

**N00I0006**  
**Office of Home Energy Programs**  
**Department of Human Resources**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$21,463	\$0	\$0	\$0	
<b>Adjusted General Fund</b>	<b>\$21,463</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
Special Fund	39,639	55,028	81,199	26,171	47.6%
Contingent & Back of Bill Reductions	0	0	-20	-20	
<b>Adjusted Special Fund</b>	<b>\$39,639</b>	<b>\$55,028</b>	<b>\$81,179</b>	<b>\$26,151</b>	<b>47.5%</b>
Federal Fund	114,296	42,057	49,732	7,675	18.3%
Contingent & Back of Bill Reductions	0	0	-1	-1	
<b>Adjusted Federal Fund</b>	<b>\$114,296</b>	<b>\$42,057</b>	<b>\$49,731</b>	<b>\$7,675</b>	<b>18.2%</b>
<b>Adjusted Grand Total</b>	<b>\$175,399</b>	<b>\$97,085</b>	<b>\$130,910</b>	<b>\$33,825</b>	<b>34.8%</b>

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- A proposed deficiency appropriation provides an additional \$64.1 million for energy assistance.
- The fiscal 2011 allowance increases by approximately \$33.8 million, or 34.8%, after accounting for contingent and Back of the Bill reductions compared to the fiscal 2010 working appropriation. However, after making adjustments for the fiscal 2010 proposed deficiency appropriation and federal Low Income Home Energy Assistance Program (LIHEAP) emergency funds released on January 20, 2010, not yet recognized in the appropriation, the fiscal 2011 allowance would decrease by approximately \$36.6 million.

Note: Numbers may not sum to total due to rounding.

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***Personnel Data***

	<b><u>FY 09 Actual</u></b>	<b><u>FY 10 Working</u></b>	<b><u>FY 11 Allowance</u></b>	<b><u>FY 10-11 Change</u></b>
Regular Positions	17.53	15.87	14.87	-1.00
Contractual FTEs	<u>0.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>18.03</b>	<b>15.87</b>	<b>14.87</b>	<b>-1.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	1.07	7.20%
Positions and Percentage Vacant as of 12/31/09	1.00	6.30%

- The fiscal 2011 allowance abolishes 1.0 vacant regular position.
- The turnover expectancy increases from 5.06 to 7.2% in the fiscal 2011 allowance.
- As of December 31, 2009, the Office of Home Energy Programs (OHEP) had a vacancy rate of 6.3% representing one position. This vacant position is abolished in the fiscal 2011 allowance. OHEP must have 1.07 positions vacant to meet its turnover expectancy. At the current level of vacancy and accounting for the position abolition, OHEP will not be able to meet its turnover expectancy.

## ***Analysis in Brief***

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### **Major Trends**

***Energy Assistance Programs Continue to Serve More Households:*** The number of households served through the energy assistance programs has increased in all recent years except fiscal 2008. The aggregate number of households served increased by approximately 30.8% between fiscal 2008 and 2009.

***Energy Assistance Programs Continue to Reach a Higher Percent of Eligible Households:*** In fiscal 2009, the Department of Human Resources (DHR) substantially increased the percent of eligible households certified for the Maryland Energy Assistance Program and the Electric Universal Service Program (EUSP) arrearage benefits. DHR also increased the percentage of eligible households certified for EUSP bill payment benefits, but the increase for this benefit type occurred at a slower pace than the other benefits.

### **Issues**

***Impact of Funding Changes on Energy Assistance Programs:*** A proposed fiscal 2010 deficiency appropriation would provide approximately an additional \$64.1 million for energy assistance. A recent release of emergency LIHEAP funds provided approximately \$6.4 million for energy assistance programs that are not accounted for in the proposed deficiency appropriation. Even with the additional funds, the fiscal 2010 appropriation would still be approximately \$7.8 million lower than fiscal 2009 actual expenditures of OHEP. The fiscal 2011 allowance is approximately \$44.5 million lower than the fiscal 2009 actual expenditures. However, the demand for these programs continues to increase.

### **Recommended Actions**

1. Add language to transfer funding for the Office of Home Energy Program Data System to the Office of Technology for Human Services.

### **Updates**

***Impact of Changes to the Electric Universal Service Program:*** Chapters 305 and 306 of 2009 altered several requirements relating to the administration of EUSP. However, DHR advises that few of these changes have or will have an impact on the administration of the program.

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**N00I0006**  
**Office of Home Energy Programs**  
**Department of Human Resources**

