N00I0006
Office of Home Energy Programs
Department of Human Services

Operating Budget Data

($ in Thousands)

	FY 17 Actual	FY 18 Working	FY 19 Allowance	FY 18-19 Change	% Change Prior Year
Special Fund	$66,268	$73,216	$60,928	-$12,288	-16.8%
Adjustments	0	-10,009	3	10,012	
Adjusted Special Fund	**$66,268**	**$63,207**	**$60,931**	**-$2,276**	**-3.6%**
Federal Fund	77,303	70,869	68,675	-2,194	-3.1%
Adjustments	0	-11	5	16	
Adjusted Federal Fund	**$77,303**	**$70,858**	**$68,680**	**-$2,178**	**-3.1%**
Adjusted Grand Total	**$143,572**	**$134,065**	**$129,611**	**-$4,454**	**-3.3%**

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The fiscal 2019 budget bill includes one proposed deficiency appropriation for the Department of Human Services (DHS) Office of Home Energy Programs (OHEP), which withdraws $10 million of Strategic Energy Investment Funds (SEIF) from the program due to lower than expected revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions.

- The fiscal 2019 allowance decreases by $4.5 million, or 3.3%, compared to the fiscal 2018 working appropriation after accounting for deficiency appropriations, an across-the-board reduction for health insurance in fiscal 2018, and a distribution of the general salary increase in fiscal 2019.

- Special funds decrease by $2.3 million to align spending in the Electric Universal Service Program (EUSP) with recent experience and the anticipated availability of funds from the SEIF. Federal funds from the Low Income Home Energy Assistance Program (LIHEAP) decrease by $2.2 million to account for the anticipated availability of these funds.

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

For further information contact: Tonya D. Zimmerman Phone: (410) 946-5530

Personnel Data

	FY 17 Actual	FY 18 Working	FY 19 Allowance	FY 18-19 Change
Regular Positions	14.87	14.87	14.87	0.00
Contractual FTEs	1.62	0.00	0.00	0.00
Total Personnel	**16.49**	**14.87**	**14.87**	**0.00**
Vacancy Data: Regular Positions				
Turnover and Necessary Vacancies, Excluding New Positions		1.05	7.07%	
Positions and Percentage Vacant as of 12/31/17		3.87	26.03%	

- There are no changes in the number of regular positions or contractual full-time equivalents in the fiscal 2019 allowance of OHEP.

- The turnover expectancy for OHEP decreases slightly from 7.10% to 7.07% in the fiscal 2019 allowance.

- As of January 1, 2018, OHEP had 3.87 vacant positions, a vacancy rate of 26%. DHS indicates that OHEP has redistributed some work responsibilities due to the high level of vacancies. For example, the OHEP Director is currently handling all fiscal and procurement activities. **DHS should discuss the impact of the redistribution of work on the functioning of the program and the planned timeline for filling the vacant positions.**

- To meet its budgeted turnover, OHEP would need to maintain 1.05 vacant positions in fiscal 2019. OHEP could fill some of its current vacancies and still meet its budgeted turnover expectancy.

Analysis in Brief

Major Trends

Fewer Households Receive Energy Assistance Benefits: The number of households receiving EUSP bill payment assistance and Maryland Energy Assistance Program (MEAP) benefits decreased in fiscal 2017, 6.3% and 5.3%, respectively, and fell below 100,000 for the first time since fiscal 2008. DHS indicates that a portion of the decrease in households receiving benefits in recent years results from an increase in the application denial rate. OHEP has made reducing application denial rates a priority. Households receiving EUSP arrearage assistance also decreased in fiscal 2017 (8.8%) due to various factors including reduced need and program rules that limit eligibility for households that have already received the benefit.

Benefit Amounts Influence Spending: Despite a decrease in the number of households served in fiscal 2017, spending remained relatively unchanged compared to fiscal 2016. Spending is influenced not only by the number of households receiving benefits, but also by the level of benefits paid. In fiscal 2017, OHEP increased the percentage of bill paid for EUSP bill payment assistance, which increases grant levels compared to the prior year.

Year-to-date Applications Increase but Households Receiving Benefits Decrease: Through December 2017, in fiscal 2018, applications for EUSP bill payment assistance and MEAP benefits have increased by more than 4% compared to the prior year. However, primarily due to application processing delays, households receiving benefits have decreased by approximately 9% despite the increased applications. The cold spells in December 2017 and January 2018 are likely to result in further increases in applications for benefits. Based on the current spending trends, OHEP would have sufficient funding to support the benefits in fiscal 2018. However, the current trends do not accurately reflect qualified households due to processing delays. Given the uncertainty regarding benefit levels for those that have already applied and potential increases in applications due to the cold spells, OHEP will need to monitor any application increases in the coming months to ensure that the program has sufficient funding to meet program demand.

Program Participation Rates Continue to Decline: The percentage of eligible households receiving EUSP bill payment assistance and MEAP benefits has consistently declined in recent years and was below 30% for each benefit for the second consecutive year. OHEP has made several changes to its outreach program to provide more targeted outreach rather than general awareness campaigns. These changes include sending mailings to recipients of Food Supplement Program benefits that have not applied for OHEP benefits. In fiscal 2019, OHEP also plans to begin sending prefilled applications to seniors and households with an individual with a disability who have received benefits in prior years to ease the application process for these households.

Issues

New LIHEAP Performance Measures: In calendar 2014, the U.S. Department of Health and Human Services (HHS) announced that it received approval to begin implementing new performance measures for LIHEAP. The new measures focus on the impact of LIHEAP-funded benefits on energy burdens and preventing loss of home energy service. The new measures were required to be reported for the first time in federal fiscal 2016. In that year, OHEP reported that LIHEAP benefits prevented the loss of service to 7,795 households and helped 1,692 households restore service. In addition, LIHEAP-funded benefits reduced the energy burden for households by 38% to 7.2% of household income.

Operating Budget Recommended Actions

1. Adopt committee narrative requesting information on application processing times.

Updates

Energy Assistance Application Processing Times Worsen: The 2017 *Joint Chairman's Report* (JCR) requested that DHS continue to submit reports on energy assistance application processing times. After showing improvement over the last several years, the data submitted in December 2017 (for fiscal 2018) showed an overall worsening of application processing timeliness. Statewide, the percentage of applications processed beyond the 55-day deadline increased from 2% in fiscal 2017 (through December 2016) to 5% in fiscal 2018 (through October 2017). In addition, in fiscal 2018, three local administering agencies (LAA) processed more than 10% of applications beyond the 55-day guideline, and one (Montgomery County Department of Health and Human Services) processed 30% beyond 55 days. Through December 2016, no jurisdictions processed more than 10% of applications in longer than 55 days.

Implementation of the Supplemental Targeted Energy Program Is Deferred Due to Revenue Declines: In fiscal 2018, OHEP planned to introduce a new Supplemental Targeted Energy Program (STEP) benefit. Under this program, OHEP planned to offer households an additional benefit if recipients undertake certain activities related to energy education, self-sufficiency, and coordination. The 2017 JCR requested DHS to submit a report on program administration and implementation challenges of the STEP and a second report on program participation. In December 2017, DHS submitted a report indicating that the LAAs had been identified. However, implementation of the program was being delayed to provide time to promulgate regulations, but OHEP expected to begin the program in fiscal 2019. However, an unexpected decline in available SEIF is expected to prevent the implementation of the program in that year.

N00I0006

Office of Home Energy Programs

Department of Human Services

Operating Budget Analysis

Program Description

The Office of Home Energy Programs (OHEP) is a program of the Department of Human Services (DHS) Family Investment Administration. The services of OHEP include cash benefits, budget counseling, referrals, and assistance with heating/cooling equipment repair and replacement. OHEP administers two energy assistance programs for residential customers: (1) the Maryland Energy Assistance Program (MEAP), which is funded by the federal Low Income Home Energy Assistance Program (LIHEAP) and provides bill payment assistance, crisis assistance, and furnace repair/replacement for a variety of heating sources; and (2) the Electric Universal Service Program (EUSP), which is funded from a ratepayer surcharge and an allocation of revenue from the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide (CO_2) emission allowance auctions (budgeted through the Strategic Energy Investment Fund (SEIF)) and provides both bill payment and arrearage assistance to electric customers. These programs are administered using local administering agencies (LAA), which are primarily local departments of social services (LDSS), community action agencies, or local government offices in each county and Baltimore City. Two LAAs serve multiple counties: (1) the Southern Maryland Tri-County Community Action Committee, Inc. serves Calvert, Charles, and St. Mary's counties; and (2) Shore UP! Inc. serves Somerset, Wicomico, and Worcester counties. All other LAAs serve one jurisdiction.

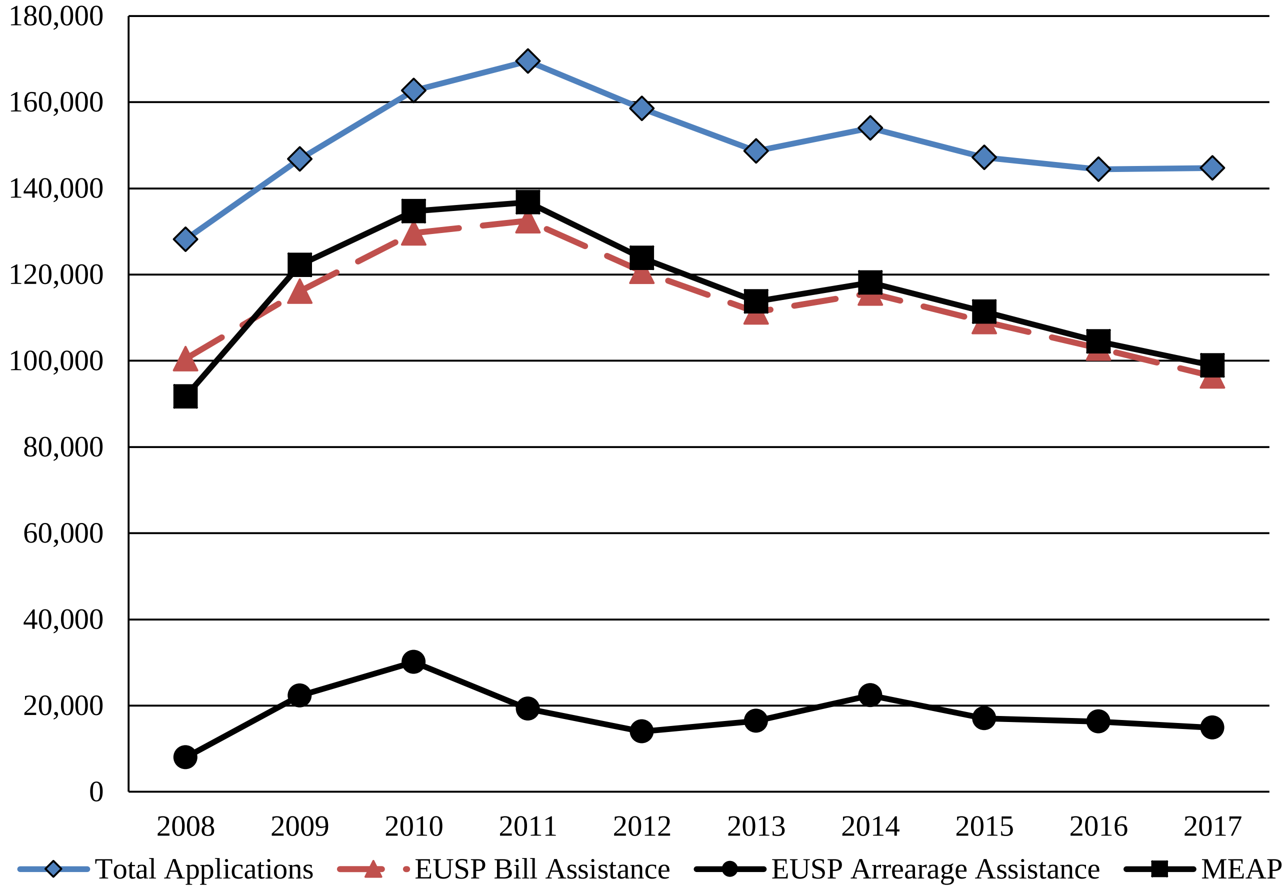
DHS has one key goal related to the work of OHEP, which is that Maryland residents have access to essential services to support themselves and their families.

