N00I0006

Office of Home Energy Programs

Department of Human Services

Executive Summary

The Office of Home Energy Programs (OHEP) contained within the Family Investment Administration of the Department of Human Services (DHS) primarily provides bill payment assistance for electric and heating customers and arrearage assistance to electric and natural gas customers.

Operating Budget Data

($ in Thousands)

	FY 18 Actual	FY 19 Working	FY 20 Allowance	FY 19-20 Change	% Change Prior Year
Special Fund	$62,922	$60,926	$63,447	$2,521	4.1%
Adjustments	0	3	12	9	
Adjusted Special Fund	**$62,922**	**$60,929**	**$63,459**	**$2,530**	**4.2%**
Federal Fund	66,118	68,674	69,699	1,024	1.5%
Adjustments	0	4	18	14	
Adjusted Federal Fund	**$66,118**	**$68,678**	**$69,716**	**$1,038**	**1.5%**
Adjusted Grand Total	**$129,041**	**$129,607**	**$133,176**	**$3,568**	**2.8%**

Note: The fiscal 2019 appropriation includes deficiencies, a one-time $500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

- The largest increase in OHEP's fiscal 2020 allowance is for energy assistance benefits, an increase of $3.5 million, primarily due to the anticipated availability of funds. However, the fiscal 2019 working appropriation understates the level of funds available to the program from prior year Electric Universal Service Program (EUSP) ratepayer surcharge overcollections and federal Low Income Home Energy Assistance Program funds, and the fiscal 2020 allowance overstates the available funds from the EUSP ratepayer surcharge. When accounting for these adjustments, the fiscal 2020 funding for energy assistance benefits would decrease by $13.9 million compared to fiscal 2019.

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

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- Departmentwide, the fiscal 2020 allowance includes $44.3 million from the EUSP ratepayer surcharge rather than the $37 million authorized under statute. DHS indicates that the additional funds are available from an overcollection of ratepayer funds in fiscal 2018 and carryover funds from fiscal 2019. However, DHS is not authorized to spend the excess collections from the ratepayer surcharge in fiscal 2018. The Public Service Commission is in the process of determining a method of returning those excess collections as required by statute.

Personnel Data

	FY 18 Actual	FY 19 Working	FY 20 Allowance	FY 19-20 Change
Regular Positions	14.87	14.87	15.87	1.00
Contractual FTEs	1.10	0.00	0.00	0.00
Total Personnel	**15.97**	**14.87**	**15.87**	**1.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	1.09	7.31%
Positions and Percentage Vacant as of 12/31/18	2.37	15.94%

- The fiscal 2020 allowance of OHEP includes 1 new position, which is transferred from the local Family Investment Program. DHS indicates that this transfer is to better reflect the work performed by the position. The role of the position is to address crisis cases, calls from other State agencies or energy assistance partner organizations (such as Fuel Fund of Maryland) regarding requests for assistance, and to work with these partner organizations and the utilities on outreach to vulnerable customers.

Key Observations

- ***DHS Plans to Expend Excess Ratepayer Collections as Authorized in Fiscal 2019:*** Chapter 777 of 2017 authorized DHS to use excess collections from the EUSP ratepayer surcharge accumulated from fiscal 2010 through 2017 for the current bill payment assistance and arrearage assistance programs, targeted and enhanced low-income residential weatherization, or an arrearage management program. Chapters 696 and 697 of 2018 required a portion of these funds to be used for an arrearage prevention program. The available excess collections from those years total $15.3 million. DHS plans to use these funds in fiscal 2019. However, the fiscal 2019 working appropriation does not currently reflect the availability of these funds.

- ***Application Denial Rates Decline in the First Half of Fiscal 2019:*** In December 2018, DHS submitted a report on actions taken to reduce application denial rates, which have generally increased in recent years. As part of its actions, DHS indicated that, in fiscal 2019, it launched a streamlined redetermination process for seniors and individuals with disabilities. This process involves providing prefilled applications to households in these categories that received benefits in the prior year. In the first half of fiscal 2019, application denial rates decreased among all benefit types compared to fiscal 2018.

- ***DHS Implemented a New Natural Gas Arrearage Benefit Program in Fiscal 2019:*** OHEP issued the first benefits through this program in December 2018. In the first issuance, 1,559 households received an average of $658 through this benefit. Through December 2018, 10,562 households had applied for the benefit.

Operating Budget Recommended Actions

		Funds
1.	Add language restricting funds until a report is submitted on options for increasing the ratepayer surcharge.	
2.	Reduce funds to a level in line with statutory authorization.	$ 6,206,999
3.	Adopt committee narrative requesting information on application processing times.	
	Total Reductions	**$ 6,206,999**

Updates

- ***A Recent Study Reveals Higher Energy Expenditures in Certain Areas of the State:*** A report commissioned by the Office of People's Counsel and released in calendar 2018 indicated that annual energy expenditures for recipients of OHEP benefits are highest in Southern Maryland and the Eastern Shore. In several jurisdictions, average annual energy expenditures exceed $2,900.

- ***Application Processing Timeliness Continues to Improve:*** In the first three months of fiscal 2019, the average time to process energy assistance applications was 23 days, a decrease of 10 days since the measure began to be tracked in fiscal 2015. Also, in the first three months of fiscal 2019, only 4% of applications were processed in longer than 55 days, compared to 17% in fiscal 2015.

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 (FIA). 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) that provides bill payment assistance, crisis assistance, furnace repair/replacement for a variety of heat sources, and starting in fiscal 2019 a natural gas arrearage assistance program; and (2) the Electric Universal Service Program (EUSP) that provides both bill payment assistance and arrearage assistance to electric customers. MEAP is funded by the Low Income Home Energy Assistance Program (LIHEAP). EUSP is funded by a combination of sources: (1) a ratepayer surcharge on electric bills; and (2) 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)).

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. services Calvert, Charles, and St. Mary's counties; and (2) ShoreUP! Inc. serves Somerset, Wicomico, and Worcester counties. All other LAAs serve one jurisdiction.

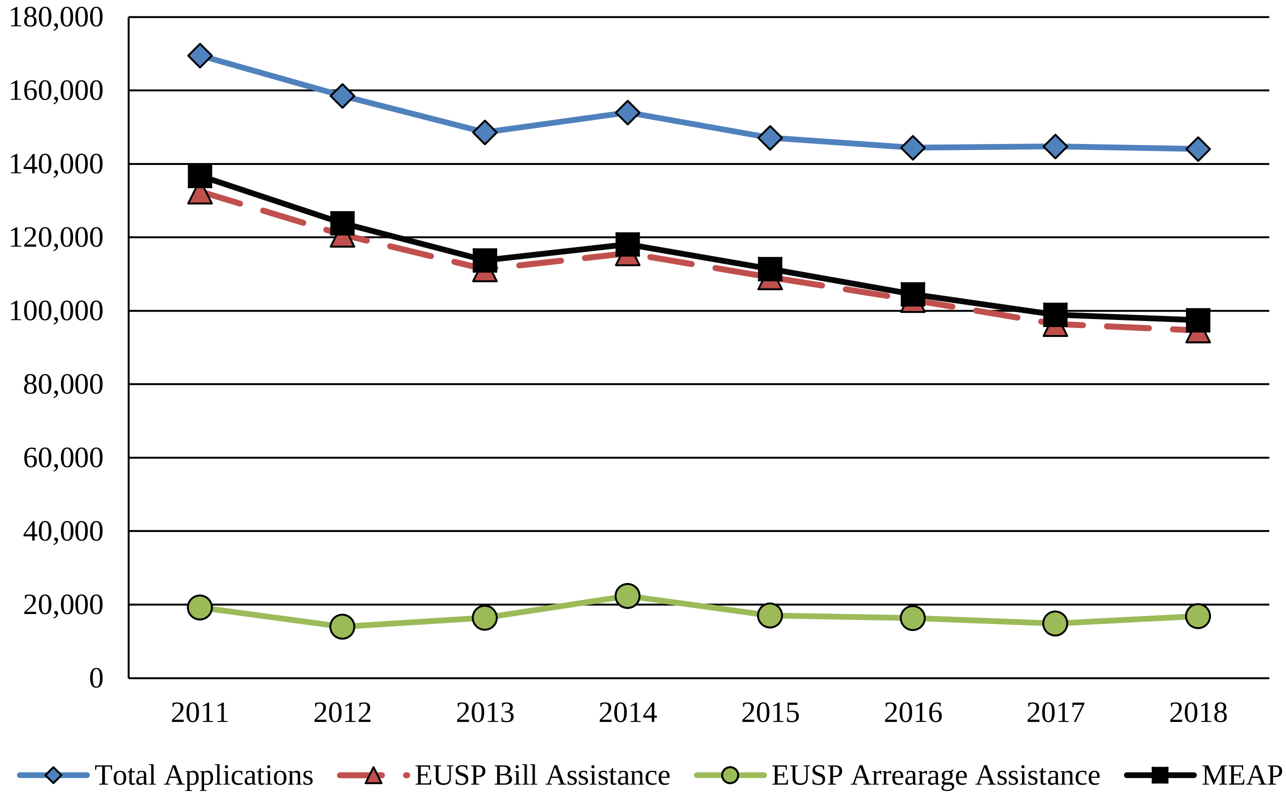
DHS has one key goal related to the work of OHEP, which is that Maryland residents have access to essential services to support themselves and their families.

Performance Analysis: Managing for Results

1. Slightly Fewer Households Receive Bill Payment Assistance in Fiscal 2018

As shown in **Exhibit 1**, for the second consecutive year, applications for energy assistance held relatively steady with changes of less than 1% in each year. Despite this, the number of applications received (144,093) was the lowest since fiscal 2008. The number of households receiving bill payment assistance from MEAP and EUSP decreased for the fourth consecutive year. However, the rate of decline slowed to less than 2%. The number of households receiving bill assistance benefits for each program was at the lowest level since fiscal 2007 (EUSP) and fiscal 2008 (MEAP). These reductions are in part attributable to mild winter weather and improvements in the economy. However, DHS has explained in recent years that an increase in application denial rates has contributed to the decline in households receiving benefits. Increased denial rates largely stem from missing documentation. OHEP's plans to address the increase in denial rates are discussed further in Issue 2.

Exhibit 1
Energy Assistance Benefits Provision History
Fiscal 2011-2018



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

Source: Department of Human Services

In fiscal 2018, the number of households receiving electric arrearage assistance increased by 13.3%. In that year, 16,862 households received assistance, similar to the level of households receiving this benefit in fiscal 2015 and 2016. In fiscal 2017, OHEP altered the application to ask customers explicitly whether they wished to be screened for arrearage assistance. This change has increased the number of households screened for arrearage assistance. While over time this is likely to increase the number of households receiving arrearage assistance, households are limited to receiving arrearage assistance once every seven years.

