

Chapter IV

LOW-INCOME CONSUMERS

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Chapter IV

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INTRODUCTION

Energy problems hit hardest in low-income households. About 17 percent of the U.S. population — or 35 million Americans— have incomes below 125 percent of the official poverty line,¹ and this group feels the most severe effects of inflation, unemployment, and high energy bills.²

Utility costs erode the meager budget of a low-income family. Utility costs account for 15 to 30 percent of the total available income for the low-income family,³ depending on the

¹This 17-percent figure includes approximately 25 million people whose incomes are below, and approximately 10 million people with incomes no more than 25 percent above, the poverty level, as based on a poverty index developed by the Social Security Administration in 1964, modified by a Federal Interagency Committee in 1969, and revised in 1974. For a nonfarm family of four in 1978, the poverty line was set at an income level of \$6,200 per year.

²Using Consumer price index (CPI) data as a measure of inflation, gas, electricity, fuel oil, and coal costs rose at rates 1.6 to 3.0 times the rate at which the CPI rose between 1972 and 1977. No other major CPI item had rates of increase as high.

Table A.—Consumer Price Index Increases, 1972-77

	Increase in CPI 1972-77	Ratio of increase of all items: to each item
All items.....	55.3	—
Food	68.2	1.2
Rent	33.0	.6
Home ownership.....	62.2	1.1
Fuel oil and coal	164.1	3.0
Gas and electricity	90.4	1.6
Apparel and upkeep	31.1	.6
Transportation, public	38.1	.7
Transportation, private.....	60.3	1.1
Medical.....	68.0	1.2

The costs of food and medical care, for example, increased at rates only 1.2 times greater than did the overall CPI, while the costs of rent, apparel, and public transportation increased at rates less great than did the overall CPI. (Ratios of increases in gas, electricity, fuel oil, and coal costs from 1972-77 derived from table 770, p. 478. *Statistical Abstract of the United States 1977.*)

It is interesting to note the course of progress in the reduction of poverty since 1959. In that year there were approximately 55 million persons below 125 percent of the poverty level, constituting about 31 percent of the total population. The greatest reduction occurred in the 1959-68 period, at the end of which 35.9 million persons or 18 percent of the population, were below 125 percent of the poverty level. There has been no *significant* reduc-

tion in poverty since then. See *Statistical Abstract of the United States 1977*, U.S. Bureau of the Census, 98th edition, Washington, D. C., 1977, table 733, p. 453.

³These figures on average household expenditures for home fuels as a percentage of disposable income were submitted by the Federal Energy Administration (FEA) to the U.S. Senate's Special Committee on Aging. The figures were taken from FEA's Household Energy Expenditure Model (HEEM). The HEEM data shows:

Table B.—Average Annual Household Expenditures on Home Fuels as a Percent of Disposable Income by Age of Household Head, United States

Disposable income	Household head under 65		65 and over	
	1973	1976	1973	1976
Less than \$2,000	34.1	50.1	34.5	50.7
\$2,000-\$5,000	10.1	15.9	10.3	15.1

According to U.S. Census figures, 17.9 percent of all households have total incomes of \$5,000 or under (1976). In other words, the first two brackets up to \$5,000 income correspond reasonably well to the 20 percent of the population at poverty line or below. Thus, a range of 15 to 50 percent would seem to be justified. However, the percentages in the above tables were calculated assuming the mean household incomes within each income bracket was equal to the midpoint of the bracket, i.e., that the mean household income within the less than \$2,000 bracket is \$1,000. Given that welfare payments for a single person are \$177 per month or \$2,124 per year, the number of households subsisting on \$1,000 per year is probably very small.

Thus, only a small percentage of households within that bracket are paying 50 percent of their incomes for energy. Twenty-five percent would be a more statistically meaningful figure, giving a range of 15 to 25 percent.

Middle-income families typically pay less for utility cost partly because most utility companies use some variation of the declining-block rate structure; the first block of energy consumed is charged the highest price, per unit price additional increments of energy consumed, the lower the average price that is paid.

