Energy Assistance and Weatherization

January 1985

Program Evaluation Division
Office of the Legislative Auditor
State of Minnesota

Program Evaluation Division

The Program Evaluation Division was established by the Legislature in 1975 as a center for management and policy research within the Office of the Legislative Auditor. The division's mission, as set forth in statute, is to determine the degree to which activities and programs entered into or funded by the state are accomplishing their goals and objectives and utilizing resources efficiently. Reports published by the division describe state programs, analyze management problems, evaluate outcomes, and recommend alternative means of reaching program goals. A list of past reports appears at the end of this document.

Topics for study are approved by the Legislative Audit Commission (LAC), a 16-member bipartisan oversight committee. The division's reports, however, are solely the responsibility of the Legislative Auditor and his staff. Findings, conclusions, and recommendations do not necessarily reflect the views of the LAC or any of its members.

The Office of the Legislative Auditor also includes a Financial Audit Division, which is responsible for auditing state financial activities, and an Investigations Unit.

Professional Staff

James Nobles, *Legislative Auditor*

Roger Brooks, *Deputy Legislative Auditor*

Joel Alter
Allan Baumgarten
Edward Burek
Thomas Hiendlmayr
Daniel Jacobson
Susan Job
Elliot Long
Judy Poferl
Marie Scheer
Jo Vos
Tom Walstrom
John Yunker

Support Staff

Jean Barnhill
Mary Moser

Energy Assistance and Weatherization

January 1985

Program Evaluation Division
Office of the Legislative Auditor
State of Minnesota

Veterans Service Building, Saint Paul, Minnesota 55155 • 612/296-4708

PREFACE

In May 1984 the Legislative Audit Commission directed the Program Evaluation Division to study the energy assistance program and its relation to the weatherization program. A review had been requested by the Legislative Commission on Energy. Although both of these programs are funded by the federal government, the state has major opportunities to influence the programs' design and allocation of funds. We believe this report will be helpful to the Legislature when reviewing the programs.

We would like to thank the staff and management of the Department of Economic Security for their cooperation and assistance during our study. In addition, we want to thank the many energy assistance and weatherization program administrators that we visited across the state.

This study was directed by Tom Walstrom. Major research components were conducted by Jo Vos. Additional assistance was provided by Will Kennedy and Edie Rothman, interns from Carleton and Macalester Colleges.

James R. Nobles
Legislative Auditor

Roger A. Brooks
Deputy Legislative Auditor
for Program Evaluation

TABLE OF CONTENTS

LIST OF TABLES AND FIGURES

ENERGY ASSISTANCE AND WEATHERIZATION

Executive Summary

The Department of Economic Security (DES) administers Minnesota's low income energy assistance and weatherization programs. Both of these programs are funded by the federal government, with additional state appropriations for the weatherization program. Unlike some federal programs, the energy assistance program offers significant opportunities for state input into the design of the program and the allocation of funds. Minnesota also has opportunities to affect the policies of the weatherization program, since it is funded partially with state funds and with transfers of energy assistance funds.

Both the energy assistance and weatherization programs were federal responses to rapidly rising energy costs following the 1973 OPEC pricing actions. Oil prices for residential customers in Minnesota rose 184% between 1973 and 1982, and natural gas prices rose 100% during the same period. Rapidly rising energy costs have a disproportionate effect on the poor, because energy costs consume a large portion of poor households' disposable income. The energy assistance program helps low income households by providing payments for heating bills, and the weatherization program helps by lowering energy bills.

Because these programs depend primarily on federal funds, the Minnesota Legislature has not taken an active role in defining the programs or overseeing their administration. However, the federal government has given the state considerable authority to influence the programs and to determine their impact on the citizens of Minnesota.

This report is an effort to aid in understanding the energy assistance and weatherization programs and the policy issues associated with the programs. The study addresses the following questions:

- How do the programs operate in Minnesota? How do other states organize and operate the programs?
- Are the stated goals and objectives of the programs being met?

- How have the funds for the programs been allocated and spent?

- Who is eligible for the programs and are all eligible persons being served? Who has participated in the programs and how have they benefitted?

In order to address these questions, we visited 17 energy assistance and weatherization providers across the state, interviewed numerous federal and state officials, and analyzed data gathered from delivery agencies and the Department of Economic Security.

Our report focuses mainly on the energy assistance program, but also considers the links between the energy assistance program and the weatherization program. We did not independently evaluate the success of the weatherization program in meeting the goal of conserving energy.

BACKGROUND

1. ENERGY ASSISTANCE

The energy assistance program provides heating assistance, crisis assistance, and conservation and repair funds to eligible households. The Department of Economic Security received $82.3 million for the program in 1984. Heating assistance is the primary use of the funds, consisting of between 67 and 85 percent of expenditures in the last four years. The heating assistance portion of the program pays a portion of the heating bills for eligible households. The amount of assistance and the method of calculation has varied in each of the last several years. Benefits for homeowners varied from a minimum of $100 to a maximum of $1100 in 1984, and vary from a minimum of $200 to a maximum of $920 in 1985.

Crisis assistance funds are used primarily to help persons whose heat is shutoff or is in danger of being shutoff, or who have been refused delivery of a non-metered fuel because of non-payment of bills. An average of $231 in crisis assistance was provided to 9340 households in 1984, for a total expenditure of $2.2 million.

The conservation and repair program is designed to help households experiencing emergencies or hazardous situations affecting their heat. We found that the primary use of conservation and repair funds was to tune, repair, or replace furnaces. Other common uses included chimney repairs and some weatherization. Approximately $1.75 million was spent on conservation and repair in 1984.

The energy assistance program is administered at the state level by the Department of Economic Security and at the local level by a group of 53 "subgrantees". These subgrantees--local community action agencies, county human service agencies, and Indian reservations--take the applications and actually deliver the program to the approximately 140,000 households receiving assistance. DES determines program policy and coordinates the program with other low income and energy programs.

Federal funding for the energy assistance program is provided by a block grant. Through the block grant, Congress has allowed the states considerable discretion in defining program eligibility and benefits. The state also has considerable discretion in budgeting for the program.

2. WEATHERIZATION

All energy assistance recipients are referred to the weatherization program. The weatherization program installs insulation and provides other energy conservation measures for eligible low income households. Since the beginning of the program in 1978, over $124 million has been spent to weatherize over 90,000 households in Minnesota.

Minnesota's weatherization program is funded from three sources. The federal weatherization program has provided approximately 55%, the state has provided approximately 25%, and transfers from block grants has provided approximately 20% of the total weatherization funds through 1984.

Studies of the weatherization program in Minnesota indicate that it is effective in increasing the energy savings in households served. Recent studies have shown average energy savings of approximately 14% in houses weatherized by the program.

POLICY ISSUES

Overall, we found that DES subgrantees administer the energy assistance program in a timely and accurate way. However, we found that DES was deficient in setting goals and planning for the program. We believe this is at least in part because fundamental policy questions regarding the program have not been addressed. Because these questions have implications for state energy policy and also have budgetary implications for this and other state programs, we think that the Legislature is the appropriate body to establish energy assistance policy.

We think that there are a number of questions about the program that need to be addressed by the Legislature. The state

has not adequately set forth whom the program is meant to serve, whether the program is fundamentally an income maintenance or an energy program, what type of assistance should be given, what level of benefits should be provided, or what priority should be given to funding for weatherization. Since some of these questions cut across agency lines and since the federal government has provided broad discretion in the use of these funds, these policy and budget issues are more appropriate for the Legislature to address, rather than an administrative agency.

We think that DES has tried to run the energy assistance program within a policy vacuum. We believe the program and state energy policy would be better served by more legislative oversight and by setting broad policy for the program in statute.

Some of the areas in which policy choices should be made by the Legislature to guide DES in running the program are: eligibility, level of benefits, and transfers to other programs.

1. ELIGIBILITY ISSUES

Congress did not define the exact terms of eligibility for the energy assistance program. Within broad guidelines, the state has latitude to define the eligibility income level. The state may also establish whether deductions from income are allowed when determining income eligibility for the program. DES has varied the eligible population each year of the program by manipulating the factors within state control.

We believe that the state should target the population to be served by the program. This requires a policy statement. The population to be served by the program helps to determine answers to other eligibility policy questions. For example, what should be the maximum eligible income? What should be the definition of income used for eligibility, that is, what deductions should be allowed from gross income? Should there be an asset test required for eligibility, and, if so, at what level should the asset test be set? Should all subsidized housing residents be served?

A recent study commissioned by DES found that approximately 300,000 households were eligible for energy assistance in 1983, of which approximately 40 percent received benefits. The study also found that the groups underrepresented in the served population included one and two person households, renters, and the lowest income households. One implication of these findings is that the program could be called upon in the future to serve more applicants with consequent reductions in assistance amounts.

All energy assistance households are referred to the weatherization program. However, not all energy assistance

recipients are eligible for weatherization. The weatherization program uses 125 percent of the poverty level as its income limit, whereas the income limits for the energy assistance program have varied, but have been above the 150% of poverty level. In 1983, a consultant estimated that 200,000 households were eligible for weatherization. We found in our sample of those actually receiving energy assistance in 1984 that 12 percent were not eligible for weatherization services.

According to current state policy, state money for the weatherization program is to be spent in the same way as federal funds are. However, state appropriations and transfer funds from the energy assistance program can be used for other purposes. For example, these funds could be used to weatherize households eligible for energy assistance, but not currently eligible for weatherization.

Weatherization subgrantees give priority to elderly and handicapped households for conservation assistance. Energy assistance clients that receive crisis assistance do not receive priority for weatherization, although their needs may be greater.

2. LEVEL OF BENEFITS

The federal government also allows almost complete discretion to the state in establishing the level of benefits under the energy assistance program. The level of benefits that can be paid depends on the number of applicants, the amount transferred to other programs, the amount carried over from the last year and the amount planned to be carried over into the next year. We found that Minnesota assistance amounts were generally higher than in other states.

In addition to the level of benefits, the state is free to determine the actual allocation method for the funds. The federal law does require that "in a manner consistent with the efficient and timely payment of benefits, . . . the highest level of assistance will be furnished to those households with the lowest incomes and the highest energy costs in relation to income...". States have devised a wide variety of benefit determination methods. Minnesota has changed its benefit tables each year of the program, and changed the methodology for formulating the tables in 1985.

The design of the benefit tables reflects a number of policy choices about the program. For example, what is the appropriate minimum benefit, given the administrative costs necessary to distribute it? What percentage of energy costs should be paid by the program? How should the out-of-pocket energy costs of energy assistance households be reflected in the benefit tables? Should the grant award be used for utility costs in

addition to space heating costs? Should payments be based on actual or average costs of fuel? How should the benefit reflect differences in income and family size?

DES is currently funding two pilot projects that explore an alternative method of benefit calculation known as "fair share". The fair share concept proposes using energy assistance funds to lower the percentage of income spent on energy by the poor, to the average level spent by middle income families. There are a number of serious questions that remain unanswered about how a fair share plan would work statewide, including its cost, administration, and incentives for conservation. Fair share needs serious scrutiny from DES and the Legislature before considering implementation statewide.

3. TRANSFERS TO OTHER PROGRAMS

Federal statute allows up to 15% of energy assistance funds to be utilized for weatherization, up to 10% to be transferred to another block grant program, and up to 15% to be carried over to the next year. Funds from the energy assistance block grant can be transferred to block grants not administered by DES, such as the Social Services Block Grant or the Maternal and Child Health Block Grant. In most states the Legislature makes the fund allocation decisions based on state priorities. In Minnesota, decisions about the transfer of funds have been made by DES, rather than the Legislature.

We found that the manner in which DES transferred funds in the past created problems for weatherization subgrantees. Transfers were made at the end of the program year, so weatherization subgrantees were unable to plan and budget effectively to use the funds. If funds are to be transferred from energy assistance to weatherization, the allocation of the funds should be done at the beginning of the year so adequate planning can occur.

We believe the transfer of funds to weatherization is a good idea. In general, weatherization activities provide a higher longer term benefit than does the payment of energy bills on a one-time basis. As a result, it is more beneficial for the state and for the individual household to weatherize, even if it means a slightly lower energy assistance award. Of course, weatherization might also be funded by additional direct state appropriations.

The fundamental question for the Legislature is what level of weatherization activity it is desirable for the state to pursue and how to fund that level. DES has allocated very little of its 1984 and 1985 energy assistance funds to weatherization. DES has proposed that weatherization be funded with increased state appropriations. Whatever the level of legis-

lative appropriations for weatherization, we believe the Legislature should set a policy for transfers of funds to weatherization and to other block grants from the energy assistance block grant.

RECOMMENDATIONS

The following is a summary of our recommendations to the Legislature and the Department of Economic Security regarding the energy assistance and weatherization programs:

- The Legislature should establish overall goals for the energy assistance program. Policies on eligibility and benefits should be included in state law.

- The Legislature should establish in statute a policy regarding transfers to other block grants. This policy should set a fixed percentage or a minimum and maximum proportion of energy assistance funds to be transferred to the weatherization or other block grant programs.

- DES should decide on transfers at the beginning of the program year, make available a proportion of funds immediately, and make available funds held as contingency according to predetermined priorities as program cost estimates become more definite.

- DES should continue to explore the extent to which the eligible population of the energy assistance program is being served. DES should also explore methods to increase participation of groups currently underrepresented, especially those groups with the lowest incomes that are vulnerable to rising heating costs.

- DES should give weatherization priority to energy assistance applicants with high fuel bills in relation to income.

- The Legislature should consider using state or energy assistance transfer funds to eliminate the gap in eligibility between the energy assistance and weatherization programs.

- DES should submit to the Legislature the results of the fair share pilot studies along with recommendations for action, prior to the 1986 legislative session. DES should not implement the fair share concept without legislative scrutiny and approval.

- DES should begin the annual planning process nine months prior to the beginning of the next program year.

- The Legislature should enact a law requiring the approval of the Legislative Commission on Energy before the state's energy assistance plan is forwarded to the federal government. In order to facilitate the start of the program, DES should be required to submit the plan early enough to give the Commission adequate time for review, and the Commission should finish its review a month before the program begins.

Introduction

The Department of Economic Security (DES) administers Minnesota's low income energy assistance and weatherization programs. Both of these programs are funded by the federal government, with additional state appropriations for the weatherization program. Unlike some federal programs, both the energy assistance and weatherization programs offer significant opportunities for state input into the design of the program and the allocation of funds.

Both programs were federal responses to the rapid rise of energy costs in the 1970's and the increased burden on low-income households that this represented. The energy assistance program provides payments for heating bills of the poor, and the weatherization program tries to help low income households conserve energy.

Because both of these programs are fairly new and funded by the federal government, the Minnesota Legislature has been only marginally involved in the definition of the programs. This is especially true of the energy assistance program. This report is an effort to aid in understanding these programs and the policy issues surrounding them.

The goals of this report are to describe the two programs, to examine DES's management, and to provide some insight into policy decisions facing the Legislature. The report is organized into three chapters. In Chapter 1, we provide information on the history of the two programs. In Chapter 2, we examine Minnesota's energy assistance program. In Chapter 3, we examine the weatherization program and the way it is coordinated with the energy assistance program.

A. HISTORY OF ENERGY ASSISTANCE PROGRAMS

The energy assistance program was initiated as a result of the OPEC-induced energy crisis of 1973-1974. Oil prices for

residential customers rose 184% between 1973 and 1982, and natural gas prices rose 100 percent during the same period. Rapidly rising energy costs have a disproportionate effect on the poor. Energy costs consume a large portion of poor households' disposable income.

In the last decade, a variety of state and federal programs began to help low income Minnesotans pay their energy bills. In 1977, the U.S. Community Services Administration (CSA) funded the first of several efforts to help low-income families with fuel bills. The CSA funded the Special Crisis Intervention Program with an appropriation of $200 million. Nationally, over one million households received assistance averaging $140 per household. The funding level was relatively low and the assistance was mostly designed to help with past utility bills and shutoff of utility service.

In 1978, Congress appropriated another $200 million for the Emergency Energy Assistance Program. Payments were allowed under this program for large unmet utility bills. The program assisted about 900,000 households nationwide with an average benefit of $165.

In 1979, Congress funded the Crisis Intervention Program with an appropriation of another $200 million. This program had three subparts: the Regular Crisis Intervention Program, the Special Crisis Intervention Program, and the Winter-Related Disaster Relief Program.

In 1980, energy assistance levels increased dramatically. The Home Energy Assistance Act of 1980 was contained in the Windfall Profit Tax legislation.[1] The purpose of the act was to help low income households meet the rising costs of home energy. The level of federal assistance nationwide rose to $1.6 billion in 1980. The Community Services Administration and the U.S. Department of Health and Human Services provided Minnesota $51.95 million for the Minnesota Energy Crisis Assistance Program. This program assisted households with incomes at or below 125% of the Office of Management and Budget's poverty guidelines. Minnesota households received an average of $409 to help with payment of their energy bills.

The Omnibus Budget Reconciliation Act of 1981 substantially changed the administration of a number of U.S. domestic programs, creating a series of block grants. The act repealed the 1980 Home Energy Assistance Act and replaced it with the Low Income Household Energy Assistance Act. The 1981 act gave states greater discretion, within limits, to establish program priorities and to allocate funds on the basis of those priorities. The major provisions of the Low Income Household

---

[1] 42 U.S.C. Section 8601-8612 (Supp. IV 1980).

Energy Assistance Program (LIHEAP) are summarized in Table 1.1. The program was reauthorized by Congress in October 1984. The major changes to the program resulting from the reauthorization legislation are shown in Table 1.2.

As a result of the block grant legislation, states have greater flexibility in the design of energy assistance programs than in the past. According to the U.S. Department of Health and Human Services (HHS), the federal role in this program consists of ensuring that the states certify they are meeting 13 assurances required by federal law[2]. The policy of HHS is to leave the implementation of the program largely to the states:

> The Secretary has determined that the Department should implement the block grant programs in a manner that is fully consistent with the congressional intent to enlarge the State's ability to control use of the funds involved. Accordingly, to the extent possible, we will not burden the States' administration of the programs with definitions of permissable and prohibited activities, procedural rules, paperwork and recordkeeping requirements, and other regulatory provisions.[3]

As a result of this discretion, states have defined the eligibility and programmatic details of their energy assistance programs in very different ways. Minnesota's program is different in certain ways from programs in other states. In the next chapter we examine the current Minnesota program.

Because the federal government has allowed the state so much discretion, and because the Minnesota Legislature has not defined the program's goals and purpose, this job has been left to DES. DES has defined the program each year through a state plan filed with the federal government and through operating policies issued to the local deliverers. There is currently no basis for the program in Minnesota statute or rule.

DES issues its state plan in the fall of each year for the upcoming program year. The program year runs from October to the end of May. In this report, we focus primarily on the state plans for the 1984 and 1985 program year.

As the result of a number of meetings with legislators and others, the 1985 DES plan has been amended. In this report we sometimes refer to the "original 1985 plan", meaning the plan that was originally filed with the federal government in Septem-

---

[2]Low Income Home Energy Assistance Act of 1981, Section 2605(b). In the 1984 reauthorization, three more assurances were added for a total of 16.

[3]47 Federal Register 29472.

TABLE 1.1

MAJOR PROVISIONS OF THE 1981 LOW INCOME HOUSEHOLD ENERGY ASSISTANCE PROGRAM BLOCK GRANT

Eligibility

- Households with incomes which do not exceed the greater of 150% of poverty level or 60% of the state median income.
- Households in which one or more individuals are receiving AFDC, SSI, or food stamps.

State Discretion

- States can transfer from to or from 6 other block grant programs, up to a maximum of 10 percent of the grant.
- A maximum of 15% of the LIHEAP allottment can be used for weatherization services or energy-related home repairs.
- A maximum of 10% of the LIHEAP allottment can be expended for planning and administration of the block grant.
- A maximum of 25% of the LIHEAP allottment may be carried forward into the next program fiscal year.

Requirements

- States must reserve a reasonable amount of funds for energy crisis intervention.
- States must provide that, in a manner consistent with the efficient and timely payment of benefits, the highest level of assistance is to be furnished to those households with the lowest incomes and the highest energy costs relative to income, taking into account family size.

TABLE 1.2

MAJOR CHANGES TO THE LOW INCOME HOME ENERGY ASSISTANCE ACT IN THE 1984 REAUTHORIZATION BILL

Funding

- The program was reauthorized by Congress for two years, fiscal years 1985 and 1986.
- Federal appropriations of $2.140 billion in fiscal 1985, and $2.275 billion in fiscal 1986 are authorized.
- The allocation of funds is based on expenditures for home energy by low income persons in the state as a percent of the national total of such expenditures. States, like Minnesota, that are adversely affected by this change are guaranteed the same funding as received in 1984. In Minnesota, this was $78.3 million.
- The allowed amount of carryover of funds to the next fiscal year is changed from 25 percent to 15 percent.

Eligibility

- Beginning in 1986, States cannot limit eligibility below 110 percent of the poverty level. Previously, just a maximum level was specified.

Reporting

- The reauthorization added requirements for states to report the amounts reserved for crisis funding, how the state determines benefit levels, and how the state identifies eligible households. States must also provide the Department of Health and Human Services information on energy usage and the average cost of home energy.

ber 1984.[4] Unless otherwise noted, all other references to the 1985 plan refer to the final plan filed with the federal government on December 3, 1984.

In Chapter 2 we will discuss the provisions of the 1984 and 1985 plans and discuss options the Legislature and DES might consider when establishing future policy for the program.

B. HISTORY OF WEATHERIZATION

Weatherization efforts of the federal and state governments began in the late 1970's for some of the same reasons as the energy assistance program. Rapidly rising energy costs left low income households unable to take effective energy conservation measures.

In 1975, the federal government made its first effort to help alleviate the impact of rising energy prices on the poor. Congress amended the Economic Opportunity Act of 1964 to authorize the creation of The Emergency Energy Conservation Services Program. Administered by the Community Services Administration, the program provided a wide range of energy related services: weatherization, crisis intervention, consumer education, legal assistance, transportation, alternative energy technology, training and technical assistance, and research and demonstration projects.

To be eligible for weatherization assistance in 1979, household incomes had to fall below 125 percent of the federal poverty guidelines. The maximum amount that could be spent for materials per house was $400. Labor for the program was supplied largely through the Comprehensive Employment and Training Act (CETA); volunteers and referrals from other employment programs were also used.

Congress funded the Emergency Energy Conservation Services Program from 1975 through 1978. During this time, Congress also enacted The Energy Conservation and Production Act which created the Weatherization Assistance for Low-Income Persons Program. The act, authorized by Congress in 1976, placed this weatherization program within the now defunct Federal Energy Administration. The program was transferred to the United States Department of Energy (DOE) in late 1977.

During 1977 and 1978, Congress appropriated funds for both weatherization programs. They operated simultaneously

---

[4]See Appendix B for a summary of the September 1984 plan and the subsequent changes.

under different regulations until 1979, when Congress stopped appropriating funds for the weatherization efforts of the Community Services Administration.

Like the weatherization program operated through the Community Services Administration, the Department of Energy program also relied upon CETA workers to provide most of the program's labor. The maximum amount that could be spent on materials was $400 under the Department of Energy weatherization program. Unlike the eligibility guidelines of the Community Services Administration program, eligibility for the energy department's program was set at 100 percent of the federal poverty income guidelines.

Since the first weatherization programs were created, reliance upon CETA for labor steadily declined. Today, weatherization work is performed by agency employees and private contractors.

Federal regulations were amended in 1980 to allow the use of non-CETA labor. At the same time, the regulations were amended to allow expenditures of up to $1600 per house, including labor, and the eligibility limit was changed to 125 percent of the poverty level.

In 1984, DOE amended the regulations for the program again. Three major changes were made. First, the list of allowable activities was expanded to include, among other things, furnace efficiency modifications. Second, provisions for the weatherization of duplexes were changed. And third, the procedures for energy audits were made more flexible, allowing states to develop their own systems. The current program is outlined in Table 1.3.

In Minnesota, the Department of Economic Security has administered the program since its inception in 1977. The program is delivered by a network of community action agencies, Indian reservations, and counties. Some of these deliverers also provide weatherization through other sources of funding.

The overwhelming majority of low income households that are weatherized through the current program are referred from the energy assistance program. We discuss the weatherization program and the linkage with the energy assistance program in Chapter 3.

TABLE 1.3

MAJOR PROVISIONS OF THE WEATHERIZATION PROGRAM

Eligibility

- Households are eligible if their income is at or below 125 percent of the federal income poverty guideline.
- Priority is given to elderly and handicapped low income persons.

Allowable Activities

- Major weatherization activities include caulking and weatherstripping, insulating ceilings, walls, attics, floors and water heaters, and installing storm windows and doors.
- No unit can be reported as completed until the subgrantee has made a final inspection, certifying that work has been done in a workmanlike manner and in accordance with the priorities determined by the energy audit.

Allowable Expenditures

- Subgrantees may spend up to a maximum of $1,600 per unit for weatherization. Of this, $750 can be spent on materials. Subgrantees may apply for a materials waiver of up to $1,000 on an individual basis. Minnesota also has a blanket waiver allowing $1,000 per house to be spent on labor and support costs. Repair costs are limited to $150.

Energy Assistance

The energy assistance program is a federal block grant program administered by the Department of Economic Security (DES). The program is funded by the federal government, but it is largely the responsbility of the state to define and administer the program.

The Office of the Legislative Auditor was requested to examine the administration of the program as it is currently run, and to examine other policy options for the program. In order to accomplish this we asked the following questions:

- How is the energy assistance program organized and administered? How have other states organized their programs? Is the Department of Economic Security the appropriate administrative agency for the program?
- How have funds for the program been allocated? Should there be more legislative oversight of fund allocation?
- Are the eligibility rules fairly administered and are all eligible persons being served?
- Who has participated in the program and how have they benefited?
- Are the stated goals and objectives of the energy assistance program being met?

