

N00I0006
Office of Home Energy Programs
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$79,152	\$76,667	\$70,384	-\$6,283	-8.2%
Deficiencies and Reductions	0	0	-19	-19	
Adjusted Special Fund	\$79,152	\$76,667	\$70,365	-\$6,302	-8.2%
Federal Fund	74,124	65,607	67,205	1,597	2.4%
Deficiencies and Reductions	0	0	-16	-16	
Adjusted Federal Fund	\$74,124	\$65,607	\$67,188	\$1,581	2.4%
Adjusted Grand Total	\$153,276	\$142,274	\$137,553	-\$4,721	-3.3%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The fiscal 2016 allowance of the Department of Human Resources (DHR) Office of Home Energy Programs (OHEP) decreases by \$4.7 million, or 3.3%, compared to the fiscal 2015 working appropriation after accounting for across-the-board reductions in fiscal 2016.
- Special funds decrease by \$6.3 million, or 8.2%. A decrease of \$3.9 million of special funds from the Electric Universal Services Program (EUSP) aligns funding with the level that is statutorily allowed to be collected (\$37.0 million). Strategic Energy Investment Funds decrease by \$2.4 million in the fiscal 2016 allowance.
- Federal funds increase by \$1.6 million, or 2.4%, to reflect recent experience with federal Low-Income Home Energy Assistance Program (LIHEAP) allocations.

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

For further information contact: Tonya D. Zimmerman

Phone: (410) 946-5530

Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Positions	17.87	16.87	16.87	0.00
Contractual FTEs	<u>1.10</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	18.97	16.87	16.87	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	1.21	7.15%
Positions and Percentage Vacant as of 1/1/15	4.00	23.71%

- There are no changes in the number of regular positions in OHEP in the fiscal 2016 allowance.
- Turnover expectancy decreases from 7.26% to 7.15% in the fiscal 2016 allowance.
- As of January 1, 2015, OHEP had a vacancy rate of 23.71%, or 4.0 positions. To meet its turnover expectancy, OHEP must maintain 1.21 vacant positions.

Analysis in Brief

Major Trends

Demand for Energy Assistance: After decreasing the previous two years, the number of applications and households receiving energy assistance benefits increased in fiscal 2014, largely due to cold winter weather in that year. Demand continues to increase in fiscal 2015 for these programs, and some additional funding may be necessary if demand accelerates further.

Percent of Eligible Households Receiving Benefits Decreases: Despite an increase in the number of households receiving EUSP bill payment assistance and Maryland Energy Assistance Program (MEAP) assistance, the percent of eligible households receiving benefits decreased in fiscal 2014. This decrease was the result of an increase in the estimated number of eligible households.

OHEP Has Mixed Results in Providing Benefits to Targeted Populations: Similar to the overall trend, fewer eligible households with a member under the age of six received energy assistance benefits in fiscal 2014. However, the percent of eligible households with a member with a disability receiving energy assistance benefits increased in fiscal 2014.

New Federal Performance Measures: In November 2014, the U.S. Department of Health and Human Services, Administration for Children and Families published a notice that it had received approval to

begin collecting new performance measures for LIHEAP. The new measures will be optional in federal fiscal 2015 but will be mandatory in federal fiscal 2016. The new measures focus on benefit targeting, energy burden reduction, prevention of loss, and restoration of home energy services.

Issues

Energy Assistance Application Processing Times: In recent years, DHR has recommended a reevaluation of the 55-day agreement regarding utility termination protection for energy assistance applicants, in part, due to concerns about whether OHEP was able to process applications in this timeframe. Due to data limitations, little has been known about energy assistance application processing times. Committee narrative in the 2014 *Joint Chairmen’s Report (JCR)* requested that DHR begin reporting monthly on energy assistance application processing times and staffing. The monthly reports show that the vast majority of applications are being processed within 55 days. However, a few local administering agencies have difficulty meeting the 55-day application processing time for a large number of applications.

Public Service Commission Review of Energy Assistance Programs: In calendar 2012, the Public Service Commission (PSC) began a review of the energy assistance programs in Maryland. PSC staff, in conjunction with the Office of People’s Counsel, submitted a recommendation for a revised energy assistance program during that year. During the 2013 session, the review was ongoing, and committee narrative in the 2014 JCR requested that PSC, in consultation with DHR, submit a report on the status or outcome of the review. PSC indicated that it was not planning on moving forward with the previous review, but that DHR was considering some program changes due to additional revenue.

Recommended Actions

1. Adopt committee narrative requesting information on program enhancements.
2. Adopt committee narrative recommending new performance measures.
3. Adopt committee narrative requesting information on application processing times.

Updates

Energy Efficiency Activities and Energy Assistance Customers: Committee narrative in the 2014 JCR requested that DHR and the Department of Housing and Community Development (DHCD) provide information on the number of energy assistance customers receiving energy efficiency services, the types of energy efficiency services received, the energy savings and bill impacts of the savings from the energy efficiency services, and the impact of these savings on the energy assistance program. However, DHCD does not track recipients of energy efficiency services by whether the individual also

receives energy assistance. In general, few households received energy efficiency services in fiscal 2014. The largest energy efficiency program in DHCD was the EmPOWER Limited Income Energy Efficiency Program funded as part of the EmPOWER Maryland surcharge on electric utility customer bills.

PSC Order Provides Funds for Energy Assistance: On May 30, 2014, PSC granted a certificate of public convenience and necessity for a generating station to be built by Dominion Cove Point LNG, LP at the site of its existing liquefied natural gas facility with a series of conditions. One of the conditions was a requirement to contribute \$400,000 per year for the first 20 years of the facility operation, for a total of \$8 million, for MEAP or other low-income energy assistance programs. The timing or availability of the funding is not clear because it is not available until the facility is operational and could go to other programs.

N00I0006
Office of Home Energy Programs
Department of Human Resources

Operating Budget Analysis

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 heating/cooling equipment repair and replacement.

OHEP administers two energy assistance programs for residential customers using local administering agencies (LAA), including local departments of social services, in each county and Baltimore City. These programs are (1) the Maryland Energy Assistance Program (MEAP) funded by the federal Low-Income Home Energy Assistance Program (LIHEAP) providing bill payment assistance, crisis assistance, and furnace repair/replacement for a variety of heating sources; and (2) the Electric Universal Service Program (EUSP) funded from a ratepayer surcharge and an allocation of revenue from the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions (budgeted through the Strategic Energy Investment Fund (SEIF)) that provides both bill payment and arrearage assistance to electric customers.

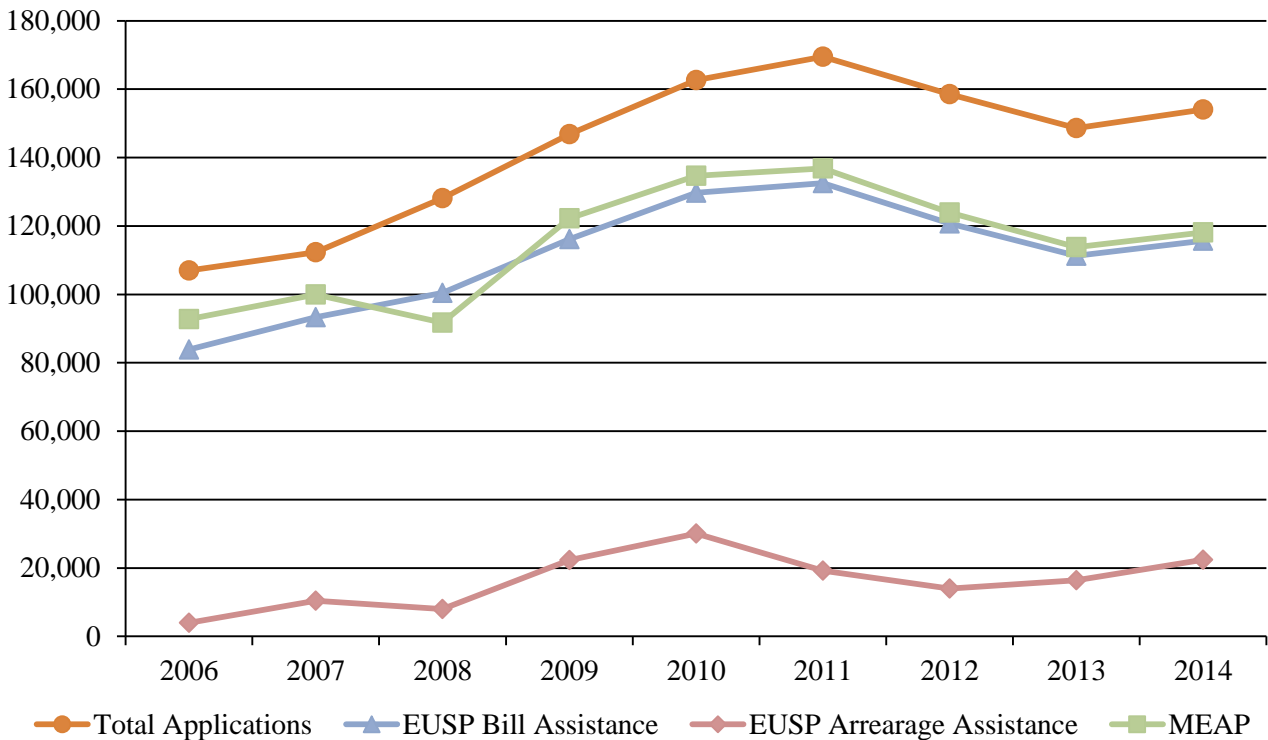
The key goals of OHEP are to provide access to the benefits and services of OHEP to as many low-income eligible households as possible to help households reduce their home energy cost burden and to meet the immediate home energy needs of eligible households experiencing energy crises by preventing or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

Performance Analysis: Managing for Results

1. Demand for Energy Assistance

As shown in **Exhibit 1**, after increasing in nearly all recent years since fiscal 2006, total applications, households receiving EUSP bill assistance, and households receiving MEAP declined in fiscal 2012 and 2013 by more than 5%. The number of households applying for benefits, and in turn receiving benefits, was impacted by the mild winter weather in those years. In fiscal 2014, the number of households applying for benefits and receiving EUSP bill assistance and MEAP benefits increased by nearly 4.0%. These increases were impacted by the extreme cold winter weather that year. Despite the increase in fiscal 2014, the number of households applying for benefits and receiving these benefits remains below the fiscal 2011 peak (decreases of 9.1% in total applications, 12.7% in EUSP bill payment assistance, and 13.7% in MEAP).

