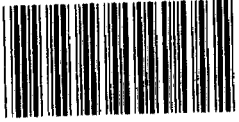


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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



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FOR RELEASE ON DELIVERY
Expected at 11 AM
Wednesday, March 26, 1980

STATEMENT OF
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DIRECTOR, ENERGY AND MINERALS DIVISION
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
HOUSE COMMITTEE ON EDUCATION AND LABOR
ON
[LOW-INCOME WEATHERIZATION PROGRAMS]

HSE01095

Mr. Chairman and Members of the Subcommittee:

We welcome the opportunity to be here today to discuss the low-income weatherization programs of the Department of Energy (DOE) and the Community Services Administration (CSA). GAO has issued reports on each of these programs 1/ and an additional report on the DOE program will be issued very shortly. My statement will provide some background on these programs and highlight our report findings and conclusions.

BACKGROUND

Responding to the problems of the poor in meeting rising energy costs, the Congress, in January 1975, enacted the Community Services Act of 1974 which authorized CSA to develop a low-income weatherization program designed to lessen the impact of the high cost of energy and reduce energy

1/"Evaluation of Four Energy Conservation Programs - Fiscal Year 1977", EMD-78-81, Nov. 21, 1978; and "Complications in Implementing Home Weatherization Programs for the Poor", HRD-78-149, Aug. 2, 1978.

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consumption. The CSA program usually made grants directly to local project grantees for the weatherization of low-income dwellings.

In August 1976, the Congress enacted the Energy Conservation and Production Act authorizing DOE to establish a supplementary home weatherization program. The purpose of the program is to assist in insulating the dwellings of low-income individuals and families to reduce their utility costs and to conserve energy. The program is administered on a decentralized basis through DOE's 10 regional offices. Grant funds are provided to States which, in turn, redistribute the funds to local administering agencies for program implementation.

For fiscal year 1979, the administration proposed that low-income weatherization funds be appropriated only under the DOE authority and the authority for CSA weatherization activities be deleted. The Congress agreed and appropriated all weatherization funds under the President's 1979 and 1980 budgets to DOE.

The Energy Conservation and Production Act requires the Comptroller General to report to the Congress annually for fiscal years 1977, 1978, and 1979 on the activities being carried out under the DOE weatherization and certain other programs. The reports are to address four areas:

(1) energy savings, (2) program effectiveness, (3) financial controls, and (4) compliance monitoring.

With this background in mind, let me first discuss our August 1978 report when DOE and CSA were operating parallel low-income weatherization programs and then discuss our more recent report.

COMMUNITY SERVICES ADMINISTRATION
WEATHERIZATION PROGRAM

Our August 1978 report on CSA's program described complications encountered by CSA and DOE in operating parallel programs. For example, problems in the administration of the CSA program included

- difficulties in obtaining workcrews from Federal manpower programs and volunteers due to weaknesses in Federal planning efforts;
- exclusion of rental dwellings in favor of single-family homeowners; and
- weaknesses in CSA guidance, monitoring, and reporting which contributed to problems in identifying how many had been helped, to what extent they were helped and how much energy had been conserved.

We reported that, despite coordination by DOE and CSA, the programs were developing with dissimilar standards and requirements for implementation at the local level and some local administering agencies were experiencing difficulties in operating programs under dual standards. The report recommended that the Congress consider placing full responsibility

for low-income home weatherization in DOE. DOE and the Office of Management and Budget (OMB) agreed with our recommendation.

DEPARTMENT OF ENERGY
WEATHERIZATION PROGRAM

DOE's program could go a long way toward conserving energy and reducing the utility bills of people least able to afford them. However, it has been hampered by a number of problems in the areas of energy savings and priorities, progress and effectiveness, and financial controls and monitoring.

Energy savings

DOE does not have in place a system for estimating energy savings actually achieved or for selecting homes to be weatherized which offer the greatest potential for energy savings and for benefiting low-income persons.