In order to address these questions, we visited 17 energy assistance subgrantees around the state to interview agency and program directors. We also gathered information on a small sample of energy assistance recipients at each site, a total sample of 635 households. Our sample information was supplemented by an examination of the computer records of the Minnesota Community Action Data System (MCADS). We also conducted interviews with other federal, state, and interest group officials knowledgable about the program.

This chapter is organized into six sections. First, we present an overview of the program's goals and organization. Second, we discuss the program's funding. Third, we discuss who is eligible for the program, and the state's latitude in establishing eligibility. Fourth, we examine energy assistance benefit levels. Fifth, we examine the administration of the program. Finally, we examine how DES has planned for the program and present policy options for the Legislature.

A. PROGRAM GOALS AND ORGANIZATION

1. INTRODUCTION

In this section we review the goals and objectives of the energy assistance program as defined by the Department of Economic Security (DES). Secondly, we review the organization of the energy assistance program at both the state and local level.

2. PROGRAM GOALS

The energy assistance program is a federal response to the problem of rapidly increasing fuel bills for low income persons brought about by the Arab oil embargo of 1973 and the deregulation of natural gas prices. Congress gave states program flexibility by providing a block grant of funds, simplifying federal reporting requirements, and leaving the states broad discretion in defining and carrying out the program.

The goal of the energy assistance program is not set forth in the federal statute. As stated by the U.S. Department of Health and Human Services, the goal is "to assist low income households to meet the costs of home energy."[1]

The Minnesota Department of Economic Security (DES) has further indicated that the program is "to assist low income households with their home heating energy payments by reducing energy consumption and costs."[2] According to DES, the program:

- Provides for equitable assistance distribution without eliminating households' responsibility for paying their own energy bills.

---

[1]Low Income Home Energy Assistance Program, Report to Congress for Fiscal Year 1982, November 1, 1983, page i.

[2]Minnesota Energy Assistance State Plan for 1984.

- Encourages self-sufficiency through energy conservation, alternative energy projects, education, financial planning assistance, and coordination with other self-sufficiency programs.[3]

DES has had the same program goals and objectives since the initiation of the block grant in 1981. Despite the same goals, DES has modified the design of the program a number of times in those years. Some of the changes in the program have had effects that are seemingly in conflict with one another, and with the professed goals.

There is uncertainty as to whether the program is an energy program for low income households or an income maintenance program. While this may seem to be a somewhat artificial distinction, the answer has practical implications for the design of the program. Practical implications include:

- Whether funds are used for conservation purposes.
- How the benefits for the program are determined and how high they are; and
- Whether transfers are made to weatherization.

If the program is an energy program to help low income households with their heating bills, then the state may not want to design a program to pay non-heating utility bills. If the program is an income maintenance program, then the state may want to deemphasize the costs of energy in distributing the funds, or the state may want to transfer funds to the Social Services Block Grant or Community Services Block Grant.

Other uncertainties exist. Is the program supposed to pay all of a household's utility bills, or just its heating bills, or just some portion of its utility or heating bills? DES has been vague on these points, and the design of the program has varied from year to year as a result.

2. PROGRAM ORGANIZATION

a. State Administration

The Governor has designated DES as the state administrative agency for the energy assistance program. DES is responsible for formulating a state plan for the program, receiving and allocating federal funds to subgrantee agencies, formulating and distributing operating procedures to subgrantees, and monitoring compliance with the operating procedures.

---

[3]Ibid.

These functions are managed by DES's Division of Training and Community Services. Figure 2.1 shows the organization of this section. Three positions in the Office of Management and Budget assist with fiscal monitoring.

For the last year DES has been trying to reorganize the Division of Training and Community Services. DES has decided to use a functional approach to organizing the administration of the Weatherization, Office of Economic Opportunity, and Energy Assistance programs. DES planned for this organization to take effect in November 1984. This reorganization is supposed to remedy "poor comunications and coordination within the Division, and the inefficient use of staff resources." The proposed reorganization is shown as Figure 2.2.

Some have suggested that the energy assistance and weatherization programs might be better administered in some other agency. In many other states, the Human Services Department (or Department of Welfare, or Department of Social Services, etc.) administers the program. Table 2.1 shows the different types of agencies which administer the program in other states.

TABLE 2.1

LIHEAP: NUMBER OF STATES DESIGNATING VARIOUS TYPES OF AGENCIES WITH PRIMARY ADMINISTRATIVE RESPONSIBILITY

Fiscal Year 1982

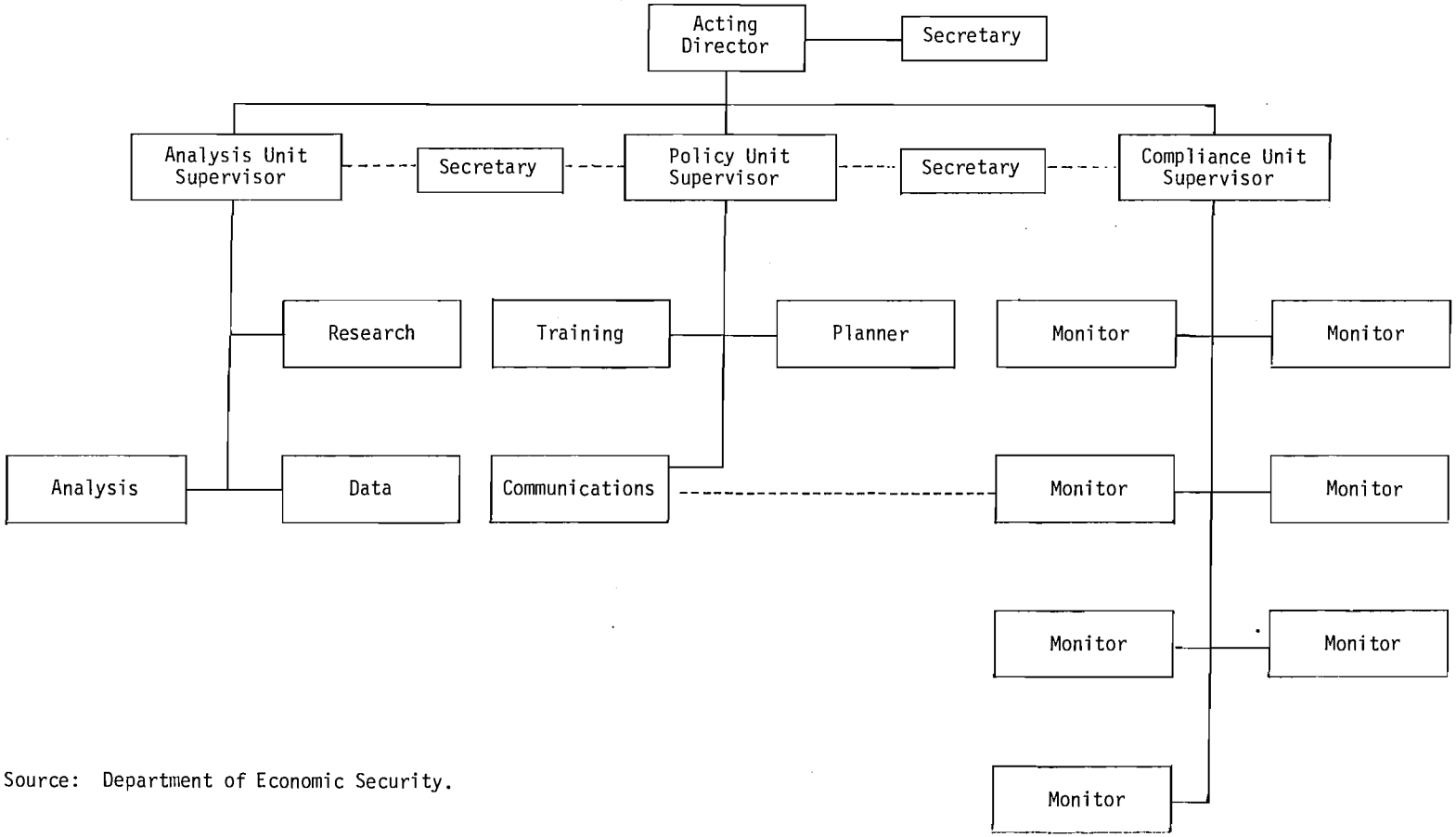
Grantee	Number of States
State Department of Public Welfare or Social Services	34
State Economic Opportunity Office	14
State Energy Office	3

Source: Report to Congress: Low Income Home Energy Assistance Program, U.S. Department of Health and Human Services, November 1, 1983.

Other potential administrative agencies in Minnesota include the Department of Human Services and the Department of Energy and Economic Development (DEED).

FIGURE 2.1

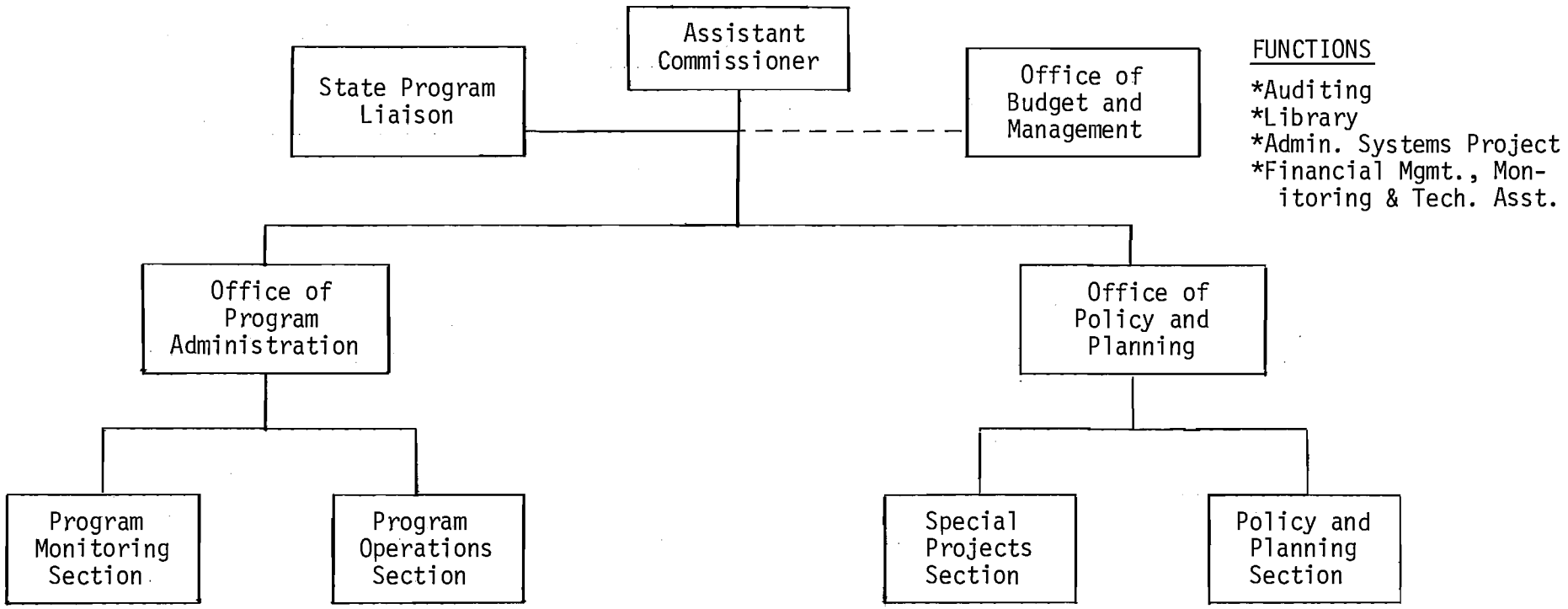
ORGANIZATION CHART
ENERGY ASSISTANCE PROGRAM
Division of Training and Community Services
Department of Economic Security



Source: Department of Economic Security.

FIGURE 2.2

PROPOSED REORGANIZATION
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF TRAINING AND COMMUNITY SERVICES



Source: Department of Economic Security.

It makes good sense to link energy assistance and weatherization organizationally as well as programatically. Because the current delivery system has close links to DES, and DES administers other programs targeted at low income households, we see no reason to change the organizational arrangement. Although there are problems with DES's design of the program, we feel that there are other remedies besides switching the administrative agency. There is also good reason for DES to have a close relationship with the Energy Division of DEED, and with the Public Service Department, Department of Human Services and other agencies that deal with the energy problems of the poor.

c. Local Delivery Agencies

The energy assistance program is actually delivered by a network of 23 community action agencies, 20 county human service agencies, 9 Indian reservation councils, and the Minnesota Migrant Council. These are largely the same agencies used by the department to deliver the Community Services Block Grant (CSBG), Energy Crisis Intervention Program (ECIP), and weatherization programs. Table 2.2 lists the local agencies or "subgrantees" for the energy assistance and other programs for low income households administered by DES.

B. FUNDING

In this section we review the funding history of the program, discuss the major components of expenditures, and review the alternative uses of the federal funds, including transfers.

1. FEDERAL FUNDING

The Low Income Home Energy Assistance Program (LIHEAP) was initially funded by the federal government at a level of $1.85 billion per year. In 1984, a supplemental appropriation of $200 million was added. Table 2.3 shows the federal appropriations coming to Minnesota for the energy assistance program.

The calculation of how much each state receives from the block grant has recently changed. In the program's first three years it was based on the states' low income population and the costs of heating in each state. The formula was revised in October 1984. Southern states felt that they should receive a larger part of the grant to assist with cooling costs. As a result:

TABLE 2.2

DEPARTMENT OF ECONOMIC SECURITY SUBGRANTEES

	Community Services Block Grant (CSBG) Grantees	Weatherization (WX)	Energy Assistance Program (EAP)
Anoka County Community Action Program	CSBG	Wx	EAP
Arrowhead Economic Opportunity Agency	CSBG	Wx	EAP
Benton Social Service Agency			EAP
Bi-County Community Action Council, Inc.	CSBG	Wx	EAP
Blue Earth County Human Services			EAP
Bois Forte Reservation Business Commitee	CSBG	Wx	EAP
Brown County Family Service			EAP
Clay-Wilkin Opportunity Council	CSBG	Wx	EAP
Clearwater Social Services			EAP
Crow Wing County Social Service			EAP
Dakota County Economic Assistance		Wx	EAP
Douglas County Social Welfare			EAP
Duluth Community Action Program	CSBG	Wx	EAP
Fond Du Lac Reservation	CSBG	Wx	EAP
Goodhue-Rice-Wabasha Citizens Action Council	CSBG	Wx	EAP
Grand Portage Reservation Business Committee	CSBG	Wx	EAP
Hennepin County Department of CETA Services		Wx	
Hubbard County Social Services			EAP
Inter-County Community Council	CSBG	Wx	EAP
Koochiching-Itasca Action Council	CSBG	Wx	EAP
Lakes and Pines Community Action Council	CSBG	WX	EAP
Leech Lake Reservation Business Committee	CSBG	Wx	EAP
Lower Sioux Community	CSBG		EAP
Mahube Community Council	CSBG	Wx	EAP
Mille Lacs Reservation Business Committee	CSBG	Wx	EAP
Minneapolis Community Action Agency	CSBG	Wx	EAP
Minnesota Migrant Council	CSBG		EAP
Minnesota Sioux Tribes (Shakopee & Prairie IS)	CSBG	Wx	
Minnesota Valley Action Council	CSBG	Wx	EAP
Morrison County Social Services			EAP
Northwest Community Action Council	CSBG	Wx	EAP

TABLE 2.2 (continued)

DEPARTMENT OF ECONOMIC SECURITY SUBGRANTEES

	Community Services Block Grant (CSBG) Grantees	Weatherization (WX)	Energy Assistance Program (EAP)
Olmsted County CAP	CSBG		
Olmsted County Department of Social Services			EAP
Ottertail Department of Social Services			EAP
Ottertail-Wadena Community Action Council	CSBG	Wx	EAP
Prairie Five Community Services Agency	CSBG	Wx	EAP
Ramsey Action Programs, Inc.	CSBG	Wx	EAP
Red Lake Reservation	CSBG	Wx	EAP
Redwood County Welfare Department			EAP
Region Six East Community Action Agency	CSBG	Wx	EAP
Renville County Family Services			EAP
Roseau County Social Services			EAP
Scott-Carver Economic Council	CSBG	Wx	EAP
SEMCAC, Inc.	CSBG	Wx	EAP
Southwestern Minnesota Opportunity Council	CSBG	Wx	EAP
Stearns County Social Services			EAP
Steele County Social Services			EAP
Todd County Social Services			EAP
Tri-County Community Action (Little Falls)	CSBG	Wx	
Tri-County Action Programs, Inc. (St. Cloud)	CSBG	Wx	EAP
Tri-Valley Opportunity Council, Inc.	CSBG	Wx	EAP
Upper Sioux Community	CSBG		
Washington County HRA		Wx	EAP
West Central Minnesota Communities Action	CSBG	Wx	EAP
West Hennepin Human Services			EAP
Western Community Action Council	CSBG	Wx	EAP
White Earth Indian Reservation	CSBG	Wx	EAP
Wright County Community Council	CSBG	Wx	
Wright County Human Services			EAP
	38	37	53

- The funding formula now reflects total home energy expenditures. In the future, Minnesota will receive a lower percentage of the total grant. Minnesota will receive $78.3 million in 1986, a decrease of $4 million from 1984 and 1985 funding levels. The amount Minnesota receives for energy assistance will not increase in the forseeable future.

TABLE 2.3

LOW INCOME HOUSEHOLD ENERGY ASSISTANCE PROGRAM
FEDERAL APPROPRIATIONS AND MINNESOTA'S SHARE
(In Millions)

Year	Federal	Minnesota	Minnesota's Share as Percent of Total Federal Appropriation
1981	$1850	$69.6	3.76%
1982	1875	74.3	3.96
1983	1975	78.3	3.96
1984	2075	82.2	3.96

Source: Department of Economic Security.

As a result of this change in federal funding, the Minnesota program will be put under more pressure to carefully define the target population and goals of the program.

2. MINNESOTA'S FUNDING AND EXPENDITURE HISTORY

Table 2.4 shows the sources of funding for the program in Minnesota since 1980. Since 1982, all of the funding has been federal. Table 2.5 shows the uses of the funds for the same time period.

There are three major expenditure components of the current program: heating assistance, energy crisis intervention, and conservation and repair.

a. Heating Assistance

First, and by far the major portion of the program, is the heating assistance program. Heating assistance has com-

TABLE 2.4

SOURCES OF FUNDS
ENERGY ASSISTANCE PROGRAM
FEDERAL AND STATE FUNDING 1980-1984

(In Millions of Dollars)

	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984 (Estimate)[1]	FY 1985 (Estimate)[2]
Federal Funds	51.952	69.639	74.276	78.272	82.239	82.239
State Funds	3.000	2.000	--	--	--	--
Carry In		1.268	--	5.821	3.300	2.830
Total Funds Available	54.952	72.907	74.276	84.093	85.539	85.069
Recaptured by Funding Source	7.340	3.543	--	--	--	--
Carry Forward			5.821	3.300	2.830	
Total Funds Expended	46.344	69.364	68.455	80.793	82.709	85.069

Source: Department of Economic Security.

[1]1984 fiscal year is not closed out, so actual results may vary.

[2]Carry-in for 1985 might be as much as $3.9 million because of prior year adjustments.

TABLE 2.5

ENERGY ASSISTANCE PROGRAM
USES OF FUNDS
FEDERAL PROGRAM YEARS 1980 - 1985

(In Millions of Dollars)

Uses	1980	1981	1982	1983	1984 (Estimate)[2]	1985 (Estimate)[3]
Heating Assistance	40.461	58.497	45.752	54.568	65.100	63.000
Discretionary[1]	0.000	0.000	0.000	0.616	2.200	3.750
Conservation/Repair	0.000	0.211	0.689	1.592	1.800	1.340
Other	0.000	5.281	0.725		0.400	--
Program Expenditures	40.461	63.989	47.166	56.776	69.500	68.090
Transfers To:						
Weatherization			9.000	10.000	1.500	2.000
CSBG			6.940	7.827	3.000	-0-
Reserve					1.000	
DPW	0.701		0.000	0.000		
Unallocated Client Service						6.679
Administration	5.182	5.375	5.349	6.185	7.700	8.300
Total Funds Expended	46.344	69.364	68.455	80.788	82.700	85.069

SOURCE: Department of Economic Security.

[1]Called "crisis" funds in 1985.

[2]The 1984 program year is not yet closed out. Actual amounts may vary.

[3]Amounts available for use in each category, actual expenditures will vary depending on the number of applicants and other factors.

prised between 67 and 85 percent of the expenditures in the last four years. The heating assistance program pays the fuel bills of eligible low income households up to a state determined maximum benefit amount. The benefit varies according to household income, family size, type of fuel used and area of the state. This chapter focuses primarily on the heating assistance portion of the program.

b. Energy Crisis Intervention

Although the heating assistance portion of the program receives the majority of the funds, DES also funds two other programs from energy assistance funds. Federal statute requires each state to setaside a "reasonable amount", based on prior years experience, for energy crisis intervention. Before the 1985 budget year, Minnesota called these "discretionary" funds. In 1985, DES refers to these funds as "crisis" funds.

Discretionary funds are to be spent in connection with a state approved local spending plan. The funds can be used to meet energy related needs of income-eligible households. In 1984, one percent of the heating assistance dollars, $675,000, was originally budgeted for discretionary or crisis funds.[4] In 1985, approximately $3.75 million is budgeted for this purpose.

Although in 1984 DES had budget categories for discretionary-repair and discretionary-non-repair funds, there was no practical way to distinquish between the two categories. Our examination showed that very little of the funds were actually expended on repairs, because the funds were needed to assist households shutoff from heating service.

Despite variation in the discretionary spending plans of subgrantee agencies, our review shows that almost all of the funds were spent to aid households who were shutoff, had received a shutoff notice, or had been refused delivery of a non-metered fuel.

The dollar amounts of assistance provided to a single household varied among local agencies from approximately 25 percent of the back bill to 100 percent. Most agencies tried to negotiate with utilities and clients to determine the amount necessary to restore heating service.

---

[4]This was substantially supplemented when Congress appropriated a $7 million additional appropriation to Minnesota. The Governor allocated $2 million to be used for shutoff situations. In addition, some funds from the Emergency Food and Shelter program of the Community Services Block Grant are used by subgrantees to fund emergency energy situations.

c. Conservation and Repair

The third program for which energy assistance funds are spent is the conservation and repair program. Although some states make similar expenditures, Minnesota has the only organized program of this type. In 1984, Minnesota setaside two percent of funds for conservation and repair assistance. Funds used for conservation and repair are counted as part of the fifteen percent of the block grant that can be used for weatherization. This program is discussed in more detail in the chapter on weatherization.

3. FUND ALLOCATION AND TRANSFERS OF FUNDS TO OTHER BLOCK GRANTS

In addition to these energy programs, federal law allows states to transfer up to 10 percent of the LIHEAP funds to another block grant program, use up to 10 percent for administration, and transfer up to 15 percent to weatherization programs. In addition, the state may carry forward into the next program year up to 15 percent of the funds. Table 2.5 shows that Minnesota has transferred a varying amount of energy assistance funds to the Community Services Block Grant and weatherization programs. In 1983, nearly $18 million was transferred to these programs; in 1984, only $4.5 million was transferred.

DES allocates funds to the various allowable uses at the end of the program year. The department has only loosely budgeted the available funds to uses other than heating assistance at the beginning of the program year.

Discussions with DES managers about past allocations of funds reveal that:

- Minnesota has not had a consistent strategy or policy regarding allocations of funds and transfers to other programs.

For example, there has been no set policy on how much of the funds should be transfered to the Community Services Block Grant, Social Services Block Grant, or to the weatherization program. In past years, there also has been no explicit budgeting for carryforward of administrative and crisis funds into the next program year to allow for the programs startup.

The task has been made more difficult by some uncertainty about federal appropriation levels. However, DES actions have been inconsistent. In 1984 and 1985, DES designed a program that would use all of the funds available, leaving little or no contingency for increases in program participation. In 1984, the program would have run out of funds before the end date if there had not been a supplemental appropriation from Congress of seven million dollars for Minnesota.

The DES approach to transfers of funds has been to see if there was any money left over after heating assistance, and then to allocate any remainder for transfer or reprogramming based on its perception of current needs.

Discussions with subgrantee and department managers indicate that this ad hoc approach to fund allocation has created problems. Among these problems is the resulting funding uncertainty for subgrantees. Subgrantees of the Community Services Block Grant and weatherization programs have been unable to effectively plan and budget their funds from the state, because there was no certainty about what that level of funding might be. This problem has been especially troubling for the weatherization program, and will be discussed in more detail in Chapter III.

In planning for 1985, DES originally budgeted eight percent of the block grant funds for 1985 for weatherization. Some of these funds were to be provided "upfront", at the beginning of the program year. The Commissioner made the eight percent pledge to subgrantees at the DES mid-summer planning conference. Unfortunately, the department made the pledge before designing benefit tables for 1985. After arriving at benefit tables, only $1.5 million of 1985 funds, or approximately two percent, was left for weatherization.

We believe the most prudent course for the department is to allocate the available heating assistance funds conservatively, allowing a contingency amount that is related to the degree of certainty DES has about program participation and cost. We recommend that:

- DES should decide on transfers at the beginning of the program year, make available a proportion of the funds immediately, and make available the funds held as contingency according to predetermined priorities as program cost estimates become more definite.

Other states transfer varying amounts to the block grants allowable under federal law. Table 2.6 shows for thirteen states the percentage of funds transferred to each of the allowable block grants. The highest percentage of transfer funds go to the weatherization program. Table 2.7 shows the percentage of funds transferred during 1982 and 1983 to the weatherization program in states surveyed by the GAO in 1983.

