

# THE IMPACT OF RISING ENERGY COSTS ON OLDER AMERICANS

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HEARINGS  
BEFORE THE  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE  
NINETY-THIRD CONGRESS  
SECOND SESSION

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PART 2—WASHINGTON, D.C.  
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SEPTEMBER 25, 1974



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The Impact of Rising Energy Costs on Older Americans:

Part 1. Washington, D.C., September 24, 1974.

Part 2. Washington, D.C., September 25, 1974.

(Additional hearings anticipated but not scheduled at time of this printing.)

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# THE IMPACT OF RISING ENERGY COSTS ON OLDER AMERICANS

SEPTEMBER 25, 1974

U.S. SENATE,  
SPECIAL COMMITTEE ON AGING,  
*Washington, D.C.*

The committee met, pursuant to notice, at 10 a.m. in room 1318, Dirksen Senate Office Building, Hon. Lawton Chiles presiding.

Present: Senators Chiles, Muskie, Moss, Hansen, Stafford, and Domenici.

Also present: William E. Oriol, staff director; George Cronin and John Edie, professional staff members; John Guy Miller, minority staff director; Patricia G. Oriol, chief clerk; Gerald Strickler, printing assistant; and Donna Gluck, clerk.

## OPENING STATEMENT BY SENATOR LAWTON CHILES, PRESIDING

Senator CHILES. The committee will come to order.

Today the Senate Special Committee on Aging will continue its hearing on "The Impact of Rising Energy Costs on Older Americans."

The witnesses represent several major departments of the Federal Government, and they each have a share in assuring that energy policies affect all citizens equitably.

If equity does not exist, then we need to take steps at the Federal level to assure that individuals and citizen groups are not adversely affected.

The committee today will first hear from Gov. Milton J. Shapp of Pennsylvania.

Governor Shapp wrote to Senator Frank Church, the committee chairman, last July, commenting on problems faced by older consumers in the face of rising fuel costs.

We are delighted that the Governor has expressed that concern, and that he takes time from his busy schedule and his duties in his State to be here with us today.

First, Senator Stafford wanted to put in a statement for the record.

Senator STAFFORD. Thank you very much, Mr. Chairman. I might say this, Governor Shapp, that the coal that heats up many of the houses comes from your State, and we are desperate to get enough to heat the homes in the mountains. I know that John Sawhill, the FEA Administrator, is here.

Senator CHILES. Thank you, Senator Stafford.

Senator MUSKIE?

Senator MUSKIE. Thank you, Mr. Chairman. I also have a prepared statement.

## STATEMENT BY SENATOR EDMUND S. MUSKIE

Senator MUSKIE. Mr. Chairman, even though it may have been pushed off the front pages, the energy crisis is still very much with us. Inflation in energy costs accounts for about one-third of consumer price inflation over the last 6 months. Mideast nations have indicated their determination to keep up the pressure on world oil prices, and domestic oil companies have maintained that pressure on the American public.

The elderly, many with low, fixed incomes, are among those Americans hurt worse by rising energy costs. In yesterday's hearings, I understand, this committee was told of a survey, conducted under the auspices of the Ford Foundation Energy Project, which shows that here in Washington the poor used half as much fuel as the well-off, but paid a higher portion of their income for what they used. The NRTA/AARP gave evidence that high fuel costs are causing the elderly to dip into their food budget to heat their homes, and to risk "potentially adverse health effects" by keeping their homes too cool this winter. And the National Council of Senior Citizens testified that inflation in recent months—much of it caused by higher fuel prices—has canceled out recent social security benefit increases.

The pattern in my own State of Maine—beginning last winter and continuing today—is that the elderly, and especially the poor elderly, are bearing unconscionable burdens as a result of the energy crisis. The Maine State Office on the Aging reports that the high price of gasoline, for instance, has caused volunteers for programs benefiting the elderly to cut down on their activities, and has drastically restricted the mobility of the aged themselves. Last year, increases in fuel oil prices of up to 50 percent in many cases caused some elderly to keep their homes at barely habitable levels in order to conserve fuel costs.

## PROJECT F.U.E.L.—A NATIONAL MODEL

We were fortunate in our State that the energy crisis was met with dedication and imagination by State and Federal officials working in Maine. Project F.U.E.L., which has become a national model of an effective, humanitarian response to the energy crisis, allowed many low-income Maine citizens to insulate their homes. The State fuel allocation office was able to insure that, throughout the emergency, fuel supplies were available to those who needed them the most.

But this year, Mr. Chairman, we are threatened with an even more drastic energy crisis for the elderly in Maine and elsewhere in the country. While last winter it was primarily the poor who were hit hardest by rising energy costs, this winter it will be the bulk of the elderly, including those with middle incomes, who will also be threatened with severe hardship because of energy price inflation. The help provided last year by the fuel allocation system in our State in large part rested on a cooperative effort with retail fuel dealers to extend emergency credit to help householders purchase adequate fuel supplies. In many cases, those loans have not yet been paid off. And the credit available to the fuel distribution system through normal financial channels has been almost exhausted.

So this year, the emergency measures which in the past were available to help the poor may not be available again. And those of

middle incomes, who will now be faced with fuel costs beyond their capacity, will further strain this already overburdened emergency system.

I hope in our hearings today we can hear about our Federal Government's plan to meet energy needs this winter. I particularly look forward to the panel of administration witnesses who will occupy the bulk of our hearing this morning.

I am also pleased, Mr. Chairman, that our first witness this morning will be Governor Milton Shapp, the distinguished Governor from Pennsylvania and my good friend. I look forward to hearing his testimony to give us further insights into the needs of State governments in meeting the energy crisis in the coming months.

Senator CHILES. Thank you, Senator Muskie, for your statement. Senator Domenici?

#### STATEMENT BY SENATOR PETE V. DOMENICI

Senator DOMENICI. First I want to compliment you on these hearings today, Mr. Chairman.

I think that most of us have been busy considering inflation and the economic summit conference, and therefore, I believe it is quite appropriate that you focus in on what is a very significant and relevant part of any economic game plan for this country—that is, the plight of the fixed income elderly. I think their plight is very relevant to the extremely low-income people in our country. We tend to think that the cost-of-living adjustment on social security, and perhaps the modest change in the minimum wage that we effected here in Congress, have taken care of the situation. It appears to me that the cost-of-living index, as it applies to our present situation and in particular to our senior citizens since most of their money is spent on food and energy, might not be even presently adequate. It might also be irrelevant as a statistic in the future.

I think we must have come up with an ingredient that we contribute to an American economic game plan that zeroes in on the precise problem we have before us on these hearings—that is, the effect of increased energy costs and the rather disproportionate effect of inflation on our senior citizens.

#### COST INCREASE OF 66 PERCENT

For just a few minutes, I would like to direct the committee's attention to some important and relevant facts:

Data just released on the average costs of energy to the consumer over the last 12 months show that natural gas and electricity are up 18 percent, gas and motor oil are up over 38 percent, and fuel oil and coal are up over 66 percent. According to the 1970 census, 29 percent of all housing units in this country are heated by fuel oil or coal. In northeastern United States, over 58 percent of all housing units are heated with one of these commodities which together have risen over 66 percent in cost in the last year.

These statistics are bad enough, but let me remind you that these are only averages. It is a lot worse in individual situations and in individual areas. I read in the paper Monday that electric bills are exceeding

mortgage payments for some families in Virginia. Although the national average of gas and electricity is up 18 percent, in a 12-month period ending last February, electricity costs were up approximately 30 percent in Los Angeles, and almost 50 percent in New York City.

These extraordinary price increases cause budget problems for most Americans, and this Government needs to be working on solutions for all. However, the elderly are, in my opinion, worse off because of a number of factors, and their plight must receive emergency attention.

Although I am pleased that both social security and supplemental security income benefits are now to be automatically increased when the cost-of-living increases, there are some problems. Cost-of-living increases are measured by the Consumer Price Index. Many charge that this index is not a good reflector of prices for the elderly who, for example, have more medical bills which are rising at a higher rate than most other items in the index. What happens to the older couple whose cost of heating has risen 66 percent in 1 year when the Consumer Price Index, which determines income increases, has only risen 11 percent?

Not only may the Consumer Price Index not reflect the true cost increases for older persons, the lag of possible benefit increases behind actual cost-of-living increases is considerable. For example, social security benefits were increased this June, but under present law, benefits cannot be increased again until next June—a lapse of a whole year in this period of double-digit inflation.

In the recent HEW conference on inflation, several participants recommended a special consumer price index for the elderly. There were also suggestions that social security and supplemental security income benefits be adjusted quarterly instead of annually when warranted by increased costs of living. I think we should seriously consider both measures.

#### WHERE TO ECONOMIZE?

Another reason the elderly generally suffer more is that, by and large, there is less fat in their budgets to cut back on. Without luxuries, what does one give up; food, doctor visits, going to church, the telephone? Our elderly citizens are having to give up these things, but I think this is asking too much.

Although usually the elderly aren't extravagant with energy, the high costs may cause them to cut back on the most expensive item—heat. Arthritis and other chronic conditions affecting many elderly are worsened with reduced heat, so that these elderly are bound to lose in this struggle of health against budget.

I know these are just some of the issues to be analyzed today. Remedies can be found, and I appreciate the contributions of the experts in aging problems appearing before the committee.

Thank you, Mr. Chairman.

Senator CHILES. Senator Hugh Scott had planned to be with us today, but due to the confirmation hearings for Vice-President-Designate Rockefeller, he is unable to be here. However, he has submitted a statement and without objection it will be entered in the record.

## STATEMENT OF SENATOR HUGH SCOTT

Mr. Chairman, I sincerely appreciate this opportunity to present testimony during your consideration of the problems confronting our aged as a result of the rising cost of energy.

In the past year, we have witnessed a tremendous increase in the cost of energy. All of us have been affected, but unfortunately many of our citizens, particularly the aged and those on fixed incomes, are suffering because their budgets are already stretched to the limit. If this trend in rising energy prices should continue, adequately heated homes with minimal use of utilities and the basic transportation required for essential activities will be beyond the reach of many of our senior citizens. Now is the time for our responsible officials at the Federal, State, and local levels to formulate a plan of action to meet the needs of our aged and others on fixed incomes.

This problem is particularly acute in the Commonwealth of Pennsylvania and other States in northeastern United States because of our dependence on the higher cost of imported petroleum. Also, a great number of our families rely on bituminous and anthracite coal to heat their homes. Coal, particularly anthracite, is already in short supply and a threatened strike this winter could create a serious shortage of bituminous coal.

## NO SIGNIFICANT SHORTAGE

I have been working with members of the congressional delegation and top energy officials at the Federal and State level to avert a potential shortage of anthracite coal in northeastern Pennsylvania. Although the Federal Energy Administration had estimated a potential shortage of 250,000 tons of coal available to homeowners, it appears that production and processing problems have been corrected and there should be no significant shortage. However, as a result, the price of coal has increased dramatically from \$25 per ton last year to \$50-\$55 per ton this year. Hopefully, by increasing supplies, the price will drop to a more reasonable level. In the short term, however, it may be necessary for our local, State, and Federal governments to be of direct assistance.

I have communicated several times with the Federal Energy Administration to express my concern for the higher cost of energy, its impact on our aged and those on fixed incomes, and the inequity in the price of petroleum-based products available to the Commonwealth and other States in northeastern United States. I know that the Administrator of the Federal Energy Administration, John Sawhill, is cognizant of these problems and doing everything within his power to correct the situation. I understand that some of the proposals being considered by Mr. Sawhill and others include a crude oil equalization program to blend the higher cost imported petroleum with the lower cost domestic petroleum; a lower rate structure for energy consumed by the elderly and conservation-minded families who tend to use less energy than the average; and direct subsidies. One form of direct subsidy that is worthy of consideration is an energy stamp program similar in design to our food stamp program.

I look forward to reviewing the findings of this committee and the studies being conducted by the Federal Energy Administration. I



want you to know that you can count on my full support of an appropriate plan of action that will bring relief to our elderly and others on fixed incomes; and correct the inequities in the price and supply of energy.

Senator CHILES. Governor Shapp, you may proceed.

**STATEMENT OF HON. MILTON J. SHAPP, GOVERNOR, COMMONWEALTH OF PENNSYLVANIA; ACCOMPANIED BY DANIEL SCHULDER, SPECIAL ASSISTANT FOR AGING, AND NORVAL D. REECE, SPECIAL ASSISTANT FOR INTERGOVERNMENTAL RELATIONS**

Governor SHAPP. Mr. Chairman, I greatly appreciate this opportunity to appear before your committee.

I am more than pleased to give testimony before this distinguished committee of the Senate which has become one of the most important voices in behalf of the rights of older Americans. I am honored by your invitation.

As you may know, I am also vitally concerned with the rights and needs of senior citizens. When I became Governor of Pennsylvania almost 4 years ago, I decided to end my activities in a number of community, professional, and charitable organizations. I made one exception.

I retained my membership on the Board of Directors of the National Council on the Aging for two reasons. The first is that NCOA is the leadership in the development of solutions to the challenges of old age and in the development of public policy in the field of aging. The second is that there can be no conflict of interest for a Governor to work for equity for older Americans; and I hope that my work with NCOA helps to advance that goal.

**INFLATION—No. 1 PROBLEM**

We meet today at a momentous time. In a few days the national summit conference on the economy and inflation will convene to deal with Public Enemy No. 1 as President Ford has correctly characterized inflation. The energy crisis of last fall has triggered a worldwide crisis that threatens the economic and political stability of the entire world.

And whatever else I may say today, I would like to emphasize one goal above all else—this Nation must not attempt to climb out of the dark pits of inflation and recession on the backs of the powerless and the poor—particularly on the rights of the aged and the infirm. It is the elderly people of our society, living on fixed incomes who suffer the worst in a period such as this of skyrocketing inflation, not just percentagewise of inflation, but dollarwise as well.

Within the community of nations, the United States retains vast leverage and bargaining power to maintain a fair share of global wealth and resources.

Within the United States, many groups—business and labor—and the wealthy—have the power to protect their interests within any economic strategy.

But the poor and the elderly do not have that kind of institutional power and it is our clear responsibility—and the responsibility of

Congress—to assure that fair and equitable treatment of the elderly be a *sine qua non* of national economic and social policies to meet the crisis.

When this committee held hearings on fuel and energy shortages earlier this year, you considered testimony dealing with the shortages and misallocations of fuel and gasoline. Many persons, especially the elderly, and many programs that should benefit the elderly, suffered because of those shortages. Today, in our sluggish economy combined with 12 percent to 15 percent inflation, the situation for the elderly is compounded by a lack of purchasing power to fulfill not only for energy needs, but even for the very basics of life.

Older persons in Pennsylvania tell me their problems: Simply and tragically—“Should I heat or eat?”—“I must read during the day because I cannot afford to light my house or apartment at night”—“I must stay well because I can’t afford to get ill”—and so on.

It is inhuman and malignant for society in this wealthy Nation to tolerate the specter of old people eating dogfood as a “trade-off” for heat, light, or rent money.

Central to this pressure on the lives of older persons in Pennsylvania and the Nation are the rising costs of energy products and services.

I will leave it to the many expert witnesses who can better quantify the economic elements of this situation as it confronts the elderly and the poor.

I would like to direct my testimony to the impact of rising energy and related costs on the lives of the elderly and especially lower income senior citizens. I would like to make some limited recommendations to meet this winter’s “eat-or-heat” crisis through a “fuel stamp” program and other steps which I, as a Governor, would see as critical.

#### RESULTS OF INCREASED ENERGY COST

In summary, the rising costs of energy have resulted in:

1. A basic cut in the purchasing power for other essentials of lower income older persons of at least 20 percent in the last year or two. The rises in social security payments and the initiation of the SSI program have hardly dented this drop in purchasing power in industrial States and urban areas.

2. Home heating costs make “heat or eat” a real choice for many of the elderly and rent increases of 20 percent to 50 percent in many apartments remove even the option of making such a sad choice.

For example, surveys conducted by the Commonwealth of Pennsylvania show increases in cost of home heating oil to be running at a level approximately 36 percent above cost for last year. Taking 1,200 gallons as an average consumption of fuel oil per year, an adequate supply of fuel oil which would have cost a household \$312 last year will now cost in excess of \$420 for this year.

In Pennsylvania we have about 404,873 households which heat by coal with a disproportionate number of these homes owned by the poor and the elderly. Studies reveal that in Pennsylvania costs of anthracite coal this winter will be increased by at least 85 percent over last year. These huge cost increases are beyond the budget ability of almost all poor persons and aged persons living on fixed incomes to meet. It takes approximately 12 tons of anthracite coal to heat an

average home for the winter. At last year's heating costs, a household needed approximately \$340 for home heating purposes. With the unprecedented rise in anthracite coal prices, the same 12 tons of coal for this winter will cost in the neighborhood of \$625.

There you have it—average oil costs up from \$312 per year to \$420 and coal up from \$340 to \$625 for elderly people on fixed incomes.

3. The costs of transportation, public and private, have risen beyond the means of many older Americans. Meanwhile, mass transit development, vital to the economic and social lives of all the elderly, continues to be underfunded and undersupported by the present administration to the detriment of a sound energy policy.

4. Increased costs to government, especially local government, because of the energy/inflation crisis have added intolerably to the tax burdens of older Americans. In Pennsylvania we have begun a system of tax rebate to our elderly for homeowners and for renters, but this is only a palliative program at best.