**Exhibit 1
OHEP Benefits Provision History
Fiscal 2006-2014**



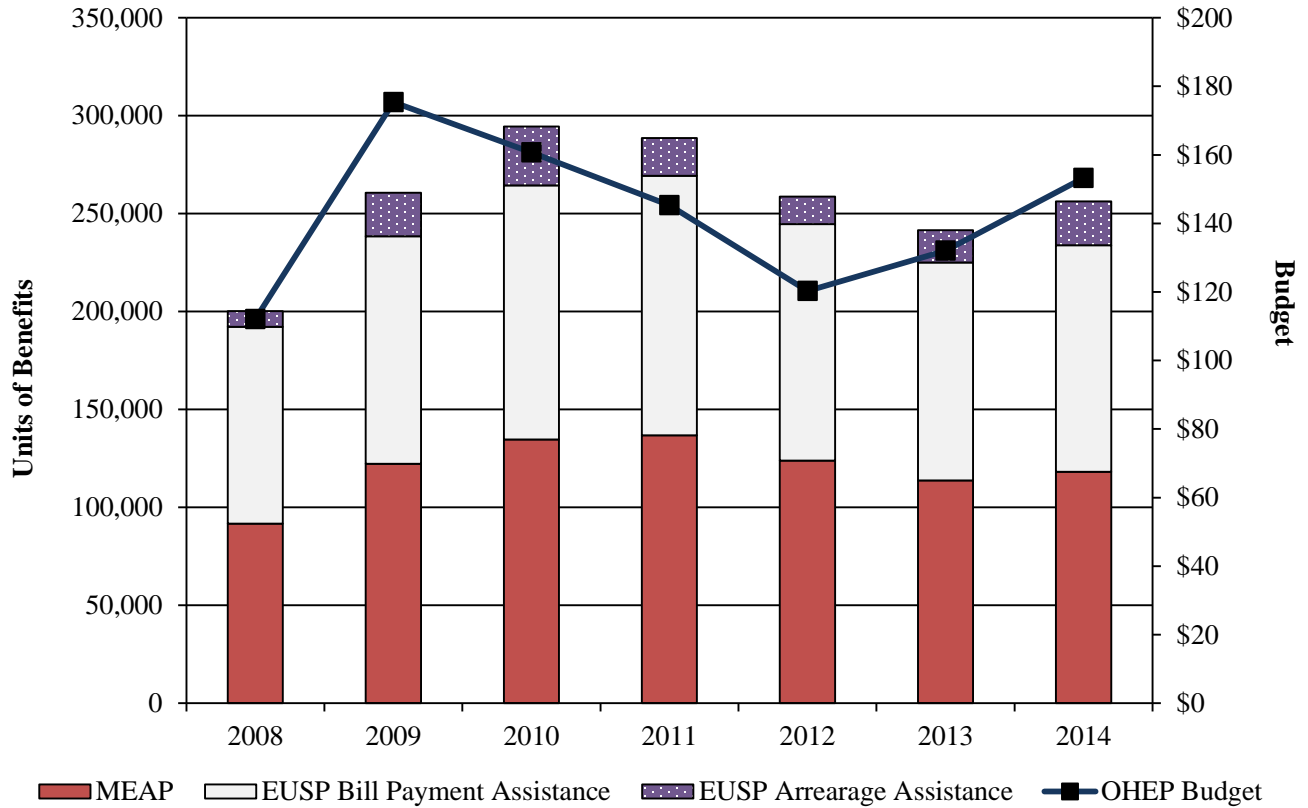
EUSP: Electric Universal Service Program
 MEAP: Maryland Energy Assistance Program
 OHEP: Office of Home Energy Programs

Source: Department of Human Resources

Decreases in the number of households receiving EUSP arrearage assistance in fiscal 2011 and 2012 were in part due to funding limitations which led to informal caps on spending in this program. The number of households receiving this benefit increased by 17.2% in fiscal 2013 and 36.3% in fiscal 2014. Despite these increases, the number of households receiving arrearage assistance in fiscal 2014 was 25.6% lower than the fiscal 2010 peak. **DHR should comment on steps the agency could take to reduce the number of households requiring EUSP arrearage assistance.**

As shown in **Exhibit 2**, the aggregate number of cash benefits paid to eligible households has generally followed the trend of the OHEP budget. Units of cash benefits are MEAP and EUSP bill payment assistance and EUSP arrearage assistance. OHEP’s spending each year is impacted by both

**Exhibit 2
OHEP Outcomes vs. Expenditures
Fiscal 2008-2014
(\$ in Millions)**

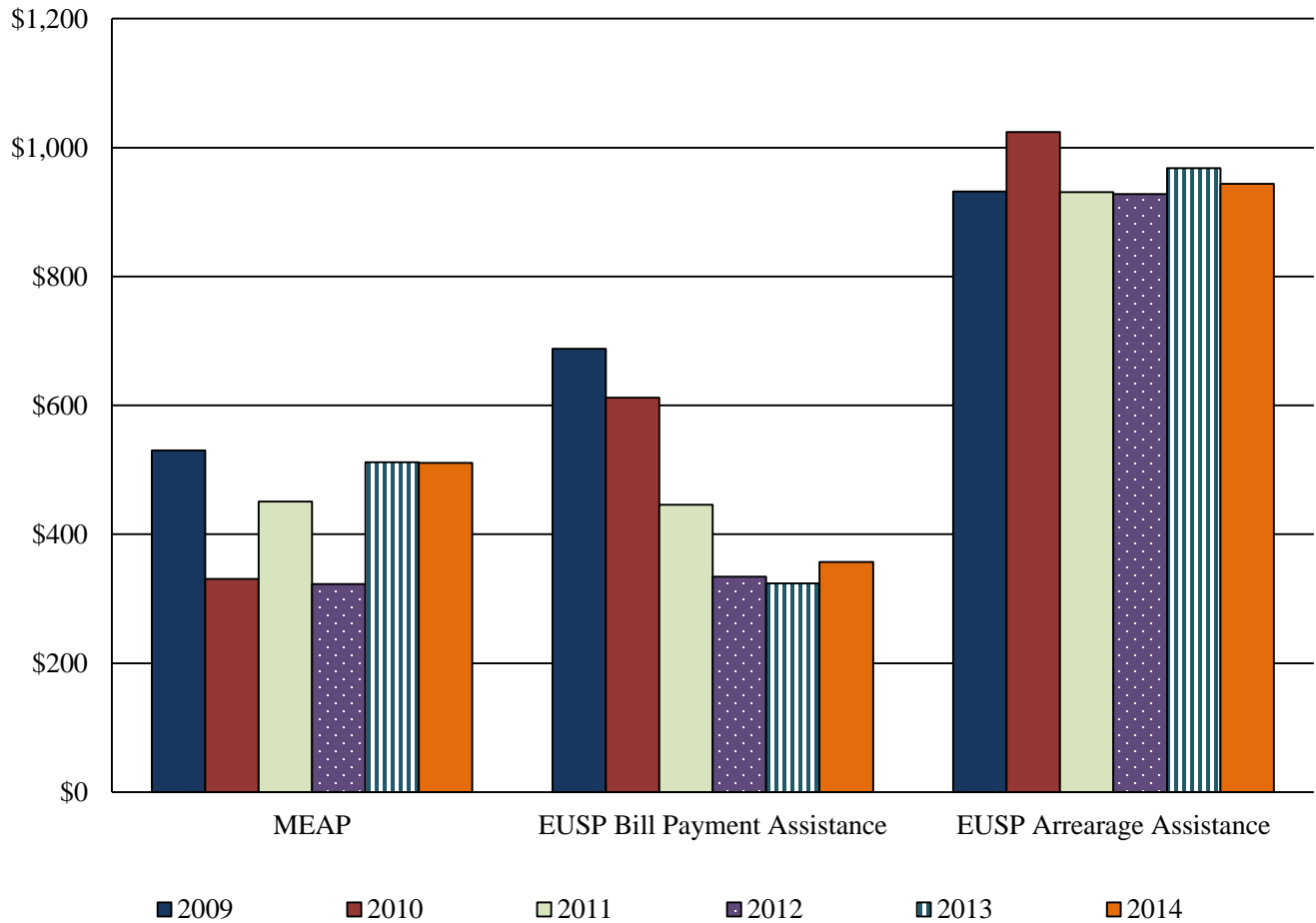


EUSP: Electric Universal Service Program
 MEAP: Maryland Energy Assistance Program
 OHEP: Office of Home Energy Programs

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

available funds and demand for benefits. Each year, OHEP may alter benefit amounts, establish caps on the arrearage assistance program, or suspend the program if demand exceeds (or is anticipated to exceed) the available funds. For example, in fiscal 2010, the growth in units of cash benefits was able to continue despite lower funding due to adjustments in the benefit levels of EUSP bill assistance and MEAP, as shown in **Exhibit 3**, which allowed more households to be served than would have otherwise been possible. In other recent years, OHEP has established spending caps or suspended the EUSP arrearage assistance program when funding was a concern.

Exhibit 3
Average Grant Amounts
Fiscal 2009-2014



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

Note: Average grants do not include supplemental benefits offered for certain MEAP recipients (fiscal 2012, 2013, 2014) and EUSP bill payment assistance recipients (fiscal 2014).

Source: Department of Human Resources

As shown in **Exhibit 4**, through January in fiscal 2015, applications for MEAP and EUSP bill payment assistance in those programs have increased, compared to the same time period in fiscal 2014. Households receiving benefits increased at an even higher rate than applications.