(Continued)

type of housing and the cost of different forms of energy in various parts of the country. Middle-income Americans, on the other hand, spend only about 5 percent of their total available income on utility bills. Further, increases in welfare payments and other assistance tied to the Consumer Price Index have not kept up with escalating energy costs. In 1972-79, fuel oil prices rose 197.3 percent, and gas and electricity prices rose 134 and 78 percent; meanwhile, the Consumer Price Index rose only 68.6 percent.⁴ Hence the substantial and growing proportion of a low-income family's budget that goes for utilities affects the family's ability to pay for other essentials such as food, rent, and clothing. Data from crisis intervention and weatherization programs sponsored by the Community Services Administration (CSA) have shown a large number of poor families spending 40 to 50 percent of their household budgets on fuel and utility costs during the heating season.⁵ Some of these families face a choice between paying for food and having their utilities shut off. Low-income families lack discretionary income that they could divert from other expenses to meet escalations in energy costs.

(Continued)

(See *The Impact of Rising Energy Costs on Older Americans*, Hearings before the Special Committee on Aging, U.S. Senate, 95th Cong., Apr. 7, 1977 (Washington, D. C.: U.S. Government Printing Office), stock #052-070-04230-3), 1977, pt. 5, p. 259.

For corroborating information placing current U.S. low-income energy costs in the 15 to 25 percent of disposable income range, also see Hollenbeck, Platt & Boulding, *An Analysis of the Effects of Energy Cost on Low-Income Households*, table 2 submitted to the Bureau of Applied Analysis, Regional Impact Division, Department of Energy, on Apr. 6, 1978, in response to a request by OTA; and Dorothy K. Hewman and Dawn Day, *The American Energy Consumer*, ch. 5 and 7 (Cambridge, Mass.: Ballinger, 1975).

⁴See note 1. In 1973 (the last year for which data was available) before taxes, the poorest half of the U.S. low-income population (those making less than \$3,400 yearly) spent an average of 52.1 percent for food; an estimated 20.0 percent for rent; 21.4 percent for gas, electricity, and other fuels; and had 6.5 percent left for apparel, medical care, and other expenditures.

Energy costs (see note 2) have risen at rates three times that of other costs. Projections of energy costs for people with disposable income below the poverty line indicate that energy costs, which represented 20.5 percent of a poor household's disposable income in 1974, may represent 31.8 percent by 1985 (Hollenbeck, Platt, Boulding, op. cit., tables 2 and 8). Any little discretionary income low-income people have will be eliminated and substitutions must be made from other cost categories, like food.

(Derived from table 9.26, p. 472, *Social Indicators: 1976* (Washington, D. C.: U.S. Department of Commerce, 1977), and communication with Eva Jacobs, Bureau of Labor Statistics.)

⁵From testimony given by Mr. Tony Majori, Associate Director, Community Relations-Social Development Commission of Milwaukee County, Milwaukee, Wis., before the U.S. House Select Committee on Aging, Subcommittee on Housing and Consumer Interest, Sept. 26, 1978.

Nearly half (49 percent) of all low-income households live in the Northeast and North-Central regions, where winters are cold and prices for electricity and natural gas are high.⁶ More than half (54 percent) of all low-income families occupy single-family detached dwellings, which require more energy to heat than apartments or rowhouses. Fifty-five percent of the poor and near-poor rent their housing units; this tends to diminish their opportunities to control residential energy requirements or to make conservation-related home improvements. In the colder Northeast, 59 percent of low-income families live in apartments, reducing their energy needs (relative to occupants of free-standing homes) but also reducing their control over energy consumption.

Forty-two percent of all low-income households live in rural areas or in small towns. For these 5.9 million families, home is often a small, old, substandard, uninsulated, and poorly heated single-family house. Only 51 percent have central heating, and 28 percent use supplementary room heaters. The large number of poor and near-poor families living outside metropolitan areas accounts for the fact that persons in this income group are five times as likely as those in the middle and upper groups to use wood, kerosene, coal, or coke to heat their homes instead of the more common oil, gas, or electricity.

⁶All statistics in this section describing energy-related characteristics of low-income households are from Eunice S. Crier, *Colder . . . Darker: The Energy Crisis and Low-Income Americans* (Washington, D. C.: Community Services Administration), #B6B5522, June 1977.



The poor— This photo is not an unusual sight in the rural poor areas throughout the United States. Note the homemade fuel rig and the patch-quilt siding to keep out the drafts and the elements



Photo credits: Department of Energy photos by Jack Schneider, 1975

The low-income elderly— Inadequate electrical wiring creates a hazardous situation for the older constructed homes that retired people must confront due to economic situations

About 37 percent of all low-income households are headed by elderly persons; conversely, about 37 percent of all elderly households are classified as poor or near-poor. Just over half of these elderly low-income households live in the Northeast and North-Central regions. They tend to use more natural gas than other low-income households — and to pay a higher portion of their incomes for it—while consuming much less electricity. This means that a bigger share of the low-income elderly household's energy use can be attributed to space heating, the most essential use.

