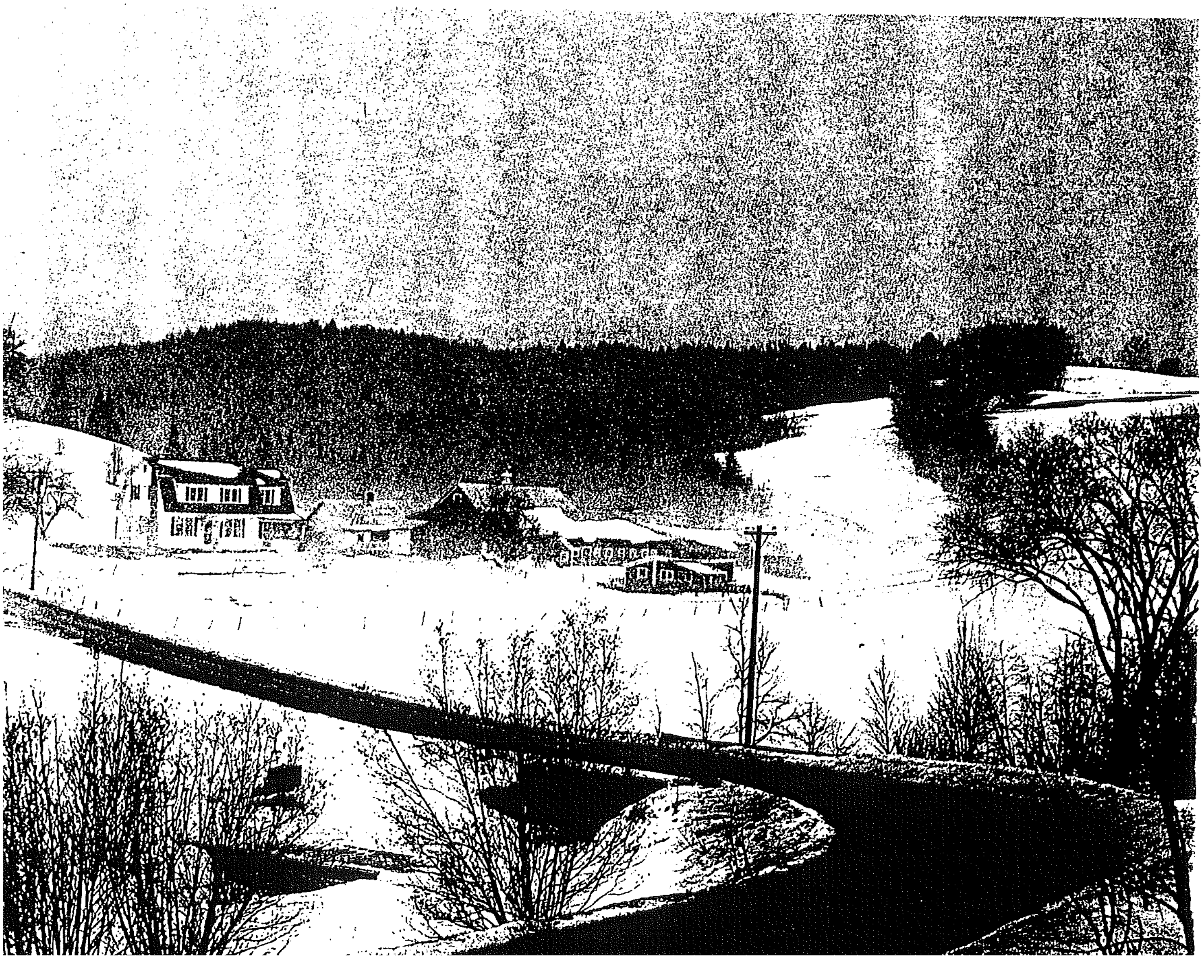
READY FOR WINTER?

FINAL REPORT OF THE
BLUE RIBBON COMMISSION ON ENERGY POLICY
FOR MAINE'S LOW-INCOME CITIZENS

NOVEMBER 1990



John R. McKernan, Jr.
Governor

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November 30, 1990

Governor John R. McKernan, Jr.
State House Station 1
Augusta, ME 04333

Dear Governor McKernan:

On behalf of the Blue Ribbon Commission on Energy Policy for Maine's Low-Income Citizens, I present the final report, with findings and policy recommendations, of this broad-based and diverse group. The report makes seven recommendations for changes in existing policy, or the creation of new initiatives, in order to directly address the worsening problems of unmet energy needs for Maine's poorest citizens in the 1990's.

There are abundant indications that the winter of 1990/91 could be especially threatening to the welfare of low-income households in Maine, in view of possible Mid-East supply disruptions and dwindling federal energy assistance.

We urge you to consider this report, and the consensus conclusions of the Blue Ribbon Commission's membership, as the starting point for a comprehensive reappraisal of Maine's delivery of energy assistance to low-income households during future winters.

In the course of nine months of deliberations, the Blue Ribbon Commission has struggled to identify the most promising solutions to these complex problems for the long term. On their behalf, I promise our collective effort to put into place the policy recommendations contained in this report, and thank you for the opportunity of serving the people of Maine.

Very truly yours,

Stephen G. Ward

Stephen G. Ward
Public Advocate

SGW/pjm

State House Station 112, Augusta, Maine 04333 — *Offices Located on* 7th Floor, State Office Building

THE BLUE RIBBON COMMISSION ON ENERGY POLICY FOR MAINE'S LOW-INCOME CITIZENS: MEMBERSHIP

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Stephen Johnson	Maine Public Service	Presque Isle
Douglas Morrill	Brunswick Coal and Lumber	Brunswick
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Robert Philbrook	Maine Assocaition of Independent Neighborhoods	Portland
Christopher St. John	Pine Tree Legal Assistance	Augusta

Government Agencies and Social Service Providers

Kenneth Gordon	Public Utilities Commission	Augusta
Nicola Kobritz	Division of Community Services	Hallowell
Richard Silkman	State Planning Office	Augusta
Dana Totman*	Coastal Economic Development	Bath

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Barbara Alexander	Public Utilities Commission Staff	Augusta
Judd Esty-Kendall	Pine Tree Legal Assistance	Bangor
John Flumerfelt*	State Planning Office	Augusta
Peter Merrill	Maine Oil Dealers Association	Yarmouth

Blue Ribbon Commission Staff

Martha McCluskey	Public Advocate's Office	Augusta

*Working Group Chair

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I. INTRODUCTION

In January 1990 Governor John R. McKernan, Jr. appointed seventeen representatives of the low-income, retail oil, utility and banking communities, along with social service and government officials, to a Blue Ribbon Commission on Energy Policy for Maine's Low-Income Citizens. The Executive Order creating the Blue Ribbon Commission is included as Attachment A in Part V of this Report, together with a description of the Commission's process for meetings and deliberations.

A. EXECUTIVE SUMMARY

The Blue Ribbon Commission has concluded that as many as one out of every five Maine residents may not be able to afford necessary heating and utility expenses during the winter months. The problem is income. These Maine households living near or below poverty do not have the income, from any source, to meet all their basic needs. Energy is just one of several unaffordable necessities.

The government assistance programs for low-income households provide piecemeal and incomplete solutions. Existing programs do not attempt to ensure income adequate for basic needs. Instead, many separate programs offer limited benefits (food stamps, energy assistance, and housing subsidies) in response to specific needs. These benefits make being poor a little less painful, but they do not take people out of poverty. Other programs provide transfer payments to those unable to work in the paid labor force - Social Security, SSI for some people with disabilities, and AFDC for single or unemployed parents of dependent children. These programs (particularly AFDC and SSI) generally do not provide sufficient income to meet basic needs. These transfer payment programs also do not address the problems of the large group of Maine's poor who work in the paid labor force (full time or part time); these households must depend on earnings that are not always sufficient to cover the costs of minimal needs.

This Commission's focus on energy grew out of the particularly pressing needs that resulted from last year's unusually cold weather, recent increases in energy prices, and several years of cuts in federal funding for energy assistance. This Commission takes one step toward resolving the problem of inadequate income by providing recommendations that can direct government resources more effectively toward one basic need of low-income citizens.

The Commission has concluded that more money for energy assistance is crucial to mitigating the problems of energy costs for Maine's low-income citizens. While additional State funding must be part of any reasonably adequate answer, the Commission has also made recommendations designed to make better use of existing resources and for cost-effective energy efficiency investments to reduce the energy needs of the poor over the long run. If we do not answer the problem of unmet energy needs directly and effectively, Maine's low-income community will not be ready for winter - and all of Maine's citizens will bear the costs in the long run.

> Member Quote: Income is the issue. It's been looked at before, in context after context. It's time to face it. - Kenneth Gordon, Chairman, Public Utilities Commission.

B. SUMMARY OF FINDINGS

Poverty:

- Nearly one in five Maine residents may at times lack the resources to pay for basic necessities of life.
- The problem is inadequate income.
- 13% of Maine's population have incomes below 100% of the federal poverty level; nearly 20% have incomes below 125% of the federal poverty level.
- In the last decade, rising costs and declining income have made it more difficult for low-income people to afford their basic needs.

Energy Needs:

- Energy is one basic necessity low-income households often cannot afford.
- Many low-income households pay more than 12% of their income for energy needs.
- Recent increases in energy prices have exacerbated the problem of inadequate resources for meeting low-income energy needs.

Declining Federal Resources:

- Federal energy assistance funds have suffered successive cuts since the mid-1980's.
- The Commission estimates that recent declines in federal resources combined with increased and uncertain energy prices have resulted in a $12 million shortfall in energy assistance funding compared to the mid-1980's.
- The State has increasingly paid for low-income households' energy needs through General Assistance. This has resulted in a sharply increasing burden on Maine's cities and towns.

Inefficiencies in Existing Programs:

- Existing programs providing funds for energy needs are fragmented, often resulting in inconsistent and inefficient delivery of energy services.
- Inadequate resources for energy assistance have led to an emphasis on emergency help rather than on services that will avoid crises.
- Because of inadequate resources for energy assistance, energy efficiency investments that could save money in the long term have been sacrificed to meet acknowledged short-term needs.
- Low-income renters, particularly those dependent on electric space heat in poorly constructed housing, are a group that often faces unaffordable energy bills but cannot take steps to reduce those bills through energy conservation.
- Existing programs do not always distribute benefits to those with the greatest need (defined as highest cost in relation to income).

Costs of Failing to Meet Low-Income Energy Needs:

- Without additional funding for energy assistance, low-income families are at risk of harm to their health, their property, their dignity and even their lives.
- If the energy needs of Maine's low-income families are not met through government assistance, the indirect costs of these unmet needs will necessarily be passed on to Maine residents in ways that are inequitable and inefficient.

C. SUMMARY OF SEVEN POLICY RECOMMENDATIONS

As discussed in detail in this report, the Blue Ribbon Commission urges the Governor, Legislature and private-sector policymakers to implement the following:

Recommendation One: The State should appropriate funds sufficient to meet an estimated $12 million need for additional energy assistance.

Recommendation Two: The Legislature should direct the Department of Human Services to design a Housing Special Needs Program in order to leverage added federal funding for housing and energy assistance to AFDC recipients.

Recommendation Three: The State should target HEAP benefits to households with the highest energy use in relation to income.

Recommendation Four: In allocating fuel assistance among varying programs, Maine should continue to give priority to weatherization funding in order to secure a permanent improvement in low-income dwellings.

Recommendation Five: In order to reduce the bills of low-income renters in apartments heated with electricity, the State should explore techniques for joint financing of energy efficiency improvements to rental units.

Recommendation Six: Utilities should continue to seek the highest levels of participation in cost effective utility-sponsored energy management programs for which low-income customers may qualify at no charge.

Recommendation Seven: In order to enable low-income renters to cope with energy costs more knowledgeably, landlords should disclose energy usage information for rental units, upon request.

II. GOALS AND OPERATING PRINCIPLES

Blue Ribbon Commission members adopted a single overall goal with three component approaches to the problem in their deliberations.

> The Commission's goal is to mitigate the impact of energy costs on Maine's low-income citizens by:
>
> 1) identifying new sources of funding;
>
> 2) increasing the efficiency of existing programs and services through better coordination and design of HEAP, General Assistance, Family Crisis Assistance and ECIP; and
>
> 3) reducing the energy bills of low-income households through cost-effective conservation and efficiency improvements.

These goals are consistent with the Governor's charge to the Blue Ribbon Commission when it was established by Executive Order on January 16, 1990 (see Part V below, Attachment A).

Commission members also adopted general principles for their review of policy options and legislative recommendations. These overall guidelines were the following:

1) Policy recommendations should encourage the efficient use of energy and, to the extent possible, cost-effective conservation of heating fuels over the long term;

2) The costs of meeting the energy needs of Maine's low-income citizens should be distributed fairly among all sectors of society;

3) Energy assistance should be targeted to those households with the greatest energy costs in relation to income, consistent with energy conservation policies; and

4) Any policy recommendations should address the needs of Maine's renters as well as homeowners, given the substantial percentage of low-income households which rent rather than own their homes (43% of households in 1988 with income at or below $10,000).

III. FINDINGS

When the Commission examined the resources available to meet the basic energy needs of Maine's low-income citizens, it found that federal resources have declined, energy prices have risen, and existing resources are sometimes inefficiently delivered. If new policy initiatives are not adopted, these problems will have severe effects.

A. POVERTY IN MAINE

Lack of money is at the heart of the problem. Many Maine citizens do not have incomes that are adequate to meet their basic needs, no matter how creative or disciplined they may be in stretching their budgets.

1. **What is Poverty?**

The federal government sets guidelines for defining poverty each year. The federal poverty level is based on what is determined to be the minimum budget required to provide the most basic food, clothing and shelter for a family of a given size. A family of 3 with an income below $10,560 is below the 1990 poverty level.

1990 FEDERAL POVERTY GUIDELINES

FAMILY SIZE	POVERTY LEVEL INCOME
1	$ 6,280
2	8,420
3	10,560
4	12,700
5	14,840
6	16,980
7	19,120

For each additional household member, add $2,140.

Source: OMB. Published in Federal Register, Feb. 16, 1990.

Member Quote: "Looking at those figures, people in this group would say there is no way I could live on that." - Stephen Ward, Public Advocate.

2. How Many Maine Residents are Poor?

About 13% of Maine's population live in households with an income below the federal poverty level. This amounts to about 150,000 people.

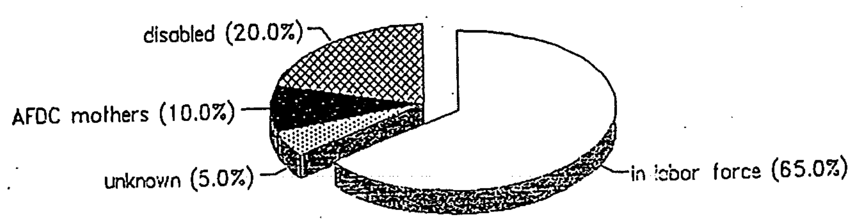
Compared to other states, Maine has a large number of "near-poor," defined as households with income between 100% and 125% of the poverty level. These near-poor households have a standard of living similar to households with incomes below the poverty level. Many of Maine's near-poor frequently fall below the poverty level for periods of time. Households with incomes within 125% of the poverty level are eligible for energy assistance programs. Adding those with incomes below 125% of poverty as well as those below the poverty level, the total number of Maine residents living near or below poverty is 225,000 - nearly 20% of Maine's population.[1]

Reference: Joyce Benson, Poverty Today: Key Factors and Trends (Maine State Planning Office: March 1990) (see Part V, Attachment C).

3. Who are Maine's Poor?

Most of the poor in Maine live in households with a working adult. By 1980, the primary cause of Maine's poverty was underemployment and the declining value of wages. Two thirds of the families below poverty have at least one member in the workforce; less than half of these workers had jobs all year long.

Adult Household Heads below Poverty Workforce Status, 1980 Census



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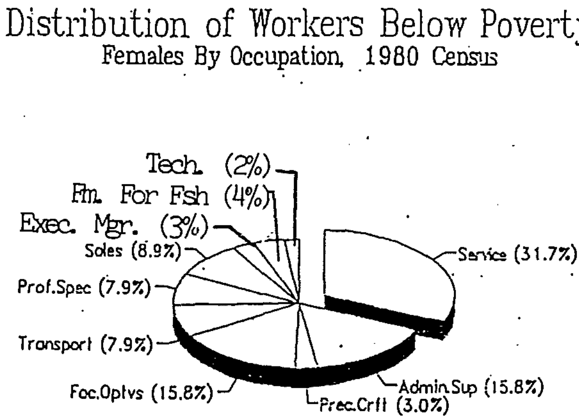
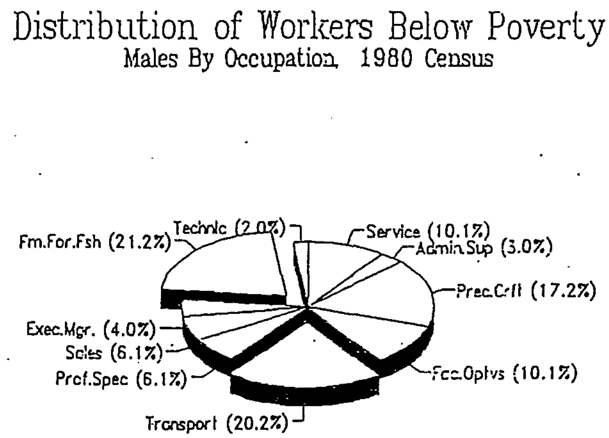
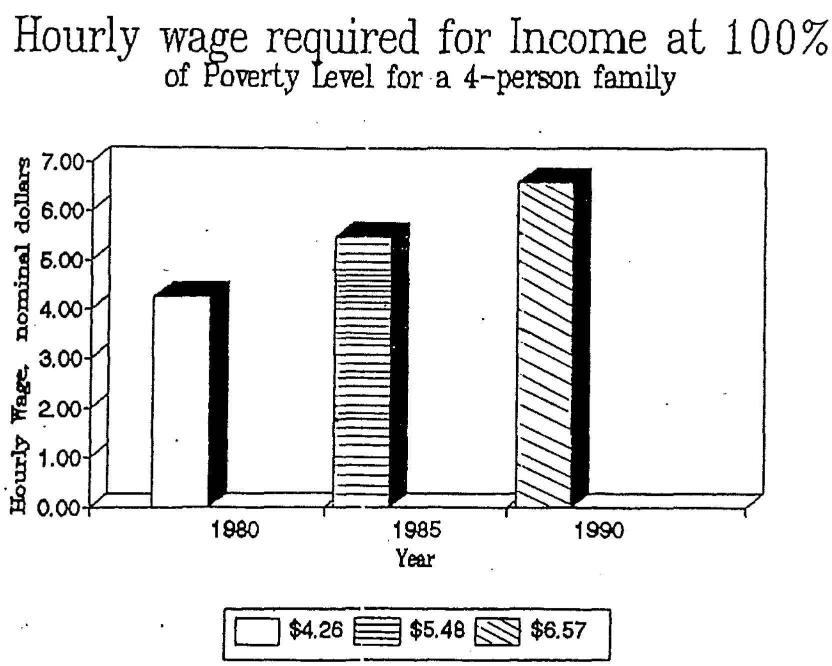
[1]This report will use the term "poor" and "low-income" to include the near-poor as well as those currently below 100% of the poverty level, since the near-poor are often unable to pay for their basic needs and often move in and out of poverty.

The poor are concentrated in low-income jobs and in jobs with frequent periods of unemployment. 1980 census data showed that one third of poor women in the labor force were service workers, compared to only 15% of the total workforce. Forty percent of men living below poverty worked in natural resources and transportation.





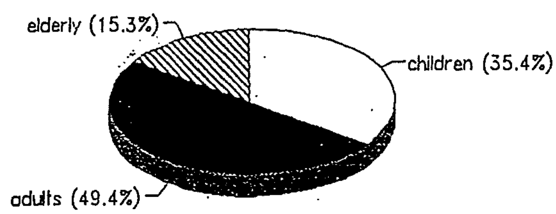
By 1990, a full time hourly wage of $6.57 was required for a family of 4 to stay at 100% of the poverty level.



Economic downturns particularly affect the poverty rate in Maine because of the large numbers of poor in the workforce. Periods of unemployment are likely to cause Maine workers living near poverty to fall below the poverty level. But economic prosperity generally does not "trickle down" to these workers enough to raise their income above near-poverty.

The demographics of poverty have changed in Maine in the last 20 years. During this period, the number of one-person households living below the poverty level has doubled. The number of families with a single female parent has increased threefold; one third of these families live in poverty. Although the number of elderly living below the poverty level decreased in the 1970's and 1980's, more than a third of Maine's elderly have incomes under 125% of the poverty level.

Age Distribution of the Poor in Maine
1980 Census



Poverty in Maine is highest in rural areas. The greatest increase in poverty in the 1980's was in suburban areas; high housing costs have contributed to the rise in suburban poverty. Urban areas have the highest proportion of single parent households and single person households living near or below poverty. Compared to the poor in other areas, the rural poor are more likely to have seasonal work or to be self-employed. The rural poor are more likely to own their homes, while low-income renters are concentrated in urban areas.

Reference: Joyce Benson, <u>Poverty Today: Key Factors and Trends</u> (Maine State Planning Office: March 1990) (<u>see</u> Part V, Attachment C).

4. How has Disposable Income Changed?

a. Rising Housing Costs

Housing is a central problem for the poor in Maine. In the last decade, property taxes and rental costs for low-income households have risen at a higher rate than wages and government transfer payments. More than half of Maine renters with incomes less than $10,000 paid more than $300 a month on rent.

The Department of Housing and Urban Development establishes Fair Market Rents representing the amount needed to rent modest (non-luxury) housing that is "decent, safe, and sanitary." In urban areas of Maine, current HUD Fair Market Rents for a 2-bedroom apartment range from $488 a month in Lewiston-Auburn to $682 a month in Portland. In rural areas, current Fair Market Rents for 2-bedroom apartments range from $396 a month in Piscataquis County to $604 a month in York County. In contrast, the 1985 HUD Fair Market Rent for a 2-bedroom apartment was $365 for Lewiston-Auburn, $450 for Portland, $340 for Piscataquis County and $425 for York County.

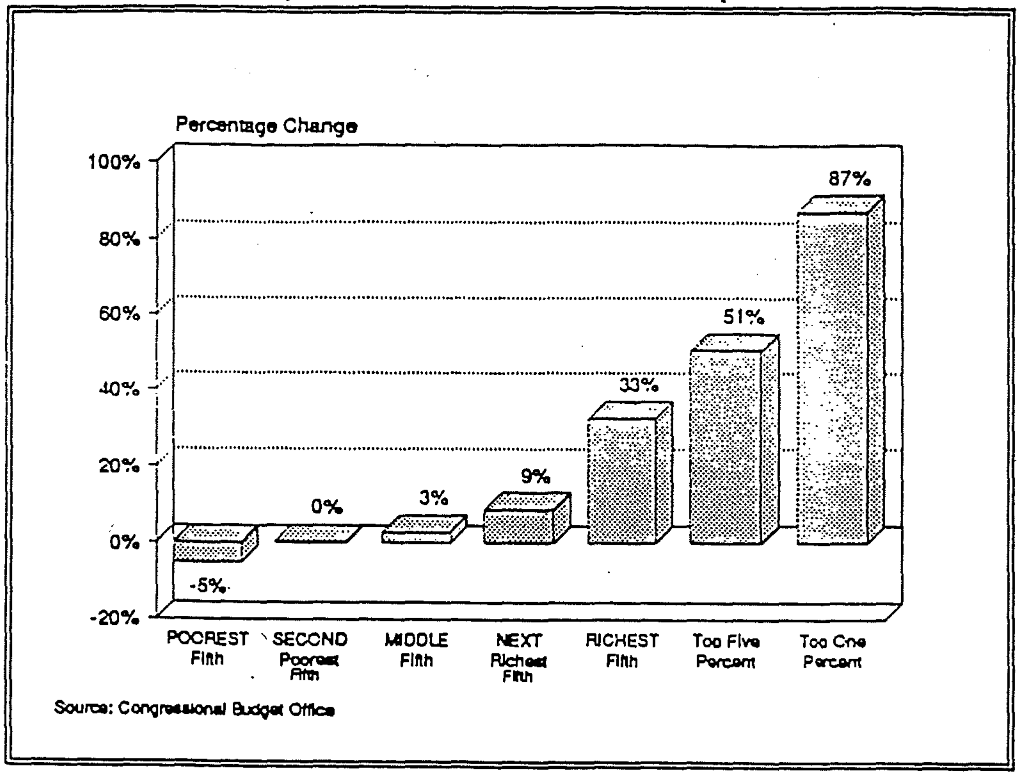
Affordable low-income housing in Maine is in critically short supply. At the same time as housing costs have increased, Federal investment in new low-income housing and funds for housing subsidies have dwindled. Subsidized housing units have long waiting lists. A 1989 survey sponsored by the Maine State Housing Authority indicated that although 44% of renters in Maine are eligible for government rent subsidies, only 18% receive them; 86.7% of those in subsidized rental units were over 65 years old or under 35 years old. Federal rental assistance contracts will expire on more than 4,500 units of subsidized housing in Maine by the year 2000. When these contracts expire, rental assistance will be lost and some units could be converted to middle or upper income housing.

References: Maine State Housing Authority, <u>An Overview of Maine Housing</u> (September 1989) (<u>see</u> Part V, Attachment B). For HUD Fair Market Rents, <u>see</u> 55 Federal Register 40044, 40066-7 (October 1, 1990); 49 Federal Register 27658, 27661 (July 5, 1984).

b. Decreasing Income

Many low-income families have felt the pressure of declining income on top of increasing expenses. On a national level, the poorest fifth of the population has suffered on average a 5% decrease in household income over the last decade. In 1980, the average annual after-tax income of the poorest fifth was $7,357; by 1990 the average income of this group had decreased to $6,973.

Average After-Tax Income Gains and Losses Between 1980 and 1990, By Various Household Income Groups



Reference: Greenstein and Barancik, Drifting Apart: New Findings on Growing Income Disparities Between the Rich, the Poor, and the Middle Class (Center on Budget and Policy Priorities: July 1990).

B. THE COST OF STAYING WARM

1. Heating Sources

Home heating oil is the primary heating source for Maine's low-income citizens. Of Maine's low-income households receiving federal energy assistance, approximately 68% heat primarily with oil, and about 17% statewide heat with electricity.[2] Wood is also used as a primary or secondary heating source by many low-income households; in 1988/89, 20% of households with an annual income below $10,000 obtained at least some heat from wood. Other sources of heating fuel include coal, propane and natural gas. In addition, since the mid-1970's, many households have increased their reliance on energy efficiency improvements -- such as weatherization, insulation, and furnace improvements and maintenance -- to reduce their heating needs.

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[2]Electric baseboard units heat a larger share of dwellings in the southern part of the state than in eastern or northern Maine.

References: Maine State Planning Office, Survey of 1989/90 Androscoggin County LIHEAP Recipients (see Part V, Attachment F); Maine Office of Energy Resources, Residential Energy Use in Maine (July 1989).

2. Annual Energy Expenses

The average annual residential energy expense for Maine's low-income households in the last two years has been approximately $700 for heating (for those who heat with oil) and $600 for electricity (for needs other than space heating). Fuel oil bills of over $160 a month in the winter are typical. Low-income households tend to use less energy than those with higher incomes. Some possible explanations for this difference are that low-income households generally have smaller homes, fewer appliances, or may heat their homes at lower temperatures than households with higher incomes.

While this Report focuses primarily on the impact of heating costs on low-income households, heat cannot be easily separated from other energy and housing expenses. Electricity is necessary to run some heating systems that use other fuels. Many households will not be able to turn on their furnaces if they can't pay their electric bills. Housing problems also add to energy problems: homes that are in poor repair or are poorly insulated may be difficult to heat adequately.

The estimated average annual heating bill of $700 does not reveal the high energy costs that some low-income families face. Bills of over $250 a month for electric space heat are not unusual. Nearly 15% of LIHEAP clients surveyed in Androscoggin County had annual oil bills of over $1100; over 30% of LIHEAP clients heating with electricity spent over $940 on heat (not including electricity for other needs). These estimated annual costs may not include the costs of wood heat used by many households as a supplementary heating source.

Low-income households who rent poorly insulated homes and heat with electricity are likely to have particularly high energy costs. Landlords and builders often install electric heat in rental units due to the reduced capital costs of baseboard heating systems. Because of tight markets for low-income rental housing, the lower costs of installing electric heat are not necessarily passed on in the form of reduced rent.

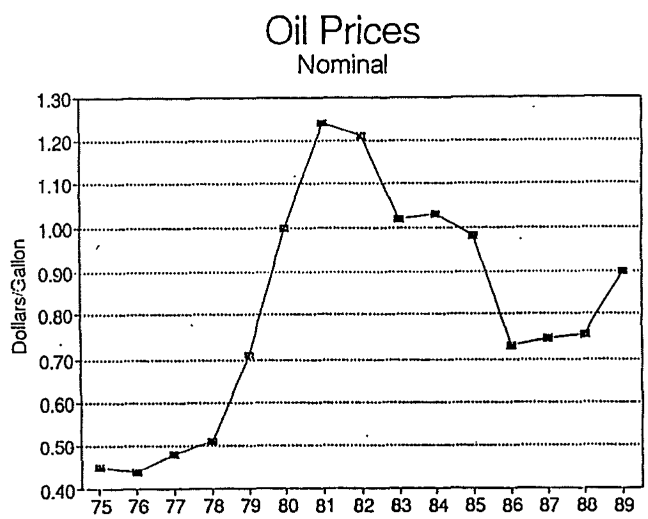
References: Maine State Planning Office, Survey of 1989/90 Androscoggin County LIHEAP Recipients (see Part V, Attachment F); National Consumer Law Center, Energy and the Poor: The Forgotten Crisis, Table 1 (1989).

3. Rising Energy Prices

From the mid to late 1980's, Maine residents generally benefited from stable or declining oil prices and electric rates that, on average, stayed the same or increased at a lower rate than inflation. But in the past year this favorable situation has changed, and prices for the future are uncertain.

Oil prices have recently risen sharply as a result of events in the Mideast. Prices of other fuels have risen along with oil prices. At the end of September 1990, home heating oil prices in Maine averaged $1.20 a gallon. In October 1990, prices rose to $1.40 a gallon in some parts of the state, although Southern Maine had prices as low as $1.04. By mid-November, oil prices averaged $1.15 statewide.

In contrast, the average oil price for the 1989/90 heating season was $ .90 a gallon. For the three previous winters, from 1986/87 through 1988/89, the average oil price stayed between $ .73 and $ .76 a gallon. If oil averages $1.20 a gallon this winter, last year's average annual heating expense of $700 for low-income families could increase by 33% to $931.



Reference: Oil prices are from State Planning Office data.

Those who heat with electricity have not escaped increasing prices. Customers of Central Maine Power Company and Bangor Hydro-Electric Company (which together serve approximately 83% of the State's residential electric customers) saw their electric bills go up in 1990. Customers of CMP, BHE and Maine Public Service can expect further increases in 1991.

Rising Residential Electric Rates: 1990-91 Compared to 1989

CMP:	15%	increase in effect by January 1991
	6%	projected fuel cost increase for July 1991
	8%*	increase requested in pending rate case
BHE:	11%	increase in effect in October 1990
	11%	projected fuel cost increase for October 1991
MPS:	7%*	increase requested in pending fuel cost case
	7-8%*	estimated increase to be requested in 1991 rate case

*These are the amounts requested by the Company. The Public Utilities Commission will decide the actual rate increase; in recent history, the Commission has rarely approved the full rate increase requested by an electric utility.

4. Paying for Energy with Income Below Poverty

In recent years when energy prices were relatively low, many low-income families still could not afford to pay for energy, simply because their incomes were insufficient to cover all of their basic needs. For households below the poverty level, paying 12% or more of annual income for heat is a heavy or even impossible burden on top of other basic expenses. In some areas of the State, housing costs, excluding energy, often amount to more than 50% of the poverty level -- or, in other words, more than 100% of a typical AFDC family's income. These households are simply unable to pay for heat without assistance.

Even when annual energy costs are less than 12% of income, these low-income families face constant crises from lack of money. Large energy bills during periods of cold weather are likely to be unaffordable, but even smaller energy bills may be unmanageable when medical needs, car problems or housing costs become pressing.

Average Energy Costs for Oil Heat Customers as a Percentage of Income

	With Oil At $.90/ Gallon	With $280 Annual HEAP Benefit	With Oil At $1.20/ Gallon	With $280 Annual HEAP Benefit
Poverty level, family of 3:	12%	10%	14%	12%
AFDC, Family of 3:	24%	19%	28%	23%
SSI, Single Person Household:	28%	22%	33%	27%
Social Security, Single Person Household:	20%	16%	23%	19%
Median Income Family	5%		6%	

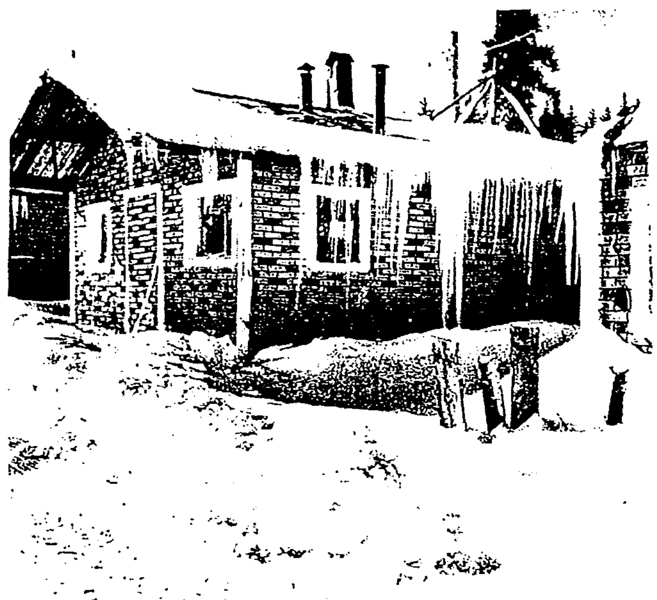
Assumes $600 average non-heating electricity costs; $700 annual heating costs with oil prices at $.90/gallon and $931 with oil prices at $1.20/gallon. Assumes no additional income for recipients of AFDC, SSI, or Social Security.

a. Poverty Level Income

Even before the increases in energy prices of the past year, a family of three with an income at 100% of the poverty level spent, on average, about 12% of its income on energy costs. If heating costs rise an average of 33% from 1989, the same household would spend 8.8% of its income for the same amount of heat, and more than

14% of its income on energy. In contrast, median income families in Maine paid an estimated average of 5% of their income for all energy in 1989.[3]

Low-income people who rent homes heated with electricity spend an even higher proportion of their income on energy. A study by Central Maine Power Company in January 1990 indicated that the annual electric bill for low-income renters heating with electricity is $1,500, or about 15% of household income for a family of 3 at poverty level. Since CMP's rates will increase 15% by January 1991, the percentage of income spent on energy for these households will rise to 16.3%.



The following example shows how energy costs may affect the budget of low-income households. A family of 3 with an income at 100% of poverty might typically spend $300 for rent, $260 for food, $168 for transportation and $35 for household supplies each month. With energy prices at last year levels and average energy use, this family would have $9 left each month for clothing, medical needs and any other expenses. With oil prices at $1.20, but no changes in other expenses, this same family's monthly expenses would rise to $11 more than its monthly income.

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[3]Maine's median household effective buying income was $24,769 for 1989. (Effective buying income is a measure of disposable income arrived at by subtracting certain taxes.) Energy costs of $1300 (heat and non-heating electricity) would amount to 5% of that median annual income.

MONTHLY EXPENSES FOR FAMILY OF 3 AT POVERTY: ONE EXAMPLE[4]

Income	$880/month
Expenses	
Rent	$300
Household Supplies	$35
Transportation	$168
Food	$260
Energy (heat & other energy; assumes oil at $.90/gallon)	$108
Total Expenses	$871
Income remaining for clothing, medicine and other needs	$9
Income remaining including $280 annual HEAP benefit	$32

* * *

With oil prices at $1.20/gallon (all other items same as above)	
Energy (heat and other energy):	$128
Total expenses	$891
Income remaining	-$11
Income remaining including $280 annual HEAP benefit	$12

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[4]Over half of Maine families with income below $10,000 pay more than $300 for rent; HUD-estimated "fair market rents" for a two-bedroom in Lewiston are currently set at $488 per month, and at $682 per month in Portland. See Maine State Housing Authority, Overview of Maine's Housing, Table 11 (Part V, Attachment B); 55 Federal Register 40044, 40066-7 (October 1, 1990). General Assistance ordinances in Maine set $35 a month for household supplies and $260 a month for food as the maximum payable for a family of 3. See Part V, Attachment E. The National Consumer Law Center reported $168 as the average monthly transportation expense for low-income families nationally (based on the U.S. Consumer Expenditure Survey). See National Consumer Law Center, Energy and the Poor: The Forgotten Crisis at page 18 (May 1989).

b. AFDC

Aid to Families with Dependent Children (AFDC) is a source of income available to single parent families with dependent children and to two-parent families with an unemployed parent. Although Maine ranks among the 20 states with the highest average monthly AFDC payments, Maine's AFDC grants are significantly below the poverty level. For example, Maine's grant of $453 a month for a family of 3 provides an income of only about 50% of the poverty level.[5] At 50% of the poverty level, with no other income, a family of 3 could expect to pay nearly 13% of its income on heating fuel alone, with oil prices at last year's levels. If oil costs $1.20 a gallon, the same family would need to pay over 17% of its income on heat and 28% of its income on total home energy expenses.

c. SSI

Supplemental Security Income (SSI) is a source of income available to people who are over age 65 or disabled with limited income and resources. A typical benefit for a homeowner with no other income would be $386 a month. At current energy prices and average consumption, that household would spend 15% of its income on heat alone and 28% of its income on all home energy costs. And this may not be adequate heat even if it were affordable: the elderly and people with certain disabilities may have above average heating needs because they are particularly vulnerable to hypothermia.

d. Social Security

One third of elderly Maine residents depend on Social Security as their sole source of income. The average Social Security benefit is $537 a month per person. An elderly person living alone with the average Social Security benefit and average energy use would spend about 11% of his or her income on heat and 20% on all energy costs. With a 33% increase in heating costs, that elderly person would need to spend over 14% of income on heat alone and 23% of income on total energy costs. More than 65% of Maine's elderly have a household income of less than $10,000, which means they would spend, on average, at least 13% of their income on energy costs at last year's oil prices, and more than 15% at an oil price of $1.20 a gallon.

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[5] Maine's AFDC program sets a standard of total need which determines the total amount of income a family can receive and still obtain AFDC benefits. The 1990 standard of total need for a family of 3 was $516 a month for all housing, energy, food, clothing and other expenses. The maximum AFDC grant pays only part of this already low standard of need.

References: Maine Committee on Aging; Maine State Housing Authority, An Overview of Maine Housing (September 1989) (see Part V, Attachment B), Final Report of the Commission to Evaluate the Adequacy of the AFDC Need and Payment Standards (February 1990).