We surveyed Minnesota's neighboring states to determine their policies regarding transfers in 1984. Wisconsin transferred 14.7 percent to weatherization and 4 percent to the Social Services Block grant. North Dakota transferred 10.5 percent to the Social Services Block grant and 7 percent to weatherization. South Dakota transferred 15 percent to weatherization and 10 percent to the Social Services Block grant. And, Iowa transferred 12.5 percent to weatherization.

TABLE 2.6

PERCENT OF ENERGY ASSISTANCE FUNDS TRANSFERRED TO OTHER BLOCK GRANT PROGRAMS

Fiscal Years 1982 and 1983

States	Social Services		Community Services		Maternal and Child Health		Preventive Health Services	
	1982	1983	1982	1983	1982	1983	1982	1983
California	9.3%	10.0%	--	--	--	--	--	--
Colorado	9.1	9.8	--	--	--	--	--	--
Florida	9.3	10.0	--	--	--	--	--	--
Iowa	9.3	--	--	--	--	--	--	--
Kentucky	8.4	9.0	--	--	--	--	.9%	1.0%
Massachusetts	--	--	--	--	--	--	--	--
Michigan	9.3	9.5	--	--	--	--	--	--
Minnesota	--	--	9.3%	10.0%	--	--	--	--
Mississippi	--	--	--	--	5.1%	--	--	--
New York	9.3	10.0	--	--	--	--	--	--
Pennsylvania	--	--	--	--	--	--	--	--
Texas	--	9.3	--	--	--	--	--	--
Vermont	--	--	--	--	--	--	--	--
Washington	6.1	6.5	3.2	3.5	--	--	--	--

Source: States Fund an Expanded Range of Activities Under Low-Income Home Energy Assistance Block Grant, General Accounting Office, June 27, 1984, p. 63.

TABLE 2.7
PERCENT OF ENERGY ASSISTANCE FUNDS TRANSFERRED TO THE WEATHERIZATION ASSISTANCE PROGRAM BY STATE

Fiscal Years 1982 and 1983

State	1982	1983
California	3.7%	10.0%
Colorado	4.3	6.3
Florida	13.5	15.0
Iowa	3.3	14.1
Kentucky	10.7	12.3
Massachusetts	4.4	5.0
Michigan	5.2	3.7
Minnesota	12.1	12.8
Mississippi	7.5	15.0
New York	12.6	8.7
Pennsylvania	1.1	10.6
Texas	--	2.6
Vermont	9.0	10.4
Washington	5.7	12.5

Source: States Fund an Expanded Range of Activities Under Low-Income Home Energy Assistance Block Grant; General Accounting Office, June 27, 1984.

Minnesota transferred $9 million (12.1 percent) of the block grant to weatherization and $6.94 million (9.3 percent) to the Community Services Block grant (CSBG) in 1982. In 1983, DES transferred $10 million (12.8 percent) to weatherization and $7.8 million (10 percent) to CSBG. In 1984, DES transferred $1.5 million (1.8 percent) to weatherization and $4 million (4.9 percent) to CSBG. DES is unsure of the transfer amounts for 1985, although tenatively no funds are planned for CSBG and $2 million (2.4 percent) is targeted for weatherization.

The amount transferred to another program should be a state-level decision for two reasons. First, deciding on transfers requires the evaluation of trade-offs between different programs the state runs. Transfers have budgetary implications for other state funded programs. For example, if more money was transferred to weatherization, then the state would have to appropriate less from the General Fund to achieve the same level of service. Second, since the block grant funds can be used for programs not administered by any one administrative agency, it is unlikely that any one agency can examine all the possible uses objectively. These types of decisions on fund allocation

are normally made by the Legislature during the appropriations process, rather than by an administrative agency.

We found that DES has some difficulty making decisions about transfers. We think it will be difficult for DES to make future fund allocation decisions in the absence of explicit guidance from the Legislature. Future funding for the program from the federal government will be less, both absolutely and relatively, and this will only exacerbate the tensions. We recommend that:

- The Legislature should establish in statute a policy regarding transfers to other block grants. This policy should set a fixed percentage or a minimum and maximum proportion of energy assistance funds to be transferred to the weatherization program and other block grant programs. The Legislature is the appropriate body to make budgetary and policy decisions of this type.

C. ELIGIBILITY

In this section, we examine Minnesota's policies for eligibility and compare them with other states' provisions. We then examine how many households are eligible and how well Minnesota has served all eligible persons.

1. STATUTORY PROVISIONS

Congress did not specifically define the terms of eligibility for the energy assistance program. However, the federal statute requires that states make payments under the block grant program only to:

- Households in which one or more individuals are receiving AFDC, SSI, food stamps, or certain veterans payments; and/or,

- Households whose incomes do not exceed 60% of the state median income level or 150% of the poverty level as defined by the federal Office of Management and Budget.

Other than the restrictions above, Congress did not set out a definition of who would be eligible for the program, or even what definition of income to use for eligibility. As a result, states have defined the eligible population in a variety of ways.

As Table 2.8 shows, thirteen states have chosen to make automatic payments to certain categorically eligible groups (i.e., AFDC, SSI, food stamp recipients). Minnesota has not considered any of these groups to be categorically eligible for the program.

TABLE 2.8

LIHEAP: NUMBER OF STATES MAKING AUTOMATIC PAYMENTS FOR HEATING ASSISTANCE TO CATEGORICALLY ELIGIBLE GROUPS OF HOUSEHOLDS

Fiscal Year 1982

Categorical Group	Number of States Making Automatic Payments[1]
AFDC	12
SSI	11
Food Stamps	5
General Assistance	6
Other	5

Source: Report to Congress: Low Income Home Energy Assistance Program, U.S. Department of Health and Human Services, November 1, 1983.

[1]Altogether, thirteen states make some automatic payments.

2. INCOME LIMITS

a. Minnesota's Income Limit

DES defined the maximum eligible income to be 60 percent of state median income for program years 1982 and 1983. DES chose this level because it allowed more Minnesotans to participate in the program. Since 1983, Minnesota has not changed the maximum eligible income level at the same rate as median income has risen. In 1984, the maximum eligible income was equal to 54.7 percent of the state median income. For 1985, the income level was dropped from $8326 to $7493 for a 1 person

household, resulting in a maximum income eligibility equal to 50.2 percent of the state median income. Table 2.9 shows the EAP income guidelines for the program years 1980 to 1985.

TABLE 2.9

ENERGY ASSISTANCE INCOME GUIDELINES AND PARTICIPATION

1980 - 1985

Household Size	1980	1981	1982	1983	1984	1985
1	$ 4,738	$ 4,738	$ 7,616	$ 7,923	$ 8,326	$ 7,493
2	6,263	7,220	9,959	10,361	10,887	9,798
3	7,788	9,910	12,302	12,799	13,450	12,105
4	9,313	12,240	14,645	15,236	16,012	14,411
5	10,838	14,440	16,988	17,674	18,574	16,717
6	12,363	16,890	19,332	20,112	21,136	19,022
Number of Households Served	101,505	117,279	104,500	124,430	139,500*	140,000*

Source: Department of Economic Security.

*Projected number of households served.

Applicants for the program must meet both income and asset limits set by DES in order to receive a program grant. Total household income for the 12 months preceding the application is used to determine eligibility. Households with incomes that have rapidly declined may be eligible for a reduced award that only considers income from the 90 days prior to application.

b. Deductions from Income

Income is defined as cash receipts before taxes. Income is reduced by IRS allowable medical expenses in excess of three percent of household income.

In 1984, a 10 percent standard deduction was allowed for earned income. This was an allowance for taxes and expenses associated with working that AFDC or SSI recipients do not have. The standard deduction for earned income was an effort to equalize for the disposable income available to the working poor and public assistance recipients. This deduction makes the program more equitable if one if trying to serve those on public assistance and the working poor equally.

For the 1985 program year, the standard deduction has been eliminated as a cost saving measure. DES estimates that approximately $3 million will be available for other recipients by eliminating this deduction. Another provision eliminated in the 1985 program is the deduction for child support payments.

Other states have allowed deductions from earned income in their definition of household income for the program. For example, North Dakota deducts 20 percent of earned income to compensate for income producing employment expenses and income witheld for payments made to social security and state and federal taxes.[5] Missouri allows an 18 percent deduction for earned income.[6] However, many other states, including Wisconsin and Iowa, do not allow deductions from gross income.

c. Income Standards in Other States

States are free under the block grant program to adopt eligibility standards that do not exceed the statutory maximum. Most other states use a test of 150 percent of the poverty level as a cutoff for program eligibility. In a survey of 13 states' energy assistance programs conducted in 1983, the General Accounting Office (GAO) found that all 13 states surveyed used the percentage of poverty basis for determining income eligibility. Eight of 13 states restricted income eligibility below the 150% of poverty statutory maximum.[7] Of the eight states

---

[5]North Dakota State Plan of Operation, Low Income Home Energy Assistance Program, Fiscal Year 1985.

[6]Missouri State Plan for Low Income Home Energy Assistance, Federal Fiscal Year 1985.

[7]States Fund an Expanded Range of Activities Under Low-Income Home Energy Assistance Block Grant, General Accounting Office, June 27, 1984.

that restricted eligibility, most were restricted to the 120-129 percent of poverty range.

Table 2.10 shows that 30 of the 50 states (and the District of Columbia) restricted eligibility to levels below the federal standard in fiscal year 1982.

The maximum income levels allowed in 1985 at 150% of poverty and at Minnesota's eligibility level are shown in Table 2.11. In 1985, the 150% of poverty measure would broaden eligibility at every household size level except one-person households.

3. ASSET LIMITS

Some states, including Minnesota, have imposed limits on the amount of assets households can have in order to be eligible for the program. The rationale for an asset limit is to deny eligibility to persons who have significant assets, but suffer a year where their income is low enough to qualify for the program.

Asset limits were first required for the program year 1983. The first "asset test" was $25,000 excluding one car per driver, a house, one business or 320 acre farm, and $10,000 in cash. In the 1985 plan, the asset limit is set at $25,000 net worth, excluding the house, 80 acres of contiguous land, and one car per licensed driver.

In practice, few applicants are excluded from the program because of the asset limit. Approximately 430 households in 1983 (0.4 percent) and 527 households in 1984 (0.4 percent) were denied assistance because of the asset test. Interviews with subgrantees across the state revealed the widespread attitude that the 1984 asset test was ineffective. Those we interviewed reported that:

1) Since the asset limit is self-reported it can be easily avoided, and

2) The 1984 test excluded too much from consideration. In particular, the fact that the value of land owned was not considered was thought to be unfair.

Several subgrantees also reported that those excluded from the program under the asset test are usually retired persons, living on the interest from bonds or other savings.

Establishing a $25,000 net worth test should somewhat alleviate the second concern. It is probably impossible to eliminate the first concern.

TABLE 2.10

LIHEAP: NUMBER OF STATES SELECTING VARIOUS INCOME ELIGIBILITY LEVELS FOR FOUR-PERSON HOUSEHOLDS FOR HEATING ASSISTANCE

Fiscal Year 1982

Income Eligibility Level	Number of States[1]
At or near Federal eligibility level	21
Other levels less than Federal standard	30

Source: Report to Congress: Low Income Home Energy Assistance Program, U.S. Department of Health and Human Services, November 1, 1983.

[1]Including the District of Columbia.

TABLE 2.11

COMPARISON OF 150 PERCENT OF POVERTY AND MINNESOTA'S ELIGIBILITY MAXIMUM INCOME LEVEL

Program Year 1985

Household Size	150% Poverty[1]	1985 Minnesota[2]
1	$ 7470	$ 7493
2	10080	9798
3	12690	12105
4	15300	14411
5	17910	16717
6	20520	19022
7	23130	19454
8	25740	19887

[1]Poverty level guidelines from the Office of Management and Budget, published in the Federal Register, February 27,1984, Vol. 49, No. 39.

[2]Minnesota uses the alternate calculation for the maximum income allowable for eligibility under the Energy Assistance Program of not more than 60% of state median income. In the 1985 program year Minnesota's maximum income level is approximately 50.3% of the state median income.

Asset tests in other Midwest states vary from none at all to requirements similar to Minnesota's. North Dakota, for example, exempts a household's primary residence and up to 160 acres of contiguous property in rural areas and 2 acres in town. Real property that is being farmed is exempt. Households are ineligible for the program if non-exempt personal and real assets exceed an equity value of $5000 plus $2000 for each household member over the age of 60 years of age.

Nebraska exempts one car and the primary residence of each household and allows net assets of $15,000. Wisconsin, South Dakota, Iowa, and Missouri have no established asset limitations.

4. HOW MANY MINNESOTANS ARE ELIGIBLE?

The number of households eligible for the program depends on the eligibility standard adopted by the state. The more expansive the eligibility standard, the more households will be eligible, and the lower the average grant award. The opposite is also true. The more restrictive the eligibility standard, the higher the grant award can be, and/or the more funds available for weatherization and other uses.

Using the current Minnesota eligibility standard, the number eligible is a function of household income and household size. Because the most significant eligibility determinant is income, the number of eligible households changes each year as economic conditions fluctuate and as the state changes program income eligibility levels.

Table 2.12 shows a summary of the eligibility policy changes DES has instituted since 1980. As one can see, decisions have been made both expanding and limiting the number of households eligible for the program.

DES commissioned a study by a consultant in the summer of 1984 that addressed the question of the eligible population for the LIHEAP and weatherization programs.[8] Table 2.12 shows the estimated number of eligible households and the number and percentage participating in the program for the year 1983.[9] As Table 2.13 shows:

- The percentage of eligible households served by energy assistance in 1983 ranged from 87 percent in Lake

---

[8] Research Into the Number and Characteristics of Households Eligible for Energy Assistance, Biocentric, Inc., August 9, 1984.

[9] Ibid. Page 29-30.

TABLE 2.12

ENERGY ASSISTANCE INCOME GUIDELINES IN MINNESOTA

Eligibility Requirements	79-80	80-81	81-82	82-83	83-84	84-85
Change in the amount of income used to determine eligibility	X	X	X	X	X	X
Annualized 90-day income used to determine eligibility in cases of recent drastic income reductions	X	X	X	X	X	X
Assistance amounts based upon vulnerability (income in relation to energy costs) for all eligible households*			X	X	X	X
Process implemented for re-determination of benefits amount for households eligible under 90-day income guidelines			X	X	X	X
Deductions allowed for medical expenses in excess of 3% of household income			X	X	X	X
Asset limit adopted for eligibility criteria based on self-declaration of assets				X	X	X
Process implemented for re-determination of benefit amount for households eligible under 12-month income guidelines					X	X
Medical premiums added to medical expense deductions					X	X
Ten percent deduction allowed on earned income					X	
Child support paid to another household excluded from income					X	

Source: Department of Economic Security.

*With the exception of subsidized housing.

TABLE 2.13

PERCENT ELIGIBLE HOUSEHOLDS SERVED BY COUNTY

County	Estimated Eligible Households 1983	Program Participants 1983	% Eligible Households Served 1983
Lake	724	627	87%
Marshall	1,378	985	71%
Kittson	818	544	66%
Beltrami	4,045	2,492	62%
Cass	3,284	2,014	61%
Clearwater	1,371	832	61%
Mahnomen	731	441	60%
Itasca	4,804	2,856	59%
Crow Wing	5,441	3,210	59%
Polk	3,476	2,031	58%
Sherburne	1,779	1,038	58%
St. Louis	20,615	11,949	58%
Red Lake	745	426	57%
Kanabec	1,382	785	57%
Pennington	1,612	910	56%
Morrison	3,881	2,183	56%
Becker	3,691	2,021	55%
Koochiching	1,919	1,050	55%
Aitkin	2,478	1,348	54%
Hubbard	2,067	1,117	54%
Wadena	2,059	1,098	53%
Norman	1,215	614	51%
Todd	3,553	1,793	50%
Carlton	2,774	1,396	50%
Wilkin	715	354	49%
Lake of the Woods	530	260	49%
Roseau	1,540	746	48%
Pine	2,705	1,294	48%
Mille Lacs	2,120	1,011	48%
Murray	1,422	674	47%
Isanti	1,756	823	47%
Grant	854	399	47%
Chisago	1,846	862	47%
Anoka	6,821	3,022	44%
Le Sueur	1,891	827	44%
Clay	3,740	1,622	43%
Wright	3,725	1,614	43%
Ottertail	6,563	2,807	43%
Lyon	2,138	908	42%
Washington	4,016	1,696	42%
Meeker	2,334	964	41%
Pipestone	1,673	683	41%
Pope	1,634	660	40%
Rock	1,090	440	40%
Swift	1,720	690	40%
Benton	2,436	964	40%
Kandiyohi	3,700	1,456	39%
Big Stone	959	365	38%
Watonwan	1,062	404	38%
Fillmore	2,810	1,059	38%
Nobles	2,223	830	37%
Faribault	2,186	812	37%
Chippewa	1,649	608	37%
Cook	529	195	37%
Douglas	3,637	1,332	37%
Traverse	748	267	36%
Houston	1,933	687	36%
Brown	2,573	911	35%
Scott	1,814	635	35%
Lincoln	1,268	440	35%
Waseca	1,667	578	35%
Wabasha	1,890	644	34%
Dodge	1,250	425	34%
Hennepin	48,259	16,137	33%
Winona	4,364	1,459	33%
Stearns	8,216	2,740	33%
Sibley	1,594	527	33%
Renville	2,137	686	32%
Redwood	2,212	685	31%
Lac Qui Parle	1,373	424	31%
Freeborn	3,368	1,034	31%
Mower	3,851	1,165	30%
Cottonwood	1,635	482	29%
Yellow Medicine	1,618	477	29%
Blue Earth	4,467	1,308	29%
Jackson	1,519	444	29%
Rice	3,387	985	29%
Ramsey	23,287	6,715	29%
Goodhue	3,228	912	28%
Martin	2,270	618	27%
Olmsted	5,359	1,422	27%
Carver	1,866	494	26%
McLeod	2,813	743	26%
Stevens	1,451	371	26%
Nicollet	1,922	481	25%
Steele	2,664	659	25%
Dakota	6,096	1,479	24%
TOTAL	299,967	121,175	40%

Source: Department of Economic Security Records, Biocentric, Inc. Analysis.

county to 24 percent in Dakota county. Statewide it is estimated that 40 percent of eligible households were served in 1983.

The consultant estimates the total income eligible population in the state was 299,967 households in 1983. The department has changed eligibility standards in both 1984 and 1985. The department estimates approximately 240,000 households are potentially eligible for energy assistance in 1985. DES currently estimates that in 1985 a total of 140,000 might participate in the program.

Three of the consultant's findings are especially noteworthy: 1) One and two person households are seemingly not being served in proportion to their presence in the eligible population, 2) the lowest income level is the most under represented in the served population, and 3) renters are under represented in the served population.

The implications of these findings for the department are, first, that they may have to serve many more households than at present. Second, the program may not be serving some of those who need assistance the most. We recommend that:

- DES should continue to explore the extent to which they are serving the eligible population. DES should also explore methods to increase participation of groups currently underrepresented, especially those with the lowest incomes that are vulnerable to heating costs.

5. HOW MANY HOUSEHOLDS HAVE PARTICIPATED?

No one expects that everyone who is eligible for the program will participate. As we have seen, approximately 40 percent of those eligible statewide applied for benefits in 1983. Every year more people find out about the program and apply for benefits. We expect that the participation rate for the program will continue to increase over time, as more of the eligible population finds out about the program. Table 2.14 shows the number of households that were served, by subgrantee, for the program years 1982 to 1984.

Of course some of the increases in the number of households served have resulted from changes in eligibility for the program. However, based on DES estimates of the number of households affected by changes in eligibility, we believe that perhaps as much as one-half of the increases in households could result from increased awareness of the program. With this in mind it is interesting to note that DES has not included any estimates of increased participation in its forecasts for the 1985 program.

TABLE 2.14

NUMBER OF ENERGY ASSISTANCE HOUSEHOLDS SERVED BY AGENCY

Program Years 1982-1984

Agency	1984[1]	1983	1982
Anoka	3,252	3,022	2,069
Arrowhead	9,091	8,254	6,531
Benton Co. H.S.	1,131	964	800
Bi-County	5,196	4,506	4,344
Blue Earth Co. H.S.	1,609	1,308	1,000
Brown Co. Family S.C.	1,041	899	611
Clearwater Co. S.S.	964	815	789
Clay-Wilkin	2,238	1,976	1,829
Crow Wing Co. S.S.	3,518	3,210	2,812
Dakota	1,753	1,479	988
Douglas Co. S.S.	1,483	1,332	1,215
Duluth	5,138	4,371	3,807
G-R-W	3,185	2,527	2,056
Hennepin Co. NRC			
Hubbard Co. S.S.	1,239	1,117	1,023
Inter-Co.	2,646	2,276	2,170
Kooch-Itasca	4,338	3,906	3,485
Lakes & Pines	8,579	7,519	7,088
Mahube	2,836	2,462	2,103
Minneapolis-UC	13,672	11,920	8,556
MN Migrant Co	179	122	67
MvAC	4,753	4,247	3,342
Morrison Co. S.S.	2,405	2,184	2,241
Northwest	1,321	1,236	1,157
Olmstead Co. S.S.	1,565	1,422	964
Ottertail Co. S.S.	3,173	2,807	2,622
Ottertail-Wad	1,303	1,098	1,017
Prairie Five	3,092	2,564	2,299
RAP	8,087	6,715	4,849
Redwood Co. Welfare	767	684	663
Region 6E	3,674	3,163	2,747
Renville Co. F.S.	732	685	673
Roseau Co. S.S.	818	746	791
Scott-Carver	1,226	1,129	1,044
SEMCAC	6,414	5,809	4,461
Southwestern	2,706	2,627	2,380
Stearns Co. S.S.	3,021	2,740	2,586
Steele Co. S.S.	672	659	485
Todd Co. S.S.	2,046	1,793	1,726
Tri-Co. (SC)	1,150	1,038	816
Tri-Valley	2,609	2,258	2,202
Washington Co.	1,965	1,696	1,380

Table 2.14, continued

Agency	1984	1983	1982
West Central	1,826	1,699	1,477
Western	2,516	2,274	2,136
West Hennepin H.S.	5,207	4,217	3,177
Wright Co. H.S.	1,854	1,609	1,349
Wright Co. CAP			
Reservations:			
Bois Forte	133	131	123
Fond du Lac	408	333	263
Grand Portage	77	63	60
Leech Lake	751	735	592
Mille Lacs	227	193	154
Lower Sioux		51	47
Minnesota Sioux			
Nett Lake			
Red Lake	686	654	587
White Earth	725	658	641
Grand Total	140,997	123,902	104,394

Source: DES and Minnesota Community Action Data System.

[1]Total households served in 1984 may vary slightly because of data source used.

One of the questions that we were asked to examine during this study was the recidivism rate for energy assistance recipients. That is, how many of the households that received energy assistance in one year, also received assistance the next year? This question is useful to judge the effectiveness of the program and to help in forecasting costs for the next program year.

We examined this question by examining the computerized household files of the Minnesota Community Action Data System (MCADS) for the 1982, 1983, and 1984 energy assistance programs. Table 2.15 shows the results of the analysis. Although the data are incomplete, we believe the results of this analysis to be close to the actual recidivism rate. We found:

- Approximately 62 percent of the 1984 energy assistance recipients also received assistance in 1983. Approximately 47 percent of the 1984 recipients also received energy assistance in 1982. Approximately 42 percent of 1984 recipients received assistance in all three of the years 1982, 1983, and 1984.

TABLE 2.15
HOUSEHOLDS RECEIVING ENERGY ASSISTANCE
IN THE LAST THREE YEARS

Delivery Agency	Total Households Receiving Assistance in 1984	First Assisted in 1984	Households Receiving Assistance In 1984 And Also In:		
			1982[a]	1983[b]	1982 and 1983[c]
Anoka	3252	1399	1012	841	914
Arrowhead	9091	3037	3988	2066	3641
Benton Co. H.S.	1131	1129	N/A	N/A	N/A
Bi-County	5196	1521	2698	977	2521
Blue Earth Co. H.S.	1609	699	599	311	550
Brown Co. Family SC.	1041	392	N/A	649	N/A
Clearwater Co. S.S.	964	265	532	167	498
Clay-Wilkin CAP	2238	719	1132	387	1056
Crow Wing Co. S.S	3518	995	N/A	2523	N/A
Dakota County	1753	913	435	405	380
Douglas Co. S.S.	1483	476	762	245	711
Duluth	5138	2189	N/A	2949	N/A
G-R-W	3185	1225	1317	643	1148
Hubbard Co. S.S.	1239	353	671	215	627
Inter-County CAP	2646	718	1490	438	1359
Kooch-Itasca	4338	1325	2149	864	2036
Lakes & Pines	8579	2493	4483	1603	4087
Mahube	2836	784	1514	538	1436
Minneapolis-UC	13672	6205	N/A	7466	N/A
MN MIGRANT CO	179	179	N/A	N/A	N/A
MvAC	4753	1529	2207	1017	2102
Morrison Co. S.S.	2405	553	1508	344	1472
Northwest	1321	300	741	280	706
Olmstead Co. S.S.	1565	652	490	423	452
Ottertail Co. S.S.	3173	969	1683	521	1569
Ottertail-Wadena	1303	422	702	179	651
Prairie Five CAP	3092	1024	1558	510	1344
RAP	8087	3982	2417	1688	2208
Redwood Co. Welfare	767	211	421	135	400
Region 6E CAP	3674	1284	1341	2	1231
Renville Co. F.S.	732	179	428	125	402
Roseau Co. S.S.	818	818	N/A	N/A	N/A
Scot-Carver	1226	437	571	218	517
SEMCAC	6414	2025	2860	1529	2710
Southwestern	2706	644	1522	540	1395
Stearns Co. S.S.	3021	3021	N/A	N/A	N/A
Steele Co. SS	672	244	268	160	250
Todd Co. SS	2046	2046	N/A	N/A	N/A
Tri-Co (SC)	1150	485	27	638	24
Tri-valley	2609	724	1451	434	1337

Delivery Agency	Total Households Receiving Assistance in 1984	First Assisted in 1984	Households Receiving Assistance In 1984 And Also In: 1982	1983	1982 and 1983
Washington Co	1965	777	740	448	699
West Central	1826	N/A	N/A	N/A	N/A
Western	2516	781	1277	458	1170
West Hennepin H.S.	5207	2542	N/A	2663	N/A
Wright Co. H.S.	1854	673	812	369	755
Indian Reservations:					
Bois Forte	133	37	82	14	81
Fond du Lac	408	147	150	111	143
Grand Portage	77	28	36	13	29
Leech Lake	751	235	353	163	348
Mille Lacs	227	52	117	58	117
Red Lake	686	130	432	124	413
White Earth	725	368	N/A	357	N/A
Grand Total	140997	54335	46979	36810	43490

The percentage of 1984 energy assistance recipients who also received assistance in 1982 = 46.8%.
The percentage of 1984 energy assistance recipients who also received assistance in 1983 = 62.3%.
The percentage of 1984 recipients who received assistance in 1982, 1983, and 1984 = 42.5%.[d]

Source: OLA analysis of Minnesota Community Action Data System 1982, 1983, and 1984 files.

