174,000 Rhode Islanders over the age of 60. Most older persons live on fixed incomes, incomes that are not much help in dealing with the increasing costs of energy. For many people, heating bills will be twice as high as last year, but pension checks will not have increased.

Currently, there are over 17,000 older Rhode Islanders living below established poverty levels. For an individual,this means that yearly income is not more than $3,232. Clearly, the coming months will be most difficult for these people.

Even those persons whose yearly incomes are double the poverty levels—they, too, will experience great difficulty in dealing with rising costs. There are over 57,000 older persons in Rhode Island whose yearly income is at or below double the poverty threshold.

Beyond the economic issues of high energy costs, the older person must face an additional complication, hypothermia, the dangerous loss of body heat. Cases of hypothermia occur more frequently among the 60-plus age group. It is estimated that perhaps 10 percent of our older population can be considered among the high-risk group for hypothermia.

President Carter has asked all Americans to lower their thermostats to 65 degrees during the day and 55 at night. While this will be an effective method of conservation for many, medical experts caution our older persons not to reduce the heat in their homes below 60 degrees.

Temperatures below 60, even during evening hours, can be dangerous to a person in the high-risk group for hypothermia. We fear that this winter older persons will be forced, for financial reasons, to lower their thermostats to uncomfortable and even dangerous levels.

Our older persons must give special consideration to clothing needs during the coming months. Where fuel will be scarce and temperatures lowered, proper clothing must be worn indoors to avoid medical complications. Winter clothing kits of quilted vests, booties, and hats are recommended for indoor use.

I am pleased to say that the department has initiated a winter clothing program. We are presently having caps knitted by our senior volunteers. We will be manufacturing vests; these are polyester-filled vests and booties for our senior citizens. We will pay older seniors a stipend to manufacture these items, and to distribute them to the older people in our community, so that their heads, bodies, and feet can be kept warm.

The financial crisis resulting from escalating energy bills will reach into every aspect of our older citizens' lives. Last winter, senior citizens' groups and meal sites dealt with many cases of older persons who did not have food and needed emergency assistance.

Proper nutrition, always important for our older citizens, is even more important during the cold winter. Food, clothing, emergency shelter needs—special consideration must be given to all these areas when facing the energy situation for older Rhode Islanders.

The Federal, State and local governments must join together to insure that timely and adequate assistance is provided over the coming months. The department of elderly affairs is committed to the coordination of all available resources to provide the best and most comprehensive assistance possible. The ability to assist adequately the population over 60 years of age hinges on the following:

First, sufficient funds must be made available to meet the need. Last year, the State of Rhode Island received $3 million for emergency assistance, and approximately 18,000 household units received aid. Thirty-five percent, or over 6,000 of these households, were comprised of elderly people.

With over 17,000 older persons living at poverty levels, the need this year will be much greater. Consideration must be given to those persons who live at 125, 150, and 175 percent above the poverty level. Assistance must be made available for these people as well.

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Second, the mechanism used to distribute funds must give special consideration to the needs of our older citizens. Many people over 60 will not be able to go to a central office to apply for assistance. Workers should be assigned to visit homes, senior centers, and nutrition sites. Special assistance in completing forms may also be necessary. Most importantly, assistance must be provided in a way that will protect the dignity of our older citizens.

I am pleased to see that S. 1724 addresses the needs of the elderly.

It is also essential that the funds be made available as soon as possible. Funds were not made available last year until February. February is too late. December is too late. November is too late; and already, we are in the month of October.

The department of elderly affairs and senior centers have already had calls from older people with back bills and no oil. The department's information and referral unit has received many calls from older people who are justifiably fearful of the coming months. The longer the delay in receipt of funds, the more critical the situation will be.

Finally, Rhode Island, as a member of the National Association of State Units on Aging, has recommended that the current Federal philosophical approach to the provision of fuel assistance must be changed from the emergency assistance or crisis intervention approach to one that acknowledges the legitimate and urgent need of low-income households for permanent assistance in meeting household emergency costs.

The program must include identifiable staff at the Federal, State and local level, and assistance should be made available throughout the calendar year, assuring consistent management and timely flow of funding.

Again, S. 1724 does address part of this concern; however, I strongly urge that assistance should be made available throughout the calendar year.

We must stress in conclusion the fact that in order to provide the most comprehensive service possible, we must all work together. I believe S. 1724 does address the issues as stated above, and the department and I heartily endorse S.1724.

The department of elderly affairs is committed to doing everything possible to see that our older Rhode Islanders receive timely assistance during the coming months. I thank you.

Senator PELL. Thank you very much, Mrs. Tucker.

There are several points here for which I would appreciate reaction of the Rhode Island officials. I think the most important one is: Do you believe the State has an adequate mechanism to pinpoint the moderate-income workers, and get the aid distributed to them? Because this is a new concept, as is brought out in testimony; where we try to help not just those who are on relief, on AFDC, but trying to help those who might otherwise be forced to go on relief.

I also think, from the viewpoint of the public welfare and the public benefit, that this is doubly important, because this group is actually contributing to the productivity of the State and the Nation.

Do we have a mechanism whereby these people can be found, because they will not already be on the rolls?

Mr. BURKE. I think we are working on this, and I believe Mr. Williamson's committee is the group that is working very carefully; the home heating advisory committee.

Senator PELL. Mr. Williamson?

Mr. WILLIAMSON. Yes. I would also say that in the past, much of the assistance that has been provided to people at 125 percent of the poverty level has not been just to those people on welfare, but has been identified as being on—obtaining and having welfare assistance—a large proportion of the assistance under the community service administration programs, crisis intervention programs, have gone to what has been known as the working poor, and those people who are not identified as people on welfare.

Now, with the mechanisms that we have utilized and with the community action agencies, we have been able to reach these people; and consequently, the people who have been receiving State assistance have only come into the crisis intervention program once they've exhausted their resources under the State assistance program.

I would say, however, that as the program progresses, and it becomes more institutionalized in the Nation, as we feel it should be, because energy and the problems with energy are going to be with us for a long time—I believe there might have to be additional mechanisms put into play, probably such things as pre-enrollment, or some other mechanism to determine those people who will be eligible to receive benefits.

The idea of a continuing Federal program that goes beyond the crisis intervention type program is one that will then require us all to provide additional data, and we are and we will be able to refine whatever mechanism we have in place to reach that goal.

Mr. BURKE. We are thinking also of utilizing, on a greater scale than last year, the bills of the utilities. The utilities are able to get a message out with their bills. They did it just now on this energy conservation exposition, and we think this is a practicable means of outreach.

As we institutionalize this, and as we use our ingenuity for advertising, we could use the cooperation of all the media and the utilities and the heating oil people to get the message out.

Senator PELL. We ought to bear in mind, too, that even if we are successful in getting this bill passed, it should not be thought of as a permanent bill, a permanent mandate; because eventually we hope to get to the point where we will bring down costs, where conservation will be involved with it, and where we will have our own sources of energy.

For the next few years, however, we recognize that we are in a dreadful situation. In this regard, what are the plans of the State if the Congress fails in passing any relief, if the Congress fails in passing the windfall profit taxes in time to implement Mr. Carter's bill, if we fail—and I will do my best to make sure it doesn't fail, but it can fail—if the Williams bill fails, what would be the State plan? Do you have a shelter program lined up, or what are you thinking of?

Mr. AFFLECK. Speaking only for those receiving financial assistance, there are two basic approaches that are presently in place. One, as Mr. Burke indicated, was begun some 2 years ago; this will be the third year. There has been the emergency heat assistance program, for which those receiving financial assistance have been eligible, after having paid a stipulated amount during a particular month, they have been able to turn to the emergency assistance in a crisis intervention method.

That continues to be on our books, and has been funded with a 100-percent State funds again in this year. It does, however, dramatize to me the need that the bill addresses, and that is structuring on a continuing basis—institutionalizing, if you will, as we use that word—the reality of assistance clearly necessary for our low-income individuals and families.

With that emergency assistance program, heat assistance is available and will be continued to be utilized this year. It is a fact that some three-quarters of a million dollars was spent in State funds last year; it is estimated, purely in terms of the increased cost this year, that certainly more will be required this year, perhaps twice as much as that at the present time.

The second population group about which I am concerned is the families receiving welfare payments. The proposal Governor Garrahy has made to the President's Special Session of the General Assembly will provide an increase in the payment levels for welfare families this winter. If adopted, the proposal will have two effects.

First, it will give them more money on an ongoing basis to meet their needs on a regular daily basis; and second, it will provide additional funds during the four winter months, in order to be more responsive, or I hope, most responsive, to the critical needs within families for heat assistance at this time.

I might observe something that the Governor, and I know you were most impressed with; that is the effort presently under discussion for finding ways to disregard increased food stamp payments for welfare families that are clearly related to energy costs. I realize this committee does not have jurisdiction over the food stamp program, but it is paradoxical for several States, and Rhode Island among the leading States, to attempt to increase payment levels for dependent families due to energy needs, only to have the bonus guide for food stamps come down as a result.

I am pleased to know of your own concern and interest in this particular area, Senator. I hope that is something that can be moved forward, because it would be very significant this year.

Senator PELL. We've already——

Mrs. TUCKER. Senator Pell, excuse me——

Senator PELL. Yes?

Mrs. TUCKER. I would like to talk for a very special group of people, too. When you consider the older people in Rhode Island—the Department of Elderly Affairs will assume full responsibility for this very special target population.

In Rhode Island, we are very fortunate to have 48 meal sites, 34 senior centers, and almost 400 senior clubs. This is our aging network; and through this aging network, we will make certain that no older Rhode Islander is cold this winter.

I think there are other programs that the department offers, such as part-time employment to bring more dollars into the pockets of older Rhode Islanders, a good meal at noontime for older people—perhaps this should be extended to 6 or 7 days, and perhaps a dinner meal as well as a lunch meal. We try very hard to tell people about the property tax relief program the State offers, to put more dollars into the pockets of the older Rhode Islanders; and this is very important.

Senator PELL. Let me be specific, if I may, in my question. What kind of program will you have if no Federal legislation is passed? Do you have a shelter program?

Mr. BURKE. Yes, we do, Senator.

Senator PELL. I think it would be of interest.

Mr. BURKE. The Defense Civil Preparedness Agency, in conjunction with the Red Cross, has updated our emergency shelter plan, which can provide for both individual households, as well as for entire areas. That plan, then, is in place.

In addition, the committee has recommended to the Governor that funding be set aside, if necessary, and you have our assurance that we are working along those lines, and would be ready to meet emergencies. However, this is a national problem, and we congratulate you and Senator Williams and the members of your committee on the leadership that you're exhibiting.

We are concerned; I think we're trying to do our part. I think that what we said today—"We don't need the funding"—that would perhaps be an excuse for some of your colleagues not to follow through with this measure. But you have our assurance that we will make every effort necessary to make sure that not only the older Rhode Islanders, but that no Rhode Islanders of any age, go cold this winter.

Senator PELL. In other words, you believe that, one way or another, we can assure our citizens that no Rhode Islander will freeze to death one way or another?

[Mr. Burke nods affirmatively.]

Senator PELL. Will there be a toll-free open hot line?

Mr. BURKE. Yes; the Citizens Information Hotline is open at all times; the Governor's energy office also has a hotline. We have the lines for anyone who has a problem to call. These lines are manned so that any problems can be handled.

Senator PELL. That hotline's number just as a matter of information that I would like to put in the record—do you happen to recall what it is?

Mr. BURKE. I will submit it for the record. I'll get the number for you.

Senator PELL. Mr. Williamson?

Mr. WILLIAMSON. Senator, I appreciate your question, and as you have heard, the State has made a commitment that nobody will freeze this winter because of the ability, perhaps, to use alternate shelter, but under no circumstances should the Congress or the Federal Government feel that the burden of providing the kind of assistance that is required should not take effect.

By no stretch of the imagination can any State in this Nation be able to assume the kind of burden that will have the intention of insuring the well-being of its citizens, both low income and elderly.

Under no stretch of the imagination, can the States assume the entire burden themselves, because the resources of all of the States would be strained.

While we are sure that nobody will freeze because of alternate methods, it will always be a mandate approach; and unless the Federal Government provides the kind of assistance that we see in S. 1724, there may well be many citizens who will not be in the best of circumstances, either this winter or the next.

Senator PELL. Thank you. Mr. Affleck, you mentioned in your testimony—you questioned the advisability of the money going to dealers as opposed to the recipients. Don't you think there's a danger, if the money went to the recipients, that there might be some other even more pressing need that would come up, and the money would be used for other purposes?

Mr. AFFLECK. Yes, Senator; when I made that observation, and it is a serious one for me at this point, it was in particular reference to the immediate winter that we're facing. I'm suggesting that the difficulties of effecting ongoing contractual arrangements with dealers at this point would, as I view it at this point, pose some difficulties.

That's why I indicated the Congress may want to consider in subsequent years mandating such a vendor-type provision. I do feel, however, that in dealing with the dependent families we seek to assist, they for the most part handle their responsibilities well. I sometimes think they handle their limited resources better than I'm able to handle my more reasonable levels.

I think that we can, at least from my perspective, be confident that individuals are able to handle funds which are made available to them for emergency assistance. They have multiple priorities, I concur with you, Senator, and other needs may press upon them; but I think in the main, we would see that they would be able to handle such responsibilities.

My concern in addressing it, at least this year, is the difficulty effecting with small dealers the kind of ongoing contractual arrangement between client and dealer that seems to me to be called for within the legislation itself. We presume an established credit relationship between the dealer and the client.

This, on very short order, strikes me as posing some difficulties, and that's why I speak to the clear difficulty I see in the possibility of using vendor contracts as an alternate method. The bill provides the States to work out plans for individual relationships with clients themselves.

Senator PELL. I appreciate your thoughts very much. Incidentally, from the viewpoint of getting the bill passed, we're quite a way from that. It would be a great help if each of you, through your own networks, and officers have done this in other States, pass the word, and try to get a little support built up behind it.

One of the reasons why we're a little hesitant about touching the food stamp problem in this bill, or some other good ideas that have come along, is that it would cause the bill to be referred to another committee; and if that happens, we might not get it out at all. These are the legislative pitfalls or obstacles that we face.

I think your point is very well taken. As you know, in another way, we've tried to work with you on the food stamp——

Mr. AFFLECK. Yes; but I might observe, Senator, I think it does show the interrelationship of our various programs. Mrs. Tucker has spoken of the efforts that will be made on behalf of the older citizens through the network she speaks of. You'll recall that we have—by requirement and by design—a very strong outreach program in our food stamp program.

I expect to be able to use that outreach effort to insure that the information concerning emergency assistance in the fuel and heat area can be gotten out, under which we can complement and use that outreach mechanism for this purpose, without offending in any way the purpose of the food stamp program.

This does reach to our low-income families and individuals in the community that we seek to reach in relation to the food stamp program.

Senator PELL. I think the people of our State want specific, multi-dimensional proposals. I am reminded of the point that Mr. Burke made, that approximately 22,000 people went to Rhode Island Junior College yesterday to see three-dimensional approaches to the problem.

We're dealing here with a one-dimensional approach, through legislation; and if you knock out the number of witnesses who are in the room with us, you can see that it is only the corporal's guards who are interested in the legislative approach to the problem.

In the end, though, I think it will be through government, through legislation, that we will play a great role in achieving this objective.

Mrs. Tucker raised the question of clothing. I think she's right in that; do you have any idea—I've been trying to get figures, from the Department of Energy—what the difference is in warmth that a suit of woolen underclothes makes to a person? Is it 4 degrees Farenheit—2—6? Do you have any idea?

Mrs. TUCKER. I don't think so, Senator Pell; but I do know that it's important that the head, the body, and the feet be warm.

Senator PELL. Are there any plans being made to press for this idea of changing some of our dressing habits; because I think we're going into a stage now where we think we would wear almost the same clothes indoors, winter and summer; and that's a viewpoint that we're obviously going to have to leave behind for the indefinite future.

Mrs. TUCKER. Our program has stimulated great interest, particularly among garment makers and as you know, we have many of our older people who are in the garment industry in Rhode Island. And I think just this enthusiasm of the older people manufacturing this clothing, and then the distribution of it, will generate great interest, and a greater distribution.

This type of clothing has been distributed in Maine, but the older people would buy the items; in Rhode Island, we would distribute them free. I think, too, you should note, Senator, that the department and the staff of the department will be on call 24 hours a day; and we, too, have a hotline just for older seniors—277-6880—and we hope that we will be in constant touch with our older population.

We intend to work with local police and fire departments, because many times they have the people who get the emergency calls; but our entire staff is committed to this project of helping the elderly during this emergency.

Mr. BURKE. While we're talking about the hotlines, Senator, you asked to put on the record the Governor's citizens information service number; it is [redacted] That's our basic hotline in the State; it can refer to other appropriate agencies. And then the Governor's energy hotline is [redacted]

Senator PELL. Thank you very much.

Mrs. Tucker, returning to this question of warm clothing—did I hear you correctly to say that if any individual who found himself in need of warm clothing and not in a position to buy them, you would be able to distribute warm underclothes free?

Mrs. TUCKER. We will not be selling any of these items; they will all be donated to the elderly people.

Senator PELL. And they'll be wool?

Mrs. TUCKER. They will be polyester-filled vests, with Velcro fasteners, so that there are no buttons or snaps; and the booties will also be made of the same polyester-filled material.

Senator PELL. Is that as warm as wool?

Mrs. TUCKER. Warmer.

Senator PELL. Warmer?

Mrs. TUCKER. Yes.

Senator PELL. And washable?

Mrs. TUCKER. And washable, yes.

Senator PELL. I thank the panel very much for being with us and for giving us their time. We've benefited from your testimony and from Governor Garrahy's testimony in Washington just last week on this bill.

Anything you can do, as I say, to generate support from your officers and Governors in other States, to get their congressional people to support it, would be much appreciated.

Mr. BURKE. You have our assurance that we'll do just that, Senator.

Senator PELL. Thank you very much indeed.

Mr. AFFLECK. Thank you.

Senator PELL. Now, the next panel is a panel on community affairs for the Catholic Diocese of Providence; and we'll have Father Guidice, vicar of community affairs for the Catholic diocese; he will be accompanied by Mrs. Rose Young, Lawrence, Prince, Mary Hosldy, Anna Harold, and Cynthia Robeteo, and Wayne Houl.

These witnesses are the ones who are most effective. They are the consumers, the people who will need assistance this winter, and the ones about whom we are most concerned.

I would also say, welcome, Father Guidice. We were together just last week, in Washington, on this same bill.

Father GUIDICE. It was a very positive experience, and we appreciate the opportunity to be more specific about the need for this bill.

Senator PELL. I appreciated your testimony very much when you were in Washington, and that was on a more general level; and now, as you suggest, we are on a more specific level. I think that

the interchanges of these suggestions will be of great help to my colleagues; as I think the views of the Rhode Island Governor's panel just now was also of very great help.

STATEMENT OF REVEREND GUIDICE, VICAR OF COMMUNITY AFFAIRS OF THE CATHOLIC DIOCESE OF PROVIDENCE

Father GUIDICE. I will start by identifying myself as the vicar of community affairs for the Diocese of Providence, and in that context, I have the responsibility of approximately 22 community programs, 7 of which are located in high areas of concentration of poor people—very high concentration, perhaps a 50- to 70-percent concentration of poor people.

We have noticed the severity of the problem in the past, and very early on this year, we've seen it rise up even earlier. People whose incomes do not allow them to cope with the increasingly high cost of living and the inability to manage their budgets to fulfill adequately their basic human needs.

From the statistics, let me just say that the welfare department is not able to help them, because they have a flat-grant system which gives them a grant monthly, and no other recourse, unless it's a very severe problem, like a burn-out. So they turn to church and private agencies for emergency assistance.

Just this year, for example, we had in the seven agencies from three to eleven emergency requests per week, and that was during the month of September, which was a very good month, an Indian summer month. The first week of October, this past week, those statistics nearly doubled; and food and fuel requests have been coming in almost at twice the rate as in the month of September.

Thus we anticipate that the dimension of the problem when the cold weather arrives will be beyond the people's ability to cope, and beyond our ability to respond to emergencies.

Today I brought some people with me who are typical cases. I must identify them as tip-of-the-iceberg cases; there are hundreds of these cases, hundreds, and these are only typical. But I thought they should speak for themselves, to describe their own problems.

I would like to call on Anna Harold, Providence, to start the testimony, and to give you her viewpoint on the problems that she is facing as the winter is coming.

Senator PELL. Thank you. Mrs. Harold?

STATEMENT OF ANNA HAROLD

Mrs. HAROLD. Senator Pell, I am Anna Harold, Providence, and I am a senior citizen. Last winter, I asked for help, and I didn't get help. I'm a widow.

This year, I am still paying my oil bill from last year; I still owe $205 on last year's oil bill. This year I really need help, and I hope that the State will be able to help me more than it has before, because I don't know who I can call for help. I ask for it when I have to.

So, I'm begging for help, not only for myself, but for the other senior citizens, too, because we are all growing old now together. Thank you.

Senator PELL. Well, thank you. You're very nice to be with us and tell us of this horrible plight in which you are.

In this regard, what sort of lodging do you have?

Mrs. HAROLD. I rent; I live on the second floor. My sister lives with me; she's an asthmatic, and it takes a lot of heat for her.

Senator PELL. You live on the second floor, and you have your own heating unit for the second floor?

Mrs. HAROLD. Yes, I have to pay for my own heat and lights; everything I have to pay for.

Senator PELL. And it's a three-story tenement house?

Mrs. HAROLD. Yes.

Senator PELL. And the first floor and the third floor, are they operated the same way, with the tenant on each case paying his own heat?

Mrs. HAROLD. Each one has to pay for his own heat. On the first floor is the landlord, I am on the second floor, and someone else is on the third floor.

Senator PELL. Now, have either you or your landlord been able to engage any conservation, any winterization of your floor? By conservation here, I mean putting in material to keep the cold out.

Mrs. HAROLD. I don't know; it's their house. I don't have any way to know. Recently, they put sealing in it, you know, to seal it, to keep the cold out.

Senator PELL. Do you have storm windows?

Mrs. HAROLD. No.

Senator PELL. Just one pane of glass?

Mrs. HAROLD. Yes.

Senator PELL. Thank you very much; and thank you for telling us of your plight.

Father Guidice?

Father GUIDICE. The next person I would like to speak regarding her problems is Mrs. Rose Young of Providence.

Senator PELL. Mrs. Young?

STATEMENT OF ROSE YOUNG

Mrs. YOUNG. I'm having a hard time on what I get a month—I get $264 a month, and that's to go for oil, electricity and food. What am I supposed to do? Go hungry and have heat? Have food and no heat?

It's not me; it's my little great-grandson that I'm worried about. And I keep the heat down to 60; now he's growing up with a cold. Mr. Pell, what am I supposed to do?

Senator PELL. Now you say you have $246, that's all?

Mrs. YOUNG. $246.99

Senator PELL. To support you and your great-grandson?

Mrs. YOUNG. That's right.

Senator PELL. Do you have a daughter or granddaughter living with you, too?

Mrs. YOUNG. No, just us.

Senator PELL. Just you and your great-grandson live together alone?

Mrs. YOUNG. That's right.

Senator PELL. And you live in a room--or in a floor of a house?

Mrs. YOUNG. In a little cottage.

Senator PELL. In a cottage; do you have a landlord, or do you own the cottage?

Mrs. YOUNG. Well, I bought the house from of my daughter when her husband died.

Senator PELL. I see; it belongs to you. Do you have any conservation in the cottage—do you have double windows for winter?

Mrs. YOUNG. No; the house is not insulated or anything.

Senator PELL. Not insulated at all?

Mrs. YOUNG. [Shaking head negatively.]

Senator PELL. And this is a brutal, horrible choice you have to make, between food and fuel? Do you find you have to choose between being warm and having enough to eat?

Mrs. YOUNG. Yes. What else am I going to do?

Senator PELL. It's an awful choice. Thank you very much.

Father GUIDICE. I'd like to introduce now Mr. Lawrence Prince, who is handicapped, and who would like to tell you his story.

Senator PELL. Mr. Prince?

STATEMENT OF LAWRENCE PRINCE

Mr. PRINCE. On a lot of nights last winter, it was so cold I went to bed; and I did the best I could. I worked from day to day down there; and I get $270 a month, that's all I have.

Last winter, my gas bill was $180 for the 3 months, and my ceiling is 9 feet, 7 inches.

Senator PELL. Do you live in a room, or in a——

Mr. PRINCE. I have three rooms; I have to heat three rooms.

Senator PELL. Three rooms on what—one floor of a house?

Mr. PRINCE. Yes; I'm on the first floor.

Senator PELL. What kind of heat do you have?

Mr. PRINCE. Gas heat.

Senator PELL. What was the cost again? You said the figure for the heat?

Mr. PRINCE. It was for 3 months, I had it as low as I could, and still, $176.

Senator PELL. I see; $176 for 3 months.

Mr. PRINCE. And then I've got my lights.

Senator PELL. About what temperature do you leave the house?

Mr. PRINCE. I keep it at 65.

Senator PELL. Thank you very much indeed. Father?

Father GUIDICE. I'd like to introduce now Mrs. Mary Hosley to tell her story.

Senator PELL. Mrs. Hosley?

STATEMENT OF MARY HOSLEY

Mrs. HOSLEY. My name is Mary Hosley. I'm almost 84.

I'm on the first floor. I am still trying to pay an oil bill to start this winter—but I'm asking that the oil prices just go down, so maybe I could make out. I have arthritis in both knees and the side and the hips, so I need heat.

Senator PELL. What was your heat bill last year?

Mrs. HOSLEY. What was the heat bill last year?

Senator PELL. What was your heat bill?

Mrs. HOSLEY. Well, I think $92 and something cents was the highest oil bill I got last winter, but since the oil has gone up, I don't know what it will be this winter. But I haven't had any oil since May.

Senator PELL. Did you get any help from the State last winter toward your heating bill?

Mrs. HOSLEY. Well, last year, I got $100 from whatever that committee was, and that helped pay off some of my oil bill. But outside of that, I haven't had anything coming but my social security. I don't take SSI or none of that.

Senator PELL. And then for lodging, do you rent or do you own your place where you live?

Mrs. HAROLD [to the witness]. Do you own your house?

Mrs. HOSLEY. No, I rent.

Senator PELL. What is your rent each month?

Mrs. HOSLEY. $135 a month.

Senator PELL. $135 a month—and what do you receive in income?

Mrs. HOSLEY. $291.30.

Senator PELL. So that leaves you with just about $170 for heat and food?

Mrs. HOSLEY. Yes. My gas bill runs between $15 and $18 a month; my electric is $20, $23 dollars a month, because I keep a light on all night because I'm by myself; and the oil bill is the hardest bill I have. I have the telephone, and that's $13.63.

Senator PELL. Right. So that leaves you, obviously, with too little for food and other——

Mrs. HOSLEY. It don't leave me much to pay my church dues, and other little things that I want to do. I haven't been able to put anything away from time to time. Although, I have insurance that's matured; that's what I hope I'll be buried with; but there's nothing to put away.

Senator PELL. Do you live alone?

Mrs. HOSLEY. Yes.

Senator PELL. In one room, or two rooms? How many rooms do you have?

Mrs. HOSLEY. It's four rooms—it's five rooms, but one I have shut off, and I just use the four; because I can't heat it.

Senator PELL. Do you have any insulation?

Mrs. HOSLEY. Yes, I have people. I have a daughter and I have a son, and they both have families of their own.

Senator PELL. Do you have any insulation?

Mrs. HOSLEY. No.

Senator PELL. No double windows?

Mrs. HOSLEY. I have storm windows.

Senator PELL. You have storm windows?

Mrs. HOSLEY. I have storm windows, but I need a storm door; because I have a cut in the door, and I have to keep a rug up there, because the wind blows up and down and it's awful cold in there, in the front room. So I generally take a rug and put it on the door.

Senator PELL. Thank you very much, Mrs. Hosley.

Mrs. HOSLEY. You're welcome.

Senator PELL. Now, I think Mr. Houl may be able to give us some information.

STATEMENT OF WAYNE HOUL, SOCIAL CASE WORKER

Mr. HOUL. My name is Wayne Houl, and I'm a social case worker. I work at the community center, west end; the Saint Martin de Fores Center. It's a multipurpose senior citizens center.

Under the precarious position of being the one who receives the initial phone calls of these emergency heating assistance distress calls, I want to say that these people are definitely not isolated in their plight.

Last year, we serviced approximately 200 calls—a very frustrating position indeed. Most of the time, I find I'm a professional handholder, and especially at this point in the game, where we feel like there is a mechanism whereby we could distribute grants for fuel, but there are no resources available at all to us to help people. Right now, all I can tell people is to eat less food so that they can save money on fuel; wear an extra coat, and go to bed early.

There's really not much at my level, at the community level, that we can do at this point. I'm at the base level; I see the plight of the people. And believe me when I tell you that there is an impending fear of the upcoming winter, and it's rightfully so on the meager fixed income that these elderly receive. It's not possible to make ends meet.

In Mr. Prince's case, this year he will be in a position of paying his rent and his fuel, and being behind as soon as he pays those two bills. He has no money for food, he'll have no money for clothes; no money for anything else. As soon as he pays his heat and his fuel, he is behind already.

Mrs. Young, when we found her—I was listening to the fuel representative from the gas company, and he was assuring us that there would be nobody that would go cold this winter. They assured us of this last winter, and I found Mrs. Young in her home with her coat on, no fuel, last winter. And I told her that this winter that she will not be able to make it again; and she told me that the only thing that she could do is put on an extra coat and go to bed early, as she has in the past.

It's really a frustrating position, being a social service provider, and I implore you that if there is any way at all to get this money now, please do so. It's just frustrating, and it's heartbreaking to see these people in their plight.

Senator PELL. It is heartbreaking. This dreadful choice between fuel or food is a choice that no civilized nation should have its citizens forced to make.

But in this regard, when you see the housing and lodging of our citizens, do you find that any of them have had any insulation put in, or any pattern of having double windows?

Mr. HOUL. Well, for this year, I'm trying to prepare people who I feel are not going to make it adequately this winter, by going through different winterization programs, such as the Procap program, whereby they do provide approximately $500 worth of insulation, storm windows, and doors.

Unfortunately, there is such a long waiting list that some of these people here—I have sent in applications for insulation, but they were told that there would be no funds available, or nobody

could provide this insulation and installation until January; and that's already late into the winter season.

Senator PELL. Warm winter underclothes—are they available or not?

Mr. HOUL. At the Saint Martin de Fores Center, we have a clothes distribution center, which is available to anybody that would like to come in and needs clothing, at free of cost.

Senator PELL. But at that center, do they have warm winter underclothing, long johns?

Mr. HOUL. We go by donations, so it really all depends on what we receive as to what we have to distribute.

Senator PELL. Thank you, Mr. Houl.

I would like to get Father Guidice's reaction here as a closing aspect.

Father GUIDICE. Again, I'd like to reiterate that these are typical cases. If we had the time—as Wayne said, 200 cases in his agency alone; multiply that by seven—these are the most severe cases. Others are able to cope with some traumatic choices, like they say, going to bed early at night, and shutting off the heat in all their rooms and living in the kitchen most of the day.

Their lives have changed dramatically; and they're going to be changing even more dramatically, because I hear them saying they're paying 20 to 30 percent of their income on fuel; and this year it's got to be somewhere between 30 and 40, maybe 50 percent.

That is just not possible. How is Rose going to be able to buy a storm door, when she can't pay for the food that she needs and the fuel she needs?

I'm on the Governor's commission for home heating, and the Procap agency, and the other Cap agencies have admitted they've done an outstanding job on average. They have got 800 families waiting for weatherization, and they have neither the money nor the resources or the personnel to bring that about.

So, we're caught. They should weatherize, they should insulate, but the people that are supposed to do it are unable to do it. I think that there will be a heightening of the problems, and we may face ourselves with some terrible tragedies before we move into action. I just hope that we can avoid that.

The problem is yesterday. I said 3 weeks ago it was now, so it's yesterday, the problem; and we really need help as soon as possible.

I have two other people, Senator, one of whom does not wish to testify, and one of whom will—a younger person, a low-income person, so if you'd like to hear her——

Senator PELL. I'd like to very much; if he or she will come forward.

Father GUIDICE. I call on Patricia Williams, and here's a case of a young person who's trying to make it; is working, but her income is just not stretching far enough.

Senator PELL. Tell us a little bit about yourself. You say you're working now? You have a job?

STATEMENT OF PATRICIA WILLIAMS

Mrs. WILLIAMS. Yes, I am working; and I have two small children. Last year, I was not eligible for the money that had been set

aside for low-income families, so I spent most of the winter with my children staying at relatives homes, because I couldn't afford the heat.

And I have a problem with my oil company because it will not take credit; I would have to take time out of work and go and pay, and then by the time I got home from work my oil would be there. For me this year, like most of the people sitting here, it is a choice between food and heat, and as you can tell, this morning it was very cold getting up, and I haven't had any heat since last winter.

It's difficult to wake up in the morning with two small children who want to go, and there's no heat in the house; and if I do buy oil, it will cost me close to $200, $250 a month, and I only bring home $111 a week. I get no assistance from welfare or food stamps, or anything like that.

If this money is allocated to help low-income people, I have nowhere to go; because they tell me that I'm making too much money. I'm low income, but I'm too high for low income.

Senator PELL. I'm just working out the arithmetic here. I think you would be covered. What is your annual income?

Mrs. WILLIAMS. Just about $7,000.

Senator PELL. Well, then you would be covered both by our bill and by the administration bill as well. But as of now, you're not getting any assistance, any public assistance of any kind?

Mrs. WILLIAMS. No I'm not.

Senator PELL. Where is your job?

Mrs. WILLIAMS. I work in the Biltmore Hotel.

Senator PELL. Where do you live? Where is your home?

Mrs. WILLIAMS. In South Providence, Burnside Street.

Senator PELL. And you have one floor?

Mrs. WILLIAMS. It's a one-family house.

Senator PELL. Have you been able to afford any insulation? Do you have storm windows up?

Mrs. WILLIAMS. My landlord has that up already; we have storm windows on our house.

Senator PELL. Do you own your own house?

Mrs. WILLIAMS. No, I don't; I rent.

Senator PELL. And you pay the fuel?

Mrs. WILLIAMS. Yes I do.

Senator PELL. When it comes to insulation, did the landlord put in these windows, or did you have to pay for that?

Mrs. WILLIAMS. They were on the house when I moved in.

Senator PELL. Thank you. I'm very appreciative of your testimony, because I think you're the kind of person we're particularly interested in helping, because you're making a very real contribution to society by the fact that you yourself are holding down a job.

Mrs. WILLIAMS. I'm trying to.

Senator PELL. Now, I think that Father Guidice has another witness?

Father GUIDICE. I have another, but she'd rather testify privately, if she may. There are a number of cases, Senator, but they're so private; they don't want to tell their problems. So I compliment Pat on coming.

Senator PELL. I thank you.

Father GUIDICE. There are many, many others that will speak to us in confidence, but they don't like to do it in public. I can assure you though, there are a thousand others like Pat in this State, and any help you can render will be certainly appreciated by the people of the State of Rhode Island. Thank you.

Senator PELL. If you were going to make any change in the bill that we discussed last week in Washington and are discussing now, would you have any specific further suggestions?

Father GUIDICE. Well, my feeling is that the ceiling is still too low. The reason I say that is because by the time the inflation spiral continues, and when you consider the amount of income raises people may have, they're outstripped by the end of the winter. By the end of the winter, they will be outstripped by 7 to 10 percent, I estimate.

A person like Pat, for example, last year making $7,000 was not eligible—she was over the guidelines—shows that a lot of people have circumstances that prevent them from receiving the help, and they need the help. So I think the ceiling should be a little higher.

Senator PELL. Thank you very much, Father Guidice, and I thank all of you for coming up here. I recognize the strain with these television lights, the courtroom, but I appreciate your contributions. You're the people we want to help, and you're the people we want to make sure don't freeze this winter.

And I'm satisfied that in our State of Rhode Island, we're particularly lucky, because in the first place, we lead the Nation when it comes to weatherization and insulation, and I congratulate the State officials who are here in this regard, what they've done.

And second, we have a very sympathetic State government, which has given its assurance that no citizen will freeze this winter, one way or another. So I hope a little bit of the fear will be drained away; although I recognize the seriousness and the immediacy of the problem.

I think the witnesses were the most moving of all, and you are what government is all about and should be.

Thank you, and thank you particularly for appearing here.

Mrs. WILLIAMS. Thank you.

Senator PELL. I notice the Lieutenant Governor of our State in the back of the room. Would he like to come forward? We're very honored to have him here.

Only in a small friendly State like Rhode Island does one find the Lieutenant Governor of the State sitting in the audience; and I appreciate him coming up here very, very much indeed. We're good friends—and, welcome, sir, to the meeting.

STATEMENT OF MR. DeLUGLIO, LIEUTENANT GOVERNOR OF RHODE ISLAND

Mr. DELUGLIO. Thank you. I'm here in two capacities, really; I'm here as Lieutenant Governor of Rhode Island, and also as vice chairman of the human resources committee of the National Lieutenant Governors' Conference.

From both capacities and both points of perspective, I want to extend our deep appreciation for your thoughtfulness in holding this hearing; and beyond that, I want to commend you on the legislation which you have proffered for consideration in Congress.

I think that it takes great courage to address the problem of inordinately high fuel costs which besets us in the Northeast, particularly in Rhode Island; and I think that it also takes great courage to offer the kinds of solutions that you have in your legislation.

Quite simply, I think that the legislation is certainly worthwhile, and we support it 100 percent, and we could ask only that your colleagues in Congress appreciate the exigency of the situation, and act posthaste.

With me this morning, Senator, is Senator John Gilgun, who, as you know, has been a champion of the cause that we find subject to this hearing; and Senator Gilgun has agreed to make a statement this morning.

Thank you for listening to me, and again, I extend our appreciation for your presence here, and giving the people of our State an opportunity to be heard, and ask you please listen with the same attention and consideration that you have to everyone else, to Senator Gilgun, who, I am sure, has a very important message to bring this morning.

Senator PELL. I would be glad to do so; and thank you particularly for taking the time out to be with us. I know full well the stress that you're under.

Senator Gilgun?

STATEMENT OF SENATOR JOHN GILGUN

Mr. GILGUN. Thank you, Senator Pell, and thank you for giving me the opportunity to speak this morning. I also think it's quite appropriate that I follow and, in effect, join the presiding officer of the Rhode Island Senate at a hearing of this type; because certainly one of my most memorable moments came when, in 1977, I introduced a bill that provided for $1 million in emergency heating funds in the budget of the State of Rhode Island.

When that legislation reached the floor of the Rhode Island Senate, there were several attempts made to amend that legislation, which would, in effect, have weakened it greatly. When the vote came on the most important amendment, the one that would have weakened it the most, it came to a tie when the votes were counted; and the Lieutenant Governor, in his wisdom and his feeling for the people of the State of Rhode Island, in an area so sensitive as keeping them warm in the winter, voted against the amendment, and it went to the House unamended, because of the vote cast by the Lieutenant Governor in breaking the tie.

Once again, I would like to thank Lieutenant Governor DeLuglio for having such feeling for the people of the State of Rhode Island.

Senator, I think it's most appropriate that you have taken the steps that you are taking this morning to deal with this very, very severe problem confronting us, not only in the State of Rhode Island, but throughout the entire country. I'm very concerned about the people of the State of Rhode Island, and in particular my constituents in the city of Central Falls.

At this very moment, as I testify before you, there are people in the city of Central Falls without heat. There are people who cannot have oil delivered to them because they don't have the funds to buy it. There are people at this very moment in the city of Central

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Falls who do not have heat because they are unable to pay their gas bills, and the gas has been shut off for failure to pay those bills.

I would ask you this morning to have the eligibility for our assistance raised to 195 percent above the poverty level, and also to have prepayments for senior citizens when they get assistance in this particular area.

I commend you and Senator Williams for taking the steps that you have taken, and I certainly hope that a majority of the Members of the U.S Senate look favorably upon this legislation that is so badly needed.

Senator, I can speak firsthand, as a Senator from a district where energy assistance is needed. I have actually visited the people in their homes. I'll even mention a name, and I'll never forget it--it goes back to about a year or so ago. An elderly senior citizen in the city of Central Falls, who has since died, by the name of Sally Barlow.

She lived on Pacific Street in Central Falls, and I visited her on a particular evening, and that woman sat in her home in darkness because she had her furnace on, and she was afraid to have both heat and electricity at the same time, because she was afraid that if she had the lights on, the electric bill would be too high, and she wouldn't be able to pay it the following month.

We had an experience last winter in Pawtucket; this, of course, was with a low-income family, but nevertheless, we're talking about the general need for assistance for people when it comes to heating. There was a case of a woman by the name of Mary Boshan who had four or five little babies in an apartment, and she was heating that apartment by turning the gas stove on and opening the oven, because she did not have the funds to buy oil. That, of course, made for a very, very dangerous situation.

Fortunately, we resolved the problem through the efforts of SRS and the public utilities commission, but only, a week or so later a similar situation existed in South Providence, and I think two children were killed, because their mother was attempting to heat their home under similar circumstances.

I could go on and on, because I've been directly and actively involved in this area ever since I've been in the legislature of the State of Rhode Island. I come here this morning, Senator Pell, to impress upon you that I know from being with these people and dealing with these people that energy assistance is needed, that it is necessary, that anything the Senate of the United States or the Federal Government in general, can do is really needed.

I do not know if enough can ever be done, but you have certainly begun with a step in the right direction, and I appreciate the opportunity to come before you and express my feelings in this area. Thank you, sir.

Senator PELL. Thank you very much, Senator Gilgun. I'm delighted you were here and expressed your views. I think our bill meets most of the criteria you mentioned.

The bill is designed to give the assistance, as a general rule, to the fuel distributor, not to the recipient; and I think that's probably a pretty good idea in order to make sure the money doesn't

get diverted for any other purpose. But other than that, I think this bill meets all the points you raised.

Mr. GILGUN. The bill is also desirable, Senator, because we've had many areas, and many times in the State of Rhode Island where, before the so-called heat bill was enacted and became part of the budget of the State of Rhode Island, where we had to go along with what I think can actually be described as stopgap measures. The Governor borrowed money from community affairs initially to start the fund; people were going to churches, money was being raised by churches and by other private institutions. But each one was only temporary.

We need permanent apparatus. We need permanent funding to stop these stopgap measures. It's almost like trying to put one Band-Aid after another on an extremely difficult and severe wound.

Senator PELL. I appreciate your thoughts very much; but from a philosophical viewpoint, I don't look on the Williams bill as a permanent measure, I look on it as a stopgap measure, until we have alternate sources of energy, and hopefully reduced prices, and the income of our people have caught up with the costs.

Do not look on the bill as a permanent thing. Look on it as more permanent than what we're doing now, but the eventual solution, 10, 15, 20 years from now, is to get our energy costs down, and to get insulation and conservation very much moved up; because, as of now, we're losing, as you know, one quarter to one half of the energy that is produced, because of a lack of efficient conservation.

Mr. GILGUN. I look on it as a very positive step, Senator, and I certainly hope that the testimony that you have taken here in Providence this morning and will bring back to Washington will enhance the passage of the Williams bill.

Senator PELL. Thank you; and thank you very much for being here and being with us, Senator Gilgun.

Our next witnesses represent the AFL–CIO; Mr. Edwin Brown, an old friend, and secretary-treasurer ever since I can remember; and accompanied by Marcia Rigby.

Welcome, Mr. Brown; glad to see you.

STATEMENT OF EDWIN C. BROWN, SECRETARY-TREASURER OF THE RHODE ISLAND AFL-CIO

Mr. BROWN. Thank you, Senator Pell. I am Edwin C. Brown, secretary-treasurer of the Rhode Island AFL–CIO. And we at the AFL–CIO are grateful to you for conducting this hearing this morning, because we feel as though this is one of the most important areas in which Congress can be of assistance to the people of the State of Rhode Island.

Testimony has been given about the poor, the near-poor, and some of the working poor, and like that testimony, I have with me a lady this morning who is working at a substantial job, but is having difficulty.

Before I would ask her to testify, though, I would like to talk a little bit on the economics of the whole situation. We hear about inflation spiraling at the rate of about 13⅔0 of a percent a year, but that's not the whole problem. There are some things that are

dropping in cost, but the costs of the necessities of life—housing, energy, health care—are spiraling at almost 20 percent a year.

And these are the things that are central to your concern: The working people do not have enough earnings to adjust their budget to cover the necessities of life. They've given up all the so-called luxuries. We hear about the State having plans, and they're to be congratulated for having plans, but I don't think the resources of the State are going to be enough to meet the needs of the people.

We need massive action on the part of the Congress of the United States. Sometimes I blame the Federal Government for the situation which we are in; I think the Federal Government might have made some mistakes in its foreign policy. Some of the inaction on the part of the Federal Government stems from not knowing what to do, and very frankly, I do not have the answers to all the questions, either.

In a time like this, however, when the Federal Government hasn't been able to prevent a catastrophic situation from coming up, I think the Federal Government has got to step in and bring out an alternative program. I think that the programs that you and Senator Williams have proposed are a step in the right direction.

I hope that when you get back to Washington, you will be able to do something about it. This cannot drag on for a long period of time. The weather is changing now. We're going to need assistance in a very short period of time.

Fuel oil energy is increasing at the rate, with the increase last month, of 6%10 percent in the month of September, which is about 84 percent a year if it continues at that same rate. In the months ahead—and there's no question that even the announcement by Mexico this morning is going to add more to the inflationary spiral of the cost of fuel oil—it will go up another 10 percent. The program announced by the Federal Reserve Board last week is not going to solve the problem.

That is just going to create more unemployment, and throw these people into a category where they're going to have a difficult time being able to meet their budget needs. Unemployment is not going to solve this inflationary problem; profits is are eating up the inflation.

That is the item that is causing all the inflationary spiral, and something has to be done by the Federal Government to arrest it.

Now, the Federal figures show that a family of four needs almost $19,000 a year for moderate lodging. This is not too much money. It sounds like a lot of money, but when you take all of the necessities for a family of four, it is nowhere near enough.

Profits of the largest 18 oil companies were averaging 63 percent. They can in no way justify increasing the cost of fuel oil to the people when their profits are increasing at the rate of 63 percent. I would like to get into a long discourse about the economics of the oil industry, but that's not your mission here this morning. You're here to find out what we need as far as emergency help to the working poor, the moderate income groups, and the poor, and those people who, as I say, cannot adjust their budget to take care of some of these problems.

When we talk about the oil companies making big profits, and the energy companies making big profits, in no way do I mean the local retailer, the supplier at the local level. They're in a squeeze just as much as the person that they're selling the oil to. They have no control over what they can do as far as adjusting the prices is concerned. In many instances, the distributors have been eating the increase in oil.

I think when I talk about the Federal Government making mistakes or doing something wrong, I think deregulation of oil on a national level was a mistake; because since deregulation, domestic oil has increased 9⅘ percent; and that was just in the month of September. I think that is very wrong.

Another thing that is disturbing to us is that we keep getting announcements from the White House that the administration is going to arrest this inflationary spiral, that things are going to get better. To me that is just reminiscent of the days of Hoover. He was always saying that prosperity was just around the corner. The trouble was that we had a depression before we got to the corner.

I urge you and your colleagues in the Senate to act expeditiously in passing legislation that is going to alleviate this condition. In the State of Rhode Island, as I said, elaborate plans have been made, but at the present time, they're having difficulty getting legislation passed in the Rhode Island General Assembly that will take care of some of the peoples' immediate needs.

It's all right for the administration to have these elaborate plans, but they have got to have the resources to implement them, and if the resources are not made available by the general assembly, they're not going to be able to implement the plans they have made; and this is a very difficult situation for administrators.

As Mr. Gilgun says, there are a lot of people that are going to be cold this winter, and I think, as I said before, that something has to be done on the national level. This is a national problem; the States are not going to be able to meet it, and we urge that you on the national level can do it.

Now, rather than take too much of your time, Senator, I have with me Marcia Rigby. She is a worker in one of our plants in the Cumberland area; it's a plant with several locations, and as I said before, she is not one of the working poor. She earns a fairly good salary; she is represented by the Amalgamated and Clothing Workers Union, and I'd like Marcia to elaborate on her situation, and both of us will be ready for questions, if you wish.

Senator PELL. Thank you. I'm delighted, and I look forward to your responses to questions.

Mrs. Rigby?

STATEMENT OF MARCIA RIGBY

Mrs. RIGBY. Good morning. I am a working mother. I work the second shift, 4 to 12 p.m., at Health-Tex in Cumberland.

Senator PELL. At where?

Mr. BROWN. Health-Tex.

Senator PELL. Health-Tex.

Mrs. RIGBY. Health-Tex, Inc. I went to work to supplement our income. My husband, because of the economic situation now, is not

working on a steady basis. He works maybe 9 months of the year, and unemployed for the balance.

Senator PELL. Could you talk into the mike a little bit more?

Mrs. RIGBY. I have a soft voice.

At the present time, we are starting to get very worried. I went to work with my children because of medical, clothing, education costs. Now, with the winter coming, I just got an oil bill, and it was 85.9 cents per gallon; last September it was 57.9 cents. That's almost a 100-percent increase. Now the problems are ripe.

This is just the beginning. What is it going to be in December, or January? Is it going to be spiraling, where we're going to have to find another job? Now, that's going to take us away from our children.

We're working to get our heads above water, and with the oil costs, it's going to drown us. What alternative do we have, as working people? We went to work for our pride, and our pride is only paying oil bills.

My husband goes to work, and I work, so we need two vehicles. There is no public transportation to the plant where I happen to work. I have to maintain a car; I have to keep it in oil and gas. Gas is another portion of my paycheck.

For the month, for both of us, our gasoline bill is somewhere in the area of $85. My husband works in different areas of the State when he works.

Now, the biggest financial problem I have is heating oil. On gasoline we economize; we limit our errands, we consolidate them, and when we do go out, we try to get as much done as possible. We don't take long rides with our family anymore; we used to. We used to take a ride with the children and show them the foliage, but no more. Now we limit the children on their activities.

Before, we used to shuttle them: one parent would take, another would pick up. We've had to cut down on that. We limit the children to one activity a week, depending on the amount of gas used. We want them to have a social life, but we have to impress upon them the situation now.

There are other points I wanted to touch on. Oh, yes, medical costs. This is October, and so far this year, medical expenses for myself and the two children have run over $1,000; this is above and beyond insurance that I have. I have had to pay the balance out of my pocket.

Now this, and I'm sure I am an example of the working people, is expiring and there's no help for us. We're above help, and yet we're below, because what we're working for we're paying out, so we're not going to be able to raise our level. We're going to be paying out to the oil companies and the gasoline.

My husband, to try and help us in the heating situation, has insulated our house. We own a two-tenement; we've caulked the combination windows. In fact, last year, we actually went as far as putting plastic over the windows to try and economize. We closed off rooms; we installed a wood-burning stove; and yet my oil bill for the first floor and second floor went over $800. This year, it will have to double, just because of the rate of the oil per gallon as of September—it's really going to drown us.

There are not many areas where a family of five can make any adjustments in the budget, but we are trying, and I will try to emphasize to my children the importance of this.

In fact, this morning my children got up and said, "Mom, it's cold in here." I said, "It's not that cold. If you want, put a robe on or get dressed. You better condition yourself, because the winter hasn't arrived yet, and I'm not going to put us where I have to take from my food budget to pay my oil."

Senator Pell, we ask you please to help us.

Senator PELL. Thank you, Mrs. Rigby, very much indeed.

Just to clarify your statement, what would be the combined income that you and your husband have now?

Mrs. RIGBY. It fluctuates. We are in the area of $15,000, $16,000, $17,000.

Senator PELL. In the range of, somewhere around $15,000, $17,000?

Mrs. RIGBY. It depends.

Senator PELL. What kind of car do you have?

Mrs. RIGBY. I have a Dodge; a 1967 Dodge, and we have a truck.

Senator PELL. Both of those use up a good deal of gasoline, do they not?

Mrs. RIGBY. Excuse me?

Senator PELL. They use up a good deal of gasoline, do they not?

Mrs. RIGBY. Not that much, because my husband maintains them. He tries to, as I said, he is handy, and he did get educated in this area to try and help us.

Mr. BROWN. Of course, she lives in Pawtucket, and her working plant is in Cumberland, which is a few miles in between; and no public transportation necessitates the use of the car for her transportation.

Mrs. RIGBY. It's not a luxury; it's a necessity.

Senator PELL. What do you find that for comfort you have to have your thermostat at in your house?

Mrs. RIGBY. Well, I leave it—when I'm not in the home, I leave it, and at night when we retire for the evening, at 60. But when the children are in during the daytime, I put it to 65.

Senator PELL. I can see the situation you're in, and it's a very difficult and a very tough one. I think before we're through, we'll probably find that you will have to put the thermostat down, and put the younger people in woolen underclothes.

Mrs. RIGBY. During the blizzard we did; during the blizzard we lived in our living room.

Senator PELL. You may have to do it all winter. And there are many differences, I think, in our way of life that are going to come into effect in the way of clothing, in the way of cars, where we will really insist on cars that get 30 miles to the gallon; and nevertheless, we're going to find the cost of fuel overburdening and difficult, and that's where the Government has to come in.

But the Government is going to have to do this in partnership with the people; and I would like to return for a moment to Mr. Brown's statement, because while he believes that the Federal Government can resolve these problems, we have reached a system of neutrality or impasse, or whatever you want to call it, but it's very difficult.

President Carter had excellent energy plans, about 2½ years ago, and we in Congress cut it to ribbons. There's no news about the energy crisis. I belong to a group called the Club of Rome. Ten years ago, I remember we put out a report called Mankind at the Turning Point, but nobody listened.

Nobody listened to Carter 2 years ago; the only way we listened is when there was a gasoline line, and then we all listened. That was last spring. I'm afraid so much time has gone by since last spring, and without any gasoline lines now, that we're going to have a hard time getting through any energy program.

I'm not saying it's the Federal Government's fault, I think part of the fault rests with the system, and we've developed a system now of checks and balances which at one time was great, but the country started in the 1700's; now we've cranked into these checks and balances much more legislation, whether it's environmental, human rights, others, and any small group of people can stop a bill from going through if it affects them adversely, even though it's for the majority's good.

Mr. BROWN. I think you made a valid point; the system is in trouble.

Then you find some of the companies that are more powerful than the Government itself—I think that lies at the root of an awful lot of the trouble we're in. It is unfortunate that we can't get a decent energy program through Congress because of the oil companies, and it's either the oil lobby today, the sugar lobby tomorrow, the beef lobby next week.

The people have been caught in these lobbies for a long period of time, and it's because they have more influence in the legislative branches of Government than the people do; and they are capable of keeping the people divided.

Senator PELL. On the other hand, you have to look at the arithmetic of it. The oil companies made an inordinate, outrageous profit last year, but if you look over the last 10 or 15 years, you find that their rate of profit is about the national average.

Mr. BROWN. Well, that's what I'm talking about really; getting into the economics of the oil industry. The oil industry has had a shady reputation from its inception, and they have been able to divert their profits into many, many areas, that it doesn't show in the final analysis.

That is another problem; it's part of the weakness of the whole system. As I said, we could go on for a long time——

Senator PELL. I'll look forward to it, over luncheon. I appreciate your testimony very much indeed. In connection with the specific bill that we're working on, do you have any thoughts on that? Do you agree with our desire to help the working poor, as we call it?

Mr. BROWN. Well, the trouble with me and legislation, and I don't know what the correction is, but you have to put limits in it; there has to be restrictions. And there's always somebody that falls down between the cracks. If it can only be administered in a benevolent way, it would be all right, taking care of the needs where the needs are.

As Father Guidice says, I think the limits are low in this legislation. It almost has to be handled on an individual basis, and the problem is too large to be handled on an individual basis. So there

has to be some judgment, and of course, there's always somebody who is willing to take advantage of it, no matter what kind of limits you have, so there's no foolproof system.

Senator PELL. And this legislation won't help Mrs. Rigby, for example, because the limit would be $12,000, $11,800.

Mr. BROWN. That's what I say. I had her come along this morning because she is in a fairly well-paid job—not a fairly well, a good paying job—in an industry that doesn't pay much. There are an awful lot of people in her industry who receive the minimum wage, and she is earning double what the minimum wage would be, and she's having difficulty.

Then there are families larger than three children, and I don't know how they're getting along. We feel as though there should be some kind of—maybe your system is the best, I don't know; you've gone into it a lot more than we have—but there ought to be a fuel stamp program or something like that, although the food stamp program was created for a lot different reasons than the fuel stamp program's intentions.

Senator PELL. Well, I think incidentally, I had forgotten for the moment, I'm cosponsor of Senator Ribicoff's bill which would provide a tax credit for people, which would help middle-income people.

Mr. BROWN. That's right.

Senator PELL. That is a credit, I think it's about $200, or $250, which would be a very real help. Also, as I said earlier, I think all of us are going to find very real changes in our living habits.

Living in fewer rooms in the house, different clothing, at last getting away from 1968 Dodges to much smaller vehicles——

Mr. BROWN. Public transportation would help, but we don't have public transportation.

Senator PELL. It always takes a crisis to bring out the best in us; we saw that in the blizzard up here a couple of years ago. After that blizzard, when we were dependent on public transporation, we saw a whole new public transportation system starting to bud, and then we went back to where we were before the blizzard.

You also saw this starting after the gasoline lines, and then it quickly went back to life as normal. I think these changes are going to have to take place.

Mr. BROWN. In anticipation of changing of living habits, last week I went out to price some woolen clothes, and I don't know which is going to be worse, purchasing woolen clothes, or purchasing fuel oil, because trousers were selling for $55 a pair, and a suit will go $250 to $300 with no question.

Senator PELL. But not long underclothes.

Mr. BROWN. What's that?

Senator PELL. Not long-johns?

Mr. BROWN. I haven't priced long-johns, because I've already got them.

Senator PELL. Good for you; you're prepared.

Mr. BROWN. Thank you, Senator

Senator PELL. Thank you, Mrs. Rigby; thank you, Mr. Brown.

The next panel, the final panel is the panel of fuel supply dealers. And we have Mr. Howard King, executive vice president of the Oil Heating Institute; Mr. Robert Deblois, president of Deblois Oil

Co.; and Mr. Dennis Gagne, manager of the P. D. Humphrey Oil Co. Welcome gentlemen.

STATEMENT OF HOWARD KING, EXECUTIVE DIRECTOR OF THE OIL HEAT INSTITUTE

Mr. KING. Thank you very much, Senator Pell, for inviting us. My name is Howard King, and I'm executive director of the Oil Heat Institute, which consists of more than 100 retail fuel dealers in Rhode Island, Fall River, and New Bedford, Mass.

The institute is an affilate of the State chapter of the New England Fuel Institute in Watertown, Mass., which represents most of the 1,400 dealers in the region. Our member dealers deliver more than 70 percent of the residential No. 2 heating oil consumed in Rhode Island and southeastern Massachusetts.

After food, clothing, and shelter, the heating of homes is a very necessary item, and it is a tremendous expense.

Believe me when I say that fuel dealers are very aware of this, and our organization for many years now has been in constant contact with the State of Rhode Island Welfare Department, the Department of Community Affairs and Community Action Program throughout the State, the Governor's office, State allocation office, and the Consumer Department, providing data, fuel oil assistance, and expertise, to the government officials, the needy, the low income, and the elderly.

For the past 7 years, the Oil Heat Institute has offered and advertised a consumer inquiry service for information and/or consumer complaints or problems. This worked well, and it has not only solved consumer inquiries, but many inquiries of the welfare department, and the community action program, the consumer protection division of the attorney general, and the better business bureau, and the Governor's energy office as well.

Since 1973, retail fuel dealers have faced problem after problem, year in and year out; and this year has been no exception. Over these years, the normal operation of retail fuel dealers has been involved with a lot of excessive paperwork, administrative time and expense coping with Federal regulations, controls, deregulation, price monitoring, Federal forms; but they have survived, and they will continue to do so.

There have been many buy-outs and mergers in the fuel oil dealer segment of the oil industry, due to overhead and inflation factors that caused dealers to go forward in a more competitive business, in a crude effort to survive.

Increased retail prices have reached an average of 84.6 cents per gallon, possibly higher; and coupled with receivables of the fuel dealer and the credit limit they're facing, the dealer—well, really the big factor in this heating season is providing the oil to meet the need of the low income, the elderly, and fixed income people, as well as the average consumer.

As a member of the Governor's advisory committee on home heating oil, I am aware of the need this current heating season, and this committee has had many in-depth meetings on the problems facing the needs of low income, the elderly, and fixed income families.

Many constructive and valuable recommendations have been made to meet the winter needs, and to provide emergency heating oil and deliveries to other families. I am sure that proposals will be implemented and will go a long way in providing the comfort needed for these families. But they cannot be implemented without some form of Federal crisis intervention funds, before the programs even begin.

It is important that the Home Energy Assistance Act, S. 1724, be enacted as quickly as possible. That assistance is needed now, and some form of assurance that the funds will be made available quickly must be made so that the State of Rhode Island can implement their program in time to prevent a possible crisis during the cold months of the winter, right around the corner.

I am sure that the Oil Heat Institute and member dealers, and most of the nonmembers with which we have been in contact, will cooperate in any way they can to see that assistance programs will be effective, and that the delivery of fuel oil and authorization of State-appointed agencies will be made quickly and effectively within 24 hours of a request for authorization.

In closing, Senator, I would like to suggest that a serious and detailed effort be made for tax credit for heating oil loss for the 1979 tax year.

Thank you for having us here this morning.

Senator PELL. Thank you very much, Mr. King.

Mr. Deblois?

STATEMENT OF ROBERT E. DEBLOIS, PRESIDENT OF DEBLOIS OIL CO.

Mr. DEBLOIS. Thank you, Mr. Chairman, for convening these most important hearings on a topic that is of the utmost significance today. My name is Robert E. Deblois; I am president of the Deblois Oil Co., a moderate-sized fuel oil and gasoline distributor, doing business in the State of Rhode Island and nearby Massachusetts.

I am a former president, and presently a director of the Oil Heating Institute of Rhode Island, and also of the New England Fuel Institute, these organizations are the trade associations that represent our industry at the local and the regional levels.

While there are many aspects that cause concern, as the recent sharp price increases in fuel oil, this morning I would like to limit my remarks to the consequences that have been felt by the fuel oil retailer, and the difficulties the retailer faces in conducting his business because of the sharp increases in fuel, and because of other negative marketing practices that have occurred during the past 12 months.

In no way here in this testimony am I trying to place the blame for what has happened within the energy market on a single group or section of the industry. Indeed, I do not feel capable of making such a judgment.

The question of whether sharp price increases were caused by OPEC or by the Iranian curtailment of crude oil production slightly under a year ago, whether they were caused by some panic, real or imagined, that overtook the marketplace immediately thereafter, whether they were caused by unreasonableness on the part of

major oil companies, oil brokers, or any other single or multiple number of factors, I think should be left to others, and perhaps even to history to answer.

Unfortunately, we all know the consequences. Fuel oil at the retail level has risen in price for to the homeowner in the State of Rhode Island in a little less than 1 year's time, from 52.9 cents a gallon to its present level of 85.9 cents per gallon, an increase of some 33 cents per gallon, or approximately 60 percent.

This, as we all realize, has placed a severe burden on the pocketbook of all Rhode Island households, over 70 percent of which derive their health and comfort and wintertime heating from homeheating oil. The average bill for a typical household using 1,400 gallons of fuel oil per year, in just 1 year's period, has risen from approximately $725 a year to over $1,200.

For a low-income family of four, earning even at the 125 percent of the poverty level, approximately $8,200 for a family of four in this area, the minimum requirement to provide for their health and comfort would drain almost 15 percent of their household budget.

Many households, as we all are aware, and as we have heard testimony this morning, earn less than this amount, or furn more fuel out burn of necessity. Clearly, this is unacceptable.

These product price increases and other actions that have been taken within the industry in many instances have had dire consequences, not only on the public, but also on us, the dealers. Gross profit margin percentages have not kept pace with the product cost increases, and this decline has led to an increasing credit gap that must somehow be financed by the dealer.

There has been an industrywide attempt by the major oil companies to tighten already strict credit terms, and many have eliminated prompt payment discounts, thereby passing on to us hidden cost increases. Fortunately, the Federal Government and the Department of Energy, I must say recently, have intervened and made some headway in stopping some of these attempts.

Higher prices in many instances have not only increased the amount of the dealer's accounts receivables with his customers, but in many instances have lengthened the collection period, something that will have dire consequences on any small businessman in his attempt to fund his own business.

In a number of instances, dealers have had to turn increasingly to outside borrowing to fund their growing credit accounts receivable, accounts payable, credit debt. At the same time, we have entered into a general period of tightening of credit, and it has resulted in increases in prime borrowing-lending rates.

Last, but certainly not least, all of this has happened at a time when the annual inflation rate throughout the U.S. economy has risen to over 12 percent per year. Clearly, dealers are in no position to finance their customers heating bills, except in a general way. And certainly, the ramifications of the energy marketplace are such, especially at the present time, where something must be done.

In Rhode Island and in New England, winter heating is not a luxury; people must have it as a necessity of life, and clearly it must be paid for.

I urge you, Senator, to do everything possible to see that two types of funding are obtained for the poor and the moderate income people of our community.

First, crisis intervention funding must begin immediately; at least a $500 million level per year nationwide for this winter is necessary. This must be acted upon immediately, and be in place hopefully by the end of this month, of October, the time when heating becomes an absolute necessity in this area.

Second, such a stopgap, band-aid type of approach—and I'm not talking about $500 million now as being a band-aid, because that's an expensive band-aid, but I'm talking about the concept of crisis intervention funding—this type of funding cannot continue year after year. Some longer term plan of funding of energy needs for the poor must be legislated at the earliest possible date. In this regard, we strongly support S. 1724, or any similar legislation that would approach this problem on a longer term basis.

Thank you for allowing me to appear on this panel this morning. After the other members of the panel testify, I will be most happy to answer any questions.

Senator PELL. Thank you, Mr. Deblois.

Mr. Gagne?

STATEMENT OF DENNIS GAGNE, MANAGER OF P. D. HUMPHREY OIL CO.

Mr. GAGNE. Thank you, Senator Pell, for hearing my testimony and that of the other distinguished legislators. My name is Dennis Gagne; I am the manager of P. D. Humphrey Oil Co. in Rhode Island. We deliver fuel oil to approximately 3,000 customers in Newport County.

Many oil dealers in the State of Rhode Island will be facing the most difficult heating season that we have ever encountered. You are well aware that there has been a 70-percent increase in the cost of home heating oil in this past season alone. These increases have far exceeded those that we encountered in the 1973–74 heating season.

The large part of the burden is borne by the consumer, however, who is faced with unprecedented heating and utility bills. Being a home energy supplier during these times has placed upon us, the home heat dealers, an excessive burden of mushrooming accounts receivable, soaring interest rates, reduced credit terms and discounts from our suppliers, and ever-increasing operating costs.

The coming season threatens to force many dealers into a position where they will have to collect cash for fuel deliveries from their customers, or no longer continue to purchase the fuel to make necessary deliveries.

We know that there are now many families who will not be able to afford the heating fuel necessary to maintain a moderate level of comfort and safety. This is the most difficult problem that we face. We have had customers for many years who, unless assisted in some form, will not be able to receive regular fuel deliveries. These, I might comment, are the customers who have been able to pay, and now with the inflation and the fuel oil, their budgets no longer can make ends meet.

Even middle-income families could become hard pressed to keep up with fuel payments; thus, the home energy suppliers will have to carry exceedingly large dollar amounts due them because of the slow turnover in our receivables.

The fuel oil dealer finds himself in quite a precarious position. Soaring interests rates and tighter credit policies from our suppliers will limit the capability of the fuel oil dealer to extend credit to his customers. For example, a major oil company that supplies up to 50 percent of the fuel that we deliver has for many years offered a winter program, by which our January fuel purchases are charged to an account. These purchases are paid back in three equal monthly installments during the months of April, May and June. They had a nominal interest charge associated with this service, which makes funds available to finance the peak demand during our coldest months.

The service is no longer available to us, thus placing additional pressure on consumers for faster payment. This is representative of the vicious circle that has turned into a disaster which will lead to unnecessary hardship and suffering for both the fuel oil dealer and our customers.

Thank you.

Senator PELL. Thank you, Mr. Gagne.

Incidentally, I understand the SBA, just this weekend, has announced that it will extend up to $100,000 credit to the fuel dealers, which should help a little bit to alleviate the problem that Mr. Gagne and Mr. Deblois both mentioned.

Mr. DEBLOIS. One of the problems with the SBA, and they have been exceedingly helpful recently, is its limit on the size of the business it can help finance—at one point I believe it was $2 million, and this was raised to a business that had footings of up to $6 million. Unfortunately, with the price of fuel today being what it is, in the 85-cent-per-gallon range, that is insufficient for even a moderate-sized fuel oil dealer. The billings for a 1-million-gallon dealer at 85 cents a gallon, you know, get to above that particular level at something like 2 or 3 million gallons.

Senator PELL. Incidentally, Mr. King, in connection with the hotline in the yellow book, what is it listed under? We were just looking for it.

Mr. KING. It's under the Oil Heat Institute.

Senator PELL. OK, thank you. Shouldn't that be in the regular telephone book as well as the yellow pages?

Mr. KING. In the yellow pages under fuel dealers.

Senator PELL. But shouldn't it also be in the regular telephone book?

Mr. KING. I think it is; but it's under "Association," Senator, I believe.

Senator PELL. I think the more these hotlines are open and publicized, the better off——

Mr. KING. That is a daytime service. In 1973, we had a hotline that was manned, and we knew the allocation handling the matter. We implemented some sort of an emergency delivery program.

We now have in place in the Governor's committee, a poll taken of dealers that would be willing to make emergency deliveries upon

authorization, and that is being set in place now, and waiting for implementation on the part of the State agency.

Senator PELL. What would be the policy of the fuel oil dealers with respect to supplying small quantities of heating oil to those in urgent need, but with no immediate access to cash? How would you handle that problem?

Mr. DEBLOIS. I assume you're looking for one of the members of the oil industry to answer that question. Clearly, Senator, the oil dealers are not in a position to supply fuel without some type of remuneration, either immediate or within a short period of time—some type of authorization.

We have difficulty as it is funding our own businesses, meeting our own payrolls, keeping up with the inflationary factors that are present in each of our businesses. I think that each dealer would have to meet that on an individual basis.

I know that, and I'm speaking just for my own company, because I don't feel I'm capable of speaking for other companies, that we would do everything possible in a short period of time to see that no one certainly was in a position where they would freeze.

By the same token, there's no possibility, even with a fairly substantial company, and I think our own is, of financing this on a long-term basis. It's impractical, and unrealistic.

Senator PELL. I understand that. One of the strong points of the Williams bill is that the money goes to the fuel oil dealers, so that one knows that it's going to be there; whereas if it went to the recipient, the homeowner himself or herself, it could be spent for some other urgent need.

Mr. DEBLOIS. I agree that that's a very strong point in the bill. This would enable the homeowner to turn around and make arrangements with his fuel dealer directly; and the fuel dealer, realizing that payment was forthcoming at some point in the future, would be more than willing, I'm sure, to set up some type of a budget or some type of a payment plan with that homeowner so that the transmission of fuel from the dealer to the homeowner would be done in some orderly manner.

This is a recommendation that we would strongly endorse, as enabling that type of a credit setup with the individual homeowner to take place between he and the dealer.

Senator PELL. One of the services that the oil companies are rendering is a valuable one, I think; that is advising customers about insulation procedures, and how they can save money.

On a Statewide basis, what do you think in that regard? I know the Newport Oil Co. where I live has that service, and it's an excellent one. I'm wondering if it's Statewide, or if it's just in that one city.

Mr. KING. Senator, the Oil Heat Institute and its members, along with the New England Fuel Institute, have adopted a computerized energy audit, not only weatherization, but also heating equipment. This is just getting underway, and there will be literature going out to those dealers that are actually undertaking this effort.

The Oil Heat Institute will sponsor energy audits, complete, which would be insulation and heating equipment.

Senator PELL. Free, or for a charge?

Mr. KING. I believe that would be up to the individual dealers; but in most cases, I don't think it would be more than a very nominal charge, if any. There may not be a charge.

Senator PELL. Now, are you impressed, as I am, with what is being done abroad where they have fuel oil that costs far more than what we're paying now, and they're still producing more in the way of heat and energy than we do because of more sensible conservation practices. What is being done here to make the experience of Sweden or the northern European countries available to our own people?

Mr. DEBLOIS. Certainly, I think every effort is being made by almost all of the dealers to urge their customers to conserve as much as is humanly possible; and this is being done of necessity. The cost of fuel being what it is today, it's just too valuable and too expensive a commodity to be wasted. For some time, our own company and a number of other companies have been providing weatherization services for their customers.

The Oil Heating Institute and the New England Fuel Institute, as trade organizations, are urging all of their members to get into this type of practice to help their customers conserve this very valuable commodity, and certainly there is all the incentive possible to people to conserve energy; the cost has gone up 60 to 70 percent in just a year's time.

Senator PELL. It seems hideous the way the cost has gone up, but nevertheless, I think many people are not going to do these things unless it goes up even further, or it's mandatory; and I don't want to see that happen.

The other day at the White House, I called to the attention of the President the experience, specific experiences in Sweden, where you must build a new house or reconstruct a house with not just two panes of glass, but three panes of glass; where home conservation is such that the energy needed is reduced to a minimal degree. We are still such a long way from that. I'm wondering if you would consider, as a State institute or a national institute, seeing what the experiences are in other nations in this regard.

Mr. KING. I think that was all on payback to investors, and I think that the price of oil being where it is now—we're talking about 85 cents a gallon now—what were they paying in Sweden; $2?

Senator PELL. I think about $2 dollars a gallon.

Mr. KING. I think that was a good incentive to get them to put three panes instead of two, and I think right now that the Governor's energy office and at the Narragansett electric expo at Rhode Island Junior College on Sunday—there were about twenty-some thousand people—they were looking to all of these other aspects of heating and flue dampers, and audits, and weatherization, and solar energy, and I think you will see that happen a lot quicker now that the price has reached an area whereby the investment would be repaid within a period of 3 to 5 years.

Senator PELL. I think our problem is that we've grown so used to cheap energy, gasoline that costs less than spring water, that it's hard for us to recognize that gasoline, heating oil, and oil are becoming fairly precious and valuable commodities.

We are still moving in that direction, but unless we get more Government persuasion on this, more sense of price urgency, I'm not sure we will do what we should do.

Do you find that new construction right here in our own State, Mr. Deblois, that the houses are really being built with good insulation?

Mr. DEBLOIS. They're just starting to. I've been in this business now for, I believe, just about 22 years, and I've seen in the last 10 years the entire building practice go from one of almost no insulation in a house, perhaps a 2-inch cap-type insulation, to now where almost everyone, of necessity, is insisting on adequate, and I'm talking full, thick sidewall insulation, 6- or 8-inch blankets in the ceiling, and perhaps even insulation in the basement.

This entire change has taken place of necessity in a very short period of time. I think one of the things that the Congress and the Government can do is help with the retrofitting of older homes, by providing tax incentives, and I believe the initial steps have been taken in the Congress to do this for those items that do return an adequate conservation measure. An adequate measure of conservation, by providing some type of a tax incentive, for example, as they have done with new burners or clock thermostats; but I think there's a lot that can be done for this by providing tax incentives on items such as new boilers and new furnaces, which in a number of instances when properly replaced, can result in dramatic conservation savings.

I would urge that this type of action continue on the Congress part.

Senator PELL. I think it's a very good suggestion. One thought that I'm sure has gone through your mind, is you've heard a lot about the various quick depreciation proposals being considered by the Congress; but they're not considering it as the same package—quick depreciation—1, 2, 3, or 5 years for furnaces and boilers and things of that sort.

I think if they can do that, it might move along that road.

Mr. DEBLOIS. Well, if they provided some type of an incentive for the individual homeowner, I think this would, in many instances, provide them with the downpayment to be able to go out and even finance this type of improvement on their own; something that most dealers are more than willing to do, take the people down to the bank, or something like this, and make provisions for them to finance this.

That initial tax saving could act as the downpayment, and enable a number of people to make that type of an investment.

Senator PELL. Thank you. Thank you very much indeed for your statements. Mr. Deblois, I see you often in Washington or here, and you project your interests very well and very vigorously; I just want to let you know.

Thank you very much indeed, gentlemen, for being with us, Mr. Deblois, Mr. Gagne, and Mr. King.

Our next witness is Father Duffy, who is the representative of the Consumer Coalition for Justice. Father Duffy, welcome.

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STATEMENT OF FATHER DUFFY, REPRESENTATIVE OF THE COALITION FOR CONSUMER JUSTICE

Father DUFFY. I am here this morning to read a statement for Mrs. Jan Campbell, who is the president of the Coalition for Consumer Justice. She and her daughter were sick this morning, so they were unable to be here. I'm just filling in in this capacity.

The Coalition for Consumer Justice did prepare a statement in response to the advertisement for this morning's hearing. The statement reads as follows:

STATEMENT OF THE COALITION FOR CONSUMER JUSTICE

We are in perilous times. While there is an abundance of oil and natural gas, the Nation's poor are entering into an energy recession. In 1978, the average poverty family spent $1,000 of its mere $3,300 annual income on energy.

Sixty-six percent of all Americans are spending $1 of every $6 on energy costs. In the 6-year period ending in 1978, the cost of oil has leaped by 179 percent. In the last 3 years, electricity rates have jumped more than 7 percent, and natural gas used for heating has increased 82 percent over the same period.

These statistics come from the Citizen's Labor Energy Coalition of Washington, D.C. These are not mere numbers, they translate into suffering, hardship, and unconscionable choices that the poor and working class of this State must suffer.

We live in a State that has had two legislative sessions this year, and still can't decide whether to increase welfare standards by a disgracefully low 10 percent to meet last year's inflation. We live in a State where more than half of the adjusted tax returns are under $10,000 a year, well below what the Federal Government considers a minimum income to sustain a decent standard of living.

Since a good deal of the winter energy plight was precipitated by a Government that favors decontrol, then it is about time that some of the Government's largess was decontrolled back to the taxpayers. It is only fair to give to the poor what is given to the energy cartels—cash payments, tax credits, and special agencies acting on their behalf. We therefore offer the following recommendations.

First, the energy assistance program should pay at least $400 by January 1 to families earning up to 150 percent of the poverty level.

Second, these payments are not to be tied to shutoff notices. It took the Coalition for Consumer Justice 2 years to get a winter moratorium in the State, which means that most electric and gas customers do not get shutoff notices. Therefore, tying payments to these notices will not affect those people.

Third, if the money is not available from Congress by January 1, then the State should be permitted to front the money, and get Federal reimbursement.

Fourth, the assistance program should be an annual appropriation that is increased each year to cover inflation, and which should have no ceiling, so that needy families are not denied assistance. Our oil companies deny tax breaks because of limitations on IRS and Treasury handouts.

Fifth, a mandatory free registration system should be adopted, permitting signoffs as early as Labor Day. This would end the yearly crush at the offices of the community action programs and other disbursement sectors.

Sixth, a mandatory national winter moratorium on electric, gas, and oil shutoffs, no matter what the extent of a bill, should be imposed between December 1, and April 15. States should also be given local authority over the retail oil companies, so that prices, customer relations, credit, and supplies could be regulated under public utility laws.

Seventh, each State should be required to establish an emergency oil supply that would be used in unusually severe weather in order to prevent oil shutoffs to homes, hospitals, or other essential services.

Eight, the poor can conserve only through retrofitting of insulation. We urge an end to the bottleneck of insulation work, caused by CETA cutbacks, and we endorse higher tax credits for renters and homeowners who conserve energy, either by reducing usage by shutting off their lights, or reducing the waste of nonrenewable resources, such as adding wood stoves or increasing insulation.

Ninth, we favor giving the poor energy assistance through the tax program, rather than through the creation of expensive, inefficient, and self-serving bureaucracies. We consider the proposed energy bill, for an example, as another conduit of funds for the energy companies. We favor creating a separate government corporation that would compete with the oil, gas, coal, and uranium combines, particularly since the Government is now the largest owner of energy resources in the Nation.

Tenth, if the windfall profits tax ever passes, we urge that those funds be used only for the development of alternative, safe, clean, renewable energy sources, and to fund energy cooperatives that are owned by consumers but not for profit purposes, at the grassroots level.

Eleventh, no household should lose electricity, gas or oil, because of an inability to pay at any time during the year.

Father DUFFY. I'd just make a comment on the 10th point about funding the development of alternative safe, clean, renewable energy resources. We would just refer you to news articles about the electric company in Burlington, Vt., where the people there bought the electric company; where the two people who are hired to run that company retrofitted oil furnaces in order to burn wood; where the amount of money that was allocated to do that retrofitting was $50,000 and one of the people did it for one-half that price, $25,000.

In converting to wood—they're using a large amount of wood in that region—a certain number of jobs were produced, and the money that's spent for electricity in that area stays in that area to the extent of $35,000 a day to produce energy; but that money all stays within the local area of Burlington, Vt., rather than going to an oil company.

I would like to add a final note on the comments just preceding me on the winterization. I had an experience yesterday; I've been working with my sister and brother-in-law on their home. They live in an 80-year-old house in the city, you know, not a fabulous dwelling—and just yesterday, we were painting the outside of the house, and I was working on the windows. It's a little house, but a lot of work has gone into it. Just the amount of money and experience that is needed in order to work against the waste of energy resources, with windows that don't fit properly, with windows that have deteriorated, and special reinforcement of those windows taking place; my brother-in-law and I have been working for three weekends just on that one project.

We feel we're young and we're capable; and I live in an area of South Providence where the houses are much worse than that; where people rent, where people live on the third floor, and it's really difficult for those people to experience those types of conservation methods. So there should be special emphasis, as I know is in the bill, where people could actually apply for assistance, even though they don't have a high utility bill, but they're falling into debt. They're receiving increases in rent and that type of thing because of the places where they live.

Senator PELL. Thank you very much, Father Duffy, and I'm very glad you appeared and put your statement in the record. I would add that our own bill has, I think, a higher standard of those that would be eligible than that particular proposal of yours, and I would also mention the fact that the people with higher costs and lower income would get more help. The other points are not covered in our bill, but we will consider them. I don't want to hold out false hope.

Father DUFFY. I think we wanted to enter into this in a wide open area.

Senator PELL. I'm very glad you touched on conservation, particularly in your final remarks, because I think that's the most important thing—when you see fuel prices twice as high here as

abroad, and people are still managing to produce the same heat from less fuel, you realize that we need a change in our own building habits, and an approach to conservation as well.

Father DUFFY. Yes; I think the example of the community action program and the utilization program—that perhaps if that were repeated throughout the State, and if maybe four times the amount of money were allocated for CETA workers, for training people in that very necessary type of employment, and that necessary type of experience that people gain in doing that, in serving one another and servicing their community, that those two examples of creating jobs, which will contribute in the long run to conservation of energy.

Senator PELL. I would agree with you, and I must add here that I'm perpetually surprised, and the American people are surprised, at the crisis we're in; because as I mentioned earlier, some of us have been talking about it for 10 years.

It's absolutely predictable; it was absolutely predictable 10 years ago. It's a question of whether it would come this year, last year, or next year, and we muddled along for a while. The problem is that we have to develop our system of government so that we respond not just to crises, but when we see a crisis in the future, we take the necessary actions ahead of time.

My own rather sad thought is that we usually respond only when the crisis is with us, particularly if it's an unpleasant or expensive course of action.

At any rate, I thank you very much for being with us, Father Duffy.

This concludes this hearing of the Senate Labor and Human Resources Committee; and I would like to add into the record my gratitude to the Federal court for letting us use their room this morning.

The meeting is adjourned.

[Whereupon, at 12 p.m., the meeting was adjourned.]

HOME ENERGY ASSISTANCE ACT

FRIDAY, OCTOBER 12, 1979

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Salt Lake City, Utah.

The committee met at 2 p.m., in the Westside Senior Citizens Center, Salt Lake City, Utah, Senator Orrin G. Hatch presiding pro tempore.

Present: Senator Hatch.

Staff present: Robert P. Hunter, professional staff member, and David Buhler, staff member, Senator Hatch's office, Salt Lake City, Utah.

Mr. HUNTER. This committee hearing on labor and human resources is called to order.

OPENING STATEMENT OF SENATOR HATCH

Senator HATCH. I apologize for not being here with you this afternoon. I was to fly out yesterday and I changed my schedule three times as a result of the various matters that happened on the floor here yesterday. I also changed it once today and just could not make it there today.

The reason I am not there is because we finished up the foreign aid bill today. We worked late last evening and finished about an hour ago. More importantly, the continuing resolution to determine whether or not there will be a general pay raise for all employees plus Members of the Senate and Congress is coming up to the floor any minute. I want to be here because I am against any pay raise for Senators or Congressmen. I do not mind the general workers getting pay raises because of the inflationary problems, but I do mind having Senators and Congressmen getting pay raises because I don't think we have done the job. We have too much inflation. We have too much unemployment. We have too many difficulties. We are heading into a recession, and I think we have got to change it.

Now, the big problem on the floor today, and I am calling you from my office and may have to interrupt this from time to time to vote on the floor. I am going to have to go vote in the next half hour or so and it will take me about a half hour, maybe a little longer. When I am gone either my administrative assistant or one of my top legislative assistants will sit in here at my place, but I should be with you most of the time.

I might also introduce to you at this time a member of the committee, Robert P. Hunter, who is a professional member of the Labor and Human Resources Committee. He works very closely with me and a number of other Senators on the committee. Mr.

Hunter is a top legal attorney with tremendous experience on the Labor and Human Resources Committee and is recognized by his peers back here as one of the top professional staff members in all of Washington. I feel very honored to have him with me.

I might mention to you just before we begin that this continuing resolution involves two matters. Right now there are a number of Federal employees who have not received their paychecks this week. There are some that only received half of their paychecks. The continuing resolution is essential because it is the only way we can fund the pay rate of these paychecks and solve this problem. The reason it is such a complicated matter and because we have got into our annual abortion fight, the House of Representatives wants to allow for Federal funding of abortions only to save the life of the mother. The Senate, the majority of the Senators, not myself, but the majority of my fellow Senators want more liberal language so the Federal Government can give abortions for almost anything. The House will not agree on that language. A majority of the Senators want that language.

The second complication is that the House wants a 5.5-percent pay raise. One of our Members of the Utah delegation voted for the pay raise and one of them voted against it in the House. Both Jake and I are against any pay raise for Senators and Congressmen. As a result of the bills to stop the Federal pay raise for Senators and Congressmen only, the Senators have been voting with me against the pay raise. Within the next half hour or so we will probably vote on a continuing resolution which has exceeded the budget that the House wants on abortion, and we would have exceeded the 5.5-percent pay raise for the Senators and Congressmen. I will have to vote against that and have been * * * [Voice not audible through phone system]. I don't know how it is going to turn out. Thus far we have been successful. Most of the Senators are still committed to vote with me against the pay raise, but let's just see what happens. After I do go vote I will come back and tell you what has happened.

Let me get down to the subject matter before us in this Labor and Human Resources Committee hearing today. I was to be there with you. We were to start this morning, but the only way we could do it was this afternoon, and although this is not the same as being there, this would have been my 58th trip to Utah since I have been Senator. At least I am participating in this hearing. I know that Mr. Hunter will conduct it very well. I will participate by asking questions from here and listening to all of the witnesses. When I am voting or otherwise have to leave the phone, my staff members will be taking down the information and any questions they are to ask they will ask at that time.

Thank you for attending this somewhat hurriedly called but necessary hearing before the Senate Labor and Human Resources Committee, on which I am privileged to serve, to hear testimony from Utahans from all walks of life concerning Federal assistance to low-, middle- and fixed-income households to offset rising home energy costs. This hearing will be extremely helpful in designing a Federal response to what could be a devastating hardship to millions of Americans, and potentially thousands of eligible people in Utah who, without assistance in some form this winter to help pay

soaring fuel costs, will literally have to make the untenable choice of: "Do we heat or do we eat?"

In less than 6 weeks most Americans will experience the first freezing blasts of winter. It is now October and as of this date there is no Federal program to assist low-income persons and the elderly with their fuel bills. I might also add the handicapped as well.

Washington, D.C., on Wednesday, received a taste of what this winter may have in store by receiving its first snow of this autumn season. It might be a blessing in disguise, however, because it could serve as an object lesson for Federal legislators that time is running out if the problem is to be addressed in a meaningful fashion this year.

Months of cold weather and the necessity to adequately heat homes will surely follow. Low income and elderly consumers of energy throughout the country are encountering great difficulties in paying their fuel bills. For example, from September 1978, throughout September 1979, a period of only 1 year, retail fuel oil prices have increased about 70 to 75 percent. Of more significance to Utah, perhaps, is the fact that natural gas prices have increased by 15 to 20 percent. Such price hikes, coupled with future anticipated cost increases and an inflationary and a recessionary economy, impose an enormous burden on this Nation, 15 million low income and elderly households. While those who use fuel oil will be hardest hit, no poor family trying to keep warm this winter, regardless of the region, can escape the impact of these price increases which, for many, will pose an intolerable situation.

Because the poor already spend more of their disposable income for energy, their problems are far more severe, even life threatening in some cases. According to their recent testimony of the Fuel Oil Marketing Advisory Committee (FOMAC) before this same Senate committee in 1978, low income households, on the average, were spending almost 19 percent of their income on home energy. Since 1978, dramatic increases in home energy costs have occurred and it is now estimated that the poor are spending close to 25 percent of their income on home energy as a national average and that over 30 percent is being spent in the Northeast and in certain places in the Midwest because of the heavy reliance on fuel oil, costs have risen about 70 to 75 percent.

When we add utilities and housing costs to home energy costs to obtain total shelter costs, data indicates that the elderly poor spent over 80 percent of their income in 1977 through 1978, and over 90 percent of their income for shelter costs in 1978–79. For the winter of 1978–79, our data indicates many elderly households with $30, $10, or even no money to pay for necessities other than shelter costs.

I and my colleagues on the Senate Labor and Human Resources Committee are determined to take action to provide financial assistance to those Americans most in need this winter. Unlike President Carter's position, we do not feel we can afford to wait for the passage of the so-called windfall profits tax as a condition for providing some help.

There is the will to help but we must find the workable way. That is a principal reason we are in Utah at this time, to obtain advice necessary to shape a Federal program which meets this

State's needs in a fair and equitable manner. We will take testimony today from Utah citizens who have experience in these areas and can offer positive perspectives which cannot be found in Washington.

There are many unanswered questions which cannot be settled by merely appropriating money. For example, who should be eligible for assistance; how will it be structured; what will be the formula for distribution; who will conduct outreach efforts to educate people on the availability of help, et cetera? Information on these and other related issues will be the subject of this hearing.

In any event, time is of the essence. Whatever funding approach is agreed upon by the Congress, something has to be done within the next few weeks if the aid is to do much good. This hearing is an essential part of the process by which legislation is to be drafted and presented to the Senate.

Conclusion, eneregy officials have already warned that many people will face a decision of "food or fuel" come this winter. At a time when tragic economics of energy might conceivably produce unintended deaths, Congress has no choice but to provide the right kind of financial assistance to men, women, and children who are in real danger of either freezing, starving or both.

Help me to overcome this problem. Let us turn to our first panel of witnesses. I will introduce the various panels at this time, but Mr. Hunter will introduce each panel at the conculsion of the preceding panel.

We begin our hearing today, at least as far as I can see, with James Hansen, speaker of the house of representatives. Then we will have representatives from the State government with us and we are going to be very interested in what they have to say about our State of Utah and any other help that they can give us.

Panel No. 2 will consist of representatives of the poverty community and it is very important that we have your statements on the record and I am very grateful to you folks who are willing to represent those who are suffering from poverty the most. I am very grateful to you all to be here today.

Panel No. 3 will be the community action program, and of course I don't think we can get very far on this subject without having your influence.

Panel No. 4 are the representatives of the elderly community. I don't think that it is news to anybody in Utah that we have spent a lot of time of our Labor and Human Resources Committee and other committees worrying about the problems of the elderly and have helped to solve some of them, but we want to help solve more. This is going to be a particularly big problem for the elderly. We are very grateful to have you folks with us today.

Panel No. 5 is Salt Lake County government representatives, and of course these folks will really help us understand on the very local government level just exactly what should be done.

Panel No. 6 will include the industry representatives who will approach it from the industry's standpoint. We are grateful to have them as well.

All I can say is we are grateful to all of you people for taking time out of your busy schedules to help out the Congress know better how to solve some very serious problems.

Before I ask Mr. Hunter to proceed I am going to put this on the speaker phone so I don't have to hold this to my ear all the time. We can hear everything you are saying. You won't have trouble hearing me if I talk with the speaker phone. If I have questions, I will ask them at the end of each panel, and if I have none, Mr. Hunter will ask the questions. He knows what I want to have asked out there. Then, we'll just go on to the next panel.

If I am on the floor voting, I will ask my administrative assistant or my legislative assistant to mention that to you and, of course, I will be back as soon as I can. I know we are going to have a vote in the next 10 minutes and another vote probably around 4 o'clock, so I could be gone for just a few minutes. I will first put this on the speaker phone and I am very interested in listening to everything that is said here today. Thank you very much.

Mr. HUNTER. Representative Hansen, welcome to the committee.

STATEMENT OF HON. JAMES HANSEN, SPEAKER, HOUSE OF REPRESENTATIVES, STATE OF UTAH

Representative HANSEN. Thank you. I imagine you would like a response from me in regard to what the Senator has mentioned in his view of the particular problem. Of course, I come from the legislative halls and we have a situation there where it has been difficult for us to figure out how a State government is to stay with the rising inflation and how it affects all parts of out society. The thing that bothers us the most, of course, is what the Senators are willing to do and talk about on how do we take care of those folks on a fixed income when we have the energy costs rising at such a rapid rate, and it is a difficult thing for us to come to grips with. I won't go into the problem because it seems to me it is going to be adequately discussed from the panels, but I would like to give it the viewpoint of State government, if I may.

The point that I see, having been a legislator for four terms now and as speaker of the house, is that when we have Federal programs coming in to help us, and I agree wholeheartedly with what the Senator said, if it isn't done now we might as well forget it because it is in fact just weeks away when we have severe weather upon us. What we are concerned with are the ways it should be administered. We have many Federal programs that come into the State and the intention is always very, very good. I mean, it is a great idea and it seems like it is a good thing. I think OSHA is a great example. There is none of us that want to see industrial accidents come about, but, in reality, we found out it turned out to be somewhat of a harassment to small business and to industry.

Now, if in effect this committee is going to come up with something that will create another bureaucracy or proliferate and put many Federal people to work in Utah looking into the problems, and it takes 2 years to build the buildings and to get the new cars and the staff and the telephones and typewriters, then I don't think we are going to get to the issue. I really think the issue is this: The issue is why doesn't the Government, or could this committee pass legislation which would be the kind of legislation that we could get a block grant on. Something that could come to the State with no strings attached. We are now in the process of fighting this State revenue problem. I was back in Washington

about 2 weeks ago and we talked to Members of the House and Members of the Senate. We had the opportunity to speak to the President of the United States. They were talking about State revenue sharing. They made the point, they said, "Now, you are telling us to balance our budget, but you people have a surplus budget, and yet you people are even giving it back." They referred to Utah, that in fact, you know, Mr. Hunter, we are trying to give back some money which we are having a little problem with. But, we find in answer to that, and I accept that premise, but I don't accept the idea that we would be happy to forget the State revenue sharing if in effect the Federal Government would give up a lot of mandated programs that they have superimposed upon the State.

Now, I agree completely with the Senator's conclusions that we do have a problem, that it should be handled. But, the input that the legislature would like to have in this is that it comes in a form that the Governor of the State or somebody of State government which is already put together, which is already structured, can be in a position to handle and administer the program without it going through the bureaucracy, and I say that respectfully, but if we have to go through what we have seen in many of the programs that we are associated with, I would be very concerned that it would be too little and too late and it wouldn't be what it is trying to do. I agree 100 percent with what the Senator says, and I hope it is able to work, but if it comes in and is just another—well, I guess I have said enough, but I will be concerned at that point. That will be my opening remark. If you have any questions I would be happy to respond.

Senator HATCH. We appreciate your testimony and I share the same concerns you have. I would like to see it in the form of a no-strings-attached block plan, so that our own legislators and our own Governors can handle these funds.

I appreciate your testimony, and we are going to have that on the record and, of course, we will bring that to the attention of the committee.

We are just getting notified of a vote, so I am going to have to run, but I will be back in approximately a half hour. In the meantime, my legislative assistant will be taking care of this. Thank you for your testimony. We appreciate you showing up and giving us your testimony.

Representative HANSEN. Thank you, Senator Hatch.

Mr. HUNTER. Thank you, Representative Hansen.

Can we have our next panel of representatives come to the witness table. You ladies will have to share that microphone when it is the appropriate time for you to say something.

Will you start off by identifying each member at this point?

Ms. LINTZ. I am Louise P. Lintz, Utah State Division of Aging.

Dr. BUFFMIRE. I am Dr. Judy Ann Buffmire, deputy director of the Utah Department of Social Services. I am representing Dr. Tony Mitchell, director of the State Department of Social Services, and Governor Matheson of the State of Utah.

Ms. HAAG. I am Cindy Haag, Department of Social Services, Assistance Payments Administration Office, State eligibility coordinator.

Ms. WASEK. I am Sharon Wasek, manager of the ambulatory care for the State medicare program. I represent Dr. James Mason and Mr. Christensen, Department of Health.

Mr. HUNTER. Please proceed.

STATEMENTS OF DR. JUDY BUFFMIRE, DEPUTY DIRECTOR, UTAH DEPARTMENT OF SOCIAL SERVICES, REPRESENTING DR. TONY MITCHELL, DIRECTOR, STATE DEPARTMENT OF SOCIAL SERVICES, AND GOVERNOR MATHESON, STATE OF UTAH; LOUISE P. LINTZ, UTAH STATE DIVISION OF AGING; CINDY HAAG, DEPARTMENT OF SOCIAL SERVICES, ASSISTANCE PAYMENTS ADMINISTRATION OFFICE, STATE ELIGIBILITY COORDINATOR; AND SHARON WASEK, MANAGER, AMBULATORY CARE FOR THE STATE MEDICARE PROGRAM, REPRESENTING DR. JAMES MASON AND MR. CHRISTENSEN, DEPARTMENT OF HEALTH, A PANEL

Dr. BUFFMIRE. The testimony I am going to give will relate specifically to the way in which the home energy assistance program should be designed and administered rather than to the questions of need. The specifics of need will be addressed in the testimony which will be given by my fellow panel members.

It is the State's position that any program which is enacted should allow the Governors the flexibility to assign the various programmatic functions where they best fit in a particular State government organization. Each State should have the option to place the home energy program where it is more consistent with functions that already exist. Additional needed outreach programs or efforts should be placed within State government so it can be coordinated with existing eligibility determination systems, existing outreach efforts, and other energy assistance programs.

We would prefer that the energy assistance program be placed in the Department of Health, Education, and Welfare, which is soon to become the Department of Health and Human Services, because we view is to be a supplement to the already existing public assistance programs and not a special category. Utilizing established relationships and procedures with HEW will expedite the delivery process. We also view this program as a long-term program, rather than a one-time effort, and therefore believe it would be beneficial to use the eligibility determination program, with slight modifications, that are already in place. Whether the system is administered through HEW or CSA or partly through either agency, it is imperative that this system not be contradictory, but complementary, and part of the same title and have consistent regulations.

As to the funding formula, we believe it should relate to problems dealing with just heating and not to cooling. We do not think it appropriate that it be used for cooling days, because the lack of air-conditioning will almost never be a life threatening situation, as the lack of heat often is. There should be flexibility allowed in this area at the State level, however, to allow Governors to make adjustments for cooling if a life threatening situation does exist, but the formula for funding should include only the number of heating days in an area.

We also believe that the amount of assistance a State receives should be based on the number of low-income people in the State,

not on aid to families with dependent children (AFDC) or supplemental security income (SSI) caseloads because there are many needy people who do not show up on either of those caseloads and AFDC guidelines vary from State to State.

We feel strongly that the price of heating fuel in a State should not be part of the funding formula because if a State were to receive additional funding because of costly fuel, it would serve to reinforce the use of that costly fuel, when our Nation needs strong incentives to move us away from those fuels and toward the most cost-effective fuels. This will also help provide incentives to make us more energy independent.

It is Utah's position that funding should be provided on a block grant basis to the States which have an approved State plan. This will allow the greatest amount of flexibility to Governors who must make adjustments to fit the unique problems of their States. Because of the configuration of our utilities, we also favor the system of providing a vendor line of credit rather than direct payments to individuals. However, we also believe this should be left to the discretion of the States, since one system would work better in some States than others.

It is also the position of the State of Utah that all energy-related programs be coordinated. It is our strong belief that winterization programs be continued, for if we do not make efforts to increase the fuel efficiency of our homes and apartment buildings, we will continue to contribute more and more to the OPEC countries and never really move to energy independence.

In efforts to contact those who need this assistance, it is our belief that utility companies should be involved in outreach. Since most people are contacted regularly by utilities through a monthly billing, it would be easy to include information about the program in these envelopes.

Other outreach efforts could be handled through the public assistance programs, senior citizens' centers, meals-on-wheels programs and other agencies that serve the homebound.

We also believe that renters should not be discriminated against in this program. Some of the people who need this help the most do not have the resources to buy a residence. Therefore, it should be available to those who rent as well as those who own their own homes. It is also the State's position that the amount of assistance granted should be based on a household, rather than on the number of individuals in that household. This will reduce attempts at deception and fraud.

The most effective way to administer the program, in our opinion, is through the existing public assistance system. Certainly for the current fiscal year, the only way such a program could be effectively implemented is through the established and smoothly operating eligibility determination and payment system now in place in public assistance. This system would also reduce fraud and abuse, we believe, because of the training and expertise of employees who are dealing with these issues now on a day-to-day basis that would carry over into the new program.

There is no question that the State of Utah would be able to gear up to actually make payments within 30 to 60 days of Federal approval of the program, if allowed to use the public assistance

system now in place. However, it is once again important to stress that Governors be allowed the option of placing this program in the agency that best meets their individual State needs. We strongly believe that the more flexibility given the States in the administration of this program, the better it will operate.

Ms. LINTZ. I am Louise Lintz, representing the State division of aging. I would like to address my remarks for the most part to the elderly across the State.

Energy-related programs and services need to be increased to provide more help to needy elderly in the areas of utilities and costs for home heating during winter months. Every winter for the past few years there have been reports of unfortunate older persons who have frozen to death in their own homes.

The rocketing costs of energy have hit the older individual living on a fixed income especially hard. Al Haskins of the aging services program in San Juan County and a senior citizen himself has stated:

> In August of 1975, I used 3.4 thousand cubic feet of gas at a cost of $6.44 or $1.74 per thousand cubic feet. In August of 1979, I used 1.6 thousand cubic feet at a cost of $8.61 or $5.38 per thousand cubic feet. This represents an increase in price of 20 percent in four years.

It is expected that by this winter lower income households will be paying in excess of 40 to 50 percent of more of their incomes for the purpose of heating their homes. Last year low-income people spent more than about 18 percent of their income on home heating.

In our statewide needs assessment survey conducted by the Utah State division of aging during 1978, 41 percent of the senior citizens surveyed answered "yes" to the following question: "Does paying your utility bills make it difficult for you to meet your other household expenses?"

Last spring 12 regional miniconferences were held with senior citizens throughout the State. In 11 of the 12 regions, cost of utilities was defined as a major problem by our older citizens.

It is not unusual to hear many of our elderly express fears associated with how they will be able to continue to support themselves with the spiraling cost of living. Every service has had a rapid escalation in cost. Fixed retirement incomes have not kept pace with the spiraling inflation.

Block grants should be made to States through HEW. States should have the options of determining how the funding is administered. In this State the department of social services should take the lead.

For many of our elderly who embody the puritan work ethic and who survived the depression, requesting assistance is degrading and embarrassing. We would recommend that outreach on this program be provided by the aging network across the State. Outreach is a viable part of our program now, and we would certainly support added responsibilities to better serve the elderly in this State.

We urge Congress to pass legislation quickly which will allow some relief in the cost of utilities for our citizens on low and fixed incomes. Thank you.

Ms. HAAG. I am Cindy Haag. I represent Keith Orem, director of the assistance payments administration.

The office of assistants payments (APA) in our State is somewhat different than neighboring States. It handles benefits under the eligibility and issuance of benefits under title IV–A, (Aid to Families With Dependent Children), title XIX, (medicaid), a State general assistance program, indigent medical programs, and we also issue between 6 and 7 thousand $10 SSI supplemental checks each month.

The statistics for August 1979 indicate that we have served around 33,400 families—this is households—during that month. Broken down, this is around 10,600 AFDC households, 1,670 general assistance financial households, over 13,000 medical assistance households, and 7,800 households who received food stamp coupons only. In addition to that, around 51 percent of the AFDC and general assistance financial households also received food stamp benefits. So we are handling a lot of households per month when you consider the individuals in these households, a lot of persons are being issued them through the agencies.

I won't go into the way that a standard needs budget is determined for a grant determination out of the office, but 1 of the 6 basic needs that is taken into consideration is the shelter expense. In July of 1979, housing comprised 38.68 percent of the grant that was issued for each household of four. Now, our standard budget is based on a four-person household. The grant for that four-person household with no other income is $388 a month at the present time. Even considering an increase that will be effective in July of 1980, it is pretty obvious that these families do not have enough to meet all the needs that have to be paid for out of that standard grant.

Assistance payments is also aware of the effect of utility rising costs to our recipients. Legislative appropriation has been given to us in lieu of regular assistance payments around $150,000 that can be issued on an emergency basis to people who do not qualify for the programs that I have already discussed. Of that amount of money that is issued, a conservative estimate is 75 percent of that is because of emergency needs people come in with such as shutoff notices on utilities, along with usually house payments or rent payments that are past due, and usually those are combined effort, so most of that money is being allocated to this type of a need.

The assistance payments office would hope that we could, as fellow panel members have already indicated, have a block allocation and the flexibility that we would need within our State. Assistance payments is well aware that Utah has a very low percentage of our population on our assistance payments rolls, and I think this is because we are a unique State. Because of some of the influences in this State, people find it hard to come in and ask for assistance.

We do feel, however, that through department of social services administering the program like this, that there are numerous programs within department of social services which can be used in an outreach effort, so we will reach more than the number of households of the 33,000 we are currently serving on benefits.

From an administrative standpoint the APA assistance payments data processing system currently handles all of these programs on a simultaneous basis. It would take very little effort, very little programing, and it would be fairly inexpensive to reprogram the

system to handle an energy-assistance-type payment. One thing, as far as the method of a payment, this would probably be more beneficial to the clients and the providers alike if we went to a direct line payment. We have had experience in the past with food stamps where the use of that, such as the use of a vendor payment in this energy assistance program, people are leery to go in and use this type of a payment to show that they are receiving this type of an assistance, so we would probably prefer using a direct credit line. The only problem with this would be that we would have to discuss the confidentiality issue.

I think this covers most of the concerns that assistance payments would have other than we would hope that the department of social services (APA) system would be able to handle the system by the time frame indicated by Dr. Buffmire. Thank you.

Ms. WASEK. My name is Sharon Wasek from the bureau of ambulatory care, State department division of health. I am representing Dr. James Mason and Mr. Christensen, who is the director of the division.