Exhibit 4
OHEP Applications and Benefits Data
Fiscal 2014 and 2015
(July through January in Each Year)

	<u>2014</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
Applications				
MEAP	106,488	108,312	1,824	1.7%
EUSP Bill Payment	103,293	105,416	2,123	2.1%
EUSP Arrearage	16,308	15,727	-581	-3.6%
Receiving Benefits				
MEAP	73,594	79,138	5,544	7.5%
EUSP Bill Payment	72,829	77,157	4,328	5.9%
EUSP Arrearage	11,573	11,251	-322	-2.8%
Average Benefit				
MEAP	\$533	\$538	\$5	0.9%
EUSP Bill Payment	\$354	\$352	-\$2	-0.6%
EUSP Arrearage	\$911	\$948	\$37	4.1%
Benefits Paid (\$ in Millions)				
MEAP	\$39.2	\$42.0	\$2.8	7.2%
EUSP Bill Payment	\$25.8	\$27.1	\$1.4	5.2%
EUSP Arrearage	\$10.5	\$10.7	\$0.1	1.1%
Total Benefits Paid	\$75.5	\$79.8	\$4.3	5.7%
<i>Supplemental MEAP</i>	<i>\$8.3</i>	<i>\$0.0</i>		
<i>Supplemental EUSP</i>	<i>\$14.3</i>	<i>\$0.0</i>		
Total w/Supplemental	\$98.2	\$79.8	-\$18.4	-18.7%

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

Source: Department of Human Resources

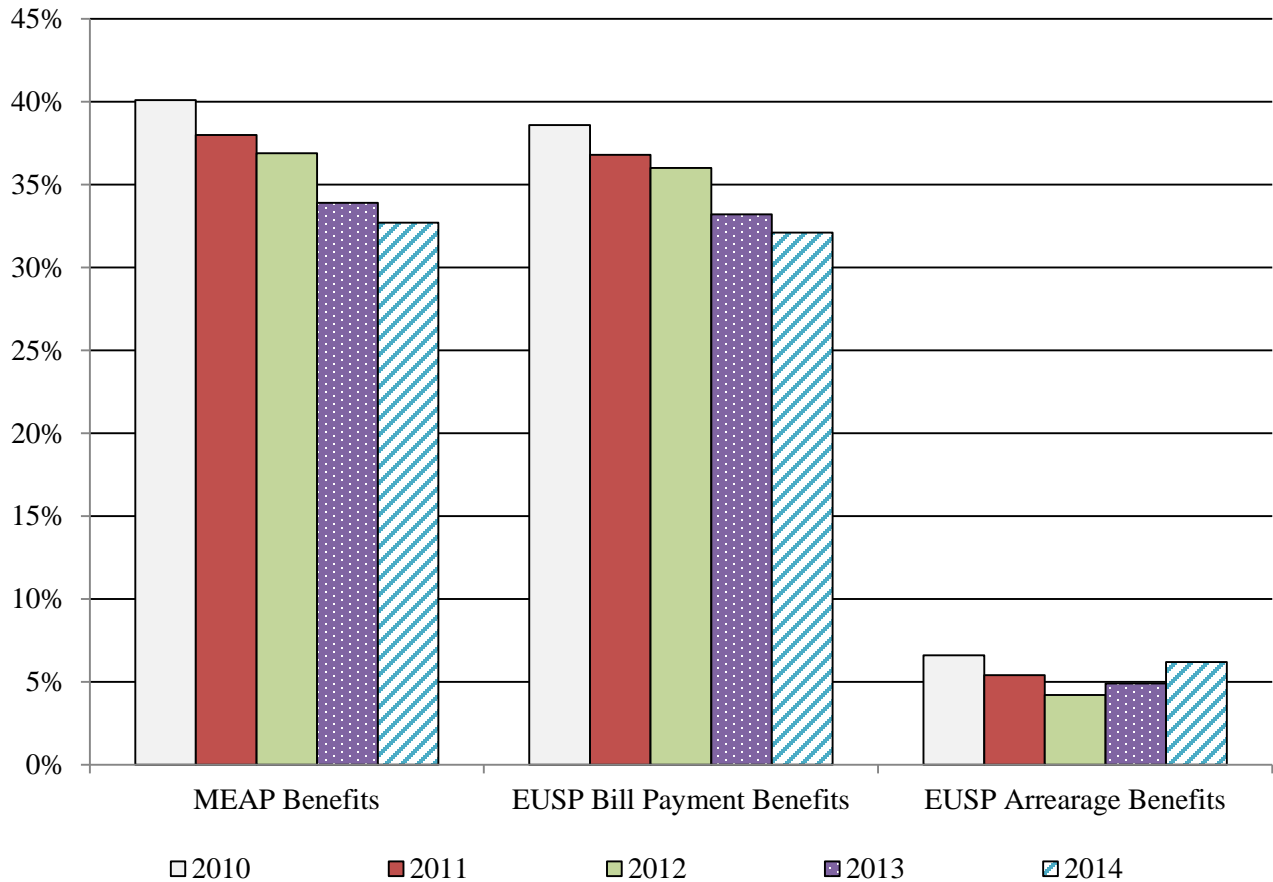
Overall, spending has increased in fiscal 2015, through January, compared to fiscal 2014 for EUSP bill payment assistance, despite a slight decrease in the average benefit, due to the higher number of households receiving the benefit. EUSP arrearage assistance spending has slightly increased due to higher benefits, despite a slight decrease in the number of households receiving assistance. MEAP spending has increased due to both a slight increase in benefits and an increase in the number of households receiving assistance.

The Department of Legislative Services (DLS) estimates that fiscal 2015 benefit expenditures will exceed fiscal 2014 expenditures by approximately \$7.0 million, based on the current pace of spending, and be close to the level of appropriation. Any use of available federal fiscal 2014 LIHEAP carryover funding (\$0.7 million) or higher than appropriated LIHEAP received in federal fiscal 2015 would create flexibility to provide additional benefits in the event that MEAP spending is higher than the appropriation. The SEIF fund balance, discussed later, is also likely available to support the EUSP bill assistance program in the event that spending is higher than the appropriated level. In recent years, OHEP has provided a supplemental benefit due to the availability of additional funding in either the MEAP or EUSP bill assistance program (or both). However, it seems unlikely given the current spending levels that this will be possible in fiscal 2015. **DHR should comment on the impact on OHEP customers if no funds are available for supplemental benefits in fiscal 2015. DHR should also comment on if it anticipates having enough funding to provide benefits to all customers who apply and are eligible for benefits in fiscal 2015.**

2. Percent of Eligible Households Receiving Benefits Decreases

The percent of eligible households receiving benefits may move in a different direction than the number of households receiving benefits due to adjustments in the estimates of eligible households. As shown in **Exhibit 5**, the percent of eligible households receiving MEAP and EUSP bill payment assistance has decreased in recent years. Between fiscal 2013 and 2014, the percent of eligible households receiving these benefits decreased by approximately 3%, despite more households receiving benefits in these years. DHR notes that the estimated number of eligible households increased from 335,439 to 360,751, an increase of 7.5%. From fiscal 2011 to 2014, the percent of eligible households receiving these benefits fell by more than 10%. In fiscal 2014, less than one-third of eligible households received benefits. By contrast, the percent of eligible households receiving EUSP arrearage assistance has generally followed the trend of the number of households receiving this benefit since fiscal 2011. **DHR should explain its plans to increase the percent of eligible households receiving EUSP bill payment and MEAP assistance.**

**Exhibit 5
Eligible Households Certified for Energy Assistance Benefits
Fiscal 2010-2014**



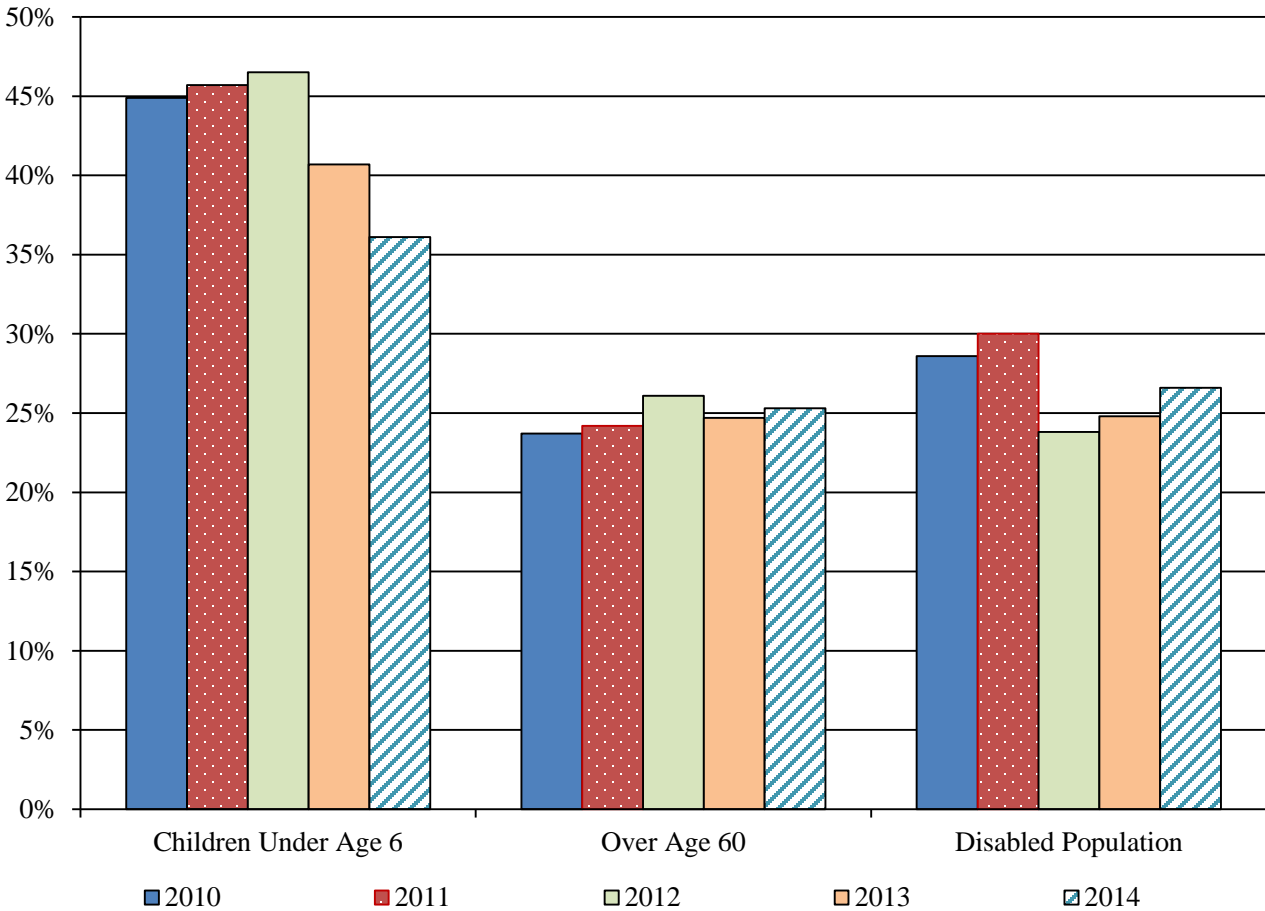
EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program

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

3. OHEP Has Mixed Results in Providing Benefits to Targeted Populations

After a substantial decrease in the percent of eligible households with a member with disabilities receiving benefits between fiscal 2011 and 2012, a decrease of 6.2 percentage points, or 20.7%, the percent has steadily increased in the following years, as shown in **Exhibit 6**. In fiscal 2014, 26.6% of eligible households with a member with a disability received benefits. Despite the improvement, fewer of these eligible households received benefits in fiscal 2014 than in 2011.

