**N00I0006**

# Office of Home Energy Programs

**Department of Human Resources**

## *Operating Budget Data*

**($ in Thousands)**

| | FY 16 Actual | FY 17 Working | FY 18 Allowance | FY 17-18 Change | % Change Prior Year |
|---|---|---|---|---|---|
| Special Fund | $77,836 | $77,598 | $73,217 | -$4,381 | -5.6% |
| Adjustments | 0 | 0 | -2 | -2 | |
| **Adjusted Special Fund** | **$77,836** | **$77,598** | **$73,216** | **-$4,383** | **-5.6%** |
| | | | | | |
| Federal Fund | 65,175 | 63,220 | 70,871 | 7,652 | 12.1% |
| Adjustments | 0 | 0 | -2 | -2 | |
| **Adjusted Federal Fund** | **$65,175** | **$63,220** | **$70,869** | **$7,649** | **12.1%** |
| | | | | | |
| **Adjusted Grand Total** | **$143,011** | **$140,818** | **$144,085** | **$3,267** | **2.3%** |

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 allowance of the Department of Human Resources (DHR) Office of Home Energy Programs (OHEP) increases by $3.3 million, or 2.3%, compared to the fiscal 2017 working appropriation after accounting for the contingent reduction.

- The special fund reduction of $4.4 million, or 5.6%, primarily results from a decrease in support from the Strategic Energy Investment Fund (SEIF) due to declines in the fund balance and revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions. The decrease in the SEIF is partially offset by increases in other special funds, including the first of 20 years of payments related to the Dominion Cove Point Certificate of Public Convenience and Necessity ($400,000).

- Federal funds increase in OHEP by $7.6 million, or 12.1%, to better reflect the anticipated receipts of federal Low-Income Home Energy Assistance Program funds based on recent history.

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

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## *Personnel Data*

| | FY 16 Actual | FY 17 Working | FY 18 Allowance | FY 17-18 Change |
|---|---|---|---|---|
| Regular Positions | 16.87 | 14.87 | 14.87 | 0.00 |
| Contractual FTEs | 1.85 | 0.00 | 0.00 | 0.00 |
| **Total Personnel** | **18.72** | **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 1/1/17 | 0.00 | 0.00% |

- There are no changes in the number of regular positions in the fiscal 2018 allowance. In fiscal 2017, 1.0 position was transferred into OHEP from another program in the Family Investment Administration. This position is dedicated to program integrity and monitoring. However, the change between fiscal 2016 and 2017 appears as a net decrease of 2.0 positions because of the 3.0 positions that were abolished as a result of Section 20 of the fiscal 2017 budget bill.

- The turnover expectancy for OHEP decreases in the fiscal 2018 allowance from 9.98% to 7.07% to align with the departmentwide turnover expectancy.

- As of January 1, 2017, OHEP had no vacant positions. To meet its turnover expectancy, OHEP would need to maintain 1.05 vacant positions. At its current level of vacancy, OHEP may have trouble meeting its turnover expectancy but of course it is just one office in a larger agency.

# *Analysis in Brief*

## Major Trends

***Demand for Energy Assistance Continues to Decline:*** The number of households applying for and receiving bill assistance benefits decreased in fiscal 2016. The number of households receiving Electric Universal Service Program (EUSP) bill assistance benefits (102,947) and Maryland Energy Assistance Program (MEAP) benefits (104,491) was the lowest since fiscal 2008. These declines were largely due to improvements in the economy and milder weather patterns.

***Benefit Amount Changes Influence Spending:*** Despite a decrease in households receiving benefits, OHEP expenditures increased in fiscal 2016 due to a combination of an increase in benefit amounts and the provision of a supplemental benefit. In fiscal 2016, the average grant for MEAP increased by 9.3%, and EUSP bill payment assistance increased by 11.9% compared to fiscal 2015. Average EUSP arrearage assistance grants also increased (5.3%).

***Year-to-date Applications and Households Receiving Benefits:*** Through December 2016, the number of households applying for and receiving EUSP bill payment and MEAP assistance is lower than the same period in fiscal 2016. Despite this decline, EUSP bill payment spending is higher than the same period in fiscal 2016 due to higher benefit payments. MEAP spending has declined in fiscal 2017, compared to the same period in fiscal 2016, due to decreased benefit amounts and fewer households receiving assistance. Overall, spending in fiscal 2017 is $1.9 million lower than the same period in fiscal 2016.