## ***Operating Budget Analysis***

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### **Program Description**

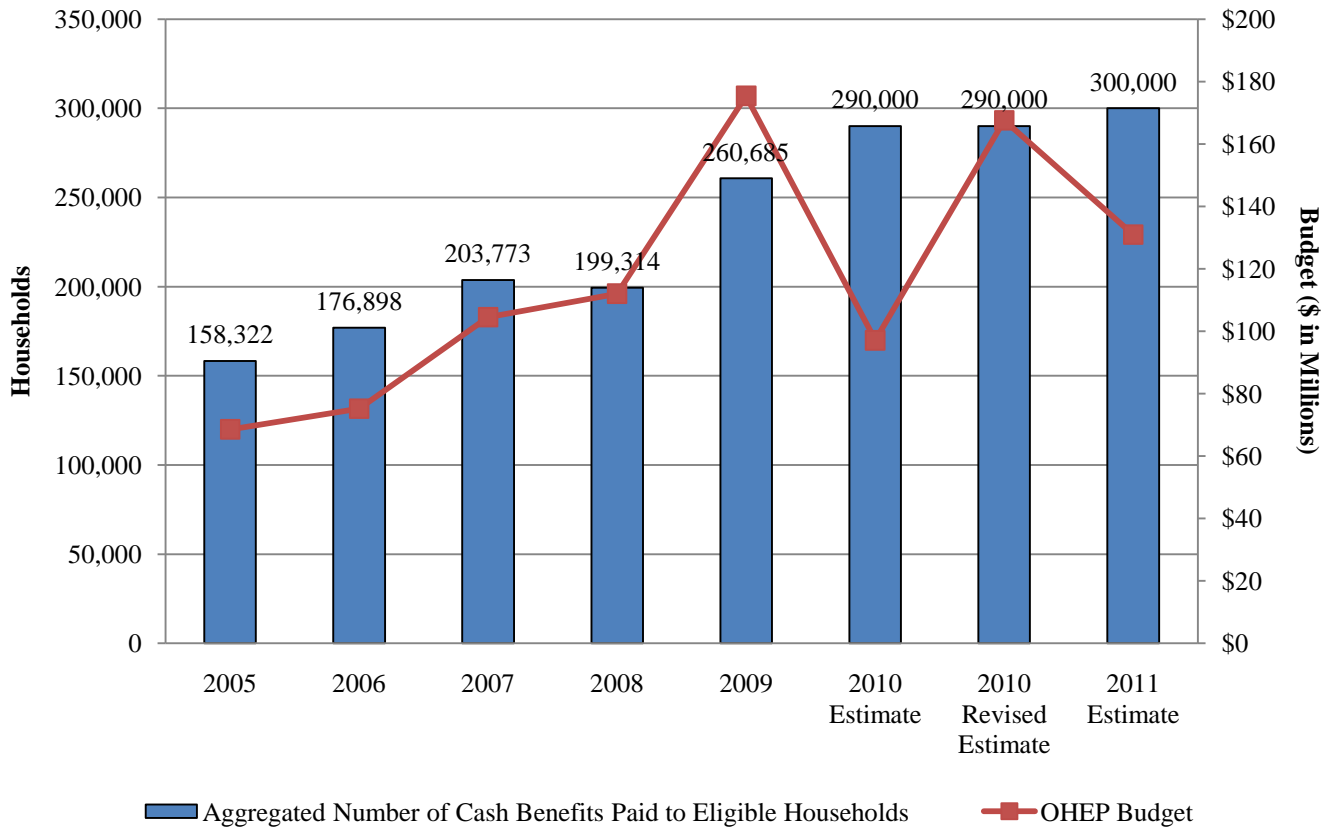
The Office of Home Energy Programs (OHEP) is a program of the Family Investment Administration in the Department of Human Resources (DHR). The services of OHEP include cash benefits, budget counseling, vendor arrangements, referrals, and assistance with energy heating/cooling equipment repair and replacement. OHEP administers two energy assistance programs for residential customers using local agencies in each county and Baltimore City. These two programs are (1) the Maryland Energy Assistance Program (MEAP) funded from the federal Low Income Home Energy Assistance Program (LIHEAP) providing bill payment assistance, crisis assistance, and furnace repair/replacements for a variety of energy sources; and (2) the Electric Universal Services Program (EUSP) that provides both bill and arrearage assistance to electric customers.

The key goals of OHEP are to provide access to the benefits and services of OHEP to as many low income eligible households as possible to help to reduce the home energy cost burden and to meet the immediate home energy needs of households experiencing energy crises by preventing or remedying off-service or out-of-fuel emergencies.

### **Performance Analysis: Managing for Results**

As shown in **Exhibit 1**, the funding for OHEP increased by approximately 155.8% between fiscal 2005 and 2009. This has generally translated into higher aggregated number of units of cash benefits paid to eligible households. Units of cash benefits are MEAP and EUSP bill assistance and EUSP arrearage assistance. Between fiscal 2008 and 2009, OHEP increased the aggregated number of units of cash benefits paid to eligible households by approximately 30.8%. In fiscal 2010 and 2011, the aggregated number of units of cash benefits paid is expected to continue to increase reaching 300,000 in fiscal 2011. However, compared to fiscal 2009, the estimated available funding in fiscal 2010 and 2011 for OHEP is expected to be lower, approximately \$7.8 million and \$44.5 million, respectively.