Neither the act nor DOE's program regulations require that energy savings actually achieved from weatherizing homes be estimated and reported. We believe energy savings estimates must be obtained to answer at least two questions concerning program performance and effectiveness:

1. To what extent is the program reducing energy costs and consumption?
2. To what extent is the program cost effective?

DOE now plans to estimate energy savings for weatherized homes as part of a comprehensive program effectiveness evaluation plan which was implemented during 1979. Although

DOE's program evaluation will continue over a 2- to 3-year period, it expects to be able to make a first estimate of energy savings by April 1980.

We found that the local administering agencies we visited were selecting homes to be weatherized on a "first come, first served" basis without considering potential energy savings. This condition exists because the program regulations do not adequately define the criteria for selecting homes for weatherization.

Under DOE's current procedures, the States, as part of their annual plans, calculate the cost-effectiveness of various weatherization measures and list them by priority for different types of dwelling units. The lists are to be used by local agencies to determine which measures are applicable to dwelling units selected for weatherization and to assure that the optimum set of cost-effective measures are installed in each dwelling unit selected.

Although the procedures may help maximize the potential energy savings for each dollar spent on an individual dwelling unit, they will not necessarily maximize the potential energy savings in terms of total expenditures for all homes weatherized. For example, a local agency can still select homes on a "first come, first served" basis. Therefore, homes needing the lowest priority work expected to result in relatively small amounts of energy savings could be weatherized without first weatherizing those homes requiring

higher priority work. Weatherizing homes requiring higher priority work should result in obtaining relatively larger amounts of energy savings.

Impediments to program progress and effectiveness

The progress of DOE's program has been slow and data on the number of homes weatherized is overstated. Progress and effectiveness have been hampered by (1) problems in obtaining sufficient labor, (2) lack of emphasis on rental units where half of the low-income population lives, and (3) legal limits on the amount States and local administering agencies can spend on administrative expenses.

Slow progress

DOE planned to weatherize about 393,000 homes during fiscal years 1977 and 1978. As of December 31, 1978, DOE reported that only about 96,000 homes were weatherized. This estimate is overstated, however, because it includes homes weatherized under CSA's program. For example, DOE's Dallas regional officials believed that the States in their region were submitting reports that included the number of homes weatherized under both programs. DOE was unable to identify the extent of over reporting, and we did not attempt to estimate its magnitude.

Labor

Program progress has been slowed by difficulties in obtaining sufficient labor resources through the Comprehensive

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Employment and Training Act (CETA), administered by the Department of Labor (DOL). CSA experienced similar labor problems in its weatherization program. The Energy Conservation and Production Act requires that CETA labor be used to the maximum extent practicable. Until recently, DOE's regulations have interpreted this as requiring the exclusive use of CETA labor.

State and local agency officials in six of the eight States we visited cited difficulties in obtaining and utilizing CETA workers as a primary obstacle to program progress and effectiveness. The allocation of CETA slots are controlled by State and local agencies referred to as prime sponsors. DOE regional and State officials complained that prime sponsors ignored DOL policy directives by placing very little emphasis on assigning CETA workers to local weatherization projects. In past audits of DOL, we found a tendency for CETA prime sponsors to give preference to allocating CETA public service jobs to their own projects, rather than those of other agencies.

A joint plan of action was recently developed whereby DOE would grant waivers permitting use of weatherization funds to pay for labor costs where labor shortages can be documented. The success of this effort will be influenced by (1) how well DOE and DOL monitor the labor situation and take steps to resolve problems and (2) the impact that using

funds for labor will have on funds available for weatherization materials and other program costs.

Rental units

Neither the authorizing legislation nor program regulations require the weatherization of rental dwellings. Although almost 50 percent of the low-income homes in the United States are rental units, few such units are planned to be weatherized. In many cases landlords are reluctant to sign agreements required by DOE to assure that tenants will benefit from weatherization work.

Our first annual report on the weatherization program stated that few low-income renter-occupied dwelling units were planned to be weatherized when compared to the total low-income homes which are rental units. We found the same condition in some of the eight States we visited during our most recent work.

Maryland's 1978 weatherization plan projected that 50 percent of the total homes to be weatherized would be renter-occupied. In the remaining seven States the percentages ranged from zero in Louisiana to 40 in Massachusetts.