## Issues

***Planned Program Changes:*** In response to committee narrative in the 2015 *Joint Chairmen's Report* (JCR), DHR indicated that OHEP was developing a Policy Reform Plan that was expected to be ready by early fiscal 2017. The 2016 JCR requested that the department submit a report discussing any planned program changes that resulted from the Policy Reform Plan, including information on anticipated legislative changes. In the response, DHR described a planned new incentive benefit that would reduce a customer's energy bill to 6% of the household's income if the customer participates in certain activities designed to reduce a customer's reliance on energy assistance in the future. The planned program changes do not require legislative changes and are expected to be implemented at the beginning of fiscal 2018. In addition, an Arrearage Management Pilot, which essentially acts as an arrearage forgiveness program, is under consideration by the Public Service Commission in response to a condition of approval of the Exelon Corporation and Pepco Holdings, Inc., merger. Depending on the outcome of the pilot, this type of program could ultimately replace the existing EUSP arrearage program.

***Outreach Plans:*** The percentage of eligible households receiving energy assistance benefits has declined in recent years and was less than 31% for both MEAP and EUSP bill assistance benefits in fiscal 2015 and 2016. Fewer than 35% of eligible households with members in certain targeted populations (children under the age of 6, adults over the age of 60, or individuals with disabilities) received energy assistance benefits in fiscal 2015. The 2016 JCR included committee narrative requesting information on the steps that OHEP has taken, or plans to take, to improve outreach efforts. In the response, OHEP outlined several strategies for improved outreach beginning in fiscal 2016. These strategies included targeting Food Supplement Program recipients not already receiving energy assistance benefits for mailing, identifying and targeting neighborhoods that underutilize benefits, planning radio advertisements on Spanish radio outlets, and partnering with third-party organizations to assist households in applying for benefits.

## Recommended Actions

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

2. Adopt committee narrative requesting information on the implementation of the new Supplemental Targeted Energy Program.

## Updates

***Energy Assistance Application Processing Times:*** In recent years, data available on energy assistance application processing times indicated that certain jurisdictions experienced difficulty in processing applications timely. To date, in fiscal 2017, application processing timeliness has shown considerable improvement statewide. No Local Administering Agency (LAA) has processed more than 7% of applications in longer than 55 days (compared to four LAAs in the same period in fiscal 2016).

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

## *Operating Budget Analysis*

### Program Description

The Office of Home Energy Programs (OHEP) is a program of the Department of Human Resources (DHR) 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), 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's (RGGI) carbon dioxide 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, 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.

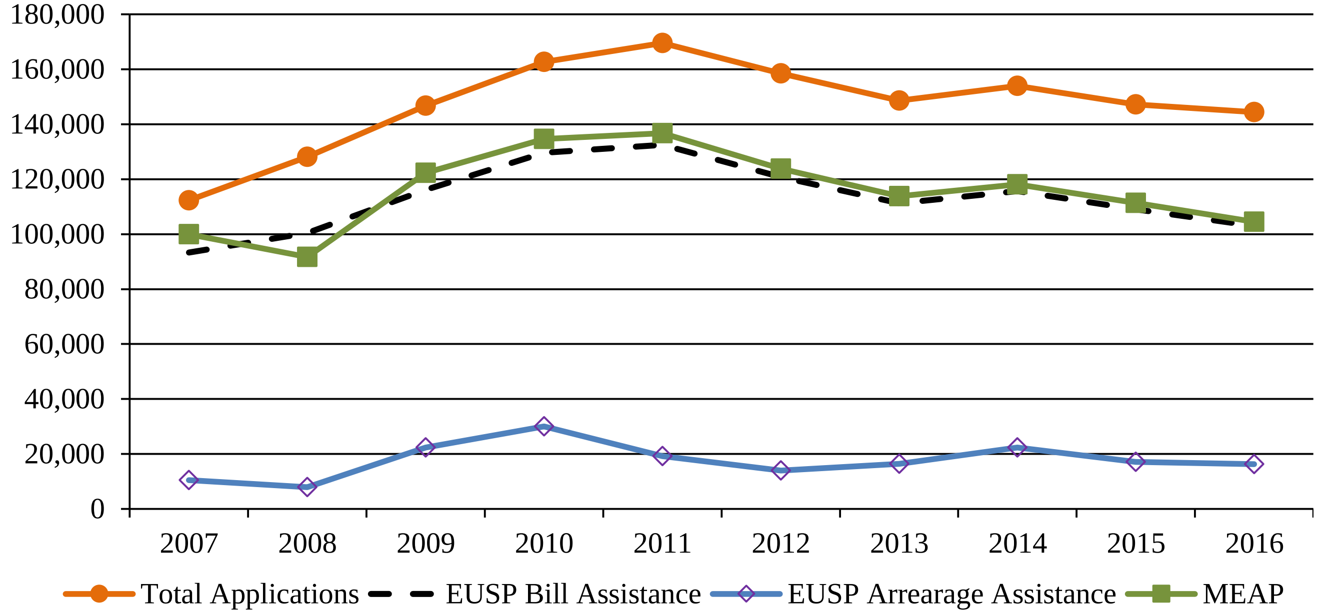
DHR has one key goal related to the work of OHEP, which is that Maryland residents have access to essential services to support themselves and their families. In addition, DHR has an overall goal to be recognized as a national leader among human service agencies.