The poor and the elderly are usually not in a position to lower fuel bills by reducing consumption. Available data show that the average low-income household in 1975 used 55.4 percent less electricity and 24.1 percent less natural gas than the average middle-income U.S. household. In the aggregate, low-income households used only 11 percent of total U.S. residential energy, although they accounted for 17 percent of population. These figures are especially significant because at least 43 percent of low-income households have no insulation, and 58 percent have no storm doors or storm windows — factors that drive up the amount of home fuel use required to maintain minimum conditions of health and comfort. Moreover, 39 percent of low-income households have no thermostat or valve with which to control their heat, and among low-income renters 49 percent lack such control. Given these circumstances, recent increases in utility and fuel bills severely penalize poor people who cannot significantly cut consumption without enduring health hazards in their drafty, uninsulated homes. Similarly, lack of funds to pay for air-conditioning in hot climates has resulted in death from heat prostration for some low-income citizens. According to a newspaper account, the 20 persons who died from heat in Dallas, Tex., in July 1978 were elderly, poor, and without air-conditioning.⁷ The elderly, who comprise a substantial

⁷See Crier, *ibid.*, p. 3; The Washington Post, "Life and Death in the Heat," July 22, 1978, p. A8; and A. Henschel, et al., *Heat Tolerance of Elderly Persons Living in a Sub-Tropical Climate* (Washington, D. C.: DHEW, Bureau of Disease Prevention and Environmental Control, National Center for Urban and Industrial Health, Occupational Health Program, February 1967).

proportion of the poor and near-poor population, are more susceptible than the general population to health problems that are aggravated by cold (e. g., respiratory ailments, arthritis, or hypothermia) and by heat, because their bodies are less able to adapt to extreme temperatures.⁸

Three types of policy questions emerge:

- How can it be ensured that the energy problems of the poor and the elderly are not overwhelming in either a financial or a health sense? Because low-income citizens are normally the last to move into newer and more energy-efficient housing, their proportion of residential energy consumption could actually increase over time.
- How can the financial hardships faced by the poor and elderly in purchasing adequate energy supplies be addressed without creating a dependency on long-term Federal financial subsidies or relief programs? How can a self-reliant approach be encouraged?
- How can low-income persons participate best in solving their energy problems, perhaps acquiring skills and preparing themselves for future jobs at the same time?

The questions are especially challenging because policy makers face difficult choices. Given limited Government financial resources, what criteria should be used to ensure that the neediest are reached first? How many Federal dollars should be directed toward helping poor households reduce energy consumption, and how many to help to pay utility and fuel bills? How should energy-related needs be coordinated with other social needs such as day care centers, job training, or medical care? How

⁸See K H Collins, et al., "Accidental Hypothermia and Impaired Temperature Homostasis in the Elderly," *British Medical Journal*, 1977, 1, 353-356; G. L. Mills, "Accidental Hypothermia in the Elderly," *British Journal of Hospital Medicine*, December 1973; Robert D. Rochelle, "Hypothermia in the Aged," Institute of Environmental Studies, University of California, Santa Barbara; Fred Thumin and Earl Wires, "The Perception of the Common Cold, and Other Ailments and Discomforts, as Related to Age," *International Journal of Aging and Human Development*, vol. 6(1), 1975.

does a national goal of raising energy prices to levels that reflect true costs affect the poor? How could the Federal Government mitigate these adverse side-effects of an otherwise desirable policy?

Price mechanisms that encourage conservation through the marketplace do indeed exacerbate the financial problems of low-income

persons. Tax incentives and penalties also discriminate against the poor. Direct subsidies, such as energy stamps patterned after food stamps, could address some of the problems the poor face in paying utility bills—at least temporarily. However, critics argue that such subsidies fail to get at the sources of the problem and tend to become self-perpetuating.

WEATHERIZATION

The most effective way to cope with higher prices is to reduce energy requirements by “weatherizing” homes. Federally sponsored weatherization grant programs have demonstrated the benefits of this approach. The Federal Government operates three separate but similar weatherization grant programs—in the Department of Energy (DOE), the Community Services Administration (CSA), and the Farmers’ Home Administration (FmHA). Before passage of the National Energy Conservation Policy Act of 1978 (NECPA), these three programs operated under varying eligibility requirements and other administrative rules. The new law unifies the programs, all of which are designed to provide direct assistance to low-income homeowners and occupants by sending workers into the field to install insulation, storm windows, and other conservation devices. Recipients pay nothing for this service. Labor is provided primarily through the Department of Labor’s Comprehensive Employment and Training Act (CETA) program.