**Exhibit 6
Targeted Populations Receiving Energy Assistance Benefits
Fiscal 2010-2014**



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

The percent of eligible households with a member under the age of six receiving benefits decreased substantially in both fiscal 2013 and 2014 after slightly increasing in fiscal 2012. The decrease in fiscal 2014 occurred despite an overall increase in households receiving EUSP bill payment assistance and MEAP. DHR indicates that it will investigate opportunities to target households with young children for benefits including expanding practices that partner with community action agencies that administer Head Start programs and targeting families receiving Temporary Cash Assistance.

4. New Federal Performance Measures

In June 2013, the U.S. Department of Health and Human Services (HHS), Administration for Children and Families published a notice in the *Federal Register* of its intention to begin requiring the collection and reporting of three new performance measures. On November 21, 2014, HHS announced that it had received approval to begin collecting and reporting on four new performance measures. The new data is optional for federal fiscal 2015 and will be mandatory in federal fiscal 2016.

The new measures are:

- a benefit targeting index for high-burden households – to measure the extent to which the highest benefits are provided to those with the highest energy burden (top 25% of energy burden);
- an energy burden reduction index for high-burden households – to measure the extent of the adequacy of the LIHEAP benefit in reducing the same level of energy burden for high-energy-burden households compared to low- and moderate-energy-burden households;
- a prevention of loss of home energy services – to measure the unduplicated count of households where LIHEAP prevented the loss of utility service; and
- a restoration of home energy services – to measure the unduplicated count of households where LIHEAP restored the utility service.

DHR should comment on whether changes will be required in OHEP’s processes or data system to enable the agency to report the new measures. DLS also recommends committee narrative requesting that DHR begin reporting on the new federal performance measures in its annual Managing for Results Submission for OHEP in addition to current measures.

Proposed Budget

As shown in **Exhibit 7**, the fiscal 2016 allowance of OHEP decreases by \$4.7 million, or 3.3%, compared to the fiscal 2015 working appropriation after accounting for across-the-board reductions in fiscal 2016. Aside from changes in energy assistance benefits, the fiscal 2016 allowance of OHEP increases by approximately \$1.0 million. The majority of the non-energy assistance benefit changes, occur in the area of contracts for LAAs, which increase by \$1.1 million.

Exhibit 7
Proposed Budget
DHR – Office of Home Energy Programs
(\$ in Thousands)

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
Fiscal 2014 Actual	\$79,152	\$74,124	\$153,276
Fiscal 2015 Working Appropriation	76,667	65,607	142,274
Fiscal 2016 Allowance	<u>70,365</u>	<u>67,188</u>	<u>137,553</u>
Fiscal 2015-2016 Amt. Change	-\$6,302	\$1,581	-\$4,721
Fiscal 2015-2016 Percent Change	-8.2%	2.4%	-3.3%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$28
Turnover adjustments.....	4
Employee retirement.....	3
Other fringe benefit adjustments.....	-2
Accrued leave to align with recent experience	-16
Section 21: across-the-board reduction to eliminate increments	-17
Section 20: across-the-board 2% pay reduction.....	-18
Regular earnings including filling vacancies at lower salaries, planned increments, and annualization of fiscal 2015 cost-of-living adjustment (before cost containment).....	-39

Energy Assistance Benefits

Low-Income Home Energy Assistance Program due to anticipated funding	1,075
Strategic Energy Investment Fund.....	-2,357
Electric Universal Service Program to align with ratepayer collections.....	-4,473

Administrative Expenses

Contract expenses for local administering agencies	1,076
Office of Home Energy Program applications, brochures, and posters	7
Association dues	4
Other changes.....	3

Total **-\$4,721**

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Cost Containment

The fiscal 2016 allowance contains an across-the-board 2% pay reduction. OHEP's share of the reduction is \$17,839 (\$9,202 in special funds and \$8,638 in federal funds). The fiscal 2016 allowance also contains an across-the-board reduction to eliminate increments. OHEP's share of the reduction is \$17,382 (\$9,834 in special funds and \$7,548 in federal funds). These actions are fully explained in the analysis of the Department of Budget and Management – Personnel.

Energy Assistance Benefits

The majority of the decrease in the fiscal 2016 allowance occurs in the area of energy assistance benefits, a decrease of \$5.8 million, which is driven by funding availability.

LIHEAP

In any given year, the State's LIHEAP allocation may vary based on both the federal appropriation level and the State share of the appropriation. Overall, LIHEAP funding nationally is essentially flat in federal fiscal 2015 compared with federal fiscal 2014, as is Maryland's share of LIHEAP (a decrease of \$0.2 million). Although Maryland's allocation of LIHEAP slightly decreased between federal fiscal 2014 and 2015, the share of the national LIHEAP allocation that was provided to Maryland was higher than federal fiscal 2014. Maryland's recent LIHEAP allocations were:

- \$69.8 million in federal fiscal 2012;
- \$70.4 million in federal fiscal 2013;
- \$68.5 million in federal fiscal 2014; and
- \$68.3 million in federal fiscal 2015.

The fiscal 2015 working appropriation of LIHEAP, \$67.0 million, is lower than the federal fiscal 2015 allocation. The fiscal 2016 allowance of LIHEAP increases by \$1.6 million to \$68.6 million, closer to recent experience.

Annually, a portion of the LIHEAP funding is used for administrative costs and information technology (IT) costs for the OHEP data system in DHR Administration's Office of Technology for Human Services (OTHS). The share of LIHEAP used for administrative costs increases by approximately \$0.5 million and, as a result, the share of the additional LIHEAP available for energy assistance benefits is \$1.1 million.

EUSP

Allowance: Section 7-512 of the Public Utilities Article sets the level of ratepayer funding for EUSP at \$37.0 million. In recent years, however, due to overcollection of the ratepayer surcharge, the

appropriation of EUSP in DHR has been higher than the level authorized to be collected. The Public Service Commission (PSC) took action to reduce the overcollection of EUSP by reducing the surcharges effective February 1, 2014. Due to the timing of the change, the fiscal 2015 appropriation (\$40.9 million) does not take into account the change in the surcharges during fiscal 2014. Collection rates, since the change, indicate final fiscal 2015 collections are likely to fall in a range from \$37.6 million to \$39.8 million.

The EUSP in the fiscal 2016 allowance accounts for the change in the surcharges to bring the collections more in line with the authorized level, a decrease of \$3.9 million, providing a total allowance of approximately \$37.0 million. As with LIHEAP, a portion of EUSP funding is used for administrative and IT expenses in OTHS. The fiscal 2016 allowance of EUSP for administrative expenses increases by approximately \$0.5 million, resulting in a larger decrease in the funding available for energy assistance benefits from EUSP (\$4.5 million) than the overall decrease in EUSP.

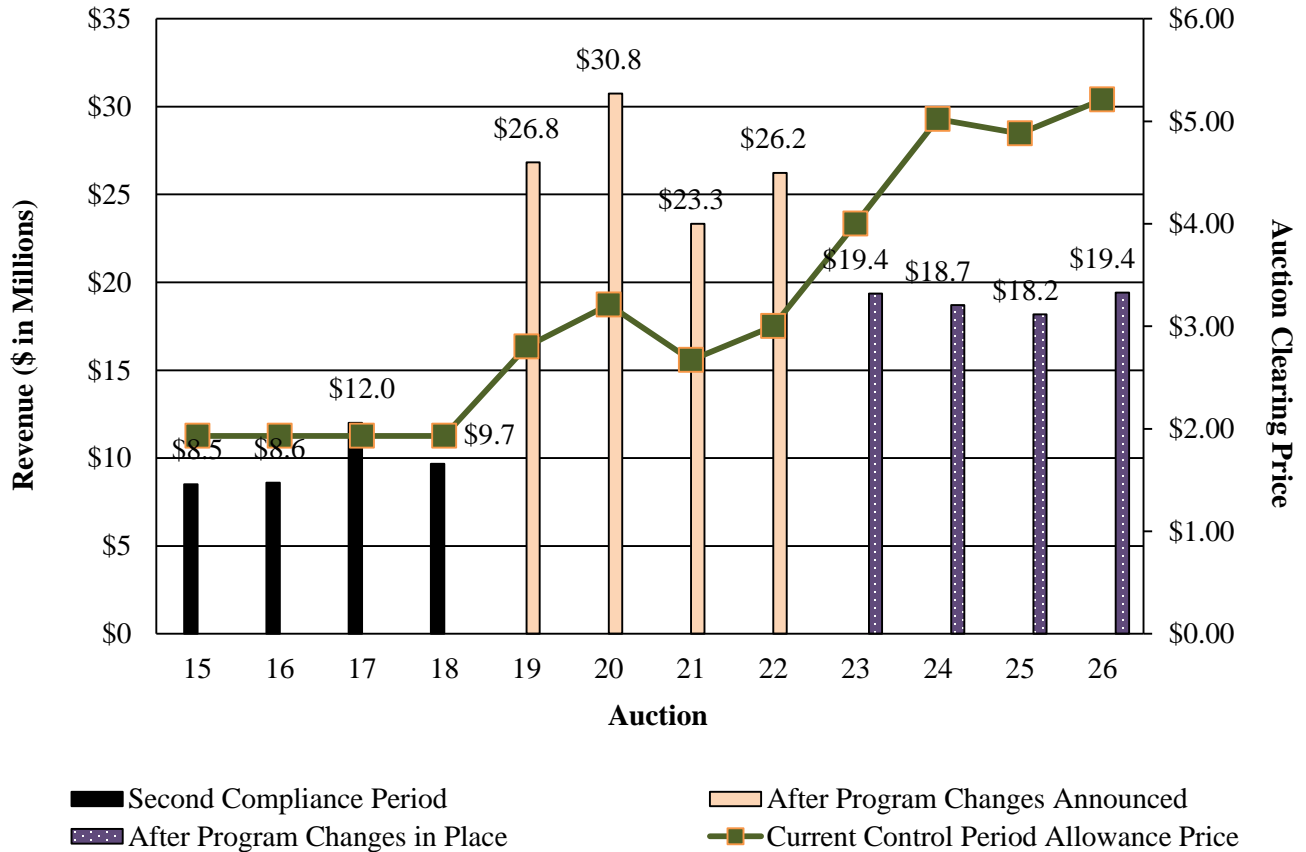
Fund Balance: In the *FY 2014 Electric Universal Service Program Annual Report to the Maryland Public Service Commission*, DHR indicated that it had surplus funds in the EUSP account from excess fiscal 2013 (\$4.1 million) and 2014 (\$4.2 million) collections. DHR states that this is because the collections were higher than the appropriation level. DLS notes that the fiscal 2013 appropriation level was \$38.7 million, with expenditures of \$37.4 million, which implies that some of the surplus funds were the result of lower expenditures than planned rather than simply lower appropriation levels. The fiscal 2014 expenditures were \$40.3 million, indicating that a substantial portion of the overcollection was expended. DHR was seeking guidance on what to do with the excess funds. PSC staff noted that DHR did not report the fiscal 2013 excess funds in its fiscal 2013 annual report. By statute unused funds are to be returned to ratepayers. It is not clear, therefore, the extent and cause of the excess funds. **DHR should comment on the amount of excess funds, the cause of the excess funds, and the guidance provided by PSC on what should be done with the excess funds.**