[a]1982 data were not available for Benton County, Brown County, Crow Wing County, Duluth CAP, Minneapolis, and Mille Lacs.

[b]1983 data were not available for Benton County, Minnesota Migrant Council, Region 6E, and Stearns County.

[c]No data were available prior to 1984 for Roseau County, Todd County, West Central CAP, White Earth Reservation, Stearns County Social Services, and the Minnesota Migrant Council.

[d]The methodology employed was a computer match of all household numbers between years. Since some subgrantees changed household numbers every year, or between 1982 and 1983, the raw totals were adjusted to reflect the lack of information about those subgrantees. This methodology will not reflect those recipients who moved between program years to another subgrantee's service area.

Although there is considerable carryover of households on assistance from year-to-year, approximately 35 percent of the recipients of assistance are new to the program each year.

6. SUBSIDIZED HOUSING

The issue of whether persons residing in subsidized housing should be eligible to receive energy assistance funds has become controversial in the last year. The issue is important because if all subsidized households are served, approximately 60,000 more households would be eligible for the program at a cost of between $4 and $11 million.

The issue arose because of lawsuits against the state of South Dakota in 1983 and 1984. In 1983, the U.S. District Court found in the case of Crawford v. Janklow[10], that South Dakota could not automatically exclude those in Section 8 public housing who pay a heating bill from the energy assistance program. South Dakota amended its program to include eligibility for those public housing residents paying their own utility bills.

South Dakota modified its 1983 plan to distribute the remaining funds for that year. The manner in which South Dakota modified its plan for 1984 was also challanged. In the case of Clifford v.Janklow[11] the court held that South Dakota had violated provisions of the federal statute.

Subsidized housing residents pay 30 percent of their adjusted gross incomes as a HUD required gross family contribution for rent and utilities. If a household pays its bill directly to a utility, its rent is reduced by the amount of a heating allowance. The heating allowance is calculated annually based on the cost of heating in the local area. The heating allowance is meant to defray the total cost of heating. If it does not, the household may appeal for a higher heating allowance, and thus a commensurately lower rent. If the utilities exceed the amount of the rent for Section 8 housing, the housing authority makes a payment directly to the renter for the difference.

The argument for excluding, or reducing, the energy assistance award of those receiving housing subsidies is that they are not vulnerable to the rising cost of energy because the housing subsidy defrays increases in energy costs. The maximum that subsidized housing residents pay for housing and utilities, regardless of their energy costs, is 30 percent of their adjusted gross income.

---

[10] 710 F.2d 1321.

[11] 733 F.2d 534 (8th Cir. 1984).

In essence, energy assistance payments to subsidized housing residents results in HUD and the energy assistance program helping to defray the same heating costs. The only exceptions are those subsidized housing residents who pay their own utility bills (about 20%) and whose heating allowances do not cover the costs of their utilities. If the heating allowances do not cover the cost of the bills, the residents can appeal to HUD to have their allowances adjusted. So, in some cases, where the residents have not appealed to HUD, the utility bills and housing costs together could exceed 30% of the adjusted family income.

Minnesota modified energy assistance eligibility provisions as a result of the South Dakota court cases and advice from the Attorney General. In 1984, and previously, Minnesota's policy was that:

> Residents of publicly subsidized housing who are directly responsible for paying their heating bills will be assisted to the extent that the determined assistance amount exceeds that portion of their annual utility subsidy actually received or credited to the household as heating allowance.[12]

In 1984, Minnesota served 5,341 subsidized households that paid their own utility bills. Approximately $1.5 million was authorized for these households, an average assistance amount of $280 per household.

Approximately 80% of the households in Minnesota that live in subsidized housing do not pay utility costs directly. The costs are included in their rents, which are limited to 30% of their adjusted family income.[13] Table 2.16 shows the approximate distribution of subsidized households by type of subsidy program.

Minnesota removed all references to subsidized housing from the original 1985 state plan. As a result, over 60,000 residents of subsidized housing would have been eligible for the 1985 energy assistance program. However, the department modified its position on October 29, 1984. For the 1985 program year, DES will not serve "persons who pay heat as an undesignated portion of rent in subsidized housing", except if they were certified for assistance prior to October 30th. All subsidized households will be eligible for crisis assistance.[14]

---

[12]1984 Operating Procedure Manual, Page V-5.

[13]Estimates by Minnesota HUD office.

[14]Memorandum from Barbara Beerhalter, Commissioner, Department of Economic Security, October 29, 1984. See Appendix B for a summary of the revised 1985 plan.

TABLE 2.16

NUMBER OF SUBSIDIZED HOUSEHOLDS IN MINNESOTA
BY PROGRAM

1984

Section 8	
- New Construction	19,752
- Existing (certificate program)	13,106
- Rehabilitation	790
- Set Aside	4,743
- Farmers Home	4,460
Total Section 8 Units	42,851
Low Rent Public Housing	21,000
Rent Supplement Program	430
	64,281

Source: Department of Housing and Urban Development, Minnesota Office, Housing Management Section.

Note: There are approximately 7,400 other subsidized units where the subsidy is not based on a percentage of income. These units would be subsidized under Section 221(d)(3) and Section 236 of the Housing Act of 1954.

Other states in the midwest reacted differently than Minnesota to the South Dakota decision. South Dakota feels that the decision does not apply to subsidized housing residents who do not pay a utility bill. South Dakota does plan to treat those with heating bills the same, regardless of whether they reside in subsidized housing. Those in subsidized housing that have no heat bills will not be eligible for participation in the program.[15]

[15]Interviews with Jan Godtland, Assistant Attorney General, South Dakota Department of Social Services, Sseptember 28 and October 2, 1984.

In Missouri, North Dakota, Nebraska, and Iowa[16] subsidized housing residents who do not pay a utility bill are not considered vulnerable to increases in energy costs and are ineligible for the program. Wisconsin has proposed a similar plan that is currently under study by the Wisconsin Legislature. A decision about whether Wisconsin will include subsidized housing residents in its program will be made by the Wisconsin Legislature in January 1985.

DES's original 1985 plan for subsidized housing would have had serious effects. Under both the original and the modified plans, those subsidized households that pay utility bills (between 6000 and 12000 households) will be eligible for an average of approximately $466. Last year these households recieved assistance if their EAP grant award exceeded the amount of their heating allowance. However, under the original 1985 plan, the 80% of subsidized households in the state that do not directly pay utility bills would also have received an average of $100 each.

Depending on the level of participation in the program, and the number of households that are paying their own heating bills, the effect on program costs of the original plan would have been somewhere between $6 and $11.25 million. As a result, including subsidized housing residents necessitated cuts in benefit and eligibility levels. Put another way, under the original 1985 plan, the average grant awards of other program participants had to be cut about $45 in order to have enough funds to include subsidized households in the program.

The modified 1985 plan, by excluding subsidized housing residents without heat bills, will make available approximately $4 million for other uses.

The manner in which DES made the decision to include subsidized housing is instructive. The South Dakota court case was decided in May. The department was aware of the decision in June but did not decide what course of action to take until the beginning of August. The department was not aware how other states were treating subsidized housing residents prior to the time it made the decision. Nor did the department, at that time, fully explore other options besides including all subsidized housing residents in the program. We conclude that DES should have more fully explored the options available and discussed them with Legislators before making a decision that had such a dramatic effect on the energy assistance program.

---

[16]All states in the 8th Circuit.

D. BENEFIT LEVELS

The question of benefit levels is important for the Legislature because the state has wide discretion to determine the actual levels of benefits. It is also important because decreased federal funding will likely require lower assistance amounts in the future. In this section we examine the level of energy assistance benefits, how the benefits are determined, and what effects an alternate method of calculation known as "fair share" would have on the program.

1. BASIS FOR DETERMINATION OF BENEFITS

a. Introduction

In this section we explain how Minnesota arrives at the benefit granted each energy assistance household. The process is explained in more detail in Appendix A. This methodology, although somewhat complex, is important, as it determines who receives benefits and how large the benefit is.

In any benefit distribution system it is possible to adjust the system to make the distribution more equitable. However, at some point the adjustments themselves can introduce unwanted distributional effects into the system. Additionally, at some point, the complexity introduced, in the name of equity, can become administratively cumbersome and costly. DES has the task of balancing equity and necessary complexity with the demands of efficiently administering the program.

b. Federal Requirements and Other States

Federal law requires "in a manner consistent with the efficient and timely payment of benefits, that the highest level of assistance will be furnished to those households which have the lowest incomes and the highest energy costs in relation to income, taking into account family size."[17]

Table 2.17 shows the number of states using various criteria for calculating heating benefits in 1982. State plans vary from the very simple to the very complex. Wisconsin, for example, has a very simple plan. If the family household income for its size is less than 105% of poverty, then the award is $225. If household income is between 105% and 150%, then the award is $337. Minnesota's plan is considerably more complex.

---

[17]Sec. 2605 (a) (5).

TABLE 2.17

LIHEAP: NUMBER OF STATES SELECTING VARIOUS CRITERIA FOR VARYING HEATING BENEFITS

Fiscal year 1982

Criterion	Number of States
Income	49
Household Size	44
Fuel Type	35
Climatic Zone	31
Housing Size or Type	10
Paying for Heat in Rent	7
Other	24

Source: Report to Congress: Low Income Home Energy Assistance Program, U.S. Department of Health and Human Services, November 1, 1983.

c. Minnesota's Energy Assistance Benefits

1) Basis for Benefit Calculation

Minnesota's assistance plan is based on two factors:

- Poverty status, based on household size and household income after deductions; and
- Space heating costs, based on fuel consumption, type of fuel used for heating, and fuel prices.

Household size and household income are relatively easy to calculate and use in a formula designed to distribute benefits. The other factor, energy costs in relation to income, is not as easy to determine.

DES has tried to ensure an equitable distribution of benefits through manipulation of these two factors. The actual benefits varied from a minimum of $100 to a maximum of $1100 in 1984, and from a minimum of $200 to a maximum of $920 in 1985.

DES adopted a compromise strategy between paying a certain percentage of heating costs and paying the cost of heating up to a limit of out-of-pocket expenses. In 1984, this resulted in a matrix that paid 25% of the space heating costs of those in the highest eligible income brackets and up to 85% of the heating costs of those with the lowest incomes.

In 1985 DES changed its method of determining benefit amounts as a result of new information on the actual space heating costs of low income households. Using data on actual fuel consumption and average price information from each area of the state for each fuel type, DES determined new average space heating costs. DES then used these average space heating costs as the basis of the 1985 benefit tables.

DES also changed the percentage of average heating costs that energy assistance would pay. In 1985, households with a poverty status in the the lowest third are paid 100 percent of average space heating costs, the middle third is paid 66 percent, and the highest third is paid 33 percent. DES raised the percentage because the new information on space heating costs lowered the dollar amounts of assistance.

This is a departure from previous policy not to pay all of the average space heating costs of any household. In fact, because DES does not control for the size of the space being heated, many households with smaller living spaces are actually receiving more than 100 percent of space heating costs from energy assistance.

Appendix A describes in more detail the method used to establish the assistance amounts for 1983 through 1985. Appendix A also reviews some of the changes in assumptions and strategy that DES has used to distribute the energy assistance funds.

2. Average Assistance Amounts

How much has the average assistance amount been? Table 2.18 shows the average assistance amounts by agency for the last three years. Agencies in the northern part of the state tend to have a higher percentage of households that use higher cost fuel sources, and thus they have higher average awards.

Table 2.18 also shows that the assistance amounts have increased an average of 6 percent in the last three years. The increase in the total amount of heating assistance paid out by DES is due to changes in eligibility and increased participation in the program. The number of participants has increased 33 percent since 1982.

Minnesota makes relatively high average awards compared to other states. Other states have also reserved a higher propor-

TABLE 2.18

NUMBER OF HOUSEHOLDS AND AVERAGE AWARD

Agency	Participating Number of Households 1982	1983	1984	Percent Increase Households 1982-1984	1982 Average Award	1983 Average Award	1984 Average Award	Percent Increase Average Award 1982-1984
Anoka	2069	3022	3251	57.13%	$344.06	$349.95	$380.09	10.47%
Arrowhead	6531	8254	8999	37.79%	$545.53	$519.34	$549.15	0.66%
Benton Co. H.S.	800	964	1126	40.75%	$453.53	$435.40	$495.95	9.35%
Bi-County	4344	4506	5030	15.79%	$503.79	$598.30	$621.53	23.37%
Blue Earth Co. H.S.	1000	1308	1599	59.90%	$364.03	$358.84	$403.93	10.96%
Brown Co. Family SC.	611	899	1039	70.05%	$349.63	$332.68	$346.51	-0.89%
Clearwater Co. S.S.	789	815	903	14.45%	$566.40	$546.63	$566.70	0.05%
Clay-Wilkin	1829	1976	2236	22.25%	$503.39	$488.08	$534.96	6.27%
Crow Wing Co. S.S	2812	3210	3517	25.07%	$457.46	$466.03	$496.19	8.47%
Dakota	988	1479	1746	76.72%	$295.84	$285.90	$342.28	15.70%
Douglas Co. S.S.	1215	1332	1483	22.06%	$472.11	$460.51	$461.34	-2.28%
Duluth	3807	4371	5087	33.62%	$455.57	$481.55	$484.57	6.37%
G-R-W	2056	2527	3184	54.86%	$386.50	$362.48	$411.32	6.42%
Hubbard Co. S.S.	1023	1117	1238	21.02%	$539.34	$559.79	$658.08	22.02%
Inter-Co	2170	2276	2604	20.00%	$557.98	$559.98	$566.65	1.55%
Kooch-Itasca	3485	3906	4351	24.85%	$521.88	$563.55	$564.61	8.19%
Lakes & Pines	7088	7519	8272	16.70%	$491.97	$512.81	$548.66	11.52%
Mahube	2103	2462	2836	34.85%	$522.43	$545.98	$578.38	10.71%
Minneapolis-UC	8556	11920	13508	57.88%	$297.25	$293.47	$356.52	19.94%
MN MIGRANT CO	67	122	180	168.66%	$322.43	$334.35	$339.27	5.22%
MvAC	3342	4247	4741	41.86%	$369.77	$362.99	$397.90	7.61%
Morrison Co. S.S.	2241	2184	2399	7.05%	$456.09	$486.65	$495.60	8.66%
Northwest	1157	1236	1359	17.46%	$546.24	$570.50	$604.99	10.76%
Olmstead Co. S.S.	964	1422	1563	62.14%	$311.78	$330.28	$359.15	15.20%
Ottertail Co. S.S.	2622	2807	3174	21.05%	$531.41	$563.17	$550.66	3.62%
Ottertail-Wad	1017	1098	1267	24.58%	$506.86	$491.45	$507.53	0.13%
Prairie Five	2299	2564	2947	28.19%	$431.47	$472.03	$441.65	2.36%

Agency	Participating Number of Households 1982	1983	1984	Percent Increase Households 1982-1984	1982 Average Award	1983 Average Award	1984 Average Award	Percent Increase Average Award 1982-1984
RAP	4849	6715	7845	61.79%	$307.16	$313.31	$364.27	18.59%
Redwood Co. Welfare	663	684	765	15.38%	$452.03	$460.21	$442.51	-2.11%
Region 6E	2747	3163	3664	33.38%	$431.62	$446.58	$453.31	5.02%
Renville Co. F.S.	673	685	732	8.77%	$433.77	$444.01	$432.12	-0.38%
Roseau Co. S.S.	791	746	744	-5.94%	$508.48	$519.50	$514.92	1.27%
Scot-Carver	1044	1129	1227	17.53%	$357.71	$361.64	$395.62	10.60%
SEMCAC	4461	5809	6401	43.49%	$341.10	$347.87	$371.40	8.88%
Southwestern	2380	2627	2715	14.08%	$426.54	$450.12	$429.82	0.77%
Stearns Co. S.S.	2586	2740	3025	16.98%	$457.38	$431.93	$441.21	-3.53%
Steele Co. SS	485	659	677	39.59%	$303.78	$294.06	$345.00	13.57%
Todd Co. SS	1726	1793	2039	18.13%	$502.50	$493.75	$510.44	1.58%
Tri-Co (SC)	816	1038	1144	40.20%	$468.76	$499.04	$558.83	19.21%
Tri-valley	2202	2258	2609	18.48%	$523.60	$544.41	$542.11	3.53%
Washington Co	1380	1696	1840	33.33%	$359.85	$348.57	$385.57	7.15%
West Central	1477	1699	1842	24.71%	$510.39	$504.70	$496.41	-2.74%
Western	2136	2274	2505	17.28%	$429.01	$449.91	$448.58	4.56%
West Hennepin H.S.	3177	4217	5208	63.93%	$305.61	$284.30	$334.44	9.43%
Wright Co CAP	1349	1609	1717	27.28%	$402.87	$437.25	$483.54	20.02%
Reservations:								
Bois Forte	123	131	133	8.13%	$567.96	$657.02	$718.99	26.59%
Fond du Lac	263	333	407	54.75%	$604.18	$683.32	$711.89	17.83%
Grand Portage	60	63	77	28.33%	$761.88	$839.92	$803.96	5.52%
Leech Lake	592	735	750	26.69%	$619.95	$692.04	$749.26	20.86%
Mille Lacs	154	193	225	46.10%	$633.14	$690.31	$741.18	17.06%
Lower Sioux	47	51			$447.55	$499.41		
Red Lake	587	654	686	16.87%	$625.87	$730.68	$621.24	-0.74%
White Earth	641	658	729	13.73%	$541.93	$603.05	$655.75	21.00%
Grand Total	104394	123902	139345	33.48%	$438.18	$440.41	$466.33	6.42%

Source: OLA analysis of DES data.

tion of funds for crisis assistance than Minnesota. The General Accounting Office found the average amount of the grant states spent on crisis assistance was 10.1 percent in 1982 and 9.7 percent in 1983. Table 2.19 shows the average energy assistance benefits for selected states in 1982. Although this data is two years old, other evidence indicates this pattern has remained the same.

Minnesota pays higher benefits for several reasons. First, Minnesota serves a somewhat smaller percentage of its eligible population than other states. Second, Minnesota has transfered less to other programs than other states. And third, Minnesota is colder than most other states, and has in the past received more in funds from the federal government as a result.

For several reasons it is likely that assistance amounts in Minnesota could fall. Average assistance amounts would fall somewhat if more funds were transfered to other block grant programs, if more people participate in the program, and because of the 1984 changes to the federal funding formula.

Taken together, the changes in the 1985 benefit tables both raised and lowered the assistance amounts depending on income, area of the state, and fuel type.

Has DES met the goal of providing equitable assistance? By the design of the payment tables, and by decisions regarding eligibility, assistance each year has gone to different groups of people. In the last two years the payment matrix and policies of the department have ensured that all the funds were distributed to energy assistance clients, and that little was left over for transfers. Examples of decisions that affected equity in 1985 are the elimination of the standard deduction for people with earned income, and the increase in the minimum payment 100% from $100 to $200. Also, narrowing the number of payment ranges in 1985 from eight to three means that it is more likely that persons in different situations will receive the same amount of assistance.

2. FORECASTS OF PROGRAM COSTS

In this section we review the DES procedure for forecasting program costs for the energy assistance program. A good capability to forecast program costs is essential to the planning of a successful program.

In the space of about a week in the fall of 1984 a number of different matrices, or tables, of benefit amounts were run through computer simulations to determine the effects on average assistance costs and benefits distributed by each subgrantee. The computer simulations were based on the number of households that fell into each cell of the matrix in 1983.

TABLE 2.19

ESTIMATED BENEFIT EXPENDITURES, HOUSEHOLDS ASSISTED AND AVERAGE BENEFITS OF HOUSEHOLDS RECEIVING HEATING ASSISTANCE

Selected States, Fiscal Year 1982

State	Estimated Benefit[a] Expenditures (dollars)	Number of House-[b] holds Assisted	Estimated[c] Average Benefit (dollars)
Total	1,124,476,630[d]	5,990,176[e,f]	188
Alaska	8,429,144	10,526	430
Arkansas	4,969,205	35,742	139
California	34,325,120	468,305	73
Colorado	21,600,000	82,220	263
Connecticut	33,059,645	63,430	521
Delaware	3,400,000	12,589	270
Dist. of Col.	3,096,219	10,574	293
Idaho	6,859,886[g]	25,853	265
Illinois	81,009,228	382,119	212
Indiana	26,991,864	115,132	234
Iowa	20,611,112	77,139	267
Kansas	8,142,519	61,058	133
Maine	19,265,715	44,683	431
Maryland	15,834,596	69,324	228
Massachusetts	63,783,167[f,h]	133,773[f,g]	477[f,g]
Michigan	42,739,554[i]	368,858[i]	116[i]
Minnesota	45,752,311	104,394	438
Missouri	31,159,142[j]	157,263[j]	198[j]
Montana	4,991,324[g]	14,802[g]	337[g]
Nebraska	10,874,924	35,346	308
New Hampshire	10,594,963	23,929	443
New Jersey	48,000,000[g]	205,325[k]	234
New York	144,500,000	970,056	149
North Dakota	7,351,783	13,137	560
Ohio	60,051,692	320,759	187
Oregon	13,831,044	79,482	174
Pennsylvania	76,220,707	297,942	256
Rhode Island	6,728,940	30,401	221
South Dakota	5,600,000[g]	15,865	353
Vermont	8,105,149	19,432	417
Virginia	33,200,000	100,000	332
Washington	18,023,907	94,099	191
West Virginia	9,487,023[e,f]	55,937[e,f]	170[e,f]
Wisconsin	38,800,000	163,722	237
Wyoming	3,756,545	8,766	429

TABLE 2.19 (continued)

Footnotes

[a]HHS did not require states to report expenditure data. Reported expenditure data are derived from states' voluntary reports to the American Public Welfare Association or HHS. When such data are not available, estimated expenditures are derived from the Office of Family Assistance's July 1982 LIHEAP telephone survey or updated state estimates as noted by footnote "g".

[b]HHS did not prescribe a format for reporting the number of households assisted. Household counts are through 9/30/82, and exclude households assisted in FY 1983 with funds carried over from FY 1982.

[c]Rounded to the nearest dollar.

[d]Represents estimated benefit dollars expended through 9/3/82. However, the amounts are based on undocumented voluntary reports or estimates from the states.

[e]Includes 3,144 WV households receiving heating crisis assistance, but not heating assistance.

[f]Includes households receiving heating crisis assistance from MA, MS, NM, TN, and WV.

[g]State estimate.

[h]Excludes 29,954 households receiving $17,888,298 in heating assistance from state funds.

[i]Includes 24,341 households receiving $4,620,049 in LIHEAP heating assistance through the Michigan Department of Labor's Targeted Fuel Program. Some of these households may be counted twice in the total if they also received LIHEAP heating assistance from the MI Department of Social Services. Total excludes 190,000 AFDC households that received LIHEAP comparable benefits from state and other federal funds.

[j]Excludes 1,457 non-LIHEAP eligible households receiving $218,550 in heating assistance from state funds. Excludes an additional $341,449 in state funds used to subsidize LIHEAP households receiving less than $150 in LIHEAP heating assistance.

[k]Includes a small number of households that received cooling assistance, but not heating assistance.

1983 data were used because 1984 data were not yet available. In examining the method used to estimate the costs associated with the original 1985 assistance plan, we find that:

- The methodology used to estimate costs was flawed.

The methodology was flawed because 1) it used the distribution of households in 1983 as a basis; 2) it adjusted for housing type to lower the cost estimates; and 3) it did not take into account other factors that will affect how much is paid out, such as, number of renters, increase in the number of applicants, number of households applying under the 90-day income provisions, and other factors that legitimately affect the cost estimate. Some of these factors may tend to offset one another in any one year, and thus have a minor effect on the accuracy of the estimate itself. However, since many of these factors are dynamic, that is, they change over time, they should be included in any estimate of costs.

In our opinion, these methodological flaws call the validity of the cost estimates into question. In fact for this and other reasons, we believe that DES could have run out of funds before the end of the program year using the original 1985 plan. We think that there was enough uncertainty surrounding DES estimates of the number of subsidized housing recipients eligible in 1985, and the number of other households who will participate in 1985, to cast doubt on the original 1985 cost estimates.