C. DECLINE IN RESOURCES FOR ENERGY ASSISTANCE

> Member Quote: "The safety net has a very wide weave in many places, with big holes." - Judd Esty-Kendall, Attorney, Pine Tree Legal Assistance.

1. LIHEAP

Assistance to enable low-income families to meet their basic needs is appropriately provided through government. The primary government program designed to help low-income families with heating costs is the Low-Income Home Energy Assistance Program (LIHEAP). This federally funded program is administered by Maine's Division of Community Services (DCS) and operated through eleven Community Action Program (CAP) agencies and two municipalities.

LIHEAP does not attempt to cover the full cost of energy for low-income households, nor does it directly solve the underlying problem of inadequate incomes for those in poverty. Instead, it was developed to raise the standard of living of those in poverty to a more tolerable level, and to mitigate the impact of the energy price increases of the 1970's on low-income households.

LIHEAP benefits are available to households with income below 125% of poverty and persons with incomes up to 150% of poverty who are elderly, disabled or who have children under the age of two. More than half of all LIHEAP households in Maine have annual incomes below $8,000.

Maine operates four LIHEAP programs: HEAP, the regular energy assistance program; the Energy Crisis Assistance Program (ECIP) for emergency benefits; a weatherization program; and the Central Heating Improvement Program (CHIP) for furnace repairs and retrofits. For the 1990/91 heating season, Maine expects to receive a federal grant of $18.7 million, with an estimated carry-forward of $544,000 from the prior year.

This grant will allow a projected average HEAP benefit of $280 for this winter.[6] This represents an increase over last year's

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[6]The $280 HEAP estimate does not include any transfer of Oil Overcharge funds from Stripper Well federal court decisions to the HEAP and ECIP programs. The Administration has recommended

average benefit of $245. Although the federal funding level has not changed, this year DCS will allocate a larger percentage of Maine's LIHEAP grant to HEAP rather than to ECIP. Benefits will range from $100 (or less, for residents of subsidized housing units with a cap on shelter costs) to a maximum of $550. The actual HEAP benefit an applicant receives is determined based on a matrix which ranks applicants according to general categories for income, family size, geographic region, housing type and fuel type.

In 1989/90, 52,940 households received HEAP benefits. This number was up from about 51,000 the previous year, although in past years higher numbers of clients were served (60,171 in the 1985/86 heating season). Maine's HEAP program provides benefits to about half of those who are potentially eligible. This was the highest participation rate of eligible clients in the country based on the most recent national survey.

For this winter, ECIP will provide a maximum of $200 per household annually for emergency fuel, for electric utility disconnection emergencies, or for emergency heating system repairs. Last year the maximum ECIP benefit was $340. ECIP provides emergency benefits within 48 hours of application. ECIP benefits are dependent on available funds; after funds for the year are exhausted, eligible applicants with emergencies will not get assistance.

Reference: Maine Division of Community Services, LIHEAP Overview (see Part V, Attachment D).

2. Reductions in Federal Funding for LIHEAP

In the mid-1980's, when energy prices were relatively low, federal LIHEAP funding protected many Maine low-income families from the harshest effects of unmet heating costs. Recently, however, LIHEAP funds have declined to the point where federal assistance is not adequate to prevent serious hardship for significant numbers of low-income households in Maine, particularly if energy prices continue to rise.

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that the $1 million in Oil Overcharge funds available this year be transferred to HEAP. If approved by the Legislature, the average HEAP benefit for 1990/91 would rise to $300. Nonetheless, increased numbers of eligible applicants could result in lower than projected average benefits.

Congress has reduced LIHEAP grants each year from 1985 to 1989. In 1985/86, Maine received a total grant award of about $26.5 million. After administrative costs, this left $22.6 million for program funds. By 1989/90, federal cuts had reduced Maine's total grant to $18.7 million with about $15 million available for program funds. This translates into more than a 33% reduction in program funds from 1986 to 1989, not considering inflation or fuel costs.

Maine's grant is expected to stay the same for this coming winter.[7] Maine has been successful in maintaining its high participation rate despite federal cuts and has trimmed administrative costs to maximize program funds. Maine has also supplemented its LIHEAP funds with its federal Oil Overcharge funds (discussed below in Section 4(a)).

LIHEAP Grants
(in millions)

Year	Grant Award	Program Funds*
1985/86	$26.6	$22.6
1986/87	$24.5	$21.5
1987/88	$20.6	$19.6
1988/89	$18.6	$18.2
1989/90	$18.7	$14.9
1990/91	$18.7	$17.4

*Program Funds determined by subtracting administrative costs from grant amount and adding carryover funds from the prior year.

Taking into account the effect of changing energy prices on purchasing power, Maine's LIHEAP grant now buys about 9 million fewer gallons of fuel oil than it did five years ago, and nearly 15.5 million fewer gallons than it did four years ago. To purchase the same amount of energy for Maine residents as it did in 1986/87, LIHEAP funding would now have to be increased by $18.5 million.

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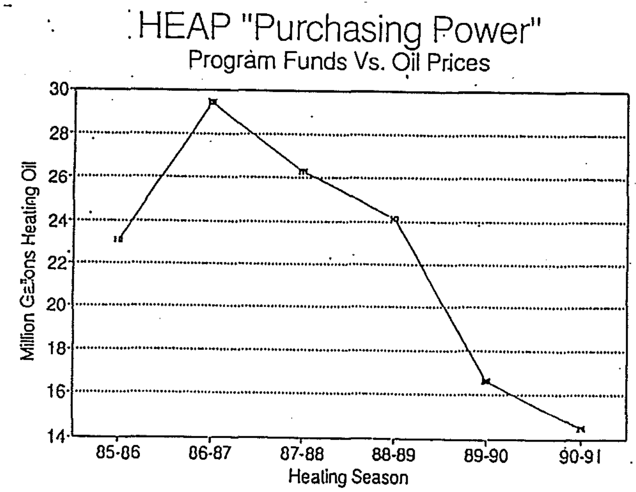
[7]Congress recently approved an "energy emergency contingency fund" as part of its LIHEAP appropriations for this year. Under this provision, Maine may qualify for additional LIHEAP funding this winter (approximately $4 million) if the national average heating oil price for December 1990, January 1991 or February 1991 is at least 20% higher than the average price for the corresponding month for the four prior years. <u>See</u> Part V, Attachment I.



Assumes $1.20 1990/91 oil prices.

In 1986/87, the average HEAP benefit was $311, which purchased an average of 426 gallons of oil based on an oil price of $.73 a gallon. In contrast, this winter's average HEAP benefit will purchase only 238 gallons of oil at $1.20 a gallon.

Average HEAP Benefit	
1985/86	$316
1986/87	$311
1987/88	$295
1988/89	$297
1989/90	$245
1990/91	$280 (estimated)[8]

The New England average for HEAP benefits was $436 in 1988/89 and $402 in 1989/90. Maine's average benefit was the lowest in New England, partly because Maine, unlike other states, serves certain households with incomes up to 150% of poverty. In addition, Maine had the highest emergency benefit in New England ($400) during these years.

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[8]The projected 1990/91 average benefit would increase to $300 if Oil Overcharge fuels are used to supplement the LIHEAP grant.

Reference: Maine Division of Community Services, LIHEAP Overview (see Part V, Attachment D).

> Member Quote: "It goes to show that there aren't enough HEAP dollars to meet the need." - Richard Crabtree, Senior Vice President, Central Maine Power Company.

3. Estimates of Funding Gap

The Commission has estimated that the long term unmet need for energy assistance is $12 million, based on an average of four estimates that range from $6 million to $19 million. This is the amount of money Maine would need to add to its 1990/91 LIHEAP grant to purchase the same amount of heating oil as it did in the mid-1980's. The four different estimates of the shortfall in LIHEAP purchasing power result from using two different base years (1985/86 and 1986/87) and two methods of calculating the money available (difference in purchasing power of total LIHEAP program funds and difference in purchasing power of average HEAP benefits).

Funding Gap Estimate

	Gap from mid-1980's
Purchasing power of LIHEAP Block Grant, Program Funds:	$11 million gap from 1985/86
	$19 million gap from 1986/87
Purchasing power of HEAP benefits:	$6 million gap from 1985/86
	$12 million gap from 1986/87
Average of these estimates:	$12 million gap

Based on home heating oil purchasing power, with an average oil price of $1.20. Assumes 53,000 HEAP clients. Workpapers for this estimate are in Part V, Attachment G.

A $12 million increase in funding would result in a level of energy assistance within range of what was available to Maine residents several years ago in the mid-1980's, taking into account energy price increases.[9] Even that level, however, is simply a measure of a tolerable level of protection. It will not ensure that Maine's low-income families will be fully able to pay for their basic energy needs.

4. Other funds for basic energy needs

Cuts in federal funding for social programs over the last few years have resulted in heightened pressure on State resources. Federal budget problems are likely to continue to dampen prospects for substantial increases in LIHEAP grants in the future. For both reasons, low-income energy needs are increasingly met through municipal General Assistance programs.

> Member Quote: "We are robbing Peter to pay Peter." - Robert Philbrook, Representative of the Low-Income Community.

a. Federal Oil Overcharge Funds

One temporary source of funds Maine has used to supplement federal energy assistance grants has been the money awarded by a federal court to states over a period of years to reimburse consumers for overcharges by national oil companies. States can use this money for direct energy services within certain guidelines. Last year, Maine allocated $1.9 million in Oil Overcharge funds to DCS; $1.3 million of this was used for ECIP and $.4 million for CHIP. Over a period of years in the mid-1980's, Maine also used $7.6 million in Oil Overcharge funds for weatherization.

Oil Overcharge funds available to Maine are declining and are expected to run out by 1994. Maine received a total of almost $25 million from 1985 to 1989, but no more than $1 million is expected for this year and each of the next few years. The

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[9]These estimates assume oil prices averaging $1.20, the October 1990 statewide average. Oil prices over the long term remain highly uncertain. If future oil prices return to last year's levels (an average of $ .90 a gallon) the long-term shortfall compared to the mid-1980's will range from $3 million to $10 million, for an average of $6.5 million.

The Commission has estimated the current short-term unmet need as $3 million, which would represent the decline in LIHEAP purchasing power this year compared to last year due to increased energy prices; this short-term gap ignores the decline in LIHEAP funds in prior years.

reduction in Oil Overcharge funds has not been included in this Commission's estimate of the shortfall in energy assistance funding, but this reduced funding will make it more difficult for the State to meet low-income households' energy needs.

b. Family Crisis

The Maine Department of Human Services provides limited energy emergency benefits to AFDC recipients through its Family Crisis Assistance program. Family Crisis operates under the federal Emergency Assistance Program providing federal matching funds on a 50/50 basis.[10] In 1989/90, the Family Crisis program spent a total of $1,326,864. $648,755 was used for energy emergencies, almost all of which went to avoid electricity disconnections. The maximum energy benefit available is $300 per application; a household is eligible only once per calendar year.

Family Crisis may take up to 10 days to process applications - a relatively long time for an emergency program. If funds are exhausted, eligible clients facing emergencies cannot get benefits. Last year, however, the State did appropriate additional funds after benefits were projected to run out.

c. General Assistance

General Assistance (GA), commonly known as "welfare," is the primary safety net for low-income households. GA is operated by municipalities under State law and State supervision. The State shares responsibility with municipalities for funding GA according to a formula by which State funds reimburse between 50% and 90% of local costs. Although delivery of GA benefits to eligible families has generally improved in recent years, the quality of the programs operated in 450 towns is uneven.

General Assistance spending has increased sharply in the last decade. This past year (1989/90), municipalities spent at least $14.9 million for GA - a 37% increase over the prior year. At least 80% of these GA expenditures ($11.9 million) will be funded by State General Fund appropriations. Local property taxes will fund the remaining $3 million. In fiscal year 1988/89, municipalities spent nearly $11 million on GA statewide; 61% of this amount was reimbursed by the State. Many municipalities expect that expenditures will rise sharply this winter.

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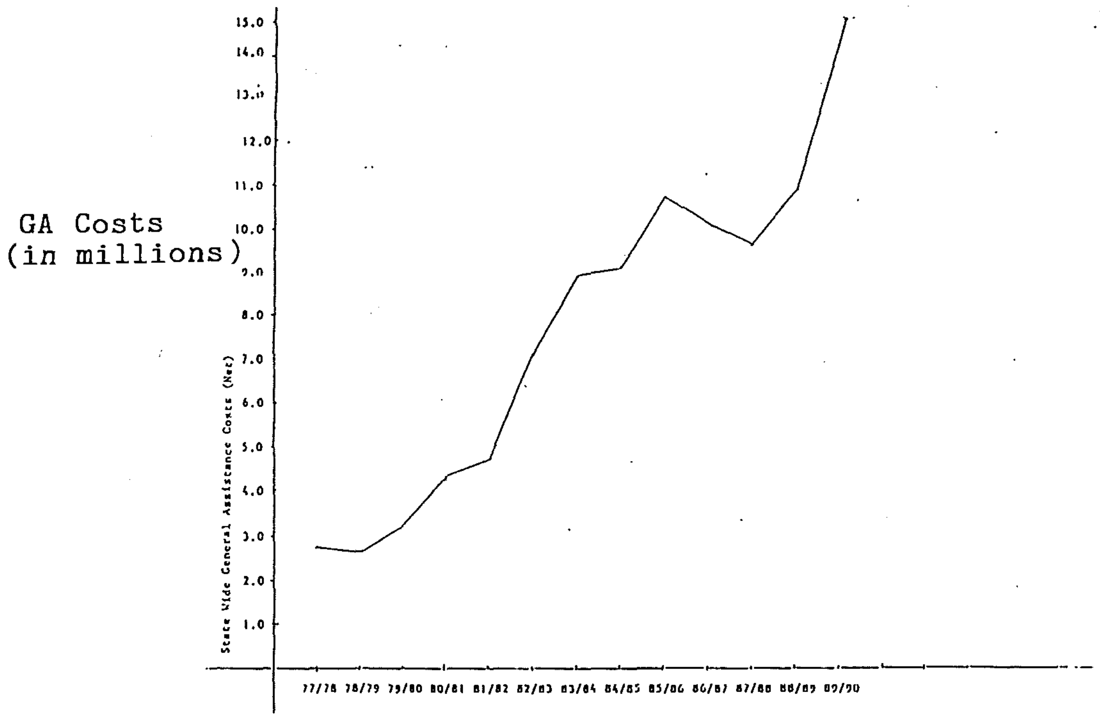
[10]Federal regulations allow states the option of offering Emergency Assistance Program benefits to all families with children within income guidelines, not just AFDC recipients (who must have an absent or unemployed parent).

GENERAL ASSISTANCE PAYMENTS



GA is an entitlement: an eligible individual cannot be denied benefits for lack of money. Municipalities are guaranteed reimbursement by the State regardless of whether adequate funds have been appropriated by the Legislature. As a result, cuts in federal and State funds for other programs lead to increasing pressure on GA to fill the gap.

GA provides assistance for people who can show that their income is insufficient to cover basic necessities. Maximum benefits are set by ordinance.

GA also provides emergency benefits for applicants facing threats to life, health or safety. Maximum benefit amounts do not apply to emergency GA benefits. Nevertheless, under State law, municipalities are not reimbursed for GA expenditures on bills more than 2 months old, unless applicants can document need at the time the bills were incurred. <u>See</u> 22 M.R.S.A. Section 4308(a)(b). As a result, GA applicants facing electricity disconnection because of unpaid back bills may not be able to get assistance.

Reference: Maine Municipal Association, <u>General Assistance Overview</u>, (<u>see</u> Part V, Attachment E).

d. Ratepayer Funding for Electric Utility Discount Rates

In some states, electric utility rates are set with a discount (35% in the case of Massachusetts) for low-income customers who are certified eligible for public assistance. Other states have experimented with programs which hold utility costs to a fixed percentage of income for low-income households qualifying for LIHEAP benefits. These so-called Percentage of Income programs are currently being tested in Pennsylvania and elsewhere. Both types of programs attempt to meet a portion of low-income energy needs by increasing utility prices for all other customers to a level sufficient to fund a discounted low-income rate. Maine briefly experimented in the late 1970's with a similar approach - a lifeline electricity rate for low-income elderly customers. Although the Legislature authorized a one-year trial of this approach, it was never renewed following completion of the trial.

At present, there are no discounts in electricity rates in Maine for low-income customers. However, ratepayers do routinely assume one cost associated with unaffordable energy costs for Maine's poorest households. Rates for all regulated utilities incorporate the uncollectible expense of low-income customers' unpaid bills in the cost of service, distributing this expense among remaining ratepayers. In the case of Central Maine Power, uncollectible expense has approximated $2 million per year in recent years; in 1989 it moved to more than $3 million.

Based on a recent Public Utilities Commission decision, there is no prospect that Percentage of Income or lifeline approaches will be approved by the Commission in the near future. On October 31, the Public Utilities Commission rejected a CMP proposal for the creation of a one-year Percentage of Income program (called the Affordable Payment Arrangement program). CMP's proposed program would have operated in Androscoggin and Oxford counties on a trial basis with an estimated 200 to 250 participating households. The proposal would have covered customers who heat with electricity, who are eligible for HEAP benefits and who consented to all CMP weatherization services for which they qualify.

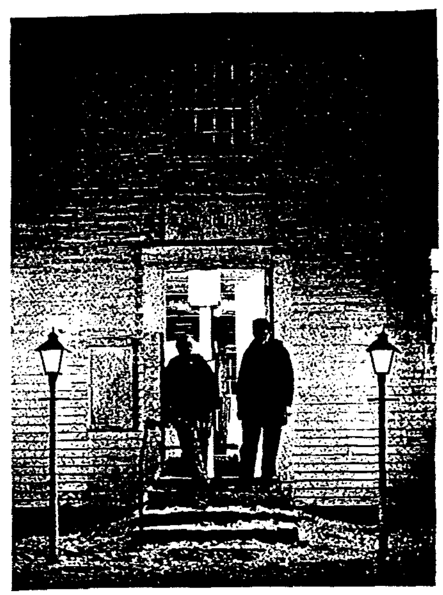
In its final decision rejecting the APA pilot, the PUC stated that, "proposals which call for redistribution of income and involve what is in effect taxation are in general best left to legislative processes." The decision also pointed out that the fairness of such a scheme was questionable, inasmuch as only a small proportion (17%) of low income Maine consumers heat electrically. The majority of low income consumers who heat with oil or other fuels would contribute to the program along with non-low income consumers, but receive no benefits whatsoever in return.

In addition, the Public Utilities Commission concluded that the arguments suggesting such a program could reduce the costs of uncollectible accounts, and thereby benefit all ratepayers, were not sufficiently convincing to warrant the proposed experiment. Lastly, the PUC indicated that adoption of such a program would mark a departure from the State's movement toward cost based rates. Both federal and State law have encouraged this trend toward cost based rates, which is likely to bring benefits to all Maine's consumers over the long term. The full text of the PUC's October 31, 1990 decision regarding a ratepayer-funded Percentage of Income program is provided in Part V as Attachment H.

e. Voluntary Fuel Fund

Other states have sought additional energy assistance funding through fuel funds supported by voluntary contributions from customers of energy suppliers. These programs generally work by providing additional line on energy bills which allows customers to add a voluntary contribution with their payment. Commission members decided not to recommend establishment of fuel funds in Maine because of doubts about whether significant amounts of money could be raised and concerns about administrative costs. In addition, some Commission members expressed concern that such programs would lead to increased pressure for involuntary contributions from the private sector.

D. INEFFICIENCIES IN CURRENT PROGRAMS



1. Fragmented Benefit Programs

Existing energy assistance programs are fragmented. ECIP, Family Crisis and General Assistance provide separate benefits for emergencies. Low-income people may have to travel to the local CAP agency, one of eleven regional Department of Human Services offices and their town office to get all the assistance for which they are eligible. Some of these programs many require more than one trip to respond to complex income verification requirements. Separate documentation of need must be presented and processed for LIHEAP benefits, Family Crisis and GA.

Particularly in rural areas, the fragmented process can result in considerable time, expense and frustration for low-income households. It may discourage some who need assistance from applying. In addition, requiring the same person to go through separate intake and verification processes for each program results in redundant administrative expenses that could be avoided by a more coordinated system.

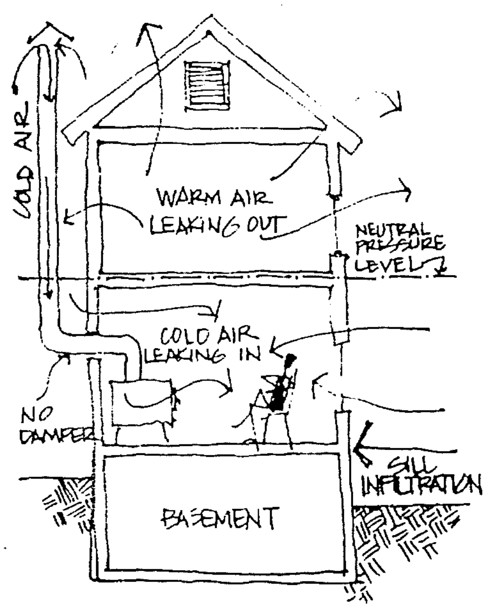
The three programs that provide emergency assistance (ECIP, Family Crisis and GA) have often been at odds, both with each other (each jostling to be the provider of "last resort") and with protections for consumers mandated by the Maine Public Utilities Commission for regulated electric and gas utilities. Under the Maine PUC's Winter Disconnection Rule that has been in place for a number of years, low income electric and gas customers are protected from disconnection if they enter into and keep a special payment arrangement. See Chapter 810, Section 17 of the Maine Public Utilities Commission Rules. This special arrangement allows the customer to pay less than the current bill in the winter and to repay all the arrears by the following fall. Disconnection is then not allowed without the permission of the PUC Consumer Assistance Division.

One result of the PUC Winter Disconnection Rule in the past has been that some eligible customers have been denied financial assistance for winter utility bills on the grounds that no emergency exists while utilities are prohibited from disconnecting without PUC approval. This denial of assistance has in turn caused low-income utility customers to build up unaffordable arrears through the winter; many of these customers face disconnection for nonpayment in the spring and summer. Financial assistance agencies are then confronted by large back bills in excess of available benefits. In the case of General Assistance, state funds are not available for bills older than 60 days unless the client can document inability to pay at the time the bill was incurred.

For the current year, the PUC has granted Maine's three largest electric utilities exemptions from certain requirements of this Winter Disconnection Rule, including exemptions in some circumstances from the requirement that the utility seek prior approval from the PUC for disconnection. These exemptions attempt to make it easier for low-income customers to gain access to financial assistance for winter utility bills.

2. Crisis Orientation: The Need for Adequate Benefits and Energy Efficiency Measures

Another problem with the existing system is that inadequate funding and fragmented programs contribute to a crisis orientation that affects both individuals and government programs. Immediate needs often take priority over more efficient long term solutions.



This year, DCS has taken steps to prevent emergencies by increasing the relative proportion of funding going to HEAP benefits rather than to ECIP's emergency benefits. But little LIHEAP funding is available for weatherization to reduce energy expenses over the long term.[11] Although increasing income assistance to meet the energy needs of the poor is important, the greatest return on the State's investment will come from improving the quality of the way people use energy in Maine. Figures from CMP show that as much as $2 million in annual bill savings could result from increased participation by low-income customers in the company's water heater wrap and insulation programs. The need for increased efficiency is particularly high since Maine has the least energy efficient housing in the country.

Furthermore, the average HEAP benefit of $280 projected for this winter will still leave many low-income families with unmanageable energy bills. If the average cost of oil heat for the winter is $931, an average HEAP benefit will leave $653 in heating costs to be paid from other sources. If oil prices return to last year's levels, families with average use receiving the average HEAP

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[11] As in past years, Maine will receive a grant for this year of about $2.5 million from the Department of Energy for weatherization programs operated by CAP agencies. DOE does not permit this funding to be used for structural repairs necessary for effective weatherization, and it limits weatherization work to $1,600 per home on average.

benefit will still need to spend $420 from other sources for heat, on top of $600 for other energy costs. Many families could be forced into crisis situations before they can receive additional money available from emergency assistance programs.

3. Inequitable Distribution of Benefits

In the current energy assistance system, limited resources are not directed toward the people who need the most help. DCS and the State Planning Office recently studied the distribution of HEAP benefits and found that the current system is inequitable.

Low income households with over $1,000 in annual heating costs are likely to receive the same benefit amount as households with similar income but only half the heating costs. Some low income households receive a HEAP benefit which exceeds their heating costs. Other households receiving HEAP must spend well over 10% of their own income on heat on top of their HEAP benefits.

Reference: Maine State Planning Office survey of 1989/90 LIHEAP clients in Androscoggin County, (see Part V, Attachment F).

E. COSTS OF UNMET ENERGY NEEDS

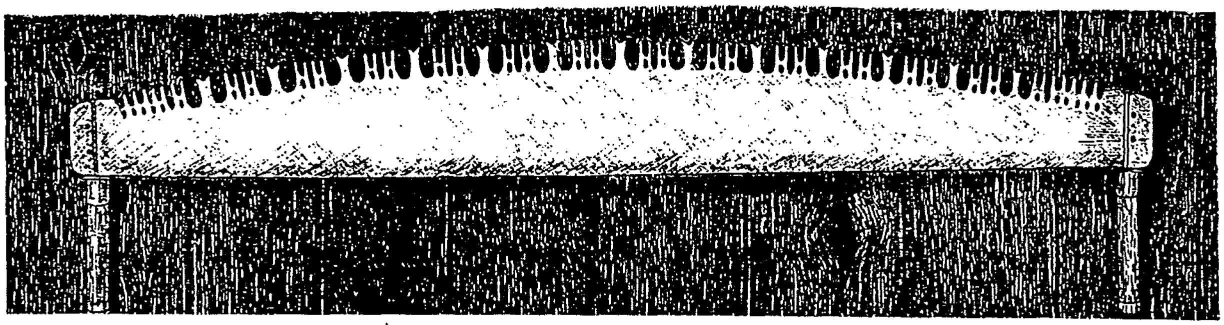
> Member quote: "Why not just face up to the costs and pay for them more efficiently?" - Robert Briggs, President, Bangor Hydro-Electric Company.

Basic energy services are necessary for health, comfort and safety. Maine winters can cause serious consequences (including death) for those who cannot afford adequate heat. Households who do not have enough money to pay their basic needs - such as those with minimum wage incomes, or who are dependent on AFDC or SSI - will often sacrifice adequate heat to pay for food, housing and medicine. Living with the threat of running out of fuel or having electric or gas service shut off takes a severe toll on low-income households. Scraping together assistance in emergencies from many fragmented sources is time-consuming and frustrating for many low-income households.

Other Maine households and businesses also suffer from the effects of unmet energy needs of low-income citizens. Electric utilities carry large uncollectible expenses (over $3.2 million in 1989 for Central Maine Power) which are paid for by all ratepayers as a cost of business. Other energy vendors in the competitive market must often bear the costs of uncollectible bills themselves. Collection costs and working capital on unpaid bills impose costs on energy vendors, utilities, and all consumers.

Low-income renters who heat with electricity are particularly likely to have unaffordable energy costs that are passed on to other ratepayers. A 1988 study of electric utility customers who faced disconnection for broken payment arrangements had an average usage of 1,000 kilowatt hours per month -- substantially higher than other residential customers.

Indirect societal costs of unmet energy needs are harder to measure, but nonetheless can be severe. Heating systems which are unsafe or used improperly to save money cause house fires. Low temperatures in homes may lead to illness, particularly with elderly persons and small children, which may result in significant health care costs borne by the public. Many low-income households are forced to adopt indirect methods for keeping the heat on, such as making promises to pay which cannot be kept or putting power bills in the name of minor children. These methods can be expected to result in a loss of self-esteem and to perpetuate the feeling of hopelessness which is characteristic of poverty in general.



IV. RECOMMENDATIONS

A. NEW SOURCES OF FUNDING

<u>Member Quote</u>: "You can think what you want, but money is the issue." - Richard Crabtree, Senior Vice President, Central Maine Power Company.

The fundamental problem Maine's low-income citizens confront in meeting their energy needs is lack of money. The only real answer to this problem is more money.

The problem is serious. Large numbers of Maine residents - as many as one in five - live on incomes so low that their basic energy needs may at times be unaffordable. Even if new initiatives are in place to use existing resources more efficiently, many low-income households will be unable to pay for basic heat and light this winter without more help.

The citizens of Maine, through their elected representatives, must face the need for more money. Without increased government funding, Maine citizens and businesses will be forced to bear the serious consequences of unmet energy needs in ways that are both inefficient and inequitable.

1. **Recommendation One: The State should appropriate funds sufficient to meet an estimated $12 million need for additional energy assistance.**

As a first priority, an increase of $12 million is necessary to bring Maine's energy assistance funding back to the level available in Maine in the mid-1980's. The Commission has taken the mid-1980's level of energy assistance as the benchmark for a tolerable level of funding of energy needs. Compared to the mid-1980's, energy assistance programs have now become squeezed by declining federal funding, rising electricity prices and volatile oil prices. This $12 million estimate of the gap in funding assumes that Maine should be prepared for oil prices of $1.20 a gallon. If oil prices stabilize at last year's level, Maine will have a shortfall of $6.5 million compared to the mid-1980's.

The State Legislature should identify funds sufficient to make up this estimated $12 million shortfall. Some new federal assistance may be available to help fill the gap. For this winter, if the national average home heating oil price remains 20% higher in December 1990, January 1991 or February 1991 than the average price for the corresponding month over the previous four years, Maine will receive approximately $4 million in federal emergency appropriations recently approved by Congress. That will leave an

$8 million gap to be filled by a State appropriation.3[12] See Part V, Attachment I.

This $12 million total in additional energy assistance funding should be allocated to achieve the greatest benefit for each dollar. $1 million should be directed to an AFDC Special Needs Program for housing and energy expenses; this would result in a nearly 2 to 1 federal match (see Recommendation Two).[13] In addition, State funds will be best used if a significant portion is invested in long-term solutions to energy needs. $3 million should be allocated toward weatherization and other energy efficiency programs; this will reduce Maine's need for additional energy assistance funding in future years. If the full $12 million in additional assistance is not funded, the State should allocate available funding so as to maximize weatherization to an extent consistent with assuring an adequate average HEAP benefit.

This allocation of federal and State funds totalling $12 million would leave $8 million to go toward additional funding for HEAP. An $8 million increase could raise the average annual HEAP benefit to approximately $418 (assuming $700,000 in added administrative costs and 53,000 recipients). With this average annual benefit and oil prices of $1.20 a gallon, the average low-income household would need to spend over $500 of its own income to cover heating costs each year, or nearly $1000 to cover total annual energy costs. Even with lower oil prices, this additional funding will still leave the average low-income household with several hundred dollars in heating costs.

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[12]Although this emergency appropriation for high oil prices is only available for this winter, additional federal funds may be available to fill the $12 million gap in future years. In its reauthorization of LIHEAP, Congress has recently provided for matching LIHEAP funds beginning in 1991/92 to encourage state appropriations for energy assistance. At this point, it is uncertain how much federal money Maine could leverage through this provision, but the State should pursue this federal matching opportunity. See Section 2607(A) of the LIHEAP Act (142 U.S.C. Section 8621-8629) (included as Attachment I in Part V).

[13]Even if less than $12 million is available for energy assistance funding, any State appropriation would be poorly used if it failed to direct funds through an AFDC special needs program to leverage matching federal dollars.

Recommended Allocation of $12 Million Additional Funds	
$1 million	AFDC Housing Special Needs Program
$3 million	Weatherization and other energy efficiency programs
$8 million	HEAP benefits
$12 million	Total long-term estimate for unmet energy needs

To fill the current gap in energy assistance funding, a significant State appropriation is unavoidable.[14] In the past, the need for energy assistance funding has been argued primarily by traditional advocates for low-income people. But energy vendors and utility companies also bear direct costs resulting from inadequate funding for such programs. A new coalition of low-income advocates and leaders of the energy business must work together to support government funding for energy assistance.

> Member Quote: "One of the most valuable things that can come from this is the private sector pushing for an increase in benefits - we haven't done that before." - Eugene Guilford, President, Maine Oil Dealers Association.

2. **Recommendation Two: The Legislature should direct the Department of Human Services to design a Housing Special Needs Program in order to leverage added federal funding for housing and energy assistance to AFDC recipients.**

As a second priority, the State should take advantage of all federal funds available for energy assistance to the greatest extent possible. The Commission concludes it is likely that Maine could receive additional money from the federal government by restructuring the delivery of energy assistance to AFDC families.

Maine's AFDC grant is insufficient to cover basic needs. To pay for their energy costs, AFDC families depend on HEAP benefits,

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[14]The Commission discussed several possible funding sources for the State appropriation for energy assistance, including a broad-based energy sales tax or an income tax surcharge, but did not reach consensus on the best source of additional funds. The Commission also did not take a position on the best use of the Oil Overcharge funds (no more than $1 million a year) which Maine will receive through 1994.

along with ECIP, Family Crisis Assistance and General Assistance. Declining federal LIHEAP funds and high energy costs will increasingly force State and local government to fund the energy needs of AFDC families through General Assistance.

About 22-23% of HEAP and ECIP funds have gone to AFDC recipients in recent years. In addition, last year the Family Crisis Assistance Program provided about $650,000 (50% State funds and 50% federal funds) to pay electric bills of AFDC families facing disconnection emergencies. Finally, an estimated $400,000 in State and local funds went to pay for energy costs of AFDC households through General Assistance last year. [15]

Maine has not yet taken as full advantage as possible of all the federal money potentially available for energy assistance. The federal government will provide matching Title IV-A funds for State AFDC "special needs" programs at a rate currently set at 65% federal funds to 35% State funds. Commission members recommend that the Legislature direct the Maine Department of Human Services to establish an AFDC special needs program for housing (including energy costs) to leverage these additional federal funds.

A Housing Special Needs Program could alleviate the energy crisis for those AFDC families whose energy and housing costs combined were more than, for example, 50% of their income. These AFDC households would receive a special needs payment to supplement their AFDC and HEAP benefits.

Previous recommendations by two other Commissions have recently proposed developing an AFDC Housing Special Needs Program: The Special Select Commission on the Financing and Administration of General Assistance (1987) and the Commission to Evaluate the Adequacy of the AFDC Need and Payment Standards (1990). In the most recent session, the Legislature directed DHS to develop a proposal for meeting the housing needs of AFDC recipients and to submit a report to the 115th Legislature.

The present Commission joins these earlier endorsements of a housing special need as the most cost-effective way for the State to address the energy needs of AFDC households. The State funding for an AFDC Housing Special Needs Program could be created by redirecting existing State funds from three sources:

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[15] A survey of municipalities indicated that approximately 7% of last year's $14.9 million in GA expenditures went to energy needs (not including costs of energy included in rent), and 44% of these energy expenditures went to AFDC recipients. At least 80% of these costs will be paid for by the State General Fund.

(1) First, the State should redirect $650,000 in State funding from the Family Crisis Assistance program and use this money instead to create an AFDC Special Needs Program. Family Crisis money now spent for electric disconnection and housing emergencies for AFDC families would more effectively be used for a Special Needs Program to help these families avoid energy and housing crises. Moreover, the 65/35 federal match provided by the Special Needs Program will leverage more money than the 50/50 match of the Family Crisis program. The Family Crisis program could then be re-oriented to serve non-AFDC households with children, using State funds currently spent on General Assistance for these families.

(2) Second, $2 million now spent on General Assistance for AFDC households' housing and energy needs should instead be directly appropriated to the Housing Special Needs Program. In 1987, the General Assistance Commission estimated that a Housing Special Needs Program could save the State $1.3 million in GA housing costs; the savings is now likely to be at least $300,000 higher because of recent increases both in GA expenditures and in the State's share of GA funding.[16] Combined with an estimated $400,000 spent on energy costs for AFDC families, this would make approximately $2 million in GA funds available for redirecting to a Housing Special Needs Program. Although AFDC recipients would still have access to General Assistance as a safety net, the additional assistance provided by a Special Needs Program should allow many more AFDC families to avoid the emergencies that force them to turn to GA for help with energy costs.

(3) Third, the State should appropriate $1 million to leverage additional federal money for the Special Needs Program.

By redirecting $650,000 from Family Crisis and $2 million from GA expenditures for housing and energy for AFDC recipients, $2.65 million in State funds could be freed up for a Housing Special Needs Program. Combined with a $1 million appropriation, a total of $3.65 million in State funds would be available. With a net

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[16]In 1989/90, GA expenditures for housing costs were $10 million (most of which was spent on rent). 34% of GA recipients were AFDC households. Even accounting for the possibility that a lower percentage of AFDC families may use GA for housing because they may disproportionately live in subsidized housing, it is likely that at least $1.6 million in state funds went to housing costs for AFDC recipients.

cost to the State of only $1 million, Maine could generate approximately $6.8 million in new federal funds. At a 65/35 federal match, $6.8 million in federal funds would contribute to a total Special Needs Program of about $10.5 million. Based on an average of 20,000 AFDC households, this program would provide an annual benefit of $523, on top of regular AFDC and HEAP benefits.

Funding for Housing Special Needs Program

Savings from Redirecting Family Crisis Assistance Funds:	$650,000
Savings from Redirecting GA Energy and Housing Funds to AFDC Families:	$2,000,000
Additional State Appropriation:	$1,000,000
Total State Funds:	$3,650,000
Matching Federal Funds:	$6,800,000
Total Special Needs Program Funds:	$10,500,000

In addition to leveraging additional federal funds, a Special Needs Program to assist AFDC recipients with housing and energy expenses would result in a more streamlined delivery of energy assistance to some low-income households. In the current system, AFDC families seeking help with energy costs may need to apply for benefits separately for AFDC, for Family Crisis, for HEAP, and for General Assistance. With a Special Needs Program, AFDC families would be able to apply for their basic AFDC grant and an energy and housing benefit at the same time and place, using the same documentation, although they would still apply for HEAP separately.[17] Unfortunately, much of the fragmentation in

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[17]Several states have begun programs that more directly coordinate the AFDC and HEAP programs. For example, in Michigan and Illinois the AFDC client's heating and energy needs are funded almost entirely from an AFDC Energy Special Needs grant. This frees up the HEAP funds for other low-income households. As a result, all HEAP eligible clients receive a comparable heating needs grant. By providing a one-stop shopping approach to AFDC households' energy needs, these programs are likely to save administrative costs. In addition, clients avoid the necessity of multiple applications and trips to different state offices. These AFDC Special Needs programs offer the AFDC client the choice of direct payment or vendor payment. A very large majority choose a vendor payment because the State has negotiated with the energy

existing programs is insurmountable without changes in the federal legislation that governs LIHEAP and AFDC.

B. MORE EFFICIENT USE OF EXISTING FUNDS

The Blue Ribbon Commission has identified two areas for more efficient delivery of existing programs: the first is Recommendation Two, which proposes changes in the design of housing and energy assistance to AFDC families. A second HEAP-related recommendation follows.