Performance Analysis: Managing for Results

1. Fewer Households Receive Energy Assistance Benefits

As shown in **Exhibit 1**, applications for energy assistance held relatively steady in fiscal 2017 (an increase of 0.2%) after decreasing in four of the previous five years**.** Despite this, the total number of applications (144,750) was the second lowest since fiscal 2008. The number of households receiving EUSP bill payment assistance and MEAP assistance decreased in fiscal 2017. The number of households receiving each of these benefits dipped below 100,000 for the first time since fiscal 2008.

Exhibit 1
OHEP Benefit Provision History
Fiscal 2008-2017



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

Source: Department of Human Services

These reductions are in part attributable to mild winter weather and improvements in the economy. However, DHS explained that another key factor is an increase in the application denial rate in recent years. For example, DHS stated that in fiscal 2007, only 9% of applications were denied; in fiscal 2014, 21% of applications were denied; and in fiscal 2017, the denial rate was 30%. DHS explained that the majority of denials are due to missing information or documentation in the application materials. OHEP has made reducing denial rates a priority and is considering actions to reduce these rates. For example, OHEP is reconsidering a policy that automatically denies an application when all documents are not submitted in a designated timeframe.

In fiscal 2017, the number of households receiving EUSP arrearage assistance decreased by 8.8% and fell to its lowest level since fiscal 2012. The number of recipients of EUSP arrearage assistance has been influenced in some years by limitations in available funding that led the department to impose informal spending caps, suppressing the availability of this benefit. However, declines in recent years are not attributable to the availability of funding. DHS attributes the decrease in households receiving EUSP arrearage assistance to several factors:

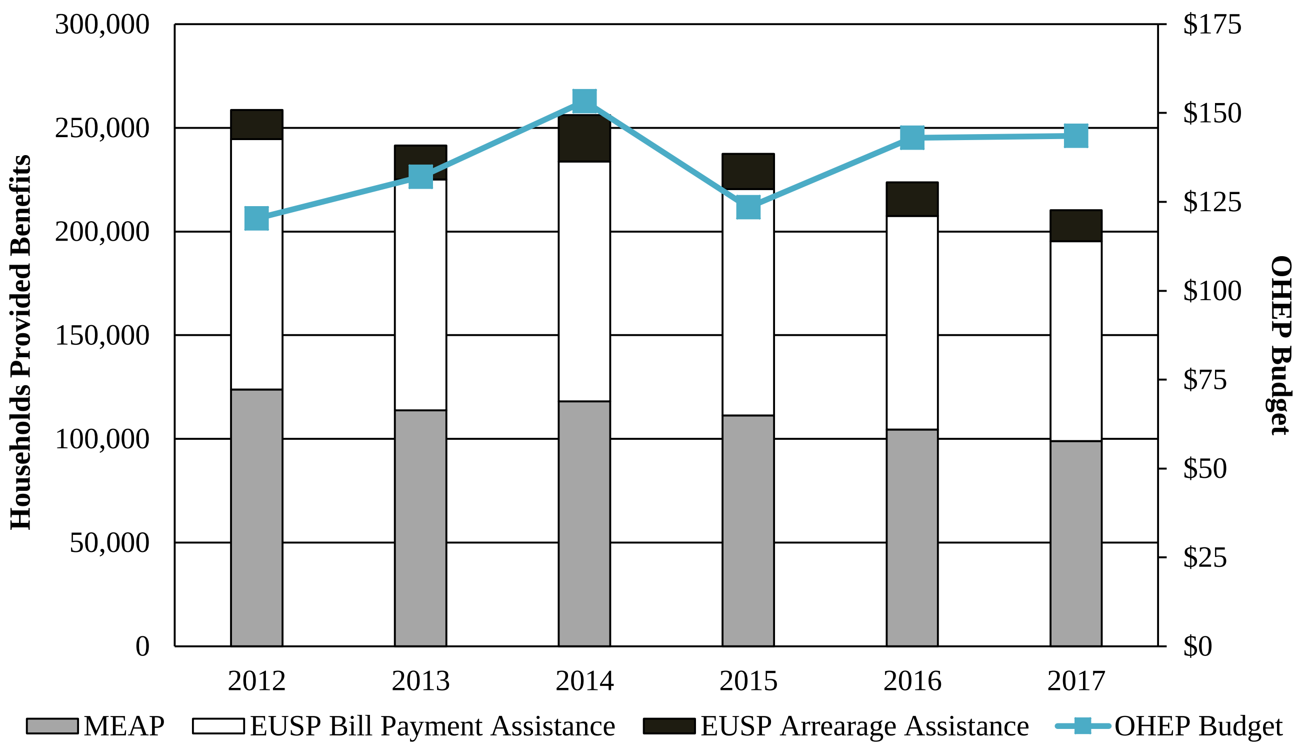
- the supplemental benefit payments provided by OHEP in recent years, which increase the total value of benefits relative to energy bills, thereby making bills more affordable;
- a high rate of denial in applications for benefits due to incomplete information;
- a proliferation of advanced metering infrastructure that has led to an expedited turnoff notice process, which reduces the size of arrearages at a turnoff notice;
- the program requirements that make households ineligible for the benefit if the household received a benefit within seven years; and
- the ability of utilities to apply bill payment assistance benefits to past due amounts, which may resolve some arrearages.

OHEP has undertaken a review of demand for arrearage assistance to determine the need for policy changes. As a result, OHEP plans to launch a gas arrearage assistance program in fiscal 2019. The gas arrearage assistance will be considered in the calculation of the MEAP benefit. Prior to this change, no funding was specifically available for gas arrearages. DHS anticipates that approximately 11,000 households will receive a benefit for the natural gas arrearage in fiscal 2019 at a total cost of $5 million. **DHS should describe the implementation plans for the new benefit and the anticipated impact on households receiving benefits.**

2. Benefit Amounts Influence Spending

As shown in **Exhibit 2**, despite a decrease in the number of households served in fiscal 2017, spending in OHEP was essentially flat compared to fiscal 2016, an increase of 0.4%. This followed a year in which spending increased by more than $19 million despite a decrease in households receiving benefits. In each year, spending increases resulted from increases in grant amounts to one or both MEAP and EUSP bill payment assistance and the provision of supplemental benefits. In fiscal 2016, increased benefit levels were provided for electric customers of both programs, while in fiscal 2017, the increased benefits focused on households receiving EUSP bill payment assistance. Supplemental benefits were provided for households receiving MEAP in fiscal 2016 and households receiving EUSP bill payment assistance in fiscal 2017.

Exhibit 2
OHEP Outcomes versus Expenditures
Fiscal 2012-2017
($ in Millions)

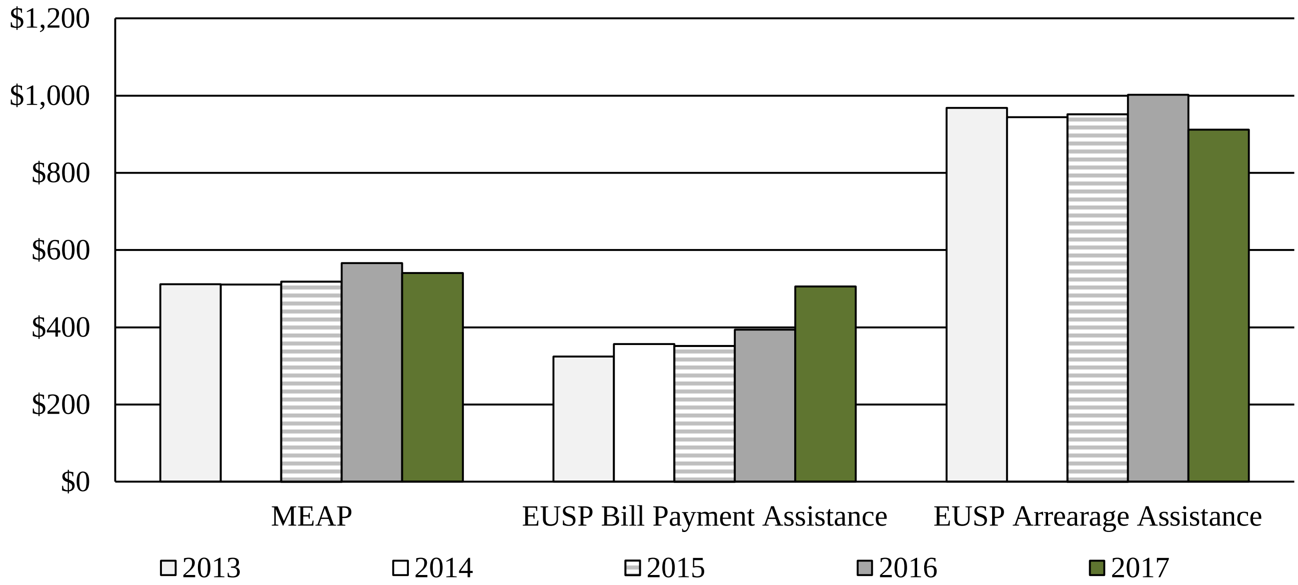


EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program
OHEP: Office of Home Energy Programs

Source: Department of Human Services

For MEAP and EUSP bill assistance recipients, the benefit is calculated based on income level, energy usage, energy cost, and utility service territory. Households in Garrett County also receive payments at a higher rate for MEAP because of the longer winter heating season. The income portion of the calculation is used to determine a percentage of the bill paid. Incomes are grouped into categories (0% to 75% of the federal poverty level (FPL), 75% to 110% of FPL, 110% to 150% of FPL, and 150% to 175% of FPL). The percentage of bill paid can vary by heat source. Average benefits are largely influenced by the percentage of bill paid but are also influenced by changes in electric usage, cost, and customer mix. As shown in **Exhibit 3**, the average benefits increased for EUSP bill payment assistance by 28.4% in fiscal 2017 compared to the prior year, consistent with the benefit increase noted earlier. The average grant for MEAP decreased slightly (4.4%), largely reflecting a slight decrease in the percent of bill paid.