### Performance Analysis: Managing for Results

### 1. Demand for Energy Assistance Continues to Decline

In fiscal 2016, for the fourth time in five years, the number of applications for energy assistance declined, as shown in **Exhibit 1**. The number of applications decreased by 1.9% in fiscal 2016 compared to fiscal 2015. The total number of applications in fiscal 2016 (144,427) was the lowest since fiscal 2008. Similarly, after declines in fiscal 2016, the number of EUSP bill payment assistance recipients (102,947) and MEAP recipients (104,491) was the lowest since fiscal 2008. The recent declines in applications and households receiving assistance have generally been the result of improvements in the economy and milder weather patterns. Weather patterns can have a significant impact on the demand for energy assistance. Households who might marginally be able to afford energy bills during periods of mild weather may be unable to afford energy bills during periods with more extreme temperatures (which increase bills).

**Exhibit 1**
**OHEP Benefits Provision History**
**Fiscal 2007-2016**




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

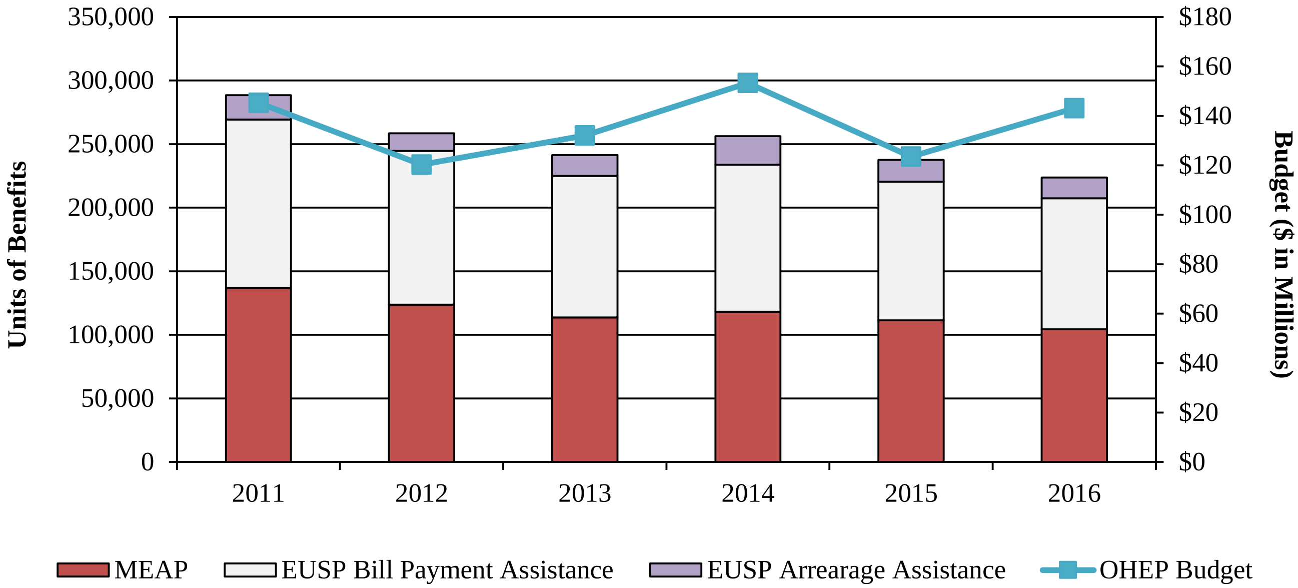
Source: Department of Human Resources

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 have been the result of lower demand and eligible recipients rather than available funding.

## 2. Benefit Amount Changes Influence Spending

Despite a decrease in the number of households served in fiscal 2016, spending in OHEP increased by $19.5 million, as shown in **Exhibit 2**. The increased spending results from a combination of increased grant amounts and the provision of a supplemental EUSP bill payment benefit. The supplemental benefit amounts varied from $109 for households in subsidized housing to $252 for those earning between 0% and 75% of the federal poverty level (FPL). In total, $17.2 million of supplemental EUSP bill assistance benefits were provided in fiscal 2016.