The weatherization program of FmHA was limited, until passage of NECPA during the final days of the 95th Congress, to loans of up to \$1,500 at 8-percent interest to rural homeowners; no outright grants were available to those unable to afford to go into debt in order to save energy. The new energy law adds grants to FmHA programs on the same terms as those in the DOE and CSA programs, except that FmHA provides extra funds for labor when CETA workers are unavailable.

Unfortunately, low funding levels during the early years of the weatherization grant programs in DOE and CSA permitted only 3.5 per-

cent of all low-income housing in need of weatherization to be retrofitted with conservation materials through October 1978.⁹

Several other problems also emerged in the first 2 years of Federal weatherization efforts, particularly in the DOE program. Among them were overly restrictive limits on expenditures for weatherization materials and transportation of workers and equipment to the work site, a firm limit of \$400 in expenditures on each housing unit, and exclusion of all mechanical devices costing more than \$50 from the list of conservation materials to be installed. A labor shortage plagued the programs; without special funding for labor, both DOE and CSA relied almost exclusively on CETA workers, who were often unavailable. Finally, because families had to be at the poverty level or below to be eligible for DOE weatherization services, many near-poor households with substantial need for energy-saving improvements were excluded from the program.

The recent National Energy Conservation Policy Act of 1978 and Comprehensive Employment and Training Act Amendments of 1978 have remedied some of these difficulties.

⁹This determination of the “total need,” or the total number of poor and near-poor housing units that could be weatherized, is based on the fact that there are approximately 14 million households below 125 percent of the poverty level. Sixty percent are single-family dwellings and 22 percent are apartments of eight units or less, thus yielding approximately 11,480,000 potentially weatherization units. According to the Community Services Administration, approximately 400,000 units had been weatherized by October 1978,

The eligibility ceiling for DOE weatherization has been raised to 125 percent of the poverty line to include all those households generally considered to be low-income. The legal definition of weatherization materials has been expanded to include replacement burners for furnaces, flue dampers, ignition systems to replace pilot lights, clock thermostats, and other items that may be added by regulation. The new law also calls for development of procedures to determine the most cost-effective combination of conservation measures for each home, taking into account the cost of materials, the climate, and the value of the energy to be saved by the materials. The limit on allowed expenditures for each dwelling has been raised to \$800, an amount that includes materials, tools, and equipment; transportation; onsite supervision; and up to \$100 in repairs to the house that are needed to make the energy improvements worthwhile. Most important, the DOE program funding authorizations have been increased to \$200 million annually for FY 1979 and 1980. The new FmHA grant program is authorized at \$25 million for FY 1979.

Weatherization programs are especially appealing because they can help low-income persons not only to save energy, but in some cases also to obtain job training and improve their permanent employment prospects. Title VI of CETA authorizes county and local governments or private nonprofit "prime sponsors" to hire unskilled, underemployed, or hardcore unemployed labor for public service work, including weatherization. The primary objective of the program is to facilitate private employment for CETA workers after a 6-month or 1-year training experience. Marriage between the weatherization and CETA programs, born of convenience and fraught with difficulties, nonetheless has the potential to make some headway against two of the Nation's most pressing problems—the energy crisis (including inflation in energy prices) and unemployment. More than 30,000 low-income unemployed persons had received training in weatherization skills— installation of home insulation, storm windows, and other conservation devices— by the end of 1978.

¹Public Law 95-524, sec. 123 (c).

The chief difficulty in using CETA workers for weatherization has centered on community action agencies' inability to marshal the needed manpower when and where it was needed. Because CETA jobs have been statutorily limited to short periods of time, and because the CETA program as a whole has had to function with only 1-year lifespans (until extended by the new legislation), it has been virtually impossible to plan ahead for adequate labor supplies.

Along with the difficulty of training and scheduling CETAs, lack of authorization to use funds to hire supervisors as well as inadequate funds for training have resulted in limited skills. Program analyses at the local level have shown that little effective training has occurred, and that the more extensive skills that the trainee might have been able to learn and use in construction industry jobs (e. g., basic carpentry) have not been taught. Such factors have limited the trainee's effectiveness on the job and eventual desirability as an employee.