SEIF

The fiscal 2016 allowance of the SEIF in OHEP decreases by \$2.4 million to \$34.8 million compared to the fiscal 2015 working appropriation. The SEIF in OHEP, which is derived from the RGGI auction proceeds, is used only for energy assistance benefits.

Revenue Estimates: In February 2013, RGGI, Inc. announced changes to the program, including a planned reduction (45.0%) of the carbon dioxide emission allowance cap and adjustments for banked allowances from before the cap change. The allowance cap is further tightened over time with a reduction of 2.5% per year, as originally envisioned. As shown in **Exhibit 8**, the announcement of the program changes had an immediate impact on the auction revenue in both the auction clearing price and the number of allowances that sold, despite the change in the cap not taking effect until calendar 2014. In the first auction following the announcement, the clearing price rose from the minimum reserve price, where it had been since Auction 9 (September 2010). In addition, all of the allowances offered for sale sold, which had last occurred in Auction 11 (March 2011). Further increases in allowance clearing prices occurred following the change in the allowance cap in

**Exhibit 8
RGGI Auction Results for Maryland
Auctions 15-26**



RGGI: Regional Greenhouse Gas Initiative

Source: Regional Greenhouse Gas Initiative, Inc.

calendar 2014. Despite the increase in allowance clearing price, revenue was lower than in calendar 2013 because fewer allowances were available at auctions.

Current projections for the allowance clearing prices (\$4.60) in the first two auctions in calendar 2015 are lower than is projected for the latter two auctions in calendar 2015 (\$5.67) even though the same number of allowances are expected to be sold, likely understating the revenue available in that year. Allowance clearing prices are expected to substantially increase in calendar 2016 (to \$7.40) with an additional reduction in the number of available allowances.

The Budget Reconciliation and Financing Act (BRFA) of 2014 permanently increased the energy assistance share of RGGI auction proceeds to at least 50%. Absent this change, the energy assistance share of RGGI auction proceeds was expected to be 17% beginning with auctions held in fiscal 2015. **Exhibit 9** compares the appropriation from the SEIF in the fiscal 2016 allowance to the projected auction revenue. Despite anticipated higher revenue in fiscal 2016 than in the 2015 working appropriation, the fiscal 2016 allowance of SEIF for energy assistance benefits is lower than the fiscal 2015 working appropriation and lower than the amount of funds expected to be available in fiscal 2016. **DHR should comment on the reason not all of the anticipated revenue in fiscal 2016 is included in the fiscal 2016 allowance.**

Of note, the current SEIF revenue allocation plan presented in Appendix T of the *Governor's Budget Books* and shown in Exhibit 9 does not provide a share of the excess revenue redistribution resulting from a hard cap on the revenue distribution for administration to energy assistance as is allowed under current statute. This has the effect of reducing the funding that could be available for energy assistance in fiscal 2015 and 2016.

Fund Balance and Proposed Transfer: The increase in revenue from the program changes was not anticipated in the fiscal 2013 budget and, as a result, the higher than anticipated revenue in fiscal 2013 largely accrued to the SEIF fund balance. Although the fiscal 2014 budget as developed did not account for higher than anticipated revenue, actions taken during fiscal 2014 provided additional funding for some agencies to account for the fund balance and additional revenue. In OHEP, a deficiency appropriation provided \$20.1 million for supplemental benefits due to the extreme cold winter weather, and additional funds were provided by budget amendment for energy assistance benefits in fiscal 2014. As a result, the impact of the higher than expected revenue on fund balances in fiscal 2014 was less than in fiscal 2013. However, by the close of fiscal 2014, the unencumbered fund balance in the SEIF was \$61.6 million, of which \$28.2 million was the energy assistance portion, as shown in **Exhibit 10**.

Exhibit 9
Comparison of RGGI Revenue Distribution and Statutory Allocation

	<u>Fiscal 2016 Allowance</u>		<u>Distribution as Determined by Statute</u>		<u>Planned Revenue Allocation</u>	<u>If Excess Revenue Is Reallocated Between All Accounts</u>	<u>Difference Between Planned Allocation and Reallocation Between All Accounts</u>
Energy Assistance	\$34,793,885	at least	50%	\$39,732,500	\$39,732,500	\$41,369,444	-\$1,636,944
Department of Human Resources	34,793,885						
Residential Rate Relief	\$0		0%				
Low- and Moderate-income Energy Efficiency	\$12,105,000	at least	10%	\$7,946,500	\$8,683,125	\$8,273,889	\$409,236
Maryland Energy Administration	10,605,000						
Department of Housing and Community Development	1,500,000						
Energy Efficiency, All Other Sectors	\$8,902,441	at least	10%	\$7,946,500	\$8,683,125	\$8,273,889	\$409,236
Maryland Energy Administration	5,750,000						
Department of Health and Mental Hygiene	3,152,441						

	<u>Fiscal 2016 Allowance</u>	<u>Distribution as Determined by Statute</u>			<u>Planned Revenue Allocation</u>	<u>If Excess Revenue Is Reallocated Between All Accounts</u>	<u>Difference Between Planned Allocation and Reallocation Between All Accounts</u>
Renewable Energy, Climate Change, Resiliency, Energy Education	\$20,093,521	at least	20%	\$15,893,000	\$17,366,250	\$16,547,778	\$818,472
Maryland Energy Administration	17,300,000						
Maryland Department of the Environment	2,793,521						
		no more than					
Administration	\$5,449,843	\$5.0 million, up to	10%	\$5,000,000	\$5,000,000	\$5,000,000	\$0
Maryland Energy Administration	5,022,915						
Department of General Services (Salaries) Energy Office	426,928						
Excess Administration Revenue beyond Cap Available for Redistribution				\$2,946,500			

RGGI: Regional Greenhouse Gas Initiative

Note: Maryland Department of the Environment fiscal 2016 allowance is \$3,243,521 from the Strategic Energy Investment Fund. The lower amount shown in this exhibit reflects a reduction for RGGI dues, which are part of the allocation.

Source: Governor’s Budget Books; Department of Legislative Services

Exhibit 10
Strategic Energy Investment Fund Balance
Fiscal 2014-2016 Est.
(\$ in Millions)

	2014 Closing Fund Balance	2015 Estimated Closing Fund Balance*	2016 Estimated Closing Fund Balance
Energy Efficiency and Conservation Programs, Low- and Moderate-income Sector	\$7.1	\$3.1	-\$0.3
Energy Efficiency and Conservation Programs, All Other Sectors	5.5	2.3	3.6
Renewable Energy, Clean Energy, Climate Change, Education, and Resiliency Administration	16.5	4.9	2.2
	4.3	2.9	2.5
<i>Subtotal of Strategic Energy Investment Fund (SEIF) for Non-energy Assistance/Rate Relief Activities without Transfer Proposed</i>	\$33.4	\$13.3	\$8.0
Cancellation for Restricted Funds not Expected to Be Used (Energy Efficiency and Conservation Programs, All Other Sectors)		\$1.5	
Proposed Transfer		-\$6.0	
<i>Subtotal of SEIF for Non-energy Assistance/Rate Relief Activities with Proposed Transfer</i>	\$33.4	\$8.3	\$2.0
Rate Relief	\$0.1	\$0.1	\$0.1
Energy Assistance	28.2	24.3	29.2
Total	\$61.6	\$33.1	\$31.3

*Includes a proposed deficiency appropriation of \$300,000 in the Maryland Department of the Environment for climate change activities.

Note: The fund balance for fiscal 2015 and 2016 does not match Appendix T of the *Governor's Budget Books* to more accurately reflect appropriation and planned transfer levels from the Regional Greenhouse Gas Initiative revenue. Does not include Renewable Portfolio Standard balance and Offshore Wind Development balance which are only available for specific purposes. Estimated revenue is based on actual auction results in September and December 2014, and projected results for six auctions. Excludes funds appropriated in the Maryland Department of the Environment related to RGGI dues, which are not part of revenue allocation.

Source: Maryland Energy Administration; *Governor's Budget Books*; Department of Legislative Services

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The BRFA of 2015 includes a proposed transfer of \$6.0 million in fund balance from the SEIF to the general fund. The Administration has yet to indicate which portion of the fund balance from which the transfer will occur, the largest share of the fund balance is in the energy assistance account. However, energy assistance remains an important safety net program. **Thus, DLS recommends language be added to the BRFA to clarify that the transfer should occur from the other accounts such as energy efficiency, renewable energy, or administration rather than energy assistance.** As shown in Exhibit 10, the fund balance from those activities can accommodate the reduction.