Exhibit 3
Average Grant Amounts
Fiscal 2013-2017



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

Source: Department of Human Services

EUSP arrearage assistance benefits vary within a range of $300 (the minimum benefit provided) and $2,000 (the maximum benefit provided), based on the size of the customer's arrearage. After increasing in the two previous years, the average arrearage assistance benefit decreased by 9% in fiscal 2017. The average benefit in fiscal 2017 of $912 was the lowest level since before fiscal 2009. The higher EUSP bill assistance benefits would be expected to reduce the size of arrearages.

3. Year-to-date Applications Increase but Households Receiving Benefits Decrease

As shown in **Exhibit 4**, applications for EUSP bill payment assistance and MEAP each have increased by greater than 4% in fiscal 2018 compared to the prior year (through December 2017). Despite this increase, households receiving each benefit have decreased substantially. DHS reports that this occurred primarily due to application processing delays in Baltimore City. Application processing timeliness is discussed further in Update 1 of this analysis. As a result, it is unlikely the current number of households receiving benefits accurately reflects the number of households that will ultimately receive these benefits based on the current applications.

Exhibit 4
OHEP Applications and Benefits Data
Fiscal 2017-2018
(July through December in Each Year)

	2017	2018	Change	% Change
Applications				
MEAP	92,188	96,618	4,430	4.8%
EUSP Bill Payment	87,376	90,919	3,543	4.1%
EUSP Arrearage	19,542	23,940	4,398	22.5%
Receiving Benefits				
MEAP	61,383	55,481	-5,902	-9.6%
EUSP Bill Payment	60,722	55,270	-5,452	-9.0%
EUSP Arrearage	7,854	8,558	704	9.0%
Percent of Bill Paid (Lowest Income Level)				
MEAP Natural Gas and Bulk Fuels	93%	95%	2%	
MEAP Electric Heat (No EUSP)	40%	55%	15%	
MEAP Electric Heat (If Also Receive EUSP)	25%	25%	0%	
EUSP Bill Payment Assistance	56%	55%	-1%	
Average Benefit				
MEAP	$551	$573	$22	4.0%
EUSP Bill Payment	496	496	0	0.0%
EUSP Arrearage	891	888	-3	-0.3%
Benefits Paid ($ in Millions)				
MEAP	$33.8	$31.8	-$2.0	-6.0%
EUSP Bill Payment	30.1	27.4	-2.7	-9.0%
EUSP Arrearage	7.0	7.6	0.6	8.6%
Total Benefits Paid	**$71.0**	**$66.8**	**-$4.1**	**-5.8%**

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

Source: Department of Human Services

In fiscal 2018, OHEP has increased the percentage of bill paid by between 5 and 20 percentage points, depending on the household's income/benefit level for MEAP customers with electric heat who are not also receiving EUSP. OHEP also slightly increased benefits for certain households using natural gas or bulk fuels for heat. Combined, these increases have resulted in a higher average MEAP benefit compared to the prior year, an increase of 4% to $573. Benefit levels have stayed the same for most EUSP bill payment assistance households and, as a result, the average benefit is unchanged compared to fiscal 2017. Spending on both EUSP bill payment assistance and MEAP benefits are lower than during the same period in fiscal 2017, primarily due to the lower number of households receiving benefits.

Applications for arrearage assistance have increased by 22.5% in fiscal 2018 (through December 2017) compared to the prior year. Households receiving arrearage assistance have also increased compared to fiscal 2017, an increase of 9%. Average benefits are at essentially the same level as in fiscal 2017. Compared to prior years, the relatively lower average EUSP arrearage assistance benefits in fiscal 2017 and 2018 indicate that the increased benefits for electric customers may have assisted in reducing the size of arrearages, even if it has not reduced the number of households requiring assistance. Due to the higher number of households receiving the benefit, spending on EUSP arrearage assistance is slightly higher in fiscal 2018 than in the same period in fiscal 2017, an increase of $0.6 million, or 8.6%.

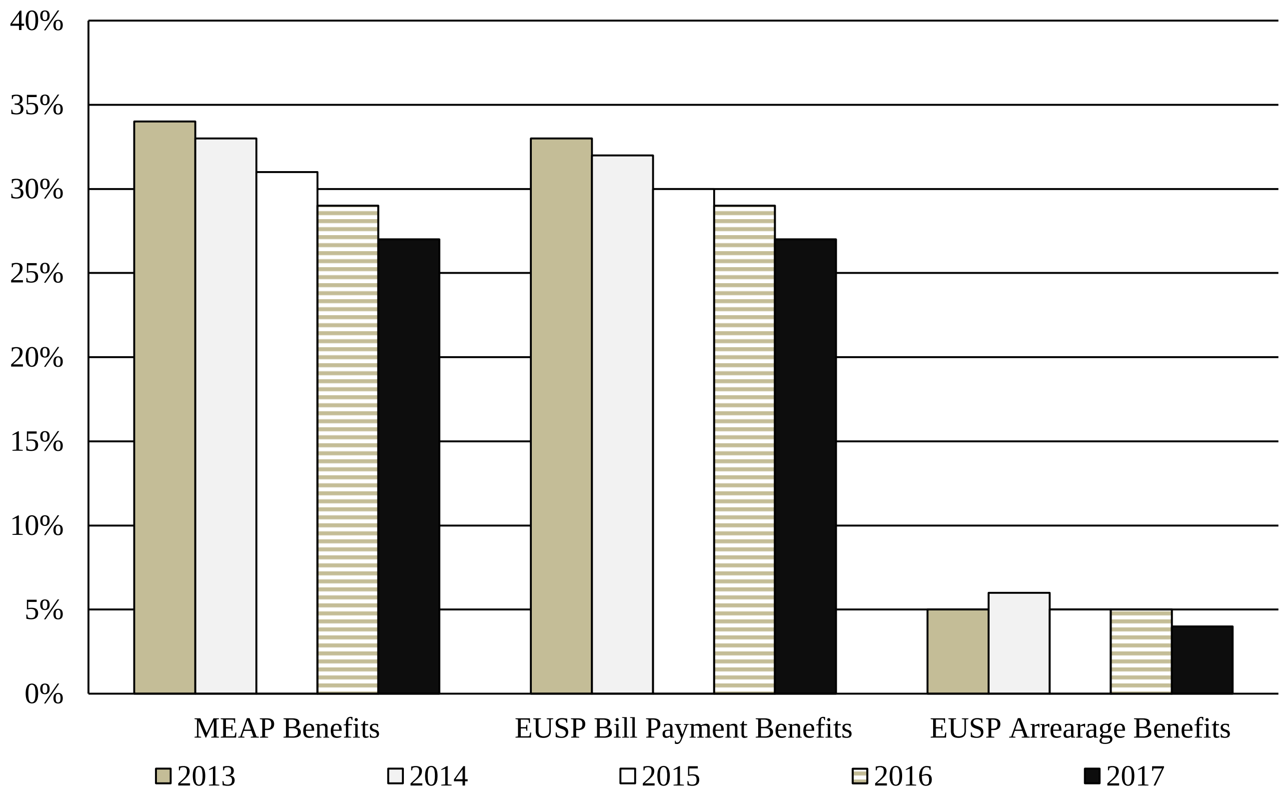
In total, the lower spending on EUSP bill payment and MEAP assistance has offset the increased spending on EUSP arrearage assistance. At the current rate of spending, the Department of Legislative Services (DLS) projects an overall decrease in spending compared to fiscal 2017 (excluding any supplemental benefits provided). However, as noted, the current rate of spending is distorted by application processing delays. In addition, applications would be expected to increase in coming months due to recent cold spells. The full impact of these cold spells are not likely to be felt in the program until at least March 2018 after households have received bills for the coldest periods and have had time to apply for benefits. **OHEP should comment on how it plans to monitor spending levels to ensure that sufficient funds will be available to support benefit payments through the rest of the fiscal year.**

4. Program Participation Rates Continue to Decline

As part of its annual Managing for Results submission, DHS calculates the percentage of eligible households that receive each of the three energy assistance benefits. This calculation uses both the participation numbers and information received from the *Low-Income Home Energy Assistance Notebook* on the number of households estimated to be eligible for benefits. Increases or decreases in the estimated number of eligible households can increase or lower the percentage of eligible households served even as participation remains the same.

Consistent with the decline in households receiving benefits in fiscal 2017, the percent of eligible households receiving EUSP bill payment and MEAP benefits (the program participation rate) declined, as shown in **Exhibit 5**. For the second consecutive year, fewer than 30% of eligible households received these benefits. DHS has taken steps to improve the outreach to increase the participation rate. In fiscal 2016, OHEP launched a supplemental outreach process, which includes more targeted outreach efforts and outreach resulting in completed applications rather than general awareness campaigns. For example, the new outreach activities have focused on increasing outreach in areas with the highest concentrations of OHEP-eligible customers. Other recent outreach efforts have focused on sending materials to households that are likely eligible for benefits but have not applied, such as Food Supplement Program recipients. OHEP has also worked with Baltimore Gas and Electric on sending materials to households likely to be eligible for benefits and, in fiscal 2019, plans to do so with other utilities. Although these efforts have not yet increased participation rates, as shown in Exhibit 4, the number of households applying has increased in fiscal 2018, which could indicate that these outreach efforts are successful.