The 1978 CETA Amendments direct the Secretary of Labor to facilitate and extend projects for work on the weatherization of low-income housing, providing adequate technical assistance, encouragement, and supervision to meet the needs of the weatherization program and the CETA trainees. According to Gaylord Nelson, chairman of the Senate Subcommittee on Employment, Poverty, and Migratory Labor, the weatherization provisions of the CETA bill were needed to prevent three-quarters of the 1,000 active weatherization projects in the Nation from shutting down for lack of workers.

In spite of the difficulties confronting CETA weatherization, some programs have been effective if not outstanding. For many others, however, continued effort by the Department of Labor, DOE, and CSA will be necessary if the program is to effectively meet its several goals.

Weatherization is not a panacea; this approach offers little help to those beyond the program's reach who face immediate hardship trying to pay high utility bills. Those least likely to receive weatherization assistance are the 55 percent of all low-income families who live

in rental housing and those living in severely deteriorated housing for which bandaid improvements cannot be justified. For these persons, a number of additional policies may be required.

What additional policy options might be considered? The development of weatherized and rehabilitated public and private housing is one possibility. Or, if the rehabilitation of some housing is too costly, considering its useful life, the construction of new energy-efficient housing for the poor might be a more

cost-effective use of Federal funds. But given the emphasis that Federal assistance programs usually place on ownership as a precondition to any housing development activity, perhaps programs in individual or cooperative ownership might be developed. In any event, whether these, or other options for renters such as continuing emergency financial assistance are chosen, some action should be taken to address the problems of low-income renters in housing whose energy inefficiency is continually increasing.

LOW-INCOME TENANTS

The problems of low-income families living in rental housing are especially difficult to address. Those whose units are metered and billed individually have reason to seek ways to reduce energy consumption, but their opportunities to do so are limited. Even if they can afford to invest in conservation measures—which most cannot—their investments bring them no personal benefits unless they continue living in the unit for a long time. Most tenants are understandably reluctant to improve properties they do not own. Many tenants cannot even control the thermostats or water heaters that serve their units. Individual tenants' relatively low levels of energy consumption mean that they pay the highest rates in the standard declining-block rate design. (See chapter VI.) Landlords who pay utility bills for their properties and pass the cost along to tenants through rent have little incentive to invest in weatherization improvements. When they do make such investments, they pass those costs along, too—so that tenants who move before the payback period is complete fail to receive the financial benefit of the lower utility bills.

Energy costs, along with property taxes and escalating maintenance costs, contribute in a major way to the tendency of slum landlords to abandon substandard buildings. Tenants are seldom well-enough organized to pressure municipal governments into enforcing building codes or retrofitting and renovating buildings that cities acquire through tax liens.

Federal weatherization programs have offered little help to low-income renters, particularly those living in apartments. CSA regulations prohibited use of the agency's funds for retrofitting multifamily housing until recently. The laws governing DOE and FmHA weatherization require that multifamily weatherization projects be designed to benefit tenants rather than landlords and direct the program managers to ensure that rents are not raised as a result of weatherization improvements and that no "undue or excessive enhancement" of the property results from weatherization activities. While these provisions are laudatory, implementing them is difficult.

EMERGENCY FINANCIAL ASSISTANCE FOR UTILITY PAYMENTS

Because of the slow pace of weatherization efforts and the severity of recent winters, many low-income families have faced the unpleas-

ant choice of either sacrificing other necessities to meet utility and fuel costs or finding their gas, oil, or electricity cut off. To avoid

these difficulties, three Federal programs have been used to help low-income consumers pay utility bills. They are the Department of Health, Education, and Welfare's (HEW) Emergency Assistance and Title XX programs, and the much larger CSA Special Crisis Intervention Program (SCIP).

HEW's Emergency Assistance (EA) Program is available to poor families with one or more children through the welfare system in 22 States. Emergency assistance payments are made to prevent imminent hardship, such as loss of fuel services. Close to 90 percent of the EA caseload is carried by only seven States, however. The Federal Government provides a matching share of 50 percent to States that offer the program. Some States find the required 50-percent non-Federal share too expensive.

Welfare officials often find it difficult to document the legitimacy of emergency needs claimed by applicants.¹ Litigation in some States has resulted in court rulings that some State restrictions on the use of EA funds are illegal; State response has sometimes been to stop offering emergency assistance.²

Other factors have also limited this program's effectiveness. The program is available only to families with children, and only to public-assistance recipients. Further, a family may not receive EA payments for more than 1 month during any 12-month period.