DHR should comment on how it intends to reduce the fund balance in the SEIF available for energy assistance benefits.

Issues

1. Energy Assistance Application Processing Times

Energy assistance applicants have a termination protection during the application period. This protection, known as the 55-day agreement, protects applicants from termination for a period of 55 days while a decision is made on the application. In recent EUSP annual reports submitted by DHR to PSC, DHR has recommended a re-evaluation of the 55-day agreement. One of the specific elements requested for review by DHR is the capacity of OHEP to process applications within the 55-day window. Despite this protection, DHR was previously unable to track application processing times in the OHEP data system. This could have limited the ability of the agency to ensure customers were receiving the appropriate protection.

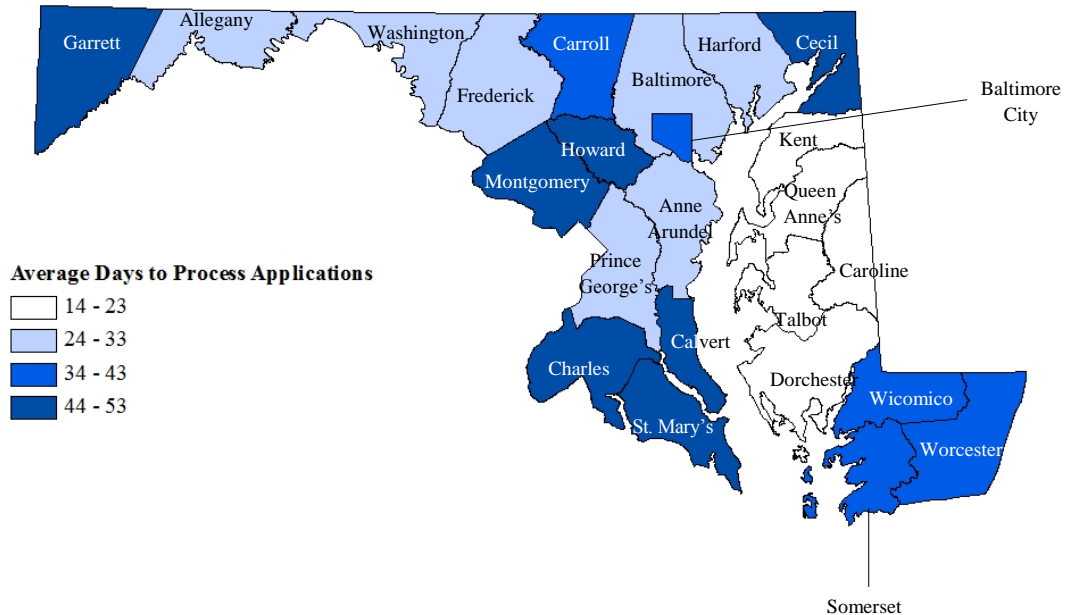
Committee narrative in the 2014 *Joint Chairmen's Report (JCR)* requested that DHR report to the budget committees monthly by LAA on (1) the average number of days to process applications; (2) the number and percent of applications processed within 30 days, 55 days, and longer than 60 days; and (3) the number of permanent and temporary/contractual staff available to process applications. DHR has submitted each of the monthly reports to date. However, due to the need to update the OHEP data system to be able to report all of the requested information and the time to process applications, DHR was not able to report on all of the requested information until November 2014.

Application Processing Times

Average Days to Process Applications

As reported by DHR, few of the LAAs have long processing times. Through December 16, 2014, of the 20 LAAs (some of whom serve more than one county), no LAA has an average application processing time of longer than 55 days, while 12 LAAs have an average application processing time of fewer than 34 days. Howard County Community Action Council has the longest average processing time, 53 days, which is 8 days longer than the next highest average processing times (Montgomery County Department of Health and Human Services and Southern Maryland Tri-County Community Action Council). **Exhibit 11** provides information on the average application processing time by LAA.

Exhibit 11
Average Days to Process Energy Assistance Applications
Fiscal Year to Date through December 16, 2014



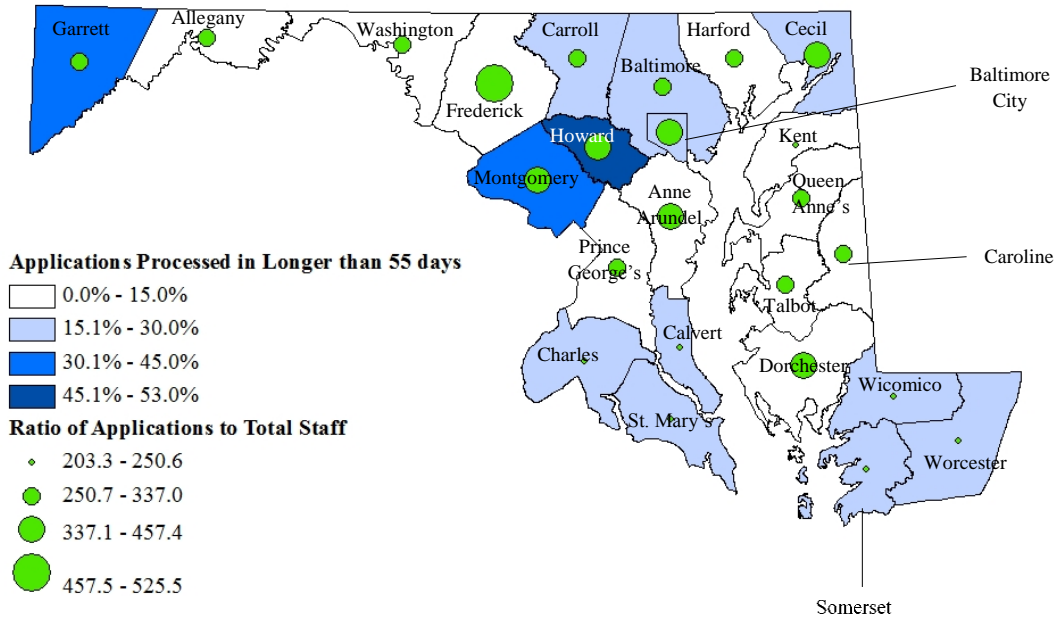
Note: Two Local Administering Agencies serve multiple counties (Shore Up! Inc serves Somerset, Wicomico, and Worcester counties and Southern Maryland Tri-County Community Action Council serves Calvert, Charles, and St. Mary's counties). For purposes of the map, each of these counties is shown as having the outcome of the Local Administering Agency as a whole.

Source: Department of Human Resources

Applications Processed Beyond the 55-day Guideline

In three LAAs, all of the applications have been processed in 55 days or fewer. In an additional six LAAs, more than 95% of applications have been processed in 55 days or fewer. The most significant problem in processing applications timely has been concentrated in three LAAs, as shown in **Exhibit 12**. In Howard County, 53% of applications have been processed in longer than 55 days with 47% processed in longer than 60 days. In Garrett County, 42% of applications have been processed in longer than 55 days and 33% processed in longer than 60 days. In Montgomery County, 38% of applications have been processed in longer than 55 days while 33% of applications have been processed in longer than 60 days.

Exhibit 12
Percent of Applications Processed in 55 Days or Fewer and Applications to Staffing Ratios
Fiscal Year to Date through December 16, 2014



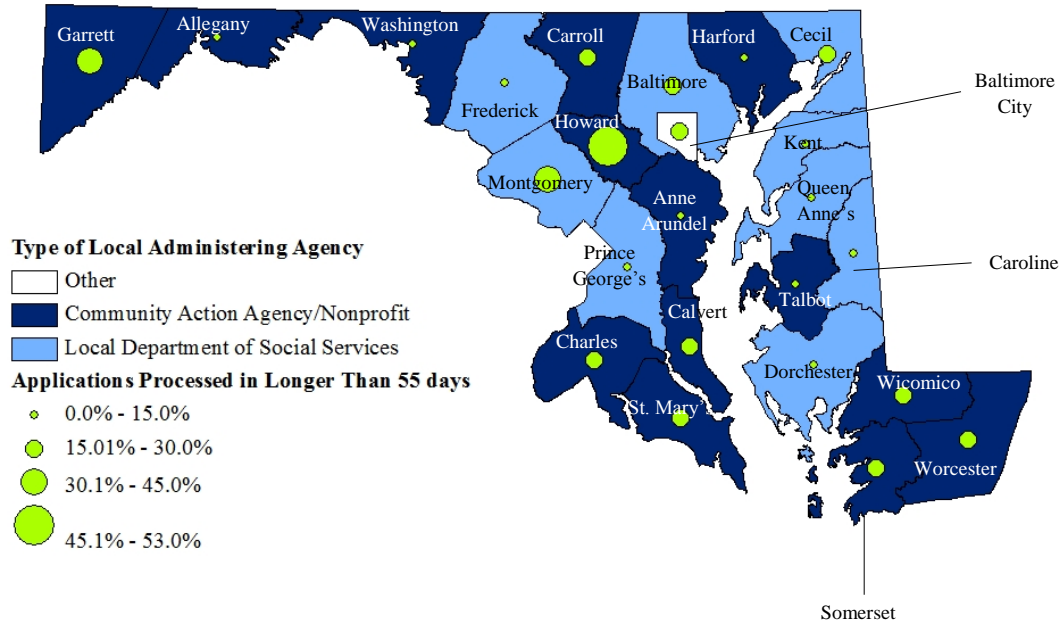
Note: Two Local Administering Agencies serve multiple counties (Shore Up! Inc serves Somerset, Wicomico, and Worcester counties and Southern Maryland Tri-County Community Action Council serves Calvert, Charles, and St. Mary’s counties). For purposes of the map, each of these counties is shown as having the outcome of the Local Administering Agency as a whole.

Source: Department of Human Resources

As also shown in Exhibit 12, one (Howard County) of the LAAs having the most difficulty processing applications timely is in the top five of LAAs with the highest application to staff ratios; but one LAA (Garrett County) has a relatively low ratio of applications to staff. Other LAAs have mixed results. Some LAAs that have more difficulty processing applications timely have a low application to staff ratio and some LAAs with high application to staff ratios process applications timely. Thus, it would appear that the application processing delays are not solely the result of staffing numbers.