I would like to direct my comments to the potential affect that rising fuel costs would have on the elderly or those with fixed incomes on the medicaid program in Utah. As we see it, the elderly will need increasing support from the Federal Government in assistance due to the fact that the State medicaid budget is undergoing a series of drastic cost reductions due to the escalating costs of medicaid and limitations of State funds that are available to match the Federal funding for continuation of the program of the same scope. These limited fiscal resources available through medicaid and the funding of the health care of the aged. Currently, over 65 percent of the medicaid program is devoted to reimbursement of medical services for agencies. In addition, the statewide county medicaid indigent program is running into serious fiscal deficits due to the increasing continuing costs of services, primarily for those with fixed or limited incomes, but below the 65 years age group.

We see that normal physiological problems of aging directly affecting the medicaid program in that increasing circulatory system disturbances and slowdown of healthy, elderly people is natural. In colder, cooler times of the year the increase in heat needs to be set at a higher level to maintain the same degree of circulation, depending on the mobility of the individual.

Hypothermia studies validate this conclusion. If the temperature must be set at a lower degree, it becomes necessary for the individual—the elderly individual to increase the amount of clothing worn which decreases their mobility.

Income standards must continually be modified which would increase the number of eligible clients covered under the medicaid program.

Multiple health problems are resulting from need of medical care are resulting indirectly from rising energy costs. Those living on fixed incomes in an inflationary economy are hit very directly with escalating food costs, fuel costs, rising clothing costs, transportation costs, and medical care. Our experience is the medical care is increasing on an annual basis of approximately 18 percent of physician care and approximately 12 to 14 percent of the hospital care.

We support Senator Hatch's acumen "to eat or to heat," and encourage the congressional panel to consider the effect that inflation has on the poor and indigent client, and the resulting affect this has on the local medicaid programs through-out the Nation, of which the Government averages 7 percent of the costs. Thank you.

Mr. HUNTER. I appreciate that. I appreciate very much this testimony presented on very short notice. I met with at least two of the panel members in an interview yesterday and we went over many of the materials that they represented here this morning. I'll say to you that you should be complimented on the rapid response to what is a very complex and difficult situation for Congress to have to decide, and I appreciate very much the insight that you people have brought with regard specifically to the Utah situation.

I might give you some background in that the Senate committee held 3 days of hearings in Washington involving many of the national concerns that are present in a program of this nature. It appeared to us after those three hearings that we tended to focus on the big city problems, the Washington's, the New York's, the Philadelphian's, and like size cities. There are terrible problems there, there is no question about it, but it also appears to us, and the chairman of this committee, Senator Harrison Williams, that we really needed to get a regional view on the problem to see whether or not the problems of Utah, and the citizens thereof, are similar to the problems of other citizens in other States. I think you people and your testimony have brought a very constructive light to the problem and the statistics, which is good for us to be able to rely on when we go to discuss how best a Federal program can be designed to balance the needs of the people in Utah as well as people of other States. I do appreciate that.

I do have some questions. I will direct them to specific individuals, but if anybody feels that they have an answer, please feel free to comment because this hearing is designed to get a lot of factual information and we hope that you will feel free to comment if you want to.

Representative Hansen made a very important point while he was here, and I think he confirmed the fact that any program of this nature, to be successful, has to provide the kind of flexibility to the Governor of the State in order to carry out the program. It really must fit local needs. It is fair to say that the problems of the people of Vermont are not the same as the problems of the people of Utah. The heating element is different in Vermont. Vermont is probably 85-percent reliant on oil which, of course, has escalated, as the Senator said, somewhere around 70 to 75 percent in the last year and is expected to go up again with a possible OPEC price raise forecast in another few months. So, it is very necessary that the block grant approach be decided upon, and I believe in all of my discussions that this will be the case.

So, I want to assure you people here today that I think we will have some success in assuring that the governors of each individual State are given the flexibility to decide these local considerations in developing a comprehensive program, but adding that Washington, I think, will require some guidelines to be complied with. As a part of those guidelines, I believe a Federal program in addition to direct assistance, whether it be vendor line or whatever, direct

cash payment, it is going to require conservation energy programs for the poor and for people who need to understand how to better utilize the resources that are available.

Do you think a program of that kind, if the governors of each State mandate it, will be a helpful and constructive approach? I will just open that up to whoever has an opinion.

Dr. BUFFMIRE. Yes, I think it would be positive. I indicated in my testimony that I thought it would be most helpful if all the programs in this area, however, were under one administration, or at least coordinated in some way, to at least make it possible to tie in the different programs that are related to winterization, to helping make payments, or whatever, to make it a precise impact, however, it was needed in a given State.

Mr. HUNTER. It appears as though in this situation, because of the lateness of the year, there is a short-term problem and a long-term problem. The short-term problem is what if anything can Congress do right now, acting within the next few weeks, to get payment out to people who are eligible? I think that Congress is going to build on the thing that you suggest, which is using the established public assistance system, and here I refer now to AFDC and SSI. We have some indication of how many families are in the State of Utah by the testimony you have given. The problem with using that selected system is that there are other eligible people who are not covered by that system and are not customarily acquainted with using the system or even know how to resort to it, assuming they know help is available.

How do we bring them into the fold, so to speak, those people who are not a part of the established welfare system?

Dr. BUFFMIRE. Let me answer again, and then Louise may want to add to this.

I think in our State we can very easily pick up the elderly population because we have an active service system throughout our State with our elderly program. It is also administered by the Department of Social Services on a short-term basis. We could pick up, I believe, then, our AFDC, SSI, and elderly population. It may take us a little longer to pick up those that are not either elderly or on our AFDC or SSI payment system, but that might be part of the longer term average effort. But, those with some kind of publicity, you know, maybe we could pick up more of those right off the bat. It would certainly have to have a committee of some kind, I would think, under the governor's guidance to look at those issues.

I guess in the first part of your question, what could they do, I think set whatever the guideline is that they are going to at the level and it should be high enough to really hit those, you know, in need and get some money out and then work with our rules and regulations maybe for the next year.

Ms. LINTZ. Across the State at the present time we have 12 area agencies on aging, and each area agency of aging has extensive kinds of outreach programs. Most of those outreach programs do go hand in hand with our home delivered meal program. So, in your rural areas and also in your urban areas we have pretty much, you know, identified a number of people who are home bound because we are presently serving them with meals-on-wheels programs and those kinds of things.

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So, I feel that we could be very, very supportive in this program, particularly as it relates to the outreach program because we do get into local neighborhoods practically on a door-to-door type of basis, and we would be most happy to give any support that we can.

I had the opportunity today to speak to one of our area agency on aging directors who will be testifying later this afternoon with you, and she was most supportive of aging people, getting very involved in outreach, should this program pass to better serve our older people.

Mr. HUNTER. Very good. Ms. Lintz, you mentioned that there are certain surveys that have apparently been conducted within the last year that extracted some information which might bear on our considerations. Would it be possible for you to make those available to the committee so we will be able to go over them.

Ms. LINTZ. I would be most happy to make those available.

Mr. HUNTER. All right. If you will send them to Senator Hatch's office here in Salt Lake City, they will be transmitted to me immediately.

Ms. LINTZ. I certainly will.

Mr. HUNTER. Thank you. I appreciate that.

I had a question concerning—maybe Ms. Wasek can answer this. You have indicated there are a total of 33,400 households receiving some type of benefit as a low income household each month in the State of Utah. The Senate is currently trying to decide eligibility criteria for who could receive benefits under this program, should it be enacted within the next month or so. Let me read you the proposed definition of the Senate's consideration of those who are eligible: "Eligible household means any economic unit whose income is equal or less than the 125 percent of the lower living standard issued by the Secretary of Labor. The standard is determined by geographic region and family size."

Using that definition, what would be your estimate of how many households in the State of Utah could qualify out of the 33,400 that are receiving some type of benefits under this program? I realize that is a question that probably couldn't be answered without any preparation, but it would be helpful.

Ms. WASEK. Well, we are not set on a level like that.

Mr. HUNTER. It would be helpful for the committee to know how many eligible people in Utah, based on the criteria that I have just outlined, might be eligible for some aid, so that we may better know the total allocation to Utah that might come down under this program.

Dr. BUFFMIRE. I think we could get that information to you.

Mr. HUNTER. That would be most helpful to know the scope of the numbers.

Dr. BUFFMIRE. We will get that to your office.

Mr. HUNTER. I appreciate that. Thank you.

The prevailing thought on this program at this time is that a vendor line credit might be a better way to proceed than a direct cash benefit because, I think, for the reasons that have been given by the panel there are many pressures on the budgets of fixed-income people and they might be inclined to want to satisfy other

obligations and possibly not use the money for which it is appropriated.

I assume that you have all testified that a vendor line of credit would be an acceptable way to go about establishing a benefit to eligible people under this program?

Dr. BUFFMIRE. Yes, in Utah we certainly are in support of that if we can cope with the eligibility problem of releasing names to our—like Mountain Fuel or wherever. I think in some States that might not be true, however, where they have many, many distributors or providers of fuel. So, again, this should be at the discretion of a State Governor with that option in the State planning. In Utah, if we can overcome the confidentiality that is what we will support. I don't know if it is fair to all States.

Mr. HUNTER. Is that confidentiality criteria a matter of Federal law or a matter of State law?

Dr. BUFFMIRE. I think it is both law and philosophy.

Mr. HUNTER. Mrs. Wasek, you talked about a condition known as hypothermia. I wonder if you could elaborate on that a little bit more. I know what that means, but perhaps you could show how difficult the problem could be for some of the elderly. Maybe you want to elaborate on that.

Ms. WASEK. Hypothermia is a condition that generally affects older people or people with circulative disorders. Older people being more affected with general slowdown on the body's physiological systems, and naturally the blood circulates through the body slower and it cannot circulate heat, the body's own generation of heat as well as it can for those who are active or younger. We see from the Department of Health that certainly people with chronic disorders or disabling conditions or generally the aging population is more affected dramatically by cooling temperatures. They come down with more types of chronic and complicated disorders, many times necessitating hospitalization, long-term care in institutions, directly affecting a lot of the benefits, you know, through the medicaid department.

As we look at the effect of the increasing energy costs, we see it is a direct effect of the medicaid program and the costs of providing the kinds of services that the elderly need to keep them stable and healthy.

Mr. HUNTER. You have indicated that there is a drastic overhaul of the State medicaid system. I wonder if you could elaborate on that a bit more because we received a letter from a community mental health center confirming that it is a serious situation for the elderly in regard to the cutback on funding. Could you elaborate and tell us exactly what the dimensions of that cutback are and what they really mean?

Ms. WASEK. Due to budget deficits in the State, it has been necessary that we are going to reduce the scope of our medicaid program in Utah by approximately $9.6 million by June 30, 1980. Due to the fact that over 68 percent of our budget goes to services for the aging, it will have dramatic effect on the services for the aging. We have attempted, to the extent possible, to minimize the effects of this on services for the recipients that we serve, but because of the size of the cutback in many areas that is just not going to be possible.

Mr. HUNTER. So it is a serious situation?

Ms. WASEK. Yes. We expect with the budget deficits of the State, for this to continue and for it not to be just a 1 year deficit, but a continual scoping down of reductions and of the availability of medicaid services for the poor.

Mr. HUNTER. I think your testimony underscores the need for having some kind of supplemental aid to offset some of the things that the State is having difficulty in coping with at the moment.

We very much appreciate all of your testimonies. It was very, very helpful and it is going to assist us immensely on October 19, when the Senate committee makes up a bill that will try to resolve the issues that we have been talking about, and hopefully to come out with a fair distribution for this program. We thank you very much.

We will hear from our second panel of witnesses, representatives of the poverty community, if they can come forward and be seated.

We welcome our second panel of witnesses and if you could identify yoursleves from my right to left it would be appropriate for the purpose of the record.

Mr. GORDON. I am Victor Gordon, State black ombudsman.

Ms. GUINTA. I am Jan Guinta, coordinator of direct services for a community based organization called Crossroads Urban Center.

Mr. HUNTER. Would you please give us your full name and address?

Ms. WALKER. Sherry Walker, 8516 South State Street in Sandy.

Mr. HUNTER. Thank you.

Ms. PILLING. I am Jerri Pilling, chairman of a committee which is Fight Local Utilities Faction, from Moab, Utah.

Mr. HUNTER. Mrs. Guinta, you may proceed.

Ms. GUINTA. Really, my testimony would only be redundant to what Ms. Walker has to say. Ms. Walker is a representative of the very large constituency in the State of Utah which is called Female Heads of Households. Sherry is going to speak for that constituency community today.

STATEMENTS OF SHERRY WALKER, MOTHER OF FOUR CHILDREN, SANDY, UTAH, JAN GUINTA, COORDINATOR, DIRECT SERVICES, CROSSROADS URBAN CENTER; VICTOR GORDON, STATE BLACK OMBUDSMAN; AND JERRI PILLING, CHAIRMAN, FIGHT LOCAL UTILITIES FACTION COMMITTEE, MOAB, UTAH, A PANEL

Ms. WALKER. I receive $369 a month. Out of this I am supporting four children and myself. With my rent and with what it is costing me for utilities right now, I can't pay them. What is it going to be this winter? I am going to have to tell my kids, "You are not only going to starve, you are going to freeze, too." That is a hard thing to do.

Mr. HUNTER. That is a choice that we don't want you to have to make.

Ms. WALKER. This is a choice I pray to God we don't have to make.

Mr. HUNTER. Yes, that is why we are here today and I appreciate your candid statement. What percentage of this $369 are you talking about is the total that you do pay for utility costs?

Ms. WALKER. My rent is $300. I have $69 left and my utilities are over that.

Ms. GUINTA. Sherry, tell them how much you owe from last year.

Ms. WALKER. I still owe a $186 light bill from last year.

Mr. HUNTER. That you are still paying?

Ms. WALKER. That I am still paying, yes.

Mr. HUNTER. You are paying part of it each month?

Ms. WALKER. Yes, sir.

Mr. HUNTER. So what you are saying is that it is a virtual impossibility for you to exist on that type of budget and pay for the spiraling costs of utilities, which no one knows what the bottom line will be. We don't know what they are going to spiral to. But, in any event, on a fixed income like you have, it is virtually impossible for you to pay those things.

Ms. WALKER. It is.

Ms. GUINTA. Sherry, paint a more graphic picture. Explain to them your food stamps as well as the other places that you go to obtain your food.

Ms. WALKER. OK. I have been going to the garbage bins to feed my kids. That's right. I go to Safeway, Albertson's, and when they throw out their old bread, I go get it. That's what my kids are eating.

Ms. GUINTA. Do your children have shoes to go to school in?

Ms. WALKER. No, they don't.

Ms. GUINTA. What happens when the school sends them home because they are not dressed appropriately?

Ms. WALKER. Then I have the Children Opportunity Services come down and tell me that I am unfit because I don't send my kids to school. I send them to school but they send them home.

Ms. GUINTA. Sherry, why is it that you are not working?

Ms. WALKER. Because I am a grand mal seizure epileptic and I have had my back broke. I am unable to work. I have to depend on what they give me.

Mr. HUNTER. That is the total source of your income?

Ms. WALKER. That is the total source of my income.

Mr. HUNTER. I assume you have resorted to all the available help that exists in your area?

Ms. WALKER. Yes, I have.

Mr. HUNTER. You are a very courageous lady to come here and tell us these things. I know it is hard for you to do that. It would be hard for anybody, but it helps us to understand the human tragedy that these kinds of things present.

Ms. WALKER. I am here because of my children and because of what my children are going through. It's not right. I did not bring my children with me because of the situations involved with my kids.

Mr. HUNTER. Let me give you some background and say to you that the Senate committee on which I work is not insensitive to the people like you who are in need. Your plight, unfortunately, is all too common in so many areas and in so many places. I am sorry to say it is not a unique situation.

Ms. WALKER. No, there are a lot of us.

Mr. HUNTER. The problem is what do we do about it, and we are here trying to do something about it because we realize that with-

out some help there is no way in the world that you can afford to pay these kinds of increasing costs.

Ms. WALKER. We can't.

Mr. HUNTER. And you will not be forced to make a choice if this committee has anything to say about it in regard to eating or heating because it is an intolerable choice that no one should ever have to make.

One of the things that we are currently leaning toward is using eligible people who are on AFDC and SSI as the base for eligible recipients, feeling that we can cut delay in getting payments to people who are already in the system as opposed to those who are not in the system and have to be found, and have to be educated in regard to what is available. That is the reason why I think that perhaps in this situation you might be a little better situated than others, in that at least we know where you are and who you are and what your need is. It is a courageous thing that you did today in telling us exactly what you did tell us. I know it is difficult for you. It would be difficult for me. You performed a great service to the Senate committee in sharing that with us. We appreciate it. Thank you.

Ms. GUINTA. I think Ms. Walker's testimony emphasizes the place where most the community-based organizations are coming from. Crossroads urban is a community-based organization in Salt Lake City. Last year we served over 9,000 persons with our programs. I just have five short remarks that I would like to make.

First, that the flexibility to the state, whether it be block grant approach or whatever is decided, be maximized. However, we must realize the increase in reality of the budget and program costs at the State level, 4 percent this last year. The Federal level must formulate the regulations to the extent that adequate protection is given to the poor from this budget-cutting trend occurring in Utah.

Second, that at the State level a joint committee be formed to include the Department of Social Services, CSA, Department of Energy, and to community-based organizations to provide input to such decisions as benefits, eligibility, and program implementation.

Third, to implement the program quickly. It is only sane to utilize the Department of Social Services which has the present delivery capacity. However, for program notification to the poor, the community action programs and private nonprofit organizations are excellent vehicles for notification and to assist in the outreach activities.

Fourth, the weatherization programs need to be closely analyzed. In Utah there is a 1½ year wait for the weatherization services. This situation is occurring only for materials and not for the labor to install these materials. This needs to be changed.

Fifth, and finally, we are concerned that those not presently on the system's programs be reached as quickly as possible and that the bureaucracy of social services not be allowed to bog down at this point, eliminating the working poor from this assistance that the home energy relief program might give them. Thank you.

Mr. HUNTER. Ms. Guinta, let me press my questions to you because I know you are under a time problem and we are running a little bit late.

Outreach is a big problem. We are dealing with people who have never resorted to a public assistance system, but it appears as though as increases for energy keep going up and up, those people are going through all their savings they may have had, whatever assets they may have had, and now they are really at rock bottom and they need to be contacted.

What is your recommendation in terms of how best to reach those people who have not been historically a part of an established system of support?

Ms. GUINTA. Well, again, I think social services for the short time is, as I said, the sane way to approach this. The joint committee, I believe, should mobilize and should utilize. The community action programs, the local, they should also utilize the neighborhood community centers as well as the neighborhood community private nonprofit organizations. These people on a daily basis work with the poor. They are not covered by the bureaucracy, they have the flexibility and the sensitivity to meet the needs of the poor in an outreach capacity. They could be mobilized very, very quickly.

Mr. HUNTER. Do you think that perhaps a Governor in designing a program of this kind could provide for a delegation of outreach responsibility to community based organizations?

Ms. GUINTA. Yes, I do.

Mr. HUNTER. You are a part of what you already mentioned?

Ms. GUINTA. Yes, I am. I think it would be remiss if the Government did not include Government-based organizations on a State level committee.

Mr. HUNTER. You commented about the weatherization program. I think that is important because obviously there is a need to help poor people and the elderly to better insulate their homes and to better provide for preserving the heat that they do have. The problem, as I understand from around the country, and I have received several letters on this, is that there is money for supplies but there is no manpower to actually go out and make the installations. You certainly can't expect the elderly to do that or the poor by dumping materials on their front yard and saying here it is, go to it.

Is there any solution that you see in providing manpower to actually go out and do these kinds of jobs?

Ms. GUINTA. I think Mr. Hal Schultz, who is the director of the Salt Lake County community action program, I am sure will be addressing this. However, from my point of view, a very limited perspective not being a part of that organization, from my understanding the problem lies with the regulations themselves. These need to be analyzed and looked into and need to allow manpower as a line item of those regulations right now. I believe the community action programs are using manpower pay through CETA funds, through VISTA funds, and let's face it, those sources of labor are drying up. They need to be placed as a line item in the regulations itself with weatherization.

Mr. HUNTER. Very helpful. We very much appreciate your testimony, both of you. You have added greatly to this record.

Ms. Walker, we are going to do what we can to help.

Ms. WALKER. I hope, for everyone involved, they need it.

Mr. HUNTER. Thank you very much.

Mr. Gordan, you may go ahead.

Mr. GORDAN. Because of the short notice, what I was able to really to do was to get out to the community, primarily the Salt Lake community. I attempted to get to the Ogden community this morning, somewhat, and I have asked some people in some of the other areas. So, my remarks are some of them are somewhat conflicting just because of the opinions that I am going to read to you of some of the people that I have talked to. Some of them are also going to be repetitious from some of the other testimony that has been received before you.

We believe that there ought to be flexibility. Flexibility should be at a maximum level. We want the Federal regulations basically because we want to hold off what has already been mentioned, budgetary declines. We are also very concerned with the weatherization program and hope that it is coordinated directly with the energy program, and there should be an examination of the weatherization program because of what has been suggested here, the lack of bodies to implement that program.

We feel that—some of the community feels at least that one way of deciding eligibility should be looking at the percentage of the income spent on fuel cost itself in a family, and to average and make an analysis of what percentage of your income you can spend on fuel, and make that part of the eligibility process. We feel that economic guidelines are good, but along with economic guidelines we would like to see family size included in that and family income, of course, percentage of income that can be spent on fuel, as just been mentioned. We would also like to suggest that irregardless of the dwelling, this program should go through to take care of the heating or fuel costs, and connect the weatherization. This becomes very important, to connect the weatherization program when the housing is inadequate.

I have a comment here that says, "A weatherization program which could be utilized should tie in directly to downgrade costs and upgrade efficiency." We certainly believe that all AFDC clients and social security clients should be involved. There is a statement that I received from the community that says they feel that every person who can demonstrate need because of low income, physical ability, age, or emergency family problems, should be included in the service. This means application for services should not be denied and based only on income.

We would like to urge that the eligibility requirements not be based only on AFDC guidelines. It is the feeling from some of the poor that this program should be administered by the poor. Elect from those effected. Those elected administrators could be housed in the energy agency or the social security department in utilizing the current administration process. It is the feeling of others that local government associations be responsible for the administration of the program. It is the feeling of some that social services, with a community policy board, should administrate the program.

The outreach question, there is a strong, strong feeling, and I think the lady from Urban Crossroads spoke on that, that community based organizations, grass roots organizations, who deal daily with those individuals that have the problems, not only deal with those on social services, on welfare, or on SSI, but the working poor

should be represented and there are organizations that deal primarily with the working poor and those approaching the middle-income area. We feel that the distributors of energy should also be definitely involved. We feel social security services should be involved and the energy office should be involved and the community action programs should be involved in the outreach efforts of the program.

We would also like to urge, especially within the black community, because the churches——

Senator HATCH. Could you speak up a little bit? I am having trouble hearing you. Just get to the microphone a little closer because I am very interested in what you are saying.

Mr. GORDON. All right. We feel that because of the special nature of the black community and the church in the black community, that the church definitely should be involved in the process, at least in the black community, in terms of outreach because of the constituency that churches hold in the Salt Lake, Ogden, Tooele, Helper areas. We are also interested in including the senior citizen groups. We are looking at a full coordinated, cooperative committee, interaction program. We feel there is a divine feeling about the payment, the distribution of payments. Some of the people feel that a direct-payment line to requesting clients, or a payment to the distributors who then would cover all of the energy clients who have notified the distributors that they are qualified for the service would be one way, at least it would be two possible ways of going about it.

Of course, the last option is the vendor-line credit, and from my own experience and in just sitting here thinking about it today, I haven't really the time to analyze why the direct-payment line, I guess because of other needs, was the one that was opted for. We think that each affected community should have direct access and input into the administration, distribution, outreach, eligibility of the program. We feel that any approach should factor out the negativity in receiving these kinds of moneys. We don't want them to have the same sort of negativity, shall we, that perhaps sometimes you get into with the welfare recipients and the welfare grants. This is merely to say that we feel that because this is a total community and a total nation problem, that the distribution of the money should not pick up any negativity. We feel that to eat or heat is across-the-board problem, but we feel that, No. 1, because many applicants don't get on SSI and because of other specific problems that deal with eligibility, outreach, and information and education of the black community, we feel that a specialized approach should be used especially in information process and the education process so that people do actually know where to go, so people do actually know where this money is coming from, and why it has been developed, and what to do in terms of becoming eligible.

Further, we have people—and this was stated by the lady that came here, very bravely, we still have people owing for last year's fuel costs that they are attempting to pay off. We have people who don't expect to have fuel because of the fact that they no longer are able to get money and are no longer able to pay their bills.

Before I complete my testimony, I'd like to just relate a short story, it is very quick, two of them, really, that indicate the kinds of problems that we are facing in our community.

Senator HATCH. Could you go over that statement with me one more time? I was interrupted just for a second and I want to get that down.

Mr. GORDON. Yes. We were very concerned that we have people that are still owing for last year's fuel costs, who are unable to pay for those last year's fuel costs and can't pay for them. There is no way with their current budget that they can actually pay for last year's fuel costs, let alone look at this year's fuel costs. We have other people who are paying for last year's fuel costs and we want to do something about that as well. We are in a position now that we don't know quite what we can do about that. We have had some people who have said to me that they are not even going to get their gas or their heat or anything else turned on this year because of the fact that they haven't paid last year's bills. They haven't had any heat or utilities during the summer. This is what I have been told.

The small story I want to tell is about an older man, an old black man, who lived in the country. He would scout around for the wood and would burn wood to use for heat. The house was a kind of a house a lot of low-income people are forced to take. The tragedy of this story is the fact that in burning the wood in his house, and the house itself was made of wood, he burned the house down and he himself was burned to death. This is a story that is probably across the country. I have a story of a woman who told me about her problems of last year. She had the choice of heating or eating, and she elected to heat her house, pay her utility bills which were quite high because of the fact that this house had not been winterized and it was a house that cost a lot of money to heat. It was one of those low-income houses, very drafty, and so she made the choice to heat her house and then she went out and was arrested for shoplifting.

I think that we have a situation, which like everyone here, I hope it can be answered and solved by this program and I hope that certainly there will be a program that goes through.

Senator HATCH. Thank you. It was good to have your viewpoint.

Mr. HUNTER. Mrs. Pilling, you may go ahead.

Ms. PILLING. My name is Jerri Pilling and I am chairman of the FLUF organization which stands for the Fight Local Utilities Faction of Moab, Utah. Our committee was formed to try to combat the soaring and reasonable utility rates. Perhaps our problem is indicative of rural Utah. Utah Gas Service Co. is a small independent company and they are the supplier of natural gas for Grand, San Juan, Daggett, and Uintah Counties, for small towns in those different communities. We pay approximately 50 percent higher rates than any other gas company in the State. Our investigation began after the Public Service Commission granted Utah Gas Service an increase of approximately 30 percent effective December 8, 1978. Heating costs doubled and tripled causing undue hardships on everyone, but especially the senior citizens and people on low or fixed incomes. We have worked diligently for the past 10 months trying to find out why, sitting in the midst of the oil, gas, and fossil

fuel fields, we are paying as much or more for natural gas as the people in the eastern States.

We'd like to thank you for giving us the opportunity of coming and expressing our problems in southeastern Utah. During our investigation we collected hundreds of natural gas bills from citizens in our area. We were appalled when the senior citizens brought us their heating bills along with statements of monthly income. We are still trying to understand how these people survived the winter of 1979. Following are just a few examples of monthly incomes and heating costs these people tried to live with this past winter.

Example 1, income $298.90. Heating bill for January, $234.94; heating bill for February, $285. Income $189.40. Heating bill for January, $52.50; heating bill for February, $45.15. Income $497.40; this is a retired nurse. Heating bill for January, $63.78, and she was gone for most of that month. Heating bill for February, $100.78. Income $346.80. Heating bill for January, $85.15; heating bill for February, $77.90. Income $285. Heating bill for January, $77, and this person is 87 years old. Heating bill for February, $70. Income $123.90. Heating bill for January, $87.55; heating bill for February, $72.67.

These examples go on and on and on. Since these heating bills have come into existence the Public Service Commission has granted another tentative 10.1-percent rate increase to be effective October 1, 1979. We wonder how people that have been stated in these past examples are going to survive this winter.

We have weatherization materials, but in our area we do not have the community action program. As far as a program where you would reach anyone, our senior citizens are fiercely independent and would definitely not go to the division of family services under any condition. So, I have no idea what program you could use in our particular area and in the San Juan County area.

Now, I cannot speak for the other counties that are serviced by Utah Gas Service, but I do know that the senior citizen in our area is very, very independent and they have gone without food to pay these utility bills because they do not leave a bill unpaid.

Senator HATCH. Thank you so much. If I can interrupt for a second, I have got to go over and vote again. Let me report to you what has happened on the last vote. The Senate rejected the House's demand for a pay raise of 5.5 percent. Now they have sent it back over to the House. There were a lot of Congressmen in the back of the Senate Chamber at that time hoping that they would get this 5.5 percent. Now I am going over to vote and I presume it is on the abortion part of the continuing resolution, and we'll just have to see what happens. I will report to you as soon as I get back, but keep going, we are getting all the information down.

Mr. HUNTER. Let me take over at this point. I think Mr. Gordon made a lot of good points and Ms. Pilling, I appreciate your point of view because you're probably the only person here today that brings to us a rural perspective on the problem and I think that is important. I think we have got to get some idea of what it is in rural Utah too in terms of facing these kinds of problems.

Let me ask you, while I am thinking about it, the samples you cite, some of them just adding them up very quickly, in one situa-

tion certainly the utilities cost more than half of the person's disposable income.

Ms. PILLING. Right.

Mr. HUNTER. In other situations it was almost the entire disposable income of the month. It left something like $60 left over, which is hardly adequate to do the other things in life. Of course, I suppose it varies in family size, in the kinds of heating used, or the kinds of housing construction and other kinds of factors, but let me ask you this: The five or six samples you cited, is it your opinion that these are in fact representative of the normal kinds of percentages that exist in your area?

Ms. PILLING. Yes, sir, it certainly was. We gathered hundreds of gas bills, and all of the senior citizens, of course, didn't give us their income. The incomes that I quoted were from senior citizens from a meeting that we attended with those people and we were attempting to get some type of a program that would help pay these bills.

Mr. HUNTER. Very good. That's helpful to have for the purposes of the record.

Mr. Gordon, you say that there ought to be a more expanded eligibility criteria. We ought not just rely on the standards that people on AFDC or SSI need, but you know that there is a limited amount of money available?

Mr. GORDON. That is correct; yes.

Mr. HUNTER. And, again, the parameters of what we are talking about, the Senate is curently considering, and the President has approved a $1.6 billion nationwide authorization level for this winter. I am thinking that if we expand the eligibility too broad, really nobody will be benefited with any significant amounts, if we have too many people eating into the pie. I wonder if that is a wise consideration as a matter of policy in this area?

Mr. GORDON. Well, let me just speak for the concerns of the people. I think that, yes, I think that on the one hand you have to certainly look at being able to do the most you can for the most numbers. The best you can for the most. That is one consideration, and I think, though, that what we were asking or what the community seemed to be telling me was let's look at what possibility we can get away with in terms of spending on fuel, and then make a determination in relationship to the eligibility for the program based upon that percentage that is spent for fuel. We feel, or at least there is a feeling occurring, that this would at least be one or should be one of the criteria utilized in coming up with the eligibility standard. I do agree with you that you don't want to spend all your money because you're trying to be so broad. You don't want to thin yourself out so you can't do anything. We understand that. We are kind of looking for a middle ground, I would suppose. I think one of the problems here, and I think the reason why this was brought out, was because often the working poor or others who might not meet that eligibility guideline are going to be penalized and are having serious problems in relationship to their heating bills as well.

Certainly there is a line that has to be drawn and worked out. We just want to try to lift that line up to the maximum that we can get so that we can cover as many people and make certain that

we are covering as many people that are in need of the program services.

Mr. HUNTER. Very good. I think it is fair to say that one of the criteria that you suggested will be in fact adopted as part of the formula, part of the distribution formula, and I think that those concerns will be taken care of. I think you are sympathetic with my point of view, that if you have a limited amount of money, now, we are talking about $1.6 billion this year, it is not going to go very far. We are talking in other years about $5 billion, and, of course, then we might be in a positioin to expand the eligibility perhaps more than the current year. But, because of the press of time and trying to get a system in place to produce the desired results, it would be necessary to have an existing mechanism to put money in people's hands at the time they need it. We might have to be a little bit more selective for eligibility this year than we might in other years to follow.

Mr. GORDON. Yes, I think I understand that. I think that one of the things that happened in my testimony was that my personal feeling is that, yes, I do understand that you are going to have to have that line. I felt it was incumbent upon me to bring some of the other comments that were made to me.

Mr. HUNTER. I appreciate that. One other thing that you said is that the program, whatever it may be, on a State level ought to be administered by the poor. I don't quite understand that. Are you saying that they ought to have the total responsibility for running the program? They may not have much experience. Are you saying that you want to have a hand in development of a State program that perhaps would be more sensitive to the needs of the people that would be receiving these funds?

Mr. GORDON. Both. Both statements were made. One of the statements came out of a meeting that I was at. I wasn't able to sit down with the people and understand exactly what they were talking about in terms of having the poor administer the program. I think what they were saying was we want the people who are most affected to somehow be involved in the program. At one point, the reason I got that statement, or the reason I brought it here, there was a kind of a heated debate on whether or not you could actually go out in the community and find people who can administer a program of this nature and be supervised by the ongoing supervisory staff. I suppose one of the reasons for that is that it becomes two problems. One, you don't have the money to pay your fuel costs, and maybe if you had a job you might be able to pay for that fuel cost. So, there was a feeling by those people that you could use the program two ways, to be very frank.

The second aspect of it, though, is totally different. It's a dilemmanated thing. The other is that we want to have an input in the program, which is the second thing that you mentioned, and I think that is the one that's most likely to occur and the one we most want to push for.

Mr. HUNTER. I appreciate that. Your comment about cash paying versus vendor line of credit, let me say to you that there has been no decision made as far as I know on which method will be used, but it occurred to me as you were talking that there are really advantages and disadvantages to both methods. The advantages for

cash payment might be that it really promotes a lack of paternalism, since income can be spent for whatever is needed.

Mr. GORDON. That is correct.

Mr. HUNTER. And, two, it provides an opportunity for the fiscal management by low-income people. No. 3, then there would be clear knowledge of the amount of assistance received by low-income people, and I think that would be helpful to know.

Mr. GORDON. Yes. I think that is the kind of things that they had in mind when they suggested those.

Mr. HUNTER. On the other hand, let me play the devil's advocate for a minute. The vendor line credit has some advantages that occur to me. The payment to vendors would assure that the assistance did in fact go for energy related needs. Two, any expenditure of money would be clearly tied to fuel used and allocations would be tied to fuel needed, and, three, households would still clearly know the amount of assistance which they would receive, they would pay the amount over this assistance, and, therefore, would have incentives for conservation which is an added feature for the line of credit.

I am just bringing that out to put that on the record in terms of the relative advantages and disadvantages of both systems. That will carefully be taken for consideration when we finally decide on this system.

I appreciate the testimony of both you witnesses and the other people who have appeared on your panel. Thank you very much. We appreciate it.

Mr. GORDON. Thank you very much for the opportunity to testify.

Mr. HUNTER. We are running about 15 minutes late at this point, but we will hear from our next panel of witnesses who I have reason to believe are very much concerned in what we do in the way of resolving these problems. Panel No. 3 is the community action program. Will you please come up and sit at the witness table.

Would you please identify yourselves for the record.

Mr. SCHULTZ. I am Hal Schultz, executive director of the community action program in Salt Lake County.

Mr. BIGGS. I am Bill Biggs, director of Utah issues program.

Ms. KEEL. I am Kathryn Keel, director of the housing weatherization program, Salt Lake County community action program.

Mr. HUNTER. You may proceed in any order that you have previously agreed upon.

STATEMENTS OF HAL SCHULTZ, EXECUTIVE DIRECTOR, COMMUNITY ACTION PROGRAM, SALT LAKE COUNTY; WILLIAM BIGGS, DIRECTOR OF UTAH ISSUES PROGRAM; KATHRYN KEEL, DIRECTOR, HOUSING WEATHERIZATION PROGRAM, SALT LAKE COUNTY COMMUNITY ACTION PROGRAM; AND MICHAEL GLENN, UTAH ENERGY OFFICE WEATHERIZATION PROGRAM, A PANEL

Mr. SCHULTZ. Thank you. First, I'd like to present some written testimony sent by Ms. Marie Tibbit.

Mr. HUNTER. That testimony will be incorporated in the record in its entirety.

Mr. SCHULTZ. She apologizes for not being able to be here to represent Carbon, Emery, and San Juan Counties.

We have tried, in order to save your time and the time of all concerned, to avoid duplication. Therefore, I am going to limit my remarks to basically one subject because the others, I think are prepared to address the balance of the questions that have been raised. The particular one that was raised by the previous panel on the weatherization program, that question will be addressed by Ms. Keel.

I'd like to limit myself to the question of how we feel the Senate should hand the program down. Of course, there is a great deal of confusion amounting, confusion of this proposal with the existing crisis programs and crisis intervention. Confusion as to whether we are going to wind up with an energy assistance effort or simply an income supplement type thing, depending on the systems used. Again, I don't really like to get into these controversial areas of block grant versus categorical and our local disagreement on program placement in State government, however, those have been interjected previously. So, I may touch on those subjects, too. But, to start at the top, we feel, of course, that the Senate would be well advised to place the program in community services administration.

Now, we hear that $1.6 billion would inundate such a small agency. If it grows to $5 billion it would be even worse. Perhaps $1.6 billion would get lost in HEW. But, the primary reason that we feel this way is that, well, it is a small agency. It has a thousand agencies out here in the field. We don't cover every inch of the United States, but it is fairly well covered. Those agencies each have a great number of trained and active outreach people who have responded in the past by dropping everything but critical items in picking up problems that are thrust upon them rather sudddenly and make them work. So you do have a system in place that reaches the grass roots of the people. They might feel overwhelmed, but could handle it.

Obviously, in the interest of time, we need to use all of the systems available. If we are going to think philosophically in terms of income supplement, then it would be simple enough, advisable enough to add x number of dollars to the check already going out in the AFDC and SSI system. However, there is some feeling that that would not provide equity and assistance because of the extreme variations in fuel costs and other needs. Further, in time, of course, probably the only workable way to distribute a large sum of money would be for CSA delegates and the HEW for inclusion into the social security system at the State level. Of course, it could be injected into the AFDC and SSI systems regardless of how it came down to the State. We do feel, of course, there needs to be some State flexibility in the program designed, but basically we don't feel that there is a need at this point in time. Because of the urgency of the situation, we need to get it out there. There is no need to think in terms of another bureaucracy. I think we have systems in place that will work. I'd just like to commend the committee and Senator for their desire to get fast action. That is something we very often have difficulty with when we are dealing with crises and the Congress and with Federal systems. So, we will

certainly support that and do everything we can to help make it go when the Congress decides how it will go.

I'd like to pass the buck to Mr. Biggs.

Mr. HUNTER. Thank you very much.

Mr. Biggs, you may proceed.

Mr. BIGGS. Let me present you with a copy of the testimony.

Mr. HUNTER. That statement that you presented will be incorporated in full into the record, or you may summarize or present it in full, whatever you desire to do.

Mr. BIGGS. Let me first of all summarize just some of the data. I won't go over all the data that I have included on utility increases—that's average of utility increases due to gas increases and in contrast with income increases.

From the period of January of 1975 to January 1979, the cost of natural gas for the average residential consumer has doubled in Utah. This increase is triple the rate of inflation during the same correpsonding time, and twice the average inflationary rate for gas and electricity nationwide. The base in Utah has been lower traditionally than nationally. It is affecting, now, the Utah customers. Suddenly it is catching up with the rest of the Nation and a huge escalation in costs have not been provided for in terms of the recipients or on citizens' income.

In 1975, the annual gas bills for a residential household was $151. In 1980, the average annual gas bill will be over $365. That is based on projection on the January rate, and it has just applied for another passthrough, so it will probable be above that. Naturally, there is a lot of variation within that, some are lower and some are higher. Particularly larger families and persons living in northern Utah often have lot higher costs than is shown here. In contrast with those kinds of increases, the income of groups within Utah have either stayed with inflation or during this past year particularly the income increases have been way below inflation. I have included some charts which show through January 1975 income increases in contrast with utility increases. This past year for an AFDC family with dependent children, rather than a 13-percent increase to reflect inflation, the increase was only 4 percent. General assistance, the same, and for the working poor, being held at 7 percent is slightly incongruous today. For the elderly on social security, I believe their increase—recent increase was about 8 percent in contrast to the kinds of increases that have happened across the board and, of course, particularly on utilities. I think it is very clear that the situation for the average lower income household in Utah has reached the point of crisis, just not those receiving some kind of financial assistance, but a broad category of the elderly and fixed income and lower income workers in Utah.

As you well know, the average wage in Utah is way below the national average. We have just a very large number of households in Utah that have earnings of $3 to $4 an hour and trying to maintain a family on those kinds of earnings with these kinds of utility increases is virtually impossible. So I must stress, along with everyone else, the urgency of congressional action. In terms of that urgency, I also stress using the existing mechanism of CSA at the national level and their capability to provide to the States immediate grants.

Their deadline in terms of the crisis intervention program is 15 days from request from the Governor. Their deadline is within 15 days of that request from the Governor to have a check in the Governor's hand. Through HEW I don't think that is possible. So, I would urge to you to use CSA because of their capability and flexibility to get the necessary money to the State so they can implement the program. As I talked before, Utah has the ability and I think other States have the ability to implement a program very rapidly once that money can be received or there be at least an assurance that that money will be available.

In terms of income eligibility level, we nned to cover. Again, not only those in poverty and those receiving some kind of assistance, but the lower income working families and the elderly on fixed incomes. An eligibility level of about 200 percent of the poverty level or 125 percent of the lower living standard as established by the Bureau of Labor Statistics is recommended. We received various figures—by the way, those two levels are very close. This represents a gross income eligibility level of approximately $7,500 for a single person household and $14,000 for a family of four. What I want to stress on that is that $14,000 is gross income. You're looking at, maybe, $11,000 to $10,000 in real net income of a family of that size once you deduct the income deductions such as social security, the taxes, the amount taken out for medical with most employers, and expenses of working, so often we have looked at gross incomes and not taken into account the fact that for working housholds that money is simply not available. What is available to the working households to meet their expenditures is net income money they receive minus essential work expenses.

If you do not provide for a level of 125 percent of the basic standard, then I would urge you to conclude it as an income deduction for work expenses so that some of our lower income workers will be able to take advantage in the program.

In terms of financial supplement, I believe that is absolutely necessary in order to reach very quickly a large segment of the population in Utah that needs that assistance. I have detailed here the number of households—I have tried—these figures differ slightly from those provided by the Department of Social Services in a previous testimony. One is that we took a point in time on that which makes for different figures. Actually that should be increased by about 10 percent in terms of the number of families as of October would be eligible or could be provided by the State of financial supplement.

I have tried to eliminate the duplication which also reduces those figures, so hopefully it is fairly close to an unduplicated count. I'd like to stress the importance of a cash supplement. If we are going to provide actual dollars to those in need, rather than dollars for administration, there is only one way to do it and that is a cash supplement. We will not reach a large number of those most in need and we will spend an amount for administration needlessly unless we use the mechanism of simple cash supplement. If we use a vendor payment in the situation, that will mean finding out which utility each of these households is dealing with, and in some cases that will be difficult because by the time this money is available they may not be associated with a utility, a company to

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provide the services. That information will have to be collected, have to be disseminated, and that means forms, that means there is over 130—I believe the State last year in their energy crisis program had to deal with something like 130 utility companies or dealt with that number. It is a burdensome process which will greatly slow up the ability of the State of Utah to immediately respond to the urgent need out there. So, I would argue that in terms of providing assistance to those now receiving some kind of financial assistance from the State, the need to simply provide for a cash supplement. Our experiences have been that given winter, and it will be during this time of winter that this money will be spent for utilities. If it is not for utility bills, it will be for some other kind of crisis like feeding children because they may have already paid their utility bill and they may need some way to feed their children.

The amount of assistance, to make a real impact with what the people in Utah are facing, I would strongly recommend that it would be a level of $240 per month. Based on the 21,000 households and additional 3,000 households that may be available through the title 20 program or through an under count, we are talking about a level of funding to Utah for those who have already gone through some kind of eligibility process, and let's not put them through it again, approximately $5,800,000. That would have a significant impact for the people here in Utah.

Mr. HUNTER. Let me interrupt at this point. You are recommending a level of funding of $240 per family or per household per month. I assume you mean during the——

Mr. BIGGS. I'm sorry. I mean annually.

Mr. HUNTER. You are saying annually?

Mr. BIGGS. Yes; I'm sorry.

Mr. HUNTER. That makes a difference. Quickly computed, what would a gross supplement to Utah be using your formula?

Mr. BIGGS. About $6 million.

In terms of households, unduplicated households, they have already gone through an eligibility process. That also includes general assistance and food stamp only, and some of the people who have gone through title 20 eligibility process, for example, working poor mothers not receiving any other kinds of assistance except day care assistance. Well, they have the monthly eligibility process they have already gone through. We treat them the same way in terms of providing a financial supplement because there is no need to duplicate that already horrendous eligibility process in terms of being eligible.

The above would allow the special CSA crisis intervention program operated in Utah through CAP agencies and local associations of government to be targeted at those not presently receiving any form of assistance and particularly lower income, elderly and working families. What I propose in effect, of course, dividing up that pot, if in fact the energy crisis program does not have to deal with those receiving some kind of financial assistance they will do a much more effective job in reaching the elderly, the working families that are not presently receiving assistance. I have provided some data, and these are estimates based on the 1975 U.S. Census for Utah of how many households there are in Utah that

would meet that income criteria of 200 percent of the poverty level, and the composition of that, and it is under the special CSA crisis intervention program, there are approximately 123,000 households in Utah with incomes below 200 percent of the poverty level. Again, I want to stress in Utah the fact that the incomes are significantly lower than the nationwide level. Traditionally, Utah has been a very low wage State and correspondingly household sizes have been larger. About 31,000 of these households are headed by elderly persons 65 years of age and over. About 67,000 of these households represent families who worked during the year. That is families with children who worked during the year. So, you can see that the bulk of this group are composed of these two essential target groups that I think a very significant outreach effort will be required if those potentially in need are to be reached.

Approximately 24,000 of those households could be reached through a financial supplement program described above. For the rest, a very significant outreach effort will be required. I believe that we have most of that in place and expandable through the previous crisis intervention program.

If such funds are available, I believe that the combination of the CAP agency and the combination of the Department of Social Services and the community-based organizations, it would be possible to reach 20,000 working poor in households that are not reaching any financial assistance. That will require an urgent increase in funds, and not delay in receiving those funds.

Mr. HUNTER. Let me interrupt one other second. Assuming that that is the case, you are dealing with people who are not part of the established public assistance system, what kind of administrative cost do you foresee necessary to establish this search operation and in certifying people who are not previously certified?

Mr. BIGGS. I really haven't had a chance to look at that.

Mr. HUNTER. Would you give that some thought? I think that is in accordance with what you previously said, with which I agree, that it is more important to be cutting administrative costs down and getting that money to the people's pockets then worry about the fact that this outreach program could absorb perhaps more administrative costs than a program like this might be able to carry. So that is important consideration for us to have.

Mr. BIGGS. How much now is the crisis intervention program? What would your administration be?

Ms. KEEL. For the total program it is 7 percent. But just to reach the nonworking poor and people not already in a system we could do it for 5 percent of the allocation to reach that.

Mr. HUNTER. I might interrupt for a moment. Again, on that same note you might be interested to know that one of the current pieces of legislation which this committee is considering in this area of cost calls for each State having the assurance that under the State plan no more than 15 percent of the allocated funds for the fiscal year 1980, 10 percent in 1981, and 7½ percent in 1982 will be used for administration. So what I think you are saying is that you could meet those targets pretty well under your current situation.

Mr. BIGGS. I want to add that in terms of the State of Utah, in terms of providing that financial supplement, that would be provided at no administrative cost because tapes are available. It is just a matter of the computer assuring that not more than one household receives that check, and I don't think any administrative costs will be involved which is one of the reasons that I urge that. That would leave the necessary administrative money to do that outreach, and I think it is extremely important that we not rely on people having to come in to some type of eligibility office. An outreach program using senior citizens centers, using many of the places as a matter of fact that people of the lower income work, and that is available through business organizations.

Furthermore, the utilities in Utah have a pretty good record of which families are perhaps in trouble and providing that information to the community action program and to the local associations of government. So I think it is not as horrendous in the past, in fact at least in Utah, as maybe it looks like on the surface.

I want to mention one other thing and that is rent. I think renters should be treated in the same way or in the same level of assistance as households, people who own their own house. Now, of course, renters pay direct for utilities and in some cases it is included in terms of rent that they pay. In Utah, with very few exceptions, rent has gone up, you know, with each utility increase, and they are faced with the same crisis situation. When your rent goes up to $200 a month and your income is at $186, you know, I cannot differentiate between them and the household. Even though that case of $200, that is an actual example, they don't pay the utilities directly. What's the difference, though? The impact is the same. They need assistance as desperately and as much. I think that it would be a mistake to differentiate and make the program based simply on line of credit with the utilities. We must have the flexibility to deal with the renters, the flexibility to deal with those who are using a woodstove and are paying a hundred dollars now for a cord of wood, so that the program can reach the people in need without dealing with the bureaucracy of saying, well, you are an exception and we can't help you. We can't help you, your rent is higher than your income, but we can't help you. Too often that has happened. Yet, it brings up also the importance of flexibility to the State. We so often in terms of regulations that come up with Federal agencies particularly, and HEW, that kind of consideration is not taking into account and is not allowed for.

Mr. HUNTER. Very good. We appreciate that. We especially appreciate the statistical breakdown of the kinds of people who are receiving assistance. Thank you very much.

For the record, Mr. Mike Glenn has just joined the panel and he is from the Utah Energy Office weatherization program.

Mr. Glenn, your written statement has been received and will be incorporated into the record. You may want to deliver it as written or summarize it, or do whatever you desire. Proceed, please.

Mr. GLENN. I have had some experience working with the crisis intervention program, having just recently finished the 1979 crisis intervention program, so I have had some experience in the good points and the troubles that we come up with such a program. The program has operated in Utah several times under different names

and I'm most acquainted with the 1979 program, so my comments will probably reflect my experiences there. The 1979 crisis international program, as well as the proceeding programs assisted approximately 27 percent of the low income population in Utah. I am sure that additional funds will be released to the low-income people in Utah as their energy prices continue to rise. I think it is important to remember that there are two other elements that are very close to and tied with crisis intervention. Crisis intervention is only temporary type of assistance and those two things that need to be considered, I think, are more long-lasting and will contribute more to low income being able to meet their energy needs. With the new energy emergency energy conservation program, the energy crisis assistance program, that is coming out for 1980, there is no allowance in there for educating the low income on energy conservation. There are many of the low-income people who could benefit from some form of energy conservation education. With a few minor conservation techniques and energy saving ideas, many of the people could actually maintain a comfortable living environment similar to the ones they now have while at the same time reducing their energy consumption fuel bills a considerable amount. In the future, energy conservation should be tied and be a very close aspect of any crisis intervention program. Crisis intervention legislation should encourage the agencies providing the assistance to set up a mechanism for educating the low income and program funds should actually be made available for that purpose.

At the present time, the 1980 program has no area where conservation education is mentioned and there are no funds allowed for the purpose.

Most of the households which we have found to be eligible for crisis intervention are also eligible for the weatherization program. The State climatologists estimate that approximately 20 to 30 percent savings on fuel bills could be had by low-income people through participation in weatherization programs. Currently, weatherization of homes in Utah is being done by the community action agencies, and where community action agencies do not exist, the associations of government have performed that function. In the past, these agencies have traditionally also administered the crisis intervention programs. This situation has allowed the personnel within the CAA, Community Action Agency, or the AOG Assistance of Government to coordinate their efforts and to compare applicants, contributing to the effectiveness of each program. Any new legislation concerning crisis intervention should take this need for coordination between the weatherization program and crisis intervention program into account.

Now, this isn't directly related to crisis intervention, but I think it is important to mention one crippling problem in Utah has been with the labor shortage. At the present time, the Department of Energy Regulations for Weatherization stipulate that the program funds will be used for administrative personnel and for on-site supervisors. The agencies have been mandated to obtain CETA, CETA workers and where possible volunteers for weatherization activities. However, the weatherization program in Utah has never received a sufficient number of CETA slots. Efforts have been made to affect a change in the situation from the local, State, and region-

al levels, but we have had very limited results. The problem is still severe.

To date, there are approximately 3,000 low-income homes that have been weatherized in the State of Utah and there are approximately 64,000 still to be weatherized. We have sufficient funds. This fall we have two new grants coming from the Department of Energy totaling well over $3 million. We also have funds remaining from previous years. We are in a bind because we have the money but we don't have the labor. Unless there is some flexibility in dealing with regulations which would allow us to begin to use some of those funds for labor, or if there is not any cooperation or more cooperation with the CETA's prime sponsor, the weatherization program will be unable to assist the majority of Utah's low income residents in what would be a long-term energy conservation energy assistance program. Thank you.

Mr. HUNTER. Let me ask a question while it occurs to me. Is that the reason, labor shortage, is that the reason for the year and a half wait for people who have signed up for weatherization to have the process begin?

Mr. GLENN. That's right, and when Kathy speaks maybe she could give us a little more detail on the situation of her agency here in Salt Lake City. She has a huge amount of funding, but her labor is almost nonexistent.

Mr. HUNTER. Very good. I'd like to focus on that issue if we could. The committee has received other complaints from community action agencies that run weatherization programs in the same vein that the CETA workers are either nonavailable due to the slash in public service and in public funding that Congress has recently done. You can see that the CETA people are not available or generally are not available is the price that you are able to pay, so maybe you could deal with that in your testimony.

Ms. KEEL. My remarks will be brief concerning the time. I think it is unfortunate that it is too late in the year, we are too far already in our heating season to really be able to iron out all of the problems that we can all foresee in the $1.6 billion program, but we have no choice. We have to act immediately and we realize that as far as a grass roots organization, there are going to be problems that will never be addressed this year. I think we have to consider, and I have not heard this mentioned before, the cost of the primary heating fuel in the State in making the State allocation. I think this is important in the rural State allocation. I think this is important in the rural States, Utah, and where there is also a majority of our population in the rural areas in some instances, and also the Indian reservations that have to pay very high prices for the purchase of propane, wood, and other fuel products. Also, each State should be sympathetic to the areas in their State that have those higher primary heating costs.

I think we do need to give the States flexibility, having their own State plan but have some Federal review of those plans.

I have to favor direct cash assistance instead of credit because I think that way we can address some of the other problems that do contribute to people getting behind in their energy costs, the payments of those billings. For instance, someone that needs their car

fixed, that needs their car to be able to get to work, and if they don't get there they're going to lose their job.

On weatherization, I have worked with that program for 3½ years now. Utah does have a problem in that we do not get very many CETA positions to begin with, but we also have a problem in getting those positions from our primary sponsors, but I don't think that the problem is with the primary sponsors. I think it is the Department of Labor at higher levels that are saying you will honor the project, your plans, and when the project year is over you do not refund that program.

We have to do something, the regulations have to change with the Department of Energy and soon or we have to get the necessary support of labor or we are going to be in the same predicament we are in this year with needing to provide cash assistance to people in order to pay their bills, and we are still not encouraging conservation to the people who cannot afford to do it themselves.

The only other comment I have is that I think besides just thinking about what we are going to do next month and through the rest of the winter, is what we are going to do next year. I think it is time to start thinking about that at the national level, in Congress, in the agencies, and also at the local levels, and I encourage any type of planning that can begin now so we are not forced in this situation.

I will also submit the statistics from the 1978 and 1979 crisis intervention programs for your information for the State of Utah.

Mr. HUNTER. I will appreciate that. That is very helpful.

How long has a crisis intervention program been funded in the State of Utah?

Ms. KEEL. We had the first program in the summer of 1977, I believe, but there were also some agencies under the CSA emergency energy conservation program did use some of that money on that program to a very limited basis to pay some of the bills in a crisis situation as early as the winter of 1976.

Mr. HUNTER. I have heard some people say that maybe the screening process by which you decide to help somebody under that program is a little loose. In other words, perhaps people who are not really eligible are receiving funds under that program. What are your screening procedures?

Ms. KEEL. Currently, in Salt Lake City we get an application from anyone that has any type of chance that we can determine in qualifying them for the program. After receiving the application, which we are now requesting at the time of application, proof of income for the last 12 months and home ownership, right then and there. Then we do make spot checks and we do consider everything on the application.

Mr. HUNTER. When you say spot checks, are you saying random checks based on 1 out of every 10 that comes in?

Mr. KEEL. No: anything that does not look appropriate on the application or something that we do not understand.

Mr. HUNTER. Something that leads you to believe that it may not be a legitimate application?

Mr. KEEL. Right.

Mr. HUNTER. I appreciate that. This panel has been very, very helpful. Maybe before you leave, just for the record, you could give

us the breakdown of percentage of how most Utah homes are heated in terms of natural gas, electricity, and other types of fuel.

Mr. GLENN. I don't have the statistics right here in front of me, but I remember doing a study last winter for someone in the department, at which time I found that approximately 60 percent of the households in the State of Utah were heated with natural gas. Then there is a variety of other means available, I guess in the other 40 percent, including wood, coal, propane, and electricity.

Mr. HUNTER. I took the liberty of checking that out during the course of the week and I'll give you some figures and see whether or not you confirm what I am saying. About 70 percent of Utah homes are heated by natural gas, about 25 percent are heated by electricity, and the remaining 5 percent are heated by a combination of coal, propane, fuel oil, wood, and things of that nature. Does that sound about right to you?

Mr. GLENN. That sounds very close.

Mr. HUNTER. I think that is important to have that.

All the statistics in terms of price raises that have been presented by Mr. Biggs take on some significance now when you see exactly how it is broken down in terms of percentages throughout the State of Utah. You can see the magnitude of the problem.

Well, I'd like to keep you for another hour because I have lots of questions. As you know and as I advised privately, there is a great debate that will take place as to whether CSA is the agency that has the confidence of the Senate committee in running a program of this kind. It is fair to say that there is legitimate fear that an agency as small as your agency would not be able to handle a massive amount of funds in an efficient and workmanlike way. That is one of the fears. On the other hand, I think you have made a good case. I appreciate your testimony. We thank you very much.

Would panel No. 4, the representatives of the elderly community please come to the witness table and identify yourselves.

Mr. JOHNSON. I am Glen Johnson, director of the Senior Citizens Executive Association of Utah.

Mr. FORGREN. I am Afton Forgren representing the National Association of Retired Teachers and the American Association of Retired Persons, a sister organization.

Mr. COX. I am Earl Cox, also representing the AARP and NRTA organizations.

Mr. FUNK. I am Tim Funk representing the Utah State Coalition of Senior Citizens.

Mr. HUNTER. Thank you very much. You may proceed in the order of your choice.

STATEMENTS OF AFTON FORGREN, REPRESENTING THE NATIONAL ASSOCIATION OF RETIRED TEACHERS AND THE AMERICAN ASSOCIATION OF RETIRED PERSONS; EARL COX, ALSO REPRESENTING THE AARP AND NRTA; TIM FUNK, REPRESENTING THE UTAH STATE COALITION OF SENIOR CITIZENS; AND GLEN JOHNSON, DIRECTOR, SENIOR CITIZENS EXECUTIVE ASSOCIATION OF UTAH, A PANEL

Mr. FORGREN. We did decide that we would sort of assign certain aspects of the hearing to one another and therefore I am going to spend my time describing the groups that I represent.

As of July 1, 1979, the National Retired Teachers Association in Utah had 2,273 members, and the AARP had 41,011 with a total of 43,284 people. Membership in the National Retired Teachers Association is limited or open to only those individuals 60 years and over who have been employed in the schools of the Nation, and therefore our membership is somewhat limited. NRTA membership in the State does not represent all of the retired teachers, however. We have approximately 5,500 retired school employees in the State, but some of them have not affiliated with the National Retired Teachers Association. The membership is a sister organization, sharing staff and so on at the national level, and we work very closely together at the State level. It is open to any individual who has retired and therefore we are assuming—and I don't have data on their economic status, but because there are 41,011 AARP members in the State, I would assume that their status would very closely resemble the status of the majority of senior citizens in our State, and according to the Division of Aging figures, they say that about 26 percent of the total population of 60 years of age and older are in the low income bracket. That is about all the data that I can give you as far as membership in AARP.

In the NRTA, in giving you data I must also include because we are lumped together or considered together in the Utah State retirement system, the school employees are also, like the public employees, in the same division of the retirement system. So when I am giving you data about teachers, I am giving you data about public employees which would mean State, city, and county employees who have entered the retirement system. There is approximately now 10,000 of those in the retirement system. That varies from day to day and so when I say a total of 10,000, some people retire and some people die, so it is very difficult to get a specific figure for that. Of that in our State, 4,555 of them are receiving an average benefit in retirement of $130, which multiplied by 12 is $1,560 a year.

In addition to that group, we have another 10 percent that would be at income levels in the 200's, and that I do not have a specific figure because it has not been available through the retirement system. We are assuming that since this effort, 40 percent of our total 10,000 are on this $130 a month, and because most of them were in a working period between 1950 and 1971, their social security would be very low. In fact, Utah was not permitted to enter the social security system until in the 1950's. Some of these people were given the very low social security allotment that was given to people who were not eligible because of not fulfilling the quarters that were necessary. We are assuming that $130, on an average, of course, some lower and higher, would be the larger portions of many of those retired persons because of the situation of the social security. In addition to that, in terms of trying to help retired people keep up with the inflation, in 1975 the State legislature approved a 4 percent cost-of-living adjustment. That 4 percent was based on the base pay or the initial retirement amount received in their first check when they retired, and those were very, very low. To add to the problem of that particular period, the legislature also placed the ceiling on the amount of recent retirement benefits, so that up until 1973 no one could draw more than

$100 and they had to have 40 years of service to draw that much. So the retirement benefits vary from $100 and 40 years of service down to very low, low retirement benefits. Now, that is the benefit on which 4 percent is figured. If you look at what little social security they have, these 4,555 school employees, together even with this 4 percent, which is a very minor amount of money, there is no way these people are able to keep pace with the kinds of figures that were reported by the Bureau of Labor Statistics for December, 1973 to 1978 when the overall index rose 46.5 percent, food 45 percent, medicare 61.1 percent, and I heard today that $160 on January 1 is going to be up to $180 as a part that a person must pay before medicare benefits are payable. When you think of 4 percent against a —$100 benefit at the State level, it's frightening.

No doubt some of the Utah members of AARP and NRTA are being forced to utilize a number of the government medical assistance programs such as medicaid and food stamps. I am sure that there are some of them who would qualify and would apply for such State help as the special property tax and rent rebate for such State help as the special property tax and rent rebate program which was available to those people 65 years of age and over who had a total household income of less than $7,000, $6,999 or less. But, we found when that program was initiated a year ago that the State estimated that 125,000 households would be eligible for the tax and rent rebate which we called the circuit breaker bill, and at the end of that first year——

Senator HATCH. Afton, did you say 125,000?

Ms. FORGREN. Yes, households.

Senator HATCH. Say that again. I missed that point.

Ms. FORGREN. I said that when the circuit breaker bill was passed in 1978, it was estimated that 125,000 households in Utah would be eligible for the rent rebate and tax rebate.

Senator HATCH. I see. I didn't realize it was that high.

Ms. FORGREN. That's their figure. I have no way of verifying it other than I believe what the tax commission tells me, sometimes.

At the end of that year, however, because of the difficulty of getting information out to people, or in some instances, and I say about my particular group of people, because of their pride they are unwilling to admit that they need welfare. This is one of the reasons why I have some concern about sending it down to the community service system, simply because our people don't want to get involved in it. I don't know whether our particular society in Utah is different than other States, but people have great pride, they want to be self-sufficient, they want to be self-supporting, they want to maintain their own ability to stay independent.

I think probably if we are going to get this money down the path we may have to use some of the systems, but I would hope that somewhere along the way the private agencies or the private organizations representing as many senior citizens as NRTA and AARP does in this State, we would have some input and have some opportunity to help the State decide how we solve and let these people benefit by this particular kind of program at the State level, so that they don't have to go through—I heard the other panel talking they have already gone through the eligibility. Well, our people haven't been able to participate in these programs and yet

they need it. Therefore, I would hope that somehow or another we would be involved in helping to determine how our people get into the system that provides assistance without the stigma attached, as it is in our State, at least to some of the present welfare and crisis intervention and CAP programs. They are great programs for those people who need it, but I think we have to face up to that kind of an issue.

The national association has made several recommendations that I would like to share with you. I don't know whether you want to read them, but I will give you a copy of my phototype presentation. I would just quickly like to read them.

They feel that in this whole area of fuel assistance to middle-, low-, and fixed-income citizens, there are some long-term recommendations that might make it possible for people to even get out of the system and be self-supporting. One of them would be supporting policies of automatic adjustment for private, State and local pensions to keep pace with inflation. Another is the construction of an elderly consumer price index that would be more realistic in terms of the financial condition of retired AARP and NRTA members, and then using that adjustment in making adjustments in benefit which our association would recommend should be done at least semiannually.

I think I have indicated the feeling of our own membership in saying that we would like to be heard. We would like to have input. We do have, and back to the lack of participation in the circuit breaker, we do have newsletters, we have annual meetings. In fact, we came from one today. We have units and chapters around the State where if we were involved we could get the word to our people and probably take some steps to encourage them to become involved. To take advantage of the programs that we have.

I want to express appreciation for getting involved in this hearing. It is the first time, to my knowledge, that NRTA and AARP have been to a hearing in the State.

Mr. HUNTER. We appreciate that. We have talked privately about some of the problems of not only making the program known to your members and to your related organizations, but also encouraging them to participate. How hard is that process, based on the kind of psychological point of view that your members have had?

Ms. FORGREN. It is getting less and less difficult from my point of view, simply because we have become so actively involved in lobbying for special benefits for school and public employees in our State. I feel that now when we send out communications they pay attention to them. We get telephone calls because of the benefits that were received by the Senate bill 148 this year that did raise it from $125 an average to $135 an average. We have had numerous communications from people saying thanks for what you did. So, I think it is going to get easier. I think if we were actively involved in the level of decisionmaking, and then to begin communicating with them at that point, we would find that it would become easier all the time.

Mr. HUNTER. Very good. Thank you and I appreciate that.

Who would like to be next?

Mr. Cox. I will.

Mr. HUNTER. This is Earl Cox, representing the Utah Joint Legislative Committee, AARP, NRTA.

Senator HATCH. Let me make a comment or two. You will be interested to know that we have had a series of votes. I have heard quite a bit of the testimony, but I have also missed some and I apologize. That is why I am not asking questions. I am counting on Bob to ask them out there.

The Senate just voted 44 to 42 to give the pay raise to Members of Congress. Jake and I voted against that. However, there is going to be a vote later. It looks like a long evening and I could be interrupted more, but it is amazing how much we are getting out of these hearings. I really appreciate all of your testimony.

Let's go ahead with Earl and we will just keep listening.

It looks like another vote is coming up right now, so I might have to be gone for a few minutes. Let's start with Earl.

Mr. Cox. We would think and hope that the Senate and the House would set an example here since inflation is our major problem.

I support what Afton has said and because we worked together a good deal there may be some duplication, but take that as reaffirming what she has said. The information that I give will be a result of working for the last 5 years in several senior organizations in the State and working at the legislative level as a lobbyist. The last 2 years I have been chairman of the joint legislative committee, which has given me some very realistic grassroots experience representing the membership that Afton mentioned.

The first several items I want to give are general. We sent out a survey some months ago, a sample survey, and we had "inflation" on it, and everybody put inflation as the chief problem. So, we said, well, that is grand. In our major survey on these units that Afton has been talking about we did not list it, but we feel, and this comes up many times, that the primary cause of the financial plight of senior citizens is inflation.

Another factor that is general here, that we have seen in great evidence in Utah, is the age discrimination in employment which has been rather insidious in causing loss of income for senior citizens and often psychological and mental anguish. Another item, and I think Afton mentioned this, a large number of senior citizens have not been considered and consulted in this fashion from planning or implementing programs.

Another general item—many of us have attended the Public Service Commission hearings. Those are the only hearings that I have attended so far. We feel that the graduated rate structure, in which the more you use the less you pay, favors the large consumer, and although the legislature assigned the Public Service Commission to look at the structure for many months they came up with the structure as it was. We have to recognize that over the last 10 years the utilities have spent many times the amount of money in presenting their case to the Public Service Commission, which is a cross-sided judicial agency and must base their decision upon the evidence presented. Only in the last couple of years since we have had the consumer agency have we had a chance to make some leadway here. If my analysis is right and that of other people, we small users are actually subsidizing large industry. Although

many may think that is a lewd question, it still has not really been decided in our State. There seems to be, as I have looked into this and learned more about it, that there is a serious or urgent need to correlate the efforts of the Government agencies now assisting principal people regarding the energy problem. It appears that the State, particularly the State of Utah, is fairly close to the people. It seems to be moving a little more in that direction, and that many distributions or funding of support probably ought to come from the State level.

The survey I mentioned earlier, we have surveyed our membership the last 2 years and the No. 2 item in the urgency of senior citizens have been utility rates and it has been a close second to property taxes and other taxes. Also, the survey we submitted the last two Julys brought out some new approach here that indicates the problems senior citizens are beginning to face. We found many retired citizens needing part-time jobs and additional job skills training. Two of the largest units in the State, St. George and Holladay, need more job help as their No. 1 priority. That is a shift from the past. It indicates that the income is now inadequate. In my own case, after 5 years of retirement I found that I was exactly 25 percent behind the cost of living. In other words, my real income had gone down just 25 percent. I think that is typical. I checked through others in the public retirement sector here and found that those who had been retired 10 years were 54 percent behind the cost of living, which just verifies the situation of the plight that seniors have found themselves.

Another illustration, a person who retired in 1972 with a $6,000 annual retirement, by 1978, 6 years later, his real income now had dropped from $6,000 to $3,210, the real income purchasing power. As we look at the rate problem, currently our Utah Power and Light, which provides around 85 percent of the electricity in our State, maybe even more, they are doing some rapid expansion and we are wondering if we can justify seniors paying through the rate structure in the complicated fashion that they are. If this procedure can be justified in the fact that many of them will not live to enjoy the power that they are paying for. The effort that we are looking at seems to be a crisis approach to handle it now. It seems that we will really need a long-term program with some of the characteristics that the national recommended, that Afton mentioned.

That's it. I appreciate, again, the opportunity of coming before this panel.

Mr. HUNTER. I think that is helpful background information to give us some idea of apparently what we kind of already know in the back of our minds, which is the fact that you are on a treadmill and just can't ever catch up with where you want to go. You just keep falling further and further behind, especially when utility costs escalate to the point that they probably will.

Mr. COX. And it appears, and we got word of this last year, that some people are having to weigh whether they ought to buy food or pay the utility bill.

Mr. HUNTER. I don't know if you were here earlier, but we had a lady who is an AFDC recipient who very pointedly made out the case that she literally is forced with that choice. She has something

like $90 after paying her rent and utilities. She can't feed her four children. She can't even put shoes on their feet to send them to school. She sends them to school and they send them back home, and then she is cited for being an unfit mother.

Ms. FORGREN. I would just like to give an example that we heard today in our annual meeting of the Retired Teachers Association. Two little ladies 90 years of age and older, received between them $90 in increased funds with the passage of Senate Bill 148. They called their niece, whom I know, and said, "Oh, when we went to the grocery store in the past we could only buy two bananas, one apiece, but now we have the luxury of being able to buy four bananas." You know, things like that are pathetic. It is just pathetic when you think the joy people get out of buying two more bananas a month.

Mr. HUNTER. We would hope that retired life could hold out a little more promise.

Ms. FORGEN. They have been retired 25 years, so they were back when the ceiling was $100.

Mr. HUNTER. Why don't we move along? We could talk about the whole realm of how do we adjust for pensions that are fixed and not rising in any automatic way, and of course, in my field, labor law, it is a common practice today for current employees to want to bargain in their current job status about the future of their retirement funds. In other words, whether there will be automatic escalators included, etc.

Ms. FORGREN. But none of it is retroactive.

Mr. HUNTER. I think Mr. Funk is scheduled to go next.

Mr. FUNK. The Utah State Coalition of Senior Citizens, which I am the director, is a statewide group that has between 4 and 5,000 members. We can never really seem to get our membership roll up to date. We have been very much concerned about the impact of higher energy prices on senior citizens since the founding of the coalition 5 years ago. It has been very active in trying to seek remedies to that and we appreciate this opportunity.

I think that the statement of need has been pretty well stated today. I think that the one person that sticks in my mind as being the most outrageous example of people not being able to pay for higher energy costs is the woman from Moab, in southeastern Utah, who said that she had a bill of $272 one month last winter and she had $250 a month to live on. Now, that's probably the most extreme example we can find, but I think it reflects the fact that people just can't pay for their utility bills. What we would like to do today is make some mechanic recommendations in terms of what might happen with any type of energy assistance for low-income people.

First off, we would hope that any legislation would apply to a State level block grant approach leaving it up to each State to implement their own program rather than of a more uniform national approach. We would, however, hope that any program would provide Federal guidelines and eligibility based on income and not just the age of the person served. We hope the same thing for application certification and recertification, that eligibility guidelines should include up to 125 percent of the poverty level. That's to say that we would hope not just the people who are

considered poor, but the people who are near poor, working poor, senior citizens who are on fixed incomes but do not necessarily qualify as poor people, would be eligible at that 125 percent level. We hope that family size would also be added in the eligibility formula and some consideration for geographic differences between regions of the county and certainly areas within each particular State.

We think that Utah has for its energy crisis intervention program an appropriate allocation formula for its different multicolored areas. That formula includes things such as the poverty population, the degree days, and the distance factor, given some special factor to rural areas. Also, the costs of fuel is thrown in there. We hope that that kind of formula development could be made feasible for any one particular State plan.

The type and amount of assistance would be another point. It depends on the dollars, of course, allocated nationally and the length of the program. It looks like this may go from 1 year to 5 years. We have some thoughts about the duration of the program.

In terms of what kind of assistance would be best, we think cash payments probably could be most easily made to persons already enrolled in assistance types of programs, such as SSI, food stamps, and AFDC. Cash assistance also would probably be the best direct way in helping renters. There is some debate about whether renters or landlords should be getting the benefits of any type of emergency assistance program. Tax credits might be more feasible for low and moderate working persons who do file tax returns. So, you might be looking at the combination of both cash systems and tax release.

A vendor credit system might be the most efficient type of plan to distribute help. It gives the utility companies especially, undesirable direct pass through for higher utility rates which must be held down. We feel that that's a main ingredient of this, the fact that utility rates are poorly designed, and as Earl has said, we have been strongly opposed to the declining block rate structure that now exists.

One of the things that we would like to throw the biggest red light on is that we don't want to see any fuel stamps or fuel coupon programs established. We think that is totally detestable. I spent a year's time working very closely with the food stamp program, working with food stamp information systems trying to get them to improve their systems and their outreach program. That program, the food stamp program, is probably the best example of what this kind of program of energy assistance should not become. That is a great boondoggle. It does a lot of good for the people served, but it misses better than 60 percent of the people considered potentially eligible in this State. We are talking about senior citizens in particular. They don't want a thing to do with anything that has any impression of welfare connected to it. They are very proud to accept their social security check. They are happy to take medicare or medicaid if they are eligible, but they are sure not at all interested in going down and applying for general assistance, and they won't apply for food stamps because that is administered through the State welfare service program. Fuel stamps is an absolute no-no.

Renters—a lot of senior citizens in this State are renters because of the high cost of property taxes. They become renters more and more. They must, of course, be included in any legislation. As we said, cash assistance may be the most feasible mechanism for disbursement of assistance, perhaps using the formula similar to that used for the housing assistance program, the Federal housing assistance program.

Another issue that is connected directly with this, people who need this type of energy assistance often find themselves that they have to have the notice of termination or they are going to be shut off before they can get the assistance. We hope that the assistance would come early so they didn't get to that point. We would also hope that this program—this is just as good a place to establish it as any, would establish a national regulation that prevents any type of regulated or unregulated utility service shutoffs during the peak winter months. In other words, a no shutoff—a national no shutoff policy.

In terms of administration of this program, we hope that it would happen at State level in the balance combination of the groups that have been doing this type of program already, that is the State aging programs, the community action agencies, and the private sector groups. I think what I would like to do is to say that there has been, at least as far as the senior population is concerned. I think they have ignored what these programs, the private sector groups, such as AARP and the Retired Senior Executive Association, and these groups that have extensive information in outreach programs. We have gone through the public sector pretty well and we have gone through the committee action sector pretty well, but I think if you look at how those programs in the other services that they provide, that is the public service misses about three out of four seniors, three out of four seniors never utilize that program. We are saying that this type of program is not going to reach out far enough unless it brings those other private sector groups into the plan.

The State welfare system should not be the only sector declaring eligibility and should not administer them in any way. If you want the State to administer this program, it should come through some other State source. The State has a State energy program. We think that would be an adequate admininstrative body. I have mentioned the average potential of these other groups.

One thing that we would hope would happen, and I have heard this mentioned in several different ways before you today, and that is the need for comprehensive planning. Energy subsidy consumer education and home weatherization programs should be combined in some kind of a comprehensive plan, at least to the State level, that would require anyone awarded the benefits of the program, that they should also take steps to learn and use various energy conservation techniques. That means if you are going to be eligible for subsidy, you're also probably eligible to get some kind of home weatherization and you are also probably required to learn something about how to use your home more efficiently. We think a balance approach, including emphasis on energy conservation, weatherization, reform of utility rate structures, and some income support when and where it is necessary, is really much more

enlightened than just simply shotgunning money out when things look really terrible politically.

We would say as a final caution, not only don't institute a fuel stamp program, but we don't want to see this instituted as a permanent program in any way. We think to avoid establishment of a new categorical energy relief program is absolutely essential. I think it is insulting to people and their dignity when they have to go in and apply for special programs. If we are going to do something, we should be doing something to stabilize their income levels in a general way rather than on a service specific basis or categorical basis.

Mr. HUNTER. That's very helpful. I jotted down just about everything you said. One thing that occurs to me is, and I agree that there's got to be some kind of comprehensive planning because I don't think you can continue to pay people and not go to the real cause of their problem, which is making more efficient with that which they have. Would you go so far to say that assistance payments ought to be conditioned upon their participation in some kind of energy education program?

Mr. FUNK. Well, quite frankly, I think you heard this from the Community Action people, that there is a greater ability there than we are utilizing. These people are contacted maybe once or twice or three times in different ways for different programs. I think that somehow of taking the comprehensive approach would reduce the repetition. If you are going to do it, you may as well do it as well as you can. I don't know how to require that. It's like when you provide people with food stamps, how do you make sure that they use them reasonably? I don't know if you can get the people's eating habits, but where they live and how they live in terms of whether their windows are sealed up, or if they have furnaces tuned up to snuff, and in terms if it runs efficiently or not, whether or not they have storm doors when they need them. I think that those are things much more readily ascertainable and I think that things like a home energy audit being required, it might be the way to go with a person. If you find the person's home energy efficiency ratio falls below a certain point, then you have a certain requirement that that home be brought up to par in addition to giving them subsidy. That doesn't necessarily mean that has to be done this winter or next summer, but they are on line for getting that improvement made. The other thing is that improvements made—there can be some hope, some way of trying to educate them. Those crews go out to weatherize those homes. They certainly can spend some time with that particular occupant instructing them on how to use their home better.

Mr. HUNTER. Thank you. Your testimony has been very helpful. It has been very precise and your recommendations are appreciated because they are consistent with what we have heard today in many respects. You have also offered us new options that have not previously discussed today. We appreciate that.

Now we will go to Mr. Johnson.

Mr. JOHNSON. The membership of the Senior Citizens Executive Association of Utah is made of area agencies on aging directors, senior citizens center directors, nutrition directors, and other people that administer aging programs, either paid or volunteer,

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from both the public and private sector. Because of this broad based membership throughout Utah, it is our belief that we possess firsthand knowledge of many of the problems of the elderly, and obviously the cost of energy is one of those top problems.

I think the thing you must remember is that seniors, I think, generally will do without some things to have other things, and I suppose each one of their priorities varies. Often they end up skipping on some of the things they should not be skipping on and end up in nursing homes or institutions. I think that is one of the critical areas we are trying nationally to do away with, to keep them out of institutions and in their own homes. Having adequate energy at a reasonable price is one of the important factors in actually keeping them in their own homes. If they keep their own homes, they may not be able to eat properly, or skip on medical examinations.

Mr. HUNTER. I think that is a good point. Let me interrupt for a second because it occurs to me that if they're not prepared to help in some way, and the situation results in getting a sick person in the process, then society pays the bill at some point, in any event. It is probably cheaper to provide some kind of subsidy, a reasonable subsidy, to perhaps prevent an illness from developing which if unchecked could escalate, of course, in our hospital costs and our other medical costs which is a whole other problem. But, it seems to me that maybe a little preventive medicine at this point might serve us well and might in the long run be more cost efficient than not doing anything as all.

Mr. JOHNSON. From the studies that we have made in Utah, that is exactly correct. The study, we have been going for about a year and a half at this point.

You have heard other statistics today and I will just touch on those very briefly. One study by Dr. Kim, USU, and I will give you a copy of that. He states around 155,000 people 60 years and over in the State of Utah, and that is close to what the rest of them have been saying, and about 25 percent or 38,000 of those are poverty level or below, which is a dismal figure. We feel that there is going to be some catastrophic things happening this winter if some relief is not provided before 1979–80 is over, before spring comes next year, because of the very low income in the State.

I'll just briefly summarize. This is repetitious. We feel that each State should have a great deal of flexibility in their programs to compensate for problems that might be peculiar to that particular State. I would reiterate what all three have said, that we hope that nonprofit groups and other groups will be involved in the State plan, if the plan is developed, at State level.

I want to also reiterate the importance we fee that all renters in the target population and groups will be eligible to receive assistance of some kind of assist them, and I am not sure which vehicle should be used, but we want to make sure that renters are not left out.

Also, again, stress the necessity for simplified applications. This is one of the very simple applications that the elderly in particular would have difficulty with. And, again, as had been mentioned, and I want to say it one more time, we feel that any legislation that is enacted, any plans that are developed, should corporate- strong

provisions of the conservation of energy through all methods available, and we would stress particularly the problems of the rate structures, which have been mentioned, which is most instances really do not promote conservation. We hope that the winterization program, particularly for the elderly, will some way or the other be strengthened.

We realize that CAP has been doing all they can, and I didn't realize it until this afternoon what a difficult time they are having getting employment. We hope that we would get sufficient funds for the service employment programs to actually do the work on these homes. That's what we would hope for. Otherwise, if we can't get the labor, I don't know what would happen next.

That really sums it up. And, again, I appreciate the opportunity of appearing before you today.

Mr. HUNTER. That's most appreciative from our point of view, too, because this was a very well done panel. It is obvious that you have planned on what you would say and you really complemented each other in your testimony. You offered us a great deal in understanding the problems of the elderly, and especially the Utah elderly, I have reason to believe the Utah senior citizen is a very high inspired and very proud individual, and I think it is going to be a challenge to your groups, at some point, in trying to package these kinds of things so as not to appear to be a handout, but maybe a hand up in coping with today's environmental problems.

Ms. FORGREN. Our people have not minded coming in to subsidize housing because that you don't go through the same welfare system in order to get that. That, I think, is the important thing.

Mr. HUNTER. We appreciate it. I wish I could keep you longer.

Would panel No. 5, the Salt Lake County government representatives, please come to the witness table? Would you please identify yourselves for the record?

Ms. O'NEIL. I am Shauna O'Neil, director of the Salt Lake County Aging Services.

Mr. HANSEN. I am Ken Hansen, representing the Salt Lake office of the State Division of Family Services' local county office; in part 3, I would represent our sister agency, the APA.

Mr. HUNTER. you may proceed in whichever order you desire.

STATEMENTS OF SHAUNA O'NEIL, DIRECTOR, SALT LAKE COUNTY AGING SERVICES, AND KEN HANSEN, REPRESENTING THE SALT LAKE OFFICE OF THE STATE DIVISION OF FAMILY SERVICES, LOCAL COUNTY OFFICE

Ms. O'NEIL. I am pleased to speak before you today representing Salt Lake County and its Human Services Department in support of swift congressional action to provide assistance to the low income and the elderly to combat the severe and economic and emotional problems caused by the extraordinary increases in home heating costs already present and those anticipated during the coming winter. As I am sure has been stressed to you, time and time again this afternoon, it is critical that this funding be provided to assist with this year's bills. I recognize that the need of the most improverished and the most helpless in our society are likewise extraordinarily great, and that it is incumbent upon us representing government of all levels to take whatever steps are neces-

sary to provide the necessary alleviation of the crisis facing these individuals.

I am also here as the director of Salt Lake County's Area Agency on Aging and have the responsibility for primarily speaking on behalf of the 64,000 senior citizens residing in this county. I must reemphasize the extraordinary problems facing these individuals in paying these heating bills.

Many of the elderly with whom we work and with whom we serve will not allow a bill to go unpaid. Instead, we see over and over again that they will not purchase food or eat nutritionally adequate diets. They will not purchase necessary medical services. They will not purchase needed clothing and they will cut themselves off from society because they feel they do not look good enough to participate in it. They will not heat their homes adequately and will shut off rooms and not use those rooms in order to pay their bills. But the bills will be paid and the bills are paid. For this reason, we feel very strongly that a system that is set up to assist in the payment of heating bills cannot be limited solely to those who have not paid their bills, because this in essence cuts many of the elderly off from the services that that program is designed to provide.

The emotional stress of aging is acute. It is estimated by psychologists to be among the highest stress occurrences in any individual's life. That is largely caused by the growing lack of capacity to control one's life and one's destiny which aging causes so often. We have observed in working with clients through our outreach program, with the home bound and within the most economically depressed areas of our community, that the concerns and the questions about utility bills are vastly increasing, the number of pleas we hear is increasing at an incredible rate of people saying, "I don't know how to pay these bills. I don't know what I am going to do. I just cannot cope." That the observable level of stress in many of our clients we fear is leading them to physiological and psychological problems as mentioned by a previous speaker. This, obviously, is not scientific, but it is real and it is shared, I am sure, by individuals working with the elderly throughout this Nation.

In Utah the total income of an individual on SSI, including the State supplement, is $209 a month. In many cases, in Salt Lake's central city and west side, the utility bills, led by heating costs, have exceeded the $100 to $150 paid by many low income for rent. This means that their entire income is going for apartment rental and utility bills. They have no more money left for food. They have no more money left for other necessities whatsoever. One south Salt Lake woman with whom we work has depleted her savings and her money she set aside to pay her property taxes in order to meet her utility bills. This winter she will be forced out of her home because she will not be able to make these payments any longer. She is in a state of crisis at this moment and her panic is terrible to see because she feels she is losing her home and she has absolutely nowhere to turn for relief.

We also see these problems, and it is important to recognize that this problem exists not only those areas considered poor. We see similar problems in Cottonwood, Holladay, the high east bench area, the "rich part of town." One 76-year-old woman living on the

city's east side had her gas turned of last year before Christmas. Utah Power & Light sent out an employee to turn off her electricity, but that employee of the electric company felt compassion or the woman and called us and we sent out someone from our Outreach program. When we first contacted her she had moved her bed into the kitchen of her home and was heating that one room with her stove. She never left the kitchen and was essentially living within that one room.

Another 80-year-old woman, also living on the east side, also lives in one room of her house because she cannot pay the utility bills for the entire home. She has partitioned the one room off and lives in that one room. This is one room of a very large home in a very prestigious neighborhood in this community. These are not the only examples of this situation that we find.

The need for this utility relief is really great. I am sure the need has been demonstrated to you in many ways this afternoon and that need has been undisputed. The questions seem to be how to establish a mechanism of distributing funds from the Federal Government to the individual which will be operated in an administratively secure matter. We thoroughly appreciate and strongly support the concern among Congress and administrative officials that the program must be administered responsibly. However, we urge and we reaffirm that an income supplement in some manner, whether it be a payment for utility bills or either directly to the individual or to the utility company on a line-of-credit basis, is desperately needed by the elderly in this county. We are concerned in Salt Lake County aging services that if the mechanism chosen is channeled solely through those who are already receiving categorical grants, such as aid to families with dependent children, or supplemental security income, that many elderly who are in desperate need of these services will be left out. We continually work with individuals whose incomes are far below the $209 supplemental security income level, but will not apply for the income supplement because they cannot, in their own psyches, accept or apply for what they consider charity or what they consider welfare. Many of these people are people who have unfortunately outlived their economic situation which their pensions anticipated for them.

In designing this program, it is incumbent upon the Congress to recognize the behavioral characteristics of the individuals for whom the program is designed. Since this program is designed to serve many who will not participate in the categorical programs, but because this assistance is designed to alleviate a very specific pressing need, many have told us that they will accept this assistance and apply for this program where they would not apply for welfare. It is imperative that the program be designed to reach out to the greatest number of individuals who can be served by it and to those who are in greatest need, and I firmly believe that very often those who are in greatest need of this program are those that are not on categorical programs, whose pride will not let them apply for it.

As one views the alternatives to the existing categorical system for implementing and administering the program, I feel it is useful to consider a longstanding policy of the Human Services Department in Salt Lake County of which aging services is a part. That

policy is to recognize that flexibility in program implementation and program design is absolutely necessary because the communities in which the programs operate very extraordinarily from one area to another. This is true even within Salt Lake County and the State of Utah. It is even more true within the United States as a whole. We urge Congress to pass legislation which will establish the basic design for program implementation to be established at the local level with administrative discretion to vest the responsibility for the program in the organization which is most appropriate to administer the service. Many mechanisms exist within this community as with other communities which can insure the smooth administration of the program. In Salt Lake County, for example, we see an active community action program, an aging services program within the county which has a strong and viable outreach program. In many other community organizations, such as the neighborhood council, AARP and NRTA, which can add aid in finding individuals who are eligible, taking applications, as well as certifying eligibility for the program. The design of the program must be one which will encourage the maximum extent possible, the coordination of these agencies and a pulling of their resources under the lead of one designated organization. The program must be designed to encourage and insure maximum cooperation or the program will fail and we at the community level will fail in our responsibility to insure this vital assistance. In many cases lifesaving assistance will be provided to the residents for whom we have responsibility.

We encourage Congress to recognize the needs of the renters as well as the homeowners and the impact heat bills are having on their lives. Many who rent in this area pay their heating bill directly. Those who do not pay the increased cost of heat will pay it indirectly through an increase in rental payments. We are all concerned and observe daily the extraordinary problems senior citizens are having to find housing which they can afford. Part of the reason for this is these increased utility bills. To limit the program only to homeowners or to those to whom a utility account is maintained by a utility company, means often that those in greatest need, those who never have had the funds to purchase a home, will be denied access to this program.

In addition, the need for weatherization is great, and we recognize that and we suggest and encourage those with whom we work to utilize weatherization programs; however the impact of this program must be toward payment of heating bills.

One point six billion dollars is far too small an amount of money to allow significant portions of it to be siphoned off into serving other, even so closely allied needs.

Once again, I am very grateful to you for the opportunity to speak to you today and to share with you our position as to the details of this funding. The final and probably the most critical point I want to leave with you today, however, is that however the program is designed, however it is administered, Congress must act immediately to provide this assistance to the low income and the low-income elderly, particularly in meeting the extraordinary increase in heating bills for this winter. Do not wait until next winter. We pledge to you any asistance which either aging services

or Department of Human Services in Salt Lake County may provide in implementing that program within Salt Lake County. Thank you.

Senator HATCH. Shauna, we appreciate that testimony.

Mr. HUNTER. Mr. Hansen, you may proceed.

Mr. HANSEN. In representing the Social Service Agency, I feel I will be simply reaffirming many of the things that have been said here today. Our agency does, out of necessity, operate a kind of community information and referral system wherein we get many inquiries about the community that are maybe perhaps aren't related to the programs we administer which are the title 20 programs. Our screening workers, at the present time, are seeing apporximately three families or individuals per day who are requesting, even at this time of year, assistance in meeting utility and/or rent payments. One example is an elderly woman, 86 years of age, whose rent now is $180. After rent and utilities combined, she has approximately $3 left of her income and is seeking some type of help. Our workers become very frustrated because in the end run they can only interview them and express that there is no resource, there is no alternative for them, but to turn them away. Our APA people are now beginning to see five and six people, families or individuals, a day. Their report is that they are seeing a greater number of elderly and elderly with whom they have not been acquainted with before. And the request is for assistance in meeting delinquent utility bills. We are anticipating that this will be increasing greatly.

We are generally in favor that the assistance programs should be administered through the existing State agencies and shared across the local level by private and community and State organizations. We do feel that it should not—there should be at least a segment that can apply, that will not be associated with welfare. We generally feel that the program should be directed at those who will be most severely impacted and the criteria should take that into account. We are particularly concerned and somewhat apprehensive that in our protected service programs for children that we will face an increased report of neglect based on the fact that many families will be facing turnoffs and the child will be discovered in critical situations and perhaps require sheltered care until resources can be covered. I say that we are only apprehensive about that, but I think it is a real worry.

We have prepared some comments toward the legislation and generally what we would favor seeing and we will leave those.

Mr. HUNTER. Very good. We will receive those comments in full for the purposes of the record. We thank you.

Senator HATCH. Thank you so much, Ken. We appreciate your comments.

Mr. HUNTER. I had a question that occurred to me, I think, Ms. O'Neil. You made out a pretty strong case that we really ought to resist any temptation back in Washington to make this an assets test versus an income test because of the people that you find in dire straits who own homes that are now, in essence, in exile in their own homes, afraid that if they don't revert to this type of introverted lifestyle, that they will be forced to sell those homes they worked so hard over the years to earn. Would that be your

feeling that an income test would be a more correct barometer of the need?

Ms. O'NEIL. I think when you're dealing with the elderly that that is the only really appropriate need. The assets that they are maintaining, that they are guarding partly in desperation, partly to pass on to the children, I think very often more important to them it is to retain the face within the community, the standing and prestige within the community which they have labored for a longtime together. You know, it is easy for us that are young enough, that are younger, to say that that is an inappropriate decision, but a person who is 70 and 80 years old so often cannot respond to that in a way in which we might like. They will guard that and they will do nothing which will endanger that.

Mr. HUNTER. That is right. We have a lady in the audience who would like to add something. Your name, ma'am?

Ms. PARKS. Ruth Parks.

Mr. HUNTER. Ms. Ruth Parks, you can certainly participate.

STATEMENT OF RUTH PARKS, SALT LAKE CITY, UTAH

Ms. PARKS. On something like this I'd like to suggest that you just don't take a look at income alone. I needed a simple answer to a legal question. All I needed to know was what the statute, if there was a statute of limitations—when the statute of limitations apply to this particular situation and they wouldn't answer the question because my social security is $328 a month. My mortgage alone is $350, but they said it didn't matter. So, I think you need to consider the net income and your costs. I have a loan payment in addition to that that I am making and I couldn't get just a simple answer to a question. That is all I needed.

Mr. HUNTER. I think we are talking about net income.

Ms. PARKS. But that was one of the social agencies. They wouldn't give me an answer because the only thing the law says is we have to consider your income, what your bills are doesn't matter. That was the Legal Aid for Aging.

Mr. HANSEN. I would like to say that I support in our statement that we would be able to help those families or those individuals who are most severely impacted and this may be in terms of their individual position and may not be in relation to any major standard of income, of those kinds of things. I think the program does need some flexibility for individual cases.

Mr. HUNTER. I think that is the way it should come down ultimately.

Thank you very much for your contributions and thank you, Salt Lake County government representatives.

Could we welcome now panel No. 6, the industry representative. You may proceed in whatever order you have previously determined.

Would you please all identify yourselves for the record.

Mr. HOBSON. I am Dick Hobson, representing the Utah Petroleum Association.

Mr. TOPHAM. I am Verl Topham, representing Utah Power & Light Co.

Mr. RODERICK. I am Bill Roderick, representing the Utah Petroleum Co.

Mr. HEINER. I am Clyde Heiner, representing Mountain Fuel Supply Co.

Mr. HUNTER. Let's start with Mr Hobson from the Utah Petroleum Association. You may proceed.

STATEMENTS OF DICK HOBSON, REPRESENTING THE UTAH PETROLEUM ASSOCIATION; VERL TOPHAM, REPRESENTING UTAH POWER & LIGHT CO.; BILL RODERICK, REPRESENTING THE UTAH PETROLEUM CO.; AND CLYDE HEINER, REPRESENTING THE MOUNTAIN FUEL SUPPLY CO., A PANEL

Mr. HOBSON. The association does not have a prepared statement, but the one thing we do want to emphasize is that we do not believe that there should be price or allocation controls. We recognize and are very sympathetic to the needs of the aging and feel that the community and State, Federal services should be the medium to address that problem. Thank you.

Mr. HUNTER. Very good. Thank you.

Mr. TOPHAM. I am Verl Topham, representing Utah Power & Light Co. We are certainly aware of and concur with a great deal with what has been said here today and other places. We are aware that many persons and families, particularly those living on fixed and limited incomes, are having difficulty paying their home heating costs, especially on electric heat. Let me say that electric heat is an important heat source in the State of Utah. It has been widely used, particularly in many rural areas where natural gas has not been available as an alternative fuel source, and many older homes there have been converted to electric heat. Because nearly all of the electricity generated by Utah Power is generated from coal, this use constitutes heating by domestically produced resources without reliance and petroleum resource. I think that is an important and worthwhile consideration.

It is also highly significant that in the service area of Utah Power & Light Co. the company has had for many years required stringent high standards of insulation for home which are to be heated electrically. I stress that point becasue much of the talk on conservation has already been used up by many of our customers. Very little is left by way of conservation to reduce home heating costs for these people. Some kind of direct monetary assistance is probably the only practical alternative available.

From our experience in rate proceedings before the State commissions, and we serve customers in Idaho, Wyoming, and Utah, we know that many fixed income customers and low income customers are having great difficulty in meeting their utility bills, food bills, medical bills, and other essential life sustaining costs. Therefore, we support the concept contained in Senate bill 1724, to provide some assistance to these customers in meeting their utility bills. In the past, many have advocated that we achieve that result through restructuring of utility rates themselves. In the case of our company, we have to some degree accomplished that in the State of Utah where we have a senior citizen rate. The company originally proposed that rate in the form of both a rate to senior citizens who had certain income restrictions. We were aware, however, the difficulty in administering that in determining eligibility, but we felt we could do it in the case of senior citizens with the assistance of

the State and Government. But, the program now in effect is available to all senior citizens. It does give them a reduced rate on the first 400 kilowatt hours of electric energy used in a residence per month for persons over 65 years. We recognize, however, that 100 kilowatt hours per month does not begin to reach the costs of electric heat, that that is only minimal electric usage without electric heat.

We do not believe, however, that restructuring of utility rates on noncosts associated basis can or will be a long-term solution to these problems. A direct financial assistance is necessary and an appropriate way to assist those people who have been harder hit by the impact of inflation than other segments of the Utah community.

In commenting directly on the bill, we would make three specific proposals. The first, this bill should not attempt to deal with the difficult and the complex problem of termination of service. There are already in place Federal requirements on that. I believe that in the States, at least in which we do business, the problem has been adequately addressed and dealt with by State regulatory commissions, in which hearings have been held and parties have participated, that there will be further dealings with them by these agencies and they are best able to deal directly with those problems. The short time structure needed to get this bill in place does not really allow adequate addressing of that problem. The provisions contained in the act would simply add, we think, administrative burden and costs which are unnecessary to deal with the problem that is already well along in solution.

Second, the bill should specifically authorize payments directly from the State agency to heating suppliers. Otherwise, we are fearful that some of the funds will be diverted to the other citizens' urgent needs, but nevertheless will leave the utility customers with the burden of making of the nonpayments when it has been assumed by the agencies and others that these bills have been paid from funds provided.

Third, this bill should be considered as a model, we think, for streamlining and simplifying regulatory activity of the Federal agencies, that this can and should be handled by State agencies already in place, and that very few requirements, very few administrative difficulties should be placed in their path by Federal agencies. It seems to us to be a good place to minimize costs and maximize the flexibility apparent with those State agencies.

In conclusion, let me reiterate that we support the concept embodied in the act. I believe the general approach is sound. We pledge the support and cooperation of our company in achieving the maximum benefit therefrom. We support the premise that as more and more people are unable to meet home heating costs, this burden should be borne by society at large and not simply passed on to other customers of individual utilities which will impact unevenly across the country because of climatic conditions and other factors. I stress that that would be most inequitable to residents of Utah, that it would also be most inequitable to residents of Utah if this type of program were structured to have great emphasis on oil heating since oil heating is decided as a minority of the homes in the State of Utah. There is urgent need for heating

furnished by both the electric and gas public utilities as well as by home heating oil suppliers. Thank you.

Mr. HUNTER. Thank you very much.

Mr. Roderick, You may proceed

Mr. RODERICK. As a marketer of petroleum products, the only customers that we really have in the fuel business in the greater Salt Lake area, I would think that the Salt Lake area would be representative of the entire State of Utah, are usually the poor and the elderly. Most people who have more modern homes either use natural gas or electric heat. Most of the customers that we have are either living in older homes or homes that are back off the road where the utilities don't reach them, such as their gas lines.

The biggest problem of course, being in the oil business today, is the supply problem. Even though it is a very hard thing to do, as a supplier of petroleum products, you have to allocate the product where the need is the greatest. Unfortunately, for the poor and the elderly, this is part of the business that we all wish we did not have because it is very expensive for us to service. It is a problem for us to get deliveries to these people in real bad weather.

We have another compounded problem in this State in that when it gets to a certain degree of coldness or chill factor, the natural gas is curtailed to a lot of our hospitals and schools, therefore, there is a great demand for our product, our oil. We have to make that decision, do we deliver to the hospitals, the schools, the Federal buildings, and so forth like that, or do we take it to the poor little widow who is back off the road 20 feet and usually snowed in?

We support your bill. We think it is necessary. We have seen our product costs double in the last year. To a lot of people this is going to be a very, very big burden to them.

I represent a small company. We only have five or six trucks in the area that can deliver to these people. We have seen in the 25 years that I have been in this business a gradual decline of the people who will take care of these people. The reason why is because we cannot charge them enough to make it a profitable account for us. Largely, it is because the people who have these oil furnaces now, they don't have large enough capacity in their tanks. If there are some funds available for this to be upgraded, it should be done. If there are some funds available for them to convert to oil utilities, this should probably be done also.

My peers in the oil business may look down on me for saying this because in other areas we compete very heavily with both electrical and gas utilities, but here in Utah we are fortunate to have a very lower rate on our natural gas and I assume our electricity, also.

More sufficient supplies are a problem that we need the worst. Of course, I realize that this is not a bill that will get that to us. But, it seems awfully futile for us, Senator, to sit here today and worry about a $1.6 billion grant when our own Department of Energy spends $11.9 billion. If we can just have a little bit of a cut on that particular regulatory agency, I'm sure a lot of our problems would be solved. Thank you.

Mr. HUNTER. Mr. Heiner, you may proceed.

Mr. HEINER. I, like the others, appreciate the opportunity of sharing this time with you this afternoon, or as we are now approaching early evening. I'm sure the Senator is approaching much later than that.

Mr. HATCH. It is pretty late back here.

Mr. HEINER. Well, we do appreciate the opportunity, and may I share with you my comments in written format?

Mr. HUNTER. Yes, certainly. They will be incorporated in full into the record.

Mr. HEINER. You won't believe me when I say I am going to summarize this because my summary is maybe a little bit longer than the statements of the ones that have just preceded me. Let me share this summary with you, if I may.

Mountain Fuel has been and is concerned about the economic well-being of those who reside in its service area. We have been successful in expressing that concern through maintaining, in behalf of our consumers, a pricing structure for the commodity we sell which puts us in the enviable position of providing natural gas service at among the lowest rates nationwide. Artificial manipulation of the pricing structure in the natural gas industry had historically pegged the price of gas so low that the producing end of the business nearly failed. While this low pricing structure was beneficial to the ultimate consumer in the short term, it was detrimental to the long-term continuance of energy supply. Recognizing the impending collapse of the production and of the industry, the Federal regulators permitted the price of gas at the wellhead to catch up with historical rates of inflation. Had this artificial manipulation not occurred, the price of natural gas would have risen along with all other commodities and increases in the price of this valuable commodity would not have been noted any more than have the price increases for other goods and commodities over the past several decades.

The catchup approach, however, has covered a period of approximately 5 years. Catching up for the artificialities of the past has unquestionably been disruptive to consumers. It has been more particularly disruptive to those who are on fixed and/or low incomes. This sudden and intense fiscal burden thrust upon the consuming public has caused intense consumer feelings and reactions toward the unusual and seemingly unnecessary rapid increase in the price of natural gas service. Even though the causal factor behind the problem is the historical myopia of regulation, the pent up frustration and venom of those who suffer under such unanticipated burdens is being flung at those who are the proximate source of energy supply. We, at Mountain Fuel Supply, feel this strong expression of frustration on the part of our consumers, and are continually irritated that those who have thrust this problem upon the consuming public are so well shielded from expressions of frustration.

We, at Mountain Fuel, function in a very competitive market. We may be classified as a monopoly simply because we are franchised to install pipelines and carry natural gas to consumers in franchised service areas, but we are far from a characteristic monopoly. We don't simply provide natural gas. We provide a source of energy useful in the provision of heat. In that sense, we compete

very strongly with all other sources of energy for heating purposes, from residential applications to industrial applications. In this situation, we must compete effectively with other providers of heat, including fuel oil, coal, and propane. In this competitive market we do have a primary competitive advantage and it is simply this, that we beat the competition hands down in the price of energy for heating purposes.

Since we compete in the market of heat provision, we feel that the needs of the target group of concern, the low- and fixed-income individuals, cannot be met through the simplistic notion of providing aid in the form of benefits which cover the cost of utilities. Benefits must be made available to all who consume energy for heating purposes. Thus, in the State of Utah, the elderly couple living in Richfield who must depend upon fuel oil for their source of heat during the winter and who do not have the choice of our low priced natural gas must also be considered. The target group includes those on low and fixed income wherever they may reside in the State of Utah or in the United States. Addressing the energy related needs of those in the target group as utility-related needs can lead to the misconception that the problems of this target group can be resolved by looking at utility pricing structures. Commonsense and many studies done nationally show this is not so.

Using utility pricing structures to effect income redistribution is also inadequate. It's tantamount to a hidden taxation of one group to the benefit of another group through manipulation of utility rates. Here again, it is impossible to serve the needs of a specific target group without specifying individuals within that target group. Utilities are ill-prepared to become income redistribution agencies and, in particular, to function as agencies for the determination of eligibility or noneligibility for fiscal benefits to those who have a need for support from the general public.

Agencies and programs currently exist which are well equipped to determine the fiscal status and related ability of individuals. It is these agencies which have the capacity and the capability for specifying the appropriate disbursement of tax dollars to those who must depend upon society in general during critical times. That dependence upon society is not measured in terms of the consumption of natural gas, it's not measured in terms of age, sex, race, or other demographic criteria other than one's income level and one's ability to pay. The ability to make such measures is already in place in each of the several States of these United States, and while nothing created by man functions perfectly, it is functioning and appears to be functioning relatively well. It is Mountain Fuel's recommendation, therefore, that the needs of those who are on low or fixed incomes be measured and considered by those agencies currently in place who have that expertise and can, in the case of need, render adequate help to those who have a justified call on that help. That justified call should be free from the source of energy, that is, it should not be singularly available to those who consume utility services, but should be available to all those who have an energy related need, including those who use coal, fuel oil, propane, and other fuels.