1. Recommendation Three: **The State should target HEAP benefits to households with the highest energy use in relation to income.**

At this time of decreasing resources and increasing energy needs, it is crucial that funds for energy assistance be used as effectively as possible. The current distribution of HEAP benefits is inequitable because the amount of energy a household uses does not directly affect the HEAP benefit the household receives. Instead, those with the greatest need should receive the highest benefits. Need should be redefined to reflect both income and actual usage.

Commission members recommend that Maine's Division of Community Services allocate HEAP benefits according to energy expense in relation to income. This targeting system should be implemented on a statewide basis beginning in 1991/92. In the HEAP application process, information on actual heating costs should be obtained, where possible, from fuel vendors. If the vendor does not keep records of customer use, or if an applicant is using a new fuel vendor, the applicant should be asked to provide actual consumption from past bills. Estimates can be used in cases where actual consumption cannot be documented.

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vendor to grant additional benefits (for example, protection against shut off, supplemental ratepayer-funded bill payment assistance, or generous payment arrangement terms) to customers who agree to vendor payments. Energy vendors have seen it in their self-interest to agree to grant these additional benefits because of the decreased collection costs associated with more certain bill payments. Meeting fuel assistance needs through a Special Needs grant can be done for either the basic HEAP grant or the crisis component (ECIP) of fuel assistance, or both. The Commission urges DHS to give further study to these programs.

Targeting HEAP benefits to those with the highest actual heating costs will not necessarily encourage a significant increase in electric heat in relation to other fuels, even though electricity is usually the most expensive heating source. An estimated 80% of LIHEAP clients heating with electricity are residents of subsidized housing who are protected from paying more than 30% of their incomes on housing costs, including electricity. Because these subsidized housing residents generally do not have to pay high percentages of their income for electricity, a program that directs benefits more precisely according to energy costs in relation to income would probably result in a decrease in LIHEAP funds going to households heating with electricity.[18] Since this targeting would not result in a greater proportion of funding for electric heat compared to other heating sources, it will not lead to an overall increase in use of electric heat.

Nor does this targeting proposal eliminate price signals for energy. HEAP recipients will still pay a significant portion of their income for heat, which will provide incentives to use energy efficiently. Indeed, better targeting would improve price signals for those households now receiving a HEAP benefit equal to or greater than their energy costs. Moreover, this recommendation for better targeting of energy assistance is made in conjunction with Recommendations Four through Seven, which are designed to encourage efficient use of energy by low-income households.

To simplify the HEAP application process and to minimize any additional administrative burden that might come from collecting data on applicants' actual consumption, the Commission encourages the Division of Community Services to investigate ways of making the current verification process more efficient for both applicants and administrators.

Another area Commission members recommend exploring is whether the HEAP application process could be more closely coordinated with the property tax circuit breaker program. Better integration of these two forms of assistance could improve the application process for both programs and would enable better data collection on total shelter needs.

Finally, to ensure timely delivery of HEAP benefits, the Commission also recommends that the Legislature reauthorize the

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[18]The matrix which determines distribution of HEAP benefits should take into account the higher disposable income of residents of subsidized housing whose utility costs are capped; it should also be designed to account for any extra benefit received through an AFDC Special Needs Program.

Fuel Assistance Reserve Fund, which is due to expire June 30, 1991. See 5 M.R.S.A. Section 3518-B. This fund provides a State loan to fund fuel assistance programs for October through December, before federal funds are available. The fund must be repaid from the federal LIHEAP block grant.

C. REDUCING ENERGY NEEDS THROUGH COST-EFFECTIVE CONSERVATION AND ENERGY EFFICIENCY MEASURES

The Blue Ribbon Commission has also looked beyond short-term issues of program delivery in order to identify long-term strategies for reducing the energy bills of low-income households. Weatherization and similar programs produce the most lasting forms of energy assistance.

1. Recommendation Four: **In allocating fuel assistance among varying programs, Maine should continue to give priority to weatherization funding in order to secure a permanent improvement in low-income dwellings.**

The federal LIHEAP block grant which funds Maine's HEAP program has in past years permitted up to 15% of program funds to be allocated for low-income weatherization efforts, including furnace repair and tune-ups, insulation, weatherstripping and, in some cases, storm doors or windows. Maine has also received a $2.5 million annual grant from DOE for funding weatherization efforts by Community Action agencies in Maine.

Although weatherization programs have been operated for many years by Community Action agencies, waiting lists for energy efficiency services remain long at every agency.[19] The need for weatherization continues to be high because of the substantial turnover in the low-income population and the poor condition of Maine's housing (41% of the State's housing stock was built prior to 1938). In addition, techniques and standards have changed over the years; weatherization done years ago is often inadequate today.

In recent years the weatherization program funded by LIHEAP and DOE has been modestly supplemented by similar weatherization programs for electric heat customers operated by utilities. CMP expects to complete 1,000 no-cost weatherization installations this year for customers at all income levels.[20] Particularly in rental housing and public housing projects, there continues to be a strong demand for weatherization services for low-income customers.

In past years, fully 15% of Maine's LIHEAP program funds were directed to weatherization funding. In contrast, last year the percentage dropped to 12% (including furnace repair and retrofit) and is expected to be 11% for the 1990/91 program year. These reductions have been compelled by the need to increase average HEAP benefits due to higher energy costs predicted for the 1990/91 winter. In October 1990 Congress increased the maximum share of weatherization funding from the LIHEAP grant from 15% to 25% and permitted "energy related home repair" to be covered as well. See Part V, Attachment I.

For the long term, the Blue Ribbon Commission recommends that the State move towards targeting fully 25% of HEAP program funds to support permanent improvements in low-income housing in Maine for weatherization. It is inefficient to redirect funds from permanent weatherization improvements in order to pay one-time HEAP benefits for fuel. In Recommendation One, the Blue Ribbon Commission has recognized a $12 million need for additional energy assistance for Maine's low-income citizens; it has proposed allocating $3 million of this to State funding of community action programs for weatherization. A $3 million investment will bring the share of program funds for low-income weatherization in 1991/92 up to 20% (exclusive of furnace repair and tune-ups), assuming Recommendation One is fully adopted by the Legislature. Full implementation of Recommendation One, in conjunction with this

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[19]Not all applicants on waiting lists for weatherization are eligible, however; for example, some may live in buildings that are already weatherized.

[20]Maine Public Service weatherized 200 low-income homes in 1990.

recommendation, will result in a total of $5.8 million in program funds for low-income weatherization for the winter of 1991-92.

RECOMMENDED FUNDING OF COMMUNITY ACTION WEATHERIZATION PROGRAMS		
$3.0 million	-	additional State appropriation for weatherization (Recommendation One)
$2.5 million	-	DOE funding for weatherization
$ .3 million	-	LIHEAP-funded weatherization, 1990/91
$5.8 million	-	TOTAL

If Recommendation One is not fully adopted, the Commission urges that the maximum possible share of HEAP program funds be set aside for weatherization that is consistent with a humane response to the need for increased average HEAP benefits. The Commission urges the State to renew its priority commitment to long-term weatherization funding and to develop other sources of revenue for increasing HEAP benefits.

2. **Recommendation Five: In order to reduce the bills of low-income renters in apartments heated with electricity, the State should explore techniques for joint financing of energy efficiency improvements in rental units.**

Low-income electric space heat customers who pay for their own heat in poorly insulated apartments are the group that faces the most urgent problem in paying for winter period energy. Although low-income electric space heat customers account for less than 20% of all HEAP recipients in Maine, their high cost of energy has resulted in substantial unpaid bills which, ultimately, lead to additional burdens on public sources of assistance and on electric utility rates.

Low-income renters who pay for their own electric heat typically confront higher operating costs for heat than other consumers living in similar circumstances. On a per-BTU basis, electric heat is an expensive source: at 11¢ per kilowatt hour, electric heat corresponds to heating oil priced at $3.80 a gallon or a cord of hardwood at $520. The result is that households who rely on electric heat, particularly tenants in subsidized housing, pay a higher percentage of income for energy than do households heating with other fuels. In a January 1990 CMP study, average electric heat customers with income at 100% of federal poverty paid $1,500 or more than 14% of household income, compared to an estimated 12% of income paid by comparable households heating with oil.[21]

Due to these high operating costs and the absence of rent reduction for the low capital cost of electric heat systems, the impact on disposable income for electric heat customers in rental housing from rising energy costs is at least as severe as for other low-income groups. The problem is particularly noticeable in the case of subsidized housing units, which in many cases were constructed inexpensively in the 1970's and early 1980's with individually metered electric heat systems and no central furnaces, and in downtown locations of Portland, Lewiston and Bangor where landlords have removed central (oil-fired) systems and installed electric heat in the tenant's name.

Additionally, welfare programs and electric rates are both affected by the high bills which low-income electric space heat customers may be unable to pay. All electric ratepayers end up paying in their monthly bills the uncollected costs resulting from the low-income electric heat customers who are unable to pay for all they use. In fact, a 1988 study of electric utility customers in Maine who defaulted on payment arrangements and faced disconnection showed average usage of 1,000 kilowatts hours per month - substantially higher usage than other residential customers. Electric heat customers facing disconnection for non-payment regularly turn to State and municipal sources of assistance for emergency aid.

These circumstances present the Blue Ribbon Commission with a difficult and pragmatic problem: how to enable low-income renters heating with electricity to lower their energy bills and thereby reduce the drain they impose on government and utility sources of assistance. Because many of these owners of rental property have received government financing or HUD guarantees, the problem is especially difficult; in the past, HUD and other government lenders actively encouraged the installation of electric heat in order to reduce the total costs of new housing projects.

One solution to this dilemma is to aggressively promote the

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[21]The percentage of household income required for this low-income CMP customer using electric heat will rise to 16.3% in January 1991 due to PUC-approved rate increases. At $1.20 per gallon of heating oil, the comparable figure for January 1991 for an oil heated household (consisting of 3 people at 100% of federal poverty) would be 14%. These estimates suggest that the burden on low-income renters who heat with electricity may well grow at a more rapid rate than for non-electric heat households at the same income level.

installation of energy efficiency measures in low-income rental units heated by electricity. In Recommendations Four and Six the Blue Ribbon Commission has endorsed weatherization efforts by Community Action agencies and has recommended an additional $3 million in State funding for these efforts. These government programs can be supplemented by the utility-sponsored conservation programs discussed in Recommendation Six.

Depending on the construction characteristics of particular rental units, a range of energy-efficiency improvements are possible. Blue Ribbon Commission members recommend an aggressive pursuit of weatherization, heating system improvements and, where cost-effective, conversions from baseboard electric heat to alternative heating systems in rental units. Even with heating oil at $1.20 per gallon, conversion from electric space heat will permit a substantial reduction in that household's winter energy bill.[22] There are no indications that a competitive market will result in reduced energy bills for electric heat customers in rental housing, without the assistance of government. Low-income customers simply do not have the resources with which to take advantage of these very real opportunities to lower their long-term energy bills.

> Member Quote: "Energy assistance programs must recognize that conservation and energy efficiency are the most effective long-term ways of insulating low-income consumers against energy volatility." - John Flumerfelt, Energy Planning Division, State Planning Office.

Blue Ribbon Commission members encourage Maine's energy vendors to consider pilot programs for sharing the costs of converting from electric space heat in poorly insulated low-income rental housing. Utilities like Central Maine Power recognize that there may be benefits to low-income renters and ratepayers generally from this approach but do not regard a ratepayer-financed conversion program as cost-effective without additional financing

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[22]Compared to electric space heat at 11¢ per kilowatt hour for 2654 kilowatt hours per month for 4 winter months, conversion to oil at $1.20 per gallon for an average 780 gallon heating requirement will save $232 in heating costs in one winter, or a 20% reduction in the annual heating bill. Conversion of the same customer to wood, assuming five cords at $110 per cord, would save $618 annually, for a bill reduction of 52%. These comparisons do not consider the costs of conversion (estimated at $3800 for an oil furnace), or of financing.

from other sources. However, a number of sources of funding for these conversions exist which, when added to the utility funding, may well justify space heat conversions in low-income rental units on a purely economic basis.[23]

In order to test this approach, the Commission recommends that the Maine State Housing Authority undertake a study of the feasibility of jointly-financed electric heat conversions in low-income housing (particularly public housing projects) and submit a report by December 1991 on the economics of jointly-financed space heat conversions. The completion of this report can be expected to provide needed information on the value of electric heat conversions, in conjunction with full funding for weatherization and other efficiency improvements, in order to address the particular dilemma of low-income renters in electrically heated apartments.

The Blue Ribbon Commission also has adopted two related recommendations: that existing Farmers Home, Maine State Housing or utility conservation loan programs for energy efficiency (including space heat conversions) receive greater publicity; and that programmable thermostat devices for reducing space-heat load whenever possible be installed in low-income homes where electricity is the primary space heating fuel.

3. **Recommendation Six: Utilities should continue to seek the highest levels of participation in cost-effective utility-sponsored energy management programs for which low-income customers may qualify at no charge.**

Electric utilities should continue to design and market cost-effective programs for insulating and weatherstripping low-income dwellings at no cost to participants. At present, Central Maine Power makes these services available through sub-contractors to customers using 1300 kilowatt hours or more per winter month (in most cases, in electric space heated dwellings). Bangor Hydro Electric and Maine Public Service coordinate and expedite delivery of similar services, again at no cost to the recipient, through local community action agencies. According to CMP figures, customers who participate in conservation programs for water and

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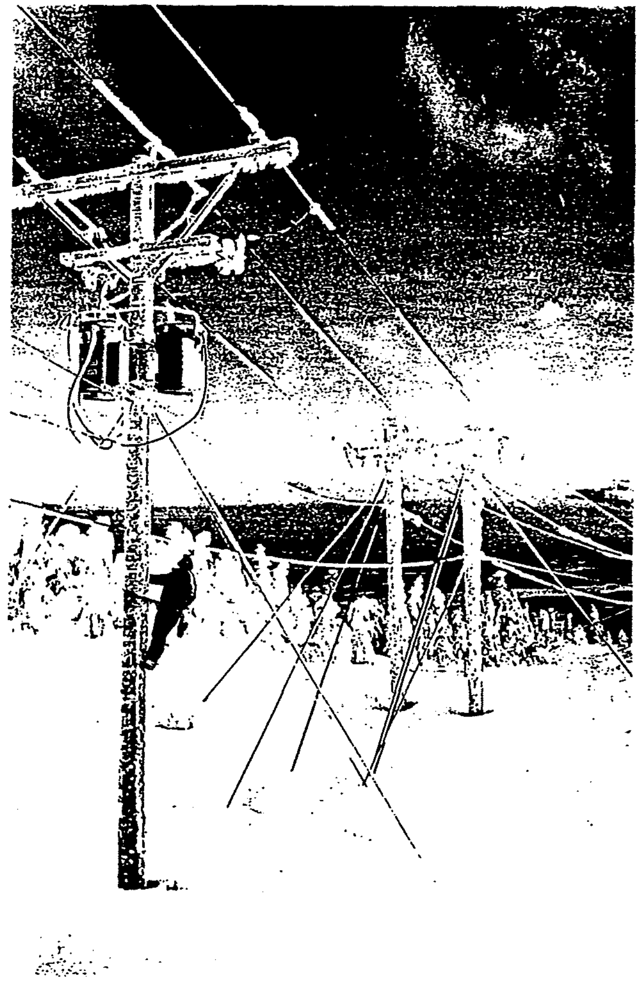
[23]Possible sources of partnership funding could include: ratepayer financing by the natural gas utility, promotional discounts by wood stove dealers, federal financing for conversion of HUD units heated with electricity, General Fund appropriations or issuance of revenue bonds by the State.

electric space heating save on average $150 per year as a result of these programs.[24]

The Blue Ribbon Commission strongly endorses cost-effective conservation in order to mitigate increasing and volatile energy prices for low-income customers.[25] These programs may also enable the utility to save on collection costs on unpaid bills and to pass these savings on to all ratepayers. In addition, the Commission urges utilities to seek further opportunities for reducing the bills of low-income customers through cost-effective application of new technologies such as replacing lighting with more efficient fluorescent lights on a discounted basis, or considering renting highly efficient refrigerators for tenants in rental housing, residents of mobile homes or other low-income customers who face budgeting and space constraints. Continued effort to target utility conservation programs to low-income customers is also a desirable goal for utility planners.



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[24]CMP estimated in June 1990 an average annual saving of 982 KWH per low-income customer from its Insulation Plus Weatherization program for a $70 saving, and 675 KWH or $60 in additional savings from the Bundle-up water heater wrap program.

[25]Because of the ratemaking implications for electric utilities, Commission member Kenneth Gordon of the Public Utilities Commission abstains from this recommendation.

4. **Recommendation Seven: In order to enable low-income renters to cope with energy costs more knowledgeably, landlords should disclose energy usage information for their rental units, upon request.**

More than 43% of households in Maine with income below $10,000 in 1988 were renters. Because Maine's low-income population is more apt to rent than the State's population generally, the Blue Ribbon Commission recognizes the importance of tailoring recommendations directly to this group. Maine's housing stock is the oldest in the nation, with more than 41% of all dwellings built prior to 1938 (see Part V, Attachment B). Consequently, much of the rental housing to which low-income households must turn is poorly insulated and in need of repair. In most cases, these households pay for their own heat and utilities.

The Commission has already endorsed additional resources for no-cost weatherization programs such as those operated by Community Action agencies or utilities (see Recommendations Four and Six above). However, without better access to information about the costs of winter heat in a rental unit, many low-income renters have no ability to seek opportunities for reducing their winter-time heating costs. Landlords currently have little incentive to evaluate the benefits of installing energy efficiency improvements in their rental units.

The Blue Ribbon Commission recommends a state-wide policy of disclosure of annual energy consumption figures when prospective renters request this information from landlords. Maine landlord-tenant law should be amended to require landlords to seek annual consumption information from their tenants' energy vendors and provide it when requested by prospective tenants. At present, no Maine law prevents the release of this information, but landlords have no obligation to secure or disclose it. Armed with information about prior year consumption, tenants will be able to comparison shop and will stand a better chance of finding rental housing which they can afford. As the housing market becomes more competitive, the availability of this consumption data could also provoke landlords to consider making energy efficiency investments which will reduce tenants' energy consumption.

This recommendation dovetails with two complementary suggestions arising out of existing government programs. The State Planning Office has received a $120,000 federal grant to promote a state-wide Energy Rating Service to enable prospective homeowners to ascertain the energy efficiency level of a dwelling before finalizing a mortgage. The energy ratings will be performed by expert inspectors who provide the service at a small fee to the seller, similar to a program currently in place in Vermont and elsewhere. The Blue Ribbon Commission recommends that the State Planning Office place a priority on energy ratings for the rental sector as well, so that the prospective purchaser of a rental unit can have accurate information about heating costs and possible efficiency improvements. This information will be particularly useful in the case of publicly owned or financed new construction where the State has a clear interest in energy efficiency for low-income tenants.

Secondly, the Blue Ribbon Commission recommends that the current Energy Extension Service agents - State employees based in five locations across the State - give the highest priority to energy efficiency improvements in rental housing and to advising tenants about techniques for reducing their energy bills. Because funding for the Energy Extension Service is expected to expire in June 1991, the Commission's members also urge the Legislature to make this priority explicit as new funding is sought for this program.

V. ATTACHMENTS

Attachment A: Executive Order dated January 16, 1990 establishing Blue Ribbon Commission; Blue Ribbon Commission Format and Procedure

Executive Order

OFFICE OF
THE GOVERNOR

NO. 6 FY 89/90

DATE January 16, 1990

AN ORDER

ESTABLISHING THE GOVERNOR'S BLUE RIBBON COMMISSION
ON ENERGY POLICY FOR MAINE'S LOW INCOME CITIZENS

WHEREAS, energy prices have increased significantly in the past year for households heating with oil, electricity, natural gas, or propane, and this increase currently constitutes a major problem for low-income citizens, including elderly households, mothers with young children, individuals with disabilities and tenants in subsidized housing in this state; and

WHEREAS, Maine's low-income citizens in recent years have faced a substantial decline in the average benefits available from state and federal resources for fuel assistance, particularly from the Home Energy Assistance Program; and

WHEREAS, applications for fuel assistance are substantially greater in number during the current heating season than at the same point last year when 52,374 households, representing 114,540 individuals, ultimately received benefits; and

WHEREAS, the Maine Energy Policy Act and current policies of the Maine Public Utilities Commission place the highest priority on deliveries of energy conservation services to electric customers in Maine by electric utilities; and

WHEREAS, adequate insulation of rental and single-family housing is the single biggest factor governing the size of on-going heating expense for low-income Maine people, and is particularly relevant when banks evaluate applications for single-family mortgages or multi-unit project financing; and

WHEREAS, numerous efforts are underway in Maine's state government and the private sector to coordinate more effectively the delivery of conservation services to, and adequate resources for paying the fuel bills of, Maine's low-income citizens; and

WHEREAS during the past eighteen months two groups comprised of representatives of these varying interests, under the auspices of the Public Utilities Commission and Bangor Hydro-Electric Company, have been meeting to recommend means for making energy costs more affordable to low-income households in the state and have completed their fact finding; and

WHEREAS, the safety, health and comfort of Maine's most vulnerable citizens is a matter of great concern to state government, the private sector and residents generally;

NOW, THEREFORE, I, JOHN R. MCKERNAN, JR., Governor of the State of Maine, do hereby establish the Governor's Blue Ribbon Commission on Energy Policy for Maine's Low Income Citizens.

Purpose

The purpose of the Blue Ribbon Commission is to identify public and private resources capable of mitigating the impact of rising energy costs on low-income people of Maine. The Commission will consider means for the more effective delivery of conservation services, changes in the pricing of electricity for low-income households that qualify for government assistance, incentives for weatherization of low-income rental units by landlords and housing authorities and the targeting of the state's fuel assistance programs to those households for which energy costs represent the highest percent of income. Private sector initiatives such as voluntary energy ratings for new residential housing, consideration of operating costs of new housing by banks during the financing application process or tax incentives for insulating existing rental housing, should also be considered.

Membership

The membership shall consist of: two representatives of the Maine State Senate, two representatives of the Maine House of Representatives, a citizen experienced in banking, a representative of oil dealers, a representative of the Maine Oil Dealers Association, a community action agency representative, three representatives from Maine's electric utilities, the Chairman of the Public Utilities Commission, the Public Advocate, the Director of the State Planning Office, the Director of the Division of Community Services, a representative from a consumer advocacy group and a representative from Maine's low income community.

Chairmanship

The Governor's Blue Ribbon Commission on Energy Policy for Maine's Low Income Citizens will be chaired by the Public Advocate.

Staffing

Staff will be provided by the Office of the Public Advocate with assistance as required from the State Planning Office and the Public Utilities Commission.

Functions and Duties

The Commission shall prepare a comprehensive report and any recommendations to the Legislature in November 1990. The Commission shall meet at least nine times between March and November 1990 to receive presentations from local agencies, community groups, experts on specific issues and the public.

The effective date of this Order is January 16, 1990.

John R. McKernan, Jr.
Governor

BLUE RIBBON COMMISSION
FORMAT AND PROCEDURE

Chaired by Public Advocate Stephen Ward, the group met on nine occasions in Bangor, Augusta and Portland between February and November 1990, and considered a series of presentations on the status of poverty in Maine today, the energy needs of low-income households and the range of public programs for energy assistance. Presentations to the group were made by: the State Planning Office, the Maine State Housing Authority, the Maine Committee on Aging, Pine Tree Legal Assistance, Maine Municipal Association, the Department of Human Services, the Division of Community Services, the Maine Oil Dealers Association, Harris Oil Company, R.W. Matthews and Sons, the Maine Community Action Association, the Public Utilities Commission, C.I.C. Systems Inc. and Cohen and Green.

The meeting format was designed to enable interested members of the public to address the Blue Ribbon Commission with informal comments and recommendations. Individuals associated with community action agencies, electric utility ratepayer interests and senior citizen programs attended several meetings.

Attachment B: Overview of Maine Housing, Maine State Housing Authority, 9/89

Maine State Housing Authority
295 Water Street • P.O. Box 2669 • Augusta, Maine 04338-2669

AN OVERVIEW OF MAINE HOUSING

SEPTEMBER 1989

Tel. (207) 626-4600 • 1-800-452-4668 • FAX (207) 626-4678 • TDD 1-800-452-4603

INTRODUCTION:

"...a decent home and suitable living environment for every American family..." That was the goal set forth by Congress in the Housing Act of 1949. The federal government for more than a half century has been involved in the financing and production of housing - and in assisting people to obtain decent housing at affordable costs.

Federal housing policy has evolved to meet a wide variety of economic needs; from job creation in the Depression era through the construction of public housing, to the establishment of mortgage insurance for increased home ownership opportunities, to the implementation of tax provisions which, in the past, were a deliberate attempt to stimulate housing development and now, continue to provide the incentive for home ownership.

The shift in federal housing policy began in the 1960's. The publicly owned and operated housing of the 1950's was supplemented with privately-developed housing units during the 1960's and into the 1980's. A combination of financial subsidies and tax benefits has resulted in the creation of more than two million units of privately-owned, publicly subsidized housing units throughout the United States.

During the 1980's we have witnessed a decrease in federal commitment to housing. Though total U.S. outlays on housing subsidies rose from $5.7 billion in fiscal year 1980 to $13.8 billion in fiscal year 1988, these outlays represent payments on multi-year subsidy commitments which were made in prior years. Budget authority, however, has declined considerably over that same time period. This translates to an emphasis on shorter term subsidy commitments and away from the new construction programs of the 1970's and early 1980's. According to a 1987 National League of Cities report, the U.S. Department of Housing and Urban Development's $12.4 billion dollar housing assistance budget will reach only 28% of those who qualify.

Maine is no different than the rest of the country. Actual U.S. Housing and Urban Development spending for Maine increased from $42.6 million in 1980 to $70.1 million in 1987 due to funds expended for multi-year contract obligations, yet the number of Maine State Housing Authority financed newly constructed or substantially rehabilitated Section 8 subsidized units fell from 804 in 1982 to 0 in 1988. The Journal of Housing reported in January 1988 that the 1981 federal budget included funding for 200,000 newly constructed subsidized units. The 1987 federal budget included funding for only 16,000 new units; a decrease of 92%. The Section 8 New Construction/Substantial Rehabilitation programs which were responsible for much of the subsidized housing development were terminated in 1983. Rural housing programs administered through the U.S. Department of Agriculture's Farmers Home Administration have also experienced substantial funding reductions. From 1979 to 1988 Congressional appropriations dropped from $3.8 billion to $1.8 billion in loans, $423 million to $275.3 million in rental assistance, and $51.4 to $23.8 million in grants. In addition, the Tax Reform Act of 1986 virtually eliminated the incentive for private developer involvement in the creation of rental housing.

For the United States, the percentage of families who own their dwellings reached a forty year peak in 1980 at 65.6%. The number has declined in recent years and dropped to 63.8% in 1988. This percentage decline translates to two million fewer households which are home owners. Those who are ages 25 - 29, the typical first-time home buyer market, have been most seriously affected. In 1978 44% of the nation's home owners were between the ages of 25 - 29. In 1988 this percentage had fallen to 36%. The decline in the rate of home ownership impacts the supply of rental housing. Those households which, ten years ago, were able to own their homes continue to rent their housing. The "filtering" effect which is so critical to the housing economy has broken down. One source at Massachusetts Institute of Technology estimates that some 20% of the low-income housing is occupied by middle-income renters. The options become limited for low-income households. These households live in overcrowded conditions or pay a disproportionate share of their incomes for their shelter. It is estimated that in the United States more than six million low-income households spend in excess of 50% of their income on housing.

Housing, as an indicator of market trends, profiles changes in lifestyles and household formation. In the short run, interest rates and home prices determine housing activity. In the long run, demographic trends play a vital role. Though Maine's population continues to increase, this rate of increase has slowed. The composition of the state's population is changing. Housing production should level throughout the 1990's and turn to meet the demands of an aging society and special needs populations.

SUPPLY AND DEMAND FORCES: AN OVERVIEW OF MAINE'S DEMOGRAPHICS

From November 1988 through January 1989 the Maine State Housing Authority contracted with Northeast Research/Mainepoll to conduct a telephone survey of Maine residents to gather information about single and multi-family housing within the state. All of the housing survey questions were asked of the person in the household "who knows the most" about the household's "housing situation". Selected demographic data were collected for the housing respondent and for the random adult.

As with any sample survey, sampling error can cause the results of the survey to vary from those that would have been obtained with a census of all Maine households. For this survey, we can be 95% certain that for a question with responses from 614 interviews, the survey results would vary no more than +/- 4.0% from the figure that would have been obtained if all telephone-equipped households had been contacted. The confidence intervals are broader for results based on fewer than 614 interview responses. For data compiled from renter households, we can be certain that the results would vary no more than +/- 8.0% from the figure that would have been obtained if all telephone-equipped rental households had been contacted.

AGE, POPULATION, MIGRATION, AND HOUSEHOLD FORMATION:

The survey results do provide a demographic snapshot of Maine households. (See summary tables 1 - 3 for more details.) Approximately 62% of the respondents to the survey were under the age of 50. A high percentage (30.4%) of the respondents were between the ages of 18 and 34; which is primarily the age bracket of most renters and prospective home buyers. The results also showed that nearly one-fifth (18%) of the respondents to the survey were over the age of 65.

The majority (50.7%) of the respondents had resided in the state for their entire lives. An additional 33.6% had resided in the state for more than eleven years. Households which had been settled in the state for less than ten years totaled only 15.7% of those contacted.

Larger families, those households with more than five persons, comprised less than 3% of those households sampled. Nearly 75% of the survey respondents had households with three or fewer persons. The U.S. Census Bureau reported that household size in Maine had decreased to 2.57 persons in 1987 from 2.75 in 1980. Higher rates of divorce, the postponement of marriage by young adults, and the increased life expectancy of all adults has resulted in smaller households and greater demand on the existing housing stock. For Maine in 1940 260 units were needed to house 1000 persons. In 1987, 390 units were needed to house that same 1000 persons. U.S. Bureau of Census estimates for household growth indicate that since 1981 the number of households in the state of Maine has increased an average of 2.1% annually. Between 1980 and 1986 the Maine State Planning Office attributed much of the household formation increase to the aging population of baby-boomers (59%), divorce (34%), and single adults living on their own (20%). The State Planning Office estimated that migration from out of state accounted for 2% of the increase in households. Demand for housing is also impacted by migration within the state. The State Planning Office estimated that 29% of the households formed were a result of movement from within the state.

Almost two-thirds (64.6%) of all renters have no children living in the household. 10.7% of rental respondents were single parents which compares with 3.4% for the study as a whole. This may be due in part to the age composition of renter households. More than half (57.5%) of the renter respondents were aged 18 to 34. Nearly one-fifth of the renters were over the age of 65.

INCOME:

More than 40% of the households which were surveyed by Northeast Research had 1987 pre-tax household incomes of less than $20,000 annually. Over 13% earned less than $10,000 annually in 1987, below the Federal poverty level for a family of four. The U.S. Census Bureau's 1987 estimate ranked Maine's four-person median family income forty-second of the fifty states at $26,237. The Census Bureau's 1989 estimate of $31,297 moved Maine to the thirty-second ranking. However, the increases in income levels have not been evenly distributed.

Maine's Bureau of Income Maintenance estimates that households which rely on Aid to Families with Dependent Children as their sole source of income have received benefits which are comparable to 50% of the poverty level. More than 17,500 households receive AFDC funding. The typical monthly payment for a single-parent household with two children, earning no outside income, equals $438 statewide, not enough to cover housing costs in many areas of the state. The Maine Legislature has authorized a funding increase of 3% for AFDC in 1990.

Supplemental Security Income, which is distributed by the Social Security Administration, has a federal and a state component within the payment. Eligibility for those persons aged 65 and over is dependent on income and resource guidelines. Eligibility for those who are under the age of 65 is dependent on income, resources, and disability criteria. A typical payment for someone who resides in his/her own home and who collects no outside income would be $378 monthly. The federal government contributes $368 with the state contributing $10. Maine's contribution to SSI has not increased since the inception of the program in 1974. In 1989 more than 22,500 persons receive monthly SSI payments.

HOUSING OPTIONS:

Housing options are limited for low-income households in Maine. As Table 4 implies, as income levels increase, the likelihood of home ownership also increases. For the state of Maine, 76.6% of the households own their housing units. The remaining 23.4% rent their units. Sixty-two percent of the renters earned household incomes which were less than $20,000 in 1987 as opposed to 35.2% of the home owners. Conversely, less than 1% of the renters earned more than $30,000. More than 41% of the home owners had 1987 household incomes in excess of $30,000.

Table 5 compares the household's type of residence with its income. Two observations can be made. First, as household incomes increase, the percentage of households living in single family residences also increases. Secondly, apartment buildings tend to be occupied by the lower-income households. As income levels increase the percentage of households which live in apartment buildings decreases.

Apartments are the most common type of rental units (54.4%) followed by single-family homes (26.0%), duplexes (11.3%), mobile homes (5.5%), and other housing types (2.7%). Survey results show that Cumberland (25.4%), Penobscot (17.5%), and Androscoggin (16.5%) counties had the highest percentages of apartment units. Metropolitan areas of the state contained the greatest number of apartment units. Over half (55.5%) of all apartments were located within the state's U.S. Bureau of Census-defined Metropolitan Statistical Areas (MSA's). For comparative purposes, 32.7% of Maine's total housing stock is located within its MSA's.

NEW CONSTRUCTION:

As Table 5 also indicates, the residence of choice for the majority of Mainers is the single family unit. More than 71% of Maine households reside in housing of this type. Nearly 9% of the state's households reside in mobile homes. Duplexes house 5% of the state's households. The remaining 13% of the households live in apartment buildings.

Since 1970 the most dramatic housing stock changes have been the decrease in multi-family development and the increase in mobile home units. Table 6 highlights this transition. Data compiled from the Bureau of Taxation, Property Tax Division's Municipal Valuation Returns showed that more than 67,000 housing units have been created in Maine since 1981. Table 7 shows that more than 42% of the newly constructed units, including 50% of the multi-family development and 68% of the documented condominium development, were constructed in Cumberland and York counties. Less than 3% of the new units were located in Piscataquis and Washington counties.

SELLING PRICE:

High home prices and interest rates have pushed home ownership beyond the reach of many households in the 1980's. Harvard University and Massachusetts Institute of Technology's Joint Center for Housing Studies estimates that only 11.5% of the nation's renter households in the 25-34 year-old group can afford a starter home. The Joint Center for Housing Studies cites high interest rates and high down payment restrictions as barriers to the first purchase of a home.

Data compiled from the real estate transfer tax declaration forms indicates that selling prices for residential properties increased 74% from 1981 to 1987. (See Tables 8 and 9.) The most dramatic increases occurred in the southern and coastal counties of York (106%), Cumberland (92%), and Sagadahoc (76%). The smallest residential selling price increases occurred in Franklin (14%) and Aroostook (39%) counties. From July 1981 through June 1982 records indicate that there were just under 8700 "arms-length" residential real estate transactions completed with a total dollar value of $386.1 million dollars. From July 1986 through June of 1987 more than 16,600 residential real estate transactions were completed with a dollar value in excess of $1.2 billion dollars.

Comprehensive data on the cost of land has not been developed. It is difficult to compile statistics due to the characteristics of the land parcels; the degree of development, infrastructure, and waterfront influence. The Bureau of Taxation's, Property Tax Division does complete an annual study which provides weighted average selling prices for undeveloped land parcels in excess of 40 acres. Available data shows that statewide sale prices for undeveloped land parcels in excess of 40 acres increased from $126/acre for transactions from July 1976-June 1979 to $445/acre for transactions from July 1985-June 1988. Table 10 highlights the regional price differences. The table also points out the increased number of land transactions for large (40+) parcels.

RENTAL COSTS:

Statewide data on rental costs can be compiled from the Mainepoll data. Due to the size of the renter sample however, the sampling error for the rental portion of the survey is broader than for the Mainepoll sample as a whole. For the rental portion of the survey we can be 95% certain that the survey results would vary no more than +/- 8.0% from the figure that would have been obtained if all telephone-equipped rental households had been contacted.

Sixty-seven percent of all rent payments made included the cost of utilities. Utility payments were factored in to contract rent for the remaining one-third of the renter households to estimate the statewide rental payment distribution. The range for monthly rent (with utility payments included) was exceptionally wide, ranging from $0 to over $1000. When grouped, the figures are as follows:

less than $200	13.5%
$200-299	11.2%
$300-399	27.3%
$400-499	17.3%
$500 and over	30.7%

As Table 11 indicates, income levels and rent payments show a positive correlation. Nearly half of the renter respondents with incomes of $10,000 or less paid under $300 per month for their rent. Nearly two-thirds of the renter households with incomes in excess of $30,000 paid $500 or more per month.

SUBSIDIZED HOUSING:

More than 27,000 multi-family units in Maine are receiving federal rental subsidy. Many of these units were constructed during the 1970's and into the early 1980's using a public-private partnership arrangement where public incentives were used to foster private ownership for low-income housing. Incentives included low-interest rate financing, rental assistance cash payments, and tax benefits. In Maine these various programs are responsible for providing affordable rental housing to elderly and low-income families in more than 220 municipalities. (See Table 12.)

Data from the Mainepoll survey indicates that only 18% of all renters receive government subsidized rents though the data indicates that 44% of the state's current renters may be income eligible. 86.7% of those receiving government rental subsidies were aged 65 and over or under the age of 35. Results show that 40% of all elderly renters pay less than $200 per month for rent and utilities combined. This compares to 13.5% for all renters and only 8% for the 18-34 age group. This may be explained in part by the fact that the elderly receive almost half of all government subsidized rents while comprising a smaller percentage of Maine households.

Most of the federally subsidized housing was created with the ability to convert the property to market rate housing with no restrictions on rent or low-income tenant occupancy after a specified period of time. That time is fast approaching. Maine faces the threat of losing more than 4,500 units of federally subsidized rental housing by the year 2000 due to expiring rental assistance contracts, prepayment of mortgages, or the physical deterioration of the housing stock. The Tax Reform Act of 1986 eliminated nearly all of the future tax incentives for ownership of low-income property, and also encourages the conversion of low-income units to market rate housing. The loss of the existing subsidized housing stock will intensify the hardship for thousands of low-income Mainers and further aggravate the critical shortage of affordable housing.

SUBSTANDARD HOUSING:

1980 Census figures indicated that Maine's housing stock is the oldest in the nation. Today it is estimated that more than 41% of the state's housing units were created prior to 1939. (See Table 13.) During the 1970's and the 1980's a greater proportion of single family and mobile home units were constructed. Much of Maine's rental housing is located in older buildings, many of which were constructed prior to 1939.

