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STATEMENT OF  
J. DEXTER PEACH  
DIRECTOR, ENERGY AND MINERALS DIVISION  
BEFORE THE  
SUBCOMMITTEE ON ENERGY CONSERVATION AND POWER  
HOUSE COMMITTEE ON ENERGY AND COMMERCE  
ON ENERGY BLOCK GRANTS



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Mr. Chairman and Members of the Subcommittee:

We welcome the opportunity to be here today to discuss energy block grants. We have done recent work on a variety of energy conservation programs, including the low-income weatherization program and the State Energy Conservation Program (SECP) of the Department of Energy (DOE). 1/

My statement will discuss the results of our work in the context of possible efforts to consolidate these programs into energy block grants. In addition, we will discuss our views on the impacts of the administration's 1982 budget proposals on these programs, including the proposed merger of the weatherization program with the Department of Housing and Urban

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1/GAO has issued the following reports on these programs:  
"Evaluation of Four Energy Conservation Programs--Fiscal Year 1977," EMD-78-81, Nov. 21, 1978; "Slow Progress and Uncertain Energy Savings in Program to Weatherize Low-Income Households," EMD-80-59, May 15, 1980; and "Delays and Uncertain Energy Savings in Program to Promote State Energy Conservation," EMD-80-97, Sept. 2, 1980. An additional report on each program will be issued over the next few months.

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Development's (HUD's) block grant program. Finally, the statement provides some views on the Schools and Hospitals and the Energy Extension Service (EES) Programs.

#### LOW-INCOME WEATHERIZATION PROGRAM

The progress of DOE's program has significantly improved since late 1979, but it is still hampered by a number of problems in the areas of program effectiveness, energy savings and priorities, and financial controls and monitoring.

#### Program effectiveness

Although progress through December 31, 1979, for the six States in our current review fell short of expectations, there was substantial improvement starting in late 1979 and continuing into 1980. Nationwide, DOE reported that about 143,000 units were weatherized in calendar year 1979 and about 192,000 in the 8 months ended August 31, 1980. During the 3 months ended June 30, 1980, the number of units weatherized in the six States was over three times the number completed in the same time period for the prior year.

Even though the number of homes weatherized by DOE's program had substantially increased since our last review, many of the same problems we previously reported still existed.

The number of homes reported by DOE as weatherized continued to be overstated by an unknown amount because of (1) inclusion of homes weatherized with Community Services Administration funds 1/ and (2) inaccurate State and local reporting of units weatherized. We recommended in our last report that DOE ensure that the number

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1/Until 1979, the Federal Government also funded a weatherization program under the Community Services Administration.

of homes weatherized under each program are identified and reported accurately.

Comprehensive Employment and Training Act (CETA) labor program freezes ordered in 1979 and 1980 and other problems in using this labor disrupted the program in several States. DOE issued new regulations to permit local agencies to hire labor or contractors to install weatherization materials, but it is too early to tell what impact overall the new regulations will have on the program. However, to the extent contract labor is used, the cost per unit will increase.

DOE has given local agencies more flexibility in weatherizing rental units and has been testing various techniques designed to obtain landlord support, but rental units continue to receive insufficient emphasis in State and local programs.

The energy efficiency of some homes served by the program may not have been improved very much. We visited 76 homes weatherized from June 1979 through August 1980, and found 31 which had been incompletely or inadequately weatherized. Examples of conditions observed include incomplete and poorly installed weatherstripping around doors and windows, lack of caulking around cracks, joints, and holes, and insufficient venting in attics which had been insulated. Similar problems were noted by (1) the DOE Inspector General in a review of one State's weatherization program and (2) a State agency in its inspection of homes weatherized by a local agency.

### Energy savings

Although the program has been in existence over 3 years, DOE has not developed a system that accurately measures energy savings or identifies the type of fuel saved. DOE has, however, attempted to measure energy savings in two inconclusive local studies. Prior to the 1982 budget proposals, DOE had planned to conduct a nationwide study to be completed in 1982.

Procedures for selecting homes, considering both energy savings and the need to reach low-income people, have not been developed; consequently, homes are still being selected without considering whether they will provide the greatest energy savings.