2. Fiscal 2019 Year-to-date Households Receiving Benefits Have Increased

As shown in **Exhibit 2**, through December in fiscal 2019, applications for EUSP bill payment assistance and MEAP are relatively even with fiscal 2018 (changes of less than 1.5%). However, households receiving both benefits have increased by more than 10% in that time. Two changes implemented by OHEP contribute to the higher rate of receipt of benefits relative to applications: (1) year-round application processing – previously, applications in June were held for processing until July allowing backlogs to develop; and (2) streamlining the application process for households with seniors and households with individuals with disabilities. These actions improve application processing times and are expected to reduce application denial rates. Although, to date, applications are even with the prior year, applications often increase in winter months due to cold spells, which cause a spike in utility bills. Several cold spells have occurred in January and February 2019. In addition, the federal government shutdown may have impacted the ability of households to pay energy bills. The effects of both the cold spells and the federal government shutdown are likely to appear in application numbers between January and March, which are not yet available.

Households applying for and receiving electric arrearage assistance have increased. Although more households are receiving this assistance, the average EUSP arrearage assistance benefits have declined year to date. If the current average benefit ($822) were to hold, it would be the lowest average benefit in more than 10 years. The decrease in average EUSP arrearage benefits in fiscal 2018 and 2019 coincides with increased bill payment assistance benefit levels.

In fiscal 2019, OHEP launched a new natural gas arrearage benefit. OHEP has accepted applications throughout the year and began issuing the first benefits in mid-December 2018. OHEP indicates that the program is being administered in the same manner as the EUSP arrearage assistance program. As a result, benefits are expected to be limited to those with arrearages between $300 and $2,000 and available only once every seven years. OHEP dedicated $5 million to this new program. Due to the timing of the first benefit issuances, few households have received the natural gas arrearage assistance relative to applications (14.7% of applicants). The share of applicants receiving benefits would be expected to increase with a full month of issuances beginning January 2019. In fiscal 2018, approximately 43.5% of EUSP arrearage assistance applicants received benefits, and it is likely that more applicants will qualify for natural gas arrearage assistance than electric because the restriction on recent receipt of the benefit has no practical impact in the early years of implementation. In the first issuances in December, $1 million in benefits were provided.

In total, the amount of energy assistance benefits paid have increased over the prior year. In part, this increase is attributable to the new natural gas arrearage program. However, it largely stems from the higher number of households receiving bill payment assistance and the slight increase in average benefits for MEAP. At the current rate of spending, benefits paid in fiscal 2019 are expected to exceed that of fiscal 2018. By how much is unclear because some portion of the faster current spending rate is due to improved processing timeliness rather than a true increase in households receiving benefits. If the current spending rate were to continue, the benefits provided would exceed the funds currently included in the fiscal 2019 budget. However, the amount of funds currently budgeted does not reflect the full amount of funds available to the program in fiscal 2019, as discussed in Issue 1.

Exhibit 2
Applications and Benefit Data
Fiscal 2018-2019
(July through December in Each Year)

	2018	2019	Change	% Change
Applications				
MEAP	96,618	95,891	-727	-0.8%
EUSP Bill Payment	90,919	92,129	1,210	1.3%
EUSP Arrearage	23,940	26,520	2,580	10.8%
Gas Arrearage	n/a	10,562	n/a	n/a
Receiving Benefits				
MEAP	55,481	62,020	6,539	11.8%
EUSP Bill Payment	55,270	61,090	5,820	10.5%
EUSP Arrearage	8,558	9,021	463	5.4%
Gas Arrearage	n/a	1,559	n/a	n/a
Percent of Bill Paid (Lowest Income Level)				
MEAP Natural Gas and Bulk Fuels	95%	95%	0%	
MEAP Electric Heat (No EUSP)	55%	55%	0%	
MEAP Electric Heat (If Also Receive EUSP)	25%	25%	0%	
EUSP Bill Payment Assistance	55%	55%	0%	
Average Benefit				
MEAP	$573	$598	$25	4.4%
EUSP Bill Payment	496	501	5	1.0%
EUSP Arrearage	888	822	-66	-7.4%
Gas Arrearage	n/a	658	n/a	n/a
Benefits Paid ($ in Millions)				
MEAP	$31.8	$37.1	$5.3	16.6%
EUSP Bill Payment	27.4	30.6	3.2	11.5%
EUSP Arrearage	7.6	7.4	-0.2	-2.5%
Gas Arrearage	n/a	1.0	n/a	n/a
Total Benefits Paid	**$66.8**	**$76.1**	**$9.3**	**13.9%**

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

Source: Department of Human Services

3. Program Participation Rates Vary by Income Level and Jurisdiction

In October 2018, the Applied Public Policy Research Institute for Study and Evaluation (APPRISE) released the *Maryland Low-Income Market Characterization Report* on behalf of the Office of People's Counsel (OPC). The report reviewed data on EUSP, MEAP, and Weatherization Assistance Program participation rates, along with demographic data, and made recommendations for how Maryland could better meet the energy needs of low-income households. APPRISE used fiscal 2017 participation data for EUSP and MEAP in combination with data from the American Community Survey (2014 to 2016 data) and the 2009 Residential Energy Consumption Survey. Additional information from this report is contained in Update 1.

Participation Rates by Income Level

APPRISE estimated that over 380,000 households were income-eligible for OHEP benefits. However, only approximately one-quarter of income-eligible households receive energy assistance. As shown in **Exhibit 3**, the participation rates vary by income level with lower income households participating at higher rates. Not all income-eligible households are actually eligible for benefits due to other program requirements. However, the overall low participation rates would indicate that more could be done to increase awareness of the program.

Exhibit 3
OHEP Participation Rates by Income Level
Fiscal 2017

	EUSP	MEAP
0% to 75% FPL	29%	29%
76% to 110% FPL	31%	31%
111% to 150% FPL	24%	24%
151% to 175% FPL	14%	15%
All-income Eligible Households	25%	26%

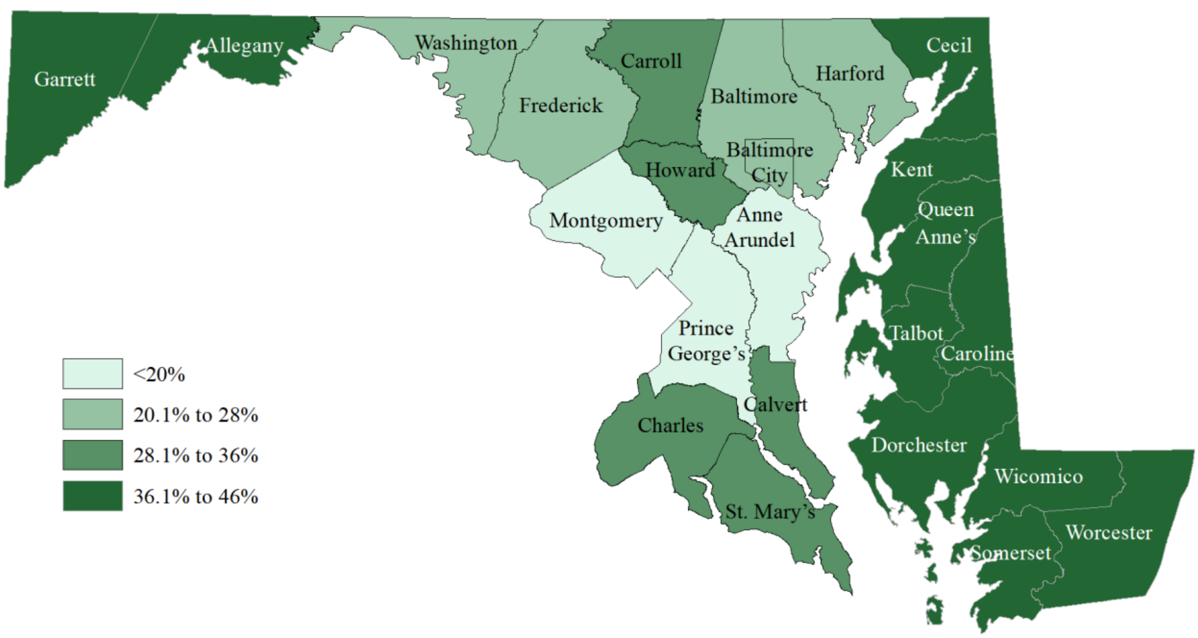
EUSP: Electric Universal Service Program
FPL: federal poverty level
MEAP: Maryland Energy Assistance Program
OHEP: Office of Home Energy Programs

Source: Applied Public Policy Research Institute for Study and Evaluation (2018). *Maryland Low-Income Market Characterization Report*. Prepared for the Office of People's Counsel.

Participation Rates by Jurisdiction

APPRISE also highlighted substantial variations in overall participation rates by jurisdiction, as shown in **Exhibit 4** and **5**. In general, the participation rates of EUSP and MEAP are very similar, though MEAP participation rates are slightly higher in several jurisdictions. Allegany and Garrett counties have the highest participation rates in the State (46% for both EUSP and MEAP). Montgomery County had the lowest participation rates (15% for MEAP and 14% for EUSP). DHS explained that the variation in participation rates is largely due to differences in the share of applicants/recipients that have received benefits in the prior year. Applicants that have previously received benefits tend to have lower denial rates. For example, DHS notes that the Eastern Shore counties had a denial rate of 10% in fiscal 2018, while the denial rates in Central Maryland ranged between 37% and 45%. DHS anticipates that efforts to reduce denial rates will impact the participation rates by jurisdiction. In addition, DHS continues to work with the LAAs to develop outreach efforts that are specific to the needs of the community.