5. In essence, the benefits of senior citizen programs such as the Older Americans Act have been sharply reduced by the additional costs related for energy. It takes heat and light and cooking gas to maintain a senior citizen center. It takes fuel for buses and jitneys to bring these people to their centers or to distribute hot meals to those who are isolated. Even volunteers of modest means cannot afford friendly visits to rural areas to the isolated elderly at 60 cents a gallon for gasoline.

6. The operators of public and nonprofit housing face enormous heating and utility cost increases. To simply keep operating they must cut other tenant services. And this adversely affects the lives of tens of thousands of elderly tenants. Worse, the operators of private housing in slum areas are being forced to abandon units of housing in face of such cost increases.

These issues—income, heating and utility costs, transportation, taxes, senior citizen programs, housing—are the issues that I and all Governors must deal with—with or without Federal support. These are the hazardous adverse effects of "The Impact of Rising Energy Costs on Older Americans."

#### EFFORTS OF PENNSYLVANIA

I'd like to relate what one State, Pennsylvania, has tried to do to deal with these desperate needs and what steps must be taken by the Federal Government to support our efforts.

Incidentally, I don't think that Pennsylvania is unique in its struggle to maintain a life of decency for older citizens in the face of the energy/inflation crisis. Most States are willing to move if the Federal Government will give us some tools, support, and resources to help do the job.

In Pennsylvania I established the Governor's Energy Council. It is the function of the council to coordinate all the energy-related programs and activities of the State government. Early in its existence, the council established a consumers committee, which has been studying for months the impact of energy shortages and inflation "longages," particularly on the poor and elderly.

For the past 18 months the Commonwealth of Pennsylvania has operated a fuel emergency line which has dealt with many of the

problems faced by low-income individuals during the energy crunch. The fuel hot line was established and maintained with our own funds that have been partially reimbursed by Washington.

Last winter, the majority of the calls initiated concerned the availability of fuel, but we also found that many individuals lacked the financial resources to purchase needed fuel even when available. Through use of church groups and private social agencies, we were able to find necessary funds to assist many of these individuals classified as poor credit risks by the fuel oil dealers. Needless to say, this was on a case-by-case basis and could not possibly be adapted to handle any large demand for financial help.

Also, we worked through the welfare department and contacted many fuel oil dealers and encouraged them to extend credit to public assistance people who didn't have money to pay for fuel.

Our bureau of consumer protection in the department of justice did a tremendous job checking complaints of price gouging and abnormal sales practices.

I could go on with other activities we are pursuing, but I would like to address myself instead to essential Federal steps.

#### FUEL STAMP PROGRAM PROPOSED

I recommend the immediate adoption of a Federal fuel stamp program to be funded from an excess profits tax on the earnings of the Nation's oil companies.

I further recommend that the Federal SSI program raise the base SSI level from the current \$146 per month to \$200 per month for single eligible persons and \$300 for couples. I believe that this is what the Joint Economic Committee of the Congress correctly recommended last week as a step to raise Federal SSI payments to federally established poverty levels. The average \$3,700 per year social security payments for couples must be raised to approximately \$5,000 which the U.S. Bureau of Labor Statistics has pegged as the intermediate level of subsistence for a retired couple.

From the above figures it is obvious that it is necessary to provide funds for those poor and elderly whose income limitations preclude an adequate supply of fuel to protect their health and welfare. Based upon Pennsylvania figures estimating the number of households eligible under the food stamp program guidelines, we project that at least 532,000 households in Pennsylvania will be in need of financial assistance this winter to meet the unprecedented rise in heating costs.

These 532,000 units will be unable to produce the average \$130 necessary to provide adequate heating for this winter. The total burden of \$70 million is more than the Commonwealth of Pennsylvania can bear alone. There is no question that this financial burden must be shared if we are to avoid the type of tragedies which occurred in New York and other States last winter.

A Federal subsidy program is essential and must be established in conjunction with the States. It could be administratively patterned after the medicaid or the food stamp program. The subsidy should be available to homeowners and tenants. The latter represent 80 percent of the eligible recipients who stand to be victimized by high-rent increases forced by increased costs to the landlords. Adequate safeguards

must be built into the subsidy program to alleviate any possibility of a rent increase on the part of the landlord receiving the subsidy. This might present a problem to police but must be part of the program.

In the case of the homeowner, we propose the implementation of a voucher system. The homeowner would be certified by the administering agency as an eligible recipient. He would pay cash for the unsubsidized cost, and the dealer would invoice the administering agency for the balance of the total bill.

The portion of the cost to be borne by the consumer and the portion to be assumed by the administering agency would be certified in advance of the actual delivery of any fuel.

In the case of the tenant-landlord relationship, the administering agency would determine, based on the number of qualified tenants, the pro rata share of the subsidy forthcoming to the landlord. The program would protect qualified tenants from additional rent increases and still provide the landlord with relief from his increased fuel costs. However, a participating landlord would be prohibited from passing along any increased fuel costs in the form of higher rent to any qualified tenant.

This system could readily be adapted by all State welfare agencies and patterned after the medicaid program in which physicians invoice directly to the agency for services rendered.

Despite possible loopholes that can be found in this suggested system, we feel strongly that adequate accountability can be built in. Regardless of the method chosen, I cannot emphasize too strongly the urgency of coming to grips with this problem now—and I mean now—and providing an equitable solution before we find ourselves well into the cold weather with no adequate program for alleviating the suffering of millions of our elderly people.

#### FREE TRANSIT PROVIDED

Pennsylvania is the only State which is supporting a statewide free transit program for the elderly. This program is supported by receipts of our Pennsylvania lottery. On any mass transit system in Pennsylvania, persons over 65 need only show a medicare or ID card and ride free during off-hours or at any time on weekends.

Projecting our costs, to a national scale, about \$185 million in Federal subsidy funds could create a similar nationwide system for free mass transit programs for all senior citizens.

This Federal investment would mean a cutback in private auto and taxi use and would more than justify the appropriation while vastly improving the quality of life for almost all of the Nation's elderly.

In 23 counties of rural Pennsylvania we are providing similar free transit services through the use of title VI, Social Security Act funds. I would recommend that HEW make this kind of rural transportation service a high priority in all States. We will be glad to review the details of our program with HEW and representatives of the other States.

#### TAXES AND HOUSING

Our Pennsylvania lottery also provides \$65 million in tax rebates to the elderly homeowners and renters. More than a half million

households in Pennsylvania received tax rebates under this program this year. It is my recollection that President Nixon pledged a similar Federal/State program at the White House Conference on Aging, but it got hung up somewhere along the way. I strongly recommend that this committee revive the idea. We have found that the rebates are being used to meet essential needs and to maintain people in their homes. Without some Federal support, we will be hard pressed to make needed improvements in this program.

In addition, in Pennsylvania we will help winterize rehabilitated homes in the State with funds provided under the Comprehensive Employment and Training Act, concentrating on the homes of the elderly. What we will need is the cooperation of the Farmers Home Administration to rapidly process section 504 applications to provide low-interest, long-term loans for home rehabilitation purposes. And let's make sure that there is no further freeze or holdup of section 202 housing funds so that we can begin to attack the backlog of senior housing demand.

And lastly, I would hope that the Federal operating subsidy for public housing could be reviewed and raised to reflect increased fuel and utility costs so that social tenant services will not be curtailed.

I applaud the action of the Congress in adding \$35 million to the authorization for title III, Older Americans Act programs for the purpose of providing a transportation arm to the agencies providing meals-on-wheels and other services. I understand this extra money was provided in part to reflect increased energy costs to the programs. I strongly recommend that this committee review all Federal appropriations for programs for the elderly and recommend increases of at least 15 percent to reflect the impact of inflation and increased energy costs.

#### DUPLICATION OF TRANSPORTATION

At the same time, I recommend that this committee and HEW and other Federal agencies take a serious look at the duplication of transportation components of many federally supported social service programs. In Pennsylvania we have just concluded a study which shows that we must apply a firm policy in many communities to consolidate social service transportation components into one fuel-efficient system to serve all programs throughout the areas of the State.

I believe that these are steps which could and must be taken to ease the impact of increased energy costs on the elderly. All of these steps should be considered as the Nation charts its economic future in the coming days and weeks. I, for one, believe it possible to develop an energy and economic policy which can meet all of the people's needs while protecting and advancing the interests of the elderly.

And let me say quite emphatically, what we don't need is implementation of the suggestions advanced by Secretary Simon to the public utility chairmen convened here some days ago, to speed up the utility rate increase applications. The Federal Government should be promoting a careful screening by State utility commissions of rate increase applications so that we can promote maximum fuel

efficiency by the utilities and a fair shake for consumers. I am sure that you realize that utility bills are among the most pressing inflationary problems facing senior citizens.

I should make one other point. There has been concern expressed by many regarding the position of the elderly consumer in the policies and programs of the Federal Energy Administration. I, too, am concerned that insufficient attention and staffing has been demonstrated by the FEA leadership to back up the interests of consumers, young and old.

At the same time, I am convinced that a stronger consumer interest in the FEA Office of Consumer Affairs and Special Impact cannot function without the highest level of analysis, support, and resource allocation by the entire Federal Government. That support, in tandem with effective Federal economic actions, must come from the President and Congress.

I know that Dr. Arthur Flemming can articulate, magnificently, the concerns and needs of the elderly. What he needs is a clear mandate, a clear plan and full access to the decisionmaking levels of all Federal departments, including the regional levels where many effective decisions are made. Only the President can provide that mandate and mission to both Dr. Flemming and the Administrator of the FEA, Mr. Sawhill. And it is this committee of the Congress which can best frame the dimensions of that task for the Chief Executive.

As Governor of the third largest State in our Nation, I stand ready to work with this committee, the executive branch, and all senior citizens to meet our mutual goal of equity for the elderly. Thank you.

I stand ready, of course, to answer any questions that you and your staff may have.

Before we do that, I would like to introduce two aides of mine who are with me; Dan Schulder, my special assistant in Pennsylvania on handling problems for the aged, and Norval Reece on governmental relations.

Senator CHILES. Thank you, Governor, for a most complete and comprehensive statement, and certainly it will be helpful and beneficial to the committee.

We also appreciate very much your giving us an opportunity to ask you questions. You are down on the firing lines where the problems are very, very real, and we appreciate this opportunity.

#### RESERVATIONS ABOUT FUEL STAMPS

I noticed in your statement that you endorsed the Federal fuel stamp program. That is something we are going to be certainly looking at.

Yesterday a representative of the National Council of Senior Citizens expressed some reservations about the fuel stamp program on the grounds it is another means test, another means program.

He favored, instead, an adjusted cost-of-living index as a basis for automatic increases for SSI and social security. Do you have any comments on that?

Governor SHAPP. If the current base is raised to a sufficient level to take care of the senior citizens, I would go along.

My main purpose is to get money into their hands and quickly, so they can take care of their food and housing needs, other living costs, and still meet the tremendous increase that they are going to face on fuel bills this year.

Senator CHILES. Maybe that is something we ought to be looking at then, maybe there is some real wisdom in that, rather than starting another complete program. As you said, taking the figures from the food stamp program, these are the people that are going to be hurting, just like the recipients of SSI have got to be the people who are going to be hurt by increased fuel costs. I think we ought to take a long look at increasing that base before we get into starting another complete program with the resulting bureaucracy that would have to then administer the program.

Governor SHAPP. Senator, you tell me the fastest way of getting the money into the pocketbooks of our senior citizens who face this problem, and that is the route I think we should go. There has to be sufficient funding in order to resolve the problem.

Senator CHILES. Governor, earlier we have been taking testimony on SSI, and because that does relate here in what we are talking about, I wonder if you or your assistants could tell me what efforts your State has made, or that you have made with Project SSI work in finding those most in need.

Governor SHAPP. For a detailed answer, I will ask Mr. Schulder to answer it.

Senator CHILES. And if you could, could you give me the figures of what the increase has been in your recipients since we started the SSI programs?

Mr. SCHULDER. Yes, Senator. In Pennsylvania, we were concerned about the slowness of the Federal Government in mounting an information and referral and Outreach program, so we developed our own SSI-Alert program, and utilized Social Security Act, title VI, funds to do that, with a total budget of about \$1 million.

In the course of this, we utilized services of about 50 local public and private agencies across the State.

We did this partially because of the feeling of many older persons that public welfare agencies were not the place that they wanted to go. In a 6-month action program, we contacted approximately 400,000 persons who appeared to be eligible for benefits.

We referred directly to the Social Security Administration, something in the neighborhood of 60,000 persons to the program, and we had an increase of approximately 40 percent, from about 100,000 to about 140,000. We expect this fiscal year to average about 160,000 SSI beneficiaries.

Senator CHILES. Can you give me any kind of estimate of how many people are still out there that have not been contacted, who are eligible for assistance, and that we have not found?

Mr. SCHULDER. That is not an easy task because the estimates by the Federal Government itself were very high and shifted as new variables were added.



## FOOD STAMP ALERT PROGRAM

They have estimated that about 200,000 persons, additional beneficiaries, are in the State of Pennsylvania. If they were at least half right, then we still have another 50,000 persons to go. The State is also conducting, in cooperation with HEW, a food stamp alert program, and we are picking up additional older persons who did not come through on the first SSI-Alert program, but who are now applying for food stamps, and we are signing them up with the SSA for SSI benefits.

We went into every county of our State, every community, through churches and a wide variety of local groups, and we think that we have conducted a comprehensive SSI-Alert. But we cannot explain why the HEW estimates were so high compared with the new SSI beneficiaries whom we have referred to SSA.

Senator CHILES. Governor, in your testimony, you had some comment on Secretary Simon's meeting with the public utility commissions. How are you handling the interests of elderly consumers, or consumers generally with your State utility commission?

Governor SHAPP. Unfortunately, the public utility commission is still under control of the opposite party, and I have very, very little success in placing even a consumer advocate like Herbert Denenberg on that commission as the legal counsel for the commission so we could have a voice.

The public utility commission in Pennsylvania has gone along its usual ways of acting during the first 3½ years of my administration, and I have had a constant battle with them trying to get some input from various groups, even into the record of the hearings.

Senator CHILES. Is it elected or appointed?

Governor SHAPP. It is an appointed commission; there are five members. I have been able to put one member on so far, who represents the consumer interests, but his voice is completely drowned out by the other side.

I hate to make these remarks sound so political, but everyone in Pennsylvania knows the seriousness of the situation. It is very difficult at the present time, I think.

I have talked to many of the utility company executives though, and I think there is more reasonableness in their minds than in the commission itself, in recognizing the seriousness of the problem, that they are forced to increase rates, that they must have a better public relations viewpoint, and take into consideration some of the needs of their customers. So, I think gradually we are going to reach the point in Pennsylvania, where the voice of the consumer groups will be heard, and very much stronger than they are now.

I have even gone so far, by the way, through my own special counsel, to challenge some of the rate increases of the public utility companies that have been issued by PUC.

## STATE-FEDERAL RELATIONSHIP GOOD

Senator MUSKIE. Governor, what has been the relationship between your State's energy office and the Federal Energy Administration? Has FEA been helpful in assisting your State plan, or some of these

energy problems this winter that you have described so eloquently in the sense of the documentation that you have given us?

Governor SHAPP. Well, I should say last year we had a few battles down here on rationing, but I would say my relationship with John Sawhill is a good relationship.

I find that John listens. We do not get everything we want, but he has an open approach, and I am pleased to work with him, and hopefully he will agree with some of the needs we are presenting here today.

Senator MUSKIE. Is it your feeling that he only listens, or do you think he also hears?

Governor SHAPP. I think that we will leave that up to Mr. Sawhill for his definition.

Senator MUSKIE. I noticed that George Meany this morning described the President as a good listener, but he was not sure he was hearing. That is why I raised the question.

Do you think that FEA—and Mr. Sawhill is here this morning, and he will be addressing these problems, those that are brought to his attention—do you think the FEA should be actively involved in developing programs to deal with the problems of the impact on the elderly, and others in the energy crisis?

We need some focal point in the Federal Government. The question is whether Mr. Sawhill's Energy Office, what part it should play is a legitimate question, and I wonder whether you see that agency, which is most directly exposed to shortage problems and price problems, should be involved in programs to deal with the impact?

Governor SHAPP. I do not see how we can avoid it, if the FEA is to perform a public function that will embrace the needs of all our people.

Now, we have our own fuel and energy council in Pennsylvania, and we have a constant input in consumer groups to that council.

We operate a hot line that tells us what is going on, so that even if the officials at the top tell us, we are doing this, we are doing that, we find out from the people themselves whether those programs that they think are being implemented, are being implemented.

#### FEA NEEDS CONSUMER INPUT

I think the FEA must have consumer input, and they must be a greater status within FEA for the voice of the consumer, otherwise, the policy becomes dominated by the oil industries, the coal industries, the gas industries, and that would only be natural anyway, since such a large number of the officials in FEA come from those industries, that they would be reflecting the views of the industries. So, to counteract that, and to make certain that the program works to the benefit of the people, as well as for the industries, I think the FEA must increase not just the number of people in the agency, who deal with consumer problems, but on the level of importance in decisionmaking processes as well.

Senator MUSKIE. Would it be your view that the FEA, that if it were fully equipped with the full understanding of the impact to survive problems of energy, that its efforts to control prices and to allocate more clearly might thereby be stimulated?

Governor SHAPP. Yes, and I believe there should be some input from other Federal agencies into the FEA, because certainly HEW should have somebody who is riding herd on this problem and getting input in there. The Department of Agriculture should be invited into some of the problems, and the decision should not be made just with one agency, that only works to the interest of the oil industries, the gas industries, and the coal industries, and makes its decision in that way. I think only by getting the FEA to do its job, and in the performance of its function, that it be in the public interest.