**Exhibit 2**
**OHEP Outcomes versus Expenditures**
**Fiscal 2011-2016**

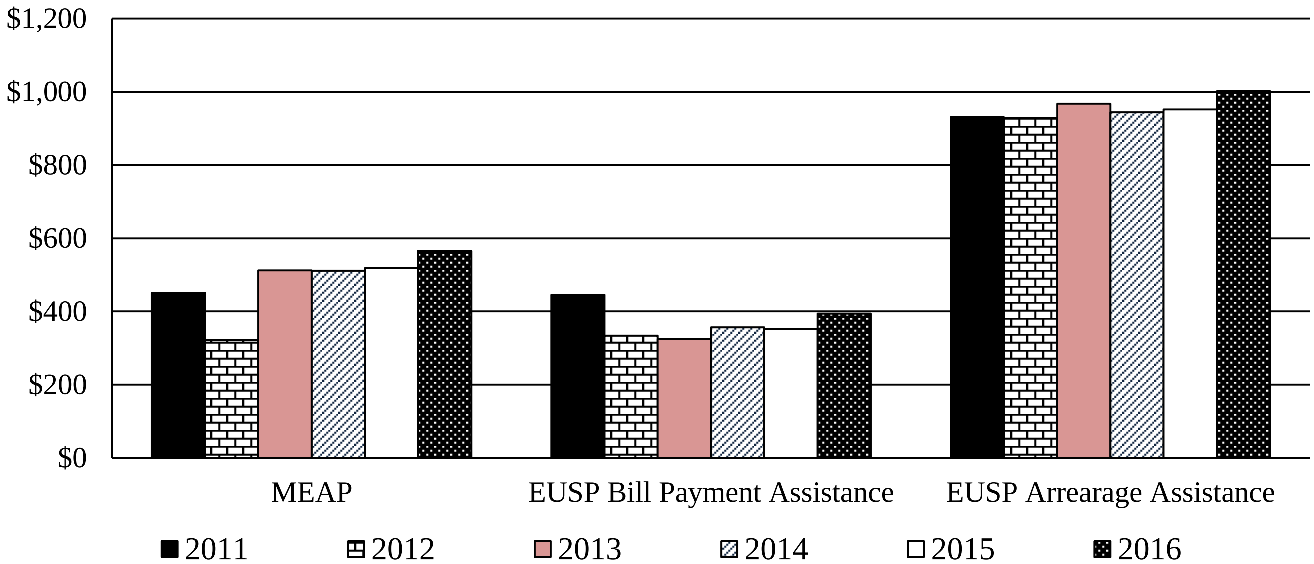



EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program
OHEP: Office of Home Energy Programs

Source: Department of Human Resources

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 percent of the bill paid. Incomes are grouped into categories (0.0% to 75.0% of FPL, 75.0% to 110.0% of FPL, 110.0% to 150.0% of FPL, and 150.0% to 175.0% of FPL). The percent of bill paid varies by heat source for MEAP. Average benefits are largely influenced by the percent 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 both MEAP (9.3%) and EUSP bill payment (11.9%) assistance in fiscal 2016 compared to the prior year. The increase was largely the result of a higher percent of the bill paid for electric customers.

**Exhibit 3**
**Average Grant Amounts**
**Fiscal 2011-2016**




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

Source: Department of Human Resources

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. In fiscal 2016, the average EUSP arrearage assistance benefit increased (5.3%) to $1,002. An average benefit of over $1,000 has only occurred one other time since fiscal 2009 – in fiscal 2010, when the average benefit was $1,024. It might be expected, however, that increased benefits for bill payment assistance for electric customers might reduce future demand for arrearage assistance.

## 3. Year-to-date Applications and Households Receiving Benefits

As shown in **Exhibit 4**, the number of applications for, and households receiving, EUSP bill payment assistance and MEAP assistance have continued to decline in fiscal 2017 (through December 2016). However, the number of applications for EUSP arrearage assistance has increased by 44.1%. DHR changed the application in fiscal 2017 to encourage additional screening for arrearage assistance. This change in the application has increased the number of applications screened for arrearage assistance. Despite the increase in those being screened, the number of households receiving EUSP arrearage assistance has declined in fiscal 2017 (14.1%). Households are only eligible for arrearage assistance once every seven years, with limited exceptions, and individuals are also only eligible if the arrearage is more than $300. DHR indicates that these limitations have led to many of the applicants being determined ineligible.