Exhibit 4
MEAP Participation Rate
Fiscal 2017

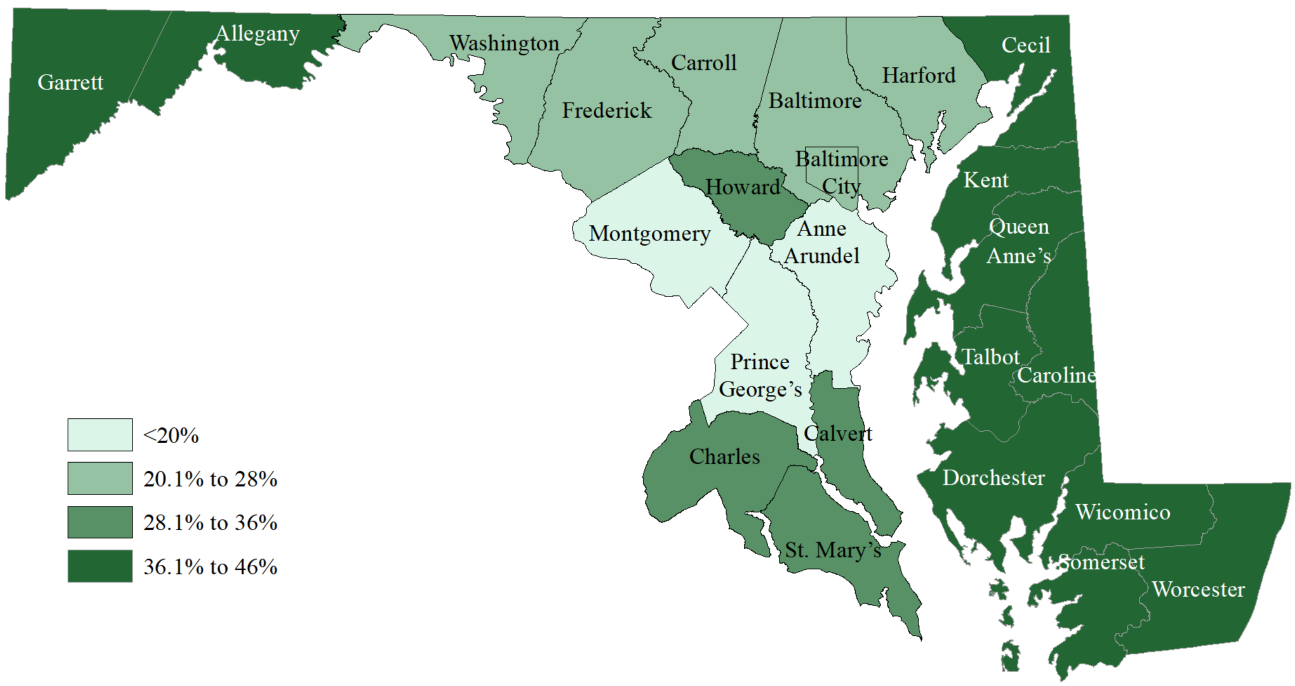


MEAP: Maryland Energy Assistance Program

Note: The report groups certain jurisdictions together. For the purposes of the map, each jurisdiction is listed as having the participation rate of the combined jurisdictions. These jurisdictions are (1) Allegany and Garrett counties; (2) Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties; (3) Calvert and St. Mary's counties; and (4) Somerset, Wicomico, and Worcester counties.

Source: Applied Public Policy Research Institute for Study and Evaluation (2018). *Maryland Low-Income Market Characterization Report*. Prepared for the Office of People's Counsel.

Exhibit 5
EUSP Participation Rate
Fiscal 2017



EUSP: Electric Universal Service Program

Note: The report groups certain jurisdictions together. For the purposes of the map, each jurisdiction is listed as having the participation rate of the combined jurisdictions. These jurisdictions are (1) Allegany and Garrett counties; (2) Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties; (3) Calvert and St. Mary's counties; and (4) Somerset, Wicomico, and Worcester counties.

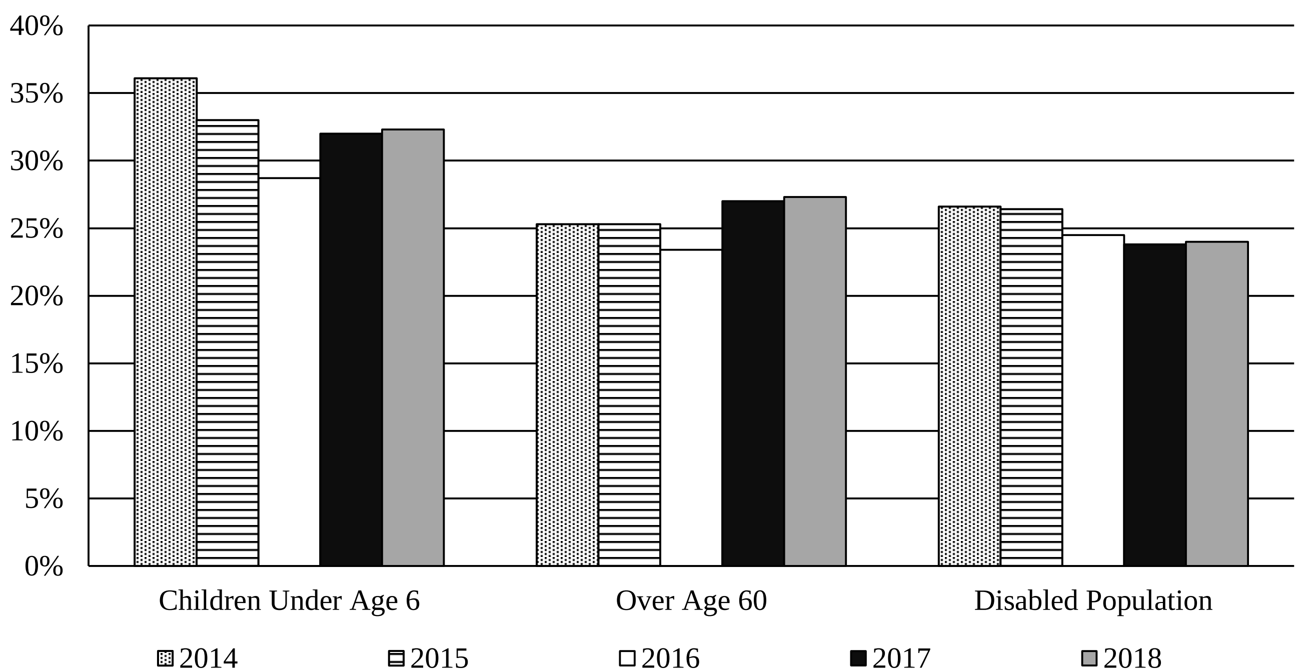
Source: Applied Public Policy Research Institute for Study and Evaluation (2018). *Maryland Low-Income Market Characterization Report*. Prepared for the Office of People's Counsel.

4. Program Participation Rates Remain Low but Improve for Vulnerable Customers

As part of its annual Managing for Results submission, DHS calculates the percentage of eligible households that receive energy assistance benefits by benefit type and for three vulnerable populations (households with children under age 6, households with an individual over age 60, and households with an individual with a disability). The calculation uses both the participation numbers and information received from the *Low Income Home Energy Assistance Notebook* on the number of household estimated to be eligible for benefits.

As shown in **Exhibit 6**, OHEP has made slight progress in increasing participation rates among the three vulnerable populations in fiscal 2017 and 2018. Two efforts by OHEP likely play a role in the improvement. OHEP indicates that it has a supplemental outreach proposal process that provides LAAs the opportunity to target outreach on these populations. For example, each LAA implements outreach activities toward households with youth under age 6 through a Head Start Center or other child care operations. In addition to targeted outreach, OHEP, in partnership with OPC and utilities, have implemented a Critical Medical Need Pilot that assists households with medically vulnerable members in accessing energy assistance benefits and utility service extensions more quickly. Navigators in the program assist households in completing the application process. Navigators are individuals at medical or energy assistance providers trained by OPC and the Cancer Support Foundation. Further improvement is likely, as OHEP launched a streamlined redetermination process in fiscal 2019 that should assist these targeted populations in maintaining access to energy assistance benefits from year to year.

Exhibit 6
Vulnerable Populations Receiving Energy Assistance Benefits
(Percent of Eligible Households)
Fiscal 2014-2018



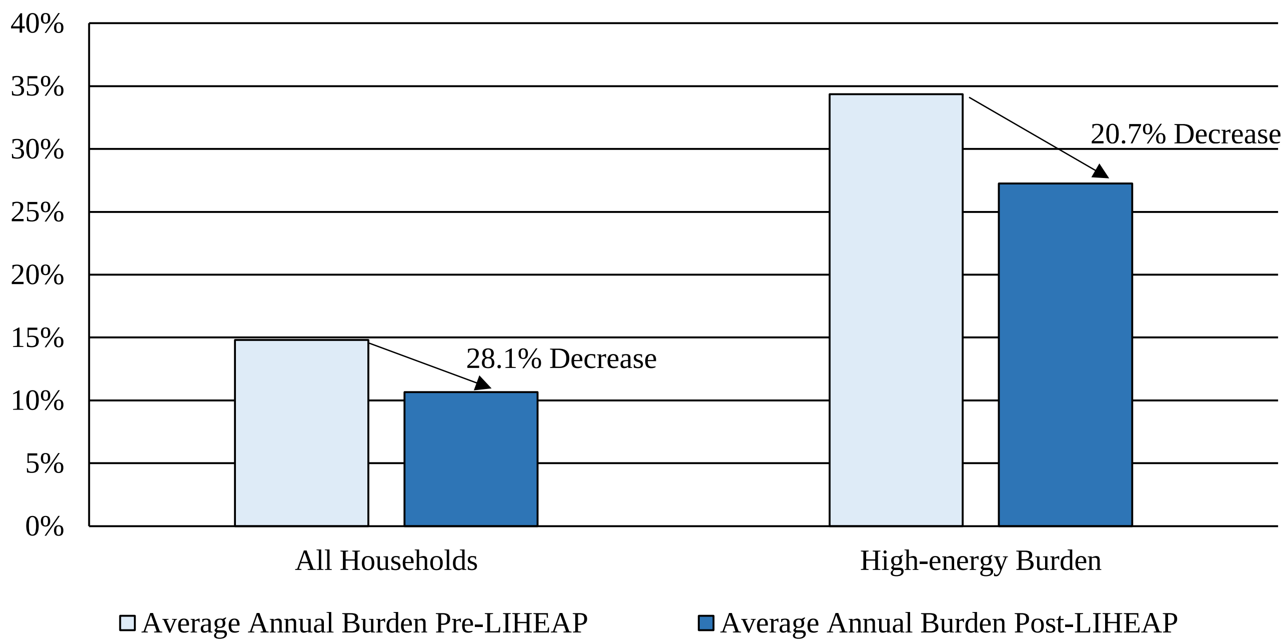
Source: Department of Human Services; Department of Budget and Management

4. Federal Performance Measures

Energy Burden

Beginning with data for federal fiscal 2016, the U.S. Department of Health and Human Services required states to begin reporting on new performance measures for LIHEAP. To date, two years of data are available (federal fiscal 2016 and 2017). The new performance measures focus on the degree to which energy assistance benefits are reducing household energy burden (percent of income spent on energy costs) and maintenance/restoration of utility service. **Exhibit 7** provides data on the reduction in energy burden for all households and high-energy burden households (burdens in the top 25% of energy burden households that receive bill assistance) after receiving benefits in federal fiscal 2017. As shown in this exhibit, high-energy burden households had a lower reduction in their energy burden from the energy assistance benefit than all households.