**Exhibit 1  
OHEP Outcomes vs. Funding  
Fiscal 2005-2011**



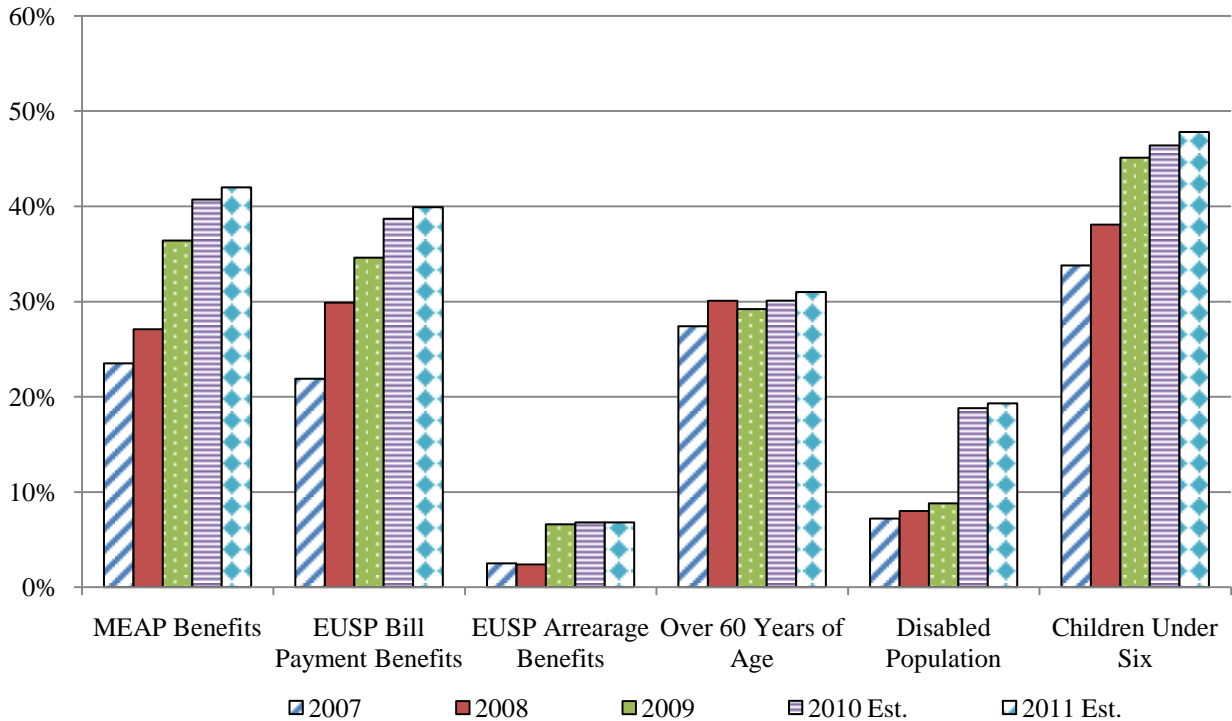
LIHEAP: Low Income Home Energy Assistance Program  
OHEP: Office of Home Energy Programs

Note: Fiscal 2010 revised estimate reflects changes from the fiscal 2010 working appropriation to recognize the proposed deficiency appropriation and anticipated LIHEAP emergency funding.

Source: Department of Human Resources; Governor’s Budget Books; LIHEAP Clearinghouse

As shown in **Exhibit 2**, the percent of eligible households certified for MEAP and EUSP bill payment assistance increased from fiscal 2007 to 2009 and is expected to continue to increase through fiscal 2011. Between fiscal 2008 and 2009, the percent of eligible households certified for MEAP benefits increased from 27.1 to 36.4%. DHR anticipates meeting the goal of 40.0% of eligible households certified for MEAP benefits in fiscal 2010. While the percent of eligible households certified for EUSP bill payment assistance increased more slowly than MEAP benefits between fiscal 2008 and 2009, OHEP anticipates nearly meeting the goal of 40.0% by fiscal 2011.

**Exhibit 2**  
**OHEP Percent of Eligible Households Certified for Energy Assistance and**  
**Percent of Targeted Populations Receiving Benefits**  
**Fiscal 2007-2011**



EUSP: Electric Universal Services Program  
 MEAP: Maryland Energy Assistance Program  
 OHEP: Office of Home Energy Programs

Source: Department of Human Resources; Governor’s Budget Books

The percent of eligible households receiving EUSP arrearage assistance increased 175.0% between fiscal 2008 and 2009, from 2.4 to 6.6%. This increase is expected to slow in fiscal 2010, at which point it will reach a level of 6.8%, and then is expected to remain at that level in fiscal 2011.

DHR indicates that the increase in funding and the increase in applications as a result of the economic downturn have led to the increases in the percentage of eligible households served in each program. DHR has continued to observe increases in applications in fiscal 2010.

Exhibit 2 also provides information on the percent of households receiving benefits that are of specific target groups. The percent of eligible households with children under six and disabled

individuals served has each increased from fiscal 2007 to 2009, and each is expected to continue to increase through fiscal 2011. OHEP reached the goal of 45.0% percent of households receiving benefits that have children under six in fiscal 2009. OHEP expects to surpass the goal of 15.0% of households receiving benefits that contain individuals with disabilities in fiscal 2010, by serving 18.8%. The percent of households receiving benefits that have individuals over 60 years of age decreased slightly from fiscal 2008 to 2009 but is expected to increase in fiscal 2010 and 2011 and once again exceed the goal of 30.0%.

DHR indicated that the decrease in percent of households served with individuals over 60 years of age and increase in households with children under 6 reflect the impact of the economic downturn. DHR explained that because the economic downturn has impacted younger families with fewer resources saved, this population has applied for benefits at a greater rate than older populations.

## **Fiscal 2010 Actions**

### **Proposed Deficiency**

The proposed fiscal 2010 deficiency appropriation would provide an additional \$64.1 million for energy assistance, recognizing the availability of approximately \$24.1 million of special funds from the Strategic Energy Investment Fund (SEIF) and approximately \$39.9 million of additional federal LIHEAP funds.

The additional special funds from SEIF are available as a result of the Budget Reconciliation and Financing Act (BRFA) of 2009 that altered the allocation of revenue from the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions for fiscal 2010 and 2011. Under the revised allocation, EUSP and electricity assistance programs receive up to 50% of the revenue from the RGGI auctions for auctions held between March 1, 2009, and June 30, 2011, compared to the 17% that EUSP and electricity assistance programs were expected to receive under Chapters 127 and 128 of 2008. The fiscal 2010 budget bill contained a reduction of approximately \$35.6 million in general funds that was contingent on the change in allocation in the BRFA of 2009. The proposed deficiency appropriation recognizes the additional special funds resulting from this change in allocation; however, the general funds are replaced with special funds at a lower level than anticipated. This issue is discussed more fully in Issue 1.

The federal LIHEAP funds included in the proposed deficiency appropriation are available as a result of higher than anticipated federal LIHEAP appropriation in federal fiscal 2010 than was assumed during the fiscal 2010 budget development process. This increase in the federal fund appropriation would provide OHEP with a total federal fund appropriation equal to its share of the LIHEAP block grant allocation; any emergency allocations that become available would be in addition to the State grant amount.