Exhibit 13 shows the percent of applications processed in 55 days or fewer and whether the LAA is a local department of social services (LDSS), other local government office, or a community action agency/nonprofit organization. As with the number of staff, it is not clear whether the type of organization impacts the application processing timeliness; two of the LAAs with application processing delays are community action agency/nonprofit organizations, the third is an LDSS. Other LDSS’ and community action agency/nonprofits’ have mixed results on processing timeliness.

Exhibit 13
Percent of Applications Processed in 55 Days or Fewer and Type of Local
Administering Agency
Fiscal Year to Date through December 16, 2014



Note: Two Local Administering Agencies serve multiple counties (Shore Up! Inc serves Somerset, Wicomico, and Worcester counties and Southern Maryland Tri-County Community Action Council serves Calvert, Charles, and St. Mary's counties). For purposes of the map, each of these counties is shown as having the outcome of the Local Administering Agency as a whole.

Source: Department of Human Resources

DHR should comment on the possible causes of application processing delays in certain LAAs and what steps OHEP plans to take to assist those LAAs with application processing delays to improve processing timeliness. DLS recommends committee narrative requesting that DHR submit information on energy assistance processing times so that the committees can see whether progress in processing times has occurred.

2. Public Service Commission Review of Energy Assistance Programs

In January 2012, PSC initiated a review of Maryland's energy assistance programs as a result of concerns that arose from the *Fiscal 2011 EUSP Annual Report*, particularly whether the energy

assistance programs are currently fulfilling (or could fulfill) the intended purposes and whether the programs are appropriately funded. The review was expected to address issues related to:

- the scope, causes, and trends over time of arrearages and inability to pay bills;
- the goals of the program as developed and recommendations on changes to the goals;
- the sources of funding;
- the eligibility criteria;
- the coordination with other government programs;
- the logistical, mechanical, and technological issues that need to be addressed to improve program efficiency;
- the relative impact on customer bills between increasing bill assistance contributions and writing off greater proportions of uncollectibles; and
- the best practices of other states.

PSC Proposal

As part of the review, PSC staff worked with the Office of People's Counsel to develop consensus recommendations, referred to as the Affordable Energy Plan (AEP), which would drastically change the energy assistance program in Maryland. The AEP was designed as a percentage of income payment plan (PIPP), and would be available for both natural gas and electric customers. Under a PIPP, a certain percent of a household's income is deemed affordable and is subtracted from a customer's actual (or estimated) energy bill for a year to determine the benefit amount. Under the proposal, the affordable level of the energy was defined as 6% of the household income. The credit would be fixed at the time of the benefit eligibility determination and be based on the estimated energy usage of the household for one year. The proposal also contained an arrearage forgiveness program for pre-program participation arrearages only. Under the arrearage forgiveness program, the household would pay an additional 1% of the household income for each existing electric and natural gas arrearage, in addition to the 6% required spending on the energy bill. After a set amount of time the amount of the arrearage not paid with this additional spending would be retired. The program also included some funding for crisis intervention and options for energy conservation. The estimated cost of the new program was \$250 million. Legislation would be required to implement the AEP.

Committee narrative in the 2012 JCR requested that DHR and PSC submit an update to the committees on (1) the outcome of PSC's review; (2) operational changes resulting from the review; and (3) statutory changes to the program or funding level as a result of the review. DHR's response included a discussion of changes to the existing energy assistance program that could be implemented

within existing resources instead of the PSC staff proposal. These included altering the arrearage assistance program to an arrearage forgiveness program that would reduce by one-twelfth the arrearage along with each timely arrearage co-payment paid with the monthly bill and a two tier bill assistance program that would provide a higher benefit if customers were willing to receive energy conservation services.

Status

The outcome of the review was still pending during the 2014 session, and committee narrative in the 2014 JCR requested PSC to submit a report on the status or outcome of the review. PSC indicated in its submission that the SEIF from the RGGI auction proceeds has become more certain due to the permanent change in allocation of these funds in the BRFA of 2014. In addition, the auction proceeds have been much higher than was available previously leading to DHR expressing interest in examining ways to enhance its energy assistance programs, beyond even the proposals noted earlier (designed to be budget neutral). The higher than expected revenue, DHR's interest in program enhancements, and the concern about the cost of the AEP led to a PSC decision to not advocate for the AEP.

DHR is planning two phases of enhancements, some that would begin in fiscal 2016 with additional enhancement in fiscal 2017. No specifics are available on the enhancements at this time, but OHEP is considering:

- improved case management for vulnerable households;
- improved collaboration between the Department of Housing and Community Development's (DHCD) energy efficiency programs and OHEP; and
- improved energy efficiency training, outreach, and materials.

DLS recommends committee narrative requesting that OHEP provide information on the enhancements implemented in fiscal 2016 and enhancements under consideration for fiscal 2017.

Recommended Actions

1. Adopt the following narrative:

Program Enhancements: In a report submitted in response to a 2014 *Joint Chairmen’s Report* request about a Public Service Commission (PSC) review of the energy assistance program, PSC indicated that the Department of Human Resources (DHR) was considering enhancements to the energy assistance program as a result of higher revenue from the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions and more certainty in this revenue due to a permanent change in the RGGI auction proceeds allocation. DHR explained that it is considering two phases of enhancements, with some enhancements in fiscal 2016 and some additional enhancements in fiscal 2017. The committees are interested in the types of enhancements that will be implemented and request that DHR provide information on the enhancements implemented in fiscal 2016 and enhancements planned for fiscal 2017.

Information Request	Author	Due Date
Energy assistance program enhancements implemented in fiscal 2016	DHR	July 15, 2015
Planned energy assistance program enhancements to be implemented in fiscal 2017	DHR	December 15, 2015

2. Adopt the following narrative:

Federal Performance Measures: In November 2014, the U.S. Department of Health and Human Services announced that it would begin requiring new performance measures for the Low-Income Home Energy Assistance Program beginning in federal fiscal 2016. The committees request that the Department of Human Resources (DHR) include the new measures in its annual Managing for Results submission for the Office of Home Energy Programs.

Information Request	Author	Due Date
New federal performance measures in the Managing for Results submission	DHR	With submission of the fiscal 2017 Governor’s Budget Books

3. Adopt the following narrative:

Energy Assistance Application Processing Times: The 2014 *Joint Chairmen’s Report* requested that the Department of Human Resources (DHR) provide monthly reports on energy assistance application processing times. Through December 16, 2014, the information has shown that certain jurisdictions experience more difficulty than others processing applications timely. The committees are interested in whether these jurisdictions are working to improve application processing timeliness. The committees request that DHR provide, by local administering agency (1) the number of applications received; (2) the average number of days to process applications; (2) the number and percent of applications processed within 30 days, 55 days, and longer than 60 days.

Information Request	Author	Due Date
Application processing times	DHR	December 30, 2015
Application processing times	DHR	June 30, 2016

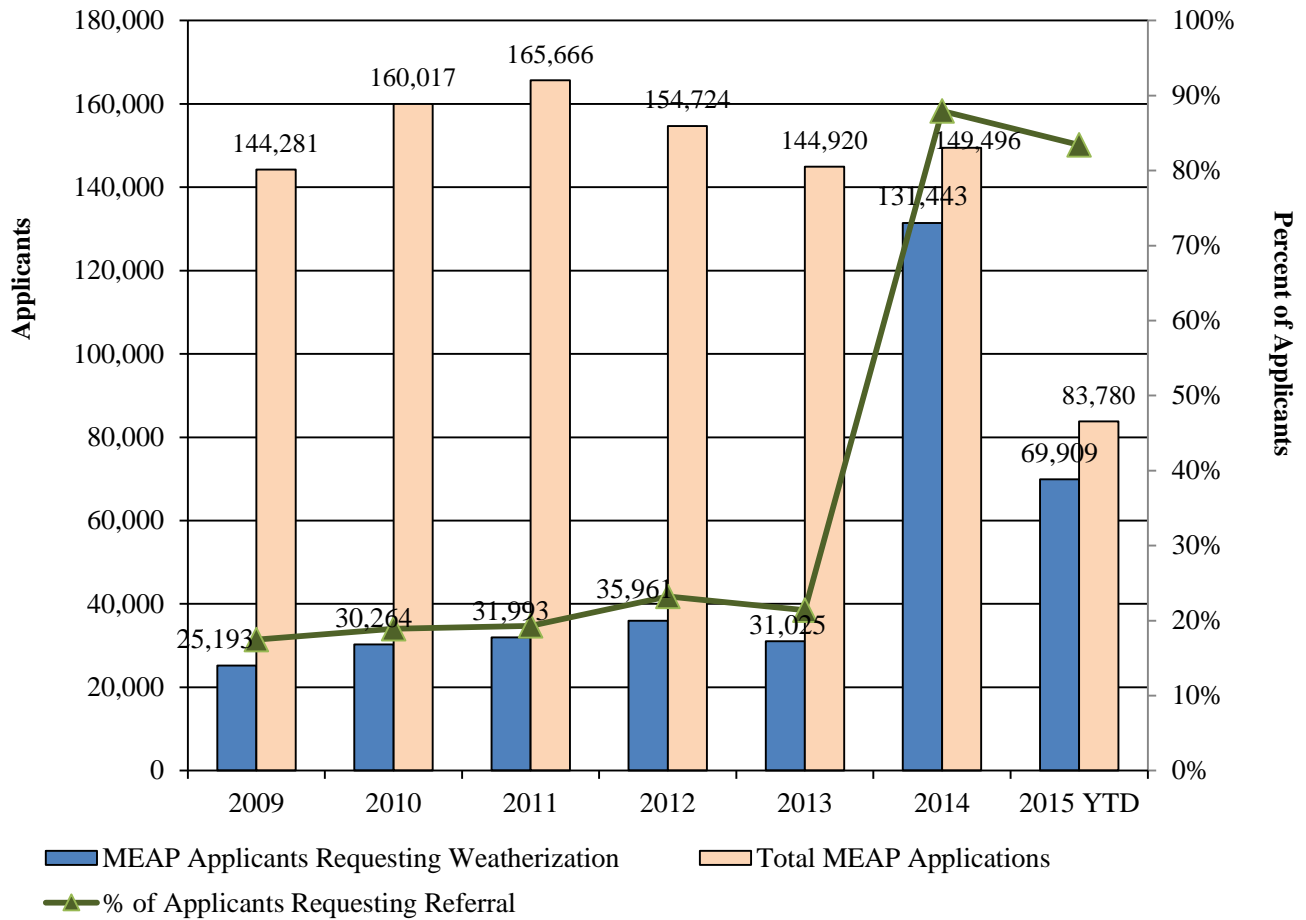
Updates

1. Energy Efficiency Activities and Energy Assistance Customers

In Maryland, low-income energy efficiency and weatherization activities are administered by DHCD, while DHR administers low-income energy assistance. In addition to the weatherization assistance program, DHCD operates a number of other energy efficiency programs with special and/or federal funds. The programs have different eligibility criteria; households earning up to 60% of the statewide median income are eligible for weatherization assistance, while households earning up to 175% of the federal poverty level are eligible for energy assistance.