Exhibit 7
Energy Burden Reduction for All Fuel Sources
Federal Fiscal 2017



LIHEAP: Low Income Home Energy Assistance Program

Source: Department of Human Services

One of the federal performance measures accounts specifically for the difference through an energy burden index, which measures the difference in the percentage of the energy burden reduction between high-energy households and all households. An index of 100 would indicate that these households had the same reduction. In Maryland, in federal fiscal 2017, the energy burden reduction index was 74, meaning that high-energy burden households saw a reduction in their energy burden that was 74% that of all households. This reduction was lower than in federal fiscal 2016 (86). In the fiscal 2019 *EUSP Proposed Operations Plan* submitted to the Public Service Commission (PSC), OHEP stated that it plans to continue to evaluate energy burden relief in fiscal 2019 and may propose changing the formula used to calculate benefits in fiscal 2020. **DHS should comment on the current status of its review of the benefit calculation and a timeline for determining whether OHEP will make changes to the calculation.**

Benefit Targeting

Another federal performance measure (benefit targeting index) focuses on the extent to which the highest benefits are paid to those with the highest energy burden. A measure of greater than 100 indicates that higher benefits are paid to those with the highest energy burden, while a measure of less than 100 would indicate that higher benefits are paid to those without the highest burdens. OHEP's calculation of benefits takes into account the annual energy use, cost of energy, income level (through a percent of bills paid as determined by income relative to the federal poverty level), an index based on utility service territory, a location adjustment (for MEAP only) for Garrett County due to the longer winter heating season, and type of heating fuel (for MEAP only). Because the current benefit calculation specifically takes into account energy use and income level, it would be expected that Maryland would perform well in this measure. As expected, the benefit targeting index was above 100 in each federal fiscal 2016 (141) and federal fiscal 2017 (134). This means, for example, in federal fiscal 2017, the benefit was 41% higher for those with the highest energy burdens.

Prevention of Loss of Service/Restoration of Service Due to Benefits

As shown in **Exhibit 8**, federal LIHEAP benefits prevented the loss of service or allowed for the restoration of service to 8,930 households in federal fiscal 2017, 557 fewer households than federal fiscal 2016. However, LIHEAP benefits restored service to more households in federal fiscal 2017, 195 households. In federal fiscal 2017, the largest area of increase was in the repair/replacement of home energy equipment with an additional 150 households having service restored, while an additional 9 households had loss of service prevented. The fiscal 2020 allowance dedicates more funding to this purpose, which should lead to continued increases in this area. These funds are provided to the Department of Housing and Community Development (DHCD). **DHS should comment on how it works with DHCD on this program to ensure that recipients have operable home energy equipment.**

Exhibit 8
Prevention of Loss and Restoration of Home Energy Service
Federal Fiscal 2016-2017

	2016	2017	Difference 2016-2017
Energy Service Restored After Disconnection	927	948	21
Fuel Delivered to Home That Was Out of Fuel	573	597	24
Repair/Replacement of Inoperable Home Energy Equipment	192	342	150
Total Restored	**1,692**	**1,887**	**195**
Past Due Notice or Utility Disconnect Notice	6,354	6,141	-213
Imminent Risk of Running Out of Fuel	1,416	868	-548
Repair/Replacement of Operable Equipment to Prevent Imminent Home Energy Loss	25	34	9
Total Prevented	**7,795**	**7,043**	**-752**

Source: Department of Human Services

Fiscal 2019 Actions

Proposed Deficiency

The fiscal 2020 budget includes two statewide deficiency appropriations related to employee compensation. OHEP's share of these is:

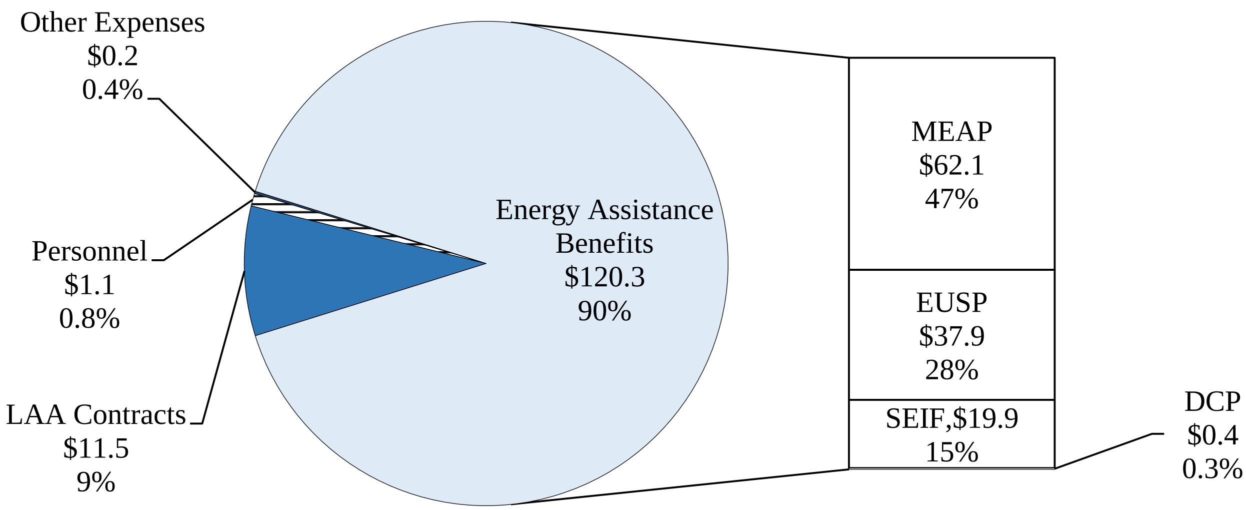
- $5,590 for a one-time bonus in fiscal 2019; and
- $1,134 for an additional 0.5% general salary increase effective April 1, 2019.

Fiscal 2020 Allowance

Overview of Agency Spending

The fiscal 2020 allowance of OHEP totals $133.2 million after accounting for statewide employee compensation adjustments. As shown in **Exhibit 9**, approximately 90% of the OHEP spending is for energy assistance benefits. Federal heating benefits, provided through MEAP, are slightly more than half of these benefits ($62.1 million). Electric assistance, provided through EUSP, the SEIF, and a PSC order related to an electric generating facility at Dominion Cove Point, are the remaining $58.3 million of these benefits. The funding level for electric assistance varies primarily with the availability of RGGI CO_2 emission allowance auction revenue and available fund balance. The funding from the EUSP ratepayer surcharge is capped at $37 million. However, the fiscal 2020 allowance includes more funds than authorized; this issue is further discussed in Issue 1.

Exhibit 9
Spending by Category
Fiscal 2020 Allowance
($ in Millions)



DCP: Dominion Cove Point
EUSP: Electric Universal Service Program
LAA: local administering agency
MEAP: Maryland Energy Assistance Program
SEIF: Strategic Energy Investment Fund

Note: Numbers may not sum due to rounding

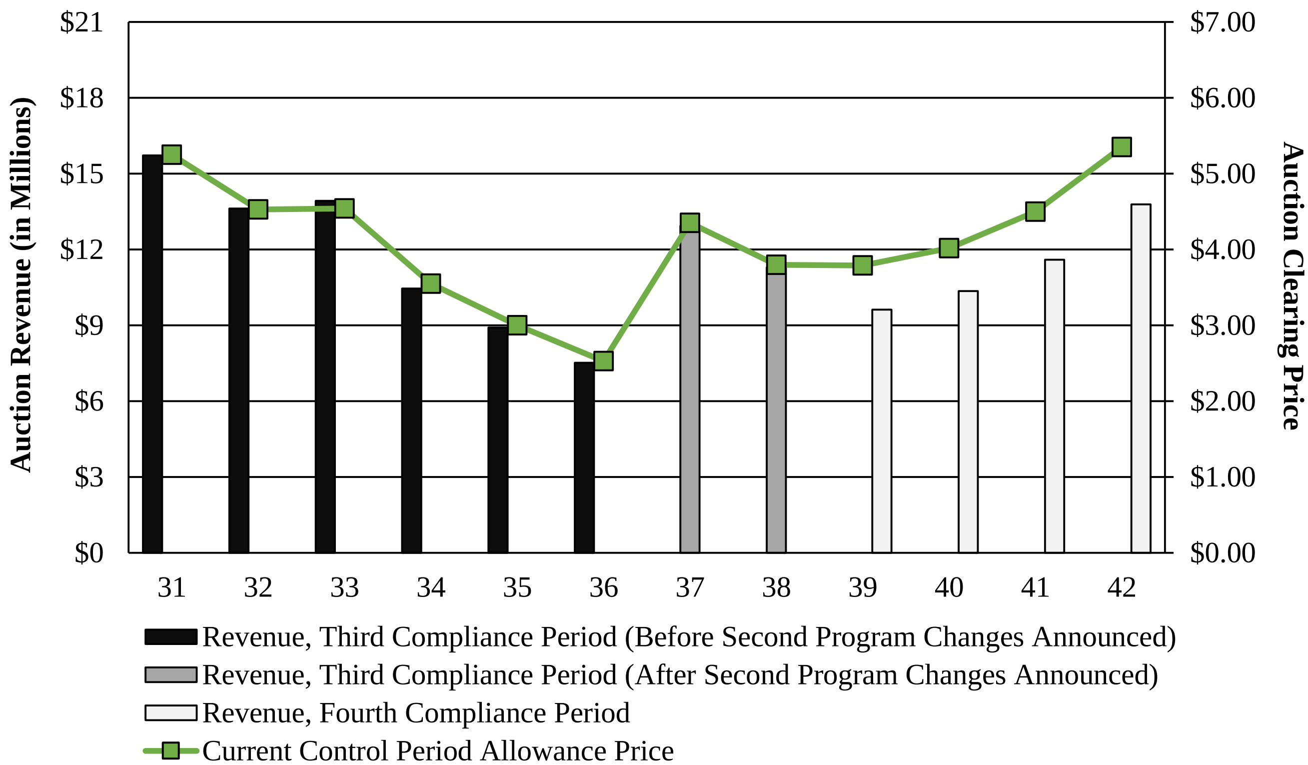
Source: Governor's Fiscal 2020 Budget Books; Department of Legislative Services

The second largest category of spending is for LAA contracts (9%). These contracts provide the community action agencies/LDSS offices/local government offices funding to administer the program. These contracts support personnel who perform eligibility determination among other administrative expenditures. The remaining 1% of program spending ($1.3 million) is for personnel, outreach, and administrative expenditures of OHEP. There are 15.87 regular positions in the State office of OHEP overseeing the work of LAAs and developing policy and guidance for the program.

SEIF Availability

Under Section 9-20B-05 of the State Government Article, at least 50% of the revenue from the sale of RGGI CO_2 emission allowances is directed to energy assistance. Since the beginning of the program, RGGI auction revenue has shown substantial variation. After an early period, the clearing price fell to the minimum clearing price and held at that level for two and a half years. During a portion of that period, not all allowances available for sale in the auctions sold. From calendar 2013 through 2015, all of the allowances began to sell again, and auction clearing prices generally increased, peaking at $7.50 per allowance in December 2015. Following that peak, auction clearing prices began to fall again, to a low of $2.53 per allowance in June 2017. That low was relatively near the minimum clearing price. As shown in **Exhibit 10**, following the announcement of a second round of program changes, auction clearing prices have generally increased. However, the actual program changes do not go into effect until calendar 2021, so uncertainty exists about future prices.

Exhibit 10
Regional Greenhouse Gas Initiative Revenue
Auctions 31-42
(March 2016 to December 2018)



Source: Regional Greenhouse Gas Initiative, Inc.