The department changed provisions of the plan affecting subsidized housing in October 1984, thus saving approximately $4 million for other uses. As a result of this change, we believe that DES probably has adequate funds to pay all 1985 energy assistance applicants.

Whatever the result, the forecasting procedure should be changed for future years. We recommend:

- DES should initiate efforts to update and modify its forecasting and data analysis system.

DES currently contracts with the Department of Energy and Economic Development (DEED) to provide estimates of energy consumption and to model various benefit plans. This arrangement has the potential for miscommunication and conflicting duties as inherent problems. Because DEED personnel have other duties and responsibilities they can not always respond to requests for needed information. Not having personnel in DES do the data analysis also means that there is the potential for misunderstanding about the assumptions and parameters underlying the analysis. We recommend that:

- DES should consider implementing a better in-house capacity to model and forecast program costs.

DES did not begin deliberation of the plan early enough. Decisions about significant items of the state plan were made late in the process. As a result, the analysis of program options was rushed and limited. Information from the current year's program needs to be used for forecasting the next year's costs. We recommend:

- DES should begin the forecasting and planning for the next year's program earlier in the year. Arrangements should be made to receive the most current MCADS information available on the characteristics of the current year's recipients of energy assistance, and to use that information for forecasting purposes.

DES maintains the Minnesota Community Action Data System (MCADS) to support community action agencies, and other subgrantees delivering the energy assistance and other community programs. MCADS is a data entry and retrieval system containing information about the programs and clientele of community action agencies. MCADS also supports the county human service agencies in running the energy assistance program.

DES has not issued policy statements or requirements regarding the use of MCADS. As a result, policies regarding data retention, data gathering, and prompt reporting to the system have varied among the subgrantees. This will likely be exacerbated by more subgrantees adding independent capacity to process their own information. There will be at least 11 processing sites for 1985, compared with 6 several years ago. Consistency is needed in the information collected, data reporting, and retention. We conclude that:

- DES should establish uniform requirements for reporting, and other factors affecting the Minnesota Community Action Data System.

With some work on the part of DES, there should be no difficulty with having current information in June of each year with which to plan the next year's program. With the institution of an adequate data reporting system, DES could make preliminary estimates in the winter of the preceding program year.

3. FAIR SHARE

Some advocacy groups have maintained that there are more equitable methods available to distribute heating assistance than the current tables. One such proposal is the so called "fair share" concept. Simply put, the fair share concept is that low income households should only be responsible for

paying some fixed proportion--or "fair share"--of their income towards heat bills.

a. The Governor's Taskforce Plan

Adoption of the fair share concept was recommended by the Governor's Task Force on Utility Shutoffs in November 1983.[18] The fair share plan proposed by the task force recommended that energy assistance recipients pay 3 percent of their annual income for space heating costs, with the remainder of their heating costs paid by the energy assistance program. The plan also included provisions for dealing with the "back bills" of recipients, and with incentives to conserve.

The Governor's task force plan also discussed expansion of the concept to paying 5 percent of income for total home energy costs. These percentage figures were derived from estimates from the Department of Energy and Economic Development that the average Minnesota middle-income family pays 3 percent or less of their income for space heating.

The Taskforce plan proposed to set an annual heating cost target range for different housing types.[19] If a household could keep its consumption below that range, it could receive a reward equal to the difference between its actual heating cost and the cost at the bottom of the range. If the annual heating costs were above the range the house would be targeted for weatherization.[20]

b. The 1985 Fair Share Pilot Projects

Because of the uncertainties surrounding the cost of implementing and running a fair share plan, and concerns about the feasibility of the concept itself, the decision was made by the Governor to run pilot projects during the 1985 program year. Two agencies, Anoka County CAP and Bi-County CAP, will be running fair share pilot projects during the 1984-1985 program year. They will be testing two plans different from the proposal of the Governor's Taskforce. These plans are summarized below.

1) Anoka

Anoka has designed what it calls a "co-pay" fair share program. Eligible recipients are divided into three categories

---

[18]Report of the Governor's Task Force on Utility Shutoffs, November 1983.

[19]Presumably by area of the state, or degree day zone, although this is not discussed.

[20]For the details of the plan proposed by the Governor's Task Force see report at page 60.

based on income and family size. The clients required co-pay varies according to the category. The categories are:

1) Below 30 percent of the state matrix maximum eligibility level: 0 percent co-pay;

2) Between 30 and 70 percent of the state determined matrix: 2 percent co-pay; and

3) Between 70 and 100 percent of the state determined matrix: 3 percent co-pay.

The program will run on a 12 month basis. Clients are placed on a budget plan wherever possible. Clients are responsible for paying the appropriate percentage of their income and the energy assistance payment will make up the difference between that and the actual space heating cost. In no case will assistance exceed 120% of the household's actual previous space heating cost or 130% of the maximum amount they would be eligible for in the regular EAP program, whichever is less.

2) Bi-County CAP

Bi-County CAP, serving Beltrami and Cass counties, will also be running a fair share pilot program. The Bi-CAP program will run 12 months and will cover total energy costs. Clients will be required to pay a maximum of 9% of their income towards total energy bills. The remaining balance of their energy bills will be paid under the fair share program. Eligibility income and asset levels are established by the state plan. Actual assistance is based on consumption and income during the project year. Income will be reported quarterly by clients. Vendors will report consumption data and resulting costs for each billing period. Bi-CAP's program also includes a component to help client households budget for their co-payment amount.

c. Arguments For and Against Fair Share

The primary argument for fair share is that by tying the individual's actual consumption of fuel to income, a more equitable distribution of money will occur. Fair share limits households' responsibility for heating to a fixed percentage of income, comparable to the percentage that households in higher income brackets pay for their fuel. Proponents feel that this will result in a lower incidence of fuel shutoffs and other fuel emergencies. Proponents also argue that the weatherization component of the fair share plan will be beneficial. However, there is nothing unique to fair share about targeting households for weatherization.

The primary argument against fair share is the uncertainty surrounding the costs of the program. Uncertainty exists because the cost of the program, for a set number of eligible

households, would vary from year to year depending on the weather and on the income level of the eligible group. Since the participants' costs are fixed at a level of income, any increase in total fuel costs (e.g., because of a severe winter) would be borne fully by the state. With no upper limit on assistance, the cost of the program could increase dramatically. Even if the cost of the program is fixed, a larger number of participants, or a severe winter, would put much pressure on the state to fund the remaining cost of the program.

Another difficulty with the fair share concept is that it is more complicated for delivery agencies to administer than the current program. Each agency would have to establish the standard fuel consumption (of a weatherized house) for different housing types in its service area. Delivery agencies would also have to establish the consumption of fuel for each eligible household. This is difficult to do for non-metered fuels (e.g., fuel oil, propane, wood).

If the program were to cover heating costs only, the delivery agency would also have to establish the proportion going for heating purposes. Some agencies, especially in northern Minnesota, have many fuel vendors to deal with. Consequently, for these agencies, calculating actual consumption will increase the administrative burden manyfold.

The payment process for fair share is also much more complicated than the current system. Agencies will have to track client payments to vendors to determine if the fair share copayment has been met.

Given these factors, Minnesota could anticipate an increase in administrative costs for the program. An interagency taskforce estimates that administrative costs would increase 35%, from 10 to 13 percent of the grant amount. Since federal law limits the amount of the energy assistance that can be used for administration to 10 percent, the state would have to contribute any administrative costs above that amount.

Most of the delivery agencies we visited had serious questions about the fair share concept, and/or the administration of the fair share program.

Other concerns about the fair share concept deal with the incentives for conservation. Some feel that there would be few incentives for conservation if the state, through the energy assistance program, were picking up 100 percent of each marginal dollar of fuel costs. People might turn up the heat a few degrees when they are not paying the additional cost.

The fair share plan tries to address the conservation problem by using standard consumption for different types of housing as a benchmark to measure household consumption. If

households consume less than the standard consumption of a weatherized house in their area of the state, they will receive a reward of some amount of the difference. The Anoka fair share pilot will use this sort of calculation. The Bi-CAP fair share pilot will not utilize this concept because they are not convinced that there will be an increase in consumption resulting from fair share.

DES has met with the agencies conducting the fair share pilots and informed them that their funds would be limited to what they would have received under the regular 1985 program.

DES has also arranged for an evaluation of the fair share pilots by a consultant. The department is seeking answers from the consultants to the following questions: Does client participation or consumption change? What are the cost implications of changes in the weather or the regional economy? What are the implications of the program for consumption and conservation? How will administration of the program be affected?

We think that answers to these questions will help better define possible problems with the fair share concept. However, analysis of data from two delivery agencies will not allow a determination of how well the program would work statewide, nor will it allow good cost estimates for implementing the program statewide. We conclude that:

- DES must plan now for the data collection necessary to estimate costs of a statewide fair share program. DES should also carefully consider the results of the fair share evaluations as applied to other delivery agencies in the state.

In our visits to delivery agencies around the state, we noted a large difference in the capability of agencies to deal with large amounts of information. The two agencies piloting the fair share concept for 1985 are two of the most capable in information management. Both have in-house computer capabilities that will ease the increased information management workload. DES should carefully consider the capabilities of other delivery agencies to cope with the increased workload, and begin planning any necessary systems changes far ahead of implementing fair share statewide.

The evaluations of the fair share pilots will not be completed until late in the 1985 program year, and the analysis of the pilots as applied to other agencies statewide will require more time. A full analysis of the results from the pilots cannot be made in time for the 1985 legislative session. We think that any decision to change the method of allocation for the energy assistance program should be subject to legislative scrutiny. Therefore, we recommend that:

- DES should submit the results of the fair share pilot studies and additional analyses they perform to the Legislature, along with its recommendation for action, prior to the 1986 legislative session. DES should not implement the fair share concept without legislative scrutiny and approval.

E. ADMINISTRATION

1. INTRODUCTION

One of the concerns about the energy assistance program is that it is administered by subgrantee agencies. In this section we discuss the role of the subgrantee agencies, and how well they carryout the energy assistance program.

The local delivery agencies manage public relations, intake, eligibility and benefit determination, and payment of assistance amounts to the recipient households.

In order to become familar with the program we visited 17 energy assistance program offices across the state. We examined a random sample of 635 energy assistance files and interviewed program directors and energy assistance coordinators at each site.

2. APPLICATION PROCESSING

We examined client files at each subgrantee site to determine how long it took from the time clients applied for the program until they were certified as eligible.

- We found in our sample of 635 households that on average it took 18 days from application until certification. On average it took an additional 20 days until first payment.

We did not find any cases of households in crisis status where delays were extraordinary. Since most agencies are in contact with the energy suppliers in their area on a regular basis, and communicate about the status of those applying for energy assistance, we do not consider that the time from application until payment represents a large problem.

We also examined our sample to determine if assistance amounts were determined correctly and found no problems. It should be emphasized, however, that we did not perform a complete audit of each site visited, nor did we examine the fiscal management of the subgrantee agencies. However, from our examination of program files, we conclude that:

- The subgrantee agencies are processing energy assistance applications in a timely and accurate manner

We did note that the management capabilities of the subgrantee agencies varied widely by area of the state and size. Smaller more rural agencies seemed more heavily reliant on manual procedures than other agencies. In addition, smaller agencies did not have a large enough workload to support specialization of duties.

The amount of documentation in applicant files also varied among agencies. In several agencies there was little in the file but the application. In other agencies, all verification information was part of the file. As a result, it was not possible to evaluate systematically the degree of subgrantee compliance with standards set out in the state's policies and procedures manuals.

3. SUBGRANTEE PERCEPTIONS OF STATE ADMINISTRATION

In our interviews with program directors and coordinators, most were satisfied with DES's administration of the program as a whole, although each thought some aspects of the program needed changes.

One criticism involved the starting date for the program. States have flexibility regarding when they start and end the program. Minnesota has always started on November 1 and gone until May 31. Those we interviewed thought that this caused problems because the Public Utility Commission cold weather rule date for shutoffs of regulated service is October 15. As a result, low income persons threatened with shutoffs of service before the October 15th date could not be helped from energy assistance funds. Although some agencies have other funds available, this is not true everywhere. DES has recognized this problem and began taking applications on October 1 for the 1985 program year. In addition, discretionary or crisis funds are available to help households who have been shutoff, or who are faced with shutoff of their heating source, to meet their emergency before November 1.

Another criticism involved inconsistent treatment by DES. Some agencies reported conflicting instructions from DES. Subgrantees reported being given different instructions in phone calls to DES then they later received from the department's written communications and monitors.

DES has a procedure to deal with phone calls. During the program year there is a weekly meeting of the program monitors to communicate any problems they, or the agencies they are responsible for, are having. If there are enough inquiries on a topic an amendment clarifying the operating policy manual is issued.

We have no way of determining if there is a serious problem in DES's communication with the subgrantees. However, there is a simple non-obtrusive measure that fosters good management of the program and will solve whatever communication problem exists. We recommend:

- On the same day that DES employees advise subgrantees of a policy interpretation, they follow up the conversation with a written communication.

This policy demands little of DES employees, provides for a quick turnaround on questions, and provides a record of policy interpretations for both subgrantees and DES.

4. REIMBURSEMENT

The 1984 plan allowed participants to use EAP grant awards to prior heating or non-heating utility bills if there was money left over after current heating bills were paid. This procedure is known as reimbursement. Reimbursement is not allowed in the 1985 plan because the department needed to find ways to save money.

The reimbursement process in 1984 consisted of notifying the household that additional bills could be reimbursed. The remaining EAP funds could be used to pay utility bills that the household paid before they applied to the program. Bills for these households could be paid back to June of the previous year. All utility bills could be paid. In addition, other energy related expenses of these households could be reimbursed.

The result of the reimbursement process, as practiced in 1984, is that some recipients with lower energy bills, and frequently lower need for assistance, could be reimbursed a higher percentage of their energy bills than other participants with higher actual heating bills. In addition, they could apply the EAP award to other utility payments and energy expenditures not allowed for other recipients.

- Reimbursement for non-heating utility bills is an example of the confusion about the goals of the program. This type of reimbursement should be allowed only if it is the policy of the state to provide assistance for total utility bills.

5. CONSUMER EDUCATION

Our examination of the program and visits to subgrantee agencies of the program showed that DES has failed to take actions to implement one of the stated program goals, client self-sufficiency. DES has not instituted any programs for energy

conservation or consumer education, although a few individual agencies have such efforts underway. These types of programs are important for encouraging self-sufficiency.

The most cost effective method of energy conservation is to change household energy use habits. In addition to changing energy use habits, there are many low cost weatherization measures that households could implement themselves to foster conservation. For example, many good brochures are available outlining low cost energy conservation methods that could be used by those receiving energy assistance. Although many energy assistance recipients would not or could not utilize these techniques, we believe many would. Since the cost of brochures is minimal, we recommend that:

- DES provide brochures outlining energy conservation tips to each energy assistance household. Subgrantees should be required to distribute the brochures. The possibility of using other consumer education materials and techniques should also be considered.

Such brochures could also inform renters about the rental energy conservation standards and other possible sources of energy and weatherization assistance, and thus encourage some cooperation between agencies providing similar services to the same clientele. This is an obvious first step to foster DES stated goals of self-sufficiency for energy assistance recipients.

F. PLANNING

An underlying theme of this chapter has been DES's difficulty in making policy decisions regarding the energy assistance program. We believe this is due in part to the lack of clarity about the ultimate aim of the program. In this section we examine this issue and discuss options for the Legislature.

1. PROGRAM GOALS

We have shown that the goals of the program are not clearly stated. DES has not established the specific group they are trying to serve with the program. Of course the federal statute sets out the eligible population in broad terms, but it leaves the specific targeting up to the states. The eligible population has changed from year to year depending on the decisions of DES administrators and the lobbying pressures of the delivery agencies and other interest groups. It may have been possible to operate this way in past years, but the future of

the program's federal funding for Minnesota is more austere, and thus will require more careful targeting to maximize the program's effectiveness.

In addition to having no clear focus on the target population for the program, there is no clear consistent strategy for serving the target population. To some extent the target population and the strategy for serving them are tied together. For example, one could decide that Minnesota's policy was to target assistance to the very lowest of income levels, say less than 100% of poverty, and to provide a higher level of assistance to that target population. Alternately, the state could decide to try to provide a smaller amount of assistance to everyone that is potentially eligible for the program.

There are many variations that one could devise. Indeed, DES has devised a different variation each year the program has been run.

The process DES followed in planning the 1985 program is illustrative of the problems they face. DES began planning for the program at a planning conference in July 1984 which all subgrantees attended. Subgrantees made recommendations for changes to the 1985 plan at that time. Probably the single most important decision of the 1985 plan was a decision to include all subsidized housing recipients in the 1985 plan. DES did not make this decision until the end of July.

Proposed plans were mailed out to subgrantees in late August. Many of the subgrantees received the plans on the same day, or only one day before the public hearing on the plan. There was little time for analysis of the significantly revised benefit tables for 1985. DES devised these tables in a two week period in August at the same time they were considering the changes to the 1985 plan.

A legislative hearing was held on August 28, 1984. At that time the committee asked the department for a number of items of information they would need before they could advise on the plan. That information was forwarded by the department on September 19, 1984, after the state plan had been signed by the Governor and forwarded to Washington by DES.

As the details of the plan became known, a number of questions were raised by legislators, subgrantees, and others. Specifically, questions were raised about the department's actions regarding subsidized housing and the 1985 benefit levels. A number of meetings were held between legislators and staff and DES during October and November 1984 to discuss these issues. In addition, the Energy Assistance Advisory Committee met several times in September and October and recommended that the department amend its plan. At the October 23, 1984 meeting of the Legislative Commission on Energy, the department dis-

tributed a new plan dated October 22, 1984 that included the advisory committee recommendations. On October 29th, the commissioner issued a memorandum to subgrantees changing the program in several ways, and stating that there may be further changes.

The result of this process has been confusion about the effect of the September plan and whether it was going to be changed by the department and how. We think that DES's 1985 program planning shows that the department needs the benefit of legislative guidance on policy decisions regarding the program. At a minimum we recommend that:

- DES begin the planning process for the next program year in the winter of the previous year. That is, begin planning for 1986 during the 1985 program year. Any necessary data collection should be planned for and begun early enough so the department can have the necessary information for decision-making in the early summer.

The program should not be conducted based on last minute decisions that are not adequately analyzed. Beginning the planning process earlier should allow adequate participation of all interested parties, including the Legislature.

Legislators that reviewed the state plan at a hearing on August 28, 1984 were not fully apprised of the significance of the change in subsidized housing eligibility on the program. Legislators were told that the state had no other choice but to adopt the course of action initially proposed. Legislators and DES managers were surprised when informed there were other options and that the plan could be amended. We think that this is one of many items discussed in this report that argue for a more complete system of legislative oversight of this program. Toward this end, we recommend that:

- The Legislature should amend Minnesota Statutes to require approval of the Legislative Commission on Energy before the state's energy assistance plan is forwarded to the federal government. In order to facilitate the start of the program, DES should be required to forward the plan early enough to give the Commission adequate review time, and the Commission on Energy should finish its review a month before the program begins.

This requirement is similar to one in Wisconsin Statutes requiring that the Wisconsin Joint Finance Committee approve the plan before it is submitted. As a result of the Wisconsin Legislature's review this year the institution of the subsidized housing portion of the plan was delayed until it had more time to study the matter. We believe that such a provision

in statute will improve the accountability of DES to the Legislature, and also give DES guidance on the policy decisions that are embedded in the state plan.

2. POLICY OPTIONS

DES has not adequately planned for the energy assistance program in the past. We believe this is in part due to a lack of clarity about what the policy goals of the program should be.

Several places in this chapter we have made recommendations that are designed to give the Legislature a more active role in energy assistance policy decisions. We believe the best use of energy assistance funds must be related to overall state energy policy. The fundamental decisions about the energy assistance program have both budgetary and policy implications for the weatherization program, and other energy related programs. Thus, we believe that the Legislature is the appropriate body to make the broad policy decisions associated with the program.

Some of the areas in which policy choices should be made to give DES guidance in running the program are:

- Eligibility;
- Level of benefits;
- Methods of distributing benefits; and
- Transfers to other energy programs, such as weatherization.

Table 2.20 outlines some of the policy options in those areas. These options outline the broad parameters of energy assistance policy, but are by no means inclusive.

TABLE 2.20

POLICY OPTIONS

1. Eligibility

a. Maximum Eligible Income Limit.

Issue: What is the highest income amount allowed for program eligibility?

Options:

1. 150% poverty
2. 125% poverty
3. 100% poverty
4. 60% of state median income
5. Some other limit.

b. What is the definition of income used for eligibility?

Issue: What income should be considered? If deductions from income are allowed, what should they be?

Options:

1. Gross income.
2. Gross income minus medical deductions.
3. Gross income minus some percentage for the portion of gross income that is earned income (to equalize for the payment of taxes etc.).
4. Child support deductions. How should child support payments be treated?
5. Other.

c. Asset Limit

Issue: Should Minnesota have an asset limit? If so, what should the limit be?

Options:

1. No asset limit.
2. Net worth restriction.
3. Net worth restriction with allowance for senior citizens.
4. Net worth restriction with allowance for some number of acres of land, cars.
5. Other variation.

d. Subsidized Housing

Issue: Should some or all subsidized housing residents be served by the program?

Options:

1. Include all subsidized housing.
2. Include only subsizdized households who are heat vulnerable.
3. Include only subsidized households with heating bills.

2. Levels of Benefits

Issue: What level of benefits should be paid, and what factors should be considered in designing benefit tables?

a. Determination of Benefit Levels

Issue: What should the design of the benefit tables be based on?

1. Based on actual cost of fuel
2. Based on average cost of fuel

b. Maximum Benefit

Issue: What should the maximum benefit be?

Options:

1. 100% of total utility bill (including non-heating energy)
2. 100% of heat bill-- sliding scale based on income and heating fuel costs-- first 1985 plan limit.
3. 85% of heat bill sliding scale with income--1984 limit
4. Some dollar amount
5. Some lower percentage or dollar amount
6. 100% with percentage of income copayment (Fair Share)

c. Minimum benefit

Issue: What is the smallest amount of assistance that it is equitable and cost effective to provide?

Options:

For Homeowners:

1. 50 dollars- 1982 limit
2. 100 dollars- 1984 limit
3. 200 dollars- 1985 plan limit
4. Other

3. Transfers to Other Programs

Issue: Should transfers be made to other programs? If so, how much should be transferred and when should the transfer be made?

1. Transfer a set percentage to weatherization.
2. Transfer a set percentage to CSBG.
3. Transfer whatever is left over to weatherization or CSBG.
4. Make no transfers, carryover any excess funds to the next year.
5. Other

Weatherization

The weatherization program in Minnesota is a combined federal-state program administered by the Department of Economic Security (DES), Division of Training and Community Services. The state has the opportunity for significant input into the policies of the weatherization program, because it is funded by state funds as well as funds transferred from the energy assistance program.

This chapter presents the findings from our evaluation of the weatherization program. Our analysis of the program focused on the following questions:

- How is the weatherization program organized and administered?
- How effective is the Minnesota weatherization program in helping low income households save energy?
- To what extent are clients being served in an efficient and timely fashion?
- How well has the Department of Economic Security coordinated the weatherization program with other energy related efforts of the state?

To answer these questions, we visited 17 weatherization and energy assistance subgrantees around the state where we interviewed agency and program directors. At each site, we traced a random sample of 1984 energy assistance clients through the weatherization program. We also checked to see whether these clients received home rehabilitation funds from the Minnesota Housing Finance Agency. We supplemented this information with information from the Minnesota Community Action Data System (MCADS) as well as from DES. We also conducted interviews with various state and federal officials. Finally, we reviewed

reports and studies of Minnesota's weatherization program as well as studies of programs in other states.

This chapter is organized into five sections. First, we provide an overview of the weatherization program. Second, we discuss the effectiveness of the weatherization program in saving energy. Third, we examine program eligibility. Fourth, we examine service delivery to weatherization clients. Finally, we discuss how the weatherization program is coordinated with other state energy related programs.

A. MINNESOTA'S WEATHERIZATION ASSISTANCE PROGRAM

1. PROGRAM PURPOSE

Congress created the low income weatherization program in 1977 to help alleviate the impact of rising energy costs on the poor. Its purpose is "to reduce national energy consumption, particularly of imported oil, and to reduce the impact of higher fuel costs on low-income families."[1]

The program provides funds for insulation, storm windows, caulking and weatherstripping, and for other improvements to conserve energy in low income households, particularly those with elderly and handicapped members.

2. PROGRAM DELIVERY

The weatherization program is administered on the national level by the U.S. Department of Energy (DOE). The department distributes funds to states based on the relative need for weatherization. The need for weatherization in each state is determined from the number of low income households, the percentage of total residential energy used for heating and cooling, and the number of heating and cooling degree days.

In Minnesota, the weatherization program is administered by the Department of Economic Security (DES). The department's responsibilities include developing a state weatherization plan, selecting subgrantees and allocating state and federal funds to them, providing technical assistance to subgrantees, and monitoring subgrantee activities. The state program has a staff of nine.

---

[1]10 CFR Part 440.

The weatherization program is administered on the local level by 26 community action agencies, 8 Indian reservations, and 3 county boards. Table 3.1 lists weatherization subgrantees for 1984. Each subgrantee serves its own designated area of the state; taken together, weatherization services are available statewide.

DES allocates state and federal weatherization funds to subgrantees according to a formula based on low income population and degree days. With a federal waiver, the state may spend up to $1600 per weatherized unit on weatherization materials and program support. Minnesota has applied for and received a so-called "labor" or program support waiver. This waiver allows up to $1600 to be spent on support. Program support includes labor, supervision, transportation, and tools and equipment. Minnesota also allows subgrantees to spend up to $1000 per dwelling unit on materials if the dwelling unit exceeds 1500 square feet, or is two stories high, or requires more than 16 storm windows.