**Exhibit 4**
## OHEP Applications and Benefits Data
**Fiscal 2016-2017**
**(July through December in Each Year)**

| | 2016 | 2017 | Change | % Change |
|---|---|---|---|---|
| **Applications** | | | | |
| MEAP | 94,559 | 92,188 | -2,371 | -2.5% |
| EUSP Bill Payment | 92,467 | 87,376 | -5,091 | -5.5% |
| EUSP Arrearage | 13,566 | 19,542 | 5,976 | 44.1% |
| **Receiving Benefits** | | | | |
| MEAP | 65,393 | 61,383 | -4,010 | -6.1% |
| EUSP Bill Payment | 65,184 | 60,722 | -4,462 | -6.8% |
| EUSP Arrearage | 9,146 | 7,854 | -1,292 | -14.1% |
| **Percentage of Bill Paid (Lowest Income Level)** | | | | |
| MEAP Natural Gas and Bulk Fuels | 94% | 93% | -1% | |
| MEAP Electric Heat (No EUSP) | 55% | 40% | -15% | |
| MEAP Electric Heat (if Also Receive EUSP) | 26% | 25% | -1% | |
| EUSP Bill Payment Assistance | 42% | 56% | 14% | |
| **Average Benefit** | | | | |
| MEAP | $588 | $551 | -$37 | -6.3% |
| EUSP Bill Payment | 390 | 496 | 106 | 27.2% |
| EUSP Arrearage | 977 | 891 | -86 | -8.8% |
| **Benefits Paid ($ in Millions)** | | | | |
| MEAP | $38.5 | $33.8 | -$4.7 | -12.1% |
| EUSP Bill Payment | 25.4 | 30.1 | 4.7 | 18.4% |
| EUSP Arrearage | 8.9 | 7.0 | -1.9 | -21.6% |
| **Total Benefits Paid** | **$72.9** | **$71.0** | **-$1.9** | **-2.6%** |

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

Source: Department of Human Resources

In fiscal 2017, OHEP again increased the percentage of bill paid at each benefit level for EUSP bill payment assistance, with increases ranging from 6 percentage points to 14 percentage points. As a result of these increases, year-to-date, the average EUSP bill payment benefit has increased by $106, or 27.2%. As a result of the substantial increase in EUSP bill payment assistance benefits, spending on those benefits is 18.4% higher in fiscal 2017 than during the same time period in fiscal 2016, despite fewer households receiving the benefits. However, the average EUSP arrearage assistance benefit has decreased by $86, or 8.8%, which in combination with fewer households receiving benefits, has led to a decrease in spending on this benefit. **DHR should comment on how increased bill payment assistance in recent years may be impacting the need for EUSP arrearage assistance.**

OHEP decreased the percentage of bill paid slightly for certain customers heating with natural gas and bulk fuels, but more substantially (15 percentage points) decreased the percentage of bill paid for customers heating with electricity that do not also receive EUSP, which has led to a decrease in the average MEAP benefit in fiscal 2017. The increased spending in EUSP bill payment assistance has, to date, in fiscal 2017, been more than offset by reductions in spending in MEAP and EUSP arrearage assistance. In total, spending has declined $1.9 million, or 2.6%, in fiscal 2017 compared to the same period in fiscal 2016.

## Fiscal 2017 Actions

### Section 20 Position Reduction

Section 20 of the fiscal 2017 budget bill required 657 vacant positions to be abolished throughout State government and $20.0 million of general funds and $5.0 million of special funds to be reduced. There were 72 positions abolished in DHR as a result of this section. Of the 72 positions, 3 were in OHEP. While DHR had $2.2 million in general funds reduced as a result of this action, no special funds were reduced. OHEP has no general funds and, therefore, no funds in the program were reduced as part of Section 20. The funds associated with the abolished positions (approximately $240,000) in the fiscal 2017 working appropriation would be expected to be canceled in the fiscal 2017 closeout process.

## Proposed Budget

As shown in **Exhibit 5**, the fiscal 2018 allowance of OHEP increases by $3.3 million, or 2.3%, compared to the fiscal 2017 working appropriation after accounting for the contingent reductions. Aside from changes in energy assistance benefits, the fiscal 2018 allowance of OHEP increases by $2.1 million. The largest increase in non-energy assistance benefits occurs among contractual expenses, including contracts for LAAs ($1.1 million) and funds to support an employment and income verification contract ($590,277). The employment and income verification contract is shared with FIA for various public assistance programs. While OHEP had spending related to this contract in fiscal 2016, no funds are currently budgeted for this purpose in the fiscal 2017 working appropriation.