Funds available through title XX of the Social Security Act of 1975 may also be used to permit low-income consumers to pay fuel bills. Title XX funds have traditionally been used for such social-service purposes as providing clothing and groceries for needy families, or for meeting the needs of handicapped, mentally ill, retarded, or other poor persons with special problems. HEW regulations were amended in January 1978 to permit the use of title XX funds for reimbursement of low-in-

come persons for payment of utility and fuel bills in emergencies. This provision has been controversial because HEW officials have expressed a concern that utility payments could consume such a great portion of title XX funds that too little would remain for more traditional social services.³ Furthermore, at least one State—North Dakota—found title XX an impractical tool for utility payments because of the requirement that bills be paid in full before reimbursement funds are released.⁴ These problems, particularly the issue of competing needs for limited funds, may jeopardize the availability of title XX funds for energy-related financial assistance.

The Community Services Administration's SCIP was initially funded by a supplemental appropriation of \$200 million in March 1977. The program was intended to make available a variety of financial assistance mechanisms that included grants, loans, fuel vouchers, or stamps; payment guarantees, mediation with utility companies or fuel suppliers, and financial counseling; and maintenance of emergency fuel supplies, warm clothing, and blankets. In practice, assistance was limited to emergency grants in most cases.

Although funded for \$200 million, SCIP did not come close to helping all those in need. The maximum payment to individuals or families, limited to \$250 by Federal regulations, was often too low to cover the total bill, and some States set lower ceilings because the number of applications was too high for the available money. When consumers could not meet their entire bills with SCIP payments, utilities sometimes failed to establish deferred-payment plans and proceeded instead to shut off gas or power. Some utilities reportedly failed to reduce their customers' bills to reflect SCIP payments.

SCIP's major problems in the first year resulted from poor timing. Congress' action in appropriating funds in March was aimed at assisting with bills accumulated during the winter just ending, yet funds did not become available to community action agencies for

¹ 'Consumer Federation of America, *Low-Income Consumer Energy Problems and the Federal Government's Response*, report to the Office of Technology Assessment, 1978, p. 135.

² See, for example, *Kozinski v. Schmidt*, D.C. Wis., 1975, 409 F. Supp. 215; *Williams v. Wohlgemuth*, D.C. Pa., 1975, 400 F. Supp. 1309.

³ Consumer Federation of America, op. cit., p. 139
⁴ *ibid.*, p. 138.

distribution until late summer. By then, many poor families had already had their utilities shut off or had sacrificed other essential needs to pay their bills. When funds finally became available, they had to be distributed in the short time remaining in the fiscal year or else revert to the CSA weatherization program, a worthy program but one that could not meet the immediate and critical financial needs of many poor families. Of the amount appropriated in FY 1977, 82 percent was actually distributed to the needy population.

Community action agencies functioned with a frenzy of activity in order to handle SCIP funds in August and September 1977. With no funds provided for administration of the program, the agencies operated with staff hastily borrowed from other community action projects. They undertook efforts to communicate with eligible persons through newspaper, media, and poster advertising, but some failed to reach enough people to use all available funds, despite evidence of a large target population. Others succeeded in their public relations efforts but found potential recipients discouraged by long waiting lines for application processing and lack of transportation assistance, particularly in rural areas.

To be eligible for SCIP payments, utility and fuel customers were required to show written notice from their suppliers of intent to terminate service. Many small dealers in propane, butane, and wood were accustomed to oper-

ating informally—for example, farmers who sold wood to their neighbors to earn extra wintertime income—and failed to provide such notice. Their customers were therefore ineligible for SC I P assistance.

Many local SCIP coordinators objected to the program because they felt it forced their agencies into an uncomfortable role: handing out money (like a social service agency) to try to alleviate the effects, rather than the causes, of a problem. They saw this as restraining them from focusing their efforts to do something about the causes of the local energy problem, and as providing local people with an erroneous perception of the agencies' role in their communities: that is, as surrogate welfare departments rather than as organizations which help people become more self-sufficient.

Some local antipoverty workers also took offense at the practice of making payments from Federal CSA funds to private utility companies and fuel oil distributors. They saw SCIP as a continuing subsidy to utilities, and not as a help to the poor. ”

CSA's second-year financial assistance program, also funded at \$200 million, was known as the Emergency Energy Assistance Program (EEAP). In FY 1978, funds were made available sooner and program administrators were able to benefit from many of the first year's experiences.