Exhibit 5
Percent of Eligible Households Certified for Energy Assistance Benefits
Fiscal 2013-2017

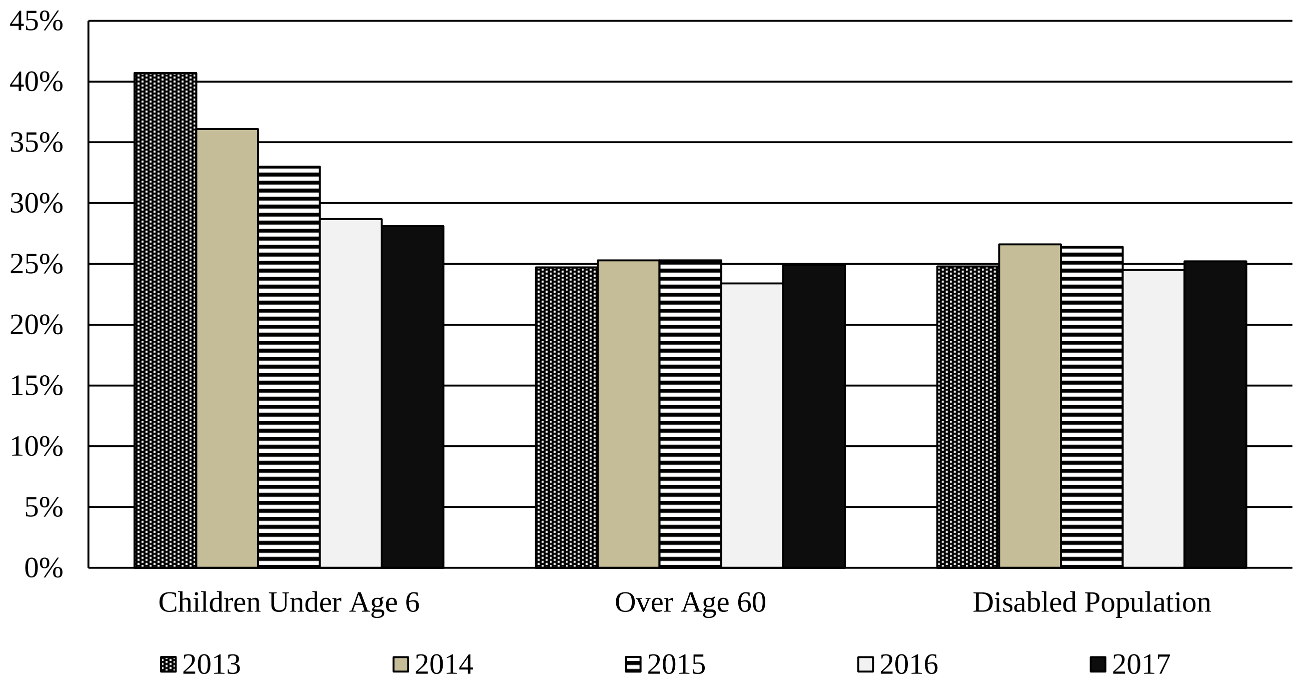


EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program

Source: Department of Human Services; Department of Budget and Management

OHEP also tracks the program participation rate for three vulnerable populations (households with a child under the age of 6, households with an individual over the age of 60, and households with an individual with a disability). Consistent with the trends in overall participation rates, the percent of eligible households with a child under the age of 6 that are receiving benefits has decreased in recent years (see **Exhibit 6**). The participation rate for this population has been below 30% in fiscal 2016 and 2017.

Exhibit 6
Vulnerable Populations Receiving Energy Assistance Benefits
(Percent of Eligible Households)
Fiscal 2013-2017



Source: Department of Human Services; Department of Budget and Management

The program participation rate for the other two vulnerable populations (households with an individual over the age of 60 and households with an individual with a disability), while lower overall, has fluctuated in recent years. Both of these populations had a slight increase in the participation rate in fiscal 2017. OHEP plans to launch an initiative in fiscal 2019 to simplify the recertification process for these populations. Under this initiative, households with a senior or households with an individual with a disability that applied for benefits in the prior year will receive a pre-filled simplified application three months before the anniversary of their last application. With the pre-filled application, these households will simply need to sign and return the application to OHEP (assuming the household information remains correct).

Fiscal 2018 Actions

Proposed Deficiency

The fiscal 2019 budget includes one deficiency appropriation impacting OHEP. The deficiency appropriation withdraws $10 million of special funds from the SEIF due to declining revenue from the RGGI CO_2 emission allowance auctions.

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency's share of this reduction is $8,941 in special funds and $11,498 in federal funds.

Proposed Budget

As shown in **Exhibit 7**, the fiscal 2019 allowance of OHEP decreases by $4.5 million, or 3.3%, compared to the fiscal 2018 working appropriation after accounting for a deficiency appropriation and across-the-board health insurance reduction in fiscal 2018 and the general salary increase in fiscal 2019. Aside from changes in energy assistance benefits, the fiscal 2019 allowance of OHEP decreases by $1.7 million.

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

How Much It Grows:	Special Fund	Federal Fund	Total
Fiscal 2017 Actual	$66,268	$77,303	$143,572
Fiscal 2018 Working Appropriation	63,207	70,858	134,065
Fiscal 2019 Allowance	60,931	68,680	129,611
Fiscal 2018-2019 Amount Change	-$2,276	-$2,178	-$4,454
Fiscal 2018-2019 Percent Change	-3.6%	-3.1%	-3.3%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance due to the impact of the additional health insurance holidays in fiscal 2018	$20
General salary increase in fiscal 2019	8
Salary and wages due to budgeting vacant positions at lower salary levels	-2
Other fringe benefit adjustments	1

Where It Goes:	
Energy Assistance Benefits	
Energy assistance primarily due to anticipated revenue	-2,740
Other Changes	
Office supplies	9
Call center contract	3
Outreach materials due to an anticipated decrease in available funds from the Electric Universal Service Program ratepayer surcharge	-117
Employment and verification contract	-240
Contract with local administering agencies to better align with recent experience	-1,405
Other administrative expenses	8
Total	**-$4,454**

DHS: Department of Human Services

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

Energy Assistance Benefits

In total, funding for energy assistance benefits decreases by $2.7 million (2.3%) compared to the fiscal 2018 working appropriation after accounting for the deficiency appropriation. The decline occurs among all three funding sources. However, the fiscal 2019 budget understates the amount of funding likely to be available for two of these three sources.

LIHEAP

The fiscal 2019 allowance includes $70.2 million of LIHEAP throughout DHS, a decrease of $2 million compared to fiscal 2018. LIHEAP budgeted for energy assistance benefits in the fiscal 2019 allowance, $61.1 million, decreases by $1.2 million compared to the fiscal 2018 working appropriation, and is $13.3 million lower than the actual spending in fiscal 2017. Overall, the share of LIHEAP spending on energy assistance benefits in the fiscal 2019 allowance (86.9%) is lower than in fiscal 2017 (94.4%). Even though funding for energy assistance benefits decreases overall, the amount of funding provided to the Department of Housing and Community Development (DHCD) as reimbursable funds from LIHEAP increases by $750,000 to $2.25 million. DHS indicates that this increase is intended to help address a waitlist of applications for furnace repair and replacement. Increasing spending of LIHEAP in DHCD has the effect of further reducing the LIHEAP funds available for MEAP bill assistance.

Despite the decrease in budgeted LIHEAP funds for energy assistance in fiscal 2019, DHS plans to implement a natural gas arrearage program. DHS estimates that approximately $5 million of the fiscal 2019 funding will be used for this purpose. DHS anticipates that this funding will serve approximately 11,000 with an average arrearage grant of $443.

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. The average amount of LIHEAP received by Maryland from federal fiscal 2015 to 2017 was $71.7 million. In federal fiscal 2017, Maryland received $74.1 million. The fiscal 2019 allowance of LIHEAP is $1.5 million lower than the three-year average of LIHEAP funds received and $3.8 million lower than the amount received in federal fiscal 2017. Based on recent experience, it is likely that DHS will receive a higher amount of LIHEAP than is provided in the fiscal 2019 allowance. If this occurs, DHS would be expected to add these funds by budget amendment to support the provision of additional benefits, including for the planned new gas arrearage benefit.

EUSP

Section 7-512 of the Public Utilities Article sets the level of ratepayer funding for EUSP at $37 million. While the collections are limited to $37 million, difficulties in setting a surcharge that collects exactly that amount of funds results in collections often exceeding $37 million. Although in all recent years the amount of EUSP collected has exceeded the statutorily authorized level of EUSP collections, the fiscal 2019 allowance includes only $35.9 million of EUSP ratepayer surcharge funds in DHS. At this level, the fiscal 2019 allowance is $1.12 million lower than the level required to be collected. While this level is near the actual level of expenditures in fiscal 2017, it is unclear why DHS would not use the additional funding to increase benefits or make other adjustments to ensure the full amount of statutorily required collections are used for the purposes for which they are authorized.

In addition, Chapter 777 of 2017 requires DHS to use any unexpended ratepayer funds that were collected in fiscal 2010 through 2017 in excess of the statutorily authorized amount of collections, in one or more of the following areas:

- bill assistance or arrearage retirement assistance;
- targeted and enhanced low-income residential weatherization designed to remediate households that are considered ineligible to participate in other State energy efficiency programs due to significant health and safety hazards; or
- an arrearage management program, including providing credits or matching payments for customers making timely payments on current bills.

The chapter expressed the intent of the General Assembly that these funds be used beginning in fiscal 2019. The chapter includes a provision that requires the Public Service Commission (PSC) to establish a rate credit on or before October 1, 2020, for the return of excess collections that remain unexpended through the end of fiscal 2019 to ratepayers, which limits the length of time that DHS has to use these excess collections. PSC reports that the total amount of excess collections during fiscal 2010 through 2017 was $23.4 million. However, a portion of these excess funds were spent by DHS in the period of the overcollection. Of the $23.4 million in excess collections, DHS estimates that $15.3 million remain available.