**Exhibit 5**
**Proposed Budget**
**DHR – Office of Home Energy Programs**
**($ in Thousands)**

| **How Much It Grows:** | **Special Fund** | **Federal Fund** | **Total** |
|---|---|---|---|
| Fiscal 2016 Actual | $77,836 | $65,175 | $143,011 |
| Fiscal 2017 Working Appropriation | 77,598 | 63,220 | 140,818 |
| Fiscal 2018 Allowance | 73,216 | 70,869 | 144,085 |
| Fiscal 2017-2018 Amount Change | -$4,383 | $7,649 | $3,267 |
| Fiscal 2017-2018 Percent Change | -5.6% | 12.1% | 2.3% |

| **Where It Goes:** | |
|---|---|
| **Personnel Expenses** | |
| Turnover expectancy decreases from 9.98% to 7.07% | $37 |
| Social Security contributions | -9 |
| Accrued leave payout to better reflect experience | -16 |
| Employee retirement after accounting for the contingent reduction of $3,629 | -21 |
| Employee and retiree health insurance | -39 |
| Regular earnings primarily due to the impact of Section 20 position abolitions | -94 |
| Other fringe benefit adjustments | -2 |
| **Energy Assistance Benefits** | |
| Federal LIHEAP funding due to anticipated availability and changes in priority for use of EUSP partially offset by reduced availability of the SEIF | 1,204 |
| Implementation and evaluation of planned program enhancements | 400 |
| **Administrative Changes** | |
| Local administering agency contracts | 1,103 |
| Employment and income verification contract not budgeted in fiscal 2017 | 590 |
| Supplies for outreach | 100 |
| Other changes | 13 |
| **Total** | **$3,267** |

DHR: Department of Human Resources
EUSP: Electric Universal Service Program
LIHEAP: Low-Income Home Energy Assistance Program
SEIF: Strategic Energy Investment Fund

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

## Energy Assistance Benefits

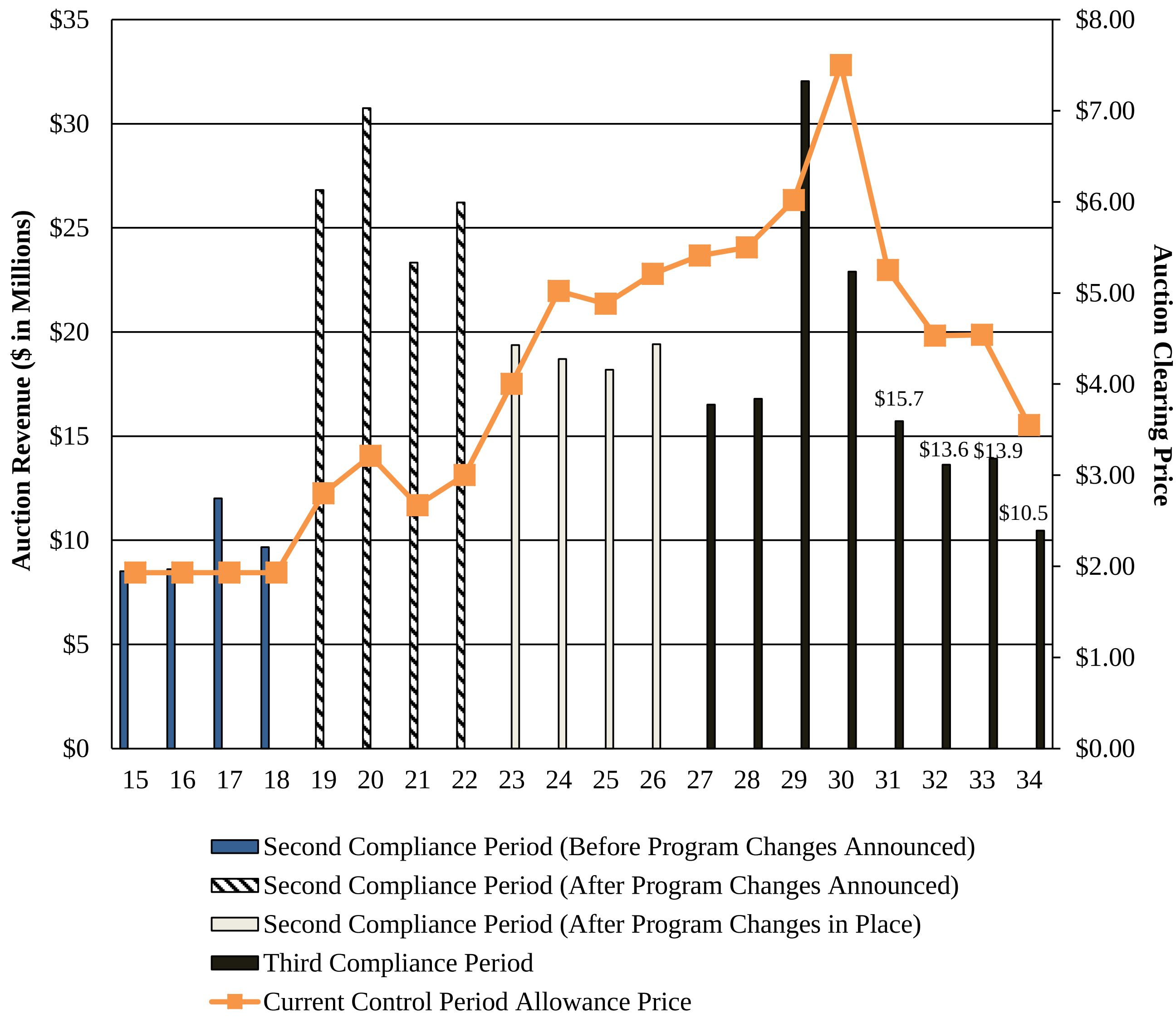
In total, funding for energy assistance benefits increase by $1.2 million (0.9%) in the fiscal 2018 allowance. The changes in funding for energy assistance are primarily due to the availability of the fund sources that support these benefits.

