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STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

HOUSE COMMITTEE ON EDUCATION AND LABOR

ON THE

LOW INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Mr. Chairman, and members of the Subcommittee:

I am pleased to be here today to discuss the impact that the 1984 amendments to the Low Income Home Energy Assistance block grant are having on three aspects of the program: funding, eligibility policies, and crisis assistance. GAO has just completed telephone surveys to the 13 states that were included in our previous review of this program: California, Colorado, Florida, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, Pennsylvania, Texas, Vermont, and Washington. These states include a diverse cross-section of the country and accounted for about 46 percent of this program's appropriation in 1985 and about 49 percent of the nation's low income households. We also obtained data from HHS on funding and program characteristics which it had obtained from the 13 states.

ALLOTMENT CHANGES ARE BEGINNING TO AFFECT SPENDING PATTERNS

The 1984 amendments which changed the allocation formula, as well as the administrative expense and carryover provisions began to influence state spending patterns in fiscal year 1986.

The most significant change relates to the allocation formula. Seven of the 13 states received 1986 allotments that were about 5 percent lower than 1985 levels, while six states received allotments up to 10 percent higher. Of the seven states receiving lower allotments, only Massachusetts reported receiving state funding. However, Massachusetts has been supplementing the program for several years.

Overall, the heating and crisis assistance components are, for the most part, at the same or higher funding levels than previous years, accounting for 65 percent and 12 percent, respectively, of 1986 estimated expenditures in the 13 states. However, 3 of the 7 states with lower allotments said that benefit levels or recipients served would be reduced for their heating programs. An additional state said it had reduced its set aside for crisis by about 5 percent.

Planned expenditures for administration in 1986 are higher than 1985 in 9 of the 13 states reflecting a continuing upward trend. Decreases are expected in 3 of the 13 states where 1985 administrative costs were already at or near the Federal ceiling. These decreases were caused by reduced allotments as well as the 1984 amendments which narrowed the base for computing allowable administrative costs. Colorado officials commented that a 12 percent decrease in the amount reserved for administrative costs was expected to result in staff reductions at local offices and delays in processing applications.

In contrast, the 13 states are anticipating an overall funding decline of 22 percent in 1986 within the weatherization component for this program ranging from 4 percent in Massachusetts to 59 percent in New York. In total, 8 of the 13 states reduced weatherization funding with six of these states coming from the seven that received lower allotments in 1986.

All but 1 of the 9 states that had previously transferred funds to other programs continued such transfers at the same rate. These state decisions were generally made at levels above the program office. Most often, transfers were made to the social services block grant which several states said incurred funding reductions. Only New York reduced its rate of transfers and this was due to the cut in its allotment.

As a result of the 1984 amendments, states can now carryover only 15 percent of their allotment net of transfers instead of 25 percent of their total allotment. This change had little effect on states. Overall, funds carried over to 1986 averaged about 4 percent of the 13 states' total 1985 allotment. Only Colorado had carryover funds above the new limit and, as a result, had to return about $252,000 to HHS.

An additional funding factor this year is the Gramm-Rudman-Hollings budget reductions. Although total program funding for 1986 was cut by 4.3 percent, these reductions were not allocated proportionally to all states. Rather, HHS reduced total program funding by the required percentage and then allocated funds among the states using the program formula. The result was that cuts in state allocations nationwide ranged from zero in states already at the funding hold harmless level, to as high as 11 percent in other states. The practical effect of this approach was to offset the increases states were to receive under the new formula.

The six states we contacted that were affected by these reductions said they were just starting to consider how to respond to the cuts.

FEW CHANGES NEEDED IN STATE ELIGIBILITY POLICIES

The 1984 amendments prohibited states from setting eligibility limits lower than 110 percent of the poverty level, and excluding income eligible households from receiving assistance.

Eight of the 13 states were already operating programs that complied with the 1984 eligibility changes. However, four states (Florida, Kentucky, Michigan, and Texas) had to raise their eligibility ceilings and two states (California and Texas) had to include income eligible households in their program. These states generally expected an increase in the participation of income eligible households and the working poor.

FEW CHANGES NEEDED IN THE CRISIS PROGRAM

Similar to the eligibility area, most states did not have to change the operation and duration of their crisis program to comply with the 1984 amendments. All of the 13 states said that they were in compliance with the requirement that they identify the amount of funds available for energy crisis intervention and ensure their availability for crisis assistance until March 15 of their program year.

The amendments also broadend the definition of "energy crisis intervention" to include household energy related emergencies beyond weather and supply shortages. Only two states (Kentucky and Florida) reported making changes to their definition of crisis intervention to comply with the 1984 amendments.

In addition, the 1984 amendments contained a new provision requiring that crisis assistance programs be administered by public or non-profit organizations which already had experience in administering crisis programs and in assisting low income families, and had the capacity to administer a timely and effective program. Only one state changed the local administering agency used in the crisis program subsequent to the 1984 amendments. Seven other states continued to use their local welfare offices to administer the crisis program because they believed these offices had the necessary experience.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions.

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