The total of state and local administrative costs are limited by federal statute to 10 percent of a grant. States are prohibited from using more than 5 percent for administrative expenses; the remainder is to be used for subgrantee administrative expense. In Minnesota, the Department of Economic Security has spent 2.5 percent for its own administrative expense and passed on the remaining 7.5 percent to subgrantees for their administrative expenses.

3. CLIENTS SERVED

Since the weatherization program began in 1977, over 90,000 households have been weatherized in Minnesota. Table 3.2 shows the number of households weatherized in each county across the state between 1980 and 1983.

Table 3.3 shows that 17,084 homes were weatherized during 1983. These units housed 55,414 people; 10 percent of these were elderly people and 3 percent were handicapped persons. To support this level of activity, subgrantees spent almost $23.5 million. In 1983, the average cost per unit weatherized was $1,375.

Table 3.4 shows similar data for January through September 1984. Through September, 10,502 households have been weatherized. This represents 80 percent of the department's 1984 production goal of 13,104 households. Of the 30,343 household members served, 10 percent were elderly persons while 4 percent were handicapped people. The cost per weatherized unit is expected to average $1450.

TABLE 3.1

WEATHERIZATION SUBGRANTEES

Anoka County Community Action Program
Arrowhead Economic Opportunity Agency
Bi-County Community Action Council, Inc.
Bois Forte Reservation Business Committee
Clay-Wilkin Opportunity Council
Dakota County Economic Assistance
Duluth Community Action Program
Fond Du Lac Reservation
Goodhue-Rice-Wabasha Citizens Action Council
Grand Portage Reservation Business Committee
Hennepin County Natural Resources Corporation
Inter-County Community Council
Koochiching-Itasca Action Council
Lakes and Pines Community Action Council
Leech Lake Reservation Business Committee
Mahube Community Council
Mille Lacs Reservation Business Committee
Minneapolis Community Action Agency
Minnesota Sioux Tribes (Shakopee and Prairie Island)
Minnesota Valley Action Council
Nett Lake Reservation Business Committee
Northwest Community Action Council
Ottertail-Wadena Community Action Council
Prairie Five Community Services Agency
Ramsey Action Programs, Inc.
Red Lake Reservation
Region Six East Community Action Agency
Scott-Carver Economic Council
SEMCAC, Inc.
Southwestern Minnesota Opportunity Council
Tri-County Community Action (Little Falls)
Tri-County Action Programs, Inc. (Sauk Rapids)
Tri-Valley Opportunity Council, Inc.
Washington County HRA
West Central Minnesota Communities Action
Western Community Action Council
White Earth Indian Reservation
Wright County Community Council

Source: Minnesota Department of Economic Security State Weatherization Plan, 1984.

TABLE 3.2

NUMBER OF HOUSES WEATHERIZED BY COUNTY
1980 Through 1983

County	Number of Houses Weatherized	County	Number of Houses Weatherized	County	Number of Houses Weatherized
Aitkin	565	Isanti	323	Pipestone	379
Anoka	1,303	Itasca	776	Polk	984
Becker	872	Jackson	395	Pope	492
Beltrami	918	Kanabec	359	Ramsey	6,372
Benton	750	Kandiyohi	969	Red Lake	258
Big Stone	311	Kittson	282	Redwood	426
Blue Earth	978	Koochiching	666	Renville	593
Brown	614	Lac Qui Parle	428	Rice	717
Carlton	495	Lake	235	Rock	328
Carver	432	Lake of the Woods	209	Roseau	412
Cass	831	LeSueur	661	St. Louis	5,248
Chippewa	434	Lincoln	298	Scott	577
Chisago	266	Lyon	610	Sherburn	590
Clay	1,031	McLeod	673	Sibley	423
Clearwater	334	Mahnomen	312	Stearns	1,798
Cook	102	Marshall	649	Steele	316
Cottonwood	457	Martin	624	Stevens	289
Crow Wing	890	Meeker	692	Swift	429
Dakota	858	Mille Lacs	479	Todd	925
Dodge	427	Morrison	954	Traverse	210
Douglas	748	Mower	686	Wabasha	595
Faribault	507	Murray	456	Wadena	771
Fillmore	828	Nicollet	381	Waseca	361
Freeborn	532	Nobles	431	Washington	805
Goodhue	724	Norman	463	Watonwan	329
Grant	372	Olmsted	743	Wilkin	218
Hennepin	10,990	Ottertail	1,572	Winona	1,185
Houston	567	Pennington	493	Wright	869
Hubbard	404	Pine	637	Yellow Medicine	334
				Indian Reservations	1,329
				Total	73,558

Source: Minnesota Department of Economic Security, January 24, 1984.

*Not included are the 9,581 homes weatherized during 1978 and 1979, nor those homes weatherized in 1984. Adding these houses brings the total production through September 1984 to 93,641 houses.

TABLE 3.3

WEATHERIZATION ACTIVITIES BY SUBGRANTEE
Calendar Year 1983

Agency	Households Served	Number of Rental Units	Number of People Served	Number of Elderly	Number of Handicapped	Total Allocation	Total Spent
Anoka	307	48	1,076	43	45	$ 408,954	$ 408,954
Arrowhead	871	34	2,735	231	74	1,047,511	1,047,475
Bi-County	440	68	1,328	165	12	616,218	615,443
Clay-Wilkin	295	52	877	132	79	444,116	444,116
Dakota	175	57	619	20	11	394,711	304,371
Duluth	578	217	1,702	133	75	856,444	824,841
Fond du Lac	22	---	49	3	1	31,762	31,421
Goodhue-Rice-Wabasha	405	97	1,292	109	81	584,880	584,880
Grand Portage	5	---	21	4	---	6,612	3,401
Hennepin County	796	323	2,653	187	87	1,146,984	1,144,296
Inter County	323	54	934	170	49	487,455	487,455
Koochiching-Itasca	211	36	570	95	23	506,529	394,703
Lake & Pines	808	84	2,382	446	49	1,106,551	1,099,190
Leech Lake	84	3	294	35	9	120,987	35,781
Mahube	356	39	1,140	147	60	558,503	543,491
Mille Lacs	12	---	97	4	---	31,612	29,552
Minneapolis Urban Coalition	2,333	1,309	9,581	595	50	3,360,696	3,359,677
Minnesota Sioux	9	---	9	4	---	16,382	11,281
Minnesota Valley	1,039	310	3,232	389	130	1,511,974	1,511,974
Nett Lake	8	2	27	7	---	21,492	21,492
Northwest	223	40	686	86	15	325,721	325,721
Ottertail	461	91	1,358	237	42	690,780	663,577
Prairie Five	415	77	1,233	397	---	585,091	585,091
Ramsey Action	1,521	939	4,661	194	126	2,164,695	2,155,242
Red Lake	111	---	111	41	5	157,908	157,908
Region 6E	601	179	1,823	208	72	768,079	700,630
Scott Carver	215	97	684	44	5	282,302	251,328
SEMCAC	1,101	359	3,399	369	202	1,871,567	1,022,807
Southwest	341	110	1,088	98	31	487,950	487,950
Tri-County (Little Falls)	612	112	2,038	195	127	1,008,174	1,006,672
Tri-County (St. Cloud)	759	201	2,440	250	118	1,050,919	1,052,421
Tri-Valley	292	65	902	120	---	423,639	423,639
Washington County	178	12	584	61	18	252,068	246,273
West Central	474	176	1,531	89	35	671,848	554,829
Western	439	102	1,427	173	40	667,010	573,136
White Earth	93	13	234	55	13	114,223	105,651
Wright County	171	37	597	40	40	266,664	266,664
Total	17,084	5,342	55,414	5,576	1,724	$25,049,011	$23,483,332

Source: Minnesota Department of Economic Security, 1983.

TABLE 3.4

WEATHERIZATION ACTIVITIES BY SUBGRANTEE

January through September 1984

Agency	Number of Households Served	Number of Rental Units	Number of People Served	Number of Elderly	Number of Handicapped
Anoka	194	51	691	38	31
Arrowhead	552*	49	1,703	111	30
Bi-County	235	44	723	63	2
Clay-Wilkin	152	3	565	45	56
Dakota	210*	98	692	27	10
Duluth	431*	178	1,234	76	65
Fond-du-Lac	7	---	25	3	2
Goodhue-Rice-Wabasha	222	71	709	63	30
Grand Portage	---	---	---	---	---
Hennepin County	427	109	1,206	108	65
Inter-County	167	26	501	68	19
Koochiching-Itasca	312*	33	802	197	65
Lake & Pines	521	72	1,757	173	53
Leech Lake	---	---	---	---	---
Mahube	292	57	910	116	37
Mille Lacs	---	---	---	---	---
Minneapolis	1,497	910	3,100	378	54
Minnesota Sioux	---	---	---	---	---
Minnesota Valley	557	224	1,803	140	70
Nett Lake	14	4	54	12	1
Northwest	113	14	362	60	6
Ottertail-Wadena	336	84	1,055	121	28
Prairie Fire	260	23	775	170	---
Ramsey Action	585	372	1,530	100	101
Red Lake	53	---	53	16	2
Region 6E	410	142	1,260	118	46
Scott-Carver	124	53	338	64	30
SEMCAC	657*	320	1,530	188	191
Southwest	218	91	658	85	16
Tri-County (Little Falls)	427	77	1,326	119	71
Tri-County (St. Cloud)	488	135	1,781	159	57
Tri-Valley	165	42	523	58	---
Washington County	73	---	214	19	6
West Central	313	101	1,004	60	15
Western	310	116	875	71	12
White Earth	66	37	217	14	6
Wright County	114	32	367	67	7
Total	10,502	3,568	30,343	3,107	1,184

Because most weatherization clients are referred from energy assistance, we were interested in determining how many energy assistance households had been weatherized. We found that approximately 35 percent of the 1984 energy assistance households had previously been weatherized by the state.[2]

4. FUNDING

Since the weatherization program began in 1977, Minnesota has spent $124.3 million on weatherization activities. The weatherization program is funded through three main sourcerization appropriations, and DES transfers of federal energy assistance funds. Each set of funds comes to DES at a different time in the program year. Federal appropriations are typically not made until the beginning of the federal fiscal year in October; actual funds are not received until April 1 of the following year. In comparison, the Legislature appropriates state funding in the spring and funds become available in July. Decisions about transfers from the energy assistance program have been made in the summer, after the end of the energy assistance program year. Decisions as to how much to transfer are also made at this time.

Federal funding for the weatherization program has fluctuated considerably since 1977. Table 3.5 shows Department of Energy appropriations and Minnesota's share for federal fiscal years 1977 through 1984. Since 1977, Minnesota has received almost $72 million in federal funding. Its share of national appropriations since 1979 has ranged from a low of $7.5 million in 1982 to a high of $13.2 million in 1981. DES estimates that Minnesota will receive approximately $9.3 million in federal funding for fiscal year 1985. Federal funding for weatherization has been the target of budget cuts in each of the last several years. Although there is strong support in Congress for the program, future funding remains uncertain.

State funding to the weatherization program has also fluctuated. Table 3.6 shows state appropriations from fiscal year 1980 through 1985. Total state appropriations for weatherization have been approximately $30.6 million.

---

[2]We examined the MCADS computer records to determine how many households said they received weatherization. Not all people who have been weatherized say they have been, and not all those who say they have been weatherized actually have received weatherization services. Through examination of our sample, we determined that the error rate of both groups was approximately the same. Thus, we believe this estimate is approximately correct.

TABLE 3.5

FEDERAL FUNDING FOR THE WEATHERIZATION ASSISTANCE PROGRAM

Federal Fiscal Year	DOE Appropriations	Minnesota Allocation
1977	$ 27,500,000	$ 1,200,000
1978	65,000,000	3,055,400
1979	199,000,000	9,079,900
1980	199,000,000	11,498,900*
1981	175,000,000	13,205,538*
1982	144,000,000	7,533,196
1983	245,000,000	12,788,035
1984	190,000,000	9,807,261

Source: Department of Economic Security.

*These two figures also reflect Minnesota's share of the Department of Energy's supplemental funding for these years. Supplemental funding was $2 million and $4.1 million for federal fiscal years 1980 and 1981, respectively.

TABLE 3.6

STATE APPROPRIATIONS FOR THE WEATHERIZATION ASSISTANCE PROGRAM

State Fiscal Year	State Appropriations
1980	$ 3,000,000
1981	9,000,000
1982	10,006,600 (for the 1982-83 biennium)*
1983	
1984	7,600,000 (for the 1984-85 biennium)
1985	1,000,000

Source: Department of Economic Security.

*Appropriations for the 1982-83 biennium were ultimately cut by $584,000 to help balance the state budget.

The weatherization program is also funded with transfers from the energy assistance program and the Community Services Block Grant. Table 3.7 shows the amount of funds transferred to weatherization from these block grant programs. Since 1977, the weatherization program has received almost $23 million in transfer funds. Figure 3.1 summarizes the sources of weatherization funding since 1981.

TABLE 3.7

TRANSFER FUNDING FOR THE WEATHERIZATION ASSISTANCE PROGRAM

Federal Fiscal Year	LIEAP	CSBG
1982	$ 9,000,000	--
1983	10,000,000	$4,897,400
1984	1,500,000	--
1985		--

Source: Department of Economic Security.

B. PROGRAM EFFECTIVENESS

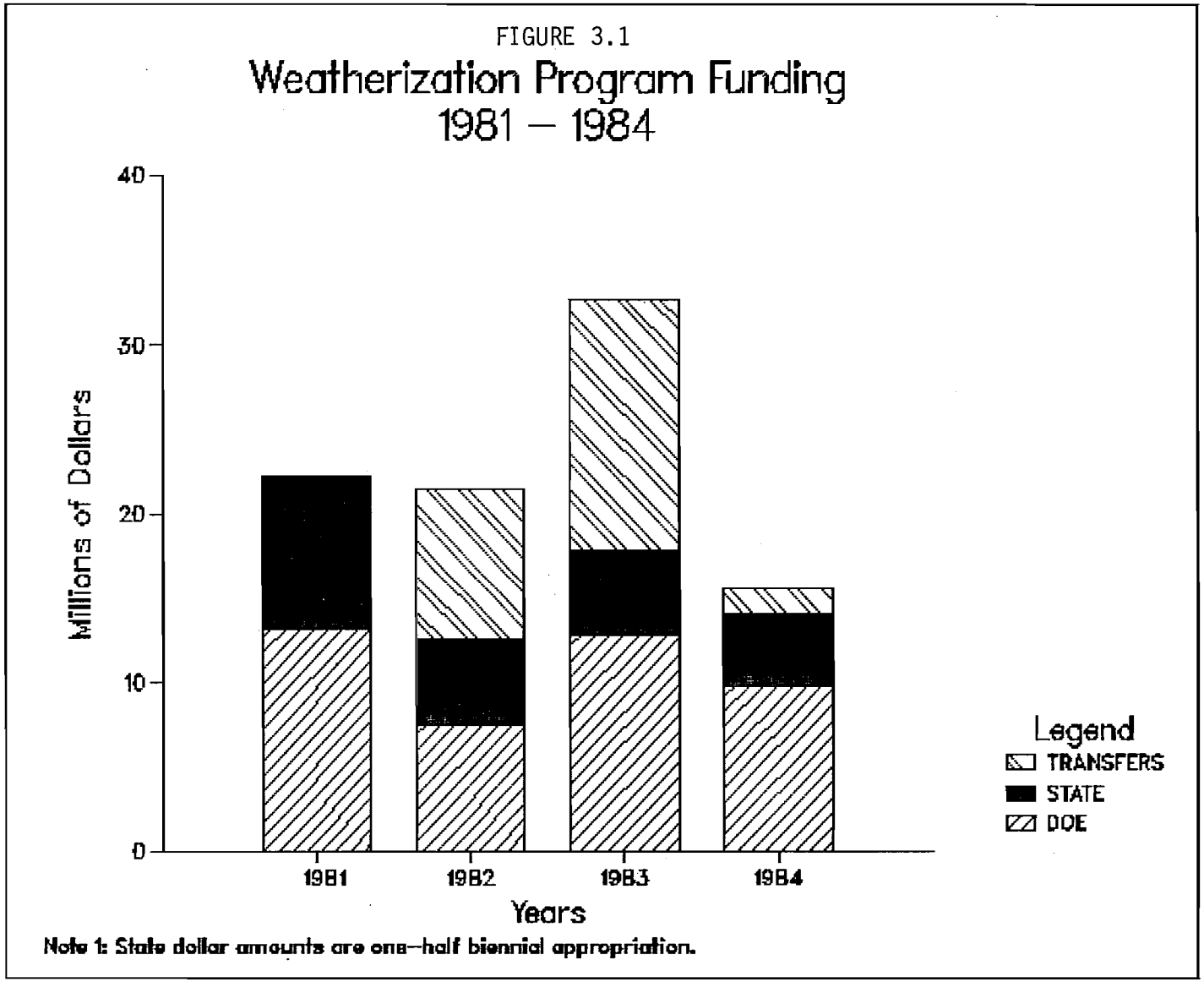
Our evaluation of the weatherization program did not examine the quality of the weatherization work done by subgrantees; nor did we attempt to measure energy savings. However, a number of studies have been done documenting the extent to which weatherization results in energy savings.

- Studies of Minnesota's weatherization program show gross energy savings of approximately 14 percent. Recent studies also suggest that current weatherization efforts yield greater energy savings than were obtained in the early years of the program.

One of the earliest studies of Minnesota's weatherization program was sponsored by the Minnesota Energy Agency, the Mid-American Solar Energy Center, and the United States Department of Energy.[3] Fuel consumption data were collected from 59 households that were weatherized during 1979 and on 37

[3]"Reducing Energy Consumption in Low-Income Homes Evaluation of the Weatherization Program in Minnesota", Hirst, Eric and Talwar, Raj, Evaluation Review, Vol. 5, No. 5, October 1981, pp. 671-685.

FIGURE 3.1



Note 1: State dollar amounts are one-half biennial appropriation.

households that were eligible but not yet weatherized. The most frequent weatherization measures performed were ceiling insulation, caulking and weatherstripping, other repairs, storm doors, and glass replacement.

A comparison of fuel consumption before and after weatherization showed that average annual net energy savings due to weatherization was 11 percent of total household energy use. The study found that for a typical low income family home, 14 million BTUs could be saved from weatherization. Based on 1979 fuel prices, this translates to a $63 per year fuel bill reduction. The actual energy savings are underestimated somewhat in this study. A mail survey of households showed that 35 percent of the households raised their wintertime thermostat settings after weatherization. Thus, more savings from weatherization would have been evident if thermostat settings had been held constant.

The most recent study of the effectiveness of Minnesota's weatherization program was done in 1983 by an engineering firm.[4] It compared natural gas consumption before and after weatherization for houses weatherized during the summer of 1981. Five weatherization measures were typically installed in the 306 houses studied: caulking and weatherstripping, attic insulation, glass repair, hot water heater wrap, and storm doors. The average cost of weatherization materials was $371, and ranged from $17 to $884 per house.

The 1983 study found an average savings of 14.4 percent in annual natural gas consumption after weatherization. The percent of BTUs saved when compared to the amount of money spent on materials is shown in Table 3.8. As the table shows, increased material cost does not necessarily translate into greater fuel savings.

More generally, at some point increasing expenditures for weatherization yield a decreasing marginal energy savings. This point varies with each house weatherized. Some energy conservation measures are more cost effective than others, but it is difficult to determine the most cost effective mix of conservation measures for any given house. Nonetheless, the cost effectiveness of applying various weatherization treatments should be explicitly considered. It does not make economic sense, for example, to apply a conservation treatment if the simple payback is 15 years. The state and the weatherization recipient would both be better off from investing the money that weatherization would cost and using the interest to pay the higher energy costs.

---

[4]"A Study of the Effectiveness of the Weatherization Program in Minnesota", Bakke, Kopp, Ballou and McFarlin, Inc., January 10, 1983.

TABLE 3.8

HOMES WEATHERIZED IN 1981:
ENERGY SAVINGS BY MATERIAL COSTS

Material Cost	Percent Energy Savings
$ 0-200	7.8%
201-400	13.6
401-600	18.0
601 and up	16.9
Average = $370	14.4

Source "A Study of the Effectiveness of the Weatherization Program in Minnesota", Bakke, Kopp, Ballou and McFarlen, Inc., January 10, 1983, p. 7.

The Minnesota Department of Energy and Economic Development (DEED) examined the cost-effectiveness of the weatherization program using the data from the 1983 study.[5] DEED analyzed weatherization expenditures using several standard investment analysis techniques: simple and discounted payback, net present value, and internal rate of return. DEED concluded that overall the weatherization program is cost effective. Table 3.9 shows the results of DEED's analysis using natural gas prices to measure the cost savings.

Because models like DEED's are sensitive to the assumptions used as input, we modeled the cost effectiveness of weatherization using a variety of assumptions about energy savings, discount rate, degradation in weatherization effectiveness, preweatherization energy costs, and future energy costs. Our analysis also shows that weatherization is cost effective in almost all circumstances.

However, as one might expect, it is more cost effective to weatherize some houses than others. For example, houses where the energy bills are higher are generally more cost-effective to weatherize than houses with small utility bills. Likewise, the greater the cost of weatherization for a given house, the longer the period of cost recovery. In other words, the

[5]"The Cost Effectiveness of the Minnesota Weatherization Program", Department of Energy and Economic Development, July 1983.

TABLE 3.9

COST EFFECTIVENESS OF WEATHERIZATION FOR HOMES HEATED WITH NATURAL GAS

Group	Effectiveness Measures: Simple Payback	Discounted* Payback	Internal* Rate of Return	Net Present* Value
Average	8.6 years	9.9 years	8.4%	$ 432
House Type				
Single Family	8.8	10.2	8.0	409
Multi Family	5.5	6.0	17.1	1,057
Mobile Home	13.2	16.4	2.1	- 58

Source: "The Cost-Effectiveness of the Minnesota Weatherization Assistance Program", Minnesota Department of Energy and Economic Development, July 1983, p. 11.

*The internal rate of return, discounted payback and net present value calculations assume a 1 percent annual rate of decay in the effectiveness of the weatherization and project energy costs to grow at a real rate of 1.33 percent per year. A real discount rate of 3 percent per year was used for the discounted payback and net present value calculations. Lifetime of the weatherization effort is assumed to be 15 years.

last dollar spent on weatherization is generally less cost effective than the first dollar spent.

Another conclusion that may be drawn from this type of cost effectiveness modeling is that transfers of some funds from energy assistance to weatherization make sense. Our analysis shows that there is a positive benefit to the household from weatherization that outweighs the relatively small decrease in energy assistance the household would experience, even if the maximum amount allowed (15 percent) was transferred from energy assistance to weatherization.

DEED concluded that if funds available for weatherization are limited, a different strategy of reaching more homes with a lower investment in weatherization, rather than insulating fewer homes more comprehensively, is indicated.

We believe the state should improve the conservation ability of households when it pays a portion of their energy bills. According to a report issued by the Consumer Energy Council of America (CECA), a combined weatherization and fuel assistance program is preferable to an assistance-only approach to helping the low income address their energy needs because it is more cost effective than assistance alone.[6]

From a policy perspective, weatherization is preferable to energy assistance because it reduces energy consumption and also provides a capital improvement. However, simply transferring all energy money into weatherization would create undue hardships on those having difficulty meeting their energy bills.

To minimize these short-term problems, the CECA study proposes a combined weatherization-energy assistance program. In the CECA plan, the entire low income population would be blanketed with a relatively low-cost high-return weatherization package; higher cost packages would be added on a second round of weatherization.

Compared to an assistance-only approach, the combined approach would allow all low income households to receive more benefits within three to five years than they would have under an assistance only approach.

---

[6]A Comprehensive Analysis of the Costs and Benefits of Low Income Weatherization and its Potential Relationship to Low Income Energy Assistance, Consumer Energy Council of America, June 2, 1981.

C. ELIGIBILITY

1. WEATHERIZATION RECIPIENTS

Households at or below 125 percent of the Office of Management and Budget poverty level are eligible for weatherization assistance. Table 3.10 shows specific income eligibility guidelines for 1984. Depending upon family size, eligible incomes can range from $6,225 to over $20,000. The measure of income used is gross family income with no deductions allowed.

TABLE 3.10

WEATHERIZATION INCOME GUIDELINES: 1984

Size of Family Unit	Poverty Guidelines
1	$ 6,225
2	8,400
3	10,575
4	12,750
5	14,925
6	17,100
7	19,275
8	21,450
8+	Add $2,175 for each additional member

Source: Department of Economic Security.

Minnesota law also specifies that state weatherization funds shall be used to serve households below the 125 percent of poverty level.[7] DES policy also requires that energy assistance funds transferred to the weatherization program be used in the same way.

DES commissioned a study in 1984 to identify the number of households eligible for weatherization assistance. The study found 199,243 households were eligible for the weatherization assistance program in 1983.

Since 93,641 households have already been weatherized, approximately 106,000 eligible households remain to be weatherized. If 1982 and 1983 production rates of approximately 17,000

[7] Minn. Stat., Section 268.37.

households per year were sustained, the remaining homes could be weatherized in approximately six to seven years. If subgrantees sustained the 1984 production rate of approximately 13,000 households annually, it would take approximately eight years to weatherize all remaining units at the current eligibility levels.

According to data collected by the General Accounting Office during early 1984, Minnesota has weatherized more homes to date than neighboring states. Table 3.11 compares the number of completed units in Minnesota with those of other states. As the table shows, Minnesota compares quite favorably to neighboring states in the level of weatherization activity. Minnesota has also weatherized more of its eligible households than most other states.