We would strongly recommend that while programs of assistance may be strongly encouraged through Federal action and/or legisla-

tion, the implementation of such programs should be left up to the States where they can most appropriately be administered, coordinated and operated. It is the several individual States who best know the needs of their citizens.

We suggest that for successful implementation at the State level a Federal coordinating agency needs to be a responsive agency, with the capacity for distributing allocated funds in a responsive manner and time frame. We would, therefore, recommend that the drafters of the prospective legislation strongly consider placing the entire responsibility for implementation and administering the program at the Federal level in the hands of the CSA. We are concerned that policies and practices of HEW would generate some lethargy in the program and could effectively limit the benefits of the program to those who are current recipients under specified assistance programs now being administered by HEW. On the other hand, CSA is not subject to this type of limitation.

We champion the CSA because of our experience of several years ago when the CSA was very effective in administering an energy crisis intervention program, which was of significant import to the low income individuals in our State, in coordination with our State Department of Community Affairs, who through local CAP's and CAA's was able to implement a very successful, outreach program. We were pleased at that time that under the direction of the State Department of Community Affairs, we along with the local CAP's and CAA's, Utah issues and other utilities were able to coordinate a program which appeared to be extremely successful in its outreach scope. We not only had the opportunity of notifying all of our customers about the availability of the funding programs, while the CAA's notified the small number of individuals who were outside of the service area of the major utilities, but we were pleased to be involved in the administrative process by helping to contain administrative costs by printing all the forms necessary for the outreach program.

We are convinced that it was the use of the State agency having local concern which made that previous coalition a successful coalition and insured, therefore, that the program was successful. It is, therefore, our strong recommendation that the local option be retained under the designation of the Governor of our State, and that the entire program be administered at the Federal level by the CSA. This is particularly pertinent if there is expectation that the program be implemented in time for this coming winter. We, at Mountain Fuel, are convinced that HEW could not respond in time for a successful program this heating season.

Local option would, should, and could also permit those who rent and who pay for their utility bills through their rentals to receive local consideration for aid. The Federal legislation should permit the local option of allocating some funds received to renters under a well-defined program where the funds are transmitted through the rent payment process to cover energy-related needs.

The success of previous energy crisis intervention programs was, we feel, related to the fact that the benefits were made available through a vendor line of credit concept where the responsible State agency paid the approporiate amounts directly to the energy provider for services rendered.

Another successful factor was that the responsibility of the individual was not completely abrogated. The program did not pay in full for energy services, thus encouraging the individual to be aware of the level of his energy consumption and discourage the wasteful use of energy.

We would also strongly encourage those who are developing the program to consider an element of assistance for weatherization. Again, this program ought to be administered at the local level so that it most adequately accounts for local needs. It should be a flexible program, not being limited to ceiling insulation and weatherstripping. We know of homes in our service area where the problem is not a need at present for insulation, but where windowpanes must be replaced, holes in walls and roofs must be repaired, and new doors must be hung. Under such adverse conditions, the installation of ceiling insulation or other forms of so-called winterization are far from adequate. Yet repair of these intense problems for and in behalf of those who are on low or fixed incomes is critical to their ability to conserve energy and thereby cut their energy costs. Programs addressing winterization or weatherization are very effective in offsetting future costs and should be part and parcel of any effective program to aid this important target group.

In conclusion, may I note one immediate possibility for helping those who are on low and fixed incomes in our local areas. Many cities in our service areas have established a franchise tax or utility tax through which they generate revenues for the operation of the municipalities. In Salt Lake City, this tax amounts to a total of 8 percent and is applicable to only utilities. Thus, those who purchase energy needs for heating purposes from Mountain Fuel Supply pay an additional 8 percent tax in addition to the sales tax. This is an unusual and discriminatory tax upon those who use natural gas for heating purposes and cannot help but be a particular burden on those who are on low and fixed income.

We strongly encourage that the program being developed be a program which attacks the disease and not the symptoms of the disease. The disease is the fact that there are those in our society who have a specific energy related need and dependence upon society in general. They cannot cope presently with this need on their own. We must see that any need provided is provided directly to those in the specified target group of those on low- and fixed-incomes. We, at Mountain Fuel, would be more than pleased to be involved in any way possible to see that effective programs are implemented and operated which will address the needs of those who so critically need society's support and help. Thank you.

Mr. HUNTER. Very fine statement. I thank you.

Senator Hatch, do you have any questions?

Senator HATCH. I have no questions, but I would like to just again thank the gentlemen from industry for showing up and giving us the information they have. I listened very carefully here today.

I think that is the end of our witnesses, isn't it, Bob?

Mr. HUNTER. It is. I have a couple of questions, brief questions.

Do any of the utility companies here run any conservation education programs? In other words, education programs for consumers, a voluntary type of program?

Mr. TOPHAM. We operate some, and I might say that our feelings on that are that there is a great deal of Federal action being implemented with respect to that. I think if we have any hopes of giving people assistance with their heating costs and in this heating season, we must try and try to help them, to educate them. There must be some kind of weatherization plan or audits or many of the other things that we are all now working on, already acted programs. We are certainly going to bog this program down, and I believe that enough legislation is in place or at least the mechanism is in place under the various energy agencies and under the public utility regulatory policy agencies. Many of those programs are in place and I think, as I listened to the testimony here today, that we have passed legislation almost more rapidly than people could absorb it and there are so many programs now going on that these people are unaware of that. I stress, again, the need to keep this program simple. It is a way to get dollars to people to pay bills and that if we could keep it that way we will do the people the service that way and address all of those other programs in legislation. We are certainly going to serve the people better, I think.

Senator HEINER. Too many of the programs are too specific Washingtonian viewpoint. They don't understand the problems and needs of the locale.

Mr. HUNTER. That is why we are here.

Mr. HEINER. Yes; I understand that and I appreciate that.

There are needs, as those needs I noted. There are truly people here who have holes in their walls. You can insulate your ceiling, you can put in double pane windows, or you can put in weatherstripping, but that doesn't do much good to put double pane glass next to a hole in the wall.

There needs to be some flexiblility on the local level to permit someone who needs that help to receive that help. None of the programs that I have seen today address those types of needs. They are all too wide. They all have too much wisdom in them. In the sense of wisdom, that will tell you that you insulate your ceiling, that's fine, if you don't have the wind blowing through underneath the insulation.

As far as what we have done locally in our utility, we are quite pleased with what has occurred. Some 3 years ago we initiated an insulation program. Fortunately, we initiated that before, or the recent energy package would have precluded us from doing it. So, we are involved in energy conservation in the home. We found that there were those in our area that were not eligible for loan assistance to do something in the conservation sense. They can go to a bank and pick up a loan, if you will, that would provide them the means of doing something of great magnitude with their home, the minimum loan being about $1,500 that anyone would consider. Well, insulation of a ceiling costs $200 to $500. So, we have established a program where we will fund the loan process over a 18-month period at 1 percent per month, which is a very reasonable rate for insulation in homes. We have had over 10,000 of our consumers take advantage of that. We feel very pleased with that and we feel it has been a very great contributor on conservation in our area. We have even had some of the poor and those on low incomes take advantage of that. They have not been as able to take

advantage of it, of course, as others could. So, there is a need for programs that would help.

We have been very active and very involved with the outreach programs of the CAP and CAA's. When we see a problem we go to them and tell them of the problem of the individual.

Mr. HUNTER. Yes. That is the question I had on my agenda here, is whether or not we are violating confidential requirements. You could, in essence, serve even as an informal correlation agency to those customers you know are in need of some help.

Mr. HEINER. We do that in need. The earlier expression here in the hearing, earlier in the day with the problem of confidentiality, in the last program we had no problem with that. We printed the forms, we distributed them, the forms, and the people brought the forms back to us completed. There was no disruption or no problem with confidentiality. Instead of billing the individual, we billed the State and it worked out extremely well. It cost us, as utilities, both Utah Power & Light and us were involved, but it cost us, as utilities, to be absolutely emerged in the problem. We had to relate to the welfare agencies and to the other agencies concerned, and I think the coalition did a very good job. It seems to me that it was very successful, and I think a program administered to the CSA that has that kind of flexibility and involves those of the local level to the extent that that previous program did can again be successful.

Mr. HUNTER. Very good. I'll finish with one question to Mr. Roderick. I think he has made a very fine representation today. The question is that we have had some prior testimony that across the country there are many fuel oil distributors, local retailers, who really are stuck with a lot of delinquent accounts. It is a real hardship situation for them in that they work on a very close margin, and yet they go face-to-face with the poor people who they have been servicing for a period of time, and it represents a real dilemma for those people who are really caught in the middle. Have you had any kind of that experience in your company?

Mr. RODERICK. Yes, we have. The unfortunate situation is you can't shut off a tank that is already full, like my utility friends here can do. The problem we have is in any time we have a shortage of the product, such as a petroleum product, the refiners put myself, and forgive me for using my own examples, but we have a 10-day billing process. In other words, I pick up a product today and 10 days from today it has to be paid or the refiners very easily shut off the valves. This is a real hardship for the poor people because their incomes are on a 30-day basis with their social security and retirement payments, and so forth like that. So, this is a real problem and any incomes that we usually derive from the fuel oil is usually eaten by the next price increase we get. So, we find there are very few people, especially in this intermountain west, who are still remaining in the fuel oil business. It is just not a business that you would put a lot of venture capital in it. We are fortunate in Utah that we have very few customers on fuel oil, in comparison to Midwestern and Eastern States. This is the only fear that I have about this type of Federal regulation. I'm afraid that the people on the east coast and the Midwest where fuel oil is so

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much prevalent will dictate to us Federal policies that maybe Utah does not need.

Mr. HUNTER. We will try to prevent that from happening. Thank you very much for your testimony.

That's all I have. Do you have anything, Senator Hatch?

Senator HATCH. I think they have covered an awful lot of important things as far as I am concerned. Let me just say in conclusion back here that this is certainly a difficult area because I, for one, do not believe in any more Federal approachment. On the other hand, when you stop and think about it, we have to do something to help these people who really are in need. There are a number of bills back here, all of which have some good points, and those which have the bad points.

I think we have picked up a great number of good suggestions from you constituents out there in Utah. I just wish I could have been there with you so I could have participated a little more actively, but I know if I asked questions from here you can't hear it as well and it isn't quite as effective. I want to say that I appreciate all of you participating. He has basically said that if there is no room for our property tax, there won't be any energy aid for the poor. I don't know if he is going to control that. I think we have to do something for the poor regardless of what President Carter wants.

The question is whether we can do it before the end of this year and I can sincerely doubt that it can be done under present circumstances. We are going to work on it. We work on this committee very hard. Mr. Hunter, Bob, spent an awful lot of time on these subjects, and as you can see, knows a great deal about them, so I am very happy to be able to work with him.

We are grateful, again, for all you people who have participated and I can tell you I will do whatever I can here.

Mr. HUNTER. Thank you very much. While I am thinking about it let me make this a matter of the record because I think we would be remiss from a committee point of view if we didn't. I want to thank Mrs. Afton Kinney, who is the director of this fine senior citizens center, for all her cooperation and help in putting this together. She did a tremendous job in facilitating our opportunity to come here today and to set up and to provide us with the help we needed. So, I want the record to reflect that fact.

Ms. Parks, it would be appropriate for you to finish this hearing.

Ms. PARKS. I don't want to be a problem, either, but I have some feelings on some of these things. I'd like to see us return to the old-fashioned idea where you try to provide for yourself instead of asking somebody else to pay your way.

Mr. HUNTER. I think we can all see that.

Ms. PARKS. I am very strongly opposed to the suggestion that was made earlier that the Federal legislation would ban turning off utilities of those people who don't pay their bills. I wonder if they know how many deadbeats there are out there, and then I would have to help pay their bills, and I don't think I should.

Mr. HUNTER. I think, Ms. Parks, that that is a well-taken point of view, and somehow in the scheme of things I don't see a national no shutoff law.

Ms. PARKS. I have had problems meeting my utility bills twice and I find the utility companies willing to work with me. I have wondered if there would be a possibility of having some loan funds available at a very low interest rate to help them when you get in a bind.

Afton Forgren was talking about the teachers' income. She way underestimated what they have on social security, I'm sure, because my share of social security income is based on my own earnings; it is $160, and I haven't earned anything near what teachers have earned. So, I'm sure her social security income is much higher. I can believe a 90-year-old teacher who did not qualify for social security of having $100 a month. That, I think, is a special need and they should have some special help, but most of them, I think, have more than that. I think a lot of those teachers are married and are drawing on their husbands, and I think teachers are getting social security now and it would be considerably higher that what I get because I have had problems and I have been a housewife most of the time. My husband died years ago and my social security has been a blessing to me, but my income has been way below that of teachers.

Mr. HUNTER. I think social security for teachers is really a kind of optional thing, depending on jurisdiction.

Ms. PARKS. But don't they have it here in Utah? I thought they did.

Mr. HUNTER. I'm sure they do now.

I appreciate those comments and if there is not anything further, I guess, Senator Hatch, we will close the hearing if you would like to do that.

Senator HATCH. Why don't we end the hearing and thank everybody for participating.

Mr. HUNTER. Thank you all.

[Whereupon, the hearing was concluded at 6:30 p.m.]

HOME ENERGY ASSISTANCE ACT

SATURDAY, OCTOBER 13, 1979

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES
Concord, N.H.

The committee met, pursuant to notice, at 12:30 p.m., in the New Hampshire Technical Institute Administration Building, Fann Street, Concord, N.H., Senator Gordon J. Humphrey presiding pro tempore.

Present: Senator Humphrey.

Staff present: Dr. Ron Preston.

Senator HUMPHREY. Will the hearing come to order, please.

Good afternoon and thank you for coming. Before I begin, let me introduce to you some key members of my staff: Sitting here on my right is Dr. Ron Preston; he lives in Newton. Ron is my assistant for the Human Resources Committee, which is sanctioning this hearing today in New Hampshire.

Over here in the green suit, Mark Aldrich, my New Hampshire chief of staff, and my top man here in New Hampshire.

Don, will you stand up? The gentleman in the blue suit, Don Haycraft, who is my assistant for veterans' affairs. Before this meeting we had a meeting with a group of veterans.

We'll try to keep this hearing on schedule for your convenience.

I'd like to begin by reading into the record my own statement.

OPENING STATEMENT OF SENATOR GORDON J. HUMPHREY

This hearing is being held today to consider a problem possibly of large proportions. Many citizens, especially the elderly and others living on low incomes, may be unable to afford fuel this winter. People are in danger of suffering. This is an unfortunate situtation, made worse because it was unnecessary.

Federal policies, foreign and domestic, have insured a fuel supply that is too small, too costly, and too uncertain. Some blame "Big Oil" for these problems. To them I say think back 25 years to when oil companies did in fact rule production; then oil was cheap and plentiful. Oil became expensive as domestic production was increasingly discouraged by Federal controls and as we became more and more dependent on foreign oil.

We should not be in the fix we are in today. It has been estimated that vast quantities of oil are waiting in the ground to be found. Most of the world has not been explored for oil. In our own country, nearly a third of the land is federally owned, and this land has been barely explored. Remember also that we have in the United States the world's largest supply of coal.

For the past decade, our oil imports have risen from 1.5 million barrels a day to over 8 million barrels a day today. Our reliance on Middle Eastern oil has increased more than twentyfold. We are paying nearly $60 billion for foreign oil today. Under these circumstances, it is hardly surprising that heating oil has grown so expensive.

In the short term, the fuel situation will not rapidly improve, no matter what the Government does.

If we continue a domestic policy that discourages both the production of oil and the development of alternative fuels, then our fuel supply can only become less reliable and more expensive.

If we give in to the clamor for more controls, we shall pay even more dearly. The Federal Government will disrupt distribution, just as it did this year with both gasoline and heating oil, sending fuel where it isn't needed, keeping it from where it is needed.

This spring, some people were awash in gasoline, while the rest of us, including those of us in New Hampshire, waited in lines. This artificial crisis punished our tourist industry in New Hampshire. This summer heating oil sat in Boston, while our local fuel oil dealers struggled to serve their customers. Federal edicts and allocation systems were primarily responsible for both the recent gasoline crisis and the spot shortages of fuel oil.

If we mandate price controls, we might have smaller heating bills this winter, but we shall be reducing even further incentives to produce more oil, to develop new energy resources, and to conserve. Next year we will be worse off than we are this year, and worse in the following year.

We must allow the market to work. We must free the creative industry of our people so that individuals all over this land will get busy on better ways to produce and use all of our energy resources. We need more efficiency and more conservation. Keeping the price of oil artifically low can only deter such an effort.

Some people in Washington, having no faith in private initiative or in free enterprise, place their trust in the Federal bureaucracy. They maintain that a Federal spending spree of $100 billion or so would buy us innovation, efficiency, and conservation. What it would buy us is what is has always bought us in the past: boondoggles, bureaucrats, and inflation.

The Federal Government, which got us into this mess, is obligated to aid those persons who, through no fault of their own, cannot cope with the cost of keeping warm this winter. People must not suffer because of Federal ineptitude.

On the other hand, our solution must not worsen the problem. Some advocates of big government, those architects of our current plight, see big spending as a simple answer. They are already concocting schemes that would have the Treasury printing billions of dollars for the Nation's welfare agencies, schemes that would make one-third of the Nation's households eligible for fuel assistance.

Unfortunately, hard-pressed taxpayers must finance each and any Federal program, and the taxpayers cannot bear much more, as each of us knows.

And, we are facing a 14-percent inflation rate, largely because of reckless Federal spending in the past.

Increased prices hurt us all, but especially those with low incomes, the very people whom we want to assist. The Nation's taxpayers cannot afford another permanent entitlement program, they cannot afford another bureaucratic boondoggle, and they cannot afford to grant assistance to people who can help themselves.

The need now for emergency fuel asssistance must not become an excuse for greater Federal intrusion into our lives. It must not become an excuse for more bureaucracy or a permanent subsidy program paid for by struggling taxpayers.

We must develop a sensible program for those people who really need help. This program must tie in with greater family and community effort.

Winter is coming. Grants should be made directly to the States which have this emergency need and the States should get this money out to local agencies. Keeping people warm should be a community effort. I hope that families and friends, fuel oil dealers, businessmen of all kinds, churches, local officials, and local organizations will help—and not just in dispensing Federal dollars. I hope they themselves will help.

This hearing will be devoted to three major questions:

First, how large is the real need for assistance in New Hampshire?

Second, what is the best design for a program in which communities can participate?

Third, and what can the groups represented here contribute to the effort?

The winter promises to be hard for most Americans, and particularly hard for some. I wish there were an easy answer to our difficulties, but there isn't. Some people suggest that regulations here and spending there will set matters right. They won't.

Getting this country back in shape is going to take time, effort, and encouragement of initiative. Ultimately, affordable energy prices depend on greater domestic production of all kinds of energy.

Before we begin the hearing, I'd like to tell you what the schedule for action is in the Senate regarding fuel assistance programs:

Two committees are currently working on legislation, the Finance Committee and the Committee on Labor and Human Resources, of which I am a member. The Finance Committee, which deals with taxation and a variety of income maintenance programs, has been working on a proposal that is tied to the windfall profits tax legislation. Because this legislation is so controversial, the Finance Committee has not been able to make much headway in putting together a fuel assistance program.

Even if the windfall profits tax legislation is passed next week, it would be January or February before anyone receives any Federal assistance. This is because the Finance Committee is thinking of setting up a whole new program of cash payments to welfare recipients, block grants to the States, and a nonrefundable tax credit for lower and middle income households.

The Finance Committee will try next week to pass a joint resolution with the House of Representatives stating an intention to

establish a fuel assistance program, just so that the bureacracy will get busy setting it up.

My committee, the Labor and Human Resources Committee, is working on a proposal that would build upon the existing crisis intervention program, which is run by the States. Because this program is already established, my committee's expanded version should noit take so much time to get going.

Next Friday, the Labor and Human Resources Committee will sit down to work out the language of this bill. Hopefully, Congress will act quickly on it; and I believe it will, because there is a very, very great sense of urgency in Washington on this subject.

Also, before I begin, I'd like to express my regrets that the Executive Department of the State of New Hampshire chose not to send a witness to these hearings today. I think it's ironic that the State of Massachusetts did choose to send such a representative.

We need to know, obviously, those us who are interested in protecting the rights and the preogatives and the latitude of the actions of the States—and I assume that includes almost everyone in New Hampshire—we need to know what point of view of the Government is. There are a great many people here from the legislature, from the general public, and we're glad to see that. I only wish that we had someone from the executive department, as well.

That concludes my statement.

I would ask Sister Angie Whidden to give us the benefit of her testimony and comments.

I would ask Sister, you have Sister Rose Orlando with you. I welcome each of you. Thank you very much for coming.

STATEMENT OF ANGELINE M. WHIDDEN, ON BEHALF OF NEW HORIZONS CATHOLIC CHARITIES

Sister WHIDDEN. My name is Angeline Whidden. I am a religious Sister of Mercey, living in Manchester, and working currently with the Campaign for Human Development for New Horizons and Catholic Charities.

The Campaign for Human Development is with the diocese of Manchester, Catholic diocese, which is coextensive with the State of New Hampshire.

My concern is threefold:

First, the potential $450 million dollar allocation nationwide would provide New Hampshire with still less than adequate dollars to address the identified needs, as I understand it. Approximately 11,000 persons received assistance last year.

With the dollar amount of available assistance increased this year—and I support that increase—the allocation cannot provide for an increased number of recipients, since each recipient may receive $400 rather than $200.

Should we look toward an increased number of recipients?

This is my second point: If we are sincerely looking to help the poor and the near poor through the hardships the impending winter presents, we must make certain that the guidelines for distribution are revised—fine tuned, if you will—to provide for the people who ordinarily fall through the cracks of the current directives.

I refer to the people who are not accustomed ot asking for help, who prefer to go without rather than reach out to programs they do now realize they are justly entitled to as taxpayers. I refer to the vast number of people in our cities and in our rural communities who do not have the mobility, have no means of transportation, and all too frequently no means of communication, no telephone, no way to reach out for help.

I refer to that large number of elderly people who pride themselves in being able to take care of themselves, and refuse to ask for assistance because they feel someone else needs it more than they do.

This is my third point: How can this program reach my friend Lucy, whio at 83 years of age lives alone in a small apartment that requires a purchase of only 50 gallons of oil at any one time? You see, her oil man wants to make deliveries of a minimum of 125 gallons.

When Lucy got her reimbursement last year, she couldn't spend the $50 grocery allotment because she couldn't carry home so many items. She had to return a good part of the $100 alloted her for food and clothing. Here is a woman whose pride dictates that she must pay her bills on time, even when it means sacrificing food for fuel. The reimbursement from this program for the financial hardship she endured was simply not appropriate to her need.

What happens to the elderly and to the families renting apartments from landlords who control the thermostats and deprive tenants of adequate heat? How does this program cure the deprivation of those persons?

In summary, the allocation needs to be increased, the process for distribution of assistance and the guidelines directing that process need revision, and the scope of the program should include a broader range of need.

I mention these things to you because I believe you have come to listen to the way things are. I believe you care about the plight of the needy and the elderly. I believe you take seriously the sacred obligation of government to respond to the people and to be accountable to them.

Thank you for providing this opportunity.

Senator HUMPHREY. Thank you, Sister Whidden.

Sister Rose, have you a statement?

Sister ORLANDO. Yes; thank you.

STATEMENT OF SISTER ROSE ORLANDO

Sister ORLANDO. My name is Sister Rose Orlando, a Sister of Mercy. I work for the elderly services of the New Hampshire Catholic Social Services.

Working exclusively with the elderly, I have the unique opportunity of determining their needs as I visit them in their own homes.

Because of the direct service I give to the elderly, I have come up with several major reasons for the necessity of the fuel grant:

Most importantly, because of their limited fixed income, they are hardest hit by the inflationary raise on oil.

As a result, in their minds, there is a conflict between paying for the much medicines or paying for the much needed heat.

The elderly, who have all their lives been very responsible and conscientious, would rather starve than not meet their financial obligations.

Due to the aging process, the elderly are in great danger of hypothermia, subnormal terperature, of the body, therefore requiring their homes to be reasonably will heated.

It would be inappropriate for the elderly to heat with wood fuel for several reasons: Too difficult to carry; physical hardship for them to locate, cut, and chop; unable, with their decreased mobility, to maintain the constant tending of a fire; and the ever-present danger of fatal fire from which they might not be able to escape.

Unfortunately, the safest, easiest, and most efficient fuel, oil, is now the most expensive fuel, which is beyond the reach of many.

I appreciate this opportunity of informing this group of the critical need of the elderly. I thought there were going to be many more of you here.

I hope you will be mindful of these needs when drafting the pending legislation. Thank you.

Senator HUMPHREY. Thank you. May I ask a few questions?

I'm sure that we all agree with you that the elderly ought to receive first priority in this program which we will be designing over the next week. There is simply no doubt that those who aren't physically able to take care of themselves any longer in the way that others can must receive first priority. I assure you that that feeling is shared in Washington. I think that's one point on which we all agree.

May I ask each of you how persons come in contact with you or you come in contact with those who need help? I'm interested in knowing how people are reached, because we're worried, of course, about those whose pride is too—who are too proud to come forward.

How do we, without being too intrusive, sticking the Government's nose into somebody's business excessively, how do we make sure that no one is overlooked? Is there a community network that would bring these people to our intention?

Sister ORLANDO. Yes. In my job, I have many referrals from the city of Manchester. I work primarily in Manchester with all the departments—the city welfare, State and local, county welfare; the housing authority; the parish halls and the O'Malley; the nutrition programs—many, many of the agencies know my name quite well.

Knowing that I do a lot of direct home visits, they have asked me to look into many of the elderly that connot go out. Most of my work is shut-ins.

I also get my referrals by people calling, just simply calling themselves for help; they don't know where to turn and what to do.

As soon as I receive these calls, I make it a point to get right out to their homes.

I also have referrals from their neighbors. many neighbors have called in to Catholic Charities. I have only been with Catholic Charities for a year now, and, all told, as well as Sister Angie, I can be busy 10 or 14 hours a day with the different referrals of neighbors, friends, family, and the city. These people just are confused as to how to go about receiving the moneys that are theirs by right.

Is that—does that answer you?

Senator HUMPHREY. Yes; I think so. Well, certainly, from Manchester, anyway.

The greater problem, in terms of communication, probably lies out in the rural areas, and perhaps—Ray Burton is here, who is pretty knowledgeable about the rural areas, especially the northern part of the State.

Sister ORLANDO. We also have Outreach, Outreach to the people in the northern area, Catholic Charities, who deal primarily with the elderly. And in preparation for this, I did ask for their opinion.

Senator HUMPHREY. OK.

Sister ORLANDO. So that it does come from the northern area as well as from the southern part of the State.

Senator HUMPHREY. Very good.

Doctor, do you have any questions?

Dr. PRESTON. Just how would you like to be tied in with a Federal program? Do you think that Catholic Charities could be as part of the Outreach effort? Unfortunately, the State people are not here to tell us what they're doing, which is unfortunate because that is one of the things that we would have liked to discuss, how the various groups might have helped us in such a program.

Sister WHIDDEN. In Grafton County, which we call the Lebanon Deanery geographical area, the Catholic population as opposed to the general population—in the Lebanon area of Grafton County there is a parish Outreach program that Sister Rose referred to, which means there is a social worker who has a volunteer to, which means there is a social worker a who has a volunteer group from the parishes going out to visit elderly people, assessing their needs, and trying to reach them. I think that would be the kind of network center you're talking about, if you're trying to identify.

Those Outreach parish people work also in the Nashua area; they're starting to work in the Conway area and the Portsmouth area.

I currently am in touch with the network of Catholic clergy around the State. I will be meeting next Wednesday with the Catholic clergy in Rockingham County, and I will be proposing to them a program of developing volunteers for emergency systems for this winter, for emergency food, and also to provide shelter in the event that the fuel assistance is inadequate for the needs they have. I think that touches base in many of the rural areas. I was at the Salem Welfare Office yesterday talking with the director there about the isolated rural people—and the concern is statewide, I assure you. Many of us are trying to develop a network.

Another very important network that I have been in touch with is that of the human service council. As you may be aware, there are 10 of them in the State.

Senator HUMPHREY. Yes.

Sister WHIDDEN. They also have a network of concern.

Senator HUMPHREY. That's good. I'm glad to hear that. I'm especially heartened to hear that you've undertaken private efforts, if you will, the shelters of which you spoke, because, indeed, this must be a community project. We must not all wait and look to Washington to act, although it is certainly incumbent upon the Government to act in this instance.

I'm glad to hear, but not surprised knowing the people of New Hampshire, that there is this community action underway.

Thank you very much, Sister Angie and Sister Rose. We appreciate very much your coming here today.

State Senate President Robert Monier, is next.

While Bob is coming up, I'd like to introduce you to this very pretty and charming lady. Sheila Roberge, who is in charge of my Manchester office. For those of you who live in that part of the State, Sheila is the person to see whenever you have any problems or any requests to make of us.

Ms. ROBERGE. Thank you, Senator.

Senator HUMPHREY. Good morning.

STATEMENT OF ROBERT MONIER, PRESIDENT, NEW HAMPSHIRE SENATE

Mr. MONIER. I'll keep my remarks very brief because you have people here that are going to speak to the various issues. But, I would just like to make one or two points here, if I may.

The first one is that, having heard your comments when I came in, I'd like to suggest that you make certain that the Senate and the House and Congress maintain that fact of no new bureaucracy. We've got enough of it.

I would—tongue in cheek—as a result of your comments, I might suggest an amendment, and that is that perhaps the elimination of the Department of Energy would provide us with enough money so you wouldn't have the controversy with the windfall profits tax. I say that because they've been in existence—I think their budget is about $20 million—and they haven't produced a barrel of oil nor a pound of natural gas nor hydroelectric nor anything else, and that money might well be used for the problems we're going to face this winter.

But, more seriously——

Senator HUMPHREY. I thought you were being serious. [Laughter.]

Mr. MONIER. If you can find 50 others to go with you, I will certainly come down and cheer you on the way.

The problem that I see is—and I'm happy to see that you agree with this—and that is the money that does come down for this kind of fuel assistance program or these types of programs ought to come to the States, for some flexibility. The States know where the problems are. Washington bureaucrats don't even know where the States are, if I can be so bold as to say so.

I think, as a part of that, if I may, I'd like to offer a suggestion: The real problem that's going to exist, beyond the problem that we're going to hear today, is the fact of what percentage of that base income level that determines needs assistance—and I don't know that figure, but let's say it's $4,000—what percentage of that actually goes for the heating cost?

For example, I think anyone in the room would recognize, commonsense, that in North Dakota or New Hampshire or Maine the percentage of a fixed-income elderly or lower-income is going to be—the fixed portion of that for heat—is going to be higher than it will be in Alabama, Louisiana, Texas, et cetera, for various reasons: Either they live in a geographical climate that is warmer, or

they may live in Texas where gas is cheaper. You can use either of these examples.

So I think that any program that comes out of Washington should have within it some form of a sliding scale. Now, that becomes very difficult in the political realm, I think.

A suggestion that might be thought of:

No. 1, if the price or if the package is going to be, say, $450 as a maximum, then I would make a suggestion that where the percentage of the heat cost to an income was at 25 or 30 percent, and therefore that be increased in those States; and in those States where it is not up to 25 or 30 percent, that price be decreased, which would then balance out the geographical concerns. I'm sure that New Hampshire would come out near the top on that; that's behind North Dakota, because they already have a jump. That's one suggestion, a sliding scale of that type.

So, the $450 would be increased in a colder area and subsequently decreased in any warmer area or where the fuel cost was down.

The second major point: I think there should be some form of accountability for this money. The accountability, as I understand it, could be done in several different ways. It has been done before—and there was a good record of this in the State of New Hampshire, for example, in, I believe, the Human Resources Agency 2 years ago—whereby there was an accountability on the basis of the actual cost of the fuel.

Now, I've heard about it this morning from Sister Angie, and I think we're going to hear more about it, about the various service agencies that sponsor this type of thing.

I'd like to suggest that there be consideration for the actual elected officials in a town, for example, selectmen. I have lived in small towns. I live in a town now that's no longer small; it's a suburban town. But the principle still remains that in a rural or remote area the selectmen and the elected officials of the town usually are the ones that are most knowledgeable about who is where and who needs help. That is not a slam at a social agency or service agency at all; it's just a common fact, because most of them have been there many years.

I would suggest, therefore, that something similar to revenue sharing, with respect to the town, might be one way by which these moneys could be allocated to the areas where they are most needed.

It is not a difficult process to find the number of people in a town, by census and by the local records, and certainly by records of the State, as to those people or numbers of people in a town that qualify under a base criteria of income. That in itself should be some sort of a bottom line upon which appropriations could be made. It's a suggestion only, but it's one which would work in the State of New Hampshire. It might not apply in the State of North Dakota or Florida. This is one more argument for flexibility in the States, rather than Washington telling us how we ought to do it.

And last but not least, I would like to stress that I do not believe that in the State of New Hampshire any of the moneys that come in for such a program should go to administration whatsoever. It ought to be done and given only to the needy. We have enough administrative costs in here, in the hundreds of programmatic

funding that we have coming into the State, that if the agencies responsible for them cannot find room within it, then I suggest you eliminate the agency, rather than create a new one.

I personally feel very strongly that we do not need this program as an excuse for additional administrative funds to any agency, including the State, the local, or the town.

If this is a priority need—and it certainly is—then those agencies supported by tax dollars should put it at the top of their priorities and eliminate those that are not essential. I leave you with that final answer.

Last but not least, I wasn't facetious. Do you want me to draft the amendment?

Senator HUMPHREY. Sure.

Thank you, Senator Monier. You know, the first thing, that I agree with your point of view that we must permit maximum flexibility to the States, because each State is in a unique position and can best determine how to administer these programs.

With regard to your comments on the disparity in need for geographic areas, that's obvious on its face. Someone who's living in southern Florida doesn't really have the same situation as we have here in New Hampshire or other northern States. As a matter of fact, there's pretty general agreement that we should work into this formula for assignment, appropriation, or rationing the funds to the States some sort of degree-days formula, which is a 25-cent way of factoring in the temperature differentials.

Mr. MONIER. What I am suggesting, though, is that, not only the temperature, but also the cost. For example, North Dakota, which happens to be close to some gas lines, the heating costs are much less than they are, for example, in Berlin, N.H., because I think it's a common practice that we are in the tail end of most of the distribution systems. I only use that as one example.

And, certainly, there are differences of Fahrenheit or Centigrade, whichever way you want to go, from the Panhandle of Texas and Oklahoma in the wintertime because we've got an entirely different climate. But, by the same token, there are gas lines, natural gas; they are close to the sources of supply. Their fuel costs are less.

I would rather see that, although I'm certain that you can have some geographical distribution, I'd rather see it tied into the actual cost percentagewise.

Let me just give a simple example: If the $4,000 base level is what your income level is before you can even qualify, then anything below that—you're really interested in how much of that $4,000 goes for heating. And that could be done on a percentage basis.

A person with $4,000, for example—as you say, southern Florida is the obvious example—is not going to pay as large a percentage of that $4,000 for heat as the person who is living in Berlin or northern New Hampshire or North Dakota.

By the same token, a person in a State, for example, that is well supplied with natural gas or oil, and with refineries or nuclear plants if it's electrical—I don't care what it is—or hydroelectric, the cost of that may be less even though the temperature was lower.

Senator HUMPHREY. That's true.

Mr. MONIER. I think that the formula, therefore, should be based on actual cost, because that's where our accountability would come from.

Senator HUMPHREY. Yes; absolutely correct.

Dr. Preston tells me that, indeed, the staff has looked at that kind of a formula.

Dr. PRESTON. Yes; and you're quite right about the fact that different States pay a higher percentage.

There is a report called the FOMAC report, done by the Department of Energy, that says in some places in northern Wisconsin some senior citizens are spending 80- to 90-percent of their income on shelter costs, which are both their rent and their heat, which are absolutely extraordinary.

Mr. MONIER. Yes; and a further aspect of that, without continuing the conversation because I know there are many people who want to speak, if you have an apartment building, for example, then that heat cost should be or could be prorated by the people, and that once again might be a lesser cost than a person living in a single structure.

So, it has to have that flexibility based on the cost basis.

Senator HUMPHREY. Thank you, Senator Monier.

We're already running behind, so we're going to attempt to speed things up a little bit, if you'll bear with us.

Our next witness is Mr. Joseph Carbonari, legislative assistant to Speaker of the House George Roberts.

Thank you for coming, Mr. Carbonari.

STATEMENT OF JOSEPH CARBONARI, ON BEHALF OF GEORGE B. ROBERTS, JR., SPEAKER, STATE OF NEW HAMPSHIRE HOUSE OF REPRESENTATIVES

Mr. CARBONARI. It's a pleasure to be here.

I'd like to convey Speaker Roberts regrets at not being here personally.

I have a letter that he's asked me to deliver and to read into the record, and after concluding that I'd like to allot the remainder of my time to Representative Gage, a member of the Republican Leaders Committee.

Senator HUMPHREY. Fine. Thank you.

Mr. CARBONARI. The letter, of course, is addressed to the Honorable Gordon Humphrey. [Reading:]

DEAR SENATOR HUMPHREY: As a Representative of the people of the State of New Hampshire, and as a member of the leadership of our Legislature, I would like to take this opportunity to comment on the serious situation we now face with regard to the rapidly escalating costs of home heating in northern New England.

We have as our prime concern the goals of assuring that all residents of New Hampshire have sufficient fuel to keep warm this winter. To accomplish this, three concerns must be kept:

First, the area of supply: Primary stock of fuel must be available in sufficient kind and quantity. While there remains some question with regard to kerosene, this area seems to be fairly well in hand. Continued, careful monitoring of the situation, however, is required.

Secondly, distribution: The strength of our existing private sector distribution system must be maintained so that available fuel stocks may be moved from primary and secondary storage to the homes of those in need. We must take care that our small, independent distributors are not forced to carry an undue amount of the credit burden.

Third and last, the area of finances: There must be a provision for the arrangement of payments for fuel deliveries as and when they are needed. This, of course, is the area of our greatest concern.

Senator Humphrey, we would ask you to carry these additional thoughts with you as you struggle with the Federal aspects of this problem:

First, to avoid the "heat or eat" dilemma, New Hampshire will require a low-income fuel assistance program providing at least 40 percent more revenue than was made available last winter. This increase, by the way, covers only the escalation in fuel costs, and does not consider the many other inflation-related strains on each and every household's budget.

Secondly, as you know, Senator Humphrey, the snows have already come to New Hampshire while Federal funds are expected no earlier than January; and the prospects of a wait until March or April are now looking ever more likely. It is indeed unfortunate that these desperately-needed funds are currently tied to the highly-controversial windfall profits tax.

Finally, we would hope that separate, special legislation for a low-income fuel assistance program will be passed by the end of October. If not, the people of New Hampshire may well be faced with the necessity of advancing funds for those who are in need now, as well as the many more who will be in need by the time Federal monies are actually available.

If required, responsible advancement of these State funds will also necessitate some indication from the Federal Government of anticipated funding levels and eligibility requirements, so that we might coordinate our efforts and do our part to assure that the people of New Hampshire are not the scapegoats of a national energy policy with partisan, election-year over-tones. We call for a non-partisan effort, both locally and nationally. Let us remember that bone-numbing cold of New England respects no political party.

Respectfully submitted.

Senator HUMPHREY. Thank you. Would you thank Speaker Roberts for me. I appreciate your coming in with this message to us.

You'll be glad to know that, not only has it already snowed in New Hampshire, but it has also already snowed in Washington. We had snowfall, which was probably providential, because it gave an increased sense of urgency to what we're doing.

Representative Gage, thank you for coming.

STATEMENT OF REPRESENTATIVE BERUSLY A. GAGE

Representative GAGE. Thank you, Senator.

In September, seeing how slow that the Federal Government was working on their allocations for the fuel program, the Speaker of the House appointed five Republican committees to an Energy Crisis Committee. We have come up with some priorities.

Our first one is that we need the money now or, more in fact, we needed it yesterday.

The second one to get a plan in action now. As far as we know, there is no plan for disbursing the money if it's allocated.

We would like this plan to have the minimal application form necessary. Last year's were too complicated and held up the paybacks to the dealers for about 6 months.

Third, the availability of fuel oil, kerosene, or any other primary source of heating supply. We seem to dwell on pure oil and kerosene, but that's not always the primary source of heating supply in the State of New Hampshire.

In addition, allocation to assure everyone who—an additional allocation to assure everyone who qualifies needs are met.

Finally, that adequate monitoring and accounting capabilities be assured for this program. As Senator Monier has said, we don't want to see any of this money go into administration.

I'd like to close by asking one other question: Would your committee, on Friday, take testimony from the public?

Senator HUMPHREY. No; the Friday session will be what's called markup, that is hammering out the language and voting on whether or not to send it out to the floor.

Certainly, we will be—there are no more hearings for testimony, is that correct?

Dr. PRESTON. There are no more hearings. We have had several hearings.

Senator HUMPHREY. Thank you very much for coming in.

May I make a request of everyone, if it's possible, that they leave their statements for inclusion in the record. It makes it easier for the reporter.

Our next witness is Claira Monier, director of the State Council on Aging.

I want to welcome Ms. Monier, Representative Roy, and Mr. Townsend, and this gentleman I don't know.

Mr. SIMON. Senator Humphrey, my name is Mitchell Simon. I'm director of the Senior Citizens Health Project.

Senator HUMPHREY. Thank you very much.

STATEMENT OF CLAIRA MONIER, DIRECTOR, STATE COUNCIL ON AGING, REPRESENTATIVE VESTA ROY, SARA TOWNSEND, AND MITCHELL SIMON, DIRECTOR, SENIOR CITIZENS HEALTH PROJECT, A PANEL

Ms. MONIER. Good afternoon, Senator Humphrey.

First, I would like to compliment you for holding this hearing in New Hampshire. Sometimes those of us who live out here in the grassroots worry about what Washington is doing, particularly when we are running an Agency that handles Federal funds and we find out that Congress has gone home without even passing a continuing resolution.

You have gone to the other extreme, and actually have brought a Washington hearing to the State of New Hampshire. We wish to compliment you for that, in addition to giving up your own Saturday. I think that's very impressive.

I would also like to thank the people who showed up for this hearing, who also gave up their Saturday, maybe one of the few sunny Saturday afternoons that we'll enjoy in October. I thank all of you for coming.

Senator HUMPHREY. Bear in mind also that there's a World Series game today. [Laughter.]

That makes it all the more remarkable that we had such a good turnout.

Excuse me. Before you go on, I failed to acknowledge the presence of the Honorable Henry Richardson, late member of the general court, and who is now what—Selectman for Greenfield?

Mr. RICHARDSON. No. I am former that also.

Senator HUMPHREY. Oh, formal that also. [Laughter.]

Ms. MONIER. Henry is the Chairman of the Governor's Committee for the Elderly, the advisory body for the State Council on Aging. I might note that Henry has just come back from Washington from a briefing in the White House with Stu Eizenstat and President Carter himself, so Henry is a very important person.

It is our job on this panel sort of to identify for you, Senator Humphrey, the dimension of the problem here in New Hampshire.

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The State Council on Aging, with the help of the New Hampshire Association for the Elderly, conducted a survey of elderly people in the State of New Hampshire. We actually went door-to-door and conducted over 3,000 at-home questionnaires in 30 different communities. Three thousand is the actual—the actual data we use in the sample. The original data collection was much larger.

I would like to review the most important things we found out in this survy, that I think should give you some idea of what the problem is in New Hampshire.

I think probably the most important thing that came out of that survey is the fact that 78 percent, or 80 percent, of the people over 60, have social security as their primary source of income. OK. Social security was never designed as a primary source of income. Unfortunately, it is.

That means that 25 percent of the elderly households in New Hampshire live on less than $3,000 a year. That's one-quarter.

Sixty-two percent of the households live on less than $6,000 a year. That's what they have to live on.

Now, what do they do with that money? We made a hypothetical budget from the data we collected. Of that $3,000 or $6,000, whatever they live on, the vast majority of it has to go for food. Thirty-five to 36 percent of the average budget is spent just on food. OK.

Housing accounts for another 30 percent.

Heat in most homes amounts to about 12 percent. This was in 1978. We are hearing that heating costs are going up 50 to 80 percent this winter, which means that they cannot certainly decrease their housing cost unless they're willing to move or sell their homes.

What they will cut down on is their food, medicine, transportation. They really do not have much to maneuver in in their budget. This really highlights the problems for the people here in New Hampshire.

We would also like to point out that 80 percent of the people own their own homes. We do have renters in most of the city areas; rentals tend to be high in the urban areas. But for Nashua as a whole, 17-percent rent. But the vast majority of these people own their own homes.

They have also lived in their communities, 40 percent of them, more than 20 years. They're not a highly mobile group, so the selectmen do know them, as the comment was made earlier, OK.

Another 40 percent have lived in the same community from 20 to 5 years, so you have roughly 80 percent who have lived in that community the vast majority of their lives, have contributed to that community, and now are a significant part of that community.

What about home heat? In our survey, we found out that 50 percent of them pay more than $500 a year. Fifty percent spend more than $500 a year. Thirteen percent spend over $800 a year.

Now, this was in 1958, without the—I'm sorry—1978, this is not with the 50- to 80-percent increase in fuel oil as predicted this winter.

Seventy-four percent of those people heat with oil. Of the households, 25 percent have no insulation. With the amount of money we're talking about for annual income, I don't see how they can

scrape up the money to insulate their homes. Weatherization is an important factor.

When we analyzed our data, when we asked them what their two top home problems were, of course they were heating and property taxes.

If we take the number of people at poverty level—and this is right at poverty level—in New Hampshire you're talking about 25 percent of those over 65. If we were to allot $400 as a fuel energy supplement, you're talking about $9 million just for the State of New Hampshire, and that's only hitting the people living on less than $3,000 a year.

If you start talking about 125 percent of poverty level, which is not exhorbitant, you're still talking about $4,500 a year or less, you're talking about $18 million to serve those who really need it in New Hampshire.

There are still some people living on $6,000, who are not qualified for this program, who also have a tough time needing the grant.

If we analyze only those living on below $6,000, we would need $22 to $25 million. And that's just this one winter, only to serve the elderly and only to serve those living on less than $6,000 a year. We are not dealing with anyone but those who are in extreme need, by virtue of being both elderly and poor.

This sort of outlines the dimensions of the problem for you in terms of rough numbers.

I would like to turn over the next section of the panel to Mitchell Simon, with New Hampshire legal assistance, and our senior citizen law project. Mitch has dealt with the elderly himself and might give you some examples he has run into.

Senator HUMPHREY. Thank you, Ms. Monier.

Let me just ask a quick question: How much was the disbursement last year? Do you know?

Ms. MONIER. No, but we disbursed——

Voice. 3.2

Ms. MONIER. 3.2, I hear.

In New Hampshire, every cent was disbursed. Or was this the year before? No.

Two years ago, every cent was used up, and every elderly person that applied received money because the elderly were given a priority. Others were turned away.

Part of the problem was using the money, in that it does come down in February and March, too late to be of any real use to people. But the need is still there.

Senator HUMPHREY. Yes. Thank you.

Mr. SIMON. Thank you, Senator Humphrey. Good morning.

As was stated, I am Director of the Senior Citizen Law Project, which is a special project of New Hampshire legal assistance and funded by the State Council on Aging.

We provide free legal services to persons who are over 60. In a year we serve approximately 2,000 to 3,000 people. Many of those are what are called "frail elderly," people who are home-bound we go to see. Many are people who come to our office. So we see a wide gamut of income people.

In the past year, the nature of the problems we have seen has been varied. We have seen large numbers of consumer problems, landlord-tenant, property tax, income maintenance.

In the past 3 to 4 months, however, almost all of the calls we have are related in one way or another to energy matters. They range from people who are calling simply to say "I don't know what I'm going to do," "Am I getting all I can?" "Will you check my social security?" "Is there anything that can be done?" "I can't pay."

Many of these people are frantic. Some are falling into severe depression, ending up in mental health centers.

We go out and check; we do an income check-up. More often than not, they're getting the social security they're entitled to under the statute and there's little or anything that can be done in the existing Federal programs. Those are the direct types of cases.

Let me highlight for a minute the indirect types of cases. We have seen a large number of evictions of renters and foreclosures of houses. The story seems to be the same. When the person comes in with their eviction notice in the last 3 months, I try to ask them what happened, why aren't they paying their rent.

The story is universal. They tell me that their rent was increased $5 to $10 a week, and that totally eats up their cost of living social security increase. So they're living on the same amount of dollars they were getting last year, and everything else has skyrocketed. The cost of living becomes illusory and very cruel to them.

They're then told that oil dealers won't deliver unless they pay up front. So what do they do? I think, as was mentioned earlier, they're very resourceful and very independent, and the seniors stop eating. I could never believe how many people have been living solely on cereal and milk, but there are large numbers of them.

When they still can't get enough money, they're forced to stop paying their rent. They feel at least they're in their shelter and they'll try to put that off. But if there's no heating oil, the shelter is worthless.

They're given a choice between freezing to death and starving to death.

Now, to me, however, what is most discouraging probably is the fact that more and more seniors are being picked up around the country and around the State for shoplifting. I spoke to our public defenders, and there have been a number of people this year who have been picked up for stealing food. These are not chronic criminals. These are first offenders and people who are absolutely starving who are forced to desperate straits.

This is absolutely a horrible, atrocious situation, I'm, sure you'll all agree; and one which really hammers home what's happening to older people in this country and this State.

The people I'm speaking about have worked their whole lives. They're now trying to survive on fixed incomes. Inflation in the last couple of years has stretched their budget as far as it can be stretched, and unless we provide some assistance to help them adjust to the unprecedented rise in fuel cost there are going to be disastrous results.

I hope I'm not being overly dramatic when I say if we don't have some kind of assistance, have it quickly and with some flexibility,

that we're going to see many seniors die in the cold this winter, and have serious consequences such as mental breakdowns, suicide, from related causes.

I can't urge you strongly enough to take all steps necessary to bring a program that is workable and flexible to the State.

Thank you very much.

Senator HUMPHREY. Thank you, Mr. Simon.

Ms. MONIER. Next on the panel, I'm going to ask former Representative Henry Richardson to speak in his position of being a selectman from the town of Greenfield. Many of the elderly turn to their selectmen at the first sign of a problem, so Henry might comment on that.

Mr. RICHARDSON. Thank you, Ms. Monier, Senator Humphrey.

As a former selectman and serving as chairman of the board, being closely related and association with this immediate problem for approximately 3 years—and it seems to be something of a residual thing. I have not gotten away from it. I am still associated with it, in view of the fact that I live in a town where we have this type of problem, as it was dramatized to you, if you will.

We, as selectmen—and I am sure we are not any different than anyone else—attempt to seek out these problems by listening. And I have a wife sitting back there, and I have been able to get telephone calls from anywhere from 1 o'clock in the morning, until 2, 3, 4, 5 o'clock in the morning. And that goes for the other board members—for the sole purpose of trying to find out just what is actually happening to our elderly. And sometimes it's young ones, too.

But, once we find out that they are destitute, we try to take the necessary steps to make sure that they will be cared for. Now, how do we do that?

We are talking about energy here. We have a distributor within our town who has been there all of his life, his father's life, his grandfather's life, and they have been, I would say, the bulwark of support of that town for I'd say 150 years. And right now it's at the point, as has been already told, that the purchaser of oils must pay within 10 days. That is, the distributors must pay within 10 days or else they can't get the oil.

The elderly people cannot be extended credit because of the fact that the distributor has to pay cash before he can pick up the oil.

Now, what do we do? We, as selectmen, we try to perceive these things and look ahead, and to the best of our ability—and, as I say, I think we're an example of the same township and workship throughout the full State—we appropriate, during our regular March meeting, a certain amount of funds for the poor and the elderly, and sometimes we underestimate.

Within our town, we have gone beyond that step now, and we have what we call a contingency fund, and that contingency fund is simetimes double the amount of funds that are available for the elderly and the poor, the purpose being in cases of emergency whereby we would deplete that fund we will have other funds to draw against. That's approved by the town. Now, that's the way we try to resolve the problem.

But, however, we still have the problem of having sufficient funds, as it was pointed out to you—taxes, real estate taxes—and

real estate taxes, as you well know, it's just like everything else, are going up, up, up, up. And it would appear that the inflationary dollar is going down, down, down. So the more dollars you get the less value you have. So, as a result of it, our senior citizens or elderlies have less to live with. And it's not going to get any better.

Just to touch on the visitations that I've had—and I appear on your program a little later on and I'll speak from the standpoint of what I think we ought to do—in that vein, is that we look at revenue sharing as one of the views of assistance. We used it in our town and we use it in our town as a partial vehicle to lower taxes. And, in lowering taxes, we take some of that money and appropriate it in that fashion to this assistance program.

Now, we may be on thin ice in some instances, but I was ready to go before the Congress or anyone else and to plead my case; and if necessary, if I'd have had to pay the bill myself, I was ready to do that. But I don't think I have to, because I think the regulations are rather ambiguous in some cases, and there are certain holes within that piece of legislation—I think you call it regulations—the Department of Treasury revenue and sharing fiscal treasury assistance. And there are some—this is 31 Code of Federal Regulations subtitle B in part 51—there are many loopholes in here whereby we can and we did circumvent the intent of the heavy print, which kept us from being drawn in to your courts there to justify our actions.

The urgency is there, sir. We do need it. And I will reserve my comments until later as to how I think we can handle the allocations which I do believe, if prudently you will make just decisions in allowing this windfall profits tax to be utilized, is in the best interest of those who are in need.

Thank you.

Ms. MONIER. Next on the panel is Sara Townsend, who is a representative in the general court, as well as a member of the State Council on Aging. I think she would like to present some important guidelines which you may use in marking up the bill, Senator Humphrey.

Mr. TOWNSEND. Thank you, Claira, and Senator Humphrey.

I am Sara Townsend, a representative of the general court, and chair of the special house committee on energy policy of the Republican leadership, as Representative Gage presented us.

I also serve as co-chair of the Human Resources Committee of the National Conference of State Legislatures and its subcommittee on aging, and we have been discussing the energy assistance program at that level, as well.

I can't tell you how glad I am that you are taking time to listen to our thoughts on the matter, representing one of the rural and most-cold States.

I would just like to make a few of my own points. Some of the ones that have been mentioned I am going to not belabor; I think the testimony has been adequate. I will just skip over them in the interest of time, leave my statement with you, and emphasize a couple that I think haven't been made as yet.

We can't overemphasize the flexibility aspect. I think that's been adequately pointed out. And our committee, from the House leadership, has been urging, whatever happens, that volunteerism and no

administrative moneys be spent. Use the volunteers at the local level to help register people. Elderly people are happy to serve and can be useful, cut way back. I agree with Senator Monier's statement almost entirely on that matter.

I oppose any plan under consideration in Washington at this time which will allow only half as much aid for a single-person household as for a multiple-person household. Insofar as I know, there's very little difference in heating costs between that of a single-person and a two-person household. I would urge you to make the benefits equal for both single-person and multiperson households.

Adequate funding for New Hampshire would certainly include the number of degree days. I also agree with the Senator's statement about the percentage one spends of income. This, too, will be discussed in our Special Committee on Aging policy. It makes a great deal of difference.

The dollars handed down previously in the light of present inflation, rising fuel costs, I don't need to tell you are inadequate. They need to be adjusted upward, and immediately.

Following this current year, it is my feeling that the States ought to be required to put up matching funds, as in other on-going programs, which brings me to another point. The so-called "fuel crisis," in my opinion is here to stay for awhile. Costs will probably never go back to where they were. Inflation at the present time is a fact of life; we must reckon with it while trying to bring it under control.

Thus, I believe that the fuel or energy assistance program should be enacted permanently, beginning with, let's say, 1981. I wouldn't wait to try to hassle out a program for this year. Get it going and soon, based on, as you said, the previous State program.

While I support basically the windfall tax as a means of funding the program, I think it's cruel and wrong to hold the elderly hostage while Congress debates its passage. I have read that, whether or not this tax is ever passed, there would be an extra $6 billion a year in revenues—which is more than $4 billion over what the President has proposed for the assistance program. Let's get on with it.

States should not be put through this kind of a wringer every year or so. We ought to know what to expect from Congress, up to a point, so we could sensibly plan here at home for these contingencies.

Finally, I will repeat the three main points which I have tried to make: Send the money speedily; make the funding realistic for States such as New Hampshire; and allow us flexibility to deliver it under our own guidelines.

Thank you.

Senator HUMPHREY. Thank you.

Ms. MONIER. Thank you, Sara.

The final member of our panel comes to light, Vesta Roy, Senator from Salem.

We want to also emphasize the resourcefulness of the elderly in New Hampshire, and as was said this morning, New Hampshire people have spines made of granite. So we don't want to give the Senator the impression we're here waiting for Federal handouts.

We also have the resourcefulness to help by taking care of ourselves.

We might want to finish by emphasizing this.

Ms. ROY. Thank you, Ms. Monier and Senator Humphrey.

Welcome. Thank you for what you planned for us today.

I am a State senator, and my responsibilities within the State legislature are that of the Chairman of the Committee on Public Institutions and Health and Welfare. In addition, I also sit on the five-member Joint Legislative Committee on Elderly Affairs.

Suffice to say that many of the inquiries and questions and concerns that come to me by telephone or across my desk are also inquiries from young families living on meager incomes. I'm sure that's going to be addressed later today by people who testify.

But isn't it ironic that here we are in an energy conference today and we're sitting in a room with the temperature plummeting—rising—in this room. It's a public building, State building. Be sure there's going to be some answers the first of next week as to why we have to open the outdoors when we're talking about conserving and how we're going to keep warm. [Applause.]

I would like to make a few comments relative to conservation. The question in the "Changing Times" magazine which just came into the house the other day was "will you be comfortable when the temperature tumbles and the thermostat is set at 65 degrees?"

Now, this morning, at an annual meeting of the New Hampshire Association for the Elderly the greatest concern in their minds was whether or not they were going to freeze to death this winter; was there going to be enough fuel oil available; and will they be able to pay for it.

And so, at the same time, I was wishing that someone had planned a program, so that I could have popped up and said to them, "look, when you're cold in your homes this is how we suggest you protect yourself." And if I can say that there is one thing that the Department of Energy has done in Washington, that boondoggle, is that they have put out this folder "Winter Survival," and it is excellent. I'm sure that it will be available through your office, Senator. I do know that there are supplies in the New Hampshire energy office. It's excellent, though.

Senator HUMPHREY. Thank you for bringing that to our attention.

Ms. ROY. You're quite welcome.

The "Winter Survival" is a consumer's guide to winter preparedness. You know, it's—I'm not going to give you the whole presentation in the interest of time, Senator, but obviously, because our way of life is changing, has changed over the past 50 years—and I remember back 50 years ago; people were living very comfortably at 65 and below because they knew how to dress properly with layers of clothing. You know, they didn't have central furnaces, and whatever, to provide comfort for them.

But this book will go into how—they go back to some of the ways of staying warm and protecting themselves. This—if there should be a problem, while they wait for help they say close off the rooms that you're not using, hang blankets over your windows; open the windows, open the venetians and what have you, the windows that have sun, follow that sun around the house during the day. And

when your house is without heat because of malfunctioning of equipment, lack the fuel, or any other reason, there are ways to preserve some of the home's heat and stay relatively comfortable. That is: Dress warmly in layers; eat well-balanced, nutritional meals. Are there going to be dollars for them to eat these well-balanced, nutritional meals? That's the question; keep yourself warm and be more effective in trying to warm the world around you, so you might look at some specialty items, such as down-filled robes and booties and cotton flannel bed sheets and nightcaps. We even suggest going back to wearing a hat to bed, especially when sleeping under these emergency conditions, because the body loses a large proportion of its heat that way.

Let me suggest, rather than belabor it, that this become an informational bulletin as you go around the States, Senator; and perhaps that could be made available in your office.

Senator HUMPHREY. Thank you. That's very interesting.

Ms. MONIER. Thank you, Senator Humphrey.

Senator HUMPHREY. Thank you all very much for coming today.

Our next witness will be Mr. Richard de la Chapelle, who is the second vice president of the Business and Industry Association of New Hampshire, BIA.

Welcome.

STATEMENT OF RICHARD DE LA CHAPELLE, ON BEHALF OF BUSINESS AND INDUSTRY ASSOCIATION OF NEW HAMPSHIRE

Mr. de la Chapelle. I don't have a written statement. Although I am a representative of the Business and Indutry Association, today I'm really speaking for myself.

A little bit of background: I have been chairman of the Business and Industry Association Energy Committee for several years, and more recently had the opportunity to serve on the New England Energy Congress. As a member of that congress and on the supply committee, we had approximately 22 people of varying backgrounds trying to sort out the problems of energy and come up with rational policies.

One of the policies that we did come up with by consensus; namely, 22 out of 22 people supported this, at least at the preliminary stage, was for decontrol of energy prices, coupled with aid for poor people to get them through the transition period of time when we would presumably change our lifestyles in such a way that we would be able to afford to live with much higher energy cost.

There were four specific members on that committee who represented the poverty groups, and they also supported the decontrol, because I think the 22 members were convinced beyond any shadow of a doubt that control of energy prices has done nothing but mess up the whole situation.

As a matter of fact, there is a scenario that says that the whole energy problem was created by controls, and that since we were then living in a dream world where energy prices had been too low, and as a result of that too much has been used and too little has been produced.

I think one figure that was prepared by MIT says that instead of importing 8 million barrels of oil a day as we did in, I think, this past year, we would have been down to 2 million barrels a day if

the prices had been allowed to go their normal way. And under 2 million barrels a day, the Arabs would not have the wherewithal for twisting our arms and playing their economic games with us.

Be that as it may, the committee did feel that on the short term the use of energy was relatively inelastic. There were going to be people who did not change their lifestyle and do what had to be done in order to live in an era of high energy cost.

Twenty-two of us did feel that there should be some kind of an aid for people to get them through this transition period.

Now, I think the question the Congress has to sort out is how much aid. And going to my own personal point of view now, certainly I don't think that Congress should try to pay out of pocket for everybody's energy bill. It would obviously be prohibitively expensive, and certainly would give nobody any incentive to lower their thermostats or change their lifestyle.

Now, I have looked at some of the arithmetic on the Williams bill, and it seems to me that the amount of money that is involved is very, vey high. Perhaps my arithmetic is wrong, but the way I did it it almost looks like, under the Williams bill, you can get all of your energy bills paid for, particularly when it is $5 billion a year—now, that would be very nice, but I don't think the country can afford it, nor do I think it gives us the proper incentive. However, I will leave the arithmetic to be sorted out by Congress.

The other problem I have with the Williams bill, as I have read it, is that it seems to rely on an arbitrary definition of "low income" as being 125 percent of the so-called poverty level.

Well, amongst my friends over in the Peterboro section of New Hampshire, we have many people who have adopted a lifestyle which has very little cash income. They live in the woods, they burn wood. These people have been ready for many years for the so-called energy crisis, and I don't think they need or expect any help from the Government, because they already are ready for it.

On the other hand, obviously there are lots of, particularly the elderly, people who have really genuine needs. And I think it is inappropriate to use an artificial 125 percent or a specific number to determine who should get energy assistance.

Now, the other final point that I have on the particular bill is that I'm really not sure that we're spending our money very well if we just talk in terms of fuel assistance. It could very well be—and I'm sure it is in a lot of cases—that, rather than pass out thousands of dollars to pay for oil, we should be passing out less for oil and more for support and insulation, solarization, perhaps even setting up incentives for lifestyle changes or getting older people to combine their housing units and things along those lines.

At any rate, those are the three observations that I have of the Williams bill:

No. 1, it sounds like too much money, although I don't claim to be an expert on arithmetic.

No. 2, I think it improperly relies on 125 percent poverty level, and I don't think that's the criteria.

No. 3, I support help for the needy in getting through this period of transition in the energy area, and I simply hope that it is coupled with decontrol of oil energy resources.

Thank you.

Senator HUMPHREY. Thank you very much for your excellent observations. Thank you.

Dr. PRESTON. The next witness is Mr. Peter Gillings, who wasn't here the last time. He's chairman of the Unity Council on Parks.

Senator HUMPHREY. Thank you for coming, Mr. Gillings.

Mr. GILLINGS. Thank you, sir.

STATEMENT OF PETER R. GILLINGS, CHAIRMAN, UNITY COUNCIL ON PARKS

Senator Humphrey, my name is Peter Gillings. I am chairman of the Unity Council on Parks, and I was asked to come here today to basically describe the program that we have implemented for receipt of funding in the town of Unity's conservation project.

An offshoot of the conservation project was delivering firewood to needy senior citizens cut to splinter size and delivered to them to get them by in the wintertime.

There's a saying—the theme here today is energy—there is a saying someone has pointed out, you give a man a fish you feed him for a day and if you teach a man to fish you feed him for a lifetime.

It is my belief and our belief that if you—that we could get away from dependence on oil and substitute a mechanism for the distribution system to deliver what the senior citizens need, fuel oil to start. We have that role of feeding that man for life here. At least, breaking away from our dependence on the oil situation.

I'd like to describe basically how we accomplish what we set out to do. We've applied for receipt of funding. We ran into a number of problems with the program, basically the guidelines to be followed. We sent them to Wasshington, and they're in somebody's office somehwere, without any knowledge if we're going to receive some of the money for the participants who are going to participate in CETA for jobs.

We cut wood the size of classic six rolls in the town of Unity, we got a lot of government surplus equipment to transport the wood to the senior citizens, and the response of the senior citizens—well, I can only describe the town community as a small town of about 700 people. Most people never converted from wood to oil. The town itself has a large senior citizen population—we went out and found out how many people were still burning wood. And a large percentage were, so we found out there, was a need there.

Getting back now to what we did, we went out—it was pretty well a makeshift operation in the beginning—we cut five or six rows back from either side of the road, threw the wood on the truck, took it to the senior citizens' home, split it, cut it to size, and we must have delivered about 300 cords of wood in the town.

There were a lot of situations where we found senior citizens—one particular lady with 100 acres of hardwood on her property—and we gathered small sticks, put them in piles. She wasn't able to cut wood or split wood, and she would burn sticks about the size of my finger all year long in one small stove.

So, there is a definite need out here, especially in New Hampshire, to keep wood as an energy resource and to use wood as an energy resource.

I don't quite know how a program like this would be carried out on a statewide basis; there would be logistics problems, I'm sure. But we do know that something will be necessary, and this is something that doesn't require technology, as we know it. It's a small lumbering technology, lumbering organization, something of that nature.

It worked for a year. The CETA funding ran out, and the project did end, to the disappointment of the seniors in the community. We had a lot of people in the community asking us if we could implement similar programs in their communities. Then again, the CETA problem came up, the guidelines being what they are; it was really assuming too much to bother with them.

That's about all I have to say.

Senator HUMPHREY. That's very interesting, Mr. Gillings. I would think—I know Unity, because I've lived over in that part of the State—I would think that Unity is probably typical of the northern and western New Hampshire communities.

What percentage have the capability to burn wood, not only physical capability; I mean the stove or furnace that can use wood—but possess sufficient health to carry in wood and burn it?

Mr. GILLINGS. I would say 100 percent of the elderly population—100 percent of the people in the community at this point burn with wood, and 100 percent; about 60 to 65 percent of the elderly. They all have some sort of capability of burning wood.

Senator HUMPHREY. That's a commendable program. I'm sorry to hear that it's not going to be in existence this winter.

Mr. GILLINGS. That's correct; yes.

Senator HUMPHREY. That's too bad.

Thank you for coming and sharing that with us. We appreciate it. Its' quite a long drive, I know.

Mr. GILLINGS. Thank you, sir.

Senator HUMPHREY. Thank you.

Dr. PRESTON. Our next witness is Mr. Ray Burton, who is the former executive councilor and president of the Board of Community Action in Coos, Carroll, and Grafton Counties.

Senator HUMPHREY. Mr. Burton, thank you for coming.

STATEMENT OF RAY BURTON

Mr. BURTON. Thank you, Senator Humphrey and Dr. Preston.

I would like to, on behalf of our board of directors, Senator, express our commendation and thanks for your bringing this hearing to Concord, and speaking for the Coos, Carroll, and Grafton Counties area, which you are familiar with—you've been there many times—we would urge you, at your pleasure, to bring a hearing to that part of New Hampshire.

Senator HUMPHREY. Thank you. We held it here because we hoped there'd be some press. We might as well have had it in Pittsburgh. Maybe we will next time.

Mr. BURTON. I appear before you as president of the Board of Community Action in Coos, Carroll, and Grafton Counties, and I come before you, not as an expert on energy or other problems that have been put forth here today, but Community Action in the three northern counties has taken a leadership role in developing an energy task force, which has brought together business people,

welfare workers, local selectmen, county commissioners, planning officials.

This task force has met several times. As a matter of fact, the next meeting is 1 o'clock next Thursday afternoon, at the American Legion Hall in Plymouth. I'd like to extend an invitation to you or your staff to stop by.

Senator HUMPHREY. Thank you.

Mr. BURTON. We have met several times, and we believe that is an effective vehicle to look at some of the problems that have been facing particularly oil dealers and consumers in the three northern counties.

The 27-member board of directors at its October 9 meeting passed a resolution which addressed the expected shortfall of money for the proposed Federal emergency crisis assistance program to adequately meet the needs of moderate, low-income, and elderly people.

It was our feeling that, based on a per-household grant of $400, the $675,000 projected for the tricounty area will only assist some 1,600 households out of over 5,000 that we believe to be eligible, and will be eligible come wintertime.

Last year's emergency energy assistance program, administered by our Community Action Agency, assisted only 2,600 homes in the three northern county area.

In your capacity as U.S. Senator, I would urge you to strongly consider increased assistance for fuel needs that will get right to the local level as soon as possible. And I believe that the Community Action Agency in the three northern counties has a good capability, particularly in the outreach, identifying people, and delivering some of these programs, particularly the fuel program, to those who are eligible from those communities.

I would point out again that the sooner this money gets to the local level, whether it's identified by selectmen or county commissioners, whatever local official, the better off the consumers and those people who are eligible are going to be.

Also, I'd like to ask you to strongly consider utilizing—I guess it could be called leftover moneys and the funds that are earmarked for stockpiling oil in fiscal 1979, some $2.3 billion I believe it is; and that, in itself, would go a long ways toward getting the money to New Hampshire.

We need it right now. It isn't something that we can wait into the winter months to utilize.

It's also our feeling, as a board of directors, that the Community Action Agency and it's—it's a community-based organization throughout the three northern counties—and it stands ready to assist you and your staff and the entire New Hampshire Congressional Delegation in helping many people keep warm this coming winter.

In that the New Hampshire People's Alliance is not on the program, I would like to submit their 21-point program, which I'm not familiar with, but I do know those folks have put some time into it. In that you are looking for information from all points, I would like to submit that along here with the papers.

Senator HUMPHREY. Fine.

[The statement of the New Hampshire People's Alliance follows:]

New Hampshire People's Alliance
Home Office: P.O. Box 164, Woodsville 03785 [redacted]
Capital Office: 8 N. Main St., Concord 03301 (603) 225-2097

A STATEMENT OF THE ENERGY NEEDS OF NEW HAMPSHIRE CITIZENS

The low- and moderate-income people of New Hampshire have been victimized for too long by the failure of the Congress and the President to adopt a national energy policy which places the public interest ahead of the greed of the energy industry.

We are determined to fight back, to end our victimization and to hold the Congress, the President, other Presidential candidates, and the energy industry accountable to our energy needs and our nation's energy future.

The New Hampshire People's Alliance, representing over 800 low- and moderate-income people in 15 community groups throughout New Hampshire, calls for strong action at the federal, state, and local level to resolve the crisis of rising energy costs and faltering supply:

"CRISIS INTERVENTION" AND BASIC ENERGY RIGHTS

1. Congress must act immediately to appropriate a minimum of $400 million for the crisis intervention Emergency Energy Assistance Program to be administered by the Community Services Administration through local Community Action Programs.

2. The Community Services Administration must allocate a minimum of $6 million from this program to low-income citizens in New Hampshire. This money should be used to allocate grants of $400 per household to eligible citizens.

3. Eligibility for the Emergency Energy Assistance Program should be determined by local Community Action Programs beginning October 1, and funds must be made available by October 15 to deal with Winter heating bills when they occur, not after the fact.

4. Local Community Action Programs must be authorized, and then must act, to make arrangements with local oil distribution companies to establish an advance "line of credit" of up to $400 for every household which is eligible for the Emergency Energy Assistance Program.

5. The Governor of New Hampshire must take action to require that local oil distribution companies allow up to 90 days for payment of heating oil bills during the Winter months before discontinuing service.

6. No household should be forced to suffer a discontinuation of home heating oil deliveries during the Winter months. The New Hampshire People's Alliance will organize "Heat Watch Councils" locally throughout New Hampshire to take action against any oil companies which threaten discontinuation of service for residential households, and expects the support of the Governor and all other public officials in this effort.

A STATEMENT OF THE ENERGY NEEDS OF NEW HAMPSHIRE CITIZENS, Cont.
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SUPPLY OF HOME HEATING OIL AND KEROSENE

1. President Carter and the Department of Energy must assure that there will be an adequate supply of home heating oil and kerosene for New Hampshire this Winter.

2. The President and the Department of Energy must force refineries to refine and distribute necessary and surplus quantities of home heating oil and kerosene to meet the nation's needs for a Winter of maximum cold by October 15.

3. Congress must act immediately to appoint a Special Energy Prosecutor to investigate and prosecute all instances of contrived shortages in energy supplies.

4. Congress must act immediately to require by legislation that the Department of Energy make available to the public all data received from oil companies relating to energy supply so that the public and public officials may investigate all instances of contrived shortages.

PRICING OF ENERGY RESOURCES

1. Congress must act immediately to reinstate price controls on crude oil and home heating oil and to establish price controls on gasoline.

2. Congress must act immediately to require President Carter and the Customs Department to reinstate inspections aboard incoming oil tankers to stop oil refineries from substituting cheaper domestic crude oil for imported oil in order to gouge prices and qualify through flase accounting for imported oil subsidy entitlements. When Carter lifted inspections last year--inspections which been going on since the Eisenhower Administration--it resulted in refinery overcharges which have been calculated at $1.8 million a day out of the pockets of the American consumer.

3. Congress must act immediately to appoint a Special Energy Prosecutor to investigate and prosecute all instances of overcharging and price gouging by the oil industry.

4. Congress must act immediately to require by legislation that the Department of Energy make available to the public all data received from oil companies relating to energy pricing so that the public and public officials may investigate all instances of overcharging and price gouging.

UTILITY RATES AND REGULATION

1. Governor Gallen must act immediately to appoint a nominee for the New Hampshire Public Utilities Commission who is committed to electric rate reform which would end large-user discounts which encourage waste and place an unfair burden on low- to moderate-income residential and small-business ratepayers.

A STATEMENT OF THE ENERGY NEEDS OF NEW HAMPSHIRE CITIZENS, Cont.
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2. The New Hampshire Public Utilities Commission must move forward immediately to continue rate restructuring hearings aimed at ending large-user discounts for electricity, and must reject any utility rate increases for the first 1000 kilowatt-hours of monthly electric use until rates have been restructured.

3. The Federal Energy Regulatory Commission must act immediately to establish regulations implementing the Public Utility Regulatory Practices Act requiring utility commissions to end large-user discounts for electrity.

WOOD HEAT

1. The President and the Secretary of the Treasury must act immediately to use their discretionary authority granted by Congress to establish Federal Income Tax credits, similar to other renewable energy tax credits, for wood stove users.

2. Congress must act immediately to make mandatory federal income tax credits for wood stove users.

3. The Governor of New Hampshire should consider what measures can be taken by the state to regulate or otherwise hold down the price of wood for home wood heating, which has been driven up to $100 per cord by large logging interests which are attempting to corner the wood supply market.

4. The Governor must act immediately to strengthen and publicize state initiatives to make wood for wood heating available at cost to consumers by setting aside woodlands for public cutting at cost or cutting by producer-consumer wood cooperatives.

Mr. BURTON. That concludes my testimony, Senator. I have asked you to attend an energy task force meeting which is not going to be Thursday; it's going to be Wednesday, the 17th, at the American Legion Hall in Plymouth.

Senator HUMPHREY. Thank you. I simply cannot come because I'll be in Washington, but I will ask a member of my staff to go.

Mr. BURTON. Thank you.

Senator HUMPHREY. Thank you. We welcome the statement of the New Hampshire People's Alliance and any other group which wants to submit something for the record. Unfortunately, because of the constraints of time, we weren't able to offer everyone the opportunity to give oral testimony.

Dr. PRESTON. The next person on our agenda is Mr. Henry Richardson. He has just met in Washington with the administration and with the President's domestic policy adviser.

Senator HUMPHREY. Welcome back.

STATEMENT OF HENRY RICHARDSON, CHAIRMAN, GOVERNOR'S ADVISORY COMMITTEE ON ELDERLY AFFAIRS

Mr. RICHARDSON. Thank you, Senator.

If I may put on my official hat this time——

Senator HUMPHREY. Put on your presidential aura.

Mr. RICHARDSON. No, my hat as chairman of the advisory council, the Governor's Advisory Council for the Elderly for the State of New Hampshire.

My visitation had nothing to do with the council. I don't know how my name was drawn or how it happened, but I was honored to pay that visit, and I did attend, and it's about the same subject matter which you are addressing here today.

I, too, would like to extend my thanks to you and your office for taking time out to come up and sit down and talk with as folks.

Senator HUMPHREY. I do it almost every weekend. I don't want anybody to get the idea that this is an exception. That is, I'm in the State almost every weekend.

Mr. RICHARDSON. Some of us don't get a chance to see you.

Well, I would just like to make the three major points that were covered, and I will address the issue which is at hand here for today.

I do have a release sheet here for you, my opinions with regard to—and in an effort to get things going, for your consideration.

In my visitation down there, three points of interest—and one at hand here was to assist low-income households who can least afford oil price increases.

They have an estimated administration cost of $800 million annually to be used for this purpose. I'm going to have to give you No. 3 first, and then I'm going to come back to that, because I think that's where we're missing part of the boat.

The second part of that presentation was increased funding for mass transit. This is a very important point for us up here also. I've addressed that under separate cover for you for consideration.

No. 3, to undertake a major program of new energy initiatives and investments, to permit the United States to develop alternatives to imported oil. I have some reservations in that particular area, and I so spoke them at the reception.

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Now, Point 1: Assist the low-income households which can least afford. I think most of us, regardless of what level we are in, can least afford to spend or to allow to be spent some $800 million for administrative costs to administer something like $9.1 billion to $9.2 billion, to administer a program to get some oil down to our people that need it.

I think that money should be spent well when it's given to the people.

Now, my comments were, and are now, and shall be forever more, we have on hand in place in each of our local governments, regardless of whether it's a city or town or hamlet, and organization of government.

I noted earlier when I was here as a selectman, we best know or they best know what goes on in their towns. We know the names of the people. We are amongst them every day. And if we don't know someone's going to advise use. We are their keepers.

If we don't do that, then we have failed in our jobs.

So, what I am saying here is when you consider the administration of this amount of money, whatever it might come to be, in this particular program, be sure to consider the in-place administrations that we now have, and don't forget that.

Senator HUMPHREY. I won't. The board of selectmen.

Mr. RICHARDSON. The board of selectmen, the administrative assistants, the local welfare control personnel, the visiting nurses association—all of these things that have all been mentioned before.

But I wanted to emphasize the board of selectmen because they are, in fact, the keeper of the kingdom within the town, and they know where it is at, and they have the records. They must be the ones who release the funds, to control the funds; they are the ones that are going to report back and maintain accountability, as mentioned by Senator Moniers earlier.

That's what we must do, and that's what I think you all must do when you make your final decision down there. And I think that should be the effort of my presentation here at his moment.

Just remember, the lowest level of command is the best action for the troops. I'm sure you're very, very well aware of that.

Senator HUMPHREY. Yes; and I think you're well qualified to say that as a retired Army officer.

Mr. RICHARDSON. I have no further comments, sir. Thank you. And I'll furnish you with a copy of this, Senator.

[Applause.]

Dr. PRESTON. Our next witness is Lucy Flynn, who comes to us from the Massachusetts Energy Office.

Senator HUMPHREY. Thank you for coming.

STATEMENT OF LUCY FLYNN, ON BEHALF OF THE MASSACHUSETTS ENERGY OFFICE

Ms. FLYNN. I'm really appreciative that you asked us, and that I'm representing the Governor on this visitation.

The Commonwealth of Massachusetts is facing a serious and urgent need this winter. With an estimated 250,000 households in Massachusetts at or below the Federal poverty level, this winter's

heating prices will far exceed the ability of these people to pay for a very vital part of their life's needs.

Mr. Senator, there is no secret about our intentions today. We need your help.

Later on in this testimony, I will outline our need for fuel assistance payments to our State and specific remedies for this winter. But, before doing that, I want to alert you to the fact that Massachusetts is now helping itself on the energy front because I don't believe and the Governor does not believe that our State can expect to ask for assistance without doing our fair share, and that we are doing on several fronts.

Last week, we arrived at an agreement to convert our Brayton Point powerplant to coal this winter, eliminating the need for approximately 500,000 barrels of oil at a price of about $23 per barrel.

We also support the leasing of oil and gas reserves at Georges Bank as a way to increase our domestic oil and gas production, as well as supporting refinery construction in Massachusetts.

We also support alternatives to fossil fuels, including passive solar, wood, biomass, and nuclear energy. In addition, our efforts on both conservation, and cogeneration have gained our State national attention.

Since the embargo, residential heating oil demand in our State has been reduced by 20 percent. Conservation is a key word in Massachusetts.

But the three recent OPEC price increases have had a devastating effect on our economy, robbing Massachusetts of $1.5 billion in disposable income—$700,000 for heating oil, and another $800,000 for gasoline and electricity. Just these price increases—and our Statewide average for heating oil this week was 90 cents per gallon, as compared to only 47 cents per gallon last year—represent a shocking impact on our elderly, low-income population, and working poor.

Since 1977, Massachusetts, through the Executive Office of Communities and Development, has administered three successive crisis intervention programs. Each year, the amount of money expended and the numbers of clients served have increased, from $4.8 million expended in 1977 on behalf of 24,000 households, to over $10 million expended in 1979 to serve over 42,000 households.

In these past programs, efforts to coordinate available resources among community action agencies, fuel/utility vendors, elderly services networks, and State public assistance departments have worked well. This winter, however, our low-income clients face even greater crisis, not only because of the significantly higher fuel prices, but also because fuel vendors themselves can no longer afford to guarantee credit for long periods over the winter months.

The greatest problem we have experienced in the past with the energy assistance programs is the timeliness of funding. In 1977, funds that had been appropriated for the winter months were not received until August. In 1978, funds were received as late as May. In 1979, funds were as late as July.

These delays have forced local agencies and vendors to rely on credit agreements with clients, have caused undue confusion. As a result of that, this winter the State of Massachusetts is up-fronting

their Federal appropriation in the amount of approximately $10 million. We're putting that money in a transfer legislative package, and we will then have that money available by November 1 for our local CAP agencies; then we hope it will be reimbursed as soon as possible.

My staff, the Governor's staff, has already reviewed the published regulations from the Community Services Administration for the fiscal year 1980 crisis intervention program, and they are in the process of preparing presently a State plan for administration of this program.

The delivery network is already in place for this winter's program in Massachusetts, and we have been working steadily to provide an interchange of information among elder networks, welfare offices, vendors, and community CAP agencies.

We are all ready to administer this program. But, again, we have no funds from the Federal Government.

Local and State agencies are averaging 20 to 30 calls a day from clients who are already experiencing fuel crises, or who are being shut off by utility services. We cannot afford to let these clients suffer.

In Massachusetts, our housing stock is generally older, in poorer repair, and less well insulated than homes in other regions of the country. Our weather is 37 percent colder than the average U.S. temperature. Finally, our dependence on oil for 79 percent of our heating needs has contributed to a situation wherein the average New England family spends close to $300 per year more for residential heating needs than the average U.S. household. In fact, low-income families spend upwards of 30 percent of their income on energy.

This situation has produced a number of bills before Congress which seek to relieve this pricing crunch facing the poor and the near-poor. These hearings show an important—you have shown and Congress has shown—are an important step toward a comprehensive, permanent solution to the energy ills of those most in need.

It is increasingly apparent that a comprehensive, low-income energy assistance package must include a cash assistance component. Families receiving public assistance and those on fixed incomes must be shielded from the staggering effects of rising household energy costs.

The Commonwealth endorses the discretion contained in both Senator Nelson's and Senator Williams' bills, allowing the States the flexibility to construct a State plan which will allow it to assess its own unique needs.

Further, in addressing the question on how these funds should be allocated, the consideration of heating degree-days, relative energy costs relating to the fuel type, and the actual cost of AFDC and SSI payments within the State should be considered. This is also highlighted in Senator Nelson's bill.

Any energy assistance package must recognize the need for a weatherization component. Senator Nelson's bill, S. 1725, takes this essential approach, yet appears to fall short in not providing for a mandatory link between two essential components of fuel assistance and weatherization.

Although this discussion has reflected on the need for a long-range program, I'd like to turn now to this winter. The Carter administration's recognition that an interim plan should be put in place for this winter has merit, yet the mechanism is linked to the windfall profits tax, which has caused continued delays in Congress.

Yesterday, the administration requested a supplemental appropriation of $1.45 billion for this winter to be provided to the States through existing authorization, which would allow the crisis intervention program to remain within CSA, as well as the special energy allowance program, to be put through CSA this winter.

Once again, this request is linked to the windfall profits tax. Although the Governor supports the windfall profits tax, it is the Commonwealth's fear that tying this appropriation to any other legislative action could cause a critical situation this winter in New England.

The Commonwealth urges you to appropriate at least $1.2 billion for this winter now.

I appreciate the opportunity to speak with you.

Senator HUMPHREY. Thank you, Ms. Flynn.

The subject of the windfall profits tax has come up several times, and for those who are worried about the linkage with this crisis intervention program or emergency fuel assistance program and the windfall profits tax, you will be relieved to know that even without the windfall profits tax, decontrol of oil prices is going to result in increased revenues to the Federal Government over the next 10 years of $135 billion, which is plenty to pay for this type of program.

Ms. FLYNN. That's what we're——

Senator HUMPHREY. That's no excuse, windfall profits tax or not.

Ms. FLYNN. For us to have $1.2 billion.

Senator HUMPHREY. Yes. Perhaps I'm being conservative with that figure; perhaps we need more, perhaps less. That must be determined.

The revenues will be there, with or without the windfall profits tax. I think it's unfortunate that some are trying to link the two, since it's not a valid linkage.

Thank you very much for coming here all the way from Boston.

Dr. PRESTON. Our next witness will be Mr. Paul Drolet. He's the President of the Wilton Lions Club.

Senator HUMPHREY. Thank you for coming, Mr. Drolet.

Am I pronouncing your name correctly?

Mr. DROLET. You never know here.

STATEMENT OF PAUL DROLET, PRESIDENT, WILTON LIONS CLUB

Mr. DROLET. I am president of the Wilton Lions Club, and I would like to present for the record our organization's plan to help with the impending home heating problem that may confront some of our citizens shortly.

I feel I would be remiss if I didn't explain what precipitated my being here today; 2 weeks ago tonight, the Wilton Lions Club held a penny sale as a means of fund raising to support sight, hearing,

and any other health problems that people in our community might have.

As it turned out, we had as prizes two 100-gallon lots of fuel oil, a cord of wood, use of a log splitter, gasoline, propane gas, electric power, and we even had a new wood-burning stove as a prize.

The theme became "Wilton Lions' Penny Sale Emphasizes Energy," and the event was well attended; in fact, so well attended, the club made its largest profit ever at our annual penny sale.

Our community had supported us. How to put the money to good use back in the area? We knew we had enough money for local sight and hearing projects, and we wanted to do something more.

Last week's newspaper article explaining this energy hearing today started the wheels rolling. It tied in with the energy penny sale; and, of course, it was health related. With the blessing of the club's board of directors, I'm here to explain that the Wilton Lions Club is a community service organization which serves the towns of Wilton and Lyndeborough, containing approximately 1,000 households.

Our plan is to avert immediate and short-to-medium term heating problems. It is not designed to take anyone from October to April, but rather address the crisis-type situations that may come up and act as an intermediate measure while permanent or long-term solutions are formulated.

Now, we have established an emergency heating oil fund and have started it with $1,000. Now, at this point, we have no way of knowing whether this is too little or too much or adequate to meet our needs, but it's a round figure that we can open a bank account with and possibly attract private contributions to and hold fund-raising events for.

Now, the goals are:

First, to provide a small, short-term loan to someone who couldn't get credit otherwise. If, for instance, an elderly person on social security had a check coming in a week or so and was unable to make the necessary arrangements for credit, we would arrange for a small delivery to tide them over until their check arrived.

Second, to provide a small medium-term loan to someone who was financially overextended and wouldn't be able to repay until after the heating season was over, like a family whose breadwinner works at a seasonal job; they could have a small delivery arranged through us.

Third, to provide a small gift of approximately 3 to 5 days' supply to tide someone over until other long-range arrangements could be made.

Fourth, to provide immediate delivery from stockpiled sources, delivered in 5-gallon cans if necessary, if no dealer oil is immediately available; in other words, if we were to be alerted at, say, 1 o'clock in the morning, that someone needed heat and couldn't get oil, we could deliver 10 gallons or so.

Now, the five members of the club appointed to administer this fund will have a capability of four-wheel drive vehicles, trucks, even snowmobiles, to deliver oil to people in very remote areas even during inclement weather—enough to carry them into the next business day, at which time a regular delivery could be ar-

ranged. Anyone who asked would qualify for this particular service.

I would like to reiterate our fund is to be used for immediate and short-to-medium time periods only, so that the elderly and anyone else in our community can rest assured there is a local organization who will back them up in their time of crisis. Other details will be worked out, but that in essence is what we hope the Wilton Lions Club emergency heating oil fund will accomplish, and I offer it as an example.

Senator HUMPHREY. And an excellent one. I hope I ask that you carry back to your fellow Lions Club members my congratulations and thanks.

Is this a locally generated idea?

Mr. DROLET. Yes.

Senator HUMPHREY. Perhaps it's one that you ought to be talking about with your fellow Lions—brother Lions, I should say.

Mr. DROLET. Well, of course, Senator, there are many service organizations, not only Lions, throughout the State of New Hampshire. I wouldn't want to throw them all in it, but it's a thought for fraternal organizations, et cetera.

Senator HUMPHREY. Yes. I must say that's very commendable. If we had more of that throughout the country, I think many of our other problems would go away. [Applause.]

I don't mean to preach. I'm here to listen.

Mr. Proctor, did you want to add anything?

Mr. PROCTOR. No. I was just giving him some moral support here. [Laughter.]

Senator HUMPHREY. Thank you.

Mr. DROLET. Thank you, Senator.

Dr. PRESTON. Our next witness is Mr. Emil Beaulieu, director of the Manchester Welfare Office.

STATEMENT OF EMIL BEAULIEU, DIRECTOR, MANCHESTER WELFARE OFFICE

Mr. BEAULIEU. How are you, Senator?

Senator HUMPHREY. Fine, thank you.

Mr. BEAULIEU. I'm pleased to be here.

As you know, the fuel assistance program has gone on for a few years now. You know that the city of Manchester shares with Washington the responsibility and the cost of such a program. I know that the mayor of Manchester, the city welfare department, along with various agencies in Manchester, are willing to do their part, whenever possible, in helping the low-income and people who are on fixed incomes, especially the elderly.

Last year, the fuel assistance program helped—I don't know the numbers of families—but I understand now that the funds may be a little less than what we received last year, and amounts to be received by families will be a little larger.

It's going to be difficult to serve all of the needs of the elderly and low-income people, especially in the city or the surrounding areas of Manchester.

Already, in the past 3 or 4 weeks, we have people who have come in, low-income—some money—and the elderly, and ADC especial-

ly—especially since the food stamp program was changed back in April of this year.

I contacted your office at that time and the other congressional delegation. Where last year elderly persons were not being subsidized in their own—those subsidized in housing units were able to manage, but the people—the elderly especially—who are paying full amounts of rent, heating costs, and food were sort of penalized. In other words, the reduction in the estimated cost of shelter was $80.

So, I feel somehow this could be changed to allow low-income persons and others to deduct their full expenses. Of course, in your cold States, of course, the heating cost is tremendous.

We noticed in the last 3 or 4 weeks in the city of Manchester that the rental properties are starting to climb fairly high, and with social security alone and some subsidized help like food stamps, for instance, some of these elderly are not going to make it.

So, whatever the city of Manchester could do alone with my department, we'd be glad to do it. In the next few weeks, my department, myself, and some of my staff will do some outreach, especially, we'll say, like with home aid service in Manchester, who make home visitations, to probably find out if there will be a need for additional funds for heat or food. I think those would be the two large items that we'll find that we'll have to help the elderly and low-income.

We know we are receiving probably our share of section 8 housing, but I think there's a greater need for low-income, and especially the elderly who are living in their own little units.

Sometimes some of the rules and regulations of section 8 housing—it's a little difficult for some elderly to understand. For instance, they have to have central heat. And some of these elderlies have been in there 30 or 40 years and, of course, they would like to stay in their own units. And it's actually better that we keep them there, rather than put them in a nursing home—not because of the cost, but that's where they belong.

So, I know the city of Manchester and the CAP agencies in New Hampshire are handling the fuel assistance program now. I have kept in touch with someone with the Governor's Department of Human Resources, and I think in some areas they're still trying to decipher the regulations, and that's quite a problem.

I think the outreach is going to be very important. I think all the organizations—I think this gentleman just pointed to that—we need controls for our agencies and we could have a good information and referral service.

For instance, yesterday we had the New Hampshire Local Welfare Administrators Association of New England meeting, and they, Senator, are very concerned. For instance, State Senator Palmer [phonetic], State senator from New Hampshire, and some of the counties we have surveyed, how we should find out some of the elderly people in the surrounding areas, finding out the assistance they may need. We are going to have a very severe, cold winter—maybe not so much the winter—but it's going to be very difficult for people to get by, especially those on fixed incomes like social security.

I appreciate it very much. Thank you, Senator.

Dr. PRESTON. We would very much like to know your ideas for a program design, a Federal program that would take into account the municipal governments such as Manchester. What would you recommend? What role could it play?

Mr. BEAULIEU. All right. For instance, if the Federal Government would allow any of these communities to handle such a program—I wouldn't want the city of Manchester, for instance, to create a new department for the Federal Government to handle such a program.

But I think, on a temporary basis, with the help of Washington—not to create a new department—but along, for instance, with the city welfare or home maintenance service, have a board of directors somehow to deal with these problems, because all the agencies like this deal with low-income, with the elderly. And many times with the elderly you have to do the outreach, you have to sort of talk to them, to find out some of their problems.

In fact, in my department, I will start—I will hire a part-time senior citizen to do some of the outreach in Manchester, taking some emergency calls, because many times I know the person would prefer to talk to another elderly person. But in Manchester, for instance, I think we could handle such a program.

I am not familiar with deciphering all the regulations in the program. I mean I know we need more amounts of money than we are allocated at this time. I know funds are limited. But New Hampshire, as well as some of the other New England States, and cold States will need additional funds.

I think the program somehow—from what I've heard, with the new regulation, which is a good idea, where last year a person had to have a disconnect on some type of heating system, I felt it was wrong. Of course, you'll always have that minority group who will take advantage who will save their utility bills or heating bills for several months, have a disconnect, and then therefore they qualify. I feel that's unjust for those who are struggling low-income and elderly trying to get by. I think that's a good point right there.

Last year, from $100 to $250; this year, I believe it's $100 and $400—that's going to benefit a few less families than last year, because we are going to be receiving those funds.

But as far as managing or doing or helping the Federal Government in assisting a new program, I think, for instance, through the city welfare, with temporary help, they can help with the Federal Government, and I think we can do a decent job for our population of 96,000, and also the surrounding communities around Manchester.

Dr. PRESTON. Did you take part in the Washington program last year?

Mr. BEAULIEU. Last year, no. Two years ago, with Governor Thompson—Ed Cole [phonetic], who was the gentleman who handled the fuel systems program, I contacted him when I knew money was coming into New Hampshire.

What we did do, for instance, we did set up an extension to our city welfare lines in our building, provided them with a desk. We absorbed the cost of the telephone extension and the telephone service. And, of course, it there were out-of-town calls they would have to pay the cost of that.

But usually, when a person needs assistance, for instance, in Manchester, the agency usually is city welfare, No. 1. Our job is to provide information, not always money and handling rent problems or doctor's bills or things like this. Many times they're looking for just information.

Usually, the problems stop right in our department. So our agency in the city of Manchester, I think with some help from the Federal Government, could handle a program like that, because we have branched out in many directions and we have sort of an "info" line which is excellent to contact and find out how we can help people.

Dr. PRESTON. Just one further question: Have you received notice that you're going to be tied in with the this year's program.

Mr. BEAULIEU. No. Nothing has been set up at this time. They're still working on the regulations and finding out exactly what had to be done.

Senator HUMPHREY. Thank you very much, Mr. Beaulieu. We appreciate your testimony.

Mr. BEAULIEU. Thank you, Senator, for having me. Thank you.

Senator HUMPHREY. Thank the mayor for us, will you?

Mr. BEAULIEU. Yes.

Dr. PRESTON. Our last witness is Mr. Ira Rutherford, who is from Hutchins Oil Company in Epsom, New Hampshire. He represents the Better Home Heating Council of New Hampshire.

Senator HUMPHREY. Welcome, Mr. Rutherford.

STATEMENT OF IRA RUTHERFORD, ON BEHALF OF BETTER HOME HEATING COUNCIL OF NEW HAMPSHIRE

Mr. RUTHERFORD. Thank you for inviting us here.

I have been asked to represent the Better Home Heating Council of New Hampshire on the fuel assistance program.

We recognize the need for immediate action for those people that do need assistance. However, it is the basic concern of the better home heating council that this be of a temporary nature—and we mean by "temporary" 1, 2, or 3 years, whatever time it takes, to crank in the additional cost of fuel into other programs, such as social security and other aid benefits already in place.

We would hate to see another bureaucracy created for one item. If it is fuel, I think if somebody came up with a proposal out of Washington to have an insurance assistance—which the cost of insurance is high in proportion—that would be laughable. So we do feel there should be taken care of by assistance programs already in place in the future, because we're going to be faced with these same costs from now on. It's true that it's not going to go back to the early levels. So we feel that that should be taken into consideration.

The next item is as long as you do have a fuel assistance program, how do you manage it? I think last spring we saw from a fuel company standpoint the worst possible management. That's when you get a call and say there's assistance that your customer has to have a fuel bill; and, second, you have to tell him he's shut off. He can't get assistance otherwise. To us that's the worst.

We did see one program which was of a workable nature last spring. They issued a credit. The fuel company was notified by

letter that Joe Smith, or whoever, had a credit for a certain amount of fuel, which was delivered. And that might be delivered in one lot, it might be delivered in two, whatever. Then the bills were passed on to a C.P.A. and they paid them within 2 or 3 weeks. That was a good, workable, logical program. Nobody had money in their hands before product was delivered, but we had notice the customers were eligible for that amount. It was a good, workable program.

As long as there is going to be something in place, something of that nature would work. But it will not work if they've got to wait until they're being shut off, because it's too late then.

Thank you.

Senator HUMPHREY. Thank you, Mr. Rutherford. I'd like to ask you some questions.

Mr. RUTHERFORD. Certainly.

Senator HUMPHREY. First of all, let me ask Dr. Preston a question. Doctor, do you know what program he's referring to, the second one?

Mr. RUTHERFORD. You're talking about a community action program.

Dr. PRESTON. Is this operating in New Hampshire? This wasn't last year, was it?

Mr. RUTHERFORD. This was last spring.

Dr. PRESTON. It was?

Mr. RUTHERFORD. Yes. We were notified a certain customer was eligible for $250 fuel, OK? And then we delivered that. Sometimes they might take 100 gallons, 150; but we delivered up to that amount.

We then passed the bills on to a C.P.A. in Meredith. They were paid. And then that was it.

Dr. PRESTON. I know they were operating in other parts of the country, but I didn't know they were operating in New Hampshire like that.

Mr. RUTHERFORD. Well, it happened in the case of maybe six to eight customers that we had.

Dr. PRESTON. Oh, I see. So it certainly wasn't all that prevalent.

Mr. RUTHERFORD. No.

The biggest program was that one where they had to run up a bill and then you had to give the C.A.P. the notice that they were terminated. That was a very bad situation, because people that really needed assistance and had made an effort to pay their bill, they were not receiving the assistance they should have.

Senator HUMPHREY. Mr. Rutherford, you probably know that some have proposed that one of the ways in which the program would be administered would be to send money to fuel oil dealers, get them involved in the paperwork. It it safe to assume that that is not favorable to you?

Mr. RUTHERFORD. I'm an accountant, and I hate to see money passed out before the product is received. It could work, but then there's always an argument of how you are audited. That means a Federal audit of every fuel dealer that's got the money and say "where are the invoices for these deliveries?"

Whereas, if you separate it with one certified agency, whether it's the town or the C.A.P. or whatever agency is certifying it, the

fuel oil gets a certification that this party is eligible for this. The fuel dealer delivers fuel as a credit. He sends it on to be paid, and he gets paid. You get your separation of the money in the certifying agency. It's just the same as if the agency's money going to the same agency that does the certifying, because then if there are any problems that are created within that agency.

So, to me, this program last spring was the most workable one I've seen, as far as keeping things separated the way it should be.

Dr. PRESTON. What you're referring to is called a Federal line of credit.

Mr. RUTHERFORD. Yes.

Dr. PRESTON. Actually, it's a prominent aspect of what we're considering. But it would be up to the State to set up a program which is another reason why we're sorry that the State people aren't here to explain how they might do it.

There are many ways we could set it up. One was the way the Senator said, just putting the money out there. And the people in Washington are talking about all sorts of restrictions on fuel dealiers, restrictions on how they do business and restrictions on shutting people off.

There are a number of people in Washington who would use any excuse to extend Federal controls.

Mr. RUTHERFORD. Yes. Fuel assistance is a pretty hot item.

But as far as fuel is concerned, except at the refinery level you're not talking about major companies. You're talking about small, independent businessmen. If you've looked at the figures of the number of fuel dealers who were in business in New Hampshire 10 years ago against today, they're going out of business every year. The smaller dealers cannot survive.

The more restrictions they put on, the harder it's going to be for the remaining fuel dealers to survive. And you get to a point where small fuel dealers have too much paperwork, too much involved, and it isn't worth it.

Senator HUMPHREY. Yes.

Mr. RUTHERFORD. And so—I think I mentioned this earlier—that they're trying to restrict the smaller fuel dealers.

Senator HUMPHREY. Aren't you facing shortened credit periods yourself?

Mr. RUTHERFORD. Yes.

Senator HUMPHREY. We all now that——

Mr. RUTHERFORD. Yes, I know.

Senator HUMPHREY. Ten days, or what was it?

Mr. RUTHERFORD. What has happened is they haven't changed it as far as our supplies are concerned. They have not changed the credit terms.

But they have their credit limits. In other words, we'll say that last year if in 30 days you purchased, say, $400,000 worth of fuel from "XYZ Company," he's going to come through this year and say "okay, I'll give you $400,000 worth of credit, but that's it."

You have to remember that the price of fuel has gone up since some 70 percent. So, with that same credit line restriction, you are facing a 15 or 16 days' supply this winter, not 30 days' supply.

Senator HUMPHREY. Yes.

Mr. RUTHERFORD. So, therefore, you have no alternative but to enforce your credit terms with your customers.

Senator HUMPHREY. What span of time is that for you?

Mr. RUTHERFORD. As far as our company is concerned, that's still going to be payable by the 10th of the month. That means the 10th; it doesn't mean the 15th, 20th, or the 30th, or whenever they think they'll send our a check. If we don't have it by the 10th, if the next delivery is the 15th we cannot deliver, because we won't be able to pay our bill.

Senator HUMPHREY. Yes, Well, thank you, Mr. Rutherford.

Ladies and gentlemen, that concludes the formal part of the hearing. Several of the witnesses have not been able to come. I'd like to make available at this time the time to others who may be interested in giving oral testimony, or just having a colloquy, giving their opinion, provided, of course, that if time remains and anybody would like to come up and give their two cents' worth. They could even stay in their seats, if they wish.

We'll just start with this lady and work around. We would encourage you to use the microphone, if you wish, but whatever you prefer.

STATEMENT OF NANCY MORREAULT, STRATFORD COUNTY COMMUNITY ACTION

Ms. MORREAULT. I can be loud. My name is Nancy Morreault, Stratford County Community Action.

We have in the past dealt with the Energy Emergency Assistance Program. The State gave us a program, with money left over of $250, to be used as a credit. This is the program the oil dealer spoke of which was very good. The elderly especially liked it.

The other program was if you had a bill they would pay it. If not, then they gave assistance for food, clothing, and so forth, medical, and so forth.

We did a survey in Stratford County this summer of about 400 people. One of the biggest things—low-income people—was they're afraid of freezing this winter; either that or being found in their homes frozen or starving. They are cutting down on their medical, their blood pressure pills, and so forth and so on, because they are putting their money away for fuel. Therefore, some of them who have a little bit of money in the bank cannot apply for food stamps and so forth and so on because they have a little resources.

The point I'm trying to make is they would like to see, instead of having food, having the other, clothing and so forth and so on, have the whole thing put into a credit that they can use in the future to know that if they need fuel next month they can buy it and not have to go without food.

Thank you.

Senator HUMPHREY. Yes. Thank you.

This gentleman here?

VOICE. Well, I'm from the same agency as she, and she answered all the questions, I think. Thank you.

Senator HUMPHREY. Mr. Sanders.

Mr. SANDERS.. Thank you very much for coming up here, Senator. You are behind the people.

I would like to introduce Mrs. Barbara Khalkali, the director of the Kingston Community House. She has some important things for us to know. May she have the floor?

Senator HUMPHREY. Yes, certainly.

STATEMENT OF BARBARA KHALKALI, DIRECTOR, KINGSTON COMMUNITY HOUSE; ACCOMPANIED BY MR. SANDERS

Ms. KHALKALI. I had no idea this was going to happen.

Senator HUMPHREY. Neither did we.

Ms. KHALKALI. My voice gets shaky in situations like this. I taught public speaking in high school and college.

It's very nice to be here. Your office extended this invitation 2 days ago when I contacted them about the problems we were having.

This is all very enlightening to hear what everyone has had to say.

I particularly would like to address the Lions Club. They have done a fantastic job. I would like to say that the Lions Club in our town has been very, very supportive in our efforts.

I, as just an individual, concerned citizen, last October started a telephone reassurance program for my town. It was mainly to reach out to our elderly and shut-ins and offer them some help.

Within 2 weeks of the initial newspaper coverage, I had 75 volunteers. Some of them are no longer with us. We have a lot of new ones who are very, very much involved, such as Mr. Sanders.

From that program and going out and directly visiting the elderly, I became aware of their problem and how urgent it was to do something about it.

The Lions Club came to me within 2 weeks and said "how can we help you?" I had had to stop my part-time work and devote all my energies to this, and the Lions gave me money for my car and my expenses.

Within 2 months, I went to the selectmen, saying that we needed something much more than just one simple telephone program. With their cooperation and a group of citizens behind me, we established the Kingston community house.