## **Impact of Cost Containment**

The fiscal 2010 special fund appropriation of OHEP has decreased by \$9,392 as a result of savings associated with the furlough plan that was included in the cost containment actions approved by the Board of Public Works on August 26, 2009. The cost containment action recognized the special fund savings as a result of the furlough plan; however, the federal fund appropriation was not reduced at that time. This reduction may be expected to occur during the closeout process.

## **Proposed Budget**

As shown in **Exhibit 3**, the fiscal 2011 allowance for OHEP increases by approximately \$33.8 million, or 34.8%, compared to the fiscal 2010 working appropriation after accounting for contingent and Back of the Bill reductions. The primary driver for this increase is special funds, which increase by \$26.2 million, largely as a result of the change in allocation of SEIF through fiscal 2011 that is not included in the fiscal 2010 working appropriation.

If the fiscal 2010 working appropriation is adjusted to reflect the proposed deficiency appropriation and the January 20, 2010 release of LIHEAP emergency funds, the fiscal 2011 allowance decreases by \$36.6 million compared to fiscal 2010, primarily as a result of an anticipation of a return to the historic levels of the federal LIHEAP appropriation.

## **Impact of Cost Containment**

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services (DLS) has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

In addition, the fiscal 2011 allowance of OHEP abolishes 1 vacant position, a decrease of \$53,286.

The fiscal 2011 allowance of OHEP also includes two departmentwide cost containment actions. A reduction of \$7,107 is the result of the elimination of funding for travel to conferences. A reduction of \$1,220 is associated with the elimination of funding for stipends and tuition assistance in OHEP.

**Exhibit 3**  
**Proposed Budget**  
**DHR – Office of Home Energy Programs**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General</u> <u>Fund</u></b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Federal</u> <u>Fund</u></b>	<b><u>Total</u></b>
2010 Working Appropriation		\$55,028	\$42,057	\$97,085
2011 Allowance		<u>81,199</u>	<u>49,732</u>	<u>130,931</u>
Amount Change		\$26,171	\$7,675	\$33,846
Percent Change		47.6%	18.3%	34.9%
 Contingent Reductions	\$0	-\$20	-\$1	-\$21
Adjusted Change	\$0	\$26,151	\$7,675	\$33,825
Adjusted Percent Change		47.5%	18.2%	34.8%
 <b>Where It Goes:</b>				
<b>Personnel Expenses</b>				
Accrued leave payout .....				\$3
Employee retirement .....				2
Employee and retiree health insurance including estimated Section 19 reductions .....				-11
Increase in turnover expectancy from 5.06 to 7.2% .....				-15
Regular earnings including estimated Section 18 furlough reductions .....				-35
Abolition of 1 position .....				-53
Other fringe benefit adjustments .....				2
<b>Energy Assistance</b>				
Increase in funding for energy assistance due to additional funding available from LIHEAP and SEIF partially offset by changes in budgeting of EUSP .....				29,769
<b>Administrative Expenses</b>				
Increase in funding for local administering agencies primarily due to increasing caseloads and application intake .....				3,099
Increases in contractual services for the OHEP data system associated with system modifications and planned new contract .....				1,055
Increase in promotional expenses to reflect recent experience .....				33
Increase in printed forms to reflect recent experience.....				24
Elimination of travel to conferences.....				-7
Elimination of stipends and tuition assistance.....				-1

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**Where It Goes:**

Unallocated reduction.....	-44
Other.....	5
<b>Total</b>	<b>\$33,825</b>

EUSP: Electric Universal Services Program  
LIHEAP: Low Income Home Energy Assistance Program  
OHEP: Office of Home Energy Programs  
SEIF: Strategic Energy Investment Fund

Note: Numbers may not sum to total due to rounding.

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**Energy Assistance Funding**

The fiscal 2011 allowance for the energy assistance programs increases by \$29.8 million compared to the fiscal 2010 working appropriation. A decrease of \$585,061 in EUSP funds results from a planned reallocation of these funds in fiscal 2011 for use in the administrative activities of OHEP. The decrease in special funds from EUSP is more than offset by increases in special funds from SEIF and federal LIHEAP funds. In all, special funds available from SEIF increase by only \$525,000 after accounting for the additional \$24.1 million SEIF included in the proposed fiscal 2010 deficiency appropriation.

The fiscal 2011 allowance increases the federal funds available through LIHEAP for energy assistance by approximately \$5.7 million compared to the fiscal 2010 working appropriation. After accounting for the fiscal 2010 proposed deficiency appropriation and emergency funds for LIHEAP that have been released but not yet recognized, the fiscal 2011 allowance for energy assistance decreases by approximately \$40.6 million.

**Administrative Expenses**

Support for the administrative activities of OHEP increase by approximately \$4.1 million in the fiscal 2011 allowance. This increase occurs nearly equally between special funds from EUSP (approximately \$2.1 million) and federal funds (approximately \$2.0 million).

The majority of the increase occurs as the result of an increase of \$3.1 million for local administering agencies primarily due to increasing caseloads and application intake.

An increase of approximately \$1.1 million results from a planned new contract for the OHEP data system and system modifications. The system modifications are expected to improve the efficiency of the data entry system. Examples of the types of modifications expected to be undertaken in fiscal 2010 are:

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- completing the integration of the Service Access and Information Link, the online eligibility application, and the OHEP data system;
- redesigning data entry screens;
- improving report capabilities; and
- developing a document imaging module, consistent with a new major information technology project in DHR in fiscal 2011.