Combined, between the unappropriated EUSP ratepayer surcharge collections in fiscal 2019 and the Chapter 777 funds, DHS should have an additional $16.4 million of funding available for EUSP beyond what is currently included in the allowance. This additional funding would be particularly helpful in offsetting other decreases resulting from the anticipated availability of SEIF and LIHEAP. These funds can be brought in by budget amendment, and DHS has indicated plans to do so. **DHS should comment on why these available funds were not included in the fiscal 2019 budget as introduced and its plans to use these funds as authorized under Chapter 777.**

SEIF

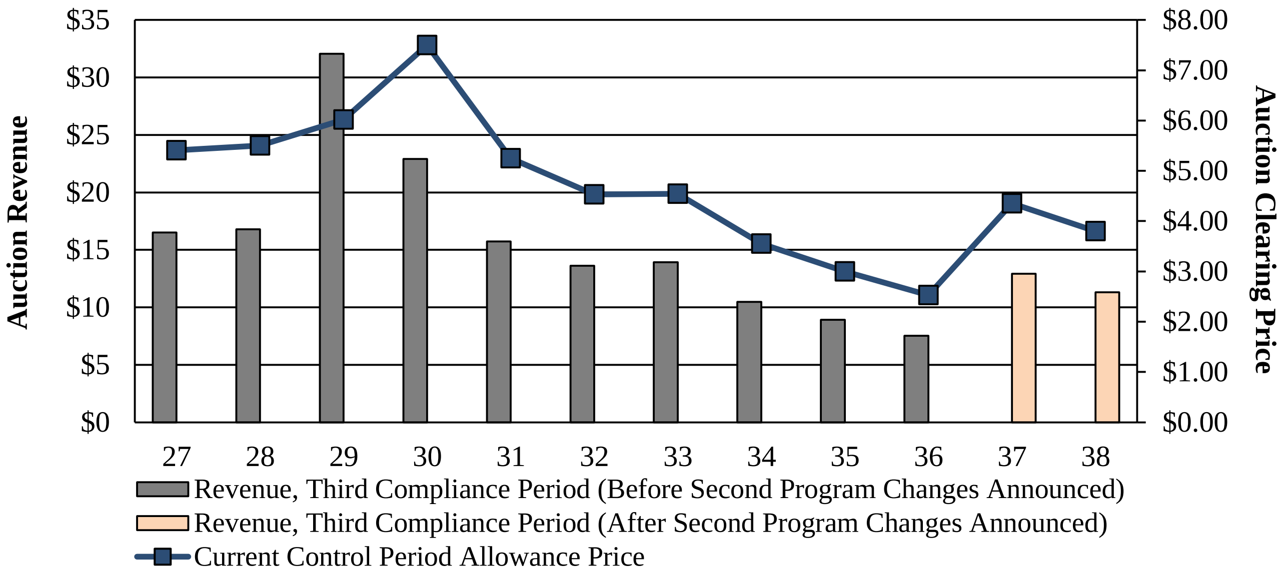
Under Section 9-20B-05 of the State Government Article, at least 50% of the revenue from the RGGI CO_2 emission allowance auctions is directed to energy assistance. Since the beginning of the program, RGGI auction revenue has shown substantial variation. After an early period, the auction clearing price fell to the minimum clearing price and held at that level for two and a half years. During that period, in all but one auction, not all of the allowances available for sale sold. Beginning in calendar 2013, following an announcement of program changes, all of the allowances began to sell again and auction clearing prices generally increased. Auction clearing prices peaked in December 2015 at $7.50 per allowance, as shown in **Exhibit 8**. Following that peak, auction clearing prices began a steep decline, falling to $2.53 per allowance in June 2017. That level of allowance price was relatively close to the minimum clearing price of $2.15 in effect in calendar 2017. Revenue has rebounded some in the subsequent two auctions, which occurred after the announcement of an additional round of program changes. The program changes do not go into effect until calendar 2021, and it is too soon to know whether this rebound in revenue is sustainable.

During the period of rising allowance prices, the additional revenue allowed SEIF spending for energy assistance to increase and a fund balance to build over time. At the close of fiscal 2016, the fund balance totaled more than $45 million. As allowance prices and revenue fell, SEIF spending for energy assistance began to outpace revenue and the fund balance began to decline. In addition, in fiscal 2017, $6 million of the SEIF fund balance for energy assistance was transferred to the energy efficiency program fund balances (as described during the 2017 session). As shown in **Exhibit 9**, by the close of fiscal 2017, the SEIF balance for energy assistance had fallen to $30.2 million.

The fiscal 2018 budget includes $37 million of the SEIF for energy assistance, while only $16.8 million of revenue is currently projected. This discrepancy led to the proposed deficiency to withdraw $10 million of the SEIF from the fiscal 2018 budget to ensure that fund balance would remain to support spending in fiscal 2019. The fiscal 2019 allowance provides $26 million of SEIF for energy assistance. This level of spending would require the use of $16.2 million of fund balance to sustain based on the current projected revenue. The current projected SEIF balance for energy assistance at the close of fiscal 2019 is $3.8 million.

The current revenue forecast assumes that auction clearing prices will remain at the minimum clearing price through fiscal 2019. The Maryland Energy Administration (MEA) expects that additional revenue resulting from higher auction clearing prices will be budgeted in the following year bringing a level of stability and certainty to program funding and preventing future mid-year reductions. Given the level of uncertainty, caution in developing spending plans is warranted to ensure that programs do not receive unexpected reductions midyear. If revenue is higher than projected, the additional funds could be added by budget amendment or held to rebuild a fund balance for use in the future.

Exhibit 8
Regional Greenhouse Gas Initiative Revenue
Auctions 27-38
(March 2015 – December 2017)
($ in Millions)



Source: Regional Greenhouse Gas Initiative, Inc.

Exhibit 9
Strategic Energy Investment Fund Energy Assistance Balance
Fiscal 2016-2019 Est.

Fiscal 2016 Closing Balance	**$46,153,024**
Fiscal 2017 Closing Balance	**$30,167,975**
Fiscal 2018 Estimated Revenue	$16,806,298
Fiscal 2018 Adjusted Working Appropriation	-27,000,000
Fiscal 2018 Estimated Balance	**$19,974,273**
Fiscal 2019 Estimated Revenue	$9,783,106
Fiscal 2019 Allowance	-26,000,000
Fiscal 2019 Est. Balance	**$3,757,379**

Source: Governor’s Budget Books; Maryland Energy Administration; Department of Budget and Management

The lower forecasted revenue has already altered program plans in fiscal 2019, discussed further in Update 2 of this analysis. **DHS should discuss the long-term impact on the program if revenue remains as low as is currently forecasted in fiscal 2020.**

Issues

1. New LIHEAP Performance Measures

In November 2014, the U.S. Department of Health and Human Services (HHS) announced that it had received approval to begin implementing new performances measures for LIHEAP. The focus of the new measures was on reductions in energy burdens (percent of income spent on energy costs) and the maintenance of utility service. The new measures are:

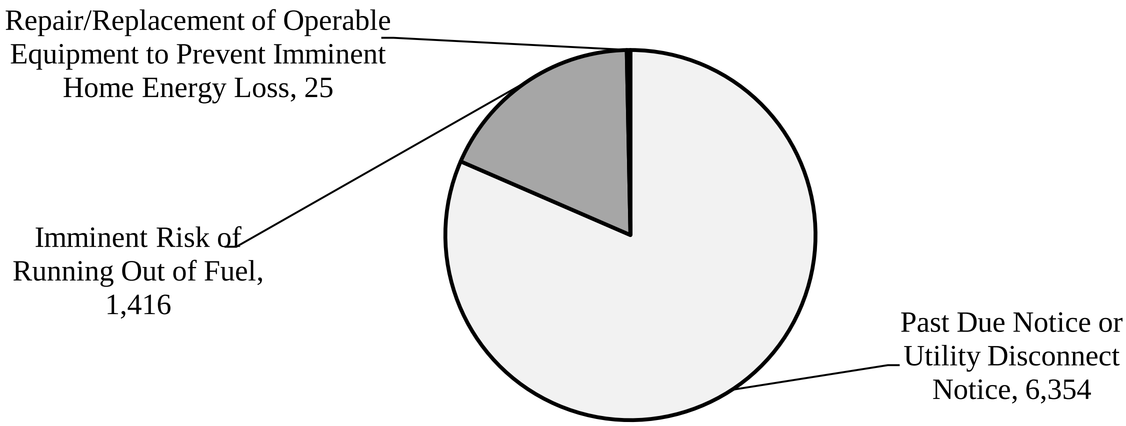
- a benefit targeting index – to measure the extent to which the highest benefits are paid to households that have the highest energy burden;
- an energy burden reduction index – to measure the extent to which LIHEAP benefits deliver the same energy burden reduction to high-burden households as to all low- to moderate-income households;
- a count of the prevention of loss of home energy services – to measure the unduplicated count of households where LIHEAP prevented the loss of utility services; and
- a count of the restoration of home energy services – to measure the unduplicated count of households were LIHEAP restored utility service.

High energy burden households are those with burdens in the top 25% of energy burdens for all households that receive bill assistance. States were required to report these measures for the first time for federal fiscal 2016.

Home Energy Service

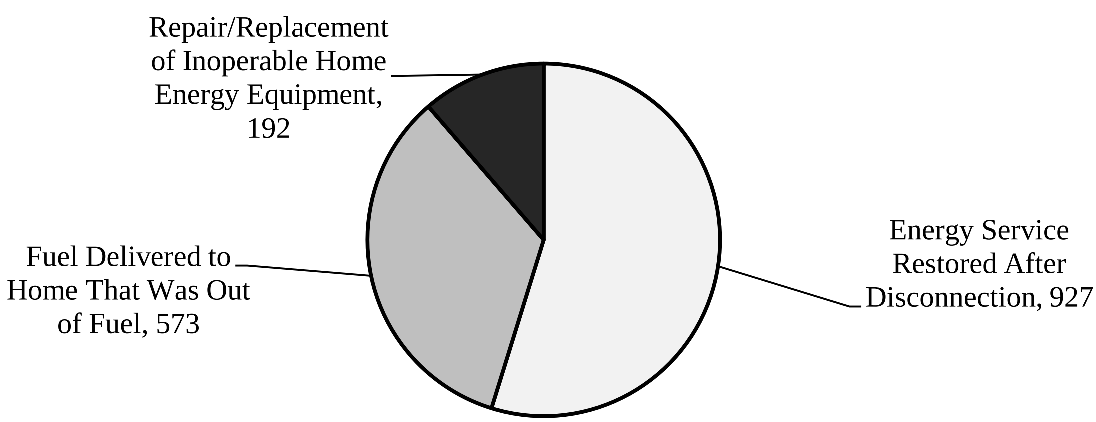
In total, in federal fiscal 2016, LIHEAP prevented the loss of home energy service to 7,795 households in Maryland. Most of these households (81.5%) had a past due notice or a utility disconnect notice, as shown in **Exhibit 10**. LIHEAP benefits restored service to 1,692 households in federal fiscal 2016. Of these households, 54.8% had energy restored after a disconnection, and 33.4% had fuel delivered after the home had run out of fuel, as shown in **Exhibit 11.**