Our most recent and successful program is having lunches, and we explain to them that they would have to do it for themselves; we would not expect the Federal lunch program. One had been available to them and for no reason was taken away. There was a lot of confusion. There were a lot of hurt feelings. It was not located in Kingston, and therefore didn't meet the real people's needs.

We have it once a week. So far, the response has been absolutely incredible. We have volunteers, again, just coming forth to help with this. They can call us anytime for transportation. We also get meals out to the sick, and we have quite a unique program with that; it is not meals on wheels, and it will not be meals on wheels. It's private people who cook a little extra and take it to a neighbor who's sick or not able to cook for themselves.

We have distributed the violet light. We distributed canes, walkers, wheelchairs and hospital beds free of charge. We give rides in emergencies. We welcome newcomers. We coordinated drives for the blood pressure clinic, which is available once a month. The

numbers going have been—they have dropped down considerably, and now we have an average of 50 going every month.

We have become, because of the nature of our work, an information referral and help center.

I am really alarmed at the responsibility put on our selectmen—and that was done 3 weeks ago—in the hope that we could work together on these problems. I needed to know what the funds which were available within the town were.

I realize last year that CAP initially only had $100.00 loans available, and the sheet that was handed to me the Director of the program said "don't use. It's insulting. If you put this in front of a senior who really needs this, it's the most degrading thing I've ever seen." Consequently, I never used it.

The Lions Club is a private source of money. We also have people behind us. We have not taken one cent from the State or one cent from the Federal Government, and we will not. We will stand on our own with the people behind us—and they really are.

Now that we have made this stand, which came out in the newspaper last week, a lot more people are coming.

The sad thing, the really sad thing, the selectmen and I discussed is that the people who need it the most will not go even to the selectmen to help, even though sometimes they're old friends or acquaintances. They are not going to go there because that's public welfare. But they do come to me. I do have a few areas where I can turn, but overall we're facing a nightmare.

These people legitimately do not want to be taken out of their homes. That would be a possibility. They want to stay in their homes.

Last year, I visited one home. I was alerted by her call, and there was no phone in the house because she had to pay one extra fuel delivery. That's sad.

I, along with everybody else, would hate to see another Government agency come in and create more problems than they solve.

[Applause.]

Senator HUMPHREY. Would you repeat your name, please?

Ms. KHALKALI. Barbara Khalkali.

Senator HUMPHREY. Do you have any means to help people with respect to this fuel problem? I realize that by helping them in other ways——

Ms. KHALKALI. I have been meeting with the Lions Club. The Lions Club has already come to me again this year. We're facing an anniversary.

It was their policy in the past to only let some organization like ours come them once. They asked us to come twice last year, and now they're right there again this year. I didn't have to call them. They called me.

We're going to try to make up some workable arrangement. And then I'm going—we sent a letter out to all the other service and fraternal organizations within the town saying that I will speak. And what we'd like is a representative from each club plus a Selectman, to try to sit down and see what we're going to do.

Senator HUMPHREY. Very good. Very good. Excellent. Congratulations.

Ms. KHALKALI. And it's really exciting. And I hope, I really hope, more towns will do it, because it can be done. I know it can only be done in small towns.

Senator HUMPHREY. Perhaps your time would be best spent—I am not trying to advise you by any means—they say Henry Ford didn't get rich by putting wheels on axles—perhaps you should leverage yourself by traveling around the State and showing other how they can set up such programs.

Ms. KHALKALI. Well, I am in the process of writing something up.

Senator HUMPHREY. Good. Thank you for coming.

Ms. KHALKALI. Thank you very much.

[Applause.]

Senator HUMPHREY. Yes?

STATEMENT OF LAURA MURRAY, STATE REPRESENTATIVE, MOUNT VERNON, N.H.

Ms. MURRAY. Thank you, Senator, for the privilege of being here and visiting your State of New Hampshire.

I am Laura Murray, and I am representing Mount Vernon. I am just here to say that past experience from 1976 to 1979—I've found that the selectmen of the town have not had funds to help the people of the town at that time. They've told the people of the town from time to time that there is only enough for food, clothing, or for essentials, for food, and the funds.

I think that in some way there should be a setup for some sort of funds for each and every town through the Selectmen.

That's all I have to say. I actually have not been appointed by any one person or anybody at all. I just am actually appointing myself to speak for the town of Mount Vernon. There isn't anybody else who came along with me, other than somebody from Operation Health and someone else from the town of Amherst; those are the two other ladies that have come along with me.

Senator HUMPHREY. Thank you, Representative Murray. I know Mount Vernon, and some parts of it are very rural. I'm sure that there are some people in that town who will have a problem.

Did I see another hand? Yes, Mr. Burns?

STATEMENT OF MR. BURNS

Mr. BURNS. I would personally like to thank you, Senator Humphrey, for the many good things you're doing for New Hampshire and for the State in your office in Washington.

I agree with the previous speaker that there are many people in New Hampshire who have a character that would not permit them to ask for help. I used to live in the town of Webster, and this was particularly characteristic of the people of Webster. They have an appropriation for welfare in that town, and the appropriation is largely turned back for other purposes because it was not—I won't say needed—but it was not wanted by the people of the town.

I do believe we are in an emergency situation. We hear a lot about the people on fixed incomes—and we put quotation marks around the term "fixed" because a denominated income is subject to inflation, and a so-called fixed income is actually a steadily declining income.

I think it's important that we look to the root cause of this out of deference to those who established the principles on which this country was founded and on which it should continue to operate.

We hear about the windfall profits tax as something that should be imposed against the oil companies. Much of our new oil is produced by small producers, found by small producers, and to impose windfall profits on them would inhibit their efforts when we desperately need them.

There is another group that is the recipient of windfall profits that we don't hear very much about but we do suffer from their actions, and I'm referring to the bankers. I think everybody's aware of the discount rates involved, the prime rate, and the effect this is having on business and the effect this is having on jobs. I think it's important that we go after the right people, and I don't think those right people are these small producers of oil where we get most of our new discoveries.

So my proposal is that we go out to the bankers and go after the 12.5 percent, 13.5 percent I guess it is now, the prime rate I guess it is.

Now, we don't hear much in the newspapers about what happens to this 12.5 percent. Somebody's getting it. That somebody is the bankers.

I am very much concerned—I hope you don't think I'm going too far afield here. I'm trying give you my thoughts on some of this—I'm very much concerned about the national debt, the Federal Reserve System. It's not a Federal system; it's a private system; it's owned by private bankers who are gaining the profits from high prime interest and discount rates.

My other proposal is that we should have an audit of the Federal Reserve System right at the root cause of this, and it's my position on what is really wrong with our country. This is the problem that we face, not only with respect to fuel, but with respect to all of those things in the so-called price because of reducing phony dollars and unconstitutional dollars.

I recommend that everyone read the U.S. Constitution, particularly article I, section 10, and article I, section 8, to see that the power to control money is properly within the hands of the Congress and not in the hands of private bankers.

I thank you.

Senator HUMPHREY. Thank you. [Applause.]

Yes, sir? Are you a representative——

Mr. BURNS. Just a plain old tax-paying mister.

Senator HUMPHREY. Thank you.

VOICE. Senator Humphrey, thank you for allowing me to make a comment with regard to a statement that was made here this afternoon in regard to Henry Richardson, and that's that the assistance funds go directly to town government, instead of creating a new agency.

Many of these agencies were created, as was said, Washington created, voted in by the local people. They can be voted out by the local people. Therefore, you would—I mean you could establish another fund if this should happen.

The town governments apparently do want to participate. I feel this is a very necessary thing.

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Some of the people brought up such a thing as using wood as an alternative. The price of a cord of wood right now is hitting $100 in this area in many places. And further down in Massachusetts, near Cape Cod, that wood is $125 a cord. And I've recently even heard that it's over $200 a cord in New Jersey. So it's really not an alternative to our problem here.

Thank you very much.

Senator HUMPHREY. Thank you.

Does anyone else wish to be heard?

[No response.]

Thank you all for coming. I think we've learned a great deal. I certainly have. The hearing is closed.

[Whereupon, at 3 p.m., the committee was adjourned.]

HOME ENERGY ASSISTANCE ACT, 1979

MONDAY, OCTOBER 15, 1979

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Jersey City, N.J.

The committee met, pursuant to notice, at 9:35 a.m., in Pope Auditorium, St. Peter's College, Senator Harrison A. Williams, Jr. (chairman) presiding.

OPENING STATEMENT OF SENATOR WILLIAMS

The CHAIRMAN. Now I believe we are ready to proceed. As you know, this is a hearing conducted by the U.S. Senate Committee on Labor and Human Resources on a matter is a matter of great crisis and great importance. Our mission is to bring an effective measure of relief to a very troubled scene. As chairman of this committee, I thought it important that I be in New Jersey to learn what the impact will be of the present explosive energy price increases, particularly fuel oil since over 70 percent of the homes in New Jersey are heated by oil. As part of the examination on energy price increases, other Labor and Human Resources Committee members has gone to his own State to hold a similar factfinding hearing like this.

We will reconvene in Washington this week and we will bring all our information together, consider the legislation that has been introduced and hopefully act favorably on this important legislation.

Let me just say in opening, what I'm sure we can all appreciate, in the next few weeks many American families will experience the first freezing blasts of winter; certainly this morning and last week we had the forerunner of things to come. Five months of cold weather and the necessity of heating homes obviously will follow. Energy prices have increased substantially over the past 5 years causing hardships, and these hardships are felt particularly, of course, by the low and fixed income families.

During the winter of 1978–79, heating costs were a great burden to many New Jersey residents, and now during the upcoming winter, we face an even more dramatic energy price increase.

In New Jersey, the average family will pay close to $1,000 for fuel oil over the course of the next 5 months or an average of $200 a month. Now for a family netting $2,400 a year, the average monthly fuel oil cost will equal 100 percent of income during the winter months, and lower-middle-income families will be paying 20 to 30 percent or more of their family monthly income for fuel. For the elderly on fixed incomes, the situation is an impossible—at that rate, an impossible financial burden.

So with this looming crisis, it is imperative that the Congress take action to provide financial assistance to those Americans who are going to be in such need, and without this assistance, literally many will either freeze or starve.

To help alleviate this terrible condition, I have introduced a bill, S. 1724, entitled the Home Energy Assistance Act. As a long-term solution, my bill would develop a multibillion-dollar program of grants to ease the effects of rapidly rising energy costs during 1980 and following years. States would be responsible for administering the program and assistance would be provided to those families who spend a substantial percentage of their income on energy.

Our hearing today will focus on New Jersey, the State's administration, and we will very shortly come to the municipal scene and hear from the local officials and all of the people that will be here have a responsibility for administering a fuel assistance program. We will also hear from consumers who may be the recipients of financial assistance. Today's witnesses will be of great help to our committee as we turn to final preparation of a committee bill.

The urgency of the problem requires Congress to act and act with dispatch and I'm going to move on now with dispatch and the most important way to begin the hearing in Jersey City is with the chief executive, a man that is beloved by all, a man who has proven his sensitivity to human needs. Tom, I can't look at you and be in your city without recalling—one blustery day, the day before Christmas, we went around serving Meals On Wheels together. But, before we went around to the homes we worked in the kitchen. I look back on it with happy memories. I was a little slow at my work and you helped me out. You worked my job and yours until I learned the job in the kitchen and—but to travel with you to so many homes to see—your real sense of humaneness as you talked with the folks that we visited and you could see that your visit there was really—one of the moments of great joy, you and I both got letters, that meant so much from some of these wonderful folks.

Well, today we've got another problem. We've got to have answers and you're going to help us to find those answers so we can get moving on this bill. There are awful, awful problems facing people, financial problems, to stay warm this winter.

STATEMENT OF THOMAS F. X. SMITH, MAYOR, JERSEY CITY, N.J.

Mayor SMITH. Thank you very much, Senator.

At the outset, I would like to personally thank you and your staff for your dedication, your devotion and your very sensitive attention to all matters vital to Jersey City and Hudson County.

I would like to make a public declaration that whenever we call your office or call you, invariably we do speak to you, and your attention to detail and your attention to matters that are pressing matters to Jersey City and Hudson County is something that has moved me tremendously and that's the reason that I call you "Harrison" instead of "Pete" because I have such great respect for you, Senator, and with that, I am pleased and grateful for the opportunity to be here today and I wish to thank you for this opportunity to speak on an issue that vitally concerns the well-

being of our people, and although at the outset I would like to make it clear that I strongly support your bill and applaud you, I am, Senator, requesting perhaps a further enlargement of that program and I wish also to thank St. Peter's College for the opportunity of posting this public hearing here, Father Glenn, the president, I think it's rather appropriate that we have a hearing of this kind at St. Peter's College because the subject matter of my dissertation today is a concern for what I refer to as the "Forgotten American," the working class people, and St. Peter's College can be appropriately and aptly described as a working class people's college.

These are the people, quite frankly, that are generally left out of any vital programs and the people who could least afford to be.

Now we understand that—full well that President Carter speaks of a malaise that's affecting our college—our community, our country or widespread dissatisfaction on the part of the people and he suggests many reasons for it.

One reason that never seems to be offered is that there is a vast category of Americans who seem to bear the burden of everything and very few people seem willing to listen to their pleas for help.

Several decades ago, and I know Mike Collins will be delighted to hear this, the late Walter Reuther, when he was seeking pension benefits for the laboring people, the assembly people in the auto workers industry, coined an expression, he said they were "too young to die and too old to work."

I would like to suggest, Senator, that we have a huge category of "Forgotten Americans" who are "too rich to go on welfare, too poor to buy heating oil in this country" and although I applaud the intent behind both the President's bill and the much more acceptable bill of Senator Williams, since both are concerned with the primary responsibility of helping those most in need, I respectfully submit that neither bill goes far enough

There are people in our communities in New Jersey, although they are not or may not be classified as poverty eligible, their obligations and costs are such that they are virtually poverty stricken as well. And these are the people, the working class, who represent most of the people of Jersey City

The working class people, many of whom live in cities like Jersey City, are overburdened with high municipal taxes or rents and are forced to pay for responsibilities that others more affluent do not.

Yet, when Federal or State urban programs are made available, these same "Forgotten Americans" who foot the bills are invariably left out.

Ergo, I believe a point of concern in this malaise that we talk about in this Nation. So I respectfully submit that relief from these unconscionable heating costs should be distributed across the board, as difficult as that may seem.

There should be relief provided, perhaps on a de-escalating scale, to all people faced with higher heating bills. This can be done in many ways, but perhaps tax credits on Federal income taxes would be more viable for those in higher salary brackets.

How do I recommend that we find the moneys necessary for such an undertaking? I'll get to that, but first permit me to be more parochial and tell you of the plight and the needs of our people.

For many Jersey City families, this 1979–80 winter season will literally be a "heat-or-eat" situation.

We have already experienced the earliest snow in half a century. Meteorologists are predicting a cold and snowy winter, and yesterday a computer forecast indicated that our region will get 22 percent more snow this winter than last. Compounding this are predictions of record-low temperatures during the remainder of the month.

Fuel oil is now at 90 cents a gallon in our area, and one dealer has already reached the dollar mark. We're still in early autumn, but already these prices reflect a 50 percent increase over last winter's fuel costs that saw some families paying over $200 a month.

U.S. Senator and your colleague, William Roth of Delaware recently said: "It will soon be cheaper to burn dollar bills than home heating oil."

A survey in Connecticut—another Northeastern State like our own that will be among the hardest hit this winter—showed that most elderly people there will spend 25 to 57 percent of their incomes on energy during the winter season. This deeply concerns me because Jersey City's percentage of older people is one of the highest in the Nation.

President Carter has announced that the Nation will have an adequate fuel supply for home heating needs this winter. But for some families in Jersey City, the heating oil that is in the dealer's storage tank a mile away might just as well be in a tanker in the Persian Gulf.

There is no price relief in sight. In fact, the Organization of Petroleum Exporting Countries meets in December and the OPEC members already have set their sights on oil price boosts to make up for inflation.

Here the cost of oil for heat this winter will be the biggest household expense, even ahead of food or the mortgage payment, for thousands of middle-income families.

I agree with Rhode Island Gov. J. Joseph Garrahy who said that the fuel prices ahead could deal low-income people "the most disastrous blow since the Great Depression."

At this point, let me reiterate, Senator, that I applaud you for taking decisive action in the fact of an impending national crisis.

Your plan to help hard pressed families meet their fuel costs this winter is unquestionably far better than President Carter's for at least two reasons. It is not contingent upon the approval of windfall profits tax, as the President's is, and the Senator's bill would make more families with higher incomes eligible for assistance, which is good and commendable.

However, I respectfully suggest, Senator, that we're not going far enough. There are many more families that should be eligible for financial assistance to cover their fuel bills this winter.

Where President Carter would limit a family of four to an income of $8,900 in the energy assistance program, our great Senator Williams' limit is $11,975, a considerable improvement. But quite frankly, I feel both fall short of the needs of the people of Jersey City.

Based on Bureau of Labor Statistics, the minimum budget for a family of four living in the metropolitan area is $16,100. Our own planning office estimates that about 60 percent of the families in Jersey City fall below this mark, 60 percent of the families.

With a potential of 60 percent of our families needing financial assistance this winter, the Carter bill would help approximately 29 percent, the Williams bill, 38 percent. So at least from a half to a third of our families in need of help could be out in the cold, literally, this winter, if we do not adjust the eligibility standards.

Now the Department of Housing and Urban Development provides housing assistance to residents of Jersey City, and need is defined by median income and family size.

The HUD figure for section 8 housing assistance is $14,400 for a family of four.

And HUD, giving official recognition to the fact that Jersey City has exceptional needs and income problems, has allowed the city to provide home improvement grants in the neighborhood improvement program based on $21,600 for a family of four.

Recognizing these realities, it is self-evident that placing the limit on income at $11,875, although far superior to that of the President's, however, when the HUD limit on section 8 housing aid is $11,400 and the NIP grant limit is $21,600, it obviously falls short of what is required in Jersey City.

I also believe that you cannot, in all fairness, set an arbitrary limit of 125 percent of the poverty level in determining the need in any financial assistance program. Other factors should be considered, such as municipal over burdens, which are devastating in the State of New Jersey, in short, where the people of particular communities, urban cities are required to pay the total costs, if you would, of all the social ills and the social problems and those much more affluent are removed from this municipal overburden and in this State where the taxes—where the communities are preempted, if you would, the State takes our income tax, the State takes our sales tax, the Federal Government takes our income taxes, they take our money and return just a fraction of those moneys, and these kinds of situations typical, of course, in Jersey City, where we're left with the most regressive form of taxation on housing or on homes.

We suggest that this be a very important consideration in any financial assistance program. We further add the aspect of tuition costs, medical costs and other basic necessities.

In Jersey City, nearly one-third of all elementary and high school students attend private schools, with tuition in the elementary grades from $300 to $400 a year and from $900 to $1,000 in private high schools. Typical of the concern I have is for families that are spending thousands of dollars on tuition, which literally brings them under the 125 percent of the poverty level, but still leaves them ineligible for fuel assistance. And families struggling to keep up with the mortgage payments and inordinately high real estate taxes fall far below the proverty level and not—and are not eligible for heating aid. I think these are the kinds of things that cause the malaise that we talked about the President's talking about, people who are struggling and taking second jobs, paying out the burden of support for everyone, paying these inordinate

costs for education and other factors, then finding themselves, when an aid program comes out, being told, well, you're earning 16,000 or 17,000 or 18,000 or 20,000 or 25,000 and yet they're sending their children to schools and paying taxes that put them in the poverty level and I submit further that the only alternative for the working class person is to go out and borrow the money to pay for these raised costs in fuel and as a consequence, it further inflames the inflationary cycle.

Now the New Jersey Fuel Merchants Association would raise the eligibility figure to 150 percent of the poverty level, which is in the right direction, but still, I prefer a deescalating scale that would take in a family's special needs and obligations rather than have its eligibility established by an arbitrary percentage.

St. Peter's College is itself an indicator of this area's economy. Eighty percent of all students at St. Peter's are from Hudson County. Ninety percent of all students take part-time jobs to try to make ends meet in these urban communities.

Fifty-three percent of the day students here at St. Peter's are from families with less than $15,000 annual income, and when you consider what they're paying in terms of tuition, and many of them are sending a child to St. Peter's or a youngster to St. Peter's and a child to St. Aloysius Academy or St. Dominic's or St. Peter's Prep and are literally under the poverty level.

Now many of these families struggling to send their children to school and, coincidentally, improving our society, would not qualify for heating assistance under either plan under discussion.

Very few of the 47 percent of the families with incomes over $15,000 can afford increased heating bills. My point is that an arbitrary cutoff figure which is declared the poverty level is not realistic and adjustments for other costs must be established.

In conclusion, I would like to suggest one of the means available for funding a broader assistance program, but first let me summarize New Jersey's energy plight.

New Jersey, like the Northeast generally, is substantially dependent on outside regions for current energy supplies. The State has no domestic energy resources providing a significant amount of current energy consumption. Petroleum products accounted for 74.4 percent of the State's total energy needs in 1978, well above the national average of 48.1 percent.

New Jersey refineries are presently dependent for over 90 percent of their crude oil supplies on foreign sources. This dependence on foreign crude oil has steadily increased since 1956 when approximately 40 percent of crude oil supplies processed in the State's refineries were from production sources within the United States.

As a result of the State's current dependence on outside regions for energy supplies, higher prices for these supplies will have significant adverse impacts on the State's economy by draining massive amounts of capital from New Jersey to energy-producing regions both outside and within the United States.

The level of capital transfers to energy-producing regions from New Jersey is already significant, but is likely to increase substantially as international and national energy polices result in higher

prices for both conventional fossil fuel and potential synthetic fuel supplies.

In 1978, New Jersey consumers paid in excess of $3.6 billion for petroleum products, almost $4 billion. This amount could increase to an estimated $7.5 billion in 1985 on the assumption of continued Federal policies to deregulate domestic crude oil prices to comparable world market levels.

If world prices continue to increase at the extraordinary rates of the past year, this estimate would be substantially under the actual level of New Jersey's expenditure for petroleum in 1985.

It is obvious that New Jersey faces serious problems, not only now, but in the future. Therefore, extraordinary measures are necessary. New Jersey, despite the lack of indigenous energy sources and our heavy dependence on foreign oil, has been one of the most committed States in terms of refined petroleum products. As a matter of fact, New Jersey refines 30 percent of all the refined products in the Eastern section of our country; that's a heavy commitment.

I suggest that we impose a refinery tax on the 600,000 barrels a day refined in our State.

Why not utilize our heavy commitment to subsidize our heavy costs? Louisiana, Oklahoma, and other oil producing States, they have no compunctions about imposing taxes on oil they export to other States. Why shouldn't we benefit in the same manner?

Eighty percent of the oil refined in New Jersey is used elsewhere.

The taxes from the refined products could offset the higher costs experienced by New Jersey citizens and would allow some relief for all of our present users.

Senator, with that, I would like to conclude with an expression of gratitude, but I do have just one more footnote in an area that I think is extremely critical to urban communities, and that is in the multiple-dwelling units, and as you well know, they're all in the big cities of this State, we have a major, major problem with the cost of energy, the rent payers can no longer pay the kinds of rents that are required in these urban communities, and the owners of these buildings can ill afford to absorb the higher increases in oil in energy.

So I submit, Senator, that this is a very, very critical problem that's going to get increasingly more serious and I submit that we should consider what we can do to reduce this cost to multiple-dwelling heat suppliers.

Again I would wish to express my gratitude to you, Senator Williams, for your concern for us in this crisis, and also for enabling us to be heard here in Jersey City, and I'm grateful to St. Peter's College for taking part in this hearing on one of the most critical issues affecting America today and, Harrison, I want to personally thank you for all the wonderful things you are doing for us and for what you've done for New Jersey.

Thank you. [Applause.]

The CHAIRMAN. Thank you very much, Mayor Smith.

We have all of the elements that we need, certainly an understanding of the impact on the people of your community, that has been so dramatically expressed here.

The analysis of how we approach this has been very useful. Some of the suggestions you have made, while well beyond our province responsibility such as the Refinery Tax, are very constructive, and as a whole—your statement will be very valuable to the committee.

While you may believe that the bill that I introduced, will still leave some people in need unassisted, S. 1724 is designed to reach people on the basis of the Bureau of Labor Statistics lower living standard. This measure of poverty is particularly useful for our purposes since it takes regional cost-of-living differences into account.

Other Federal programs use national figures that are fixed, with no regional adjustments.

The Bureau of Labor Statistics for its living standard index uses regional and within region, including metropolitan and rural differences and, therefore, the overburden of the metropolitan cost of living is included.

Therefore, under my bill, we would be able to reach people up to $15,000 through this assistance program, $15,000 of annual income.

Mayor SMITH. Right.

Senator, just——

The CHAIRMAN. But there are others left out that are going to have a heavy burden.

Now, you mentioned tax credits, and that makes a great deal of sense.

We, from this committee, have—no opportunity under law to deal with that issue. You mentioned Senator Roth, who he serves on the Finance Committee which has jurisdiction over legislation relating to the tax treatment of those beyond the income eligibility in S. 1724. I share your views that additional assistance to these categories outside of my bill's eligibility should be considered through a tax credit approach.

Though when we put it altogether what we're really after is to make sure people are not forced to be cold because they can't afford the price of the energy; right?

Mayor SMITH. Right. I just want to qualify one point, if I may.

Even though we used the Bureau of Labor Statistics, Senator, and you indicate that this takes care of the overburden for the East, I think it's important that we clearly point out that it does not consider the tremendous municipal overburden which face the cities of the State of New Jersey as opposed to other communities.

One simply has to look at the tax rates which are—as you well know, because we have to, for example here in Jersey City, pay $5 million for—for relief—welfare; Deal and Allamuchy don't have to pay for those kinds of responsibilities.

The CHAIRMAN. Well, that's why I mentioned how the lower living standard is indexed, it's not only regional, but within the region it is also defined—it's divided between metropolitan cities and the rural.

Mayor SMITH. Yes.

The CHAIRMAN. So, again——

Mayor SMITH. OK.

The CHAIRMAN [continuing]. This doesn't, on that basis, find all those that will have a real need.

It is however better than the national poverty level standard.

Mayor SMITH. No question about that.

I have to applaud you.

The CHAIRMAN. Now I have a question. I would like to pose to you. Last year we had a crisis intervention program administered by the Community Service Administration. I wonder if you could tell us whether that program reached the most—desperate situations last year in Jersey City.

Mayor SMITH. Yes, it did.

There were two programs, as you know, energy crisis programs. In terms of the most desperate people in the community, it did reach them.

Again, my only point is that I honestly believe, and I underscore this, that there are vast numbers of people who are just simply struggling working people who are literally falling under the poverty levels because of other kinds of factors and costs which, incidentally, are the kinds of factors that make us the great communities that we are, and I think that this great malaise and this great dissatisfaction is that this vast majority of people who see their salaries eroding, who see inflation eating them up, you know, find themselves each time in this case.

I could tell you that people here, a city worker and his wife has to, for the most part, go out to help to make ends meet, and these two people are trying to send their children to either—their children to St. Peter's or Jersey City State or some of these other schools, and they're literally left out of the ballgame.

Now, you know, you can imagine how they feel when they realize I'm going to have to go out and borrow money to pay for my heating costs this year, whether they be rent payers or taxpayers, and I'm out of the program again.

The CHAIRMAN. Yes.

Mayor SMITH. And I think this is one of the things that—I know it's not an easy problem to solve, but it's something that has to be very—we have to be mindful of, and I do, of course, make it clear that a refinery tax would be a New Jersey problem and I also recognize that there will be those who will be saying that it's unconstitutional and what have you, but it seems to me that other States like Louisiana and Oklahoma and the others, they have no problems with these constitutional questions, and I don't see why if a State like ours, and many of these refineries, quite honestly, Senator, add to the kind of—well, in effect, damage the esthetics of the community. I think they should be paying more than what they are paying and I think that that kind of a tax, where 80 percent of the people using our products are outside of New Jersey, will have an opportunity to give the relief.

My estimation, it's comparable probably to a value-type tax that they're talking about now and the kind of tax that's very prominent in Europe.

I think that it would give the relief to more people outside of the realm of the 11,700 figure that you have given, but again, I want to underscore and I want to make it eminently clear that you're to be commended and be congratulated for your great efforts and I know some of the problems that I bring out are not easily solved.

The CHAIRMAN. Well, I agree with you, there are—there are people who have not been reached in ways where they need assist-

ance, but we try to find ways that we can reach struggling and working people who don't come in under these formulas.

I'm on the Banking Committee where we have a housing legislation and we have moved up the kind of FHA support in other ways to have housing opportunities available for the $20,000 to $25,000 family that has—have not—that are in the struggle too, and you know it and I know it.

Mayor SMITH. Right.

The CHAIRMAN. Thank you very much.

Mayor SMITH. Thank you, Senator.

The CHAIRMAN. Great beginning for our hearings. [Applause.]

Now we appropriately turn to the State level in the Cabinet of our government and we have Ann Klein, the commissioner of the New Jersey Department of Human Services, and from the New Jersey Department of Community Affairs, Commissioner Joseph LeFante.

So if the commissioners would come up together, we certainly welcome you and know that if we are going to meet this winter's needs, we do our work in Washington, what we do must come to you who run the departments, State government, that deal with human needs and, therefore, you're essential, and thank goodness you are where you are because we need your wisdom, strength and talents there to deal with people in crisis times and that's exactly what we've got.

Commissioner Klein, welcome.

STATEMENT OF ANN KLEIN, COMMISSIONER, NEW JERSEY DEPARTMENT OF HUMAN SERVICES, ACCOMPANIED BY JOSEPH LeFANTE, COMMISSIONER, NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS

Commissioner KLEIN. Thank you very much, Senator. I'm really very happy to be here and I think it's most appropriate that you're holding this hearing and that it's here in Jersey City where the mayor described so aptly the problems of the people who live here.

I think there is no other social issue that's as timely and important as this whole question of energy assistance for low income families. In just a few weeks, we believe we will face a serious crisis in New Jersey unless some type of substantial Federal relief is quickly forthcoming, and just 2 days ago, I met a couple of workers from Monmouth County, from the welfare office there, who told me that they had already received ten phone calls from people who are unable to fill their oil tanks because they could not come up with the dollars, the $200 that was needed and they could not get credit and they said that they don't think the crisis is coming, they think the crisis is here.

Before I explain some of the problems facing us in New Jersey, I want to thank you, however, for your outstanding leadership in this matter. I had the opportunity recently, I was in Washington and I dropped in on your hearings on energy assistance and I recall very well your outspoken concern for the needs of poor families in this country.

We are indeed very fortunate to have a Senator from New Jersey of your sensitivity and stature to represent us in Washington on this very critical issue.

New Jersey, like other Northeastern States, will be disproportionately affected by the rising cost of oil this winter as we seem to be disproportionately affected by everything that comes down the turnpike in the way of a crisis.

About 60 percent of all the households in New Jersey use heating oil compared to 33 percent nationally. Since 1972, the cost for No. 2 residential fuel oil has increased by 370 percent. Last year, the average homeowner in the State spent $588 for heating; this winter the amount could possibly exceed $1,000.

The effect of rising fuel costs on the poor is catastrophic. Whereas many higher income households have at least some flexibility in their budgets to meet rising energy costs, some ability to borrow, if necessary; the poor do not.

According to the National Advisory Council on Economic Opportunity, "The lowest 10 percent of income distribution spent more than 119 percent after income tax on shelter, energy and health care alone." Unless relief is available, many of the poor nationally will have to choose between food and heat as you so aptly put it before and they will also be going further into debt.

New Jersey is generally considered a wealthy State in per capita income, but because of our high cost of living, I am sure you recognize that being poor in our State can be even more cruel and debilitating than elsewhere. For too long, New Jersey has been discriminated against in the allocation of Federal funds because programs, such as AFDC and medicaid, are based on the poverty level which is not adjusted for the regional cost of living, a point that you were making just previously, Senator.

Although our AFDC grant including food stamps is 79 percent of the poverty level, it is 63 percent of that "lower living standard income level" which you referred to which is issued by the Bureau of Labor Statistics and which is adjusted according to regional cost of living.

Sixty-three percent of that lower living standard is what our AFDC program provides even with food stamps included.

For this reason, we greatly support the utilization of the BLS standard in the allocation of funds under your Home Energy Assistance bill as a progressive measure which is long overdue.

Although I do not believe energy assistance should be restricted to AFDC families, their special needs must be considered in our State because of their low grants. Because of a very restrictive State budget and because New Jersey receives the minimum Federal financial participation, 50 percent, we have not been able to provide adequate cost of living increases to prevent erosion of AFDC benefits.

Since 1970, the AFDC benefit has increased by only 19 percent, compared with an 89 percent increase in the Consumer Price Index.

I am especially concerned about the welfare of the 326,000 children served in this program who may not have enough heat this winter. About 14 percent of all children in New Jersey are covered by the AFDC program, which I think is an astounding figure.

I am also concerned about those individuals living in multiple-dwelling units. New York City found that fuel oil has become the largest single component of the rental housing operating costs,

about 31 percent of such costs. If this is equally true in New Jersey, we can expect substantial increases in rent or possibly increased abandonment of these buildings in urban areas.

Rent controlled areas, such as Newark and Jersey City, are already making provisions to permit higher rents in certain cases due to increased fuel costs.

Boarding homes, especially those dependent on SSI payments for their rent, could also be deeply affected by increasing fuel costs. In the past, some of these facilities have not provided an adequate level of care for these disabled and aged residents. A substantial increase in their operating costs could result in further deterioration of services and an exacerbation of the boarding home problem in our State.

Today we have a housing problem. Tomorrow we may have a housing crisis unless energy assistance is provided.

The rising cost of energy will have indirect effects as well which could be equally serious. For example, other services to needy families may have to be reduced in order to pay for increasing heating costs in agencies and institutions.

I know that the expenditures for energy in 17 large State institutions in my department will exceed the appropriation by $5 million, just for heating oil.

In the past, we have had to divert funds from other service programs by hiring fewer people, by not filling vacancies, to meet the deficits in the fuel and utilities accounts. This is going to be a much bigger problem this year.

In addition, we also pay for energy in hospitals and nursing homes. We estimate that our share of energy expenditures at all institutions may exceed $30 million. Many of the 482 agencies dependent on title 20 funds will also have to curtail services since the title 20 grant is not adjusted automatically for inflation, much less for the cost of energy.

New Jersey has already demonstrated its commitment to seek a solution to this energy assistance problem by recently enacting the lifeline legislation. This program will provide $100 credit to about 400,000 disabled and elderly households through an appropriation of $44 million, this is 100-percent State dollars, no Federal participation, and it will provide only $100 in credit to those people who qualify, and that's the disabled and the elderly with incomes up to $12,000 for a couple, or $9,000 for a single person.

Although it will help, this credit will not be enough to offset, in many cases, the rising cost of energy. I doubt if it will even offset the rising cost of electricity.

Furthermore, most of the poor are not aged or disabled and, therefore, are not eligible for the program because of that. In order to address the needs of these households, Federal assistance is urgent.

Federal legislation must provide flexibility so that States can meet their special needs. For example, 63 percent of households in New Jersey below 150 percent of the poverty level are renters. Our preliminary analysis of the food stamp population disclosed that most of these households do not pay for the heat directly, but do so through their rent. Your bill would permit us to consider the special characteristics of the renting population.

I would like to add, Senator, that with the changes in the food stamp regulations which do not permit you to get a disallowance for higher rents, people in this State were severely affected by cutbacks in their food stamp eligibility and food stamp payments.

Now Congress has addressed that question for the elderly, but it has not addressed the question for anybody else. So that if rent goes up in order to pay fuel costs, it is not going to be offset with increased food stamps as it would have been in the past, except for the elderly, it will not be helpful to families on food stamps.

I hope that the Congress is going to change that, because I really do feel children need that food as much as senior citizens do and it seems deplorable that we would allow a rent reduction for elderly people but not for families with children.

We will need flexibility in administering an energy assistance program. Your bill requires that we take into account type of fuel used, type of residence, and the income level in determining benefits. Although such requirements promote equity, it would be difficult and costly to administer a program which requires all those factors. Your bill is complicated.

Our lifeline program simply provides a $100 credit for utility bills incurred by all participating households. Although we paper over some of the equity issues, the program is simple to administer.

In the final analysis, because we envision combining our Federal program with our State program, we will need to design a system that provides reasonable equity, but some ease of administration.

We support the flexibility granted States in your bill in determining the eligibility criteria, especially the income level. Both the poor and the working poor should be eligible for assistance. And I can assure you, Senator, if Congress can provide us with sufficient funds soon, New Jersey has, I believe, the administrative capability of assisting all eligible households this winter.

I say that a little hesitantly, although it's in my testimony, because time is—is going fast and it is urgent that we have—that we know what we have as soon as possible in order to be able to gear up to administer it properly.

I am concerned that Federal legislation will not be enacted by Congress in time for this winter. We would very much like to enact a State program that would provide assistance to some of these poor households who are not eligible, but State revenues are not available in the general fund to finance such a program.

What we propose is that a provision be added in your bill which would reimburse the State for energy assistance expenditures made prior to the bill's enactment. Such a guarantee for retroactive payment would provide assurance to our State legislature that funds would be forthcoming if the bill is enacted.

I understand from some friends in Massachusetts that the legislature is considering legislation up there to provide assistance out of State funds with the qualification that it will be reimbursed when the Federal program is passed. I guess such an insertion in your bill, an amendment in your bill would help Massachusetts also.

We estimate that we could provide an energy allowance of up to $220 for 81,000 households if such a program were implemented.

That is not an awful lot of assistance, considering what's going on and it doesn't reach nearly as many people as it should.

Senator Williams, this testimony is limited to a discussion of the need for immediate relief to poor families from the horrendous sudden inflation in heating fuel costs. People cannot survive in our climate without heat. It must be provided.

We hear of special arrangements being made in New York to house people in schools or public buildings during a loss of heat. I will submit that that would be a terrible—a terrible way to go as contrasted to get heat into the building where they live. We know that that will lead to abandonment, it will lead to vandalism, it will lead to the destruction and total disappearance of a housing stock and it is obvious that, well, what the Government has to do is make sure that no matter what happens to the price of fuel, there is a way to get heat into those homes so that that kind of national disaster doesn't have to take place.

The administration has asked Congress to approve a windfall profits tax to capture the excess revenues the oil company—the oil industry will realize from the decontrol of oil

It is legitimate in every sense of the word to use those excess, unearned profits to support or to help support a low income energy assistance program. We join with Governor Byrne in urging that Congress enact a strong tax that will provide sufficient revenues to meet both emergency situations and long-range soaring energy costs that result from OPEC price increases and oil decontrol.

But no one would suggest that we should allow anyone to face undue hardship this winter, if the windfall profits tax is not enacted or is slow in coming about.

I am confident that that cannot and will not happen and that it is not the administration's intent to let the winter come without a program of assistance, but winter is here.

Finding comprehensive answers to our complex energy problems is a challenge facing all levels of government. As for New Jersey, Senator, we pray for your success in implementing legislation which meets the immediate and critical energy needs of our low income population before it is too late.

Thank you very much.

The CHAIRMAN. Excellent, and really, I'm very grateful. Your statement is very helpful.

I won't question you now, I will wait until Commissioner LeFante has spoken.

I just want to say that we do provide in the bill for a reimbursement to the States if they do advance the money and then the national program is enacted.

Commissioner KLEIN. We were not aware of that.

The CHAIRMAN. I would want you to look at that language and see if there is any lack of clarity, you can help us to clarify it.

Now, we welcome a former colleague in Congress, and a great friend of the people and great friend personally. Jim, we miss you in Washington, but we are very grateful that you are where you are now to respond to human needs as you can as the Commissioner of Community Affairs.

Welcome, Commissioner Joseph LeFante.

Commissioner LEFANTE. Thank you, Senator Williams. Needless to say, I'm delighted to appear here today and if I may, I would like to request that my testimony be entered into the record as submitted and in the interest of saving time, I would like to jump around because most of my testimony would be repetitious at this point.

The CHAIRMAN. It will all be included in the record.

Commissioner LEFANTE. Thank you, Senator.

I would like to begin by congratulating you on the introduction of your Home Energy Assistance Act.

Your bill clearly responds to the emergency that particularly faces the northeastern States, and at the risk of sounding repetitious, the figures that we face in this particular area indicate that there is a 100 percent increase in the cost of home heating oil. We went from a low of 47 cents per gallon last year to much over 80 cents, into the nineties. As Mayor Smith testified this morning, there's one particular dealer in the area that's charging $1 per gallon on the delivery. So we can all imagine the effect this will have on the low income and those living on fixed incomes and needless to say, the results are going to be disasterous, particularly those homes that are heated by oil. It is possible that an unreasonable portion of family income is going to exceed 30 percent on heat and utilities this winter.

As a northeastern State dependent primarily on oil, Senator, New Jersey faces a unique problem in providing energy assistance to its low-income and elderly households. Therefore, I particularly would like to note the broader eligibility target provided in your bill, and I understand in addition to the regional approach and the Bureau of Labor Statistics, that we are going to be addressing the problems that many elderly people in this particular area will be facing.

I know, for example, in New Jersey, that your standards would provide that over 680,000 households would be eligible to receive assistance. And also, under your bill's current funding level, the State of New Jersey stands to receive $54.3 million in vendor payments for eligible recipients with priority given to the lower level income households with the highest energy costs.

Additionally, New Jersey could receive an additional $16 million for Community Services Administration Energy Crisis Assistance in your bill as it is written.

Your bill also is a realistic approach to the problem at hand. However, Senator, we must emphasize the great need for speedy delivery and dispatch of assistance that is now needed. New Jersey will be able to implement a State plan with New Jersey assistance and I am very, very happy to hear you respond to Commissioner Klein's remarks about reimbursing the State for expenditures incurred prior to the congressional act of your bill, it is an indication that you are thinking so far ahead and we appreciate that.

There is also a need to expand the list of agencies providing outreach and certification to the elderly, renter groups, and the working poor eligible under this program, and might I suggest that the use of not only the existing Community Services Administration Community Action program mechanism, but further, include comprehensive assistance through the Area Agencies on Aging,

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welfare agencies, and the addition of housing, energy, and municipal offices as well.

I would also suggest a strengthening of your proposal to discourage home energy suppliers from terminating fuel delivery by recommending that the agreement of nontermination be extended from the Federal Government to the parent fuel companies in addition to the local fuel suppliers.

The continuation of services to client households, preventing a cutoff of heat or utilities during the upcoming season is essential. We must receive assurances from not only the local suppliers, but the parent companies as well that service will not be terminated.

Many of the local fuel suppliers, in this particular area, are mom and pop operators who do not have the resources to continue fuel deliveries to late-paying households when they themselves are often required to pay their suppliers within 10 days.

Now although recent evidence shows that northeast fuel dealers operating in a predominately oil-heated environment without serious competition have larger profit margins of between 15 and 16 cents per gallon, that is a larger profit margin than other areas, the major profits are made by the parent fuel companies. The burden of temporary nonpayment should, therefore, be borne at that level and the line of credit be extended from the parent companies through the local suppliers to the affected households.

Now, the administration has proposed a windfall profits tax to capture the excess revenues realized by the oil industry from the control of oil. It is entirely appropriate that funding for assistance to those hit hardest by higher fuel bills be generated from the tax on higher fuel profits.

Governor Byrne has repeatedly urged Congress to enact a strong windfall profits tax to assist those most affected by OPEC price increases and oil decontrol.

No one quarrels with the argument that with or without a windfall profits tax, a low-income energy assistance program is desperately needed. Neither Congress nor the administration should waste precious time before the heating season is in full swing. Funds that arrive in February or March will be of little value to a family that cannot afford its fuel bills in December.

And I couldn't help but reminisce in listening to Mayor Smith's testimony, and I don't recall if Commissioner Klein was in the legislature at the time, but there was an attempt made to put a tax on the barrel production of fuel oil and gasoline in New Jersey, that portion of which was being exported out of State, and we were not successful at that time.

The CHAIRMAN. When was that, Jim?

Commissioner LEFANTE. Let's see. We had a bill introduced in the State legislature and I was in Congress 2 years and I'm on this job 10 months, I would say it was about 5 or 6 years ago, maybe 5 years ago.

The CHAIRMAN. Did that proceed to a vote or did it not make it to the floor?

Commissioner LEFANTE. No; the special interest groups with their pressures of lobbying kept it locked up in committee and there was a bill introduced and everybody was excited about it.

Had we had the foresight at that time or a crystal ball to predict what time it would be in 1979, perhaps maybe that bill would have sailed through, but it's a very good point and it's worth considering at the local level, perhaps maybe it could even be a point of subsidizing the families that Mayor Smith made reference to in your bill when he cut off, it's a very, very well worthwhile, I think, point to consider, and I also feel that—very comfortable and very safe and very knowledgeable in—that our people are not going to be forgotten under your leadership, Senator, because I know how human you are, I know the compassion and the understanding you have for people, your record proves that, you're people-oriented, you are sensitive to their needs and you have responded and you will continue to respond, so there is no doubt in my mind that when this is concluded, that Pete Williams—Senator Pete Williams is going to be down there doing the best he can for the people, not only of New Jersey, but of the Nation and I feel very comfortable knowing that you're leading the fight and we stand ready to support you at any time.

The CHAIRMAN. Well, I have the same feeling of confidence, if we do what I feel we should do on a national level in Congress, this program will be administered in a way that the equities will be served and the people that are in that need will be reached by you and your departments working with their communities and municipalities.

Now, you know—and Commissioner LeFante particularly knows, how we have to work legislation through the Congress. What I hope to do with this bill is to not complicate it with new provisions that would require it to be considered by multiple committees. You see, if we put anything relating to taxation in the bill, that would prolong our ability to act because another committee would have to look at that aspect. The same is true with putting demands upon companies, parent or the dealer to not discontinue, that will have to come, but in this bill, again, that would delay us a month and so I—I'm afraid, therefore, we want to make this simply a definition of the need, going then to eligibility, then to authorization of money and then to find the mechanism of distribution, and, of course, you come in particularly at that point to make sure that—that moneys that come through, they will come to the State and then to State government for that distribution.

And do you have any—in your level, do you see complications that will be an overburden, or can this be worked out in a way that it will not be a monstrous bureaucratic problem of distribution? If we do define—if we use the Bureau of Labor Statistics, 125 percent and we know what that is for a family of four—how long would it take you to get distribution to our communities on that basis?

Commissioner LEFANTE. It wouldn't take very long. It's just about in place with—some programs are already in existence along those lines, are they not, Ann?

Commissioner KLEIN. Well, I do know, Senator, when they passed the lifeline bill, we were responsible for getting people on line and we already had the Pharmaceutical Assistance Act recipients on the computer.

The CHAIRMAN. Yes.

Commissioner KLEIN. We were able to get that going within a—I guess it took about 2 or 3 weeks——

The CHAIRMAN. In addition——

Commissioner KLEIN [continuing]. To add additional people.

The CHAIRMAN [continuing]. As I read it, and I'm not fully aware of all of its workings, beyond those who are on that lifeline list and within that program, are SSI and AFDC recipients?

Commissioner KLEIN. There's the SSI and—that—the simpliest way to help AFDC families and SSI families is through an increase in the grant that would just be reflected in their check for the 4 months of the heating system—season or whatever.

I assume the Federal Government will be able to adjust the SSI checks. If not, I guess we would have the capacity to do that because we had to put the SSI people into the—to the lifeline program.

The CHAIRMAN. You know that we do have a requirement in the bill to look at the nature of the fuel used, and there is a difference in the HUD measures.

Fuel oil is one thing and natural gas is another and electricity is another, but that fuel oil increase is way beyond all of the other increases; am I right on that?

Commissioner LEFANTE. Yes.

The CHAIRMAN. The oil increase is beyond—we are computerized and we know how our Treasurer has been working, adding more information to the computer with regard to that.

Commissioner KLEIN. It is a problem. I think if we were to try to get something really in place quickly, we would have to sort out those people who use oil from those people who use gas.

Now, I'd suggest, Senator, that a very large percentage of people do use oil in New Jersey, I had it in here, 60 percent of them, and I would also like to say that there has been such an enormous increase in the cost of utilities in this State, electricity and gas, but particularly electricity, that even if a way is found to give some assistance to people who aren't using fuel—I'm referring to fuel oil, they have plenty of need—I mean, the people with incomes that we're talking about here, and you say under 16,000 for New Jersey, or for Jersey City, they have had such an escalation in the basic cost of living, in food, rent, fuel, utilities, that it's really gobbling up their incomes and I would not be worried about giving some assistance to the people who are using gas. They're only 40 percent of the numbers anyway, and I do think it would complicate it if we had to sort them out for the purpose of getting a grant.

Commissioner LEFANTE. Yes, but we don't know what percentage of it is 60 and what percentage of—of the 40 percent would qualify under your bill, and that's what we're addressing ourselves to.

This is what we made reference to when we said about the State's being reimbursed for expenditures prior to the bill being enacted.

There are areas of research that we're involved with that we would expect to be reimbursed when that becomes a reality.

The CHAIRMAN. If you would, I want you to look, at the language of the bill and—we can continue to communicate——

Commissioner LEFANTE. Sure.

The CHAIRMAN. Because of the crucial timing on moving the bill, maybe we could talk soon—about your additional thoughts on this matter.

Commissioner LEFANTE. Later in the month?

The CHAIRMAN. Yes.

I think you have laid this out in a way that we can work with you within this week to see—to make sure that we haven't overlooked any approaches here that are realistic, and again, to be realistic, we are going to go with the most expeditious approaches for the winter that's on us already.

Beyond that——

Commissioner KLEIN. That's right.

The CHAIRMAN. Beyond this winter—we'll be able to make the program more equitable with more time, but we can deal with that over a longer period.

Commissioner KLEIN. I think that's, you know, very, very wise to try and do something as quickly as possible to meet this immediate emergency and I must say, of course, particularly I'm concerned about those SSI recipients and AFDC families who have less than $5,000 a year income. They simply will not have the money to pay for fuel——

The CHAIRMAN. Yes.

Commissioner KLEIN [continuing]. Then we would have time to develop a better program for next year.

The CHAIRMAN. Your continued counsel is most necessary and your testimony has been very, very valuable and we appreciate it.

Commissioner KLEIN. We appreciate being heard.

Commissioner LEFANTE. Thank you.

The CHAIRMAN. Thank you.

I wonder if the next panel would come forward, Jack Volosin, Peter Shields, Mrs. Hinton, and Lillian Stafford, while I talk to the Commissioner here.

There will be just a minute break.

[Whereupon, a recess was taken.]

[Whereupon, the hearing reconvened.]

The CHAIRMAN. Now we can return to our hearing.

We welcome you to the Senate committee hearing. I went through this introduction very briefly. Now let me do it with a little more amplification.

Jack Volosin is executive secretary of the New Jersey Council of Senior Citizens. Jack, raise your hand so everybody—I guess everybody knows him. Peter M. Shields, National Association of Area Agencies on Aging; Mrs. Ruth Hinton, Mrs. Lillian Stafford from Jersey City and we welcome you ladies, and Sam Garro from New Jersey Green Thumb.

Which is the green thumb, Sam?

Mr. GARRO. I'm sorry?

The CHAIRMAN. Which is the green thumb?

Mr. GARRO. That one [indicating]. [Laughter.]

The CHAIRMAN. Yes. Well, it's a great program and I'm delighted you're here. This was one that I associated with when it was the—an early idea, Sam, you are very, very welcome, as you all are welcome. I mentioned Sam particularly, you're new to me, and these are old friends [indicating], Jack Volosin, Peter Shields. We

worked and we had a measure of response to the needs of older citizens within our communities. We've got an emergency on our hands and we're going to need your help to do something to alleviate these terrible problems.

Jack, do you want to start?

STATEMENT OF JACK VOLOSIN, EXECUTIVE SECRETARY, NEW JERSEY COUNCIL OF SENIOR CITIZENS, ACCOMPANIED BY PETER M. SHIELDS, LEGISLATIVE CHAIRMAN, NATIONAL ASSOCIATION OF AREA AGENCIES ON AGING; MRS. LILLIAN STAFFORD, JERSEY CITY; MRS. RUTH HINTON, JERSEY CITY; SAM GARRO, DIRECTOR OF SENIOR EMPLOYMENT, NEW JERSEY GREEN THUMB PROGRAM

Mr. VOLOSIN. Thank you, Senator.

I want to preface my remarks by saying the president of our State council is Mary Johnson who is here, and I say that because you refer to being with her at Christmastime.

The CHAIRMAN. Yes.

Mr. VOLOSIN. I also want to say——

The CHAIRMAN. We've got to figure out our—dates for the Meals on Wheels effort for this year too, now that the mayor has taught me how to handle the kitchen part.

Mr. VOLOSIN. I also want to say that we certainly are in support of your efforts to bring a solution to the problem.

Now I will continue to read from the statement of the New Jersey Council of Senior Citizens.

I wish to thank the committee for the opportunity to express the views of the council on this most vital issue of energy.

Winter is just around the corner and senior citizens have just received some more bad news. The Labor Department reports wholesale prices jumped by 1.4 percent in September, the largest monthly increase in almost 5 years. Higher petroleum prices were the biggest cause of the increase and food prices, the second greatest cause.

Home heating oil prices skyrocketed by 7.9 percent in September, up 72.8 percent from 1978 prices.

Thousands of senior citizens will be faced this winter with life-threatening decisions, heat or eat.

Because of excessive fuel costs, many elderly will be casualties of hypothermia. Temperatures as high as 60° to 65° F. can cause accidental hypothermia in the elderly when exposed for prolonged periods of time, particularly those who suffer from diseases of the veins and arteries or who take special drugs. This condition can be fatal if not detected and properly treated.

Big oil is not suffering because instead of curbing profiteering, Washington is decontrolling prices. We have had enough. Even before decontrol and this year's energy inflation, 15 million U.S. householders were spending a third of their income on energy.

Outrageous utility costs added to high food prices and burdensome real estate taxes is forcing more and more seniors out of homeownership and onto already long waiting lists for subsidized senior housing.

While we face shortages and ever-rising prices, oil company profits are going skyhigh—up 53 percent in the first 3 months of 1979, and up again 66 percent in the second 3 months.

Latest oil profits indication: Texaco, $672 million, up 105.5 percent; Gulf, $540 million, up 63.6 percent; Exxon, $1,785 million, up 28.8 percent; Mobil, $841 million, up 57.4 percent.

These are representative sample of oil company profits for the first half of 1979 compared to same period 1978.

The oil companies claim that with controls gone, they will search for more oil. Mobil Oil bought up the Montgomery Ward Co., and Arco brought Anaconda Copper. Other oil companies have pumped some of their profits into everything from hotels and almond farms to Latin American cosmetic companies.

We as citizens, consumers and taxpayers who provide the oil companies with their excessive profits through tax incentives and unconscionable prices demand that these oil companies be required to report to the Congress the amount of new oil produced as a result of these ventures to justify receiving any further favorable tax treatment.

The oil industry has pressured the administration and Congress to follow a course of higher prices while ignoring the disastrous effect on people and on the economy.

Congress must act with dispatch to solve this crucial problem.

The elderly, the unemployed, the poor, and the working poor all need immediate relief from presently staggering fuel bills.

The New Jersey Council of Senior Citizens is part of and supports the program of the Citizen-Labor Energy Coalition. We respectuflly request your support for the citizens energy program which would stem energy inflation and economic disaster.

The citizens energy program: (1) Rollback prices by reimposing price controls on crude oil, heating oil and natural gas, keep controls on gasoline; (2) force the oil companies to work at full capacity—appoint a special prosecutor to investigate phony shortages; and, (3) establish a taxpayer-owned energy corporation.

Thank you.

The CHAIRMAN. Thank you very much.

We will continue right through the panel before we get into questions.

Now, Mr. Shields, please.

Mr. SHIELDS. Senator Williams, the following is a brief, less than a 5-minute summary of the written testimony I am submitting as an advocate for the elderly, wherein I act on behalf of three levels of the aging network; the National level, as legislative chairman of the National Association of Area Agencies on Aging, the State level, as vice president of the New Jersey Association of Area Agencies on Aging, and the county level, as director of the Union County Human Resources Division on Aging.

Nationally, I represent 580 local agencies in the 50 States that speak for the entire elderly population of the United States and urge the Congress to act decisively and quickly on the establishment of a financial assistance program to help the elderly meet their home heating bills now.

In over 40 years of public service, I have never seen the kind of pervasive fear that is now growing in our communities. Every-

where I turn, I see headlines on inflation, and to borrow a phrase from my U.A.W. friend, Jack Volosin, we no longer talk of senior citizens' "fixed" incomes, but, rather, "dwindling" incomes.

I have read with great interest your proposed bill, S. 1724 and I like what I read. You and your staff are to be commended for the very fine thought and effort you have put into this bill.

From your very first years in the Congress, I have appreciated the partnership you have always given us who are active workers for the elderly and S. 1724 is again evidence of your continuing concern.

It will interest you to learn that we in Union County are now setting up a $50,000 Senior Citizens Home Heating Emergencies Fund from our existing Older American Act Funds to immediately help in only absolute emergencies.

I kind of dread the start of this program, since it will only be able to handle but a small amount of the problem while we await passage of national legislation.

The question is how long will we have to wait for national legislation? We can't afford to wait at all. Certainly not for passage of an excess profits tax.

If the only available funding sources now is the general fund, then as painful as it might seem, we must do as we must, and look to the general fund.

In Union County, we have 117,424 taxable residential households, of four families or less. Of this total, we have 12,161 households where the senior citizen head of the household is 65 or over and has an income of less than $5,000 a year.

Considering an average increase of $380 a household on home heating, which they cannot meet, we would need about $4,600,000 to cover this increase. We're only expecting a little over $600,000 for all the poor people in the entire county based on a national CSA figure of $250 million. This would leave our small 500,000 plus populated county at least $4 million short, which is certainly good reason for the fear I mentioned.

In conclusion, I can assure you that the aging network stands ready to work and help in every way possible on this problem. We have successfully administered Older American Act funds for many years, and I'm sure we will do our part at the National, State, and local levels to help carry out the provisions of S. 1724 which is deserving of passage and must be passed.

Thank you, sir.

The CHAIRMAN. Thank you very much.

I just would note, the Community Services Administration figure of $250 million, that is what we start with this year, that's what we can build on with this legislation.

Mr. SHIELDS. Right.

The CHAIRMAN. Yes.

Now, we are very pleased that Mrs. Hinton and Mrs. Stafford are here.

Mrs. STAFFORD. Senator Williams, today I would like to thank you for coming to Jersey City to hold one of your many public hearings.

My name is Lillian Stafford. I reside at 121 Virginia Avenue, Jersey City. I am 71 years of age and I am here not only represent-

ing myself, but also Mrs. Ruth Hinton, 86 years of age and many seniors such as ourselves.

My background is a retired LPN, a volunteer at the Meadowview Hospital and an RSVP representative, plus other worthwhile affiliations.

Mrs. Hinton and myself live in the same residency, a two-family dwelling. Mrs. Hinton is the owner.

Mrs. Hinton receives an income of $125.20 per month; she receives from me $135 per month rent. Her total annual income is $3,120.

This hearing is about energy assistance, and I would just like to document our case as one which many, many people are faced with.

Last winter, the heating oil bills averaged $250 per month; this is 90 percent of Mrs. Hinton's income.

At one point, we were without heat for 2 weeks due to frozen water pipes. She repaired these items with her own effort, a little at a time.

The cost of oil, Public Service Electric & Gas, taxes, phone bills, and maintenance is greater than her annual income.

This winter, we anticipate some aid from our local Community Action Agency.

Mrs. Hinton will not be able to pay the full amount of oil on her own.

Fortunately, she has received weatherization assistance, which the actual work was—I have it in here as being completed, but just before leaving the house, they realized there was something else to be done—considered, the comfort of the house.

She was also assisted in the past with emergency assistance funds.

This winter, many people, such as Mrs. Hinton, will need immediate aid in order to just survive.

Thank you.

The CHAIRMAN. Thank you very much, Mrs. Stafford.

Mrs. Hinton, did you want to say anything or do you want to wait and reply—because there will be some questions. Could you help us with some answers to some of the questions we have later?

Mrs. HINTON. Yes.

The CHAIRMAN. All right, after we hear from the Green Thumb representative, Sam Garro.

Mr. GARRO. Thank you, Mr. Chairman.

My name is Sam Garro and I am the director of senior employment for the New Jersey Green Thumb program.

As you already know, Green Thumb is an employment program for disadvantaged older workers funded under title V of the Older Americans Act and administered by the——

The CHAIRMAN. Do you want to get the microphone over closer to you?

Mr. GARRO. Yes—and administered by the U.S. Department of Labor.

In New Jersey, we employ approximately 1,000 people in 20 of the State's 21 counties, who are employed in such diverse projects as weatherization, child abuse and historical reconstruction. The average age of our workers is 70.

I am very grateful for the opportunity to testify on this important and urgent piece of legislation.

How severe will the impact be? In New Jersey, one source has projected that from October to April, the cost for those who heat by natural gas will be $407, for home heating oil it will be $619, and for those who heat by electricity, $497.

A source in the natural gas industry questions those figures. He projects it will cost $520 to heat a home this winter by oil, $317 by natural gas and $935 by electricity. He says heating a home by electricity costs three times as much as natural gas and twice as much as oil.

The New Jersey Department of Energy projects an average cost of $1,000 to heat homes by oil this winter. The approximate projected price of heating oil also varies. Some are projecting a price of 76 cents per gallon, others are projecting a price between 80 cents and 85 cents, still others are projecting a price between 85 and 90 cents per gallon.

Fifty percent of New Jersey's residents heat by oil, 40 percent by natural gas, and 10 percent by other sources, such as coal.

It appears from all of this, Mr. Chairman, that no one really knows what the impact will be. At the very least, heating by oil, the price could be $520. At the very most, it could be $1,000.

There is no doubt that the price has risen substantially. Last year, the price of home heating oil was 53 cents a gallon. It is now approximately 80 cents. It is expected to be 60 percent higher than a year ago.

To our older citizens on fixed incomes, these figures are quite scary. Since most of our workers fall below the Bureau of the Budget's poverty guidelines, utilizing the worst projection of $1,000 to heat their home, this would mean that an individual who falls below those guidelines, having an income of $3,400 or less a year, could expend 30 percent of his or her annual income for the purpose of heating their home this winter. Based on 1975 figures, 1,062,000 or 15 percent of the population in this State is over the age of 60. Approximately 30 percent have incomes less than the eligibility guidelines. In the rural areas, the percentage rises to 40. In essence, between 300,000 and 400,000 older people may face this situation.

We in Green Thumb have been very much involved in the fuel situation, particularly in the rural areas. During the major snow storms of last year, our workers delivered coal to houses who could not get emergency deliveries of coal. We also delivered scraps of lumber donated by local builders to individuals using wood-burning stoves. And yet, it is not only seniors in rural areas who are affected. In the "gambling mecca of the East," Atlantic City, we delivered wood to a woman whose only source of heat is a wood-burning stove. During the worst winter months, we were delivering coal and wood every 2 to 3 weeks so these seniors wouldn't freeze to death.

To seniors heating by coal, it is getting more difficult to have it delivered to their homes. Coal companies won't deliver small amounts of coal due to economic unfeasibility, and these older people do not have the storage capacity for a large shipment, nor can they afford to pay for such a shipment.

The inability to pay for fuel didn't just come to the surface at this time for the elderly. There are many seniors in rural areas who have converted to wood-burning stoves to heat their homes. Unfortunately, if these are not properly installed, they can become real fire traps. Instead of installing specially insulated flues, which they are unable to afford, they install simple smoke stacks which become extremely hot and ignite any combustible material near them. In one county along last year, we assisted three older families whose homes were badly destroyed by fire because of this.

Unfortunately, many seniors, due to health reasons, are unable to turn down their thermostats in an effort to trim their fuel costs. And, many seniors live in housing which is not properly insulated, causing them to spend much more in fuel costs than they would had their homes been properly insulated.

It has been estimated that 60 percent of the homes of older people in rural areas are substandard and extremely susceptible to energy loss. We have done much in the area of weatherization to insulate these homes and it has been estimated that our efforts have saved 40 percent in fuel costs, but we have only been able to scratch the surface.

For those reasons, Mr. Chairman, we are anxious to see this legislation be passed as quickly as possible.

Turning to the legislation itself, we would not like to see any involving stamps. The problems stamps would create are enormous. They could be stolen, lost, accidently destroyed, sold for other things and so on. The bill we feel would be the most effective would be yours, Senator, S. 1724, the home energy assistance bill. That bill seems to require the least bureaucratic effort, especially if amended with our suggestions. This bill would insure that those States and individuals hit hardest would be the ones most served.

Expanding on the mechanics of it, we are in full agreement with the New Jersey Division on Aging, as stated by Commissioner LeFante this morning, that agencies and programs who deal with those individuals who fall below the eligibility guidelines be allowed to certify, since these individuals are already certified to be on these programs. This would effectively release a bureaucratic blockade, but, we would like to see this taken one step further. If these same agencies and programs were able to not only certify, but see the entire operation through up to the actual payment, which could be handled by one single agency in each State, we could service as many people as possible in the shortest time possible.

We have found that the more bureaucratic hurdles that you release, the more eligible older people will take advantage of the program. This could also reduce administrative expense since each agency already has administrative funds in their budget.

We would also like to see the creation and expansion of programs aimed at educating older people in making their homes energy efficient, and, to insure that these seniors are not using antiquated or improperly installed heating equipment. We would also like to see an expansion of the weatherization program. Without these measures, money will continue to be expended for wasted energy caused by energy loss. We will, in effect, be throwing money away.

We are aware that the utility companies, some at a fee and some for free, offer to check homes for energy loss. We would like to see programs which would work hand in hand with the utility companies to follow up on these checks and eliminate the energy loss. And, for those individuals who are not customers of the utility companies, a complete check and repair system should be established. We would also like to see demonstration projects involving solar energy.

In closing, Mr. Chairman, I only hope that with the tremendous fluctuations in price projections, the uncertainty of weather conditions, and the large energy loss attributed to poorly insulated homes, that enough will be allocated to make this bill truly effective to those who desperately need it.

Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Garro.

I wonder if we could first deal with the particular situation that Mrs. Hinton has made reference to. I would just speculate that the hardship that she felt last winter, may be worse this winter, fuel costs ever rising—financial hardship is going to be typical of so many. There are going to be many families and individuals in that very same situation.

Now Mrs. Hinton's income is $125 a month. Is that social security?

Mrs. STAFFORD. $125.20.

The CHAIRMAN. And that's social security?

Mrs. STAFFORD. Social security.

The CHAIRMAN. And, plus that, there is a rental income.

Mrs. STAFFORD. $135.

The CHAIRMAN. $135.

Mrs. STAFFORD. Yes.

The CHAIRMAN. Which comes to $3,000–$3,120 a year.

Mrs. STAFFORD. That's her annual income.

The CHAIRMAN. Annual income.

Mrs. HINTON. Yes.

The CHAIRMAN. And it takes that to maintain the household, including taxes and fuel; am I right——

Mrs. HINTON. Right.

The CHAIRMAN. These expenses take most of your income?

Mrs. STAFFORD. Yes.

Mrs. HINTON. Yes.

The CHAIRMAN. And that was true last year?

Mrs. HINTON. Yes.

The CHAIRMAN. And your heat is oil heat?

Mrs. HINTON. Oil.

The CHAIRMAN. We know that the cost of fuel oil is going to be a lot more this year.

Mrs. HINTON. Yes.

The CHAIRMAN. So, have you estimated what you feel would be the minumum amount of assistance you will need, Mrs. Hinton, to maintain your home?

Mrs. Stafford, have you talked this over with Mrs. Hinton?

Mrs. STAFFORD. Yes, but we didn't really do it because we didn't know how to figure it, due to the prices, the rise of oil that vary from one to another which you know, we didn't know what to say.

We didn't think about it. We thought of it because we did have such a hardship last year with the frozen pipes and so much to be done around there.

The CHAIRMAN. When the pipe froze, was there a period that there was no heat?

Mrs. STAFFORD. No heat and no water.

The CHAIRMAN. And that's why the pipes froze——

Mrs. STAFFORD. We borrowed water.

The CHAIRMAN. There was no heat——

Mrs. STAFFORD. No heat.

The CHAIRMAN. And the pipes froze?

Mrs. STAFFORD. Yes.

Even the outside, she had to have welding done outside in the street, due to thaw it out.

Indoors and outdoors——

The CHAIRMAN. Sometimes the pipes freeze beyond the reach of a heated house.

Mrs. STAFFORD. Yes.

The CHAIRMAN. I've been through two winters of this, I'm an authority on frozen pipes.

It's one of the—it seems that's one of the most serious things that can happen to your home in the winter——

Mrs. STAFFORD. Yes.

The CHAIRMAN [continuing]. And they can burst.

But at any rate, was there any period when Mrs. Hinton was without heat last winter?

Mrs. STAFFORD. Yes, because I was there without it also.

The CHAIRMAN. What kind of assistance was there for fuel cost last year?

Mrs. STAFFORD. We lit our ovens, electricity and——

The CHAIRMAN. No, I mean cash assistance.

Mrs. STAFFORD. Oh, money assistance. I think we got $250.

Mrs. HINTON. Yes.

Mrs. STAFFORD. She received $250.

The CHAIRMAN. How was that benefit received?

Mrs. STAFFORD. That was mailed to the oil dealer.

The CHAIRMAN. That went right to the oil dealer?

Mrs. STAFFORD. Yes, and it was in the amount of $250.

The CHAIRMAN. $250 for this whole winter this year would be really a fraction of the cost of heating that home this year.

Mrs. STAFFORD. That's the assistance she got from the CSA program.

Mrs. HINTON. Yes.

Mrs. STAFFORD. She was also assisted in the past with emergency assistance funds and that was $250 for emergency.

The CHAIRMAN. That came from the Community Services Administration.

Mrs. STAFFORD. Yes, and it went direct to the oil company.

Mrs. HINTON. Yes.

The CHAIRMAN. How was that done last year, through the local poverty agency?

Mr. SHIELDS. Yes, through the local antipoverty agencies.

Senator, it would seem to me that if her payment of $250 last year would be used even as a base this year with the increase of

$380 in addition, you know, in added cost, the minimum amount she would need this year would be the $250 plus the increased cost of $380 to keep her going, and even then, last year these ladies say that they had the gas ovens on also to keep the place warm.

Now the minimum amount would be $250 plus the $380.

The CHAIRMAN. Now, with our lifeline program here in New Jersey, which was a response to the energy problem made available from a particular tax, the casino tax——

Mr. SHIELDS. Right.

The CHAIRMAN [continuing]. And that, as I understand it, was able to be distributed in a very efficient way using present pharmaceutical assistance program rolls, and SSI using the computer rolls, the next step was to determine the utility that the individual was being served by.

Mr. SHIELDS. Right.

The CHAIRMAN. And then a line of credit was extended to the utility.

Mr. SHIELDS. Yes.

The CHAIRMAN. Question: Can that same system be done with efficiency and dispatch on a line of credit to the fuel oil dealer?

Mr. SHIELDS. Not as efficiently, Senator, because here in the pharmaceutical assistance program, they've got it computerized, right, and what they're doing is sending a postcard to the one who is eligible for PAA and asking them their—their account number, when they get that card back, then they can credit it.

The CHAIRMAN. With the utility?

Mr. SHIELDS. Right.

Now, generally in each area, you have one utility that covers a broad area, whereas in, say—take Union County, for example, you have a lot of fuel oil dealers. It probably still could be done somehow and they might be able to do it under a social security number, using that as a code number.

Then, they would have to—in making the payments to the fuel dealers, instead of like to 1 gas company, they would make it, say, to 15 fuel oil dealers.

It's—it's a likelihood, it's something that could happen.

The CHAIRMAN. Well, this will take all of the service agencies within a community to be the search team to find the eligibles under the program, identify their dealer, and then get that dealer on the system for a line of credit.

Mr. SHIELDS. Yes.

The CHAIRMAN. It seems to me, at this point, and I know many of my colleagues agree, that is as Mr. Garro said, we don't need a new stamp program that is fraught with problems, all kinds of problems.

The line of credit approach makes the greatest sense, it is different here because there are many fuel dealers, there's not one utility company serving the State, but using some coding system, a line of credit approach could be very efficient.

The area agencies for the aging certainly should be equipped to be able to find older people, and find out who their dealer is; right or wrong?

Mr. SHIELDS. Right up to a point, Senator. The——

The CHAIRMAN. Don't you think that when it is known there is a program and people know what the income eligibilities are and that they are eligible that they will come forth?

Mr. SHIELDS. I immediately found over 12,000 names through the tax records of those people who have incomes below $5,000 a year, right off the bat, because they get $160 a month credit.

At the moment, with this mini $50,000 program that I mentioned, I'm meeting with the fuel oil dealers and I'm meeting with the local welfare directors and it will only be on a strictly emergency basis, and as I say, I fear very much the start of this program which, you know, we're instituting right now because it's only going to help in 250 emergencies when we have, as I say——

The CHAIRMAN. The $50,000?

Mr. SHIELDS. Yes, when——

The CHAIRMAN. But you will find all the people that will have a need; right?

Mr. SHIELDS. We'll find them through the cooperation of both the fuel oil dealers and local welfare.

The CHAIRMAN. Yes.

So this is an administrative matter and should not be something that you will get bogged down with in bureaucratic paper.

Mr. SHIELDS. It won't be overwhelming, but it won't be——

Mr. VOLOSIN. Senator, I would like to comment on it.

I think for this case, that they could follow the same procedure that is being put into effect right now because under the State PAA program, the income eligibility is—for a couple of $12,000 or less.

Although that is the criteria, many people who are not participating in the program and not eligible for PAA, although they have incomes of less than $12,000, have been given consideration for the $100 credit, but they must go the route of filing for the PAA claim which then, in turn, will designate them as eligible—although not eligible for PAA, but eligible for the $100 credit under the State program.

And I think using that same—same formula in answer to Commissioner Klein, then you would not have to be dealing with too many agencies.

So those people then could submit through their form and be placed on an eligibility list even though they're not eligible under—for the PAA benefits.

The CHAIRMAN. Mrs. Stafford?

Mrs. STAFFORD. Excuse me, Senator.

Would the PAA mean the pharmaceutical program?

Mr. VOLOSIN. Pharmaceutical assistance program.

Mrs. STAFFORD. Yes.

Well, Mrs. Hinton was in that for a while and she didn't receive the renewal, someone said there was a renewal blank that she was to receive; she didn't get that because I had heard—I attend a center and by way of mouth you hear of different ones receiving this $100, but she did not because it's not renewed.

Mr. VOLOSIN. Well, that——

Mrs. STAFFORD. Now I have a card with me.

Mr. VOLOSIN. That's the problem. In order to be eligible for that $100 credit, they are being—those people already on the list are

being contacted and they must submit evidence, one, that they are the person—in fact, the person in whose name the account with the utility company is, et cetera, and then substantiate it with other evidence——

The CHAIRMAN. Is that the renewal——

Mr. VOLOSIN. Right.

Mrs. STAFFORD. Yes; but it's to be renewed.

The CHAIRMAN. Is establishing eligibility for this $100 credit a difficult process.

Mrs. STAFFORD. Yes.

The CHAIRMAN. Is that right?

Mrs. STAFFORD. Yes.

Mr. VOLOSIN. With a copy of the electric and gas bill, et cetera.

Now, these are things that are needed for—to determine that eligibility.

The CHAIRMAN. Certainly your aging organizations can be right in the center of making this whole program effective and working; is that right?

Mr. SHIELDS. Right.

In a situation like Mrs. Hinton's, if she has any question at all, we have an informational and referral specialist that can immediately call the PAA program in Trenton in the event that there are any complications, but if their—if her problem is obvious, we can assist her in completing the card and what have you.

The CHAIRMAN. Let me come now to the rural parts of our State and ask Mr. Garro how the CSA emergency program worked last year.

Mr. GARRO. It worked somewhat, Senator. It didn't reach everyone it should have, at least we felt that way. It worked through the CAP agencies, community action programs.

Unfortunately, most of these individuals, we found if we didn't contact them, then no one else would have, as far as having these programs available to them.

So we don't really believe that it reached as many people as it could have.

We worked with some of the offices on aging as far as weatherization goes, and that's probably the biggest area that we had last year in any area of energy, more so than any other kind of cash assistance.

What we're going to try to do is to get a concentrated effort in the rural areas so we can make all these programs available to all these people so that they're aware that such programs exist and then assist them in filling out the forms which a lot of times is a real struggle in itself.

The CHAIRMAN. Now you mean the 20 or the 21 counties of the Green Thumb organization?

Mr. GARRO. Right, sir.

The CHAIRMAN. Well, would those offices be adequate in terms of staff to work on this?

Mr. GARRO. As far as Green Thumb goes?

The CHAIRMAN. Yes.

Mr. GARRO. Probably not, no.

We only have six staff people who operate within the field—we don't actually have offices in each county.

We have people that operate out of their cars, going directly to the homes or offices or whatever of these individuals. So we wouldn't really have an adequate staff in order to be able to handle this.

The CHAIRMAN. What agencies would be useful for the rural parts of our State?

Mr. GARRO. The CAP agencies, the offices on aging, in many areas, sometimes the welfare boards, the social security office, and maybe, if we could somehow remove that entanglement of the Privacy Act, as far as the release of these individuals in rural areas who might be eligible for these programs, they could be very helpful to us.

And sometimes—sometimes, the community colleges might be able to assist us in some of these rural areas, but most of the time, they are stuck in the rural parts of the county.

The CHAIRMAN. Well, I'll tell you one thing we don't want to do—is direct all this from Washington. I think the administrative mode should work within the State, rather than an establish over-elaborate federally regulated program to get things going this winter.

You're not going to have that. You must have the State flexibility, administrative flexibility to go on the search and put the payment mechanism in place.

You see, you have a problem here with utilities, with dealers and you've got a straight line to establish credit. Where they're on wood, it's not quite that simple——

Mr. GARRO. No.

The CHAIRMAN [continuing]. Because the wood market is not set up with the sophistication of the fuel oil dealer market.

We will need that flexibility because the line of credit approach doesn't lend itself as readily. We're going to have to think in terms of cash to the household on the wood market. How many people have wood burning stoves?

Mr. GARRO. We don't actually have a percentage of that offhand, Senator.

We found that within the last 2 years, most people are converting to wood who had formerly been using home heating oil or electricity, they just couldn't afford it any more.

We don't think we've actually reached that number of individuals who have converted, unfortunately, but we're finding out, through these fires that have been occurring in the homes, how many people have converted to using wood-burning stoves.

The CHAIRMAN. I was working on this yesterday, and I was surprised to learn the numbers that had gone to wood as their basic home heating fuel.

Well, that is the one complication that I see in terms of reaching the supply for a line of credit.

We've got to do that because back up the line, the dealers, many of them, are on COD.

Mr. GARRO. That's right. That's a real problem. That's a real problem.

The CHAIRMAN. We hope that we can—continue to call on you for counsel and advice and your continuing constructive suggestions to us.

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This is sort of a crash week, it will probably even go into next week, but we've got to do this and examine this program now.

Mr. SHIELDS. Well, Pat and Becky have my number.

The CHAIRMAN. Pat Markey and Becky Beauregard from the committee staff have been here from Washington working on this over the last week and are here today. They will be probably calling you, Peter and Jack.

Mr. VOLOSIN. Senator, I would say to you that we were always able to count on you, so you can be reassured that you can count on us.

The CHAIRMAN. Well, we won't talk too much political history, but, Jack—in order to get me here, you were there and it helped, so you have a direct line, as you know.

Thank you ever so much.

Now we welcome Mr. Silas Townsend, executive director, Burlington County Community Action program—I said "Mr." but it's also Reverend Townsend——

Reverend TOWNSEND. That is correct.

The CHAIRMAN [Continuing.] And Mrs. Kitty Wilkerson and Mr. and Mrs. James Richardson.

We welcome you all. We will start with Reverend Townsend.

STATEMENT OF REV. SILAS TOWNSEND, CHAIRMAN OF THE ENERGY COMMITTEE OF THE COMMUNITY ACTION PROGRAMS EXECUTIVE DIRECTORS ASSOCIATION OF NEW JERSEY, AND DIRECTOR OF THE BURLINGTON COUNTY COMMUNITY ACTION AGENCY, ACCOMPANIED BY MS. FRANCES RICHARDSON, JERSEY CITY; CLARENCE RICHARDSON, JERSEY CITY; AND MS. KITTY WILKERSON, JERSEY CITY, PRESIDENT OF THE CLINTON AVENUE BLOCK ASSOCIATION

Reverend TOWNSEND. I am Silas Townsend, chairman of the Energy Committee of the Community Action Programs' Executive Director's Association of New Jersey, and in my position as director of the Burlington County Community Action Agency, I have been responsible for fuel assistance programs for the past 3 years.

The Community Services Administration first established such a program in the 1977 special crisis intervention funding to meet the needs of persons whose incomes were 125 percent or less of the poverty level and who had experienced extraordinary heating costs during the winter.

Similar programs, with some variations in the regulations, were implemented in 1978 and 1979. The energy crisis assistance program for fiscal year 1980 has been authorized and awaits appropriation. It could provide as much as $12 million for New Jersey. A report of a study released last week by the Economic Research Council of the New England congressional delegation includes comments by New Jersey officials that the cost of assisting all eligible citizens in this State could be 10 times as much as the $12 million.

Your bill addresses the immediate needs of the elderly and the poor whose fixed incomes and low incomes have drastically dwindled in purchasing power, especially with respect to the quadrupling of home heating fuel prices in the past decade.

The timely passage of Senate bill 1724 could provide authorization of $5 billion a year to 1984 so that Congress would not have to deliberate each year on fuel assistance legislation.

Experience has shown that it is more difficult to reach those who need assistance if the mechanism for delivery is not in place before the beginning of the winter season. It seems too late to set up a totally new program in time for the approaching winter.

In order to serve the immediate needs of low-income households, Congress should immediately appropriate additional sums under existing authorization. The Community Services Administration could be granted sufficient supplemental funds to bring their energy crisis assistance program for fiscal year 1980 up to $1.6 billion without waiting for the passage of the windfall profits tax. The appropriation and authorization of fuel assistance is too important to be caught in the tangled web of political maneuvering.

Senate bill 1724 should be enacted as soon as possible. A very desirable feature of the bill is that it requires fuel payments by ways of vendor line of credit. This payment method is more desirable than a direct income maintenance type of payment for several reasons.

First, it is specifically earmarked for energy costs as a sector in the recipient's household budget. The result is a de facto lowering of the heating bill rather than a cash payment to which the low-income individual would have to assign budget priorities. On the other hand, it does not require people to fall behind in their bills and receive termination of supply warnings from vendors in order to receive assistance.

Another programmatic advantage of the vendor line of credit method of payment is the potentially helpful relationship that can be built up on behalf of the client between the agency delivering the assistance and the fuel vendor.

Our experience in community action agencies as deliverers of fuel assistance has shown that our staff developed rapport with the vendors in our area and can recommend many of our clients for special consideration in establishing extended payment plans for large fuel bills.

Sometimes our outreach extends to people who are beyond—who are behind in fuel bills and who are needy but not quite eligible for fuel assistance. Our staff will phone their contacts at the fuel vendor's payment office and request that they be treated sympathetically. A computerized payment system cannot serve the same kinds of needs as a community-based agency.

In the 1977 special crisis intervention program, there was a stipulation that vendors, in order to participate, had to agree to turn on or not to turn off utility services and to deliver fuel oil, if needed, to clients as soon as they were certified. The vendors were then required to establish deferred payment plans or level payment plans for the unpaid portion of the client's bill.

Senate bill 1724 includes a similar and even stronger requirement for vendors which we heartily endorse. The requirement of an agreement on the part of utilities not to terminate services of households receiving assistance during the heating season is a form of utility shutoff ban for poor people. The requirement that fuel oil vendors must supply their customers who are fuel assistance recipi-

ents even when they are 2 months behind in their fuel bills is extremely important.

Wholesale oil prices—71 cents a gallon wholesale—and the recent increase in credit costs—related to the prime lending rate of 14 and a half percent—which fuel oil retailers must pay, could cause them to go on a COD-only basis. There are poor clients who would be left without fuel oil. This provision gives the poor person some clout in a market situation where fuel oil retails for nearly a dollar a gallon and supply is uncertain.

The State-by-State funding formula proposed in your bill sets up a ratio for taking into account the number of heating and/or cooling days per year in a State and the type and relative cost of fuel used, as well as the number of eligible households in the State. The bill also provides the State—proposes that the States determine the individual payments based upon the person's or household's income relative to the amount of fuel expenditures. These are important considerations because low-income and elderly persons can be expected to have heating bills during the winter season that are 40 percent of their monthly income.

Even on level payment plans to spread heating fuel bills over the whole year, the cost of heating fuel and utilities may be one-fifth of the budget. Not only have heating oil prices nearly doubled since last year, but also gas and electric utilities will increase in New Jersey on the average of 15 percent this year.

Your bill states that renters should be treated equitably in order to include low-income tenants whose landlords pay heat and/or utilities and pass them on in the rent. A direct cash payment could be made to eligible tenants.

In performing our responsibilities as deliverers of fuel assistance during the past 3 years, the members of the Community Action Programs' Executive Director's Association of New Jersey have seen the needs of low-income and elderly people facing the energy crisis. We have used many methods of informing people of the aid that has been available through our 23 agencies and 75 outreach centers throughout the State.

Bill 1724 calls for the outreach and crisis intervention as well as fuel assistance. We strongly feel that the large comprehensive 5-year assistance bill is necessary and should be authorized promptly by Congress.

The community action agencies have established a delivery system for all phases of fuel assistance and could be the primary delivery system for the larger permanent fuel assistance program.

Since the inception of the antipoverty program in 1964, community action agencies and their outreach centers have been accessible to poor people, urban and rural, including senior citizens, minorities, handicapped persons, and families who are struggling to raise children in difficult circumstances. Their programs, including senior citizens' nutrition, health care, day-care centers, job development, weatherization and energy conservation, youth services, transportation, energy advocacy for people facing utility cost problems and utility shutoffs, energy crisis assistance, and fuel assistance, have reached people because they are located both geographically and psychologically in the heart of the low-income communities.

How do I view fuel assistance beyond the early 1980's? In the spirit of all past and present community action agencies programing, I see us striving for broader solutions to energy problems such as energy conservation.

We have never seen the antipoverty program as a conduit for Federal giveaways, but, rather, as a dynamic arena for development of individual self sufficiency. Thus, CAA's have been engaged throughout the energy crisis years in home weatherization and energy conservation education which enables people to keep warm while using less costly fuel. When people come to our agencies to be certified for fuel assistance eligibility, they can also be referred to our office of weatherization for low-income households.

In Burlington, our community action agency now includes an appropriate technology division which is introducing ways of using inexpensive and renewable energy sources such as solar heat and woodburning. Because of our commitment to helping people provide for themselves, the antipoverty program is active in weatherization, conservation, and technological innovation in renewable energy sources. Thus, we are trying to find practical alternatives within the next decade to offset the impact of escalating energy costs.

[Information supplied for the record follows:]

WRITTEN COMMENT FOR: "Home Energy Assistance"
Public Hearing
October 15, 1979
Sen. Harrison Williams,
Presiding.

PREPARED BY: City of Jersey City
Department of Human Resources
Energy Conservation Program
Low Income Weatherization
Component & Emergency Energy
Conservation & Assistance
Component.

ON BEHALF OF: Community Action Agency
Representing the Poor &
Low Income Families.

The City of Jersey City is probably the best location in the country today to hold a Public Hearing concerning a viable Energy Assistance Package for the poor and lower middle income families. By looking at its people, by walking in its streets, by talking to its merchants, you can only walk away with the impression that urban America is facing its deepest crisis in 50 years; and that urban America has needs far greater than its capabilities.

The Energy problem can be described in terms of economics, in terms of supply and in terms of housing. Approximately two/ thirds of the existing housing stock in Jersey City is older than 50 yrs. old. We can be more than assured that they are uninsulated, drafty and have existing heating units that perform at 40% efficiency. Jersey City is one of the oldest and poorest cities in America. The population densities (12,000 + per sq. mile) surpasses any in America, the densities of people over 60 (11.2% of population) is second to St. Peterburg Florida. Jersey City's people are unemployed, jobs are needed, 9.8% cannot find jobs and are unemployed, and approximately 8% is on welfare. These burdens not only fall directly on the poor but also fall on the middle class structure of the city. They must pay the burden with taxes and revenues, they are asked to endure; they are asked not to move. The poor, low income and middle income families are without question very hard pressed in todays economy. Faced with run away inflation (over 1% per month), high unemployment and energy costs which have doubled over the last two heating seasons one must antici-

pate the worst winter conceivable.

Jersey City since 1977 has responded with the use of Federal dollars to winter emergencies. In 1977 the Special Crisis Intervention Program was administered as an SEOO delegate. In 1978 the CSA Emergency Energy Assistance program was administered. In 1979 the EEAP (extended) and the Emergency Crisis Intervention Program FY 79. All dollars were quickly obligated identifying winter related emergencies and exorbitant energy cost run-ups. The irony of these past programs was that; money, policy decisions and full coordination (which was always lacking) did not come into effect until after the winter, (usually during the late Spring & Summer). Crisis situations are immediate to the person involved, response to that need must be as immediate.

In Jersey City with its particular grant allocations it could only service at a maximum 10% of the potential service population. To assure that every poor senior, poor individual and poor family a city such as ours would need a minimum of $2.5 million dollars to guarantee the estimated 11,702 families living within the poverty level ($8,375 per family of 4). The income guidelines recognized by Community Services Administration and the Department of Energy for low income persons are unrealistic to the definate needs of the community. The figures used to recognize the poor are truly insensitive and are based solely on a budgetary system; "How many poor folk can we afford?"

The Community Action Agency of Jersey City can only emphasis the continuation of energy programs presently operating under

Community Services Administration and the Department of Energy. These programs must become realistic in the needs. Increased dollars, increased eligibility criteria, increased labor force potential is needed.

In addition to the above, attentive and supplementary "Crisis &"Assistance" packages (such as S.1725) must be made available during the heating seasons in order to help eliminate the risk of life or death situations. By recognizing the Bureau of Labor Statistics Lower Living Standards it can be assured that a greater percantage of the population will benefit; but guarantees must be given to the poorest with the greater energy expenses. Today in Jersey City the average homeowner is paying an average of .87 cents to .89 cents per gallon of residential fuel oil; vs. last heating season averages of .60 cents & .62 cents per gallon. Credit situations for such homeowners are becoming tighter by the day. A homeowner with a budget plan for ten months at a cost of $100.00 per month is being asked to contract per month a $160.00 budget agreement. If a budget agreement is not made COD at minimum of 200 gallons per delivery is required. No poor homeowner can withstand to pay for such deliveries, especially when 200 gallons may last only 3 weeks, rarely longer. Such situations are very real, situations exist for fuel & utility payments which are in arrears continually for 3 months on the average. Costs are ultimately shed off on the consumer, the poor & near poor can not bear the cost. To fully actualize any Energy Assistance Bill it is believed that the gov't must recognize the immediate needs. The Executive Branch, Senate and Congress must at the same time provide this assistance

and must pass the usage of the Energy Security Fund (ie. windfall profits). All mechanisms must be in place the usage of HEW will be beneficial. The usage of the Community Action Programs is very essential to the needs of the poor. The CAP are in touch with needs each day, people look to CAPs and their role is irreplaceable.

The CHAIRMAN. Great statement.

Thank you, and we will have questions after we have the whole panel.

Now, who wants to speak next?

Mrs. RICHARDSON. I'll speak next, Senator Williams.

I'm very glad to be here today, Senator Williams, to speak to you and the rest of the panel.

I'm here mainly because—my name is Frances Richardson, I live at 28 Boyd Avenue.

We have a block association, Boyd Avenue Block Association and we have well over a hundred members in our association, and in that number, there are between 25 and 30 senior citizens, and I am here because there is a deep concern with most of the—home owners in the community regarding the high cost of fuel, and like it has gotten to the point where the senior citizens feel that they might have to use all their funds on fuel and won't be able to survive and live to eat, and it's really bad—many individuals have fixed incomes to live on and they cannot afford to pay their fuel bills, and we feel, why should people lose their homes eventually when, they can't be able to pay their mortgages if they have to continue to buy oil at the high prices that exist today.

The minimal income level should be increased for home owners under the recent energy bill.

The high inflationary rate in this country should be considered when their income levels are determined.

I have been helped in the past, and many members of my block association, under the energy conservation program with like winter weatherization for their homes and under the fuel bill.

Also, I find—I feel that more consideration should be given to home owners to keep their property up—with the standards as with the weatherization and everything.

I think a lot of information don't get out to the people in time and they don't know about it and this can help them save on fuel, too.

Many senior citizens told me today they wanted me to stress one point of view to you, that we really want to back you, whatever you do, for them and they want you to really look at them and where they're at, at their fixed incomes and decide that they really need help because they are the ones that are sitting there, a lot of them can't but wanted to come out today, they couldn't come out, their health isn't that good and they asked me to come and that's why I'm here today.

The CHAIRMAN. You're a great spokesperson for them. I'm glad you're here.

Please excuse me I was distracted a moment by a crisis that came up.

Mr. Richardson.

Mr. RICHARDSON. Thanks, Senator Williams, for having me here to participate in your home energy hearing.

As a working poor, I am deeply concerned about the high cost of fuel. I feel that the fuel bills should be considered for working poor with more extended income guidelines, especially the working poor with a family of five or six.

My base salary is eroded as it is now with a fixed—with the high cost of living.

I see no reason why the cost of oil has doubled since last winter. Food prices have increased and our salary remains the same.

Why should I, as a taxpayer, bear the cost of subsidizing rent through oil subsidy programs for people in large apartment dwellings and the owners of such buildings reep large profits?

I urge Senator Williams and his staff to amend his bill to provide for the working poor whose salary ranges above and not beyond $15,000 a year.

Also, I urge the Senator to formulate the hardship program for the family who makes $20,000 a year or more.

I request that Senator Williams and his staff move and put fire under this bill to move it from the Senate agenda to the Presidential agenda for speedy passage so our municipality can provide heat assistance for our poor and working poor.

I have another point I would like to bring up, if the Senator wishes to hear it. I would like to talk about the people who rent apartments with no central heating system, and there is 20,000 of them or more in Hudson County alone. Your bill does not provide any benefit for these people in the Northeast who heat their apartment by the cooking stove which is heated—which heats—what they cook their food by.

Thank you very much.

The CHAIRMAN. In those situations where there is no central heating, I am aware that people in many cases use their cooking stoves—to heat their apartments.

Are there many other stoves, such as kerosene, or individual heating units other than electricity or gas that is used that are used for the same purpose?

Mr. RICHARDSON. There are many——

The CHAIRMAN. Are there many?

Mr. RICHARDSON. Yes, there are many?

The CHAIRMAN. Within a city like Jersey City?

Mr. RICHARDSON. Well, recently there's been a ban on oil stoves here——

The CHAIRMAN. No oil stove here.

Mr. RICHARDSON. No oil stoves here.

The CHAIRMAN. All right.

Mr. RICHARDSON [continuing.]. But people do use them to provide heat for themselves.

So, you know, you can't go around and investigate all of the apartment buildings that the people live in.

Mrs. RICHARDSON. The only time that you know it is when a fire occurs.

Mr. RICHARDSON. The only time you know it is when a fire occurs and you read it in the paper.

The CHAIRMAN. Now, we will come back with some questions, but now we will turn to Mrs. Wilkerson.

Mrs. WILKERSON. Senator Williams, I'm Kitty Wilkerson and I reside at 116½ Clinton Avenue.

I've lived here at 116½ for 14 years, but I've been in Jersey City all my life and I'm with Community—I am president of the Clinton Avenue Social Block Association, I am a member of the community action agency advisory board, and I'm also a member of the neighborhood preservation area committee.

I am not a direct recipient of energy assistance, but I have had, with winterization, I have had assistance which I needed very badly, and I will explain to you a little later on.

But within the neighborhood, there are many senior citizens and poor people that need the assistance and need these programs to help them with their bills, and in my block association, it is a very small block association, but we have about 50 percent of the more senior citizens and these senior citizens——

The CHAIRMAN. Is it just the block on Clinton Avenue?

Mrs. WILKERSON. No, that's our little area, Clinton Avenue, but I am familiar with others—I have been to other areas, I have dealt with a lot of people; elderly people that need help, working people that really need help.

So a program like this here is what we need so bad and people that are working people where on their income they're not within the guidelines to receive the energy conservation moneys that they have, I am not eligible for it, but I need it, I am a poor person, although with your guidelines, I'm not considered in poverty, but I consider myself in poverty and there are so many other people that are in poverty, when you break it down to the cost of living now and with the cost of heating——

Mr. CHAIRMAN. What's the size of your family?

Mrs. WILKERSON. There's two in my family, but I'm not working at the present time.

I worked in a laboratory for 21 years, Wells Laboratory, which is a private concern, and I took sick and I have been home sick for a number of years, but I tried to maintain and keep my heating bills up. I may be, at times, maybe a month behind, but it's really a struggle because I only have the one income and being sick, it's really hard.

So for senior citizens with just one in the family or two in the family, they're not able to really make their payments as they should.

They turn their heat down—I, myself, turn my heat down, lots of times it's at a level and I suffer with degenerating arthritis, hypertension, very bad, but to survive, I have to maintain what I have to—and keep my heating on.

I don't know how long this is going to be that I will be able to do this without getting help.

With the winterization program, which helped me so much, was that they came in and they caulked my house, they did all my windows, which has kept the drafts and things out. I wasn't financially able to have done this without that help.

I have someone with me here, Mrs. Rogers, they came in and did the same thing. She is a senior citizen, but this has helped her so much, so terribly much with her heating. She got assistance from Energy Conservation, and that helped her tremendously.

She still needs help, but not only her, there's so many other people that need help that don't really have the means—the senior citizens—of getting there to fill out their applications to make it—if they had this here, maybe they could get into it, but they're sort of frightened, are they going to lose their homes or will they have to pay this back, and they need someone to assure them that this is something that you are going to give them to help them, you know, over that period, that they need help and they won't have to repay this back for the ones that are in my, say, group where I'm just barely hanging on, you know, and trying not to get to the point because there's other people that need it even more than I, but as things are going up, how long will a person like me be able to keep things going?

You see, it's really hard and you don't really know how hard it is unless you are in that predicament, and I think I'm going to cut this a little short because sometimes I might get a little bit emotional over it, and I don't want to do that, but I also want to stress this to you that people now, poor people, working people, senior citizens, they really need this help and without it, I don't know, people are going to lose their homes, people are going without food, you know, they're eating less.

I found other ways of eating where certain things that I ate that I have enjoyed, I don't have those things, you see, so I have cut down on a lot of things I like, and there are so many people that I know, not just in my Clinton Avenue Block Association, but other people that I have spoke to that I know personally, you know, and they expressed these things to me.

So if you could find it within your—and your committee, to find ways of helping us receive more moneys, and for attending this program—thank you very much—I'm sorry to get emotional, but this is a crisis where everyone's frightened.

I'm frightened as a working person. I worked all my life and I'm at a point where I am afraid I am going to lose what I do have, there's other people that feel the same way, but the people that are elderly people who have worked all their lives and now they're at that point where they're on, say, a fixed income—someone stated a fixed income is not really a fixed income, because they don't really know where they are, you know, and it's frightening, it's really frightening, and the only way that you can know how frightening it is is unless you are in that predicament.

So I thank you very much. [Applause.]

The CHAIRMAN. When we talk about those who are working, I wonder if you could give us some idea of the number of people who are employed and yet have an income that just cannot be expected to carry the whole burden of maintaining a home and paying for these incredibly high fuel costs.

Now you're a family of two?

Mrs. WILKERSON. Well, it's actually two, but—I say three, but it's actually two.

The CHAIRMAN. All right, three, and what kind of income level do you feel is the—minimum that would require some kind of assistance to make it through the winter?

Mrs. WILKERSON. I don't have the exact figures.

I really should have, before I came here, sat down with someone to go over the figures of what your guidelines are and the amounts that you will allow.

The CHAIRMAN. I understand but what do you feel is a reasonable income level that would still need assistance?

Mrs. WILKERSON. Me, myself?

The CHAIRMAN. For you or what a family—a man and a woman, who owned their own home, with a mortgage, and taxes, and all the accompanying expenses, and they've got this incredible new bill that OPEC induced, producing new fuel oil price. What kind of income tells you people will have to get some kind of assistance or they might lose their home, or impair their health by making those awful choices between heating and eating.

Mrs. WILKERSON. Well, just to survive, just survival alone, it's—$12,000 a year would be just survival, you know.

The CHAIRMAN. In this community with prices what they are for everything else $12,000 is your estimate for meeting the basic necessities?

Mrs. WILKERSON. Right.

The CHAIRMAN. Are we assuming that you own your own home?

Mrs. WILKERSON. In my own home, yes. Just barely to survive, not with the cost of living going up——

The CHAIRMAN. Yes.

Mrs. WILKERSON [continuing]. Just what—where it is now, and when I say "survival," taking away the luxuries that I have been used to—accustomed to as a working person, so now I'm down to a level of just my husband's income.

That would be just survival. We would just barely be surviving there. You could do it if everyone knew how to budget; everyone doesn't truly know how to curve a budget.

I go, I watch the papers, and I go to different places where I can get things at a sale price.

Now, instead of buying that one item at that sale price, I might buy four. The reason why I would buy four is because I take away the three that I would ordinarily get, but because I caught that sale, you see—so that sale means that I can buy something else that would keep me surviving, but it means that you are on the go all the time just trying to catch sales.

Now, if you have your health and you can do this, then maybe you could manage at that $12,000, I'm not saying—I haven't sat down to figure out the exact figures, but I am saying maybe, and I doubt it very much, but—and if you are a senior citizen, you can't do this. You know, you can't do this. You can't run from store to store, it takes up all day just going around to catch sales.

You know, on days for myself personally when my pressure is so, so high, and right now my pressure is over 200, I came in today, I really should be in the hospital, but I carried—I have to carry my own Blue Cross which I kept from the time that I left and my husband's job, they don't have it, so just to have medical care, which I need, I don't have it, so there are times that maybe I'll

have to go to the emergency clinic; I can't afford to go to the doctor.

Now, this is things that you have to take away when I say on the level of $12,000, you see.

To buy me my prescriptions, you see, a lot of times that I can't get them, lots of times I should have them but I can't.

Now, there are senior citizens that their life depends on their medicines, but they do get assistance to help them pay for their medical bills and other things, but there's other things that they need that they can't get, but for a person that's a working person, and there's only one person, and that's a sick person that has to survive, $12,000 is, I think, the very lowest you could maintain.

The CHAIRMAN. I wonder if you have been able to estimate roughly what your fuel expenses will be this winter of 1979–80—this winter we're in now.

Mrs. RICHARDSON. Mine was $2,200 last winter.

The CHAIRMAN. $2,200.

Mrs. RICHARDSON. Last year, so it's double this year, it will be $4,400 because the price of oil has doubled.

The CHAIRMAN. How about you, Mrs. Wilkerson?

Mrs. WILKERSON. I am using electric heaters. I had a budget because I never received any assistance for heating.

I don't know about this year, but I try to maintain it and I will continue to try to. I don't know how well I will be able to do it.

Right now, I am—2 months—this will be 2 months now, but I will be sending it out this month, but I'm always a month below.

The CHAIRMAN. How much was your fuel bill——

Mrs. WILKERSON. My fuel bill——

The CHAIRMAN. Yes, for last year and how much do you think it will be this year?

Mrs. WILKERSON. My fuel bill now runs about $120 a month, that is my electricity and gas.

The CHAIRMAN. Your electric bill is for the utilities—your units other than heating?

Mrs. WILKERSON. Right, besides heating, right.

My heating bill in very cold months will run that.

The CHAIRMAN. That's gas?

Mrs. WILKERSON. Yes, that's my gas, right.

I was put on a 12-month budget now, so that means that instead of getting 2 months of relief, really, it's where I don't pay, I just pay what I use; it's not budgeted.

Now I don't have that because Public Service, to make it more convenient so I wouldn't get so far behind, they put me on a 12-month budget, they put me on a 12-month budget.

When they first started with the budget plan, I took that budget plan because I was sick, wasn't able to work, but now I have to pay over 12 months, so that means that I'm paying 2 months now on the budget plan and there is no relief for those 2 months in-between.

I haven't broken it down to exactly how much that is, but I know that it's quite a bit.

Now, I don't know how it will be next year, because that budget is what I'll pay regardless of what my bill will be, but when next year comes in June——

The CHAIRMAN. The first of the year——

Mrs. WILKERSON. No, in June, right, in June and July they will give me another budget because part of my budget has already started when I use the gas or not.

See, they break it down that way so it's not so hard on me, so when one person's monthly bill might be $200, mine is like $120, but it is spread out.

The CHAIRMAN. What is your gas bill under the budget plan now? Is that spread over the year? What is it now?

Mrs. WILKERSON. Now it's over a 12-month period and paying $120.

The CHAIRMAN. On gas?

Mrs. WILKERSON. Yes.

The CHAIRMAN. $120——

Mrs. WILKERSON. Well, see that——

The CHAIRMAN [continuing]. Twelve months——

Mrs. WILKERSON. That's the 12-month budget, but they——

The CHAIRMAN. Each month?

Mrs. WILKERSON. Each month, but they—-you see, you subtract the electric out of that because regardless of how much I use, if I use $300, then I would be paying——

The CHAIRMAN. Is that about $1,000?

Mrs. WILKERSON. I image it would be something like that, a little over that, but it's not including my electricity.

The CHAIRMAN. At this rate, it's about $1,000 for the year——

Mrs. WILKERSON. Yes.

The CHAIRMAN. [continuing]. For heat and gas.

Mrs. WILKERSON. Right.

But then how long this is going to be and how many other people——

The CHAIRMAN. What are your taxes, by the way?

Mrs. WILKERSON. Seven something, I think it is. It's close to $800.

The CHAIRMAN. Will you explain—Reverend Townsend, you described the whole range of responses to the communities' needs through the CAPs, the Community Action agencies and their program.

Do you feel that—that—because you are the State President——

Reverend TOWNSEND. It's Energy Chairman.

The CHAIRMAN. Yes, it's Energy Chairman are you familiar with the CAPs throughout the State?

Reverend TOWNSEND. Yes, yes, Senator.

I believe we have a track record in that in the last 3 years, we have, in fact, implemented the price inhibition system for the State of New Jersey.

Of course, with the increased amount of dollars, you have to expand some of our operations, but at this point, we are prepared for the 1980 program through the Community Services Administration and we're even expanding on that program for the coming year.

The CHAIRMAN. Are you familiar with the program of last year in terms of how many people were served by that crisis intervention of last year?

Reverend TOWNSEND. We expended roughly $5 million throughout the State and it served over 30,000 individuals in the State—households, rather.

The CHAIRMAN. Thirty thousand——

Reverend TOWNSEND. Households.

The CHAIRMAN [continuing]. Households?

Reverend TOWNSEND. Yes.

The CHAIRMAN. What is expected this winter in terms of the number of households that you feel must be reached and have assistance?

Reverend TOWNSEND. It would appear that at least 15,000 households—excuse me, in Burlington County alone, 15,000.

We would say across the State, I would believe if we replicate that in the 24 CAP areas, that at least 100,000 persons in the State of New Jersey should benefit from such a program.

If you double our effort from last year——

The CHAIRMAN. Hold on.

You said—what was the figure you said?