Senator MUSKIE. How would you compare the outlook of this winter with what happened in Pennsylvania last winter? Will there be shortages of energy products, or will the real problems be high cost and credit?

Governor SHAPP. It could be both. At this moment, we do not anticipate shortages.

For a while, we had a big scare on coal, because the biggest producer of anthracite coal went out of business, but we have been able to work that out, and to get coal production going again. So it looks like the coal will be in adequate supply at this moment, unless there is a cutback in allocations, but there is a maladjustment here, the prices are going to be so out of line that it will be comparable to groups that I particularly talked about today, the poor, aged, and the handicapped groups, will be the victims of this situation.

I say on the oil situation in Pennsylvania, we feel it is totally unfair, just because the eastern district of the United States has a greater percentage of imported oil in its refineries, that the eastern districts should be penalized.

We feel this should be spread out nationally, and the total cost of fuel oil from the Mideast should be spread throughout the entire country, but our fuel costs are higher in the Eastern States at the present because of FEA policy allowing the oil companies to pass on the higher charges in the eastern area.

Senator MUSKIE. Finally, Governor, you had some very interesting proposals for Federal action. Have you had an opportunity to cost out those at all?

#### COST OF PROGRAM

Governor SHAPP. I would say that roughly, what we are talking about is \$70 million in Pennsylvania. We are talking slightly under a billion dollars for the entire program, and to my mind, it is unthinkable for a sum of this sort, which would represent less than one-third of 1 percent of our total budget we are talking about, or about 1 percent of the budget that was just passed.

It would be just unconscionable for this Nation not to put up that rather small sum of money to take care of the needs of so many millions of our citizens who are desperate, and have no other way out, unless they have a program of this sort, and I have indicated that many of our senior citizens are already suffering from malnutrition, and face a terrible decision: Do we heat our house or cut back on our eating again?

It is unconscionable in our country, in this country of the United States.

Senator DOMENICI. Will the Senator yield for a clarification of your last question?

Governor, in response to the last question of Senator Muskie, where you referred to \$70 million in Pennsylvania, and approximately \$1 billion in the Nation, just specifically, are you including in that estimate the suggested increase from \$146 to \$200 for eligible persons and \$300 for couples under Federal SSI programs?

Mr. SCHULDER. No, they are exclusive.

Senator DOMENICI. So it would cover your gasoline stamp program and the others mentioned, but not the social security changes you propose?

Mr. SCHULDER. The billion dollars would only cover the fuel stamp program, not gasoline, but fuel.

Senator MUSKIE. Have you costed out the SSI and social security?

Mr. SCHULDER. No, Senator.

Senator MUSKIE. I expect that would be difficult to do from your vantage point.

Thank you very much, Governor, for a very thoughtful and valuable testimony. I appreciate it very much. I know you are under some pressure for time, and so I will yield.

Senator CHILES. Senator Hansen?

Senator HANSEN. Thank you very much, Mr. Chairman.

Governor Shapp, we are happy to have the Keystone State represented the way it is here this morning.

We appreciate the experience you have had in Pennsylvania dealing with the problem that agonizes and worries all Americans.

I know that no matter where we live, that we can not be immune, and we can not be unmindful of the plight of the older people in times of inflation as we have now been subjected to for some several months and even years. I am impressed with your proposals.

I gather that one of the recommendations you made is that in order to ease the crunch—that is, the crunch that is being experienced by older people—that the Federal Government should be promoting a careful screening by State utility commissions of rate applications.

I infer from this that you think that some of the rate application increases, which have been sought, ought not to be granted until they have been scrutinized very closely to see if the increase is warranted and needed. Am I right in assuming that?

Governor SHAPP. I can only speak for my own State, and there are, of course, tremendous increase of costs that the utility companies have faced, the financial costs for expansion, the cost of fuel, the cost of labor, and other costs that are justifiable costs for them to consider in applying for their rate increases.

I can only say in Pennsylvania there has been no reasonable or rational system applied for many years on rate increases that have been granted to the utility companies.

#### PUC "POORLY STAFFED"

We have a very poorly organized public utility commission. It is very poorly staffed, and it has been more or less a decision to make on the basis of how much do we give this week, and how much do we hold back, and generally speaking, it is that type of operation, unlike in other States, where they have had a thorough examination of utility records.

I just submit for the record here, as I have done in Pennsylvania for the past several years, the public utility commission in our State is not an efficient organization, and it does not have the personnel and the expertise to really judge what is and what is not a fair rate, and this has been a part of our problem in the State of Pennsylvania.

Senator HANSEN. By law, or by legislative direction, is it required to consider and weigh applications for rate increases on the basis of needed additions, needed improvements to the various systems, and to the requirement that a fair rate of return shall be given to stockholders for their investment?

Governor SHAPP. Basically.

Senator HANSEN. And your feeling is that with little or no apparent regard for either the law, or legislative instruction, the public utility regulatory commission in the State of Pennsylvania failed, or has failed, speaking about a single entity, to discharge its responsibility. Is that what you are saying?

Governor SHAPP. They do not have the proper system of doing it, the proper people in the administering of the functions of the PUC.

For example, until very recently, they did not even have one certified public accountant familiar with the utility rates serving on the staff of the commission. I point this out, that the rates have been set more or less arbitrarily, in granting on an arbitrary fashion by the commission, and that has been very harmful to our State.

Senator HANSEN. Are rate applications subject to open hearing, and public testimony?

Governor SHAPP. Now they are.

Senator HANSEN. Were they not before?

Governor SHAPP. If there were public hearings, they were held in the remotest part of the State, and at the weirdest hours, and things of that sort.

We now have the public hearings, the fact of the matter is that a week ago, Tuesday, the Sunshine law of Pennsylvania went into effect, which required all public bodies to hold hearings in public. The Monday before the law went into effect, the public utility commission ran through three or four rate increases at a private meeting, and I urged them to hold the meeting up, to hold up a decision on this for at least a few days, so that they would do this in public, but the public utility commission refused to do so.

They just held the meeting on Monday, the day before the Sunshine law went into effect, behind closed doors, and approved the rates, and I am trying to get minutes of the meeting myself, to give you an example of the problem we face in Pennsylvania.

Senator HANSEN. Does the law in Pennsylvania afford the opportunity for aggrieved individuals, or organizations, to seek court review on decisions handed down by the public utility commission?

Governor SHAPP. Yes; it does. The problem there is that very few individuals have the expertise themselves to appear before a court, they must hire a legal counsel, they must hire their own experts who can analyze the records, and the cost is so great, that it is impractical to consider this as any remedial action at all.

Senator Hansen. One final question, as flagrant as I assume the actions of the commission to have been in Pennsylvania, you speak about it being under the control of the other party.

Has your party done anything in the last several years to represent the people of the State, through the initiatives of court actions?

## COURT ACTION TAKEN

Governor SHAPP. Yes; we have.

Senator HANSEN. Have you been successful?

Governor SHAPP. No; we have not.

Senator HANSEN. Would I infer from that, the court did not agree with you?

Governor SHAPP. The court ruled that the attorney general of Pennsylvania could not intervene to represent people. He could only intervene as an individual, as a user.

I have attempted to place as legal counsel for the public utility commission our former insurance commissioner, Mr. Denenberg. I believe most of you have heard of his consumer advocacy rôle, and the attorney general has the right to make the legal counsel to the PUC, but the chairman of the PUC has the right to determine his salary, and so far they have decided that his salary should be zero, and as a result, we have been unable, even through this route, to get consumer representation before the PUC.

I do not want to belabor before Congress the problems that we have in Pennsylvania, but it probably reflects an attitude that is carried over from the previous years, that no longer belongs to the American political scene.

Senator HANSEN. Thank you.

Senator CHILES. Governor, I knew you had an enlightened State, but I am delighted that you brought sunshine to Pennsylvania.

Some of us are attempting to bring a little sunshine to the Federal Government. Florida, having been an early advocate of sunshine, we now have some 27 co-introducers in the Senate of the Federal Government in the Sunshine Act.

I am also happy to have a missionary arrive and help us spread the word up here.

Governor SHAPP. The Sunshine bill is so broad, that facetiously, I sought a ruling from my attorney general, as to whether my private conversation between my wife and myself had to be made public.

Senator CHILES. Senator Domenici?

Senator DOMENICI. Governor, either you or your consumer expert, I have a very difficult time even understanding what a budget for somebody trying to live on \$146 a month looks like.

You do not know this, but I have to budget for eight children and a wife, at least she does, and I went out shopping for food three times, and it is incredible what it does cost.

Can you indicate how much they would have to spend, either in exact figures or in percentages, on food, how much on energy, how much on housing, and—since they are elderly and that is, I think, relevant—whether or not they can do it on \$2.90 a day, or however the \$146 a month figures out? If you have such information, which you think credible and relevant, could you supply it?

## REGIONAL COUNCILS ON AGING

Mr. SCHULDER. Senator, we have in our State four Governor's regional councils on aging, made up of senior citizens and other citizens to advise the Governor on State policies and programs, and to intervene on behalf of elderly persons. Based on a Florida survey

done by a community action agency, I believe in Dade County, which purported to show that 60 to 70 percent of the budgets of some people were going for food expenditures, we have asked our regional councils over the past 3 months to take a look at a representative grouping of older persons in this State, both in the rural areas and in the cities. As you may know, Senator, our State has the largest rural population of any State in the Union. We have not gotten the figures back yet, but in many of the communities that we are serving, 30 to 40 percent of the income goes for food, and something in the neighborhood of 40 percent of the income goes to housing and housing related costs, and a high percentage for medical bills of various kinds. So the largest part of the elderly's budget is food and housing, and these are the two areas which have seen the highest increases in the inflationary spiral.

While we do not have a precise picture of the budgets of our older citizens, we know that inflation has hit them harder than other segments of society.

Governor SHAPP. I just want to add one word to that. Perhaps the greatest thing we have done for our senior citizens is the Free Public Transportation Act for our senior citizens in Pennsylvania. They have come out of isolation, so many of them have been just holed up in their homes or apartments, they never get out, except to go shopping.

Now they can come out, and move around the communities, they can go to church, they can go visit friends, and this has been perhaps one of the greatest programs to help the senior citizens that we have put into operation.

#### MOBILITY IN RURAL AREAS

Senator DOMENICI. I would assume, Governor, that has very little impact on the mobility problem for your rural constituency?

Governor SHAPP. We are moving in the rural areas as well. The original State act gave us the free transportation only in areas where we had mass transit.

Now we have a rural transportation task force, and we are combining the funds of seven departments, and we are moving now into rural transportation in our State to afford free transportation to senior citizens out in the sparsely settled areas of the State.

Within another year to 18 months, I would be able to say that we have a rural transportation system that will be effective for all our citizens in the area.

Senator DOMENICI. Just one last question.

With reference to your fuel stamp approach, you gave us an estimate of \$1 billion for the country, \$70 million for your State.

Could you go into a little bit of detail as to how you arrived at the figure, and what the citizen would be getting on an average for that?

I see you are showing a figure of \$70 million, and then you have a stamp program, but I do not understand the \$2.10 average. What are you talking about?

Mr. SCHULDER. The shortfall is approximately \$130 per household. If you multiply the half million households in Pennsylvania eligible for food stamps by \$130 per household for this winter season, it comes out to approximately \$70 million.

We have simply made a population projection on that, assuming that across the country, the poverty level, the utilization of fuels is approximately the same, worse in some States, and less needed in others, and we come up with a cost of approximately \$1 billion.

We represent about 7 percent of the country's population.

Senator DOMENICI. That is all based on the assumption of increased cost for home heating?

Mr. SCHULDER. Yes.

Senator DOMENICI. That has nothing to do with gasoline or transportation, so your concept and your figures, as we look at it in Congress, and your program deals only with home fuel increases, using your hypothesis as to reasonableness?

Mr. SCHULDER. That is right, Senator.

Senator DOMENICI. Thank you.

Senator CHILES. Senator Moss?

Senator MOSS. Thank you, Mr. Chairman. I will be very brief.

Governor, I apologize for not being here to hear your statement when you presented it, because we get scattered rather thin.

I have been trying to skim through your statement, and I was taken particularly by your efforts you say to winterize rehabilitated homes within the State with funds from the Comprehensive Employment Training Act, and that you will need cooperation of the Farmers Home Loan program to the elderly.

How many homes can you move on, how much do you have to have, how much manpower do you have to have?

Governor SHAPP. This is Mr. Schulder, my special assistant on aging.

Mr. SCHULDER. Senator, the Office of Economic Opportunity, in a number of States, including Maine, over the past 6 or 7 years has engaged in home rehabilitation and winterizing activities.

In our own State of Pennsylvania last year the department of community affairs winterized approximately 80 homes at the average cost of \$400, putting in triple track storm windows and insulation.

What you need depends on the condition of the house, and again, we are talking about rural areas of our State for the first effort.

In some places, you can substantially rehabilitate and winterize a home for \$1,000. You may have to spend \$2,000 or \$3,000 and we are not talking of costs beyond that.

Under the Farmers Home Loan program, you can get 1 percent loans for low-income persons for a 20-year span, I understand.

The Comprehensive Employment and Training Act can provide funds to employ older and younger persons with moderate and marginal skills in construction and rehabilitation, and train them while you are rehabilitating homes.

#### FLOW OF FUNDS, QUALIFICATION OF APPLICANTS

The problem is the flow of loan funds and qualifications of loan applicants. The problem is getting the applications moving quickly and cooperating on a multiapplicant basis with an entity like Pennsylvania, and getting the money out there, and not looking too hard whether or not a 70-year-old woman in good health is a good risk or not.



In fact, we think she is, so that is the kind of program we are talking about. We are using about \$800,000 of the Governor's discretionary funds under the CETA Act to perform work in about four counties as a start, but the problem will be the material costs rather than the manpower costs. What we need are funds, approved loans, for the material to fix the houses.

Senator MOSS. Thank you. I do commend you, Governor, for your very imaginative and vigorous sort of an attack on this problem that we have, with our elderly citizens, and I appreciate your appearance before the committee. Thank you.

Senator DOMENICI. Governor, we thank you very much.

We hope you can stay, if your time allows you. We are now going into our Federal panel, and we would like very much to have you stay and sit with them, if you could, and participate.

Governor SHAPP. My problem is that this is an election year, and both my opponent and I are due at the Chamber of Commerce of Philadelphia to discuss mass transit for the southeastern Pennsylvania area.

Senator CHILES. We certainly understand that. We certainly understand your problem. Thank you very much.

Governor SHAPP. Thank you very much. I greatly appreciate this opportunity.

Senator CHILES. We now have a panel of witnesses which consists of Hon. John C. Sawhill, Administrator, Federal Energy Administration; Hon. Arthur S. Flemming, Commissioner, Administration on Aging; Hon. Don I. Wortman, Deputy Assistant Secretary for Program Systems, Office of Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare; Hon. Bert A. Gallegos, Director-designate, Office of Economic Opportunity; Mrs. Helen Holt, Assistant to the Secretary for Programs for the Elderly and Handicapped, Department of Housing and Urban Development; and Hon. Michael H. Moskow, Assistant Secretary for Policy Development and Research, Department of Housing and Urban Development.

Because we have a number of witnesses, we would request that each department summarize their statement, and if it is agreeable with our panel, we would postpone questioning until we have the summaries of all of the statements, and then we can have a participatory discussion.

Mr. Sawhill, we appreciate very much your appearance, and we will let you start it off.

**STATEMENT OF HON. JOHN C. SAWHILL, ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION; ACCOMPANIED BY HAZEL ROLLINS, DIRECTOR, CONSUMER AFFAIRS/SPECIAL IMPACT OFFICE, FEA**

Mr. SAWHILL. Mr. Chairman, I will try to summarize my statement, and incidentally, I did take the statement of Governor Shapp as a good backdrop for this panel discussion, because he did define the issues very well, all of which I agree with, and he gave us a lot to think about.

In my prepared statement,<sup>1</sup> I try to define the organization that we have developed in the FEA for focusing on the problems of the

<sup>1</sup> See p. 103.

aged, and other disadvantaged groups in our society, and describe some of the functions of the new Office, and the organizational placing of that Office with complete access, so that we can have in our organization a group of people that are focusing on these problems with direct access to the Administrator, and I have charged them with moving immediately to look at some of the problems that are of concern to this committee.

There are a few issues that I raise in my statement that I think it is important for us to consider.

The first is the question of electric utility rates and their impact on the poor. Our studies reveal that the poor use much less energy than others, that a greater portion of their income is spent on energy use, that they pay higher prices for energy, and that housing for the poor in most cases does not have the features and equipment that save energy. We go on to describe the source of this information, and some of the concerns that we have had.

For example, utility rates decline with increasing purchases. This cheaper-by-the-dozen pricing does not help the poor who use energy only for necessity, and we described some of the statistics, for example, showing that the households spend \$275 for electricity and natural gas in 1972-73 heating season, or about 7 percent of income, whereas the well-off spent significantly lower percentages of their income, although a higher dollar figure.

We also discuss some of the recommendations we have made to the State utility commissions to lessen the impact of increasing utility rates on low-income residential consumers.

First is peakload pricing. Several States are now experimenting with people on pricing. There are devices on the market which make this feasible. Generally, the greatest demand for electricity occurs during daylight hours.

Utility companies must build excess plant capacity to accommodate the load during their peak demand. You would be interested to know that we only use our utilities in this country at about 51 percent of capacity, because of the peakload problem.

