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STATEMENT OF
F. KEVIN BOLAND, ASSOCIATE DIRECTOR
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BEFORE THE
SENATE COMMITTEE ON ENERGY AND
NATURAL RESOURCES
ON
[FEDERAL ENERGY IMPACT ASSISTANCE]

Mr. Chairman and Members of the Committee:

We welcome the opportunity to contribute to your deliberations on S. 1699, the Energy Impact Assistance Act of 1979, and Amendment No. 395 to S. 1308, the Inland Energy Impact Assistance Act of 1979.

We have reviewed and testified on proposed socioeconomic impact assistance legislation since issuance of our July 1977 report on "Rocky Mountain Energy Resource Development: Status, Potential, and Socioeconomic Issues" (EMD-77-23).

That report dealt with socioeconomic impacts resulting from energy development in the Rocky Mountain area, while the legislation you are considering today would provide for Federal (assistance to mitigate energy impacts in all inland areas of this Nation affected by energy development.) However, we believe the problems and the observations presented in that report have relevance to the most recent proposals for consideration by this Committee.

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(Rapid and extensive development of energy resources can have profound socioeconomic and environmental effects on an area.) As energy resources are developed, new towns will be built and rapid population increases will occur in existing communities. (Needs for housing, public facilities, and services often arise before adequate local funding is available.)

(In the Rocky Mountain area, ~~we found~~ some of these needs ^{are} were being fulfilled through Federal, State, and industrial assistance.) For example, States provided impact programs funded by severance taxes on coal, State bonding authorities, and State siting permits which require measures by industry to ameliorate socioeconomic impacts as conditions for approval of proposed energy facilities.

The Federal Government also provided funds which could be used to offset the impacts of energy development. Many Federal programs provide grants, loans, and mineral lease royalties.

While these programs already existed, we saw a need for better coordination among, and improved operation of, existing Federal assistance programs, and made appropriate recommendations to that effect. Furthermore, we concluded that increasing Federal programs to assist State governments may not help energy-affected communities unless States take greater care to distribute funds to them, and unless an effective

mechanism exists to insure that the funds given to States will go to communities where impacts occur.

Following our report, the Congress enacted legislation to further assist energy-affected communities. Pursuant to section 601 of the Powerplant and Industrial Fuel Use Act, the Department of Agriculture was provided \$20 million in fiscal year 1979 for such assistance. The Farmers Home Administration operates the program, and has made grants to 22 States for the entire \$20 million.

MORE FEDERAL ASSISTANCE NEEDED?

(The ^{proposed} legislation which you are considering today would substantially expand the amount of Federal assistance available to energy-affected States and communities.) The key issues in these deliberations concern the need for additional funds and the administration of any additional assistance.

The bills offer significantly different levels of funding to meet energy impact needs. (Both bills would authorize a maximum of \$1.5 billion for loan guarantees. However, S. 1699 would authorize appropriations to the Secretary of Agriculture of \$30 million for fiscal year 1980 and \$150 million for each of the fiscal years 1981 through 1985 for grants and loans. Amendment No. 395 to S. 1308, however, would authorize appropriations to the Secretary of Energy of \$60 million for fiscal year 1979, \$150 million for fiscal year 1980, and \$400 million

for each of the fiscal years 1981 through 1985 for grants and loans. Unfortunately, at this time there is little definitive information to draw on which would allow (1) quantification either overall or among regions of the country of the likely extent of energy impacts or (2) quantification of the additional Federal funding, if any, needed to help deal with such impacts. To help determine whether additional legislation is required, the Congress needs current information on the kinds of needs not currently being met by existing Federal and State assistance programs, the magnitude of the problem, and exactly where and to whom Federal moneys should be targeted.)

We believe that completion of the interagency analysis of socioeconomic impacts, required by section 746 of the Powerplant and Industrial Fuel Use Act will go a long way in providing such information.

We understand that (the Department of Agriculture has recently been given lead responsibility for ^athis study.

(However, ~~we also understand that additional funds have not~~ been provided for this study and staffing levels for it are currently uncertain.) Given the importance of the study to deliberations over additional impact assistance, the Congress should favorably consider appropriating funds for this study.

PROGRAM ADMINISTRATION

We recommended in our Rocky Mountain report that any additional assistance the Congress wished to provide should be contingent on the States doing three things:

- Taking actions to meet a minimum level of assistance to communities affected by energy development.
- Developing plans to systematically deal with the impacts.
- Clearly demonstrating in their plans that the assistance would actually be used to help energy affected communities.

We believe that S. 1699 and Amendment No. 395 to S. 1308 have features which are not only consistent with our recommendations but also are essential to the effectiveness of the program. For example, they provide for:

- Participation by interested parties at the Federal, State, local, and Indian tribe level in decisions on energy impact assistance.
- The development of detailed plans for alleviating impacts on an area-by-area basis. The detailed plans must contain specific proposals for implementation.
- A systematic approach for approving individual plans.

--Early availability of funds for initial planning.

--Federal/State cost sharing for energy impact

assistance, with the States' share of the cost increasing from 12.5 percent when assistance on a proposal is first received, and increasing to 50 percent in the fourth or fifth year.

--A focal point for coordination of all Federal

programs which provide energy impact assistance.

We also believe that (any legislation enacted by the Congress should encourage States and individual communities to provide impact assistance on their own.) To this end, we believe that (funds should generally be made available as loans or loan guarantees, and that grants should be directed primarily toward financing the front-end planning needed to deal with energy impacts.) This would (1) reduce Federal outlays and (2) avoid subsidizing, at the expense of all taxpayers, those communities which will reap the long-term benefits of energy development. (The financing of front-end planning deserves special consideration because many communities affected by energy development need funding to plan for energy development and cannot afford to wait for new revenues which follow such development.)

Moreover, it is important to preserve equity between all potential recipients. If two communities are similarly situated in terms of expected energy development, local finances, and other key factors, it is not equitable to

give an outright grant in one case and merely to guarantee a loan in the other case. We understand that some States and localities may face restriction in their ability to borrow at all or to add to current borrowings. Nevertheless, to give grants in these cases and merely to guarantee loans in other cases might discourage governments from taking on more debt.

The Federal Government should seek to provide equitable treatment to all energy-affected communities and can further this aim by avoiding incentives which would, in effect, discourage communities from investing in their own future. Of course, reasonable provisions must be available to provide forgiveness of loans and loan guarantees when expected energy developments, and increased revenues, do not materialize. But the underlying aim should be to provide loans or loan guarantees--rather than grants--wherever possible.

After we have had the opportunity to examine these bills in more detail, we will provide further comments for the record.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to your questions.