Exhibit 10
Prevention of Loss of Home Energy Service
Number of Households
Federal Fiscal 2016



Source: Department of Human Services

Exhibit 11
Restoration of Home Energy Service
Number of Households
Federal Fiscal 2016

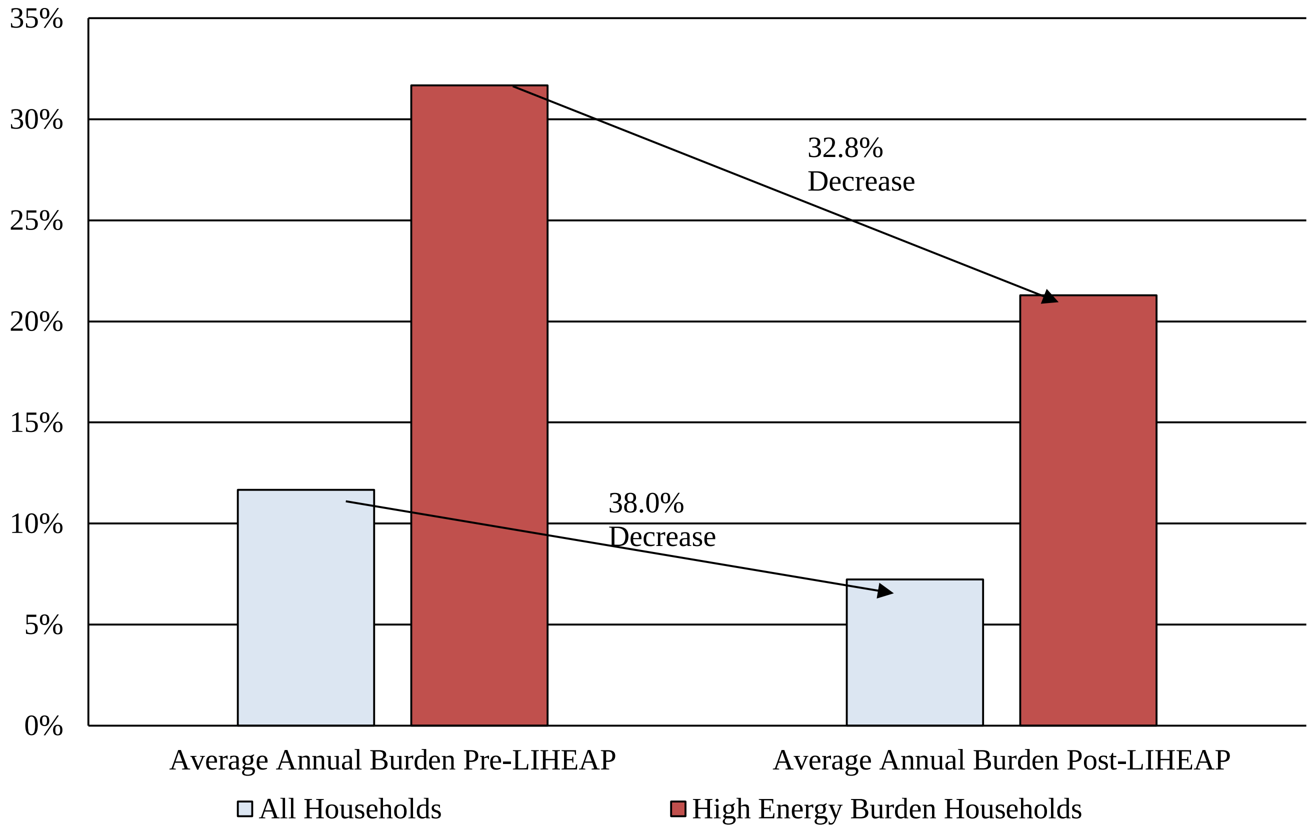


Source: Department of Human Services

Energy Burden Reduction

The new performance measures provide information on the pre- and post-LIHEAP energy burden in several different ways. The data shows the impact of the LIHEAP benefits on the energy burden for all households, high energy burden households, and by electricity source. As shown in **Exhibit 12**, in federal fiscal 2016, the LIHEAP benefit reduced the energy burden for all households by 38% (from 11.7% of household income to 7.2% of household income). The reduction in energy burden was slightly lower for high energy burden households, 32.8% (from 31.7% of household income to 21.3%). Though the burden decreased with the benefit, the post-LIHEAP energy burden for high-burden households was still higher than the pre-LIHEAP burden for all households. These trends are consistent for all fuel sources, as shown in **Exhibit 13**.

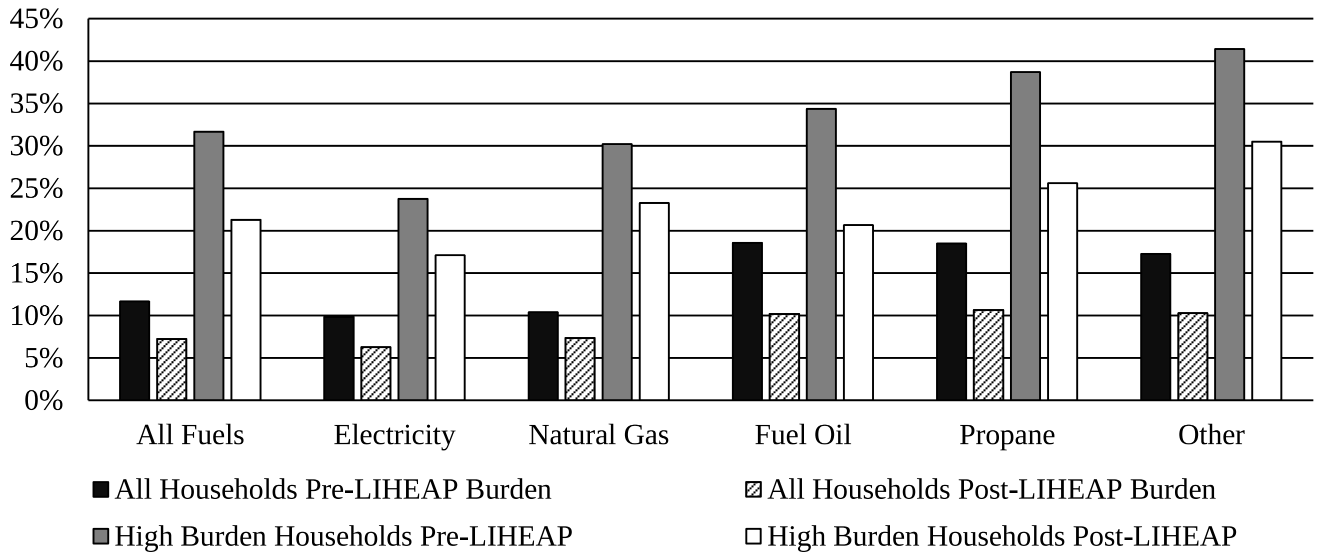
Exhibit 12
Energy Burden Reduction
Federal Fiscal 2016



LIHEAP: Low Income Home Energy Assistance Program

Source: Department of Human Services

Exhibit 13
Energy Burden by Fuel Source
Federal Fiscal 2016



Source: Department of Human Services

The energy burden index is used to measure the difference in the percentage of the energy burden reduction between high energy burden households and all households. If the benefit reduced the energy burden by the same level, the index would be 100. An index lower than 100 means that the energy burden for high energy burden households is reduced less by the LIHEAP benefit than it is for all households. In federal fiscal 2016, in Maryland, for all fuel sources, the energy burden reduction index was 86, indicating that the energy burden for high energy burden households is only reduced by 86% of the amount that the energy burden is reduced for all households. **DHS should comment on the steps that it has taken, or plans to take, to improve its performance in the energy burden reduction index.**

Benefit Targeting

Despite this, the benefit targeting index shows that in federal fiscal 2016, Maryland provided higher LIHEAP benefits to households with higher energy burdens. The benefit targeting index shows that Maryland's LIHEAP benefit for high-burden households was 141, indicating that the high energy burden households received a benefit that is 41% higher than all households. This result would be expected given that OHEP provides the energy assistance benefit as a percentage of the bill paid, so that the larger a bill is, the higher the benefit. In addition, OHEP provides a higher percentage of the bill paid to lower income customers (who would be more likely to have a high energy burden). The benefit targeting index shows that for electricity, natural gas, fuel oil, and propane, Maryland's LIHEAP benefits were higher for high energy burden households than all other households.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Energy Assistance Application Processing Times: The committees are interested in continuing to monitor the progress of local administering agencies (LAA) at the Office of Home Energy Programs in improving energy assistance application processing timeliness. The committees request that the Department of Human Services (DHS) provide by LAA the number of applications received; the average number of days to process applications; the number and percent of applications processed within 30 days, 55 days, and longer than 60 days; and the date of the data.

Information Request	**Author**	**Due Date**
Application processing times	DHS	December 20, 2018
Application processing times	DHS	June 30, 2019

Updates

1. Energy Assistance Application Processing Times Worsen

Energy assistance applicants have a termination protection during the application period. Known as the 55-day agreement, it protects energy assistance applicants from termination for a period of 55 days while a decision is being made on the applications. Until calendar 2014, DHS was unable to track application processing times in the OHEP data system. Since 2015, committee narrative in the *Joint Chairmen's Report* (JCR) has requested that DHS provide information on application processing times by LAA to the budget committees.

Average Processing Times

In fiscal 2015, the average number of days to process applications statewide was 33 days. At that time, six LAAs had average application processing times of 40 days or longer. Over the last couple of years, application processing times had declined on a statewide basis. However, fiscal 2018 data showed a reversal in this trend, as shown in **Exhibit 14**. In fiscal 2018, the statewide average application processing time increased to 26 days compared to 25 days in fiscal 2017. In total, 12 LAAs had an increase in the average application processing time between these periods, including 5 LAAs that had an increase of greater than 5 days. Seven LAAs had a decrease in average application processing times, including 4 LAAs with decreases of greater than 5 days.