Reverend TOWNSEND. I would say a minimum of 100,000, but if you just doubled the effort from last year, supposedly there's going to be an increase in the upper levels of funding from 250 to 400, so that minimally, we could have served far in excess of 30,000, but I think minimally, in terms of the formula that you have in your plan, that at least 100,000 persons could benefit from the program.

The CHAIRMAN. I would think that there would be more than that that are already established in programs, AFDC, the SSI, maybe other programs——

Reverend TOWNSEND. Yes, there are more.

The CHAIRMAN. I think there would be more than that starting off——

Reverend TOWNSEND. Excuse me.

The CHAIRMAN [continuing]. Without any search.

Reverend TOWNSEND. Yes. There are far more than that who are in need.

I was perhaps trying to address the number who would be served by your bill from my understanding, and at this point, you're talking in terms of a $1.6 billion for this coming year——

The CHAIRMAN. Yes.

Reverend TOWNSEND [continuing]. And perhaps that would reach——

The CHAIRMAN. What was the total—yes, what was the total last year?

The national program was 200 million, national.

Reverend TOWNSEND. 200 million, that's correct.

The CHAIRMAN. This is many times that——

Reverend TOWNSEND. That is correct.

The CHAIRMAN [continuing]. What we are talking about.

Reverend TOWNSEND. That is correct.

The CHAIRMAN. New Jersey served how many——

Reverend TOWNSEND. About 30—about 30,000, but that was at $250, roughly $250 per household.

We're talking about the upper limit in terms of the CSA program of 400,000—$400 per household.

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So that, in essence, people need more and could probably use upward to, as the people were saying today, $1,200 easily on such a program, and what we're saying is that at a status quo level, then we could—at this level, we could serve perhaps the same number because, of course, while we have an increase in terms of the funding, we also have an increase in the upper levels of the actual benefits that these persons are eligible for.

The CHAIRMAN. Did you have something, Mr. Richardson, that you wanted to say?

Mr. RICHARDSON. No, I really don't have anything to say, no more than that we must pay special attention to the families who do not have central heating.

I feel that this is very important to implement such a bill for them because of the fact that by trying to heat themselves for the winter, might result in many losses of lives.

Thank you.

The CHAIRMAN. There are those situations where there isn't an established vendor who is not under a utility as far as supply.

These are the ones that in your searches, community action groups, community groups, the aging groups, when they find that independent heating method, other than the traditional, that, I would think, our program should be organized so that there would be cash to the household rather than the vendor.

Mrs. RICHARDSON. Than the vendor——

Mr. RICHARDSON. Than the vendor.

Mrs. RICHARDSON [continuing]. Right.

The CHAIRMAN. Now, I'm sure that there is much more that you could be helpful with in our work to make this the fair and equitable and necessary program, but time is running, so I guess we'll just have to say thank you very, very much.

Mr. RICHARDSON. Thank you, Senator.

Good luck on your bill.

The CHAIRMAN. As we develop this? Thank you.

Willard Hedden, who is vice-president of the Northern Region Fuel Merchants Association of New Jersey and James T. Dolan, Jr., president of the New Jersey Natural Gas Co. are our next witnesses. As they're coming on if you will come up, gentlemen, I am going to take a 1-minute break here.

[Whereupon, a recess was taken.]

[Whereupon, the hearing reconvened.]

The CHAIRMAN. Now we'll return to our hearing, and those who can really make sure that what we're talking about here is delivered, are from the Northern Region of Fuel Merchants and from the New Jersey Natural Gas Co.

Mr. James T. Dolan, Jr., is President of New Jersey Natural Gas Co. Do you want to go first because you have a time problem, Mr. Dolan?

STATEMENT OF JAMES T. DOLAN, JR., PRESIDENT AND CHIEF EXECUTIVE OFFICER, NEW JERSEY NATURAL GAS CO., ACCOMPANIED BY WILLARD HEDDEN, NORTHERN REGIONAL VICE-PRESIDENT, FUEL MERCHANTS ASSOCIATION OF NEW JERSEY

Mr. DOLAN. If I may, thanks.

The CHAIRMAN. Then we'll come to Mr. Hedden.

Mr. DOLAN. Senator, I am extremely pleased to have this opportunity to present to your panel prepared testimony in support of the proposed fuel assistance legislation, more specifically, S. 1724, the Home Energy Assistance Act. I have made copies of my prepared testimony available for all interested parties. For the sake of time, I will not dwell on the details of the testimony, but would like to take just a few minutes to tell you something of the ongoing programs that my own company and other New Jersey utility companies have implemented in recent years to lessen the impact of ever-increasing energy costs, and the impact of these costs on lower income families and families retired on fixed incomes.

New Jersey Natural Gas Co. serves an everincreasing population of retired senior citizens, many of whom are living on relatively fixed incomes.

Ocean County, N.J., one of our service areas and the fastest growing county in the State, is rapidly becoming the retirement center of our State.

My company knows from actual experience that many of these retired citizens are having an extremely difficult time in meeting rapidly rising energy costs. Existing programs of assistance simply are not adequate.

If time were to permit, I could detail for you and your committee countless stories of senior citizens in need with inadequate income to pay their energy bills.

My own company recognized this problem some years ago when the cost of natural gas started to increase in the mid 1970's, after many years of relatively stable prices. We instituted a number of procedures at that time to assist consumers in the payment of their energy bills. Some of these procedures are as follows:

Our equal payment 12-month budget plan has been of considerable assistance in resolving customer payment problems and in avoiding cutoffs. Under this program, residential customers who ask for assistance to meet their payment obligations may be considered for the deferred payment phase of the equal payment plan. By this means, the customer is given the opportunity to spread out their payments over a given period of time in accordance with the customer's ability to pay.

A regular monthly payment amount is determined to effectively reduce accumulated outstanding amounts, and at the same time, reducing regular monthly billing—billings on a regular basis.

New Jersey Natural Gas Co. also instituted a third-party notice program even before such program became a State requirement.

My company has long been of the opinion that this program is good business for the company and for the customer. By having another party to go to, we have one more chance of collecting the arrears and minimizing losses.

Our State utility commission in recent years has been increasingly concerned over customer cuts for nonpayment during the winter heating season. Last year, our State's utility companies worked out a cooperative program with the board of utilities whereby residential heat accounts would not be terminated during the peak winter heating season for nonpayment of bills.

This agreement was not publicized, which effectively prevented a dramatic increase in uncollectibles, which would have resulted if it had been publicized and there would be no cuts for nonpayment during the winter heating season.

I am a member of the board of directors of the New Jersey Gas Association. Unfortunately, time did not permit me to bring to the board of directors my testimony today so that I could be speaking on their behalf as well as for my own company. I do believe, however, that they would have endorsed everything that I have presented here today and would have supported the Senator's bill as I do.

I know of no utility in our State that does not recognize that there is a problem, and who is not willing to lend their support to an equitable solution.

I would like to again thank you, Senator, for the opportunity to deliver these remarks and answer any questions you may have.

The CHAIRMAN. Should we go ahead with Mr. Hedden——

Mr. DOLAN. Yes.

The CHAIRMAN [continuing]. And then we'll come back to you?

Mr. DOLAN. Yes.

[The prepared statement of Mr. Dolan follows:]

TESTIMONY OF

JAMES T. DOLAN, JR.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

NEW JERSEY NATURAL GAS COMPANY

ON BEHALF

OF

PROPOSED LEGISLATION ON

FEDERAL ASSISTANCE TO THE

LOW AND LOWER MIDDLE INCOME HOUSEHOLDS

My name is James T. Dolan, Jr. I am President and Chief Executive Officer of the New Jersey Natural Gas Company, which provides natural gas service to approximately 220,000 consumers in Monmouth, Ocean and Cape May Counties, and a portion of Morris County. In excess of 90% of our customers are residential. Monmouth and Ocean Counties are the two fastest growing counties in our State. Ocean County, and to a somewhat lesser extent, portions of Monmouth and Cape May Counties, have rapidly growing retirement communities, in which most of the residents are persons living on relatively fixed incomes.

You, Senator Williams, as well as other persons responsible for the holding of these hearings in a location such as this, where those in need can be heard from directly, are to be congratulated. Too often it is second or third hand that we hear of the problems of low and middle income families and persons living on fixed incomes, who have to cope with rapidly rising energy costs. I see no need for debating whether or not a problem exists for these persons. A company such as my own, that is as close to the problems created by rising energy costs, which can be attributed to a variety of sources, including new natural gas prices, decontrol of domestic oil prices, and current OPEC pricing provisions, knows that for certain these rising energy costs have a disproportionate impact on those individuals at the lower levels of our economic strata.

On September 25, 1979, Mr. Stephen Schachman, President and Chief Executive Officer of Philadelphia Gas Works, appeared before the Senate Committee on Labor and Human Resources and presented the position of the American Gas Association on proposed Federal Energy

Assistance Programs. New Jersey Natural Gas Company supports the positions taken in that testimony.

I believe that Senator Williams' Bill, The Home Energy Assistance Act (S. 1724), embodies the most realistic and workable energy assistance legislation proposed to date. I would like to just briefly mention what I view as the significant positive provisions of S. 1724, provisions that I feel are essential to a realistic energy assistance program.

S. 1724 provides for assistance to users of all major energy sources, whether the sources of energy be fuel oil, natural gas, electricity, etc. To realistically help solve the economic needs of the people who need assistance, this provision is a must. Funding from any permanent assistance program must be available to all eligible resident consumers.

Secondly, S. 1724 provides flexibility for states to administer the program with minimal federal interference. This is an extremely important provision. While establishing basic procedural guidelines uniformly applicable throughout the states, this approach would minimize federal bureaucratic overlay, and afford each state the flexibility to "tailor" the assistance program to meet individual needs in different localities. Further, such program should utilize existing state agencies to implement the plan. New Jersey has been a state in the forefront of concern for our citizens unable to meet the rising costs of energy. Our State knows better than the federal government where the needs are and how the program should be administered.

S. 1724 incorporates a payment system which will minimize misuse and mismanagement of funds, which so often is a criticism of federal

programs providing assistance to the needy. Any energy assistance program must give assurance that the system of payments must: (1) assure that the funds be used to defray consumer energy costs per se; and (2) minimize the possibility of misuse or mismanagement of such funds. Failure to provide these assurances would not only cast doubt on the program's ability to achieve its objective, but could result in a program which only exacerbates the problem of rising costs to consumers.

S. 1724 recognizes that timely receipt of payments by utilities will in the long run, be to the economic benefit to all the customers of the utility in that administrative costs and other related expenses will be reduced.

S. 1724 includes a provision that provides assistance to eligible renters, which are too often overlooked. Their economic problems are no less than the problems of those who may own their own home.

Finally, S. 1724 contains a provision that limits total program administrative costs to a percentage of the overall funds. This is further inducement to keep the overall cost of the program at a realistic level.

One aspect of the Bill that concerns my Company is the termination of service provision in Section 7 (b) 7. I respect the intent of this provision, however, we must also look at the financial burden placed on customers who do pay their bills. To retain this provision would be detrimental to all utility customers as it would deny the utility any effective recourse it has to cope in a responsible and effective manner. I support the American Gas Association position which calls for a modification of the termination of service provision in

Section 7 (b) (8) to include regulated utility companies. This would provide utilities a means of protecting paying utility customers from the added burden of growing "uncollectible" accounts, most of which they must ultimately pay for in the form of higher rates.

My Company also supports the provision under Section 7 (b) (5) requiring eligible recipients to pay the difference between the actual cost of energy service and the amount of the energy assistance under the program for two reasons. First, such provision would provide an incentive for eligible recipients to conserve energy thereby minimizing overall costs. Second, to the extent that this cost differential is not paid by eligible recipients under the program, all customers are forced to subsidize these customers by paying the higher rates attributable to such "uncollectibles."

"Uncollectibles" result from a distribution company's inability to collect past due bills from customers. These "uncollectibles" present a major problem not only for many gas utilities but for the utilities' customers. Through the ratemaking process, utilities pass on most of the amounts in these "uncollectible" accounts to all customers, further increasing costs which consumers must pay. Insofar as some customers are at present only marginally able to pay their utility bills, such increased rates resulting from the pass through of "uncollectibles" may render these customers unable to pay their utility bills. This creates more delinquent accounts and further increases the amount of "uncollectibles" which the remaining paying customers, including those receiving assistance subsidies, must absorb.

The American Gas Association recently surveyed approximately 100 urban gas distribution companies which served 30 million customers in

1978 or about 65% of the 46 million gas users in the lower 48 states. "Uncollectible" accounts were shown to have increased from $64 million in 1976 to about $98 million in 1978. Based on this survey, an extrapolation to include the entire gas utility industry estimates "uncollectibles" to have increased from $109 million in 1976 to $136 million in 1978. As a percent of residential gas revenues, uncollectibles increased from 1.1% in 1976 to 1.3% in 1978. If this trend were to continue, "uncollectibles" will total $200 million in 1979 for the gas utility industry and account for about 1.4% of residential gas revenues. This translates into an ever-increasing burden on the paying gas customers.

My Company currently has a 12-month billing plan and willingly makes other installment arrangements in an effort to assist customers who experience difficulty in meeting their payments. It is unfortunate that, notwithstanding the many customers who sincerely attempt to pay their utility bills, there are a number of customers who simply refuse to honor their obligations. These customers can take advantage of the existence of state moratoria prohibiting termination of service and/or voluntary utility company policies against terminating service during the winter heating months.

My Company also supports Sections 7 (b) (3) and (13) of the Bill that propose states develop procedures whereby participants in the energy assistance program are identified and certified as eligible to receive assistance. A state or a state-designated agency should be required to determine and certify the eligibility of recipients under the energy assistance program. The energy supplier <u>should not</u> be required to make these determinations as they more appropriately lie

within the function of the state or the administering agency. Congressional intent on this subject should be specifically expressed either by clarification of the language in Sections 7 (b)(3) and (13) or by inclusion of a clarifying statement in the Committee report on this Bill.

Also, under the Bill, recipients eligible for energy assistance must have household incomes below 125% of poverty guidelines with adjustments annually. I recommend that such eligibility standard should be broadened to include energy consumers on fixed incomes. Elderly and senior citizens receiving fixed supplemental income under Titles IV and XVI of the Social Security Act are equally threatened by the prospect of steadily rising energy prices.

New Jersey Natural Gas Company has had experience for a number of years now in working with energy assistance and crisis intervention programs. While helpful, the programs up until this time have not adequately solved the problems of those in need. As I stated at the outset, I believe that Senator Williams' Bill, The Home Energy Assistance Act (S. 1724), embodies the most realistic and workable energy assistance legislation proposed to date. New Jersey Natural Gas Company is pleased to support those provisions of S. 1724 which address themselves to the major concerns of my Company and the gas industry, and further supports the recommendations of the American Gas Association for improvements in the legislation.

Thank you again, Mr. Chairman, for this opportunity to testify. I would again offer my congratulations to you and all others responsible for these hearings. I would be happy to answer any questions you may have.

The CHAIRMAN. All right, Mr. Hedden.

Mr. HEDDEN. Thank you, Senator Williams. I appreciate this opportunity to speak here with you.

My name is Willard Hedden and I am the northern regional vice-president of the Fuel Merchants Association of New Jersey, which represents 600 independent home heating oil distributors in the State.

The FMA members deliver over 1.7 billion gallons of No. 2 home heating oil to some 1.3 million homes in the State annually. This figure represents approximately 50 percent of the homes in the State.

I am also president of the Hedden Co., a medium-sized heating oil distributorship located in Dover.

The members of the Fuel Merchants Association recognize that the basis for any federally funded assistance program of any sort is the hard-earned dollars of the taxpayer. We also recognize that recent increases in energy costs, including, but not limited to home heating oil, will make it difficult for those on fixed or low income to pay for the fuel necessary to heat their homes in the coming winter.

It is for these two reasons that we are here today to comment on S. 1724.

The Fuel Merchants Association feels eminently qualified to comment on the act, since our association has been involved in the drafting and implementation of energy assistance bills for the elderly since such programs began in 1976 with the special crisis intervention program.

Our members have also traditionally operated assistance programs of their own. Before the recent announced tightening of credit terms by tbe major oil companies, it was the historical practice for home heating oil distributors to refrain from terminating service to any customer during the heating season because of a failure to pay an outstanding bill within a reasonable period. In practice, this resulted in the extension of credit for periods as long as 60 to 90 days for slower payers, often extending into the late spring or early summer.

The recent actions by some major oil suppliers, as outlined in the press, in formal statements and letters from marketing departments and dealers indicate that credit terms between the major suppliers and those independent distributors who purchase their product from them will be on basis of "10 days net" this winter.

This term means that all outstanding bills will have to be paid in full by a distributor within 10 days of taking possession of the oil. If that distributor is late in paying in full, he will be denied more oil until the bill is paid and lose that part of his allotment, too.

Obviously, such tightening of credit terms by the major suppliers will not allow the members of our association the luxury of extending 60- to 90-day credit terms of any kind to our customers.

In a situation such as this, slow payment by the end-consumer would eliminate the possibility of distributors infusing and maintaining the capital necessary to keep our businesses financially stable.

We, therefore, reluctantly come to the conclusion that Federal aid will be necessary if we are to supply those on fixed and low

incomes in the same manner in which we have traditionally supplied them with oil.

We have comments on both the current S. 1724, as proposed by you, Senator Williams, and on the operation of similar assistance programs in the past.

The Fuel Merchants Association agrees wholeheartedly with the provision defining eligibility as 125 percent of the household's income in relation to the lower living standard income level of the area.

Many of the Federal standards for income levels have been outpaced by inflation and bear little resemblance to the real-world conditions. An additional 25 percent cushion could be sufficient to correct those deficiencies, however.

We must disagree with section 4, part (d) of the "Home Energy Grants Authorized" section of the bill. That subsection calls for the determination of the aggregate residential energy expenditure for each state to be determined by the Secretary of the Department of Health, Education, and Welfare after consultation with the energy secretary.

It has often been the experience of those who have dealt with the Federal Energy Department on any statistical-related matter, that the FDOE is often inaccurate, incomplete or out of date in its gathering of facts and figures.

In order to insure that funds are disbursed according to the wishes of the Congress to the locales of greatest need, we suggest that the method employed be a combination of HEW random sampling of retail prices in each area or State, combined with analysis by the FDOE, the National Oil Jobbers Council and the American Petroleum Institute which should be updated throughout the heating season, with corresponding shifts in allocation determined by the result.

This will insure that the market fluctuations are taken into consideration and those who most need help are not denied it because of bureaucratic delays.

If you are following this, I am skipping the rest of that page because it kind of duplicates that which has already been said.

It just mentions the fact that we have to be paid within 30 days because our suppliers expect to be paid within 10, and we have traditionally been able to allow those 30 days, but we can't really go beyond that, considering present conditions.

We applaud the routing of administration through state governments. The original energy assistance program was so administered and was orderly, efficient and free of abuse. Subsequent programs bypassed the Sate, which acts as an effective watchdog over the program. Grants were distributed directly from the Federal level to the county level. Without State-level watchdogging, this led to departure from Federal guidelines concerning eligibility, registration, size of grants, distribution, as well as other abuses occurred.

While we are encouraged by the reimposition of a State agency as watchdog, we are appalled by the unnecessary cumbersome eligibility rules and regulations.

Instead of the complicated eligibility rules outlined, ones that cannot—for a variety of reasons—be determined, eligibility should

be governed by the rules used in the past: A maximum income level for families and for single persons.

There is no average home; there is no simple way to determine eligibility through a determination of home energy costs. Yet if the bill is to aid those it is meant to aid—the elderly and others on fixed and low income levels, the eligibility requirements must not be complicated and they must not be degrading. If it is either, those the bill is aimed at helping will suffer, and very often in silence.

The purpose of S. 1724 is to help the elderly and others on fixed and low income by, in effect, guaranteeing their supply. If, however, distributors do not have the cash on hand to purchase those supplies because of bureaucratic delays in the distribution of funds, then the program would be self-defeating.

The program would likewise be self-defeating if an inordinate amount of the total grant to each state was absorbed by administrative costs.

For that reason, the FMA applauds the provision of section 7 that restricts administrative costs to 15 percent of the overall cost of the program.

By expanding the definition to include such a clause, it could be guaranteed that local administrative agencies costs will be held in check and funds earmarked for fixed- and low-income relief will be spent for exactly that purpose.

We are encouraged that the bill specifically includes provisions for publicizing the program. The FMA, as well as other State heating oil associations, could be, as we have been under past programs, an additional useful vehicle for the distribution of information on the program.

By supplying heating oil distributors and other energy suppliers with applications, descriptive literature and other material, the Congress can be assured that the information will reach those the act is intended to help.

The energy suppliers know better than any other Government agency which consumers need help. Since such consumers are already included on our mailing lists, we should be a natural conduit for advising them of the benefits available to them.

A major item in that advisement, naturally, is the starting date of the program. Since the heating season, by virtue of last week's light snow, may well be said to have already commenced, it behooves us all to begin this program as soon as possible.

While section 9, entitled "Payments," calls for grants to the States to be made in advance or by way of reimbursement, "Administration," sets a deadline for issuance of regulations for the program to begin within 60 days of enactment. If it were 60 days from today, that would be December 15, well into the heating season.

With the heating season already here, we—with supplies already distributed and bills already piling up, help is needed now. The members of the Fuel Merchants Association of New Jersey hope Congress will take action on S. 1724 after the appropriate changes we have outlined have been inserted, and as soon as possible.

Thank you.

The CHAIRMAN. Excellent statement, both statements, and most helpful.

I wonder now, on the—the pressures on the fuel dealers, obviously, with the scuttlebutt saying that it's going to be 10 days net; in other words, almost COD?

Mr. HEDDEN. That's right.

In some cases, there are suppliers who have already told their customers that it will be at that level where they will have to have the money there before they can pick up the load of oil.

The CHAIRMAN. Go back a step.

What is the pressure on your source of supply? The dealer—does the dealer deal with the big company whose names we're familiar with, or is there an intermediate process?

Mr. HEDDEN. In some cases, there are intermediate suppliers who deal with the major oil company, and the dealer deals with that intermediate.

In other cases, we deal directly.

I deal directly with one supplier and indirectly with another, so there is this mix throughout the State.

The CHAIRMAN. What are the pressures on them, that they're coming to this shortening of the time for dealer credit?

Mr. HEDDEN. I think the pressure is on the jobber's supplier, the man in the middle, as we are in the middle, is tremendous.

Some of them have been unable to lay in the supplies which they needed until late this summer and early fall, so that they're faced with a situation where they had to pay top dollar buying oil on the spot market to get any kind of a supply ready and now with high priced product, well above the price of product that some of the majors are supplying, they turn to their dealer and say:

> Now I've got a limited amount and you can only have so much this month, at a much higher price than, say, another dealer is paying for product that he buys directly from a major.

So there is this dislocation and also a tremendous variance in price to the dealer today.

The CHAIRMAN. Was there a longer delay in getting the product to the local dealer this year than last year, say?

Mr. HEDDEN. There certainly was.

This year, it was required by the Federal Department of Energy that the major suppliers, the refiners, actually put aside some 240 million barrels of product.

While they were putting this product aside, the price of oil was skyrocketing.

That's when the great increases took place, at a time when the dealer couldn't even buy product to put into his own storage.

The CHAIRMAN. They were responding by storing and not delivering; is that it?

Mr. HEDDEN. They were delivering only what they absolutely had to by certain allocation formulas that they made up themselves based on past purchases or contracts that had been made previously, whichever was the lower amount.

The amount lifted a year ago, or the amount contracted a year ago, was that which the dealer would get, and in some cases, there were jobbers that dealers had bought from who could no longer get

product because the major was not giving it to them and, therefore, the dealer couldn't get product on the other end.

So there was a good deal of dislocation of product during the entire summer.

A lot of that is straightened out at this time.

The CHAIRMAN. Well, that was my next question.

Where do we stand now?

I had a meeting in my office now 2 weeks ago and it was frightening to hear that the—the lack of delivery under the regular order and the old procedure put us up pretty close to cold weather and even some of the barges might be frozen in before they got—deliver their product.

Mr. HEDDEN. Well, this is something we were concerned with.

I feel right now that we do have product, but we do have an increase in price that came through so that the the product we sell today, because of this 240 million barrel set-aside, is now much more expensive than it would have been had the product been allowed to flow through right from the beginning, we would have been able to store product at a lower price and pass that saving on to our customer.

We can't now, the price is already up and we paid top dollar to get it.

Another thing that I'm concerned about is the fact that there are jobbers selling product now to dealers and at a legitimate markup for them, because they paid a high price to get this product on the spot market and now they're selling it to their dealers at a price almost 10 cents higher than some of the major oil suppliers are supplying their dealers.

So right now, there's a tremendous disparity in pricing on the jobber-supplier level to the dealer, and yet the dealer is in a competitive market.

If he raises his price based upon his cost of supply, he'll price himself out of the market. So he has to keep his price down in line with the dealer who buys from a major supplier—major refinery, whose price is lower.

This creates a real tightening in his markup so that he suffers tremendously by this, while other dealers have a reasonable margin to work with and we also compete with not only ourselves, but with other fuels, so that our price cannot escalate individually. We have to consider before we raise the price, after our costs go up, what effect it will have on our customers and what effect it will have on our image.

If we turn to our customers and say:

> Well, I'm going to add a nickle to the cost and price myself right out of it, my competitors will pick up that account or that account will go to another fuel, and this is one of the things we are vitally concerned with at this point.

At this point, we are competitive and we'll have to remain competitive. It's the basis of our whole livelihood.

The day we're not competitive is the day we're out of business. There are too many other alternate fuels or other dealers who can pick up our business.

The CHAIRMAN. We all put—the reason for all of this—back at the price in the beginning. Unfortunately the OPEC prices are not going down from the imports, and those great price increases, down

to the last price, the retail price, the percentage increase of the retail price is much higher than the percentage increase of the product coming into the country.

Mr. HEDDEN. I can't believe that.

I think that the percentage increase that the refiners and suppliers to us have right now must be far greater than the markup that the dealer has because the dealer is still running on a markup of around 20 percent, gross markup.

It may even, in some cases like mine, be somewhat less because I had to meet competitive situations in my markup, so—and this has been—the margin at one time, a decade ago, was about a 33⅓ markup; it has dropped to less than 20 percent.

So our margins are tighter. We make less on a gallon of fuel. We can't increase our gallonage because we're on an allotment and our cost of labor, our cost of all kinds of overhead have gone up, the cost of the delivery truck has almost doubled in the last 5 years, so the oil dealer is faced with staggering increases in cost, a locked-in gallonage in a lessening margin.

So we're struggling for our survival, too.

The CHAIRMAN. Now with natural gas, is any of this discussion I have had with Mr. Hedden comparable to the natural gas situation?

Mr. DOLAN. Senator, I am confident that this winter there are adequate supplies of natural gas in this area to meet the needs of all of our residential consumers.

The overflow pressures that the natural gas utilities in New Jersey are receiving right now from the oil crisis is a demand for conversion from fuel oil to natural gas that's beyond—generally speaking—beyond our ability, timewise, to take care of it, that each time there has been some negative story on oil, whether it be supply or price, this has accelerated the demand for requests for conversions, and perhaps some of these requests just cannot be taken care of in the timeframe that people are requesting.

I think all of the utility companies—gas utilities in Jersey are faced with that at this time.

The CHAIRMAN. A line of credit is the basic way we want to go with this and there is no question, that's the efficient way to go——

Mr. DOLAN. Yes.

Mr. HEDDEN. Yes.

The CHAIRMAN. There is no question about it.

Mr. DOLAN. We have no problem with that at all.

The CHAIRMAN. There are individual situations where that doesn't lend itself, such as woodburning where it's a little more difficult. The individual heating within an apartment, poses another problem.

Mr. DOLAN. I think it's very difficult, Senator, to address in the legislation that you have proposed or any legislation a cure to each and every problem.

I think the great thing about your legislation is that it does encompass what I feel to be the vast majority of the problem areas, and as was suggested earlier in the comments, time is so extremely short for this winter heating season, so very, very short, the need is

there now, right now. Bills are going out now and they are beginning to accumulate.

So that I think it behooves us all for the Congress to move as expeditiously as they can to enact this legislation as quickly as possible.

The CHAIRMAN. What would you envision is the most effective way, to establish that line of credit, after the individuals are determined to be eligible. While we have a lot of flexibility in the State, how do you see the most efficient way to do this, through what administrative agency?

Mr. DOLAN. If I may, I think the record of New Jersey's utility companies for the past 2 years working with our department of public utility commissioners speaks for itself, especially during the winter heating season where few, if any, people have been cut for nonpayment in recent years.

All parties concerned have recognized what the problems have been of people unable to pay their bills.

Our reluctance is that this be mandated, that it not continue to be voluntary, and our concern there is that, in fact, in reality, in real life, there are many people if you tell them you don't have to pay your bill and they have the means to pay their bill, they won't pay it, if they know it, it's as simple as that, it's human nature.

So that I think most effectively, Senator, if we could continue to work with our department of public utilities, our department of energy, and have an agreement that we would continue our past practice of not discontinuing people during the winter heating season, which is a critical time of the year, we'd very much be in favor of that.

The CHAIRMAN. Of course, we've got experience here with utilities and the lifeline program.

We don't have the same thing with the dealers.

Mr. HEDDEN. No, but I think as far as we are concerned, one agency should handle the whole thing.

If that particular agency has the capability, it certainly could include our—the dealers, too.

The CHAIRMAN. How many fuel oil dealers are there in the State?

Mr. HEDDEN. About 750.

Six hundred of them are in our association, and there are some small independents who have never affiliated, but I think that as long as one State agency handled it, this would reduce the inefficiency of the system——

The CHAIRMAN. Good.

Mr. HEDDEN [continuing]. Make more money available, and if the moneys are available on a line-of-credit basis where the moneys go to the utility or to the oil dealer on behalf of that individual, the system can work and work well.

Mr. DOLAN. Yes, I agree also, there should only be one agency, Senator, for the entire State.

The CHAIRMAN. Excellent.

Thank you very much.

Mr. HEDDEN. Thank you.

Mr. DOLAN. Thank you.

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The CHAIRMAN. Now we're very pleased to welcome to this hearing a Member of the House of Representatives who represents this district with great distinction, the Honorable Frank Guarini.

STATEMENT OF HON. FRANK J. GUARINI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Congressman GUARINI. Thank you very much, Senator.

I am very pleased to be here and to know that you have taken your characteristic interest in the suffering of the people and are looking out for the underprivileged. I think it shows your great concern by coming here where the problems are, so that you can get the input from the people in this district.

I think the people in this area, Hudson County, probably suffer from this particular problem more than anyone else because we have more elderly here than any other place in the country, except Dade County, and these are people who live on fixed incomes. These are people who are frail and elderly, who are unable to pay the increase in heating costs. For that reason, I think that there is a call for a special impact legislation that would provide Federal assistance to these low income families for heating bills.

I would also like to pinpoint, without holding you any longer, just so I may put on the record the fact that there are huge housing developments that do need help because they are housing people who are elderly and also many lower income people. By increased rent, these costs are going to be passed down to the tenants eventually. So we have to find some kind of a solution for our housing developments which are going to be raising their rents as a result of the cost.

I've listened with interest to the people who have been in the heating business here.

I do know that there has been fierce competition in the heating field, and perhaps their particular profits have not been high in the past, but I would expect that there would be a tremendous increase in heating fuel costs as there has been because of the energy crisis. For that reason, I feel that it is reasonable to call for controls on heating fuel, at least while we have our emergency.

As you know, just last week, by a three-vote margin, the House lifted, unfortunately, the controls on gasoline prices.

I hope that question will come up again, and I expect that it will be voted down, but it does point out the problem that we have in trying to get price controls of any kind through Congress. And we know the difficulty we are having in getting a successful windfall profits tax through.

The CHAIRMAN. At this point the bill is not linked to that measure.

Congressman GUARINI. I realize that, Senator, but there are problems that are overriding. We have to look at the whole package, so that what I really want to do is just say that it is a particular problem in the Northeast. In this county, we have more people living closer together than perhaps in any county in the entire United States.

The CHAIRMAN. Right.

Congressman GUARINI. Knowing how dense our communities are, if we have untimely cold weather this winter, as we have had at

the beginning of this season, I think we have to attach ourselves expeditiously to this problem as your committee is now doing. And I would like to offer consideration to the families with incomes as high as $22 to $25,000, because there is the severity of weather, the high cost of transportation, food, clothing, the cost of living for these people is probably rising faster than any other part of our country.

The Northeast has suffered more in this gasoline shortage. Particularly in the area of heating fuel, some parts of the country don't have the need for heating devices in their homes, so that the South—Florida, Texas, and other areas of our country have less interest in the particular problem that we have here.

Thank you very much, and I really appreciate your attention.

The CHAIRMAN. Great, Frank. Thank you very much, Congressman Guarini, and on the record, I want to extend particular thanks to the president of St. Peter's, Father Glenn. I didn't open up with the full statement of appreciation to this great university of St. Peter's, and I want to have that on the record and our warm thanks to Father Glenn.

[Additional statement received for the record follows:]

TESTIMONY OF NEW YORK CITY

BEFORE THE SENATE SUBCOMMITTEE ON LABOR AND HUMAN RESOURCES

ON S. 1724

THE HOME ENERGY ASSISTANCE ACT

SUBMITTED FOR THE RECORD ON FRIDAY OCTOBER 12, 1979

New York City is pleased to comment on S. 1724, the Home Energy Assistance Act, which would authorize the Secretary of Health, Education and Welfare to make grants available to the states for the purpose of providing financial assistance to certain households in order to meet the increased cost of home heating fuel.

New York City, like many other large urban areas, faces a potentially devastating residential heating oil crisis this winter. Heating oil is our most significant residential heating fuel. Fifty-eight percent of all New York City dwelling units are heated with oil.

We have more than one million public assistance recipients and more than 800,000 people over the age of 65. Skyrocketing heating oil prices and tightening credit practices could leave many home heating oil customers, especially, the low income, elderly and those on fixed income pensions without the financial means to avoid a delivery cutoff.

New York City's primary concern is over rapidly rising prices, not the threat of a shortage. In August of 1978, the retail price of number two heating oil in New York City was 51¢ a gallon. According to a survey conducted by New York City's Department of Consumer Affairs, as of August 31, 1979, the average retail price of number two heating oil in New York City was 80.5¢, a 58% increase in just one year. This increase translates into roughly a $400 rise in the heating oil bill for a typical New York homeowner.

Many of these New Yorkers already required assistance to pay their heating oil bills last year. Experts and industry representatives estimate that the price of home heating oil could go as high as one dollar a gallon. The magnitude of such a price increase is particularly impressive in light of the fact that nearly 3 billion gallons of heating oil are consumed each year in the City.

We do feel this bill is clearly a solid beginning, but we have several concerns regarding the funding, scope, and administration of the program. Specifically, the following points need to be mentioned.

THE ROLE OF THE CITIES

Traditionally, cities have played a major role in providing the first line of services to the public. This role should not be forgotten, and in fact, should be included in the mechanism for grant distribution.

It is important that the HEAA be administered closest to the intake level. Cities should have a key administrative role and should be the direct recipients of these funds.

Existing federal energy programs such as weatherization, and the schools and hospitals grants program are presently being administered by the States. While the schools and hospitals conservation grants program was enacted a year ago, not a single penny has been spent on a building conservation measure. In addition, the New York State conservation plan still has not been approved by the Department of Energy. Because administrative responsibility has been given to the states in these programs and because of delays at the federal level the needs of cities often go unattended.

This intolerable situation exemplifies the necessity for direct federal cognizance of the special needs of urban areas and the fact that there has never been a piece of federal energy legislation explicitly addressing the needs of the cities. New York City feels that S. 1724 could provide this opportunity. States simply cannot routinely be inserted as an additional bureacratic layer between the congressional decision to provide aid and the actual receipt of such aid by the intended beneficiaries. Cities are in a far better position to assess their special needs and to quickly enact programs to address these needs.

RENTERS

While section 7 (b) (10) of S. 1724 provides that owners and renters will be equitably treated under any program, we feel this intent should be more clearly stated in terms of application to specific programs. Fuel assistance legislation must specifically target renters who nationally make up 57% of lower income households and at least 85% of New York City's lower income households. This may not be an easy task especially since renters do not usually pay a separate heating bill; their heating costs are usually included as an aggregate of their rent. These individuals will still face these higher heating fuel costs as eventually reflected in increased rents or in some cases in unheated and eventually abandoned buildings. Renters can be protected by cash payments made directly to them, their landlord, or the landlord's fuel supplier.

Renters should also be given assistance for the payment of utility bills which are not directly "heating related." In lower income renter households, supplemental heat is often provided by turning on the oven or using spare electric heaters. These actions then become reflected in higher gas or electric bills.

CONSERVATION

S. 1724 does not include assistance for energy conservation measures. The low income population is the most negatively impacted by increased energy costs and the least able to finance conservation measures. Unless the Home Energy Assistance Act aids lower income households in conserving energy, this nation will be committing itself to an endless and constantly escalating subsidy for energy costs and our poor will never have the hedge against rising energy costs they so desperately need.

TIME FRAME

The heating season has commenced. This program needs to be operational now. These additional funds must get to our low income individuals before the heating bills arrive in the mail. Last year no payments were made under the crisis intervention program until after the heating season was over. People were placed in the anomolous position of having to submit evidence that they had paid heating bills at the same time they were asked to demonstrate that they were not capable of paying those bills. New Yorkers cannot afford another reimbursement program of this type. A program of prospective assistance, such as a fuel stamp or voucher system that is in place in time to meet this winter's problems and one which provides assistance when heating bills are due IS ESSENTIAL.

In light of the early snow many surprised New Yorkers found themselves coping with, it is vital to enact this program quickly. In addition, New York City would like to play a keyrole in the administration of such a program.

We thank you for this opportunity to comment upon this legislation.

TESTIMONY OF THE
NATIONAL HOUSING LAW PROJECT
SUBMITTED TO THE
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
ON EMERGENCY ENERGY ASSISTANCE PAYMENTS

October 12, 1979

The energy payments assistance legislation now being considered involves many issues. We want to focus on one, because, despite its importance, it has received rather cursory treatment. The issue is whether assistance ought to be provided directly to the consumer or to the supplier. We favor direct assistance to the consumer and explain, in this statement, why we consider that payment to the consumer is important to the realization of the goals of the legislation. We recognize, however, that there is considerable force behind the thrust for vendor payments. We therefore point out in Part 2 of this statement that if vendor payments are to be made, certain restrictions ought to be imposed so as to assure that the purposes of the legislation are accomplished.

1. Why cash payments to consumers would be best.

The "cash payment principle" has been an important tenet of low-income groups since the beginning of the reform days in this country. The cash payment principle is embodied in the Social Security Act, and has been honored, with few exceptions, since the days of the New Deal. The cash payment

principle is rooted in two fundamental ideas. The first is that low-income people should not be punished for their poverty by being stripped of the ability to make their own choices about how money is spent. The second idea is that the purposes of the federal legislation are served best -- most effectively, least expensively -- by putting the purchasing power in the hands of those most interested in using it effectively: the consumers.

Over the years, these ideas have proven to be sound; the money payment principle has been vindicated by its effectiveness in the real world.

It is odd, therefore, to find people ready to abandon the money payment principle in developing the energy assistance legislation. Some of the people who have supported vendor payments -- payments to suppliers rather than consumers -- have done so apologetically, explaining that they themselves and "most low-income groups" favor payments to consumers. Ironically, the arguments adduced to explain support for vendor payments actually support payments to consumers, not suppliers. Our purpose here is to show that the most important objectives of this energy legislation can best be served by providing assistance directly to the consumers.

a. Speed and maximum use.

Everyone seems agreed that the energy legislation must work swiftly -- to provide help for this winter -- and must put the most resources possible to the task of providing energy, keeping administrative costs and delays to a bare minimum.

These interests are best served by making payments directly to the consumer. That distribution mechanism is in place -- especially to the extent that AFDC, SSI or food stamp rolls are used to determine eligibility. No system is faster or less complicated than giving the assistance directly to the consumer.

b. Control over supplier misconduct.

Supplier misconduct is a real and serious concern. There must be a prohibition of utility cut-offs and protection against suppliers' failure to make regular, reliable, complete deliveries without imposing unfair or unlawful charges or conditions. The people who will be immediately affected by such supplier misconduct, the people who will know about it first and have the most interest in having the misconduct corrected, are the consumers. They should be given the power -- as they already have the incentive -- to keep the suppliers within the bounds of the law. Assuring the consumers the power of the purse is a time-honored way of affording them power over supplier misconduct.

It is vital, however, to assure more than consumers' dollar power. That is only a first step. Supplier misconduct ought also be controlled directly. Many of the suppliers already are subject to federal regulation; Congress ought simply to prohibit suppliers from terminating any energy consumer, at least without notice, proof of good cause, and an opportunity for a fair and impartial hearing. For the suppliers not subject to federal regulation, the states

should be required to implement a no-termination policy like that suggested for the federally regulated suppliers. Such imposition of general federal and state standards, coupled with consumer control of the dollar, would go far to deter and to cure misconduct by suppliers.

c. Effective service.

The legislative purpose is served by encouraging and rewarding effective, efficient, inexpensive service; competition among suppliers is essential to achieve these goals. If individual consumers have the power to choose among competing suppliers, the suppliers will endeavor to satisfy their customers. The fastest, surest response to competitive advances will be provided by consumers who have the power to serve their own self-interest by choosing among competing suppliers.

* * *

For all the reasons set out above, we believe that providing assistance directly to the consumers would be the most effective way of accomplishing the objectives to be served by this legislation. In addition, consumer assistance serves the money payment principle, permitting poor people to make their own decisions about how to dispose of these resources.

We recognize, of course, that there is strong opposition to at least this application of the money payment principle. There is a sense that the beneficiaries of this program ought not be able to decide against using this assistance for utilities (or energy), that energy assistance should be a

categorical assistance program to assure that a household's basic energy needs are met, regardless what decision the head-of-household might make. The full answer to this concern, of course, is to provide these low-income people with enough money to make it unnecessary for them to decide between food and fuel. It would be far more seemly for the government to provide for full subsistence needs, rather than dictating that the family meet one rather than another of strongly competing needs. But if beneficiaries are not to receive enough assistance to meet all their basic needs, and if the government is going to insist that the energy needs be met first, then that can be accomplished without going all the way to vendor payments (or vendor lines of credit). A fuel stamp program offers a fair compromise between the money payment principle and the determination to have energy assistance payments used to meet energy costs. Second only to direct cash assistance, it is swift and relatively uncomplicated to administer. It enables the consumer to control supplier misconduct and to act to assure effective service. Coupled with a prohibition of terminations, cutoffs and reductions (at least except for cause and with notice and an opportunity for hearing), it meets the objectives of the legislation, and is objectionable only because it deprives people of the power to control entirely their own energy assistance allotment. We see fuel stamps as the viable alternative to cash payments to consumers.

2. Conditions that should be imposed if vendor payments were made.

We recognize, however, that there is a strong voice for vendor payments or vendor lines-of-credit. For the reasons we have explained, we oppose such a mechanism. But if vendor payments or vendor lines-of-credit were to be used, there are some conditions that are essential to preserving the program. We describe below what these conditions are.

a. Designation of suppliers.

Beneficiaries must be able to designate the supplier or suppliers, including more than one supplier where essential home energy comes from more than one source. This protection allows people to choose those suppliers which best meet their needs, including choice of alternative fuels such as wood. It allows people to change suppliers where service is unsatisfactory and to change suppliers to those which may provide better service or lower prices. Thus, it encourages competition and provides an incentive for suppliers to provide good service at the best prices.

b. Control of payment.

Beneficiaries must have some way to control the payment in cases of dispute. In the event of unsatisfactory or non-existent service or other dispute, such as disagreement over the amount of the bill, beneficiaries must be able to invoke a procedure which would immediately withhold payment to the supplier(s) until the dispute is resolved. Where legislation provides for states to administer this assistance, they must be

required to provide a mechanism for this purpose. The mechanism should provide for prompt resolution of dispute following notice and hearing. Suppliers must be prohibited from terminating service and the state or federal government must provide effective enforcement of this prohibition. Suppliers who violate these provisions should be subject to criminal and/or civil penalties which are strong enough to deter retaliatory behavior.

c. Renter aid.

If direct consumer payments or fuel stamps are used, nothing need be done to distinguish renters from homeowners, for each can use the cash or stamps to make payments for utilities directly or as part of shelter costs. If, however, payments are to be made to vendors, then it is necessary to make special provision for renters.

Payments should not be made to suppliers unless both the tenant and the landlord certify that rents have been reduced by the tenant's share of assistance paid, as provided in the Javits-Jackson bill. Tenants should receive from the administering agency a written certification of the amount of assistance paid on their behalf, so they will know whether or not the landlord has passed on the full amount of assistance.

Where landlords fail to reduce rents by the full amount, or raise rents to offset the benefit, tenants should be able to authorize payments to the supplier on their behalf and should be entitled to deduct such amounts from their rents. This remedy is essential, even where landlords are subject to

civil and/or criminal penalties, because it gives the tenant an immediate remedy which may be crucial during winter months. Again, tenants should receive from the administering agency a written certification of their allotment, so they will know how much to deduct from their rents.

Where tenants exercise their rights to deduct, they must be protected against retaliatory eviction or other punitive landlord behavior, including a landlord's failure to deliver utilities.

Landlords who violate these provisions must be subject to criminal and/or civil penalities. They should bear the burden of proof that their actions are in good faith, for good cause and otherwise lawful.

We think it obvious that low-income renters must be assisted by this program, and it seems equally obvious that making payments to vendors would require a very complicated (and expensive and time-consuming) system for identifying those tenants on whose behalf payment is to be made, and specifying the extent of that credit, and then assuring that that credit actually and lawfully is provided. This set of problems alone shows, we think, the virtue of using either direct consumer payments or fuel stamps to make the best effort at a swift, simple, fair and effective program of low-income energy assistance for the winter that already is upon us.

The CHAIRMAN. Thank you.
[Whereupon, at 12:50 p.m., the hearing was adjourned.]

HOME ENERGY ASSISTANCE ACT

MONDAY, OCTOBER 15, 1979

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Lansing, Mich.

The committee met at 9 a.m., State Senate Appropriations Committee, room 301, State Capitol, Lansing, Mich., Senator Donald W. Riegle, Jr., presiding pro tempore.

Present: Senators Riegle and Hart.

OPENING STATEMENT OF SENATOR RIEGLE

Senator RIEGLE. The Senate Committee on Labor and Human Resources will come to order. Let me welcome all those in attendance and say that we are happy to have you here and you are welcome to join us for the remainder of the day. We have a number of witness panels that we are going to be talking with today. We will be starting very shortly with the Speaker of the Michigan House of Representatives, to be followed by a panel of State agencies, then a panel of consumers from across the State of Michigan. We will take a brief break for lunch. We will have a panel of senior citizen groups, then followed by an energy consumer action group. Then we will have a panel of community action agencies across the State, and then we will have a panel of gas and oil suppliers. Then, finally, we will have a panel of utility company respresentatives. So we are covering the spectrum very fully, I think with our witness list today.

The purpose of this hearing is to examine the impact of rising energy costs on low income citizens and to receive testimony on how the Federal Government can best respond to the crisis that is confronting poor and near poor Americans in the wake of rapidly escalating fuel prices.

Over the last 7 years, increases in energy prices have far outstripped increases in consumer purchasing power. From 1972 to 1979, average worker weekly earnings increased about 60 percent. In this same period, the Consumer Price Index rose by 76 percent, but the price of electricity jumped 92 percent; cost of gasoline was up 169 percent; natural gas was up 155 percent, and fuel oil rose by an incredible 293 percent in price.

Last winter, the average low-income American household spent almost 20 percent of its income on household fuel and utilities. This winter, many low-income households will be confronted with fuel bills which will consume 40 to 50 percent of their monthly resources.

These figures give the starkest evidence of the mounting crisis faced by poor and near-poor Americans across the Nation in the

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face of these rising energy costs. But as sobering as these national statistics are, they hide regional differences that make the problem in the northern tier of the country, where we live, much worse; where energy costs during the coldest months of the winter could conceivably consume 80 percent or more of a low income household's monthly income.

Low-income senior citizens will be especially hard hit. Some 14 percent of America's senior citizens live below the poverty line. These older Americans have no room in their already inadequate budgets to pay for higher fuel costs. For many, the choice that they will face this winter is going to be a very cruel one, and that is the choice between food on the one hand or fuel on the other hand. And that is a choice that Americans ought not to have to face. I realize that putting it in these terms paints a very dramatic picture, but these are the facts as they exist, and the reason for this hearing today is to get these facts on the record so that we are in a stronger position to move ahead with both State and Federal action to respond to this problem.

In early September, I joined Senators Gaylord Nelson and Edward Kennedy in introducing legislation to establish a comprehensive energy assistance program which was designed to alleviate the burden faced by low-income Americans in the light of dramatically increasing energy costs. The bill has four major components:

The first is an energy assistance and crisis intervention program to provide financial assistance to low income persons in meeting energy bills.

The second feature is a weatherization program which would provide jobs to unemployed and in-school youth in weatherizing and insulating homes of low-income citizens. The weatherization program places priority on CETA workers, but waives the CETA average wage requirements which have hampered past weatherization programs in areas like Michigan.

Third, an energy conservation education and program coordination and outreach program; and, finally,

An energy conservation research and demonstration component.

I have some copies of the bill here, and we will put them out, and for those of you who have not had a chance to look at it, I urge you to do so.

On October 19, 1979 within the week, this committee, the Labor and Human Resources Committee, will meet to consider and markup energy assistance legislation to help low-income persons pay their fuel bill this winter and in future winters. While I am encouraged by the fact that our committee will act on this legislation within a matter of days, I have to say very frankly, there is no excuse for the lateness of the administration and the Congress in responding to what is developing into a crisis problem. In much of Michigan and other States across the northern tier of the country, the winter heating season has already begun. We have snow on the ground in Marquette today; people are already experiencing these much higher costs in their heating bills. Many of the people who come from warmer regions of the country, both in the executive branch and in the Congress, I think, don't yet appreciate what these rising fuel costs, especially for fuel oil, mean for people who live in our part of the United States. So while the Government has

moved much too slowly, in this area, one of the things we can do here today it to develop a heightened sense of urgency for these problems and to put together the facts, at least from one State, that we can use in the debate in the committee's markup later this week, and be in a position, as well, to push the executive branch and the entire Congress into taking action more rapidly than perhaps they otherwise might.

Our first witness today, and I am delighted that he is here with us, is truly a leader in across the board, and that is the Speaker of the State House, Bobby Crim. I'm delighted to have you with us, and we would be pleased to have your testimony at this time.

STATEMENT OF BOBBY CRIM, SPEAKER OF THE MICHIGAN HOUSE OF REPRESENTATIVES

Speaker CRIM. Thank you very much, Senator. I am pleased that you have seen fit to come here and give us the opportunity to testify on the problem of home heating and Michigan's efforts to provide home heating assistance. It is indeed one of the most drastic problems that we are going to face as winter comes on, trying to provide help and assistance to many of our senior citizens and low income people who are going to find it very difficult just to heat their homess this winter.

My testimony this morning should give you some idea of the State of Michigan's experience in providing a modest level of home heating assistance. I will conclude with several recommendations for your consideration at the Federal level.

The principal heating problem in Michigan is with residences heated by oil. As you are undoubtedly aware, our State is blessed with substantial natural underground storage capacity for natural gas. I am not aware of any foreseeable supply problem of natural gas for heating this winter. Natural gas is also much cheaper than oil heating in Michigan.

Approximately 12 to 15 percent of Michigan residences are heated with No. 2 heating oil. Almost 60 percent of these oil heated dwellings are in southeastern Michigan. By and large, oil heated homes in our State are lower and lower priced than the average. And, furthermore, these older, less expensive homes are undoubtedly more poorly insulated than the average in our State.

With these facts as background, the average selling price for No. 2 fuel oil was estimated to be 82.9 cents per gallon in September of this year. Last September the average price of No. 2 heating oil was 47.6 cents per gallon. This is a 1-year increase of over 72 percent. Again, I want to stress that the burden of these increases is not spread uniformly, either geographically or economically, throughout our State. These increases cannot be absorbed by the low- and middle-income families and senior citizens who live in these dwellings.

Unfortunately, the price of heating oil is not the only heating problem faced in our State. The availability of supplies and the credit terms offered to heating oil customers could prove to be a serious problem if winter cold sets in quickly. I understand that at the national level the Department of Energy's target of No. 2 heating oil inventories of 240 million barrels is within reach. But in Michigan, the inventories of oil distributors are estimated to be

37 percent lower than they were in September of 1978. Inventory buildups at the refinery level have not reached fuel oil dealers in Michigan, and Senator, as you know, fuel oil stockpiles at refineries are no help to senior citizens with empty residential fuel tanks.

The distribution crunch will be hurt by credit terms. Fuel oil distributors must finance higher cost inventories and accounts receivable. Action by the Federal Reserve Board to force up interest rates and restrict loanable funds will make it increasingly expensive for distributors to finance inventories. Distributors must then place pressure on heating oil customers and severe limits on normal extensions of credit. Payment on delivery or 10-day credit arrangements will be the rule this winter. Significantly, our poorest citizens, least able to pay, will be forced to purchase under the least favorable credit terms to stay warm this winter.

Dealers' high cost of financing inventories may also divert No. 2 fuel oil into the spot market where diesel fuel is sold at a higher price. This type of diversion of heating supplies could prove disastrous in Michigan if the winter proves to be long and cold.

Home heating assistance in Michigan: This winter will be the third consecutive winter that the State of Michigan has offered some type of heating assistance to low-income residents. In 1977 the State's program cost $21 million, last year under a revised tax credit program we expended $33 million, and our outlay this year is again expected to be roughly $33 million. On Thursday, October 11, the House gave final approval to House bill 4726, sponsored by Representative Jeff Dongvillo, to extend State Home heating credits. That bill is now on the Governor's desk.

However, in almost everyone's estimation, the home heating credits available this year under House bill 4726 will be inadequate to insure that lower income persons have the means to heat their homes. I might point out that persons who receive ADC or general assistance are ineligible for additional home heating assistance. With our limited resources, and some increases in public assistance grants, we felt that our first priority had to be persons who do not benefit from other Government assistance programs.

There are tables attached to the back of my testimony. Table I is a detailed explanation of how the credit is computed. Basically, a maximum credit is established by the number of personal exemptions a person is permitted to claim on the Federal income tax. The credit is reduced as the family's household income, which includes all income sources, rises. Table II summarizes very well the effectiveness of our credit program. As you can see, a person with only one exemption must have an income of less than $5,000 to receive noticeable assistance. A senior citizen who is allowed to claim two personal deductions must have income of less than $6,000 to receive noticeable assistance. If you look at the table, you can see that in a family of five or six, the income must be approximately $10,000 before they get any assistance, and then it is only $30, which is negligible and really peanuts in terms of the cost that it is going to take to heat the family's home during the winter. So it is a small amount of assistance. But faced with our budget problems, we are in the process of reducing approximately $100 to $150 million of the budget we just got through passing and just started

expending on October 1, and it is about all we can afford here in Michigan.

Table III breaks down the recipients of the assistance into senior citizens, homeowners, renters, and other relevant groups for program evaluation. For instance, you can see that we have had in 1978 some 220,540 senior citizens taking up $21.6 million of that $33 million. That has only scratched the surface because, obviously, it was less than $100 average that each of those received.

From this information you can see that the State program, which we are still fighting to try to fund, is an extremely modest one. But it is the best one we are able to provide our citizens.

I leave you with four recommendations:

First, the magnitude of the home heating assistance problem is beyond the means of our State to adequately address. Federal funds for direct assistance are badly needed. Any provision in Federal legislation that would reduce the Federal assistance as a result of Michigan's modest efforts in this area would be absolutely counterproductive, and I hope would be opposed.

Second, Federal attention should also be focused on the credit arrangements in the oil distribution system, because, in part, Federal anti-inflation efforts will only worsen an already tough credit situation for home heating purchasers.

Third, the Department of Energy, we believe, should be encouraging, in every possible way, the speedy distribution of the 240 million barrel stockpile of No. 2 fuel oil at the refinery level, and

Fourth, Federal action may be necessary to see that heating oil supplies are not diverted into the diesel fuel market.

Senator, I want to thank you again for bringing your committee and giving us an opportunity to really lay out briefly what our difficulties are here in Michigan and how big the problem really is and how drastically we need help if our senior citizens and low-income people are going to survive this winter and be able to heat and eat, as well. Thank you very much.

Senator RIEGLE. Thank you very much for your excellent testimony. Let me, if I may, raise some questions with you. I think your responses would be helpful to us.

As you know, on the 19th of this month, our committee is going to meet to mark up several different bills that would provide expanded programs of energy assistance for this winter and for future winters. Given the urgency of responding to the immediate crisis and laying aside, for the moment, the question of the future winters, which course of action you would be inclined to recommend? Let me pose some of the choices that we are going to be faced with. If, for example, the Congress were to enact a block grant to States for energy assistance in the range of, say, $1.6 billion nationally, how much lead time would the State of Michigan need before assistance could be in the hands of low-income households? Is the State today in a position to identify the target population and get the money to them quickly if the Federal Government made a large sum of money available to the State?

Speaker CRIM. Senator, I think in table III and table II we already have on line a system of credits and identifying the people who need help. So what we would do in a case like this would be to pump up those credits to be reaching more people with more

money, so that we have on line, I think, a system that we could, in very short order, utilize the money. We know where they are. We know what their problems are. What we are doing now is just meagerly spreading $33 million over that problem where we know how many claimants we have, what their incomes are, what their bills are going to be, approximately. So as a result of this being our third year of program, we pretty much have identified where our problems are, and, as I say, spreading $33 million meagerly over that problem, what we would do if we were to get grants like that would be to beef up that credit program immediately with the information we already have on those claimants.

Senator RIEGLE. But doesn't the credit program work in such a way that the people get the money downstream? They get it later? I'm wondering if it would be possible to modify the system so that we could get the money to needy households more rapidly. I'm expecting the fuel oil dealers to tell us today that, because of the financial situation some of them are in, they want to deliver for cash. If we rely on tax credits, are we in a position to get the money out to people ahead of time, rather than have them try to pay their heating bills with money they don't have, and then get a credit later on?

Speaker CRIM. A cash demand for heating oil would be a problem. We now have what, 30, 40 minimum turnaround if they're in, if they get their claims in and filed by early December. We could get it, we could get payment started by early January, so there's about a 30-day delay in there. So anything that is a cash demand or 10-day pay demand, there would be a difficulty in that instance, if they were totally out of funds.

Senator RIEGLE. Right.

Speaker CRIM. But for those who had some means to pay, the 30-day turnaround would be sufficient. It's going to be, it's going to be difficult to develop a progam on a cash basis.

Senator RIEGLE. Right. Right. We will know better as our hearings go on today——

Speaker CRIM. What the problem is.

Senator RIEGLE. In light of this tremendous increase in price in such a short space of time, what concerns me is whether we can devise a mechanism to get the money out there fast enough and whether the tax credit approach will be timely enough.

Speaker CRIM. We may have to revise it because of the problems of the distributors needing the money to build their inventories properly.

Senator RIEGLE. There is another alternative, and I'd like your reaction to this, too. The administration is suggesting using $1.2 billion to supplement all SSI and AFDC checks, with only $400 million going to States to serve nonwelfare low-income households. They would split the $1.6 billion into two pieces in that fashion; $400 million would be channeled through the existing Community Services Administration program, and the remaining $1.2 billion which would come through SSI and AFDC would reach those households in January and in February. How you would feel about that as an alternative course of action for this winter?

Speaker CRIM. Our problem, Senator, is, in many cases, many of our people are not on those programs and therefore I don't know

exactly how the distribution would fall, but we have a feeling that——

Senator RIEGLE. All right.

Speaker CRIM [continuing]. That it would not fit into our program very well because many of those people are not on those programs that are in dire need of help. We are not sure that that is the best approach because of that problem. But I don't know exactly how it falls.

Senator REIGLE. All right.

Speaker CRIM. But at first blush, our staff indicates that many of ours would not, would not receive much money under that because of not being on those other programs.

Senator REIGLE. Well, I have that same concern but it is important to get your judgment on that.

Another option would be to channel the entire $1.6 billion through the Community Services Administration program without any additional legislation, except for a supplemental appropriations bill. Could you offer us any comment on the possible advantages or disadvantages of that kind of approach?

Speaker CRIM. That might be a faster method in terms of it reaching the recipients rather than through a credit system that would have to have a 4- to 6-week backup. I think there would be advantages in terms of expediting the recipients' receiving it, probably, under a proposal like that.

Senator REIGLE. I would also like to get your advice about future winters in terms of the possible courses of action that the Congress might take. Between the two basic choices of a block grant to States where the States devise their own program versus some sort of federally administered entitlement program which would send checks directly to low-income householders, from your vantage point, which approach do you think might work best?

Speaker CRIM. I guess I, first of all, I would want to know exactly what the basis of those direct checks were, what the funding mechanism was. Obviously if it is faster and goes directly to those homes, that is better, but on what basis is that distribution made, would be the question, I think, we would have to ask.

Senator REIGLE. We need to know how many low income people in Michigan fall outside of SSI, or fall outside of AFDC. Do we have anything close as an approximation on that, or could we get that?

Speaker CRIM. All the people on table III here fall outside those programs. We are not giving any money, any assistance to those program people. As I indicated, we felt that the people that were already on some type of program, and with our limited resources, that we had to help those that were already—that were not already on some public assistance program. Therefore, all these people that you see on table III that are receiving this assistance do not qualify for any other public assistance grants or programs.

Senator REIGLE. Well, that sounds to me like at least one pretty compelling argument for the block grant program. We have been overtaken by events because these prices have gone up almost faster than we can keep track of them. I'm concerned about whether we can devise an advance payment system or a concurrent payment system. I'm afraid what is going to happen is that capital of these people that we are trying to help will be depleted. There's

going to be a timing problem. Everybody is late in responding, certainly the Federal Government has not gotten on top of this problem quickly enough, but it seems to me that even if we were able to make a block grant available now, that we may have to devise a new distribution mechanism for ourselves.

Speaker CRIM. I think we do, because, as you say, there is going to be a problem with the people receiving it. There is a problem with the credit structure and the need for distributors to have the money on line for their inventory, so obviously there would have to be some adjustment in timing, I think, for it to be effective.

Senator REIGLE. However the money comes in, whether it comes to the State directly or it comes through the Federal welfare system, would it be your preference to see the checks sent directly to eligible households, or would you favor a system where there was some reimbursement to the energy distributors for a portion of the low income client's bill.

Speaker CRIM. Unless it is a timely check, in advance, so that they can pay cash, as maybe the demands are coming, then it might be worthwhile to consider some portion of it going to the distributors because there is going to be a problem, of course, with inventories.

Senator REIGLE. Right.

Speaker CRIM. Unless the money is there for them to pay or unless there is some kind of aid for those distributors so they can build the inventories as needed.

Senator REIGLE. Those comments and responses are very helpful to us.

Let me say, again, how much I appreciate your leadership and your testimony today. I also want to note that you are accompanied today by Chuck Cook, who is a good friend of mine and a former member of my staff in Washington, I see he seems to be hard at work here.

Speaker CRIM. He is doing a good job. I rely on him heavily, Senator, and in closing, I want to thank you, not only in this area but in the other areas that you have offered leadership in Washington. It's been very beneficial to us in this State. I want to thank you for that, not only for this today but the other areas, too. I appreciate it, and I know a lot of other people do, too.

Senator RIEGLE. Thank you. We appreciate your comments. Thank you for your testimony.

Our next panel will represent State agencies, and let me now call them to the table. Mr. Doug Johnson, who is special assistant to the director of the department of management and budget. Mr. Dan Demlow, who is the chairperson, public service commission. Mr. James Norman, director of the bureau of community services, department of labor; and Mr. Robert Swanson, director, the office of planning, budget and evaluation, department of social services.

Mr. Johnson, we will begin with you.

STATEMENTS OF DOUG JOHNSON, SPECIAL ASSISTANT TO THE DIRECTOR, DEPARTMENT OF MANAGEMENT AND BUDGET; DAN DEMLOW, CHAIRPERSON, PUBLIC SERVICE COMMISSION; JAMES NORMAN, DIRECTOR, BUREAU OF COMMUNITY SERVICES, DEPARTMENT OF LABOR; AND ROBERT SWANSON, DIRECTOR, OFFICE OF PLANNING, BUDGET AND EVALUATION, DEPARTMENT OF SOCIAL SERVICES, A PANEL

Mr. JOHNSON. Thank you, Senator. On behalf of Governor Milliken, who is in China today or else would have been happy to be here, and on behalf of Dr. Miller who has just returned from a trip out of the State and returned to Michigan to dig into one of the problems you were working on last week, Chrysler, and Wayne County, which is the continuing problem in all of our minds, I would like to thank you for providing this opportunity to discuss with you a problem of truly immense proportions.

Enormous increases in the costs of home heating have already wrought dramatic changes in the lives of the poor and elderly who are on fixed incomes. The testimony of Speaker Crim and those who have yet to speak here today will provide ample evidence of the impact of rising fuel costs on low-income households in Michigan. The State agencies represented on this panel, in addition to presenting information about the heating energy picture and who is affected by it, can also bring to bear the expertise gained from administering programs like those which have been proposed in Washington.

In a moment, each of the agencies represented on this panel will bring their perspectives on the impact of rising fuel costs, describe what they are already doing in response to the situation, and outline their recommendations concerning the shape of Federal assistance. To provide a context for the discussion considering the following five broad principles which are of paramount concern to those of us who administer current programs in Michigan. These form a framework of necessary, if not sufficient, criteria within which we believe the proposal for Federal assistance should be evaluated.

First, as you indicated, and Speaker Crim has indicated, individuals and families need help this winter. In the face of problems explored here today, we cannot afford to allow another winter to pass before your assistance is available, that of the Federal Government.

Second, in order to accomplish this, the use of existing program and administrative experience must be taken as an assumption. This is not the time to establish new agencies to deliver new programs. In fact, in Michigan, as we will learn in a few minutes, there are at least seven programs already on the books that will provide various forms of assistance related to heating costs this winter. Although my colleagues will describe them in some detail, I would like to merely cite, in the Department of Social Services the voluntary heating program, the emergency needs program, the AFDC and general assistance programs, which have heating fuel allowances.

In the bureau of community services, the department of labor, there are the weatherization program, crisis intervention program, and emergency crisis assistance program.

Finally, as Speaker Crim has mentioned, the State has a home heating assistance program.

So you can see Michigan is not approaching the prospect of Federal assistance in a vacuum. A wide variety of programs already are in existence. While taken individually and collectively, they are not sufficient, but let's build on them intelligently and carefully, which leads to the third principle.

Because States already operate emergency assistance programs, States must be given the responsibility to administer any additional programs in a fashion that permits coordination with those existing programs, to reduce duplication and inequities. This would apply to such issues as the specific form of assistance and means for administration. For example, Congress, we would say, should not pass a program that is so specific that some Michigan residents would receive benefits under several programs while others receive none. A Federal tax credit approach would be very likely to overlap with Michigan's home heating assistance program, which also uses a tax credit approach. The best Federal contribution would be to give us the ability to fill in the gaps and reduce unnecessary duplication.

Four, categorical eligibility should not be the only form of eligibility but it should be utilized, as far as possible, to simplify the process of distributing benefits. That is, categories used to determine eligibility for other income tested programs should provide a large part of the framework for defining eligibility for any new program. In addition, provisions must be made that benefits from energy assistance programs will not be considered when determining eligibility for other categorical programs such as food stamps.

Five, while Michigan recognizes the pressure for maintenance of effort provisions, the application of any such provisions should be limited to programs with Federal financial participation.

In closing, I had planned to mention in some outline the home heating assistance program. I believe the speaker has covered that. I will simply reinforce that, a very important part of this program is the mandatory referral of applicants to the weatherization program which is provided through the bureau of community services in the department of labor, which Mr. James Norman will be describing as part of his testimony. Thank you, Senator.

Senator RIEGLE. Thank you very much. It is a very helpful summary to us.

Why don't we go next to Mr. Demlow.

Mr. DEMLOW. Thank you. Senator, I am very pleased that we have an opportunity to present to you some of the things that we have done and some of the directions that we feel we have to take, and I think it is certainly going to be beneficial to us and I hope it is beneficial to you to have the firsthand experience of our situation here in Michigan.

You mentioned some statistics at the outset, which indicated the nature of the problem, and I guess one I would just add, that we have developed here in the State of Michigan, is that looking at the percentage that utility bills take of adjusted median income, we are talking now about those persons receiving their energy from regulated utilities, we find that as a percentage of adjusted median income, utility bills have gone from 3.7 percent in 1969 to 4.3

percent in 1978, so that while utility bills have gone up rather dramatically, adjusted median income has also gone up. The difficulty, of course, with any kind of these percentages is that half of the people are below and half the people are above, and we find, as you notice, that for those persons on low and fixed incomes, first of all whose incomes have not increased and for those people in the bottom half, clearly the problem is becoming a most difficult one, and in many instances a devastating one to those on low and fixed incomes.

For the first 3 months of 1979, this past winter, despite the existence of Federal and State assistance, we had over 23,000 customers of our three major utilities who were disconnected from service for nonpayment of their outstanding utility bills, and even though the Michigan Legislature has passed legislation which will continue our State energy tax credit, which Speaker Crim has addressed himself to, and although we stand to receive $10 million under the energy crisis assistance program from the Federal Government, many persons eligibile for those programs may not receive the benefits in time and may not qualify for either of these kinds of programs.

What I would like to spend just a few minutes talking about today is this problem from the perspective of the agency which regulates utilities and the kind of things that we have done and feel that we can do, because I think there is a need to coordinate all aspects of the program together. I must emphasize at the outset that we have no regulatory authority over fuel oil and therefore no ability to impact on the area where I think the most dramatic increases have occurred, but in the State of Michigan we have approximately 72 percent of our residential customers who do their space heating with natural gas. For those remaining 28 percent, it is a problem beyond the regulatory purview of the Michigan Public Service Commission, and as Speaker Crim pointed out, the major area of concern, given the dramatic increases in the price of fuel oil as opposed to other fuel sources, although I must point out that with the deregulation of natural gas, we are going to see a rather significant increase in the price of natural gas over the course of the next several years. In attempting to deal with this problem from the perspective of a regulated utility, one of the first things we did in 1975 was enact what we call our customer bill of rights which regulates the utilities in their relationship with their customers. And this bill of rights provides for, among other things, hearing procedures for customers who dispute their bills, extended payment periods for customers to pay their utility bills, extensive notification procedures to be complied with by the utilities before a customer is disconnected, and a requirement that a utility enter into settlement agreements with their customers unable to pay utility bills, to allow such customers to retain utility service during the pendency of such settlement agreement.

Under our rules a customer cannot be cut off for a minimum of 74 days, and any customer that is willing to enter into a settlement agreement, and able to enter into a settlement agreement, cannot have their utility service discontinued.

These rules have become a model for other States, and the National Energy Act passed by Congress last year would require other

States to adopt similar procedures for regulating utilities if they do not already have them.

We have amended these rules since 1975 to require that any customer of a regulated utility who applies for assistance for the payment of a utility bill with either a Federal or State agency will not be discontinued for a period of an additional 14 days, during which time he attempts to secure that assistance. This rule would also be applicable for any program for Federal home heating assistance adopted this winter.

The rules also were amended to require utilities to notify customers in their notices of discontinuance of the fact that a customer with an existing medical emergency may not be discontinued from service if he or she submits a certificate establishing such an emergency to the utility.

Another very important aspect of this problem concerns weatherization. Any program that we set up in the long term must incorporate weatherization or otherwise we are continuing to pay persons to use more fuel than they would have to otherwise, which means that we are wasting a precious resource and we are spending more money for assistance programs than we would have to otherwise.

In 1973 the Michigan Public Service Commission began an implementation of an insulation loan program by major utilities in this State. Customers were able to secure loans which could be paid back through their utility bills in order to insulate their homes and reduce their use of energy. Last year the State legislature adopted legislation, which this commission proposed, which would allow us to institute a program of interest-free loans for all types of conservation devices. The commission has held hearings on rules which would provisions of interest-free loans to the customers of utilities, many citizens who could not have otherwise afforded insulation or other conservation devices will be able to reduce their energy bills.

In 1976 the commission also adopted inverted electric rates allowing customers using less than 500 kilowatt hours of electricity to pay a lesser unit price for electricity than those using more. Last year we extended this concept, adopting a special senior citizen rate which allows a qualifying senior citizen to save up to 30 percent on the cost of electricity if their consumption is at or below 350 kilowatt hours of electricity per month.

A review of the consumption figures in Michigan demonstrates that we have experienced a dramatic change in the electric and natural gas usage in this State, and between 1967 and 1973, the average customer's electric use increased 5.5 percent. In the years since 1973, the growth rate has been reduced to almost zero. A typical natural gas customer used approximately 5,000 cubic feet less gas in 1978 than they did in 1974, which translates to a savings of approximately 10 billion cubic feet of gas saved by this State.

Despite, however, I must add, these efforts on the part of the Michigan Public Service Commission to make regulation responsive to the needs of the citizens, there has been no denying the fact that despite our efforts, we have not succeeded in preventing those on low and fixed incomes from falling further behind in their struggle to pay their heating bills.

There have been two additional programs that have been widely discussed that the Michigan Public Service Commission arguably

could or should take, one of which is to build a subsidy into the rates so that certain citizens, hopefully those who are least able to pay, would be charged less, and those who are able to pay, charged more. This commonly referred to as lifeline rates. Lifeline rates attempt to set a minimum level of energy at a price below cost. The issue of lifeline rates is before me in several major rate cases, and it would be inappropriate for me to discuss those in this context. However, I will say that within the next several months the Michigan Public Service Commission will address itself to this issue.

The second step is a moratorium on shutoffs during the winter months. This seems like such a humane and simple solution that I am sure many people wonder why we haven't moved to this kind of proposal before this time. I would like to just briefly explain why I think that problem is more complex than one might be tempted to think.

Last year alone Michigan Consolidated had $18 million in uncollectibles from their customers. These became a bad debt expense of the company and are reflected in the bills that all customers pay. So right now approximately 1½ percent of Michigan Consolidated's bill to their residential customers is a result of these unpaid bills.

If we impose a moratorium on shutoffs, that is, require that the utility not shut anyone off from service during the course of the heating season, I would conservatively estimate that these uncollectibles would double. This would result in an additional increase of 1½ percent to all customers, and the important point I want to make here is including those low- and fixed-income persons struggling and managing to pay their bills, and of course a moratorium on shutoffs does not pay bills, and come April 1 there would be a large unpaid bill and a large number of people inevitably cut off.

The commission has felt that rather than move to a system such as a moratorium, it would be better to wait for the passage of adequate public energy assistance, and we have done so and continue to do so today. Our decision to not go to a moratorium, however, is premised on the fact that this assistance will be available. The commission here is required to balance the competing harms that may result as a consequence of these increased bills that people are experiencing, and we have to balance potential for being cut off from your utility service and the fear that that imposes on people against the hardship that occurs if you do go to a moratorium to prevent that cutting off, and then what you have, in effect, done is increase the bills of everyone who is paying it, including those people who are struggling and not eating, or whatever, to try to pay their bills, so it is a most difficult kind of situation. Up until now the commission has balanced it by going to the kind of programs that I have talked about and by urging that we have an adequate level of assistance.

If, however, we reach a point this winter where this is not an adequate level of assistance, then I think that the commission is going to have no choice, and I would urge the commission to go to a moratorium on shutoffs for senior citizens at a minimum, those persons over the age of 65. This will not solve the problem, but it hopefully would remove some of the fear that these people are experiencing as they struggle to pay their utility bills.

The other thing that the commission is going to be doing, and I will recommend at our weekly meeting tomorrow, refers to the questions that you submitted to those persons wishing to testify, Senator, that have to do with the problem of getting information out to those people who might be eligible for the various programs. We think this is a major problem. We think there are a number of people who may qualify and who are not aware of it. Due to this, I will propose tomorrow that we adopt an emergency rule which will require the regulated utilities to inform their customers either by a bill insert or through a separate billing of the existence of the Federal and State energy assistance programs and detail it in some form in which they could understand, in the hope that at least a few more people will be made aware of what exists and how we can deal with this.

Senator RIEGLE. I think that is a very useful step, I also want to say that I support your proposal of prohibiting shutoffs for senior citizens over the age of 65 if we can't find some other device to insure that they are going to be taken care of.

Mr. DEMLOW. In closing, I might just quickly add that we think the passage of assistance is absolutely critical for this winter. We are at a point where without that, there is going to be hardship and suffering at a level unprecedented, I think, in this State. It is, I think, more of a problem, as the speaker pointed out, in the area of home heating oil, but there is no question, given the fact that 23,000 people were cut off last winter alone, that it also is a problem in the area of natural gas, and it's going to become more of a problem with the deregulation of natural gas as we get more and more of our natural gas from more expensive sources. You know, Algerian liquified natural gas, Alaskan gas, Mexican gas, and it's all more expensive and it's all going to have the ultimate impact of raising the price of natural gas to the customer. This is the problem. It is not a one winter problem, but it is upon us, and I think it is incumbent upon Congress to act as quickly as possible and to act in a way which, as Mr. Johnson indicated, we can utilize existing delivery mechanisms to get that aid to people in as timely a fashion as possible.

Thank you, Senator, for the opportunity to appear before you.

Senator RIEGLE. It's been very helpful testimony to us. I want to also say that I was a strong opponent, and continue to be, of the decontrol of both oil and gas prices. Nonetheless, the steps have been taken for oil decontrol by the President under his authority, and we are finding ourselves having to live with the consequences.

It is interesting to note just parenthetically that the latest estimate by the Department of Energy indicates that the cost of oil decontrol is roughly double what they had estimated originally. We are finding out that domestic oil is not selling at the OPEC price, but it is selling at a price higher than that. It is selling at the world market spot price, and you're going to see that reflected in oil industry profits that will be reported in the next 2 or 3 weeks. Those profit reports will stand your hair on end. That's a rather large part of the root of this problem.

Last winter, the first 3 months of 1979, when there were over 23,000 Michigan customers who were discontinued from utility service because they couldn't or didn't pay their bills, what hap-

pened to those folks? What happens to a person whose utility service is cut off?

Mr. DEMLOW. First, I might add that the figure that I gave you is an accurate figure but it does not reflect what happens; in effect, in April after the end of the heating season where there are an additional very large number of people who are cut off. The fact of the matter is, and I'm sure the utility representatives who appear before you later this afternoon will go into this in more detail, but they are, at least as far as we can tell from a regulatory perspective, responsible and responsive to the needs of their customers and reluctant to cut people off. But I think the figure that sticks in my mind is that Michigan Consolidated in April cut off an additional 30-some-thousand customers.

Senator RIEGLE. An additional 30-some-thousand?

Mr. DEMLOW. So they carried them through the winter to some degree or another and then just said, OK, this is it. So there is some reluctance on their part already to cut people off. So to more specifically answer your question, I was discussing this with the Consumers Power Co., and their experience has been that they cut off approximately 10,000 people last winter, and within about 2 or 3 days about 8,000 of those people were reconnected. So what you're having is a situation where it requires those people to be cut off before they take whatever drastic steps are necessary, and I'm not being critical of the people but I'm saying I assume what happens is they go around and beg and borrow and go to agencies and get assistance and whatever at that point in which they're terminated, and then they come back to the company and ask to be turned back on. It's a very inefficient kind of system to go about in that kind of way.

The Michigan Consolidated experience is, I would assume, somewhat different from that, although I don't have those details in front of me this morning, but they have a more unusual service territory, and I think the problem is they have a higher unemployment rate in their service territory, and I think the problem is more significant than that of Consumers Power.

Senator RIEGLE. We have asked Michigan Consolidated to come today. Consumers Power will be here, so we will have a chance to discuss that problem with them. Going back to your figure of 23,000 people who were disconnected because they couldn't pay their bills and then after April, I gather, another 30,000-plus people disconnected, so we have something over 50,000 people disconnected last year. We don't know how many of them were able to reestablish service?

Mr. DEMLOW. That's right. And we can certainly try to get that kind of information for you.

Senator RIEGLE. I think we need to know that. We need to know what happens to the person who doesn't get hooked back up. If 50,000 were shut off last year and now this year with this hardship even worse, aren't we likely to have a much larger shutoff figure to deal with? We need to know exactly what happens to people. There has to be some means for us to follow up for the people who can't afford to reconnect.

I want to raise a couple of other things while we are on this subject. On page 3 of your testimony, you were saying that under

the rules a customer cannot be cut off for 74 days and any customer willing to enter into a settlement agreement cannot have their utility service disconnected. Describe for us, so we just have it in the record, what a settlement agreement is. What constitutes a settlement agreement?

Mr. DEMLOW. If a customer goes to the utility and indicates that they are unable to pay their bill but they are desirous of paying their bill and willing to enter into a settlement agreement, the company and the customer may then enter into an agreement whereby the customer would pay a certain percentage of it and then agree to pay the rest of it over a period of time. If the customer is willing to do that, then the utility cannot cut that customer off. Now, as you can well imagine, the critical point is: What are the terms of the settlement agreement and how does it work?

Our rules state that they have to take into consideration the financial condition of the customer and their ability to pay, and we have had some difficulty with the utilities in getting them to be as lenient as we would like them to be in this, and there have been a number of complaints expressed by citizens, and of course, as a regulatory agency, we are there to try to back up the customer and to make sure that the utility does this in a appropriate fashion, but if you have a customer who is willing to pay and, let's say, they have got a $400 bill outstanding, if they're willing to pay $100 down now and then enter into an agreement to pay off the remaining $300 over the next 6 months, any kind of agreement that is reasonable, the utility is not able to cut that person off, and they are also not able to cut anyone off for a period of time if they are experiencing a medical emergency. If there is someone ill in the home or this kind of thing, they are not able to. So——

Senator RIEGLE. If somebody comes in with a complaint and they argue that the utility has acted in an arbitrary fashion, then the commission has the authority to do what? Can you actually force a different kind of agreement with the utility company, or is it persuasion on your part? What do you do? What are your powers in that situation?

Mr. DEMLOW. Since we are dealing with a large number of customers, it is a practical matter, the most impact we can have is in a general sense of overviewing the way in which they administer the problem. However, in a specific instance, if a customer feels they are not being treated properly, they can ask for a hearing and that will be held before a hearing officer, and if they don't like that determination, they can then go up through the process and eventually will get the commission itself, and we have had this occur, and then the commission will decide on whether they think the utility is being fair in the way in which it administers this. But as a practical matter, given the fact that there are literally millions of customers, we don't have an ability to get involved in potentially every settlement agreement, so we try to set out guidelines up front which require the utilities to do this in a reasonable manner, and I think, to a large degree, that has been accomplished. But there are abuses, as there always are.

Senator RIEGLE. I understand that in the case of somebody who has an existing medical emergency that service cannot be discon-

tinued. In that situation, where the bills continue to pile up and maybe somebody can't pay, how does the bill finally get paid? Does the commission somehow provide for that or does the State or is the person still left with having to work out their own repayment later on?

Mr. DEMLOW. The only ability that the Michigan Public Service Commission would ever have to deal with these kinds of situations is too, in effect, through the rate design, build in various kinds of subsidies.

Senator RIEGLE. I see. I see.

Mr. DEMLOW. And a regulatory agency is always reluctant to get into rate proposals which are not based clearly on just economic considerations. When you start building the rates on other kinds of values, then you never know what kind of a signal you are sending out to the customer out there to make perhaps noneconomic decisions. That bill would either be paid by the person eventually paying it out of their own funds, eventually receiving some sort of assistance to pay it, or, in effect, not paying it and it would become a bad debt which would eventually again be billed into the rates, and as I indicated, Michigan Consolidated last winter experienced $18 million in uncollectibles. Again that goes back to the nature of their service territory and the number of unemployed and people on fixed incomes as opposed to Consumers Power which, I believe, there uncollectibles were 2.7 million last year.

Senator RIEGLE. You mentioned the effort of the commission to adopt rules this year allowing utilities in the State to provide interest-free loans to customers for a wide variety of conservation devices. Is this now working, or is this still not implemented?

Mr. DEMLOW. It is interesting that you should ask me that question. This has been a long struggle by the commission. We originally proposed, 3 years ago, that utilities be allowed to insulate the homes of every one of their customers and to provide them with storm windows and whatever, and put it in the rate base, and we were going to allow the utilities to earn a return on that as an actual investment. The theory being that an investment in conservation was a better investment than drilling another gas well or building——

Senator RIEGLE. I see.

Mr. DEMLOW [continuing]. Another powerplant. We were unable to achieve any degree of public support for that because a number of people were concerned that they had already insulated their home and they didn't want to pay to insulate somebody else's home. We then moved to the concept of an interest-free loan.

Senator RIEGLE. Couldn't you do it with a lottery system where you drew names out of a drum where everybody has a chance?

Mr. DEMLOW. We have worked on a number of those things, and we came up with the interest-free loan program and ran right into the National Energy Act which, in effect, prohibited interest-free loans by utilities, and we were able to, working through your office, and we appreciate your assistance and the assistance of a number of other people, to, in effect, grandfather our program in. As you recall, the language——

Senator RIEGLE. Right.

Mr. DEMLOW [continuing]. Says any program which is underway at this——

Senator RIEGLE. Right.

Mr. DEMLOW [continuing.] Before the effective date of the National Energy Act will be allowed to go forward. We secured passage of legislation in the State of Michigan to insure that everyone would know our program was underway. The short answer to your question is we have gotten into rulemaking. We are having, again, a great deal of difficulty from industrial customers who don't particularly like this program because, in effect, they end up, they feel, subsidizing residential customers. We now have this winter going forward a test program involving approximately 600 customers and, hopefully, we will move to a wide-scale program by next summer, in time for the next heating season.

Senator RIEGLE. Well, thank you very much for those responses. They are helpful to us.

Mr. DEMLOW. Thank you.

Senator RIEGLE. Mr. Norman?

Mr. NORMAN. Thank you, Senator. I appreciate the opportunity to speak to the issues of low-energy income assistance.

First of all, I would like to give a little background on the Bureau of Community Services and its programs.

The Bureau of Community Services, formerly named the Michigan Economic Opportunity Office, serves as Michigan's State Economic Opportunity Office, having been established under the same legislation which created OEO, now CSA, that created CAA's, that created Head Start, Neighborhood Youth Corps, and so forth.

Consequently, the focus of all bureau activities are directly or indirectly related to the elimination of poverty conditions or the mitigation of its effects.

The bureau has contractual relationships with each of the State's 30 community action agencies and has frequent interaction with them regarding programs, policies, and planning. Through this contract, and through our other contacts, we have maintained an awareness of many of the needs of low-income citizens, particularly those related to energy.

Since the beginning of the Federal weatherization program in 1974, BCS has played an integral role in the Michigan effort, initially serving as the State grantee for CSA's program, subcontracting with the Michigan Energy Administration for the initial Department of Energy funds, and now serving as the single State administrative agency responsible for the DOE funded weatherization program.

The CAA's have been the subgrantees of the programs, and over the history of the program have weatherized more than 20,000 homes.

Yet, 90 percent of the eligible households still await the services of this program.

Only within the last few months has the greatest obstacle to effective program implementation, a lack of adequate manpower, been seemingly crystallized at the national level. Historically, the lack of effective coordination between the Department of Energy, the Department of Labor, and the Community Services Administra-

tion, have been a source of constant frustration to local program operators and State grantees.

Though the Department of Energy has become more flexible in its expenditure provisions, and Department of Labor has taken a more aggressive posture toward its prime sponsors to make slots available for weatherization, the average wage provisions make it very difficult to use CETA as effectively as desired.

The reason I mention this is because of the importance of conservation to the low income. It is the low income who can least afford the effects of inflation and the escalating cost of fuel and utilities. One method of reducing the burden is to decrease usage, thereby reducing costs.

Therefore, it is imperative that the CETA statute be amended to exempt the weatherization program slots from the average wage and supplementation limits. I believe these actions will demonstrate, in concrete ways, ways that the Congress and the administration support relief to the low income.

Even the most conservative estimates show that a savings of 15 to 20 percent can be achieved by application of the optimal combination of weatherization techniques, and as Mr. Demlow has said, any kind of income assistance program without linkage to weatherization is a waste of tax dollars.

Previous crisis intervention programs in Michigan, like the remainder of the Nation, have been available only after the onset of the winter heating season. The time frames for program operations have been too short, and the regulations have been too inflexible.

For example, the fiscal year 1979 CSA-administered program required that a shutoff notice, or shutoff, be a criterion of eligibility. This means that many senior citizens, particularly those who tend to be conscientious about debt removal, were not able to qualify. Some of them had foregone purchase of necessary medical supplies or proper food just to pay the utility bills and then could not qualify for the program because of the regulations that were provided by CSA.

CSA was not able to implement effective before-the-fact controls to insure that local programs were indeed meeting the intent of the program regulations, when they chose to bypass the States in 1978 and 1979. Finally, CSA has recognized that it is easier to deal with 50-plus grantees than it is to deal with over 900 grantees directly.

For fiscal year 1980, CSA has two programs: The crisis intervention, directly funded to each CAA; and the energy crisis assistance program or the ECAP program which is funded to each State, with the administering agency selected by the Governor.

In Michigan, the Bureau of Community Services was selected to administer the ECAP program, and will do so through the State's network of Community Action Agencies.

Given the flexibility provided to the State in varying benefit levels within regions of the State and in developing need criteria, the ECAP program may be the best Federal vehicle yet made available to assist low-income people.

CSA has hired additional staff in Washington, and in the regions, to provide adequate technical assistance to the States. And, in a welcomed precedent, Michigan has already received its planning grant for this program.

The major problem that we face at this time is the uncertainty regarding Federal appropriations. It seems that the controversy over the B-1 bomber, abortion, or Federal pay increases always seems to take precedent over the needs of the low income.

I do not feel that we can afford to delay the ECAP program any longer. Nor can we wait until a windfall profits tax is enacted to provide for an expanded program.

Given the cornucopia of proposals on the boards in Washington, I recommend that the ECAP program be targeted as the assistance program for the low income during fiscal year 1980, and that speedy appropriations be made to meet the needs. It seems unlikely that new legislative authority will be provided for another program in time for it to be of benefit to people this coming heating season.

I would have some recommendations about future programs that Federal Government might see fit to fund, and they are as follows:

(1) Federal funds should be made available prior to the onset of the heating season.

(2) The funds should be channeled through the States.

(3) CAA's should be repetitive, at a minimum, utilized for outreach. They also should be used for certification and payment, particularly for the nonpublic assistance recipient. As we know, the administration has recommended that the responsibility for the program in the coming fiscal year might, perhaps, be shifted to the Department of HEW, Social Security Administration. In the event that it does occur, we would still recommend a strong role for CAA's as they—the program funds—relate to nonpublic assistance recipients.

(4) The State should have the option of varying the levels of assistance by income indexing or by heating degree regions within a State.

(5) Assistance programs should be coordinated with weatherization.

(6) Direct payments to, or lines of credit with, fuel suppliers should be established. Special provision should be made for renters to receive benefits, even those renters who do not make separate payments for their energy bills.

(7) The primary eligible group should be only those individuals at or below 125 percent of the OMB poverty level. Any extension of service beyond that group should perhaps be limited to the elderly or SSI recipients, regardless of income, until such time that we have a better statistical handle on the total problem nationally.

(8) The program must protect low-income consumers against excessive charges, utility shutoffs, and delivery terminations.

Once again, I appreciate having the opportunity to address these points, and we will be happy to provide any information we can in the future.

Senator RIEGLE. This is also very helpful testimony to us. Let us ask you this: Where are our best winterization programs in Michigan? Is there a particular community action agency that has really done the best job in this area?

Mr. NORMAN. Yes, we have two community action agencies that have rather outstanding programs. One is in Alger and Marquette County in the Upper Peninsula and the director of that program is here, if you want to ask him some questions.

Senator RIEGLE. He is going to testify later on.

Mr. NORMAN. He has one of the better programs, and the program up in the Traverse City area, Northwest Michigan Community Action Agency, has one of the model programs.

Senator RIEGLE. Let me tell you what I think we need to do. This is just a suggestion, but I don't think the public, as a whole, understands necessarily that this is going on.

Mr. NORMAN. Yes, sir.

Senator RIEGLE. I think we have got to dramatize the success stories. We have got to show what is being accomplished. I was thinking about the concerns that Mr. Demlow was expressing about other people feeling that they may be getting charged for some benefit that a second person is getting. If we're conserving energy, we are conserving energy for everybody, and that means there is going to be more of it around for all of us to use later on. We should take a couple of our success stories of weatherization, ask the news media to come in and take a look at it, ask the statewide television stations in the regional areas, the statewide newspapers to come up for a day and actually look at what the situation is and what has been accomplished, take them into some of the homes and some of the apartments that have been weatherized, what the situation was before, what kind of bills people were paying, what they are paying today, how much energy is being saved, so that people really get a sense that we are getting something done and getting something for the money that is being spent on weatherization. We need to do this. I think right now it is invisible. We're doing it and the people involved with the program know it, but I don't think the public at large knows it. If we're going to build a much stronger weatherization program, we're going to have to take this evidence that we know how to do it. That we have done it successfully, and we're going to have to get that out into the front windows. So let me urge in the strongest way that it be done. I think it ought to be done in the next 10 days. Let's see if we can't get some public attention focused on this.

Mr. NORMAN. I might mention in that regard that we are having a conference, a statewide conference on November 8 here in Lansing wherein we are having all of the CETA prime sponsors and community action agencies, members from the educational community and people from the trades to come together to explore ways that we can cooperate more effectively, and some of the models such as the Marquette model and northwest Michigan model are going to be made available in a presentation style at that particular conference.

Senator RIEGLE. I think that is helpful, but I think you have actually got to take people right out to a house, take people right out to an apartment, and show them what is going on. Then I think we can get public support. I think the public will see the wisdom in this kind of an effort if they can see that it is sensible and that it is serious and that it is cost effective, and, in fact, it is being done.

Mr. Swanson, let us hear from you.

Mr. SWANSON. Thank you, Senator. I appreciate the opportunity to testify this morning on behalf of the Michigan Department of Social Services.

As a provider of assistance to over 1 million persons in Michigan, the Department of Social Services is well aware of the critical emergencies which many households will face this winter as a result of rapidly escalating heating fuel costs. Through existing programs, we are already providing relief to many persons with energy and energy-related problems. However, assistance from the Federal level is essential to insure that no Michigan resident will be unable to afford to keep warm this winter.

We, therefore, urge you to work for the passage of a Federal energy assistance program to meet the needs of low-income households in all States. We recommend that the following features be included in any program enacted into law.

TYPES OF ASSISTANCE

A two-tier program similar to those proposed by the administration and by Senator Williams is essential to provide adequate energy assistance to low-income households. The current crisis intervention program run through the Community Services Administration should be continued and expanded. We must recognize that energy emergencies will exist this winter no matter what assistance programs are in place. Funds must be available to repair and replace heating equipment and to prevent heating fuel shutoffs on a crisis basis.

In addition, some cash assistance must be provided to low-income families during the heating season. Such assistance could take many forms, including vendor payments, lines of credit, and direct cash payments.

In addition, some cash assistance must be provided to low-income families during the heating season. Such assistance could take many forms, including vendor payments, lines of credit, and direct cash payments.

We believe that both programs can best be administered through the department of social services. Currently in Michigan, this department provides energy crisis intervention assistance through our emergency needs program. This program provides assistance to repair or replace furnaces and to prevent shutoffs of utility service. I might add that in Wayne County alone during this year, we are averaging about $1 million a month in payments for energy-related emergencies. In addition, the department also provides energy-related cash assistance through various income maintenance programs. For example, the voluntary heating fuel program pays actual heating bills of AFDC recipients in Wayne County.

This department provides coverage and accessibility throughout Michigan in 119 local offices. We also have programs already in place which could be used to deliver crisis intervention services and cash assistance to persons eligible through a new Federal program.

ELIGIBILITY

Each State should be allowed to set single or multiple income eligibility standards, based on a fixed percentage of the Bureau of Labor Statistics' lower budget. This income standard is preferable to the poverty line because it is based on an actual budget and because it varies by region. In determining eligibility, recognition

should also be made of the unique needs of underserved groups such as the elderly.

However, no matter what eligibility standard is adopted, coverage should be mandated for all households eligible for federally financed income maintenance programs such as AFDC and SSI. Automatic eligibility for general assistance households should also be available at State option. This type of categorical eligibility will simplify administration and reduce costs.

BENEFITS

States should be required to explain how the maximum-benefit levels are determined for each household and how they are to be disbursed. It is important to emphasize that no single payment mechanism will be adequate for Michigan, let alone the entire country. States must be allowed the flexibility to use several-payment systems.

Vendor lines of credit or direct cash payments to eligible persons should both be allowed, as should negative income tax credits. Any benefits received from this program must be disregarded in determining eligibility and benefits in federally assisted programs.

ADMINISTRATION

Administration of the program should be assigned to the Department of Health, Education, and Welfare. Each governor, through the State plan, should be allowed to designate the State agency or agencies which will administer the program at the State level.

Fifteen percent of the total program allotment should be allowed for administrative costs in fiscal years 1980 and 1981. Thereafter, 10 percent of total funds should be available for program administration, with the State paying any amount above the level.

ALLOCATION

The allocation to each State should be based on a formula which includes aggregate residential energy expenditures, number of eligible households, and the yearly number of heating/cooling degree days. Such a formula should automatically take fuel types into consideration, thereby eliminating the need for a fuel oil dependence factor, as some now propose.

MAINTENANCE OF EFFORT

It is crucial, especially in Michigan, that any maintenance of effort requirement apply only to benefits in any federally financed program. State-funded energy programs should not be included. We must be able to both supplement and supplant existing state programs, using the additional Federal funds.

Finally, I must again emphasize that any program which is intended to help people this winter must provide as much flexibility at the State level as possible. We must be allowed to build on existing programs and delivery systems. Otherwise, the money may be appropriated, but administrative complications will prevent the disbursement of funds to those persons who need it most, at the time they need it most.

Thank you, Senator.

Senator RIEGLE. Thank you for those suggestions and that very fine testimony. Let me make a suggestion, if I may, to each of you and everyone else in the room. It is just an idea that seems to make sense to me the more I get an understanding of the scale of this problem in Michigan. It seems to me that with over 50,000 people disconnected from utility service this last winter, some in the course of the winter, others at the end of the winter or in April, that we probably face even a worse problem this year because the inflation rate has been higher, energy costs have gone up, in some cases even more than they did in the prior years. We face the prospect of many additional people being threatened by a discontinuation of utility service. We could very easily have people freezing to death this winter right here in our State. I don't know if there were any documented cases of that last year but you know we have a lot of people out of State who live in trailers. They are very poorly insulated. They don't heat well, for the most part. We have really an emergency situation on our hands. It is much more serious than last year. I'm wondering if we couldn't try to initiate some new effort that is nonbureaucratic, that is fast, and that can move quickly without elaborate qualifying procedures and rulemaking and distribution of funds and so forth.

I am wondering if we have the capacity within the State to define who the neediest are. Even if we started, for example, with the people who were cut off last year, presumably they would be some of the people most likely to be cut off this year. Couldn't we try to mount an effort community by community? Couldn't we for example, with the joint leadership by persons like myself and perhaps the Governor and others, ask community service organizations ranging from the Jaycee's, to the Boy Scouts, to the local service clubs, to the American Legion, to the VFW, and others, working together, to define those houses and apartments that are most in need—to try to develop a program. I'm all for doing our weatherization through CSA. That's in the legislation I am cosponsoring, but it seems to me that given of the immediacy of the problem that maybe we ought to mount a citizen-level effort where everybody takes a look at the fact that there are people, in their own community that are suffering and say, "Look, let's all of us, get together and see if we can't do something to respond to the situation." In small towns of very small communities, maybe it's 200 or 300 people who are facing this threat. Local organizations could put aside their other programs for the next month or two and concentrate on trying to see that these folks are protected so they're able to survive this winter.

We have enormous resources at the local level if the decision were made to identify this king of problem as having this degree of urgency, if people were to decide they wanted to respond. I know the labor organizations have great interest in these problems, and they could participate. They could volunteer some time and effort, give supervisory help. I suspect even if we were to do this over a period of weekends, enough people would pitch in. I would think that we ought to be able to make a big dent in this problem on an emergency basis. I am going to fight with all my strength to get the money allocated at the Federal level and work through the

system for this winter, but I think we have got to try to do some things even faster than that. That's why I would hope that if we all think about it we can develop some concept along this line that is workable. We could make an effort in virtually every community, even if we only found 10, 15, 20, or 30 places where you had people in the worst hardship. Maybe it's the people who are the oldest and the most infirm. Maybe it's somebody who we can identify with some particularly extreme degree of need. And if it means storm windows or insulation or caulking around the windows or weather-stripping, or whatever it takes in that situation, see if we can't get somebody to come forward, even if the entire effort has to be donated; even if the labor as well as the materials in a particular area have to be donated. I'm not just suggesting that people who are in the business of supplying these materials ought to stand it all. Maybe the service clubs, almost all of whom collect moneys for good, worthy purposes, could, for the next month or two, devote that money to this kind of an effort, or groups that have revenues from bingo or what have you. But I have got to believe that if the organizations across this State decided to respond to a pressing human emergency of this kind, that we could make enormous strides. We could do things that Government agencies could take years to accomplish in the same way.

Let me just suggest the idea, and I would like you to think about it because you're all in key leadership positions where together with those of us who are directly elected, we could find a way to trigger some kind of a voluntary effort like this. I think we might be able to really make some strides.

Let me again thank you for your testimony. I'm going to have some questions for the record for each of you and I will submit those to you and I would like to have you respond on those items. Thank you very much.

Mr. JOHNSON. Thank you.

Senator RIEGLE. Let me invite now our public witnesses, our consumers, to come forward at this time and to be seated around the table. The subcommittee is going to take about a 5-minute recess. I have to step away briefly, but I would like everybody to come forward and be seated and then we will resume again very shortly. These witnesses will be Mr. Albert Higgins, Flint, Mich.; Mrs. Josepha Artega, from Flint; Barbara Gregg from Cadillac; Michael Heyman from Grand Rapids; and Charlene Billiard, also from Grand Rapids. And I would appreciate it if you would all come forward and be seated at this time.

The committee will be in recess for approximately 5 minutes, and then we will resume.

[Whereupon, a brief recess was taken.]

Senator RIEGLE. This panel of witnesses are citizens who have come from around the State and who are in a position to help us understand this problem. They either are appearing in their own right or they are here to speak on behalf of other persons and to describe their situations. We had other citizen witnesses scheduled to appear. There was a woman coming from Detroit, who I'm sorry to say had an emergency health problem arise and so she is not with us today. And, as well, we had a couple of other persons coming from outstate regions that, for other reasons, were just

unable to come at the last minute. In any event, we have the five witnesses who are here with us now. I don't want any of you to be nervous here because there is no reason to be. It is just going to be a discussion about the problem because we need to understand what is actually happening to people. I would like you to share with us now what is happening, in your own situations or to members of your family or other people that you talk with and other persons that are caught in this squeeze and to give us now as clear a picture as you can. We need to take the record that we are going to develop here back to Washington with us and to use it to try to jar the administration and Congress into moving more quickly and with more help to respond to what is clearly a developing emergency for a lot of our citizens and specifically for many of our seniors and retirees. Would any of you like to volunteer to go first?

Mrs. GREGG. I will, just to get it over with.

Senator RIEGLE. OK. Let me introduce you, if I may. You are Barbara Gregg, here from Cadillac, and we are delighted to have you come down and be with us today.

STATEMENT OF BARBARA GREGG, CADILLAC, MICH.; CHARLENE BILLIARD, GRAND RAPIDS, MICH.; JOSEPHA ARTEGA, FLINT, MICH.; MICHAEL HEYMAN, GRAND RAPIDS, MICH.; AND ALBERT HIGGINS, FLINT, MICH., A PANEL

Mrs. GREGG. Thank you, Senator.

I am in Lansing today, not because I can afford it, but rather because I cannot.

My 14-year-old son and I live on social security, supplemented by SSI. My home is about 50 years old, well built and well kept until 2 or 3 years ago when prices began to rise. I did take advantage of the insulation program and it helped tremendously in the ceilings. The side walls didn't take as well, due to the 2 by 4's running sideways. I always tape and put plastic over the storms. I have had the siding caulked and painted twice but it continues to fall out. It really needs new, I cannot afford that extra expense.

Last year I became desperate, and after a great deal of searching on my own, I found Northwest Michigan Human Services. They were very concerned and moved immediately to help me. I received not only help for fuel, but also a boost for my shattered ego. Even so, I barely made it through the winter and I expect it to be much worse this year.

My written budget, which I am submitting, will show utilities take just over 60 percent of my total monthly income, and it is still rising. After I pay them, I very definitely do not have enough left for even the barest essentials.

I see no compassion from the oil companies toward people on fixed incomes. I feel they make it very clear that a bill paid late receives an 18-percent finance charge. If you can't pay, you can be sure they will cut off your service.

I am aware that the Department of Social Services has programs in case of an emergency; however, I could not go through their one-sided games again. Anyone dealing with this agency has absolutely no proof as to what they have been told or promised. If you question their actions, you are suddenly shuffled from one caseworker to another. I know, for it has happened to me until I could take no

more and called for a hearing. Anyone who deals with this agency could tell you the same story, but they are so intimidated, they wouldn't for the fear of losing the money they receive presently is too great. I am forced to go there for my medicaid, and I will say those who see me are very nice to me and treat me with respect, however, I ask them for no more.

This hearing is very hard for me. I have been fighting and writing to these people, for poor people, seniors and disabled for a very long time. I have never made it known before that I had any problems of my own and I hope it doesn't hurt my chances for helping others.

I do have a health problem. I have Lupus erythamatosis, a rare form of cancer for which there is no known cure at this time. It affects the joints as well as other organs, and getting chilled increases the pain.

Nonetheless, I'm a fighter, and I will see my son grown into a man if we don't freeze or starve to death first. That possibility is so real, it's frightening.

In conclusion, I would like to thank this committee for coming to Michigan for the purpose of talking to the people and listening to their feelings.

Senator RIEGLE. Barbara, that is very powerful testimony. You have a monthly budget here.

Mrs. GREGG. Yes.

Senator RIEGLE. Which I'm going to put in the record just as you prepared it, and a little bit later, after we have heard from all of the witnesses, I want to take a look at this with you so that we can make sure that everybody here today understands the problem that you're facing. Let me hold off on a discussion of that budget until we have heard from the other witnesses.

Who would like to go next here? Mrs. Billiard?

Mrs. BILLIARD. I'm speaking on behalf of an elderly woman who resides in a mobile home located in rural southwestern Michigan. Because of this 72-year-old woman's tremendous sense of pride, she has requested to remain anonymous. I hope I can honor her request.

The following is a brief description of her past and present financial situation. She and her husband raised six healthy children on a moderate income. Unfortunately, at the age of 54 she lost her husband. Two of the six children were living at home. She sold her home in Kalamazoo, and from the sale, purchased a mobile home. She had a little extra money in addition to this, but her husband did not have adequate insurance due to health problems, so he did not have any pension or provisions available to him, so consequently he left her with very little.

After she sold her home, again, as I have stated, she depleted her small savings a long time ago. It is my strong belief that this woman is typical of all or some senior citizens found in rural areas of Michigan, and the information I can provide you with today on her current expenditures will give you a better understanding of what it is like for people on fixed or low incomes and how they must cope with inflationary costs.