We feel that providing electricity during peak hours results in increased prices to consumers. A more equitable solution would be to charge more during peak hours. The net effect, I think, would be to reduce demand during this period, and make lower cost electricity available at other times during the day or the evening.

#### LOW BASIC RATE

The second proposal that we made to State utility commissions is a low rate basic bill. I believe in a system in which the first monthly increment of electricity used by consumers is billed at a rate lower than succeeding increments. This would encourage conservation as well as assist low-income families that do not use very much electricity.

Such a system should be considered at the same time that State commissions are having to raise rates to solve the financial problems that the utilities are faced with.

In other words, the first number of kilowatt-hours, perhaps up to 400, would be billed at a low basic rate, and then succeeding increments would be billed at higher rates.

This would encourage people to cut back to the lower rate. Consumers would cut back and it would also help the poorer people. I

think that this idea should be seriously considered by State commissions.

In my prepared statement, I also talk about energy conservation, and some of the things we are doing in FEA. We are developing a five-city pilot program, which we call Operation Button-Up. This program will involve many sectors of the community, and bring into focus a sharp awareness of the problem at the local level.

This is basically a program designed for insulating homes and installing storm windows and doors.

Based on the results of this project, we will make recommendations regarding the need of such a program on a national level, tapping resources of the other Federal agencies that would be involved in this concept.

I also addressed the subject of public transportation, which is a specific problem confronting the FEA. We certainly do encourage the adoption of the senior citizen plan which was adopted by Governor Shapp.

There is a similar plan here in Washington jointly administered by the local jurisdictions in the Washington metropolitan area transit authority.

This plan saves money and gives the aged the chance to use public transportation, and it fills buses during off hours.

We are communicating with mayors and Governors to explain the characteristics of such plans for the benefit of the elderly. We will also ask the League of Cities and the Governors' Conference to take action on this front.

Another area we are concerned with is the subject of volunteer participation in aging programs. In May of this year, our office in conjunction with the Administration on Aging of HEW conducted a survey, which was mentioned when I last appeared before this committee.

It is not totally conclusive in terms of providing hard statistical data. However, it did suggest from October 1973 to May 1974 the increased cost of gasoline was a factor in reducing volunteer participation in federally funded programs for the aged.

It further revealed, with increased costs of gasoline, some programs were forced to divert budget moneys from line items to supplement volunteer reimbursement funds.

It is a fact that some programs for the aging do not reimburse drivers for mileage expenditures.

In July of this year I wrote to the Internal Revenue Service and recommended that the deductible mileage allowance of volunteers be increased. We can report that the Internal Revenue Service has in fact increased that allowance by 1 cent, although we do not believe that the increase is adequate.

#### EFFECT ON INSTITUTIONS

Finally, I commented on institutions which service the aged. We are not only analyzing the impact of the energy crisis on the aged in general, but the effect of the energy crisis on institutions which service the aging.

According to a recent survey conducted by the American Public Health Association, public health agencies are incurring increased expenses as a result of rising price of heating oil and gasoline.

In addition, these institutions are faced with corollary problems such as time loss, mobility, impediment, and higher costs for petrochemical products. Clearly, these are problems which must be addressed.

The Office of Consumer Affairs/Special Impact is studying the implications of the cost push on institutions serving the aged.

In reviewing the energy-related problems of the consumer, the Consumer Affairs/Special Impact Office discovered that little economic data exists regarding its impact of the high cost of energy on the aged.

Therefore, the CA/SI office is presently reviewing proposals for obtaining primary impact data from leading firms who have displayed expertise in the field of aging. The model we hope to obtain from such data would be one which analyzes problems and assesses the impact of such problems on the aged, aging programs, and institutions serving the aged.

When this model is completed, appropriate recommendations will be developed and coordinated with other agencies involved in related areas.

Finally, I addressed the subject of interagency coordination and what we are doing in this regard, and I conclude with comments on subsidy programs. The Office of Consumer Affairs and Special Impact on the Federal Energy Administration is evaluating Federal, State, and local programs which have potential for alleviating the impact of high cost energy on the aging.

Some of these programs are the energy stamp proposal that Governor Shapp described, and I might say that Senator Mathias introduced an amendment to a bill, which I believe was on offshore leasing, asking for a 60-day study of the energy stamp proposal.

I subsequently wrote me and asked if our Agency, together with HEW, would conduct the study. FEA will report its results in time for the Congress to act in its session following the elections.

Other programs we are examining include: The West Virginia Transportation Remunerative Incentive program; tax credits for corporations donating funds and services for energy crisis and intervention programs; and negative income tax programs.

All of these proposals are complicated, and I do not really think that I could comment a great deal on their worthiness this morning since we really have not addressed them in any kind of detail at this point.

In closing, I would like to say that we at FEA are doing everything to keep the line of communication open and to address the problems of all Americans. The two key words used in developing our energy policies are equity and flexibility. We are engaged in a difficult and critical task. We will proceed with speed, but we must temper that speed with thoughtful analysis, which considers all the implications of our proposed remedies.

That summarizes my statement, and I would be glad to participate in the panel discussion.

Senator CHILES. The prepared statement of Mr. Sawhill will be inserted in the record.

[The statement follows:]

#### PREPARED STATEMENT OF JOHN C. SAWHILL

Mr. Chairman and members of the committee: I appreciate the opportunity to appear before you this morning to discuss the plight of the aged who are faced

with problems resulting from inflation, including the rising costs of energy. Today I would like to address the actions undertaken by the Federal Energy Administration since our last appearance before this committee.

#### FEDERAL ENERGY ADMINISTRATION

The Federal Energy Administration was created to bring all energy policy and implementation together into one agency. The office was given the immediate task of responding to large energy shortages that the country has experienced over the past year. The Administration has responded to the challenge of the embargo and is planning for in the future.

The first element of our strategy in developing long-term goals for energy independence is to establish the blueprint for Project Independence. The Blueprint effort is an attempt to develop a National Energy Policy that will set forth an analysis of the energy problems faced by this country and will include alternatives for the Executive Branch, The Congress, and the Nation to deal with these problems. The final product of the Project Independence Blueprint will be a report to the President outlining our goals for 1980 and suggested legislation, budgetary resources and Administration changes required to achieve these goals.

In developing the Blueprint, FEA is currently conducting public hearings in ten major cities throughout the country. These hearings are providing FEA with valuable information and data on the impact of national energy policies and regulations. I have directed the Consumer Affairs/Special Impact Office to assist each regional office in formulating a list of Consumer representatives to be invited to testify at these hearings and to ensure that Consumer representation is equally presented. I assure you that these testimonies will be carefully considered as we prepare the Blueprint.

Keeping in mind the mission I have just described for the FEA, let us now focus on the particular area of interest to us today—the aged. As defined by Section 18 of the Federal Energy Administration Act of 1974, this agency is mandated to ensure that the economic impact of proposed regulatory and other actions do not work undue hardships upon the low and middle-income groups. In view of this mandate I would like to discuss several areas which are of concern to FEA, namely the functions of the newly merged office of Consumer Affairs/Special Impact, Electric Utility Rates, Conservation, Public Transportation, Volunteers Participating in Aging Programs, Institutions which service the Aged, Interagency Coordination and Subsidy Programs.

#### CONSUMER AFFAIRS/SPECIAL IMPACT OFFICE

Those who are poor, or are geographically isolated, or aged, traditionally live at disadvantage in relation to most Americans. These very factors which place them at a disadvantage contribute further to increase the impact of the present energy situation upon them. To more effectively present to FEA the interests of the more vulnerable segments of our population as well as all consumers, I have merged the Office of Consumer Affairs and the Office of Special Impact to form a stronger single unit.

The Office of Special Impact as well as the Office of Consumer Affairs had been handling low-income and consumer matters. Frankly, there was room for improvement in these separate offices. The newly merged office is presently in the process of staffing 24 persons, including a representative in each of FEA's 10 regions. Formerly, there had been no consumer representation in the regions. This regional officer will provide the basis for effectively working with all consumers at the grass roots level.

#### FUNCTIONS OF THE NEW OFFICE

Some of the immediate functions which have been undertaken to strengthen the Consumer Affairs/Special Impact Office are:

First, to place this office at a policy making level within FEA.

Second, to establish a policy analysis unit to examine the impact and potential impact of FEA policies and programs on consumers, the poor, the handicapped, and the aged.

Third, to advise the Administrator of the results of reviews and analyses so that I may consider those factors in the development of the Blueprint for Project Independence.

In addition to these immediate steps the Consumer Affairs/Special Impact Office is charged with the following functions: To provide information on FEA policies and programs to Federal, State, and local agencies and private organizations representing consumer and special impact groups; to review the policies and programs of other Federal Agencies with potential for alleviating the energy-related problems of consumers and special groups; to recommend new or modified state and local level programs to alleviate the adverse effects of energy problems on these groups.

I am confident that the new and revised functions of the Consumer Affairs/Special Impact Office will provide a greater capacity for analysis, policy review and recommendations.

#### ELECTRIC UTILITY RATES

In reviewing data regarding the impact of increased electric utility rates on the poor, FEA has gathered and analyzed various studies. They reveal that:

1. The poor use much less energy than others;
2. A greater proportion of their income is spent on energy use;
3. They pay higher prices for energy; and
4. Housing for the poor in most cases does not have features and equipment that save energy.

According to a survey conducted by the Washington Center for Metropolitan Studies for OEO, impoverished households use less electricity and natural gas than other households, but pay 7½ percent more per unit. In many jurisdictions utility rates decline with increasing purchase so as to encourage usage. "Cheaper by the dozen" pricing, however, does not help the poor who use energy only for necessities. The study documents the fact that the average poor household spent about \$275 for electricity and natural gas in the 1972-73 heating season or at least 7 percent of its income. The well-off spent \$460 or about 2 percent of their income for household fuel in 1972-73. This data was compiled before the Oil Embargo. FEA is currently conducting a study to determine the post embargo impact of increased prices on electric utility rates. This information will be available in Spring of 1975.

Currently we have determined that electric utility rates across the nation have increased 40-50 percent over pre-embargo prices. In view of such increases, there are two steps which I recommend for consideration by every state utility commission to lessen the impact of increasing electric utility rates on the low-income residential consumer.

The first is peak load pricing: Several states are now experimenting with peak load pricing. There are devices on the market which make this feasible. Generally the greatest demand for electricity occur during the daylight hours. Utility companies must build excess plant capacity in order to accommodate the load during this peak demand period. Providing electricity during peak hours results in increased prices to consumers. A more equitable solution would be to charge more during peak hours. The net effect, I believe, of this step will be to reduce demand thus reducing costs for all users.

The second is a low-rate basic bill. I believe in a system in which the first monthly increment of electricity used by consumers is billed at a rate lower than succeeding increments. This would encourage conservation as well as assist low-income families who do not use much electricity. Such a system should be considered at the same time that state commissions are having to raise rates to solve the financial problems that they are faced with.

#### CONSERVATION

A national survey of households conducted by the Washington Center for Metropolitan Studies indicates that 70 percent of all low-income households have no storm doors or windows and of those living in single family houses, more than half had no insulation or other energy-conserving provisions.

Currently FEA is developing a five city Pilot Program, "Operation Button Up", which will involve many sectors of the community, and will bring into focus a sharper awareness of Energy Conservation at the local level. "Project Button Up" is a retrofit program designed for insulating homes, and installing storm windows and doors. Based upon the results of this project, FEA will make recommendations regarding the need for such a program on a national level; tapping resources from the Departments of Labor, HUD, and other Federal Human Services agencies.

## PUBLIC TRANSPORTATION

The second area I would like to address is public transportation, a specific problem confronting the aged. Transportation of the elderly has never been easy. Physical disabilities frequently compel older individuals to curtail their driving and depend on public transportation or the good will of others for mobility. In areas where public transportation exists and the individual is able, the system may be adequate. In such cases, our office supports the adoption of a Senior Citizen plan like the one in effect here in Washington and many other areas, wherein the elderly are given a decreased bus fare. In Washington, the plan is jointly administered by the local jurisdiction and the Washington Metropolitan Area Transit Authority.

Such a plan saves money and gives the aged incentive to use public rather than private transportation and fills buses during off hours. FEA is communicating with Mayors and Governors to explain the characteristics of such plans for the benefit of the elderly. We will also ask the League of Cities and the Governors Conference to take action on this front. While FEA believes strongly in these programs, whether or not they should be adopted and to what extent they are implemented is a local responsibility.

## VOLUNTEERS PARTICIPATING IN AGING PROGRAMS

In May of this year, our office, in conjunction with the Administration on Aging of HEW and ACTION conducted a survey of Federally funded programs for the aged utilizing volunteer man power. Although the survey is not totally conclusive in terms of providing hard statistical data, it did suggest that from October of 1973 through May of 1974 the increased cost of gasoline was a factor in reducing volunteer participation in federally funded programs for the aging.

The survey further revealed that, with the increased cost of gasoline, some programs were forced to divert budget monies from program line items in order to supplement depleted volunteer reimbursement funds. This, of course, reduces the quality of programs for the aged.

It is a fact that some programs for the aging do not reimburse drivers for mileage expenditures. In July of this year I wrote to the Internal Revenue Service and recommended that the deductible mileage allowance of volunteers be increased. We can report that the Internal Revenue Service in fact increased that allowance by 1¢, though we do not believe that the increase is adequate.

## INSTITUTIONS WHICH SERVICE THE AGED

FEA is not only analyzing the impact of the energy crisis on the aged in general but is analyzing the effect of energy policies upon Institutions that service the aged. According to a recent survey conducted by the American Public Health Association, public health agencies are incurring increased expenses as a result of rising price of heating oil and gasoline. In addition these institutions are faced with corollary problems such as time loss, mobility impediment and higher costs for petrochemical products. These are problems which must be addressed. The Office of Consumer Affairs/Special Impact is studying the implications of the cost push on institutions serving the aged.

In reviewing the energy related problems of the consumer, the Consumer Affairs/Special Impact Office discovered that little economic data exists regarding its impact of the high cost of energy on the aged. Therefore the CA/SI Office is presently reviewing proposals for obtaining primary impact data from leading firms who have displayed expertise in the field of aging. The model we hope to obtain from such data would be one which analyzes problems and assesses the impact of such problems on the aged, aging programs and institutions serving the aged. When this model is completed, appropriate recommendations will be developed and coordinated with other agencies involved in related areas.

## INTERAGENCY COORDINATION

The Consumer Affairs/Special Impact Office has been in close contact with other Federal agencies to determine the extent to which the energy crisis has impacted upon the poor. Among those contacted, the Office of Economic Opportunity was the only agency which had collected national survey data on the recent energy crisis and programs developed to lessen the hardships incurred by a cross-section of the nation's poor during the Embargo.

Moreover, OEO has made this survey data available to the Office of Consumer Affairs/Special Impact for the purpose of analysis. When completed in November this analysis will represent the first national study on the impact of 1973-74 energy crisis on the poor and aged, and will provide a catalog of the crisis intervention programs implemented across the nation.

Further, CA/SI recently signed a contract with The Paul Douglas Research Center to develop a model Consumer Affairs system for State Offices of Petroleum Allocating (SOPA). This will enhance SOPA's capabilities to provide solutions for the energy-related problems of consumers, including the poor, the elderly, and the handicapped. If the results of these studies indicate the need for further action, FEA will recommend such action.

#### SUBSIDY PROGRAMS

The Office of Consumer Affairs/Special Impact is evaluating federal, state, and local programs which have potential for alleviating the impact of the high cost of energy upon the aging. Some of these programs are the Energy Stamp Proposal, the West Virginia Transportation Remuneration Incentive Program, Tax Credits for corporation donating funds and services for energy crisis intervention programs, and Negative Income Tax Theories. Senator Mathias has asked me to coordinate an evaluation of the Energy Stamp concept with HEW. We have initiated contact with HEW and will undertake such a study.

All of these proposals are, of course complicated. Until further review is accomplished, I will withhold comment on their feasibility.

In closing I would like to say that we at FEA are making every effort to keep lines of communication open and to address the problems of all Americans. The two key words used in developing our energy policies are equity and flexibility. We are engaged in a difficult and critical task. We will proceed with speed but we must temper that speed with thoughtful analyses which consider all the implications of our proposed remedies.

This concludes our formal statement. I will be happy to answer any questions you may ask.

Senator CHILES. Commissioner Flemming?

#### **STATEMENT OF HON. ARTHUR S. FLEMMING, COMMISSIONER, ADMINISTRATION ON AGING; ACCOMPANIED BY DON I. WORTMAN, DEPUTY ASSISTANT SECRETARY FOR PROGRAM SYSTEMS, OFFICE OF ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE**

Commissioner FLEMMING. Mr. Chairman, I am happy to be here to represent the views of the Department of HEW along with Mr. Wortman, the Deputy Assistant Secretary for Program Systems.

I do have a prepared statement which I will file for the record.<sup>1</sup> I will briefly summarize some of the points in the statement.

The statement does identify several key issues that create special problems during this period of increasing energy costs for older persons. I think most of those issues have already been identified by other witnesses who have appeared before this committee.

We do, in our statement, point out that approximately a year ago an energy task force headed by Mr. Wortman was established in the Office of the Secretary, and identify some of the activities that have taken place as a result of the establishment of that task force.

One step that was taken in March of 1974 was that the Administration on Aging sent guidance to the States, suggesting possible actions which they might take to counter adverse effects of the energy crisis on programs for the aged.

<sup>1</sup> See p. 109.



This resulted from a survey that had been made of the situation in all of the States. The suggestions that we transmitted to the States are incorporated in the statement.