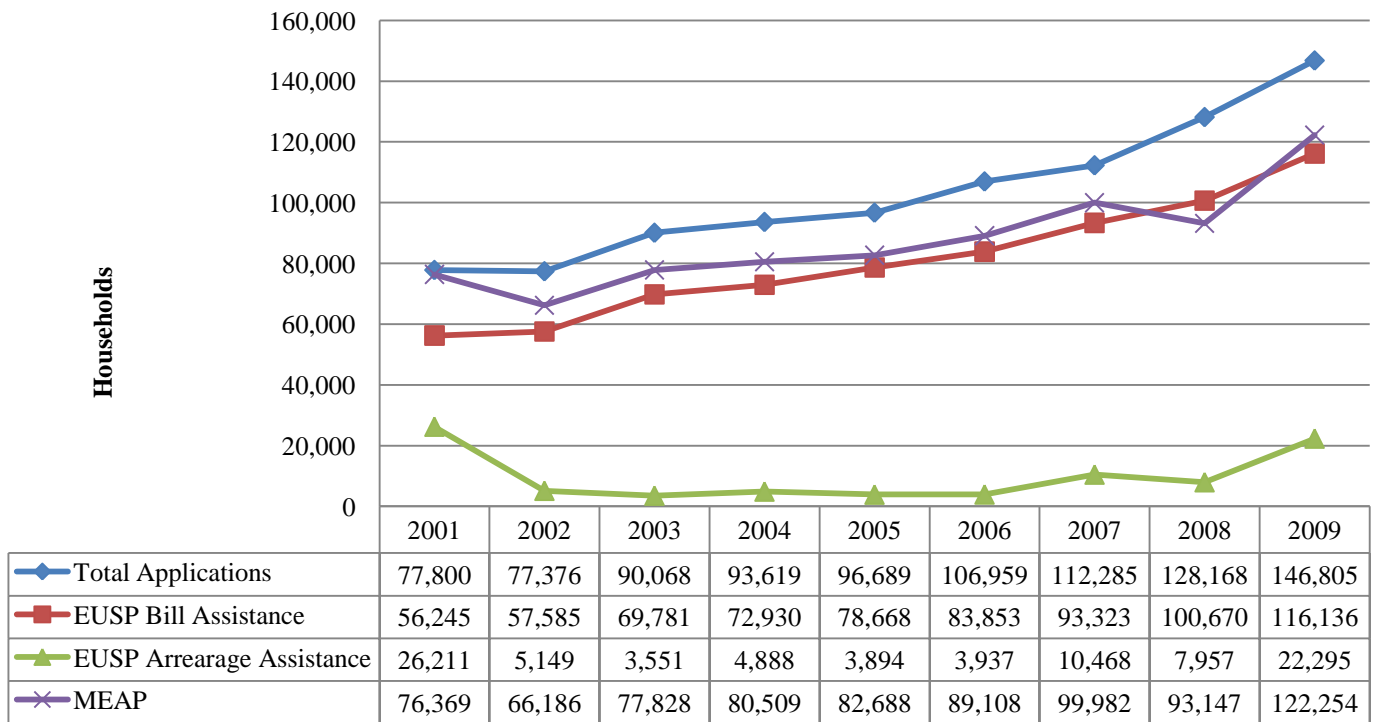
## Issues

### 1. Impact of Funding Changes on Energy Assistance Programs

As shown in **Exhibit 4**, the number of households applying for assistance has increased in all years since fiscal 2002. The increase in applications in each year has also typically translated into an increase in the number of households receiving each type of benefit. Substantial increases in the number of households receiving each type of benefit occurred between fiscal 2008 and 2009:

- 180.2% increase in households receiving EUSP arrearage assistance;
- 31.2% increase in households receiving MEAP benefits; and
- 15.4% increase in households receiving EUSP bill payment assistance.

**Exhibit 4**  
**Office of Home Energy Programs Benefit Provision History**  
**Fiscal 2001-2009**



EUSP: Electric Universal Services Program  
MEAP: Maryland Energy Assistance Program

Source: Department of Human Resources

The trend of increasing use of energy assistance programs, shown in Exhibit 4, appears to be continuing in fiscal 2010. As shown in **Exhibit 5**, through December 2009, OHEP has received more applications and certified more households for benefits in fiscal 2010 than in the same time period in fiscal 2009. To accommodate an increased use of energy assistance benefits in fiscal 2010 at its funding level, DHR reduced the percent of the bill paid for EUSP and electric customers of MEAP in the calculation used to determine bill payment assistance benefits at most income levels, as shown in **Exhibit 6**.

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**Exhibit 5**  
**Office of Home Energy Programs Applications and Benefits Paid**  
**July through December Data**

	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Change</u>	<u>% Change</u>
<b>Applications</b>				
MEAP	100,006	110,758	10,752	10.8%
EUSP Bill Payment	95,361	106,406	11,045	11.6%
EUSP Arrearage	15,942	22,965	7,023	44.1%
<b>Receiving Benefits</b>				
MEAP	59,487	73,829	14,342	24.1%
EUSP Bill Payment	58,589	72,878	14,289	24.4%
EUSP Arrearage	10,077	18,322	8,245	81.8%
<b>Average Benefit</b>				
MEAP	\$578	\$334	-\$244	-42.2%
EUSP Bill Payment	657	597	-60	-9.1%
EUSP Arrearage	904	1,013	109	12.1%
<b>Benefits Paid (\$ in Millions)</b>				
MEAP	\$34.4	\$24.7	-\$9.7	-28.2%
EUSP Bill Payment	38.5	43.5	5.0	13.0%
EUSP Arrearage	9.1	18.6	9.4	103.7%
<b>Total Benefits Paid</b>	<b>\$82.0</b>	<b>\$86.7</b>	<b>\$4.7</b>	<b>5.8%</b>