Due to the unpredictability of allowance clearing prices, the revenue assumed in the budget has generally not aligned well with the actual revenue received from the auctions. These variations in some years led to a build up of fund balance, but in other years, resulted in mid-year program reductions. For example, the fiscal 2019 budget included a $10 million withdrawal of the SEIF in OHEP in fiscal 2018 to account for the lower than expected revenue. To stabilize the program funding, the Maryland Energy Administration, the administrator of the SEIF, began estimating revenue for the budget by using the minimum clearing price, with actual overattainment of revenue compared to that minimum used in the following fiscal year (for example, fiscal 2018 overattainment is available for fiscal 2020).

For several years, the SEIF balance has enabled OHEP to maintain a higher level of spending on energy assistance than revenue would otherwise allow. However, the balance has begun to dwindle, resulting in a decrease in anticipated spending in fiscal 2020 of $6.1 million. In fiscal 2020, OHEP expects to use approximately $10.6 million of fund balance to support expenditures. **Exhibit 11** provides information on recent and estimated balances. The fiscal 2019 and 2020 balances include overattainment achieved in the first two auctions of fiscal 2019 but otherwise assume revenue at the minimum clearing price. As shown in Exhibit 11, the fund balance is expected to decrease to $7.3 million at the close of fiscal 2020, or $5.5 million if HB 151 and SB 168 of 2019 pass. These administration bills propose to increase the transfer of RGGI revenue to the Transportation Trust Fund in that year, reducing the revenue available for distribution through the formula. However, the fund balance is likely to be higher than this level, if revenue comes in above the minimum clearing price.

Exhibit 11
Strategic Energy Investment Fund Energy Assistance Balance
Fiscal 2017-2020 Est.

2017 Closing Balance	**$30,167,975**
2018 Closing Balance	**$24,771,549**
2019 Est. Revenue	$17,229,957
Realignment of Fund Balance	26,000
2019 Working Approp.	-26,000,000
2019 Est. Balance	**$16,027,506**
2020 Est. Revenue	$9,348,790
Realignment of Interest	1,854,733
2020 Allowance	-19,942,924
2020 Est. Balance	**$7,288,105**
Est. Balance if HB 151/SB 168 of 2019 Pass	**$5,488,106**

Source: Governor’s Fiscal 2020 Budget Books; Department of Budget and Management; Maryland Energy Administration; Department of Legislative Services

Proposed Budget Change

As shown in **Exhibit 12**, the fiscal 2020 allowance of OHEP increases by $3.6 million, or 2.8%, compared to the fiscal 2019 working appropriation after accounting for statewide employee compensation adjustments. Excluding changes related to energy assistance benefits, the fiscal 2020 allowance increases by a net of less than $65,000. The bulk of the nonbenefit changes are for personnel, particularly due to 1 position transferred into the program (an increase of $62,566). DHS indicates the transfer to OHEP better reflects the work of the position, which focuses on resolving crisis cases, responding to requests from assistance from other State agencies and partner organizations (*e.g.*, Fuel Fund of Maryland), and coordinating training with partner organizations and utilities on conducting outreach to vulnerable customers.

Exhibit 12
Proposed Budget
DHS – Office of Home Energy Programs
($ in Thousands)

How Much It Grows:	Special Fund	Federal Fund	Total
Fiscal 2018 Actual	$62,922	$66,118	$129,041
Fiscal 2019 Working Appropriation	60,929	68,678	129,607
Fiscal 2020 Allowance	63,459	69,716	133,176
Fiscal 2019-2020 Amount Change	$2,530	$1,038	$3,568
Fiscal 2019-2020 Percent Change	4.2%	1.5%	2.8%

Where It Goes:

Personnel Expenses	
One new regular position transferred from the Local Family Investment Program to better reflect the duties performed by the position	$63
Fiscal 2020 general salary increase and annualization of the additional 0.5% fiscal 2019 general salary increase	28
Employee and retiree health insurance	14
Retirement contributions	4
Other fringe benefit adjustments	-2
One-time bonus in fiscal 2019	-6
Regular earnings due to the annualization of the fiscal 2019 general salary increase more than offset by budgeting/filling vacant positions at lower salary levels	-24
Energy Assistance Benefits	
Electric Universal Service Program due to overcollections in the ratepayer surcharge (see Issue 1) partially offset by a decrease in available Strategic Energy Investment Fund balance	2,506

Where It Goes:	
Federal Low Income Home Energy Assistance Program for the Maryland Energy Assistance Program to support furnace repair/replacement	1,000
Other Changes	
Postage more than offset by telephone expenses to align with recent experience	-7
Department of Budget and Management paid telecommunications due to a statewide reallocation of these activities	-9
Total	**$3,568**

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 increases by $3.5 million (3%) compared to the fiscal 2019 work appropriation. The increase occurs among two of the three funding sources (EUSP and LIHEAP). However, when accounting for the funding actually available to the program in those years, the funding available in fiscal 2020 is significantly lower than in fiscal 2019. A full discussion of the EUSP ratepayer surcharge concerns is provided in Issue 1.

LIHEAP

LIHEAP budgeted for energy assistance benefits in the fiscal 2020 allowance, $62.1 million, increases by $1 million compared to the fiscal 2019 working appropriation. In addition to providing bill payment and arrearage assistance, this category of spending includes funds provided to DHCD for furnace repair/replacement. The entire LIHEAP increase in energy assistance benefit funding in the fiscal 2020 allowance supports furnace repair/replacement in DHCD, bringing total available funding up to $3.25 million.

The LIHEAP funds included in the State budget significantly understate the amount of federal LIHEAP funds available to the State in each fiscal 2019 and 2020. Although Maryland’s LIHEAP allocation varies year to year based on both the appropriation level and the State share of the appropriation, it has been above $70 million in each of the last four federal fiscal years and, in federal fiscal 2019, was $79 million. From federal fiscal 2017 through 2019, the State’s LIHEAP allocation has averaged $78.2 million, which is $7.1 million higher than the amount included in the fiscal 2020 allowance.

Based on the amount of LIHEAP funds already allocated to Maryland in federal fiscal 2019, $8.7 million in additional funds is available beyond the level included in the working appropriation. In addition, DHS had a significant amount of funds available from federal fiscal 2018 available for use at the beginning of State fiscal 2019 (approximately $23 million). These additional funds should assist OHEP in providing benefits, if, as is expected, spending exceeds the level of funds currently budgeted.

The additional funding available to the program in each year is expected to be brought in by budget amendment during the closeout process. **The Department of Legislative Services (DLS) recommends that DHS budget funding closer to the historical level of program receipts.**

True Energy Assistance Benefit Change

Accounting for the actual availability of LIHEAP and EUSP ratepayer surcharge funds, the funding for energy assistance would decrease by $13.9 million in fiscal 2020, as shown in **Exhibit 13**. This calculation assumes LIHEAP carryover in fiscal 2020 is approximately the average of the last three years, which could over or understate the availability of LIHEAP funds in fiscal 2019 and 2020. From fiscal 2014 through 2018, OHEP spent an average of $130.5 million on energy assistance benefits, including spending for furnace repair/replacement. However, in three of those five years, DHS spent more than $135 million. The anticipated funding in fiscal 2020 would be within the range of those average expenditures, depending on the level of LIHEAP carryover. However, to spend near the level of available funds in fiscal 2019, DHS will need to increase benefit levels or increase participation. Either action could create difficulties for households that may then rely on that benefit level or the availability of funding for the benefit in fiscal 2020 when funding is significantly reduced. **DHS should comment on the impact of the reduced availability of funding for households receiving energy assistance benefits in fiscal 2020.**

Exhibit 13
Energy Assistance Benefit Funding Change
Fiscal 2019-2020

	2019	2020	Difference
Federal LIHEAP	$78,795,946	$83,195,424	$4,399,478
EUSP Ratepayer Surcharge	43,958,490	31,715,720	-12,242,770
SEIF	26,000,000	19,942,924	-6,057,076
Dominion Cove Point	400,000	400,000	0
Total Energy Assistance Benefit Funding	**$149,154,436**	**$135,254,068**	**-$13,900,368**

EUSP: Electric Universal Service Program
LIHEAP: Low Income Home Energy Assistance Program
SEIF: Strategic Energy Investment Fund

Note: EUSP ratepayer surcharge funding includes fiscal 2010 to 2017 EUSP ratepayer surcharge overcollections available for spending in fiscal 2019 and reduces the fiscal 2020 allowance for fiscal 2018 ratepayer surcharge overcollections that will not be available. LIHEAP is assumed to be available in fiscal 2020 at the three-year average of expenditures and in fiscal 2019 at the level of funds already allocated to Maryland minus expected carryover into fiscal 2020. LIHEAP funding assumes the availability of carryover in fiscal 2020 at approximately the three-year average and in fiscal 2019 at the level reported by the Department of Human Services.

Source: Department of Human Services; Department of Legislative Services

Issues

1. Use of Prior Unexpended Funds Collected from the EUSP Surcharge

Background

Section 7-512.1 of the Public Utilities Article sets the level of ratepayer funding for EUSP at $37 million, $9.6 million from residential customers and $27.4 million from commercial customers. While the collections are limited to $37 million, difficulties in setting a surcharge that collects exactly that amount of funds have often resulted in collections exceeding $37 million. In calendar 2014, PSC reduced the surcharge for both residential and commercial customers after a period of overcollection. However, even after that reduction, the surcharge continued to be collected at a level greater than the statutory level. The statute authorized collected funds that are unexpended for benefits in the year in which the funds were collected to be retained for six months for use in the next fiscal year, with a potential three month extension. However, after that period, unused collected funds are to be returned to ratepayer classes in the same proportion to which they are collected as a credit to the next year's assessment.

Chapter 777 of 2017 authorized PSC to defer the return for not more than three total years, a first year to allow for use (which was already authorized) and two additional years if it determines that it is not practical to return the amount as a rate credit until additional years are added to the amount. Section 2 of that chapter required PSC to establish a rate credit by October 1, 2020, for the return of prior unexpended funds accumulated through the end of fiscal 2019. However, the chapter authorized DHS to use any unexpended funds that were collected from fiscal 2010 through 2017 that were in excess of the amount authorized to be collected for one or more of the purposes below:

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

Section 3 of that chapter expressed intent that the prior unexpended funds from fiscal 2010 through 2017 be used beginning in fiscal 2019. The combination of these sections implied that DHS had only through fiscal 2019 to use these funds before the funds must be returned. In addition, any excess collections in fiscal 2018 and 2019 must be returned through the credit established on or before October 1, 2020.

Chapters 696 and 697 of 2018 amended the authorized purposes for these funds to include an arrearage prevention program for low-income customers funded at $750,000. This program, as defined in the chapters, is intended to prevent or reduce arrearage for customers who have participated in a low-income weatherization program. The program is to be a one-time grant of money to up to two public or private entities to administer the program. The recipients of the grant are to show significant efforts to (1) secure additional private investment in rooftop solar, including the use of program money for credit enhancement, direct project support, or support for program recipients and customers; and (2) provide employment in solar installation to unemployed and underemployed individuals with a preference for those who reside in the jurisdiction where the installations will occur. The program is authorized to include the installation of rooftop solar electricity generation equipment after energy efficiency activities have been completed.