We also detected some reluctance to encourage weatherizing rental units from both DOE regional and some State officials. For example, State officials in Louisiana and Texas said that they were concerned that landlords will not pass on reduced utility costs to tenants.

Available data indicates that about 16 percent of the low-income dwellings in the Nation are single family renter-occupied units. For these homes and for multi-family renter-occupied homes where energy sources are individually metered, the benefits of weatherization would accrue directly to the tenant.

Administrative expenses

The program regulations in effect during our review contained spending limitations on transportation, tools and equipment, and administrative expenses which State and local agency officials complained were preventing effective program implementation. DOE has changed the regulations to relax the restrictions on transportation, tools, and equipment expenses. However, requirements in the Energy Conservation and Production Act and the National Energy Conservation Policy Act have prevented DOE from changing the restriction that administrative costs cannot exceed 10 percent of a grant.

We encountered complaints about insufficient administrative funds. For example, a Maryland official told us that the State does not have enough administrative funds and staff to effectively monitor program implementation. A Texas official stated that the amount allowed for administrative expenses was not sufficient to pay for costs associated with audits and hiring and training onsite supervisors. Insufficient administrative funds have also caused local agencies to rely on untrained personnel to perform book-keeping and accounting tasks.

The initial regulations did not specify how administrative funds were to be divided among State weatherization offices and local agencies, and local agencies in some States did not receive any administrative funds.

However, in response to requirements in the National Energy Conservation Policy Act, DOE revised the program regulations to prevent States from retaining all of the administrative funds. The regulations now limit administrative costs to no more than 5 percent of any grant at the local level.

Because overall administrative funds are still limited to 10 percent of a grant, this limitation may continue to hamper program operations. As we have noted, because the program is highly decentralized--involving the 50 States and over 900 local administrative agencies--adequate and effective controls and management are needed at the State and local levels to prevent fraud and other abuses. Therefore, we believe that, DOE should closely monitor the sufficiency of funds allocated for administrative costs and be prepared to ask the Congress to amend the legislation so that enough money can be made available to effectively manage and monitor the program.

Financial management and
program monitoring problems

Many local agencies were not maintaining adequate accounting and inventory systems and were not spending grant

funds in accordance with the program regulations. Additionally, most of the State offices we visited did not have financial management and monitoring systems which DOE could rely on for assurances that (1) local agency accounting, inventory, and unallowable expenditure problems are identified and corrected and (2) financial status reports are accurate. Moreover, DOE's ability to monitor the States and local agencies and obtain assurances that financial management and reporting problems are identified and corrected has been limited by a lack of permanent monitoring staffs in DOE's regional offices.

These conditions will continue, in our opinion, unless DOE implements a monitoring system whereby it identifies and provides training and technical assistance needed to improve the States' financial management and monitoring capabilities. We believe that DOE should rely primarily on the States to monitor and assist local agencies. We further believe that DOE should improve its monitoring of the States.

RECENT CONGRESSIONAL ACTION

As a final point, Mr. Chairman, the Congress has expressed continual interest regarding which agency--DOE or CSA--should have responsibility for administering weatherization programs. The Senate recently passed and the House is considering legislation which would, among other things, reestablish within CSA a program to provide low-income and near poor

individuals and families with weatherization services. The proposed weatherization program would be similar to the existing DOE program.

Based on our past and current work, we have consistently recommended that these weatherization programs be consolidated and administered by DOE. Our rationale is that energy functions should be placed in one agency having overall energy responsibility, rather than scattered among two or more agencies. This insures that energy functions receive proper priority within a single department and enables such functions to better compete for funds through the fund approval process.

As I have just discussed, we have found problems in the administration of the earlier program under CSA and DOE's current program. Many of the problems in the administration of both the DOE and CSA weatherization programs, originated at local community action agencies. Local agencies are likely to continue to have the major responsibilities for program implementation irrespective of which Federal agency is the source of funding.

To summarize, we believe that the problems in the DOE program are correctable and the low-income weatherization program should be under the direction of DOE.

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