EUSP: Electric Universal Services Program  
MEAP: Maryland Energy Assistance Program

Source: Department of Human Resources

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**Exhibit 6**  
**Office of Home Energy Programs Percent of Bill Paid**  
**Fiscal 2008-2010**

<u>Income Level as a % of Federal Poverty Guidelines</u>	<u>% of Electric Cost Paid by EUSP Benefit Level</u>			<u>Total % of Electric Cost Paid by EUSP Benefit Level Including MEAP Benefit</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
0-75%	75%	75%	65%	90%	90%	80%
>75-110%	60%	60%	50%	74%	74%	64%
>110-150%	50%	50%	40%	63%	63%	53%
>150-175%	30%	30%	20%	42%	42%	42%
Subsidized Housing	25%	25%	20%	36%	36%	31%

EUSP: Electric Universal Services Program  
 MEAP: Maryland Energy Assistance Program

Source: Department of Human Resources

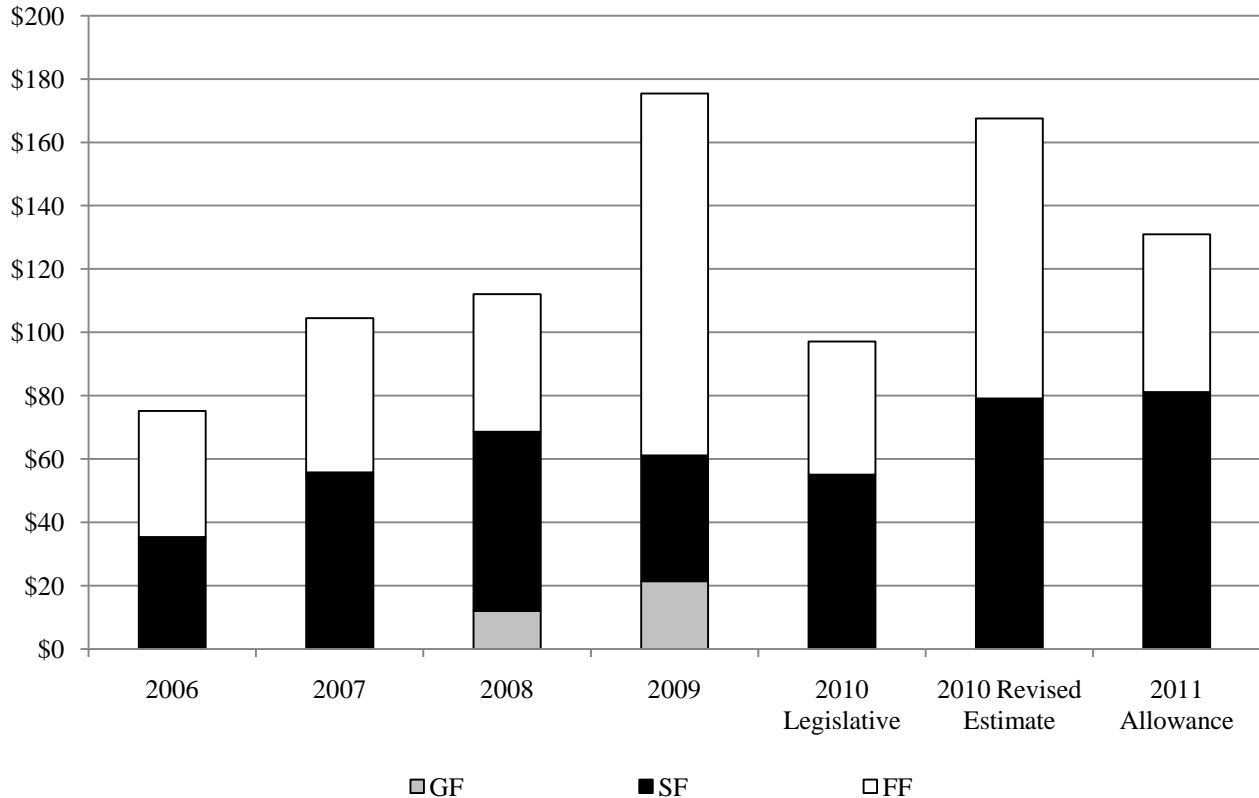
In fiscal 2010, the average MEAP and EUSP bill payment benefits have been lower than fiscal 2009. While the lower average benefits have led to a lower dollar amount of MEAP benefits paid, the dollar value of EUSP bill payment assistance benefits paid is higher than in fiscal 2009. In addition, EUSP arrearage assistance average benefits, which are not impacted by the change in benefit calculation, have increased by 12.1% in fiscal 2010 compared to fiscal 2009 and the dollar amount of EUSP arrearage assistance paid has more than doubled.

Overall through December 2009, in fiscal 2010, OHEP has paid 5.8% more in benefits than through the same time period in fiscal 2009.

**OHEP Funding Changes**

As shown in **Exhibit 7**, OHEP has increased its total expenditures, including both administrative and energy assistance program expenditures, in recent years. From fiscal 2006 to 2009, the actual expenditures of OHEP increased by 133.3%, from approximately \$75.2 million to \$175.4 million. The higher levels of funding in fiscal 2009 and 2010 has resulted from several funding changes including an increase in the availability of federal funds and the availability of additional special funds from SEIF.

**Exhibit 7  
Office of Home Energy Programs Funding Level  
Fiscal 2006-2011  
(\$ in Millions)**



FF: federal funds  
GF: general funds  
SF: special funds

Source: Department of Human Resources; Governor’s Budget Books; U.S. Department of Health and Human Services

In federal fiscal 2009, LIHEAP was funded at \$5.1 billion nationally, the highest level in program history. As a result of the increased federal LIHEAP funds, OHEP’s fiscal 2009 actual federal fund expenditures were \$114.3 million compared to \$43.4 million in fiscal 2008. The fiscal 2010 appropriation treated the additional LIHEAP funds in federal fiscal 2009 as a one-time increase leading to an appropriation of approximately \$42.1 million.