Though comprehensive data on the prevalence of substandard housing has not been published since the 1980 Census, one indication that the problem exists has been the volume of funding which has been obligated for rehabilitation efforts. Since 1982 the federal Community Development Block Grant program has provided 3,850 housing units with rehabilitation funding in excess of $19.5 million. From October 1988 through August 1989 the Farmers Home Administration's 504 program has obligated $217,600 in grant monies and $250,780 in 1% interest rate loans to 134 rural homeowners for home improvements and repairs. The Maine State Housing Authority's Home Improvement Program, since 1983, has lent 996 homeowners more than $7.1 million. Federal Rental Rehabilitation dollars which have been distributed by the Maine State Housing Authority have improved more than 1000 units since the program's inception and provided rental subsidy for half of the rehabilitated units to allow the low-income tenants to remain resident.

THE HOMELESS:

"To Have A Home", a February 1986 report which was published by the Maine Task Force to Study Homelessness, estimated that nearly 52,000 Maine households (118,000 persons) were at risk of homelessness in Maine due to overcrowded or substandard conditions or because they were paying more than 50% of their monthly income for shelter. A more recent study, completed by the Maine State Housing Authority in December 1988, does not estimate the total homeless population for Maine, but it does provide many indications that the population of Mainers who lack "fixed, regular, and adequate nighttime residence" is growing.

1988 survey data shows that the number of shelter beds throughout Maine nearly doubled since February 1986. However, use of shelter beds increased 400% during this same time frame. Many shelter operators reported that they had turned away clients due to full capacity. Results also showed that families with children constituted the fastest growing population of homeless Mainers.

A recent study of Portland shelter clients, completed by the City of Portland, indicated that nearly half of the clients had been without permanent shelter for more than a year. Nearly half of the clients had at least a high school diploma and more than one-fifth were employed. With the typical two bedroom apartment in Portland renting for $549, the household would need an annual income of near $22,000 to "afford" this housing. The household would need to earn a weekly salary of $436. Department of Labor statistics for 1988 indicate that the average weekly wage for the state's employed totaled $347. Households with a single wage earner will spend a disproportionate share of their income for rental housing. These are among the households which are "at risk" of homelessness.

RESIDENTIAL MORTGAGE DELINQUENCIES AND FORECLOSURES:

For most Maine households, their home is their single largest investment. The loss of a home through foreclosure can have a devastating economic and social impact on a household unit. In today's housing market, this household may never again be able to afford to purchase a home.

In January of 1989 the Maine State Housing Authority completed a study which examined Maine's residential mortgage delinquencies and foreclosures. Available data showed that Maine's rate of delinquencies and foreclosures is low compared to the nation's rate. Slightly more than two of one thousand mortgages (.21%) were 90 or more days past due in 1988. In Maine, only .14% of the state's mortgages were being foreclosed in Maine. The rate was ten times higher nationally. The rate for both delinquencies and foreclosures in Maine has declined by more than half in the past four years. This may be attributed to the economic growth of a number of Maine counties, the reduction in mortgage interest rates, or the real estate boom of the mid-1980's.

Fully 60% of the foreclosures examined by the Authority resulted from divorce, disability, hospitalization, death, criminal convictions, or legal problems. For the remaining 40% of the examined foreclosures, job displacement, job instability, and chronic unemployment were listed as the causes for the initial delinquency.

A few factors did prevail among the foreclosed loans which were examined. Many of the owners had small equity investments in the property. On average, the borrowers had reduced the outstanding principal on the mortgage only 5%. Refinancing or restructuring the debt may not be a viable alternative. Borrowers may be forced to sell the property to realize its appreciation. In many areas of Maine in the mid-1980's delinquent households could sell the property to pay off the mortgage debt. In economically depressed areas of the state, the likelihood of selling the property within the redemption period is low. Many of the foreclosed properties are abandoned after their inability to sell.

The average income of the sampled owners who experienced foreclosure was $20,718. An "affordable" mortgage, at a rate of 10.5% with private mortgage insurance and a thirty year term, would be nearly $53,000. The sample's average mortgage amount was $28,800; considerably less than that which is mathematically "affordable". The average monthly principal and interest payment was lower than most rental costs. When households are displaced through foreclosure they are often forced from one "inability to pay" situation into another. These households are at risk of becoming members of Maine's homeless population. Though residential mortgage foreclosure does not affect large numbers of Maine households, for these estimated 290 households, the housing options are limited.

ACCESSIBLE HOUSING:

The Maine Bureau of Rehabilitation estimates that 7,200 Maine residents have impaired mobility and may need architecturally accessible housing. There are approximately 1,045 federally-assisted wheelchair accessible rental housing units in Maine (See Table 14.)

An inventory of accessible units in the private sector cannot be readily quantified. Funding for retrofitting may come from a number of sources which results in fragmented record-keeping. Due to limited funding, most structural alterations are individually tailored and result in varying degrees of accessibility.

Non-employed disabled Mainers may rely on Social Security for their income. The monthly maximum benefit of $378, in most areas of the state, is not sufficient to cover rental costs or the costs of home ownership. With little discretionary income and waiting lists for subsidized housing, the disabled population is forced to expend higher percentages of their incomes for housing and, in many instances, subsist in living conditions which are substandard according to their needs. The current inventory of federally-assisted units serves only 15% of the estimated population.

LOOKING AHEAD:

Maine faces a number of critical housing problems including the inability of young families to purchase their first homes, the lack of affordable rental housing for lower income elderly households and families, the increasing incidence of homelessness, the potential loss of existing federally subsidized multi-family housing, the continued deterioration of existing housing stock, and the need for housing to meet the needs of Maine's physically and mentally handicapped. The disintegration of federal support for low-income housing production, coupled with the absence of sufficient incentives for private investment in low-and moderate-income housing, makes the potential for shortages of affordable quality housing very real. The affordable housing ball game has remained the same, yet the players and the rules have changed. State and local governments, non-profit organizations, and private developers have had to "step up to the plate" and devise imaginative strategies to counteract the waning federal involvement.

The Maine Legislature has taken a number of steps in recent sessions to begin addressing affordable housing issues. "The Comprehensive Planning and Land Use Regulation Act" enacted in 1988 addresses housing; "to encourage and promote affordable, decent housing opportunities for all Maine citizens" is one of its ten state goals. To comply with the law, communities must ensure that their land use policies and ordinances encourage the construction of affordable housing. The municipalities are to work toward achieving a level of 10% of new residential development which will meet the definition of affordable housing.

The "Affordable Housing Partnership Act of 1989" encompassed a number of major housing policy proposals of the Maine Legislature. The Housing Partnership Act establishes a number of formal interagency relationships; 1.) the creation of an Affordable Housing Alliance to work with municipalities to develop housing plans and provide technical assistance to achieve their goals 2.) the creation of an Interagency Task Force on Homelessness and Housing Opportunities to coordinate activities and combat homelessness, and 3.) the creation of a formal working relationship between the Maine State Housing Authority and the Department of Economic and Community Development to target the resources of state agencies , municipalities, and non-profit housing organizations to address the affordable housing problem.

The Housing Partnership Act also establishes a land acquisition program, develops a Housing Opportunity Zone program, and authorizes a mortgage insurance program and a reverse annuity mortgage program. Under the Act, requirements are reduced for non-profit housing groups to become supervised lenders, Maine State Housing Authority is authorized to do construction financing with reduced bank participation, and the Maine State Housing Authority is now able to use up to 3% of H.O.M.E. fund revenues, except dedicated proceeds of the Real Estate Transfer Tax, for administrative costs.

Major funding for many of the programs is dependent on the passage of a statewide referendum for a $15 million general fund bond issue to provide funds for acquiring/preserving land for the development of affordable housing. A successful referendum will provide the new resources necessary to make these programs available to Maine's communities and citizens.

"An Act for the Preservation of Affordable Rental Housing in Maine" was enacted which requires owners of federally-assisted rental housing projects to notify the Maine State Housing Authority if they intend to sell or convert the units and terminate the agreements which dictate tenant eligibility requirements. The Maine State Housing Authority has the "right of first refusal" to buy the projects or refinance them to enable another owner to acquire them in return for continued affordability to low-income tenants.

A special session of the Maine Legislature which was held in August 1989 provided $750,000 for two programs designed to provide relief for Maine's homeless population. The Maine State Housing Authority will receive $500,000 to establish a cost reimbursement system for sponsors of facilities that provide emergency housing for the homeless to finance their operating budgets and to provide additional services. The Division of Community Services will receive $250,000 to be allocated to Community Action Program Agencies for temporary assistance for people who need shelter or are in danger of becoming homeless through eviction. Assistance may include payments for security deposits, rent arrearages, or other expenses to prevent eviction or to establish a household in a rental unit. Homeless shelter sponsors were also added to the list of entities eligible to purchase surplus supplies, materials, and equipment from the State of Maine prior to their being made available to the general public.

Despite the steps that have been taken by state government, Maine has too many families living in substandard housing conditions and too many families unable to afford proper housing. New partnerships must be formed to capitalize on the creativity of local organizations and the strength of private sector resources.

Affordable housing impacts the social and economic health of the state. Increases in housing costs may slow economic growth by increasing the cost of living beyond what current and future residents are able or willing to pay. Businesses may not be able to operate at full capacity when entry-level and low-skilled positions remain vacant since workers cannot afford to live where they work. Families that are poorly housed or who spend a disproportionate share of their income for their shelter have less opportunity to escape poverty and become self-sufficient. Maine must recognize the varied role of housing and continue to be an arena for social change in solving the housing needs of its residents.

Table 1: County of Residence

County	Percent
Androscoggin	8.6
Aroostook	6.7
Cumberland	20.4
Franklin	2.4
Hancock	4.0
Kennebec	9.5
Knox	3.1
Lincoln	2.5
Oxford	4.3
Penobscot	11.2
Piscataquis	1.6
Sagadahoc	2.7
Somerset	3.8
Waldo	2.5
Washington	2.9
York	13.9
	100.0

*Source: Mainepoll Survey 1988

Table 2: Years of Maine Residence

Years	Percent
10 or less	15.7
11+, not life	33.6
whole life	50.7
	100.0

Table 3: Household Income Before Taxes, 1987

Income	Percent
Less than $7,000	6.5
$7,000-10,000	6.7
$10,001-15,000	12.8
$15,001-20,000	15.4
$20,001-25,000	12.6
$25,001-30,000	12.0
$30,001-40,000	12.0
More than $40,000	22.0
	100.0

*Source: Mainepoll Survey 1988

Table 4: Own or Rent X Income

Percent of Households:

* INCOME *

	$10,000 or less	$10,001-20,000	$20,001-30,000	$30,001 or more	Row %
Own	7.6	19.4	18.1	31.5	76.6
Rent	5.7	8.8	6.5	2.5	23.4
Column %	13.3	28.2	24.6	34.0	

Number of Households:

INCOME

	$10,000 or less	$10,001-20,000	$20,001-30,000	$30,001 or more	Row Total
Own	34,732	88,658	82,717	143,955	350,062
Rent	26,049	40,216	29,705	11,425	107,395
	60,781	128,874	112,422	155,380	457,457

* Source: Mainepoll Survey 1988

Table 5: <u>Type of Residence X Income</u>

	$10,000 or less	$10,001-20,000	$20,001-30,000	$30,001 or more	Row %
Single Family	7.2	17.1	17.7	29.5	71.6
Apartment Building	4.1	4.6	3.0	1.8	13.4
Duplex	0.6	1.9	1.1	1.4	5.0
Mobile Home	1.4	4.5	2.2	0.8	8.9
Column %	13.3	28.1	24.0	33.5	

* Source: Mainepoll Survey 1988

<u>Number of Households</u>

Income

	$10,000 or less	$10,001-20,000	$20,001-30,000	$30,001 or more	Row Total
Single Family	32,904	78,147	81,803	135,729	328,583
Apartment Building	18,737	21,022	14,167	8,683	62,609
Duplex	2,742	8,683	5,484	6,855	23,764
Mobile Home	6,398	20,565	10,968	4,113	42,044
Column Total	60,781	128,417	112,422	155,380	457,000

Table 6: <u>Housing Units</u>

	1970 Housing Counts				1980 Housing Counts				Estimated 1988 Units			
	Single	Mobile	Multi	Total	Single	Mobile	Multi	Total	Single	Mobile	Multi	Total
Androscoggin	15,183	1,019	14,385	30,587	20,523	2,397	14,288	37,208	22,524	3,729	15,344	41,597
Aroostook	19,789	1,383	5,817	26,989	23,774	3,121	5,555	32,450	24,800	3,843	6,444	35,087
Cumberland	39,527	1,312	23,466	64,305	55,209	3,100	24,672	82,981	63,088	4,177	29,224	96,489
Franklin	6,063	489	1,353	7,905	7,933	912	1,736	10,581	8,608	1,209	2,458	12,275
Hancock	12,064	615	1,285	13,964	13,261	1,535	2,261	17,057	14,814	2,237	2,702	19,753
Kennebec	18,774	1,446	9,869	30,089	26,421	3,017	11,480	40,918	29,087	4,898	12,482	46,467
Knox	8,449	364	2,140	10,953	10,178	834	2,560	13,572	11,302	1,154	3,010	15,466
Lincoln	6,626	475	640	7,741	8,597	981	1,012	10,590	9,809	1,524	1,388	12,721
Oxford	10,909	756	3,760	15,425	13,551	1,743	3,481	18,775	14,717	2,494	4,602	21,813
Penobscot	25,770	2,536	10,690	38,996	32,488	5,273	11,780	49,541	34,813	9,074	13,217	57,104
Piscataquis	4,634	245	922	5,801	5,427	595	1,091	7,113	5,772	766	1,169	7,707
Sagadahoc	6,143	396	1,987	8,526	7,987	922	1,770	10,679	9,373	1,431	2,209	13,013
Somerset	10,438	871	2,763	14,072	12,435	1,857	2,871	17,163	13,203	2,403	3,090	18,696
Waldo	6,612	463	973	8,048	8,410	1,234	1,376	11,020	9,353	1,824	1,493	12,670
Washington	9,633	579	813	11,025	11,377	1,621	1,310	14,308	11,816	2,135	1,541	15,492
York	26,004	1,485	11,384	38,873	37,256	3,747	12,418	53,421	45,982	5,488	16,973	68,443
STATE	226,618	14,434	92,247	333,299	294,827	32,889	99,661	427,377	329,061	48,386	117,346	494,793
	68%	4%	28%		69%	8%	23%		67%	10%	23%	

*Source: 1970 Census

*Source: 1980 Census

*Source: 1980 Census
Municipal Valuation Returns

Table 7: 1981 - 1988 New Construction

	One Family	Duplex	3 or 4 Units	5 or more Units	Condos	Mobile Homes	Conv Multi	Conv Yearly	Total	% Total
AND	1,981	64	147	736	76	1,332	263	23	4,622	6.8
ARO	981	28	103	534	0	722	224	2	2,594	3.8
CUM	7,743	360	918	2,358	479	1,077	437	136	13,508	20.0
FRA	665	50	37	175	394	297	66	10	1,694	2.5
HAN	1,509	50	42	253	0	702	96	44	2,696	4.0
KEN	2,608	58	91	625	71	1,881	157	58	5,549	8.2
KNO	1,099	62	76	201	0	320	111	25	1,894	2.8
LIN	1,189	24	46	260	8	543	38	23	2,131	3.2
OXF	1,145	10	98	833	94	753	86	21	3,040	4.5
PEN	2,303	128	358	763	78	3,801	110	22	7,563	11.2
PIS	330	0	0	76	0	89	2	15	512	0.8
SAG	1,377	36	19	333	24	509	27	9	2,334	3.5
SOM	760	2	8	149	0	546	60	8	1,533	2.3
WAL	925	8	6	68	2	590	33	18	1,650	2.4
WAS	426	12	64	117	0	514	38	13	1,184	1.8
YOR	8,586	594	646	1,660	1,082	1,741	573	140	15,022	22.2
STATE	33,627	1,486	2,659	9,141	2,308	15,417	2,321	567	67,526	100.0
% Total	49.8	2.2	3.8	13.4	3.3	22.7	4.0	0.8	100.0	

*Source: Municipal Valuation Returns

Table 8: Residential Sales Price Comparison

	RESIDENTIAL HOME PRICES		
	Averages		%
	7/81-6/82	7/87-6/88	Change
AND	40,549	70,322	73
ARO	28,048	40,908	46
CUM	55,430	122,442	120
FRA	42,574	51,905	22
HAN	47,664	81,177	70
KEN	41,143	67,291	64
KNO	46,495	92,217	98
LIN	56,302	91,922	63
OXF	29,909	61,623	106
PEN	38,308	60,637	58
PIS	23,696	38,640	63
SAG	46,499	90,732	95
SOM	29,025	46,803	61
WAL	35,273	68,487	94
WAS	25,579	39,520	55
YOR	51,085	117,365	130
STATE	44,426	83,502	88%

* Source: Real Estate Transfer Tax Forms Compiled by MSHA

Table 9: Residential Sales Activity

County	** 7/81-6/82 #	Avg. $	** 7/82-6/83 #	Avg. $	** 7/83-6/84 #	Avg. $	** 7/84-6/85 #	Avg. $	7/85-6/86 #	Avg. $	7/86-6/87 #	Avg. $
Androscoggin	357	40,549	641	41,153	905	45,458	1,037	49,902	1,088	53,334	1,554	64,690
Aroostook	402	28,048	475	31,591	533	32,588	519	35,911	595	35,036	555	39,034
Cumberland	1,956	55,430	2,728	58,186	3,553	66,422	3,772	77,498	3,639	89,871	3,816	106,305
Franklin	312	42,574	351	41,630	355	40,229	504	57,571	487	65,558	388	48,658
Hancock	499	47,664	442	51,923	588	49,499	557	53,955	454	61,457	672	73,514
Kennebec	760	41,143	921	40,367	1,266	43,691	1,299	45,606	1,246	51,073	1,432	57,533
Knox	313	46,495	319	53,611	486	53,843	529	62,581	583	71,425	594	76,375
Lincoln	276	56,302	306	56,916	417	60,517	431	66,590	387	67,987	404	89,131
Oxford	370	29,909	375	33,843	488	36,281	688	38,472	636	42,423	691	48,576
Penobscot	918	38,308	1,079	39,169	1,326	41,494	1,392	45,597	1,526	48,657	1,679	55,437
Piscataquis	137	23,696	179	26,616	171	26,729	165	27,737	153	30,474	246	36,522
Sagadahoc	256	46,499	324	49,615	480	51,491	491	49,702	509	71,197	583	81,901
Somerset	310	29,025	340	30,964	393	32,001	487	32,964	422	39,143	560	42,882
Waldo	221	35,273	223	36,050	366	42,482	383	37,971	352	44,927	392	55,060
Washington	259	25,579	275	26,910	351	28,358	374	28,215	391	32,244	398	39,072
York	1,344	51,085	1,696	52,973	2,385	61,440	2,480	66,295	2,877	86,313	2,657	105,122
STATE	8,690	44,426	10,674	46,934	14,063	51,997	15,108	57,407	15,345	67,301	16,621	77,235

*Source: Real Estate Transfer Tax Compiled by MSHA
** Includes seasonal properties sold

Table 10: Land Costs for Undeveloped Parcels in Excess of 40 Acres

	7/76-6/79		7/85-6/88		
	Average $	# of Sales	Average $	# of Sales	% increase
AND	178	6	505	73	+184%
ARO	100	83	197	333	+ 97%
CUM	255	12	1218	84	+378%
FRA	125	31	396	118	+217%
HAN	131	26	595	76	+354%
KEN	168	11	703	113	+318%
KNO	148	6	965	50	+552%
LIN	136	16	566	55	+316%
OXF	121	41	528	11	+336%
PEN	121	50	268	273	+121%
PIS	134	35	267	109	+ 99%
SAG	167	7	471	16	+182%
SOM	111	39	270	133	+143%
WAL	160	33	489	106	+206%
WAS	89	33	621	131	+598%
YOR	126	14	951	113	+655%
STATE	126	443	445	1920	+253%
		112,800 acres		217,164 acres	

Table 11: Monthly Gross Rent x Income

	$10,000 or less	$10,001-20,000	$20,001-30,000	$30,001-or more	Row %
Under $200	7.1	4.5	1.6	0.8	14.0
$200-299	3.4	6.0	1.4	0.0	10.8
$300-399	8.0	10.6	6.1	3.4	28.2
$400-499	0.8	8.7	7.6	0.0	17.1
$500+	2.7	7.8	12.2	7.3	29.9
Column %	22.0	37.6	28.9	11.5	100.0

*Source: Mainepoll 1988

Table 12: <u>Federally Assisted Multi-Family Housing in Maine, 1988</u>

County	TOTAL UNITS		TOTAL LOW-INCOME UNITS	
	Elderly	Family	Elderly	Family
AND	1,495	1,969	1,495	1,574
ARO	1,637	951	1,624	951
CUM	3,697	3,004	3,639	2,539
FRA	327	206	327	206
HAN	571	391	571	391
KEN	1,081	1,270	1,081	1,078
KNO	407	256	407	256
LIN	198	94	198	94
OXF	608	354	608	354
PEN	1,852	1,899	1,847	1,693
PIS	351	90	351	90
SAG	244	479	244	317
SOM	300	320	300	320
WAL	198	251	198	251
WAS	633	52	633	52
YOR	1,446	1,121	1,440	1,011
TOTAL STATE	15,045	12,707	14,963	11,177

*Source: Compiled by MSHA from HUD, FmHA, and MSHA records

Table 13: Age of Maine Housing Stock

County	1981-88	1970-80	1960-69	1950-59	1940-49	<1939	TOTAL	% 81-88	% 70-80	% 60-69	% 50-59	% 40-49	% <39
Androscoggin	4,622	6,979	4,428	3,770	3,673	18,426	41,898	11.0	16.7	10.6	9.0	8.8	44.0
Aroostook	2,594	6,721	3,376	4,802	3,189	14,351	35,033	7.4	19.2	9.6	13.7	9.1	41.0
Cumberland	13,508	17,615	11,019	8,596	8,628	37,295	96,661	14.0	18.2	11.4	8.9	8.9	38.6
Franklin	1,694	2,959	1,404	848	561	4,850	12,316	13.8	24.0	11.4	6.9	4.6	39.4
Hancock	2,696	4,309	1,745	1,169	1,002	8,849	19,770	13.6	21.8	8.8	5.9	5.1	44.8
Kennebec	5,549	9,808	4,841	4,537	3,358	18,570	46,663	11.9	21.0	10.4	9.7	7.2	39.8
Knox	1,894	2,892	1,033	843	486	8,340	15,488	12.2	18.7	6.7	5.4	3.1	53.8
Lincoln	2,131	2,770	1,185	668	533	5,455	12,742	16.7	21.7	9.3	5.2	4.2	42.8
Oxford	3,040	4,046	1,961	1,699	1,421	9,706	21,873	13.9	18.5	9.0	7.8	6.5	44.4
Penobscot	7,563	11,600	5,596	6,085	2,882	23,250	56,976	13.3	20.4	9.8	10.7	5.1	40.8
Piscataquis	512	1,443	605	490	362	4,208	7,620	6.7	18.9	7.9	6.4	4.8	55.2
Sagadahoc	2,334	2,545	1,149	806	1,058	5,121	13,013	17.9	19.6	8.8	6.2	8.1	39.4
Somerset	1,533	3,933	1,939	1,357	946	8,902	18,690	8.2	21.0	10.4	7.3	5.1	48.1
Waldo	1,650	3,137	1,227	720	523	5,418	12,675	13.0	24.7	9.7	5.7	4.1	42.7
Washington	1,184	3,733	1,263	773	801	7,717	15,471	7.7	24.1	8.2	5.0	5.2	49.9
York	15,022	14,743	6,231	5,011	5,197	22,653	68,857	21.8	21.4	9.0	7.3	7.5	32.9
STATE	67,526	99,233	49,002	42,174	34,620	203,191	495,746	13.6	20.0	9.9	8.5	7.0	41.0

*Source: 1980 Census; 1981-1988 Municipal Valuation Returns

FEDERALLY-ASSISTED WHEELCHAIR ACCESSIBLE UNITS IN MAINE

Table 14

SPONSOR	AND	ARO	CUM	FRA	HAN	KEN	KNO	LIN	OXF	PEN	PIS	SAG	SOM	WAL	WAS	YOR	TOTAL
MSHA	34-1br 16-2br	9-1br 21-2br	51-1br 21-2br	4-2br	3-1br 2-2br	9-1br 14-2br 2-4br	10-1br 6-2br	5-1br 5-2br	11-1br 6-2br	35-1br 17-2br 2-4br	1-1br 4-2br	2-0br 5-1br 2-2br	4-1br 4-2br	2-1br 1-2br	9-1br 3-2br	35-1br 25-2br	2-0br 223-1br 151-2br 4-4br
RHLPs			7-1br 5-2br 8-3br							2-1br 2-2br						3-1br 3-2br	12-1br 10-2br 8-3br (410)
FmHA	6-1br	10-1br 22-2br	13-1br 9-2br	20-1br	7-1br 5-2br	27-1br 7-2br	6-1br	10-1br 2-2br	19-1br 6-2br	17-1br 20-2br	7-1br 8-2br	9-1br 2-2br	16-1br 3-2br	6-1br	20-1br 11-2br	5-1br 9-2br	198-1br 104-2br (302)
HUD Directs	7-0br 10-1br 8-2br 4-3br 4-4br	12-1br	5-0br 38-1br 4-2br	1-1br 1-2br	2-2br	32-1br 5-2br	7-1br	6-1br	2-1br	17-1br			1-1br	4-1br	1-1br 1-2br	9-1br 9-2br	12-0br 140-1br 30-2br 4-3br 4-4br (190)
Public Housing	Lwstn 5-2br	Ft. Fairfld 2-1br Prsque Isle 3-1br 25-2br	Brnswck 8-1br Ptld 2-2br S.Ptld 21-1br 4-2br Wstbrk 6-0br 6-1br 4-2br		Elswrth 17-1br 16-2br					Bangor 2-1br Brewer 7-1br 5-2br 2-3br Old Twn 4-1br						Sanford 4-1br	6-0br 74-1br 61-2br 2-3br (143)
TOTAL	7-0br 50-1br 29-2br 4-3br 4-4br (94)	36-1br 68-2br (104)	11-0br 144-1br 49-2br 8-3br (212)	21-1br 5-2br (26)	27-1br 25-2br (52)	68-1br 26-2br 2-4br (96)	23-1br 6-2br (29)	21-1br 7-2br (28)	32-1br 12-2br (44)	84-1br 44-2br 2-3br 2-4br (132)	8-1br 12-2br (20)	2-0br 14-1br 4-2br (20)	21-1br 7-2br (28)	12-1br 1-2br (13)	30-1br 15-2br (45)	56-1br 46-2br (102)	GRAND TOTAL (1,045)

24/wm

Attachment C: Poverty in Maine: Factors and Trends, State Planning Office 3/90

Poverty Today

Key factors & trends

Outline:

1. Poverty - How it is measured
2. How Many Poor in Maine
3. Who are the Poor?
4. Underlying Economic Factors
5. Geographic & Cultural Factors
6. The 1990's - outlook/conclusions

Compiled for the
Blue Ribbon Commission on Energy Policy for Maine's Low Income Citizens

March, 1990
State Planning Office
Joyce Benson, Sr. Planner

Measuring Poverty:

* The poverty level is set by the federal government each year.

* It is based on a minimum family budget determined to be sufficient to provide the most basic food, clothing and shelter.

* The level is set based on the number of persons in the household.

* The amount of change made in the poverty level for a family of a given size is based on the rate of change in the cost of living.

1990

FEDERAL POVERTY GUIDELINE

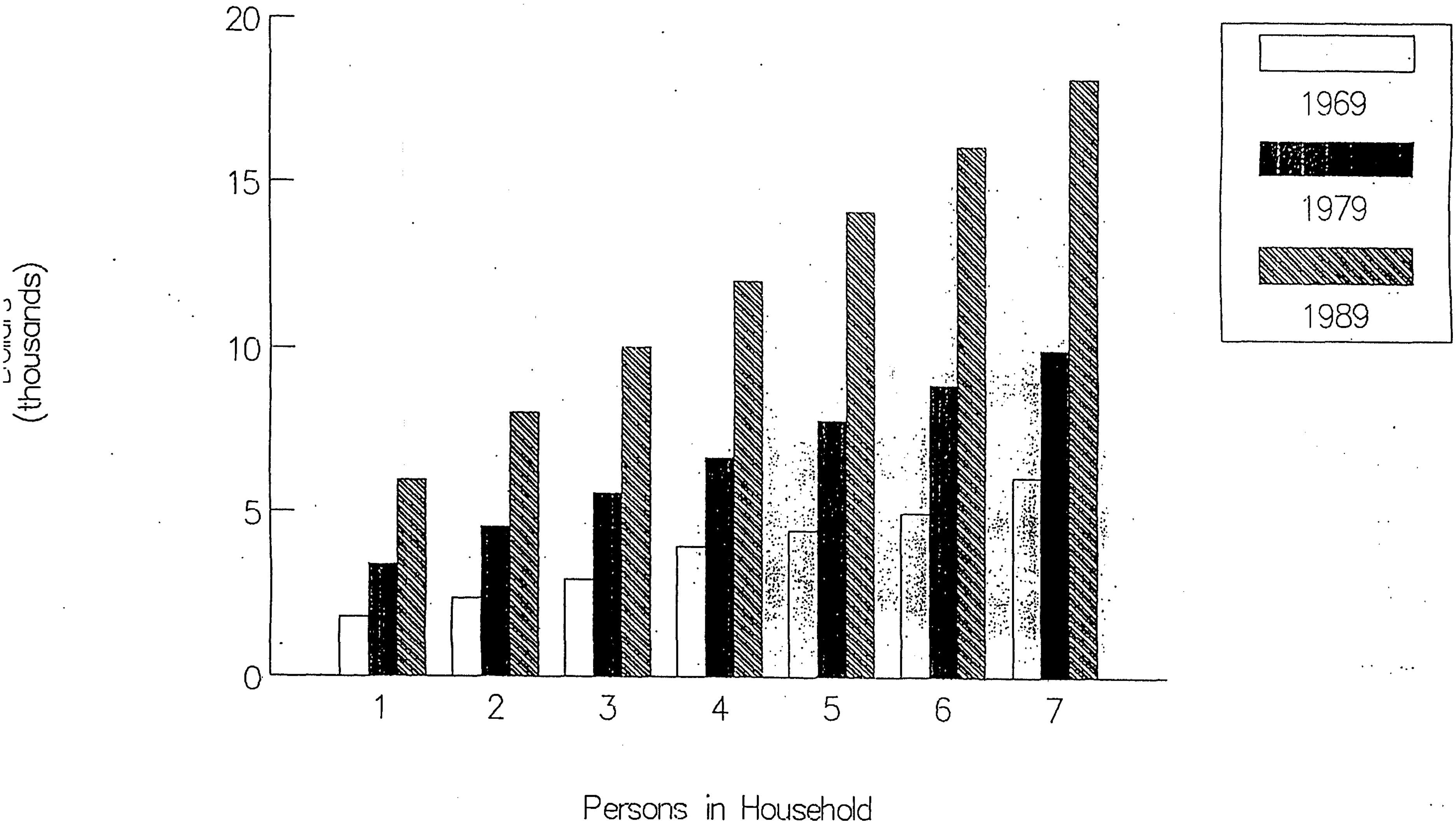
FAMILY SIZE	POVERTY LEVEL INCOME
1	$ 6,280
2	8,420
3	10,560
4	12,700
5	14,840
6	16,980
7	19,120

For each additional household member, add $2,140.

Source: OMB, Published in Federal Register, Feb. 16, 1990.

Federal Poverty Guideline

1969, 1979, and 1989



How Much Poverty in Maine?

* About 13% of Maine's population lives in households that have an income below the federally established poverty level.

* This amounts to about 150,000 people.

* The number of poor in Maine has been growing by about 10,000 each decade since poverty was first officially measured by the 1970 Census. Because the population overall is growing, the rate of poverty has remained unchanged.

* In 1980 Maine had a larger than average number of "near poor", i.e., households with income between 100% and 125% of the poverty level. There is no data to indicate that this situation has improved. During the mid 1980's sample data indicate that the situation may have worsened. Their standard of living and the relative lack of economic security is little different from those below the poverty line.

* Poverty is a very fluid situation. A large number of Maine people live close to poverty and move in and out as their circumstances change. For most, a brief illness or work slowdown can mean unpaid rent and eviction, and an income level that falls below the poverty line.

* Analysis of AFDC program data in the early 1980's showed that the average daily caseload amounts to only a third of the families that rely on AFDC for a major portion of their income at some point during a year's time.

* Thus while there is a segment of the population who face severe and chronic poverty, a much larger portion of the Maine population live on the edge and many of those float into poverty for periods of time.

HOW MANY POOR ?

150,000 BELOW POVERTY IN 1987

225,000 BELOW 125% OF POVERTY LINE

IN MAINE

1980 POVERTY RATE

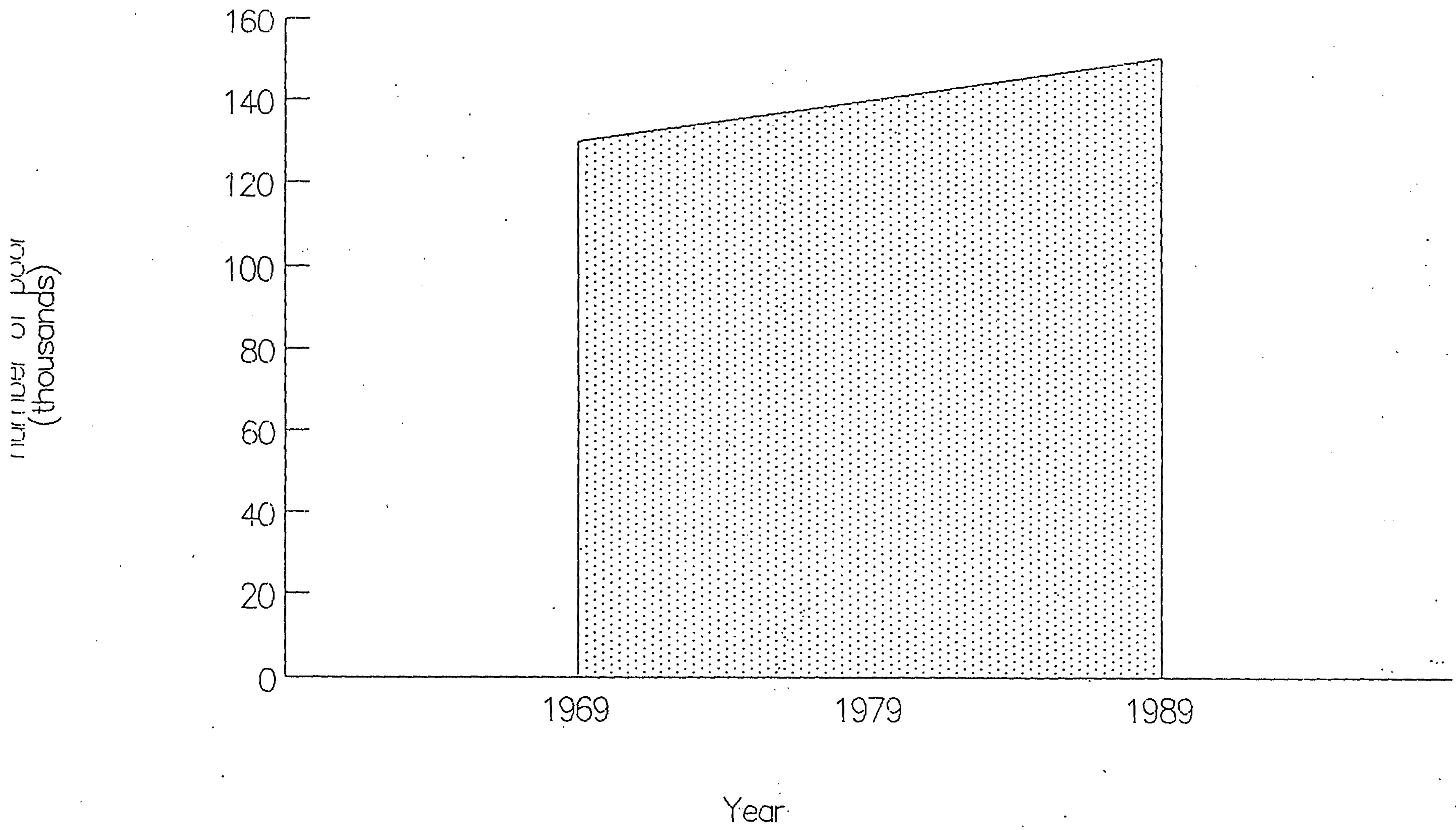
13 % IN MAINE CITIES

12 % IN SUBURBAN COMMUNITIES

17 % IN RURAL AREAS

Number of Poor in Maine

1969, 1979, 1989



Who are the Poor?

---

* Common stereotypes of the poor generally place them in two broad categories: the deserving and the undeserving.

  Children, elderly, handicapped --- the "deserving"

  Welfare mothers (they keep having babies to keep the check coming - even though it amounts to less than 50% of the poverty level!), unemployed and under-employed (they're lazy!), large families (they're irresponsible!)... --- the "undeserving"

* Historically, the majority of the poor were "the helpless", those unable to participate in the work force - children, elderly, handicapped and disabled. Families were larger as well.

* In the 1970-s and 1980's a new profile emerged.

  ** The poor were becoming increasingly working age adults - who were in fact working, and their families.

  ** Between 1970 and 1980 the poverty rate for children remained virtually unchanged.

  ** The size of poor families was no greater than of the non-poor.

  ** The poverty rate among the elderly was cut by nearly a third. However, more than a third of the elderly have incomes under 125% of the poverty level are not substantially better off.

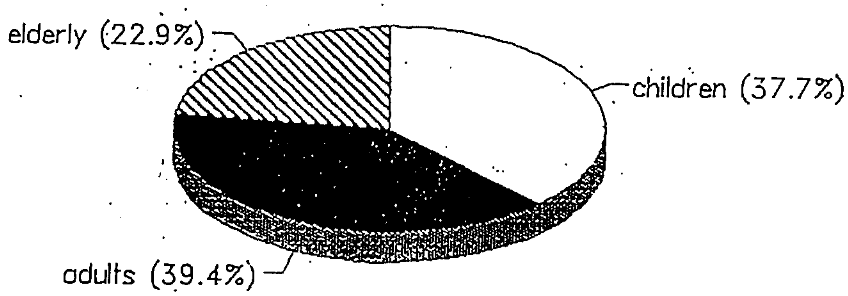
  ** The number of working-age adults with incomes below poverty increased by 20,000 in the last decade.

  ** The number of one-person households living below the poverty line more than doubled (up 112%)

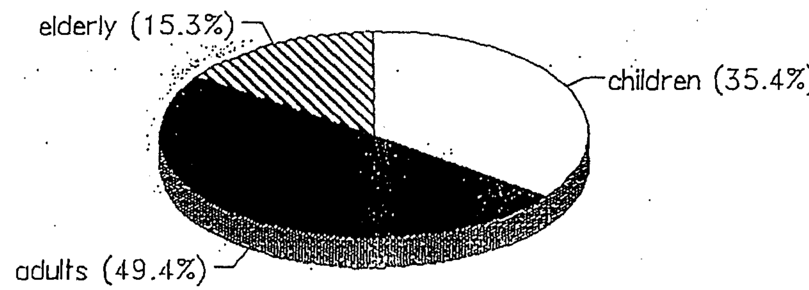
  ** The number of families headed by a single female parent increased threefold. A third live in poverty.