### SEIF

Under Section 9-20B-05 of the State Government Article, at least 50% of the revenue from RGGI carbon dioxide emission allowance auctions is directed to energy assistance. Funding available to OHEP from the SEIF has been bolstered in recent years by increasing auction clearing prices from the quarterly RGGI auctions. Between December 2012 (Auction 18) and December 2015 (Auction 30), auction clearing prices increased from $1.93 per allowance to $7.50 per allowance, as shown in **Exhibit 6**. The revenue that resulted from these higher prices allowed for both higher spending from the SEIF for energy assistance and a fund balance to build over time (as revenue outpaced demand for benefits). In calendar 2016, the auction clearing prices took an unexpected and steep decline. The December 2016 auction (Auction 34) resulted in an auction clearing price ($3.55) that was less than half of the price in the auction the year prior.

Because this decline in revenue was unexpected during the development of the fiscal 2017 budget, OHEP is now expected to require nearly $18.0 million of fund balance to support the fiscal 2017 appropriation. This decline also impacts the funds available in fiscal 2018. The fiscal 2018 allowance from the SEIF decreases by $5.0 million to $37.0 million. Even with this decrease, OHEP will require $13.5 million of fund balance to support the appropriation. In addition to the use of fund balance to support OHEP spending, the Maryland Energy Administration (MEA) as administrators of the SEIF plans to realign $9.0 million of the energy assistance balance over those two years to other program areas. Additional detail about the impact of the revenue decline on the SEIF is available in the analysis of MEA. In combination, as shown in **Exhibit 7**, these actions are expected to result in a substantial decrease in the energy assistance balance in the SEIF (from $46.2 million at the beginning of fiscal 2017 to $5.7 million at the close of fiscal 2018). While this reduction is not expected to have a significant impact on the energy assistance program in fiscal 2018, the fiscal 2019 OHEP budget is likely to be substantially reduced from its current levels if auction revenue does not rebound.

**Exhibit 6**
**Regional Greenhouse Gas Initiative Revenue**
**Auctions 15-34**
**(March 2012 – December 2016)**




Source: Regional Greenhouse Gas Initiative, Inc.

**Exhibit 7**
**Strategic Energy Investment Fund Energy Assistance Balance**
**Fiscal 2016-2018 Est.**

| | |
|---|---|
| **Fiscal 2016 Closing Balance*** | **$46,153,024** |
| | |
| Fiscal 2017 Estimated Revenue | $24,014,257 |
| Fiscal 2017 Working Appropriation | -42,000,000 |
| Fund Balance Realignment | -6,000,000 |
| **Fiscal 2017 Estimated Balance** | **22,167,281** |
| | |
| Fiscal 2018 Estimated Revenue | $23,505,966 |
| Fiscal 2018 Allowance | -37,000,000 |
| Fund Balance Realignment | -3,000,000 |
| **Fiscal 2018 Estimated Balance** | **$5,673,247** |

* Includes a redistribution of excess Regional Greenhouse Gas Initiative dues, Electric Vehicle Rebate Program, and other adjustments.

Source: Maryland Energy Administration; Governor's Budget Books

**EUSP**

Section 7-512 of the Public Utilities Article sets the level of ratepayer funding for EUSP at $37.0 million. While collections are limited to $37.0 million, difficulties in setting a surcharge that collects exactly the correct amount of funds results in collections sometimes exceeding $37.0 million. The fiscal 2018 allowance, provides a total of $37.3 million from EUSP throughout DHR, an increase of $248,030 compared to the fiscal 2017 working appropriation reflecting the ability to receive slightly more funds than should otherwise be collected.