TABLE 3.11

WEATHERIZATION ACTIVITIES OF OTHER MIDWEST STATES*

1983

State	Eligible Units	Completed Units	Percent Remaining
Indiana	286,767	45,123	84%
Iowa	148,802	63,664	57
Michigan	496,848	66,629	87
Minnesota	199,243	83,101	58
Ohio	599,457	62,000	90
Wisconsin	126,066	31,290	75

Source: Draft report of General Accounting Office.

2. GAPS IN ELIGIBILITY

One of the eligibility issues raised during our evaluation of the weatherization and energy assistance programs concerned the differing eligibility guidelines of the two programs. Almost all of the weatherization and energy assistance directors that we interviewed believed that eligibility guidelines for the two programs should be consistent. They advocate raising the income guidelines for the weatherization program. According to these program directors, such a move would provide for a more cohesive delivery system and be a wise expenditure of energy dollars.

Almost all weatherization clients are referred from the energy assistance program. DES requires that all eligible

energy assistance applications be sent to the weatherization program so energy assistance clients automatically apply for weatherization assistance. Weatherization intake workers verify eligibility and contact households to see whether they wish to receive weatherization services.

Although the weatherization program relies on the fuel assistance program for its client pool, weatherization eligibility guidelines are lower than energy assistance guidelines. Consequently, many households eligible to receive assistance with their fuel bills are not eligible to receive weatherization services that might help them lower their fuel bills. Table 3.12 illustrates the gap in eligibility by family size for the two programs in 1983 and 1984.

TABLE 3.12

INCOME GUIDELINES FOR THE WEATHERIZATION AND FUEL ASSISTANCE PROGRAMS

Program Years 1983 and 1984

Household Size	Weatherization		Fuel Assistance	
	1983	1984	1983	1984
1	$ 4,860	$ 6,225	$ 6,463	$ 8,326
2	6,540	8,400	8,452	10,887
3	8,220	10,575	10,440	13,450
4	9,900	12,750	12,429	16,012
5	11,580	14,925	14,418	18,574
6	13,260	17,100	16,406	21,136

Source: Department of Economic Security.

During 1984, the energy assistance program served approximately 140,000 households. We found that 12 percent of our sample were income ineligible for weatherization assistance. Extrapolating to the total 1984 energy assistance population means that approximately 16,800 1984 energy assistance households were ineligible for assistance in weatherizing their homes.

If the Legislature chooses to increase the state weatherization eligibility guidelines to make them consistent with energy assistance guidelines, approximately 45,000 additional households would be added to the pool of eligible weatherization clients. All funding and major program

components being held stable, it would take approximately three to four more years to weatherize these households.

Equalizing energy assistance and weatherization eligibility guidelines will approximately double the time and cost required to weatherize the remaining homes. And, because of the current design of the energy assistance program, would not necessarily reduce the number applying for that program. However, such a change is a wiser investment than providing energy assistance alone. Given the uncertainty involved with future funding of the energy assistance and weatherization programs, this argument has merit.

We believe that decisions about weatherization eligibility should be made by the Legislature. Therefore, we recommend that:

- The Legislature should consider adopting statutory language permitting state weatherization funds, or funds transferred to weatherization from energy assistance, to be used to weatherize households with incomes above 125 percent of federal poverty guidelines but below fuel assistance guidelines.

3. WEATHERIZATION OF RENTAL UNITS

DOE regulations allow the weatherization of rental units occupied by low income tenants, provided that, written permission of the owner is obtained, and, that not less than 66 percent (50 percent for duplexes and fourplexes) of the tenants are income eligible for the program.[8]

According to DES, Minnesota has weatherized approximately 22,000[9] rental units through September 1984. Rental units have made up an increasing percentage of the total weatherizations completed in Minnesota. In 1984, 3845 of 10,502 (37 percent) of the weatherizations completed were rental units.

Weatherizing rental units under the program is problematic for two reasons. First, the benefit accrues largely to the landlord, rather than the low income tenant. The landlord always benefits from the addition of value to the rental property, but the tenants only benefit directly when they pay their own heat bill and weatherization reduces the bill.

Second, landlords are already required to bring rental units up to the standards of the State Energy Code. Minnesota

---

[8]10 CFR 420.22.

[9]About 23 percent of total weatherizations.

does require that landlords sign an agreement not to raise low income tenants' rents or to evict them as a result of weatherization improvements made to the landlord's property. However, the landlord can raise the rents by stating the increase is for other reasons. As a result, the landlord agreement is regarded as ineffective in transferring the benefit to the low income tenant. The City of Minneapolis has addressed this problem by prohibiting any rent increases for one year after weatherization. Provisions of this type help assure that the benefits of weatherization are transferred to the intended beneficiary, the tenant.

Because turnover is high in rental units, many low income renters do not gain the permanent energy savings from weatherization that low income homeowners do. It is more beneficial for the low income population as a whole to spend limited weatherization funds on units that are, and will continue to be, occupied by low income tenants. As a result, we recommend:

- DES should establish a policy that homeowners have preference for weatherization over renters. Whenever rental units are weatherized, landlords should be required to sign an agreement limiting rent increases for a period of time sufficient to gain some of the benefit of weatherization for the low income tenant.

4. RETURNS TO PREVIOUSLY WEATHERIZED HOUSES

A second eligibility issue involves the quality of houses weatherized in the early years of the program. Federal regulations do not permit weatherization crews to return to re-weatherize homes once they are considered complete. According to some weatherization directors, homes weatherized in the early years of the program need to be upgraded. Proponents of returning to previously weatherized homes indicate that federal regulations stipulating the type and amount of weatherization work have changed substantially since the program began. New weatherization technologies have emerged, materials have improved, and work priorities have changed. In addition, more experienced and trained personnel are delivering weatherization services.

Weatherization effectiveness studies do suggest that more current weatherization packages yield greater energy savings than were obtained in the early years of the weatherization program. Homes weatherized in 1979 show average energy savings of net 10.9 percent while homes weatherized in 1981 show average gross energy savings of 14.4 percent. Savings of 14.4 percent are equivalent to approximately 17 to 18 percent net savings.

According to DES, approximately 9,600 units weatherized in 1978 and 1979 are potential subjects of re-weatherization. Homes weatherized during 1978 and 1979 received only very basic weatherization services such as caulking and weatherstripping. They did not receive sidewall or foundation insulation or furnace retrofits that are commonplace today.

DES is requesting $10 million for the 1986-1987 biennium to bring previously weatherized homes up to current standards. We do not believe the expenditure of these funds is advisable at this time. We believe that there are more cost effective uses for the available weatherization funds.

According to weatherization directors, some of these homes have already been reweatherized using other funding sources (e.g., the conservation and repair program). The January 1984 DOE weatherization regulations also clarified that additional low cost weatherization expenditures could be made on houses weatherized before the maximum expenditure per dwelling unit was raised. Recent DOE proposals indicate that it is possible DOE restrictions on re-weatherization may be lifted.

Although some increase in energy savings can be gained from re-weatherizing homes already completed, it is likely that higher energy savings will be gained from weatherizing homes that have not yet been weatherized. Since several years of work remain to complete these houses, it makes economic sense to target houses not yet weatherized in order to gain the maximum energy savings from the funds expended. Therefore, we recommend:

- Returning to previously weatherized houses should not be a priority of the weatherization program at this time.

D. SERVICE DELIVERY

This section examines two concerns about how services are delivered to weatherization clients: time delays and weatherization priorities. We also discuss the quality of data compiled by the Department of Economic Security.

1. WEATHERIZATION APPLICATION PROCESSING

We examined a sample of client files to determine how long it took from weatherization application to weatherization completion. Of the 635 fuel assistance records examined, 557 were eligible for weatherization assistance; 254 of these households were weatherized.

Our interviews with weatherization directors reveal considerable variation in the length and age of waiting lists. Some agencies report their waiting lists to be over one year. Other agencies do not keep referrals for more than one year; their lists are purged at the start of each program year.

We also examined how long it takes to actually weatherize homes. Most agencies do not require households referred from the fuel assistance program to complete a weatherization application until they can be scheduled for weatherization work. Information on the date of weatherization application and the date of weatherization completion was available for 177 of the 254 households in our weatherization sample. The average time elapsing from weatherization application to weatherization completion was 4.5 months.

Thus, work proceeds rather quickly after applications are taken. However, there are considerable delays occurring from the time of energy assistance application to the time of weatherization application.

Delays in service highlight a problem in how weatherization agencies process referrals. Some agencies simply develop revolving waiting lists based largely upon when applicants were referred from fuel assistance. Other agencies start new lists every year, or every six months, putting elderly and handicapped people at the head of the lists.[10] As a result, some people never receive weatherization assistance regardless of their need; they are simply referred from fuel assistance to weatherization assistance year after year.

Until recently, no weatherization agency decided what houses to weatherize on the basis of emergency needs or high consumption. When fuel assistance referrals are made, applications of households receiving crisis assistance are not treated any differently than other applications. Likewise, households identified as high consumption households through the conservation and repair program are not identified as such when referred to weatherization assistance. Since these are households that are having difficulty meeting their energy payments--extraordinary difficulty in the case of crisis assistance, they would be a good priority for the weatherization program.

The energy assistance program has begun to refer high consumption applicants and crisis assistance recipients to the weatherization program on a priority basis. Weatherization subgrantees are to respond quarterly to energy assistance subgrantees as to the disposition of these referrals. We believe that

---

[10]Federal regulations require weatherization subgrantees to give priority status to households with elderly and handicapped members.

energy assistance recipients receiving crisis assistance or identified as high consumption households through a conservation and repair assessment should continue to be referred to the weatherization program as priority clientele.

We also recommend that:

- DES should establish a uniform policy for creating and maintaining referral lists with crisis assistance, high consumption, and federal priority households receiving priority. Those not identified as priority clientele should be treated on a "first come, first served" basis.

2. QUALITY OF DATA COLLECTED

We encountered considerable difficulty in tracing our sample of energy assistance households to the weatherization program because of the variability of agency record keeping. While some weatherization agencies were tied in with the Minnesota Community Action Data System (MCADS) and could easily retrieve information on client referrals, most were not. These agencies often relied on very complicated manual systems to verify eligibility and to plan and schedule their weatherization workload. Numerous files and indexes were kept to ensure the house had not already been weatherized. In some agencies it was common to see stacks of energy assistance applications waiting to be checked by intake workers.

DES maintains overall agency counts on the number of households weatherized but collects little data on the specific measures employed. We see a need for the Department of Economic Security and weatherization subgrantees to develop a more extensive data base on households that have been weatherized. This will become even more important as the number of weatherized households increases. While basic information such as measures used, energy saved, etc., are needed now, it would ultimately be advantageous to have the system tied in with the fuel assistance data base for greater program coordination. Thus, we recommend that:

- The Department of Economic Security work with weatherization subgrantees to develop a data base on households that have been weatherized. Use of the Minnesota Community Action Data System should be explored.

Most studies concerning the effectiveness of the weatherization program examine overall energy savings; few have examined the effectiveness of specific weatherization strategies. Although federal regulations limit the amount of money subgrantees can spend, research provides few answers as to what weatherization strategy results in the most efficient and

effective use of those funds. While this type of research is needed to make the program more cost effective, it will be hampered if good quality data are not collected at the local level.

As energy funding decreases, it is essential for DES to collect data on the actual effectiveness of specific conservation measures to ensure the most effective and efficient use of funds. We recommend that:

- The Department of Economic Security should examine the kinds of data needed to evaluate the effectiveness of specific weatherization strategies and ensure that these data are being uniformly and accurately collected by weatherization subgrantees.

The 1984 Legislature appropriated $100,000 to the Department of Energy and Economic Development to fund an optimal low-income weatherization study through the Building Energy Resource Center (BERC) at the University of Minnesota. One goal of the project will be to quantify the energy savings obtained with the current weatherization package and the additional savings that could be obtained from other activities. The Department of Energy and Economic Development and BERC have only recently agreed on a specific workplan. The results from the study are likely to be available in the summer of 1986.

E. PROGRAM COORDINATION WITH OTHER ENERGY RELATED PROGRAMS

In addition to the weatherization program, two other state programs offer related assistance to low income people. These are the Conservation and Repair Program offered through the energy assistance program and the Home Rehabilitation Loan Program of the Minnesota Housing Finance Agency. Each of these are discussed below. Also briefly discussed are other assistance avenues available to low income people.

1. CONSERVATION AND REPAIR PROGRAM

The Conservation and Repair Program (C/R) is run in connection with the Energy Assistance Program. To be eligible for C/R assistance, clients must be both income eligible for the energy assistance program and homeowners.

All energy assistance applicants complete a C/R assessment form at the time of fuel assistance application. Clients indicate whether their homes have furnace, space heating, weatherization, structural, or other problems. During 1984, households experiencing one of the three following problems were

encouraged to apply for C/R assistance: high energy consumption, an emergency affecting the heat of the dwelling, or a potentially hazardous situation. Clients are usually asked to obtain repair bids from two private vendors although it is not uncommon for households to obtain only one bid.

During 1984, repairs were limited to $650. For the 1985 program year, the Department of Economic Security raised the limit to $700 and eliminated the "high consumption" criteria from eligibility consideration.

We examined the files of 77 clients receiving conservation and repair funds. Our data show that most clients receive funds for "emergency" situations. During 1984 emergency situations included frozen water pipes, broken furnaces and other situations affecting the heat of the dwelling. Out of the 77 files examined, 65 percent indicated that funds were needed to remedy an emergency situation; 12 percent needed assistance to correct a potentially hazardous situation. Conservation and repair funds were spent to address situations that were both an emergency and potentially hazardous in 16 percent of the files examined. Only 6 percent of the clients received C/R assistance because of high energy consumption. Thus, the 1985 change in C/R eligibility criteria will have little effect on program delivery.

Conservation and repair assistance amounts for our sample ranged from $10 to $650; the average amount received was $340. Table 3.13 shows the distribution of assistance amounts. As the table shows, 41 percent received $200 or less in assistance while 29 percent received over $600 in assistance.

TABLE 3.13

DISTRIBUTION OF CONSERVATION AND REPAIR AMOUNTS RECEIVED BY RECIPIENTS

Amount	Number	Percent
$ 0-200	31	41%
201-400	15	20
401-600	8	10
Over 600	22	29
Total	76	100%

Source: Program Evaluation Division analysis of client records.

Most conservation and repair funds were spent for furnace repairs or replacements. Of the 77 files examined, 49 contained specific data on the repairs performed. Of these 49, 69 percent were furnace related and 18 percent were related to other space heating problems.

- Despite the fact that almost all the C/R clients in our sample received assistance to remedy an emergency or a potentially hazardous situation, C/R work was not always done in a timely fashion. We examined the time between the date of C/R application and the date of work completion. Of the 31 files with complete data, 39 percent took over one month from application to work completion.

According to many energy assistance directors that we interviewed, the C/R program is often used to work on homes previously weatherized. Most of this work involves furnace replacement or repairs. Our data tend to support this; approximately 55 percent of C/R houses in our sample had been previously weatherized.

We found two problems with the C/R program. First, a number of energy assistance programs do not have staff with the necessary expertise to operate a repair program; they have little if any energy auditing or construction experience. This makes it difficult for staff to adquately determine needs, weigh bids, or assess C/R work. We found very few instances where C/R work was inspected after completion. This problem is most acute in energy assistance programs that do not also administer the weatherization program. In agencies that also administer the weatherization program, trained energy auditors are on staff to assist with C/R applications. A few of the agencies that we visited subcontract their C/R programs to the area's weatherization program because of lack of staff.

The second problem we found is that, although DES administers both the weatherization and C/R programs, it has done very little to formally encourage program coordination and communication. The federal government requires DES to have a "state plan" that sets forth production quotas and projected expenditures. DES produces a document to meet the federal requirements, but it is not the result of a formal planning process. The plan provides no guidance as to how different energy related programs can be best coordinated to achieve the most efficient and effective use of funds.

We believe there should be a state weatherization plan prepared by DES that goes beyond merely addressing federal requirements. The plan should specifically address ways of increasing coordination and cooperation between various state energy related programs.

The amount and level of coordination that currently exists between the C/R program and the weatherization program vary considerably throughout the state. For the most part, communication and coordination depend upon local initiative.

- DES should work closely with both energy assistance and weatherization subgrantees to ensure proper program coordination and implementation.

2. HOME REHABILITATION LOAN PROGRAM

The Home Rehabilitation Loan Program is offered through the Minnesota Housing Finance Agency (MHFA). Loans up to $7,500 are available for improvements to make homes more livable, accessible, and energy efficient. Permissable improvements include such items as electrical wiring, plumbing, roofing, and heating; and energy saving improvements, including insulation and storm windows.

To be eligible for the program, a household's annual adjusted gross income must be $7,000 or less.[11] If the adjusted gross income is less than $6,000, clients are eligible for a deferred loan, which is a loan without interest or monthly payment. This type of loan must be repaid only if the homeowner sells, transfers, or moves from the property within 10 years. If the adjusted gross income is between $6,000 and $7,000, clients are eligible for either a deferred loan or a 3 percent loan with small monthly payments. The type of loan received is based upon the client's ability to repay a loan.

Home rehabilitation loans are available through 65 agencies; these are primarily community action agencies, local housing authorities, and community development offices. Approximately one-third of these 65 agencies also house the energy assistance and weatherization programs. Put another way, 24 of the 37 weatherization offices offering weatherization assistance also offer home rehabilitation loans.

Since 1981, the Legislature has appropriated $9.5 million for the Home Rehabilitation Loan Program. The Housing Finance Agency has transferred an additional $5.5 million into the program from interest earnings and loan repayments. Through March 1984, 1,743 loans had been made totalling $8.4 million.

---

[11]Adjusted gross income refers to all income sources, regardless of tax status. A deduction of $1,000 per resident is subtracted from gross income to determine adjusted gross income. In addition, there are special deductions for expenses such as extraordinary medical costs.

In addition, MHFA also operates the Energy Conservation Deferred Loan Program. Started in Janary 1984, this program is only available to low income, natural gas customers of Northern States Power and Minnegasco. Loans up to $5,000 are made to low income home owners unable to qualify for other energy conservation programs. In general, this program serves homeowners with incomes up to 80 percent of the state median income. These loans are also deferred unless the homeowner sells or transfers the property within ten years.

This program's $1.3 million budget is financed through a number of sources: $480,000 from the federal Solar Energy and Energy Conservation Bank, $480,000 from NSP and Minnegasco, $185,000 from MHFA, and $185,000 from the Community Development Block Grant Program.

To determine the extent to which the energy assistance and weatherization assistance programs are coordinated with Minnesota Housing Finance Agency (MHFA) programs, we examined our fuel assistance sample had received a home rehabilitation or energy conservation loan. Of the 293 homeowners in our sample, approximately 8 percent (22) received an MHFA loan. Of these 22, 68 percent (15) had also received weatherization assistance.

In only a few instances was there any indication of coordination of effort between weatherization and home rehabilitation assistance. In 11 of the 15 cases where clients received assistance from both programs, weatherization services were provided anywhere from 6 months to 3 years after home rehabilitation assistance. We found only 4 cases where assistance from both programs was provided within a few months of each other.

If there is a need to supplement what can be done under federal weatherization guidelines, it does not appear that home rehabilitation loans are often tapped for supplemental funding.

Very few energy assistance clients receiving conservation and repair assistance were referred from that program to home rehabilitation loan programs. Of the 77 clients in our sample, 6 percent (5) also received a home rehabilitation loan. In only one case was there any indication that conservation and repair efforts were coordinated with housing finance efforts. Most clients received home rehabilitation loans long before receiving conservation and repair assistance.

While MHFA tries to coordinate this program with weatherization by encouraging administrators to use weatherization assistance along with rehabilitation loan funds, it has no formal process for coordination. Coordination assessments are left to local discretion.

The weatherization program also has no formal system for coordinating its program with those offered through MHFA.

As with the Conservation and Repair Program, coordination depends on local initiative and thus varies considerably throughout the state.

We talked with weatherization directors about their use of housing rehabilitation programs. They cited long time delays in servicing and differing priorities as impediments to coordination between the two programs.

According to MHFA officials, normal processing time (from date of application to date of work completion) for home rehabilitation loans is approximately 4 to 6 months. Emergency servicing, taking about 2 weeks, is available for those needing immediate assistance. In our sample processing time ranged from two weeks to 15 months, averaging four months. Processing time has recently improved according to housing officials.

Local program administrators are free to develop their own servicing priorities. Thus, different delivery agencies have different standards. Some decide loans on a "first come, first served" basis while others take all applications at once and then decide on loans. Priorities for the elderly and handicapped are also local decisions and, thus, can vary from agency to agency.

3. OTHER PROGRAMS

In addition to state programs, some local programs are available to low income people needing some type of weatherization assistance. These include community development block grant programs, utility company programs, and community sponsored programs.

A number of cities have Community Development Block Grant funds available for home rehabilitation assistance. For example, St. Louis County was awarded $598,000 to provide deferred and low interest loans to low and moderate income homeowners to address health and energy concerns. Cass County also obtained $600,000 in funding to make deferred loans available to low and moderate income homeowners to rehabilitate homes exhibiting borderline conditions.

Utility companies are required by law to offer low-cost energy audits to their low income clients. These audits identify energy saving measures that homeowners could invest in to reduce their energy consumption. Few low income people request such audits, however, possibly because the cost of recommended weatherization measures would have to be borne by them or they would have to seek alternative financing.

Investor owned utility companies are also required by law to offer other conservation programs to their customers. Under recent legislation entitled the Public Utilities Conservation Investment Program (PUCIP), the Public Utilities Commission may order utilities to make significant investments and expenditures in energy conservation programs.

In November, 1983, the Public Utilities Commission ordered all gas and electric utilities with sales greater than $50 million to submit Conservation Investment Program plans for commission approval. Special consideration is to be given to the needs of renters and low income families and individuals. The six utility companies required to participate are Inter-City Gas, Minnegasco, Minnesota Power, Northern States Power, Otter Tail Power, and People's Natural Gas.

The conservation investment plans submitted by the six major utility companies in the state are varied. For example, one program proposed by Northern States Power Company makes available deferred loans of up to $5000 to customers eligible for fuel assistance but ineligible for weatherization assistance. Home improvements determined to be cost effective by an energy audit are funded under the program which is administered by the Minnesota Housing Finance Agency.

One of Minnegasco's proposed conservation improvement programs involves offering Neighborhood Energy Workshops. Participants meet in their neighborhoods and learn about no-cost and low-cost energy conservation measures and view several demonstrations on how to weatherize their homes. Participants then return to their own homes and assess their needs for weatherstripping, caulking, insulation, etc. They then return to their earlier meeting place to receive weatherization materials worth up to $40 to take home and install themselves.

In addition to the plans proposed by the major investor-owned utility companies, several neighborhood energy groups also submitted conservation plans. Most of these plans involved offering programs similiar to that proposed by Minnegasco (neighborhood energy workshops) as well as offering energy audits.

Although the Public Utilities Commission received comments on the proposed plans from other state agencies, DES did not offer comments. Because there is the potential for these programs to offer programs similiar to those offered by the department or to fill in gaps existing in the department's programs, we believe that it is essential for DES to become more involved in examining how its programs might be best meshed with other energy related programs.

A number of communities have active Community Energy Councils established under the Governor's Community Energy Pro-

gram. This program was developed to encourage energy self-sufficiency on the local level. The councils carry out a block-by-block, town-by-town weatherization/conservation program for residents and businesses, to provide energy assistance to low and moderate income individuals and senior citizens.

Most councils provide no-cost energy audits and conduct energy workshops to teach residents how to perform simple conservation improvements such as caulking and weatherstripping. Some councils distribute inexpensive weatherization materials to workshop participants.

Programs offered by Community Energy Councils offer the potential for increased referrals to weatherization assistance from non-fuel assistance sources. The potential to use the no-cost energy audits offered by these groups should be explored by the department.

APPENDIX A

ENERGY ASSISTANCE BENEFITS AND METHODS OF CALCULATION

1. INTRODUCTION

In this appendix we describe in more detail the DES tables used to calculate benefit amounts and how the tables were derived.

2. PRE-1985 CALCULATION OF BENEFIT

DES has based the amount of assistance received under the energy assistance program on tables prepared each year. These assistance tables are based on poverty status and space heating costs.

Table A-1 is the benefit table for 1983. DES commonly refers to this table as the assistance "matrix". The matrix actually consists of two tables. The first table (the top of Table A-1) is used to locate the household in the matrix for the poverty status factors of family size and income. To determine the assistance amount, you then follow the line down from the income cell to the second table.

The second table (the bottom half of Table A-1) reflects assistance amounts. It indicates assistance amounts by area of the state (North, Central, or South) and by the cost per million delivered BTU's of energy. The intersection of the income line from the first table and the Cost per million BTU line from the second table, for the particular area of the state, is the assistance amount for 1983.

For example, for a household of four earning $10,000 in the southern degree day region, that used natural gas as the fuel type, the assistance amount in 1983 would be $250. To determine the assistance amount, first follow the household size of 4 line over until the household income (in this case $10,000) is between the two numbers on the table (in this case $10,665 and $9142). Next, follow that line down to the second set of tables, to the South table. The next step is to determine the cost per million BTU's of delivered fuel for natural gas. The cost per million delivered BTU's of energy is determined by the type of fuel used. For our example, let's say that natural gas cost between .58 and .66 per hundred cubic feet. This gives a cost per million delivered BTU's of between 8 and 9. Follow the line over from 8-9 on the south table until it intersects with the line from the top table at $250.