This lady receives $3,342 a year from her husband's social security. Her expenditures are:

Fuel oil. Please see attachment A which shows amount of fuel and gasoline in gallons and cost for a 5-year period and is reflective of the escalating prices. As you can see, since 1975 to April of 1979 her fuel costs have soared by 140 percent. Since April of 1979 to September of 1979 the price has increased 23 cents per gallon or an increase of 35 percent. So actually what it amounts to, rather than pointing to each complete delivery, as I have on the attachment, in 4½ years the price has almost doubled. In the last 5 months it increased 35 additional percent. In addition to the price increase, you will see on attachment B credit terms are no longer available, thus creating an extreme hardship and an impossible situation, as was told to me by an employee of a fuel oil company. I am sympathetic with the home heating distributors as they are not in a position to carry credit deliveries. Please turn with me to attachment B.

Now, this is a form letter which was received in July by the customer. I have altered it a bit, not to point a finger to any direct company, but it is my understanding this policy is general with all companies. The main point of this letter is told in heavy bold type in the center section of the letter.

We have, this date, instructed our fuel oil distributors that our new credit terms are net 10 days from time of delivery. Your delivery ticket is your invoice. No past due accounts will be served.

So, in other words, no cash, no oil.

Her additional expenditures are as follows on an annual basis. Her petroleum or bottled gas for cooking, $68 a year. Electric, $240. Furnace repair and tune-up, $79. The previous year it was $142. It varies according to whatever the problem can be.

Her food is $1,300 a year. This is based on approximately $25 per week, which is actual, and she does a great deal of her own canning to try to minimize the cost of food. Her dental care, not covered by insurance, is $150. Her transportation from her residence to the store, to the doctors, whatever it may be, is approximately $130 a year. Her laundry, $52. Her personal life insurance is $5, and the reason for this is because she cannot possibly afford any more life insurance than a $5 policy a year.

Maintenance and supplies for home are $50. Fuel oil was $511, and of course this will be much greater this year. This is as of September of 1979. Ophthomologist, which she went to and was not covered by insurance, was $33. Now, this brings us to a total of $2,709, and the budget shown are her average expenditures for 1979 to date. Discounting any single large emergency item, these expenses allow her, at the most, $12 per week for personal needs, clothing, which she generally purchases second-hand at garage sales. She also must cover the cost of everyday items such as soap, tissue, denture cream, aspirin or any nonprescriptive items. These are the things the average middle- or upper-income household purchases daily with very little though about the cost of maintaining daily physical and mental hygiene. But to this lady, the cost of each item must be weighed to determine which is most needed before sacrificing one penny on the purchase made.

She is not allowed to buy the daily newspaper or own a telephone, simply because her budget denies them to her.

Eventually the inflationary spiral will affect all of us, but mainly people like the one I am pleading for here today and thousands like her across the country. Next hardest hit will be the middle-income families who are already feeling the pinch in many areas such as price increases for automobile fuel, heating fuels and increased taxes and interest rates.

The assistance proposed by the Federal and State governments do not distinguish between fuel sources. Those of us fortunate enough to be heating our homes with natural gas have some protection from skyrocketing costs due to the price of this resource being regulated by government. Such is not the case in the fuel oil industry where prices have risen almost 150 percent in 4 years.

I am asking for help, not only for this lady, but for the millions of older Americans just like her. Americans who have worked hard for a lifetime, paid their taxes and worked to raise hard working families representative of everything we believe in in this country. They have never asked for anything in return and are not asking now because of pride. They are not aware of the various programs available to them and are not educated to this help as a certain segment of our population is so educated.

For this reason, we must pass the needed legislation to help these people, and help them now. They must be told the help is there and all they need do is apply in the simplest, most efficient way possible.

Thank you for your time and patience in listening to me today.

Senator RIEGLE. We are going to make the attachments to your presentation a part of the record, and I can't thank you enough for taking the time to put all this information together. This is the kind of case history that we need to have because it is happening to thousands and thousands of people across this State just this way. I must say this letter that you refer to here from the oil company is a pretty heartless letter. If the major oil companies in this country end up finding themselves under additional pressure to be nationalized, it is going to be for reasons just like this, because of the fact that they just don't seem to have any sensitivity to what their pricing policies are doing to people in this country.

Mrs. BILLIARD. Everyone.

Senator RIEGLE. And I think you're so right when you say the working people of this country who worked hard all their lives, have not asked for much from their Government, and now they find themselves caught in this squeeze and with no place to turn unless we take some emergency steps here. So let me just say to you at this point that this testimony is very important to us, and I will see that yours and the other statements that are being made here will be part of what is discussed in the full committee when we take this issue up on Friday of this week.

Would any of the three of you like to go next? Why don't you pull that microphone right over, Mrs. Arteaga?

Mrs. ARTEAGA. I came here to testify today because of the severe problems we have at home, mostly with our heating system. My husband has had bad health for the past 5 years, and I have nine children, seven boys and two girls. So it's very hard to keep a house of any size heated when you have that size of a family. We use city gas to heat our house and, for instance, from September of

last year has increased from $41.20 to $70.80, I think it is, this year. In the winter, our Consumers bills are so high that once we had to go to Credit Counselors for help so that we could meet our payments because we were about to lose our house, my husband was about to get—have his check garnisheed because most of our money that should go to house payments was going to Consumers, and in the winter we get behind with our bills; we get behind with our house payments so that we can meet our Consumers bills, mostly for gas.

At times we are behind—around Christmastime, January, our bills are so behind and so heavy that we, around Christmastime we probably owe Consumers about $500. In the meantime, we have one income in this house that must pay all this. Once, when I came home with a new, with a new baby, my husband had gone to the credit union to get, to draw money to pay our utilities which consisted of an oil furnace and electricity, and without warning suddenly my furnace went out and I noticed my refrigerator light wasn't on and the house began to get cold, and I realized that an agent from Consumers had come and shut off my power, causing everything, you know, to go off, because if you have an oil furnace and your electricity is disconnected, you receive hardly any heat from your furnace operating without the electric fan.

When I get behind with our utility bills, I usually go to Consumers and they are very glad to write up a settlement agreement, and then I must pay them every week $25 or $50, whatever the payment is that they set up. They, I think they only allow you 6 weeks to pay that bill, regardless. That's how they write up the settlement agreement, regardless of how much you owe. And if you fail them one payment, then again they will immediately—I have a bill here when I failed to make a payment of $50 and they sent me this little card that says, "We have not received payment due on April 7. The settlement agreement entered into with Consumers Power Co. on March 16 is now in default. Full payment amounting to $272.56 must be paid by April 28." And I received the notice on—The notice was received by me on April 17, and by the 28th of the same month I had to produce $272.56, which had accumulated, of course, from the heavy load of the gas heat in the wintertime. And so that's when, I think, that Project Heat has helped tremendously. I know that at least I and other people of my family have received assistance from Project Heat in instances like that. In the past, my main problem was getting my Consumers bill paid, and in order to do this in the wintertime, I have to do without the warm clothing for my children that they must wear for school. I have to go to the Goodwill and buy coats and shoes for my children or in rummage sales, so that I will have enough to pay for the heating bills. Once when my husband was sick and we had no pay for six weeks, I had to go to Social Services and I was told that they would not take my old Consumers bill that I was behind and pay it so they would pay for my future bills but not the one that I was behind with. So I went to Project Heat who, in turn, immediately took care of my bill, and therefore—I know again I am repeating, that Project Heat is a very wonderful program and I don't know what we would do without it.

I also would like to say: What about the senior citizens? Without this assistance from Project Heat, they would not be able to meet their heating bills. How many fires were caused last winter because of the people installing appliances in their houses that were not suitable, like oil, oil stoves that are not even used anymore. A lot of people have installed the wood-burning stoves or pot-bellied stoves, but sometimes those can be dangerous if the person cannot afford to have the proper party install them and thus ends up in a fire.

I live in a five bedroom house, not because I am rich, but because we built our house, between my husband and my seven boys, we all worked together and built our house. But it takes a lot of heat to keep this house warm in the wintertime. It is not fully insulated, and some of the areas in the house are unfinished, and yet, come spring, I continue to pay the heat bills to Consumers with money that should go to finish our home. It still doesn't matter, the utilities come first because without them we cannot cook, we cannot keep warm. We have water, a water pump. We have a well and a water pump that must be operated by electricity, so it takes a lot of electricity for this, for this water pump to continue, especially when you have the boys that shower and all the laundry that has to be done.

In the summer, especially in the wintertime when the boys that have had a summertime job are out of a job and have to come back home and live with me and all these utilities keep increasing. I have arthritis in my legs and my ankles, and I have two boys that suffer epileptic seizures and are under medication twice a day, and I would like to keep my house very warm. It is impossible. Even at the rate of a $200 a month gas and electricity bill in the wintertime, and even at that rate, or sometimes even a little over $200, it is impossible to keep the house warm. To keep my house to where I would like to keep it, very comfortable, I would probably end up paying Consumers $300 or $400 a month for utilities. I keep my thermostat down at night and cover the boys warmly, but still it doesn't help that much. It seems like every year it—I just dread the Consumers, having to pay the Consumers bills because it becomes like a nightmare, trying to keep up with it. I suppose a smaller house and a smaller family would have less bills but probably think my bills are ridiculous, but when there is a constant traffic of boys coming and going in and out of a house, it is impossible to keep your thermostat down any more, and when you have three people in the house that are under medication, that needs the house to be warm—I'm sorry, my English sometimes is very poor.

Senator RIEGLE. Your English is excellent.

Mrs. ARTEAGA. I run out of words.

And we have a fireplace, which is very nice, but the wood is very expensive. I don't know that we will afford to keep it going in the winter with the high prices of the wood going up, too. Last summer I closed up, last winter I closed up two of the bedrooms and blocked off the garage doors that lead into the basement, and I had my boys move the washing machine up on the ground floor so that I could do my laundry in a warmer area because of my arthritis. It was getting pretty hard to go down in the basement and do laun-

dry in the wintertime, and so then my pipes froze when I did this. I blocked off the areas where my pipes were and I didn't accomplish very much then because in the spring I had to replace a lot of pipes that were broken from the cold, including the pipes in the bathroom. I can do without the two bedrooms, and I can do without the use of my basement, but when I shut my basement door, it automatically cuts off the heat that must be down there. I can shut my furnace vents in the basement and do with less heat down there, but that freezes my bathroom pipes, and it's very hard to get up in the morning and send three boys to school and find out that your toilet doesn't flush because the pipes are frozen. And then you have to carry water from the kitchen all the way to the other end of the house to operate the toilet.

It has been a very hard experience, trying to keep our house warm mostly in the wintertime, and I would like to thank you very much for the opportunity, Senator Riegle, for the opportunity, allowing me to come over here and testify in this meeting. Thank you very much.

Senator RIEGLE. Let me thank you for coming. I know it is hard to explain all these things because they are very personal. But it is so important that you do this, because there are so many thousands of people in the same situation. When you come and speak about it, you help them, too. You help all of us understand better what these pressures are. And while you didn't dwell on it in your statement, it is clear what terrible pressure this must be and how much worry and stress you feel, and your husband, too, I know, who has not been in good health, to not know if you're going to be able to get through the winter. The fact that you were able to squeeze through last winter, with the prices so much higher this year, I know that that has to be a source of constant worry and strain for you now, which has to harm your health and your husband's health, as well. These issues are the most serious kinds of issues that we can face, and that's why it is so important that you come to us today and make such an excellent statement to us. I appreciate it.

Mrs. ARTEAGA. Thank you.

Senator RIEGLE. Mr. Heyman.

Mr. HEYMAN. At the time of the controversy——

Senator RIEGLE. Mike, let me just stop you first and let me introduce you to everybody. You are Michael Heyman. You have come from the Grand Rapids area, and you live in a trailer there, and you are heating with propane, as I understand it, and you're going to explain to us the situation that you and your family are up against.

Mr. HEYMAN. At the time of the controversy, I was only making a minimum wage $2.85 working a part-time job, and the only reason I was working a part-time job was because I couldn't find a full time. And I drove for the senior meals program. I was getting a gross of maybe $110 every 2 weeks for working there. I also got a mileage reimbursement of 15 cents a mile, which isn't enough considering the upkeep of the car for driving.

Senator RIEGLE. And the cost of gasoline, too.

Mr. HEYMAN. Definitely. In February of 1979, I needed propane for my tank, and they refused to fill the tank at that time. They

only delivered like 200 gallons at a minimum right there, but they refused me at the time. I was on empty. I explained to the people that I had children at home. I was taking care of my daughter and my ex-wife's son. She was in the hospital. And when I explained this to the man, he just told me, why, I'm sorry, if you don't have the cash the children are just going to have to freeze, which truly upset me at that point. And so I told them, I said——

Senator RIEGLE. That is a direct quote?

Mr. HEYMAN. That was a direct quote.

Senator RIEGLE. He told you if you didn't have the cash to pay which you owed the propane company, that your children could just freeze?

Mr. HEYMAN. That's right, and it shocked me at first. I didn't know what to say. So I finally come out and told him I would have the $100 for the gas if they could deliver the fuel to me as soon as possible. It took them something like 12 hours to get there.

Senator RIEGLE. Now, this was in February of 1979?

Mr. HEYMAN. Yes.

Senator RIEGLE. What would the temperature have been then?

Mr. HEYMAN. I'm not sure.

Senator RIEGLE. It would have been below freezing?

Mr. HEYMAN. It was below freezing. It was extremely cold when they finally did come.

Senator RIEGLE. And you live in a house trailer?

Mr. HEYMAN. Yes. It's an 8 by 42, two bedroom. It is small but—and it gets cold very fast if you don't have any heat. So I wrote them a check. I didn't have the funds in my account at the time and I explained to them that I didn't have the funds there. I got paid within 1 week, could they hold the check, which they didn't do. They cashed it as soon as they got it, which, you know, the check bounced, so I had to hassle with them about that. At that time, when I did write the check, a few days later I found out I could get help from the west side complex for the energy program, and they did pay my bill for me, most of it, for me. I still owe the company $126.

Senator RIEGLE. That help was through the community action agency?

Mr. HEYMAN. Yes. But I still owe the company $126 so they still refuse to deliver.

Senator RIEGLE. This is the carryover from last year, then?

Mr. HEYMAN. That's what the community—that energy program that they had didn't pay. They had paid most of it, except for that. And the tank had no gas in it. Like all my plumbing and stuff would have froze up. There would have been no way for water to enter the trailer. It would have been unsatisfactory and very costly for me for repairs and stuff, for the pipes and everything. There wouldn't have been gas, water, to prepare food, which endangered my health and my life, not being able to—you know, I could have moved in with my mom, but who wants to move in with their parents?

So February 17, 1979, the fuel was delivered to my house at the cost of 44.4 cents per gallon, which the price went up 1 cent per gallon within 36 months [sic]. On October 9, 1979, propane gas at Petrolane was 53.2 cents per gallon. This is an increase of 8.8

percent in 8 months. So let's see, that would be an increase of 1 percent a month. With this increase, the finance charge of 18 percent annually or 1.50 percent monthly for not paying my bills on time with them, it's kind of a hassle to, you know, having to pay that but you have got to do it. I think it's unfair because I don't think Consumers Power charges a finance charge for something like that.

I recently started another part-time job at Pine Rest Hospital. I work there as a direct care aide, 18 to 24 hours per week. I also still keep the job at West Side Complex. I will be able to try and catch up on things that I have been behind, and I have now a raise of, I'm making $3.25 an hour now at West Side Complex, which helps a little bit more. So it kind of helps me to be able to pay the bills, especially the propane because that's the hardest for me.

Due to the increase in the energy costs, I still have difficulty meeting the basic living expenses. I'm not able to afford clothing or medical or hospital insurance; nor do I have coverage through either employer because I am a part-time person. My ex-wife gets ADC for my daughter and her son, and so that gives her medical assistance for my daughter, which I'm not able to do myself because of the expenses, and then I have a list of my monthly budget.

Senator RIEGLE. Mike, I'm going to make these statements, a part of the record. You have got two part-time jobs now. You have looked for full-time work and haven't been able to find it. You're earning $494 a month. This is your gross income. That's before taxes, and so that is an annual wage of just under $6,000 before taxes, and there are four of you that you are supporting in the family, I take it?

Mr. HEYMAN. Well, partially. I don't support two of them.

Senator RIEGLE. So how many are you supporting?

Mr. HEYMAN. Right now I just support two, my daughter and myself.

Senator RIEGLE. Your daughter and yourself. Although you're working at the jobs that you could find to work at, I can really see, from what you have said here, how the cost of these utilities is squeezing you right to the wall.

Mr. HEYMAN. One other thing, the electric rates, living in a mobile home park, you know, the landlady pays the electric from the company, and, in turn, we buy it from her, so we're paying a higher expense by buying it from this woman. I can see, like when I lived at home, we were only paying maybe $13 or $14 for electric at my parents' house, which was a three-bedroom, two-story house. I don't know what they pay now, but I know living in this little trailer that I live in, for one person, I turn my heat down to 60 when I leave the house in the wintertime, and my electric bills still run like $22 a month in the winter, and that's extremely high for a single person. Now it's getting higher. It's going up. It started at $18 and it just, I don't know what it will be this year, but it was $22 last year, outrageous.

Senator RIEGLE. I really appreciate your coming and laying this out for us. It illustrates that a young person getting started with a work career is facing the same kinds of problems and pressures in a different circumstance than our senior people are also caught in.

Mr. HEYMAN. Thank you very much.

Senator RIEGLE. I really appreciate your coming to talk with us.

Mr. Higgins? We saved you for the last.

Mr. HIGGINS. The last time I saw you and you talked to us, you was in the Durant Hotel and I met your wife and your cousin on Saginaw Street.

Senator RIEGLE. I see.

Mr. HIGGINS. And you told me a whole lot. I'm glad to be here, Senator. This is just like a preacher preaching a funeral. When you live in a neighborhood, everybody knows how you live, you understand? So I don't have to go through—mailed a statement to the lady but I don't know what became of it, but I have been living up there in the same place across from Clark School ever since 1914 and I met you when I felt a lot better than I am now. I may look good. I don't feel good. My voice changed. Everything changed.

When I speak for myself, as these ladies and gentleman told you, we are all in the same category. I don't have to go over and over to tell you that. As I said, just like a preacher preaching a funeral. If you live in a neighborhood, everybody knows how you live. You don't have to get up in the pulpit and preach that. You don't need all that. When these ladies and gentleman make their statements, they're speaking for me and I'm speaking for them because a senior citizen, there's no way they can live through this life peaceful, you know that. If you come up poor, you stay poor unless you have some awful good luck. God has got to be with you. You've got to have some awful good luck unless you catch that lottery number.

Senator RIEGLE. That's a hard way to have to do it, hit the lottery.

Mr. HIGGINS. To hit the lottery.

Senator RIEGLE. Most people don't hit the lottery.

Mr. HIGGINS. Excuse my language, it's hell all the way around for both of us. People say, "We even steal food." I told some fellows I know the Bridgman story. Of course, I know all of them. They call me up, we go out. They buy me lunch. We talk about the depression recession, and I told them, I said, I don't talk when I'm eating. I'm not talking when I'm eating. I just keep eating and eat slow, and after I got through eating I said, "Well, I'm ready to talk." They said what have you got to say. I said, listen, the first thing I want to say, depression and recession, you don't know anything about it. It ain't hit you, but I've been in it all my life. If you haven't ever had nothing, you don't miss having it. You see what I mean? I said depression don't mean nothing to me. Recession, I was born in depression recession when people didn't have nothing. I haven't got anything and I'm glad to be over here to explain to you that.

I'm 80 years old, over 80 years old. I can't work, can't hardly get around. So we didn't have no—at Applegate, you know Applegate Chevrolet? Jimmy and the old man, they didn't have no union out there. When you go out the door, everything goes out the door with you. You got to pay insurance and everything. So you just have the State to help you. There's no gimmick or this or any gimmick. It's all through.

We poor people catches hell. After all of the taxes I have paid, I don't like to beg people, you see.

Senator RIEGLE. You shouldn't have to.

Mr. HIGGINS. I don't like to beg. My people taught me not to beg. If you haven't got it, they told me, if you got a little money they said don't buy what you want, buy what you need. Understand that? So that's life. That's life.

And my dad, he used to tell me, he said, "You haven't got but three friends in this world. You've got your mother, but mothers put babies in baskets and lay them on people's steps and run away from them. You haven't got any friends, you've only got three friends." I have carried this around with me everywhere I go and talked with people: God, health, money. You run out of God, you ain't got nothing. You run out of health, you ain't, and for God's sake, don't run out of money. So that all goes together and that's life.

I don't have to explain to you, go over the same things these ladies and gentleman told you. I mailed a statement. It didn't get over here but I can sit here and talk for 48 hours and never get through talking because when you was born in hell and can't get out, it's hell all the way. So that's all I have to say, and I want to thank you and thank my coworkers for inviting me over here. I haven't met you in quite a while. It's been a long time ago we met, and I'm very glad indeed to sit here and talk to you and let you hear my statement, and I appreciate it, and may God bless you, everyone around this table.

Senator RIEGLE. Mr. Higgins, I'm really pleased to have you here, and I appreciate what you're saying to us. Can you tell us one thing that would be helpful, from your circle of friends, other people in the same situation on the block and in the neighborhood, what kind of pressures are they feeling, the degree to which this inflation, this energy cost—I would fear it's probably destroying people's health. They worry about it.

Mr. HIGGINS. Senator, this world and the other one, if somebody don't look out after these people, there'll be a depression, there'll be a recession, a depression, and degression, too, because these people need something. They're human and eveybody is human, and someone like you, I have a lot of confidence in you. I told you that years ago. If someone don't help to take care of these people, it's pitifully bad and it's bad as it is. Now, like the lady said, the fellow said, so it will be.

I got a 200-gallon tank in my basement and it cost me, back in 1920—I built the house in 1922, 1921, $29 to fill it up. You know what it costs now? It costs $139 to fill it up, and I get behind. I'm behind in payments now and I always will be behind because social security money, me and my wife don't have nothing and we have to stinch on this, stinch on that, stinch on this. And it's terrible, but what can you do? Just like a man tying you up and telling you to take your hand and lift up that bar over there and you can't do that. That's the way it is, you see? I think something has got to be done. I don't know. I look good but I don't feel good, you know, and I cut my eating down, I try to save and save, and I got way behind, and the man that I buy my oil from told me to to up and see the people on North Saginaw Street, said maybe they can help you. And I owe them $200 and I didn't know at the time how I would pay the man, see? But I don't like to beg. I got that spunk. And I

don't like to beg. I will go hungry before I will beg, and pray to God that I come out all right. So that's all I have to say. I want to thank you again for the opportunity.

Senator RIEGLE. Well, this testimony from all of you makes the case about as strongly as it needs to be made and as it should be made, and I just wish we could set the President and the Cabinet and all the Members of the Senate and all the Members of the House down in the room at one time and get them to sit there long enough to listen to what you're saying because then we would get some action. Someone in the press earlier today asked me:

> If you try to do something to help the people who are the poorest and who are on the bottom, young or old, whatever their circumstances, that other people are a little better off, in the middle class, aren't they going to be resentful?

And I said I didn't think so. I think that the people in the middle class either have been there before or they have relatives who are there now. I believe there is enough humanity in our society and feeling about people who desparately need help, that as a country, we want to help.

Mr. HIGGINS. That's right.

Senator RIEGLE. We want to help each other. I don't think we want to turn our back and just ignore somebody who is in a situation that is worse then our own, that they can't do anything about. We want to help, and that's the impulse in our country that we have to hang onto. If we ever get to the point where all we care about is ourselves, then we are not going to have much of a country left. That's not the kind of country I want to live in.

Mr. HIGGINS. Senator, can I say a word? I wonder at times how people that are making big salaries, when they sit down to eat and there are people out there that haven't got anything to eat, I wonder if they ever think of them.

Senator RIEGLE. I don't think they think about it enough. What happens is it seems very far away. If you're not hungry yourself, if you aren't living in cold houses in the wintertime, if you haven't got the heat dialed down as low as you can dial it without getting sick, then you don't understand.

Mr. HIGGINS. They don't understand.

Senator RIEGLE. They just don't understand it, and that's one of the reasons why it is important for us to do this hearing today. It is important for the press to be here and listen to what you're saying because they can help tell that story and get it out there so other people, who are in different situations, can realize that there are thousands and thousands of people like yourselves across the country who are in really desperate circumstances.

Mr. HIGGINS. Senator, I wanted to say this: Does it look good or does it look bad for you to sit in a house, as the President said one time, 65°, down below zero outside, you sit in a house with a sweater on and overcoat on. Does that look nice or bad? I can't see it.

Senator RIEGLE. Well, more and more people are having to do that. They have no choice in the matter. Ms. Billiard was describing somebody getting by on $25 a week on groceries.

Mr. HIGGINS. I don't see how she can do this.

Senator RIEGLE. I frankly don't know how that is being done.

Mrs. BILLIARD. Senator, she does a lot of her homemade cooking, homemade bread. She cans. She has a vegetable garden, does every way she can conceivably to economize. She has a freezer. She freezes a lot. She couldn't possibly do it otherwise.

Senator RIEGLE. What's going to happen when that person gets old enough that their health starts to fail and they can't manage a garden like that, when their eyesight starts to go, and they can't manage canning?

Mrs. BILLIARD. She has been very fortunate in that regard.

Senator RIEGLE. It's a situation where you can't afford to get sick because if you get sick there's almost no way back.

Mrs. BILLIARD. That's right.

Mrs. GREGG. There is something I'd like to ask you about. My boy is 14, as I told you, first year in senior high. He pounded the streets this summer looking for a job and finally found one. It was only 3, 4 days a week, very little money, but when I reported, which I have to do, you know, OK, but when I reported that he was working and earning a little money, they said to me so long as it doesn't show that you're making a profit. Now, I live on $360 a month and they are worried about me making a profit. It irritated me.

Senator RIEGLE. They ought to be worried about the oil companies making a profit. That's the profit they ought to be worried about.

Mrs. GREGG. It really irritated me. In fact, he got to the point where he was working so much, I had to force him to put his 2-week notice in because he was carrying so many subjects. He has 6 hours in school. He carries six subjects because my boy will never sack on social services. He is going to be in the law one way or the other, and he will go to school.

Mrs. ARTEAGA. Senator Riegle, you can keep this with the letter of mine [handing documents].

Senator RIEGLE. Thank you. I'm glad to have this. These are from last year? We'll make a Xerox of these.

Mrs. ARTEAGA. You can keep them if you want to because I have the originals. Those are just notices that are sent to me and one is the bill that has been paid. Those are the notices I was sent when I would get behind on the so-called contract.

Senator RIEGLE. I know it is not easy to come here. I appreciate your coming. I appreciate your being willing to come some distance to be here and to take the time to prepare this testimony and to explain these things, and to lay out the personal details in your own situation. That is always an effort and I want to tell you how much I appreciate your willingness to do it. By doing it, you are here not just in your own behalf, but as you said, you are here in behalf of all the people in this situation. I think you hit the nail right on the head. We have got so many people in this situation. If we were to get everybody in here that could testify about these problems, we could fill this Capitol. That's why we have got to get attention focused on this thing and we've got to get our priorities straight.

There was an article in the paper either yesterday or this morning. I can't recall which paper it was in, but there was a picture of David Rockefeller. He's a fine man. I don't mean to suggest other-

wise. But he was commenting that we have got to take harsh medicine for the economy with the high interest rates. He was making a point that it's a tough medicine but we're just going to have to take it and live through it. It's easier to say that for the person who is sitting there with several million dollars worth of personal wealth and who sits down to three nice meals a day in a nice warm house or restaurant. A lot of people in our society, especially a lot of people at the top, are disconnected from the reality of a lot of the rest of the people in our society. You speak eloquently of the desperate condition that so many people in this country of ours are facing. If the people who have so much and who are in such favorable positions don't start to understand the need to reach out and help everybody along, then we're going to have enormous turmoil in this country. We have got it now. It's just breaking people's health.

Mr. HIGGINS. That's right.

Senator RIEGLE. Breaking people's hearts at the same time.

Mrs. GREGG. You will also find in that same group of people those who blame people like us for the problems of the country.

Senator RIEGLE. Well, you know, we face a problem right now talking about whether we keep the Chrysler Co. in business. We have pension laws on the books that just got put on the books not too long ago here.

You worked all those years, you didn't get anything, and when you walked out the door——

Mr. HIGGINS. Everything came out with me.

Senator RIEGLE. That's right.

Mr. HIGGINS. That's isn't right.

Senator RIEGLE. How many years did you work?

Mr. HIGGINS. Thirty-five years.

Senator RIEGLE. Thirty-five years of your life.

Mr. HIGGINS. The old man got it. Jimmy got it. You know. They got it. Got the big place out there, the big fine home. So what you going to do? No union. I remember when Buick was paying 25 cents, 30 cents an hour back in the twenties.

Senator RIEGLE. Before the union?

Mr. HIGGINS. They hired you in at 25, and if you could stay in that factory 1 year you got a 5-cent raise.

Senator RIEGLE. You went up to 30 cents an hour.

Mr. HIGGINS. Thirty cents an hour and that's all you got, and the boss standing back there, arms folded, and you couldn't talk back to him because that many men was at the gate [indicating]. And he hit you on the shoulder, can you get it? He'd go away—you were all in the same category, black and white, all the same. Can you get it? Standing back there watching, see if you come up on tab. You didn't come up on tab, he come out, hey, yellow slip and you're out.

Senator RIEGLE. And you're out.

Mr. HIGGINS. You go to the gate, a fellow said get up front, they're hiring up front. A fellow as big as I am, or larger. You? Uh-uh. The big fellow back there. Come on. Back in the twenties—I don't think you can remember the twenties.

Senator RIEGLE. No. I have read about them.

Mr. HIGGINS. They take them out two or three a day, dead. All that smoke and stuff.

Senator RIEGLE. Is that right?

Mr. HIGGINS. So that's true. I don't lie about it. That's so. So you see, just as you said, the man—that's just what I got through saying, the man sits down and eats and has got aplenty. Won't give the people something. He can't take it with him. He can't take it with him. He wasn't meant to take it with him. The Bible says you come in this world with nothing and surely you go out with nothing.

Martin, look at all the money he had. If he would have put a money wagon behind him, I'd have been behind him, too. You go out with nothing. You come in with nothing. You go out with nothing. You go out better than you come in. You go out in a fine box and a suit of clothes, better than you came in. I don't think it's appropriate. Why do you want to put a fine suit on to go in the ground? Some people put shoes on dead people.

I asked a lady not long ago, she bought a new pair of shoes. I said why did you buy a new pair of shoes for him where he's going? He ain't walking around. I said you should take that money and buy you a steak or something.

Senator RIEGLE. We ought to be concentrating on the people who are around that we can help.

Mr. HIGGINS. That's right. That's right. And somebody's got to do something to help people. If they don't, you see how they're fighting over in the east? They will be fighting here in the same way.

Senator RIEGLE. Where is the fighting that you're talking about? Over——

Mr. HIGGINS. Over there in the oil companies, oil countries. They're going to be fighting over here. I believe they're going to be fighting over here the same way.

Mrs. GREGG. They will if they've got mothers with children they want to go to school because there's nothing worse then a mad mother.

Mr. HIGGINS. Something is going to happen and it's just as clear as the nose on your face or fingers on your hand. You can see it coming. All these things, that cyclone, hurricane. That's not just coming up in the night. That's a warning.

Mrs. GREGG. There are many warnings in this life.

Mr. HIGGINS. It's a warning. God has said that people ain't doing right and God has shown. We've got to build them up. It's the same thing.

Mrs. GREGG. Better we keep our minds good and our pockets empty.

Senator RIEGLE. Yes. I want to thank you again for coming. You have really done an outstanding job and I appreciate the personal effort. It is important that you do this. One of the reasons that the system is not working right today is there is not enough knowledge of what is going on. We haven't done enough about forcing these issues out in the open.

Mrs. GREGG. No one has really asked us, Senator, until now, and we do appreciate your coming in.

Mr. HEYMAN. You haven't really heard everything because if you sit down and talk to senior citizens and the problems there, of

course, like I'm working with them every day and I hear what they're going through.

Senator RIEGLE. We have got a couple of groups coming in later this afternoon who are going to speak in behalf of some senior citizens.

Mr. HEYMAN. Their expenses on a limited income, it's just tremendous. It's just like, you know, a widow, what she has to go through. My ma has gone through a lot of problems since my dad died. It's not easy for her.

Senator RIEGLE. Well, again, I want to thank you. Did you want to make a comment, too?

Mrs. ARTEAGA. I just want to say some of these things I didn't write on my letter and I didn't know if I was going to have the courage to come up here and tell it like it is because it's sometimes it's very hard and embarrassing to let the public know the situation inside of your house.

Senator RIEGLE. It's wonderful of you to do it. It helps. It helps everybody that you do that.

Mrs. GREGG. I think it's very hard. What I meant by this statement was most poor people are honest—proud and resourceful. To have anyone think differently is insulting. I think with most people who are careful, I think that pride runs very high and I guess that's what we have to hang onto.

Senator RIEGLE. Right. Thank you very much.

The committee will take a 30-minute recess for lunch, and then we will recovene with our next panel.

[Whereupon, the luncheon recess was taken.]

Senator RIEGLE. The committee will come to order. We will resume the testimony from our panels this afternoon, and our first panel consists of persons representing senior citizen groups and interests.

We have Fred Ferris who is the director of the Detroit-Wayne County Area Agency on Aging. We have Mr. Casper Kenny who is the director of the Wexford County Council on Aging from Cadillac, and Mr. Don Bentsen from the Michigan Office on Aging.

So, Mr. Ferris, why don't you lead off this afternoon?

STATEMENTS OF FRED FERRIS, DIRECTOR, DETROIT-WAYNE COUNTY AREA AGENCY ON AGING; CASPER KENNY, DIRECTOR, WEXFORD COUNTY COUNCIL ON AGING, CADILLAC, MICH.; DON BENTSEN, MICHIGAN OFFICE ON AGING; JANE SLUSSER, ENERGY EXTENSION SERVICE, MICHIGAN ENERGY ADMINISTRATION; AND NELLIE CUELLAR, VOLUNTEER PERSON, RSVP, A PANEL

Mr. FERRIS. Thank you, Senator. As you have indicated, I am the director of the Detroit-Wayne County Area Agency on Aging.

According to the 1970 census, there are or were 360,000 seniors in Detroit and Wayne County, and this figure represents about one-third of all seniors residing in the State of Michigan. Of these, 30 percent are low income.

The current energy crisis is of great concern to seniors in that many of them live on fixed incomes, as you heard earlier this morning. Being forced to spend more on energy means spending less on other necessities. We may indeed have situations where a

senior would have to choose between heating his home and eating adequately. This can hardly be a comforting choice. Seniors do not want handouts, but they do need assistance in coping with inflationary energy bills.

They are concerned about these rising costs and government response to the situation. Current energy assistance programs have been inadequate to meet all of the needs. Eligibility requirements for a number of programs are too stringent to enable a large number of needy seniors to participate.

The income eligibility levels are too low. We recommend that for any energy assistance program, other elements besides income should be considered. If income is utilized, it should be based on that definition that allows for the broadest interpretation. Some of the hardest hit are those living just above poverty levels.

The Community Services Administration emergency intervention/weatherization program has an income eligibility level that is too low. In 1977 the area agency has helped in outreach efforts for this program. The primary problem with this program was that the time frame to complete it was too limited. There were confusing rule changes occurring without direction. Many seniors were not reached, and many others chose not to take part in the program. Initially it was handled by the department of social services. This automatically gave it the stigma of welfare. The following year the utility companies handled the program. Seniors had difficulty filling out the application forms.

We feel that any energy assistance program must have some sense of consistency, and a time frame that would allow adequate time for outreach and the filing of applications.

If Congress proposes to implement an emergency program through the States, it should be specified that the State has the primary administrative responsibility for the development and implementation of the elements of the program.

The most efficient, equitable and acceptable form of assistance for seniors would be direct cash payments.

Outreach efforts should include a coordinated effort by all social service agencies in order to insure that there is an effective program. Assistance should be available to seniors in filling out the application forms. Guidelines should not change once set.

One important point we feel must be emphasized is the problem of shutoffs. We strongly recommend Congress pass legislation banning shutoffs during the winter months.

It should be added that there is a disturbing trend in Federal legislation affecting seniors that would shift the focus of programs away from the low income to a clientele that is more middle-class oriented. The proposed regulations of the Older Americans Act have dropped references to low income. We feel that the net result would be minimizing of assistance to the neediest citizens whose problems would no doubt be compounded by the energy crisis.

Thank you, Senator, for your time. I appreciate the invitation.

Senator RIEGLE. Thank you for your suggestions. They are important ones.

You have raised the issue of shutoffs. I agree with you that is a very serious issue. I want to let you know that the bill I'm cosponsoring in the Senate, which is S. 1725, introduced by Senator

Nelson, would prohibit shutoffs by regulated utilities during the heating seasons and by other suppliers in cases where a bill has been unpaid for at least 2 months. So we are attempting to move on that particular point, but we will certainly give every consideration to the other points that you raised here.

Mr. FERRIS. I would like to strongly emphasize this whole question of income eligibility. There is just a proliferation of data that identifies, for example, that half of the women over age 65 live below $3,000. That, within Wayne County, 125,000 seniors qualify for food stamps, but only 20,000 participate in the program. There's just——

Senator RIEGLE. 125,000 qualify?

Mr. FERRIS. Are eligible. That's correct.

Senator RIEGLE. But only 20,000 actually participate?

Mr. FERRIS. That's correct. So my point is there is just ample evidence that there are a number of people that will qualify, but the barriers and the indignities and the lines in the welfare office only prevent the senior from, in fact, participating in the program. If I may just take a few more minutes, we are running a pharmaceutical program in Detroit where we provide over-the-counter drugs through a hospital to the senior constituency, age 60 and older. Prior to the inception of this program, the hospital had a very detailed income check procedure whereby the senior was advised if you want this prescription, by going through an income check you must pay the following amount. Now, it was on a sliding fee scale, of course. With the advent of our program, we asked simply for a contribution, and the interesting thing is that when you make the comparison between the amount of money that was collected, forced through the sliding fee method versus the amount of contributions given by the seniors, they are within pennies of each other. So that there is absolutely no question that the seniors are not looking for a handout. There is no welshing. Those that can afford to pay, pay the full fare and they call it a contribution. Those that cannot afford to pay, give what they can, and that is within their means. So here again in looking at the energy relief program, I would hope that income would be used in the broadest sense so that it can attract as many seniors as possible to participate in the program.

Senator RIEGLE. I appreciate your comments. That's an important elaboration. I'm pleased to have that.

Let me go to our next witness, who is a friend of mine and one of my mentors in politics, a person who has been around and has given leadership for a long time, a former member of the statehouse here in the State of Michigan, now up in the Cadillac area in Wexford County, and that is Casper Kenny. I'm pleased to have you and we would like to hear from you, Mr. Kenny.

Mr. KENNY. Thank you, Senator, and I am sure we all agree that we are really appreciative of you delving into this to give the seniors in Michigan a chance to do something about their problem.

Now, I'm going to speak generally, if I may. I didn't come with any people here that would help my statements, but I have one letter, I gave you a copy of, which is very interesting, and I would like to read it, if I may.

Senator RIEGLE. Please.

Mr. KENNY. Dear Sirs: I am writing this about the fuel. I do not see how people like me can keep from freezing or starving the way it is. I use oil for heat and it's 82 cents a gallon right now. We will burn about 1,000 gallons for the winter. I'm a wheelchair victim. I have no legs, and my wife is under the doctor's care all the time. I get $208.50 a month social security, and my wife gets 91.90, and we are not able to do anything to get more. I would like to know how we can eat and keep warm on that. Lionel Norman, Cadillac, Mich.

I think this is very vital. He does try with his legs to cut wood, if you can imagine that, and I wanted to get his picture but he wouldn't go that far, but he did send this letter which I appreciate.

Senator RIEGLE. We will make this letter a part of the record.

Mr. KENNY. So I entitle this "Heat or Eat," and I think that seems to fit the bill with most of the testimony I have heard this morning.

This expression briefly states the predicament of many seniors in the State of Michigan with gross incomes as low as $110 per month and a goodly number with less than $200 per month. This is made evident as seniors apply for their Senior identification cards at various council of aging offices throughout the State. Some merchants are recognizing these cards and are giving some discounts for purchases.

In canvassing fuel oil dealers, the comparison of the cost of fuel oil in November of 1978 versus October 1979 is as follows:

No. 1 fuel oil, 49 cents against 82 cents. No 2 fuel oil, 52.9 cents against 87 cents today.

Natural gas has increased on a 12-month budget for an average home from $57 in 1978–79 to $67 in 1979–80. Natural gas, of course, is regulated by the public service commission, but requests for increases are apparently to be requested by the utility companies. Again in surveying dealers in relation to cutoffs in recent years due to nonpayment of bills, about 10 percent have been refused further credit and have applied to social service agencies in various counties for emergency assistance.

It is evident that seniors in the low-income bracket must cut back on the amount of food they consume to pay their fuel bills. No doubt, the health of these seniors will suffer because of lack of nourishment.

By various contacts, senior citizens apparently comprise 75 percent of those affected by these fuel costs, and while not considered poor, as such, increased fuel costs make it impossible to pay other bills.

In relation to eligibility of seniors to receive assistance for fuel, it would appear that age only should be the criteria, at least for the present. In giving food at meal sites with a small donation, 60 years of age alone, without other information, is considered sufficient, and it is unlikely that seniors with large incomes take advantage of this service. To avoid unnecessary investigations at this time and to expedite quick action to our seniors, I repeat that age should be the only criteria, for those living on retirement.

The question of primary responsibility for implementing an emergency fuel program has been considered, and the opinion of many is that the State would be more apt to understand local

problems and could render service more expediently, rather than the Federal Government.

Utility companies and local fuel oil vendors might be a solution for those using natural gas and fuel oil, but not others who would use kerosene or wood. A representative of the program working out of each area agency on aging whose sole purpose would be to help seniors with their fuel bills seems plausible.

This plan would seem like a possible permanent plan for future years because seniors, under inflated prices, must receive help.

Seniors have become accustomed to taking part in all activities sponsored by the area agencies aging of the OSA that include bus service, health screening, information and referral, home service, chore service, blood pressure clinics, plus much more, and this target population would accept this statewide organization to undertake this fuel program.

The one agency to administer this program would cause less confusion than the several agencies established in the past few weeks. Interested heads of agencies are not aware of all developments and learn of these only by radio or television. Seniors are of the opinion that a combination of methods of paying would be adequate. First, payment of gas to utilities, fuel gas to dealers, and kerosene and wood to individuals.

I would like to add, if I may, Senator, that way up there in the north, as you know, it gets real cold and they really need the heat. But as the gentlemen here have mentioned, they are afraid to ask for help, and I would not question those figures he quoted you, not in the least, because people associate asking for aid as something that is possibly going to take their home away from them and they fear association with a long list of questions. So, again, the thing I would stress is that one agency, instead of several, be used to pay over whatever method you use because each day I hear radio, television, different agencies, something new coming through. I think that we're confused, and I know I have been confused, and I'm sure the seniors are. We should have one agency that will take care of these people, and I thank you very much.

Senator RIEGLE. Casper, the energy extension service within the Michigan Energy Administration apparently provides free useful energy conservation and what they call alternative resource information to persons who call a clearinghouse number that they have. It is a free hot-line number. The number is 1-800-292-4704, and, as I understand it, anyone calling that number can get information on both energy conservation, and if they have an energy emergency on their hands, can be directed to somebody who is in a position to try to respond to that problem. This was given to me by somebody from that agency this morning, and I said I would announce it this afternoon.

Let me ask you this, if I may, before we go to the next witness.

In your area, the furnaces have been on now how long, would you say, for the last——

Mr. KENNY. Three weeks, probably.

Senator RIEGLE. The last 3 weeks, so the winter heating season is really underway, at least in your part of the State. What are you hearing from the seniors that you're talking to? Are they express-

ing great apprehension about getting through this winter in light of the higher costs?

Mr. KENNY. Yes; especially those that live in the outskirts. Of course within the cities, the natural gas function, that is, as I quoted——

Senator RIEGLE. It hasn't gone up?

Mr. KENNY. It's gone up but not too much, but when you take 49 cents to 82 cents, we really hear a lot because they just can't meet it. It's impossible. Something has to give. It's either heat or food, and that's as simple as that.

I might mention, Senator, if I may, that in mentioning these agencies, this is not going to be—America apparently cannot take care of its old people and it's going to be a permanent thing. I don't think we should have to jump from one winter to the next with some haphazard plan. We must act now and recognize that though it is hard to believe in America, they can handle everything else but they can't handle the heating with the money they're getting so it must be a permanent plan to take care of the aging winters. We must face it and not jump from one plan to another.

Senator RIEGLE. I think you make a good point and I agree with it.

Next we will hear from Mr. Don Bentsen from the Michigan Office on Aging.

Mr. BENTSEN. Thank you, Senator, for this opportunity on behalf of the office to speak about the energy problems facing Michigan's 844,000 citizens, age 65 or older. Given the fact that over 70 percent of senior citizen households have incomes of $7,000 or less, many simply do not have enough income to cover regular living expenses. Couple this to a statewide inflation rate of 13.5 percent, compared to an 11.8 national average, and the magnitude of the problem becomes readily apparent.

While double digit inflation is harmful enough, we ask you to consider the fact that energy costs for home heating have escalated over 60 percent during the past year with additional increases certain in the months ahead. Last week the Michigan Legislature passed an energy cost assistance bill that provides $35 million to assist low-income households, including older persons, in paying rising heating bills. Given Michigan's recognition of the problem, we would like to focus our testimony on two aspects of energy cost assistance in which the Federal Government might perform a significant role.

We find that a large proportion of senior citizens live in houses which are not capable of being efficiently heated. Approximately 57 percent of existing senior citizen homes were constructed before 1940 when energy resources were believed to be both abundant and cheap. These dwellings lack the minimum level of insulation necessary to reduce fuel consumption in light of current energy costs. Energy costs are rising and will continue to rise; an obvious remedy is to weatherize one's home. However, higher energy costs erode the fixed income of older persons, with the result that fewer assets are available to pay for insulation costs. The average insulation job, which costs between $500–$1,000, would require an investment of between 7 and 14 percent of the annual income of this State's elderly households, a cost which all to often precludes seri-

ous consideration. To remedy this situation, this office recommends that the Federal Government take steps to assure that its weatherization program is funded adequately for materials, and, even more importantly, labor costs. We believe that at least another $10 million should be made available to this State alone, specifically earmarked for weatherization labor costs.

Compounding the problem, however, is the confusing variety of information from Federal and State sources about energy conservation and weatherization programs. For example, is cellulose, fiberglass, loose fill, or batting the most effective method of insulation? How much does one need? What is its "R Factor," whatever that is? Of the 10 or 15 grant and/or loan programs, which one do I qualify for? Where does one apply? Which is the best for me? This confusing information and the splintered system only compounds the problem.

The Michigan Energy Administration has recognized this problem and through its Energy Extension Service has made valuable information available to the public. In addition, the OSA, in cooperation with the Michigan Energy Administration, the Federal ACTION program and this State's 13 area agencies on aging have pioneered a program to attempt to eliminate this problem. A VISTA volunteer will be placed in each AAA, and will assume responsibility for guiding older persons through the maze of energy-related concerns. And as Mr. Kenny pointed out before this, Senator, this is one of the bigger problems of figuring out what is happening.

Senator RIEGLE. Right. When is this going to happen? Have these VISTA volunteers been identified yet?

Mr. BENTSEN. The area agencies are in the process of doing this. Some may have already been hired. I would say within the next 2 weeks probably it will be operationalized across the State. This is the only program of its kind in the Nation we are aware of.

To address this problem, we urge that the Federal Government consolidate all programs and information relating to energy under the auspices of a single Federal agency. We have no particular preference as to the agency. It is more important that the problem be recognized and dealt with as expeditiously as possible.

The office of services to the aging supports the establishment of broadened energy cost assistance for low income and elderly persons. Currently some 221,000 senior citizen households receive benefits through a tax credit/rebate mechanism in Michigan. We would urge the committee to develop an energy tax credit tied to the Federal income tax so that additional benefits could be made available to those groups, low income and elderly, most in need.

Finally, we would urge that the Federal Government accept the reality that the energy crisis is not an episodic event, but rather that it is a constant part of everyday life. To date, the stance has been reactive, virtually every winter, in response to problem, a variation of an energy assistance program is hastily enacted, with a new mechanism, a new bureaucracy, and new application forms. With recognition of the permanence of the problem by the Federal Government, we would hope that the Congress will take the necessary steps to institutionalize all methods for reduction of energy consumption, and make such a program an everyday fact of life.

If I may digress, Senator, for something that is not within my written testimony, there is another aspect of this problem that the Senator might be aware of, and that is the effect of utility cost increases on programs such as the nutrition program, the community services program, that for the area agencies, as the costs increase we get increasing demands for more and more utility costs from various centers. There are 650 nutrition sites across the State. As those demands go up, without additional resources the number of meals that we are able to serve go down, and again, as Mr. Kenny addressed, something has got to give in the limited budget of older persons. If you have to pay for fuel then you rely on the nutrition program for food. If the nutrition program cannot deliver because they have to pay, it is a very complicated problem. On behalf of the office, if we can provide any additional information and be of assistance in the development of improved energy cost assistance and weatherization programs, we are certainly prepared to do so. Thank you very much.

Senator RIEGLE. Thank you. Let me ask you a question about VISTA volunteers who are going to be working through all of the area organizations. Maybe what we should do, community by community is try to identify those persons who are in the most desperate circumstances, where some kind of action could be taken immediately, thrash a community based weatherization effort, maybe by getting the service clubs in the area involved, the Boy Scouts, the American Legion, the Jaycee's, the VFW, the Rotary, and so forth. If it meant weatherstripping a house or getting storm windows up, we could find a way to get this job done with local effort, volunteer effort, on the theory you need to do it in a rush to beat this winter. Would these VISTA volunteers be in a position to help in that kind of process, I wonder?

A VOICE. Yes.

Mr. BENTSEN. I think certainly the intent here was we have various programs out there working with the area agencies as the focal point within the regional network throughout the State. Certainly they would be available to cooperate in any kind of program, and I think perhaps Mr. Ferris could more specifically address that as an area agency director.

Mr. FERRIS. The VISTA volunteers are to receive extensive training in the early part of November where they are—essentially all of the various confusing legislation is supposed to come together during this training session so that they can go out and further confuse the community—no, not really. The point is they are to try to understand all of the various eligibility criteria and then go back and get up training workshops through the area agency network to reach other community leaders to try to explain each of these eligibility criteria, set up a way that seniors can receive assistance in filling out the various application forms, and so the use of Boy Scouts, Girl Scouts, RSVP, Foster Grandparents, and other forms of other resources that are not generally tapped into will be discussed at this training session so they get the full range.

Senator RIEGLE. It sounds as if we've already got so many different agencies and program and somebody may or may not quality for any of them. They all sound like there's a certain amount of redtape and processing. It seems to me what we need is a way to

recognize we have an emergency on our hands. We must try to find some shortcuts, to find a way to get the job done. I'm all for going ahead and tapping all the Government help we can find. We obviously need Federal financial assistance and more weatherization commitments. But I'm wondering if we're not going to have to do something more than that, as fast or faster than the Government.

Mr. KENNY. What is the name of this number you mentioned, Senator?

Senator RIEGLE. This is called the Energy Extension Service within the Energy Administration.

Mr. KENNY. Energy Extension Service?

Senator RIEGLE. That's what it's called.

Mr. KENNY. One eight hundred——

Senator RIEGLE. 292–4704.

Mr. KENNY. And can we publicize this?

Senator RIEGLE. When we finish, you ought to try to call the number and see what happens. I was given this information by somebody from that agency. Is the person in the audience now? Why don't you just stand up and describe what this means so long as we are on this topic.

Ms. JANE SLUSSER. OK. It is an Energy Extension Service within the Michigan Energy Administration. A portion of it is a clearinghouse and you can call that number and ask for any kind of commission, whether it is solar, greenhouse, or a phone number of how to get energy assistance. You may be in an area where you don't know where to get money for weatherization. You can call the number. They refer you to the right place. We are bringing down some packets right now and I can give you the worksheets when they arrive, but it is a toll-free number and very, very good information.

Senator RIEGLE. I understand that there is a certain amount of competition even within State agencies, as to who is going to do what in responding to this problem. The problem is that the time is so short, we don't have enough to work with anyway. All of that has got to get reconciled. Somebody has to sit all of the agencies that have any kind of role in energy, down in one room together and come up with a consolidated plan. Everybody has to have their role defined and everybody has to be willing to play their part, it seems to me, or we are going to lose an awful lot of time tripping over each other.

Mr. FERRIS. With all due respect, Senator, I have not seen Government, and I've been in some circles of Government for the last 8 years, to move that quickly, even in a crisis situation. If a major emphasis can be placed on a moratorium on shutoffs, at least it can be assured that no one will freeze to death this winter, and then you can try to straighten out the bureaucratic maze of redtape and who is responsible for what. So long as everybody can at least have heat and eat, then I think that is the primary concern, from our perspective, at least.

Senator RIEGLE. Well, that's a part of the bill that we are pushing. It would accomplish that objective, among others. But the other thing that I would like to try to develop a little bit of enthusiasm for, if we can, is the conservation side of this issue. That is something we can do something about. We are not going to

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ber able to change energy prices overnight but we can certainly have an impact on how much energy someone has to use. By making some changes and some improvements, by weatherizing, we can reduce the amount of fuel that is required. We can start out to try to identify these homes and apartments that we most need to concentrate on, the ones that are least efficient and where the person living there is in the tightest squeeze. The first problem, it seems to me, is identifying on some kind of a priority basis where those places are and then responding. Local groups could spring up under the call of leadership from across the State from elected persons like myself and the Governor and others. The heat's been on for 3 weeks, as you say. I have to believe, for example, that if those of us who were in the public sector could find and elevate in the public view, say 50 individuals or 150 individuals, and say:

> Look, here are 150 people or 150 residences that we know desperately need some help and what we need now is somebody who is willing either on a voluntary basis on a weekend to roll up their sleeves and work or if we can somehow or another get hold of the materials we need, maybe the Rotary Club, Lions Club, Jaycee's, or some of the groups that sponsor bingo's, for the next couple of months throw the proceeds into a pot and buy the supplies we need and we go out and try to do something about the people who are in the most desperate circumstances.

That's not going to solve all the problems. But we have got some people who are really in a dangerous situation in terms of whether or not they are going to be able to make it through the winter and it seems to me we ought to be moving with this kind of an even more accelerated response. And if that happened all over the State at one time, you're talking about a capacity to help a lot of people. But everybody has to pitch in. Now, you can't just be pushing a button. Somebody has to be willing to go out and spend a couple of days or longer, depending upon what they can contribute in the way of effort or expertise or something else, to make some difference. But that is something we ought to be considering.

You were going to say something?

Mr. KENNY. In line with your reasoning, I think a central or statewide agency should have contact with, like, the OAS or OSA, rather, where you can have some good response and some equipment to handle it, but just to haphazardly ask the State, you're probably aware that the Governor has delved into VISTA and sending out volunteers and this, but I didn't know a thing about it until a person brought a clipping from Genesee County. There's an example of what goes on. These are to send out volunteers, so I think it's more confusion yet. So I don't know whether—My personal experience with OSA has been very good, that they have, I think, in other counties that I have happened to visit, they are doing a very good job of taking care of the senior citizens. I think someone, it doesn't have to be OSA, but some central agency that is going to keep in touch with you so we can operate more efficiently.

Mr. BENTSEN. Senator, if I might again, from the OSA point of view, I think I can speak on behalf of the area agencies. The nutrition grantees, the grantee structure, there are people out there willing, ready, and willing to do that. I think part of it is, and this is by no means a slight at the committee, we are sitting here 3 weeks into the heating season already, debating this kind of question as opposed to 6, you know, 6 months ago.

Senator RIEGLE. Right.

Mr. BENTSEN. And also, as I indicated in my testimony, a reactive thing. I think that the network is out there. I think, however, what oftentimes becomes the problem is that legislative mandates from other funding sources, the Older Americans Act, for example, this is not even a consideration in that entire piece of legislation. Certainly, some direction from the Congress or from the President that this is, in fact, a national crisis, would help that matter along.

Senator RIEGLE. The problem is I'm not sure it is a crisis in Florida or that it is a crisis in Georgia. It's a crisis in places where it gets colder earlier in the year, and we are primary States that come a little later. If we had our primaries first, we would probably be getting a lot of money in here for these kinds of things right now, and I say that partially tongue in cheek, but that's what we are seeing in other places.

Mr. BENTSEN. The other thing I would like to address, talking about getting information out to people. We have been toying with this in the agency field for a long time. The Social Security Administration sends checks out monthly to hundreds of millions. The Social Security check is read as well as the flyers that are put in there. I would like to propose that the committee might want to look at what kind of help the Social Security Administration can be in terms of hooking up the aging network, and I speak on behalf of older persons, in particular, by ZIP code area we could supply the information of the name and address of the nearest area agency with that check going out on a monthly basis so that we could hook up people who we do not normally meet through our outreach efforts, our PR efforts, so on, so forth, and it is an invaluable assistance that is there, and I don't think this has ever been broached to SSA, at least from an official basis, from the Senate or from the House.

Senator RIEGLE. Let me just say that Nellie Cuellar has joined us at the table. She was scheduled to be our next witness after this panel, but I noticed you looked like you wanted to make a contribution back about 3 or 4 minutes ago, and if there is something you want to say, even before you make your presentation, if there is something you want to say that relates to this discussion, I would like to invite you to do so.

Mrs. CUELLAR. There's only one thing I would like to state, that when he was talking about getting people in the community, I'm for grassroots people, and especially seniors because I am a senior, is through the block clubs. People in that community, because you take us older people, we have not been used to going out asking, and it's embarrassing. It's before my time so I will just make that statement and hush for this period, but I would like to make a point when it is time for me to speak, you know.

Senator RIEGLE. Fine. That is a good point. We must try to identify who needs help, without putting anyone in an awkward position where it looks like they're having to beg for help. It can't be an embarrassing kind of thing. There has to be a way that we can identify the persons who are in the situation that is most extreme. I agree with you that the block club is one way which that can be done, and of course, in the more rural areas where we don't have a block club, we have got to do it in a different fashion.

It seems to me that we have got to start by identifying who the people are that are in the tightest squeeze. Once we have a list of those people, it would seem to me we ought to be able to devise a way to respond to it, both through government, Federal, State, and local, but also, I think, through community efforts. I don't think most people in this country are going to feel comfortable if they are warm and eating well if they know somebody that lives 1 or 2 miles from their house is in a desperate situation and needs help. Most people in this country would be ready to help if they knew what the need was. One of the things we have going for us, we never think about using, and we have got them all over the State, whether we're talking about Detroit, Flint, or we're talking about up in Wexford County. We have got all kinds of organizations that exist for other purposes. You have got the American Legion, the VFW, and senior citizens, and a lot of senior citizens who you know have skills that they could contribute in terms of helping to train people, if we're going to try to do weatherization on a hurry-up basis. You have got the Jaycee's. You've got service clubs. You've got the Rotary Club. You've got a lot of organizations that, if they understood the fact that there was an emergency problem in their community, would be willing to come forward and help both with labor, volunteer labor, but also I think to even kick in some of the money we would need to buy some of the supplies.

I don't think we could just go down to the hardware store and ask the man that runs the hardware store to contribute 500 storm windows, but there's got to be somebody around that could afford to contribute toward that so that we could get that done. I'm not saying this is a substitute for government. We are here today to figure out what the governmental response ought to be, State and Federal, and how we can hook them together and how we can make sure it is adequate and timely and in the right form. But it seems to me, as even if we do it right, government might take so long getting it done that we have got to think about some other things we can do that might be faster and do those at the same time. I just put the idea out. It is an idea. It is not a finished idea. I am going to continue to think about it myself. I think it's something we ought to be doing.

Mr. BENTSEN. I would like to add a list or organization to that. Ward leaders, they certainly, 70 or—is it, official party structure through their precinct captain, so on, so forth, could be of invaluable assistance. I think the community network is there. I think you will hear later from the CAP agencies, the area agencies are ready, I think it's a matter of mobilizing some of that and getting it off center.

Senator RIEGLE. I'm just wondering what would happen if some of the leaders in the State who have this ability, the Governor, myself, others regardless of a broad range of people, were to get behind an effort of that sort and ask people to make this their central project for the next couple of months and see if we can't protect some of the people who are caught in a situation right now they can't do anything about. I think we could probably make big headway. I remember after the tornado came through Flint back in the early fifties, we lost about 20 or 30 people, we organized a big program in Flint called Operation Tornado and decided, with vol-

untary effort, we were going to go out and try to rebuild 400 or 500 homes over a weekend, and lo and behold, we did it. We had thouands of people turn out. C. S. Mott was out there with a hammer, and everybody under the Sun was out there. I remember it very vividly, and we got a lot done. A lot of people chipped in. I think people would be willing to do that now with time and effort, and for people who don't have the skill, to write a check so we can buy some of the supplies we need and winterize some of these homes. I just think that is a bet that we ought to be cashing in on right now.

Mr. KENNY. I agree with you. I think it is getting to be an emergency. People will respond in a real emergency, you know, but not in an everyday deal. Again, I say the paramount thing is if we don't start in a lot of different directions at the same time, plus, again, I want to emphasize this—this gentleman agrees with me, too, it's going to be a permanent thing and not let next winter come and we're all confused. Beginning now, we establish the weatherization program. The whole thing is that it's been try to find a solution for it. It's unfortunate for our elderly American citizens, but that's come, as a matter of fact, and it is a matter of life, so to speak, that we cannot take care of a few problems. It must be something set up on a permanent basis from now on and not every winter go through the same thing.

Senator RIEGLE. Let me ask you, each of you at the table, just one question, and then I want to ask for your testimony, if I may. I would like each of you to express an opinion as to what you think is the least stigmatizing way to provide assistance.

Mr. KENNY. I put it in my report.

Senator RIEGLE. Well, let's go right around the table. What agency should provide it, and should it come in the form of a check or subsidy to the supplier?

Mr. BENTSEN. We just recently faced this issue with the Michigan tax or Michigan bill. It is the opinion of OSA that it be a single party check through the income tax, which is something that older persons are familiar with, that it is done, that it does not involve a new form, an additional bureaucracy, and it is cheaper in the long run, we would say in the form of a tax credit.

Senator RIEGLE. Doesn't that come too late? So you get a tax credit. Does that necessarily come at the time you need the cash? What we are finding now is that some of the people, in fact we had a letter read into the record today from one of the major oil companies indicating that unless somebody could pay cash for oil deliveries, they weren't going to get any oil deliveries. So I am wondering whether the tax credit system may not have too much time delay in it.

Mr. BENTSEN. If you're talking about what is going to happen a month from now, I personally am not prepared to respond to that. I think there are enough community networks out there and area agencies, the various senior citizen organizations, the community action agencies, that, you know, have the resources to give some help to tide them over with some help from the Government. I am talking about a long-term solution through the tax credit rebate system.

Mr. KENNY. In my report I put in there as a temporary solution would be, first, to the utilities on the light bill; for the fuel oil, through the dealers; and for the kerosene or wood, to be the individual. That's the emergency program.

Senator RIEGLE. Fred, did you want to make a comment?

Mr. FERRIS. We endorsed, also, the direct cash payment. I gave testimony. And every year, through the county aid society and other legal and lawyer-type services, we provide a free service at senior centers to fill out the various forms, so that if it was incorporated through the tax credit type of system, you do not then have to go through some stigma of going down to the welfare office to make application for it.

Senator RIEGLE. Miss Cuellar, do you want to go ahead and comment on that, too?

Ms. Cuellar. Yes, I would like to say, because most of the time whatever help it is for seniors, you know, they go through so much red tape, by the time they get it, you know, that they get so confused, you know, they don't, they give up, and they don't even bother to take it.

Senator RIEGLE. Right.

Ms. CUELLAR. We are halfway through now.

Senator RIEGLE. Right.

Ms. CUELLAR. That's what I have found, and I'm one of those poor people, my income is $207 a month, OK, and I live in the area where we are mostly homeowners, and naturally—that's in Southwest Detroit, I live in State Representative McNeely's district, the 16th district, and most everybody in there has property owned so they don't move that fast, and that means that we are all growing old at the same time. And that's why we know, why I said block clubs, because we know each other's needs because we have lived there for so long.

Senator RIEGLE. Right.

Ms. CUELLAR. And I do know that it is a fact that even myself, I don't like to go out and have to wait, you know, for the welfare. You sit there all day, and most of them haven't been blessed with health as I have and they are sick in the first place, and they go there and sit all day long and then try to get the bus back home, and by the time they get through worrying them, most of them have forgotten what they went there for, and I can say that because I'm one of those people, see?

Senator RIEGLE. Miss Cuellar, I would like you to go ahead and make your statement. Let me say to the rest of you that I may have additional questions for the record, but I will not be asking you any more questions at this time. You are welcome to stay for her statement, or you are welcome to be excused at this point.

Ms. CUELLAR. Well, as I before stated, I am from Southwest Detroit, the 16th district, and I am a volunteer person with RSVP, and that means an outreach worker. We go around to homes in the community, meet the people, see those people who are ill, find out who they are, and after we find them we can't do anything more for them. We can only tell people where they are.

I would like to tell you about Annie Hall who had nine operations for cancer, is still on her feet, 73 years old; 3615 Beatrice. She is, right this morning, sitting in her kitchen because she can't

afford to heat her house. I would also like to bring to your attention Susie Turner. I'm going to produce these people. I would like for you to go through my community. These women's husbands, who have died and left them widows, and myself, OK? And she is a diabetic. She has high blood pressure, heart trouble, and ulcers, all right? She lives on Edsel.

The gas company was there. No, the electric company came on Friday to shut off her electricity. The gas company came Tuesday of the next week to shut her gas off. She gets $250 a month but the gas, she paid it on the gas bill and it left her no food. I am saying this is real, you know. I don't really feel that people really understand how serious it is. And this is why—You don't tell me about the bureaucracy that you have to go through to get some help, and what you forget is that most of us older people who are 80, 70, 80 years old, like myself, and 70 years old, down, we don't feel like getting in line. We never got in line.

Whatever we had to do, we got out and done it and we were proud, and what it makes us feel like is like somebody has a ham and, you know, you're hungry and you're waving it at us and saying we're going to give it to you when you—that's a feeling that you get.

Let me tell you something. You know, I have run these things down, and, of course, Mr. Ferris, he knows me very well. They had a program with me being on the advisory council. I run this program down. I get $200 a month. They told me it was too low. Yet in the meantime they already said it was set for the poor people, right? Bureaucracy and what they tell us as seniors. I'm trying to point out to you the fact that they lie to you over and over and over again, and make you feel that you're—here's something that you can use, then you can pay it back as you, you know, whatever your income is, you can pay it and not whoever the property is left to, you can pay it. I run to the bank and I run all over. When I got through going there, I called a friend, told them, had them fill out papers. They said, well, you're not eligible, and this is what you tell us about everything that we go for. And seniors get so upset and so frustrated until they go home and stay.

Mr. Polk died last winter. Why did Mr. Polk die on Ninth Street? I was over to his home, like this week and I said let's see if we can get your gas back on. Before we could get over there and get his gas back on, Mr. Polk froze to death in the house. Nobody says anything about that. I'm talking about people, and we say in America this don't happen. It do. It happens all the time. But nobody knows about it, and I want to take it to these people. I want to take you to them. I will take you to them.

The thing about it is we got everything set so high until you can't, you don't reach them. You don't. They don't know where to get these resources from, and by the time they worry, the people who are half sick and worry to death before they get to it, they don't want it. They say I'd about rather go home and lay down and die. They give up. And I know this because as I said I am a volunteer worker for Catholic Social Services, which is an organization of RSVP, and we know where all the people live that needs it. I would just love to put any one of you in the car and let me take you around and see and then you talk about that it ain't my

district. Yes, it is. It is in your district but you don't know where they are. You think because they are seniors they are going to come out and say, "I'm hungry." Some of those older people just like myself, if I was hungry I'd say no. In case I've got to come up and tell you I'm hungry, because you haven't been used to that, you have been used to earning what you want and having some kind of dignity. People are embarrassed when they have to go and stand and wait all day, and don't tell me they don't do it because I'm one who takes people most of the time, a lot of my senior friends who don't have transportation, and I go, and we go and sit all day, and you know what they tell you? You have to come back tomorrow. They don't come back. They don't go back.

Yes, I'm with the Michigan Coalition on Utilities and Energy, and I'm hoping, and I would like to thank you, Mr. Riegle, Senator, because you know something, I've been following you. I don't read that well but I spell a lot and I heard your statement on television and I read it in the paper, and it certainly—our hearts all went out for you because we realized that there was somebody saying that, "You're going to be cold this winter." And there is no way to let you know, other than, you know, I'd like to tell you we all appreciate it very much because I think you're about the only one that I really read that has really come out and spoke out on it. They have all kind of spoke by going around the bush and thinking we didn't know what was going on. "I am for you like this. I am for you. I have to give this bill some more thought." But they didn't come up and say, "Yes, I'm for you and I'm going to support this bill," and I shall remember you, also.

We with the Michigan Coalition on Energy, we are working very hard and we would like to have everyone's support in Detroit on Wednesday the 17th because we intend to have a demonstration to let people know that the need is so great. It's either freeze, don't eat, or eat and freeze. Now you don't have a choice as seniors, and I think on that, I have kind of let you know that I didn't just, you know, get poor, but I was young and able to work. I'm not able to work. Nobody hires you at 80 years old and I was 80 the 10th day of last July, and you know something, when you come from so far and you never stood up and had to wait for something, your patience runs out. That's one thing. I'm not long on patience because I have always been able to get what I wanted or to eat without having to stand in line and have somebody say you wait until I decide to feed you. And that's what it's coming to today because the little money we older people get who are not with the unions and not in the working market, $200 and $300 is all we get, and you walk to the grocery store and buy and see what you get out of that. When I buy groceries out of my $207, I pay $10 or $15 on my utility bill, and now they're getting so they tell you, "I don't want part of it. I want it all."

I went down with Susie Turner and I had enough guts, I said, "If you don't take part, you won't get nothing. We'll sit out in front and not let you in." I just as well die with her as die by myself because I'd be next on the totem pole because I don't get any more, and this is the truth. And I would suggest if you doubt these people, come and go to the southwest area and let's go house to

house. Let me point them out to you. And I want you to look at the homes.

I've been trying to get some insulation for Susie Turner. That's been promised, but they haven't come yet. You can see through her walls right now.

Senator RIEGLE. Who is she waiting for? Who is supposed to be coming with it?

Ms. CUELLAR. Pardon me?

Senator RIEGLE. Who is supposed to be bringing the insulation and doing that job? Is it the CAP agency?

Ms. CUELLAR. We called several agencies, maintenance central, they couldn't come out until the first of January. They had been out first and they didn't finish it and that's why it's open. They didn't finish the job. We called them and called them. They haven't come back as yet. Then there's a number——

Senator RIEGLE. Let's find out who it is that's supposed to get that job done and see if we can't get that job done.

Ms. CUELLAR. Good. that will be beautiful. We'll get back to central maintenance, get the man. They said they were going to get these people back.

Senator RIEGLE. They came out?

Ms. CUELLAR. They did some of it and left it open. It's open.

Senator RIEGLE. You can see through?

Ms. CUELLAR. I'm not exaggerating. It's open. You can stand and put your hand through the hole like this [indicating].

Senator RIEGLE. We'll see if we can't get that one done. We'll start there.

Ms. CUELLAR. That would be a start. If there's any—now, this young lady, please come to the rescue because we have until Thursday to pay her lights and gas [speaking to Mrs. McGill].

Senator RIEGLE. Let me ask you this: How big is the area that you're familiar with in terms of——

Ms. CUELLAR.The area that I'm in, as I said, southwest Detroit, which is a large area.

Senator RIEGLE. How many folks could you identify for us that are in this emergency condition?

Ms. CUELLAR. God love you. You just give me the opportunity and I'll follow you. I will show you. I will run, trot behind you. Come on.

Senator RIEGLE. Let me tell you something. You're talking to the right person.

Ms. CUELLAR. I believe that. That's why I'm letting you know.

Senator RIEGLE. I intend to see to it that the ones you find, we do something about. How many would you say you would have a line on right now?

Ms. CUELLAR. I have a line on—I don't have the list here but I have a line on 17 that I could put my hands on right now, you know, that I mean desperately. Now, there is some who need, but I'm talking about people who need some food, need their light bill paid because they get a little money. These are, I mean, in desperate need.

Senator RIEGLE. Now, let's take those 17, because you've got a lot of folks in the room here that could do something about this, and I'm one, I want to see that something is done, so I'm going to

pledge to you right now, I will do my part. Let me just ask both Mr. Ferris and Mr. Bentsen, how do we go about following up? Let's say all the 17 that she identified are in the situation where they urgently need help. What can we do to make the wheels turn, assuming these are cases where help is needed, what do we do next here?

Mr. FERRIS. Primarily we would want to go out and assess the home to make sure that whatever we did would be done by qualified workmen and we wouldn't have to keep coming back. And there are agencies that we are funding right now that can send someone in that gives both a structural as well as a social assessment of the surroundings. Through this assessment, the senior can receive weatherization, home repair, food, prescriptions, et cetera.

Senator RIEGLE. What if we take her list of 17 today, just as a case illustration, and if she turns that list over to you, are you in a position where you can act on it yourself, or do you have to rely on someone else to take action? Are you then in the same position that she is in, that you have to turn around and ask somebody else to respond?

Mr. FERRIS. We can intervene for all 17 and provide sufficient watch-dogging, monitoring, to make sure that each of these seniors are thereby serviced. However, we can't do, by congressional law and legislation, we cannot actually go out and deliver service from the staff that we have.

Senator RIEGLE. But you could get somebody lined up to do it?

Mr. FERRIS. Oh, yes, definitely.

Senator RIEGLE. Mr. Bentsen, where do you fit in the act?

Mr. BENTSEN. We would fit in in terms of State level problems. For example, if we are dealing with problems with the State bureaucracy out of our office, our responsibility becomes then to directly advocate that those presenting problems are done away with. So this kind of situation does not occur. We, again, do not do direct services ourselves.

Senator RIEGLE. Are you a self-sufficient agency? In other words, is your agency's authority sufficient so that if she walks in the door and says, look, I'm here in behalf of these 17 people that are in desperate straits, if she gives you the list with the names and addresses, can you take it from there?

Mr. FERRIS. Yes.

Senator RIEGLE. Can you get that list?

Mr. CUELLAR. Yes. I will get it. I will see you get the list.

Senator RIEGLE. If she gives you the list, and a lot of other folks give you a list and pretty soon you've got more lists than you have resources, you're going to need some help. I want to see you get help just like I want to see her get help. The question is, you know, how close are you to your limit?

Mr. FERRIS. Well, there's a law of how far can you go with limited resources. We are funding different service agencies whose workers are automatically going in the home to clean the home, to repair the home, and all you have to do is put the word out that there is some energy relief money and properly train those home service people that can identify the problem, and then the possible resources, and we are at an automatic overload at that point in time. It won't take but a short moment, quite frankly.

Senator RIEGLE. To get to her 17?

Mr. FERRIS. To get to her 17, and once that word begins to trickle out, we'll be inundated with a number of calls.

Senator RIEGLE. I'm wondering if your capacity to respond, you know——

Mr. FERRIS. Let me give you an example from the home repair aspect. we are funding the agency that Miss Cuellar referred to, Maintenance Central for Seniors. They're running an intake right now of 310 seniors per month who call for home repair services. They have a waiting list of 4,200 people right now.

Senator RIEGLE. So what happens to her 17? Do they go at the tailend of the 42?

Mr. FERRIS. We are sitting before the Senator. The 17, of course, will get immediate service, but what about the 17 that don't know their area agency or Miss Cuellar and Senator Riegle?

Senator RIEGLE. How do we help you eat into the backlog? I'm just as interested in that as the 17.

Mr. FERRIS. I would say, at least from a Maintenance Central point of view, that organization is a good organization and it's not simply—I'm going to say something, throwing money at them. They are presently operating with $2½ million budget and we're talking about 140,000 homes in the Detroit area that qualify for their services, and if they were doubled in size they would therefore be able to make a greater impact on the 4,200 that are on the waiting list right now. It's not a degree of insensitivity. It's a question of——

Senator RIEGLE. You make a good point. Let me give you a pledge, and that is that I will fight for the resources and fight to take them away from other things that I think are less important, like the MX missile and some other high ticket items floating areound these days.

Mr. BENTSEN. If I could, whether it's southwest Detroit area or CAP agency from the UP that will be testifying later, the same problem is there. The agency is ready, willing, and capable to respond. The funding, resources currently available make waiting lists inevitable and, you know, I would agree, you have heard it before. Throw money, but we have real situations here.

Senator RIEGLE. I know there is great pressure on the State budget, and I don't know what the current Office of Management and Budget is doing with respect to either increases or with the same funding levels or cutting back on these programs. What is the current situation here?

Mr. BENTSEN. On the Old Americans Act, we are on a continuing resolution.

Senator RIEGLE. Isn't there a State portion or are you talking solely about funds?

Mr. BENTSEN. We have 6 million from the State, but the balance from the Federal Government has yet to be forthcoming. We are on continuing resolution, as we understand it, as of Friday.

Senator RIEGLE. What about the six? Is that increasing, staying the same, or decreasing over the last few——

Mr. BENTSEN. It was an increase over last year from the State, a rather significant increase. It was a half million dollars just for home delivered meals alone.

Senator RIEGLE. And that's for the upcoming year for 1979–80?
Mr. BENTSEN. The fiscal year beginning October 1.
Senator RIEGLE. All right. So the one just started?
[Mr. Bentsen nodding affirmatively.]
Senator RIEGLE. There is an increase in State funding here. I'm on a budget committee in the Senate. We have gone through this to try to beef up the Older Americans Act. There's going to be some increase. Not nearly what there needs to be; however, as we thresh out spending priorities, frankly, the people that would feel as I happen to feel are not in the majority. We don't have the votes today. We just increased the budget, broke the budget, but we did it for a huge unspecified increase in the defense budget, asking for things that the armed services haven't asked for, the Secretary of Defense hasn't asked for, the President hasn't asked for. The money is being shoved out the door in the direction of the defense budget and it's coming right out of programs like this. It's coming out of the Older Americans Act.

We have got to start making some breakthroughs here despite the backlog, and we've got to get more visibility, on the nature of these problems. I think the majority—maybe I'm wrong, but I don't think I am and I sure hope I'm not—I think the majority of the citizens of this State want to do something to help older people, the older people that are really caught in circumstances that they cannot manage. I really believe that when they understand what the problem is, that their impulse will be to help through public expenditures, and I even think people are willing to go beyond that. I think they are willing to contribute some time and effort and even some extra money if they thought it was going to be used for that purpose, not going to be frittered away, going to be helping some of these people you were speaking about all over the State. That's why I want to think about a way to pursue some direct action, community by community, on a voluntary basis.

I don't know that anybody could have anticipated that we were going to have this huge inflation that has come along, and especially in energy prices. If we don't do something, we're going to have an awful lot more people like this man she spoke of about who froze to death last winter. We're going to have to this time. It's just got to happen. And I think we're in a position to do something about preventing that.

You are going to give Mr. Ferris this list and I think you have his pledge that he is going to see to it that these things are responded to, and you have mine along with his, because I want to see it done as well. I can't do it today because I'm here for the day and I have to go back to Washington when I finish here today, but I will be back in Detroit soon, and when I come I'm going to make it a point for you and I to get together and I intend to go make some of these rounds with you.

Ms. CUELLAR. Good. All right.

Mr. KENNY. Senator, people are sympathetic to seniors. I want to make a point. It is true that Port Huron, I think a big majority voted for extension to buy buses for seniors and had no idea——

Senator RIEGLE. They did vote for the buses for senior citizens?

Mr. KENNY. People didn't believe it would carry, but this is a trend in the vote, that people are sympathetic to seniors.

Senator RIEGLE. I think it is more that people don't understand what the problem is. The problem is invisible to a lot of people. They live somewhere else and they don't see it, and because they don't see it, they don't understand it well enough to be able to generate the feeling of urgency and of wanting to respond. I think most people will want to respond when they understand what the situation is.

Mr. KENNY. You know how it is to raise millage, and they did it over there today.

Senator RIEGLE. I think that is a good point, that is a good illustration.

Let me thank all of you for your testimony. It's been very helpful.

Let me introduce the next panel. Scott Macy, Juanita McGill, Jerome Lewis, and Connie Williams, community action program agencies.

Let me welcome this panel. I have to step out for just a minute. Can I ask you just to make yourselves comfortable. The committee will stand in recess just very briefly here.

[Whereupon, a brief recess was taken.]

STATEMENTS OF SCOTT MACY, EXECUTIVE DIRECTOR, MARQUETTE-ALGER COMMUNITY ACTION AGENCY; JUANITA McGILL, ASSISTANT DIRECTOR, NEIGHBORHOOD SERVICES DEPARTMENT, CITY OF DETROIT; JEROME LEWIS, WEATHERIZATION MANAGER, HUMAN DEVELOPMENT COMMISSION; AND CONNIE WILLIAMS, REPRESENTING COMMUNITY ACTION PROGRAM AGENCIES, A PANEL

Mr. MACY. I'm the Executive Director of the Marquette-Alger community action agency. That agency's sole purpose is to provide service as an advocate on behalf of the low-income population. Much of this testimony will include specific information on a two county area in the Upper Peninsula of Michigan, Alger-Marquette Counties on the southern shores of Lake Superior. Winter-like weather begins in October and lingers well into May. The average snowfall is over 120 inches with 220 days annually having temperatures of 32° or below.

Oil and natural gas are utilized by the majority of families in this two county area. It is estimated that approximately 42 percent of low-income people utilize oil and 37 percent natural gas. Propane gas, wood and electricity make up the remainder of fuel users. Outside a few cities, the primary source is either oil or propane gas, often supplemented by wood. It is estimated that upward of 30 percent of the low-income population are utilizing wood either as a primary source of heat or a supplement to other fuels.

Recently this agency met with 30 oil, gas and electric companies to determine prices, availability of fuel, and credit terms. The current average oil price for No. 1 fuel oil is 89 cents per gallon. The average price for No. 2 fuel oil is 86 cents per gallon. The oil dealers estimated that by the end of this winter, fuel prices will have increased 20 cents per gallon.

The current average price for propane gas is 60 cents per gallon for a tank containing more than 250 gallons, and 71 cents for a

tank under 125 gallons. It was estimated by the propane dealers that propane gas would increase to 75 cents per gallon for a large delivery by mid-winter.

Although the natural gas companies are currently providing the cheapest fuel to citizens, the deregulation of natural gas by the Federal Government is expected to significantly raise the price of natural gas.

None of the fuel dealers expected winter shortages except possible spot shortages in No. 1 fuel oil. The majority of fuel dealers almost always provide short-term credit to good customers, either budget plans on 15 days net or 30 days within the delivery date. The major problem for low-income individuals is the denial of credit because of either a poor credit history or the low income being unable to pay $300 to $400 for the first fill-up. Several of the dealers indicated that fuel will not be supplied if customers are delinquent in their payments. In the past, low-income customers unable to receive credit terms purchase small amounts of fuel. This increased the cost per gallon because of the small delivery.

With the escalating prices of fuel, many poor people will have to make the choice of either keeping warm or going without food and other basic needs.

The rising prices and a change in credit policies with respect to fuel oil is placing our areas poor people in a position which should be unacceptable to our country. In our area fuel oil deliveries of less than 150 gallons must be paid cash on delivery. Additionally, many low-income people, because of high energy costs last year, are considered credit risks and must pay cash on delivery. At this time a majority of poor people do not have cash available to pay for home heating fuel. Some of them will get the cash by making the decision to forego the necessities. This hardly seems fair to many small children and elderly. History shows that in such a situation, the very small and the very old are the first to physically suffer the consequences of such a decision.

A housing study in 1979 projected that over 30 percent of the existing housing in Marquette County is substandard. The majority of low-income people in this area live in substandard single-family dwellings, which are very energy deficient.

The Community Action Agency of Marquette-Alger Counties has assisted over 500 single family dwellings the last 3 years with weatherization. Currently we have a waiting list in excess of 300. The problem is that this list is growing. At this point we do not have the resources to keep up with the increasing demand for home weatherization.

Senator RIEGLE. Let me ask you this: How many of those 300 will you be able to get done this winter?

Mr. MACY. Probably about 200, but we have not—what we have not done and what I mean by 200 is not a complete weatherization job, and I say 300 on the waiting list, we have not advertised this program in approximately 3 years. What we do is utilize the outreach workers to prioritize those with the most need. For those on the waiting list, outreach workers also supply them with energy conservation techniques in order for them to try to conserve as much energy as possible while they are on a waiting list.

Low-income people who rent are not in any better position. At this point we have been unable to assist low-income renters through our weatherization program.

Landlords have no sympathy to rising energy costs, and as a result, raise the rent. In some sad cases the rent has increased more substantially than should be expected with regard to energy increases. In most situations again this is people utilizing natural gas in a metropolitan or urban area.

Currently we have been receiving an average of 10 phone calls per day for energy crisis assistance. AMCNB has been addressing this by allowing up to $100 per home in emergency situations. We don't know where this money is coming from, and staff members may have to be laid off for several months as a result of this, but we feel it is a situation that we must address at this time even though the funding has not been released on a Federal level yet.

It is my recommendation that individuals that fall within 150 percent of the poverty guidelines should be entitled to Federal assistance to help with energy bills. Eligibility should be based solely on income. Last year's program penalized those families or individuals that kept current with their fuel bills and sacrificed an adequate food supply and other basic needs.

It would be difficult to determine eligibility or the amount of fuel assistance on housing conditions of a particular area. Many low-income families may live in adequate housing facilities but pay high fuel bills because the housing facility is not well insulated.

Distribution of funds within the State should take into account the number of degree days for each area. Payments should be higher to low-income families living in areas that experience a higher number of degree days. Income should be defined by gross income earned from all sources and based upon 150 percent of the poverty level. 150 percent of the poverty level will include more individuals to qualify than previous energy crisis programs when the income eligibility was based on 125 percent of the poverty guidelines.

It is significant to take into account the fact that the elderly living on social security, ADC families, and other low-income people have not received the percentage income increase at the same rate fuels have increased. For example, a family of five living on ADC payments in Marquette County had an increase for fuel allotment from last year to this year of $3 per month. The price of fuel oil alone has increased approximately 40 cents per gallon in a 6-month period. It is obvious that the price of fuels has increased so significantly that low-income people will not be able to keep from becoming delinquent in paying fuel dealers.

The Community Services Administration's energy crisis program has worked very well in this two-county area. The biggest problem in the past 2 years has been the delay that this community action agency has experienced in receiving dollars from the funding source. Both years money has not been available until late February. In this two-county area, winter has already been upon us for 5 months.

Past regulations have also been somewhat responsible for penalizing low-income people who have paid fuel bills on time but have gone without other necessities.

It is my understanding that these delays were not due to the community services administration, but due to the U.S. Congress and especially the Department of Management and Budget, for delaying final rules and regulations. CSA's energy crisis program would be an excellent manner in which to expand this year's and future energy crisis programs.

CSA has already provided planning grants to community action agencies to begin this year's energy crisis program.

Again, the problem is not that local community action agencies cannot operate successful energy assistance programs, but that funding has always come late. Future energy crisis programs should have money available by October 1 of each year. Planning grants to local community action agencies should be allocated during the summer months in preparation for the distribution of program funds by October 1st.

The block grant approach to individual States is not the best method for an energy crisis program. The State should not be the primary administrative focus for an expanded permanent program of Federal energy assistance. The State's primary role should be to assure adequate supplies of fuel, assistance in weatherization programs, and a mechanism to supplement Federal energy crisis programs. It is too difficult for this State to recognize unique needs of low-income people within the different geographical locations.

Payment to fuel companies would be difficult, resulting in many delays in crisis situations not being met. Utility companies and suppliers are also not a logical mechanism for providing assistance.

Fuel suppliers would have a difficult time determining eligibility and being able to reach all the low-income people within an area that needed energy assistance. Utility companies would not have an adequate outreach system in place to address crisis situations. I believe that direct cash payments to utility companies is the most efficient system in meeting energy assistance to the low-income population. Tax credits do not address crisis situations and money is not returned to the individual normally until after the heating season is over. A fuel stamp system would only add a cumbersome process. It is my belief that too much wasted money would result in implementing a fuel stamp program.

Another bureaucratic system complicated by complex rules and regulations will prove only to further frustrate and cause problems to the low-income population.

It is my belief that community action agencies are the most logical and practical delivery system for an energy crisis program. This agency in our two-county area is most aware of low-income problems and through its outreach system can pinpoint where the low-income population lives.

Our outreach system in place at the current time includes six outreach workers within the two-county area. Other programs such as weatherization, head start, youth employment, and senior citizens, also provide cross referrals to the energy crisis program. The Department of Social Services in Marquette and Alger Counties does not have an adequate outreach system. They rely on the local CAA to make referrals for DSS services. Often it is a community action employee that points out to the DSS that proper assistance is not being provided.

Enclosed in this testimony is a copy of last year's energy crisis program. Other than Federal dollars being delayed and some restrictive rules, the program was very successful in addressing energy problems of the poor.

In conclusion, the people of the lowest economic end of our society are already accustomed to conserving. It has been and will continue to be for them a way of life. Their energy needs extend to essentials, not luxuries. There is little, if any, way for them to reduce consumption, much less eliminate waste. Low-income America is being squeezed. For poor households, lowering the thermostat can mean incurring hypothermia, pneumonia, and viruses for the elderly and families with small children. The choice is not to conserve, but to forego other needs. A choice that too frequently has long-lasting consequences. The choice between heat in the winter and food on the table is more than a sacrifice.

There definitely needs to be a Federal energy crisis program to address the energy needs of the poor. The most logical solution in providing that service is to implement a program whereby community action agencies determine eligibility, administer program funds, and above all, reach all of the low-income people in need of energy payments.

I thank you for your time and consideration.

Ms. MANES. Thank you very much, Mr. Macy. Senator Riegle had to step away, but he asked me if I would ask you, Mrs. McGill, to go next, and when he comes back we can go around the table.

Ms. MCGILL. I am Juanita McGill, the assistant director, Neighborhood Services Department, City of Detroit. I am here to share Mayor Coleman Young's concerns for meeting the energy needs of the poor through funds available through the community services administration.

The residents of the city of Detroit are looking to Senator Riegle for help, and we welcome this opportunity to impact on public policy before the die has been cast. We are very pleased that the Senator's commitment to raise the level of consciousness about energy is so timely. Those of us who live in urban America suffered last winter, and because history repeats itself, we will undoubtedly suffer again this winter. I join every prayer circle across this Nation in hoping that we have a mild winter. The poor, the elderly, the handicapped of Detroit will make one of two choices: If they pay their bills as we are accustomed, then they will reduce their food bill and postpone medical services. As the national unemployment drops from 6 to 5 percent, the city of Detroit rate remains at 18 percent. With this rate of unemployment, using the DOE guidelines, we cannot hire additional laborers but can purchase additional weatherization materials, and I think that controversy needs reexamining. As I understand the proposed windfall profit tax, a family of four with income of $7,500 per year will receive approximately a $500 rebate. That, Senator, is one-third of the estimated increase of $326 which people will incur this winter.

In Detroit there are 200,000 low-income residents. It is estimated that 32 percent of the 200,000 are senior citizens. Detroit is a city principally of single family homes where the poor live in homes that are 35 to 40 years and older. Seventy percent of these homes are in need of repairs which are not and cannot be handled by the

weatherization program. I think that in the previous panel it was very pointedly described for us, the need of some 17 senior citizens, and I wished at that moment to have injected that we in Neighborhood Services Department will be taking Mrs. Cuellar back to Detroit and I, too, will have those 17 names. I think, though, that what she was describing is a need in Detroit and possibly in other communities for an effort to bring together all of the Federal dollars and State dollars and volunteer services, so that we can begin to impact on the needs of the people who are suffering the most.

Eighty percent of the seniors own their own homes. Ninety percent of the other poor are renters. There must be a concensus that the renters will be serviced as well as those homeowners. Of the poor, over 90 percent of them are going to receive overdue balances this winter. More than 40 percent of them will receive shut-off notices. I don't know what the Michigan Consolidated Gas Co.'s position is going to be, but we have begun a dialog with that company, in particular, to establish a procedure so that when we interview clients in the neighborhood services centers and determine that they do meet the eligibility guidelines, that they, in turn, will honor our commitment and will postpone cutting off services. In fact, we would like very much if the gas companies, the electric companies, would declare a moratorium until such time as the Federal rules and regulations can become operational.

We have another concern in Detroit. At one point we talk about the family of four with income of $7,500 per year, and yet the Bureau of Labor Statistics' living standards is $9,416 for a family of four. My question to you, Senator, is: Should CSA, HEW and DOL consider less? We think that they ought to be one level and then people would be better able to interpret rules and regulations and not have the confusion about whether or not they're eligible for services.

I cannot let this opportunity pass without saying that the experience of the Community Action Agency is such that we have the experience and outreach. What we need, is the opportunity to have money early enough so that we can mobilize the resources and effectively meet the needs of the citizens.

Thank you.

Senator RIEGLE. Well, I appreciate that testimony. As you know, that is strongly my own view, and it is in the bill that I have sponsored in the Senate, to direct the major part of this effort through CSA. CSA knows how to do it. We have got a good track record and I wanted to say to you, Mr. Macy, particularly, what a fine job you have done in the Marquette area. I am familiar with it, it was cited earlier today as a model effort. The fact that even though it's been late and not always done in the most efficient fashion, that we have got some very impressive results for the effort and the money that has ben spent, and it is vitally important this work be done. So I just want to make it clear that is my view.

Let us go next to Mr. Jerome Lewis, who is here from Caro, Mich., and who is the weatherization manager of the human development commission there.

Mr. LEWIS. Good afternoon, Senator. I am representing the human development commission, which is a community action

agency out of Caro. The Community Action Agency serves what is known as the thumb area of Michigan or the counties of Huron, Lapeer and Sanilac and Tuscola. The 1980 estimate census for the 4 county area is 170,000; 6,000 of this 170,000 being considered poor and 16,000 out of that 170,000 being senior citizens.

We are an agricultural farming area in Michigan. Sixty-seven percent of our homes were built prior to 1929 and most of these dwellings or structures are larger two-story homes with no insulation and no weatherization.

As early as 1976 when the energy crisis was beginning to be known, we contracted with the Community Services Administration to set up our weatherization program. To date over 500 dwellings have been weatherized in the four-county area, but now it is apparent to us that the issue is even more critical. Our high fuel, fuel oil prices and questionable abundance of these are a major area of concern. Forty-five percent of the dwellings in our area utilize fuel oil; 40 percent utilize natural gas; 11 percent propane, and 2 percent utilize wood as a major source. These higher prices will force lower income households to choose again between eating or heating, and possibly cutting back on both.

The human development commission, as well as other community action agencies, are funded for a weatherization program from the Department of Energy. We have a maximum limitation of $800 per dwelling, $560 of this $800 can be utilized for materials. The other remaining $240 is to be used for operating costs. Things taken out of the operating costs are transportation to job sites, the wages of our on-site supervision, vehicle mileage, insurance, things of this sort.

In a large four-county area where there is no proximity of homes, it is very easily done, eating up the $240 operating costs, and therefore the suggestion that was brought up in other testimony that the material expenditure or expenditure per home be increased. Currently we are mandated to see that all insulation is equivalent to R33 insulation. We must deal with infiltration, floor insulation, storm windows, all windows of the heated area of the home, and in some cases the storm windows expenditure can eat up the entire material expenditure in these larger dwellings, and, of course, water heater insulation. We are limited to $100 for repair materials. Repair materials can be considered roofing, roof repair, furnace retrofitting for more efficient heating, but it does not allow for wall insulation or storm doors. In many instances our senior citizens are complaining of leaky roofs, instances where entire roofs must be replaced in order to enhance their health living situation, and again, to protect the materials that we install in the attic of that home.

Another thing that we are faced with is the mobile homes and trailers. Senior citizens and low-income individuals are attracted by their modest cost, but they are not aware of their inefficiency as far as heating, and I have yet to see any information where somebody can tell us how to effectively weatherize a trailer.

The homes that are referred to our particular agency and assessed, 100 percent of the homes require some type of weatherization. Another 50 percent of all the homes that are referred are kind of put in the back of the file case in that they are not the

priority groups of either being elderly or handicapped. Over the past 3 years our agency has served 1,500 families through our weatherization or crisis intervention program. The crisis intervention is the immediate solution to an immediate problem. Weatherization is an immediate solution for any foreseeable energy problems.

We recommend the community action agencies be providers of senior weatherization and energy assistance payments because of their history in effectively administering the programs. Also, the outreach and intake staff of community action agencies could more effectively identify problems and refer problems of poor families to other agencies than can fuel suppliers. The Human Development Commission is in support of the Comprehensive Energy Services Act and making all Federal, State, and local energy conservation programs work harmoniously.

Thank you.

Senator RIEGLE. Thank you for your testimony. In the bill that we have introduced there is a research component for low income housing that is designed, for example, to try to target the problems of how you deal with situations of trailers and the question of their heating inefficiency, their loss of heat. We don't have the answers at the moment. That is an answer we have to find.

If we go ahead and insulate and weatherize these homes, once we get that job done, it is done. It is done not just for the person that happens to be in that house this time, but so long as that house remains in the housing stock. If a weatherized house passes through three, four, or five other different owners and families, during that period of time we continue to accrue those benefits as a society. So every time we get a house retrofitted or weatherized, it is a national asset. It is something that accrues finally to everybody's benefit. It is a direct benefit to the person who lives there in that they pay a lower energy bill, but there are benefits to society as a whole. We don't waste the energy, and second, we weatherize that house for so long as that house is going to be there. I think these are advantages that justify spending the money that it takes to get this task done.

Miss Williams, we would like to hear from you at this point.

Ms. WILLIAMS. Senator Riegle and members of the committee, as the State association representing and serving the 30 community action agencies in the State of Michigan, we are totally in support of the creation of a title XI of the Economic Opportunity Act in line with Senate bill 1725.

From the perspective of the community action agencies, the basis for formulating the level of appropriations and structure of any assistance program is found in the report of the Fuel Oil Marketing Advisory Committee of the Department of Energy.

It is our belief that the greatest equity can be achieved through a system of income indexing and vendor line of credit.

Income indexing contained in any energy assistance plan would allow the plan to be based on needed energy and the cost of such energy, less an acceptable percentage of energy expenditures which would be required from the low-income household. A design of this type would be equitable to all geographical areas of the country; would allow for the varying energy rates and types of energy used;

would require an acceptable level of payment by a participant; and would include flexibility to meet increased costs during severe weather. Income indexing would benefit all low-income households based on income and need.

All households receiving assistance should be eligible for weatherization programs and required to apply to such programs. Based on the applications of renters for assistance, landlords of dwellings using excessive amounts of energy should be required to weatherize their dwellings to abide by the Nation's concerted effort to conserve energy and also to lessen the cost to Government for energy assistance to low-income people.

The vendor line of credit allows some leverage for the consumer. The vendor is assured that someone within an agency is working with the family on their behalf and guarantees full payment to the vendor. With direct payments the amount may not be sufficient for persons to purchase a sufficient amount of oil to avoid additional service charges such as $10 to $20 for deliveries under 150 gallons. And since we are addressing the needs of persons fighting inflation at every level, the money received through direct payments would certainly many times be spent for other necessities.

Under the proposed Federal energy assistance plan based on the windfall profit tax, $1.2 billion will be made available to SSI and AFDC recipities, which covers approximately 37.9 percent of the poverty households in the Nation; $400 million will be made available, and the figure now has been announced at $250 million, through CSA administered crisis assistance program ECAP and CIP for the remaining 63 percent of poverty households.

The 37.9 percent receiving aid of $1.2 billion are also eligible to receive assistance from the $400 million CSA funds. This is a gross maldistribution of funds favoring only two limited population groups who make up less than 40 percent of the poverty households.

Legislation that would address itself to the entire poor- and low-income population is needed to provide: One, supplements to SSI and AFDC recipients, and two, separate funding through CSA for the 40 percent of poverty households not being covered through SSI and AFDC which is approximately 10 million people in the country.

Community action agencies in the State of Michigan have in the past and are now the only existing agencies which have the outreach capacity to reach low-income people who are not on the roles of SSI and AFDC. Because community action agencies cover all counties in the State of Michigan, even though some counties have refused to sanction these programs, and are recognized by most local governments as the agency serving low-income needs, community action agencies have, especially this year, concentrated on and are developing strong working relationships and coordination with utility companies and fuel oil dealers across the State.

In the specific area of fuel oil users, an agency that can provide immediate cash to oil dealers is not only desirable to assure that deliveries are made, but necessary to assure that small dealers remain in business.

We sincerely appreciate the attempts of State government to provide assistance to low-income people through the tax credit

plan; however, low-income people, especially fuel oil users, are in need of assistance at the beginning of the heating season simply because many will be using their medical and food money to pay energy bills, which not only creates a hardship, but many times causes more severe medical problems.

Up front money for those whom we know are facing energy crisis is the only solution for users of fuel oil and other fuel sources, such as wood, kersene, propane, and the like.

Any and all energy assistance programs, Federal and State, must be structured and implemented before the start of the heating season.

Legislation, which has been introduced by Representative Perry Bullard, by the State of Michigan must be adopted to exclude community action agencies from the gasoline tax to enable more program money to be distributed to the low income and lessen operational costs.

We thank you for this opportunity to submit our comments, and I did have a couple of things I wanted to say about some remarks that were made by the panel of the aging.

They talked about the energy extension program and the VISTA volunteers. We certainly agree that we need more consumer education, but we certainly would like to see some coordination of efforts. We understand that they will have VISTA volunteers to cover the whole State of Michigan. Every community action agency in the State of Michigan does have Outreach persons who are trained to let people know what programs there are. If we could coordinate some of these efforts and not repeat what has already been started, waste time training people to do what has already been done instead of expanding on it, we might come to some decision that we have the resources that can be used right away and not develop new programs.

Senator RIEGLE. Let me ask you this: Every State is different. Every State has different arrangements, different programs. Are you aware of whether an effort has been made in Michigan to get collected in one room all of the agencies that are involved in trying to provide energy assistance to people? Have you been invited to a meeting like that?

Ms. WILLIAMS. Just in the last 2 months since everybody begins to believe there is a crisis. Other than that, no.

Senator RIEGLE. Has there been a meeting where all of the different groups have been in the same room at the same time, to your knowledge?

Ms. WILLIAMS. Only when the State was trying to devise the plan for the crisis intervention program this year.

Senator RIEGLE. Right.

Ms. WILLIAMS. And that was the first time. We do, however——

Senator RIEGLE. When was that?

Ms. WILLIAMS. Last week.

Senator RIEGLE. Who all was there?

Mrs. WILLIAMS. The Michigan Energy Administration, Department of Social Services, Office on Aging, the CAA World and those kinds of persons.

Senator RIEGLE. Was it a 1-day meeting?

Ms. WILLIAMS. Yes; but we were concentrating on one thing.

Senator RIEGLE. How did you feel at the end of the day? Did you feel that you had worked out a coordinated strategy?

Ms. WILLIAMS. The meeting wasn't called for that purpose, but my personal feeling is that since I work with an energy advocacy program, that is for the Association of Community Action Agencies in Michigan and have been making contact with Michigan Energy Administration and others in regard to this same thing, no one seems to know what the other person is doing.

Senator RIEGLE. That's what I'm driving at. It sounds to me like there needs to be a meeting where that is the purpose, that is the focus of the meeting.

Ms. WILLIAMS. That's right. There needs to be some coordination. Energy extension is fine for what it does. I'm listening to other testimony on what actually is needed here, and Michigan is very fortunate. We have some very tight rules under the PSC as to shut-offs, what their rights are. It will take a utility company 74 days before they can shut off somebody's service if you know what you have to do, if you know what is available for you to do. On top of that, this year they have also added, if you apply for assistance from an agency, they cannot shut it off for 14 more days. The problem is we have to get all this information out to the communities in language that they can understand. The utility companies do their part when they send out mailings; however, sometimes when you read about what is available it is very hard to distinguish, "Am I eligible, or does this mean me, or did that person even open that mail," "or can the person read." The thing that is needed here is some accelerated outreach with consumer education, and, like I said, I'm on the CAA advocacy program and work from the State level. We started out forming coalitions throughout the State, and what is happening now is that local community groups are calling our office, asking me to come to their meetings to try to give them information on what is going on or where they can get the information. I can do that, and I do it as much as I can, but more is needed—you need an advocate person in every community for low income people, to go to their groups, go in their neighborhoods and let them know in simple terms what is available.

Senator RIEGLE. There ought to be some kind of a working committee with representatives of each of those groups, who sit down and thrash out what everybody's role is going to be and how all this fits together. It seems to me you almost need that same kind of consortium or council, in every community in the State. It seems to me that unless some effort is made to build a structure around all these different folks that are out working together, that, there are going to be duplications. There are going to be gaps. There is going to be time lost, going to be people who don't know what somebody else is doing. It seems to me there is need for an Executive action to bring that about.

Ms. WILLIAMS. You're quite right. It has to be an Executive action because, in the meantime, every department, every agency is out trying to get moneys to run their agency, keep their employees, so therefore, I feel that is why there has never been a meeting of the minds because everything that goes on is competitive, and until there is an Executive order that all people dealing with

energy problems come together in some kind of a committee to eliminate duplication, I don't think it will happen.

The one thing that the elderly lady talked about, the one in the position in her home who was ill and everything, if she knew her rights, they couldn't cut off her utilities. The PSC says if you have a medical statement, they can't cut it off. It's just that she didn't know, and all these things have to be known. So a lot that we talk about as problems in Michigan are already built into the PSC system. We just don't know it or have the message out to the people for them to understand it.

Senator RIEGLE. I have got some ideas along that line, some things that might be done to expedite that, and I will pursue those after this hearing.

Ms. WILLIAMS. I have one idea I think should be used, is that the media could do a much better job than what they do about publicizing the fact of what is available to people, and also their rights. When they pick up a piece of legislation that says there is energy assistance available, they go on to talk about 125 of the poverty guidelines never taking the time to print the income figures they are talking about.

Senator RIEGLE. Let me tell you one way that could be done. This hearing, hopefully, accomplishes some of that today because it helps assist in dissemination of information, but let's say an effort were made to convene all the groups in the State that were active in energy-related problems and they sat down. I don't know who chairs that meeting, maybe the Governor chairs it because that really gives it a heightened sort of status and sense of urgency. Maybe out of that would come a structure at the State level, and underneath that combined structure, coordinated efforts community by community. You could run an ad on television, a public service ad, you could say, "Look, we set up this thing to deal with energy problems. If you've got an energy problem, call this number," and then you go into an information center where you get routed efficiently to where you belong. It's not that hard to figure out how do to it. If the testimony is that it needs to be done, we will pursue it and see if we can make it get done.

Yes?

Mr. MACY. One of the problems, Senator, that Connie spoke to, $250 million in terms of the crisis situation this year, and your proposed legislation, and we, too, support that, it is the first time that a comprehensive proposal has been undertaken on a national level. We have advocated this upward of 5 years now and it is finally coming to pass. But back to the problems of this year's program—winter is already upon us; $250 million is allocated. What can be done on a national level to assure that that money is down within weeks, would be my first question. Another concern that Connie again addressed, the $1.2 billion that is being proposed will only service a number of low-income people who are on ADC and SSI. What about the rest of the low-income population? Four hundred dollars payment to low-income people is not going to be enough, come March and April of this winter.