* These demographic shifts were striking, especially in light of national trends toward poverty becoming more firmly entrenched among minorities, affecting women and children most severely.

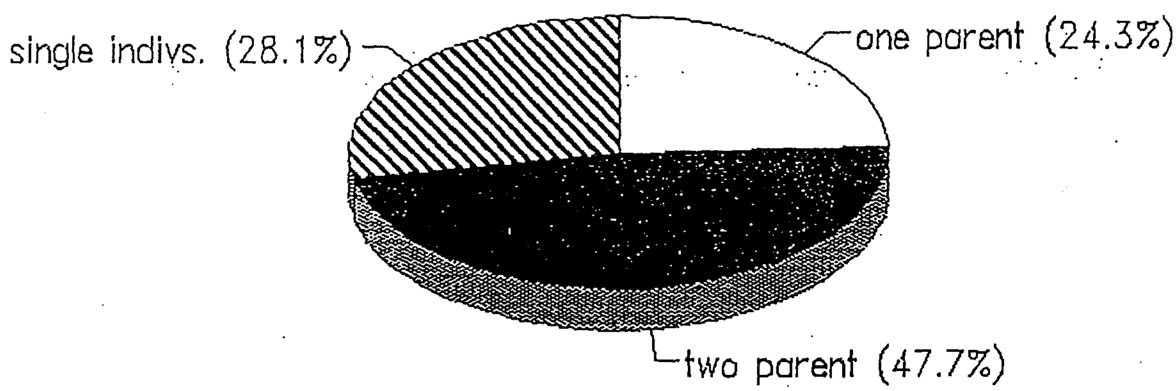
ge Distribution of the Poor in Maine
1970 Census



Age Distribution of the Poor in Main
1980 Census



Maine's Poor: Household Type
1980 Census



1920 figs

Underlying Economic Factors

* In Maine the poverty rate does not seem to be affected significantly by economic prosperity. It simply does not "trickle down".

* In spite of this, the poverty rate is very sensitive to economic downturns and to changes in the economic structure.

* Economic Downturns effect the poverty rate in Maine (and in most rural states) more because such a large share of the poor are working poor. Two-thirds of the families below poverty have at least one member in the workforce.

* In 1980 the number of 2-parent households below the poverty rate would have been double were it not for the rapid growth of women in the labor force, including working mothers with children.

* By 1980 the primary causes of poverty were underemployment and declining value of wages.

* Underemployed. The poor are employed in occupations and industries that are more likely to pay low wages. They are more likely to be underemployed, and to suffer periods of unemployment.

  ** Nearly a quarter of the working poor reported some period of unemployment in the 1980 Census.

  ** While two-thirds of the poor families had at least one member in the workforce, less than half of the family heads had work all year long.

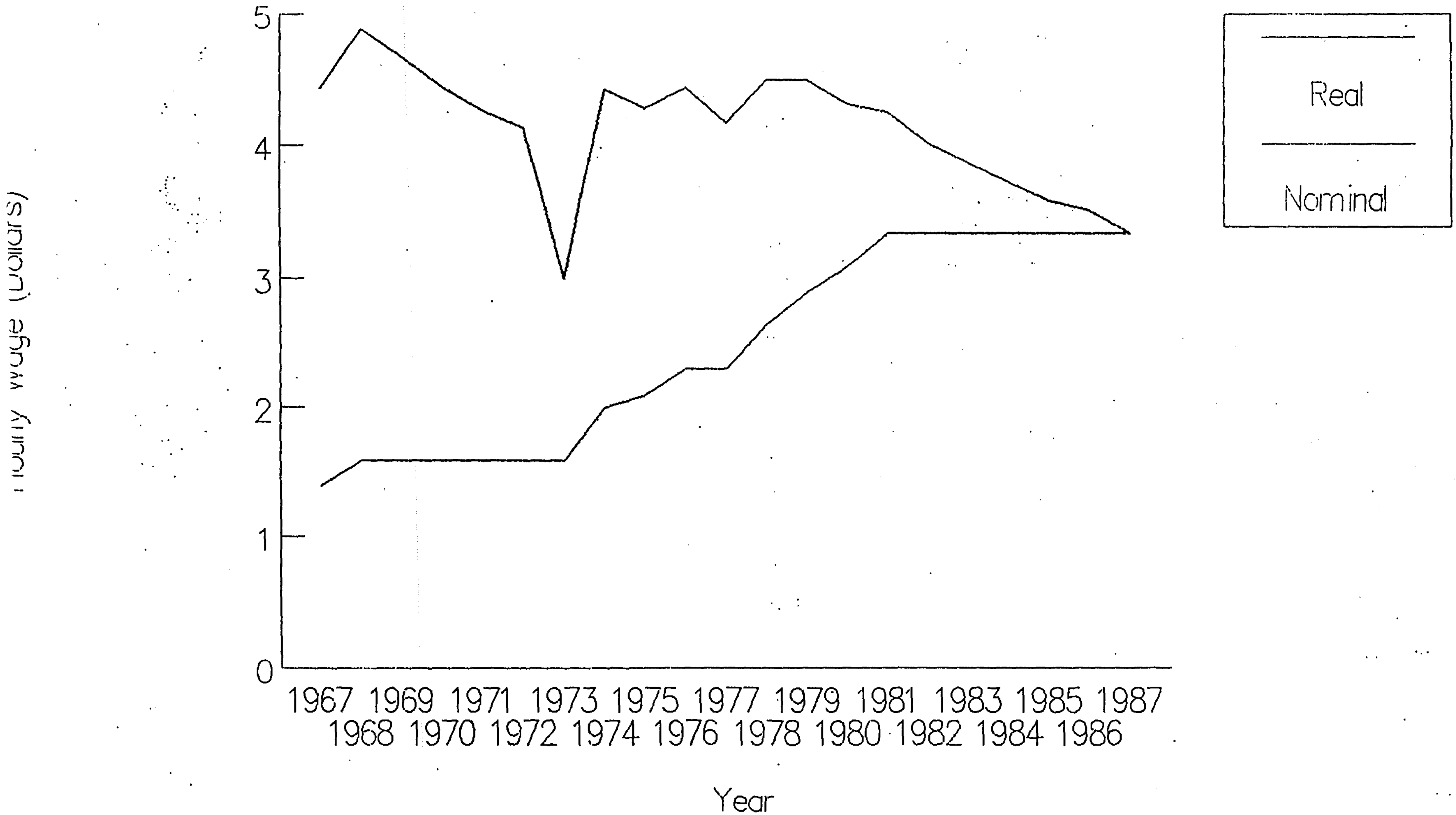
  ** The poor are concentrated in low wage jobs. A third of the poor women in the labor force were service workers, compared to only 15% of the total workforce. 40% of the men heading poor households worked in natural resources and transportation.

* Decline Value of Wages. A minimum wage job (at full time), provides a family of four with an income equal to 55% of the poverty level in 1990. In 1979 a minimum wage job provided income equal to 85% of the poverty level.

  ** In 1990 the minimum hourly wage needed to provide a poverty level income for a family of four is $6.56/hour. Minimum wage is 3.65/hour.

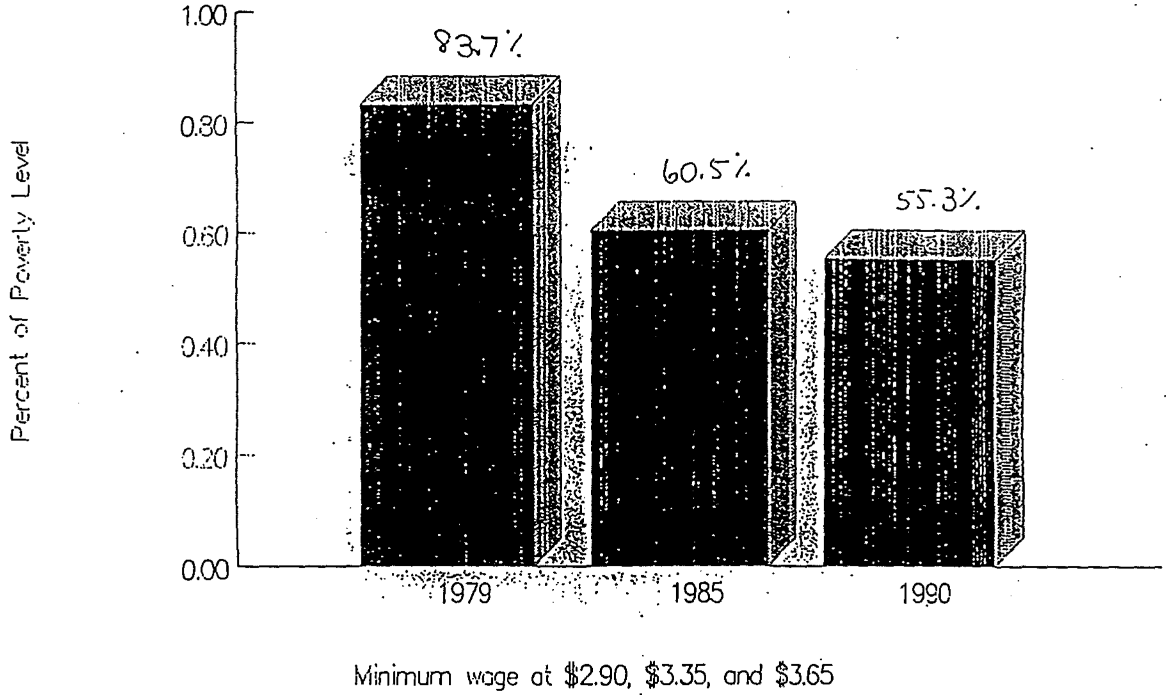
Nominal and Real Value of Minimum Wage

Annual Change, 1967–1987



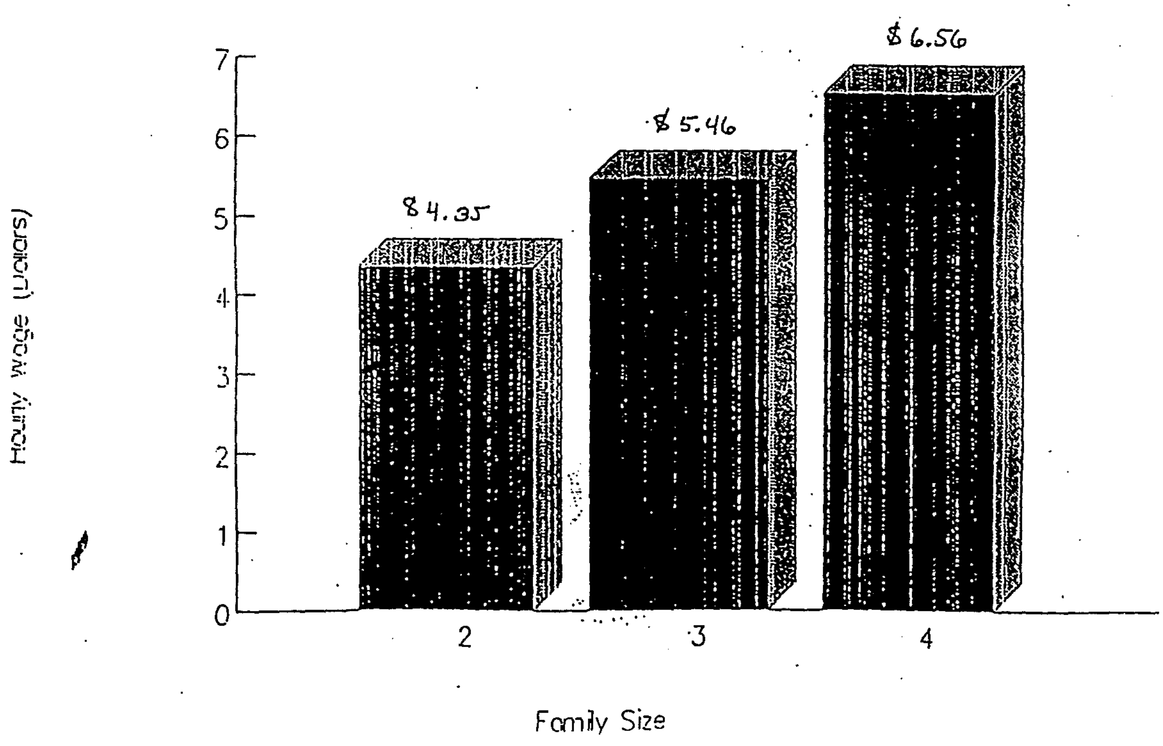
Minimum Wage as a Percent of Poverty

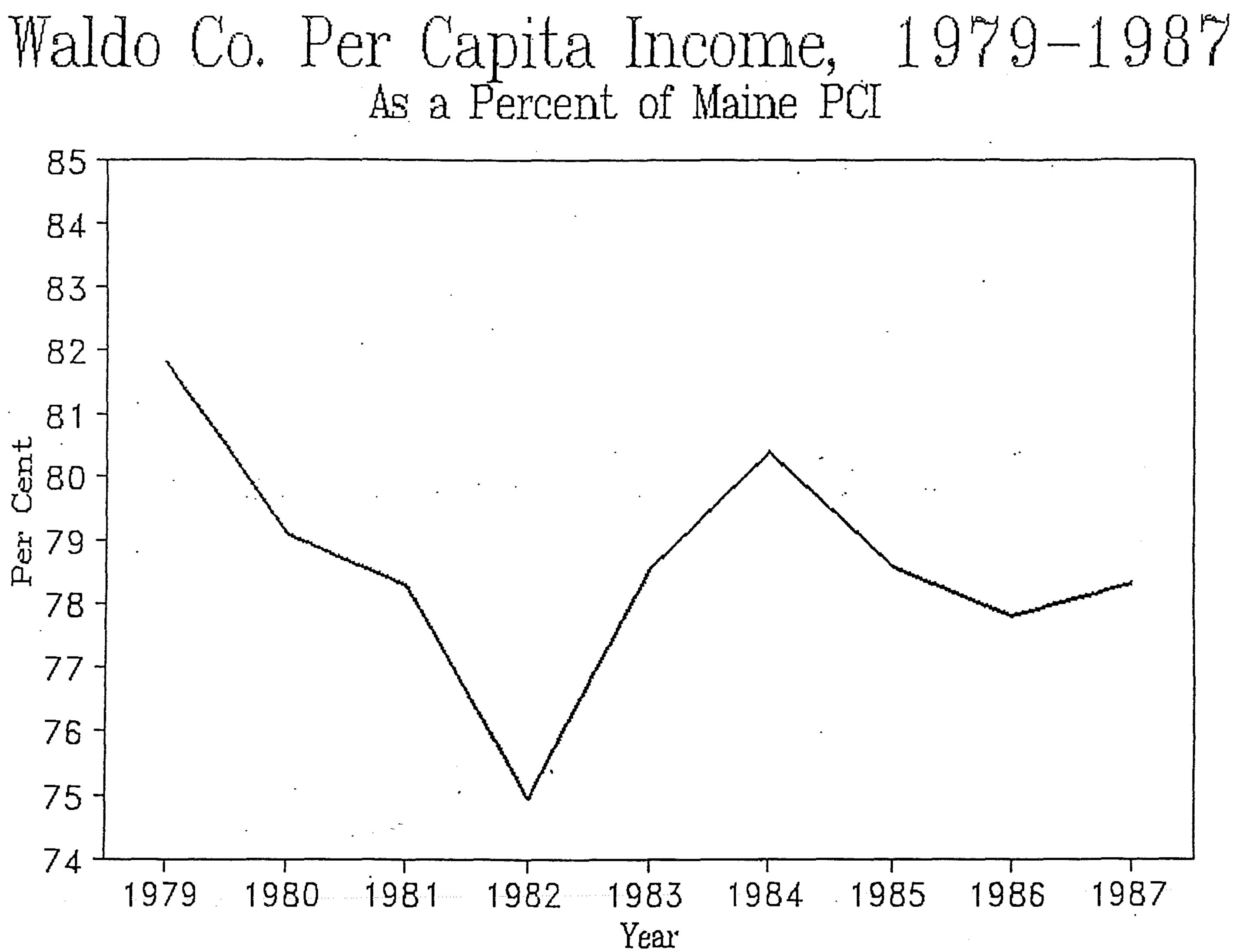
Selected years, 1979–1990, Family of 4



Annual Hourly Wage Required

To meet 100% Poverty Level in 1990




Waldo Co. Per Capita Income, 1979-1987
As a Percent of Maine PCI
85
84
83
82
81
80
79
78
77
76
75
74
Per Cent
1979
1980
1981
1982
1983
1984
1985
1986
1987
Year

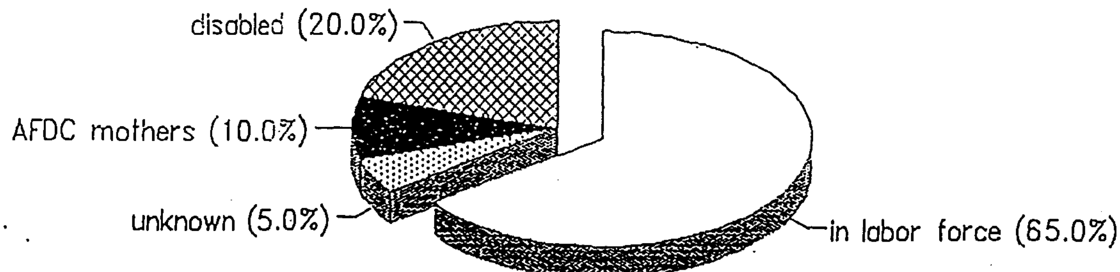
Value of Second Earnings to Family Income (in Families Headed by Married Couples)

(1980 Census)

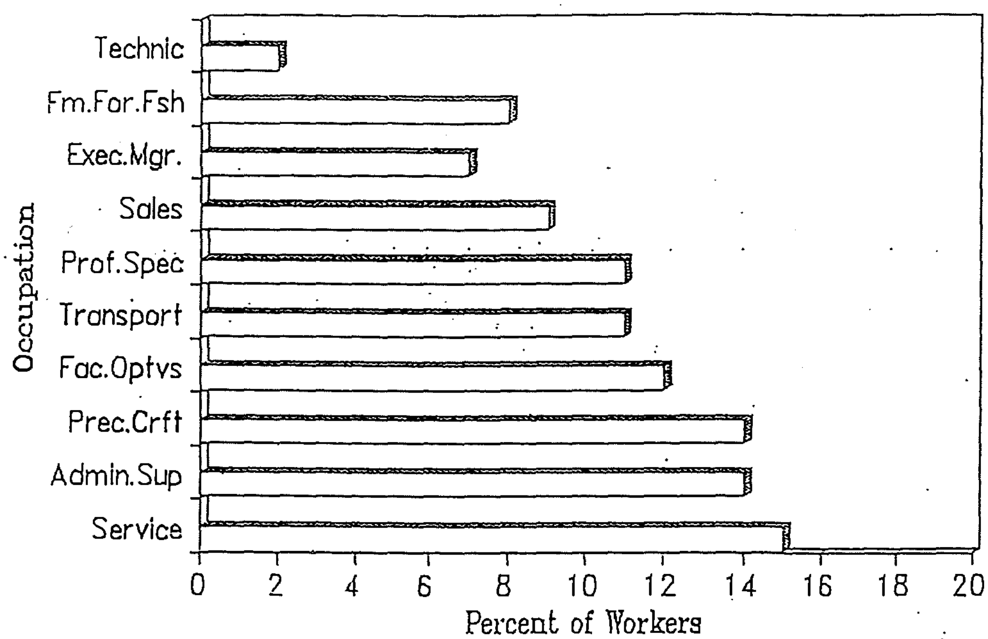
	Number of Families	Mean Earnings	Wife's income as % of total
One earner	75,673	$16,834	--
Two earner	132,800	$20,246	28.3%
Both work full time	81,753	$21,445	33.9%
All married couples	251,534	$16,335	20.3%

Adult Houshold Heads below Poverty

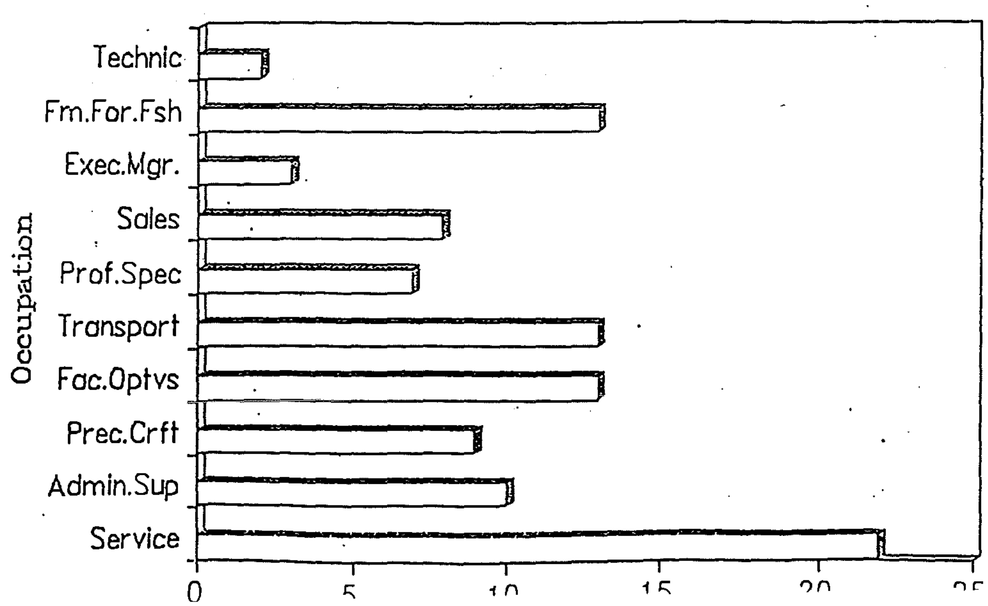
Workforce status, 1980 Census



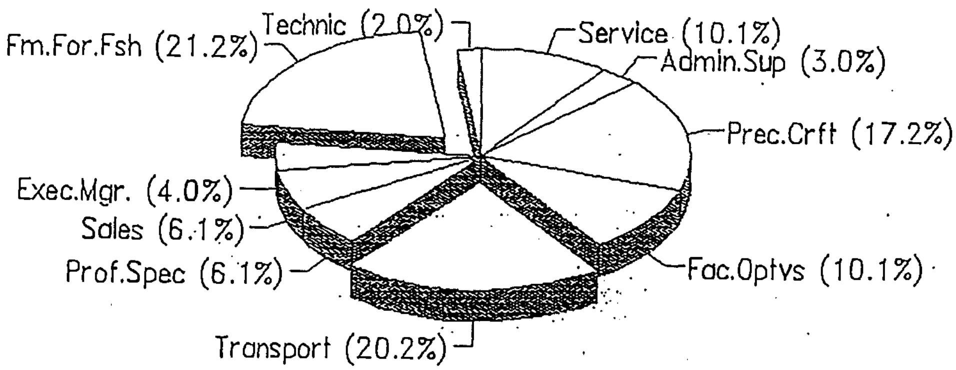
Distribution of Workers
By Occupation, 1980 Census



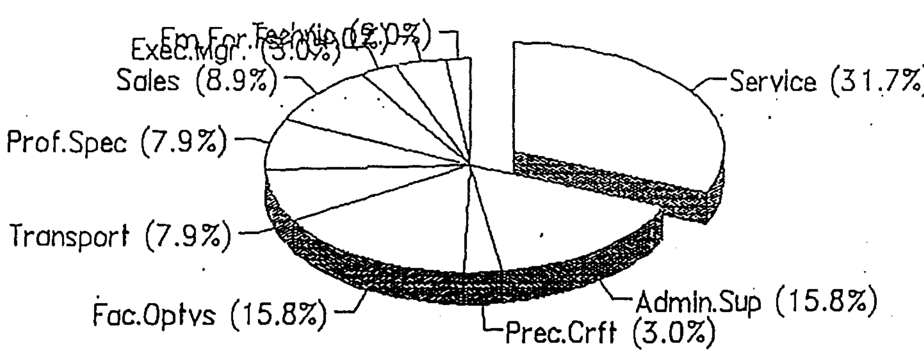
Distribution of Workers below Poverty
By Occupation, 1980 Census



Distribution of Workers Below Poverty
Males By Occupation, 1980 Census



Distribution of Workers Below Poverty
Females By Occupation, 1980 Census



Geographic and Cultural Factors

Distribution:

* The highest rates of poverty are found in the most urban and the most rural parts of Maine.

* Yet the greatest increase in poverty in the last decade was in "suburban" communities - i.e., those that were within 1-tier from the major urban places.

  ** The new suburban poor are somewhat unique:
    - Younger working families
    - More likely to have children
    - Have better and newer housing on average which means they are hard hit by rising property values and taxes.
    - Many have had steady income but in occupations that will be hard hit by the current slowdown, esp, in manufacturing, construction, and related industries.

  ** The problems in the suburbs are already apparent. Over the past year Food Stamp caseload data shows the greatest increase in new recipients to be in York and Oxford Counties, with other more urban areas following closely.

  ** Housing costs are the key problem for the poor today throughout the state. The problem is most acute in this part of the State.

* Rural: The poorest area of the State is Waldo County, followed closely by Washington and Somerset Counties.

  ** In spite of a state economic growth rate that exceeded the national rate during the past few years, the income of these three counties remains at about 75% of the per capita income of the nation.

  ** The income of rural households is less likely to be steady. Twice as many are self-employed, usually operating micro-level family run businesses that provide minimal income. Seasonal work is a far greater factor.

  ** Rural poor are more likely to be home owners. A sizeable number are struggling to hold onto traditional family lands. They are often ineligible for assistance because of their values.

  ** Affected by rising property taxes and escalating property values are a widespread problem, especially acute in coastal areas and areas where the economy is dominated by tourism.

** In rural areas there is a greater need for retrofit and repair. Far greater share live in old and unsafe mobile homes.

** A higher proportion of the rural poor are elderly.

* Some of the highest concentrations of the poor are in Maine's largest cities.

** Urban areas have the highest concentration of single parent households below poverty.

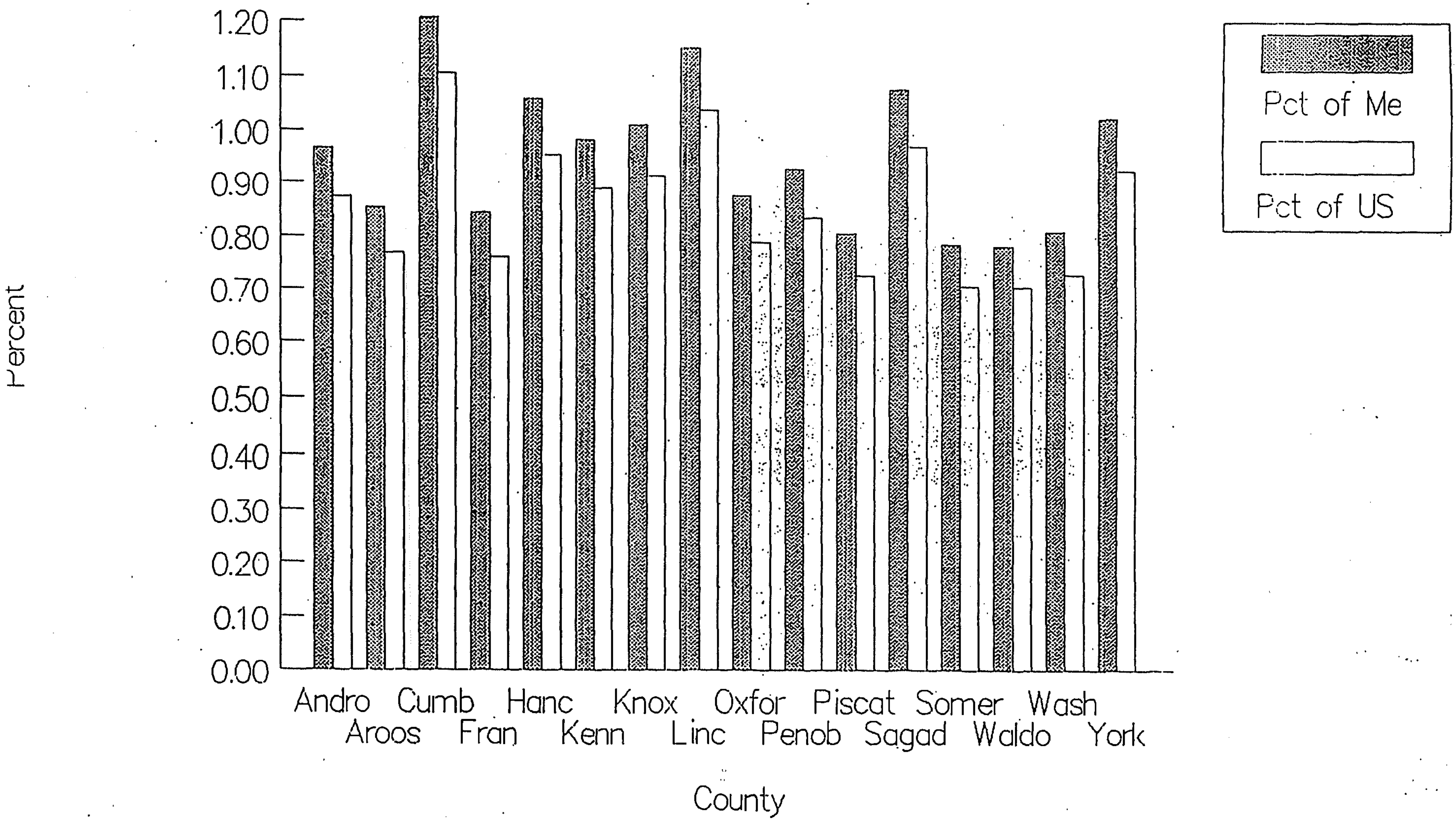
** There are a higher proportion of single person households

** The urban poor are more likely to be renters. As such they have been hard hit by rising rents, loss of public programs that provide rent subsidy and finance new construction.

** Homelessness, on the increase throughout the state, is most intense in urban areas where few poor are property owners. Data from the Census showed more than 50,000 households in Maine who were paying in excess of 50% of their income for rent, or who were living in serverly substandard or overcrowded conditions. In light of dwindling federal investment in housing throughout the decade has increased severalfold.

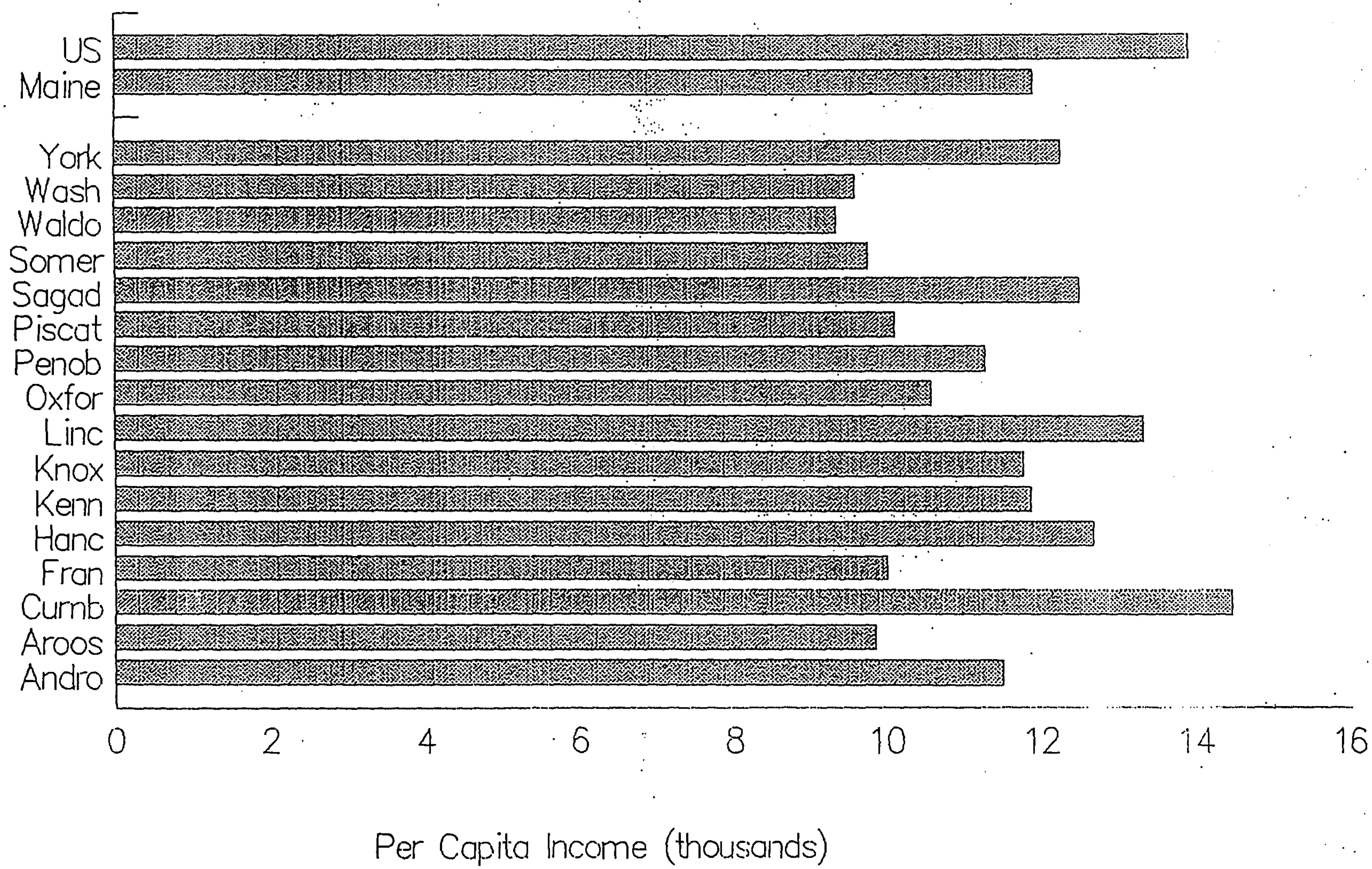
Per Capita Income, 1977

County as a percent of Me, US.



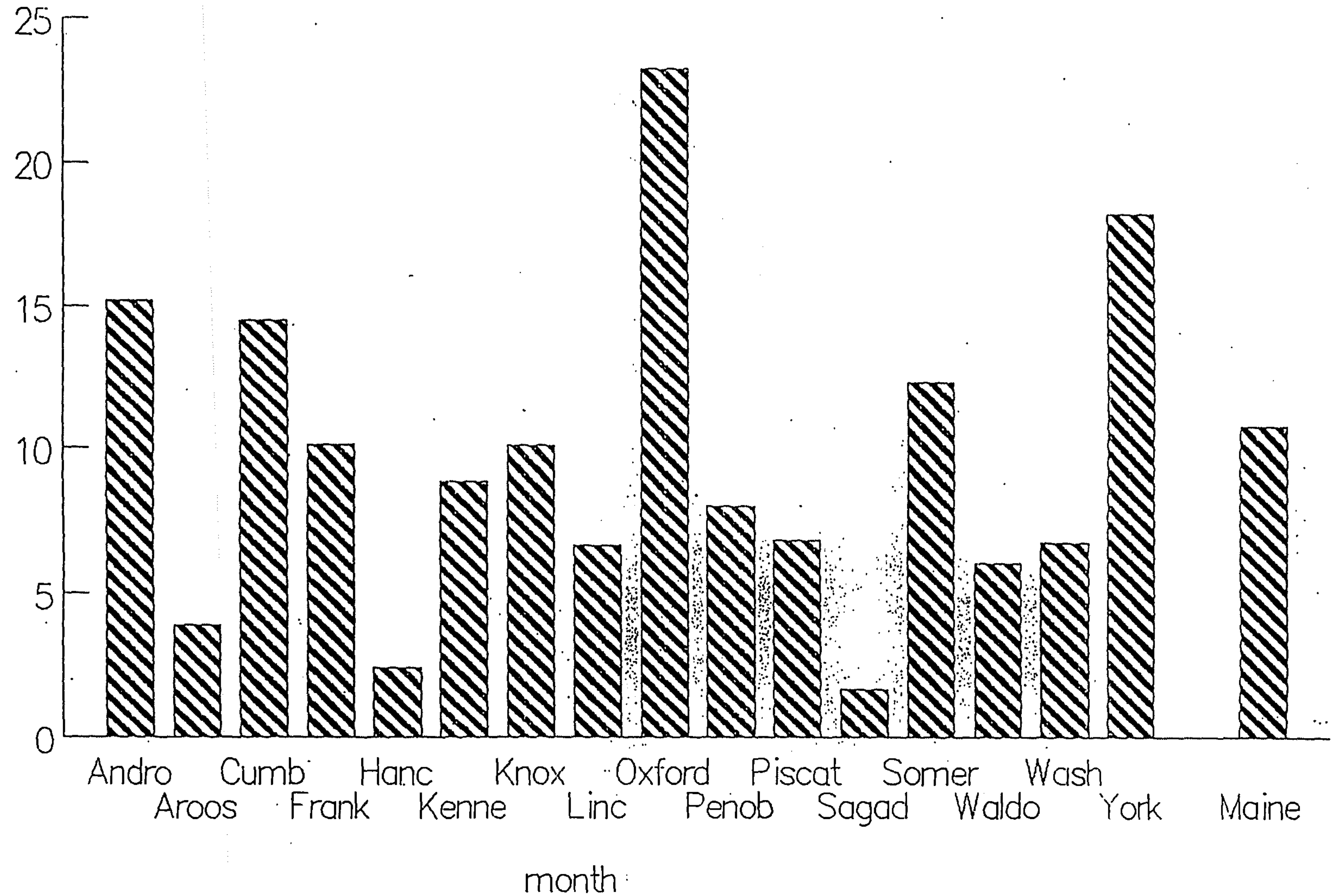
Per Capita Income, 1977

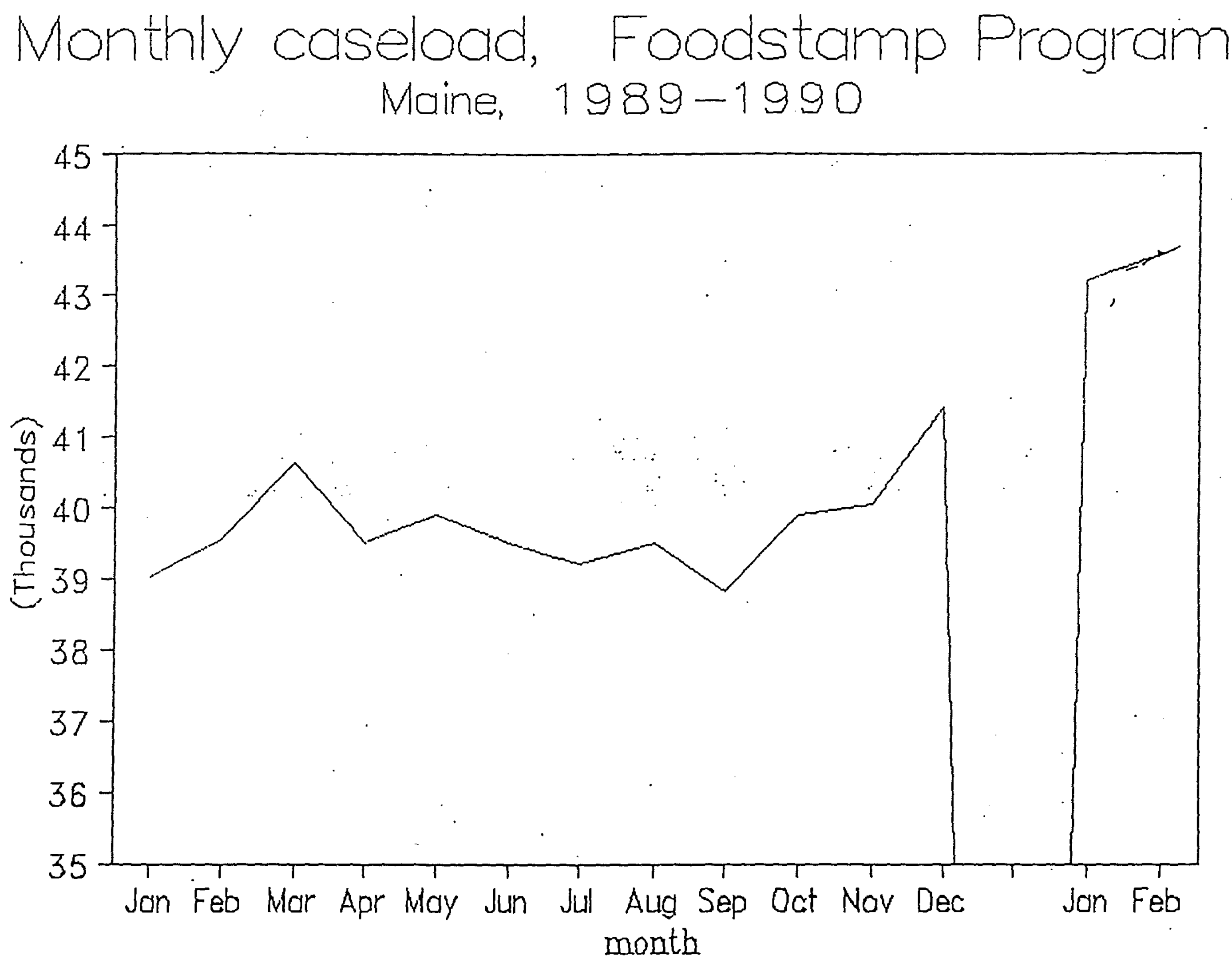
By County



Maine Foodstamp Program, Jan 1989–90

Percent Change in Number of Recipients




Monthly caseload, Foodstamp Program
Maine, 1989-1990
(Thousands)
45
44
43
42
41
40
39
38
37
36
35
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
month

Summary/Conclusions/Outlook for the 1990's:

Through the 1980's:

* The poor in Maine are increasingly the lower income working population.