DES prepares another table that converts the cost of fuel into cost per million delivered BTU's. The table is

TABLE A-1

EAP-83 INCOME ELIGIBILITY GUIDELINE TABLE
12 MONTH TABLE

Household Size	Income							
1	7,923	7,131	6,338	5,546	4,754	3,962	3,169	0
2	10,361	9,325	8,289	7,253	6,217	5,181	4,144	0
3	12,799	11,519	10,239	8,959	7,679	6,400	5,120	0
4	15,236	13,712	12,189	10,665	9,142	7,618	6,094	0
5	17,674	15,907	14,139	12,372	10,604	8,837	7,070	0
6	20,112	18,101	16,090	14,078	12,067	10,056	8,045	0
7	20,569	18,512	16,455	14,398	12,341	10,285	8,228	0
8	21,026	18,923	16,821	14,718	12,616	10,513	8,410	0
Cost Per Million Delivered BTUs				NORTH				
$4-5	50	50	50	50	100	220	340	
5-6	50	50	50	60	180	300	420	
6-7	50	50	50	140	260	380	500	
7-8	50	50	100	220	340	460	580	
8-9	50	60	180	300	420	540	660	
9-10	50	140	260	380	500	620	740	
10-11	100	220	340	460	580	700	820	
11-12	180	300	420	540	660	780	900	
12-13	260	380	500	620	740	860	980	
13&over	340	460	580	700	820	940	1060	
Cost Per Million Delivered BTUs				CENTRAL				
$4-5	50	50	50	50	85	195	305	
5-6	50	50	50	50	160	270	380	
6-7	50	50	50	125	235	345	455	
7-8	50	50	90	200	310	420	530	
8-9	50	55	165	275	385	495	605	
9-10	50	130	240	350	460	570	680	
10-11	95	205	315	425	535	645	755	
11-12	170	280	390	500	610	720	830	
12-13	245	355	465	575	685	795	905	
13&over	320	430	540	650	760	870	980	
Cost Per Million Delivered BTUs				SOUTH				
$4-5	50	50	50	50	70	170	270	
5-6	50	50	50	50	140	240	340	
6-7	50	50	50	110	210	310	410	
7-8	50	50	80	180	280	380	480	
8-9	50	50	150	250	350	450	550	
9-10	50	120	220	320	420	520	620	
10-11	90	190	290	390	490	590	690	
11-12	160	260	360	460	560	660	760	
12-13	230	330	430	530	630	730	830	
13&over	300	400	500	600	700	800	900	
Rent %	30.0	41.0	52.5	64.0	75.0	86.0	97.5	

based on assumptions about average efficiency for furnaces or heating sources utilizing different fuels, the cost per unit of fuel, and the number of BTU's per unit of fuel. For example, in 1983 it was assumed that furnaces using natural gas were 72.8% efficient, fuel oil furnaces were 67.2 % efficient, and so on.

Table A-2 and Table A-3 are the assistance tables for 1984 and 1985. The calculation procedure is the same as for 1983. However, income/family size amounts changed in both tables. Base BTU consumption and furnace efficiency assumptions also changed the assistance amounts.

3. ASSUMPTIONS UNDERLYING PRE-1985 TABLES

DES based pre-1985 tables on poverty status and spaceheating costs. There are no assumptions necessary to calculate poverty status. Poverty status is based solely on income and family size. One need only decide on a definition of income to use. However, a number of assumptions about the area of the state and fuel cost underlie DES calculations of spaceheating costs.

Area of the state is used as a factor because it is colder in the north, and thus takes more fuel to heat the same house than in the south. The assumption is that this "degree-day" factor is related to actual costs of fuel consumption.

Before 1985, DES assumed that there was a one-to-one relationship between the price per unit of heat and the cost of heat consumption. In other words, DES assumed that the total amount paid for heating was related to the degree-days in the area of the state and the price of fuel used for heating. Thus, DES devised the cost per million delivered BTU factor. There are a number of assumptions about the average efficiency of different types of heating plants that are included in this factor.

DES now believes that previous assumptions were faulty. The department now believes that the more costly the fuel used, and the colder the area of the state, the more households conserve. Housing size is also larger in the southern and central parts of the state than in the north. Thus DES believes that smaller houses, better construction and insulation, and conserving consumption habits could offset the effects of higher heating degree days in the northern part of the state.

This conservation lowers the total cost of heat consumption. DES has thus abandoned the previous assumption that the relationship between the price per unit of heat and the cost of heat consumption is directly proportional.

TABLE A-2

EAP-84 INCOME ELIGIBILITY GUIDELINE TABLE
12-MONTH TABLE

Household Size	Income								
1	8,326	7,493	6,661	5,828	4,996	4,163	3,330	2,498	0
2	10,887	9,798	8,710	7,621	6,532	5,44	4,355	3,266	0
3	13,450	12,105	10,760	9,415	8,070	6,725	5,380	4,035	0
4	16,012	14,411	12,810	11,208	9,607	8,006	6,405	4,804	0
5	18,574	16,717	14,859	13,002	11,144	9,287	7,430	5,572	0
6	21,136	19,022	16,909	14,795	12,682	10,568	8,454	6,341	0
7	21,616	19,454	17,293	15,131	12,970	10,808	8,646	6,485	0
8	22,097	19,887	17,678	15,468	13,258	11,049	8,839	6,629	0
Cost Per Million Delivered BTUs				NORTH					
$4-5	100	100	100	100	100	175	295	415	
5-6	100	100	100	100	140	260	380	500	
6-7	100	100	100	105	225	345	465	585	
7-8	100	100	100	190	310	430	550	670	
8-9	100	100	155	275	395	515	635	755	
9-10	100	120	240	360	480	600	720	840	
10-11	100	205	325	445	565	685	805	925	
11-12	170	290	410	530	650	770	890	1010	
12-13	255	375	495	615	735	855	975	1095	
13&over	340	460	580	700	820	940	1060	1180	
Cost Per Million Delivered BTUs				CENTRAL					
$4-5	100	100	100	100	100	150	260	370	
5-6	100	100	100	100	120	230	340	450	
6-7	100	100	100	100	200	310	420	530	
7-8	100	100	100	170	280	390	500	610	
8-9	100	100	140	250	360	470	580	690	
9-10	100	110	220	330	440	550	660	770	
10-11	100	190	300	410	520	630	740	850	
11-12	160	270	380	490	600	710	820	930	
12-13	240	350	460	570	680	790	900	1010	
13&over	320	430	540	650	760	870	980	1090	
Cost Per Million Delivered BTUs				SOUTH					
$4-5	100	100	100	100	100	150	250	350	
5-6	100	100	100	100	120	220	320	420	
6-7	100	100	100	100	195	295	395	495	
7-8	100	100	100	165	265	365	465	565	
8-9	100	100	140	240	340	440	540	640	
9-10	100	110	210	310	410	510	610	710	
10-11	100	185	285	385	485	585	685	785	
11-12	155	255	355	455	555	655	755	855	
12-13	230	330	430	530	630	730	830	930	
13&over	300	400	500	600	700	800	900	1000	
Rent %	38.0	50.0	63.0	76.0	89.0	102.0	115.0	128.0	

TABLE A-3

EAP-85 ELIGIBILITY GUIDELINE TABLE
12-MONTH TABLE

Household Size	Income Levels		
1	$ 7,493	$ 5,828	$ 3,330
3	9,798	7,621	4,355
3	12,105	9,415	5,380
4	14,411	11,208	6,405
5	16,717	13,002	7,430
6	19,022	14,795	8,454
7	19,454	15,131	8,646
8	19,887	15,468	8,839

ASSISTANCE AMOUNTS

Fuel Type			
North Degree Day Region			
Natural Gas-Wood Coal-Biomass	$230	$460	$690
Liquid Propane-Oil Electricity-Steam	310	610	920
Central Degree Day Region			
Natural Gas-Wood Coal-Biomass	220	430	655
Liquid Propane-Oil Electricity-Steam	290	580	875
South Degree Day Region			
Natural Gas-Wood Coal-Biomass	200	400	605
Liquid Propane-Oil Electricity-Steam	270	540	810
Rent %	50.0	100.0	150.0

4. DES PRE-1985 STRATEGY

DES constructed the pre-1985 tables by trying to balance two alternatives. The first alternative was to pay a percentage of the heating costs of low-income households. The second alternative was to limit the out-of-pocket costs for low income households.

If benefits were based solely on a percentage of average heating costs, then persons with low incomes would pay a higher percentage of their income than others. For example, if the decision was to pay 70% of $1000 in heating costs for a family with an income of $10,000 and a family with an income of $5,000, the following would occur. The family with $10,000 in income would pay $300 or 3% of its income for heat. The family with an income of $5,000 would also pay $300 but this would represent 6% of its income.

The second alternative is to limit the out-of-pocket costs of low income households. This alternative trys to limit the average out-of-pocket costs of heating to some dollar amount that is affordable for low income households. For example, the out-of-pocket costs for a family in the lowest income groups might be limited on average to $100.

DES balanced these two alternatives by paying a sliding percentage of the average heating costs. DES established the maximum percentage of heating costs to be paid at approximately 85%. This percentage was used to establish the benefit level for those households with the highest BTU range and the lowest incomes. Then, for each area of the state, the benefit level is that percentage times the average heating costs for the BTU range. In 1983, this resulted in a maximum benefit amount of $1060 in the north, $980 in the central part of the state, and $900 in the south.

The benefit amounts for the rest of the table were established by taking a declining percentage of the heating costs as the benefit, down to approximately 25%. The resulting matrix has the maximum benefits at the bottom right, and benefit amounts decline both as income rises and as heating costs fall. Tables A-4 through A-6 illustrate the percentage of heating costs paid for each cell of the 1983 through 1985 benefit tables.

5. DES 1985 STRATEGY

In 1985 DES faced a potential increase of 50,000 new households. In addition, recent surveys of heating consumption patterns told them that previous assumptions regarding consumption were in error. As a result, DES modified both the method of calculation and the consumption estimates underlying the tables.

TABLE A-4
1983 ASSISTANCE LEVELS
AND PERCENTAGE OF SPACEHEATING COSTS

Household Size	Income Eligibility Guideline Table						
1	7923	7131	6338	5546	4754	3962	3169
2	10361	9325	8289	7253	6217	5181	4144
3	12799	11519	10239	8959	7679	6400	5120
4	15236	13712	12189	10665	9142	7618	6094
5	17674	15907	14139	12372	10604	8837	7070
6	20112	18101	16090	14078	12067	10056	8045

Cost Per Million Delivered BTU's	Dollars of Assistance and Percent of Average Space Heating Costs Paid															
North																
4-5	50	10.24%	50	10.24%	50	10.24%	50	10.24%	100	20.48%	220	45.06%	340	69.64%	415	85.00%
5-6	50	8.50%	50	8.50%	50	8.50%	60	10.20%	180	30.60%	300	51.00%	420	71.40%	500	85.00%
6-7	50	7.26%	50	7.26%	50	7.26%	140	20.34%	260	37.78%	380	55.21%	500	72.65%	585	85.00%
7-8	50	6.34%	50	6.34%	100	12.69%	220	27.91%	340	43.13%	460	58.36%	580	73.58%	670	85.00%
8-9	50	5.63%	60	6.75%	180	20.26%	300	33.77%	420	47.28%	540	60.79%	660	74.30%	755	85.00%
9-10	50	5.06%	140	14.17%	260	26.31%	380	38.45%	500	50.60%	620	62.74%	740	74.88%	840	85.00%
10-11	100	9.19%	220	20.22%	340	31.24%	460	42.27%	580	53.30%	700	64.32%	820	75.35%	925	85.00%
11-12	180	15.15%	300	25.25%	420	35.35%	540	45.45%	660	55.54%	780	65.64%	900	75.74%	1010	85.00%
12-13	260	20.18%	380	29.50%	500	38.81%	620	48.13%	740	57.44%	860	66.76%	980	76.07%	1095	85.00%
Over 13	340	24.49%	460	33.14%	580	41.78%	700	50.42%	820	59.07%	940	67.71%	1060	76.36%	1180	85.00%
Central																
4-5	50	11.49%	50	11.49%	50	11.49%	50	11.49%	85	19.54%	195	44.83%	305	70.11%	370	85.06%
5-6	50	9.45%	50	9.45%	50	9.45%	50	9.45%	160	30.25%	270	51.04%	380	71.83%	450	85.07%
6-7	50	8.03%	50	8.03%	50	8.03%	125	20.06%	235	37.72%	345	55.38%	455	73.03%	530	85.07%
7-8	50	6.97%	50	6.97%	90	12.55%	200	27.89%	310	43.24%	420	58.58%	530	73.92%	610	85.08%
8-9	50	6.17%	55	6.78%	165	20.35%	275	33.91%	385	47.47%	495	61.04%	605	74.60%	690	85.08%
9-10	50	5.52%	130	14.36%	240	26.52%	350	38.67%	460	50.83%	570	62.98%	680	75.14%	770	85.08%
10-11	95	9.50%	205	20.50%	315	31.50%	425	42.50%	535	53.50%	645	64.50%	755	75.50%	850	85.00%
11-12	170	15.54%	280	25.59%	390	35.65%	500	45.70%	610	55.76%	720	65.81%	830	75.87%	930	85.01%
12-13	245	20.62%	355	29.88%	465	39.14%	575	48.40%	685	57.66%	795	66.92%	905	76.18%	1010	85.02%
Over 13	320	24.96%	430	33.54%	540	42.12%	650	50.70%	760	59.28%	870	67.86%	980	76.44%	1090	85.02%
South																
4-5	50	12.17%	50	12.17%	50	12.17%	50	12.17%	70	17.03%	170	41.36%	270	65.69%	350	85.16%
5-6	50	10.12%	50	10.12%	50	10.12%	50	10.12%	140	28.34%	240	48.58%	340	68.83%	420	85.02%
6-7	50	8.59%	50	8.59%	50	8.59%	110	18.90%	210	36.08%	310	53.26%	410	70.45%	495	85.05%
7-8	50	7.53%	50	7.53%	80	12.05%	180	27.11%	280	42.17%	380	57.23%	480	72.29%	565	85.09%
8-9	50	6.65%	50	6.65%	150	19.95%	250	33.24%	350	46.54%	450	59.84%	550	73.14%	640	85.11%
9-10	50	5.99%	120	14.37%	220	26.35%	320	38.32%	420	50.30%	520	62.28%	620	74.25%	710	85.03%
10-11	90	9.75%	190	20.59%	290	31.42%	390	42.25%	490	53.09%	590	63.92%	690	74.76%	785	85.05%
11-12	160	15.92%	260	25.87%	360	35.82%	460	45.77%	560	55.72%	660	65.67%	760	75.62%	855	85.07%
12-13	230	21.02%	330	30.16%	430	39.31%	530	48.45%	630	57.59%	730	66.73%	830	75.87%	930	85.01%
Over 13	300	25.51%	400	34.01%	500	42.52%	600	51.02%	700	59.52%	800	68.03%	900	76.53%	1000	85.03%

TABLE A-5
1984 Assistance Amounts
And Percentage of Spaceheating Costs

Household Size	1984 Income Eligibility Table							
1	8326	7493	6660	5828	4995	4163	3330	2498
2	10887	9798	8709	7620	6532	5443	4354	3266
3	13450	12105	10760	9415	8070	6725	5380	4035
4	16012	14410	12809	11208	9607	8006	6404	4804
5	18574	16716	14859	13001	11144	9287	7429	5572
6	21136	19022	16908	14795	12681	10568	8454	6341

Cost Per Million Delivered BTU's	Dollars of Assistance and Percent of Average Space Heating Costs Paid															
North																
4-5	100	20.48%	100	20.48%	100	20.48%	100	20.48%	100	20.48%	175	35.84%	295	60.42%	415	85.0%
5-6	100	17.00%	100	17.00%	100	17.00%	100	17.00%	140	23.80%	260	44.20%	380	64.60%	500	85.0%
6-7	100	14.53%	100	14.53%	100	14.53%	105	15.26%	225	32.69%	345	50.13%	465	67.56%	585	85.0%
7-8	100	12.69%	100	12.69%	100	12.69%	190	24.10%	310	39.33%	430	54.55%	550	69.78%	670	85.0%
8-9	100	11.26%	100	11.26%	155	17.45%	275	30.96%	395	44.47%	515	57.98%	635	71.49%	755	85.0%
9-10	100	10.12%	120	12.14%	240	24.29%	360	36.43%	480	48.57%	600	60.71%	720	72.86%	840	85.0%
10-11	100	9.19%	205	18.84%	325	29.86%	445	40.89%	565	51.92%	685	62.95%	805	73.97%	925	85.0%
11-12	170	14.31%	290	24.41%	410	34.50%	530	44.60%	650	54.70%	770	64.80%	890	74.90%	1010	85.0%
12-13	255	19.79%	375	29.11%	495	38.42%	615	47.74%	735	57.05%	855	66.37%	975	75.68%	1095	85.0%
Over 13	340	24.49%	460	33.14%	580	41.78%	700	50.42%	820	59.07%	940	67.71%	1060	76.36%	1180	85.0%
Central																
4-5	100	22.99%	100	22.99%	100	22.99%	100	22.99%	100	22.99%	150	34.48%	260	59.77%	370	85.0%
5-6	100	18.90%	100	18.90%	100	18.90%	100	18.90%	120	22.68%	230	43.48%	340	64.27%	450	85.0%
6-7	100	16.05%	100	16.05%	100	16.05%	100	16.05%	200	32.10%	310	49.76%	420	67.42%	530	85.0%
7-8	100	13.95%	100	13.95%	100	13.95%	170	23.71%	280	39.05%	390	54.39%	500	69.74%	610	85.0%
8-9	100	12.33%	100	12.33%	140	17.26%	250	30.83%	360	44.39%	470	57.95%	580	71.52%	690	85.0%
9-10	100	11.05%	110	12.15%	220	24.31%	330	36.46%	440	48.62%	550	60.77%	660	72.93%	770	85.0%
10-11	100	10.00%	190	19.00%	300	30.00%	410	41.00%	520	52.00%	630	63.00%	740	74.00%	850	85.0%
11-12	160	14.63%	270	24.68%	380	34.73%	490	44.79%	600	54.84%	710	64.90%	820	74.95%	930	85.0%
12-13	240	20.20%	350	29.46%	460	38.72%	570	47.98%	680	57.24%	790	66.50%	900	75.76%	1010	85.0%
Over 13	320	24.96%	430	33.54%	540	42.12%	650	50.70%	760	59.28%	870	67.86%	980	76.44%	1090	85.0%
South																
4-5	100	24.33%	100	24.33%	100	24.33%	100	24.33%	100	24.33%	150	36.50%	250	60.83%	350	85.0%
5-6	100	20.24%	100	20.24%	100	20.24%	100	20.24%	120	24.29%	220	44.53%	320	64.78%	420	85.0%
6-7	100	17.18%	100	17.18%	100	17.18%	100	17.18%	195	33.51%	295	50.69%	395	67.87%	495	85.0%
7-8	100	15.06%	100	15.06%	100	15.06%	165	24.85%	265	39.91%	365	54.97%	465	70.03%	565	85.0%
8-9	100	13.30%	100	13.30%	140	18.62%	240	31.91%	340	45.21%	440	58.51%	540	71.81%	640	85.0%
9-10	100	11.98%	100	11.98%	210	25.15%	310	37.13%	410	49.10%	510	61.08%	610	73.05%	710	85.0%
10-11	100	10.83%	110	11.92%	285	30.88%	385	41.71%	485	52.55%	585	63.38%	685	74.21%	785	85.0%
11-12	155	15.42%	185	18.41%	355	35.32%	455	45.27%	555	55.22%	655	65.17%	755	75.12%	855	85.0%
12-13	230	21.02%	255	23.31%	430	39.31%	530	48.45%	630	57.59%	730	66.73%	830	75.87%	930	85.0%
Over 13	300	25.51%	400	34.01%	500	42.52%	600	51.02%	700	59.52%	800	68.03%	900	76.53%	1000	85.0%

TABLE A-6

1984 ASSISTANCE AMOUNTS
AND PERCENTAGE OF SPACEHEATING COSTS

Household Size	1985 Income Eligibility Table			
1	$7493	$5858	$3330	0
2	9798	7621	4355	0
3	12105	9415	5380	0
4	14411	11208	6405	0
5	16717	13002	7430	0
6	19022	14795	8454	0
7	19454	15131	8646	0
8	19887	15468	8839	0
9	20319	15804	9031	0
10	20751	16140	9223	0

Fuel Type:						
			Region: North			
1	33.33%	230	66.67%	460	100.00%	690
2	33.70%	310	66.30%	610	100.00%	920
			Region: Central			
1	33.59%	220	65.65%	430	100.00%	655
2	33.14%	290	66.29%	580	100.00%	875
			Region: South			
1	33.06%	200	66.12%	400	100.00%	605
2	33.33%	270	66.67%	540	100.00%	810

Note: Type 1 fuel type is Natural Gas, Wood, Coal, and Biomass.
Type 2 fuel type is Oil, LP Gas, Electricity, and Steam.

Consumption projections have been based on the Department of Energy and Economic Development's energy forecasts. In 1984, DEED's forecast called for a reduction from 1983 of over 20%. Instead of using DEED's 1984 forecast, DES lowered the energy consumption projection by 2.5% and conducted a survey of low income household's fuel consumption.

The results of the 1983 low income fuel survey tended to support DEED's consumption forecasts. As a result, the low income fuel survey data were used to establish the 1985 consumption of each type of fuel in the three regions of the state.[1] Using the fuel survey data for consumption resulted in reductions of consumption estimates in all areas of the state, with a slightly higher reduction in northern Minnesota.

- DES's use of new consumption data lowered the base used to calculate 1985 benefit tables.

DES not only changed the method of calculating consumption in 1985, DES also changed its strategy in formulating the benefit table. The strategy that DES followed for 1985 was to pay:

- 100% of the heating costs of those with the lowest third of the incomes;
- 66% of the costs for those in the middle range of eligible incomes; and
- 33% of heating costs for those households in the upper third of eligible incomes.

In the September 1985 plan DES also narrowed the number of income ranges used to calculate benefits from eight to three. The results of this change are that deductions from income are less important, the table is easier to administer, and the chance of disimilar households being in the same benefit cell of the table is increased. Changing from eight income ranges to three means that households with lower incomes receive less assistance and those with higher incomes receive more than they would under a plan with more income ranges.

There were two other changes to 1985 benefits. First, the 1985 plan minimum benefit was also raised from $100 to $200. Second, additional crisis funds were made available to assist households that the averages used to calculate the benefit tables affect adversely.

---

[1] See Low Income Fuel Survey, Minnesota Department of Energy and Economic Development, July 1984.

APPENDIX B

SUMMARY OF CHANGES IN THE 1985 ENERGY ASSISTANCE PLAN

1. The income standard used for eligibility changed from a maximum of $16,012 for a family of four in 1984 to $14,411 in 1985.

2. Asset limit changed in 1985 from $25,000 (excluding one car per driver, a house, one business or 320 acre farm, and $10,000 in cash) to $25,000 net worth (excluding the house, 80 acres of contiguous land, and one car per licensed driver).

3. Eligibility for crisis assistance is provided to the same income group that received energy assistance in 1984, even if ineligible for energy assistance in 1985. Crisis assistance is also available to those ineligible for 1985 energy assistance because of the change in the asset limit from 320 acres to 80 acres excludable land.

4. Subsidized housing residents that paying heating bills are eligible for the assistance program.

5. The percentages of average space heating costs paid were changed in 1985 to 100 percent, 66 percent, and 33 percent.

6. The standard deduction of 10 percent of earned income was eliminated for 1985.

7. No deductions are allowed for child support payments in 1985.

STUDIES OF THE PROGRAM EVALUATION DIVISION

Final reports and staff papers from the following studies can be obtained from the Program Evaluation Division, 122 Veterans Service Building, Saint Paul, Minnesota 55155, 612/296-4708.

1977

1. Regulation and Control of Human Service Facilities
2. Minnesota Housing Finance Agency
3. Federal Aids Coordination

1978

4. Unemployment Compensation
5. State Board of Investment: Investment Performance
6. Department of Revenue: Assessment/Sales Ratio Studies
7. Department of Personnel

1979

8. State-sponsored Chemical Dependency Programs
9. Minnesota's Agricultural Commodities Promotion Councils
10. Liquor Control
11. Department of Public Service
12. Department of Economic Security, Preliminary Report
13. Nursing Home Rates
14. Department of Personnel, Follow-up Study

1980

15. Board of Electricity
16. Twin Cities Metropolitan Transit Commission
17. Information Services Bureau
18. Department of Economic Security
19. Statewide Bicycle Registration Program
20. State Arts Board: Individual Artists Grants Program

1981

21. Department of Human Rights
22. Hospital Regulation
23. Department of Public Welfare's Regulation of Residential Facilities for the Mentally Ill
24. State Designer Selection Board

25. Corporate Income Tax Processing
26. Computer Support for Tax Processing
27. State-sponsored Chemical Dependency Programs, Follow-up Study
28. Construction Cost Overrun at the Minnesota Correctional Facility - Oak Park Heights
29. Individual Income Tax Processing and Auditing
30. State Office Space Management and Leasing

1982

31. Procurement Set-Asides
32. State Timber Sales
33. Department of Education Information System
34. State Purchasing
35. Fire Safety in Residential Facilities for Disabled Persons
36. State Mineral Leasing

1983

37. Direct Property Tax Relief Programs
38. Post-Secondary Vocational Education at Minnesota's Area Vocational-Technical Institutes
39. Community Residential Programs for Mentally Retarded Persons
40. State Land Acquisition and Disposal
41. The State Land Exchange Program
42. Department of Human Rights: Follow-up Study

1984

43. Minnesota Braille and Sight-Saving School and Minnesota School for the Deaf
44. The Administration of Minnesota's Medical Assistance Program
46. Sheltered Employment Programs
47. State Human Service Block Grants

1985

48. Energy Assistance and Weatherization

In Progress

49. Management of Highway Maintenance
50. Metropolitan Council
51. Economic Development Programs