UTILITY POLICIES FOR THE POOR AND NEAR-POOR

Emergency payments to low-income persons, discussed in the previous section, are intended to forestall utility shutoffs and ensure enough energy to meet basic needs. A number of governmental jurisdictions have imposed additional policies, however, to protect low-income consumers in their dealings with utilities.

In California, all utilities have been required by law since 1975 to design their electric and gas rate structures so that the first blocks of energy consumed — the amount needed to pro-

vide necessary amounts of heat, light, refrigeration, cooking, and water heating— are sold

¹⁴Data derived from telephone interviews with 44 CAP weatherization, energy, and overall program directors, and interviews with community leaders at OTA. Telephone interviews discussed the structure and problems encountered with CSA energy education programs, which included extensive discussion of weatherization activities and problems with CSA/DOE and other programs, and SC I P, while additional interviews at OTA with local energy personnel visiting in Washington centered on the effect of and improvements that could be made in SCIP and other community energy conservation programs,

at reduced rates. Utility revenues lost through the so-called “lifeline” subsidy are recovered by charging higher rates for energy consumed above the minimum allowance. This policy represents a reversal of the traditional utility “declining block” rate structure.

The California law is premised on a finding that “light and heat are basic human rights and must be made available to all people at low cost for minimum quantities.” Lifeline rates are discussed in the context of utility policy for energy conservation in chapter VI of this report. Here, they are discussed in terms of their purpose in meeting social welfare goals—that is, in preventing severe hardship caused by high energy prices or by termination of essential utility services as a result of inability to pay.

For lifeline rates to function as effective income-transfer devices, low-income households must hold their electricity and gas consumption at or near the low levels needed to meet only essential needs. Available data indicate that on the average, low-income households do indeed consume less energy than households in higher income brackets. A study by the Washington Center for Metropolitan Studies found that in 1975, the average low-income household consumed 60.6 million Btu* of electricity and 110.1 million Btu of natural gas, compared with an average of 94.2 million Btu of electricity and 136.3 million Btu of natural gas for all households. Table 28 indicates how gas and electricity consumption in low-income households compared with use of these energy sources in middle- and upper-income households.¹⁶

Table 28.—Consumption of Electricity and Natural Gas in U.S. Households by Income Group, 1975* (millions of Btu)

	Income		
	Low- income	\$14,000- 20,500	\$25,000 and above
Electricity.....	60.6	111.3	137.5
Natural gas.....	110.1	137.4	190.5

● Average annual Btu per household.
SOURCE: Washington Center for Metropolitan Studies, National Survey of Household Energy Use, 1975.

*One Btu is equivalent to 1 kilojoule.
“Crier, op. cit., p. 11

Other studies of electricity and gas consumption among low-income users indicate, however, that looking at average household consumption patterns may not be the best way to evaluate the effectiveness of lifeline rates in meeting social welfare goals. Looking instead at the number of households in various income groups that exceeded lifeline allowance levels, the Pacific Gas & Electric Company (PG&E) found that significant numbers of low-income households exceed not only the lifeline consumption levels, but also the utility system’s average consumption per household. For example, PG&E determined that nearly 50 percent of its low-income customers in the San Francisco Bay area outside San Francisco consume more than the area’s average monthly household level of 300 kWh.¹⁷ High consumption levels among low-income customers were found to be very weather-sensitive and especially prevalent during winter peak-heating periods, probably because of the poor thermal integrity of many homes occupied by low-income consumers. PG&E concluded that large numbers of low-income consumers were being penalized, rather than helped, by lifeline rates.¹⁸

In a recent critique of the California lifeline policy, Albin J. Dahl expressed a doubt that landlords receiving lifeline allowances for units in master-metered buildings would in all cases pass on utility cost-savings to their tenants through lowered rents. He also pointed out that California residential gas consumers were paying for much of the gas they consumed at rates far below the costs borne by utilities in purchasing and delivering that gas. Dahl argued that the tax and welfare systems were more appropriate vehicles for solving the energy-based financial problems of low-income persons.¹⁹

Other utility-related policies that might assist low-income persons include prohibitions on wintertime utility shutoffs, legal aid to indigent utility customers, and requirements of third-party notification prior to shutoff.