* Widening gap between prices and wages in the 1980's means that having a job does not guarantee against being poor.

* Unprecedented rises in land values and the corresponding increase in the cost of housing in Maine during the latter part of the 1980's has doubly hurt the lower income whose wages are declining in value relative to the poverty rate.

Short term forecast:

* The economy is cyclical. Predictions are that the next few years Maine's economy will be in a cyclical downturn.

* As the Maine economy continues to cool down during the next year or two, the poor and the near poor will be hardest hit. The continued decline in manufacturing, especially in smaller rural centers, is reducing the supply of full time jobs in these areas.

* Hardest hit will be the small and marginal businesses without the capital to sustain a period of slow sales and lower income families and individuals dependent on a second or third job to keep them above the poverty line. Single individuals and single parent families face a severe disadvantage

Longer term:

* Older workers will face the greatest difficulties as the economy shifts gears. The 1980 Census showed that the older a worker, the longer the duration of unemployment when laid off. Age discrimination still exists.

* Widening gap between lower wage/skill jobs and higher wage/higher skilled jobs.

    ** There is also a temporary gap between changing technology and availability of skills in the work force to take advantage of it.

* The economy is continuing to shift toward service-dominated businesses. Part time service jobs threefold in their share

of the employment between 1980 and 1987.

** Increasing dominance of the service sector is leading to increased concentration of the job opportunities in urban areas.

* Employment in food processing, paper and lumber, textiles and footwear and other traditional rural jobs that typically provide steady work to rural people is expected to continue to decline.

* Education will still be a limiting factor but its nature has changed:

  ** The big difference to making it economically will be not the lack of a high school diploma but the lack of skilled training

  ** Education is an issue for the entire workforce, not just those leaving school.

* Poverty is becoming more tied to the regional economy. It is becoming more of a regional factor than a rural or urban factor, and more tied to the health of certain industries.

LIHEAP CLIENT ANALYSIS

A. Clients Currently Served:

1. Up to 125% poverty

2. Clients up to 150% of poverty who are:
   - handicapped
   - have children under age 2
   - elderly

B. Statistics

- 47% - elderly
- 35% - with children under 2
- 18% handicapped
- We serve 45% of the 126,000 eligible households statewide**
- The average HEAP benefit during FY 1988/89 was $297
- The average annual fuel bill range is $610-$731 based on 753 gallons at .81¢ per gallon.*
- HEAP pays an average 49% of the annual average bill.
- An average annual electric bill is $662 for HEAP clients.
- HEAP pays an average 40% of the annual average bill.
- 61% of population use fuel oil
- 17% of population use electricity for primary heat.

** Based on 1980 census data

* 753 gallons based on 1988 study by the National Alliance to save energy includes a 20% deviation.

Attachment D: LIHEAP Overview, Division of Community Services, 3/90

LIHEAP

Goal

The goal of the Home Energy Assistance Program is to provide fuel assistance to the low-income households of the State of Maine and to respond to energy-related crises effecting those households.

This program is operated in compliance with:

- Title XXVI of the Omnibus Reconciliation Act of 1981.
- Home Energy Assistance Act of 1981.
- Community Services Act of 1983.

Eligibility

- Clients within 125% of poverty.
- Clients within 150% of poverty - who are elderly, handicapped or have children under the age of two.

The LIHEAP program operates through a Statewide network of eleven community action agencies and five municipalities.

BENEFIT SUMMARY

There are two benefits available in the Energy Assistance Program:

Regular HEAP Benefit

- Range $21 - $462
  Average $245
- Eligibility determined by income, household size, degree days for region, type of housing and energy used.

Energy Crisis Intervention Benefit

This benefit is fixed at $400
Until January 4, 1990 - $200 was available for energy assistance
- $200 was available for weatherization activities.

The Division increased the energy portion by $140 for a total of $340 and reduced the $200 weatherization portion to $60.

CLIENTS CAN RECEIVE BOTH BENEFITS

CLIENTS SERVED DURING 1988/89

C. <u>Breakdown Within Poverty Levels</u>:

75% =	17% elderly	(2,922)	
	83% other	(14,313)	
100% =	61% elderly	(11,302)	
	59% other	(7,213)	
125% =	58% elderly	(7,104)	
	42% other	(5,171)	
150% =	80% elderly	(3,432)	
	20% other	(875)	under 2

HEAP FUNDING SUMMARY

Grant Award '86	$26,567,195		
Carryover from '85	581,417		
Total Funds Available	$27,148,612		
Total Expended	$25,364,377	Program	$22,649,517
Balance	$1,784,235	Admin:	
		DCS	678,715
		CAPs	2,036,145

Grant Award '87	$24,516,431		
Carryover from '86	1,784,235		
Total Funds Available	$26,300,666		
Total Expended	$24,013,445	Program	$21,518,134
Balance	$2,287,221	Admin:	
		DCS	784,689
		CAPs	1,710,622

Grant Award '88	$20,576,297		
Carryover from '87	2,287,221		
Total Funds Available	$22,863,518		
Total Expended	$21,702,456	Program	$19,558,813
Balance	$1,161,062	Admin:	
		DCS	580,257
		CAPs	1,563,386

Grant Award '89	$18,562,024		
Carryover '88	1,161,062		
Stripper Well	1,788,000		
Total Funds Available	$21,511,086		
Total Expended (est.)	21,211,086	Program	$18,189,918
Balance (estim.)	300,000	Admin:	
		DCS	595,585
		CAPs	1,541,590

Grant Award '90	$18,693,047		
Carryover '89	300,000		
Total Funds Available	$18,993,047		
		Program	$14,934,330
		Admin:	
		DCS	414,842
		CAPs	1,244,528

ECIP FUNDING SUMMARY

ECIP

Total Certified	1985-86	1986-87	1987-88	1988-89
	5,088	6,508	11,366	9,710

	1985-86	1986-87	1987-88	1988-89
Emergency Fuel	$202,473	$162,627	$624,811	$433,802
Utility Disconnects	365,922	506,294	703,694	831,290
Emergency Shelter	79,723	151,965	296,101	97,096
Weatherization	29,657	82,918	144,768	128,369
Other	10,124	23,125	21,096	26,040
	687,899	$ 926,929	$1,790,470	$1,516,597

[illegible] 135 $142

1990/91

[illegible] 9,710
Total [illegible] 519,399

SUMMARY OF HEAP ADMIN. STATISTICS

ır	Average Benefit	Clients Served	Apps. Taken	Apps. Certified	($ per app) CAP Admin.	($ per app) DCS Admin.	($ per app) Combined Admin.	Fuel Price
'86	$316.00	60,171	67,249	60,171	29.47	10.90	40.37	$ .8(
'87	$311.00	57,000	62,888	56,710	30.35	11.23	41.58	$ .87
88	$295.00	53,000	58,238	52,612	28.47	10.53	39.00	$ .80
89	$297.00	51,482	56,497	52,000	25.29	9.35	34.64	$ .81

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NEW ENGLAND LIHEAP

1988-1989

State	Season	Minimum	Average	Maximum	I P
Connecticut	Winter	Unlimited	$600 100% poverty $300 supplemental	N/A	$150
Maine	Winter - 5/1	$26	$310	$572	$200
Massachusetts	Winter	$500	$540	$743	$150
New Hampshire	Winter	N/A	$447	$500	$138
Rhode Island	Winter	$65	$370-$380	$400	$100
Vermont	N/A				

NEW ENGLAND LIHEAP

1989-90

State	Season	Minimum	Average	Maximum	ECIP
Connecticut	Winter	N/A	$600 (100% poverty) $300 (supplemental)	"unlimited benefit"	$150 Per cris:
Maine	Winter-4/30	$21	$245	$462	$340
Massachusetts	Winter	$500	$540	$675	N/A
New Hampshire	Winter	N/A	$350-450	$450	$150
Rhode Island	Winter	$65	$370-380	$400	$100
Vermont	Winter	Base benefit is $40-$170 per month			No Maxim

Analysis of Administrative Funds
for the HEAP Grant Award and Projected
Administrative Reduction for the Weatherization Program 4/1/90

HOME ENERGY ASSISTANCE PROGRAM

Administrative reductions for the HEAP program over the past four years

	89/90 - Level	85/86	$ Decrease	% Decrease
CAP Admin.	$1,322,400	$2,036,145	($713,745)	(35%)
DCS Admin.	533,600	678,715	($145,115)	(21%)
TOTAL:	$1,856,000	$2,714,860	($858,860)	(32%)

WEATHERIZATION

Administrative reductions projected for the Weatherization Program 4/1/90-3/31/91:

	89/90	90/91	$ Decrease	% Decrease
CAP Admin.	$339,309	$130,000	($209,000)	62%
DCS Admin.	$339,309	$130,000	($209,000)	62%
TOTAL:	$678,618	$260,000	($418,000)	62%

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1989

Grant Award	18.5 million	
	1.1 million	rollover
	1.8 million	Stripper Well
	21.4 million	

Average HEAP benefit	$310	(383 gallons at 81¢)
Range	$26 - $572	
ECIP (emergency)	$200	(246 gallons at 81¢)
Total average benefit	$510	($310 plus $200) - (630 gallons at 81¢
Total maximum benefit	$772	($572 plus $200) = (953 gallons at 81¢

1990

Grant Award	18.7 million	- .7% increase ($130,000)
	300,000	roll-over
	Total 19 million	- 2 1/2 million less this year

Average HEAP benefit	$245	(170 gallons at $1.44)
Range	$21 - $462	
ECIP (emergency)	$340	(236 gallons at $1.44)
Total average benefit =	$585	(406 gallons at $1.44)
Total maximum benefit =	$802	(557 gallons at $1.44)

The additional PVE funds would enable 5,300 more clients to be served with a HEAP benefit and an additional 6,000 clients to be served with the supplemental emergency benefit. With the additional funds available, we made the decision to increase the emergency rather than the regular benefit for the following reasons:

1. Every half a million dollars will only increase the average benefit by approximately ten dollars. A $1.5 million increase would mean an average increase of $30 per benefit, or 20 gallons of fuel at $1.50 per gallon.

2. Increasing the emergency benefit by $140 provides an additional 93 gallons of fuel, and it also serves those clients in the greatest need.

3. There would be very significant administrative cost to change the regular benefit level at this time, as supplemental checks would have to be processed for all households which had already received their benefit. Additional administrative funding would likely have to be requested to fulfill this purpose.

Through the task force on home heating oil prices, we will continue to monitor the current situation closely to ensure the $1.7 million additional funds will enable us to make it through the season. If we find we are running short, additional options will be explored and recommendations made to the Governor.

Attachment E: General Assistance Overview, Maine Municipal Association, 3/90

GA FACT SHEET

FY 1988-1989

Total GA spent statewide	-	$10,954,435
State share	-	$ 6,746,066 (61%)
Municipal share	-	$ 4,208,369 (39%)

In FY 1988-89, $7,740,000 of the approx. $11 million of GA, or 70%, was distributed by 20 Maine municipalities, in order:

Portland -	$ 4,234,922
Bangor -	512,566
Biddeford-	451,919
Lewiston -	371,200
Caribou -	271,980
Penob. Ind. Nation -	221,379
Sanford -	216,114
Millinockett -	185,538
Presque Isle -	159,130
Passam. Pleas. Plnt. -	132,761
Madawaska -	132,495
Passam. Ind. Twnshp-	121,801
Winthrop -	111,535
Waterville -	111,535
OOB -	108,210
Rumford -	103,878
Kennebunk -	98,133
Augusta -	98,079
Gardiner -	95,802
Windham -	94,469
Fairfield -	74,608

Some Hotdog projections

In the first 7 months of FY 1989-90 (through January), the total GA expenditure is running 30% + over the first 7 months expenditure of FY 1988-89. ($6,114,000 vs. 4,689,400). Note: some of this apparent increase may be due to more timely reporting requirements. However, if that ratio is projected over FY 1989-90, the annual GA expenditure would be roughly $14,240,000. Since FY 1989-90 brings in a new reimbursement scheme (a minimum of 50% reimbursement for all towns, higher reimbursement for the big spending towns) the state share is expected to climb to approximately 75% of the total.

State FY 1989-90 (projected)	-	$10,680,000
Municipal FY 1989-90 (projected)	-	$3,560,000
Total projected 1989-90	-	$14,240,000

The General Assistance Program and Energy Assistance

I. Overview

A. The roots of municipal welfare in 17th Century English Poor law. Immediate aid to people in need.

B. The restructuring of Maine's Pauper Laws in 1973 - the gradual emergence from an emergency program of last resort to a non-emergency <u>and</u> emergency "safety net" program.

1) GA remains a welfare program administered by the municipalities; a non-categorical, non-grant-in-aid, welfare program requiring re-application at least every 30-days, for those unable - not unwilling - to help themselves.

C. The Law Court cases of 1982, and the 1983 legislation.

1. First time applicants, subsequent applicants
2. Prospective needs analysis
3. Program requirments
   a) workfare/worksearch/quit work
   b) use of potential resources - leveraged referrals

II. The Mechanics of assistance delivery

A. The application and the budgeting analysis.

1) Maximum levels acc. to ordinance (see attached MMA model, gray).

2) Meeting the unmet need by direct payment (voucher system) w/in 24 hours.

B. The emergency analysis.

1) A disregard of strict income eligibility to alleviate a life-threatening situation or a threat to health or safety beyond the applicant's control.

III. The GA Program - observations

A. The most flexible assistance program in Maine, one of the most flexible nationally.

1) Adminstrator's authority to consider any expense as a "basic necessity".

2) The municipal obligation to alleviate all life-threatening situations.

a) Lines in the sand: The "back-bill" provision and utility disconnects.

b) Lines in the sand: The narrow definition of "emergency" under certain circumstances.

c) Lines in the sand: disqualifications.

B. 497 GA adminstrators - 497 welfare philosophies

1) Uneven adminstration - gradual improvement

2) Obstacles/Resistance to Municipal Welfare

a) The elderly

b) Stigmatization: bureaucratized welfare = welfare of choice.

c) The program requirements

IV. Coordination of GA with HEAP/ECIP, AFDC/EAP.

A. HEAP and AFDC = "Potential resources" applicant must attempt to secure.

1) HEAP/ECIP funding in 1989-90 - unpredictable and spotty.

a) Differing CAP agency policy re: accepting applications in absence of funding.

2) The three programs: available assistance

a) GA = $1300 non-emergency fuel annually to 0 income household. $660 non-emergency utility annually to 3 person household.

b) HEAP = $460 non-emergency heating assistance eligible houshold.

c) AFDC = Undifferentiated, non-targeted grant of approximately 50% of fed. poverty level to eligible household (see attached fiscal comparison, yellow).

B. ECIP and EAP = Emergency resources, also to be secured by the applicant and with which GA routinely attempts to coordinate.

1) Limits on assistance/Speed of delivery

a) GA = no $ limit; no longer than 24 hours
b) ECIP = $340 limit; immediate, when funding available
c) EAP = $300 limit, utility disconnect only; up to 10 days or longer.

V. Some Municipal Concerns

A. Currently 6 municipalities are sub-grantees of HEAP funds. DCS rules (attached, green) effectively prohibit new municipal sub-grantees, otherwise protected by 5 MRSA §3518-A. Associated issues of turf, client preference.

1) Brewer - (1980 pop. = 9,017)
Eddington - (1980 pop. = 1,769)
Harpswell - (1980 pop. = 3,796)
Mexico - (1980 pop. = 3,698)
Orono - (1980 pop. = 10,578)
Wayne - (1980 pop. = 680)

B. Sufficient funding of CAP agencies during utility "crunch" season (Oct.1 - Nov. 15; April 15 - May 30).

C. The Winter Disconnect Rule and enourmous back bills (see attached MWDA letter to PUC, pink).

D. The use of direct HEAP (i.e., non-income) grants to tenants.

E. The municipality take-over of the electric bill, and subsequent HEAP ineligibility.

e) **Income from other sources.** Payments from pensions and trust funds will be considered income. Payments from boarders or lodgers will be considered income.

f) **Earnings of a son or daughter.** Income received by sons and daughters below the age of 18 who are full-time students and who are not working full-time will not be considered income.

g) **Income from household members.** Income from household members will be considered available to the applicant, whether or not the household member is legally obligated for the support of the applicant, if the household members pool or share their income and expenses as a family or intermingle their funds so as to provide support to one another (*Boisvert v. Lewiston*, Andro. Sup. Ct. CV# 80-436).

Income from unrelated household members, such as roommates, who occupy the same dwelling unit and who contribute their fair share for living expenses such as rent, fuel, and utilities will not be considered income that is available to the applicant unless actually received by the applicant. However, only the applicant's pro-rata share of expenses will be considered when determining his/her expenses (*Cyr v. Lewiston, White v. Lewiston*, Andro. Sup. Ct. CV# 81-47, 81-210).

From MMA's Model 1990 Gen. Assistance Ordinance.

Section 6.8 Basic necessities

The municipality will grant assistance to eligible applicants for basic necessities according to the maximum levels for specific types of assistance set forth below. The administrator, in consultation with the applicant, may apply the amount of the applicant's deficit (need) toward assistance with any one or combination of necessities not to exceed the total deficit. These maximum levels will be strictly adhered to although if the administrator determines that there are exceptional circumstances and an emergency is shown to exist, these absolute levels will be waived in order to meet immediate needs (*Glidden v. Town of Fairfield*, Som. Sup. Ct. CV# 79-17). In all cases either the actual expenses the applicant incurs for basic necessities or the maximum amount allowed in each category, whichever is less, will be used in determining need.

The applicant's need for common living expenses for food, rent, fuel, etc. will be presumed to be reduced by an amount equal to the other household members' proportionate fair share of the common living expenses. This presumption may be rebutted by evidence that the other household members had no income with which to pay their share of common expenses. No applicant will be allowed to claim a need for any expense which in fact, has been or will be paid by another person.

a) Food. The administrator will provide food assistance to eligible persons up to the allowed maximum amounts below. In determining need for food the administrator will not consider the value of the food stamps an applicant receives as income (22 M.R.S.A. § 4301.7(A); *Dupler v. City of Portland*, U.S. Dist. Ct. CV# 74-134 SD). The municipality will authorize vouchers to be used solely for approved food products.

The maximum amounts allowed for food are:

No. in Household	Weekly	Monthly
1	$ 25	$ 99
2	42	182
3	60	260
4	77	331
5	91	393
6	110	472
7	121	521
8	139	596

Additional persons in the household will be budgeted at $17.50 per person per week or $75 a month. The administrator will exceed the above maximums when necessary for households having members with special dietary needs. The administrator may require a doctor's statement.

b) Housing. The administrator will provide assistance with rent or mortgage payments that are reasonable and within the allowed maximum levels below. It is the applicant's responsibility to find suitable housing, although the administrator may help the applicant find housing when appropriate. The administrator will inform the applicant of the allowed housing maximums to assist him/her in his/her search for housing. Single individuals will be required to live in rooming or boarding houses when such housing is available. Applicants requesting assistance for housing that contains more bedrooms than are necessary for the number of household members will be provided assistance according to the maximum level for the number of rooms actually needed. The municipality will not pay security deposits or back bills except in an emergency as provided in Section 4.9.

Escrowing rental payments. If the code enforcement officer, or any other municipal official responsible for enforcing any municipal health, safety, housing, trash or sanitation regulation, certifies to the overseer that a landlord has been cited for at least six code violations within any 4-week period and that at least two of those citations were separate violations of the same regulations, the municipality, on notice from the general assistance administrator, may place in escrow general assistance payments made as rent payments to that landlord according to the notice, hearing, and escrow establishment provisions of 22 M.R.S.A. § 4325.

Mortgage payments. In the case of a request for assistance with a mortgage payment, the general assistance administrator will make an individual factual determination of whether the applicant has an immediate need for such aid. In making this determination, the administrator will consider the extent and liquidity of the applicant's proprietary interest in the housing. Factors to consider in making this determination include:

(1) the marketability of the shelter's equity,
(2) the amount of equity,
(3) the availability of the equity interest in the shelter to provide the applicant an opportunity to secure a short-term loan in order to meet immediate needs,
(4) the extend to which liquidation may aid the applicant's financial rehabilitation,
(5) a comparison between the amount of mortgage obligations and of anticipated rental charges the applicant would be responsible for if he/she were to be dislocated to rental housing,
(6) the imminence of the applicant's dislocation from owned housing because of his/her inability to meet the mortgage payments,
(7) the liklihood that the provision of housing assistance will prevent such dislocation, and
(8) the applicant's age, health, and social situation.

These factors shall be considered when determining whether the equity in the shelter is an available asset which may be substituted for the assistance the municipality would otherwise be required to provide. The administrator may elect not to make any mortgage payment unless the applicant has been served a notice of foreclosure although mortgage payments will be budgeted as an expense.

If a mortgage payment is necessary, the administrator will pay the actual amount due, up to the amount allowed according to the maximum levels listed below, whichever is less. After an initial application, assistance with such payments will be given only after the applicant has made all reasonable efforts to borrow against the equity of his/her home. If there is not sufficient equity in the home to use to secure a loan, and if the monthly mortgage payments are not realistically in line with the rental rates for similar housing in the area that could meet the applicant's needs, the administrator will inform the applicant that he/she is responsible for finding alternative housing within his/her ability to pay and will be obligated to make all reasonable efforts to secure such housing.

Liens. When the municipality makes mortgage payments, the municipality may place a lien on the property in order to receive its costs of granting assistance with mortgage payments (22 M.R.S.A. § 4320). No lien may be enforced against a recipient except upon his/her death or the transfer of the property. Further, no lien may be enforced against a person who is currently receiving any form of public assistance or who would again become eligible for general assistance if the lien were enforced.

If the municipality determines that it is appropriate to place a lien on a person's property to recover its costs of providing general assistance for a mortgage payment it must file a notice of the lien with the county register of deeds where the property is located within 30 days of making the mortgage payment. That filing shall secure the municipality's or the state's interest in an amount equal to the sum of that mortgage payment and all subsequent mortgage payments made on behalf of the same eligible person. Not less than 10 days prior to filing the lien notice in the registry, the municipal officers must send a different notice to the owner of the real estate, the general assistance recipient, and any record holder of the mortgage by certified mail, return receipt requested that a lien notice is going to be filed. This notice must clearly inform the recipient of the limitations upon enforcement plus the name, title, address and telephone number of the person who granted the assistance. The municipal officers must also give written notice to the recipient each time the amount secured by the lien is increased because of an additional mortgage payment or the imposition of interest. This notice must include the same information that appeared on the original notice of proposed filing sent to the recipient.

The municipality will charge interest on the amount of money secured by the lien. The municipal officers will establish the interest rate not to exceed the maximum rate of interest allowed by the State Treasurer. The interest will accrue from the date the lien is filed.

Property taxes. In the event an applicant requests assistance with his/her property taxes, the administrator will inform the applicant that there are two procedures on the local level to request that relief: the poverty abatement process (36 MRSA §§ 175-A *et seq.*) and General Assistance. If the applicant chooses to seek property tax assistance through General Assistance, or if the applicant is denied a poverty tax abatement, the administrator may consider using general assistance to meet this need only if:

a) the property tax in question is for the applicant's place of residence;

b) there is a tax lien on the property which is due to mature within 60 days of the date of application; and

c) the applicant, with sufficient notice, applies for property tax relief through the Maine Resident Property Tax Program and the Homestead Tax Exemption Program, when available.

The maximum amounts allowed for housing are:

	Unheated		Heated	
No. of Bedrooms	weekly	monthly	weekly	monthly
0	$	$	$	$
1				
2	(See Appendix for figures to insert here)			
3				
4				

NOTES:

c) Utilities. Expenses for lights, cooking, and hot water will be budgeted separately if they are not included in the rent. Applicants are responsible for making arrangements with the utility company regarding service, including entering into a special payment arrangement if necessary.

Assistance will be granted to eligible applicants for their most recent bill. The municipality is not obligated to pay back bills or security deposits. Exceptions may be made in emergency situations pursuant to Section 4.9 Disconnection of utility service will not be considered an emergency in all cases. The administrator will make an individual, factual analysis to determine if the termination of utility service constitutes an emergency. The administrator will consider the household composition, the time of year, the health of the household members, and other appropriate factors in reaching a decision. Applicants requesting assistance with a bill that is more than 2 months old will not be considered in an emergency situation if the applicants had sufficient income, money, assets or other resources to pay the bill when it was received. The applicants have the burden of providing evidence of their income for the applicable period (22 M.R.S.A. § 4308.2). The administrator will notify applicants in writing that they must give the administrator prompt notice if their utility service is to be terminated or if their fuel supply is low. It is the applicant's responsibility to attempt to make arrangements with the utility company to maintain their service and to notify the administrator if assistance is needed with a utility bill prior to service being terminated.

The maximum amounts allowed for utilities for lights, cooking, and hot water are:

No. in Household	Weekly	Monthly
1-2	$ 10.50	$ 45
3-4	12.80	55
5-6	15.10	65

d) Fuel. Expenses for home heating will be budgeted according to the actual need for fuel during the heating season (September through May) provided such expenses are reasonable, and at other times during the year when the administrator determines the request for fuel assistance is reasonable and appropriate.

Assistance will be granted to eligible applicants for their most recent bill. The municipality is not responsible for back bills except in an emergency as provided in Section 4.9. Applicants are responsible for monitoring their fuel supply and requesting assistance prior to depleting their fuel supply. Running out of fuel will not necessarily be considered an emergency unless the applicants have just cause for failing to give the administrator timely notice of their need for fuel.

When considering requests for fuel, eligible applicants will be granted assistance with the actual amount necessary up to the following maximums:

September	$ 50	January	$225
October	100	February	225
November	200	March	125
December	200	April	125
		May	50

When fuel such as wood, coal and/or natural gas are used to heat, they will be budgeted at actual rates, if they are reasonable. No eligible applicant shall be considered to need more than 7 tons of coal per year, 8 cords of wood per year or 126,000 cubic feet of natural gas per year.

e) Personal Care and Household Supplies. Expenses for ordinary personal and household supplies will be budgeted and allowed according to the applicant's actual need for these items, up to the maximums below. Personal and household supplies include: hand soap, toothpaste, shampoo, shaving cream, deodorant, dish detergent, laundry supplies and costs, household cleaning supplies, razors, paper products such as toilet paper, tissues, paper towels, garbage/trash bags, and light bulbs.

No. in Household	Weekly Amount	Monthly Amount
1-2	$ 6.97	$ 30.00
3.4	8.13	35.00
5-6	9.30	40.00
7-8	10.47	45.00

Additional persons in the household will be budgeted at $1.25 per week or $5 a month.

When an applicant can verify expenditures for the following items, a special supplement will be budgeted as necessary for households with children under 6 years of age for items such as cloth or disposable diapers, laundry, powder, oil, shampoo, and ointment up to the following amounts:

No. of Children	Weekly	Monthly
1	$10.50	$ 45
2	15.10	65
3	20.90	90
4	25.60	110

f) Other Basic Necessities. Expenses falling under this section will be granted when they are deemed essential to an applicant's or recipient's health and safety by the general assistance administrator and, in some cases, upon verfication by a physician. Assistance will be granted only when these necessities cannot be obtained from other sources.

1) Clothing. The municipality may assist a household with the purchase of adequate clothing. In most circumstances, clothing will be a postponable item. Exceptions to this would be if fire or unusually cold weather makes extra clothing an immediate necessity, if special clothes are needed for the applicant's employment, or if household members need underwear. Before assistance will be granted for clothing, the general assistance administrator must be satisfied that the applicant has utilized all available resources to secure the necessary clothing.

2) Medical. The municipality will pay for essential medical expenses, other than hospital bills (see below), provided that the municipality is notified and approves the expenses and services prior to their being made or delivered. The municipality will grant assistance for medical service only when assistance cannot be obtained from any other source and the applicant would not be able to receive necessary medical care without the municipality's assistance. The applicant is required to utilize any resource, including any federal or state program, that will diminish his/her need to seek general assistance for medical expenses. The municipality will grant assistance for non-emergency medical services only if a physician verifies that the services are essential. The administrator may require a second medical opinion from a physician designated by the municipality at the municipality's expense to verify the necessity of the services.

Ordinary medical supplies will be budgeted at the actual amount not to exceed $10 a month. Allowable supplies include aspirin, bandages, and non-prescriptive medicines. In addition, the basic monthly rate for telephone service will be budgeted when a telephone is essential to the health and safety of the household. In order for telephone service to be considered an allowable expense the applicant must provide a written statement from physician certify-

NOTES:

ing that the telephone is essential.

3) Hospital bills. In the event of an emergency admission to the hospital, the hospital must notify the administrator within 5 business days of the admission. Notification must be by telephone, confirmed by certified mail, or by certified mail only. If a hospital fails to give timely notice to the administrator the municipality will have no obligation to pay the bill.

Any person who cannot pay his/her hospital bill must apply to the hospital for consideration under the hospital's charity care program as provided in Title 22 M.R.S.A. § 396-F(1). Anyone who is not eligible for the hospital's charity care program may apply for general assistance. Applicants must apply for assistance within 30 days of being discharged from the hospital and provide a notice from the hospital certifying that they are not eligible for the hospital's charity care program.

Before the municipality will consider whether an applicant is eligible for assistance with a hospital bill, the applicant must enter into a reasonable payment arrangement with the hospital. The payment arrangement will be based upon the Medicaid rate. In determining an applicant's eligibility the municipality will budget the monthly payment to the hospital the applicant has agreed to pay. The applicant's need for assistance with a hospital bill will be considered each time he/she applies by including the amount of the bill in the applicant's monthly budget.

4) Dental. The municipality will pay for dental services including regular check ups when necessary. If full mouth extractions are necessary the municipality will pay for dentures if the applicant has no other resources to pay for the dentures. The applicant will be referred to a dental clinic in the area whenever possible. The administrator will expect the applicant to bear a reasonable part of the cost for dental services, including extractions and dentures, taking into account the applicant's ability to pay.

5) Eye Care. In order to be eligible to receive general assistance for eyeglasses, an applicant must have his/her medical need certified by a person licensed to practice optometry. The general assistance administrator will provide assistance for eyeglasses to eligible persons only if such assistance is unavailable from other sources in the community.

6) Work-related expenses. In determining need, reasonable work-related expenses will be budgeted. These expenses include transportation at a rate of no more than $.22 per mile, child care costs, work clothes and supplies. The applicant is required to provide verification of the costs and that the expenses were necessary.

7) Burial. The municipality recognizes its responsibility to pay for the burial of indigent persons under certain circumstances, provided that the funeral director gives timely notice to the municipality and the funeral director ascertains that there are no family members or other persons who are unable to pay the burial costs (22 M.R.S.A. § 4313).

In order for the municipality to be liable for a burial expense the funeral director must notify the administrator prior to the burial or by the end of the next business day following the funeral director's receipt of the body, whichever is earlier (22 M.R.S.A. § 4313.2). It is the funeral director's responsibility to determine if the family or any other persons are going to pay all or part of the burial expenses. If family members or others are unable to pay the expenses and the funeral director wants the municipality to pay all or part of the expenses, he/she should refer them to the municipality.

In cases where there are liable family members (father, mother, grandfather, grandmother, children, and grandchildren) the family must apply for assistance so that the administrator can determine what resources are available to pay the costs of the burial. The municipality will not accept full responsibility for the burial expenses unless all responsible family members can demonstrate to the general assistance administrator's satisfaction their inability to pay in full or make a deferred payment arrangement with the funeral home. (If there are no liable family members or others, the funeral director should apply on behalf of the deceased.) The administrator may take up to 10 days to give a written decision. If responsible family members refuse to allow the municipality to investigate their resources the municipality will not grant assistance. If relatives, other persons, or other sources cannot cover the burial expenses of an indigent person, up to $1,000, the municipality will pay the difference, with an additional payment for the lot in the least expensive section of the cemetery and the opening and closing of the grave site. If the municipal ordinance or cemetery bylaws require vaults or cement liners, the general assistance administrator will pay the actual wholesale price.

Allowable burial expenses are limited to removal of the body from a local residence or institution, a secured death certificate or obituary, embalming, a minimum casket and a reasonable cost for overhead. Other costs will not be paid by the municipality.

Any other benefits or resources which are available, such as the Social Security Death Benefits or contributions from other persons, will be deducted from the amount which the municipality will pay.

Section 6.9 Notice of decision

Written decision. The administrator will give a written decision to each applicant after making a determination of eligibility each time a person applies. The decision will be given to the applicant within 24 hours of receiving an application (22 M.R.S.A. § 4305.3; See Article IV, Section 4.6).

In order to ensure that applicants understand their rights, it is the responsibility of the general assistance administrator to explain the applicants' right to a fair hearing and the review process in the written notice of decision.

Contents. After an application has been completed, applicants will be given written notice of any decision concerning their eligibility for assistance. The notice will state that applicants:

a) have the right to a fair hearing and the method by which they may obtain a fair hearing;

b) may be represented by legal counsel at their own expense, or other spokesperson, or they may present their own case;

c) have the right to contact the Department of Human Services if they believe the municipality has violated the law. The decision will state the method for notifying the department.

The written notice shall include the procedures for the conduct of fair hearings, as contained in Section 7.4 of this Article.

ARTICLE VII
The Fair Hearing

Section 7.1 Right to a fair hearing

Within 5 working days of receiving a written notice of denial, reduction or termination of assistance, or within 10 working days after any other act or failure to act, the applicant or his/her authorized representative has the right to request a fair hearing (22 M.R.S.A. § 4322). The right to review a decision by the general assistance administrator is a basic right of the applicant to a full evidentiary hearing and is not limited solely to a review of the decision (*Carson v. Oakland*, 442 A.2d 170 (Me. 1982); *Thibodeau v. Lewiston*, Andro. Sup. Ct. CV# 78-388).