In the past, as part of the energy assistance application process, an individual could request a referral for weatherization assistance, and the information would be provided to DHCD. Beginning in fiscal 2014, energy assistance applicants were automatically referred to DHCD for weatherization assistance unless the customer specifically opts out rather than requiring the affirmative opt in as occurred previously. Energy assistance recipients are not required to accept weatherization or energy efficiency services if offered to them. As shown in **Exhibit 14**, until the change in policy, relatively few energy assistance customers opted for the referral to weatherization services. However, after the policy change most of the MEAP applicants were referred to DHCD. Due to limitations in funding not all referrals will result in weatherization assistance.

Exhibit 14
Weatherization Assistance Referrals
Fiscal 2009-2015 (through November 20, 2014)



MEAP: Maryland Energy Assistance Program
 YTD: year to date

Source: Department of Human Resources

Energy Efficiency Services Available to Energy Assistance Customers

Committee narrative in the 2014 JCR requested that DHR and DHCD submit a report that provides information on the number of energy assistance customers receiving energy efficiency services, the types of energy efficiency services received, the energy savings and bill impacts of the savings from the energy efficiency services, and the impact of these savings on the energy assistance program. The report listed seven programs through which DHCD provided energy efficiency services

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in fiscal 2014. Some of these programs were time limited, and some served only a select set of customers. In general, the programs were very small. No program served more than 3,125 customers, and one served as few as 11 customers. The programs are:

- EmPOWER Limited Income Energy Efficiency Program providing weatherization services for low-income, single-family housing units (units with one to four dwellings) within the five EmPOWER utility service territories (Potomac Edison, Baltimore Gas and Electric, Delmarva Power and Light, Potomac Electric Power Company, and Southern Maryland Electric Cooperative, Inc.). The program is available to both renters and owners who meet eligibility requirements. The program served 3,125 customers.
- Federal Weatherization Assistance Program provides energy conservation materials to income eligible households. The program served 276 customers.
- American Recovery and Reinvestment Act of 2009 funding provided for energy conservation to income eligible households prioritizing households with an individual who has a disability, is elderly, has children, and/or has high energy consumption. The program served 42 households.
- The SEIF provides funding to support energy retrofits that would not otherwise have been able to occur because of structural and/or health and safety issues. The program served 122 households.
- MEAP is used for furnace repair and replacement and certain eligible weatherization activities. DHCD may also assist OHEP with crisis intervention in no heat situations. This program served 87 households.
- The Federal Energy Regulatory Commission (FERC) provided funds available as a result of a consent agreement with Constellation Energy Commodities Group to supplement other DHCD energy programs. The program served 11 households.
- The Warm Wise Low Income Usage Reduction Program is available to low-income Columbia Gas customers for the installation of measures to control energy costs (such as insulation, air sealing, furnace, and health and safety measures). The program served 16 households.

Some of the programs allow customers to participate in more than one program so that the unit benefits from multiple programs to complete the energy efficiency work. While some energy savings information was available, no impacts on the energy assistance program were provided. This is not unexpected given that DHCD states that it cannot separate energy assistance customer participation in programs from other customers and because DHCD only tracks the impact of energy savings on bills from one program.

2. PSC Order Provides Funds for Energy Assistance

In April 2013, Dominion Cove Point LNG, LP (DCP) filed an application with PSC for a certificate of public convenience and necessity (CPCN) to construct a 130 megawatt nameplate capacity electric generating station at the existing liquefied natural gas (LNG) terminal site in Calvert County near Cove Point. The terminal currently receives LNG imports. DCP proposed to construct an electric generating station to provide electricity for the facility, which would be expanded to allow for both import and export of LNG. DCP, at the time, was seeking approval from FERC to expand the facility to allow for exporting of LNG. The electric generating station was not expected to be connected to the State electric grid and would serve only the needs of the facility.

On May 30, 2014, PSC granted (in Order 86372) the CPCN for the new electric generating station to DCP subject to a number of conditions including general air quality, terrestrial and aquatic ecology, stormwater management/erosion and sediment control, water supply, cultural resources, visual quality, emergency preparedness and security, traffic, noise, and other. These conditions include FERC approval of the export facility and that all FERC conditions for the expansion of the facility to allow for exporting be met.

In the order, PSC noted that the electric generating station would not be connected to the grid and would, therefore, be exempt from the RGGI auction process. As such, PSC explained that there is no economic or environmental benefits from purchasing RGGI allowances and, in fact, that there would be a loss of certain set aside allowances. PSC estimated that nearly \$16 million in revenue from compliance costs from the in-service date through 2020 would not be available to the State because the project is not part of RGGI. PSC estimated total costs to ratepayers of potentially in excess of \$75 million by 2025. Therefore, in total, there were not sufficient economic and other benefits to grant a CPCN. To provide sufficient benefits, and due to the potential rate impacts from increased gas rates to Maryland residents, PSC chose to order an \$8 million total contribution (\$400,000 per year for the first 20 years of operation) to MEAP or other low-income energy assistance programs, in addition to a contribution to the SEIF for a variety of clean energy, energy efficiency, and greenhouse gas reduction/mitigation activities. PSC is to specify by January 1, 2016, which low-income energy assistance program will receive the contribution.

PSC required DCP to provide notice in writing within 10 days whether it would accept or reject the conditions in the order. On June 9, 2014, DCP submitted written notification of its acceptance of the conditions. DCP has continued to submit documents, including the notice of FERC approval and the FERC approval order, as required under the conditions.

The timeline for receipt of the funds is unclear given the time required to make the plant operational. DHR notes that, under the PSC order, the funds could also be provided to another low-income energy assistance program in Maryland instead of OHEP. Due to the uncertainty, OHEP is unable to determine how the funds will be used if available to the program.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2014					
Legislative Appropriation	\$0	\$57,123	\$85,860	\$0	\$142,983
Deficiency Appropriation	0	20,089	-9	0	20,080
Budget Amendments	0	1,939	5	0	1,944
Reversions and Cancellations	0	0	-11,732	0	-11,732
Actual Expenditures	\$0	\$79,152	\$74,124	\$0	\$153,276
Fiscal 2015					
Legislative Appropriation	\$0	\$76,662	\$65,603	\$0	\$142,265
Cost Containment	0	0	0	0	0
Budget Amendments	0	5	4	0	9
Working Appropriation	\$0	\$76,667	\$65,607	\$0	\$142,274

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

OHEP's fiscal 2014 expenditures were \$10.3 million higher than the legislative appropriation. OHEP's fiscal 2014 special fund expenditures were \$22.0 million higher than the legislative appropriation. The majority of the increase (\$20.1 million) occurred through a deficiency appropriation to provide a supplemental EUSP benefit due to the extreme cold weather in the 2013 to 2014 winter. This increase was supported by the SEIF. The remaining increases were used for:

- additional benefit payments paid through the SEIF (\$1.3 million);
- additional benefit payments paid through the EUSP fund (\$672,258); and
- the cost-of-living adjustment (COLA) provided to State employees in January 2014 (\$5,369).

This increase in special funds is partially offset by deficiency appropriations that reduced the funding for the retirement reinvestment (\$6,302) and health insurance (\$4,414).

Fiscal 2014 federal fund expenditures of OHEP were \$11.7 million lower than the legislative appropriation. Increases totaling \$5,461 resulted from employee compensation changes including the federal fund share of the fiscal 2014 COLA (\$4,777) and employee increments provided in April 2014 (\$684). However, these increases were more than offset by decreases that resulted from deficiency appropriations that reduced the funding for retirement reinvestment (\$5,605) and health insurance (\$3,691) and cancellations totaling \$11.7 million. The cancellation resulted from a lower than expected LIHEAP grant award.

Fiscal 2015

OHEP's fiscal 2015 appropriation has increased by \$9,264 in total funds (\$4,867 in special funds and \$4,397 in federal funds) due to the fiscal 2015 COLA.

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	17.87	16.87	16.87	0.00	0%
02 Contractual	1.10	0.00	0.00	0.00	0.0%
Total Positions	18.97	16.87	16.87	0.00	0%
Objects					
01 Salaries and Wages	\$ 1,517,324	\$ 1,170,199	\$ 1,148,673	-\$ 21,526	-1.8%
02 Technical and Spec. Fees	354,780	1,012	1,150	138	13.6%
03 Communication	38,522	48,490	50,307	1,817	3.7%
04 Travel	6,873	3,114	2,967	-147	-4.7%
06 Fuel and Utilities	7,696	0	0	0	0.0%
08 Contractual Services	150,302,177	140,906,588	136,227,009	-4,679,579	-3.3%
09 Supplies and Materials	90,165	139,577	148,602	9,025	6.5%
10 Equipment – Replacement	2,626	0	0	0	0.0%
11 Equipment – Additional	3,942	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	895,801	0	0	0	0.0%
13 Fixed Charges	55,779	5,155	9,450	4,295	83.3%
Total Objects	\$ 153,275,685	\$ 142,274,135	\$ 137,588,158	-\$ 4,685,977	-3.3%
Funds					
03 Special Fund	\$ 79,151,628	\$ 76,666,930	\$ 70,383,614	-\$ 6,283,316	-8.2%
05 Federal Fund	74,124,057	65,607,205	67,204,544	1,597,339	2.4%
Total Funds	\$ 153,275,685	\$ 142,274,135	\$ 137,588,158	-\$ 4,685,977	-3.3%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.