Also in our statement we call attention to the impact of both the social security programs, and the supplemental security income program on this particular issue. As far as the immediate future is concerned, our statement indicates that we have the following steps in mind.

#### CONSUMER PRICE INDEX—ACCURATE INDICATOR?

First of all, discussions will take place with the Department of Labor, Bureau of Labor Statistics, relative to the need to take a close look at the Consumer Price Index in order to assure that the automatic cost-of-living benefits escalator accurately reflects the impact of inflation on older persons.

As has been brought out, the automatic cost-of-living escalator may not adequately reflect the effect of rising costs on older persons, as these escalators are usually based on the Consumer Price Index, which is computed on data related to an urban family of four, with a moderate income. Therefore, it is not an entirely accurate reflector of the consumption patterns of older persons, particularly in light of their dependence on the inflation prone items.

Second, we will explore, in cooperation with the Federal Energy Administration, the long-term possibilities of the Federal Power Commission encouraging the States to adjust existing policies in order to effect a more equitable system of utility rates for low-income older persons.

Third, the Administration on Aging will continue to work very closely with the Federal Energy Administration in keeping a close watch on the implications for older persons of fuel and energy shortages, as well as the increase of prices, and where appropriate, we will seek to develop with the Federal Energy Administration action programs designed to deal with these crisis situations.

The Administration on Aging will also provide State and area agencies on aging with specific recommendations as to how existing Federal resources under existing authorities can be utilized to deal with increased transportation costs, caused by increases in energy costs, for the delivery of services, including increased costs incurred by volunteers.

Finally, the Administration on Aging at the present time is in the process of reviewing the State plans for 1975, submitted to us by the Governors of the States under the provisions of title III of the Older Americans Act.

Before these plans are given final approval, we will insist that they make provision for developing the kinds of relationships within State government, and at the area level set forth in the guidance submitted to the States in March of this year.

As the members of this committee know, the States are not authorized to spend the funds that are appropriated under title III of the Older Americans Act until we formally approve a State plan.

Those plans were submitted to us on the first of September. In our discussions with the States, we will insist on the inclusion in those

State plans of specific operating programs designed to deal with the crisis that is the subject of this hearing.

Thank you, Mr. Chairman.

Senator CHILES. Thank you, Commissioner Flemming. Your prepared statement will be inserted in the record now.

[The statement follows:]

PREPARED STATEMENT OF COMMISSIONER ARTHUR S. FLEMMING

Mr. Chairman, I appreciate the opportunity of discussing with this Committee the impact of rising energy costs on older persons.

It is clear that the prices for certain energy-related goods such as residential heating fuel and utilities have increased rather dramatically over the last year, and that in all probability they will continue to increase to some degree.

These increases, of course, are in part a reflection of the current inflationary economic situation. This Administration is committed to bringing inflation under control, and if that is accomplished, we will have made great progress in dealing with some of the specific problems that we are discussing this morning.

I might add at this point that last Thursday and Friday the Department, along with members of Congress, hosted one of the "Pre-Summit" conferences on inflation. A number of spokespersons for national organizations as well as private citizens met with us on those days in order to discuss the impact of inflation as it relates to the areas of health, education, income and social services. Special impact sessions were also held that focused on the special hardships that face children and youth, the disabled and handicapped, the poor, and older persons.

I would first like to outline several key issues that create special problems during this period of increasing energy costs for older persons.

1. THE ELDERLY ARE PARTICULARLY VULNERABLE TO RISING ENERGY COSTS DUE TO THEIR SOCIOECONOMIC STATUS

Many older persons live on fixed incomes and, based on current data from the Social Security Administration, more than 16 percent of the total population age 65 and over have incomes below the poverty level. Their income position is particularly threatened in periods of rising costs because the elderly generally spend a greater proportion of their income than does the general population on such basic items as health care, food, and housing. It should be noted here that more than 70 percent of this population group live in their own homes. This fact coupled with their income status increases their vulnerability to rising residential heating fuel and utility costs.

The income status of the elderly is further aggravated by their inability to effectively compete in the labor market due to such factors as built-in prejudices against the employment of older persons, mandatory retirement policies, health problems and rising unemployment in the general labor market.

2. CERTAIN PUBLIC UTILITY POLICIES WORK TO THE DISADVANTAGE OF OLDER PERSONS

The inverted rate schedule adopted by utility companies for electricity presents a special disadvantage to the elderly consumer, who typically use less electricity than the average family. Under this practice, rates are reduced after an initial kilowatt hour usage has been reached, thereby giving an economic advantage to those residences which use greater amounts of electricity.

Some utility companies also establish minimum bill rates. In instances where these rates exceed the normal consumption patterns of older persons, the elderly are again disadvantaged.

3. PROBLEMS ARE ALSO FACED BY NURSING HOMES AND OTHER INSTITUTIONS AND RESIDENCES FOR OLDER PERSONS

Under current Federal law regarding medicaid reimbursements to nursing homes and related institutions, a number of States follow a cost averaging formula rather than reimbursement on a reasonable cost-related basis. Under Section 249 of the Social Security Act, beginning July 1, 1976, all States will be required to operate on a reasonable cost-related basis. Until that time, however, institutions

in those States which currently operate on a cost-averaging formula will not be reimbursed for increased operating costs that occur as a result of cost of living increases. Some homes are already faced with deficits as a result of unexpected and significant increases in utility costs and mortgage interest rates.

Those institutions and residential homes for older persons which are not Federally regulated are also hard hit by rising operating costs. Economic pressures may result in under-heated facilities especially in those which are substandard, adversely affecting the health and comfort of residents.

The Department has taken a number of actions, during the past year, in cooperation with the Federal Energy Administration in response to the energy problem. These actions were designed to get information from us to the field and from the field to us, to devise ways to deal with emergency situations, and to assist us in examining ways to mitigate the impact of price rises, especially on the low-income and the elderly.

(1) An Energy Task Force headed by a Deputy Assistant Secretary was established in the Office of the Secretary composed of representatives from each of the Department's agencies. In HEW Regional Offices, Energy Coordinators were designated with responsibility for working with the States and other Regional agencies, and to report back to the Office of the Secretary on emergency problems. We established liaison with other agencies and we had on detail to the Federal Energy Administration a team to work on the development of energy policies to insure that the needs and problems of older persons and the poor were considered in the development of policies and regulations.

(2) Some of the other informational and organizational steps taken to prepare the health and welfare systems to respond to the needs of low income, older persons and other special groups were:

(a) HEW's health agencies employed their extensive network of relationships with State and local public health officials to monitor and assist in resolving emergency health problems and to advise the Office of the Secretary where general problems indicated a need for a change in Federal policy.

(b) Federal Energy Administration Regional Directors met regularly with the ten Federal Regional Councils (HEW, HUD, DOL, OEO, SBA) to resolve problems at that level in the administration of the Petroleum Allocation Regulations.

(c) HEW established information clearinghouses for aspects of the energy shortage that affect vulnerable groups—older persons, the disabled and the retarded.

In March of 1974, the Administration on Aging sent guidance to the States suggesting positive actions which they might take to counter adverse effects of the energy crisis on programs for the aging. The following suggestions were offered:

(1) Document on a continuing basis evidence of service curtailment because of energy shortages.

(2) Establish and maintain a relationship of active cooperation with the State Allocation Office.

(3) Extend the role of Information and Referral Services to provide assistance in questions related to energy.

(4) Establish a Statewide transportation and energy task force related to aging programs and encourage similar activity at the local level.

(5) Study, in particular, strategies for the pooling of vehicles and/or riders among all local community service agencies.

(6) Seek to obtain special considerations for older drivers or service volunteers relative to days and hours for purchase of gasoline.

(7) Service vehicles to insure optimum performance, and purchase any new vehicles with attention to mileage performance.

(8) Where possible, conduct programs in facilities which are already being heated for other purposes.

We will be following up with the States in emphasizing the importance of State Agencies on Aging in developing the kinds of relationships that were reflected in the March 1974 memorandum. This guidance will be transmitted to the State Agencies on Aging by October 9, 1974.

The Administration on Aging, through the State Agencies on Aging, also conducted a comprehensive survey on the impact of last winter's energy crisis on aging programs, and as you know, Senator Chiles, I shared that information with this Committee last April.

The Administration on Aging then participated with ACTION in a later study conducted by the Federal Energy Administration designed to further assess the specific impact of the energy crisis on the participation of volunteers in aging

programs. As you know, this study did suggest that programmatic costs did increase as a result of a diminished rate of participation in these programs by volunteers.

There are, in addition, several ongoing programs of particular importance to older persons that have an impact on the issues being considered by this Committee:

(a) *Social Security*

Social Security provides benefits to retired and disabled workers and their dependents and survivors. The benefits are meant to replace in part lost wages; and they are based on the worker's past earnings and paid from trust funds, to which the worker has contributed, and without regard to individual need. As a result of recent legislation, benefits were increased by 20% in October of 1972, 7% in March 1974, and another 4% in June 1974. The Social Security Administration also provides for automatic increases in social security benefits to keep pace with increases in the cost-of-living. A cost-of-living increase in social security benefits would be payable in July 1975.

At the end of June 1974, over 22.5 million people aged 62 and over were receiving social security benefits. The total monthly benefits amounted to \$3.9 billion. The average monthly benefit was \$181 for a retired worker; \$310 for a retired couple, both receiving benefits; and \$177 for an aged widow alone.

(b) *Supplemental Security Income (SSI)*

The SSI Program provides a floor of income for the aged, the blind, and the disabled. The Federal benefit level for an individual with no other income is \$146 (for a couple \$219). If an individual or a couple does have other income, the first \$20 generally is not included in determining the Federal SSI benefit, so this, in effect, increases the floor on income of \$166 for an individual and \$239 for a couple. In addition, 25 States provide optional supplemental payments exceeding the current maximum Federal SSI payment levels for all or most categories of recipients.

Recently enacted legislation, P.L. 93-406, also provides for automatic cost-of-living increases in the Federal supplemental security income benefit levels. These increases will be in coordination with automatic cost-of-living increases in social security benefits. The first possible cost-of-living increase under this provision could be effective for July 1975.

In July, 2.1 million aged people received benefits under the Supplemental Security Income Program which is financed out of general revenues. The total monthly benefits, including Federally administered State supplements, were approximately \$202 million (of which slightly over \$150 million were Federal benefits).

SSA is attempting, through its Outreach and Public Information programs, to identify people where they are—at home, at nursing homes, at senior centers, churches, etc.—to provide them with essential information about the various SSA programs, including SSI. The Social Security Administration and the Administration on Aging are continuing their joint efforts to identify older persons who may be potentially eligible for the SSI program. Large numbers of this aged population are those most likely to be adversely affected by the rising cost of energy.

The Information and Referral files maintained in all social security district offices contain or will contain information regarding energy resources so individuals contacting district offices may be referred to resources available in the community.

(c) *Food Stamps*

As administered by the U.S. Department of Agriculture, the Food Stamp Program enables low income families to buy stamps or "coupons" worth more than the purchase requirement and use these stamps to purchase food. The monthly coupon allotment varies by family and size and the amounts required to purchase them vary by both family size and income.

In determining a family's income, shelter and utility costs which are in excess of 30% of family income are excluded. This means that for families whose shelter and utility costs are near or above 30% of their income, increases in utility costs will be partially offset by decreases in the amount of money required to purchase food stamps.

(d) *General Assistance in States*

In addition, States have general assistance programs, paid for from State and local funds, which are frequently used for emergency situations.

An additional problem should be noted at this point. While automatic cost of living escalators built into benefit and pension programs may help to offset the impact of inflation, they may not adequately reflect the effect of rising costs on older persons, as these escalators are usually based on the Consumer Price Index (CPI) which is computed on data related to urban wage earners and clerical workers, including families and single persons and therefore may not be an entirely accurate reflector of the consumption patterns of retired persons, particularly in light of their dependence on the aforementioned basic items. On the other hand, some items which have moved the CPI up faster, such as medical expenses, may not accurately reflect changes in costs experienced by older workers, since medical price changes are generally absorbed by Medicare and Medicaid.

For the immediate future, HEW has the following actions planned:

(1) Discussions will take place with the Department of Labor's Bureau of Labor Statistics to see if there is any need to take a close look at the Consumer Price Index in order to determine whether the automatic cost-of-living benefit escalators accurately reflect the impact of inflation on older persons.

(2) To explore the long-term possibilities of the Federal Power Commission encouraging the States to adjust existing policies in order to effect a more equitable system of utility rates for low-income older persons, HEW will open discussions with the Federal Power Commission. Special rate adjustments in the case of residential institutions for older persons will also be explored.

(3) HEW will work very closely with the Federal Energy Administration in keeping a close watch on the implications for older persons of fuel and energy shortages.

(4) The Administration on Aging will provide State and Area Agencies on Aging with specific recommendations as to how existing Federal resources under existing authorities can be utilized to deal with increased transportation costs, caused by increases in energy costs, for the delivery of services, including increased costs incurred by volunteers.

Senator CHILES. Mrs. Holt?

**STATEMENT OF MRS. HELEN HOLT, ASSISTANT TO THE SECRETARY FOR PROGRAMS FOR THE ELDERLY AND HANDICAPPED, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; ACCOMPANIED BY MICHAEL H. MOSKOW, ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Mrs. HOLT. It is a great pleasure for me to be able to appear before this committee to discuss the special problems that rising energy costs have created for the elderly.

Secretary Lynn and the Department of Housing and Urban Development are very concerned with the increased costs of heating and cooling American homes that all of our citizens have faced as a result of the energy crisis.

Because we have such a substantial number of elderly couples and individuals living in HUD-funded subsidized housing, we are cognizant of the particular problems this segment of our society may face as utility costs rise. We are seeking ways to minimize any unacceptable burdens that increased energy costs may have imposed on all families, including the elderly, and to soften, where necessary, the impact of any large cost increases in the future.

**TRENDS IN HOUSING**

I should like to begin by reviewing very briefly the general trends in housing conditions for the elderly, in order to provide perspective for the discussion of the impact of rising energy costs.

By every available measure of housing conditions, the elderly have experienced significant and substantial improvements in their housing during the last decade. For example, the proportion of elderly headed households living in standard quality housing rose from 80 to 92 percent, and the proportion living in crowded conditions dropped from 2½ to 1½ percent.

Almost two-thirds of the elderly households own and live in their own homes.

Moreover, the elderly were able to achieve these improvements in their housing while devoting a smaller fraction of their incomes to housing. For the one-third of the elderly who were renters, rent-income ratios decreased noticeably from 24.1 to 21.9 percent for two or more person households. Rent-income ratios are, of course, somewhat higher for individuals living alone, but they have been declining at a comparable rate.

The improvement in housing is due primarily to the increased incomes that the elderly have enjoyed. Median incomes increased by 73 percent over the decade for single individuals, and by 63 percent for larger households. This compares with only a 31-percent increase in the Consumer Price Index for the same period.

We do not have detailed information on housing conditions for the elderly in the years since the 1970 census was completed, but there is every reason to believe that they have improved still further since incomes for the elderly have continued to increase at an even more rapid rate than incomes for all families, especially the nonelderly poor. From 1970 to 1973, median income for elderly headed households rose by 31 percent, or about 9.5 percent per year. This is faster than the increase for all families in the same period, and faster than the increase in the cost of living.

In 1974, incomes for the elderly are continuing to increase. Social security benefits rose by 7 percent in April, and by a further 4 percent in July, for a total increase of 11 percent so far this year. In the future, the elderly will receive further benefit increases when prices rise, because social security benefits are now tied to the increase in the cost of living.

Beginning with the July 1975 check, social security beneficiaries will receive automatic increases whenever the Consumer Price Index rises by 3 percent from 1 year to the next. This will provide significant protection to the elderly, especially to those of low income for whom social security forms the most important part of their income. Some 87 percent of the elderly are now receiving social security, and many of those not receiving it are covered by other retirement programs, or are still working.

### COST TO SUBSIDIZED HOUSING PROJECTS

Against this background, let me now turn to the more specific issue of rising energy costs. We are most familiar, of course, with the situation as it affects our subsidized housing projects. While the Federal Government pays a large part of the costs of these projects they are not managed in any instance by HUD—but rather by local housing authorities, private for-profit and not-for-profit owners.

As a result, HUD access to cost data of these managers is at best secondhand. For example, while we know that increased utility costs

have had a significantly greater impact on our projects in the Northeast than in the South and Southwest, we have not yet been able to quantify these differences accurately enough to give us a great deal of confidence in our figures. Even where some cost data are available, they have not been adjusted for possible differences in energy consumption levels or for other factors not directly related to the energy crisis.

An excellent example of this difficulty is with our section 236 program where, for purposes of obtaining HUD approval, utility costs were often grossly underestimated during the application stage. As a result of this practice, many section 236 projects show substantial utility cost increases in the early years of operation simply because the expected costs were so understated in the application.

As a consequence of all this, while I had hoped to be able to provide you with some meaningful statistics in this regard, we have concluded that our data are simply inadequate. I would hasten to add, however, that we are doing our best to devise a reliable data collection mechanism so our policy positions, when made, can be based on accurate information.

Nonetheless, we all recognize that rather substantial increases have taken place in many areas of the country in the cost of residential energy. Clearly, the severity of the burdens these increases cause will vary from project to project and from tenant to tenant. To illustrate this point, we have prepared a table which shows the percentage of rent increases which would typically be required to offset a hypothetical 20-percent rise in energy costs by project type and location. You will note that the necessary rent increases range from a low of 0.6 percent for a section 207 project in Seattle to 5.47 percent for a section 236 project in Houston.