Section 7.2 Method of obtaining a fair hearing

Upon receiving notification of the decision of the general assistance administrator, all claimants will be informed of the method of obtaining a fair hear-

A Comparison of Fiscal Information - 1990

I. Federal Poverty Levels (monthly)

Household Size

1	2	3	4	5	6	7
$523	701	880	1058	1236	1415	1593

II. State Minimum Wage (monthly)

Number of Wage Earners

1	2	3	4
$662	1324	1986	2648

III. AFDC Basic Payments (monthly)

Household Size

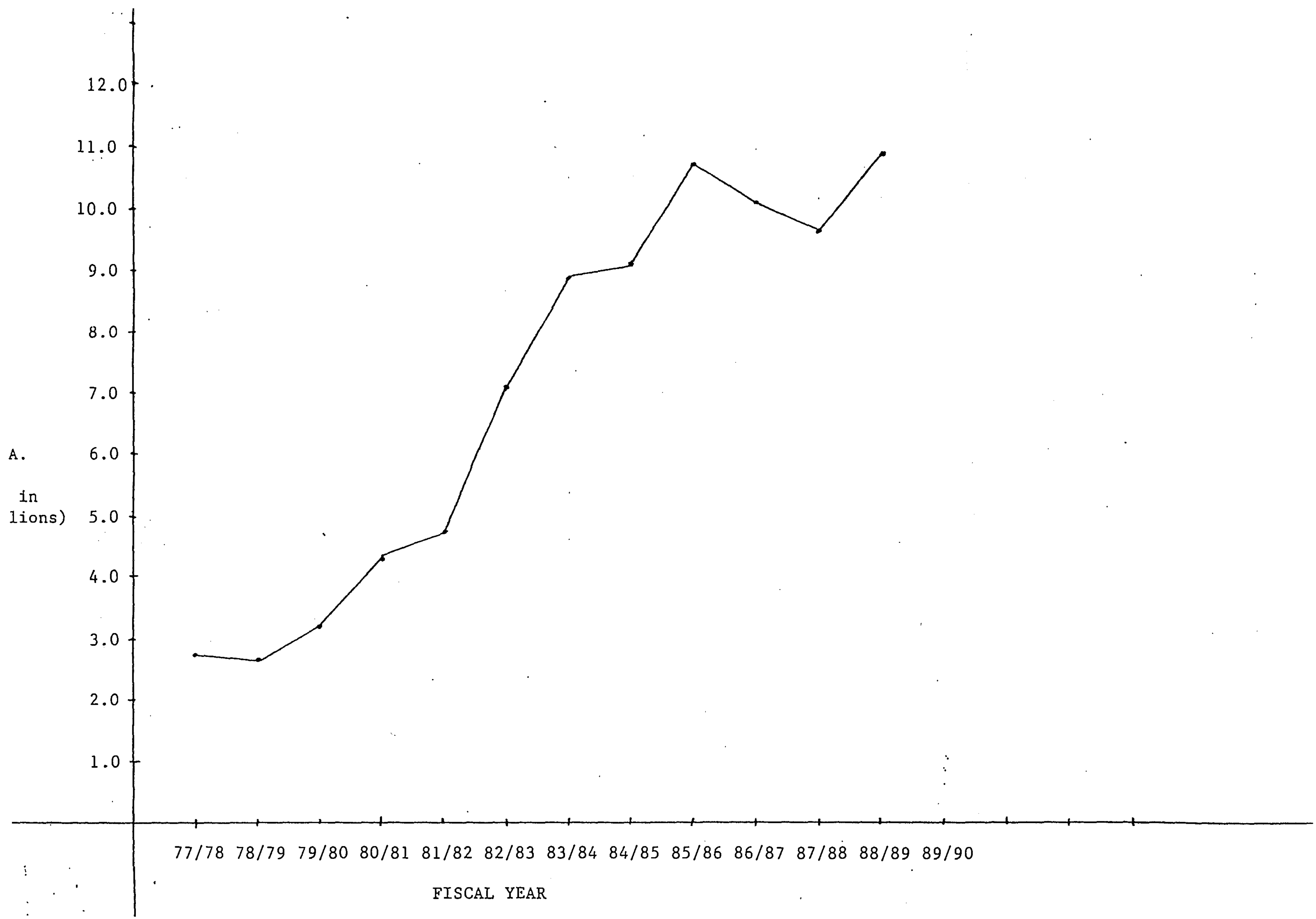
1	2	3	4	5	6	7
$214	337	453	569	685	801	917

IV. General Assistance Maximum Levels of Assistance * (monthly)

Household Size

1	2	3	4	5	6	7
$571	699	853	924	1040	1152	1249

(* These GA figures do not include allowances for diapers, medical supplies, transportation, clothing, or child care, which would be included on an as-needed basis.)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81/82
82/83
83/84
84/85
85/86
86/87
87/88
88/89
89/90
FISCAL YEAR

1.3 C. 1.

d. Contact with organizations representing handicapped persons as listed in Appendix I as follows:

(i) Notify them of the HEAP program, including specific information on eligibility requirements, application procedures, and appeal rights; and

(ii) Request each group's cooperation in ensuring that the clients whom they serve are provided with assistance in applying for HEAP benefits.

From DCS Rules 1989

2. Designate sub-grantees by October 1, 1988 in accordance with subsection 1.3(D), to operate HEAP on the local level;

3. Review and approve proposed budgets and outreach plans submitted by sub-grantees;

4. Ensure that the opportunity for a fair hearing in accordance with Section 1.8 will be provided to applicants who are denied benefits, whose application is not acted upon in a timely manner, or whose benefit is different than the household believes it should be;

5. Employ a sufficient number of Field Representatives to monitor compliance of sub-grantees with applicable laws, rules, sub-grants and outreach plans and to provide technical assistance and follow-up to the sub-grantees in accordance with Section 1.10;

6. Train and maintain adequate staff to administer the HEAP-89 program;

7. Conduct an independent audit of all HEAP block grant expenditures.

D. Designation of sub-grantees

1. The Division will designate and enter into sub-grant agreements with a municipality or a Community Action Agency as defined in the Maine Community Services Act, 5 M.R.S.A., Chapter 330, which satisfies the program and fiscal requirements in subsections 3 and 4 below. Preference shall be given to CAAs and municipalities that administered HEAP in previous program years.

MAINE WELFARE DIRECTORS ASSOCIATION
Local Government Center
Community Drive, Augusta, ME 04330
1-800-452-8786

January 16, 1990

Kenneth Gordon
Cheryl Harrington
Elizabeth Paine
The Maine Public Utilities Commission
242 State Street
State House Station #18
Augusta, Maine 04333

Dear Commissioners,

I am writing this letter in my capacity as President of the Maine Welfare Directors Association. The MWDA is presently made up of approximately 120 public assistance providers throughout Maine, all of whom are responsible primarily for their municipality's administration of the General Assistance program.

With this letter, our organization is requesting that the Commission consider removing Chapter 81, §17 - the Winter Disconnection Rule (Rule) from the body of PUC regulation. We have lived with this Rule for eight full winters now, and it is our judgement that the Rule is a) unnecessary from the point of view of protection, and b) generally benefits no one. In fact, our experience indicates that the application of the rule is generally more injurious than it is beneficial to the population it is intended to protect.

The promulgation of the Rule has created a by-product phenomenon called the "utility crunch season". This season occurs during the 4-6 week period prior to November 15. It is during this time that the utilities are especially aggressive in their attempts to collect arrearages. Traditionally, the financial demands of the crunch season are met (to the extent those demands cannot be met by the low-income population threatened with disconnection) by the coordinated public assistance efforts of the General Assistance Program, the ECIP component of the HEAP program, and the Family Crisis component of the AFDC program. Unfortunately for the municipalities and the clients they are obligated to serve, the fall of 1989 was marked by the absence of HEAP/ECIP funds, and the overburdening of the Family Crisis program which had the effect, in some cases, of delaying the

MAINE WELFARE DIRECTORS ASSOCIATION
Local Government Center
Community Drive, Augusta, ME 04330
1-800-452-8786

Crisis application review process to the degree it could not respond to emergencies. Because of the problems associated with the administration of the other public assistance programs, General Assistance administrators were in an ideal position to gauge the overall impact of the Rule in 1989.

To begin with, the General Assistance Program is structured in such a way that municipalities are obligated to alleviate life threatening "emergencies", such as utility disconnections in cold weather. In most circumstances, that assistance must be granted without regard to the degree the applicant contributed to bringing about the "emergency" (see 22 MRSA §§4301(4), 4308(2)(B), 4309(3), 4310). It is, therefore, our contention that the Rule is an unnecessary piece of protective regulation.

It is also our contention that one of the primary problems with the Rule is that it acts as an incentive not to pay utility bills. As a group, we reviewed and acted upon seemingly countless disconnection notices this fall for very significant arrearages (i.e., from $400 to well over $1000). Notwithstanding our obligation to act on these "emergencies", it is nonetheless disconcerting to pay a $1200 arrearage on behalf of an applicant who has contributed nothing toward his or her utility usage. We say this without necessarily condemning our clients who pay nothing toward their electric bills. Few reasonable people in poverty circumstances would pay a bill they didn't need to. On the other hand, it strikes us that it is simply not good public policy to, by regulation, encourage the non-payment of a bill by removing all the natural sanctions non-payments traditionally engender.

A second problem with the Rule is that even households that comply with the Special Payment Arrangements tend to incur summertime bills which are beyond their means. A fundamental premise of the Rule is flawed; that premise being that a low-income household's annual energy bill can be met by simply reorganizing the schedule by which that bill is paid. It should be recognized that many Maine households are simply unable to pay for their total energy costs, and the most effective way to deal with that shortfall is through ongoing income support mechanisms, rather than crisis management.

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The General Assistance Program operates more effectively as an income support program. General Assistance is, typically, available for current needs, as determined by prospective income and need assessment. General Assistance administrators can provide more assistance in terms of referrals, information, support, budget counseling, and overall case management if we can see our clients more or less regularly, instead of a few times a year and always at times of crisis. I have heard some suggestions that the General Assistance administrators favored the Rule because there would never be a utility "emergency" during the winter months. Let me assure you that nothing could be further from the truth. I would hope the PUC would recognize that Maine's welfare directors, as a group, are dedicated to the responsible provision of public assistance. In this case, it is our position that the permitted and even regulated accrual of enormous back bills is doing no one a favor, and is instead contributing to our clients' sense of financial hopelessness and lack of control. We can work to re-instill that sense of control, but we can do that effectively only when our clients come to us early on in their financial difficulties.

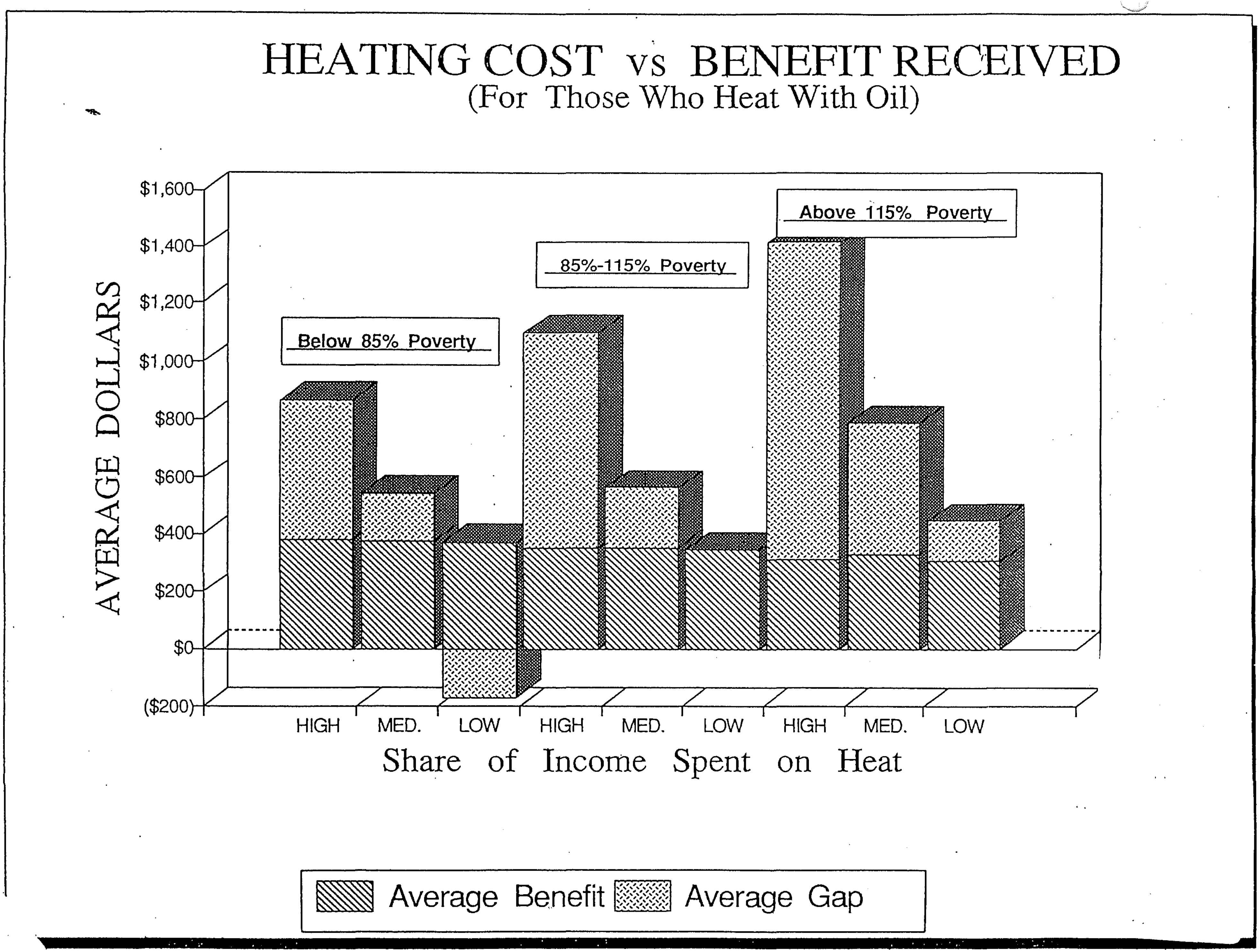
To conclude, the Maine Welfare Directors Association is interested in seeing the Winter Disconnect Rule lifted because it is not necessary from the point of view of consumer protection and because it acts to encourage poor financial management in the low income households we serve. We recognize that many low income households in Maine cannot afford their annual energy needs, and we further recognize our responsibility to provide direct support on behalf of those households so that they will not be deprived of the basic necessities. Of all the public assistance programs, we are apparently in the best position to encourage responsible financial management in the household, but our efforts are being thwarted by the Rule in its present form.

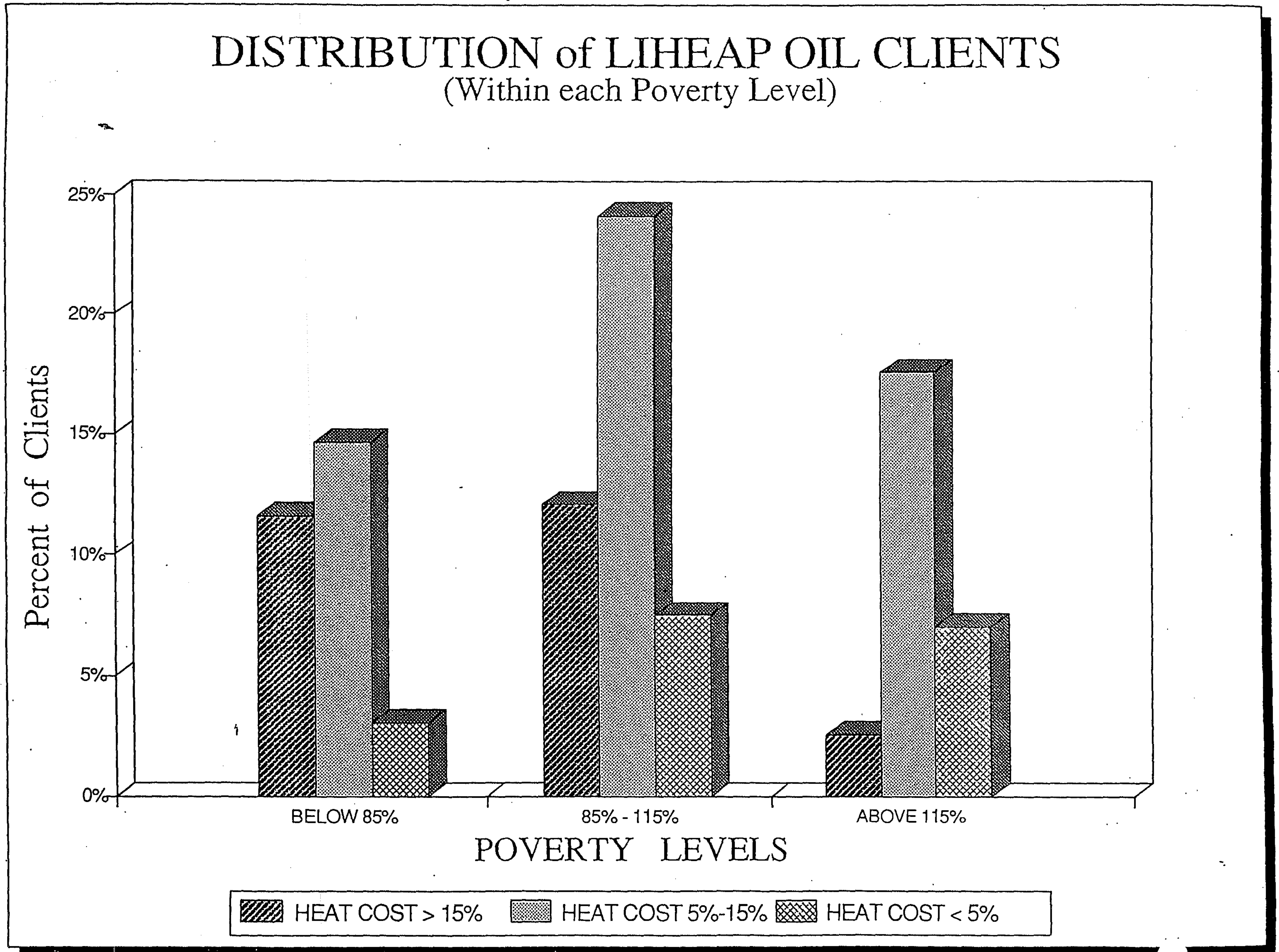
We appreciate your attention to this request.

Sincerely,

Earl Edgerly
Welfare Director - City of Auburn
President -
Maine Welfare Directors Association

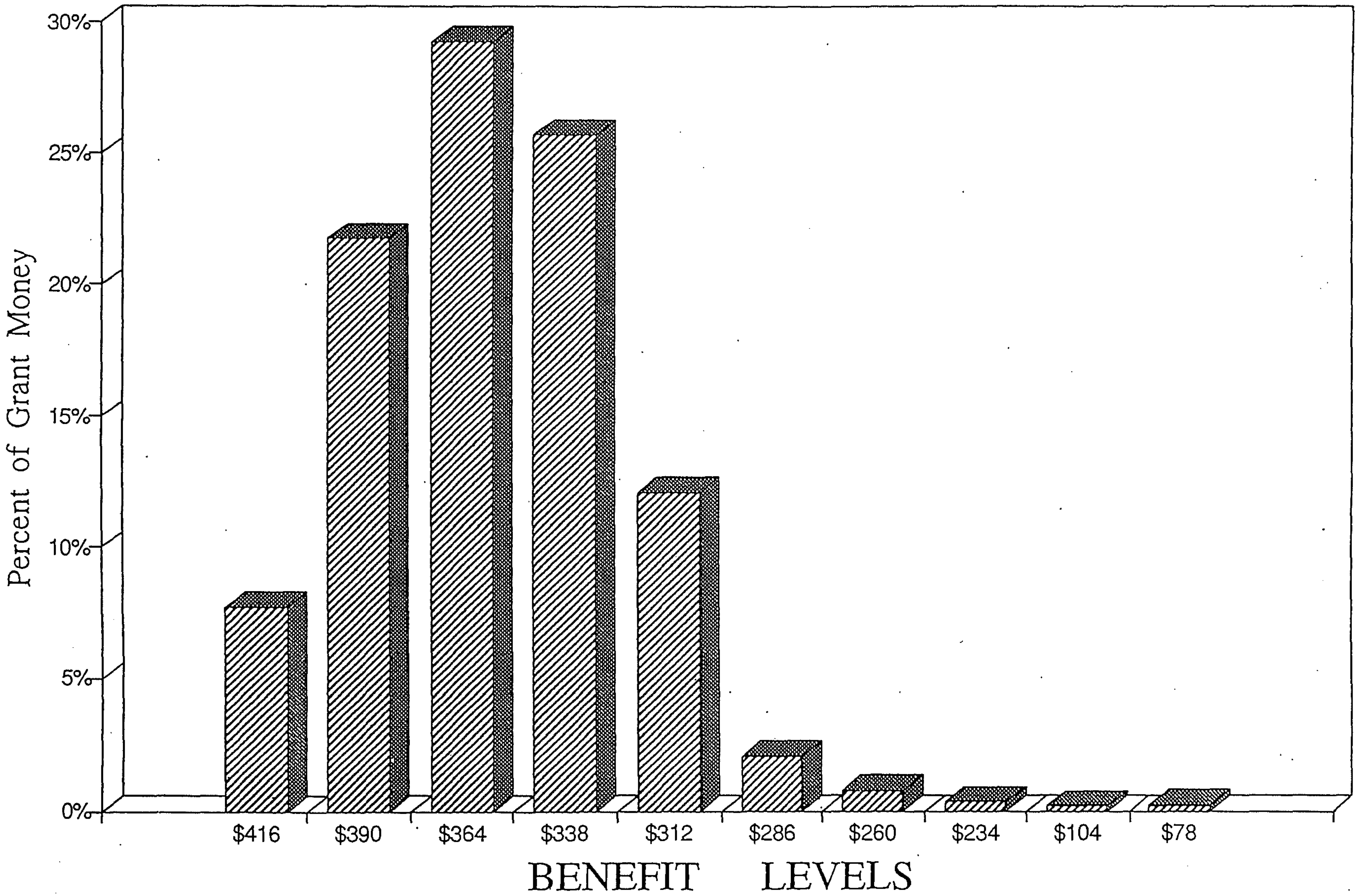
Attachment F: Survey of Androscoggin County LIHEAP Recipients, State Planning Office, 7/90


HEATING COST vs BENEFIT RECEIVED
(For Those Who Heat With Oil)
AVERAGE DOLLARS
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
($200)
Below 85% Poverty
85%-115% Poverty
Above 115% Poverty
HIGH
MED.
LOW
HIGH
MED.
LOW
HIGH
MED.
LOW
Share of Income Spent on Heat
Average Benefit
Average Gap

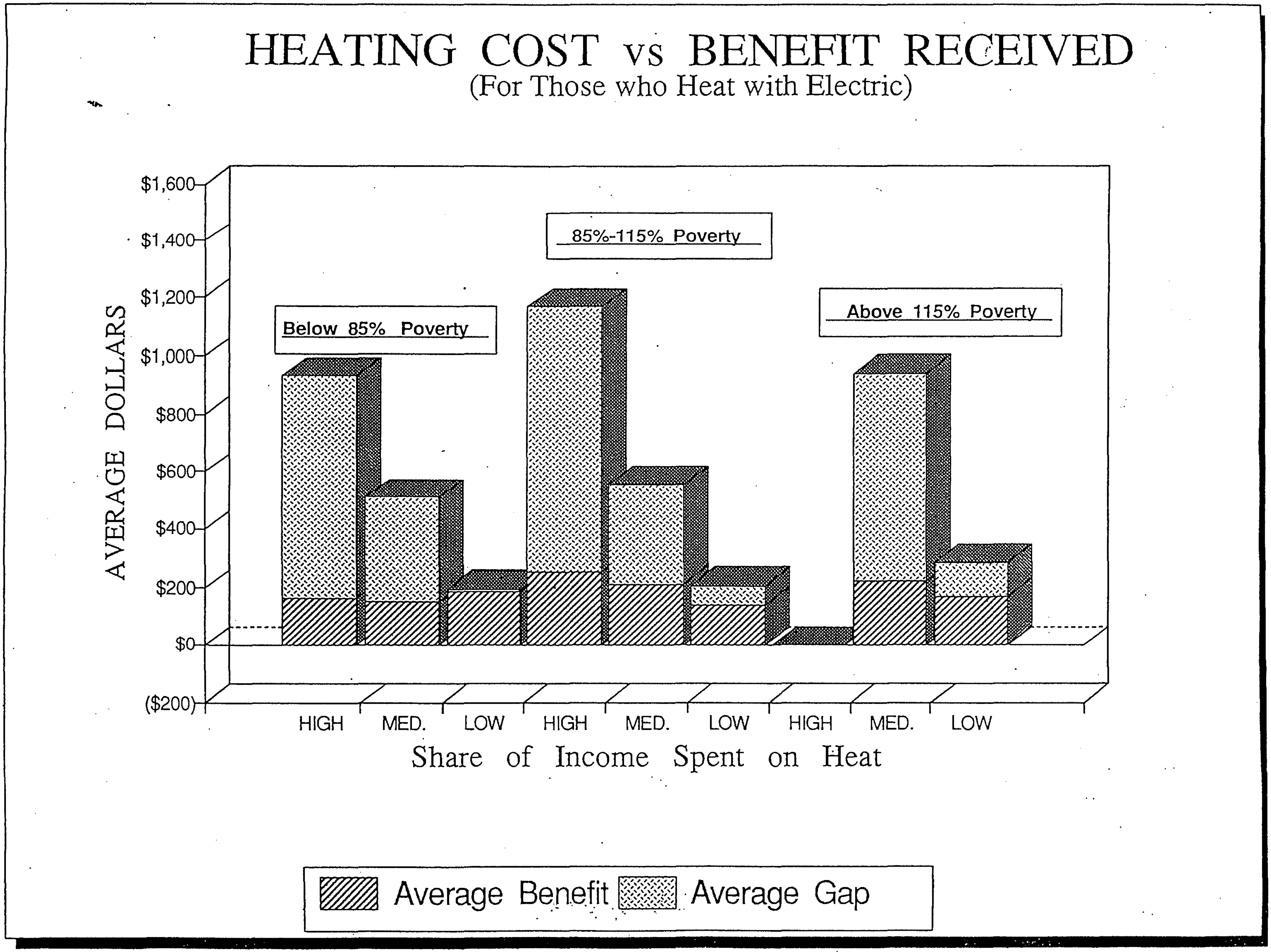

DISTRIBUTION of LIHEAP OIL CLIENTS
(Within each Poverty Level)
25%
20%
15%
10%
5%
0%
Percent of Clients
BELOW 85%
85% - 115%
ABOVE 115%
POVERTY LEVELS
HEAT COST > 15%
HEAT COST 5%-15%
HEAT COST < 5%

DISTRIBUTION of BENEFITS: Oil Heat

(Between Varying Benefit Levels)



LIHEAP*OIL CLIENTS: *Distribution of:* HEATING COSTS LIHEAP GRANTS CLIENTS		POVERTY LEVEL		
		BELOW 85%	85% - 115%	ABOVE 115%
SHARE of INCOME SPENT ON HEAT				
15% or MORE	HEATING BILL *(average $)*	$871	$1,107	$1,422
	LIHEAP GRANT *(average $)*	$381	$354	$312
	GAP *(average $)*	$490	$753	$1,110
	% of OIL CLIENTS *(percent)*	11.6%	12.1%	2.5%
MORE THAN 5% but LESS THAN 15%	HEATING BILL *(average $)*	$546	$570	$791
	LIHEAP GRANT *(average $)*	$374	$352	$330
	GAP *(average $)*	$172	$218	$461
	% of OIL CLIENTS *(percent)*	14.6%	24.1%	17.6%
5% or LESS	HEATING BILL *(average $)*	$195	$348	$452
	LIHEAP GRANT *(average $)*	$368	$345	$306
	GAP *(average $)*	($173)	$3	$146
	% of OIL CLIENTS *(percent)*	3.0%	7.5%	7.0%


HEATING COST vs BENEFIT RECEIVED
(For Those who Heat with Electric)
AVERAGE DOLLARS
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
($200)
Below 85% Poverty
85%-115% Poverty
Above 115% Poverty
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LOW
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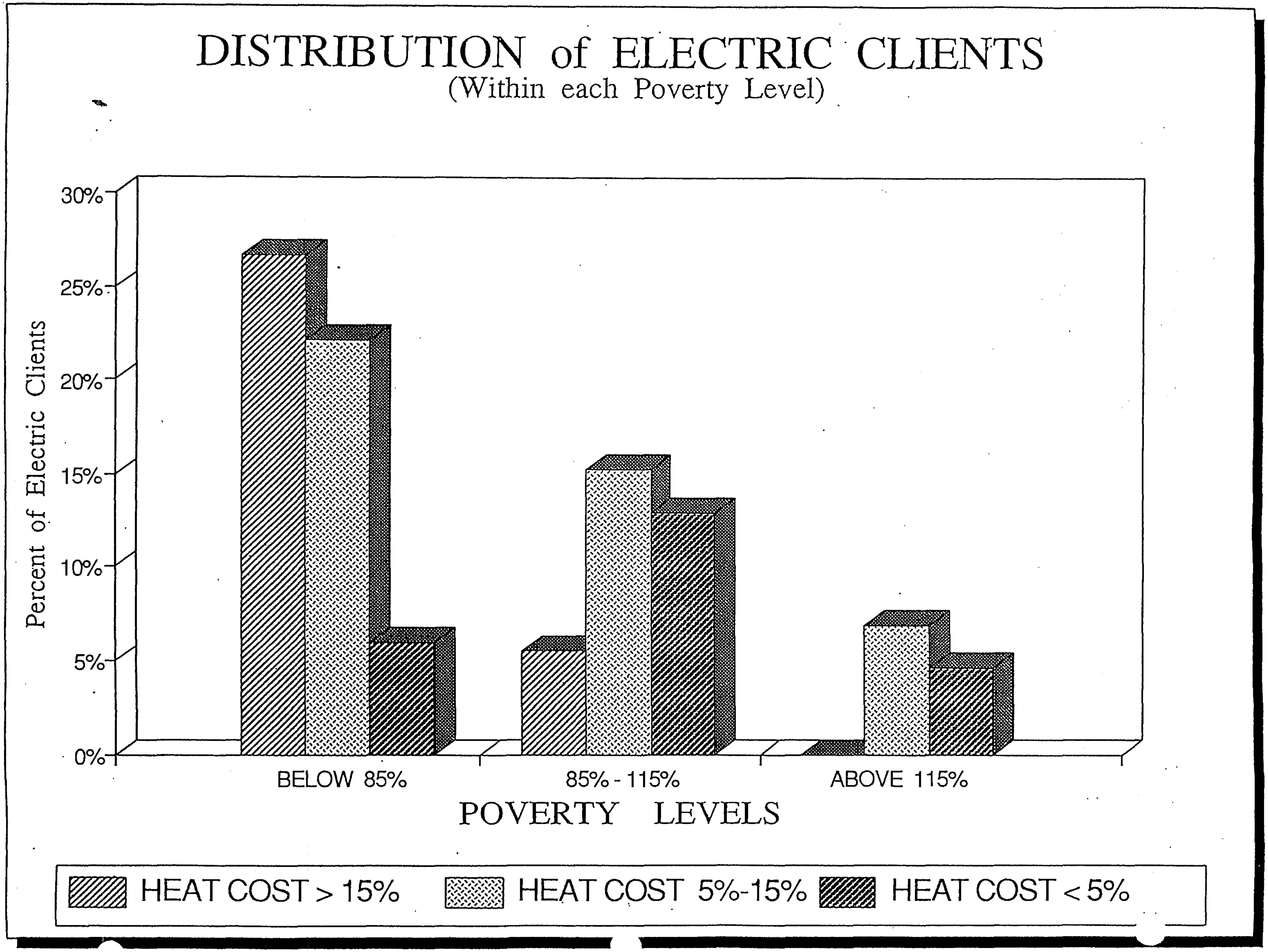
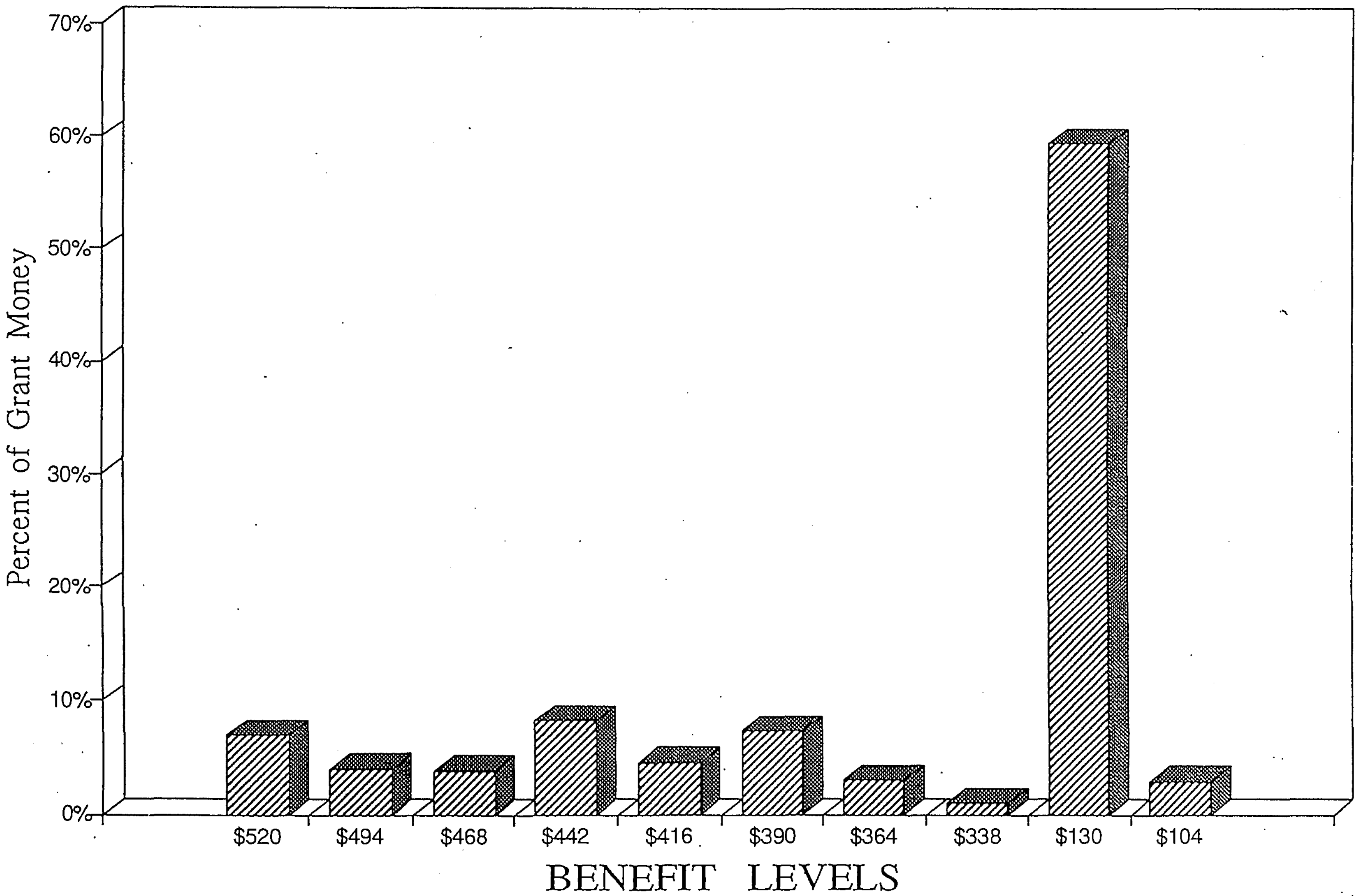
Share of Income Spent on Heat
Average Benefit
Average Gap


DISTRIBUTION of ELECTRIC CLIENTS
(Within each Poverty Level)
Percent of Electric Clients
30%
25%
20%
15%
10%
5%
0%
BELOW 85%
85% - 115%
ABOVE 115%
POVERTY LEVELS
HEAT COST > 15%
HEAT COST 5%-15%
HEAT COST < 5%

DISTRIBUTION of BENEFITS: Electric Heat

(Between Varying Benefit Levels)



LIHEAP ELECTRIC CLIENTS: Distribution of:	HEATING COSTS LIHEAP GRANTS CLIENTS	POVERTY LEVEL BELOW 85%	85% - 115%	ABOVE 115%
SHARE of INCOME SPENT ON HEAT				
15% or MORE	HEATING BILL *(average $)*	$940	$1,174	-
	LIHEAP GRANT *(average $)*	$164	$249	-
	GAP *(average $)*	$776	$925	-
	% ELECTRIC CLIENT *(percent)*	26.7%	5.5%	0.0%
MORE THAN 5% but LESS THAN 15%	HEATING BILL *(average $)*	$513	$561	$950
	LIHEAP GRANT *(average $)*	$150	$213	$222
	GAP *(average $)*	$364	$348	$728
	% ELECTRIC CLIENT *(percent)*	22.1%	15.2%	6.9%
5% or LESS	HEATING BILL *(average $)*	$199	$212	$285
	LIHEAP GRANT *(average $)*	$184	$140	$172
	GAP *(average $)*	$15	$72	$113
	% ELECTRIC CLIENT *(percent)*	6.0%	12.9%	4.6%

Attachment G: Workpapers for Funding Gap Estimate

WORKPAPERS FOR FUNDING GAP ESTIMATE

These estimates are based on home heating oil purchasing power. The estimates do not change significantly if electricity is included as the heating source for approximately 20% of energy assistance recipients.

$12 million overall average gap

This figure is an average of four estimates:

Purchasing power of LIHEAP Block Grant, Program Funds:	$11 million gap from 1985/86 $19 million gap from 1986/87
Purchasing power of HEAP benefits:	$ 6 million gap from 1985/86 $12 million gap from 1986/87

$11 million
$19 million
$ 6 million
+ $12 million

$48 million

$48 million ÷ 4 = $12 million
(all figures rounded to the nearest million)

Explanation of Four Estimates

Two different baseline years from the mid-1980's were used: 1985/86 and 1986/87. Although LIHEAP funding decreased from 1985/86 to the next year, this decrease was more than offset by a large drop in oil prices in 1986/87. Using both years allows a more representative picture of oil prices in the mid-1980's.

Two different measures of LIHEAP funding are used in these estimates. The first two estimates are based on the difference in total program funds available from the LIHEAP grant in the mid-1980's and 1990/91. Program funds were determined by subtracting administrative costs from the total LIHEAP grant (omitting carryover funds from the prior year). Program funds include money used for ECIP, weatherization and CHIP as well as

HEAP. The second two estimates look at the funds available for HEAP benefits alone by comparing the average HEAP benefit for the two years in the mid-1980's with the 1990/91 projected average HEAP benefit. These estimates assume 53,000 HEAP recipients (the number of clients served in 1989/90). These funding estimates would be even larger if they were based on the 60,171 households served in 1985/86.

Calculations

1. **$11 million** gap from **1985/86, LIHEAP** Block Grant **Program Funds**

	$22,649,517	program funds
÷	$.98	1985/86 nominal oil price
	23,111,752	gallons of oil purchased by 1985/86 LIHEAP grant

Current funds needed to purchase equivalent amount of oil:

	23,111,752	gallons
x	$1.20	1990/91 estimated average oil price
	$27,734,102	Current cost for equivalent oil
-	$16,823,700	Actual Program Funds available in 1990/91
	$10,910,402	Funding Gap

2. **$19 million** gap from **1986/87, LIHEAP** Block Grant **Program Funds**

	$21,518,134	program funds
÷	$.73	1986/87 nominal oil price
	29,476,895	gallons of oil purchased by 1986/87 LIHEAP grant

Current funds needed to purchase equivalent amount of oil:

	29,476,895	gallons
x	$1.20	1990/91 estimated average oil price
	$35,372,274	current cost for equivalent oil
-	$16,823,700	Actual program funds available in 1990/91
	$18,548,574	Funding Gap

3. **$6 million gap from 1985/86, HEAP benefit purchasing power**

	$316	1985/86 average HEAP benefit
÷	$.98	1985/86 nominal oil price
	322	gallons of oil purchased by 1986/86 average HEAP benefit

Current benefit needed to purchase equivalent amount of oil:

	322	gallons of oil
x	$1.20	1990/91 estimated average HEAP benefit
	$386	current cost for equivalent oil
-	$280	1990/91 estimated average HEAP benefit
	$106	Benefit Gap
	$106	gap per HEAP benefit
x	53,000	HEAP recipients
	$5,618,000	Funding Gap

4. **$12 million** gap from **1986/87, HEAP benefit purchasing power**

	$311	1986/87 average HEAP benefit
÷	$.73	1986/87 nominal oil price
	426	gallons of oil purchased by 1986/87 average HEAP benefits

Current benefit needed to purchase equivalent oil:

	426	gallons
x	$1.20	1990/91 estimated oil price
	$ 511	current cost of equivalent oil
	$ 511	gap per HEAP benefit
-	$ 280	1990/91 estimated average HEAP benefit
	$ 231	Benefit gap
	$ 231	Benefit gap
x	53,000	HEAP recipients
	$12,243,000	Funding Gap

Oil prices are based on State Planning Office data.