Exhibit 14
Comparison of Average Days to Process Energy Assistance Applications
Fiscal 2016-2018

	2016 (through December 20)	2017 (through December 7)	2018 (through October 11)	2017-2018 Change
Allegany County Human Resources Development Commission	24	28	24	-4
Anne Arundel County CAC	33	29	28	-1
Baltimore City DHCD/ Mayor's Office of Human Services	45	27	34	7
Baltimore County DSS	16	23	26	3
Caroline County DSS	15	16	21	5
Human Service Programs of Carroll County, Inc.	22	32	35	3
Cecil County DSS	17	19	29	10
Dorchester County DSS	19	23	23	0
Frederick County DSS	21	31	38	7

	2016 (through December 20)	2017 (through December 7)	2018 (through October 11)	2017-2018 Change
Garrett County CAC	8	12	15	3
Harford County CAC	32	22	16	-6
Howard County CAC	20	27	32	5
Kent County DSS	17	13	21	8
Montgomery County Department of Health and Human Services	29	35	44	9
Prince George's County DSS	29	24	26	2
Queen Anne's County DSS	12	17	15	-2
Southern Maryland Tri-County Community Action Committee, Inc. (Calvert, Charles, and St. Mary's counties)	17	25	18	-7
Neighborhood Service Center (Talbot County)	14	13	4	-9
Washington County CAC	25	23	28	5
Shore UP! (Somerset, Worcester, and Wicomico counties)	26	26	13	-13
Total	**27**	**25**	**26**	**1**

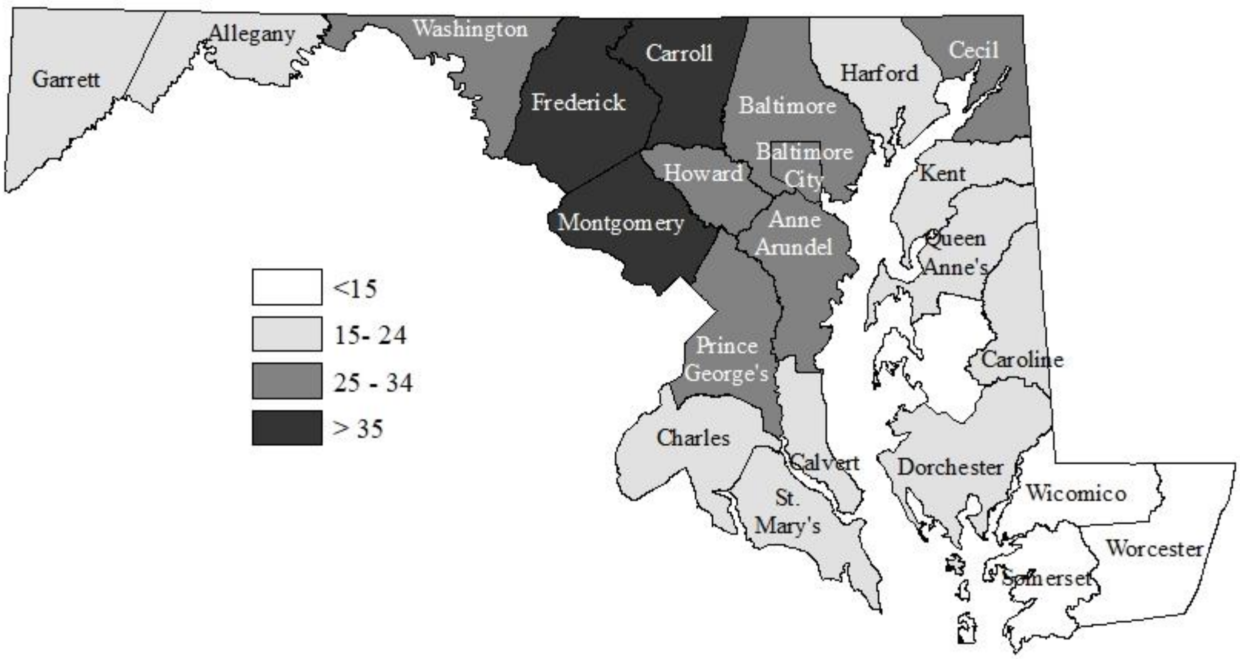
CAC: Community Action Council
DHCD: Department of Housing and Community Development
DSS: Department of Social Services

Note: The Local Administering Agency for Baltimore City has been at various times the Baltimore City DHCD and the Mayor's Office of Human Services.

Source: Department of Human Services

In fiscal 2017, only three LAAs had average application processing times of greater than 30 days, while in fiscal 2018, five jurisdictions did. As shown in **Exhibit 15**, three LAAs had an average processing time of 35 days, or greater, in fiscal 2018, and one LAA, Montgomery County Department of Health and Human Services (DHHS), had an average application processing time of 44 days. While all of the LAAs remain within the 55-day guideline, it is concerning that Montgomery County DHHS has reached an average processing time of 44 days, a level that had not occurred for a couple years in any jurisdiction.

Exhibit 15
Average Days to Process Energy Assistance Applications
Fiscal 2018 to Date through October 11, 2017



Note: Two local administering agencies serve multiple counties. Shore UP! Inc. serves Somerset, Wicomico, and Worcester counties. The 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 Services

Applications Processed Beyond the 55-day Guideline

In fiscal 2015, 17% of applications processed statewide were processed in longer than 55 days. Since that time, the statewide percentage of applications processed in longer than 55 days generally declined. As shown in **Exhibit 16**, in fiscal 2017, only 2% of applications statewide were processed in longer than 55 days. However, in fiscal 2018, 5% of applications were processed in longer than 55 days. Also as shown in this exhibit, eight LAAs had an increase in the percentage of applications processed in longer than 55 days between fiscal 2017 and 2018, of which three had increases of greater than 10 percentage points. Only five LAAs had a decrease in the percent of applications processed in greater than 55 days, while seven LAAs remained the same.

Exhibit 16

Comparison of Applications Processed Beyond the 55-day Guideline

Fiscal 2016-2018

	2016 (through December 20)	2017 (through December 7)	2018 (through October 11)	2017-2018 Percentage Point Change
Allegany County Human Resources Development Commission	0%	2%	1%	-1%
Anne Arundel County CAC	18%	5%	2%	-3%
Baltimore City DHCD/Mayor's Office of Human Services	36%	5%	20%	15%
Baltimore County DSS	2%	2%	3%	1%
Caroline County DSS	1%	1%	1%	0%
Human Service Programs of Carroll County, Inc.	3%	1%	1%	0%
Cecil County DSS	0%	0%	2%	2%
Dorchester County DSS	0%	1%	0%	-1%
Frederick County DSS	1%	1%	12%	11%
Garrett County CAC	0%	0%	0%	0%
Harford County CAC	14%	1%	0%	-1%
Howard County CAC	1%	0%	1%	1%
Kent County DSS	1%	0%	1%	1%
Montgomery County Department of Health and Human Services	5%	7%	30%	23%
Prince George's County DSS	11%	3%	3%	0%
Queen Anne's County DSS	0%	0%	0%	0%
Southern Maryland Tri-County Community Action Committee, Inc. (Calvert, Charles, and St. Mary's counties)	1%	3%	0%	-3%
Neighborhood Service Center (Talbot County)	0%	0%	0%	0%
Washington County CAC	3%	0%	1%	1%
Shore UP! (Somerset, Worcester, and Wicomico counties)	3%	0%	0%	0%
Total	**11%**	**2%**	**5%**	**3%**

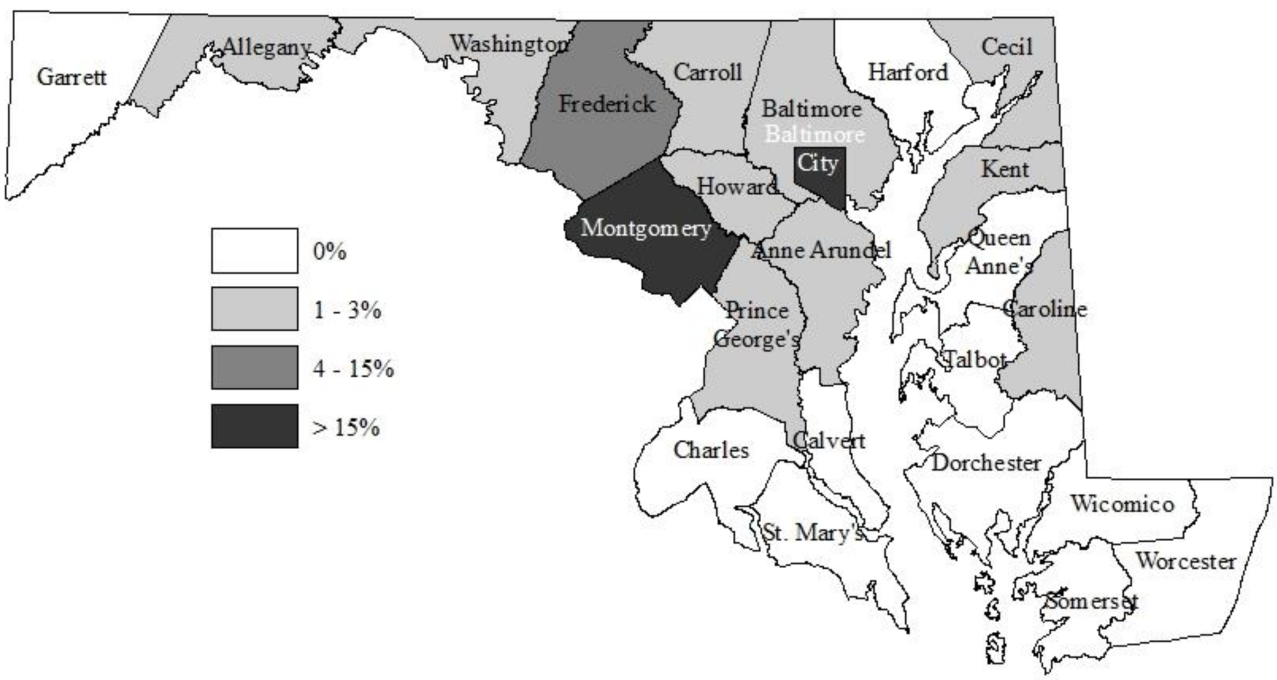
CAC: Community Action Council
DHCD: Department of Housing and Community Development
DSS: Department of Social Services

Note: The Local Administering Agency for Baltimore City has been at various times the Baltimore City DHCD and the Mayor's Office of Human Services.

Source: Department of Human Services

In fiscal 2017, no LAA had more than 7% of applications processed in longer than 55 days. However, in fiscal 2018, three jurisdictions had greater than 10% of applications processed in longer than 55 days and one LAA, Montgomery County DHHS, had 30% of applications processed in longer than 55 days, as shown in **Exhibit 17**. Outside of those four LAAs, the remainder of the State had no or very few applications processed beyond the 55-day guideline.