PERCENTAGE RENT INCREASE NECESSARY TO SUPPORT A 20-PERCENT INCREASE IN UTILITIES

City	207	(d)(4)	BMR	236
New York.....	1.65	2.60	3.07	2.33
Boston.....	.80	-----	3.13	2.50
Newark.....	2.00	1.60	3.00	4.68
Philadelphia.....	1.80	-----	5.20	3.80
Pittsburgh.....	2.40	2.60	-----	5.25
Washington, D.C.....	3.33	3.00	3.46	4.25
Atlanta.....	.60	2.60	3.60	4.91
Detroit.....	1.80	1.28	2.17	2.02
Cleveland.....	1.69	2.80	2.88	3.42
Chicago.....	1.30	1.82	2.02	2.77
Indianapolis.....	3.00	1.80	1.95	3.70
Dallas.....	3.40	3.97	3.12	3.42
Houston.....	1.40	2.40	-----	5.47
San Francisco.....	.80	.92	1.25	2.87
Los Angeles.....	.80	.53	.60	2.51
Seattle.....	.60	-----	-----	3.45
Total average.....	1.69	1.94	2.58	3.49

At this point I would add that were it fuel costs alone which were going up, the situation would not be too great a problem for most tenants and project owners. It is only when other operating costs—such as maintenance and local property taxes—are rising rapidly that the financial squeeze becomes particularly serious. HUD's response to this occurrence, in turn, will vary in part depending on the programs under which the project was financed.

With regard to residents of public housing, rising operating costs will have little impact on these families since their rents may not

exceed 25 percent of their adjusted gross incomes. Any operating cost increases, for fuel or other purposes, which would push their rents above this figure are absorbed by the local housing authority (LHA).

Although the resident is therefore protected by this maximum rent provision, the taxpayer nonetheless must ultimately pay for LHA operating expenses which exceed rental income. Given the current Federal level—estimated to run up to \$500 million in fiscal year 1975—of these operating subsidies, HUD has instituted a new procedure to insure that these subsidies are no greater than absolutely necessary. Known as the Performance Funding System, operating subsidies are to be allocated to LHA's based on the estimated per-unit costs of a well-managed LHA, taking into consideration such factors as the age of the projects, the location—both urban and suburban and part of the country—and type—high-rise/low-rise, elderly or nonelderly. We are presently working with the Office of Management and Budget and the Urban Institute to refine our Performance Funding System even more. As part of this refinement procedure, we are seeking a method of building in utility cost increases so that true inflationary increases can be reflected in operating subsidy payments without creating disincentives for LHA's and their tenants to conserve energy.

It is hoped that we will soon be in a position to distribute operating subsidies in a manner which will cover legitimate and unavoidable operating deficits while not diminishing—and even improving—LHA services to its tenants, elderly and nonelderly alike.

Likewise, the section 8 housing assistance payment program, authorized by the Housing and Community Development Act of 1974, will protect subsidized project residents from rent increases due to rising operating costs.

Under the section 8 program, an eligible lower income tenant will pay between 15 percent and 25 percent of his income for rent, with HUD making up the difference between this amount and the maximum rent established by HUD for that unit; in no event will the eligible tenant's rent payment exceed 25 percent regardless of the rate at which operating costs may rise.

However, HUD is also protected against having to make increasingly larger subsidy payments to the owners of section 8 projects where operating deficits are the result of inefficient management. Prior to occupancy, HUD will establish a maximum rent for a proposed section 8 unit based on rents for comparable housing in the area. In subsequent years, this maximum rent may only be increased by the amount that "fair market rents" in the locality have increased.

In other words, the Federal subsidy per section 8 unit may only go up as much as rents in the local private market have risen, even if inefficient management on the part of the section 8 project owner has resulted in even higher operating costs.

We believe that introducing this discipline of the private market into our dealings with subsidized housing owners is one of the most significant advances in Federal housing policy yet developed, and is a feature which will benefit the lower income resident as well as the taxpayer.

#### SECTION 236 PROGRAM

The section 236 program was supposed to work without any provision for Federal subsidy of operating costs. Rather, the subsidy



which only reduced the mortgage interest rate was supposed to be enough to make projects financially feasible with rental income from tenants in certain income categories. In many instances, however, that objective cannot be obtained—there is simply not enough project income to support operation of the project. In addition, many section 236 projects were approved on the basis of unrealistically low operating expense estimates.

Although the Housing and Community Development Act of 1974 gives HUD the authority to make operating subsidies for utilities on 236 projects, it is not yet clear whether the funds which have been appropriated under this authorization can be used for projects which might be developed in the future. Regardless of this unresolved issue, however, we are concerned that the 236 program is so structured that there are too few incentives for good, efficient management. Without these necessary incentives—which we have built into the section 8 program—it is very possible that 236 operating subsidies would only serve to perpetuate poor management practices—including the inefficient utilization of energy—and leave the Government with a growing and virtually uncontrollable drain on its revenues.

In addition to the possibility of implementing this new authority for operating subsidies, we are also considering the use of various kinds of “work-out” arrangements involving the terms of the mortgage, such as short-term forbearance and increased mortgage amounts. I would caution, however, that no decisions have been reached in this regard. Especially with the section 236 program, we have discovered that each project must be taken individually, and problems with escalating operating costs resolved on a case-by-case basis.

Projects developed under the section 202 program are similar to section 236 in that the Federal funding is limited to the below market, 3-percent mortgage used to finance the development. The program was supposed to work without any additional subsidy. And unlike section 236, the 1974 act did not add a provision for the payment for any such additional subsidy.

At present we are gathering additional data regarding rising operating costs for these section 202 projects. For example, without accurate figures on the average rent-to-income ratios for tenants in section 202 projects, we cannot know to what extent rents could be raised to cover higher operating costs without forcing these elderly tenants to pay an exorbitant share of their incomes for housing.

Where there are well-managed projects in serious financial condition, and rent increases are not feasible, we are considering such options as: Conversion to section 8 or section 236 with operating subsidies; various mortgage work-out arrangements; and legislative changes to section 202, if necessary.

While I regret that I cannot be more specific with regard to our plans for financially pressed sections 236 and 202 projects, I hope you will not confuse this lack of specificity for a lack of concern for the problems. As I have attempted to explain, we are dealing with a relatively new area when we get involved with operating deficits for privately owned projects built under programs which were intended to be self supporting after the initial mortgage interest subsidy.

Clearly, the rapidly escalating energy costs must be addressed. However, the method in which this is done is not easily determined. We are

convinced, for example, that energy conservation can play an important role, and to that end we are supporting such measures as improved insulation in both new and existing projects, dissemination of energy conserving techniques, and, where feasible, direct metering of tenant's utility consumption.

I believe it is only reasonable to expect the owners and tenants to take steps such as these before we consider other forms of relief. However, energy conservation will not, in many cases, resolve the problem entirely, and some other means will have to be used as well.

But whatever set of policies is finally decided upon, I believe we would all agree that a solution must involve an equitable sharing of the burden by the project owner, the tenant, the Federal Government, and, where possible, the State and local governments where the project is located.

If there is one thing I hope has become evident during my remarks, it is that this is a complex problem which cannot be solved merely by creating a new subsidy mechanism. Thank you.

Senator CHILES. Thank you very much.

Mr. Gallegos?

Mr. GALLEGOS. Thank you, Mr. Chairman. I have filed my prepared statement and will only summarize it.

Senator CHILES. Your full statement will be reported in the record.<sup>1</sup>

**STATEMENT OF HON. BERT. A. GALLEGOS, DIRECTOR-DESIGNATE,  
OFFICE OF ECONOMIC OPPORTUNITY**

Mr. GALLEGOS. Last year, we had a very interesting spirit at OEO, with a relatively limited amount of money, we concentrated on the Northeast sector of the country, specifically, Maine, Vermont, and New Hampshire, and the concept was that whatever money OEO put in, we would hope that from the experience we had last year, we would be able to generate other governmental agencies and other sectors of local initiative, the private sector, and so forth, so they would be able to put moneys into what we are going to do.

This year, I have already initiated our task force so that we can try to learn from the experience that we had last year, particularly in Project F.U.E.L. in Maine, which turned out to be a very successful project, and I think that what we want to do is learn from our experiences last year, so this year using our 10 regional offices, and our 53 State economic opportunity offices, and then we have about 900 community action agencies which give service, and with that structure, we feel we can use this mechanism to serve the country with whatever we are going to do.

This year we are going to try to expand the activities that we limited to the Northeast States to all the regions of the country, and unfortunately, we are not going to be able to get into every State, but we are going to be able to get into more States than we did in the last year.

One of the most successful programs we had last year was the winterizing program, and this year we hope to do again what we did in Maine, and by utilizing the private sector, by utilizing our community action agencies, we hope to be able to do a lot of winterizing, as we did in Maine.

<sup>1</sup> See p. 118.

The fuel distribution program that we had last year in Maine is one that we also hoped to utilize throughout many other States throughout the country.

With the small amount of money we used last year, we feel that OEO can again this year replicate the good features of what we had last year, and because of our rather extensive system, our structure, we hope to expand and get into many of the fields that we did last year, and indeed, certainly affect the terrible situation we find.

I regret that I will not be able to get into detail, or give you some specific examples, but maybe later on, if you would like to question me, I would be glad to give them to you, so that is in general what we are going to do this year at OEO.

We are ready to do it. I think our success last year was due to the fact that we kept relatively simple what we were going to do, and because it was limited, we went out to do what we needed to do, and it turned out to be quite successful, and so we hope to use what success we had last year.

I, in my own State of Colorado, I am being asked to come on out there, and do some winterizing in some of the situations we have, some examples of how the poor, particularly the elderly and the aged, can get input from OEO. Thank you.

Senator CHILES. Without objection, your prepared statement will be inserted in the record.

[The statement follows:]

#### PREPARED STATEMENT OF BERT A. GALLEGOS

Mr. Chairman, members of the committee, I am indeed grateful for this opportunity to discuss with you the energy problems of the poor, and especially the elderly poor.

You know, Mr. Chairman, to be poor in this country is bad. To be old and poor is twice as bad. And, it seems, as if that weren't enough, the disadvantaged and the underprivileged are victimized by every ill wind—and cold wind—that blows.

To be poor, to be old and poor under the best of circumstances is a continuing crisis. And when the price of fuel oil doubles, or the electric bill goes up 50 percent in one month the poor and the elderly can be devastated.

Last year, without gasoline, the elderly poor stayed home when staying home kept them from food and health care. Without fuel oil, they were cold in the darkness, when that often meant serious health problems and another dimension to the misery of poverty.

Our files at OEO are full of stories of the terrible hardships of senior citizens. Many of them live in isolated rural areas, many are house-bound, most cannot supplement or stretch what is a meager budget to begin with. For example in my own state of Colorado there was the elderly woman who carefully burned her furniture to keep warm.

What I would like to address myself to are OEO's plans for this year.

We have been told lately that from all indications there will be no shortage of gasoline or fuel oil this winter. But consider this: the price of electricity is skyrocketing; coal is selling for up to \$70 a ton in Maine; in Florida, the poor—if they can buy it at all—are forced to buy more kerosene for space heaters than they can afford or need; some elderly poor in Colorado end up with \$35 a month to live on after they pay their fuel bill.

So our energy effort at OEO right now is to act quickly and effectively right away as much as possible the impact of all of this on the poor and the elderly.

As soon as I was nominated director, I reorganized our Energy Task Force within the agency and called upon our Energy Planning Group of outside consultants and others concerned to gear up for the crisis and recommend what steps we can take to meet it.

We are ready to start, Mr. Chairman, if only in a small way. We are studying the possible funding of five different programs that are designed to approach the problem in its many forms in as many parts of the country as possible.

Let me briefly outline things we want to do:

1. *Institute on Energy Conservation and the Poor.*—I am establishing within OEO an institute to address immediately the overall energy crisis and the poor. To begin with, we are going to investigate the impact of the impending coal strike on the nation's poor and elderly. We know that a strike could affect the 1.8 million dwellings in this country still heated by coal. We suspect many of these are lived in by the poor and the elderly. We want to be ready to help them.

2. *Alaska Rural Fuel Program.*—Approximately 30 Alaskan villages face severe shortages this winter because they were unable to buy enough fuel this summer to last them through the winter. Unless funds can be made available immediately to provide additional fuel deliveries during the next few weeks before the freeze sets in, these villages will run out of fuel in February or March and in order to avoid a disaster, fuel will have to be airlifted in by the military at exorbitant cost.

The local community action has proposed a revolving fund to permit immediate purchases of the needed fuel. This amount will provide for the needs of approximately 20 of the 30 villages in need. The money would be paid back over the course of the winter and would then be available as seed money for the installation next summer of bulk storage tanks which Standard Oil of California will install on 90 percent financing. Bulk storage will save the villages at least 30 percent of the cost of fuel.

We are also working on getting some additional matching funds from the State of Alaska for the other ten villages. And we are trying to get Standard Oil Co. storage tanks next year, which they have expressed an interest in doing. That would avoid future problems.

3. *Live-Saver Utility Shut-Off Prevention Pool.*—Thousands of poor will face gas and electricity shut-offs this winter because of increased prices and credit restrictions. In Northern tier states this, will cause serious hardship and risk of death, as the cold weather sets in, which will likely be in October. Community Action Agencies are uniquely situated to identify and respond to these emergency situations. We hope to fund a few contributors to a community pool to be used specifically for payments to avoid serious risk to health and life through utility shut-offs, and that churches and industry be asked to contribute to such a pool as well.

4. *Fuel Distribution Co-Op.*—In many parts of the country last year there was a total breakdown in the fuel distribution systems that served poor people in the quantities and on the terms they could afford. Total cash payment on delivery and unusually large deliveries were often required, neither of which the poor could use or afford. I have already mentioned the Florida problem involving small amounts of kerosene for space heaters. We could provide funds so that a local community co-op could be set up to distribute fuel. This experience could then be translated nationwide in an OEO "How To" pamphlet.

5. We would make a number of small initial grants to start up winterizing programs so that the work on houses can get started before freezing weather sets in. Hopefully, all of these programs would involve efforts to recruit volunteer labor to assist in winterizing activities, particularly in the homes of the elderly.

These are some of the things, Mr. Chairman, that OEO is exploring right now. Again, Mr. Chairman, members of the committee, thank you for asking me to appear.

Senator CHILES. Mr. Sawhill, do you anticipate a difficult winter?

Mr. SAWHILL. If I could, before answering your question, Mr. Chairman, would you object to my having Mrs. Hazel Rollins of the Office of Consumer Affairs/Special Impact accompany me. I think she can answer questions in the event that I have to leave.

As far as this winter is concerned, I think there will be adequate supplies of controlling the product.

If we have any shortages, they will be in the area of natural gas, and that will have an impact on the controlling situations, since we will have supplies available to concentrate on; but other than the natural gas curtailment which we will face, and will affect some of our factories, I believe we will get through this winter in a satisfactory fashion.

Senator CHILES. Is there a possibility of a coal strike?

Mr. SAWHILL. Yes; there is a possibility of a coal strike.

We are very hopeful we will not have a coal strike. Naturally, not myself, but others in the Government, are working with both sides to try to avoid a coal strike.

#### EMERGENCY PREPAREDNESS

We have to be prepared for that contingency. Our agency is developing an information system which we have reviewed with some of the other committees in the Senate to assure that we know exactly what inventories are on hand, what the production is, what the production would be in the event of a strike, and we are developing contingency plans in the event that a strike should occur. Unlike the petroleum situation last winter, we will be better prepared to handle it.

Senator CHILES. In the event we do not have a mild winter, that we have a very severe winter, and we did have something like the coal strike, do we have contingency plans now, or will we have, for the elderly and those on very fixed incomes?

Mr. SAWHILL. We do not really have contingency plans to handle problems of the elderly, but we do have contingency plans in the event that we have a reimposition of the embargo. We could determine where it would be severe, where supplies were severely curtailed, and we will maintain our regional force of 1,500 people that will be available to work at the State offices in the event the supply situations is different from what was forecast.

Senator CHILES. During our earlier hearings, though, we were talking about the impact especially, and how it did hit on the elderly, how it hit the volunteer programs, and how we were not prepared for that, and how these people suffered disproportionately.

What I am trying to find out, do we have some plans now to avoid or lessen that impact?

Mr. SAWHILL. Yes; I think because of the experience that our people have, they have been working together now as a group for almost 9 months, that we are much better prepared to handle special situations, and I think that we would be in a position this winter to insure that the elderly had an equitable share of fuel supplies in the event of a shortage.

Senator CHILES. Well, I think the committee would very much like to get, in some detail if we could, what those plans are and how they would work. That is one thing we have been seeking, and trying to find out, to get from the Special Impact Office and others, what plans they will have to take care of this problem.

Mr. SAWHILL. We will be happy to supply them to you.\* One of the things we have done is to put representatives of our Consumer Affairs and Special Impact Office right out into our region so they can work effectively with State and local officials, as you saw with Governor Shapp's testimony. The way this can work, is to be a partnership between the Federal Government and the State officials, the State energy office.

We cannot orchestrate this program from Washington. We have to do it through our region, through the State offices, where we really get to the people that are affected.

\*Retained in committee files.

## OPERATION BUTTON-UP

Senator CHILES. In the Operation Button-Up, what is the basis for a five-city pilot plan now?

We had OEO's experience of their F.U.E.L. program in Maine, the winterizing program.

Why are we talking now of five cities? Why are we not talking of something much less than that? It seems we are always having pilot projects.