Use of Funds

In the *FY 2018 Electric Universal Service Program Annual Report to the Maryland Public Service Commission*, DHS identified the amount of fiscal 2010 to 2017 overcollections to be spent in fiscal 2019 as $15.3 million. Although DHS initially planned to use the entire amount for bill payment and arrearage assistance, PSC ordered DHS to use $750,000 toward the implementation of the arrearage prevention program as required under Chapters 696 and 697.

As a result of the decision by PSC, DHS currently plans to allocate the $15.3 million as follows:

- $11.25 million for bill payment assistance;
- $3.3 million for arrearage assistance; and
- $750,000 for the arrearage prevention program.

OHEP is currently in the process of vetting recipients of the arrearage prevention grant. DHS plans to announce the grantees in March 2019. The $15.3 million of available funds is not currently appropriated in DHS' fiscal 2019 budget. DHS is expected to add these funds by budget amendment prior to the close of the fiscal year.

Fiscal 2018 Excess Collections

In its fiscal 2018 annual report to PSC, DHS explained that in addition to the $15.3 million of excess collections from fiscal 2010 through 2017, an additional $5.5 million was overcollected in fiscal 2018. DHS noted in the report that it does not have authorization to spend these excess collections and stated that it would work with PSC to return the funds. Despite this, the fiscal 2020 allowance includes $7.3 million in additional EUSP funds beyond the authorized $37 million, which DHS attributes to the fiscal 2018 excess collections and carryover from fiscal 2019. As noted, PSC is required to establish a rate credit on or before October 1, 2020, to return excess collections accumulated before the end of fiscal 2019. PSC is in the process of developing a plan to return the excess collections from fiscal 2018 as required by statute. PSC staff is expected to submit a recommendation within the month on a plan for returning the excess collections. PSC is also expected to examine options for reducing the surcharge to prevent significant future excess collections. **DLS recommends deleting the excess collections included in the fiscal 2020 allowance because these funds are required to be returned to ratepayers. DLS also recommends language restricting funding until a report is submitted on options for increasing the ratepayer surcharge to support higher program participation.**

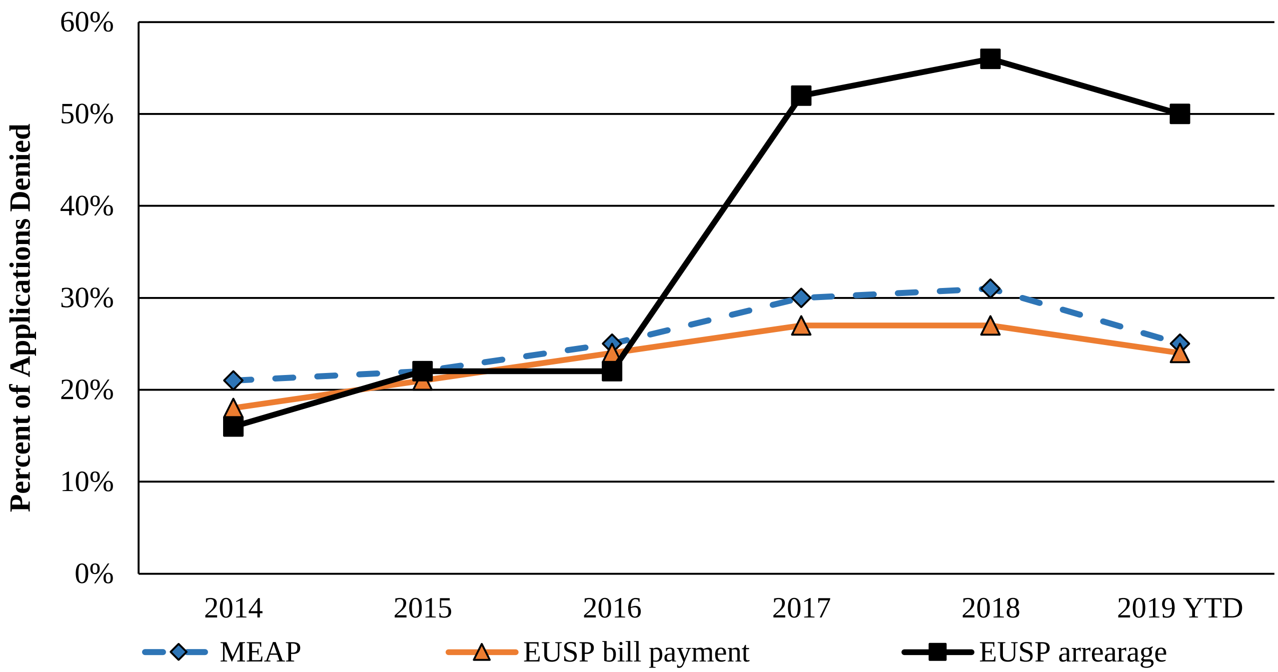
2. Actions Planned to Reduce Application Denial Rates and Increase Participation

In recent years, the number of households receiving bill payment assistance benefits has decreased. DHS, in response to questions during the 2018 session, indicated that an increase in denial rates was partly to blame. In particular, DHS explained that the increase in denial rates was largely from missing information in applications. DHS explained that efforts to improve application processing timeliness led to more strict adherence to regulations in the Code of Maryland Regulations (COMAR) regarding the length of time applicants have to submit documentation. When the timelines were not met, applications were denied. DHS stated that most applicants do not respond to the denial notice in an attempt to have the denial overturned. In response to concerns about the impact of the increase in denial rates, the fiscal 2019 Budget Bill included language restricting funds until the department submitted a report on actions taken or planned to reduce application denial rates. DHS submitted its response, and the funds were released in December 2018.

Denial Rates

Exhibit 14 provides information on the change in denial rates for each benefit type since fiscal 2014. As shown in this exhibit, denial rates increased in each year from fiscal 2014 through 2018 for MEAP applications and increased in most of these years for EUSP bill payment assistance. Denial rates are the highest for EUSP arrearage assistance. EUSP arrearage assistance has additional requirements, such as the availability of benefits only once every seven years, which impact denial rates in that program. In recent years, DHS has made efforts to increase screening in this program, potentially resulting in more denials related to not meeting the requirements.

Exhibit 14
Denial Rates by Benefit Type
Fiscal 2014-2019 YTD (Through December 31, 2018)



EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program
YTD: year to date

Source: Department of Human Services

Actions Undertaken

DHS identified seven strategies that OHEP has undertaken, or is planning to undertake, to address denial rates. Some of these strategies were already in the planning process or have other benefits beyond reductions in denial rates. The strategies are largely focused on reducing the impact of missing information in applications. Strategies undertaken include:

- ***Launching a Streamlined Redetermination Process for Seniors and Individuals with Disabilities:*** This new process launched in fiscal 2019 and is designed to make recertification of benefits simpler for households with seniors or individuals with disabilities who have previously received benefits by providing prefilled applications. DHS estimated that this change will benefit 20,000 applicants, approximately 14% of fiscal 2018 applicants.

- ***Implementing Year-round Processing of Applications:*** This action is intended to eliminate the backlog of applications at the beginning of the fiscal year, which among other concerns, delayed the timeline for LAA staff to contact households for missing information.

- ***Adhering More Strictly to the 55-day Hold Allowed by Agreement with PSC on Delaying Terminations during the OHEP Application Process:*** OHEP indicated that some incomplete applications are submitted with the purpose of establishing a hold on termination and are not intended by the applicant to be completed, inflating denial rates. The guidelines allow for the hold to last for the length of time to process the application, or 55 days, whichever is shorter. DHS began more strictly adhering to this policy in July 2018.

As shown in Exhibit 14, in the first half of fiscal 2019, application denial rates have decreased compared to fiscal 2018 and were at the lowest levels since fiscal 2016, indicating that some of these steps have assisted in reducing denial rates.

Actions Planned/Ongoing

Planned/ongoing actions to reduce denial rates through limiting missing information include:

- ***Reviewing Application Processing Timelines Established in COMAR:*** OHEP began discussing potential changes to COMAR application processing timelines, such as the length of time applicants have to submit missing information before the application is denied, with the OHEP Advisory Board in a November 2018 meeting. No consensus was reached at that meeting. OHEP intends to continue to discuss this issue at future meetings.

- ***Expanding Training for LAAs on Tools Available to Verify Information Absent Documentation:*** DHS has expanded access to certain verification tools (such as income verification) available to other FIA public benefit programs to LAA staff. LAA staff training will be enhanced to include information on the use of these tools. Guidance will also be provided at monitoring site visits. OHEP plans to release a new Program Manual to LAAs in early calendar 2019 that will provide information on these tools. However, as of this writing, the updated manual has not been released on its website.

- ***Enhancing Outreach Strategies That Result in Completed Applications:*** OHEP encourages LAAs to conduct outreach at which staff assist households in completing applications. In addition, OHEP plans to work with other organizations to follow-up with applicants who have missing documentation.

- ***Integrating OHEP into Maryland Total Human-services Information NetworK (MD THINK):*** OHEP expects the data system will be integrated into the Family Investment Eligibility and Enrollment system as part of the MD THINK project. This integration will allow for simultaneous screening of programs and provide access to documentation needed for the energy assistance applications.

OHEP notes that, in preparation for the expected integration into MD THINK, it is working to align eligibility and screening criteria with other programs. Integration should reduce the documentation that households are required to provide to the extent that it is already in the system because of the receipt of other benefits. However, the new eligibility system is not expected to be completed until fiscal 2020, and it is unclear when OHEP's data system will be integrated with the new system. **DHS should comment on potential changes to eligibility to align the programs and whether these changes would require legislation.**

Operating Budget Recommended Actions

1. Add the following language to the special fund appropriation:

   <u>, provided that $100,000 of this appropriation made for the purpose of administrative expenses in the Office of Home Energy Programs may not be expended until the Department of Human Services submits a report, in coordination with the Public Service Commission, Office of People's Counsel, and other stakeholders, on options for increasing the Electric Universal Service Program (EUSP) ratepayer surcharge, to ensure EUSP is adequately funded to meet the demand for the program. The report shall be submitted by December 15, 2019, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled if the report is not submitted to the budget committees.</u>

   Explanation: In fiscal 2020, funding available to EUSP is expected to significantly decrease compared to fiscal 2019. In addition, a report released on behalf of the Office of People's Counsel (OPC) in November 2018 highlighted the program's relatively low participation rates, under 30% in fiscal 2017. To the extent that the Department of Human Services (DHS) seeks to increase program participation, it may not have sufficient funding to provide benefits at an adequate level. This language withholds funds until DHS submits a report on options for increasing the EUSP ratepayer surcharge to ensure that the program is adequately funded. The report is to be coordinated with appropriate stakeholders, the Public Service Commission, and OPC.