In federal fiscal 2010, LIHEAP is once again funded at \$5.1 billion. However, a change in the distribution of the block grant will reduce the amount of these funds Maryland will receive compared to federal fiscal 2009. The proposed deficiency appropriation and the recent emergency fund release would provide OHEP with a total of approximately \$88.4 million in federal funds in fiscal 2010.

OHEP has received special funds from SEIF, beginning in fiscal 2009, available as a result of Chapters 127 and 128 of 2009 that allocated 17% of the revenue in SEIF to be used for EUSP and electricity assistance programs. As discussed earlier, the BRFA of 2009 temporarily altered this allocation.

The change in allocation of SEIF was originally expected to provide an additional approximately \$35.6 million for energy assistance, for a total amount of approximately \$53.6 million. However, lower than anticipated allowance prices in recent auctions has reduced the total SEIF revenue available for this purpose to \$42.2 million in fiscal 2010.

Despite the higher than anticipated federal funds and the change in allocation of SEIF to provide additional funding for EUSP and electricity assistance, the estimated funding available for OHEP in fiscal 2010 is lower than fiscal 2009 by approximately \$7.8 million.

### **Fiscal 2011**

The fiscal 2011 allowance is approximately \$36.6 million lower than the revised estimate of fiscal 2010 funding and is composed of:

- approximately \$38.5 million in EUSP funds;
- \$42.7 million from SEIF; and
- approximately \$49.7 million in federal LIHEAP funds.

The revenue assumptions used to develop the fiscal 2011 allowance could both over and understate the available funding for energy assistance. First, the allowance of special funds from EUSP assumes \$1.5 million will be available to carryover from fiscal 2010. While DHR has taken steps to stay within the fiscal 2010 appropriation, as shown in Exhibit 5, the total dollar value of benefits paid through December 2009 have exceeded the spending in the same time period in the previous year. With an estimated lower amount of funding available, it is not certain that there will be \$1.5 million in carryover funding available from EUSP.

In addition, the fiscal 2011 allowance assumes revenue available in SEIF for energy assistance from five auctions at \$2.19 per allowance. However, the most recent auction held in December 2009 had a price per allowance of \$2.05. Also, it is the understanding of DLS that the number of allowances expected to be auctioned at the five auctions budgeted in fiscal 2011 has been revised downward by 262,500 allowances resulting in a decrease of approximately \$574,874 at the anticipated price per allowance of \$2.19. If recent experience continues in regards to the price per allowance and OHEP receives some share of the reduced revenue from the fewer number of allowances sold, available special funds from SEIF are likely to be lower than is included in the fiscal 2011 allowance.

Third, the fiscal 2011 allowance assumes the federal LIHEAP funding will return to the historic funding levels. The federal fiscal 2011 proposed budget by President Barack H. Obama

includes a slightly higher overall level of funding for LIHEAP but would change how that funding is distributed. Specifically, as described in the Department of Health and Human Services Budget in Brief, the proposal includes \$3.3 billion in funding for LIHEAP and an additional \$2.0 billion that would be released automatically based on increases in energy prices and the percent of the population living in poverty. The percent of the population living in poverty would be measured through persons receiving Supplemental Nutrition Assistance. Information available from the Federal Funds Information for States indicates that Maryland would receive a comparable level of the base funding as it received prior to the increased amounts available in fiscal 2009 and 2010. However, it is not clear at this time how the additional unallocated LIHEAP funds would impact the federal funding available for energy assistance in Maryland.

DHR's current fiscal 2011 projections for households receiving energy assistance assumes an 8% growth compared to fiscal 2010 despite the lower level of funding provided in the fiscal 2011 allowance. With that level of growth, DHR anticipates 157,000 households would receive MEAP benefits, 148,000 would receive EUSP bill payment assistance, and 20,000 would receive EUSP arrearage assistance benefits.

**DHR should comment on the adequacy of the fiscal 2011 allowance and fiscal 2010 appropriation to meet demand for energy assistance in those years.**

## ***Recommended Actions***

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1. Add the following language:

Provided that \$1,020,000 of the Special Fund appropriation and \$980,000 of the Federal Fund appropriation made for the purpose of software maintenance and systems support for application software development for the Office of Home Energy Programs data system may not be expended for that purpose in the Office of Home Energy Program but instead may be transferred by budget amendment to N00F00.04 Office of Technology for Human Services program to be used only for the purpose of software maintenance and systems support for application software development for the Office of Home Energy Programs data system. Funds not expended for this restricted purpose in N00F00.04 may not be transferred by budget amendment or otherwise to any other purpose and shall be cancelled.

**Explanation:** This language would transfer the appropriation for the software maintenance, support, and system development for the Office of Home Energy Program (OHEP) data system to the Office of Technology for Human Services (OTHS) consistent with the budgeting of the other information technology projects in the Department of Human Resources (DHR). DHR advises that OTHS manages and procures contracts for the OHEP data system. Funds not transferred for this purpose to OTHS shall be cancelled.

## ***Updates***

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### **1. Impact of Changes to the Electric Universal Service Program**

Chapters 305 and 306 of 2009 made several modifications to Section 7-512.1 of the Public Utilities Company article, which defines EUSP. DHR indicates that few of these changes are expected to or have impacted the functioning of the program.