Mr. SAWHILL. I tend to agree with you, and, of course, we will encourage people all over the country to install insulation. The problem is a lack of manpower and funds within our organization.

We do not have any grantmaking authority, and only a very limited budget. The budget of the FEA is primarily to support the staff in the organization, and the other expenses of running the organization. If we are truly to attack some of the problems that we have been talking about this morning, we would need a substantially larger budget and some kind of grantmaking authority.

The reason for a five-city pilot program is to see how effectively and rapidly we can achieve better insulated homes.

Senator CHILES. One of the things we were talking about earlier is to try to determine who has the primary responsibility for the human problems that are caused by the rising costs of energy.

Do you see FEA as having that primary responsibility? If not, who does?

Mr. SAWHILL. Well, I do not know that we today have that. I do not think our legislation provides it, and the Congress has not provided us the funds to really develop the kind of program that can hit directly on some of the issues that have been raised about the very rapid increase.

Senator CHILES. I think this is especially important, because as in the case of the pilot program you are talking about for Operation Button-Up, or the fuel program, it seems there has to be some agency of the Federal Government that says to the Congress, we have the responsibility, we need to have funds to insulate all houses, and we have to have a program. Then Congress can respond. It seems to me that we are at a point where everyone is talking about the problem but no one wants the responsibility or is ready to do anything about it.

## ASSIGN "LEAD" RESPONSIBILITY

Mr. SAWHILL. We do not want to duplicate FEA responsibilities of other organizations.

I think that perhaps the Congress should act in the same manner as we have done in other energy areas; that is, to assign FEA the lead responsibility so that you can make us responsible. We are willing to take that responsibility of working with HUD and OEO and HEW, and the other agencies that have the grantmaking authority, and responsibility. We may then have to request Congress to appropriate additional funds to support, for example, an energy stamp program, if we determine that this program is the approach we should take.

Senator CHILES. Again, in your testimony, you say that the FEA was created to bring all energy policy and implementation together in one agency.

Mr. SAWHILL. That is the way I read our mandate, but I think in the area of human services we are really getting into an area that is somewhat outside of strict energy policy.

As I think of energy policy, I think of creating additional energy policies, or acting on the rapidly escalating energy demand, or dealing with the international aspects of energy.

Here we are talking about the impact of energy prices on certain groups in our society.

We can identify those groups, and if the Congress feels that we should take responsibility for solving those problems, we can form interagency task forces, or projects to get the job done.

We are not shirking the responsibility, but I do not think it is well defined right now.

Senator CHILES. The Ford Foundation Energy Project stated a poor family uses 14 percent of its income for energy, as compared with those in the high income group that use 4 percent.

Does not that indicate the present pricing policies are highly discriminatory?

Mr. SAWHILL. I do not think so, no. I do not think it indicates that. I think what it indicates is that our energy uses are very basic, so the basic things we need, any family needs food and fuel, and what that indicates is that a wealthier family does not have to spend as large a proportion on either food or fuel as a poor family.

Therefore, it seems to me, what we are really talking about is when we consider the impact of rising energy prices on poor families, who would certainly be in that category, we should take a look beyond the programs that we talked about this morning, to maybe the fundamental changes in our tax system, or in the SSI program.

Really, what you are talking about is giving additional funds to these people to compensate for the hardships they have suffered with rising energy prices.

I do not think you should try to roll back prices for certain groups in society. I do not think that is the answer to the problem.

I think the answer to the problem lies in the tax structure. Maybe you need to look at some kind of system where you give an additional tax break to these people to compensate for rising energy prices, and other inflationary trends that we have seen in both food and fuel.

Senator CHILES. We are dealing with a lot of people on social security who are not paying taxes, so they are below that minimum.

Mr. SAWHILL. Maybe it is not only taxes. Maybe you also have got to examine the SSI payment as well.

Senator CHILES. You said in your statement that you were recommending a minimum pricing level on the first monthly increment of electricity. How can you be persuasive to States with this policy? I think it is a very good policy.

Mr. SAWHILL. Here again, I do not have any power.

A lot of the things are accomplished through the moral persuasion of a governmental official.

## LACKING AUTHORITY

We do not have mandatory authority to change regulations of State utility commissions, but we have had a number of conferences with them, and we will continue to meet with them. I have an advisory committee of State regulatory officials, and I believe that we are making some progress in this area.

Senator CHILES. Is this in the talking stage now, or are you close to the implementation stage for the pooling of domestic oil and foreign oil, so that the States that are now having to buy all foreign oil would be getting a fairer break?

Mr. SAWHILL. We issued a notice of proposed rulemaking. The Secretary today is having hearings on this issue. The notice came out in early September. You have to allow some time for the people to prepare their comments.

Senator CHILES. Tell us quickly how that would work.

Mr. SAWHILL. There are a number of proposals. The basic problem is that we have a three-tier pricing system in this country. We control the price of domestic crude oil, except for the newly discovered crude oil and oil by stripper wells which is uncontrolled, and of course foreign oil coming into this country is uncontrolled.

There are two proposals. One is that we would attempt to even out the domestic two-tier system, so that every refinery would in effect have approximately an equal cost for its oil, for its domestic oil.

In another proposal, we would provide mechanisms so that every refiner would have approximately an equal cost for all of its oil, including both domestic and foreign oil, and products coming into this country would also be approximately equally priced with products produced domestically.

Senator CHILES. Yesterday we were told by Mr. Arnett that the Consumer Advocate Committee of what was FEO last winter included three representatives of the poor. He now understands that that advisory committee is inactive. Do you know whether that is true or not?

Mr. SAWHILL. You mean the advisory committee to the FEO?

Senator CHILES. Yes.

Mr. SAWHILL. No; it is not inactive. The Congress, and I think rightly so, insisted when they passed the FEA Act, that we have consumers on all of our advisory committees, so we could hear consumers who are interested, to express their opinions with regard to the wholesale petroleum dealers, or groups from the coal industries, or natural gas, and so forth, and we do have consumers on all of these committees.

We have reconstituted, in addition, a separate consumer advisory committee which is headed up by Lee White, a well-known consumer spokesman, formerly of the Federal Power Commission, whose views I do not always agree with, but we do listen to the problems faced by consumers which he always presents. We do have a list of the people on that committee.

Senator CHILES. Have they been appointed?



Mr. SAWHILL. I am not sure we actually appointed them, because I wanted to assure that Lee would serve as a chairman, and he and I could discuss membership of the committee.

Senator CHILES. Will there be representation of the poor on that committee?

Mr. SAWHILL. Mrs. Rollins is closest to that committee, and she assures me that there will be.

Senator CHILES. Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman.

I would like you to yield to my distinguished colleague from New Mexico, who is a very keenly interested member of this committee who has another engagement.

Senator DOMENICI. Thank you very much, Senator. I have a few questions.

Mrs. Holt, your paper and your testimony, at least for me, was very technical, even though I understand something about 236 housing and the like.

Could I ask you just a couple of general questions? We just passed a new community development and housing comprehensive bill. I may be wrong, but I do not really recall seeing in either a report or a hearing, any emphasis relating to the problems that you have described here today regarding the inadequacies of some of the basic ongoing programs as they relate to fixed allocations for energy costs and the like. Am I wrong in that assumption?

Mrs. HOLT. I think those are not in the bill. There is one item that mentions an appropriation for operating costs.

Secretary Moskow, could you answer that?

Mr. Moskow. Well, Senator, I am not familiar with all of the discussions in the Congressional Record, but certainly on the discussion about operating subsidies of the 236 project, I am sure that there was considerable discussion about increases in taxes, increases in operating costs, increases in utilities for those projects, when the Congress decided to put that provision in the bill.

Senator DOMENICI. I want to leave you for a moment and go to Mr. Sawhill. I understand he is in a hurry also.

Mr. Sawhill, you related you talked about peakload, and you gave us a rather startling fact that we are using about 51 percent of our capacity. You then suggested that we ought to have a program where we spread the usage out.

It kind of reminded me of the telephone company's approach, which I assumed was precisely based on that fact. They had a huge national program telling us to call at different hours, and we get that extra special rate. It does seem to me there is quite a difference, however, between how effective that could be in terms of using a telephone versus the daily lives of people and the use of energy.

Do you really believe that people could adjust to turning off and on the consumption of energy, unless we turned our days and nights around for half of the people? Do you have some real substantial thoughts on that?

#### INDUSTRIAL COOPERATION

Mr. SAWHILL. I think there is more to do, particularly in private industry. There are a lot of industrial processes that could utilize

energy in the morning, for example, you would not operate an electrically fired furnace during the peak period.

Senator DOMENICI. Let me see if I can cut this part short for both you and me.

If I understand you correctly, what you are addressing yourself to here is if we could get more usage, perhaps the price of utility to the consumer, and it is the consumer that we are interested in here, might either stabilize or go down, but you do not really think the average senior citizen or poor person can really cut down themselves, or change their use, but rather it is a national kind of approach; is that correct?

Mr. SAWHILL. That is correct.

Senator DOMENICI. Now, with reference to this situation that you have discussed with Senator Chiles, perhaps the utility companies having a more equitable standard rate, where the lesser users in this country happened to be the poorer ones, and because you saw the poor use much less energy, they pay much more for it, you indicated that you have no legal remedy, but your persuasiveness; is that correct?

Mr. SAWHILL. Yes, sir.

Senator DOMENICI. On the other hand, have you formally suggested this to the executive branch of the Government, as it affects the poor, either to the President, or to the economic summit conference?

Mr. SAWHILL. I have not suggested that we do it on a mandatory basis, but I have discussed it as a possibility for it working on a voluntary basis with the State utility commissions.

Senator DOMENICI. Might I just ask you generally, what has been the attitude of the utility companies regarding that suggestion?

Mr. SAWHILL. To be honest with you, I have not really talked to utility executives as much as I have State utility officials, and generally, they see this as perhaps something that is desirable.

Senator DOMENICI. Now, Mr. Sawhill, in your statement, you summarized the poor use much less energy, the poor pay higher prices, and so on. I assume that in the field of energy, that even though you do not have statistics, as you indicate in your report, you do believe that if this was so a year ago, it is even more true today, is it not?

Mr. SAWHILL. Yes, sir.

Senator DOMENICI. And if the increase in price of basic crude oil, and related products, continues to rise it will just get worse, will it not?

Mr. SAWHILL. Yes.

Senator DOMENICI. Unless we do something to alleviate it?

Mr. SAWHILL. That is correct.

Senator DOMENICI. Commissioner Flemming, you indicated one specific thing you were doing in your present capacity, and that is relative to the Older Americans Act, and the State plans.

You very specifically have included a mandate, if I understood you correctly, that the plans you are going to have, that you now are making mandatory, that you described for us, I think that is an excellent one.

However, I ask you the same question I asked Mr. Sawhill. We are now engaged in a concerted national effort to cope with inflation. It appears to me that most of the emphasis has been on the negative, like cut the budget and the like.

I assume you agree that is not the only thrust, that there are already some very real problems that the poor, and particularly the senior

citizens of this country, are already bearing because of inflation that demand some positive actions, is that correct?

Commissioner FLEMMING. That is correct, Senator, and about 2½ weeks ago, President Ford invited the heads of the National Organization of Older Persons to meet with him in the Cabinet Room to discuss the impact of inflation on older persons, and they, of course, identified many of the issues that have been discussed here, and made vigorous presentations in connection with those issues.

#### PRESUMMIT CONFERENCE HELD

Last week, we had at the Department of Health, Education, and Welfare, a presummit conference. The representatives of the same organizations participated in a session on the impact of inflation on older persons.

The representatives of these organizations will also be participants in the summit conference this week, and I can assure you that as one who feels that I have responsibility to act as an advocate for older persons, I will pay close attention to these presentations, and will follow up on them.

Senator DOMENICI. You mentioned the fact that maybe the cost-of-living index is not as relevant as it should be, and then you said someone is checking into that.

Do you not think that that is one of the most important things for us to look at in terms of social security recipients?

Commissioner FLEMMING. I agree with you. This is a recommendation that was made at the meeting with the President, and it was repeated of course last week, and we will definitely initiate conversations with the Bureau of Labor Statistics to see what kind of a program can be inaugurated with that particular objective in mind.

Senator DOMENICI. Do you agree that the \$146 figure, which includes the last cost-of-living increase, do you agree in the light of inflation, that it is too low to accomplish the basic goals that we built into the program, and we provide a cost-of-living increase?

Commissioner FLEMMING. The Congress has provided recently there should be automatic adjustments in the supplemental security income benefit, at the same time that automatic adjustments in social security payments based on the cost-of-living increase take place. I believe this was a very wise decision on the part of the Congress. It was, as you know, a recommendation that the administration made to the Congress.

Senator DOMENICI. I guess I am asking, Are we already too far behind with the automatic cost-of-living increase, and that it really will not do justice to the senior citizens?

I am talking now about social security for a moment.

Commissioner FLEMMING. One of the recommendations that has been made in connection with these conferences on the impact of inflation on the older person is that consideration be given to making the cost-of-living increases effective, let us say, on a semiannual basis instead of an annual basis, or possibly even on a quarterly basis. That is certainly one of the issues we should take a close look at.

Senator DOMENICI. I have no further questions, Mr. Chairman.

Senator CHILES. Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman.

Let me first ask Mr. Sawhill, with respect to the steps that your administration is talking about in trying to meet the energy crisis, and trying to anticipate possible eventualities—I think Senator Chiles addressed some of those—what would you do if there was a major coal strike? You responded by saying you would try to pull together contingency plans. Another one, of course, would be what would be the response of the Federal Energy Administration, in case of a reimposition of the oil embargo?

I have in mind the testimony that was given by Governor Shapp of Pennsylvania. I gather that he implied some criticism of statements that have been made urging that public service, public utility commissions, expedite the processing of increases in power rates, feeling they were already too high insofar as the ability of the older American people are concerned, to avail themselves of the very minimal amounts of energies necessary to get along with.

Is it your feeling that we would be serving the elderly well by actions that would make even more difficult the funding of the improvements, in addition to the electrical generation system in this country?

#### UTILITY COMPANIES NEED INCREASES

MR. SAWHILL. I do not think we could make this more difficult. We studied very extensively the utility industry, and I have discussed the problem with the President.

The problem is basically the following: Utility stocks are selling at about 50 percent of their book value. Utility bonds have been lowered in their ratings, so that utilities have a very difficult time now raising either equity or debt capital.

The only way they will be able to raise additional capital, and build the additional facilities which we are going to need in the future, is if these utilities can have an adequate rate of return. With all of the increased costs that utilities have experienced, such as labor costs, fuel costs, construction costs, and so forth, they are going to need increased rates.

Now, I think we should take steps to try to ameliorate the effect of these increased rates on older people and on poor people, through a plan such as I suggest, but I do not see any alternative to increasing the rates.

Senator HANSEN. Reference was made to the added burden that is being felt now by those States more dependent than others on imported oil. I suspect the reference would go to the East and Northeast generally.

Mr. SAWHILL. Yes.

Senator HANSEN. Is it not a fact that a few years ago, the same section of the country was against the mandatory oil program, and saying that if that could be abolished, we would be able to buy this abundant foreign oil for a much lower cost and then we could buy domestic oil much cheaper?

Mr. SAWHILL. Yes; that is my understanding. I was not in Government at the time, but my understanding is that those areas are heavily dependent on imported oil and they were anxious to do away with the program, so they could have access to increased supplies of low-cost imported oil. Now the tables are turned.

Senator HANSEN. Is it not also a fact, for all practical purposes, there have been for several years now no restrictions on residual oil imports, the kind of oil that generally goes into heating homes and factories and buildings?

Mr. SAWHILL. That is true.

Senator HANSEN. Is it not also a fact that now with the effectiveness of the embargo last winter, and more recently the cooperation of oil exporting countries, in maintaining prices, that those parts of the country that were not too many years ago damning a program that was intended to build a more adequate domestic supply through differentials, now are most eager to get domestically produced oil, because it is selling for a lower price than is imported oil?

Mr. SAWHILL. Yes; that is true.

Senator HANSEN. Do you think that there is any real way we can come to grips with these very disturbing and serious problems, accepting in a realistic fashion?

Mr. SAWHILL. No; I do not.

#### NATIONALIZATION OF INDUSTRIES?

Senator HANSEN. What do you think of the suggestion that has been made, that if the prices keep escalating, that maybe we ought to nationalize some of our energy industries, in order to keep a lid on prices?

Does that sort of suggestion mean anything to you?

Mr. SAWHILL. When we nationalized the post office it did not seem to have any effect on keeping the lid on postal rates. I do not think nationalizing the energy industry would have any better effect.

Senator HANSEN. Do you know of any countries around the world that have nationalized these industries?

I think of England as one. They have nationalized the coal industry.

Mr. SAWHILL. The British Government owns about half the British petroleum, and some of the other countries have state owned oil companies.

Senator HANSEN. And most have nationalized coal.

Mr. SAWHILL. Yes.

Senator HANSEN. Have they been very successful in doing a better job in supplying coal with nationally owned coal than we have, even though we may have a strike?

Mr. SAWHILL. No; not particularly.

Whether the ownership is government or private, just because you transfer something to government ownership does not make it work any better. I think that in energy, it could conceivably work worse.

Senator HANSEN. Commissioner Flemming, you spoke in your testimony, or reference was made to rural transportation, I think, some several months ago, there were some studies, or perhaps some pilot projects undertaken to see what could be done in meeting the needs of the rural people.

Could you bring us up to date as to what success has been achieved in that area, what you think we ought to be doing now?