Information Request	**Author**	**Due Date**
Report on options for increasing the EUSP ratepayer surcharge	DHS	December 15, 2019

	Amount Reduction	
2. Reduce Electric Universal Service Program funds to a level in line with the statutory authorization. The fiscal 2020 allowance includes funds that the Department of Human Services indicates are from fiscal 2018 excess ratepayer collections. Section 7-512.1 of the Public Utilities Article authorizes the collection of $37 million from commercial and industrial ratepayers for the program. Unexpended funds are to be returned to ratepayers. Chapter 777 of 2017 created an exception to allow	$ 6,206,999	SF

spending of excess collections from fiscal 2010 through 2017 only. The Public Service Commission is in the process of determining how to return the excess collections from fiscal 2018. This action leaves a portion of the funding above $37 million for use in fiscal 2020. These funds are left in recognition of the fiscal 2019 budget underfunding the authorized level of collections. As a result, some portion of the fiscal 2019 collections is available as carryover for fiscal 2020.

3. 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 LAAs: 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. The data should be current through November 1, 2019, for the report due December 30 and current through May 1, 2020, for the report due June 30.

Information Request	**Author**	**Due Date**
Application processing times	DHS	December 30, 2019
Application processing times	DHS	June 30, 2020

Total Special Fund Reductions **$ 6,206,999**

Updates

1. OPC's *Maryland Low-Income Market Characterization Report* Shows That Energy Costs Are Higher in Certain Areas of the State

In addition to the program participation information noted earlier, the APPRISE *Maryland Low-Income Market Characterization Report* included information on the sources of heat and annual energy costs of low-income customers and OHEP benefit recipients in fiscal 2017.

Fuel Source and Cost

Different regions of the State have different mixes of fuel sources. The heating source can have a significant impact on heating costs. As shown in **Exhibit 15**, electric is the most common fuel source for low-income households in three regions (Eastern Shore, Southern, and Western), while natural gas is the most common in two regions (Capital and Central). The Capital and Central Region have few households using fuel sources other than natural gas or electric. However, for the other three regions more than 20% of households use bulk fuel sources (fuel oil/kerosene and propane).

Exhibit 15
Share of Low-income Households Using a Heat Source by Region
Fiscal 2017

	Capital	Central	Eastern Shore	Southern	Western
Electric	45%	40%	56%	61%	46%
Natural Gas	51%	49%	12%	9%	28%
Fuel Oil/Kerosene	3%	8%	17%	21%	17%
Propane	1%	2%	11%	6%	3%
Other	0%	1%	3%	4%	6%

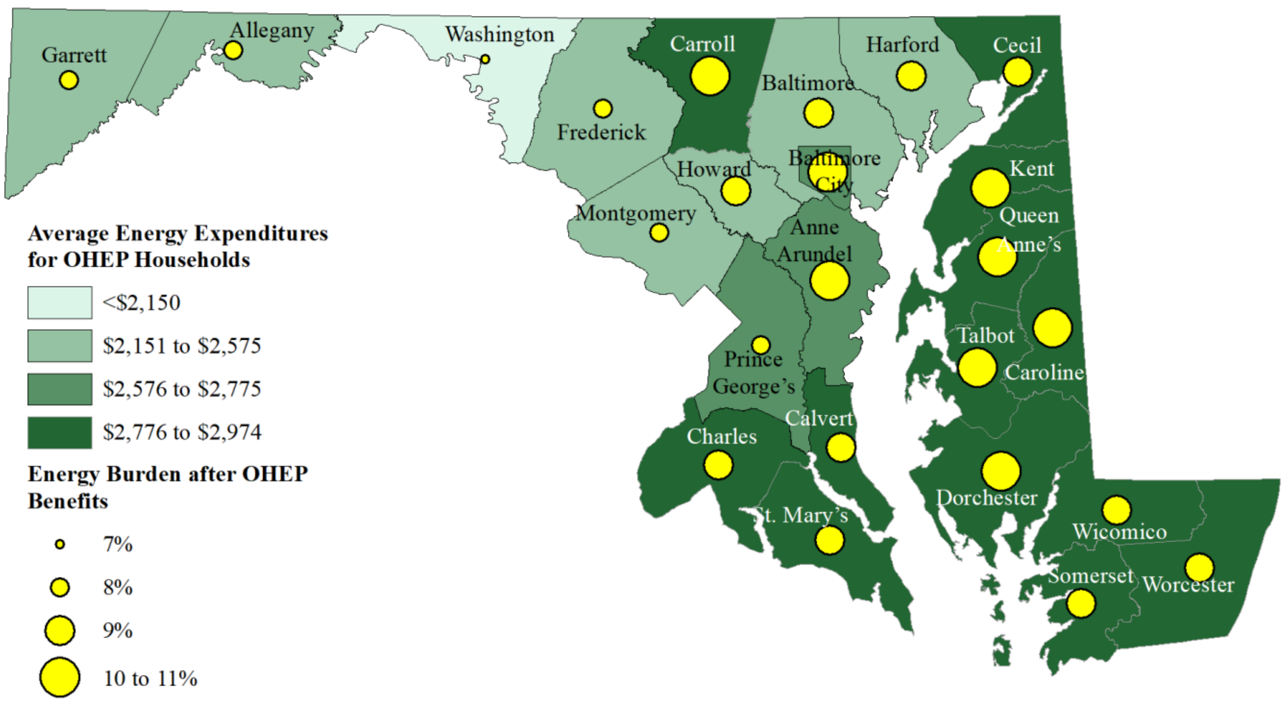
Note: Numbers may not sum due to rounding. the Applied Public Policy Research Institute for Study and Evaluation defines the regions as (1) Capital Region – Montgomery and Prince George's counties; (2) Central Region – Anne Arundel, Baltimore, Carroll, Harford, and Howard counties, and Baltimore City; (3) Eastern Shore – Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, Wicomico, and Worcester counties; (4) Southern Region – Calvert, Charles, and St. Mary's counties; and (5) Western Region – Allegany, Frederick, Garrett, and Washington counties.

Source: Applied Public Policy Research Institute for Study and Evaluation (2018). *Maryland Low-Income Market Characterization Report*. Prepared for the Office of People's Counsel.

As shown in **Exhibit 16**, for households receiving OHEP benefits, the highest annual energy expenditures occurred throughout the Eastern Shore and Southern Maryland. Annual energy expenditures exceeded $2,900 (approximately $242 per month) in Cecil County, Southern Maryland,

and the Lower Shore. These households also received the highest average combined MEAP and EUSP benefits. Consumption is included as part of the OHEP benefits calculations for both MEAP and EUSP, so it would be expected that areas with higher energy usage received higher benefits.

Exhibit 16
Average Energy Expenditures for Households Receiving OHEP Benefits and Net Energy Burden



OHEP: Office of Home Energy Programs

Note: The report groups certain jurisdictions together. For the purposes of the map, each jurisdiction is listed as having the average energy expenditures and net energy burden of the combined jurisdictions. These jurisdictions are (1) Allegany and Garrett counties; (2) Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties; (3) Calvert and St. Mary's counties; and (4) Somerset, Wicomico, and Worcester counties.

Source: Applied Public Policy Research Institute for Study and Evaluation (2018). *Maryland Low-Income Market Characterization Report*. Prepared for the Office of People's Counsel

Energy burden is a function of utility costs and income. As a result, the highest energy burdens do not necessarily occur in the jurisdictions with the highest energy expenditures. Baltimore City has the highest energy burden both before and after accounting for bill payment benefits despite not having the highest energy expenditures. However, a number of the jurisdictions with high annual energy expenditures relative to other jurisdictions have high energy burdens after accounting for bill assistance benefits. As noted earlier, DHS indicated to PSC that it intends to evaluate energy burden relief and that it might consider proposing changes to the benefit calculation, which could address this issue.

2. Application Processing Times Continue to Improve

Since 2015, committee narrative in the *Joint Chairmen's Report* has requested that DHS provide information on application processing times by LAAs to the budget committees. Processing times are reviewed in the report by the average processing time and the percent of applications processed within 55 days. There are no formal processing time standards, but the termination protection agreement time period (55 days) has been used by DLS as the measure for timely processing.

Average Processing Times

In fiscal 2015, the average number of days to process applications statewide was 33 days. At that time, six jurisdictions had average application processing times of 40 days or longer. Processing times have generally been on a declining trend since then with the exception of fiscal 2018. As shown in **Exhibit 17**, in fiscal 2019, the statewide average application processing time decreased to 23 days. Five LAAs experienced increases in application times in fiscal 2019, although three of those LAAs still had average processing times of fewer than 20 days. The largest increase in average processing times occurred in Howard County, an increase of 9 days. OHEP reports that the Community Action Council of Howard County moved to a new facility on July 1, 2018, which delayed application processing in that month. This led to average processing times exceeding 41 days during the early part of the fiscal year. However, OHEP notes that from August through September, the average time was only 19 days. Baltimore City, which also had a slight increase in the average days to process applications, also moved offices on July 1, 2018.

The largest decrease in the average number of days to process applications occurred in Frederick County. Frederick County had a higher than normal processing time during the beginning of fiscal 2018 due to a move to a new location on July 1, 2017.

Exhibit 17
Comparison of Average Days to Process Energy Assistance Applications
Fiscal 2017-2019

	2017 (through December 7)	2018 (through October 11)	2019 (through September 30)	2018-2019 Change in Days
Allegany County Human Resources Development Commission	28	24	17	-7
Anne Arundel County CAC	29	28	22	-6
Baltimore City DHCD/Mayor’s Office of Human Services	27	34	35	1
Baltimore County DSS	23	26	19	-7
Caroline County DSS	16	21	16	-5
Human Service Programs of Carroll County Inc.	32	35	27	-8
Cecil County DSS	19	29	24	-5
Dorchester County DSS	23	23	19	-4
Frederick County DSS	31	38	19	-19
Garrett County CAC	12	15	11	-4
Harford County CAC	22	16	16	0
Howard County CAC	27	32	41	9
Kent County DSS	13	21	12	-9
Montgomery County Department of Health and Human Services	35	44	37	-7
Prince George’s County DSS	24	26	23	-3
Queen Anne’s County DSS	17	15	19	4
Southern Maryland Tri-County Community Action Committee Inc. (Calvert, Charles, and St. Mary’s Counties)	25	18	17	-1
Neighborhood Service Center (Talbot County)	13	4	6	2
Washington County CAC	23	28	13	-15
Shore UP! (Somerset, Worcester, and Wicomico Counties)	26	13	17	4
Total	**25**	**26**	**23**	**-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. It is currently the Mayor’s Office of Human Services.