¹⁷J. Dahl Albin, “California’s Lifeline Policy,” *Public Utilities Fortnightly*, Aug. 31, 1978, p. 20.

¹⁸1 bid., p 18.

¹⁹1 bid., pp. 13-22.

HOUSING, ENERGY, AND THE POOR

For low-income persons, problems of energy use in the home are a subset of the larger problems of poor housing quality in general. Opportunities to lower residential energy consumption — and reduce utility bills — are sharply limited for people who live in substandard housing, unless a way can be found to rehabilitate or replace such housing. Weatherization programs, financial assistance, and preferential utility rates cannot provide full remedies for either owners or renters of low-quality, energy-guzzling homes. A number of Federal programs address the housing needs of low-income persons. Efforts are directed at both tenants and homeowners.

Programs affecting rental housing include:

- Federal assistance to local housing authorities for construction, maintenance, and subsidization of rents in public housing projects;
- Rent subsidies under section 8 of the National Housing Act which make up the difference between 25 percent of recipient families' incomes and the fair market rent for the private housing units they occupy;
- Mortgage insurance, interest and rent subsidies, and energy-related home improvement financing for rental housing under section 236 of the National Housing Act, as amended; and
- FmHA's Section 515 Rental and Cooperative Housing Loan Program, which finances housing for low- and moderate-income families developed by public, private, or nonprofit organizations.

Programs aimed at owner-occupied housing include:

- The Department of Housing and Urban Development's (HUD) section 312 program, providing loans at 3-percent interest to low-income homeowners in certain designated areas, for the purpose of rehabilitating their homes and bringing them into compliance with current local building codes;

- Mortgage insurance and interest subsidies made available under section 235 of the National Housing Act to permit low- and moderate-income persons to purchase new and existing housing under affordable financing terms;
- FmHA's Section 502 Homeownership Loan Program, offering either loan guarantees or direct loans for the purchase or rehabilitation of homes under financing terms that vary depending on the recipient's income; and
- FmHA's Section 504 Home Repair Program, which offers loans and grants to elderly rural low-income homeowners to remove certain dangers to health and safety.

Programs that can affect both rental and owner-occupied housing are:

- Community development block grants made available annually to local governments to meet broadly specified Federal objectives (which include the provision of adequate housing, a suitable living environment, and expanded economic opportunities for low-income groups) through projects designed at the local level; and
- HUD's urban development action grants designed to stimulate new construction and economic development in low-income areas.

All these programs have helped low-income persons to acquire "decent, safe, and sanitary housing" without the expenditure of an unreasonable portion of their incomes for housing. It is not clear, however, that the programs have helped in a noticeable way to make poor families' homes more energy-efficient. For most programs, energy conservation is a concern far from the minds of program administrators in Washington, D. C., and in the field; similarly, lenders, builders, owners, developers, nonprofit groups, and others on the receiving end of Federal housing funds have only rarely included energy efficiency in their planning or cost calculations.

Public housing projects, for example, were constructed without effective thermal standards until 1963, and from 1963 to 1973, Federal guidelines for thermal standards were voluntary. In recent years, the emphasis within the public housing program has shifted from new construction to rehabilitation of existing projects, and energy efficiency has been designated as a "priority expenditure category" as part of rehabilitation. Since utility costs have been estimated by HUD to account for between 20 and 30 percent of project operating expenses, in many cases upgrading insulation, windows, and energy-consuming equipment in public housing units is a cost-effective use of public funds. Unfortunately, however, HUD cannot supply accurate estimates of the level of energy-related improvements being made in the public housing sector, or of the energy savings that are resulting.

The rental assistance program under section 8 of the National Housing Act assists over 350,000 low-income families by making up the

difference between 25 percent of their family incomes and the fair market rent for the housing units they occupy. Tenants in both public and private housing are eligible for section 8 subsidies if their incomes do not exceed 80 percent of the median income in their geographic areas; nearly a third of all recipients earn less than half of the median income. As with the public housing program, section 8 guidelines pay little attention to energy efficiency. Only in the case of newly constructed apartments are section 8 subsidies tied even indirectly to requirements for thermal integrity in the buildings; newly built homes must meet HUD minimum property standards to be eligible for participation in the section 8 program. Older units are not subject to any energy standards for eligibility

Chapter VIII describes each of the Federal housing programs listed above, and evaluates their effectiveness (or lack thereof) in encouraging energy efficiency to keep utility costs down for low-income owners and tenants.