## RURAL TRANSPORTATION PROBLEMS

Commissioner FLEMMING. Senator Hansen, I think your reference is to a provision in the Transportation Act which appropriated \$15 million to the Department of Transportation to be used on a demonstration basis in connection with transportation problems in rural areas.

We have been working with the Department of Transportation on the development of the guidelines that will be issued under that provision, and we have an assurance that those guidelines will put a good deal of emphasis on the problems that confront older persons in the rural areas. These guidelines were published in mid-November.

Senator HANSEN. That would be very helpful.

I would like to yield to Mr. Oriol in order that he might ask some questions. I suspect that Senator Chiles, the chairman, will be back shortly.

Mr. Sawhill, may I excuse myself, and leave Mrs. Rollins here to participate in the panel? I do have to get back.

Mr. ORIOL [presiding]. I just wanted to thank you for your patience and your effort, and the effort of your staff to make your appearance possible here today, Mr. Sawhill, and for the close working relationship with Mrs. Rollins' office that has developed.

Mr. SAWHILL. Thank you very much.

Mr. ORIOL. If the panel has no immediate time problems, perhaps we could pursue a few more points.

My name is Bill Oriol, the staff director for the committee, and this is Mr. Cronin, the professional staff member, and John Guy Miller, minority staff director.

Perhaps, Mrs. Rollins, you could answer this question. In Mr. Sawhill's statement, he said the poor paid 7½ percent for their electricity and heating.

Yesterday, Mr. Freeman of the Ford Foundation quoting the same source, which was the Washington Center for Metropolitan Studies, gave us that figure at 15 percent. In other words, twice as much as the amount mentioned today.

Mrs. ROLLINS. We have had great difficulty in our office trying to determine the correct percentage increase on fixed incomes for poor people. Basically, what we did say in the statement was that in 1972, the percentage point was 7.5 percent, and we are unable, without simply sliding scales, to come up with a percentage figure.

Mr. ORIOL. We have since checked with Mr. Freeman, and he is pretty firm.

Mrs. ROLLINS. He is firm, and of course, he has the survey material on that information, and I would say if he testified to that effect, then it is true. It is the source of the material, but what we did say, is that we know the increase in electricity costs is from 45 to 50 percent across the country.

Mr. ORIOL. We will pursue that and look for a definite answer for the final hearing record.

Mrs. ROLLINS. If Mr. Freeman said 15 percent, I would be willing to concur, since he has the survey data.

## ENLARGE PROJECT F.U.E.L. PROGRAM

Mr. ORIOL. I would like to ask Commissioner Flemming a question while it occurs to me. Much has been said about Project F.U.E.L. in Maine of last year, the winterization of a small, but significant number of homes.

Today, Governor Shapp mentioned the Pennsylvania approach, which among other things involved a comprehensive manpower training act, social security amendments, and I wonder whether there is any way the Administration on Aging could wage sort of a two-way attack on this problem, because we were told yesterday that fuel—Project F.U.E.L.—did result in significant conservation savings of fuel.

He thought it would have greatly increased significance if applied nationally, so could AoA, working with the other agencies, mount a project using the area agencies on aging, as the direct local means of bringing it about?

Commissioner FLEMMING. Working through the interdepartmental working group on aging, which I chair, I think that we can take a look at that possibility. If such a project proves to be something that is feasible within the existing authorities and resources of the various departments and agencies, I will transmit it to the State agencies, and the area agencies, and in effect have it incorporated in the State plans.

Mr. ORIOL. Can this occur rather rapidly?

Commissioner FLEMMING. Yes.

Mr. ORIOL. Because that nip in the air yesterday morning shook us all up.

Commissioner FLEMMING. Right.

Mr. ORIOL. I would like to ask another question from Mr. Sawhill's statement, it was suggested to us by Mr. Feldesman of the Consumer Federation, that as a first step to the Project F.U.E.L.—that is the FEA should request of OEO the data that was developed last year as a result of these pilot projects on winterization and fuel conservation, and he thought that that material could be collected and analyzed rather quickly. Is FEA inclined to do this?

Mrs. ROLLINS. Not only is FEA inclined to do that, but we have already made that arrangement with OEO. We have collected the survey data, with respect to all demonstration projects from last year, and we now have consultants on the premises, synthesizing that information, and they will report to us, not just a basic summary of all of the programs throughout the Nation last year, but further, they will be able to provide for us data which is national in scope and more broadbased than any data that we have been able to identify in this country.

We are excited about this project. Frankly, we want that cooperation with OEO, and we can begin to get some surveys into the action agencies to find out what programs are needed for the winter and fall of 1974.

Mr. ORIOL. The thought was this information could be, you have already collected it, but could be put into usable form in a hurry. How soon can we have it?

Mrs. ROLLINS. Hopefully by the first of November.

Mr. ORIOL. It is pretty cold by then.

Mrs. ROLLINS. I think to push it any faster would give us a product that would not be worthwhile.

Mr. ORIOL. Is this something you then initiated since you took office?

Mrs. ROLLINS. That is correct.

Mr. ORIOL. I would also like to ask Secretary Moskow or Mrs. Holt, yesterday the National Association of Housing and Redevelopment officials mentioned in their statement a survey was conducted by HUD to determine the impact of rising energy costs on public housing.

Is that study now available, and, if not, when may we have it?

#### SURVEY RESULTS UNAVAILABLE

Mrs. HOLT. We had hoped to have those statistics with us today, but it was impossible to do it.

The data that has been collected, the reports coming from the housing authorities on individual submissions, as you are probably aware, come in different manners and at different times. Some of them are computerized; most of them are not. What we have are worksheets. We would be happy, as we suggested to Mr. Cronin, to have him or some member of the staff come over to go over these worksheets with representatives of the Housing Management Office.

Mr. ORIOL. I believe that Mr. Cronin would like to ask you a question.

Mr. CRONIN. As I understand it, there was a \$100 million request to OMB based on this survey; is that correct?

Mrs. HOLT. I understand the department did make such a request. However, I also understand the main reason that OMB was not able to comply with the request was they felt there was not sufficient data to support the request.

Mr. ORIOL. The point is though that there is some kind of formalized report that has been developed from that survey that was submitted to OMB; is that correct?

Mrs. HOLT. I could not call it formalized. It has not been compiled. This is why we did not have it to bring, but we hope to obtain more information and get it in better shape.

Mr. ORIOL. Senator, we understand that Senator Chiles will be back shortly. May we continue with a few more questions?

Senator HANSEN. Yes; that would be fine. I regret I am going to have to leave.

Senator Chiles has indicated, as he left, that he would be back before now, and I am certain it is difficult for all of us to anticipate precisely when we can get back. If I may, let me express my appreciation to the panel for its testimony. I think the information that has been presented here will be helpful.

I am sure all of us have the same goals in mind, and that is precisely how to better meet the needs of the aging and the elderly, and at the same time, do as little disservice to the economy as we can.

I recall in some of the minisummit meetings held around the country, addressing the problems of inflation and the economy generally, on more than one occasion, opinion has been voiced that we can attack the problem from several different points of view. One attack is to cut



the budget, a procedure that I have supported. I think that fairly implies an across-the-board cut. There are not any dollars in the Federal budget that do not have important and articulate constituencies.

There is no one place where everyone can agree we can cut and not do damage to our country, so that is important and I think needs to be given every consideration. At the same time, we realize, too, that part of the problem results from a shortage of supply. When we address that problem, we have to recognize that it has a multiple thrust and is related to the extent we are able to increase our output.

### COOL INFLATION FIRST

We have to help cool inflation first of all, and to the extent that we have people gainfully employed, we must maintain that, so as to make possible their continuing tax contributions.

We should help to bring about or work toward a balanced budget which I think has real merit.

I mention that because when we talk about the energy supply problem, it seems to me too simplistic, simply to say that if prices of fuel, or if prices of energy are too high, the way to meet that problem is to roll them back. That is what a lot of people have suggested. It has been recommended, as you all know, that we ought to roll oil prices back.

The trouble with that approach is that we do not have very much clout in telling the Organization of Petroleum Exporting Countries that they ought to roll back their prices. We have suggested that. It has been suggested repeatedly, and despite our suggestions and our pointing out as we have done from time to time, that this burden of increasing costs of energy falls most heavily on the developing and the underdeveloped countries of the world, not really very much has been done about it.

The only thing I know of is that some of the countries who are blessed with an abundance of oil and natural gas supply now are offering loans to other countries less fortunate than they are.

About two-thirds of the energy that we use in this country insofar as oil and gas is concerned, is domestically produced. Those who think we would serve the country well by rolling back those prices ought to consider the fact that about a twelfth of all of the oil we get in this country today comes from so-called stripper wells, wells whose average daily output is less than three and a half barrels per day.

There are those who say roll the domestic price back, since we cannot do anything about the foreign price, roll back the price where they can do something about it.

Senator CHILES [presiding]. You are sitting close to one who says that something can be done about it.

Senator HANSEN. I am glad you are back, because you can hear what I have to say, and I think it has some merit to it, and I say that in all good friendship to my friend from Florida.

The trouble with the approach just mentioned is simply this, there is not any man in the oil business, or in the resort business in Florida who can continue to operate without a profit or continue at a loss. It do not get to go down to Florida, to that sunshine State as often as I

would like to, but I am raising cows, and you know what has happened to the cow market. It is more than 50-percent lower than it was last year, and I do not know what is going to happen.

I can say one thing, that if the typical cowman is unable to persuade his backer that he needs, that he deserves to be extended credit for another year, there are a lot of us who are not going to be in business another year, if the prices stay as they are now. Everything we buy also has gone up, whereas our product, cattle on the hoof, has gone down very, very drastically.

Now, to get back to stripper wells, the fact is that there are very few businessmen in the country who are willing or able to do something solely because it is in the public interest, if they are not making some money at it. The person who is in the business of running the stripper well, is in that same situation too.

The first day that it costs him more to pump the oil than the three and a half barrels of oil that his average well produces, the very first day it costs him more to raise that oil than he is going to get for it, is the day he shuts the well down.

My point is that if this happens in America, several things are going to happen.

No. 1, a lot of people are going to be out of work in the winter-time. There will be many plants in the northeastern part of the country shut down because there is not any energy available.

That will not help. It will not help raise taxes. It will not help keep people gainfully employed. It will not help solve the problem of diminishing supply.

I hope we consider the problem of the aged and the elderly and the disabled, in terms of energy, and that we will be honest and realistic with ourselves, in understanding that some of these simplistic proposals that are made really would not serve the country very well.

If we want to increase our dependence upon foreign suppliers, and if we want to insure that the Arab countries will have even greater clout than they now have in dictating American foreign policy, the best way that we can do it is to increase our dependency on foreign oil supplies.

Let me yield the chair back to you, Mr. Chairman. I admire the good job that you are doing here. I appreciate your concern for the elderly. It is a concern and sympathy I share with you.

Senator CHILES. We are delighted to have you here. I know the problems of the elderly are a problem in your State as it is in mine.

Yours is such a beautiful State. I know that we just have so many of the people from the other 49 States seeking what possibly is the fountain of youth, and so we do have some transients, and I don't think anybody ages in Florida either.

I enjoy, as I always do, listening to your comments, and I think you speak very eloquently for the small, independent producer many times with wisdom.

#### ARAB OIL ONLY 15 PERCENT OF TOTAL

I just have to comment, as Mr. Freeman did yesterday, we think enough of what is happening to our fuel prices, that our President has spoken very bluntly and directly to the Arab nations and the other members of OPEC, as has our Secretary of State, and I agree with the

remarks they have made. Yet we only get 15 percent of our oil from those nations, so that cannot be the only thing influencing the prices that are hitting older people, our businesses, and everyone else. When we still look at what is happening to the new oil that quickly found its way to world prices, and we are still producing other oil—I think very profitably for the stripper wells as well as the big producers—and then when we look at the profits, and I do think the profits that are being made by the oil companies are unconscionable, I have a hard time seeing how we are going to be so stiff with OPEC nations if we are not going to do something about the one area that we could have some kind of control over, and that is our own companies here at home.

That is my unenlightened view of the subject. I do not know that much about oil, but that is the view that I have.

Senator HANSEN. If the Chairman would permit just a few more observations, let me say that Venezuela, I think, supplies the single greatest important share of the oil we import, Canada is closely behind in second place.

What these two countries have done has been to support the Arab countries. Those two countries—or at least Venezuela is part of the so-called OPEC group.

#### CANADA KEEPS PACE WITH OPEC NATIONS

Canada, as you know, until a year or two ago was in the unique position of selling more than half of all of the oil and gas it produced, and importing more than half of the oil it used. That came about because there was not any trans-Canadian pipeline.

There was not any way to get the oil from the western provinces where they found it, into the eastern provinces where most of the people lived, and as a consequence, the United States imported oil from Canada in the west, and exported oil to Canada in the east.

The fact is also that Canada has kept pace with the Arab countries in the pricing of oil. It has gone from about \$3.50 a barrel up to a net price of around \$10.50, as I recall, or maybe even a little more.

It is true that the Arab countries, as such, do not export to us a significant amount of what we consume. Yet the price level that has been set by those countries has been reflected by the price from Canada, from Venezuela, from Indonesia, and from other places around the world.

You mentioned one other thing; profits. You know, we have had a first-class job done by the press and the electronic media in addressing the problem and the question of profits. Sometimes the press can go into great detail.

I point out Occidental as an example. Occidental, 2 years ago, did not make any profits in its operations—they lost money. Then the next year they had less than a 2-percent profit.

The third year, the last full year we have had a report from them, the press headlined that Occidental's profits had increased 718 percent.

I do not have to have a pornographic mind to know that those profits in that magnitude are obscene.

The fact is, with that 718 percent in profits, Occidental still had about a 9-percent return on its invested capital.

Most people in the manufacturing businesses in the United States today would not say that 9 percent on invested capital really was clearly out of order.

I mention this, Mr. Chairman, and I apologize for taking so much time, because it seems to me that we have not always been as fair and as objective as we should be, and I appreciate your letting me take this time to make these observations.

Senator CHILES. Thank you, sir. Commissioner Flemming, we note from some of the questionnaires on the circular, with regard to the States coming up with plans, that they do not seem to be getting too good a response.

What do your findings reflect on that?

Commissioner FLEMMING. Senator Chiles, that is why I indicated in my direct testimony in this connection that the State plans for 1975 that have been submitted to us under title III will not be approved unless they include provisions for an operating program in this area. I think by approaching it in this way, we can get results.

Senator CHILES. Mrs. Holt, I see that from the 1970 census, that the number of renter households is 3,845,000 units, and those with an income under \$3,000 made up 56 percent, or 2.1 million of that number, or roughly 70 percent of them were paying over 35 percent of their income for rent.

#### HOUSING CONDITIONS HAVE IMPROVED?

That is over one-third of all their income going for rent, and with those figures, and the fact we have had a housing freeze since 1973, how can we really say today—as I think you did in your statement—that there is every reason to believe that housing conditions for the elderly have improved in the last few years?

Mrs. HOLT. We certainly try hard to improve them. As I said, in our housing they are not paying more than 25 percent of their income.

According to the rent income ratio figures we have, it shows they have decreased from 24.1 percent to 21.9 percent in their payments. Now, I do not know about the 35 percent. It would not be in our houses.

Senator CHILES. That comment is just about the small program for public housing.

I guess what I am saying is that if you took that statement you have made, that we have made substantial housing improvements in the past few years, and if you went to Miami Beach, and you made that statement, Mrs. Holt, you would be lucky to get out of a meeting with the elderly alive, because they can tell you in Jacksonville, and they can tell you that in Orlando, and in St. Petersburg, and any other place that I know of in Florida, that it is not so.

We have a high incidence of elderly, and they have housing problems. Try to tell them that their conditions have improved, while there has been a freeze in the past few years, it just will not sell.

Mr. Moskow. The figures we have presented in the testimony are the first national averages for the entire country, and there is no question in my mind that over the last 10, 20, or 30 years, or any period you want to go back, there has been a substantial improvement in housing conditions for all persons in the United States.

The figures indicate that the situation has improved for low-income people, and for any subgroup of the low-income group, including the elderly.

There is no question in my mind that in the past few years we have seen substantial problems, and as Mr. Sawhill mentioned, the increase in utility rates is causing great hardship in some cases, but I think the figures we have presented in terms of the entire country on the average are solid figures.

Senator CHILES. Well, as I said, be very careful, because if you make that statement, and you may stand behind your figures, you had better stand way behind them.

I appreciate your time, all of you, for coming heré. I know we are reaching the hour of 1, and I have some questions.

I am sorry we did not get a little further into the questions, but I would like to submit the questions to you, if I could, and you answer them later.

In summing up, I want to say that I am still very much in doubt as to who is in charge. I have not found the answer to that, and I think it is getting late.

It is late September now, and we have been trying to act and trying to find out what was going to happen for a long time. I really do not think that we can ask the elderly, and those who really do have the problems and cannot help themselves to pray that we have a mild winter. That is just not the way to do it, and it looks like that is the position in which we are placing ourselves. That seems to be our main plan, that we are going to pray for a mild winter.

Here today, it is almost winter, and we are still talking about studies and pilot projects.

We do not have any concrete recommendations that I can see, that we can take to the Congress, so that we can get some kind of initiative, and find out what we should be doing. I would like very much to ask the staff of the Committee on Aging to again meet with you and some of your staffs in the next few weeks, and to see what we do have in the way of anything concrete before winter hits in December. I thank you again very much for being here.

We stand adjourned.

[Whereupon, the committee was adjourned at 1 p.m.]