Attachment H: Order of Public Utilities Commission Rejecting CMP's Affordable Payment Arrangement Program

Kenneth Gordon
Chairman

Cheryl Harrington
Elizabeth Paine
Commissioners

PUBLIC UTILITIES COMMISSION

October 31, 1990

Re: CENTRAL MAINE POWER COMPANY, Proposed Increase in Rates and Rate Design, Docket No. 89-68

TO ALL PARTIES:

Enclosed please find an attested copy of Commission's Order on Motion for Partial Exemption from Chapter 810 and Approval of Pilot Innovative Credit and Collection Program in the above-captioned matter.

Sincerely,

Charles A. Jacobs
Administrative Director

CAJ/llp
Enclosure

cc: Interested Persons

242 State Street, State House Station 18, Augusta, Maine 04333-0018 - (207) 289-3831

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 89-68

October 31, 1990

CENTRAL MAINE POWER COMPANY
Re: Proposed Increase in Rates and Rate Design

ORDER ON MOTION FOR PARTIAL EXEMPTION FROM CHAPTER 810 AND APPROVAL OF PILOT INNOVATIVE CREDIT AND COLLECTION PROGRAM

I. PROCEDURAL HISTORY

In our December 29, 1989 Order approving the revenue requirement stipulation in this docket we stated that "[l]ow-income customers continue to have serious needs that require continued attention. Exploration and analysis of a Percentage of Income Program ought to be undertaken and results compared with current collection practices."

Prior to August 7, 1990, issues relating to the creation of special electricity rates for low-income customers have been discussed in this proceeding in the testimony of Ann Bachman and John Stutz for the Public Advocate, Barbara Alexander for the Commission Staff ("Staff") and Richard Crabtree for Central Maine Power Company ("CMP"). On August 7, 1990, Staff filed a letter ("August 7 letter") with the Commission that was addressed to all parties in this docket. Staff's letter described a pilot program that CMP anticipated filing pursuant to Chapter 810, section 14(c) of the Commission's Rules. One of the components of the anticipated filing is an experimental Percentage of Income Payment Program ("PIPP"). The August 7 letter noted that Staff, the Public Advocate and CMP would be requesting that the PIPP issues be removed from Docket No. 89-68 to allow those parties to communicate informally with the Commission regarding CMP's anticipated pilot program filing. The August 7 letter also indicated that a second component of the anticipated filing would be a request for an exemption from the entire Winter Disconnection Rule (Section 17, Chapter 810) for all residential customers.

On August 9, 1990, Staff made an ex parte request for a meeting of interested parties and the Commission to discuss the pilot program and the removal of the PIPP issues from Docket No. 89-68. The Commission contacted the parties in Docket No. 89-68 by telephone on the afternoon of August 9 to see if any party objected to an informal meeting on the subject set for the afternoon of August 10. Because no party objected, an informal meeting was held on August 10 to discuss the August 7 letter. Representatives from Staff, the Public Advocate, CMP and the Industrial Energy Consumers Group ("IECG") attended the meeting.

On August 13, 1990, Staff, CMP and the Public Advocate filed a Joint Motion to remove low-income electricity pricing issues from Docket No. 89-68 on the condition that CMP file a pilot program proposal under section 14(c) of Chapter 810 in the near future. On August 14, 1990, the IECG filed a Response to the August 13 Joint Motion of the Staff, Public Advocate and CMP.

On August 13, 1990, the Commission notified the parties in Docket No. 89-68 by telephone that the August 13 Joint Motion would be considered by the Commission at a special deliberative session on August 15, 1990. Representatives from the IECG, Public Advocate, Staff and CMP were present at deliberations on August 15. The Commission determined at the outset of its deliberations on August 15 that more information regarding the Joint Motion was needed. Deliberations were therefore closed and a hearing was convened to supplement the record on the Joint Motion. Representatives from the IECG, Staff, CMP and the Public Advocate participated in the hearing. Immediately following the hearing, the Commission resumed its deliberations of the August 13 Joint Motion in this docket.

On August 29, 1990, the Commission issued an Order - Special Electricity Rates for Low-Income Customers. The August 29 Order denied the Joint Motion to remove the PIPP issue from this docket. In the August 29 Order, we stated that we saw no compelling reason to review the PIPP issue in tandem with a request for exemption from the Winter Disconnection Rule, but added that if the parties wished to pursue the two issues together they were free to do so in Docket No. 89-68 where a record on the PIPP issue had already been developed. The August 29 Order also advised the parties to give careful consideration to narrowing the scope of the proposal described in Staff's August 7 letter.

On September 12, 1990, CMP filed a Motion for Partial Exemption from Chapter 810 and Approval of Pilot Innovative

Credit and Collection Program.[1] On September 13, 1990, the Examiner issued a notice that a hearing on CMP's Motion would be held on September 17, 1990. The following witnesses testified at the September 17 hearing: Richard Crabtree and Edna Smith, CMP; Barbara Alexander, Staff; Christopher St. John, Pine Tree Legal; Geoff Herman, Maine Municipal Association; Lynda Haegele, Community Concepts, Inc.; Mary Francis Bartlett, Welfare Director, City of Augusta; and Beverly Heath, Welfare Director, City of Lewiston. At the conclusion of the hearing, the Examiner indicated that parties wishing to file written comments on CMP's Motion could do so on or before September 20, 1990. Written comments were filed by the Public Advocate, Maine Citizens for Utility Rate Reform ("MCURR") and the IECG.[2]

II. ANALYSIS

CMP's September 12 proposal has two components, a limited exemption from the Winter Disconnection Rule and a pilot Affordable Payment Arrangement ("APA") program.

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[1]On September 12, 1990, CMP filed an informational brochure entitled "Central Maine Power Company, Affordable Payment Arrangement Program." This brochure was discussed at the September 17 hearing and entered into the record as CMP Exhibit 194 in this docket.

[2]The Commission also received written comments from Representative Herbert Adams, Portland; Representative James Hardy, Lewiston; Mrs. Robert M. Aiken, Wells; and Mrs. Readel, Richmond, who are not parties to this proceeding

agencies which can provide assistance on an expedited basis compared to the current practice. In these circumstances the Company should better be able to avoid, and its customers should better be able to avoid, hopelessly high bills which no one, the individual or the welfare agency, is able to pay.

Finally, we direct Central Maine Power Company to keep a detailed record of each disconnection undertaken under this modification of the Rule. The Company is to maintain a log of actions taken and the steps by which the situation develops. These are to be made available to CAD staff and other interested parties with appropriate safeguards to protect the privacy of the affected customers. The Company shall also provide a detailed analysis summarizing the experience under these modifications. This report is due by August 31, 1991.

2. Pilot APA Program

The majority finds that the proposed APA Program must be rejected for the following basic reasons:

First, and most fundamentally, the proposal before us represents a fundamental conflict with the principles of public utility ratemaking toward which this Commission has continually been moving. That principle is to base the rates charged for electricity in Maine as closely as possible on the costs of providing that electricity to all customers. We believe that adherence to these principles will, in the long run, lead to a maximization of the welfare of all consumers and ensure that all users in Maine receive the proper signals to guide their use of electricity. It is evident that below cost rates for some customers will necessarily lead to above cost rates for others. To quote Bonbright, Principles of Public Utility Rates on this:

> Ratepayers should not be charged rates based upon what the traffic will bear, independent of cost considerations and revenue requirements; nor, on the other hand, should they be charged rates based on willingness or ability to pay unless revenues are inadequate. It is inefficient and inappropriate to require a utility to serve as a welfare institution when other state and federal institutions can perform the function at lower costs and without as many undesirable side effects. (page 175)

Because these cost based ratemaking principles are such a fundamental part of the principles on which we set rates, we will not depart lightly from them. As already noted, cost based rates provide a proper signal to customers on when to use and when not to use electricity.

The APA proposal would simply abandon those principles for eligible low income customers. As structured in the proposed experiment, the price facing a low-income consumer eligible for the program would not just vary from cost based principles, it would in effect be equal to zero. The reason this occurs is that once the customer's bill meets the percentage of income requirement, the entire additional bill, whatever the size, is paid by other ratepayers. Electricity becomes, in effect, a free good. The point of this discussion is not that low-income consumers should never increase their consumption.

Rather, it is that they should make their decision for more or less consumption based on the real consequences of their actions. For example, it may well be that by increasing the income of low-income consumers, higher consumption would result. As long as this decision for more consumption is based on the real price, there is absolutely nothing wrong with this.

Proponents of the APA have discounted the possibility that low-income consumers participating in the program would in fact increase their consumption over and above previous levels. Such an assertion flies in the face of what we know about consumer behavior in every market that has ever been examined, including this one.

Nevertheless, it is possible that the assertion that there would be no price effect of such a program could be true. The parties have proposed that this question be examined directly. In order to determine whether or not this is so, would require a carefully structured study. This means, in particular, that other factors likely to effect consumption need to be taken into account. By requiring the installation of conservation expenditures, which directly reduce demand at the same time as the price signal is eliminated, it will be impossible to learn whether or not a zero price leads to wasteful use of electricity. It might, for example, even be possible to get a decrease in consumption at the same time the program is instituted, but one could not properly conclude from this that there was no response to price. In short, the experiment proposed in this particular plan and is not capable of answering the question which the experiment proposes to ask.

We also note that a number of the studies that purport to show the effects on consumption of a PIP program appear to be short-run in nature, therefore the elasticities measured will tend to be low. The longer the time, however, that customers have to adjust, the higher the elasticity is likely to be, and hence the larger the effect on consumption. Therefore, reference to these studies cannot be conclusive in any sense on what the effects would be in Maine.

Finally, we emphasize that the call for the Public Utilities Commission to institute an APA proposal is a request for the Commission to involve itself in redistributing income and wealth. Since the exemptions to Chapter 810 are not expected to diminish the current consumer protection inherent in the chapter, there is no benefit loss for the APA program to offset. In fact, none of the parties claimed that there was any nexus between the Chapter 810 exemptions and the APA Program. Where no nexus exists, proposals which call for redistributions of income and involve what is in effect taxation, are in general best left to legislative processes. We believe this is particularly true at this time since the Governor's Blue Ribbon Commission on low income issues is looking at these problems on a comprehensive basis. Public Utilities Commission imposition of a plan covering only a few low income energy customers may well frustrate or conflict with the Blue Ribbon Commission's recommendations. In this connection, we note that this plan covers only electric heat customers. This group, while their problems may be severe, is only a small proportion of the low income population in Maine that finds it difficult to afford the energy to provide adequate heat that it needs. For all these reasons we believe this program is neither well conceived, nor well designed, either to meet Maine low-income consumers' problems or to develop information which could allow for a more fully developed approach to the solution of such a problem.

In her dissent, Commissioner Harrington writes that the majority gave false hope and direction in our Order of December 29, 1989, in Docket No. 89-68 where we said at 18:

> We also believe that the Company can significantly improve the marketing of its energy management programs in coordination with its credit and collection activities. Low income customers continue to have serious needs that require attention. Exploration and analysis of a Percentage of Income Program ought to be undertaken and results compared with current collection practices.

The Stipulation we were approving contained a provision that required CMP to submit rate designs targeted to low-income high usage customers. The issue of the wisdom of lifeline rates was specifically left open. Stipulation at 17 and 18. We did not endorse a PIPP at that time. We were willing to consider a PIPP if it was expected to compare favorably on a cost basis with current collection practices. If a PIPP was designed that was expected to reduce collection costs, we would have seriously entertained it. However, we were not presented with such a program. In fact, Mr. Crabtree testified he did not expect savings. He was willing to undertake the pilot to provide that he was right. A trial is too high stakes an undertaking solely to prove or disprove Mr. Crabtree's views. Before embarking on such a trial, a firmer connection between costs and benefits is needed.

D. Conclusion

For the reasons summarized in this Order, the Commission unanimously approves the requested exemption for CMP from subsections 17(N), (D), (G) and (I) of the Winter Disconnection Rule as described above. In addition, a majority of the Commissioners rejects CMP's proposed APA program.

Accordingly, it is

O R D E R E D

1. Central Maine Power Company's request for partial exemption from Chapter 810, section 17, as described in the body of this Order is granted.

2. Central Maine Power Company shall keep a detailed record of each disconnection undertaken pursuant to the exemption granted in this Order and shall file a summary of this record on or before August 31, 1991.

3. Central Maine Power Company's request for approval of a pilot Affordable Payment Arrangement Program as described in the body of this Order is denied.

Dated at Augusta, Maine this 31st day of October, 1990.

BY ORDER OF THE COMMISSION

Charles A. Jacobs
Charles A. Jacobs
Administrative Director

A true copy
Attest:
Charles A. Jacobs
Administrative Director

COMMISSIONERS VOTING FOR: Gordon
Paine

COMMISSIONER DISSENTING: Harrington

Dissent of Commissioner Harrington

In our most recent order approving a stipulation of the parties resolving CMP's revenue requirement, Central Maine Power Company Re: Proposed Increase in Rates, Docket No. 89-68, Order Approving Stipulation, December 29, 1989, we singled out a number of issues of special concern to the Commission for discussion under the subtitle, VI. Areas That Deserve Further Management Attention. One of those issues concerned the Company's low income customers. We said:

> Low income customers continue to have serious needs that require continued attention. Exploration and analysis of a Percentage of Income Program ought to be undertaken and results compared with current collection practices
>
> at 18.

Pursuant to that statement of concern and explicit direction by the Commission as to what ought to be done, the parties in this case have presented to us a percent of income payment program [PIPP] designed to run for one year on an experimental basis to see how effective it might be in keeping low income electric heat customers on the system and at what cost.

Now the majority rejects the idea of a percent of income payment program for the reason that the Commission should not involve itself in transfer of wealth issues. Surely if the Commission believed that as a matter of regulatory principle it would not create a percent of income program or even allow an experiment to see what it might accomplish, it should never have asked the Company to give special management attention to the idea in the first place. The Commission gave false hope to the low income community and false direction to the Company and to the parties.

The waivers to certain portions of the Commission's winter rule (Section 17 of Chapter 810) and the request for approval of the Company's Affordable Payment Arrangement Program, a PIPP plan, were not linked by any intent that the dollar savings of the former would offset costs of the latter, but they were certainly linked in the sense that both were designed by the parties to provide low income customers access to a larger pool of financial resources to be used in meeting their electric bills. The Chapter 810 waivers were designed to give low income customers a better chance at securing General Assistance funds, the PIPP program was designed to give a representative sample of low income electric-heat customers access to ratepayer generated funds. They are complementary solutions to a single, difficult problem, namely, the hardship low income customers have in trying to pay their electric bills and the costs all ratepayers experience when they don't.

Certainly, it was not unreasonable for the parties to view the two programs as linked. Removing the requirement that the Consumer Assistance Division review and approve winter disconnections for low income customers does pose some additional risk to the affected low income customers. The Commission believes that the risk is small (and for that reason I joined the majority in approving the requested Chapter 810 waivers), but low-income representatives could reasonably have believed they were giving up something of value in exchange for a trial PIPP program which might lead to more choices for low income customers in the future.

We are in an era of rising electricity costs.[6] There is clearly a portion of the residential customer community who cannot afford the electricity they need, even when taking into account all available assistance programs. This circumstance causes the Company to experience uncollectible costs which are passed on to all ratepayers.[7] The uncollectibles carried in rates is a subsidy that flows from all ratepayers to a few, but not on a fair or rational basis. Those low income customers who forego other necessities to pay their electric bills do not get the subsidy, while others in exactly the same position who decide to forego paying for some of their electricity in order to pay for other necessities do receive the subsidy. That is not a rational subsidy.

The proposed experimental program required high use low income customers to pay a fixed portion of their income for electricity.

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[6]V Rates for typical 500 kwh/month residential customers have increased 10% in the last year. An additional 3.6% increase has been conditionally approved an awaits implementation. The Company has requested another increase of 13% which is currently pending before the Commission. If the Company's current request were granted in full, the cummulative increase from January 1990 to March 1991 would be 26%.

[7] The Company's level of uncollectible residential accounts charged to income has ranged from 2 to 3 million dollars annually in the years 1987 to 1989. See, CMP Response to MPUC Data Request No. 6, Docket No. 90-076.

50% poverty		100% poverty		150% poverty	
Income	Electric bill 8% of income	Income	Electric bill 10% of income	Income	Electric bill 12% of income
$6350	$ 508	$12,700	$1,270	$19,050	$2,286

These percentages represent a much larger portion of the eligible customer's income than the 4% average paid by most other Central Maine Power residential customers.[8] In that respect, the PIPP would place high financial demands on the participating customers. The trial program was limited to customers who heat using electricity, that is, those who have no choice as to a basic level of need. At a minimum, they need enough electricity to stay warm during the winter. My fellow Commissioners are concerned that these customers might use more electricity than they need because there is no price penalty for using more, and that this experiment as proposed would not reveal whether that had happened or not. I disagree. The use of the customers in the program could be compared to a control group of similar customers who live in localities which are not included in the trial program to determine whether differences in levels of use occurred. Both the trial group and the control group would need

[8] See, CMP response to Public Advocate Oral Data Request #16, Docket No. 90-076.

to have the same installed conservation programs to ensure a fair comparison, but that does not strike me as posing any great difficulty. Further, because the majority was concerned about what might occur without a price penalty for greater use, the program could have been restructured to allow for a price signal to accompany greater levels of use.[9] The company's witness Ms. Force provided examples in this case of how such a price signal could be designed. Her suggestions certainly could have been incorporated into this experiment.

Many times in the past I have joined the Commission in stating that social needs are better addressed through legislative action and the expenditure of general funds derived from taxpayers rather than from ratepayers. However, the Commission must stand ready, in the face of legislative inaction, to consider rational subsidies for low income ratepayers, those living at or below the poverty line, particularly when there is some potential gain to be captured for all ratepayers.[10] The

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[9] It may well be that some low income electric heat customers for health and safety reasons ought to be using more electricity than they currently consume. We cannot assume that current usage levels are optimum. Further, the testimony of Public Advocate witness Bachman is that usage has not increased for PIPP customers in other jurisdictions and in fact usage on average decreased for the PIPP customers of Philadelphia Electric Power Company in Pennsylvania.

[10] The Commission's legal authority and policy considerations on this point are set out in New England Telephone Company Re: Consideration of Local Measured Service and New England Telephone Company Re: Proposed Increase in Rates, Joint Docket Nos. 83-179 and 83-213, Order dated November 13, 1984, at

overall reduction of uncollectible costs which occur as a result of the nonpayment of electric bills by low income customers is certainly worth exploring. Nor are uncollectibles the only cost we wish to offset, there is a human dignity cost as well. For many low income customers the cycle of threatened disconnections, special payment arrangements, broken arrangements and ultimately disconnection can be both stressful and degrading. The Commission has an obligation to those customers, who in large part simply do not participate in our economy in a meaningful way, but who do have a basic need for electric services. A family living at 100% of poverty is impoverished; by definition, their resources do not meet their needs. Even though, as a matter of theory, it would be preferable for the legislature to respond to this need, as a practical matter it is not likely to act. The State budget is under extreme stress, and we are in hard economic times. Meanwhile, we could be learning something worth knowing by running this trial program.[11] Several state commissions have established PIPP or other low income programs on

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pp. 33-37, in which a low income telephone installation subsidy was established.

[11] The conclusions from the trial program, if positive, could be taken to the legislature with a specific request for authorization or action if the Commission wanted to test that forum before taking a further step. The trial results would also be of value in considering the recommendations of the Governor's Blue Ribbon Committee.

their own initiative.[12] We are not being asked to break new ground here in Maine.

In short, the Commission has missed an opportunity to learn much useful information regarding the potential costs, savings and viability of a reasonable, carefully targeted PIPP program. It has also denied itself the opportunity to redesign the program to better test the price elasticity issue which causes it special concern. I think it has made a mistake.

"This document has been designated for publication"

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[12] State Commissions which have acted include Ohio, Arizona, Pennsylvania, Rhode Island, California, Alabama, Georgia, Vermont and Massachusetts. These states were mentioned in the testimony of Public Advocate witness Anne Bachman and/or included in the Company's Low Income Rate Study pursuant to the Stipulation in Docket No. 89-68. The 1989 NARUC Annual Report lists 16 states, but includes Maine which makes its account somewhat suspect. Table 131-A, NARUC Annual Report on Utility and Carrier Regulation 12/31/89.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R. 110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.

3. Additional court review of constitutional issues or issues involving the justness of reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

NOTE The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

Attachment I:

Amendment to the Low-Income Home Energy Assistance Act of 1981: Leveraging Incentive Program

Energy Emergency Contingency Fund (Provision of HHS Appropriations Act)

$10M authorization of appropriations for Programs Directed To Special Populations.

Conference agreement.—The House recedes with an amendment expanding the age range for eligible participants in Programs Directed To Special Populations to include 14 through 25 year olds and expanding the range of services to include mentoring, career education, and other services. The conferees encourage the recipients of funds under the Programs Directed To Special Populations to coordinate (when feasible) their efforts with other similar programs such as the Youth Opportunities Unlimited (YOU) program operated by under the Department of Labor.

THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

FORWARD FUNDING

House bill.—The House bill does not have a comparable provision.

Senate amendment.—The Senate amendment provides for the forward funding of LIHEAP by changing the current program year from October 1 to July 1 beginning in fiscal 1992. Under the provision, LIHEAP funding would be made available from July to June, rather than the normal October to September cycle.

Conference agreement.—The Agreement adopts a modified version of the Senate provision for forward funding to provide for flexibility in its implementation. In order to ensure adequate time to procure the additional budget authority necessary for the provision to be implemented, the Agreement makes the forward funding applicable beginning in fiscal 1993. The conferees encourage the Appropriations Committee to implement the provision at the earliest possible opportunity.

REAUTHORIZATION

House bill.—The House bill does not have a comparable provision.

Senate amendment.—The Senate amendment authorizes the following appropriations for LIHEAP:

1991	$2,150,000
1992	2,230,000
1993	such sums
1994	such sums

Conference agreement.—The House recedes. In reauthorizing LIHEAP the conferees wish to clarify that in those instances where the Secretary has deemed it necessary to withhold funds from a grantee, no additional hearing will be required should one fiscal year end and another begin before the process outlined under Sec. 2608 of the law has been completed.

Also, the conferees would like to clarify that the Single Audit Act applies to LIHEAP. The current discrepancy between the LIHEAP statute and the Single Audit Act has caused much confusion among LIHEAP grantees. The conferees hope that clarifying that the Single Audit Act applies will alleviate this confusion and reduce audit-related concerns.

STATE ALLOTMENTS

House bill.—The House bill does not have a comparable provision.

Senate amendment.—The Senate amendment allows states to continue to transfer up to 10 percent of LIHEAP funds to other social service programs for fiscal years 1991, 1992, and 1993 and eliminates the authority after FY 1993.

Conference agreement.—The House recedes. Understanding the problems the elimination of the transfer out authority will pose for many states, the conferees are providing those states which transfer a portion of their LIHEAP funds into other block grant programs three years to find additional sources of funding for those programs. The conferees direct the Secretary to make every effort to inform states that the authority to transfer funds ends after 1993 and that states are to transfer no greater percent of funds than in FY 1990. The Secretary is to monitor the efforts of those states to prepare for the complete elimination of the transfer-out provision and to periodically inform the Congress of state efforts to identify or provide resources to replace transferred funds.

APPLICATION

House bill.—The House bill does not have a comparable provision.

Senate amendment.—The Senate amendment adds "timely and meaningful" to the requirement that states provide for public participation in the development of state plans. Beginning in FY 1992, those states that are operating LIHEAP primarily through their public welfare departments must also utilize organizations such as community action agencies, area agencies on aging and community-based nonprofits to perform outreach and intake functions for crisis assistance and heating and cooling assistance. States that do not use community-based organizations for outreach and intake as of September 30, 1991, must give preference in the awarding of grants to those agencies operating the low income Weatherization program or the Crisis Assistance Programs.

Conference agreement.—The House recedes. The conferees believe that intake or application processing are best provided by experienced service providers with approved federal and state grant management systems. If states are already offering alternate intake sites in some areas, this section does not require them to modify their system of program management in those areas.

The conferees recognize the potential for significantly increased administrative expenses for some states to comply with the new alternative site requirements, and intends to monitor possible effects on the program and recipients.

It is the intent of the conferees that the Secretary utilize funds provided under Sec. 2609A (Technical Assistance and Training) to provide assistance to those states which, at the time of enactment of this legislation, only provide outreach and intake services for LIHEAP through their Departments of Public Welfare. The conferees do not expect this assistance to extend past fiscal year 1992, when the new provisions regarding outreach and intake take effect. The conferees understand several of these states are already using the entire 10 percent of their LIHEAP funds to administer this program and believe the Department should assist such states in making the transition required under the law.

AUTHORITY TO USE FUNDS FOR WEATHERIZATION

House bill.—The House bill does not have a comparable provision.

Senate amendment.—The Senate amendment permits states to apply for a waiver to use up to 25 percent of their allocation for low-cost residential home repair or energy related home repair for low income persons. States applying for the waiver must demonstrate that (i) they will serve the same number of homes as in the previous year and that the aggregate number of households served will not be less than the previous year, or (ii) the state has good cause for failing to satisfy the above requirements.

Conference agreement.—The House recedes with an amendment that clarifies the intent that the public be allowed to submit comments on any waiver request and that the state must demonstrate good cause in cases where it fails to provide the same level of LIHEAP benefits as in the previous year. The conferees intend that the public comment procedure not require hearings and that the process will be carried out in a timely and expeditious manner.

AUTHORITY TO CARRY FUNDS OVER

House bill.—The House bill does not have a comparable provision.

Senate amendment.—The Senate amendment reduces from 15 percent to 10 percent the amount of funds a state may carry over from one year to the next.

Conference agreement.—The House recedes.

INCENTIVE PROGRAM FOR LEVERAGING NON-FEDERAL RESOURCES

House bill.—The House bill does not have a comparable provision.

Senate amendment.—The Senate amendment authorizes $25 million for FY 1992 and $50 million for FY 1993 and FY 1994 for distribution by the Secretary to states based upon their success in leveraging additional non-federal resources for LIHEAP. Funds will be awarded by formula taking into account the level of a state's leveraging effort as a percentage of the leveraging efforts of all states.

House bill.—The House bill does not have a comparable provision.

Conference agreement.—The House recedes with an amendment which expands the definition of leveraged resources. The conferees intend that the Secretary develop a formula which apportions the supplementary funds under subsection (a) based upon the proportion of a state's leveraged funds, as quantified under subsection (d), to the total amount of leveraged funds of all states. Thus, states that leverage a greater percentage of their regular allocation relative to other states will receive a proportionally greater increase in their regular allocation.

"(A) identify and describe the population to be served, the problems to be addressed, the overall approach and methods of outreach and recruitment to be used, and the services to be provided;

"(B) describe how the approach to be used differs from other approaches used for the population to be served by the project;

"(C) describe the objectives of the project and contain a plan for measuring progress toward meeting those objectives; and

"(D) contain assurances that the grantee will report on the progress and results of the demonstration at each times and in such manner as the Secretary shall require.

"(3) Notwithstanding subsection (b), such grants shall not exceed 80 percent of the cost of such programs.

"(4) Such grants shall be made annually on such terms and conditions as the Secretary shall specify to eligible entities that serve the populations described in paragraph (1) and that are located within those areas where such populations are concentrated.".

SEC. 602. AUTHORIZATION OF APPROPRIATIONS.

Section 408(h) of the Human Services Reauthorization Act of 1986 (42 U.S.C. 9910b(g)), as so redesignated by section 601, is amended—

(1) by inserting "(1)" after "(h)",

(2) by striking "$5,000,000" and all that follows through "1990", and inserting "$10,000,000 for fiscal year 1991, and such sums as may be necessary for each of the fiscal years 1992, 1993, and 1994",

(3) by inserting "(other than subsection (c))" before the period, and

(4) by adding at the end the following:

"(2) There are authorized to be appropriated $10,000,000 for fiscal year 1991 and such sums as may be necessary in each of the fiscal years 1992 through 1994, to carry out subsection (c).".

TITLE VII—AMENDMENTS TO THE LOW-INCOME HOME ENERGY ASSISTANCE ACT OF 1981

SEC. 701. FORWARD FUNDING OF LIHEAP.

Section 2602 of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621) is amended by adding at the end the following:

"(c)(1) In fiscal year 1993 and each fiscal year thereafter, amounts appropriated under this section for any fiscal year for programs and activities under this Act shall be made available for obligation only on the basis of a program year. The program year shall begin on July 1 of the fiscal year for which the appropriation is made.

"(2) Amounts appropriated for fiscal year 1993 shall be available both to fund activities for the period between October 1, 1992, and July 1, 1993, and for the program year beginning July 1, 1993.

"(3) There are authorized to be appropriated such additional sums as may be necessary for the transition to carry out this subsection.".

SEC. 702. REAUTHORIZATION.

Section 2602(b) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621(b) is amended—

(1) by striking "$2,050,000,000" and all that follows through "1989, and", and

(2) by inserting after "1990" the following: ", $2,150,000,000 for fiscal year 1991, $2,230,000,000 for fiscal year 1992, and such sums as may be necessary for each of the fiscal years 1993 and 1994. The authorizations of appropriations contained in this subsection are subject to the program year provisions of subsection (c).".

SEC. 703. STATE ALLOTMENTS.

Section 2604(f) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8623(f)) is amended—

(1) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively,

(2) by inserting "(1)" after "(f)",

(3) in the matter preceding subparagraph (A), as so redesignated by paragraph (1), by striking "up to 10 percent" and inserting "in accordance with paragraph (2) a percentage",

(4) in the matter following subparagraph (C), as so redesignated by paragraph (1)—

(A) by striking "any" the first place it appears and inserting "a", and

(B) by striking "paragraphs (1), (2), and (3)" and inserting "subparagraphs (A), (B), and (C)", and

(5) by adding at the end the following:

"(2)(A) Not to exceed 10 percent of the funds payable to a State under this section for each of the fiscal years 1991 through 1993 may be transferred under paragraph (1).

"(B) Beginning in fiscal year 1994, no funds payable to a State under this section shall be transferred under paragraph (1).".

SEC. 704. APPLICATION.

(a) CERTIFICATIONS.—Section 2605(b) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(b)) is amended—

(1) in paragraph (12) by inserting "timely and meaningful" after "provide for",

(2) in paragraph (13) by striking "and" at the end,

(3) in paragraph (14) by striking the period and inserting "; and", and

(4) by adding at the end the following:

"(15) beginning in fiscal year 1992, provide, in addition to such services as may be offered by State Departments of Public Welfare at the local level, outreach and intake functions for crisis situations and heating and cooling assistance that is administered by additional State and local governmental entities or community-based organizations (such as community action agencies, area agencies on aging, and not-for-profit neighborhood-based organizations), and in States where such organizations do not administer functions as of September 30, 1991, preference in awarding grants or contracts for intake services shall be provided to those agencies that administer the low-income weatherization or energy crisis intervention programs.".

(b) STATE PLAN.—Section 2605(c)(2) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(c)(2)) is amended by inserting "timely and meaningful" after "will facilitate".

SEC. 705. AUTHORITY TO USE FUNDS FOR WEATHERIZATION.

Section 2605(k) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(k)) is amended—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B),

(2) by striking "Not" and inserting "(1) Except as provided in paragraph (2), not", and

(3) by adding at the end the following:

"(2)(A) If a State receives a waiver granted under subparagraph (B) for a fiscal year, the State may use not more than the greater of 25 percent of—

"(i) the funds allotted to a State under this title for such fiscal year; or

"(ii) the funds available to such State under this title for such fiscal year;

for residential weatherization or other energy-related home repair for low-income households.

"(B) For purposes of subparagraph (A), the Secretary may grant a waiver to a State for a fiscal year if the State submits a written request to the Secretary after March 31 of such fiscal year and if the Secretary determines, after reviewing such request and any public comments, that—

"(i)(I) the number of households in the State that will receive benefits, other than weatherization and energy-related home repair, under this title in such fiscal year will not be fewer than the number of households in the State that received benefits, other than weatherization and energy-related home repair, under this title in the preceding fiscal year;

"(II) the aggregate amounts of benefits that will be received under this title by all households in the State in such fiscal year will not be less than the aggregate amount of such benefits that were received under this title by all households in the State in the preceding fiscal year; and

"(III) such weatherization activities have been demonstrated to produce measurable savings in energy expenditures by low-income households; or

"(ii) in accordance with rules issued by the Secretary, the State demonstrates good cause for failing to satisfy the requirements specified in clause (i).".

SEC. 706. AUTHORITY TO CARRY FUNDS OVER.

Section 2607(b)(2)(B) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8626(b)(2)(B)) is amended by striking "15 percent" and inserting "10 percent".

SEC. 707. LEVERAGING INCENTIVE PROGRAM.

(a) ESTABLISHMENT.—The Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621–8629) is amended by inserting after section 2607 the following:

"INCENTIVE PROGRAM FOR LEVERAGING NON-FEDERAL RESOURCES

"SEC. 2607A. (a) Beginning in fiscal year 1992, the Secretary may allocate amounts appropriated under section 2602(d) to provide sup-

plementary funds to States that have acquired non-Federal leveraged resources for the program established under this title.

"(b) For purposes of this section, the term 'leveraged resources' means the benefits made available to the low-income home energy assistance program of the State, or to federally qualified low-income households, that—

"(1) represent a net addition to the total energy resources available to State and federally qualified households in excess of the amount of such resources that could be acquired by such households through the purchase of energy at commonly available household rates; and

"(2)(A) result from the acquisition or development by the State program of quantifiable benefits that are obtained from energy vendors through negotiation, regulation or competitive bid; or

"(B) are appropriated or mandated by the State for distribution—

"(i) through the State program; or

"(ii) under the plan referred to in section 2605(c)(1)(A) to federally qualified low-income households and such benefits are determined by the Secretary to be integrated with the State program.

"(c)(1) Distribution of amounts made available under this section shall be based on a formula developed by the Secretary that is designed to take into account the success in leveraging existing appropriations in the preceding fiscal year as measured under subsection (d). Such formula shall take into account the size of the allocation of the State under this title and the ratio of leveraged resources to such allocation.

"(2) A State may expend funds allocated under this title as are necessary, not to exceed .0008 percent of such allocation or $35,000 each fiscal year, whichever is greater, to identify, develop, and demonstrate leveraging programs. Funds allocated under this section shall only be used for increasing or maintaining benefits to households.

"(d) Each State shall quantify the dollar value of leveraged resources received or acquired by such State under this section by using the best available data to calculate such leveraged resources less the sum of any costs incurred by the State to leverage such resources and any cost imposed on the federally eligible low-income households in such State.

"(e) Not later than July 31, of each year, each State shall prepare and submit, to the Secretary, a report that quantifies the leveraged resources of such State in order to qualify for assistance under this section for the following fiscal year.

"(f) The Secretary shall determine the share of each State of the amounts made available under this section based on the formula described in subsection (c) and the State reports. The Secretary shall promulgate regulations for the calculation of the leveraged resources of the State and for the submission of supporting documentation. The Secretary may request any documentation that the Secretary determines necessary for the verification of the application of the State for assistance under this section.".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 2602 of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621), as amended by section 701, is amended—

(1) by inserting "(other than section 2607A)" after "title", and

(2) by adding at the end the following:

"(d) There are authorized to be appropriated to carry out section 2607A, $25,000,000 in fiscal year 1992, and $50,000,000 in each of the fiscal years 1993 and 1994.".

SEC. 708. WITHHOLDING OF FUNDS.

Section 2608(a)(2) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8626(a)(2)) is amended by striking "in an expeditious and speedy manner to" and inserting "in writing in no more than 60 days to matters raised in".

TITLE VIII—AMENDMENTS TO THE COMPREHENSIVE CHILD DEVELOPMENT CENTERS ACT

SEC. 801. AUTHORIZATION OF APPROPRIATIONS.

Section 670T(a) of the Comprehensive Child Development Act (42 U.S.C. 9887) is amended by striking "appropriated" and all that follows through "1993", and inserting "appropriated, $50,000,000 for each of the fiscal years 1991, 1992, 1993, and 1994".

TITLE IX—COORDINATED SERVICES FOR CHILDREN, YOUTH, AND FAMILIES

SEC. 901. SHORT TITLE.

This title may be cited as the "Claude Pepper Young Americans Act of 1990".

SEC. 902. FINDINGS.

Congress finds that—

(1) children and youth are inherently the most valuable resource of the United States;

(2) the welfare, protection, healthy development, and positive role of children and youth in society are essential to the United States;

(3) children and youth deserve love, respect, and guidance, as well as good health, shelter, food, education, productive employment opportunities, and preparation for responsible participation in community life;

(4) children and youth have increasing opportunities to participate in the decisions that affect their lives;

(5) the family is the primary caregiver and source of social learning and must be supported and strengthened;

(6) when a family is unable to ensure the satisfaction of basic needs of children and youth it is the responsibility of society to assist such family; and

(7) it is the joint and several responsibility of the Federal Government, each State, and the political subdivisions of each State to assist children and youth to secure, to the maximum extent practicable, equal opportunity to full and free acess to—

(A) the best possible physical and mental health;

(B) adequate and safe physical shelter;

(C) a high level of educational opportunity;

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re LIHEAP
as signed by the President on 11/5/90

LOW INCOME HOME ENERGY ASSISTANCE

For making payments under title XXVI of the Omnibus Budget Reconciliation Act of 1981, $1,450,000,000, of which $74,610,000 shall become available for making payments on September 30, 1991.

ENERGY EMERGENCY CONTINGENCY FUND

For the purpose of establishing an "Energy Emergency Contingency Fund," in the United States Treasury to be available for grants to the fifty States, the District of Columbia, and Indian tribes and tribal organizations receiving direct funding in fiscal year 1991 under the Low-Income Home Energy Assistance Act of 1981,
F 1951 180,000 *~~$380,000,000~~ which shall be available for obligation after January 15, 1991: Provided, That the national average retail price of home heating oil in any of the months December 1990, January 1991, or February 1991, as reported for Petroleum Marketing Monthly by the Energy Information Administration or the best available data from the Department of Energy on the last day of the month following such month, exceeds by 20 per centum or more the average of the national average retail price for home heating oil for the corresponding month as reported by the Department of Energy for 1986, 1987, 1988, and 1989: Provided further, That these funds shall be allotted to the fifty States and the District of Columbia in proportion to the consumption by low-income households in such jurisdiction (determined on the basis of the best data available at the time of allotment) of home heating oil: Provided further, That for allotment purposes only, home heating oil includes liquified petroleum gas and kerosene: Provided further, That Indian tribes and tribal organizations shall receive the same per centum of the allotment of the State or States in which they are located as they receive from that State's (or those States') allotment for fiscal year 1991 under section 2604 of the Low-Income Home Energy Assistance Act.*

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