Exhibit 17
Applications Processed Beyond the 55-day Guideline
Fiscal 2018 to Date through October 11, 2017



Note: Two local administering agencies serve multiple counties. Shore UP! Inc. serves Somerset, Wicomico, and Worcester counties. The 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 Services

Actions to Improve Application Processing Timeliness

Montgomery County DHHS continues to struggle with application processing timeliness. As shown earlier, Montgomery County had the highest average days to process applications in the last three reporting periods, and the average days to process applications worsened in fiscal 2018. Similarly, Montgomery County DHHS had the highest percentage of applications processed in greater than 55 days in two of the last three reporting periods, and the percentage of applications processed in greater than 55 days increased in fiscal 2018. DHS reports that Montgomery County is in the process of implementing a new workflow for applications that includes real-time scanning of all application documents. The implementation delayed application processing in the early months of the fiscal year. However, OHEP anticipates improvement in the processing times.

Baltimore City DHCD/Mayor's Office of Human Services has also consistently been among the LAAs with the highest average number of days to process applications and the highest percentage of applications processed beyond 55 days in the last three reporting periods. Performance in application processing timeliness also worsened in Baltimore City in fiscal 2018. As discussed earlier, OHEP has noted the effect that the application processing times in Baltimore City have had on the number of households that have received benefits through December 2017. DHS indicates that Baltimore City implemented a new process at the beginning of the fiscal year to address the high number of applications early in the fiscal year. The process expedited the review of cases involving crisis situations. However, this focus delayed the processing of applications without a crisis. OHEP believes that a new policy in effect in fiscal 2018 that will eliminate the longstanding June application moratorium will reduce the number of applications in the early part of the year and avoid early buildups in applications. DHS also reported that Baltimore City has fewer employees involved in application processing than what was planned for and budgeted. OHEP has developed a comprehensive action plan for Baltimore City following a monitoring visit. OHEP expects that this plan will address both application processing and staffing issues at Baltimore City.

Frederick County, which in previous reporting periods had generally performed well, had 12% of applications processed in longer than 55 days in fiscal 2018. OHEP noted that the LAA in Frederick County moved on July 1, 2017, which delayed processing of applications submitted early in the fiscal year. The agency is fully operational in its new location, and OHEP expects the application processing times to be reduced in the remainder of the fiscal year.

2. Implementation of the Supplemental Targeted Energy Program Is Deferred Due to Revenue Declines

In December 2016, DHS submitted a report to the budget committees in response to a 2016 JCR request about planned program changes and information on a planned new benefit in OHEP. The new benefit program, the Supplemental Targeted Energy Program (STEP), was developed in consultation with a Policy Reform Advisory Group that consisted of utility members, the Fuel Fund of Maryland, PSC, MEA, DHCD, the Department of Aging, various community action agencies and LDSS, the Abell Foundation, the National Consumer Law Center, the University of Baltimore Jacob France Institute, the University of Maryland School of Social Work, and Welfare Advocates.

STEP

Program Description

The new STEP benefit would have been an addition to the existing energy assistance programs. Under the STEP, customers would receive an additional benefit if the customer completed certain actions that are intended to improve long-term energy affordability. The available incentive benefit would have reduced the customer's bill to 6% of the household income (deemed an affordable level) if the customer completed each of three activities. The total benefit level available under the STEP would have been the difference between the estimated annual energy cost and the household income plus benefits from existing energy assistance programs. The grant was to be paid out monthly rather than as a lump-sum amount. The total benefit was expected to be subject to a maximum grant level ($1,000 or $83 per month).

STEP grants were to be earned by completing each of three components, and households would not have needed to complete all three components to earn any grant. However, the full value of reducing the energy bill to 6% of household income would have only occurred if a household completed all three steps. The grant for each completed component was expected to be paid out over a four-month period. Only one incentive was to be paid out per month (so if a customer completed the second step before the incentive for the first step is completed, the second step incentive would not begin until the incentive for the first step runs out).

The three STEP components are:

- ***Service Coordination*** – The goals of this component were to assess critical factors leading to unaffordable bills, identify energy and non-energy resources to achieve greater affordability, and develop a Service Coordination Plan that identifies strategies to access programs and services to improve energy affordability with an energy advisor. The energy advisor would provide intake services and serve as a navigator, assist in accessing energy efficiency resources and other benefits that may address self-sufficiency, and follow up with clients to ensure obstacles to accessing services are resolved if possible.

- ***Behavior Change*** – The activities under this component would involve an energy education workshop covering topics such as how to understand the energy bill, do-it-yourself energy efficiency activities, goal setting, water conservation, heating and cooling usage, and lighting and electronic usage. The curriculum and type of session would be determined by LAA, although OHEP planned to establish minimum standards and review agency plans.

- ***Self-sufficiency*** – The goal of this component was to review the customer's energy burden to evaluate the degree to which the affordability gap had been closed and goals to do so, develop strategies for the customer to continue to make progress toward affordability, and develop an Energy Affordability Evaluation Plan.

Administration

The 2017 JCR included committee narrative that requested that DHS submit two reports about the STEP. The first was to discuss the process for identifying administering agencies for the new benefit and how those administering agencies coordinate with LAAs for the regular energy assistance program and any challenges experienced during administration. The second report was to provide information on program participation and earned benefits. DHS submitted the first report in December 2017.

In the report, DHS described its process for determining LAAs for the STEP. DHS explained that OHEP initiated a STEP Readiness Assessment in January 2017 to identify agencies to implement the program. The Readiness Assessment documents were distributed, and agencies interested in implementing the program responded to various questions related to their preparedness to implement the phases of the program by the end of February 2017. The Policy Reform Advisory Committee then rated the agency on its preparedness to implement the program. The agencies that were selected through this process were all existing OHEP LAAs.

After the selection, OHEP worked with LAAs that were viewed as ready to launch the program to develop detailed implementation plans. The implementation plans were to include information on staffing, budgets, timelines, and other elements needed to conduct the program. DHS reported that the majority of LAAs had completed all of the elements of the detailed implementation plan and that OHEP was continuing to work with the rest of the agencies on their plans.

The administration of the STEP was to be funded by LIHEAP. Incentive payments were to be funded through the SEIF.

Implementation Activities

In addition to determining LAAs for the STEP, OHEP undertook a number of activities to prepare for implementation, including the development of a new data system for the program. This data system was to be used to determine eligibility of customers for the program and allow LAAs to manage the activities of each customer. The new system was designed to be integrated with the existing OHEP data system. All STEP grant payments were expected to be processed through the existing OHEP payment processes. OHEP also coordinated with utilities to ensure the payments associated with the STEP could be accepted and properly applied.

OHEP also developed an operations manual for the STEP that outlines the program, eligibility guidelines, and program policy. In addition, OHEP developed a monitoring and evaluation framework for the STEP. The framework includes training enrollments, referrals, energy education completion, energy use tracking, and Consumer Financial Protection Bureau Financial Well-Being Scale.

Program Delays

Initially, the STEP was expected to be launched at the beginning of fiscal 2018 and phased in during the course of the year. However, OHEP delayed the launch of the program until fiscal 2019 due to the need to promulgate regulations for the program. The regulations were expected to be in place by the start of fiscal 2019. Due to revised forecasts of available SEIF revenue, DHS has indicated that the STEP benefit will no longer be launched in fiscal 2019. DLS will continue to follow the issue and report on any implementation planned in the future.

Appendix 1

Current and Prior Year Budgets

Department of Human Services – Office of Home Energy Programs
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2017					
Legislative Appropriation	$0	$77,586	$63,214	$0	$140,800
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	-6,073	14,090	0	8,016
Reversions and Cancellations	0	-5,245	0	0	-5,245
Actual Expenditures	**$0**	**$66,268**	**$77,303**	**$0**	**$143,572**
Fiscal 2018					
Legislative Appropriation	$0	$73,216	$70,869	$0	$144,085
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	**$0**	**$73,216**	**$70,869**	**$0**	**$144,085**

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

The fiscal 2017 actual expenditures of the Office of Home Energy Programs (OHEP) were $2.8 million higher than the legislative appropriation. Special fund expenditures were $11.3 million lower than the legislative appropriation. An increase of $12,131 in special funds is due to the distribution of employee increments that were centrally budgeted. This increase was more than offset by decreases totaling $11.3 million in special funds by budget amendment due to lower than anticipated Strategic Energy Investment Fund expenditures ($6.1 million) and by cancellation ($5.2 million) due to a decline in applications for arrearage assistance.

OHEP's fiscal 2017 federal fund expenditures were $14.1 million higher than the legislative appropriation. This increase primarily results from a higher than expected availability of federal Low Income Home Energy Assistance Program funds (an increase of $14.1 million). The remaining increase of $6,148 in federal funds results from the distribution of employee increments that were centrally budgeted.

Fiscal 2018

There have been no changes to the fiscal 2018 appropriation for OHEP.

Appendix 2
Object/Fund Difference Report
Department of Human Services – Office of Home Energy Programs

Object/Fund	FY 17 Actual	FY 18 Working Appropriation	FY 19 Allowance	FY 18 - FY 19 Amount Change	Percent Change
Positions					
01 Regular	14.87	14.87	14.87	0.00	0%
02 Contractual	1.62	0.00	0.00	0.00	0.0%
Total Positions	**16.49**	**14.87**	**14.87**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 1,732,973	$ 1,048,170	$ 1,047,177	-$ 993	-0.1%
02 Technical and Spec. Fees	485,414	1,150	1,150	0	0%
03 Communication	222,495	34,995	37,241	2,246	6.4%
04 Travel	11,045	3,393	7,004	3,611	106.4%
06 Fuel and Utilities	13,838	0	0	0	0.0%
08 Contractual Services	140,488,236	142,726,017	128,343,265	-14,382,752	-10.1%
09 Supplies and Materials	243,330	264,236	158,111	-106,125	-40.2%
10 Equipment – Replacement	505	0	0	0	0.0%
11 Equipment – Additional	6,066	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	305,653	0	0	0	0.0%
13 Fixed Charges	62,068	7,200	8,850	1,650	22.9%
Total Objects	**$ 143,571,623**	**$ 144,085,161**	**$ 129,602,798**	**-$ 14,482,363**	**-10.1%**
Funds					
03 Special Fund	$ 66,268,340	$ 73,215,776	$ 60,927,634	-$ 12,288,142	-16.8%
05 Federal Fund	77,303,283	70,869,385	68,675,164	-2,194,221	-3.1%
Total Funds	**$ 143,571,623**	**$ 144,085,161**	**$ 129,602,798**	**-$ 14,482,363**	**-10.1%**

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.