Senator RIEGLE. Right.

Mr. MACY. What will happen then?

Senator RIEGLE. You make an excellent point, and I am of the same mind. We will look for every way we can to see to it that we expedite the movement of the money once a decision is made to make it available.

Mr. MACY. The other problem is that the bill becomes more comprehensive than $1.2 billion, whatever that figure is, to include all low-income people, just not the elderly, poor, and those on ADC, but all low-income people.

Senator RIEGLE. You have all testified to that effect. You are all making that case.

I want to thank you for your testimony.

Ms. MCGILL. One last thing, please.

Senator RIEGLE. Yes.

Ms. MCGILL. I think that in Detroit, and going back to the previous testimony, where we have senior citizens with homes in need of weatherization, that the money we have in Detroit would begin to address that need, provided that the DOE regulations were worded differently so that we could go out and hire some of those unemployed persons.

Senator RIEGLE. Right. Who are they?

Ms. MCGILL. Without sounding picayune about this, on one hand we have a warehouse full of equipment; on the other hand we can't bring the equipment out because we don't have the manpower, and I maintain that the two are necessary. We have to have some of that volunteer leadership that you talked about to help us do some training so that we can have a work force with these new skills. We don't know about insulation; the big companies know about that. We're learning how to teach low-income men and women how to handle that kind of sophisticated machinery, but if there are persons who are available, we need to find them. We have training moneys and we are having difficulty in finding people who can teach the skill. We need the support of the unions to come in and see this as a new industry and help us organize, help us reestablish the apprenticeship, the journeymen's positions, as we prepare for a new way of building, and people in Detroit need this. Our young people need this.

We are talking now about working with adjudicated youth. Adjudicated youth will require more time and more skill. We're not going to back away from it, but we do need more help at the Federal level.

Mr. MACY. CETA is a good supplement to the weatherization program. We had, in our area, high school dropouts learning the trades, weatherization and home repair, but you still need people to train those high school dropouts, and that money is not available. A poor person's house should be insulated just as well as somebody that has money, and that's what we try to do, quality work in providing that service.

Senator RIEGLE. We try to deal with the CETA average area wage problem in our bill, as you know, because it is a barrier to getting the kind of personnel we need in this case.

Let me thank you very much.

I appreciate very much your efforts, and I appreciate your coming today and the fine testimony you have given us.

Let me call now Mr. Dale Groves, accompanied by Mr. Carl Henry and Mr. James Reutter. And also witnesses Mr. Bill Painter from Onaway, Mich., and Mr. Baldy McQuaid.

Let me welcome you to the witness table. Mr. Groves, shall we start with you?

STATEMENTS OF DALE GROVES, ASSISTANT DIRECTOR, MICHIGAN PETROLEUM ASSOCIATION; BILL PAINTER, ONAWAY, MICH.; BALDY McQUAID, PROPANE BUSINESS; CARL HENRY, PRESIDENT, CRYSTAL FLASH PETROLEUM CO.; AND JAMES REUTTER, OWNER, LANSING ICE AND FUEL CO., A PANEL

Mr. GROVES. Thank you, Senator. My name is Dale Groves. I am the assistant director of the Michigan Petroleum Association, an association composed of more than 400 petroleum jobbers throughout the State of Michigan. Petroleum jobbers are the wholesale segment of the industry, those who deliver petroleum products to homes using oil heat, to farmers using oil for operating farm machinery as well as heating their homes, to service stations, and to commercial and industrial accounts.

With me are Mr. Carl Henry, president of Crystal Flash Petroleum Co., and Mr. James Reutter, owner of Lansing Ice & Fuel Co. They are jobber members of our association and are available to answer your questions from a jobber's viewpoint.

I will attempt to answer your questions in the order in which they were presented in your communication to witnesses:

One, all types of fuel are used by low-income households in the State of Michigan. We would give a rough estimate of the percentage using fuel oil to be 20 percent, natural gas 70 percent, and other fuels 10 percent. The 20 percent using fuel oil represents approximately 450,000 homes. Price of fuels has practically doubled during the past year and, depending on the OPEC countries, it appears an additional 5 to 10 cents per gallon increase can be expected this winter. At this point, barring another embargo or some other interruption of imported supplies of crude oil and/or finished products, we expect supplies of No. 2 fuel oil to be adequate. There may be spot shortages of No. 1 fuel oil in extreme weather conditions. Any projection of what to expect beyond this winter would be pure speculation as so much depends on circumstances beyond our control. The credit situation has tightened considerable in recent months, with most suppliers extending terms to jobbers of from a maximum of 15 days to, in some cases, payment in advance or by bank draft upon delivery. This, in turn, has forced jobbers to reduce the time extended for payment. They have been forced to increase budget payments and to reserve the right to further increase payments during the season, if necessary. If a customer is not eligible for a budget plan and is not considered worth the risk of a 10 or 15 day open account, there is no alternative except cash on delivery or payment in advance. In this event, many are forced to ask for some form of assistance from their local, State, or Federal agency.

Two, those mose affected by these problems are the unemployed, senior citizens, and others on fixed incomes who have no way to cope with rampaging inflation. Even though social security recipients have had cost of living increases, it in no way has kept up

with inflation. Many others in our State have seasonal incomes and must depend on unemployment compensation during the off season. It is hard to estimate how many are involved, but some of our outstate jobbers report that 50 percent of their home heat customers would fall into this category. Many of these people live in substandard housing and are dependent on a single space heater burning No. 1 oil for an often inadequate source of heat.

Three, as to eligibility for participation in the program, we refer to the 1978 State program in which 341,000 homes participated. We would assume that a greater number would be involved this year due to the increased cost. Here again, local agencies may be the best source of current information.

Four, we are not familiar with the Community Services Administration's program and so do not feel qualified to address the results and would expect other witnesses to cover this question.

Five, this question relates to placing primary responsibility on the State for implementing an emergency program. We believe such a program should be in place no later than the first of November to do any good this winter. The State legislature is in the process of passing legislation that would provide help in the form of an income tax credit. We do not see this as being much help when many of those in need do not file tax returns, and primarily because the help is needed by the individual and by his supplier now, not next spring. We assume that the other part of this question will be answered by State personnel.

Six, we believe the fuel oil jobber would be a logical selection for assistance through a vendor line of credit, provided he was assured of payment within terms equal to those extended him by his supplier. In many cases this would require some type of advance payment against which current deliveries could be charged. Here again, eligibility could best be determined by local agencies.

Seven, in our opinion, the most efficient, equitable, and acceptable form of assistance for the low-income population would be: A, determination of eligibility by local agencies. B, a method of payment that would assure the fuel supplier of being paid within the necessary time limits as dictated by his supplier's terms.

Eight, we assume outreach to mean a method of getting information on a program to those who may become eligible to participate in such a program. It would seem this could best be done by local agencies through newspaper announcements and through fuel suppliers by use of flyers with current mailings.

We thank you for the opportunity to express our opinions and would welcome the opportunity to further discuss these problems at your convenience. We will be happy to attempt to answer any questions you may have.

Senator RIEGLE. Thank you very much for such concise responses to the questions we have raised. I also want to make sure that if there are other things you feel the need to bring to our attention, things we may not have thought to ask, that you feel free to do that in this hearing today.

Before I start asking questions, I will call on the other two witnesses that are here, so Mr. Painter, do you want to go next?

Mr. PAINTER. Thank you, Senator. My name is Bill Painter, and I am from Onaway. First, I would like to tell you the location of

Onaway. It is located on the western edge of Presque Isle County in the northern part of the State.

Our sales of home heating oil increased from 765,000 gallons in 1976 to over 1 million gallons in 1978. We have a total of 963 active heating oil accounts. This total includes 90 season, 56 businesses, 11 churches, 2 schools, 17 government offices, and 787 home accounts; 230 or 29 percent of the 787 are classified as low income; 267 or 34 percent of the 787 are over 62 years of age. I do not have a figure on the disabled or handicapped at this time.

The unemployment rate for January, February, and March 1979 for Presque Isle County was 24.3 percent, 24.4 percent, and 23.2 percent. This is almost triple the July figures when the rate was down to 8.9 percent. My prediction is that we will have another 100 families that draw unemployment who will not be able to meet the high increase of oil this winter.

Our accounts receivable in the winter average 40 percent more than charges for any 1 given month. This seems terribly high. For example, rounded off to the nearest thousand in January 1979, the total sales for the month were $147,000. Our charge sales were $78,000. The total accounts receivable at the end of January were $110,000.

We have to face the fact that in January 1980 oil will cost 60 percent more than in January 1979. Therefore, barring no changes in our credit policy, we could have charge sales in January 1980 of $126,000, reflecting $177,000 of accounts receivable. To my knowledge, there is no way possible to finance this amount. Without aid from some other source, our 10 day credit limitation could be cut off. If this happened there would be no distribution left in Onaway to service our accounts. The last time we had a dramatic increase both Standard Oil and Kingsbury Oil went out of business in Onaway. We are the only distributors left in Onaway.

I realize you're probably in a hurry so is it OK if I read the profile of our area for Presque Isle County?

Senator RIEGLE. I would like you to do that. I think that is important.

Mr. PAINTER. Presque Isle County's level of per capita personal income makes it 1 of the 10 lowest per capita income counties in the State of Michigan. Since 1965, the county has experienced the second lowest growth of earnings and the lowest growth of personal income of all the counties in region 9. Region 9 consists of Cheboygan, Presque Isle Counties, and down through Grayling, so on, so forth.

Transfer payments provided nearly 19 percent of 1974 personal income. This is a high percentage relative to the State, but moderately relative to region 9. Presque Isle's dependence on transfer payments for personal income makes it the 28th highest county in the State. On a per capita basis it has the 39th highest level of transfers in the State. Despite this high dependence on transfer payments, transfer payment in Presque Isle County have, since 1965, grown at a lower rate than the State average. Property income has grown at higher rates than the State level, although property income's share of the 1974 personal income is just above the State level.

Farming is quite important in the county as both employment and earnings location quotients indicate, with the earnings quotient nearly twice the size of the employment quotient. The absolute level of cash receipts due to farm marketings is not high, Presque Isle County 51st among Michigan's 83 counties. But the proportional contribution of farm earnings to total earnings is the 19th highest in the State. In addition to contributing just under 10 percent of the county's total earnings, farming contributes about 2.25 times as much to personal income in Presque Isle County as it does in the United States. This is particularly significant given the generally low contribution of earnings to personal income in the county.

In 1974, meat animals and other liverstock provided 24 percent of farm marketing cash receipts, followed by dairy products at 20 percent. The catch-all category of all other crops contributed 44 percent of 1974's farm marketing receipts and has grown far more than the other categories since 1964.

Presque Isle's manufacturing sector is exceedingly small, and its earnings have grown at about the same rate as total earnings in the county since 1965. The wholesale and retail sector is small, and earnings growth has been lower than in any other county in the region. The local economic strength in the county is mining. It is not unreasonable to estimate that mining provided 35 percent of 1974 earnings, 20 percent of that year's total employment, and as much as 40 percent of private nonfarm wage and salary employment. Michigan Limestone Operation Division of United States Steel is the largest mine in the area and the world's largest stone quarry. This mine, together with Presque Isle Corp., provides 25 percent of the county's wage and salary employment.

The Government sector is large, contributing 21 percent of total 1974 earnings. The State and local government sector is the largest, providing 16 percent of earnings, followed by the Federal military category with 4 percent. Government has been a leading growth sector with a growth rate above the comparable statewide rate.

Senator RIEGLE. Let me just interrupt you at this point. How much longer is that? I don't want to run out of time to ask questions.

Mr. PAINTER. I will read: In conclusion, Presque Isle County is 1 of 8 counties in a region that contain 5 of Michigan's 10 lowest per capita income counties. The fact that Presque Isle County is one of these five, reinforced by the surrounding poverty and sluggish regional economy. Transportation needs, and economic development needs are not discussed because these needs are not logically addressed by employment.

Senator RIEGLE. I am going to print it all in the record. What you say is very useful, because what tends to happen is people assume that Detroit is the area with the highest unemployment. You're rattling off unemployment figures that are up close to 30 percent, at least in the winter months.

Mr. PAINTER. Our winter unemployment is way up.

Senator RIEGLE. Pardon?

Mr. PAINTER. Our winter unemployment is way up.

Senator RIEGLE. Unemployment?

Mr. PAINTER. Unemployment, yes.

Senator RIEGLE. Your testimony is very important to us. I've got some questions that I want to raise with you, but let us hear from Mr. McQuaid first.

Mr. MCQUAID. My testimony is more or less like Mr. Painter's, we are both from the same town. We both have practically the same problems. As far as getting to the figures, they are all the same as Mr. Painter has presented, and unemployment now is the greatest we have had. We have no industry in our town, and the people that we serve, there's no industry at all in the city of Onaway or near. The closest industry we have is Rogers City, which is on the eastern part of the county, which is 24 miles away, and all the other employment, people has to commute to Cheboygan, to the Charmin Paper Co., or to Atlanta to the Essex Wire Co., which is most generally women, employees mostly, you might say, who's employed in Onaway. It's women; very few men. And as far as fuel consumption is concerned, last winter we had a long cold winter. We had a winter that most generally we have a January thaw, that is one we never had, the January thaw, and it just ate up the people's reserves. If they did have any reserve, it ate it up.

I'm in the propane business, and Mr. Painter is in the oil business. Well, I only deliver the 100-pound tanks, not the bulk, not the large ones, just the small. The reason, most of business is, people is destitute, you might say, or they cannot afford most of the propane big dealers that they want $150 to $200 to fill a tank or they will not come, or if they don't come, they rely on me to deliver a 100-pound tank to get them through the crises. Then they get their next social security check or ADC check, wherever it comes from, the first or the third of the month, you might say, or boom days is one, two, three of every month. That's it, when the checks come in that's when Mr. Painter and I get our little trickle of money. Otherwise we don't.

As far as the wood situation, last year we had lots of people in our community that heats by wood and the DNR, for some rhyme or reason I do not know, they cut off wood permits, you know, in the State forest, Federal forest, wood permits were cut off after a certain time. They wouldn't issue no more. Lots of people didn't have no wood, and we have a surplus of dry wood up in that area.

Senator RIEGLE. Is that the situation now?

Mr. MCQUAID. The situation is now the wood permits are very sparingly. They won't give out very many. I have checked with several people, asked them why they haven't got wood, why didn't you go get wood. "Well, I can't get a permit. I can't get a permit for this. You must go to the DNR before you can get a permit."

We sure would appreciate it if you could do something along that line and see why there's not more wood permits being issued in the area.

Senator RIEGLE. I'll take a look at it and see what I can find out.

Mr. MCQUAID. The lady from Detroit, I sympathize with her. I wish the people would come and check on our town. As of last year when I was trying to get housing grants from HUD and stuff, we had 325 in our small town that are considered, you know, unlivable. They should be razed, should be removed, but they are the houses now that we're trying to heat, and they're just beyond

repair. I can show you one instance, one woman, Mr. Painter is familiar with her, too, she buys a little bit of oil from Mr. Painter, she buys a little bit of gas from me, and she heats with wood. Now, this lady is 84 years old and she splits her own wood with a sledge hammer and a wedge and piles it herself. Now, she's 84 and she is not in the best of health. She has asthma, and this one block is solid senior citizens. One man is crippled. He has to use a crutch to get around with. He has a nice home but he's—I checked on his income and he don't have the money to buy oil every year. He's on a budget plan. Last year on this energy crisis program, fortunately we got him to sign, got a form and got him some help.

Like you get in with the older and senior citizens and the poor people, communicate with them. There's no line of communication, you know. Mr. Painter and I, we worked last year, I don't know, on our own time, day and night, trying to get out these forms for the people to get this aid for fuel and stuff, but we just couldn't do it alone. We just can't do it if we have no communication, no help from anybody else. But I have a laundromat, also, where I live and I commuicate through the laundromat. That's where my office is for gas, and most of the people comes in there, to do the laundry, that's when I tell them what's going on. I try to put the thing on the board, try to explain it to them, but we have no way of getting around to it, but all these people didn't know nothing about this aid last year and Mr. Painter knows, I think we got about 24 percent of it last year before the money was handed out in our county for that, in our efforts, going after it, but the housing situation now is terrible.

And like I notice the one lady was talking about insulation, for instance, the peoples coming to do insulation. I have been up and down the streets and seen where people came and put insulation in the houses, storm windows on the houses; they're putting plastic now. That's what kind of storm windows they puts on your house. They put plastic over your windows now. This old lady, the same lady I'm referring to, last year they put plastic over her windows. She couldn't see out. She was in there. She was isolated. That was plastic and it blew off. It's no good this year. Right back to nothing on there. That's not fair, you know. That's not right. And they'll start a job, as the lady commented on, start a job and don't show up again, don't come back. And they just keep coming back and forth and it seems to me like it's a waste of energy, a waste of time, a waste of everything, manpower, for them to come back four, five times to the same place. If they come, they should come in one time and do it all and not come back. If they can't finish the job, lack of material or something like that, that's understandable, but they just seem to pull in an pull out, in and out. They have to make good showing. But they're not doing much work. That's all there is to it.

And as far as the area——

Senator RIEGLE. I'll see what I can find out about that, too.

Mr. MCQUAID. Pardon?

Senator RIEGLE. I'll see what I can find out about that, too.

Mr. MCQUAID. And talking about in my low income, most gererally people say it's a senior citizen considered as low income or the elderly is low income. I think it's about three classes of people.

You're either the rich, you're OK, or you're poor. You're lucky but if you're the working man, you're the one that's going to do the suffering. Several of our customers, families of five and six, made $7,200 last year and they never even filed for this, for the energy crisis program last year because they just are too proud to go and ask.

Now, this is a husband and wife working, $7,200, working 6 days a week, trying to keep up, heating by wood, they're cutting their own wood. The wife's doing their own canning, doing everything, living off of the land, more or less, but when it comes to getting this here, say, $250 allowed last year, if you was $50 over your limit you was denied it. I think they set it up as being taken away from the working man. The more you worked, the less you got, in other words. That's why if there's incentive, if everybody was treated equal, say, and a man at home wants to work and make a better home for their family and children, why should they be penalized, denied the heating, the $250, because they was $50 over the limit? And the other ones strictly on ADC, direct relief, and they're getting it. They get it and don't do no work at all. That's where the main hardship is found in our community.

You ask anybody, they'll say about so and so over here, he hasn't worked a day in his life. I noticed him ever since 1930 and he never worked a day in his life. Just going up the ladder, you know, father, grandfather, mother, all up the line, they never worked; they've always been on direct relief or something like that, but somebody else, the working man, he cannot get no relief at all. The tax relief, he can't get that. These other people, I'd say the working people, they're the ones that are hurting right now.

They're making $8,000, $9,000 a year with a family of six, and energy, they're paying for their oil, they're paying for their fuel, gas, they're paying for their wood. They're the ones that are hurting. They're denying shoes and stuff for their children. They're hurting. But these other people who stay on direct relief, they know where the sources are and they'll go and get it, but these other people don't. They can't get it because the first thing if you went to Rogers City, for instance, that's our county seat, that's where the social aid office is, that's another thing, they know where to go, poor people. But not the middle class person. If he's hurting, he don't go. He may lose his car, his home, but he will not go over there and ask for social aid because he can't get no help because he has a job.

Another thing about Presque Isle County, all of our offices are located in Rogers City. All of our offices are 28 miles away. Now, we have the poor, the handicapped, and you name it. No way they can get to Rogers City. Now, several people, I have taken myself to Rogers City on social aid. I have took them over myself, my own expense, just to give them a hand, say, hey, you go over there and see what you can do. Like the lady said, no way of communication. They don't know what they can get.

Well, we think these here offices should be distributed around better. Maybe in the city like in Detroit and Lansing, you have two or three offices where you can go, but not in Presque Isle County. We have one. It's 28 miles away. You can't make it—you can go to Cheboygan which is 30 miles away. We don't have no other State

offices at all. We'd like to have, maybe the social aid have a branch office put in Onaway, you know. That way, that's the community we serve, that rural area, other than going all the way to Rogers, and have them go to Onaway and get the information.

Like I say, a lot of these senior citizens, senior older people, they are proud and they will not beg for anything, you know, but they're the ones, that's the one, Mr. Painter and I, we will deal with those. We know what's wrong and we try to tell them, but they have no way of getting over to Rogers City, no way of getting there.

Senator RIEGLE. That's one of the reasons we wanted to have you here as witnesses today because you are in a position to see some of these things.

Mr. MCQUAID. I'm quite sure Mr. Painter and I will do all we can to help you and help them.

Senator RIEGLE. I know you folks are caught in the middle as well. I appreciate the dilemma you are facing. When I see here that there used to be three oil dealers in Onaway and now there is one, I ask myself the question: How long is there going to be even one? I imagine that you're probably pretty close to the line right now yourself.

Mr. MCQUAID. That's right.

Senator RIEGLE. If you've got to come up with more working capital here, where are you going to get it?

Mr. MCQUAID. No way. No way we can get it. I don't know about Mr. Painter. He has a 10-day grace on his, I understand, but I don't have no 10 days grace on mine. My truck comes in, they want the money now.

Senator RIEGLE. And who supplies that to you?

Mr. MCQUAID. Skelly Gas from Mount Pleasant supplies me, and they want the money right now.

Senator RIEGLE. Who do they get it from?

Mr. MCQUAID. I have no idea.

Senator RIEGLE. In other words, it's cash on delivery?

Mr. MCQUAID. Cash on delivery from my part.

Senator RIEGLE. So the day that you don't have the money to pay for the propane——

Mr. MCQUAID. They don't give me nothing.

Senator RIEGLE [continuing]. You don't get it. And you have had to go into a cash system with your customers with these hundred gallon tanks?

Mr. MCQUAID. Yes, yes. We participated in the same ad, that we're giving 10 days and we want 10 days or cash now, one or the other.

Senator RIEGLE. Right.

Mr. MCQUAID. But I don't know. I know I have quite a bit laid out now in cash and credit, and we have so many that we're going to have to take to small claims court to try to retrieve some of our money and, of course, which we don't like. Mr. Painter and I, well, we was born and raised in Onaway.

Senator RIEGLE. Right.

Mr. MCQUAID. That's where part of our problem is. We know everybody, and everybody knows us.

Senator RIEGLE. Right.

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Mr. McQUAID. See, and we just don't like to walk up to some poor old lady or some poor old guy we knew all our life and say, "You can't have any gas today, I'm sorry." It don't—let me tell you, you got a little bit of compassion, you just can't deal with that.

Senator RIEGLE. Right.

Mr. McQUAID. And I'm just lucky to get back home.

I worked for General Motors for 35 years in Pontiac and finally got out in 30 and got back home. I couldn't stand to retire. That's why I got in the gas business. I don't know if I made a good choice or not.

Senator RIEGLE. Are you making any money these days?

Mr. McQUAID. No; not according to my bookkeeper.

Senator RIEGLE. Very little?

Mr. McQUAID. He says, "You're $9,000 in the hole now, this year." So it don't look too promising, no.

Senator RIEGLE. How about you, Mr. Painter? Profit margins, what there was of them, are they just being squeezed out for you?

Mr. PAINTER. We always maintain a zero check balance.

Senator RIEGLE. I see.

Mr. McQUAID. If I would have thought, our bookkeeper's report just came back before we came down here, I should have brought it down and let you audit for yourself. Any time you want to look at it, you're welcome.

Senator RIEGLE. It sounds like you're as much victims as the people that you're trying to service. Like you're caught in exactly the same squeeze that your customers are caught in.

Mr. McQUAID. More so.

Senator RIEGLE. There's an awful lot of money being made somewhere. I can tell you where it's being made, it's being made up at the top of the pyramid. We're going to see profit figures for the oil industry that are astronomical. Some of the oil companies are asking around Washington what impact these profit reports would have on the windfall profit tax and some of the other legislation before the Congress. They were trying to figure out if there was some way they could delay the quarterly earning report so that they wouldn't end up, from their point of view, adversely affecting the legislation. But is it a fair assumption on my part to believe that the dealers are being squeezed by the suppliers?

Mr. GROVES. I would like to have one of our members, or either of them, both of them, answer that.

Senator RIEGLE. Good. I wish they would.

Mr. HENRY. I am Carl Henry from Grand Rapids. Senator, I can tell you in our company's case, and I think this is true in almost any fuel oil delivery company such as ours, that even though the price now is over 80 cents a gallon for fuel oil, we are working on a smaller percentage margin than we ever have been since I've been in the business and that's been 30 years. The percentage of margin that we have on a dollar's worth of oil is the lowest it has ever been. yet the price is the highest, and it doesn't make any difference whether you are small or large in the business, the relationship of your accounts receivable is the same, and the financing problem where we have to go out and borrow money to finance our receivables, we are able to do that but the cost, as you know, with the interest rates as the are now, is getting astronomical, also. So

while larger companies may report large profits, the small jobber or a large jobber is being squeezed, as you mentioned.

Senator RIEGLE. Are you in a situation, too, now where you're having to put your customers on a 10 day, on a cash or a 10 day——

Mr. HENRY. No, sir, we are not. We are large enough that we're going to be able to go out and borrow the money to finance this. We have historically given customers 30 days. Now the problem this year is going to be the low-income person who we were able to let go 60 days, 90 days in the past. We have no choice now but to bring them up to 30 days. Some jobbers have gone 10 days because of necessity. We happen to be large enough to be able to finance it by borrowing, and we are going to do that, and we are going to take care of our customers, but the delinquents, and this is probably the person you're talking about today, is the one that cannot afford it, he's the guy, the first guy that is going to be delinquent, and there's no way in the world we can borrow that much money to support that many delinquents, as much as we would like to. We do have compassion but it's impossible or we won't be here next year to take care of their needs.

Senator RIEGLE. Let me ask you this: What rates are you paying now? What does the bank charge?

Mr. HENRY. Since the prime rate went to 14½, we can borrow money for half over prime. We are now paying 15 percent at the bank for money, and this is borrowed exclusively for accounts receivable.

Senator RIEGLE. Of course, that's got to squeeze your margin down. You said your profit margins keep declining. This is going to squeeze it down even more.

Mr. HENRY. Or we'll have to raise the price to cover it, one of the two, right.

Senator RIEGLE. Do you want to speak?

Mr. REUTTER. Jim Reutter from Lansing Ice and Fuel.

Basically, Carl's situation is the same as ours. We have not gone to 10-day credit terms, just strengthened the terms we have had in the past. In other words, if they were on 30 days, we are going to insist they pay in 30 days for the very same reasons he pointed out. In our business in 1973 the margin was approximately 7 cents for the dealer on 17 cent oil, which is about 38 percent gross profit, gross margin, excuse me. And today it's about 12 to 14 cents on 84 cents, which is about 17 percent gross margin.

Senator RIEGLE. And out of that has to come your delivery costs?

Mr. REUTTER. Everything comes out of that.

Senator RIEGLE. Labor costs, insurance, overhead, bookkeeping, gas and light, the whole shot?

Mr. REUTTER. Everything comes out of that, and basically I think that we are large enough also that we feel that we have been in business for 70-some years, that we have compassion, but we want to be in business next year to take care of our people in this community, and someone has to take care of the needs of these people. We are the last of 53 coal dealers in this community.

Senator RIEGLE. You mean there is only one left?

Mr. REUTTER. There is zero left. We went out last year.

Senator RIEGLE. There are no coal dealers in the Lansing area?

Mr. REUTTER. Grand Ledge Elevator and Williamston Elevator.

Senator RIEGLE. I see.

Mr. REUTTER. But to address the problem of the assistance, somehow from our standpoint I think this is a travesty that many of these people that receive assistance call us late at night, get emergency service when we have additional charges on our services because if they are going to get oil at 12 o'clock at night, we cannot have a man standing in a truck. So if there is a $6 or $8 or $10 charge, much of their assistance goes for emergency-type service instead of actually getting oil products or heat products, and if we can get some continuity to identify these people through the local agency and get the money to us in advance, or at least let us know that they are going to be eligible for a length of time so we can give them a tankful instead of 100 gallons or 150 gallons which cost us more money and, in the long run, more administration for those involved.

Senator RIEGLE. If you did it that way, you could do away with that special service charge? It's cheaper to the customer as well, is that what you're saying?

Have the credit terms available to you from the suppliers been altered?

Mr. REUTTER. Not our particular suppliers. Some of them have been altered. The only way ours have been altered is that they are now sticking on line of credit, so if your line of credit was, let's just say, $300,000 last year, that's going to buy about half as much oil this year because the price to us has increased.

Senator RIEGLE. So they are not doubling the line of credit?

Mr. REUTTER. Not all of them, no. They're hammering pretty hard at that.

Mr. GROVES. We had a seminar about 10 days ago, Senator, up to Mount Pleasant, had 160 jobbers at the seminar, and one of the panel discussions, part of it was on credit terms that were extended to these people by their suppliers, and they ranged all the way from a cash deposit in advance that the supplier could draw on by draft when they made a delivery, to the most lenient were 10 and 15 days, with a few 30 but that was a rare exception.

Senator RIEGLE. Are there particular companies that are being the toughest about it or——

Mr. GROVES. I think they're all tougher than they have been in the past. I don't want to state which companies, you know, were asking cash in advance. But some of them actually are.

Mr. REUTTER. That might also be because of credit problems, you know. It's hard to——

Senator RIEGLE. Right, right.

Mr. GROVES. That could be.

Senator RIEGLE. Were you fellows asked to be present at this meeting that was described by the last panel of groups that were trying to provide, energy assistance to people in the worst circumstances?

Mr. REUTTER. No.

Mr. GROVES. No.

Mr. REUTTER. But we had Connie Williams at our seminar at Mount Pleasant.

Senator RIEGLE. I'm going to see if we can't try to get such a session together in the State to try to figure out how we do this with a minimum of people tripping over each other in trying to get this job done as efficiently as we can. You folks ought to be represented there as well, because you're absolutely vital to getting this job done. You're operating under great handicaps now, especially if you're out in the poor rural and depressed areas, economically depressed areas. I'm going to suggest that you have a chance to be included unless there is something here I'm missing.

Mr. GROVES. No. I think it would be an excellent idea, Senator.

Senator RIEGLE. It must be absolutely horrible to be in a situation where you have had a customer for many years, somebody you know well, their financial circumstances put them in a position where they can't pay you, you're right at the margin, you're trying to figure out how you're going to stay in business yourself, how you're going to be a good person and how you're going to try to respond to somebody else's urgent need. I can see where that is a terrible dilemma to have to face.

Mr. GROVES. I think the majority of the jobbers in the State of Michigan face that same problem. Most of them, like these gentlemen state, in their business, they have been inexistence for 60, 70 years, a lot of them, and they have built up a real close relationship with a lot of their customers, and they just—I don't know, they just hate to say, you know, we can't make a delivery unless you can pay for it.

Senator RIEGLE. Right. We have got to find a way to try to keep everybody whole here. That's what my intent and purpose it, and that's one of the reasons I wanted to have you here today so we could get this part of the story on the record.

Mr. GROVES. Thank you.

Mr. MCQUAID. We would sure appreciate it if you could have a representativ come to our area.

Senator RIEGLE. I have one here in Lansing who comes from Onaway, Lee Russell is a Onaway boy.

Mr. MCQUAID. He don't come up and talk to us. He don't bring no money for your pocket.

Senator RIEGLE. Let us see if we can't sit down and——

Mr. MCQUAID. If we could get somebody we could take around and introduce to the people, some of our customers, so he could get some of the input we get, I think they'd feel a lot better.

Senator RIEGLE. I will try to do that. We had a panel here earlier today of people we had asked to come from around the State to try to give us a feel for that, but I am interested in trying to get a feel for the situation in your area. Let me see what I can do in that respect.

Mr. MCQUAID. I'd sure appreciate it.

Senator RIEGLE. Thank you very much for your testimony. It's very helpful to us.

Our last two representatives are representing two of the utility companies in the State, Mr. James Falahee, who is vice chairman of the board for Consumers Power, and Mr. James Meyers, from Michigan Consolidated Gas in Detroit. Let me welcome both of you to the committee hearing, I appreciate your coming today, Mr. Falahee, why don't we hear from you first.

STATEMENTS OF JAMES FALAHEE, VICE CHAIRMAN, BOARD FOR CONSUMERS POWER, AND JAMES MEYERS, MICHIGAN CONSOLIDATED GAS, DETROIT, MICH.

Mr. FALAHEE. Thank you, Senator, In view of the hour, I will summarize this rather than reading it verbatim. I think that will be helpful to all concerned.

We are keenly aware of the serious impact that inflation and increased energy costs have had on our low-income customers and senior citizen customers. And we welcome this opportunity to participate in this hearing.

We very firmly endorse the energy assistance program that is being considered by the Federal Government, and we are very happy to be here. Senator, if you have in front of you there my testimony——

Senator RIEGLE. Yes, I do.

Mr. FALAHEE. You can see by looking at attachment 1 that our electric service area covers most of the Lower Peninsula of the State of Michigan outside of basically the thumb area and, of course, the metropolitan area of the city of Detroit, and the gas area is shown shaded there. The reason I point that out to you, sir, is that in the communication we received from your office, they asked us for some demographics concerning the low-income customer, and, fortunately, about a year ago now, we ran, which we typically do periodically, an appliance saturation survey. We do that to help us with our market forecasting. In other words, how many have refrigerators, what kind of heat do you have, and that sort of thing, and consequently in our attachment 2 to the testimony, we are able, I think, to provide you and your committee with a good deal of statistics, and these relate to our electric service area which would cover most of the Lower Peninsula of the State of Michigan outside of the Detroit metropolitan area.

Senator RIEGLE. I appreciate having this. This is helpful to us. We will make this, by the way, a part of the record. We will have some other uses for it.

Mr. FALAHEE. Yes. And I wont' go into the statistics now, Senator, except to point out that of our electric customers, 14.8 percent of them earn under $5,000 a year, and 21.3 percent are in the $5,000 to $9,999. So you can see that—even in outstate Michigan outside Detroit, there is a substantial percentage of low-income senior citizen customers.

I would also like to stress that, of course, the predominent heating element in those areas for those customers is natural gas, followed by fuel oil. Significantly, a good many of these folks own their homes, single family homes, and they have owned them for a long time. Predominantly, moving along here, the age of the head of the household, if you will look at the last page of this attachment, the last set of statistics there, you can see that the low-income group, the under $5,000, the $5,000 to $9,999, 65 and over, 58.9 percent under $5,000; 46.7 are in the next category, so you can see it is a senior citizen problem, too.

Senator RIEGLE. It certainly is. That's really a stunning statistic.

Mr. FALAHEE. Yes, sir. And there are some others equally interesting, but I will pass over those for the moment, but they will be there in the record for you and your committee to purview.

I would like to now very briefly refer to comparative heating fuel costs, if you will look at our attachment 3. It pretty graphically shows what has happened in the cost of all three typical fuels, propane, No. 2 oil, and gas. Currently, you can see this is the price per million Btu's, so it provides a good comparison basis, and it shows that natural gas, $2.07 compared on a million Btu basis with $5.92 for oil and $5.27 for propane. It shows gas is markedly cheaper; nevertheless, gas itself has gone, since 1970, from $1.16 to $2.70. So it's also a dramatic increase; not as steep as oil, however.

It shows also, I think, Senator, that it is serious in the gas business, but this group you just had in front of you, the oil and propane dealers, you can see why their customers are having difficulty, too. It's a very severe problem for them, the inflation that has hit propane and oil.

I would like to refer briefly to our—well, first of all, fuel supply situation, I think, it's pretty apparent in this country that the gas supply situation is clearly going to be adequate for this winter and in succeeding winters, I think, until about the mid-1980's, at least, so I don't think we have a supply problem as such.

Turning to our credit——

Senator RIEGLE. Let me just stop you there because we are told that there are 240 million gallons in reserve now of winter heating fuel.

Mr. FALAHEE. Heating fuels.

Senator RIEGLE. And oil. How much of that is likely to be set aside for each State? Do we have any firm guarantees that Michigan is going to get what it might need relative to the other places that are going to need it as well?

Mr. FALAHEE. I guess I can't respond to that question, Senator. I know pretty well what the gas supply situation is and I'm very comfortable with it. As to how the allocation will work on that reserve of fuel oil, I am not competent to say.

Mr. MEYERS. Neither am I, sir.

Senator RIEGLE. I will track that down myself.

Mr. FALAHEE. I would like to turn now to our credit policies. The credit situation for the company's customers is that they are billed approximately 10 days after 30 days consumption with a due date 21 days after the bill mailing as provided in the Public Service Commission's standards and billing practices. This means that there is a minimum of 1½ months credit.

Now, in addition to this, as Chairman Demlow testified this morning, there are approximately 74 days—in addition to that, the 74 days did not include the 30 days' use, so actually the buildup is about 102 to 104 days before the cutoff, and then if they have had no credit problems prior to their current difficulty, an additional 30 days on top of that. So in the context of a winter moratorium, if low-income customer goes into the winter season with a good credit rating, he, in effect, has a moratorium because we will carry him under the standard billing procedures for the 130 days.

Senator RIEGLE. When you say a good credit record, no credit problems, does that mean having never had an arrearage, or does it mean——

Mr. FALAHEE. Or if he has had an arrearage he has cleaned it up satisfactorily.

Senator RIEGLE. So, in other words, if he is current going into the winter——

Mr. FALAHEE. That's right.

Senator RIEGLE. Basically 130 days, assuming that somebody seeks the 74 days.

Mr. FALAHEE. That's right.

Senator RIEGLE. They have to take the initiative to do that, I take it. That isn't automatic.

Mr. FALAHEE. They do, but we, Senator, go out of our way to try to inform them as to what their rights are. We are obligated to do it. We do it anyway. But we do go out of our way as to what the bill of rights gives them, the Public Service Commission bill of rights, on disconnection and that sort of thing.

I might move right now to this winter moratorium issue. We are opposed to that, Senator. I know in some of the bills it provides for a winter moratorium. The company is opposed to that because, one, obviously we have to keep the money coming in to pay our bills, and second, and I think more importantly, particularly from the committee's point of view, I think a winter moratorium is a trap to the low-income senior citizen in that it puts off, true enough, his billing during the winter heating season, but then he is confronted with a horrendous bill come spring that he still is unable to pay. This results in further cutoffs. It also results, or would result, in higher bad debts, and what does that translate into? That translates into higher costs then for the paying poor.

There was reference made here earlier as to how some of these people are struggling with relatively low income, but, darn it, they do pay their bills. If we go to a winter moratorium and have higher writeoffs for bad debts, you're going to assess those customers a little bit more to carry that load of the guy that didn't pay. Not to mention, sir, I'm afraid a winter moratorium, I'm sorry to have to say, I think would be taken advantage of by deadbeats and so forth, and that would result in the increase in the bad debt allowance.

Senator RIEGLE. Do you have any concern that there may be somebody else, that just ran out of money and time in a cold winter and has no other place to turn? If you just shut it off, you're running the risk of jeopardizing their health and safety?

Mr. FALAHEE. Yes, we have a good deal of concern for that circumstance. I mean——

Senator RIEGLE. I'm sure you do. The question is, What is the best way to deal with it?

Mr. FALAHEE. That's why I'm sitting——

Senator RIEGLE. You just don't want to walk away from it.

Mr. FALAHEE. No, sir. We do not, and that's why I'm sitting here today, urging this energy assistance program. Our experience with this energy assistance program, Senator, has been very good in the past. There has been some problem with it. It's been too late coming, too many of them. You have already alluded to the confusion that apparently exists. I think we have to have a better outreach program. We have got to get behind it in our bill enclosures. There has to be media presentation and that sort of thing. What I'm saying to you, Senator, is that given that and given a good program, our prior history is that you're going to take care of that customer that has the serious problem you just described.

Senator RIEGLE. Let me ask you this: Do you have a feel for how it might be in other States? Michigan traditionally has been somewhat more aggressive.

Mr. FALAHEE. I think Michigan has done better.

Senator RIEGLE. Do you have any notion as to what the ground rules would be in the adjacent Midwestern States?

Mr. FALAHEE. I can't give that to you.

Mr. MEYERS. I can comment on that to a limited extent, that the State of Wisconsin and Pennsylvania have had winter moratoriums on utility shutoffs, and they have proved to be totally unworkable because of the, as Mr. Falahee pointed out, because of the accumulation of debts over the winter. It puts the customer in a situation that is untenable.

Senator RIEGLE. Senator Hart has stepped into the chamber here and I want to thank him publicly for his great courtesy and generosity in letting us conduct this hearing here today. We are pleased to be able to do it, and I'm very grateful, Senator Hart.

Senator HART. I hope the hearing was fruitful.

Senator RIEGLE. I put at least 5 hours of additional wear and tear on this seat I'm in.

Senator HART. Very good.

Senator RIEGLE. But I appreciate it.

Mr. FALAHEE. Senator, I would like to conclude my remarks by saying that we recommend that a permanent energy assistance program should be administered by the State government. That each State should be permitted to utilize existing State agencies to implement the program. The mechanism for distributing the assistance payments should be by direct payment from the administrative agency to the heating supplier, and the program should be consistent from year to year to avoid this confusion we have every year. And in Michigan, Senator, I would like to put in a good word for the department of social services. We feel they should administer that program because, indeed, they do have the manpower, customer assistance records, the computers, and the past experience to efficiently carry out the program. Their track record for the prior assistance program has been excellent, and I would urge that you utilize the department of social services, at least for part of your program that you are now considering, and that you, Senator——

Senator RIEGLE. I appreciate that, and I'm going to make your full statement a part of the record, and I appreciate the degree of detail that you have got together for us. This is extremely helpful because we are obviously dealing with a problem that is different from what we have dealt with before. This year's difficulties get piled on top of last year's. Those of us that are in public policy positions are struggling to try to figure out how best to respond. It is not automatically clear what the best way is to deal with the kind of problem that we have here, and especially because government, by its nature, is not particularly efficient. We are finding that out, if we didn't know it before.

Mr. FALAHEE. Let me make one further comment. It is not in my remarks, Senator. I think one problem you're going to have to address is that there are an awful lot of low-income senior citizens, people out there that have a lot of self-pride and they could really

use your program, or the government's program, but their self-pride won't let them do it. Somehow, we have got to clothe this in a fashion that it isn't, doesn't affect their sensitivities, and they will indeed take advantage of this program if they do have the need.

Senator RIEGLE. We had a woman witness earlier who testified about accompanying people down to the welfare office and sitting there all day long and waiting to get some straight answers and being told at the end of the day, come back tomorrow. Part of the problem here is in the government delivery system. I agree with you on that point. It was made many times this morning by some of our citizen witnesses. This has to be done in a way that is not demeaning, not something where a person is put through such a trial to be able to get emergency assistance that we shut them out of it, for all practical purposes. That clearly would be a mistake.

Mr. FALAHEE. thank you, Senator.

Senator RIEGLE. Thank you very much.

Last but not least, Mr. Meyers.

Mr. MEYERS. Thank you. I will be very brief, likewise.

Michigan Consolidated serves over a million customers in the State. About 70 percent of those customers are in Wayne County. The purpose of my testimony is to discuss the factors that we believe should be included in a long-range energy assistance program, and specifically to offer support to Senate bill 1724 which is before your committee.

I can't stress strongly enough the critical need for a program. For instance, in our area across the State, 15 percent of our customers are 65 years of age or older, and 18 percent make less than $8,000. That's in a family. Twenty percent receive social security. Eight percent receive welfare assistance. Thirty-seven percent live in homes built before 1950, and as one of the previous witnesses testified, that is a serious problem, the age of the home, because of poor insulation, et cetera. Sixteen percent are retired. We provide over 95 percent of the fuel for heating in the areas that we serve in the State. We are, as I indicated, very concerned about the inability or unwillingness, in some cases, of our customers to pay their heating bill. We, I guess, share a problem with the previous witnesses in terms of the heating suppliers, the fuel oil suppliers, in that we are really concerned about our bad debts.

This year our bad debts will more than double our net income. They have gone from about $3 million in 1974 up to about $15 million this year.

Senator RIEGLE. $15 million in bad debts?

Mr. MEYERS. Yes, sir.

Senator RIEGLE. And that's bad debts that prove to be uncollectible?

Mr. MEYERS. That is, are in fact written off as uncollectible.

Senator RIEGLE. Up from 3 million in the previous year?

Mr. MEYERS. No, sir, in 1974.

Senator RIEGLE. Oh, I see. In 1974.

Mr. MEYERS. But the situation is getting much worse. Now, I agree that we should have a concern and we should work individually with our customers, and we make a lot of effort to do so. We try to get them early if they have a problem, to come work on a settlement agreement, get on a budget payment plan, spread out

the payments. We work very closely with a lot of the agencies who testified today in terms of referring clients, explaining programs, and previous programs, both State and Federal, and we have actually customers come in and worked with them in our branch offices to fill out the various applications, et cetera. But the problem is dramatically growing. We are trying to work in terms of a ceiling insulation program, a furnace retrofit program through the MPSC, those kinds of things, but we really are convinced that a permanent program is required.

Now, the features that we would like to see in such a program are obviously direct pay. That is direct pay to the energy supplier. We feel that is the most efficient way. We have had some good experience in a pilot program, the first of its kind in the country, with ADC recipients where it is a direct pay through HEW, through the department of social services for ADC recipients. There are about 30,000 of them in the plan currently. This is the second year of the program. We feel that a long-range program should recognize both personal income and heating requirements. That is degree data. We are particularly strong on one issue, and that is we must have energy assistance and we must have emergency funding. One of the previous witnesses that I heard referred to $250 million. I have heard $400 million before HEW in a budget controversy that is earmarked for emergency energy assistance funding this year that will be administered threough the community action association. It is critical that that money be received and out to those organizations so they can work with the poor people now.

We, like Consumers Power, feel that the best way to administer such a program is through the State. There are existing mechanisms. We do work well with the department of social services.

Because we are concerned with setting up a duplicate administrative organization, and, of course, we support, we agree with consumers on the adverse impact a moratorium would have on our customers. We found through a survey that we completed late last year, we did a profile of the customers that are in arrears or behind in paying on their gas bills, and we found that the best paying customer is the customer over 55 years old on a fixed income of some kind. We feel that if those customers must subsidize the nonpaying customers, it just places an increased burden on them.

As we mentioned, and consumers mentioned, we do have many, many programs in place to work with the customers on an individual basis.

Again, I would like to commend you for working on the long-range program, and again I would like to emphasize the immediate need for short-term funds. Thank you.

Senator RIEGLE. I appreciate your testimony. I will make sure your entire statement is a part of the record. This is such a tough problem to figure out how to get the money together and efficiently distribute it. I am very worried about the fact that just given a normal sort of bureaucratic time lag at the Federal end, legislating, reconciling the House and Senate version, getting it into the administrative agencies, getting the rules and regulations, that we will miss the boat for this winter. That's the fear I have, I want to

find a way so that we do not get hung up, so that we can deal with this winter's problem this winter. At the same time, we must look ahead toward a continuing program that anticipates next winter.

I must leave within a minute for an airplane, if I am going to make it. This is the way I have lived now for 13 years, so I am accustomed to it, fortunately, or unfortunately. I am going to have Jim Sharp, who is my State representative here in Michigan, raise some questions with you so you can respond right now. I want to have your responses before our markup committee on the 19th.

Mr. MEYERS. If there are any other questions after today that may come up with you or your staff, we would be glad to respond to that, as well.

Senator RIEGLE. I appreciate that, I want to be able to get back with you because I think the only program that is going to make sense is one that ties everbody together.

Mr. FALAHEE. I might say, Senator, in answer to one of your previous questions to another group, we have not sat down and met with all the agencies that were described, and we would welcome such an opportunity.

Senator RIEGLE. I'm going to make that suggestion. I am not, I think, the appropriate person, necessarily, to be the convenor. That really is a State function, I think it would be something that would have to be done by the Governor or the Governor's office, but it is something, from what I gather, which needs to be done. I'm going to suggest that it be done, and I agree you should be part of it. I think that everybody who is involved ought to be participating and thinking together as to how best to accomplish this on an immediate basis. We have got a problem that is right in front of us.

Mr. FALAHEE. That's right.

Senator RIEGLE. Thank you very much. I'm going to excuse myself and turn the session over to Jim Sharp, and I'll take these presentations with me and read them.

Mr. SHARP. The first of those questions that Senator Riegle referred to would be the average length of time it takes for a delinquent to pay their debt settlement agreements in negotiations with one of your clients.

Mr. FALAHEE. Yes. The average, as I understood your question, the average length of time it takes them to pay after they get a discontinuation notice?

Mr. SHARP. Yes.

Mr. FALAHEE. Our experience is that the majority of them pay within the first 24 hours. In other words, there are some folks out there, regretably, that don't put a priority on their utility payment until they have the discontinuance notice, unless they get that. Once they get that, they will pay. They are faced with a cutoff. Second, there are some assistance programs that the program itself won't address payment until the notice of discontinuation has been delivered, so that you have those two factors working. But our experience is that the great majority of them do pay up within the 24-hour period.

Mr. SHARP. I was counting along with you, when you're indicating about the billing, actual billing time——

Mr. FALAHEE. If you will refer to our attachment 4.

Mr. SHARP. About 135 days.

Mr. FALAHEE. It lays it all out right there, breaks it down as to what happens in each period.

Mr. SHARP. Is there another 14-day extension if a person goes himself?

Mr. FALAHEE. Yes, and I did not mention that. There is another 14-day extension if they have sought social assistance. In addition, and unrelated to that time frame, is this problem, or not problem but procedure that the Public Service Commission recently enacted wherein if there is a medical problem in the household and they will certify, get certified to that, you will get a 21-day extension and that is renewable so long as the medical emergency continues.

Mr. SHARP. Are you aware of the numbers of shutoffs or discontinuation of services during this 14-day period?

Mr. FALAHEE. I'm not, no, sir.

Mr. MEYERS. No, no. We would really be found in violation of the billing practices.

Mr. FALAHEE. You would get in trouble with the Public Service Commission.

Mr. SHARP. Has the 14-day provision been fruitful?

Mr. MEYERS. Really, to answer the question realistically, we have over a million customers and, you know, how many we lock on the 15th day, I really don't know, but you know, we work awfully hard to work with customers on an individual basis. Normally when we deal with a customer that is in a shutoff situation or we really are going to terminate service, two things really happen. First we have two personal contacts. I'm talking about the winter critical time. Two personal contacts before we discontinue service, to assure ourselves that the people are responsible for their actions; that is, they understand the implication of termination of service. By and large, what we find, and there are exceptions, is that people that we shut off are people that are really unwilling to work with us on paying that bill. We are not in the business of terminating service; we are in the business of providing service, so we don't want to turn them off. We only do so as a last resort. That is the only incentive we have for them to pay their bill, particularly in the city of Detroit. We have a far larger problem than Consumers Power. That is one of the reasons that our bad debts are so high is that we have most of our meters inside the homes. We must gain, or have the customer's permission to enter the home to terminate service, which is very hard to get. The only recourse is through a court action or actually terminating service in the street. We are hesitant to do that because it is very costly, so we go to great pains to work with customers on an individual basis.

Mr. SHARP. What were your accounts receivable? I think you said yours was $15 million.

Mr. FALAHEE. Our bad debts are about $6 million now. They run about three-tenths of 1 percent of our revenues, and Mr. Meyers is right, our problem does not assume the degree that Michigan Consolidated is faced with. Our paying pattern in our service area, I would have to say, has been pretty good. The statistics I gave you of 0.3 percent have been our history now for some years. In other words, our most recent experience with the escalating price and so forth has not exacerbated our bad debt situation.

Mr. MEYERS. I might add, in our outstate areas we serve, for instance Grand Rapids, Muskegon, as well as northern Michigan, our uncollectibles are much more in line with Consumers. Detroit really is the problem area for us. Of the 15 million, about 12½ to 13 is Wayne County.

Mr. FALAHEE. I don't want to create the wrong impression, though, as we're talking about the numbers that we do have to disconnect and so forth. The message I want to get across to you is that I think the social agencies in this State have done an excellent job with the prior programs and they have avoided hardships and so forth, and we have worked well with them and we look forward to working well with them in the future. In other words, most of your disconnects are, as Mr. Meyers said, the people that don't want to pay. You go to make your personal contact, and we follow that, too, before we have a shutoff, and they won't answer their door. They will pull all their curtains. They know it's the utility collector there to enforce the cutoff. They won't let us in. That sort of thing. It's the real hard core that have this real disconnect problem. If you have a real problem, a money problem you can get assistance from the social agencies.

Mr. SHARP. Just what are we talking about in terms of numbers of shutoffs last year?

Mr. MEYERS. We had 30,000 last year.

Mr. SHARP. 30,000?

How about the average length?

Mr. MEYERS. From the time they incurred the bill to the time they were shut off?

Mr. SHARP. No, the time that they were off, how long were they off?

Mr. MEYERS. The time they were off?

Oh, I would say, just a ballpark figure, I have the numbers, but I would say 75 to 80 percent are back on within 24 hours. It really depends on the time of year. If we're talking about winter, most of our shutoffs are not in the winter, so 30,000 was an annual number, but certainly in the winter they come right back on, you know. I don't know of any cases that I'm aware of that customers have not gone on, other than the case where we have a large problem in Detroit with renters, so what they will do is just move. So then a new customer will come into the address and then service is back on. We have a difficult time managing that in terms of time.

Mr. SHARP. Mr. Falahee?

Mr. FALAHEE. Our cutoffs ran, during the heating season last year, about 19,000, and again our experience has been what I have already alluded to, that within 24 hours the great majority of those came back on, yes.

Mr. SHARP. Are there any other comments you would like to make, to make certain it gets into the record, before we adjourn?

Mr. FALAHEE. No. I think between you and the Senator you have been very generous with your time, and I haven't anything further to offer, although I do offer, if any questions do occur to you or the committee, why, we would be glad to respond. Thank you for this opportunity.

Mr. MEYERS. I have nothing further. Thank you.

[Additional statements received for the record follow:]

TESTIMONY OF

DALE GROVES, Assistant Director

on behalf of

THE MICHIGAN PETROLEUM ASSOCIATION

My name is Dale Groves. I am the Assistant Director of the Michigan Petroleum Association, an association composed of more than 400 petroleum jobbers throughout the state of Michigan. Petroleum jobbers are the wholesale segment of the industry; those who deliver petroluem products to homes using oil heat, to farmers using oil for operating farm machinery as well as heating their homes, to service stations and to commercial and industrial accounts.

With me are Mr. Carl Henry, president of Crystal Flash Petroleum Company and Mr. James Reutter, owner of Lansing Ice & Fuel Co. They are jobber members of our association and are available to answer your questions from a jobber's viewpoint.

I will attempt to answer your questions in the order in which they were presented in your communication to witnesses:

1. All types of fuel are used by low income households in the state of Michigan. We would give a rough estimate of the percentage using fuel oil to be 20%, natural gas 70%, and other fuels 10%. The 20% using fuel oil represents approximately 450,000 homes. Price of fuels has practically doubled during the past year and, depending on the OPEC countries, it appears an additional five to ten cents per gallon increase can be expected this winter. At this point, barring another embargo or some other interruption of imported supplies of crude oil and/or finished products, we expect supplies of #2 fuel oil to be adequate. There may be spot shortages of #1 fuel oil in extreme weather conditions. Any projection of what to expect beyond this wimter would be pure speculation as so much depends on circumstances beyond our control. The credit situation has tightened considerable in recent months, with most suppliers extending terms to jobbers of from a maximum of 15 days to, in some cases, payment in advance or by bank draft upon delivery. This in turn has forced jobbers to reduce the time extended for payment. They have been forced to increase budget payments and to reserve the right to further increase payments during the season if necessary. If a customer is not eligible for a budget plan and is not considered worth the risk of a ten or fifteen day open account, there is no alternative except cash on delivery or payment in advance. In this event many are forced to ask for some form of assistance from their local, state or federal agency.

2. Those most affected by these problems are the unemployed, senior citizens and others on fixed incomes who have no way to cope with rampaging inflation. Even though social security recipients have had cost of living increases, it in no way has kept up with inflation. Many others in our state have seasonal incomes and must depend on unemployment compensation during the off season. It is hard to estimate how many are involved but some of our outstate jobbers report that fifty percent of their home heat customers would fall into this category. Many of these people live in substandard housing and are dependent on a single space heater burning #1 oil for an often inadequate source of heat.

3. As to eligibility for participation in the program, we refer to the 1978 state program in which 341,000 homes participated. We would assume that a greater number would be involved this year due to the increased cost. Here again, local agencies may be the best source of current information.

4. We are not familiar with the Community Services Administration's program and so do not feel qualified to address the results and would expect other witnesses to cover this question.

5. This question relates to placing primary responsibility on the state for implementing an emergency program. We believe such a program should be in place no later than the first of November to do any good this winter. The state legislature is in the process of passing legislation that would provide help in the form of an income tax credit. We do not see this as being much help when many of those in need do not file tax returns and primarily because the help is needed by the individual and by his supplier now, not next spring. We assume that the other part of this question will be answered by state personnel.

6. We believe the fuel oil jobber would be a logical selection for assistance through a vendor line of credit, provided he was assured of payment within terms equal to those extended him by his supplier. In many cases this would require some type of advance payment against which current deliveries could be charged. Here again, eligibility could best be determined by local agencies.

7. In our opinion, the most efficient, equitable and acceptable form of assistance for the low income population would be:

   A. Determination of eligibility by local agencies

   B. A method of payment that would assure the fuel supplier of being paid within the necessary time limits as dictated by his supplier's terms.

8. We assume outreach to mean a method of getting information on a program to those who may become eligible to participate in such a program. It would seem this could best be done by local agencies through newspaper announcements and through fuel suppliers by use of flyers with current mailings.

We thank you for the opportunity to express our opinions and would welcome the opportunity to further discuss these problems at your convenience. We will be happy to attempt to answer any questions you may have.

Respectfully Submitted;

Dale Groves

Dale Groves
Assistant Director

October 15, 1979 TESTIMONY

William Painter
Painter Petroleum Co.
M-33 and M-68
Onaway, MI 49765

The following is a testimonial requested by you in your letter of October 5, 1979. I regret that I am unable to answer all the questions asked of me but will do my best to give you a true picture of our business.

Onaway is located on the western edge of Presque Isle County, in the northeastern part of the lower peninsula of Michigan. We service an area 15 miles north, 8 miles east, 12 miles south and 8 miles west of Onaway, approximately 500 square miles.

Our sales of home heating oil increased from 765 gallons in 1976 to over 1 million gallons in 1978. We have a total of 963 active oil accounts. This total includes 90 seasonal, 56 business, 11 churches, 2 schools, 17 governments, and 787 home accounts. 230 or 29% of the 787 are classified as low income. 267 or 34% of the 787 are over 62 years of age. I do not have a figure on the disabled and handicapped.

The unemployment rate for January, February and March, 1979, for Presque Isle County was 24.3%, 24.4% and 23.2%. This is almost triple of the July figures when the rate was down to 8.9%. My prediction is that we will have another 100 families that draw unemployment who will not be able to meet the high increase of oil this winter.

Our accounts receivable in the winter average 40% more than charges for any one given month. For example, (rounded off to the nearest thousand) in January, 1979, the total sales for the month were $147,000. Our charge sales were $78,000. The total accounts receivable at the end of January was $110,000.

We have to face the fact that in January of 1980, oil will cost 50% more than in January of 1979. Therefore, barring no changes in our credit policy, we could have charge sales in January of 1980 of $126,000, reflecting $177,000 of accounts receivable. To my knowledge, there is no way possible to finance this amount. That is, without aid from some other source, our 10 day credit limitation could be cut off. If this happened, there would be no distributor left in Onaway to service our accounts.

The last time we had a dramatic increase, both Standard Oil and Kingsbury Oil of Onaway went out of business. We are the only distributor left in Onaway.

I wish to thank you for giving me this opportunity to testify before your Committee. We'll be looking forward to meeting you.

William Painter

62-929 O - 80 - 22

PAINTER PETROLEUM CO.

your Marathon Distributor

SERVING THE HOME... SERVING THE FARM

M-33 & M-68
Onaway, Michigan
Phone 733-~~8111~~ 8413

October 12, 1979

Senator Donald Riegle, Jr.
101 Hollister Building
106 W. Allegan
Lansing, MI 48933

Dear Senator Riegle:

The following is a testimonial requested by you in your letter of October 5, 1979. I regret that I am unable to answer all of the questions asked of me, but will do my best to give you a true picture of our business.

Onaway is located on the western edge of Presque Isle County in the northeastern part of the lower peninsula of Michigan. We service an area 15 miles north, 8 miles east, 12 miles south, and 8 miles west of Onaway, or approximately 500 square miles.

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Our accounts receivable in the winter average 40% more than charges for any one given month. For example, (rounded off to the nearest thousand) in January, 1979, the total sales for the month were $147,000.00. Our charge sales were $78,000.00. The total accounts receivable at the end of January were $110,000.00

We have to face the fact that in January, 1980 oil will cost 60% more than in January, 1979. Therefore, barring no changes in our credit policy we could have charge sales in January, 1980 of $126,000.00, reflecting $177,000.00 of accounts receivable. To my knowledge there is no way possible to finance this amount. Without aid from some other source our

10 day credit limitation could be cut off. If this happened there would be no distribution left in Onaway to service our accounts. The last time we had a dramatic increase both Standard Oil and Kingsbury Oil went out of business in Onaway. We are the only distributors left in Onaway.

I wish to thank you for giving me this opportunity to testify before your committee. I will be looking forward to meeting you.

Sincerely,

William Painter

William Painter, President
Painter Petroleum, Inc.

WP:glp

PRESQUE ISLE COUNTY

The following information is given as background information to acquaint members of the United States Senate Committee on Labor and Human Resources with Presque Isle County, Michigan. The information is offered in conjunction with testimony given by Mr. William Painter of Onaway, Michigan, at a field hearing of the Committee held in Lansing, Michigan, on October 15, 1979.

Presque Isle County's level of per capita personal income makes it one of the ten lowest per capita income counties in the state of Michigan. Since 1965, the county has experienced the second lowest growth of earnings and the lowest growth of personal income of all the counties in Region 9.

Transfer payments provided nearly 19% of 1974 personal income. This is a high percentage relative to the state but moderately relative to Region 9. Presque Isle's dependence on transfer payments for personal income makes it the 28th highest county in the state. On a per capita basis it has the 39th highest level of transfers in the state. Despite this high dependence on transfer payments, transfer payment in Presque Isle County have, since 1965, grown at a lower rate than the state average. Property income has grown at higher rates than the state level, although property income's share of the 1974 personal income is just above the state level.

Farming is quite important in the county as both employment and earnings location quotients indicate, with the earnings quotient nearly twice the size of the employment quotient. The absolute level of cash receipts due to farm marketings is not high (Presque Isle county 51st among Michigan's 83 counties). But, the proportional contribution of farm earnings to total earnings is the nineteenth highest in the state. In addition to contributing just under 10% of the county's total earnings, farming contributes about 2.25 times as much to personal income in Presque Isle County as it does in the United States. This is particularly significant given the generally low contribution of earnings to personal income in the county.

In 1974 "meat animals and other livestock" provided 24% of farm marketing cash receipts, followed by "dairy products" at 20%. The catch-all category of "all other crops" contributed 44% of 1974's farm marketing receipts and has grown far more than the other categories since 1964.

Presque Isle's manufacturing sector is exceedingly small, and its earnings have grown at about the same rate as total earnings in the county since 1965. The wholesale and retail trade sector is small, and earnings growth has been lower than in any other county in the region. The local economic strength in the county is mining. It is not unreasonable to estimate that mining provided 35 percent of 1974 earnings, 20 percent of that year's total employment, and as much as 40 percent of private nonfarm wage and salary employment. Michigan Limestone Operation Division of U.S. Steel is the largest mine in the area and the world's largest stone quarry. This mine, together with Presque Isle Corporation, provides 25 percent of the county's wage and salary employment.

The government sector is large, contributing 21 percent of total 1974 earnings. The state and local government sector is the largest, providing 16 percent of earnings, followed by the federal military category with 4 per-

cent. Government has been a leading growth sector with a growth rate above the comparable statewide rate.

Since the county derives its basic strength from natural resource related sectors (i.e. farming and mining), it is evident that future decisions on environmental issues could greatly affect the county's future. Above 45 percent of the county's 1974 earnings were derived from these two sectors.

Annual jobless rates for females in Presque Isle county was estimated at 11.7% in 1977. This estimate is probably to low to reflect actual conditions in the county when this rate is compared to the number of ADC families which was estimated to be 173. In March of 1978 a total of 969 persons received assistance from DSS. The total cost was 64,471.57 for that month. Thus, each recipient of these welfare services received an average of $66.53. The average number of ADC families in Presque Isle county are estimated to be 174. The average cost is $46,709.17 per month for 1978 with the average ADC family recieving $268.44 worth of assistance per month. In a year it is estimated that a average total of 556 people would recieve ADC in Presque Isle county.

In conclusion, Presque Isle county is one of eight counties in a Region that contain 5 of Michigans 10 lowest per capita income counties. The fact that Presque Isle county is one of these five, reinforced by the surrounding poverty and sluggish regional economy. Transportation needs, and economic development needs are not discussed because these needs are not logically addressed by employment and training Consortium at this time.

The following two charts include the last projected data that may present an overview of regional conditions that affect Presque Isle County: part-time workers and the estimates of population in the county.

A more accurate picture of county needs, as well as regional needs, cannot be presented until more reliable data sources are developed.

AREA	POPULATION					ESTIMATED PER CAPITA MONEY INCOME (DOLLARS)			
	JULY 1, 1975	JULY 1, 1973 (REVISED)	APRIL 1, 1970 (CENSUS)	CHANGE, 1970 TO 1975		1974	1972 (REVISED)	1969	PERCENT CHANGE, 1969 TO 1974
				NUMBER	PERCENT				
OSCODA COUNTY	6 152	5 631	4 726	1 426	30.2	3 525	3 016	2 469	42.8
BIG CREEK TOWNSHIP	2 175	1 981	1 663	512	30.8	3 532	2 996	2 561	37.9
CLINTON TOWNSHIP	462	435	398	64	16.1	4 441	3 675	2 706	64.1
COMINS TOWNSHIP	1 400	1 331	1 198	202	16.9	3 253	2 870	2 259	44.0
ELMER TOWNSHIP	578	506	412	166	40.3	3 037	2 590	2 163	40.4
GREENWOOD TOWNSHIP	556	478	315	241	76.5	3 758	3 318	2 667	40.9
MENTOR TOWNSHIP	981	890	740	241	32.6	3 620	3 039	2 559	41.5
OTSEGO COUNTY	13 456	12 388	10 422	3 034	29.1	3 766	3 315	2 794	34.8
VANDERBILT	499	481	522	-23	-4.4	2 508	2 191	1 966	27.6
GAYLORD	3 288	3 154	3 012	276	9.2	3 737	3 324	2 821	32.5
BAGLEY TOWNSHIP	3 325	2 920	2 294	1 031	44.9	4 997	4 358	3 689	35.5
CHARLTON TOWNSHIP	770	708	573	197	34.4	3 954	2 649	2 320	27.3
CHESTER TOWNSHIP	403	413	332	71	21.4	3 814	3 123	2 439	56.4
CORWITH TOWNSHIP	1 245	1 199	1 126	119	10.6	2 859	2 469	2 093	36.6
DOVER TOWNSHIP	506	471	317	189	59.6	2 862	2 342	1 970	45.3
ELMIRA TOWNSHIP	683	620	486	197	40.5	2 784	2 597	2 176	27.9
HAYES TOWNSHIP	605	536	416	189	45.4	2 802	2 362	2 024	38.4
LIVINGSTON TOWNSHIP	1 995	1 779	1 393	602	43.2	3 515	3 172	2 488	30.8
OTSEGO LAKE TOWNSHIP	636	588	473	163	34.5	3 746	3 589	2 958	26.6
PRESQUE ISLE COUNTY	14 000	13 740	12 836	1 164	9.1	3 495	2 855	2 338	49.5
MILLERSBURG	328	279	200	128	64.0	3 462	3 112	2 224	55.7
ONAWAY	1 367	1 352	1 262	105	8.3	2 842	2 437	2 000	42.1
POSEN	300	337	339	-39	-11.5	3 036	2 339	2 202	37.9
ROGERS CITY	4 463	4 410	4 275	188	4.4	4 460	3 481	2 856	56.2
ALLIS TOWNSHIP	956	904	709	247	34.8	2 942	2 475	2 106	39.7
BEARINGER TOWNSHIP	82	82	67	15	22.4	2 860	2 339	1 883	51.9
BELKNAP TOWNSHIP	945	930	902	43	4.8	2 974	2 523	1 867	59.3
BISMARCK TOWNSHIP	286	239	236	30	12.7	3 034	2 311	2 039	48.8
CASE TOWNSHIP	753	613	506	247	48.8	3 992	3 533	2 856	39.8
KRAKOW TOWNSHIP	468	459	445	23	5.2	3 193	2 611	2 103	51.8
METZ TOWNSHIP	440	424	403	37	9.2	2 829	2 403	2 075	36.3
MOLTKE TOWNSHIP	313	326	303	10	3.3	3 017	2 302	1 854	62.7
NORTH ALLIS TOWNSHIP	545	491	393	152	38.7	3 070	2 713	2 172	41.3
OCQUEOC TOWNSHIP	535	505	414	121	29.2	2 779	2 314	1 864	49.1
POSEN TOWNSHIP	1 119	1 104	1 100	19	1.7	2 297	1 889	1 633	40.7
PRESQUE ISLE TOWNSHIP	634	779	698	-64	-9.2	3 924	3 364	2 968	32.2
PULASKI TOWNSHIP	434	406	396	38	9.6	3 076	2 556	1 893	62.5
ROGERS TOWNSHIP	680	717	727	-47	-6.5	3 261	2 601	2 021	61.4

EXHIBIT 4
Population and Per Capita Income



COMMUNITY PROFILE

Office of Economic Expansion
Michigan Department of Commerce

Community: Onaway Area
County: Presque Isle
Prepared: 6-1-78

Location

Road Miles from: Chicago: 405 Detroit: 235 Toronto: 440 Cleveland: Indianapolis:
Water Time:

Population

Community		County		1970 County Characteristics
1960 Census:	2300	1960 Census:	13,117	Urban: x 10% farm income
1970 Census:	2200	1970 Census:	12,836	Rural:
1975 Estimated:	2420	1975 Estimated:	14,000	
1985 Projection:	2650	1985 Projection:	15,500	

Major Employers

Firm	Product/Service	Employees	Union
Presque Isle Electric Co-op	Electric Power	69	None
Walter & May Reuther Educational Center	Union Training and Recreation	258	UAW
Pendora Sportswear	Outerwear Jackets	16	A.D.S & R.E.
Onaway Wood Products	Pallets, lumber, posts	12	None
Merchant Sawmill	Posts, rough lumber, ties	10	None
Citizens National Bank	Full Service Bank	9	None
Onaway Area Credit Union	Open member Credit Union	8	None
Ellenberger Lumber Co.	Full Building Materials	10	None
Pine Lumber	Full Building Materials	10	None
General Telephone	Communications	5	C.C.W.of A.
Russell Memorial Hospital	General Hospital	52	U.S.W. of A.
Northeast Michigan Manpower Consortium	Labor Force - Development	28	None

Note: Shell, Amoco and Reef explorations for past 3 years in county and continuing, employment figures N.A.

Labor Market Analysis For Presque Isle-Mar. 78 **County**

Total

Civilian Labor Force: 4050
Employed: 3450
Unemployed: 600
Percent Unemployed: 14.8

Wage and salary survey available?
☐ Yes ☐ No X Limited (8 occupations)

Per capita income - $4,300.00

Source: Michigan Employment Security Commission
Federal Bureau of Labor Statistics

EXHIBIT 1

COMMUNITY _____

Commercial Services

Machine Shop in Area: ☐ No ☒ Yes Number:
Tool and Die Service in City: ☒ No ☐ Yes
Other:
Newspaper: Weekly
No. of TV Channels Received: four Radio Station:
Seating Capacity in Largest Banquet Room: 300 persons
Hotels Total Rooms ; Motels Total Rooms

Municipal Services

Form of Local Government:
Fire Department Personnel: Fulltime: Volunteer:
Fire Insurance Classification: Community: Adjacent:
Police Department Personnel: Sworn Officers: Civilian Personnel:
Rubbish Service Provided: ☐ No ☐ Yes ☐ Municipal ☐ Independent
Comprehensive City Plan: ☐ Complete ☐ Underway ☐ Under Consideration
Zoning: ☐ No ☐ Yes ☐ Community ☐ County
Public Library: ☐ No ☐ Yes

Tax Structure

Year	City	County	School	Other	Total

(Per $1,000 Equalized Value)

Bonded Indebtedness: School City County
Ratio of Assessed Valuation of True Value*: City County

*Cannot exceed 50:

Utilities

Electric:
Natural Gas:
Telephone:

WATER

Source of City Water: ☐ Lake ☐ Reservoir ☐ River ☐ Well No. of Wells:
Capacity of Plant: Gallons per day
Daily Consumption: (Min.) GPD (Max.) GPD
Storage Capacity: (Ground) Gal. (Elevated) Gal.
Pressure in Mains: (Min.) psi (Max.) psi
Water Analysis Total Hardness:

SANITATION—Type of Sewerage Treatment Plant:
Capacity Present Load

EXHIBIT 1

COMMUNITY _____

Transportation

Major Highways:
Bus Lines:

RAIL

Line	No. of Trains	Passenger Service Yes/No

NUMBER OF MOTOR FREIGHT COMPANIES:

Major Companies	Local Terminal
Mulvena Trucking	No - Alpena
Short Way Freight Line	No - Cheboygan
Parker Motor Freight	No - Cheboygan

United Parcel Service: ☐ No ☐ Yes

SHIPMENT TRANSIT TIME

To	Car Load Days By Rail	Truck Load Days By Truck
Chicago		
Cleveland		
Detroit		
New York		

AIR TRANSPORTATION

Nearest Airport: Onaway - Private Planes Distance:
Runway Length: Lighted: Yes Surface: Paved
Fixed Base Operator: Yes Nearest Commercial Airport: Pellston
Name of Airlines: North Central Airlines
Flights: 2 daily to Chicago, 2 daily to Detroit

WATER TRANSPORTATION

21 miles - Rogers City

Education Facilities

Type	Number	Enrollment	Teachers
Elementary K-6	3		
Junior High 7-8	2		
High School	1		
Parochial	1		
Private	0		

Vocational Schools	Location	Distance
Besser Vocational School	Alpena	60 miles

College or University	Location	Distance
Alpena Community College	Alpena	60 miles

EXHIBIT 1

COMMUNITY _____

Medical Facilities

Hospital: Distance: Total Beds:
Extended Care Facility: Total Beds:
Doctors: Dentists: Optometrists: Clinics:

Financial Institutions

Institution	Home Office	Branches	Deposits

Community

Number of Dwellings: Owner Occupied:
Rental Housing Available: ☐ No ☐ Yes Rental Apartments: ☐ No ☐ Yes
Number of Churches: Protestant Catholic Other
Synagogue Available: ☐ No ☐ Yes Miles:
Number of Retail Establishments: Number Employed:
Total Annual Retail Sales: 1.2 mil.
Number of Wholesale Establishments: Number Employed:
Total annual wholesale sales:

Recreation

Facilities Available: Golf Course: Parks: Tennis Courts: yes Swimming Pools: Lakes
County Clubs: Public Access Lakes: yes Campgrounds: yes Trout Streams: 5
Additional Recreation Activities in Area: State Parks, beaches, canoeing, snowmobil trails, ice fishing lake trout, steelhead

Climate

Warmest Month: August Average Max.: Average Min.:
Coldest Month: January Average Max.: Average Min.:
Days Over 90° F: Days Below 0° F. Growing Season: 160 Days
Average Annual Precipitation inches Snow 50 inches

Industrial Sites

	Total Acreage
Number of industrial sites:	10

Number of industrial sites with all utilities available:
Industrial park available: ☐ Yes ☐ No
Certified industrial park available: ☐ Yes ☒ No

Comments:

Location Services

Full Time Chamber of Commerce Manager: No

Brochure Available: ☐ No ☐ Yes Under development
Local Development Corporation Yes

Community Contacts

Aaron Curtis — John Tierney
John Perrino — William Hyde
Len Gaynor — Tom Ellenberg

Remarks

EXHIBIT 1



COMMUNITY PROFILE

Office of Economic Expansion
Michigan Department of Commerce

Community: Rogers City
County: Presque Isle
Prepared: June 1977

Location

Miles from: Chicago: 416 Detroit: 271 Toronto: 453 Cleveland: 432 Indianapolis: 490

Population

Community		County		1970 County Characteristics	
1960 Census:	4,722	1960 Census:	13,117	Urban:	43.1
1970 Census:	4,275	1970 Census:	12,836	Rural:	56.9
1975 Estimated:	4,574	1975 Estimated:	13,860		
1985 Projection:	5,085	1985 Projection:	15,841		

Major Employers

Firm	Product/Service	Employees	Union
United States Steel Corp.	Limestone Production	500	AFL-CIO
Bradley Transportation	Limestone Transport	235	UMWA
Rogers City Industry	Plastic Film	50	United Steel Workers

Labor Market Analysis For Presque Isle **County**

	Total
Civilian Labor Force:	4750
Employed:	4425
Unemployed:	325
Percent Unemployed:	6.8%

Wage and salary survey available?
☒ Yes ☐ No

May 1977 figures

Source: Michigan Employment Security Commission

EXHIBIT 1

COMMUNITY Rogers City

Commercial Services

Machine Shop in Area: ☐ No ☒ Yes Number: 6
Tool and Die Service in City: ☒ No ☐ Yes
Other:
Newspaper: Presque Isle County Advance (weekly), Alpena News (daily)
No. of TV Channels Received: 6 Radio Station: 8
Seating Capacity in Largest Banquet Room: 225 persons
Hotels Total Rooms ; Motels 6 Total Rooms 60

Municipal Services

Form of Local Government: City Manager
Fire Department Personnel: Fulltime: Volunteer: 13
Fire Insurance Classification: Community: 7 Adjacent: 9 & 10
Police Department Personnel: Sworn Officers: 6 Civilian Personnel:
Rubbish Service Provided: ☐ No ☒ Yes ☐ Municipal ☒ Independent
Comprehensive City Plan: ☒ Complete ☐ Underway ☐ Under Consideration
Zoning: ☐ No ☒ Yes ☒ Community ☒ County
Public Library: ☐ No ☒ Yes

Tax Structure

Year	City	County	School	Other	Total
1976	18.8854	5.241	24.82	1.26	50.2064
1975	20.00	5.000	26.09	1.36	52.45
1974	20.00	6.80	25.09	1.46	53.35
1973	20.00	6.62	24.62	1.46	52.70

(Per $1,000 Equalized Value)

Bonded Indebtedness: School $1,100,000 City $560,000 County 0
Ratio of Assessed Valuation of True Value*: City 44.0% County 44.9%

*Cannot exceed 50:

Utilities

Electric: Consumers Power Comapny
Natural Gas: Michigan Colsolidated Gas Company
Telephone: General Telephone Company

WATER

Source of City Water: ☐ Lake ☐ Reservoir ☐ River ☒ Well No. of Wells: 2
Capacity of Plant: 1.700,000 Gallons per day
Daily Consumption: (Min.) 250,000 GPD (Max.) 1,000,000 GPD
Storage Capacity: (Ground) Gal. (Elevated) 150,000 Gal.
Pressure in Mains: (Min.) 56 psi (Max.) 60 psi
Water Analysis Total Hardness: 200 ppm

SANITATION—Type of Sewerage Treatment Plant: Activated Sludge

Capacity	Present Load
1.000.000 gpd	500,000 gpd

EXHIBIT 1

COMMUNITY Rogers City

Transportation

Major Highways: US 23, M-65 (north and south), M-68 (west)
Bus Lines: Smith Bus Lines

RAIL

Line	No. of Trains	Passenger Service Yes/No
Detroit & Mackinac Railway Company	Daily	No

NUMBER OF MOTOR FREIGHT COMPANIES:

Major Companies	Local Terminal
Mulvena	No

United Parcel Service: ☐ No ☒ Yes

SHIPMENT TRANSIT TIME

To	Car Load Days By Rail	Truck Load Days By Truck
Chicago	3-5	4
Cleveland	4-6	4
Detroit	2-4	1
New York	6-8	5

AIR TRANSPORTATION

Nearest Airport: Presque Isle County Distance: Local
Runway Length: 4,000 Lighted: Yes Surface: Asphalt
Fixed Base Operator: No Nearest Commercial Airport: Alpena, 37 miles
Name of Airlines: North Central
Flights: Two daily to Detroit

WATER TRANSPORTATION

US Steel - Local

Education Facilities

Type	Number	Enrollment	Teachers
Elementary K-6	1	449	15
Junior High 7-8	1	182	13
High School	1	647	29
Parochial	3	468	21
Private	0		

Vocational Schools	Location	Distance
Alpena Public Schools	Alpena	37 miles

College or University	Location	Distance
Alpena Community College	Alpena	37 miles
Northwestern Community College	Petoskey	64 miles

EXHIBIT 1

COMMUNITY Rogers City

Medical Facilities

Hospital: One Distance: Local Total Beds: 56
Extended Care Facility: Local Total Beds: 49
Doctors: 4 Dentists: 3 Optometrists: 1 Clinics: 2

Financial Institutions

Institution	Home Office	Branches	Deposits
Presque Isle Bank	Rogers City	0	26,000,000
Calcite Credit Union	Rogers City	0	2,700,000
Family Federal Savings & Loan	Saginaw	16	236,613,000

Community

Number of Dwellings: 1386 Owner Occupied: 1087
Rental Housing Available: ☐ No ☒ Yes Rental Apartments: ☐ No ☒ Yes
Number of Churches: Protestant 13 Catholic 3 Other 1
Synagogue Available: ☐ No ☒ Yes Miles: 40
Number of Retail Establishments: 162 Number Employed: 442
Total Annual Retail Sales: $24,371,000 (County)
Number of Wholesale Establishments: 16 Number Employed: 74
Total annual wholesale sales: $4,364,000

Recreation

Facilities Available: Golf Course: 1 Parks: 17 Tennis Courts: 8 Swimming Pools: 4
County Clubs: 1 Public Access Lakes: 90 Campgrounds: 8 Trout Streams: 301 miles
Additional Recreation Activities in Area: Marina, hockey, softball, hardball, snowmobiling, cross country skiing, hunting, salmon fishing

Climate

Warmest Month: July Average Max.: 79.0 F Average Min.: 51.9 F
Coldest Month: January Average Max.: 29.6 F Average Min.: 8.7 F
Days Over 90° F: 6 Days Below 0° F. 26 Growing Season: 135 Days
Average Annual Precipitation 28 inches Snow 75 inches

Industrial Sites

Total Acreage

Number of industrial sites: 20
Number of industrial sites with all utilities available: 9
Industrial park available: ☒ Yes ☐ No
Certified industrial park available: ☒ Yes ☐ No

Comments:
The certified industrial park abuts the Presque Isle County Airport

Location Services

Full Time Chamber of Commerce Manager: Frances Gross, P.O. Box 55, Rogers City, MI 49779 (517) 734-2535

Brochure Available: ☐ No ☒ Yes

Local Development Corporation

Rogers City Industrial Development Corporation

Community Contacts

William J. Cadieux, IDC President, 376 E. Orchard, Rogers City, MI 49779
(517) 734-2816 (business) [redacted] (residence)

Remarks

Information on rural industrial sites is also available from above "community contact".

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EXHIBIT 1

Mr. SHARP. Thank you very much. We will call this meeting adjourned.

[Whereupon, the hearing was adjourned at 5 p.m.]

HOME ENERGY ASSISTANCE ACT

MONDAY, OCTOBER 15, 1979

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Philadelphia, Pa.

The committee met, pursuant to notice, in the auditorium of the Bell Telephone Building, 1 Parkway, Philadelphia, Pa., Senator Richard S. Schweiker, presiding pro tempore.

Present: Senator Schweiker.

OPENING STATEMENT OF SENATOR SCHWEIKER

Senator SCHWEIKER. The Senate Labor and Human Resources Committee hearing in Philadelphia, Pa., will please come to order. We begin our hearing today with a brief opening statement by myself, and then we will go to our first panel of witnesses.

I welcome you today to a hearing on emergency heating assistance for our low-income elderly and low-income families.

The issue before us today is whether low-income Americans, particularly the elderly, will be able to make it through this winter without some help from the Federal Government. Many people living on fixed incomes will face the choice of heating or eating—and I am one U.S. Senator who does not think we should wait until we find people freezing or starving in their houses before we provide some type of assistance.

Home heating oil prices in Pennsylvania have gone through the roof in the last year. Fuel oil prices have doubled and gas prices have risen 30 percent. The Pennsylvania Secretary of Public Welfare has estimated that over 100,000 Pennsylvania households will need some type of help with their fuel bills this winter just to get by. Of these 30,000 are elderly, many of whom end up spending over 25 percent of their fixed income on fuel costs. In fact, there are 1,295,000 homes in Pennsylvania that use home heating oil; we have the second highest consumption of home heating oil in the Union. The Carter administration has, until recently, refused to acknowledge the life-and-death crisis poor people in Pennsylvania and the rest of the country will face unless they get some help to pay their heating bills. Senator Brooke and I fought the administration for this type of assistance back in 1978, and Senator Eagleton and I fought the same fight in 1979. Until July of this year, the administration was contending, in spite of the great energy emergency, that it only needed $40 million, nationwide, for this upcoming winter. This was a decrease of $160 million from what was available last winter when fuel prices were much lower.

Only in July of this year did the administration acknowledge that we have a serious national problem, that poor Americans on

fixed incomes cannot cope with a 100-percent increase in fuel prices. Fortunately, by that time, Senator Eagleton and I had already put $250 million in the budget to start this program for the winter, and once that budget is passed that money will be available.

Now the Carter administration says that at least an extra billion will be necessary this year. A month and a half ago they were still saying they could not spend $40 million. It is a disgrace that once again they are acting on this problem at the last minute. I only hope that the administration is really committed to carrying out an expanded fuel program which will reach out with help to poor Americans as soon as possible, with a minimum of bureaucratic redtape and hassle. Redtape has unfortunately been the hallmark of this program in the past.

As many of you know, I have a longstanding interest in the present Federal program which shares the cost of paying fuel bills for a limited number of Americans. This is the emergency fuel assistance program run by the Community Services Administration, and, in Pennsylvania, the Department of Public Welfare. This program has been seriously criticized by the Congress, by the State agencies, by the local agencies, and, most importantly, by those low-income persons, particularly the elderly, which it was designed to serve.

I myself have been a vocal critic in the Senate of the ridiculous restrictive regulations of the Community Services Administration. The worst example is their requirement in past winters that to be eligible, an individual had to have an unpaid bill or notice of termination of service. I fought against this requirement time and time again, and now can report that for the first time, for this upcoming winter, CSA has finally complied with my amendment on the new regulations and dropped this requirement. Many people previously excluded from eligibility because they paid their bills on time will now qualify. We all know that these people are usually the elderly poor who would go without any other necessities before they let a fuel bill go unpaid, because of their ethic in believing that it is improper to leave an unpaid bill, no matter how much they have to starve themselves to pay it. And I submit for the hearing record a copy of report language that Senator Eagleton and I inserted along with the $250 million for heating assistance, to make sure that the money would be spent in the right manner.

[The information referred to follows:]

EXCERPT OF REPORT LANGUAGE AS SUBMITTED BY SENATORS SCHWEIKER AND EAGLETON

The Committee included $250,000,000 for the energy crisis intervention program, and increase of $210,000,000 over the budget, and $228,000,000 over the House allowance.

The Committee is well aware of past administrative inefficiencies of this program in some areas, but believes that, in light of projected 100 percent increases in fuel oil costs from last fall to this fall, it is imperative that some form of energy assistance to the poor and elderly be available.

Thus, the Committee directs that an allocation formula be developed immediately based on past severity of weather, relative increase in the cost of fuel, and the numbers of low-income individuals residing within the State. The Committee believes that a single allocation to the States in advance of the onset of cold weather will assist immeasurably in rational planning and efficient implementation of this program.

Funds would be provided to States for use as either cash grants or emergency assistance such as heaters, blankets, food, alternate shelter, and the like to low-income families. Governors will be given the flexibility to designate specific local delivery systems. Included in the type of assistance allowed would be direct payments, direct vendor payments, or payments from a revolving loan fund for fuel costs of eligible households. State administrative costs are not to exceed 10 percent of the grant.

Aid under this program should be limited to households at or below 125 percent of the U.S. Census poverty level, and individuals eligible for supplemental security income payments. Highest priority should be placed on serving the low-income elderly.

Payments made under this program are not to be considered as income for purposes of determining eligibility or benefits under any income maintenance program including, but not limited to, public assistance, veterans' benefits, food stamps, or supplemental security income. It is also the intent of the Committee that any assistance to the poor provided under State and local authority will not be reduced.

The Committee is aware that the administration is formulating its policy for some form of energy assistance program, and understands that the recommendation may include administration from another agency. Thus, the Committee would have no objection to CSA delegating all or part of these funds to another agency to administer a similar program. If a supplemental request for expansion of this program as a part of a comprehensive energy porposal is submitted by the administration, the Committee will give further consideration to this matter early in the next fiscal year.

Finally, the Committee further emphasizes that requirements of proof of unpaid fuel bills or notices of termination of utility service shall not be used as criteria for eligibility under this program.

Senator SCHWEIKER. I am having this hearing today to obtain more suggestions for improving the program. I hope this hearing will give some of you involved in the program at the local level where it all happens an opportunity to speak your minds about the program. This hearing is one of a series being held around the country by the Labor and Human Resources Committee, on which I am the ranking Republican. I wanted to make sure that we had strong Pennsylvania input for the full record, and so we are here today.

Later this week, the Labor and Human Resources Committee will draft legislation to greatly expand heating help for this winter, and probably will report out a bill either this week or next week.

And I can promise you that with my strong support the Senate will act quickly in this matter.

I think it's interesting that only yesterday I read a headline in the New York Times which said, "Price of Home Heating Oil Jumped Twice as Fast as Cost of Crude." Now, that is not what the purpose of this hearing is about today, but I think it does show exactly what the problem is. Obviously, if something jumped twice as much as the cost of the raw product, there's something that should be looked into, and it also has a tremendous impact on the people who are here today.

And so we are going to begin with a panel of people who are affected by this situation. So it's my pleasure to welcome as our first witnesses three people who will face a tough time this winter without some help from the State or Federal Government on their heating bills.

We will have all three panelists here—Mrs. De Bus, Mrs. Capizzi, and Mr. Matchinskey—but we will let Mr. Matchinskey begin, if you will, Mr. Matchinskey. Just take your time; it's very informal here; and just tell us in your own words what your situation is.

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STATEMENTS OF JOSEPH MATCHINSKEY, ELKINS PARK, PA.; FRANCES CAPIZZI, PHILADELPHIA, PA.; AND ELEANOR DE BUS, PHILADELPHIA, PA., A PANEL

Mr. MATCHINSKEY. Well, I think you just about covered everything, and I don't know what more I can add to it. I was one of those who paid their bills on time and consequently I got no help this past winter. So if I can get any help this coming winter, I would sure appreciate it—I mean, we need help.

There are the other areas where we are being hurt—I don't know if you care to hear about that now—but problems affecting seniors.

Senator SCHWEIKER. This has been a real bone in my throat, last year's program, that says just because you have made every other effort to save money or skimp and pay your bill, you are automatically disqualified, you are disqualified for being a good citizen. I think that that is a ridiculous way to run a Federal program, and I think that is a ridiculous way to run a program for the elderly, because we all know that the elderly particularly have an American work ethic that says pay your bill—and if you have to stop buying this or stop buying that, you pay your bill.

And also it says get a termination notice—get a termination notice. Well, what does that mean? That means they are going to cut you off. What person in their right mind wouldn't starve themselves somewhat to avoid being cut off? Now, that is just a ridiculous part of this program that I think you put your finger on very well. And I am delighted that finally, after about an 18-month battle, the new regulations say that on unpaid fuel bill is no longer the criterion for eligibility.

Let me ask you a few questions, Mr. Matchinskey, if I may.

Where do you live, where is your home area?

Mr. MATCHINSKEY. In Elkins Park.

Senator SCHWEIKER. And do you rent or own your house or apartment?

Mr. MATCHINSKEY. I own.

Senator SCHWEIKER. And how long have you lived there?

Mr. MATCHINSKEY. Twenty-eight years.

Senator SCHWEIKER. And what kind of income do you have to work with?

Mr. MATCHINSKEY. Well, at present I am on SSI, and last year I had a total income of $2,300.

Senator SCHWEIKER. $2,300.

Mr. MATCHINSKEY. That's correct.

Senator SCHWEIKER. Could you give us a rough idea of how much your heating bill was last year?

Mr. MATCHINSKEY. Well, I think you hit it just about right—about 25 percent.

Senator SCHWEIKER. So 25 percent of $2,300. That would run around something like $600—$500 or $600?

Mr. MATCHINSKEY. Yes, that would be about it, yes, sir.

Senator SCHWEIKER. Now, that was last year, and we all know that prices have gone up anywhere from 50 to 100 percent, depending on what area you are living in.

So your $600 bill is going to look like what, a $1,000 bill this year?

Mr. MATCHINSKEY. Most likely.

Senator SCHWEIKER. And, obviously, on a $2,300 income something else is going to have to give.

Mr. MATCHINSKEY. That's right.

Senator SCHWEIKER. And that's exactly what this is about. What kind of fuel do you use, just regular home heating oil?

Mr. MATCHINSKEY. No; gas.

Senator SCHWEIKER. Gas. I might say this, that the program applies to any kind of heating. We call it the Fuel Oil Assistance Act, but basically it applies to any kind of heat.

Mr. MATCHINSKEY. I think the people that heat with oil are going to have a bigger problem than I.

Senator SCHWEIKER. Well, as I indicated in my opening statement, we made a survey of what the gas increases will be in this area. Home heating prices look like they are up about 100 percent; the gas situation might well be a 30-percent increase. So even with gas that's about one-third over a year ago. So the $1,000 in this case still, unfortunately, looks like a pretty accurate estimate.

Do I understand that you have not previously received any State or Federal assistance for paying your heating bill?

Mr. MATCHINSKEY. I did the year before last.

Senator SCHWEIKER. The year before last. And you did not last year?

Mr. MATCHINSKEY. Not this past year, no.

Senator SCHWEIKER. Do you have any contact with any government agencies on a regular basis in terms of what assistance or help or guidance they can give you? Have you had any experience with any of them?

Mr. MATCHINSKEY. Oh, yes. I belong to the Montco SAC—the Senior Action Center—that's a second home to me, I am there every day. But I do volunteer work for RSVP. And both centers, both organizations, of which I am a member, are being cut drastically with their funding. And this is something that I wanted to insert, if I could. These centers, they are a big help to me. I don't know how to express it. I can never thank SAC enough.

Senator SCHWEIKER. Well, I think it's important to say it, because I think a lot of people that may watch or hear about this program might be helped by taking your suggestion. I think it's a good suggestion. I think it's important for our senior citizens to know that they can go somewhere to get a little bit of help and assistance. And I would like to also extend our office facilities for the same kind of thing. If they have problems that deal with the Government in terms of these programs, why, we have an office in the Federal Building down at Independence Square area, and I think it's important to use those people that are there to help.

Mr. MATCHINSKEY. In other words, I should contact the people at your office in town? As I said, this fuel assistance that I got the year before, it was through SAC.

Senator SCHWEIKER. The kind of house you live in, is it possible to do much to cut down heating bills, or have you pretty well done about all you can in terms of your heating bills?

Mr. MATCHINSKEY. Yes, I got under a winterization program last year, and they put a door on my stairway. I live downstairs; I have two bedrooms upstairs that I don't use, and I just heat the down-

stairs. So, in other words, I am living in a sort of bungalow type home.

Senator SCHWEIKER. So you have cut off the upper part during the winter to save your bills?

Mr. MATCHINSKEY. That's right.

Senator SCHWEIKER. You can't do much more than that, I wouldn't think.

Do you have a bedroom on the first floor?

Mr. MATCHINSKEY. I am in the process. I haven't slept in a bed since 1963.

Senator SCHWEIKER. It gets a little cold, then, upstairs, doesn't it?

Mr. MATCHINSKEY. I don't know; I don't go up there very much.

Senator SCHWEIKER. Well, that's not a bad suggestion. I know they do that in New England a lot where the cold is even worse; they try to cut off the second floor heat to save it. On the other hand, there are many houses that you can't possibly do that to because of the layout. So in some areas it's a practical thing—it cuts down bills; on the other hand, in some areas, there are many houses you can't do that to.

Mr. MATCHINSKEY. Well, living by myself now, I don't need a dining room, so I am trying to make my dining room my bedroom.

Senator SCHWEIKER. I think it's important for the Congress and the Senate to know what struggles people have, to make things meet when they have this kind of economic pressure.

Anything else, Mr. Matchinskey, that we overlooked that you would like to say?

Mr. MATCHINSKEY. I don't know if this is in your category or not, but property taxes is just about killing all of us.

Senator SCHWEIKER. Well, it's not directly in our category, but it's in our category I think in the sense that—you know, if your fuel bill has gone from $600 to $1,000 on a $2,300 income level, that doesn't leave much more to give in terms of property taxes. So I think this is part of the squeeze.

Mr. MATCHINSKEY. Well, here's the figures. Out of that $2,300, I had to pay $992 property taxes. And this year, if I pay before the end of the month, I have to pay $888, and if I fail to pay it by the end of the month I will have to pay an additional $60.

Senator SCHWEIKER. So 40 percent of your income goes to just paying property taxes.

Mr. MATCHINSKEY. That's right.

Senator SCHWEIKER. That's a pretty sad commentary on the system, I would have to agree.

Mr. MATCHINSKEY. We don't have it very easy, I'll tell you. But up until now, you are the first person that is going to listen to me. I am sorry if I am bothering you or getting out of hand, but I have tried to talk to several people, and—don't bother me; they are nice about it, but they don't want to be bothered.

And you are the kind of man that I think is sincere, has an interest in people like myself.

Senator SCHWEIKER. I appreciate that.

Mr. MATCHINSKEY. And there are people in worst circumstances than I am in.

Senator SCHWEIKER. You know, if 40 percent of your income goes to paying property taxes and 25 percent, which now we know is

going to be up to maybe another 40 percent, as I calculate the figures you have given me, it looks like 40 percent of your income is going to be paying property taxes, 40 percent is going to go for home heating—fuel, gas, whatever it may be—that doesn't leave very much to live on, to eat on, does it?

Mr. MATCHINSKEY. No, it doesn't. That's why I say, the Montgomery County SAC, Montco SAC—I eat my meals there.

Senator SCHWEIKER. With food prices going up, we all know they haven't been slacking there when it comes to inflation, so how you are going to deal with the 20 percent left I wouldn't know.

Mr. MATCHINSKEY. I get a rebate of $400 in July, but the thing is I have to pay the $888 now to get the $400 in July. My daughter—thank God I have a good daughter—she is going to pay the taxes for me, and I will manage to pay her some of it, not all—I don't know, but if I can I will. But I will give her that rebate money that I get in July.

Senator SCHWEIKER. You raised a good point. You have to finance that rebate money until July, right?

Mr. MATCHINSKEY. That's right.

Senator SCHWEIKER. I realize that property tax is a matter of State jurisdiction, not Federal, but I will sure get a letter off to the Governor to see if we can't do something better than the rebate system, because it just seems to me that to expect people like yourself who have to be putting up money for a fuel bill over the winter, they are taking away money from you when you need it and giving it back to you to some extent when you don't need it—not that you don't need it, but the point is you need it more over the winter months than you would in the summer months.

I will write a letter to the Governor and see if there is some way we can administrate the present State law in a way that somehow relieves that burden. I am not familiar with the details of the State law, but I think you raise a good point, and we will certainly look into it.

Mr. MATCHINSKEY. And then I got a notice in with my—I get food stamps; and I can't really understand it, but it seems like I have a choice of getting additional food stamps or having some money applied to my utilities, which they did the year before. They gave the Philadelphia Electric Co. $150 applied to my account as a credit, which was a big help to me.

And it seems to me, according to this card, that I have a choice of additional food stamps or a credit with the utility company. And I would prefer to credit with the utility company, because utility prices will remain the same, where the supermarkets—if they have more food stamps in their hands, they in turn raise the prices of food items, and they don't raise it a penny or two; they raise anywhere from 10 cents to 40 cents an item. I went into the A. & P., for instance; I bought a box of Ritz—79 cents. That same box of Ritz 3 days later was 99 cents.

Senator SCHWEIKER. Well, let us look into that option, too. You say you would prefer it in terms of the utility?

Mr. MATCHINSKEY. Helping with the utility bill.

Senator SCHWEIKER. All right, let us look into that and see if we can be of any further assistance to you there.

Mr. MATCHINSKEY. And I would like to see the RSVP and MontCo SAC—I would like to see that the people who are trying to do a job there get a chance to talk and present their problems to somebody, like yourself, if you are interested, to help the seniors—and they are doing a wonderful job with us. And, in turn, when I got on my feet—I am a volunteer for just about anything they want me to do. Anything they ask me—I will wash dishes, I'll do anything just to help out. I mean, that's what I think of those people.

Senator SCHWEIKER. I think you have made some very constructive suggestions, and we will follow up several of them, and we appreciate your very positive testimony; I think it has been very helpful to have somebody tell us some of the problems at the receiving end of the other government programs and how they miss the mark or aren't handled properly.

Mr. MATCHINSKEY. I appreciate your giving me a chance to say it. I really don't know what I am saying, but I am trying to——

Senator SCHWEIKER. You say it well, whatever it is; you said it very well—we get the message.

Mr. MATCHINSKEY. Thank you very much, sir.

Senator SCHWEIKER. All right, Mrs. Capizzi, I wonder if you would just briefly explain your situation, tell us anything you can along the same lines that Mr. Matchinskey did, whatever similarities or dissimilarities you have, go ahead and we will hear from you.

Mrs. CAPIZZI. My age is 77, I have a husband that's sick, and he is 86. I live at 1246 Daley Street, and I have a little house there. And I went to work when I was 55 years old, and I stopped last year; I worked part time last year. And I can't go to work any more; I'm not that well. And my husband is a sick man: He has a heart condition, and he has a pacemaker. And it's hard to get along on our income. The time I pay all the bills, I don't have much to get along with. I have a refrigerator that I had to get fixed—it's an old one; and it cost me $110. And my washer is all leaking, and I have a very drafty window that is rotting and I have to cover it with plastic in the winter to keep warm. And my bills are high, and it's so hard to meet all the bills.

Senator SCHWEIKER. You didn't qualify for last year's program, is that correct?

Mrs. CAPIZZI. No, I did go to St. Rita's there, and our income was a little bit over, and I didn't qualify.

Senator SCHWEIKER. You were something like $1,400 over the minimum level so you couldn't get help.

Mrs. CAPIZZI. I couldn't get help. His medication is about $17.80 a month, his medication alone, medicines, and by the time we get through, why, it's very hard. And I would appreciate if I could get a little help on the fuel.

Senator SCHWEIKER. What kind of heat do you have?

Mrs. CAPIZZI. I have gas heat.

Senator SCHWEIKER. Do you know what your heating bills were this past winter?

Mrs. CAPIZZI. About $400, near $400. This winter it will be more.

Senator SCHWEIKER. Do you figure probably $600, maybe $700?

Mrs. CAPIZZI. About that.

Senator SCHWEIKER. Where are you going to get that money?

Mrs. CAPIZZI. Where am I going to get it? You know what I mean—he has to go to doctors, and that's it.

Senator SCHWEIKER. Have you gotten any other State or Federal help in any way?

Mrs. CAPIZZI. No; no help, because I have worked and made money to keep the house going, but I can't go no more; I can't leave him. And I don't feel that strong. My pressure is high, and my arthritis, and I am subject to heavy colds all the time.

Senator SCHWEIKER. Well, you are 77 now.

Mrs. CAPIZZI. 77—where am I going? I can't work the rest of my life.

Senator SCHWEIKER. So a program like this that you couldn't qualify for last year, you hope you can qualify for this new program?

Mrs. CAPIZZI. I hope I could get something.

Senator SCHWEIKER. All right, Mrs. De Bus, would you tell us your situation? Thanks very much, Mrs. Capizzi, we appreciate it.

Mrs. CAPIZZI. Thank you very much, Senator. It's wonderful to have someone that takes an interest in the people.

Senator SCHWEIKER. Is there anything—I don't want to pass you by too quickly—is there anything else that you would like to say or that we overlooked in going over your situation? Did you pretty well cover it?

Mrs. CAPIZZI. That's it. I have to keep up and pay bills—and it's hard, regardless of me working. Now I can't go to work. Then, when I worked, I didn't mind it. I paid everything and paid bills on time, but now it's hard.

Senator SCHWEIKER. It sure is hard with inflation and——

Mrs. CAPIZZI. I have a man 86 years old, and he needs care. He broke his hip about 3 years ago. While I was working, he went to the store and he fell. I can't leave him.

Senator SCHWEIKER. Well, that's right, your job is taking care of him, and that's the way it should be, and——

Mrs. CAPIZZI. So that's it.

Senator SCHWEIKER. That presents economic pressures.

Mrs. CAPIZZI. So if you could help me to pay some of the fuel, I would appreciate it.

Senator SCHWEIKER. Well, we will certainly try to get your kind of income level included in our new bill, because it seems to me that people like yourself are the ones that are really going to be caught in the crunch, where you are just above the line that they used last year, and then you have a 30- to 100-percent increase in home heating bills.

Mrs. CAPIZZI. I checked the gas; it's very high.

Senator SCHWEIKER. OK, Mrs. De Bus?

Mrs. CAPIZZI. Thank you very much.

Senator SCHWEIKER. Thank you very much, Mrs. Capizzi, we appreciate it.

Mrs. DE BUS. I am Eleanor De Bus, and I live at 7603 Dix Avenue in southwest Philadelphia. And I will be 73 years old the 8th of November. I have lived in this house—I have been a widow for 10 years; I have lived in the house for at least 27 years. And I have always been able to try to manage, but up until last year and

this year, it's very hard for me to try to get along. I have a home that is badly in need of repairs, and my fuel bill last year was $500.

Senator SCHWEIKER. What kind of fuel do you burn?

Mrs. DE BUS. I burn oil. And I did receive the rebate of——

Senator SCHWEIKER. How much rebate did you get?

Mrs. DE BUS. $243.

Senator SCHWEIKER. So you qualified for the program last year?

Mrs. DE BUS. Last year I did.

Senator SCHWEIKER. You had half your fuel bill paid last year.

Mrs. DE BUS. Right.

Senator SCHWEIKER. Go ahead.

Mrs. DE BUS. Now I am on a budget, and I received my estimated bill for this year on the budget; it will be $720, if not more, because they cannot quote prices.

Senator SCHWEIKER. They are just giving you a "guesstimate" is what they are telling you?

Mrs. DE BUS. That's right. And I tried to apply for help. I need repairs to the front of my house; my front step was cracked. Someone took the step apart that was cracked, broke it off and threw it over the fence. So I tried to get someone to get me some help, because the front roof is leaking, my back roof is leaking, and it's ruining the inside of my house.

Someone reported me to my insurance company, stating that I had a broken step and that I needed my house painted. Now, I do not know when insurance companies have the right to notify you that you have to have your house painted.

Senator SCHWEIKER. This is your homeowner's——

Mrs. DE BUS. This is my home.

Senator SCHWEIKER. I mean, it's your homeowner's insurance policy that said that?

Mrs. DE BUS. That's right.

Senator SCHWEIKER. I hadn't heard of that one before either.