#### **Policy Changes**

The chapters made four changes to the policies that determine how bill assistance and arrearage assistance can be distributed. These changes are:

- to remove language that requires the bill assistance component to be set at a minimum of 50% of the determined need;
- to remove language that imposes a \$1.5 million cap on arrearage assistance per fiscal year;
- to alter language to allow arrearage assistance benefits to be given to households once every seven fiscal years rather than once per lifetime; and
- to increase the number of months that EUSP funds can be carried over for disbursement in the next fiscal year.

DHR indicates that only one of these changes, the change in frequency of arrearage assistance that requires a change in software programming, impact the operations of the program. DHR explains that the other changes remove undefined language or are unnecessary because of the availability of other fund sources and the high levels of demand.

#### **Administrative Changes**

One change clarifies that the low-income weatherization program operated with EUSP funds in the Department of Housing and Community Development is for low-income residential weatherization.

Two other changes allow DHR to set minimum and maximum benefit levels of the bill and arrearage assistance programs of EUSP and to allow DHR to coordinate benefits between EUSP, the MEAP, and any other energy assistance programs. DHR indicates that these changes put into statute the current practices of the department.

## **Reporting Changes**

Chapters 305 and 306 of 2009 make changes to the required EUSP annual report of the Public Service Commission (PSC) to reflect changes made elsewhere in the bill (*e.g.*, remove the requirement to include a recommendation on the percentage of need that should be funded through EUSP).

In addition, OHEP is required to provide PSC information on additional funding available for energy assistance through SEIF, for electric customers of MEAP, and any other federal, State, local, or private source. This change will ensure the most comprehensive information possible to PSC as it prepares recommendations regarding EUSP for the annual report.

## *Current and Prior Year Budgets*

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### **Current and Prior Year Budgets DHR – Office of Home Energy Programs (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2009</b>					
Legislative Appropriation	\$21,700	\$36,063	\$40,420	\$0	\$98,183
Deficiency Appropriation	0	3,571	0	0	3,571
Budget Amendments	0	9	77,442	0	77,450
Cost Containment	0	-4	-4	0	-8
Reversions and Cancellations	-237	0	-3,561	0	-3,798
<b>Actual Expenditures</b>	<b>\$21,463</b>	<b>\$39,639</b>	<b>\$114,296</b>	<b>\$0</b>	<b>\$175,399</b>
<b>Fiscal 2010</b>					
Legislative Appropriation	\$0	\$55,037	\$42,057	\$0	\$97,094
Cost Containment	0	-9	0	0	-9
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$55,028</b>	<b>\$42,057</b>	<b>\$0</b>	<b>\$97,085</b>

Note: Numbers may not sum to total due to rounding.

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## **Fiscal 2009**

OHEP reverted approximately \$237,122 of the general fund appropriation for fiscal 2009. Fiscal 2009 budget bill language required all unexpended funds from the general fund appropriation of OHEP to be reverted.

OHEP's fiscal 2009 appropriation increased by a net of \$3.58 million, primarily due to a \$3.57 million deficiency appropriation accounting for the EUSP and electricity assistance allocation from SEIF available from the first two RGGI carbon dioxide allowance auctions. The remaining increase of \$8,887 was the result of employee cost-of-living adjustments. This increase was partially offset by a decrease of \$3,998 in cost containment actions in the area of salary and wages.

The fiscal 2009 federal fund appropriation increased by approximately \$77.4 million through budget amendments partially offset by cost containment actions. The increase of approximately \$77.4 million was due to a higher than anticipated allocation of LIHEAP and higher than expected demand. A decrease of \$3,998 is the result of cost containment actions in the area of salaries and wages. OHEP cancelled approximately \$3.56 million of the federal fund appropriation primarily due to lower than expected demand.

## **Fiscal 2010**

The fiscal 2010 special fund appropriation of OHEP has decreased by \$9,392 from furlough savings due to cost containment actions.

**Object/Fund Difference Report  
DHR – Office of Home Energy Programs**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	17.53	15.87	14.87	-1.00	-6.3%
02 Contractual	0.50	0	0	0	0.0%
<b>Total Positions</b>	<b>18.03</b>	<b>15.87</b>	<b>14.87</b>	<b>-1.00</b>	<b>-6.3%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 1,217,219	\$ 955,741	\$ 824,792	-\$ 130,949	-13.7%
02 Technical and Spec. Fees	227,520	0	1,250	1,250	N/A
03 Communication	42,098	46,808	51,829	5,021	10.7%
04 Travel	4,848	9,486	2,294	-7,192	-75.8%
06 Fuel and Utilities	7,946	8,852	9,097	245	2.8%
08 Contractual Services	173,020,858	96,040,122	129,964,004	33,923,882	35.3%
09 Supplies and Materials	88,662	18,058	73,647	55,589	307.8%
10 Equipment – Replacement	6,059	0	0	0	0.0%
11 Equipment – Additional	12,875	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	723,159	1,220	0	-1,220	-100.0%
13 Fixed Charges	47,363	4,308	4,100	-208	-4.8%
<b>Total Objects</b>	<b>\$ 175,398,607</b>	<b>\$ 97,084,595</b>	<b>\$ 130,931,013</b>	<b>\$ 33,846,418</b>	<b>34.9%</b>
<b>Funds</b>					
01 General Fund	\$ 21,462,878	\$ 0	\$ 0	\$ 0	0.0%
03 Special Fund	39,639,247	55,027,714	81,198,670	26,170,956	47.6%
05 Federal Fund	114,296,482	42,056,881	49,732,343	7,675,462	18.3%
<b>Total Funds</b>	<b>\$ 175,398,607</b>	<b>\$ 97,084,595</b>	<b>\$ 130,931,013</b>	<b>\$ 33,846,418</b>	<b>34.9%</b>

Note: The fiscal 2010 appropriation does not include deficiencies.