### Financial management and program monitoring problems

Many local administering agencies we reviewed were not maintaining adequate accounting and inventory systems. Financial management and monitoring systems of most States we visited need improving to provide adequate assurances that (1) local agency accounting, inventory, and unallowable expenditure problems are identified and corrected and (2) financial status reports are accurate.

DOE's ability to monitor the States and local agencies to assure that financial management and reporting problems are identified and corrected has been limited by a lack of monitoring. As a result, DOE relies almost completely on State systems. We believe that DOE should periodically test the reliability of program reports it receives from the States.

Mr. Chairman, I would point out that despite the problems we found, a successful low-income weatherization program could go a long way toward reducing the energy bills of low-income households--now estimated at about 12 million. Also, a successful program could have an effect on Federal programs providing fuel assistance to low-income persons--about \$2 billion in the fiscal year 1981 budget.

#### STATE ENERGY CONSERVATION PROGRAM

Based on our SECP reviews, we concluded that the 1980 energy savings goal would not be attained and noted that many State conservation measures were delayed or reduced in scope because of problems in establishing and administering the measures and overly ambitious and optimistic goals.

SECP savings reported by the six States for 1980, totaling about 795 trillion Btu's, were significantly overstated. Reported savings of about 185 trillion Btu's resulted from other federally-funded programs, not from SECP. Other reported savings totaling almost 500 trillion Btu's were questionable because of (1) a lack of determination of the impact of factors other than SECP such as price, economic conditions, voluntary actions unrelated to SECP, and the actions and funding of entities other than the State energy office in carrying out program measures; (2) highly questionable, inadequate or unsupported surveys and assumptions; or (3) a lack of, or inadequate documentation submitted to DOE.

#### IMPACT OF 1982 BUDGET PROPOSALS

The administration's 1982 budget proposals would eliminate SECP and merge the weatherization program into HUD's block grant

program. Other budget proposals would affect the weatherization program delivery mechanisms.

#### Elimination of SECP

Although, as previously discussed, the specific amount of energy conserved as a result of SECP is unknown, the program has been effective in terms of developing--for the first time--a capability to manage energy programs in many States. The immediate loss of Federal funds may cause some States, because of budget constraints or requirements, to eliminate State energy offices, resulting in a loss of this management and coordination capability at the State level. This loss would affect not only the conservation area, but would also affect the States' growing responsibilities in emergency response planning activities, such as gasoline supply distribution.

#### Merger of weatherization into block grants

In examining a variety of grant programs, GAO has supported the concept of (1) consolidating separate categorical programs having related objectives and serving similar target populations, (2) placing management responsibility for similar programs in the same agency, and (3) giving the States greater flexibility to match resources with needs and priorities.

As to our specific views regarding the potential impacts of merger of the weatherization program into HUD's block grant program, we believe that weatherization (1) could lose its identity and priority, (2) could be less available in rural areas, (3) would not necessarily experience reduced costs and

improved quality, and (4) would likely have less funds available. In determining the future of the weatherization program, the Congress will have to weigh these potential impacts against the possible advantages of consolidating the weatherization program into the HUD or some other form of energy block grant program.

Lack of identity and priority

The lack of an identity and priority for weatherization within the block grant program, as compared to the present DOE program, could result in fewer homes being weatherized. Under the HUD block grant program, communities can choose from a wide range of activities, and have broad latitude in designing their own rehabilitation programs including the type and amount of work, income eligibility, and financing techniques. In a recent GAO report 1/ on the HUD block grant program--the program into which the weatherization program is to be merged--we noted that the lack of restrictions on how funds may be used was resulting in communities not effectively targeting funds to address the greatest developmental needs. This could also be a problem with weatherization, since the emphasis placed on weatherization may vary considerably among communities.

Possibility of less weatherization  
in rural areas

About 38 percent of the low-income population lives in rural areas. Since the HUD grant program is primarily for urban areas,

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1/"The Community Development Block Grant Program Can Be More Effective in Revitalizing the Nation's Cities," CED-81-76, Apr. 30, 1981.

most low-income persons in rural areas may not be reached by Federal weatherization assistance.

The HUD grant program provides funds (about 25 percent of total block grant program funds) under a "Small Cities Program" for grants to small cities for the same purposes as under the large cities programs. Although this is subject to the same problems as the large cities program concerning the lack of limitations on fund use, HUD has discretionary authority to approve or disapprove these grants.