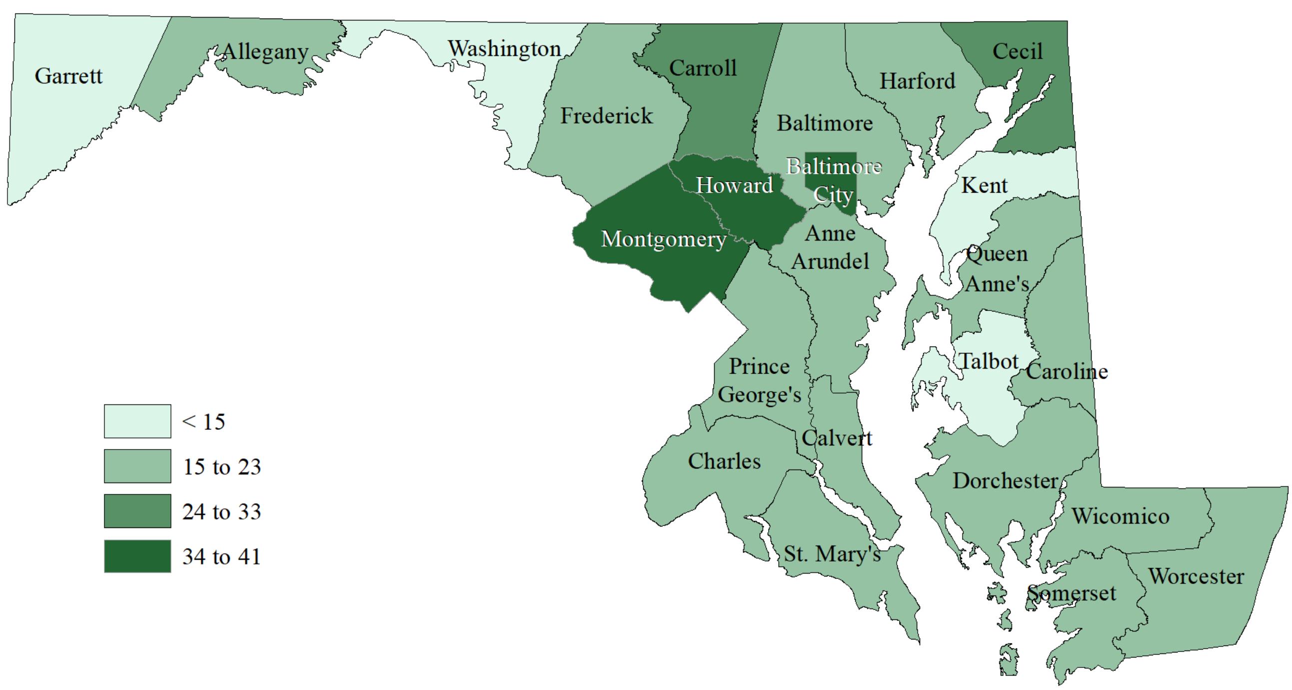
Source: Department of Human Services

As shown in **Exhibit 18**, 17 jurisdictions representing 15 LAAs had average processing times of 23 days or fewer compared to 9 LAAs in fiscal 2018. Of the 3 jurisdictions with average processing times exceeding 34 days in fiscal 2019, 2 (Howard County and Baltimore City) experienced office moves on July 1, 2018. The third jurisdiction (Montgomery County) has consistently had high application processing times relative to other jurisdictions. However, Montgomery County did have a substantial decrease in the average number of days to process applications since fiscal 2018.

Exhibit 18

Average Days to Process Energy Assistance Applications

Fiscal 2019 through September 30, 2018



Note: Two local administering agencies (LAA) 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 the purposes of the map, each of these counties is shown as having the outcome of LAA 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. All but 3 LAAs had at least 1% of applications processed in longer than 55 days, and 10 LAAs had greater than 10% of applications processed in longer than 55 days. At that time, 1 LAA (Howard County Community Action Council) processed 53% of applications in longer than 55 days. Since then, the percent of applications processed in longer than 55 days has generally decreased statewide and in most jurisdictions. As shown in **Exhibit 19**, in fiscal 2019, 4% of applications statewide were processed in longer than 55 days. However, these long processing times occurred at only 3 LAA's (Baltimore City and Howard and Montgomery counties), each of which had greater than 10% of applications processed in longer than 55 days. In fiscal 2018, 13 LAAs had at least 1% of applications processed in longer than 55 days.

Actions to Improve Application Timeliness

OHEP continues to work with LAAs in Baltimore City and Montgomery County to improve applications processing times. While OHEP notes that the office location move influenced Baltimore City's processing timeliness in fiscal 2019, Baltimore City has experienced some periods of longer application processing in recent years. In an effort to address this issue, OHEP explains that a new service delivery model was implemented on July 1, 2018, in Baltimore City. Under the new model, applications are able to be processed at each of the Community Action Partnership (CAP) centers. Previously, all CAP centers accepted applications, but the applications were transported to a single location for processing, resulting in delays in review and processing. OHEP also meets with the Mayor's Office of Human Services on a weekly basis to discuss efforts to improve processing times.

The LAA in Montgomery County (Montgomery County Department of Health and Human Services (DHHS) has made strides in improving application processing times since fiscal 2018, with a decrease of 7 days in the average number of days to process applications and a reduction of 14 percentage points in applications processed beyond the 55-day guideline. These reductions occurred after the Montgomery County DHHS changed workflows for applications, including real-time scanning of applications. Despite the improvement, processing times in Montgomery County remain one of the highest in the State. OHEP reports that staff vacancies have impacted application processing times. The Montgomery County DHHS has worked to fill these vacancies and, during fall 2018, used overtime to assist in application processing. For long-term improvement, OHEP has worked with Montgomery County DHHS to transition 4 temporary case manager positions to permanent positions. OHEP indicates that this change will bring staffing in Montgomery County closer to the levels of similarly sized jurisdictions.

Exhibit 19
Comparison of Applications Processed Beyond the 55-day Guideline
Fiscal 2017-2019

	2017 (through December 7)	2018 (through October 11)	2019 (through September 30)	2018-2019 Percentage Point Change
Allegany County Human Resources Development Commission	2%	1%	0%	-1%
Anne Arundel County CAC	5%	2%	0%	-2%
Baltimore City DHCD/Mayor's Office of Human Services	5%	20%	13%	-7%
Baltimore County DSS	2%	3%	0%	-3%
Caroline County DSS	1%	1%	0%	-1%
Human Service Programs of Carroll County Inc.	1%	1%	0%	-1%
Cecil County DSS	0%	2%	0%	-2%
Dorchester County DSS	1%	0%	0%	0%
Frederick County DSS	1%	12%	0%	-12%
Garrett County CAC	0%	0%	0%	0%
Harford County CAC	1%	0%	0%	0%
Howard County CAC	0%	1%	26%	25%
Kent County DSS	0%	1%	0%	-1%
Montgomery County Department of Health and Human Services	7%	30%	16%	-14%
Prince George's County DSS	3%	3%	0%	-3%
Queen Anne's County DSS	0%	0%	0%	0%
Southern Maryland Tri-County Community Action Committee Inc. (Calvert, Charles, and St. Mary's Counties)	3%	0%	0%	0%
Neighborhood Service Center (Talbot County)	0%	0%	0%	0%
Washington County CAC	0%	1%	0%	-1%
Shore UP! (Somerset, Worcester, and Wicomico Counties)	0%	0%	0%	0%
Total	**2%**	**5%**	**4%**	**-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. It is currently the Mayor's Office of Human Services.

Source: Department of Human Service

Appendix 1

Current and Prior Year Budgets

DHS – Office of Home Energy Programs

($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2018					
Legislative Appropriation	$0	$73,216	$70,869	$0	$144,085
Deficiency/Withdrawn Appropriation	0	-10,009	-11	0	-10,020
Cost Containment	0	0	0	0	0
Budget Amendments	0	-264	0	0	-264
Reversions and Cancellations	0	-20	-4,740	0	-4,760
Actual Expenditures	**$0**	**$62,922**	**$66,118**	**$0**	**$129,041**
Fiscal 2019					
Legislative Appropriation	$0	$60,923	$68,669	$0	$129,593
Budget Amendments	0	3	5	0	8
Working Appropriation	**$0**	**$60,926**	**$68,674**	**$0**	**$129,601**

DHS: Department of Human Services

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time $500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

Fiscal 2018

The fiscal 2018 expenditures of the Department of Human Services Office of Home Energy Programs (OHEP) were $15.0 million ($10.3 million in special funds and $4.8 million in federal funds) lower than the legislative appropriation. A deficiency appropriation withdrew $10.0 million of special funds due to lower than expected revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions. In addition, a decrease of $20,432 ($8,938 in special funds and $11,494 in federal funds) occurred through a withdrawn appropriation in Section 19 of the fiscal 2019 Budget Bill due to a surplus in the health insurance account. An additional decrease of $264,420 in special funds occurred by budget amendment due to delays in the planned use of the funds available from a condition of the Certificate of Public Convenience and Necessity for an electric generating facility at Dominion Cove Point. A federal fund cancellation of $4.7 million resulted from a lower than expected number of applications. OHEP also canceled a small amount of special funds.

Fiscal 2019

The fiscal 2019 appropriation has increased by $8,070 ($3,179 in special funds and $4,871 in federal funds) compared to the legislative appropriation due to the distribution of the general salary increase that was centrally budgeted.

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

Object/Fund	FY 18 Actual	FY 19 Working Appropriation	FY 20 Allowance	FY 19 - FY 20 Amount Change	Percent Change
Positions					
01 Regular	14.87	14.87	15.87	1.00	6.7%
02 Contractual	1.10	0.00	0.00	0.00	0.0%
Total Positions	**15.97**	**14.87**	**15.87**	**1.00**	**6.7%**
Objects					
01 Salaries and Wages	$ 1,593,891	$ 1,044,996	$ 1,099,813	$ 54,817	5.2%
02 Technical and Spec. Fees	430,750	1,150	1,150	0	0%
03 Communication	25,677	37,241	21,937	- 15,304	- 41.1%
04 Travel	8,044	7,004	7,004	0	0%
06 Fuel and Utilities	14,833	0	0	0	0.0%
08 Contractual Services	126,459,125	128,343,265	131,849,192	3,505,927	2.7%
09 Supplies and Materials	132,407	158,111	158,111	0	0%
10 Equipment – Replacement	995	0	0	0	0.0%
11 Equipment – Additional	1,384	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	314,994	0	0	0	0.0%
13 Fixed Charges	58,413	8,850	8,850	0	0%
Total Objects	**$ 129,040,513**	**$ 129,600,617**	**$ 133,146,057**	**$ 3,545,440**	**2.7%**
Funds					
03 Special Fund	$ 62,922,215	$ 60,926,338	$ 63,447,427	$ 2,521,089	4.1%
05 Federal Fund	66,118,298	68,674,279	69,698,630	1,024,351	1.5%
Total Funds	**$ 129,040,513**	**$ 129,600,617**	**$ 133,146,057**	**$ 3,545,440**	**2.7%**

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time $500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.