Mrs. DE BUS. I never heard it before, Senator Schweiker. I was born and raised in Philadelphia.

Senator SCHWEIKER. And what did the insurance company tell you?

Mrs. DE BUS. They sent me a letter and notified me to have the step repaired, and also to have—my house was badly in need of paint, and that I should have my house painted. Now, I am trying—I am a widow, I had a paralyzed husband for 7 years that I took care of before he died. And my money is just exhausted; I have no money to make any repairs. I received a rebate for my tax—the real estate tax. And I had to put it right in the bank in order to be able to pay toward this year's taxes.

Now, there is other things that have to be done to my home in order for me to try to save it, and I have notified different people and they told me that they had too many people on the list, that when my turn came they would notify me and they would send me an application.

Now, what am I supposed to do in the meantime?

Last year I spent all that money for fuel, and I was cold all winter. I had to sit with a blanket on my legs and a sweater on. I went to bed with a sweater on all the time. And it cost me $500.

Senator SCHWEIKER. So even though you spent $500 you really weren't warm?

Mrs. DE BUS. I was not comfortable at all in my home; I was cold. And I don't know what I am going to have to do this winter. I was thinking seriously, as the gentleman said before, of moving my bedroom down into the dining room. But there, again, I have cataracts on both eyes; I have glaucoma; and I cannot see to go out and do things and go anywhere by myself. And I cannot do it. I have arthritis in every joint in my body.

So I just don't know—I am at the point now that I do not know what to do anymore.

And I would appreciate any help that would be given to me.

And I really would like to thank the center, the Open Door, at 70th and Woodland Avenue, the senior citizens center, for their hospitality and the good that they are doing for senior citizens and the feeling that they have through all these older people that have no place else to go—but they are so glad to get out of the house and go to the center, and they are really treated like human beings in these places. Of course, they don't have a lot to go on either, but they always make you feel that you are welcome; they will always manage somehow to give you lunch. And also the Hospitality Center at 63d and Grace Avenue. I am a member at both places. And they have helped me more than I will ever be able to say.

Senator SCHWEIKER. Well, it sure looks like a lot of senior citizens would be in trouble if they didn't have these centers to——

Mrs. DE BUS. That's so true, Senator—so true. That is a Godsend, these centers for older people are a Godsend, because you would be surprised how lonely—and I don't think there is anything any worse than loneliness—and to have these people to have a place to go to and receive a warm meal is really very gratifying. And a lot of them would be only sitting home and would never get out if it wasn't for them. Of course, the transportation could be improved, but, under the circumstances, they, too, are on a fixed income.

Senator SCHWEIKER. How far are you from the center?

Mrs. DE BUS. Well, I have to have transportation. I am at 76th and Dix Avenue, and 70th and Woodland Avenue is the nearest.

Senator SCHWEIKER. How do you get there?

Mrs. DE BUS. They supply me with transportation, or I couldn't go, Senator. I can't go out of the house by myself, because I cannot see.

Senator SCHWEIKER. They have a car pick you up.

Mrs. DE BUS. They have a van that they pick up people that are unable to get there on their own.

Senator SCHWEIKER. What about your total income? You said your fuel bill was $500 last year; you got an estimate of $720 this year. What kind of income do you have to——

Mrs. DE BUS. Well, I went to work when my husband took the stroke, because I knew I wouldn't get much of a pension from the railroad—my husband worked for the railroad. And my income through the railroad is $264 a month, so I went out at night, after I put him to bed, tried to earn social security—and I just got under the wire then.

And I receive $119 now for social security. But that I had to do on my own.

Senator SCHWEIKER. Now, you tried to winterize your house, do I understand?

Mrs. DE BUS. Yes; I have.

Senator SCHWEIKER. Would you tell us that experience?

Mrs. DE BUS. I applied for weatherstripping and cauking, to try to find out whether my roof was insulated or not. And I had a group of boys with their boss, the leader, bring them down, and I would say that they were there about a half hour. The boss went upstairs, cut a hole in the closet ceiling, and said that the roof was insulated. The boys were supposed to be working downstairs.

Now, to this day I am trying to figure out how my upstairs windows could be cauked from a stepladder. It's just impossible. It was bing-bang-boom and the job was all done, and they were gone. They were supposed to come back and replace the windows that were cracked—and I have never seen nor heard from them since. I keep calling and calling and I get nowhere.

Senator SCHWEIKER. What program was that?

Mrs. DE BUS. Oh, I really couldn't tell you, Senator.

Senator SCHWEIKER. The CSA weatherization program, I guess, from——

Mrs. DE BUS. I imagine it was that. It was something that was brought up at one of the centers that I go to.

Senator SCHWEIKER. What in essence we are saying is that this was a ripoff as far as you were concerned.

Mrs. DE BUS. Positively, it was the worst job—none of the windows up on the second floor were touched; they couldn't do it from a stepladder. And half the windows—they did a couple on the side, and that was it, the job was finished.

Senator SCHWEIKER. We are going to follow that up further because obviously that is not the way it is supposed to work, and we want to know why it worked that way.

Mrs. DE BUS. Right, and I would like to know, too, because I feel that I am—I am a taxpayer, and I don't feel that it should be done to people.

Senator SCHWEIKER. Well, I assure you we will find out at least what happened and see if we can rectify it. Obviously the program is not supposed to work that way, and let's hope it isn't working that way with too many other people.

Mrs. DE BUS. Well, I feel sorry for the people that got it. And now I need storm windows and I need repairs made to my dining room windows, the water comes in. I just don't know how I can do it, because the money I get—I pay my bills, and what little bit is left is for food.

Senator SCHWEIKER. Do you have any other expenses that you are expecting to be high in addition to the heating situation? Anything else that's coming up?

Mrs. DE BUS. Well, I heat my water with gas, and I have had that for quite a long time. I am waiting for that to go, but I am just keeping my fingers crossed that it doesn't go, because these bills that run into hundreds of dollars—you just can't meet them, not on a fixed income with the way they are raising the prices.

Senator SCHWEIKER. Well, I know they can't come out and look at your house for much under $100 and fix anything, that is for sure.

Mrs. DE BUS. That's right.

Senator SCHWEIKER. Well, I think that pretty well tells the story. We have three different cases here, some people who qualified before and some who didn't. And, of course, the story is that the elderly people are getting squeezed, and you folks very articulately stated it, and I thank you very much for coming.

Is there anything else that any of you would like to say, anything in particular, or do you think that pretty well covers it?

Mrs. CAPIZZI. My front window is rotting. It's a wood window, and to keep warm I have to cover it with plastic in the winter and sit with blankets around, and it is hard to keep that house warm.

Senator SCHWEIKER. I gather the weatherization program—nobody's come to you about weatherization.

Mrs. CAPIZZI. No.

Senator SCHWEIKER. I hesitate to send anybody to you after hearing Mrs. De Bus' story.

Mrs. DE BUS. Well, that is true, that is the truth. I really felt very, very bad. I was happy to think that I was going to get something done for me.

Senator SCHWEIKER. Well, we will have somebody look at your window again. I don't want to promise too much in view of what Mrs. De Bus said, but I think, in fairness, we should at least have them check you out for the weatherization program.

Mrs. CAPIZZI. My washer is leaking and I have rags around it at the bottom—it's leaking. And I need a new one—it's an old one. The refrigerator was there when I bought the house, and it's old. I had it repaired, and I don't know how long it's going to keep. And that will be a big bill.

So the time you pay your gas and electric and other expenses, it's very hard, Senator.

Senator SCHWEIKER. It certainly is. I don't see how you do it, frankly, at the income levels you are talking about.

Mrs. CAPIZZI. I never had any help of any kind. Of course, I went to work, and then when—I went when I was old to work, because he wasn't making nothing, and I just stopped last year, Senator. I worked part time a few years, but I can't do it no more now.

Senator SCHWEIKER. We didn't get into the area of food costs.

Mrs. CAPIZZI. He can't see too good, he has cataracts and everything else. I can't leave him; it's impossible.

So that's my problem, Senator.

Mrs. DE BUS. Senator Schweiker, I would appreciate anything that you could do for the senior citizens, and I am sure that all of them would appreciate anything that could be done for them.

Senator SCHWEIKER. Well, I think you have stated the case very well, the three of you. We appreciate your coming very much, and thank you for being with us this morning.

Mrs. DE BUS. Thank you, and it is nice being here.

Mrs. CAPIZZI. It's nice speaking to you, Senator. [Applause.]

Senator SCHWEIKER. You can see some of your colleagues think you said it very well for them, they are applauding; and we appreciate it.

Our second panel is made up of individuals who are on the firing line during the winter months. They represent the Government agencies to which poor people turn for help when they have ex-

hausted all their limited resources. Possibly the worst part of being the local delivery mechanism for Federal programs is running into the many hassles that the Federal regulations create. This has been particularly true for the emergency fuel assistance program.

I know you all have really had to work hard to make up for the lack of leadership in the Federal agencies on this program, such as the unpaid fuel bill requirement that I talked about earlier in the hearing. I am sure you can give us some good suggestions for improving the program.

So we are going to call up the next panel, Mrs. Penelope Gerber, chairperson of the Montgomery County Board of Assistance, Ms. Pollack of the Philadelphia Corporation on Aging, and Mr. Frecsa, the director of the State emergency fuel assistance program with the Pennsylvania Department of Public Welfare.

I would like to invite the three panelists to please come forward.

We are going to proceed the same way we did in the last panel, so if each of you will maybe give us a 5-minute opening statement, then we will get into questions. And we will try to understand your problems and your concerns. And we will begin, I guess, in just the same order in which you were called up here.

Mrs. Gerber, if you will go ahead.

STATEMENTS OF PENELOPE GERBER, CHAIRPERSON, MONTGOMERY COUNTY BOARD OF ASSISTANCE; NANCY POLLACK, PERSONAL CARE SPECIALIST, SENIOR CITIZEN ASSISTANCE AND REFERRAL AGENCY, PHILADELPHIA CORPORATION ON AGING; SAM FRECSA, DIRECTOR, EMERGENCY AND SPECIAL PROGRAMS, PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE, HARRISBURG, PA., A PANEL

Mrs. GERBER. Senator Schweiker, I am delighted to have the opportunity to talk with you today. It is not often that the front-line troops get to tell the general how the war is going from their point of view. That is what I am going to tell you today, what has happened to the last three emergency fuel programs when they reached the public's level—in this case, through a public assistance office.

Frankly, the programs were abysmal. The regulations were incomprehensible, both to the staff that had to administrate the programs and the citizens that were supposed to take advantage of them. Two examples, Senator.

The first year, you were penalized for paying your bill. If you had managed to scrape enough money together to pay your heating bill, you were given a rebate of $50; however, if you hadn't paid your bill, you were given $200.

Senator SCHWEIKER. Repeat that again, Penny.

Mrs. GERBER. In the first year, if you had managed to pay your bill, if you had somehow gotten together enough money, you were given a rebate of $50; if you hadn't paid your bill, if you just hadn't paid anything, you were given $200.

Senator SCHWEIKER. So if you didn't pay your bill you got a premium of $150.

Mrs. GERBER. Exactly.

Senator SCHWEIKER. Couldn't be a worse concept, and I hope we are over that hump.

Mrs. GERBER. That was the first year. Last year, the last program was started last April after the winter was over. Staff members from each public assistance office that were administrating this program were supposed to visit the home of each applicant to see whether there was too much coal in the coal bin or too much oil in the oil burner. That's a little ludicrous, I think. We didn't have enough staff to process applications, let alone to go out in the field. And even if we had who would have known what was too much oil or too much coal. I wouldn't have.

The Montgomery County Board of Assistance is one of 67 county boards of assistance in Pennsylvania charged with the administration of the Federal emergency energy programs. We want to make you aware of some of the problems encountered with these programs and we want to suggest improvements in the hope that future programs will be better.

Most of my comments are directed toward the most recent program which was designed to improve upon the previous two. The 1979 program was very confusing and frustrating for everyone concerned with it. It was a poorly conceived program and did not genuinely address the greatest need. The program was fraught with problems in these following areas: Publicity, timeliness, interpretation, conditions of need, and eligibility criteria.

On publicity. The 1979 program publicity was grossly inadequate. No flyers were available for distribution, and media advertisement was minimal. This presented a particular problem this year because of the proximity of the 1979 program to the 1978 extended program. There was only a 2-week interval between them. Often no amount of explanation could make it clear to applicants that in April 1979 they were applying for energy costs for the 1977–78 winter, and that they also could not get any definitive information about the 1978–79 energy program. In other words, it was a year late.

Senator SCHWEIKER. Why that horrendous delay?

Mrs. GERBER. As far as I know, the program wasn't funded out of Washington to be implemented until that time.

Senator SCHWEIKER. I am not sure that's the case.

Mrs. GERBER. Well, I am not sure either. I am just telling you what happened when it got to the local level.

Senator SCHWEIKER. I think it was the regulations, because that's the winter that Ed Brooke and I led a fight and got the money in in the fall, but the problem is that once you put money in the program and you are setting up new regulations, it takes so long to get out new regulations, and I suspect that that was the problem.

So I can understand why people would think that they couldn't——

Mrs. GERBER. But meanwhile once it finally gets to that local level—I agree, it's very difficult to understand why in April 1979, when you have gone through this winter, you are talking about the previous winter. And you can't be told what's going to happen to help you out for what you had just the winter you finished.

Senator SCHWEIKER. Very valid point. Go ahead.

Mrs. GERBER. Timeliness has been a problem in two ways. First, because two programs were run so close together, and, second, because it has taken much too long for payments to be made,

resulting in hardship for consumers and energy vendors alike. As of today, October 15, many payments have not yet been made for the 1979 program which ended on June 30.

As you have noted, the requirement that gas and electric bills could be paid only if a shutoff notice has been received is a very poor one. It fosters the consistent nonpayment of bills. People's efforts to be responsible, especially when they are poor, need to be recognized and rewarded. This provision has penalized people who have managed to assure themselves of utility services by making special arrangements with the oil companies or who had borrowed money to pay their bills.

The 1979 program also put oil and coal dealers in a very difficult spot. The policy that requires a dealer to confirm that he would not make additional deliveries to a customer who had a large outstanding bill—in other words, shutting off service—angered many dealers. Understandably, some dealers would not agree to this, and then the client could not be helped by the energy program. Some dealers thought we were crazy because normally our service workers plead with them to continue service, even though there is no money to pay the bill. They couldn't understand why our workers were saying give them a shutoff notice, when for years we had been working with them to make some accommodation to get people service.

So it was kind of a catch 22 situation.

Senator SCHWEIKER. It sure was.

Mrs. GERBER. As I mentioned earlier, another provision required that if a client had coal or oil on hand, an assessment be made that his supply would last less than 1 week in cold winter weather. This provision was virtually meaningless. However, those clients who were very honest and reported that they did have more than a week's supply, because they had just had a delivery, did not get any benefits, regardless of their overall financial situation and energy costs.

The regulation that provided for payment for nonfuel utility items when the applicant had paid his energy bills at great sacrifice—that is quoting from the regulation—and thus had no money for other necessities, primarily food, had no valid place in this program. It was most difficult for staff and applicants to understand why an energy program should make payment to a grocery store at an indefinite future date, especially if the client was establishing that he had a need for food now because he had spent all of his money on fuel. In other words, the relationship between a future creditor grocery store and previous fuel costs was hard to understand.

The question of at what point a family should become financially eligible for an energy program is a difficult one. A number of applicants this year had incomes slightly above the cutoff point but obviously needed help with energy bills, as the lady you were speaking to before. The fact that there was no relationship between actual energy costs and family income contributed heavily to making this program so inequitable.

Of course, families whose energy costs were included in their rent did not benefit at all from this energy program.

Senator SCHWEIKER. That's a very valid point.

Mrs. GERBER. If you rent your home or your apartment, you could not qualify for the program, which left out a huge chunk of people all over the country, certainly in urban areas.

Lastly, the program, aside from the problems outlined above, has been too unstable and confusing to people. Regulations have been different each year, and in each year's program changes have been made in midstream. The people who should be benefiting from this program have encountered extensive confusion as well as frustration; they have not been able to keep abreast of the eligibility conditions and thus cannot count on getting help. We recognize that help with ever-increasing energy costs must be provided to a certain segment of our population for an indefinite number of years, because the costs are going up so much.

It is therefore important that the new legislation and regulations being formulated remedy existing problems as well as anticipate new ones. Based on our experience with administering the past programs, we have recommendations to make in the following three areas.

First, under administrative concerns, meaning the people who discharge or handle the program. Thoughtful planning and development of this program well in advance of the implementation date should occur. This is, of course, what you are working toward today.

There should be consistency from year to year in the basic program provisions. Families should have a reasonable expectation about their eligibility for benefits.

Responsibility for the program should not be split between two agencies, as has been the case in Pennsylvania. In our view, the administration of the program would seem to belong most properly with the welfare department where there is existing expertise to administer a needs program.

And, very importantly, any expansion of the program should include specific administrative instructions and funding.

Senator SCHWEIKER. Let me understand that last point again. How is it split, between what two agencies?

Mrs. GERBER. Well, between what are called the CAP agencies, the community affairs agencies, and the welfare department. I believe in other States, the CAP agencies, or CSA agencies, did administrate the program. Pennsylvania is the only State that used its welfare offices, county welfare offices, to administrate the program.

And despite the problems that we have had in our welfare department in this State, I understand from people in Washington who have told me that, as many problems as a welfare department has in any State, apparently Pennsylvania did a better job of administrating this program than any other State in the Union. I think one of the reasons is that the welfare department, there are all kinds of county offices, are used to dealing with questions of eligibility and questions of need, and people are used to coming to us and asking for some kind of help, although they may not like to—and, believe me, most people don't want to; most people are like you and I, they don't want to walk into a welfare office, or any other office. But the times come when you just have to go and ask for help.

The duties have been split or I think are planning to be split between the CAP agencies and our office—and I am going to talk about that a little bit later. They are in charge of the publicity for this new program that is coming up. It is very tough to figure out how they are going to handle publicity for what we are going to be doing, just on simple things, like when will the hours be, should people make appointments, should they not make appointments—that kind of thing.

To me it seems like it will be the right hand doing one thing and the left hand doing something else.

Senator SCHWEIKER. In the past how had it been done? The publicity.

Mrs. GERBER. We have not done it—I don't think we have done it, as I know, have we done the publicity locally? A couple of my staff people are here who know better than I.

Voice. Transportation and publicity were provided by CAP agencies in the past.

Mrs. GERBER. We did not handle it. Also, another point while we are talking about this: As I said, any new program should include administrative instructions and funding. No agency, whether it's the CAP agency or our agency, should be asked to divert from its usual activities in order to handle the emergency assistance program. In the past there has been no provision on a regular basis to have additional staff. And it requires people who are available to sit at a desk and talk to people as they walk in and find out whether they are eligible for a program or not.

And in Pennsylvania—this is not a Federal problem, it's a State problem—the local county welfare offices, especially in the urban areas like Montgomery County-Philadelphia, are grossly understaffed. So when we took people to administer for this program, it meant something else wasn't getting done, somebody else wasn't getting a medical card on time, somebody else wasn't being processed through the system in a timely way.

So any new program really should not be superimposed on top of what we already have without some sense that it is going to need additional staffing, and that that will be part of the program, it won't necessarily be left up to the States to decide whether there will be additional staff or not.

And I am sure you are aware—I believe she testified to this—the secretary of welfare said the department couldn't administrative any future program under the conditions that had been done in the past, because there just wasn't enough available manpower to do it, and to get people coming in, timely processing, that kind of thing.

So that is really a very important part of it.

Also, another very important point. Access to the program should be easy. Application forms should be simple enough so that in most cases the applicant can complete it himself. Provisions for prompt decision on eligibility, proper notification, and due process should follow the usual welfare procedures.

Now, on provisions of the program, what actually the program is going to look like. The eligibility criteria should be confined to income and need for help with energy costs. All secondary considerations and benefits should be excluded—you know, whether they are paid versus unpaid bills, roof and window repair, food, what-

ever—that should be out of it. Payments should be in the form of a credit to an energy provider which could be used to pay past or future bills. Appropriate timing of the program in issuance of checks would eliminate the need to reimburse the applicants for funds already expended.

Senator SCHWEIKER. What about assets? What's your feeling on assets? Should that be a criterion or not?

Mrs. GERBER. Well, it's difficult. I don't know in fact how to answer that. I recognize, you know, if someone has a—well, it depends on what kind of assets you are talking about. Your own home is an asset, but if you can't heat that home I am not sure it's an asset—it's a liability. You know, if you have to live on the first floor and can't use the second floor because it's so cold—and you have your heat on—I mean, I think it's cold in here.

Voice. It is cold.

Senator SCHWEIKER. I think they are complying with the new Federal guidelines and making a point about where the thermostat is set in here.

Mrs. GERBER. But it is horrendous to own a home which is an asset, which is valued at a good amount of money, and you still have an SSI income which is very minimal, or you may have slightly over what you are allowed, and you can't get any help and you sit with a blanket around your shoulders all winter long.

So in a technical sense I really think that the income level should be looked at and the need level. The need for anyone who is heating with oil is pretty clear, I think. But I recognize that the question of eligibility is not an easy kind of problem, it needs a lot of thinking about and talking about.

But our point is that none of this should be tagged necessarily to weatherization and that kind of thing; it should be as clearcut as possible so that it is easy.

The senior citizens who were here are fortunate. They go to senior citizen centers who got the information on the programs, who helped them understand it, explained it, and probably provided some transportation to go and apply for it. But there are people who don't go to senior citizen centers; there are people who aren't senior citizens who are in the same position, who have to rely on what they read in the papers, what they hear on television, and have to get themselves there.

So it should be easy to understand, simple to figure out, as much as possible.

Also it will be a lot easier to administrate that way; it will be less complicated in terms of the mechanics of it, and, in terms of making mistakes, it will be a lot easier to keep things correctly done rather than so complicated that errors are made.

Family income and energy costs should be the criteria. We can't speak to what level it should be, because we don't have that expertise, but we of course would like to see it extended to as many people in that marginal area as possible. Furthermore, we think that families whose utilities are included in their rent should benefit from the program, as increasing energy costs also have a direct impact on them—their rent goes up when their landlord's fuel costs go up. While it may not be possible to discern their energy costs exactly, we would suggest that for families below the income

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cutoff point, that if their total shelter costs exceed 30 percent of their total income, they should be eligible for this program. You make an estimate and just say that's what it is, then let them be eligible.

Senator SCHWEIKER. Thirty percent?

Mrs. GERBER. Yes. As I said, publicity needs to be improved; it needs to be much more extensive than it has been in the past. Easy-to-understand eligibility conditions, presented in simple language, are needed to communicate with the eligible population. And the publicity activities need to be coordinated between the various levels of government.

And the local administering agency, whoever it is, whether it is CAP agency, whether it is a welfare office, needs to be given the responsibility for the local arrangements and outreach efforts most appropriate to the communities. In some areas it might be TV, in other areas it might be a local radio station that everyone listens to; some places have newspapers that everybody reads, some places don't. There ought to be flyers that are available to send to those senior centers so somebody can have a card showing them where to go and what to ask for.

But I think that that kind of thing should be decided at the local level, and it is economically more effective to do it that way, because the local people know how best to reach the local population.

These basically are our recommendations for legislation, and I really do thank you for a chance to present our views. And we are available—and I have got a terrific staff, and they are available—we are available any time you want to call us, ask us anything—we'll be glad to do it.

Senator SCHWEIKER. Well, I know we have worked with you in the past and you do have a good staff, and we appreciate your testimony. And I think we will go to the other witnesses before we ask questions.

So, Ms. Pollack, why don't you go ahead?

Ms. POLLACK. OK, I am here as a representative of the Philadelphia Corporation on Aging, on behalf of Philadelphia's elderly. Those at the bottom of the economic ladder bear the brunt of suffering, with the elderly experiencing perhaps the greatest hardship and deprivation. They often live in older less energy-efficient homes that leak heat almost as fast as the radiator turns it out, often paying 40 to 50 percent of their fixed income on heat. Many elderly are also susceptible to accidental hypothermia, so allowing room temperature to drop into the low 60's can often be deadly. As prices rise, older Americans will be forced to make painful choices between such necessities as heat, medical care, housing, and adequate nutrition.

Owing to the CSA programs lateness, there has never been enough time or money or staff to do effective outreach, especially to the home-bound elderly. In addition, the CSA program rewards those who couldn't pay or possibly intentionally delay payment of their heating bills, and punishes those who had no choice to pay. But for the 3 years this is what we have had to rely on with the exception of indigenous emergency funds, which have never been adequate.

We think this illustrates the need for a new or revised program which distributes funds for home heating assistance in an equitable manner, and insures payment prior to the winter months.

We hope the Congress will consider and make available an energy assistance plan that assures those in need of energy-related assistance are able to participate in the program and receive a subsidy appropriate to their need.

A program that assures funds prior to the winter months would hopefully reduce situations where fuel suppliers receive payment long after fuel has been supplied. One well-known local oil vendor that I talked to last week is still waiting for 50 percent of his customers who were eligible under last year's funds, so he won't be able to give them oil this year, extend them any more credit.

Senator SCHWEIKER. Say that again.

Ms. POLLACK. I talked to an oil vendor that we have dealt with and he has not received up to 50—reimbursement up to 50 percent of his customers——

Senator SCHWEIKER. From last year?

Ms. POLLACK. From last year, so he is not able to extend them credit again.

Senator SCHWEIKER. What will happen to those people, then?

Ms. POLLACK. Unless something is put together soon, then again this year, as I see it, will be dependent upon this indigenous small emergency funds, which are not readily accessible to everyone.

And this goes on year after year.

We hope that a workable direct-payment plan to utility vendors is considered, therefore encouraging them to participate in such a program, insuring heat to those unable to pay cash. Many of our seniors have to pay cash on delivery now for their oil.

In addition, we urge that any energy assistance program being considered address itself to elderly renters indirectly affected by increasing energy costs. They often face large rent increases as a result.

Few opportunities exist for an older person on a fixed income to affect his own energy costs through conservation measures. In Philadelphia there is apparently a 12- to 18-month waiting list for existing weatherization program. The waiting period is continuing to grow because of further anticipated cutbacks in CETA budgets in Philadelphia.

Senator SCHWEIKER. Have you had much trouble—you heard our one witness this morning——

Ms. POLLACK. We have heard numerous stories like that, and often people who are eligible for the weatherization programs are not able to receive help from them because they have need for major home repair programs, and our home repair programs right now are not working very well either.

Senator SCHWEIKER. Nothing seems to be working well in this area. Go ahead.

Ms. POLLACK. We believe future energy programs must be tied to conservation.

In conclusion, I would like to urge that any proposed programs take the following into account.

No. 1, that the program be implemented as soon as possible. The crisis is upon us now. Every day we get many, many calls request-

ing assistance now—and we were even getting calls in the summer requesting assistance for heating hot water to take a bath in.

No. 2, that the program can be accessible for the elderly with adequate funds and staff for effective outreach, especially those home-bound elderly, the impaired, and non-English-speaking elderly.

No. 3, that there be a provision for emergency assistance including money available for emergency heater repair. Many times seniors heaters break down in the winter and they don't have enough money to repair them—they can be rather costly. No bill or program addresses itself to that.

No. 4, if a direct payment plan to vendors is implemented, that an effective monitoring system be instituted to insure accountability. In addition, payments to vendors should be timely, preventing harassment and, in many cases, shutoff.

Most important of all is that enough funds be allocated to meet the outstanding need of the low income and elderly.

Senator SCHWEIKER. Interesting comments on the weatherization program. I just want to say that our committee also has a markup scheduled for restructuring the weatherization program. It's obvious to me that it badly needs it after hearing testimony of you and other witnesses this morning.

So we will be marking up that bill probably within a week or two after this other bill. So we hope to get into that area.

But from what I can see this morning, it's a rather sad situation. We are going to have to pay a lot of attention to what's happening here, too. So I appreciate your very valid point.

Does that complete your opening statement?

Ms. POLLACK. Yes, Senator.

Senator SCHWEIKER. All right, Mr. Frecsa, would you like to go ahead?

Mr. FRECSA. As director for emergency and special programs for the department of public welfare, I welcome the opportunity to appear at this hearing today. For the past 4 years the department has administered energy-assistance programs designed to provide assistance to low-income households. Even though these programs were implemented long after the cold winter months and had regulatory provisions that excluded a large portion of the eligible population, Pennsylvania served more than 231,000 households with energy assistance totaling more than $47 million.

Each of the past programs had different eligibility requirements and, with one exception, each year's requirements were more restrictive than the previous year. For example, in 1977 payments were made for overdue bills and/or advance payments to persons with no overdue bills. In 1978 payments could only be made for unpaid bills. In 1979 payments could only be made where there was evidence of imminent shutoff or refusal to deliver fuel. The one exception was the court ordered extended program for 1978. This was a very small program, and, in fact, the most equitable program we have ever administered.

The various restrictions in the regulations had a very definite effect on the number of elderly households we were able to serve. For example, during 1978, 22 percent of all payments were made for elderly households. On the other hand, in the court ordered

1978 extended program, 65 percent of all payments were made to elderly households.

Senator SCHWEIKER. What's the reason for the difference there?

Mr. FRECSA. There are two major differences. One, we were able to make advance payments—there was no requirement of an unpaid bill. And the second was——

Senator SCHWEIKER. When you got the 60-some percent covered, right?

Mr. FRECSA. Yes, we were able to make advance payments. And the other major reason was elderly income was set at 150 percent of poverty standard instead of 125, which permitted us to serve persons primarily in social security.

Senator SCHWEIKER. Yes; this is one of the things we are going to be looking at when we mark up the bill, as to how to weigh it for the elderly to meet the problem you just defined. That's quite a gap, from 60-some percent to 20-some percent, and one of it obviously is the criterion we have been discussing all through the hearings, about having to have a termination notice or unpaid bill; the other part is to give the elderly a fair criterion that is somewhat different circumstances and needs than the other people. So I think that is a very valid point. Go ahead.

Mr. FRECSA. During the most recent program, 24 percent of all payments were made to elderly households. Looking at this figure a little closer, you see that about half of these payments were not really energy assistance, they were payments to supermarkets.

The 1979 program had a provision that permitted the State to assist persons with no unpaid bills in the form of food assistance. In Pennsylvania, about one-third of all of our payments fell into this category.

VOICE. Senator, I can't stand the ignorance of stupid people. [Walks out.]

Senator SCHWEIKER. Go ahead.

Mr. FRECSA. The Federal regulations governing this year's energy assistance program provides the State with a great deal of flexibility in designing a program that will meet the needs of its low-income citizens. The department is currently developing this year's program, and anticipates taking applications around November 1. This year's program will undoubtedly provide assistance to many more elderly households.

The limitation on this year's program will be one of inadequate funds. It is estimated that between 300,000 and 350,000 households in Pennsylvania fall below the income criteria set up by CSA. The department anticipates between 100,000 and 150,000 households will apply for this assistance this year. And as publicity increases, those estimates may also increase.

Of this number between 50,000 and 60,000 will be elderly.

If our estimates are anywhere close to being accurate, our allocation of federal funds will be woefully inadequate.

Senator SCHWEIKER. Let me understand those figures again now. You say 300,000 to 350,000 would meet the test, or what?

Mr. FRECSA. Fall below 125 percent of CSA——

Senator SCHWEIKER. So they would technically qualify.

Mr. FRECSA. Yes, sir.

Senator SCHWEIKER. You are saying that you expect about 100,000 or 150,000 to apply, of which about 60,000 would be eligible?

Mr. FRECSA. No, 60,000 would be elderly.

Senator SCHWEIKER. Of those 100,000 to 150,000, would most of those end up being eligible or not?

Mr. FRECSA. Yes. In the previous program, about 90 percent of those who applied were eligible.

Senator SCHWEIKER. I see. And the elderly number again was what?

Mr. FRECSA. 50,000 to 60,000.

Senator SCHWEIKER. OK, go ahead.

Mr. FRECSA. As you know, there is $250 million being appropriated to CSA for this year's program. I also understand that the administration intends to ask Congress to appropriate an additional $150 million for this program, bringing the total program funds to $400 million.

Based on previous distribution formulas, Pennsylvania will receive between $25 and $30 million. A conservative estimate of the amount needed this year will be between $50 and $60 million.

Again, as you know, there are currently several proposals before Congress which address the energy assistance needs. Under the most favorable conditions, none of these proposals could be enacted and implemented for this coming winter. Since we do face a very real possibility of running out of funds before the winter is over, I would strongly recommend that Congress provide additional funds through the Community Services Administration mechanism to avoid the real crisis we face this winter.

Senator SCHWEIKER. Let me ask you this question. We have $250 million in the program now, and, as you say, the administration has requested another $150 million, so that's $400 million. The Williams bill that we are going to be considering is about $1.6 billion. I think the Congress budget probably is about $1 billion.

Could we actually spend $1 billion if we got that into the program this year? I don't know that we can or can't, but could we actually spend that money, in your judgment, in States?

Mr. FRECSA. Through the CSA mechanism?

Senator SCHWEIKER. Yes.

Mr. FRECSA. I think we could spend pretty close to $1 billion nationwide. The mechanism is there; it's going to suffer from inadequate funding this year.

Senator SCHWEIKER. Mrs. Gerber, did you want to comment on that?

Mrs. GERBER. Yes. I was going to say, it will be spent in either of two ways: Either you will increase the eligibility—in other words, the number of people who can receive payments—or you will increase the amount that people are entitled to receive, or fuel credits they are entitled to receive. Or maybe it will be a little bit of both.

But I would assume that part of the intention is to improve it or extend it as far as possible to the needy population, am I correct?

Senator SCHWEIKER. Well, that's true. We still haven't worked this out with the administration, because right now they are only up to $400 million. So we are going to have to battle with them to

get anything nearly $1 billion, but it appears to me that that at least is where the need has clearly gone.

Go ahead. Sorry to interrupt you, Mr. Frecsa.

Mr. FRECSA. While Pennsylvania and many other States are asking for increased Federal funds for energy assistance, many States, including Pennsylvania, will have or shortly will have a State-funded energy-assistance program to help address this problem. Governor Thornberg has prepared and introduced to the general assembly the older persons energy needs program, which I understand will be known as OPEN. This program will make $200 million available in State lottery funds to help more than one-half million older Pennsylvanians meet their heating expenses.

In many parts of Pennsylvania, the heating season has already begun and winter will soon be upon us. And there are many thousands of Pennsylvanians, both elderly and nonelderly, that will be facing very real problems shortly. The only hope that many of these families have is that their government will provide some assistance for them.

A few months ago CSA region 3 States met and prepared a formal critique of previous energy-assistance programs, and the department would like to make a copy of that report available to you.

Senator SCHWEIKER. You heard one of the witnesses maybe, or several of them, suggest that the way the rebate system works on property taxes, that unfortunately they get the property taxes after they need it in terms of meeting the fuel problem, and my question to you is: Is there a way that we can change that schedule or expedite it or look at it differently to meet this problem, in your judgment?

Mr. FRECSA. I really can't answer that, not being involved with the lottery fund rebate program. I do know that they are very late, and I would assume also that the energy piece of that program would also be late.

Senator SCHWEIKER. Can you shed any light on why the program is late in terms of funding the fuel dealers for last year?

Mr. FRECSA. The major problem was that the general assembly didn't act on our request for authorization to use the Federal money for 6 months. We requested an appropriation in January, and it was approved the second week of July. We really could not begin the process—those applications taken in April and May—until the middle of July.

Senator SCHWEIKER. So that was caught in a budget battle fight or not?

Mr. FRECSA. That was part of it; the other part was that the general assembly didn't act on any of the requested Federal appropriations available for 6 months.

Senator SCHWEIKER. All right, let me ask a few questions—and any one of you may comment on these questions, I won't particularly call on anybody. Just speak up if you have some comment.

I wonder, do we know specifically of cases where your elderly poor have had to sell their homes because of rising fuel prices and property taxes? Do we know from people who work with the senior citizens whether this has yet reached serious proportions? I don't

know whether Ms. Pollack or Mrs. Gerber have any comment on that.

Ms. POLLACK. Well, I think many of the seniors in Philadelphia face the dilemma of inadequate housing if they were to sell their homes; there is not enough available housing for them that they can afford in neighborhoods that they might like that is available, and not enough senior housing projects that have openings. Most of them have great long waiting lists right now, so they are just caught in a dilemma.

Senator SCHWEIKER. So they really don't have a choice in your judgment?

Ms. POLLACK. No.

Senator SCHWEIKER. If you have no place to go, just selling your home isn't an answer because you have got to go somewhere.

Ms. POLLACK. Yes.

Senator SCHWEIKER. It gets you out of the fuel bill, but then you have to go somewhere else.

Ms. POLLACK. And there is not enough housing right now that is available.

Senator SCHWEIKER. And there is a waiting list on a lot of senior citizen housing projects you are telling me.

Ms. POLLACK. Years.

Senator SCHWEIKER. As you know, the new CSA regulations that I referred to earlier have come out, and I just wonder if any of you have any comment on them that you would like to make at this time. Any comment on the new regulations at all?

Mrs. GERBER. I haven't seen them.

Ms. POLLACK. I haven't seen them either.

Mrs. GERBER. They are not available to us on the local level—they might be in the office—they just came out.

Senator SCHWEIKER. OK, we must have the first copies.

Mrs. GERBER. You got the first copies, we haven't seen them yet.

Senator SCHWEIKER. So you haven't had a chance to comment on it.

Mr. FRECSA. I have.

Senator SCHWEIKER. Go ahead.

Mr. FRECSA. Like I mentioned in my statement, they are very flexible this year and enable the Governor to design a program to meet the needs of Pennsylvania citizens.

One suggestion that I would have, that CSA get a better definition of "income." The CSA's definition of income is—you use a gross figure with no allowable deductions, which includes, you know, medical expenses—and for the elderly monthly medical expenses can be high. And we are not permitted to allow any type of deductions whatever.

As a matter of fact, with social security assistance, we have to include the medicare deductions.

Senator SCHWEIKER. I think that is a very valid comment. I think your deductions for medical care is a very valid one. I am looking over here at the new table. It seems to me that that is a very valid point.

Let me say, we have had a chance to take a quick look at the regulations, and they are a distinct improvement over other years. They are more flexible, as you pointed out; they do finally have the

Schweiker amendment written in which says that you can't use the criterion of not paying the bill or terminating services to be eligible.

But I think your suggestion is a good one, about a medical deduction, and we will certainly look into that when we mark up the bill. I think that is a very valid point.

We talked a little bit about this—maybe Ms. Pollack and Mrs. Gerber want to comment—if we were able to get more than the $400 million that the administration is asking for out this year—I would like to ask Mrs. Gerber or Ms. Pollack as to what chance we have of passing it through the system at this point. Is that a big problem or not, in your judgment?

Ms. POLLACK. You mean as far as administrating it?

Senator SCHWEIKER. Yes.

Mrs. GERBER. It is a problem for us in terms of sheer bodies for us to do the work. In other words, if it were extended, if the income levels were higher, that would make more people eligible; we then would have more people coming in to apply; we would then need more people to administer, to process the applications in a timely way, so that there isn't a backlog of applications and all that at our end. After all, our office is at the point of intake, where people come.

Senator SCHWEIKER. One of the proposals that we are considering as a supplement to this program, or in addition to the program, whichever way you want to look at it is a tax credit. Of course, there are only so many dollars to go around, so if you spend them as tax credits you obviously detract from the main program, and one of the areas of controversy is whether or not to give a tax credit for this kind of thing.

And my question to you is, how do you feel about a tax credit as opposed to the present system? We'd be glad to have your comments on that.

Any reactions to the tax credit concept?

Mr. FRECSA. Tax credits would be fine for middle-income families, but for low-income families it would be too little, too late. And, in a lot of instances, many low-income families file no taxes. So a tax credit really wouldn't be much help.

Mrs. GERBER. And it would give low-income families of all ages nothing tangible to take to a fuel dealer, and say, hey, you can give me delivery now because I have a tax credit. And in terms of the small amount of dollars they have available, it wouldn't necessarily mean they would have enough dollars available from a tax credit to give cash to the fuel dealer when the fuel is being delivered.

Senator SCHWEIKER. Now, one of the problems that several of you have commented on that is very valid, you criticized the program in the past because it doesn't deal with renters, and the renters pay the price through higher rents not a direct fuel bill from the fuel oil distributor. And yet it is just as severe a problem with renters as it is with homeowners.

We are trying to adjust for that in the new bill. And my question to you is, do you have any specific suggestions as to how to do this. It is not easy to do, because it is part of a rent as opposed to a separate bill, but it seems to me you can't deal with this problem without including it. I don't know if any of you have any specific

suggestions as to how we might focus on this problem, but if you do I would be glad to hear them. Would anybody volunteer anything?

Mrs. GERBER. Well, I think the point to remember is that for renters their rent is going to go up whether they get any help with their fuel costs or not, because the landlord is going to be raising the rent because his fuel costs are up.

So I know there is the worry, and it is a real worry, that if landlords know that their renters are getting some kind of help with the fuel that the rents will go up—but I submit that they are going to go up anyway.

My suggestion was that for people who need the eligibility income cutoff point, if they are under it, that if their shelter costs are 30 percent of their income or more they should be considered eligible for the program. And I recognize that that is a figure you would have to work with, but it's a starting point to start considering it anyway.

Senator SCHWEIKER. Nancy, do you have anything?

Ms. POLLACK. I just don't know what the answer is. I was thinking more or less of a formula, you know, based on how much rent they are paying, and how much of that could be attributed to energy. The people who are renting are able, because of leases and whatnot, to postpone some of this; it is not as pressing a problem as for someone who is paying utility bills and is faced with cutoff now—because of leases and stuff like that. So maybe some type of rebate program for them.

Senator SCHWEIKER. Mr. Frecsa, do you have anything further? I know you raised the issue yourself, but any specific——

Mr. FRECSA. CSA regulations this year require the state to provide service to renters. Pennsylvania is considering approaching that in a way that we will get a statement from the landlord saying that a certain percentage of the rent is for energy purposes, and we will pay that figure, provided that the landlord reduces the rent by the amount of money that we pay.

It's not a very good solution to the problem, but it's the direction we are going in this year.

Senator SCHWEIKER. All right, I thank the panel very much. I think you have all been very constructive and positive, and we have made notes of your testimony and we will certainly try to implement it in terms of the markup ahead of us. I think you have had some good suggestions. I thank you all very much for being here, we appreciate it. [Applause.]

We are going to take a break for just a few minutes, but we do have a third panel coming up before we close the hearing. We will be hearing from people who deal with the fuel distribution problem in the Philadelphia area, and also Philadelphia the gas company. So within a few minutes we will get to that.

But we are just going to take a few minutes recess.

[Hearing briefly recesses.]

Senator SCHWEIKER. We will reconvene the hearing of the Senate Labor and Human Resources Committee. We are going to hear from our third and final panel this morning, including representatives of the two major types of fuel used by Pennsylvanians.

Mr. Dugan works with a local fuel oil company in Bucks County, and has had to deal firsthand with the problems of an independent

dealer. Sometimes these dealers are faced with customers of 20 years, living on fixed incomes, who can no longer pay their fuel bills. If the dealer turns to the emergency fuel assistance program for partial payment of the outstanding bills, he can wait for months for reimbursement, even though his bills have to be paid on time.

Mr. Schachman, president of the Philadelphia Gas Works, has long been active in trying to improve the fuel assistance program. Mr. Schachman has left a meeting to be here today, and I appreciate his busy schedule and that he was good enough to change it to be here. I want to thank him for attending this hearing and letting us have his views on the program.

Who would like to start? Either way.

STATEMENTS OF JAY DUGAN, MEENAN FUEL OIL CO., LEVITTOWN, PA.; STEPHEN SCHACHMAN, PRESIDENT, PHILADELPHIA GAS WORKS

Mr. DUGAN. My name is Jay Dugan, Senator, I am the general manager of the Pennsylvania retail division of Meenan Oil Co. My operation serves approximately 20,000 home heating oil customers in lower Bucks County. Additionally, Meenan serves 10,000 customers in Montgomery and Chester Counties.

Our involvement in the emergency fuel assistance program goes back to its inception during the 1976–77 heating season and continues to this date. During the first year of the program, 107 of our accounts were approved for payment and we received an average of $197 per account. In 1978 we had 116 accounts approved and we received an average payment of $161 per account.

The 1979 program, which covers the 1978 heating season, shows 91 accounts approved with a total payment due of $15,400, or $169 an account. Of this amount we have only received $10,000 from the State; therefore, we start into the 1978–79–80 heating season still having a balance due from the State of over $5,000 from the prior year.

Senator SCHWEIKER. So one-third of your money hasn't been paid you yet.

Mr. DUGAN. That's correct, Senator. Meenan's policy has been and will continue to be as follows: Customers with an unpaid balance, surviving our second month-end closing, after an oil delivery, are put on credit restrict; we will make no further deliveries until that balance has been paid.

In the case of a customer who has a past due balance from the prior year, we will continue this customer on credit restrict. If we are notified by the State that this customer has been accepted for emergency fuel assistance whereby part or all of his outstanding balance from the prior heating season will be paid by the State, and if that customer is making a good-faith effort to make payments in addition to the moneys we expect to receive from the State, then we will continue to deliver oil to that customer. If, however, we are notified that the State will pay for the customer's past due balance from a prior heating season, and if the customer has not made a good-faith effort to pay for deliveries during the current season, we will not deliver oil to that customer.

I want to emphasize at this point that Meenan Oil, and indeed most other area oil dealers of my acquaintance, go to great lengths to accommodate customers who for reasons generally beyond their control are simply unable to pay their energy bills. By the same token, it must be recognized that we are all wholesale customers of one or more of the major refining companies. We must pay for our oil within 10 days of receipt, and the current prime interest rate of 14½ percent could very easily jeopardize our ability to finance past due receivables by borrowing working capital.

Senator SCHWEIKER. Well, you are saying that when you are not paid $5,000 from the State, you, as an independent dealer, are out that money, not your supplier, is that what you are telling me?

Mr. DUGAN. We are out that money, yes, sir.

Senator SCHWEIKER. So you are financing it.

Mr. DUGAN. That's correct.

Senator SCHWEIKER. Not the oil company, you are.

Mr. DUGAN. Well, we are an independent distributor, we do not refine oil. We purchase it from one or more of the major companies.

Senator SCHWEIKER. That shutoff figure you mentioned a while ago, how many of those might be elderly?

Mr. DUGAN. In my marketing area I would say probably upward of 50 percent, Senator.

Senator SCHWEIKER. OK, go ahead.

Mr. DUGAN. Meenan's experience to date with the program can best be described as follows. As of September 30, 1979, customer A had a past due balance of $316; on May 2, 1979, we were notified by the State that a payment of $196.95, representing oil deliveries in February 1979, were approved, and payment was actually received on October 2. On September 30, 1979, customer B had a balance due of $254; on April 21, 1979, we were notified that this customer was approved for a payment of $250, which I believe is the maximum under the now concluding program.

Senator SCHWEIKER. That's right.

Mr. DUGAN. On October 2, we received a check from the State for $199 for this account, after having been told that we would receive the $250 maximum. This left a balance due of $51. We have yet to receive that.

Senator SCHWEIKER. Any reason why you didn't get the $51 balance?

Mr. DUGAN. It seems, Senator, that the State makes these payments in two increments. I speak to that later and I really can't understand the rationale behind it. We receive prior notification that customer X is approved for *xyz* dollars, and 3, 4, or 5 months later we might receive 75 percent of that. And then usually it will be another month or two before we receive the balance. We do expect to receive the balance; we don't expect to be out-of-pocket on it.

Senator SCHWEIKER. But it's 6 months late.

Mr. DUGAN. That's very normal.

Senator SCHWEIKER. At 13, 14 percent, that gets pretty expensive, doesn't it?

Mr. DUGAN. It gets very expensive, Senator. These examples dramatize our major complaint concerning the operation of the

program as it is presently constituted. I understand that it takes anywhere from 30 to 60 days for the State to approve payment once the customer has applied to the department of welfare. There is normally an additional 6 to 8 months after approval before we receive the payments from the State.

Since the total amount has already been approved by the State, the two-payment system makes absolutely no sense. Late payments by the State department of welfare are the overriding reason why several smaller oil dealers are refusing to participate in the program, and with the cost of borrowed capital I really can't blame them.

Our primary recommendation to the State and to you, Senator, is that a mechanism be established to shorten this time period dramatically. Ideally, this should take the form of prepayment, before the heating season, to the energy company involved of the approved amount so that everyone will know going into the year exactly where we stand. The customer will know the limit of the assistance the State will be giving him, the energy company will know the limit, will have the money in hand, and will continue to make deliveries to the customer on an automatic basis.

As an alternative, consideration should be given to establishing a fuel stamp program identical to the existing food stamp program. I do not know of any fuel oil dealer who would consider these stamps anything but legal tender. The rising cost of energy dictates that the maximum approved amount be increased dramatically from the current maximum of $250.

It is my understanding that the Pennsylvania Department of Welfare is considering increasing this amount to $350 in the case of No. 2 fuel oil and kerosene used for home heating. The following two examples will dramatize the need for increasing per capita funding.

Customer A noted above used 971 gallons of heating oil during the 1978–79 heating season for a total cost to him of $552.72. With the same consumption and assuming that the retail price of heating oil would not go above 82.9 cents for the balance of the heating season—and that is a very tenuous assumption—this customer's bill will be $804.95, for an increase of $252 for the——

Senator SCHWEIKER. The old bill was how much?

Mr. DUGAN. It was $552.

Senator SCHWEIKER. And the bill this year you expect to be $804?

Mr. DUGAN. I expect it to be higher. If the price remained frozen today at 82.9, it would be $805. I fully expect it to go higher.

Senator SCHWEIKER. Well, that customer A still owes you money from last year, didn't you tell me? Customer A owes you $100 and——

Mr. DUGAN. A past due balance of $315, the State paid almost $200 of it—it paid $196.

Senator SCHWEIKER. There's still $120 not paid, or has that been paid?

Mr. DUGAN. That has been paid—it has been paid, yes, sir.

Senator SCHWEIKER. All right.

Mr. DUGAN. As a further example, customer B, you have noted above, used 1,384 gallons during the 1978–79 season. It cost him $789. With the same usage and the same retail pricing assumption,

this customer would have a bill of $1,147 for an increase of $357.52 over last year.

In conclusion, it is Meenan Oil's policy to continue to assist those of our customers who are making an honest effort to pay their fuel bills. The specter of one of our customers freezing to death for lack of heating oil is repugnant to me and I will do everything I can to assure that this will not happen. By the same token, however, the Federal Government and Pennsylvania have a responsibility to assist citizens in need.

I urge you, Senator, to use your good offices to assure that adequate funding is available this year and a mechanism is put in place for its timely disbursement.

That concludes my comments.

Senator SCHWEIKER. All right, I think you made some very valid points, and I think—well, let me ask just a couple of questions.

You made the statement that some small dealers aren't participating—and, of course, the reason is fairly obvious. If they have to go in and borrow money for $5,000, $10,000, or $15,000 owed them at 13 or 14 percent interest, they are being asked to pick up a burden of this that nobody else is being asked to pay. And your suggestion, as I understand it, is that some kind of prepayment plan be established.

Mr. DUGAN. That would be the ideal situation.

Senator SCHWEIKER. Or fuel stamp plan.

Mr. DUGAN. Or fuel stamps—some type of payment plan which will approve the customer and get the payment out to the energy company, be it ourselves, Philadelphia Electric, Philadelphia Gas Works, whoever, on a timely basis so that we do not have to go out in the marketplace and borrow this working capital.

Senator SCHWEIKER. Well, I think you have a very valid point. There are not very many Government programs which operate this way where somebody has to go in their own pocket and finance the program for 6 months when there is Federal money in the pipeline to alleviate the problems.

So I think you raise a valid complaint and criticism of the program. We will certainly work with you and with the State to see if we can't do something better in this respect. We certainly want all the fuel oil dealers participating in the program. I can't blame them too much for not participating with those kind of problems.

The people whose fuel dealers aren't participating, what happens to them under this setup?

Mr. DUGAN. Senator, I can only say that we have accepted several of them as customers of ours. I don't know what some of our competitors are doing, what their customers are doing. I would have to say they are shopping awfully hard for another fuel oil company.

Senator SCHWEIKER. You gave us a figure about one-third of the bill was still unpaid.

Mr. DUGAN. Now, that can vary, Senator. As I said, the first example——

Senator SCHWEIKER. No; I'm sorry, one-third of your total accounts.

Mr. DUGAN. One-third of the total accounts due from this past heating season is yet unpaid. The first two-thirds were only received 2 weeks ago.

Senator SCHWEIKER. And you carried along $15,000?

Mr. DUGAN. That's correct.

Senator SCHWEIKER. What would an average figure be of other dealers?

Mr. DUGAN. It would be substantially less than that, Senator, because of the relative size of our company; we are the largest independent retailer in the country, as a matter of fact.

Senator SCHWEIKER. Do you know, have the others been paid yet?

Mr. DUGAN. No, they haven't. Well, some of them have received their payment as of October 2; I believe the checks were mailed from Harrisburg the last day of September. But none of them has received full payment for all accounts that have had prior approval.

Senator SCHWEIKER. Has your association or any individual dealers or yourself been in touch with the legislators to see——

Mr. DUGAN. Oh, yes.

Senator SCHWEIKER. What do they tell you? What's the reason for all this?

Mr. DUGAN. Well, to begin with, the department of welfare, as was noted here earlier, pins the blame on the legislature for not having approved the funds. In other words, the funds come from Washington, but under Pennsylvania law the legislature has to allocate them. The political hassle that occurred this past spring and summer held up the fuel assistance payment plan—as well as several other plans I am aware of.

The welfare department, I understand, has their new 1979–80 program ready to go; it has not been voted on, as I understand it, as yet, nor has it obviously been signed by the Governor. If the past is prolog, we are looking at very little, if any, improvement over——

Senator SCHWEIKER. Is there any receptivity toward your prepayment plan idea?

Mr. DUGAN. Not too much, Senator. I hate to be cynical about it, but I think the people in Harrisburg would rather hold on to that money as long as they possibly can. If you will excuse me again for being cynical, prepayment just seems too obvious and too logical.

Senator SCHWEIKER. Well, after seeing how the program has been administered, I can't blame you for your cynicism. I would suspect that a lot of that would be relevant here after hearing some of the testimony this morning.

All right, Mr. Schachman, we will let you go ahead. I want to say that we appreciate your attendance—you were a leadoff witness down in Washington when we held our first hearing down there, so you are an old pro at this. We are glad that you testified down there in behalf of your national association before our full committee, and, as you know, we are having a number of Senators on the committee hold regional hearings like this. And we appreciate that you took time from your busy schedule to repeat your appearance, but also to focus on the local situation.

So you go right ahead and tell your story.

Mr. SCHACHMAN. Thank you, Senator, I appreciate the opportunity to discuss this most important topic. As you just mentioned, I did testify before you and the full committee in Washington, and I request that the testimony that I gave on that date, which was given on behalf of the American Gas Association and a committee that I chair which is a task force on this very issue, be copied in the record.

Senator SCHWEIKER. Without objection, we will insert in the record your testimony, since it is quite relevant to this hearing.

[The prepared statement of Mr. Schachman follows:]

TESTIMONY OF
STEPHEN SCHACHMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER
OF PHILADELPHIA GAS WORKS
ON BEHALF OF THE
AMERICAN GAS ASSOCIATION
BEFORE THE
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
ON FEDERAL ENERGY ASSISTANCE PROGRAMS
September 25, 1979

My name is Stephen Schachman. I am President and Chief Executive Officer for Philadelphia Gas Works, and am appearing today on behalf of the American Gas Association (A.G.A.). A.G.A. is composed of approximately 300 natural gas transmission, distribution and integrated companies which serve over 160 million consumers in all 50 states. These companies account for nearly 85% of the nation's gas utility sales.

A.G.A. applauds you, Mr. Chairman, and this Committee for conducting these hearings and focusing full attention on the establishment of an equitable permanent energy assistance program. A.G.A. supports the establishment of such a program, and we hope that our appearance and participation here today will be of value to this Committee in formulating a workable and effective energy assistance program for our nation's consumers.

A.G.A. member companies are committed to meeting the energy needs of their customers. As an outgrowth of this commitment, an A.G.A. Task Force on Fuel Subsidies was formed. It is the responsibility of this Task Force, which I chair, to investigate the issue of energy assistance to low and fixed-income consumers and, on the basis of this

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investigation, to offer policy guidance to A.G.A. on this important issue.

This responsibility has led the Task Force to monitor, and discuss with relevant staff, legislative proposals dealing with different forms of energy assistance. The Task Force has also developed liaison with persons in the Executive Branch -- both within the agencies and the White House -- who work directly on this issue. Finally, the Task Force has met with special interest and consumer groups representing both urban and rural constituents, who share a real concern in the resolution of the issue.

In light of rising energy costs attributable to new gas prices, decontrol of domestic oil prices and current OPEC pricing policies, it is clear that such increasing energy costs will have a disproportionate impact on low and fixed-income persons. In addition, implementation of incremental pricing pursuant to Title II of the Natural Gas Policy Act (NGPA) will in all probability operate to increase these cost pressures on high priority residential natural gas users. This added burden results from the loss of load balancing benefits when industrial gas users switch to an alternate fuel in response to incremental pricing. (A more detailed discussion of the relationship between energy assistance and incremental pricing can be found in Appendix A.)

Summary of A.G.A. Comments and Recommendations

- A.G.A. is pleased to support those provisions and aspects of S. 1724 which we believe are essential to an effective and workable energy assistance program. Namely, those provisions of the bill are that it:
  - -- provides assistance to users of all major energy sources;
  - -- provides flexibility for states to administer the program;

-- incorporates a payment system which will minimize misuse and mismanagement of funds;

-- recognizes that timely receipt of payments by utilities will reduce administrative costs and billing disruptions;

-- provides assistance to eligible renters; and

-- limits total program administrative costs to a small percentage of the overall funds.

- A.G.A. supports the requirement that eligible recipients pay the remaining portion of their utility bills after assistance because this provides an incentive to conserve energy and minimizes the impact of "uncollectibles" on other paying customers.

- A.G.A. does not support the termination-of-service provision in Section 7 (b)(7) but urges that Section 7 (b)(8) be modified to include regulated utility companies. This would safeguard all energy suppliers and customers from the added burden of subsidizing "uncollectible" accounts.

- A.G.A. is concerned that state moratoria on termination of service could compromise the utility's ability to protect all paying customers from the higher rates resulting from "uncollectible" accounts.

- A.G.A. believes that state agencies and not utilities should determine and certify the eligibility of energy assistance recipients.

- A.G.A. recommends that the eligibility standard be broadened to include energy consumers on fixed incomes.

- Insofar as the bill provides for an energy crisis intervention program, A.G.A. is concerned that the funds earmarked for this purpose be adequate.

- A.G.A. emphasizes the importance of the bill's outreach provision as essential to communicate the existence of the program and to insure broader participation.

- A.G.A. recommends that the heating degree day component of the formula for allotting federal assistance funds be revised to reflect the variations in fuel costs from state to state.

- Insofar as the information sought under Section 8 can be obtained from the state regulatory authorities, A.G.A. believes that the state data collection requirements might require costly and burdensome duplication of effort. Moreover, to the extent that only utilities have the data requested, it may be proprietary in nature and, therefore, not appropriate for disclosure.

General Concerns Of The Gas Industry Regarding Energy Assistance

At present, no energy assistance program or proposal is entirely capable of dealing adequately with the myriad of problems and needs circumscribing energy assistance. A.G.A. does believe that any energy assistance program must be designed so that: (1) it can be administered efficiently and without excessive costs; (2) it will achieve the objective of defraying consumer energy costs; and (3) it will encourage energy conservation.

One of A.G.A.'s fundamental concerns is that funding from any permanent assistance program must be made available to all eligible residential energy consumers, i.e., such program should provide assistance to users of fuel oil, natural gas, electricity, etc. Further, the allocation of assistance by the states should be based on acceptable eligibility standards which clearly define the need for assistance.

It is equally important that a permanent energy assistance program be administered by state governments under minimal federal guidelines. While establishing basic procedural guidelines uniformly applicable throughout the states, this approach would minimize federal bureaucratic overlay, and afford each state the flexibility to "tailor" the assistance program to meet individual needs in different localities. Further, such program should utilize existing state agencies to implement the plan. In this regard, A.G.A. emphasizes that extensive regulations not be promulgated by HEW or any other federal agency which might interfere with, delay, or restrict the ability of states to administer the energy assistance program.

With respect to the distribution of energy assistance funds, A.G.A. believes that the system of payments must: (1) assure that the funds be used to defray consumer energy costs per se; and (2) minimize the possibility of misuse or mismanagement of such funds. Failure to provide these assurances would not only cast doubt on the program's ability to achieve its objective, but could result in a program which only exacerbates the problem of rising costs to consumers. As discussed in detail later, such a result would occur insofar as misused or mismanaged funds fail to offset energy costs and result in a continued high level of "uncollectibles" adversely affecting both energy suppliers and gas customers.

The Home Energy Assistance Act Represents An Effective Approach

A.G.A. believes that Chairman William's bill, the "Home Energy Assistance Act" (S. 1724), represents the most comprehensive and workable energy assistance legislation proposed to date. Indeed, in this bill A.G.A.'s major concerns regarding such legislation are for the most part addressed. First, the program would provide assistance to users of all energy sources. Second, the bill would require cooperation among and monitoring by federal agencies while permitting each state to administer the energy assistance program as necessary. Third, the bill would provide a payment system, in the form of a state line of credit to the energy supplier, that would ensure the intended use of funds and minimize any disruptive effect on standard utility bill collecting practices.

A.G.A. is pleased to offer support for those provisions of S. 1724 which alleviate the gas industry's major concerns and, insofar as there remain concerns, we offer specific recommendations for improving the legislation.

State Application Requirements

A.G.A. commends the William's bill for its thorough and comprehensive treatment of the state application requirements under Section 7(b). In particular, the timeliness of crediting payments to energy suppliers cannot be over-emphasized. Timely receipt would reduce the burden of administrative costs due to the delay of payments and would minimize disruption in bill collection procedures.

With respect to the other provisions establishing requirements of a state energy assistance program under Section 7(b), A.G.A. offers the following observations. A.G.A. strongly supports the provision that eligible households and renters be given equal treatment under a permanent energy assistance program. The mechanics of this provision can be implemented by the state agency charged with administering the program.

In regard to the administrative costs of the program, A.G.A. supports the requirement that states provide the funds, from non-federal sources, necessary to cover these costs. Also, we support the principle that administrative costs be limited to a small percentage of the overall state grant. The requirement that states assume the burden of the administrative costs creates an incentive for efficient management and maximizes the amount of funds ultimately reaching eligible recipients.

In addition, A.G.A. supports the outreach provisions of the bill in Section 7(b)(13). A state or the state-designated agency would have to undertake efforts to communicate the existence of the program through broad-based public information systems. Such outreach provisions would help ensure full participation by eligible households in the energy assistance program.

The Dimensions of the "Uncollectibles" Problem

A.G.A. supports the provision under Section 7 (b) (5) requiring eligible recipients to pay the difference between the actual cost of energy service and the amount of the energy assistance under the program for two reasons. First, such provision would provide an incentive for eligible recipients to conserve energy thereby minimizing overall costs. Second, to the extent that this cost differential is not paid by eligible recipients under the program, all customers are forced to subsidize these customers by paying the higher rates attributable to such "uncollectibles."

"Uncollectibles" result from a distribution company's inability to collect past due bills from customers. These "uncollectibles" present a major problem not only for many gas utilities but for the utilities' customers. Through the ratemaking process, utilities pass on most of the amounts in these "uncollectible" accounts to all customers, further increasing costs which consumers must pay. Insofar as some customers are at present only marginally able to pay their utility bills, such increased rates resulting from the pass through of "uncollectibles" may render these customers unable to pay their utility bills. This creates more delinquent accounts and further increases the amount of "uncollectibles" which the remaining paying customers, including those receiving assistance subsidies, must absorb.

A.G.A. recently surveyed approximately 100 urban gas distribution companies which served 30 million customers in 1978 or about 65% of the 46 million gas users in the lower 48 states. "Uncollectible" accounts were shown to have increased from $64 million in 1976 to about $98 million in 1978. Based on this survey, an extrapolation to include the entire gas utility industry estimates "uncollectibles" to have increased from $109 million in 1976 to ~~$136~~ 163 million in 1978. As

a percent of residential gas revenues, uncollectibles increased from 1.1% in 1976 to 1.3% in 1978. If this trend were to continue, "uncollectibles" will total $200 million in 1979 for the gas utility industry and account for about 1.4% of residential gas revenues. This translates into an ever-increasing burden on the paying gas customers. Upon completion, we would be glad to provide the Committee with copies of a new, modified analysis containing these survey results and others to reflect updated information and input.

Termination of Service Provisions

A.G.A. does not support the termination-of-service provision in Section 7 (b)(7). To retain this provision would be detrimental to all utility customers as it would deny the utility the only effective recourse it has to cope with the uncollectible bill problems in a responsible and equitable manner. In this regard, A.G.A. supports a modification of the termination-of-service provision in Section 7 (b)(8) to include regulated utility companies. This would provide utilities a means of protecting paying customers from the added burden of growing "uncollectible" accounts, most of which they must ultimately pay for in the form of higher rates.

Many of A.G.A.'s member distribution companies currently operate budget billing plans and other installment arrangements in an effort to assist customers who experience difficulty in meeting their payments. It is unfortunate that, notwithstanding the many customers who sincerely attempt to pay their utility bills, there are a number of customers who simply refuse to honor their obligations. These customers can take advantage of the existence of state moratoria prohibiting termination of service and/or voluntary utility company policies against terminating service during the winter heating months.

In this regard, A.G.A. notes that such state moratoria and the PURPA's requirement that states consider for adoption a federal

termination-of-service standard based on failure to make bill payments, could compromise the effectiveness of a modified termination-of-service provision in Section 7(b)(8). This would in turn restrict the utility's ability to safeguard all paying customers from higher rates resulting from passing through the costs of "uncollectible" accounts.

Eligibility Standards

Sections 7(b)(3) and (13) of the bill propose that states develop procedures whereby participants in the energy assistance program are identified and certified as eligible to receive assistance. A.G.A. submits that a state or a state-designated agency be required to determine and certify the eligibility of recipients under the energy assistance program. The energy supplier should not be required to make these determinations as they more appropriately lie within the function of the state or the administering agency. Congressional intent on this subject should be specifically expressed either by clarification of the language in Sections 7(b)(3) and (13) or by inclusion of a clarifying statement in the Committee report on this bill.

Also, under the bill, recipients eligible for energy assistance must have household incomes below 125% of poverty guidelines with adjustments annually. A.G.A. recommends that such eligibility standard should be broadened to include energy consumers on fixed incomes. Elderly and senior citizens receiving fixed supplemental income under Titles IV and XVI of the Social Security Act are equally threatened by the prospect of steadily rising energy prices.

Energy Crisis Related Provisions

A.G.A. supports the provisions for energy crisis assistance funds under Section 5(a) of the bill. We feel that such programs are

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required in that they provide a buffer to protect consumers against energy supply interruptions, weather-related crises and other energy emergencies. A.G.A. is concerned that the funds provided under the bill be adequate.

Moreover, A.G.A. believes that a crisis intervention program operates most effectively without the restrictive provisions that were contained in the 1979 Crisis Intervention Program administered by the Community Services Administration. Specifically, these restrictive provisions took the form of the following pre-conditions or requirements:

1) Payment of outstanding fuel bills of regulated utilities was allowable where the household could produce a notice to disconnect.

2) Eligibility for assistance under the Program required the inclusion of a stipulation that a household was experiencing an energy-related crisis which was endangering life or health.

A.G.A. urges that any such pre-conditions not be included in the energy crisis provisions of S. 1724.

Allotment of Federal Energy Assistance Funds to States

Regarding the method for allotting assistance to the various states set out in Section 5(a) of the bill, A.G.A. supports that portion of the allotment formula which utilizes the factor of aggregate residential energy expenditures based on the number of eligible households within the state to mete out a portion of the funds. However, insofar as the factor of heating degree days is utilized, a problem arises. Since the cost of the fuel necessary to meet the demands of a heating degree day varies from state to state, it is not accurate to allocate the remaining funds simply on the basis of degree days alone. For example, the cost of meeting the heating demands of 10 degree days in state A may not be the same as the cost of meeting

the heating demands of 10 degree days in state B, since heating fuel may be more expensive in one state than in the other. Therefore, the real need of the customer is determined by a consideration of both the number of degree days and the cost of the fuel necessary to meet the heating demands resulting from these degree days.

Generally, A.G.A. agrees that these two factors (the latter modified to reflect the above concern) are important and should be considered in the allotment formula. However, weighting each criteria equally in the allotment formula (45% of the funds allocated according to each factor) may not assure that states receive the amount of assistance funds they actually require. To assure that assistance funds which are allotted are adequate, supplemental funds pursuant to Section 5(b)(3) could be used to meet the needs of those states receiving inadequate amounts.

A.G.A. recognizes another potential problem area insofar as Section 8 requires the collection of data from states. To the extent that any of this information is already available from the respective state regulatory authority, requiring duplicative compilation of such data would be costly and unduly burdensome. Perhaps a better approach would be to require such regulatory authorities to provide this information. To the extent that this information is available to neither the state nor the state regulatory authority, it may be proprietary in nature, and, therefore, not appropriate for disclosure under this section.

Conclusion

In conclusion, A.G.A. recognizes S. 1724 to be the most comprehensive and acceptable energy assistance program to date, insofar as the proposal provides for direct utility payments; includes consumers of all home heating energy sources; and provides for primary implementation of the program at the state level.

Mr. Chairman, A.G.A. appreciates this opportunity to testify and I would now be pleased to answer any questions you may have.

Appendix A

Relationship of Energy Assistance with Incremental Pricing

Incremental pricing under the Natural Gas Policy Act will not achieve the intended effect of sheltering residential and other high priority customers from the impact of higher costs of natural gas, but will, in all probability, have the opposite effect. The loss of load balancing benefits associated with maintaining industrial gas customers on the line will only operate to shift the fixed costs of the transmission and distribution system to high priority customers.

Insofar as incremental pricing considers the loss of this industrial load, the increased fixed costs of the transmission and distribution system will be borne by the very class of customers intended to be protected by incremental pricing, i.e., high priority residential customers. Further, all consumers will have to pay higher prices for manufactured goods than otherwise would be the case. However, only residential customers who use gas and are served by an interstate pipeline would receive the alleged benefits from incremental pricing. Other Americans who use electricity, propane, oil or other fuels will receive no protection on their fuel bill and will, in fact, be subsidizing gas users.

Further, insofar as incremental pricing causes industrial fuel switching from natural gas to oil, this will exert strong demand pressure for increased volumes of No. 2 fuel oil for industrial customers. This would only exacerbate the current shortages of No 2 fuel oil and the dramatic price increases witnessed since December, 1978. Thus, major fuel switching by industry to No. 2 fuel oil because of incremental pricing will hurt residential customers.

Thus, A.G.A. strongly believes that the incremental pricing provisions of the NGPA should be repealed since this is not an effective alternative to alleviate the problems of increasing heating bills for the American public. Energy assistance programs administered through state designated agencies can help reduce the impact of heating bills for all residential customers without the associated administrative and economic problems involved with incremental pricing under the NGPA. It is this type of Federal approach, working with the states, that holds the most promise for providing relief for residential customers from increased costs of energy sources.

Mr. SCHACHMAN. I will attempt to summarize that and touch, as you request, on local issues. I do want to recognize the fact that your office—and I know that I personally, and members of my staff, have been working with you and your office over the past years in trying to work on this issue, and it is a pleasure for a change to testify before someone who has been working on this problem for awhile as opposed to coming into the issue now that it is receiving a lot of publicity.

Last year we were trying to have the CSA program made more realistic and responsive to and for the people that the crisis intervention program was supposed to be helping. Specifically, what we were attempting to change in working with your office was the requirement that to qualify for assistance a person must have a termination notice.

This requirement hurts the person whose heating is provided by oil, because if you don't pay the cash in most cases you don't get the oil, so it's pretty tough to have a termination notice. Also the person who has made the sacrifice and made that very difficult decision as to whether they are going to heat or eat, and have paid their bills on time, or borrowed money—they cannot receive assistance.

This seems to be hurting the very people who are trying to make the tough decisions in trying to order their lives. It also encourages people not to pay their bills, and then get in a position where they can't afford to pay their bill. Also, as has just been mentioned, the timeliness of the availability of the money has been most counterproductive. Maybe if I can tell you the dollar figures we have received in the past 3 years, it will give you some idea of the magnitude to the Philadelphia Gas Works and the citizens of Philadelphia. In 1977, for slightly in excess of 15,000 accounts, we received $2.3 million. In 1978, for 22,000 accounts, we received $3.8 million. And for 1979—and I will discuss this a little more at length—for we have been told a total of 17,500 accounts, we will receive—and I emphasize we will receive—about $2.9 million. I think we should remember that there is also an overlap in the program this year in that people who missed the cutoff date for the 1977-78 heating season have——

Senator SCHWEIKER. Let me understand these figures. Last year was $3.8 million, and how many accounts?

Mr. SCHACHMAN. 22,000, or approximately $172 per account, sir.

Senator SCHWEIKER. And this year it's what?

Mr. SCHACHMAN. We were told we will receive—we have not received all these funds—$2.8 million, about 17,000 accounts, $162.

Senator SCHWEIKER. Well, why the reason for the significant decrease?

Mr. SCHACHMAN. There are several reasons, I believe. First, let me indicate to you that we have not received all these funds to date. An example—we were told September 14 we would receive a check for approximately $1 million. That check was not received until after October 1. We have received to date approximately $1.9 million, and we were told we would receive approximately another $0.9 million.

In the spring—actually the late winter—of 1977-78, the program did get off the ground. At tht time, Philadelphia Gas Works, in

conjunction with community legal services, held a news conference. It was still in the heating season, so this news conference—and also, I will add, a news conference held by the Philadelphia Gas Works and the community legal services has a bit of media height that they would like to see—and we got very good publicity, television and newspapers followed it extensively. I think that is a reason why we had so many more people aware of the program and therefore apply for it. We have sent out mailings in all years, we have bill stuffers, we have notices in our district offices—all those things remain the same, with one exception: by the time the program got off the ground this year, the heating season was over and holding a news conference about people who are having problems paying their heating bills when the temperature is 75 degress out attracts very little if any media attention. Therefore, this avenue of making people aware was lost to us. The program you would have thought in 1979, after 2 full years of running, would have started earlier. You would have thought that the people at both the Federal and the State level would have had sufficient experience to have gotten the funds out, to make people aware of when the program started, and allowed us to do something similar to what we had done in 1977–78.

It just didn't happen that way, Senator.

I cannot explain what the problems are at the State level, I can only tell you typical experience with trying to receive the approximately million dollars we received after October 1. The money means as much to us as to the fuel oil dealers obviously, and it means as much to our customers, because that is a cost of service they have to pay for when we have to borrow funds, the interest we pay. And I can assure you that my people were on the phone almost on a daily basis to Harrisburg saying where is our money, and from the date of September 14 we were told it was coming. The check arrived after October 1, but it was dated September 14; it hadn't been mailed or delivered to us in any way, shape or form.

There is a suggestion made—and I will only say that it has been made—that maybe Harrisburg likes to hang on the money because of the fact why should they pay the interest rates that Philadelphia Gas Works has to pay or an independent oil dealer has to pay when they can hold on to some Federal money? It sure keeps their budget in line. And that's the only thing that I can suggest. The figures completely mystify me in any other regard, the figure that we had in excess of 22,000 people who qualified for these funds in 1977–78 when in fact this year they tell us we will get slightly in excess of 17,000.

Logic dictates that with the cost of gas going up that it would in fact——

Senator SCHWEIKER. I don't understand these figures. I am confused by the figures. Here we have home heating bills going up 50 to 100 percent, and you are telling me the figures you get show a decrease in the number of people and a decrease in the number of dollars, and we know the amount payable allowed is going from $250 to $400. None of this seems to make any sense.

Mr. SCHACHMAN. The program itself has never made sense, sir. [Laughter.]

Senator SCHWEIKER. Well, I can't disagree with that after this morning's hearing.

Mr. SCHACHMAN. The simple fact is there has not been enough outreach done by the appropriate agencies. The only way to describe it—and I will beg the expression—we had a hell of a time trying to find a phone number we could put on our mailers so the people could call up and find out where they should go to get the money. I mean, it took us weeks before somebody could make a decision as to who was going to handle this. It's incredible. It's just counterproductive. We meet with a community, and I will tell you one reaction that we get from the community, and unfortunately we can't come up with a different answer. The community is completely turned off—and these figures indicate that they have good reason to be—by the welfare organizations that they deal with to date, by the inefficiency and the lack of care that they demonstrate in dealing with these problems.

Now, this year for the first time we have seen Secretary O'Bannon go down, and she has testified—this is a big step forward. The State is putting forth an effort to discuss these problems. I have met, although not enough, with Mr. Shin, who is executive director of the Governor's energy council—but what we have here is a bureaucracy that has built up a certain method of operation over the years, and unfortunately it continues. Trying to change it unfortunately takes time.

There is no question that we should have timely payments. In fact, they should be monthly payments, and the people we are dealing with and we are trying to deal with should be put on budget plans, and they should receive a bill on a monthly basis, they should pay a portion of that bill. And it is our position that the portion of the bill being paid by the fuel assistance program should be paid directly to the vendor wherever possible and it should be done on a monthly basis; and, where not possible, we should use some form of voucher, because we have to recognize—and this program doesn't recognize sufficiently—that a great percentage of the people we are dealing with are renters who do not pay their utility bills directly; we kid ourselves if we say they do not pay their utility bills, because they pay them in the form of higher rent. This program does not recognize these problems sufficiently, and it must, I believe——

Senator SCHWEIKER. How would that voucher system work you are suggesting?

Mr. SCHACHMAN. Well, our first suggestion is that it should be a direct payment to the vendor involved. The second would be where you have a situation such as a renter does not pay his bill. We would want a nontransferrable voucher; it would include the person's name and their residence and it could only be used by that person, and that would be transferred as a portion of the rent in lieu of the rent to the landlord who would be able to use that in paying the utility bill.

There are some people who advocate that we should use a voucher system totally, and that would be with the name of the person, the address, and their account number as obtained from the vendor. That is one way to go. I would indicate to the Senator, however, that we have found in dealing with the community that

the community does not want to deal with a voucher system because they are a little fed up with the food stamp system, and I think we have to deal with both sides of the coin. One, the people are going to be dealing with the system, the recipients, and we have to have a program which is—and I mean this sincerely—acceptable to them; otherwise they are not going to make use of the system, and that is exactly what we see in the figures I have talked to you about. And the other side of the coin is, I think the people who see themselves as the payers of the system are also—look with some disdain on the misuses of the food stamp program. I think they see those as larger than they really are, but we have to deal with the political realities of the situation also, sir.

And I think we need a system which is going to provide the assistance and also the security to the people who are the payers, that they are not paying twice. By that I mean simply if I don't collect a bill and if another utility company does not collect a bill, we go and we get a rate increase and that goes into our rates. So those people who are not paying their bills are having them paid for right now by the people who do pay their bills. That is a vicious circle, Senator, obviously. As the costs go up, we have more people dropping off who can't pay, and making it more difficult for more people to pay. And that circle has got to be broken.

And I think the Williams bill that you have worked with and your staff has worked with is a step in breaking that circle. Until that circle is broken, we are batting our heads against the proverbial brick wall, sir.

Senator SCHWEIKER. Well, I think you have made some good suggestions. I think your idea of a direct line of credit or a nontransferrable voucher might well be helpful here, because, No. 1, if we are going to pay money from the Federal Government, we want to make sure that it is used for fuel—that's the purpose of the program; we don't want to see it misused or abused or somebody use it for something else, and then not pay their bill—that's not right.

I think both the direct line of credit approach or the nontransferrable voucher approach would do that.

Also we don't want the independent fuel provider here to be holding the bag. That's not right either. I think your suggestions here would be very helpful in that regard, and I certainly will take them back to the committee for very serious consideration. I have to say in my nineteen years in Government I don't think I have ever sat on a hearing that showed the program was working so poorly as this hearing this morning has shown about the emergency fuel assistance program.

Mr. SCHACHMAN. The sad part, Senator, is until another program comes into being, it is a necessity that this program continue. People can just not afford—we are dealing with what I believe is probably the central question of the 1980's, as your office has recognized, and that is: Will people heat or eat? And that is not a question that can be answered. It is a question that shouldn't have to be answered. And we must do something now and we must do something before we are in another heating season.

I have worked with the General Accounting Office. They are evaluating the CSA program. As early as May——

Senator SCHWEIKER. I shudder to see that report.

Mr. SCHACHMAN. The other problem on the report is that as early as May, I sat down with members of the staff to discuss it, because we were trying to come up with a proposal for a way to go. And we wanted to see what the experiences were. From an overview as opposed to our conversations in Philadelphia—other companies, with other local community groups, we have met on a national level, but we wanted to see what is supposed to have been an objective study. Their answer to me was that the analysis should be done maybe in January or February 1980. Well, that doesn't do us any good. There just seems to be no cognizance at that level—it's going to be cold by January or February, and you all cannot just simply in 1 day sit down, turn out a program, and turn the funds over to the State. It takes almost 60 days——

Senator SCHWEIKER. This is a GAO report?

Mr. SCHACHMAN. Yes.

Senator SCHWEIKER. Well, as a Senator who sits on the committee who funds the GAO, we will see if they can't do a little better than that. We will make sure that they expedite the report. I would agree with you that it won't do us much good after the winter is here, and we will see not only if we can't get the report sooner, but if we can get a preview of the report to do us some good before we have gone much further.

Mr. SCHACHMAN. I just would like to make one other point in considering the overall program, Senator, although most of what I have said is contained in my testimony, I think one point that may merit some additional consideration is the fact that we believe that for a program to be effective, that it cannot pay the total heating bill. It must provide some portion of the heating bill to be paid by the recipient, so that there is an inducement for conservation. Without an inducement for conservation, and without conservation over the long run, we will just be pouring money down a hole that will get ever so bigger and we will not be attacking the roots of the problem as well.

And if we are going to attack this problem, I think we should attack it head on with the realization that it is not necessarily a simple answer to put money out into the system; we must also deal with education, weatherization, and other programs like this. I think the first step is to get a bill such as the Williams bill enacted and working, and the next step would be to look at a realistic funding of conservation. And I will have to say that the weatherization program that has been put out and done under CETA workers unfortunately has been a disaster, sir. I say unfortunately because a number of the people we are dealing with are not very receptive to institutional mandates and institutional offerings. This weatherization program did catch the imagination and the interest of the great portion of the community that we would like to deal with in this area. Unfortunately, what we didn't tell anybody was it wasn't a weatherization program, it was a training program for CETA. As a training program for CETA it has been terrific; as a weatherization program it has been a disaster. You have over 200,000 homes in the city of Philadelphia which were pre-World War II, which means essentially they have little or no weatherization. The CETA program—and I am not being critical of the CETA

program as a training program—but the CETA program as a weatherization program is doing at this rate less than 2,000 homes a year. I don't think you have to be a mathematical genius to try to get from the 2,000 to the 200,000, and see that it just isn't going to make it.

We have to stop calling the CETA program a weatherization program, the Department of Energy has to stop calling it a weatherization program, and we have to start a weatherization program—and an education program.

Senator SCHWEIKER. Well, earlier this morning we heard testimony from Mrs. De Bus who said they came and ate her cookies and ice cream and left the windows unsealed and unfinished, so that's exactly what the problem is. You testified, I know, at the Washington hearings to this extent, and she verified the grassroots situation as not good.

Mr. SCHACHMAN. I hope, Senator, that by that program we haven't lost the ability to reach the people we are trying to reach. That program caught the imagination of the group of people we want to, and they are not receptive to institutional programs. And obviously from the CETA figures you can see the reasons why. The gentleman just testified—unfortunately, their position of not having the money in September, October, November for the last year, and somebody saying but I made my application for $250, give me my oil, turn my gas on—and you are saying, I am sorry, somebody is sitting up in Harrisburg in a nice, warm office, and they just can't seem to process your application quickly enough. I can appreciate why people in that position are turned off, and I hope we haven't lost that initiative in that program. I think we have an opportunity to recapture it if we move quickly and wisely in this area.

And I think these hearings are an indication that we are hopefully getting the train out of the station.

Senator SCHWEIKER. I did ask Secretary O'Bannon about this point that you raised in the hearing, and she said that 55,000 homes in Pennsylvania had been weatherized. Now, I am sure that was the figure she gave. After hearing the testimony this morning, I am not sure what "weatherized" means. It might be "cookie-ized" or something.

Do you have any other figures or anything at all that——

Mr. SCHACHMAN. No, I would just like to respond to the 55,000. First off, I would indicate that we have found—and I am sure there are cases such as was testified to this morning—some of the homes they have done they have done very well. But take 55,000 through the Commonwealth of Pennsylvania. In the city of Philadelphia there are a minimum of 200,000 homes that could be weatherized. If you take Pittsburgh and Erie, and you take a proportion, you are probably now talking 400,000, one-half million homes; 55,000 isn't a dent. And what we have also found is, if you take a community that has a relatively few number of homes that are eligible. Those programs run well, the community thinks it's a good program. Where you get beyond a couple of hundred homes that have to be dealt with, the system breaks down; it doesn't work. It's a training program, it's not designed to deal. As an absolute number 55,000 sounds very good. Held up against 200,000 in Philadelphia and only

have done maybe 4,000 or 5,000 over the past 3, then the figure, as a relative number, diminishes greatly.

Senator SCHWEIKER. Well, let me sum up where I see us here today.

It seems to me—from what I have heard here today as a Senator and what I am going to take back to the Senate committee when we mark up the bill, is first of all there is a tremendous need for this program. I think our senior citizens who testified in that first panel clearly demonstrated the need not only from last year but the tremendous escalation in need that will be here this winter season. So I think there is no question about the need being established.

No. 2, I think we have learned the great frustration of the people who work at the local and city and State levels in dealing with this program. This seems to be symptomatic of the program that it is a frustrating experience to see it implemented in the way that it is and to see the lack of specific followthrough, whether it is the weatherization aspect or simply the reimbursement of the fuel dealers. The Federal money is supposed to be in the pipeline waiting to help people, and it is not helping the people it is supposed to be helping.

Now, I have been very critical of the Community Services Agency for the reasons I have amply outlined here this morning, but I think we have to make it clear that CSA is the only agency we have in place to do any good this winter—so as critical as I have been, and as much as CSA is deficient in running this program, we are going to have to improve and beef up and work this program over because we will not have any possibility to get any other kind of program in place for this winter, even though there are several bills to do that.

So we have got to work with the CSA program, we have got to make it better.

The purpose of this hearing today is to see how we can make it better and meet the need, and I think I heard some very good suggestions from our senior citizens, from the people that work at the local and city level and also from the fuel dealers and Philadelphia Gas Works. I think we need an element of realism and practicality in it which the program obviously didn't have in the past, but if we are going to have a chance of helping the people where the need is, why, we have got to do it.

So I want to express my thanks again to this third panel for their constructive and very positive suggestions, as well as the other witnesses who also I think made some positive suggestions. And I want to assure the group—I am glad to see so many of our senior citizens here participating in this hearing, I will certainly do my best to improve the program from the Federal level, as well as to work with the State and local people to see what can be done to correct the obvious deficiencies in the program.

So I think from my point of view it was a very constructive hearing to point out the deficiencies of the emergency fuel assistance program. I made the point, and I make it again, this is probably the worst run Government program I have overseen in some time. But that is no reason to abandon it; that is a reason to

rebuild it and restructure it and get it working, because there is a tremendous need that isn't being fulfilled.

So I want to express my thanks to all the witnesses and participants in the audience as well for coming here.

At this point I order printed all statements of those who could not attend and other pertinent material submitted for the record.

[The material referred to follows:]

TESTIMONY OF

MARK B. SEGAL

SUPERVISING ATTORNEY

COMMUNITY ACTION FOR LEGAL SERVICES, INC.

ON BEHALF OF

COMMUNITY ACTION FOR LEGAL SERVICES, INC.

AND LEGAL SERVICES UTILITY SPECIALISTS

THROUGHOUT PENNSYLVANIA

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to present testimony on the various home energy assistance bills introduced by you and your colleagues and referred to this Committee.

My name is Mark B. Segal and I am testifying as supervising attorney of Community Legal Services, Inc., which provides free civil legal services to low-income persons in Philadelphia, and on behalf of utility specialists from Legal Services programs throughout the state of Pennsylvania.

We would like to stress the critically urgent need for a program to assist low-income persons in paying fuel bills. The situation has reached crisis proportions, and we urge that immediate action be taken to avoid disasters this winter, as well as in future heating seasons.

The devastating impact which soaring energy costs has had on poor persons' ability to provide a humanly adequate level of fuel has been amply documented in recent days. Attention to the imminent crisis should not obfuscate the fact that today's problems represent only a culmination of a situation which has been developing over several years. Rampant inflation has literally destroyed the purchasing power of persons living below the poverty level. The U. S. Consumer Price Index shows a giant increase for all goods and services of 55.9% over the years 1972 to 1978. However, the fuel, oil and coal segment of the CPI, amazingly, has increased almost three times as fast as the overall CPI, an increase of 151.7% over

the same period. Whether the causes are OPEC price increases, deregulation of natural gas, price gauging by the oil companies or decontrol of oil, the effects are the same. The Fuel Oil Marketing Advisory Committee of the U. S. Department of Energy estimated in a March, 1979 report that "as of 1978, this increase represents an average loss for a low income household of $538 of purchasing power relative to 1972 levels" (pg.10). The effects have been devastating on poor persons. A median income family spends about 9.6% of income on energy and a low-income family spends an average of 33% (up to 45% in the Northeast) of income on energy. This is due most often to the poor quality of, and the lack of insulation in, housing, rather than any overusage of energy. In fact, the DOE Fuel Oil Marketing Advisory Committee report concluded that low income persons, especially the elderly, use energy at lower levels than might be considered safe or healthy.

We therefore implore that any energy subsidy program designed to aid the poor reflect these high and critical needs. It is no longer a question of decent and humane living, but one of survival. Horror stories relating the freezing to death of numerous senior citizens and low income persons abound. As was stated in the President's National Energy Plan, "energy is as necessary to life as food and shelter" (pg. 29). "'Let them freeze in the dark' has become not just a clever cliche, but a cruel reality," pleaded Senator Kennedy in his January 9, 1979 speech to the National Association of Broadcasters.

Supplementary fuel subsidies have become especially crucial in light of the increasing number of persons on low, fixed incomes. In the state of Pennsylvania, for example, 779,061 households live on the meager, fixed grants under the public assistance program. Add to this figure the 170,207 people who receive Supplemental Security Income and the 2,018,373 who live on Social Security in Pennsylvania alone. We must also not forget those who depend on Worker's Compensation, Unemployment Compensation and various other fixed pensions. Not only are these persons especially susceptible to the cruel effects of inflation, but they must survive, if possible, on grants of a low nominal value. In Pennsylvania, public assistance grants are still funded according to the "Woodbury Standard" established in 1957. Under this funding scheme, the Pennsylvania Department of Public Welfare has determined that a family of four must pay for its heating, electrical, water and telephone utilities with $32.00 per month. This absurd figure is coupled with a requirement that this same family of four secure an apartment without housing code violations or rats for $85.00 per month. With this level of income, it is inevitable that their heat or electricity will be terminated during the winter due to inability to pay. During the year September, 1977 to August, 1978, for example, there was termination of 43,543 accounts* by the six major electrical utilities in Pennsylvania. 20,290

*Non-heating electrical accounts are included in this figure as well, because even if persons use other energy sources for heat, furnaces will not operate without electrical power.

of these shut-offs occurred during the heating season. The five major gas suppliers in Pennsylvania reported terminating 20,595 heating accounts during this same annual period. Shut-offs by Philadelphia Gas Works alone amounted to an additional 22,100 for the year July, 1977 to June, 1978, of which 10,515 were made during the heating season. All these statistics do not even include persons who can no longer afford to purchase fuel oil to heat their homes.

Whichever bill or program is enacted to help these persons, it is imperative that the magnitude of this need be recognized in appropriation levels. After an intensive study, the Department of Energy Advisory Committee recommended that this ceiling be set at "$500 per residence" (pg.4).

What should also become clear is that middle income people are increasingly threatened with the same situation. There are at least two reasons for this. First, the demon of inflation is forcing many heretofor "middle-income" families into the ranks of the poor, in terms of real purchasing power. Second, utility companies' uncollectible accounts are increasing, not because people do not want to, or will not pay, but because they cannot. This enormous sum of money, which amounted to $18,938,154 for the eight major electrical utilities in Pennsylvania alone, in 1978, is then computed into the utilities' rates when they seek a rate increase, and passed onto their consumers. The result is a vicious circle whereby rates increase, more people are unable to pay them, and this results in further rate increases. This disease is

spreading like a plague. It cannot be stopped unless there is a recognition of the nature and magnitude of the problem. The energy subsidy proposal advanced by the Carter Administration obviously does not recognize the extent of the crisis we are facing. Getting an additional $100 or $200 to individuals and households facing home energy bills which by next winter may be $1,000 higher than three years earlier simply does not meet current needs.

This crisis will be exacerbated, dragging more persons down into its dark depths, as the effects of oil deregulation continue to be felt. The Congressional Budget Office has estimated that domestic oil decontrol alone will cost poor families several hundred dollars more per year. This action will most severely impact residents of the Northeast who additionally remain at the mercy of OPEC price hikes.

Past attempts to deal with the initial stages of this crisis have been deficient in many respects. We urge that any program designed to meet the urgent energy needs of low income persons take into account and avoid the numerous problems encountered in administering the Crisis Intervention Program.

In particular, we encourage a requirement that substantive details of the program be set forth on the federal level. By leaving regulations wide open to interpretation, as has been done in the past, states have amassed enormous discretion in program administration. Congressional intent to provide necessary relief to needy persons was often frustrated as a result of these bureaucratic battles.

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Most importantly, we implore that there be a ban on eligibility guidelines which are inconsistent with other policies and programs intended to insure continuous energy access or that would create unnecessary timing problems. For example, the Community Services Administration had made benefits under the Crisis Intervention Program contingent on experience of an "energy-related crisis". This term has been so narrowly defined as to make eligibility dependent upon receipt of a notice of termination of service** or the presence of less than one week's supply of fuel oil***. Leaving agencies only a few days to process clients' applications before shut-off of service is clearly contrary to the spirit of the program. These types of requirements also became convenient methods of pre-screening at the local level, often

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**This requirement is completely contrary to the national standard expressed in the "Public Utilities Regulatory Policies Act of 1978" passed by Congress:

> Sec. 115 Special Rules for Standards
> (g) Procedures for Termination of Electrical Service
> (2) during any period when termination of service to an electric consumer would be especially dangerous to health . . . and such consumer establishes that-
> (A) he is unable to pay for such service in accordance with the requirements of the utility's billing, or
> (B) he is able to pay for such service but only in installments,
>
> such service may not be terminated. Such procedures shall take into account the need to include reasonable provisions for elderly and handicapped consumers.
>
> The same special rule is set forth for natural gas consumers in Section 304.

*** In Pennsylvania implementation of the Crisis Intervention Program for 1978-79, applications were taken until April 16, 1979, making the oil supply aspect of this requirement meaningless.

precluding availability of benefits to persons truly in need and frustrating appeal rights since formal applications were discouraged. Clear, equitable and reasonable guidelines must be established by the federal government to protect the poor and elderly from the debilitating effects of winter with insufficient fuel supplies.

One of the major differences among the proposals before your Committee is the mechanism of payment. Of the various alternatives offered, we support either direct cash payments or vendor lines of credit. These distribution methods would be more advantageous in providing for the emergency needs of low income persons than other mechanisms. Direct cash payment is preferable because it allows persons to target benefits to their needs. Legal Services' client groups strongly support this method which gives them the right to determine their own needs and priorities. Vendor lines of credit are also desirable. They serve to facilitate extensions of much needed credit to poor people. Since a certain cash flow is guaranteed energy suppliers through this mechanism, the lack of access to credit could be somewhat alleviated. This system would also give utility suppliers incentive to see to it that eligible customers apply for energy assistance, thereby facilitating outreach activities.

In all cases, we oppose proposals based on a fuel stamp payment mechanism. The disadvantages of this type of administration are readily visible in the present Food Stamp Program. The possibilities for black-marketing, misuse

and embezzlement of stamps are evident.

We further support the vendor line of credit mechanism of payment for the tighter control of termination practices which it gives the government. If the government were willing to exercise this leverage, substantial reforms in customer terminations and billing practices could be achieved. Low income persons encountered numerous problems last year because utility companies assessed them with finance charges for late payments accountable to government processing delay. Furthermore, many utility companies threatened termination of service, or actually terminated, despite notice of client eligibility by local administering agencies. It must be remembered that under any form of energy assistance to the poor, the major beneficiaries of the program have been and will be the utility and fuel suppliers. Energy subsidies are a way of guaranteeing utilities and fuel oil distributors billions of dollars of unpaid bills which they would normally never collect. Poor persons often accumulate enormous arrearages before being terminated and are simply unable to pay them. If energy suppliers are going to cash in on this program, benefits should be tied to sanctions such that poor persons are protected.

We applaud the fact that almost all the bills referred to your Committee explicitly reognize the needs of renters. We are especially supportive of provisions contained in Chairman Williams' bill and in Senator Nelson's bill which require the States to treat owners and renters "equitably". About half of the poor households in the country live in

rental units. These persons desperately need help, just as owners do.

Let us stress that we are not opposed to any reasonable approach to assisting the poor and elderly this winter. But this is hardly the time to debate program niceties. It seems to make eminent sense to us, however, that the Community Services Administration operate the entire program this year for the following three reasons. One, CSA has now had three years experience in running crisis intervention programs. Two, it will have mechanisms in place in each state to run this winter's program, very shortly. Finally, CSA has promulgated eligibility (125% of poverty guidelines and SSI) and maximum assistance levels ($400 per household) which should, if adequate overall funding is provided, result in decent coverage and individual benefit levels.

For these reasons, we do not find the Administration's approach to fuel assistance this winter to be reasonable. For one, the so called Special Energy Allowance Program, representing $1.2 of the $1.6 billion proposed, is dependant on passage of the windfall profits tax whose date of enactment is uncertain to say the least. It is absolutely indefensible to risk the health and safety of millions of elderly persons and those on fixed incomes upon the timely completion of a political blood letting.

Thank you for the opportunity to appear before you. I would be happy to answer any questions.

Respectfully submitted,

Mark B. Segal,
Supervising Attorney

Jerry Salama
Research Assistant

STATEMENT BY SENATOR PAUL S. SARBANES
to the
COMMITTEE ON LABOR & HUMAN RESOURCES
regarding
HOME ENERGY ASSISTANCE LEGISLATION

I welcome this opportunity to express my strong support for legislation providing assistance to low and middle income households in meeting the greatly increased cost of home heating fuel which they will face this winter, and to commend the committee for its prompt and expeditious consideration of this urgent problem.

The dimensions of the problem are just beginning to be understood. The upward spiral in the prices of petroleum products that began at the end of last year has led to a dramatic increase in the cost of all petroleum products in the last eight months. This increase has already been seen and felt in rapidly rising gasoline prices. The CPI figures for August alone show a 4.0% increase in gas prices, making gasoline by far the single most important factor in that month's 1.1% CPI increase. The increase from January 1st though September 1st, 1979, in gasoline prices is an extraordinary 35.8%.

Americans have yet to feel the brunt of petroleum price increases as reflected in the cost of home heating oil. A year ago the price of a gallon of heating oil was $ .45 - .50; today it is $ .80 - .90/gallon. Looking back over the first eight months of 1979, we see that the major portion of that unprecedented 75-95% overall increase has taken place since the end of the 1978-79 heating season; percentage increases by month have been: January, 0.8%, February, 3.1%; March, 5.5%; April, 4.2%;

May, 5.3%; June, 8.6%; July, 6.2%; August, 7.0%. The impact of the increases however will not be gradual; it will strike with full force when the first heating bills of the 1979-1980 season come due.

All Americans will be adversely affected by the higher costs of heating oil but an acute impact will be felt by lower-income Americans: elderly persons living on fixed incomes; the handicapped and the unemployable as well as millions of working Americans.

Rising energy costs are further compounded by certain factors which bear disproportionately on lower-income households. Housing stock is likely to be older and less well-built therefore less energy-efficient and more in need of energy conservation measures. Credit and deferred payment plans are less likely to be available; in some sections of the country, suppliers are reported to be considering pre-payment requirements. Lower-income home owners are less likely to have the resources, or to be able to obtain the loans necessary to undertake energy saving home improvements.

Finally, the demand for energy for heating purposes is relatively inelastic. In most sections of the country, with the heating season of course varying somewhat from region to region, heating cannot be dispensed with nor can it be reduced below a certain level without risking grave injury to health, and in certain cases even life.

There are no simple remedies to this urgent and complex problem. Certain basic objectives should however be kept in mind: assistance should be provided to the needy with a minimum of delay and distortion. It will not be a simple task to formulate legislation incorporating these criteria; and

in the course of its deliberation, the Committee will be called upon to address a number of difficult questions. Among them are the appropriate mode of payment and allocation.

One of the major proposals before this Committee would authorize direct payments to energy suppliers. This plan reflects the concern that in this difficult period of general inflation, fuel payments to households might not always be reserved to pay heating bills but could be used instead to meet daily needs. If the direct payment route is used, there should be safeguards to ensure that suppliers receiving direct payments fully credit those payments against eligible households' energy bills and do not artificially inflate those bills. Advance preclusion of this potential abuse would clearly be preferable to subsequent restitution.

Where allocation is concerned, the nation's recent experience with gasoline shortages may offer some constructive guidelines for avoiding gross and painful distortions. Weather patterns of one year in any region of the country may not be repeated the following year; any allocation formula should include mechanisms for adjustments that are sufficiently flexible to permit expeditious transfers among the states when and wherever necessary.

An equitable allocation formula must also take account of the fact that dependence on the three major sources of energy for heating - oil, natural gas, and electricity - varies from state to state. While the cost of all three has risen, the increase in the cost of heating oil has far outstripped the others over the past year. In themselves, therefore, last year's cost will not be a fair or reliable guide to the approaching winter, since some states rely relatively more heavily on oil and will certainly face much higher aggregate costs than those states primarily dependent on natural gas.

These are among the many important questions requiring the Committee's careful consideration. Grants to states to assist hard-pressed Americans in meeting their energy bills is a most urgent matter, and I would hope that the necessary legislation will be enacted promptly by the Congress.

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October 18, 1979

The written testimony which the National Housing Law Project submitted to the Senate Committee on Labor and Human Resources explains why it is so important that energy assistance to low income people be paid in the form of cash payments directly to recipients rather than to suppliers.

I.

However, if the bill either requires or allows vendor payments, a particularly difficult set of problems arises for those renters who pay for utilities as an undesignated part of their rent. Several protections are essential to assure that this assistance is a help to its intended low income beneficiaries rather than a windfall to their landlords. These protections must be mandatory whenever payments will be made to suppliers on behalf of tenants who pay for utilities as an undesignated part of their rent.

(a) Payments should not be made to suppliers unless both the tenant and the landlord certify that rents have been reduced by the tenant's share of assistance paid, as provided in §(5)(d)(1) of the Javits-Jackson bill. Since

tenants will need to know the amount of assistance in order to judge whether rents have been reduced sufficiently, a final sentence should be added to §5(d)(1) as follows:

> The state agency administering the program shall promptly provide recipients with written certification of the amount of assistance paid on their behalf.

(b) Where landlords fail to reduce rents by the full amount or raise rents to offset the benefit, tenants should be entitled to deduct payments made on their behalf from their rent. This remedy is essential, even where landlords are subject to civil and/or criminal penalties, because it gives the tenant an immediate remedy which may be crucial during winter months.

(c) Where tenants exercise their right to deduct, they must be protected against retaliatory eviction or other punitive landlord behavior, including a landlord's failure to deliver the utilities paid for.

(d) Landlords who violate these provisions must be subject to criminal and/or civil penalties sufficient to deter retaliatory behavior. They should bear the burden of proof that their actions are in good faith and for good cause.

A solution which addresses (b), (c) and (d) would be to delete subsection 5(d)(2) of the existing Javits-Jackson bill

(which seems to disqualify eligible tenants along with their rent-gouging landlords) and substitute the following:

5(d)(2)(i) Whenever a landlord fails to reduce rents by the full amount of assistance paid on behalf of his or her tenant(s), such tenant shall be entitled to deduct from his or her rent the full amount of assistance paid on his or her behalf that is not offset by a rent reduction. For purposes of this section, failure to reduce rents also includes an increase in rents, following reduction, intended to offset the reduction.

(ii) No landlord may retaliate against any tenant who uses or asserts any rights under this section by giving notice to quit, increasing rents, decreasing services or utilities, substantially altering any terms of the tenancy, threatening to do so, or otherwise engaging in punitive conduct because a tenant has used or asserted or is expected to use or assert any rights under this section. If a landlord violates this subsection, the tenant is entitled to the remedies provided in subsection 5(d)(2)(iii) and has a complete defense in any action against him for possession. In any action by or against a tenant, evidence of use or assertion of

of rights under this section within two years before the alleged act of retaliation creates a presumption that the landlord's conduct is in retaliation.

(iii) If a landlord unlawfully removes or excludes a tenant from the premises, diminishes essential or important services to the tenant, or otherwise violates the provisions of this sections, he, she or it shall be subject to a civil action by the tenant for damages and other appropriate relief, including injunctive and other equitable remedies, as may be determined by a court of competent jurisdiction in every case in which a landlord has violated the provisions of this section. Any federal district court shall have jurisdiction over such an action without regard to the amount in controversy. The tenant may recover possession or terminate the rental agreement and, in either case, recover at least three months periodic rent or threefold the actual damages sustained by the tenant, whichever is greater, and reasonable attorneys fees. If the rental agreement is terminated, in addition to damages, the landlord shall return all recoverable security and prepaid rent.

II.

Tenants in government housing programs of any kind should be eligible for the same assistance as other eligible recipients.

Commendably, the Javits-Jackson bill provides for assistance to tenants in certain government housing programs. Because some buildings under government programs have individual meters for each unit, some have master meters for the whole building, and some have individual meters for some types of utilities (i.e. electricity) and master meters for others (i.e. heat), it is not feasible to have a blanket rule that payments should be made to building operators. It is not even possible to make a blanket rule for each program because buildings within each program may differ, i.e. some public housing projects have master meters and some do not.

The bill should assure that tenants in all government housing programs of any kind -- financed, insured, subsidized, or assisted by HUD, FmHA, VA or state or local governments -- are eligible for the same assistance as other eligible recipients. It should be clear that this assistance is in addition to rather than in lieu of existing provisions for utilities, which are sure to be inadequate in the face of skyrocketing fuel costs.

Language which addresses this problem could be added to the Williams bill following Section 7(b)(10) or substituted for the language in the Javits-Jackson bill at Section 5(c) as follows:

Tenants in any government housing program, including but not limited to housing insured, financed, subsidized, assisted or otherwise sponsored or aided by the Department of Housing and Urban Development, Farmers Home Administration, Veterans Administration, other Federal agencies, or State or local governments, shall be eligible for the same assistance as other eligible recipients. This assistance shall be in addition to rather than in lieu of other provisions made for utilities in such housing.

Senator SCHWEIKER. The Senate Labor and Human Resources Committee will stand in recess.

[The hearing adjourned at 11:52 a.m.]

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