owner-occupied dwelling units, and the number of low-income renter occupied dwelling units in the State. 10 CFR 440.10(b). This basic formula has remained unchanged since 1977. Data used in the formula for weather, residential energy use, and population have been updated several times. The formula data for program year 1993 were updated to include the 1990 census data.

Over the years, many of the warmerweather States have maintained that the current Program formula does not provide them an appropriate share of funds and have encouraged both the Congress and DOE to make changes to the formula. Although the States and Congress have deliberated over this issue at length, there has been no consensus on what changes should be made to the formula or how to

implement such changes.

Warmer-weather States believe the current requirement for the squaring of heating and cooling degree days results in an over-allocation of funds to colderclimate States. Many States believe giving only one-half credit for renters in the formula unfairly reduces allocations and does not reflect the true extent of poverty. Many States believe DOE should use State level data for percent of energy used for space heating and space cooling instead of the national average that is currently used.

In analyzing the issues related to the formula, DOE carefully evaluated the impact of making any type of change to the current formula. DOE has received many suggestions from virtually all of the Program's primary stakeholdersthe States. Others expressed their concerns or supported changes to the formula.

In an effort to evaluate the current positions of the States on this issue, DOE initiated a study through the National Association of State Community Services Programs (NASCSP), the national organization for State Weatherization directors, to survey all members for their ideas and to make recommendations to DOE. The study was conducted by a NASCSP national review panel representing the ten Federal regions of the country. While not all States are members of NASCSP, copies of a draft of NASCSP's report on the study were made available to nonmember States. The findings of this study can be summarized in two key areas: (1) formula criteria, and (2) formula implementation.

A final report of NASCSP, including comments of non-member States, was issued to DOE in November 1993, entitled "Final Report of the Formula Allocation Project." Copies of this

report can be obtained from NASCSP, 444 North Capitol Street NW., Washington, DC. DOE will also make available for inspection a copy of the study at the DOE Freedom of Information Office Reading Room, Room 1E–090, 1000 Independence Avenue SW., Washington, DC 20585, between the hours of 9 a.m. and 4 p.m., Monday through Friday, except Federal holidays.

The Panel submitted for the Department's consideration four formulas, including the Panel's own formula. In addition, one State submitted a formula directly to the Department. The Panel also submitted five alternatives for implementing the formula, including one developed by the Panel. The Department evaluated each of these options, as well as other input, in developing the formula change proposed today.

The Panel's formula includes three elements: the number of low-income households below 125 percent of the poverty level, giving equal weight to owners and renters; climatic conditions across the country using heating and cooling degree days; and residential energy expenditures by low-income household per State. While the Department agrees with the basic premise embodied in the Panel's formula, certain modifications were made by DOE to the individual factors to provide a more equitable distribution

of funds among all States.

A second proposed formula submitted to the Panel by Montana would continue to use the current formula. A third formula, submitted by Illinois, suggests allocating half of the funding under the Panel's formula and half under the current formula. A fourth formula, proposed by Minnesota, is based on the Panel formula, but would change the way the climate factor is calculated. Finally, Wisconsin proposed directly to the Department a modification of the current formula regarding the calculation of the cooling component for climatic conditions, consideration of the age of the building stock, and consideration of the percent of multifamily households.

Regarding Montana's recommendation, DOE disagrees with the continued use of the existing formula because of the long-standing perception of many States regarding its inequity. The formula submitted by Illinois does not produce an acceptable distribution of funds among States and would adversely affect the capacity in many State programs. The formula submitted by Minnesota effectively approximates the current squaring of heating and cooling degree days, resulting in a formula that does not

sufficiently address States' equity concerns. The Department believes that the more important data necessary to implement the formula submitted by Wisconsin is not readily available.

There was also a divergence of opinion among the States as to the implementation strategy that DOE should use for any formula. The Panel proposed a five year phase-in of its formula with all funds allocated pursuant to the Panel's formula after the five-year phase-in period. An alternative proposed by North Carolina and Oklahoma would immediately implement the Panel's formula in its entirety and without regard to impact on the size of existing State programs. Three other submissions all included various mixes of current and new formulas designed to avoid significant reductions below current levels for existing State programs.

The Department accepts the need to buffer States from serious losses in program capacity, while at the same time seeking to gain the benefits of a new formula. Consistent with these two objectives, the formula implementation proposed today establishes a fixed base amount of funds for each State that is derived from the amount received from the fiscal year 1993, while remaining funds would be distributed pursuant to the proposed formula. Fiscal year 1993 was the most recent available data when Congress passed the fiscal year 1995 appropriation.

II. Amendments to the Weatherization **Assistance Program Formula**

This part of the Supplementary Information discusses those provisions of the proposed amendments that are not self-explanatory.

§ 440.3 Definitions.

DOE proposes to amend this section to delete the references to the current formula which will not be a part of the proposed formula. The definitions proposed to be deleted are: "number of owner-occupied units in the State"; "number of low-income, renteroccupied dwelling units in the State"; "percentage of total residential energy used for space cooling"; and 'percentage of total residential energy used for space heating".

In proposing a new formula for the Program, DOE proposes to add several new definitions to § 440.3 which describe the new criteria to be used.

DOE proposes to add a definition of "base allocation," as set forth in proposed § 440.10(b)(1), which refers to the fixed base amount each State receives. That amount is derived from