The sole remaining Federal low-income weatherization program for rural areas will be a loan and grant program administered by the Farmers Home Administration in which eligibility is restricted to owner-occupants who are 62 years of age or older. Nationwide, about 56 percent of low-income households are renters and only about 14 percent of the low-income population is elderly.

#### Increasing costs and quality of work

In its justification for transferring the program to HUD, the administration stated that the DOE program has been plagued by increasing costs and quality control problems. We have also noted these problems, but we do not believe that changing agencies will necessarily improve the situation. Part of the increased cost in the DOE program was due to the shift from sole use of free CETA labor to partial use of contractor or hired labor. Because of proposed CETA reductions, more weatherization work will have to be contracted out, and regardless of whether it is in DOE or HUD, the cost to weatherize a unit will increase. In our

report on the HUD block grant program we noted that the program also has quality problems such as poor workmanship and payments to contractors for work not done.

Likelihood of less funds  
for weatherization

In justifying the transfer of the program, the administration stated that the DOE program would take 50 to 100 years to reach all eligible low-income households in the Nation, implying that transferring the program to HUD could accomplish the task more quickly. Based on the current annual funding and progress of the DOE program, it would take about 50 years to reach all low-income households--estimated at 12 million units. However, it would also require about \$10 billion to accomplish the task, and unless funding of weatherization under the HUD program is significantly increased over the level of DOE funding, it is not reasonable to assume that HUD could accomplish the task quicker than DOE.

The net effect of the administration's proposals is a likelihood of less funding in fiscal year 1982 for the block grant program and less funds for weatherization than under the DOE program. The justification for the HUD program proposes increasing its appropriation by about \$471 million, while at the same time merging into it, without any added funding, several programs that were appropriated about \$1 billion in fiscal year 1981.

Effect of other budget proposals

Even if the weatherization program were to remain in DOE, two other administration 1982 budget proposals would effectively

curtail or eliminate DOE's current methods for providing weatherization services and would likely result in increased costs per unit and a slowdown in weatherization efforts.

For the CETA program that provides labor for the weatherization program, the 1982 budget proposes a reduction of about \$850 million from 1981 levels. Therefore, the cost to weatherize a home would significantly increase due to the need to contract for more weatherization services, and fewer homes could be completed with the same funding.

The 1982 budget also proposes to eliminate the Community Services Administration and provides that social program activities formerly financed through community action agencies would be available under block grants to the States and local communities. Decisions on the services to be offered and funding will be made at the State and local levels. Therefore, if States and local communities decide not to use community action agencies, a new method for implementing weatherization would have to be found.

SCHOOLS AND HOSPITALS AND  
ENERGY EXTENSION PROGRAMS

Finally, let me provide some brief comments on the Schools and Hospitals Program and the Energy Extension Service (EES). We recently issued a report on the Schools and Hospitals Program. 1/ The program serves a legitimate need in assisting these institutions to identify and undertake energy conservation measures. However, we believe that changes can be made to the program which

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1/"The Energy Conservation Program For Schools and Hospitals Can Be More Effective," EMD-81-47, Mar. 23, 1981.

would both increase energy savings and benefit more institutions. This could occur without increasing program funding and at the same time increase the effectiveness of Federal outlays during a time of budget constraints.

We believe that the program should emphasize energy audits, which are more cost effective. This would assure an opportunity for more institutions to benefit from the audits. This does not mean that the program should not fund the more capital-intensive energy conservation measures. But, when there is limited funding, we believe it is essential to maximize energy savings and the number of institutions served.

In a recent report on residential energy conservation outreach activities, 1/ we found EES could contribute to the Federal Government's efforts to promote conservation. This program, as originally conceived by the Congress, is a potentially valuable mechanism for effectively coordinating Federal and non-Federal outreach and assuring that residential consumers are provided the capability to make and implement informal energy decisions.

However, our work showed that EES, as implemented on a nationwide basis, was falling short of its intended purposes. We believe several program changes are necessary to assure EES fulfills its purpose and potential. These changes include encouraging consumers to obtain an on-site energy audit (e.g.,

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1/"Residential Energy Conservation Outreach Activities--A New Federal Approach Needed," EMD-81-8, Feb. 11, 1981.

as offered under the Residential Conservation Service) and assisting them in implementing measures recommended by such an audit.

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