Despite the limited overall increase, the allowance includes a more significant change in the use of funds. The fiscal 2018 allowance, increases the share of EUSP dedicated to energy assistance benefits ($891,971) and outreach expenses ($100,000) while reducing the funds for administrative expenses ($774,528). Funding for energy assistance benefits from EUSP in the fiscal 2018 allowance totals $29.9 million which, while higher than the fiscal 2017 working appropriation, is lower than the fiscal 2016 actual expenditures ($31.5 million).

**LIHEAP**

In any given year, the State's LIHEAP allocation may vary based on both the federal appropriation level and the State share of the appropriation. The average amount of LIHEAP received by Maryland from federal fiscal 2014 to 2016 was $69.9 million. However, in federal fiscal 2016, Maryland received $72.3 million. Through February 1, 2017, Maryland has already received $66.0 million of LIHEAP funds in federal fiscal 2017. The fiscal 2018 allowance includes $72.3 million of federal LIHEAP throughout DHR consistent with the amount received in federal fiscal 2016, but an increase of $7.7 million compared to the fiscal 2017 working appropriation.

The increase in funding primarily supports energy assistance benefits (an increase of $5.3 million), which provides a total of $62.3 million for this purpose in the fiscal 2018 allowance. The remaining increase occurs among administrative expenses, including LAA contract costs, the employment and income verification contract, and for information technology (IT) costs in the Office of Technology for Human Services. While federal funds for administrative expenses increase by only $2.3 million, LIHEAP is used to support the entire increase in administrative expenses. In total, federal funds support 60% of the fiscal 2018 planned administrative expenses, an increase from 55% of the expenses in fiscal 2016. DHR indicates that the increased share of administrative expenses funded through LIHEAP is the result of a new cost allocation policy following fiscal 2016.

## Dominion Cove Point

In April 2013, Dominion Cove Point LNG, LP (DCP) filed an application with the Public Service Commission (PSC) for a Certificate of Public Convenience and Necessity (CPCN) to construct a 130-megawatt nameplate capacity electric generating station at the existing liquefied natural gas terminal site in Calvert County. On May 30, 2014, PSC granted the CPCN for the new electric generating station to DCP subject to a number of conditions. One of the conditions required contributions totaling $8 million ($400,000 per year for the expected 20 years of plan operations) to MEAP or another Maryland low-income energy assistance program specified by PSC by January 1, 2016. PSC did not designate another low-income energy assistance program to receive the funds.

The fiscal 2018 allowance includes $400,000 in OHEP representing the first of the 20 payments expected from DCP. In fiscal 2018, OHEP will use these funds for implementation and evaluation costs associated with planned program enhancements, discussed further in Issue 1. DHR indicates that, as the programs are fully operational and implementation and evaluation costs decrease, future DCP payments are expected to be directed to supplement the EUSP bill payment and EUSP arrearage assistance.

# *Issues*

## 1. Planned Program Changes

In January 2012, PSC initiated a review of Maryland's energy assistance programs as a result of concerns that arose from the *Fiscal 2011 Electric Universal Service Program Annual Report*, particularly whether the energy assistance programs were fulfilling (or could fulfill) the intended purposes and whether the programs were appropriately funded. As part of the review, PSC staff worked with the Office of People's Counsel (OPC) to develop consensus recommendations that would have drastically changed energy assistance programs in Maryland. The proposal would have converted Maryland's current programs, which determine benefits by income level (through a percent of bill paid), energy use, energy cost, and utility service territory to a percentage of income payment plan.

Under a percent of income payment plan, a certain percent of a household's income dedicated to an energy bill, in this case 6%, is deemed affordable and is subtracted from a customer's actual or estimated energy bill for a year and the remainder is the amount of the energy assistance benefit. In addition, the proposed program would have contained an arrearage forgiveness program for pre-program arrearages, under which the arrearage would be forgiven if the customer paid a certain additional amount per month toward the bill. The current arrearage program provides a benefit at the level of arrearage between \$300 and \$2,000, no more than once every seven years. Other program components would have focused on energy conservation and crisis intervention. The cost was estimated at \$250 million.

PSC ultimately did not proceed with any changes, but during the process, DHR expressed interest in making changes to the program. The 2015 *Joint Chairmen's Report* (JCR) requested that DHR provide information on program enhancements implemented in fiscal 2016 and planned enhancements in fiscal 2017. The information was provided in two reports. In the report, OHEP noted that it planned to further develop recommendations for program changes and that the Policy Reform Plan (containing those changes) would be developed in early fiscal 2017. The 2016 JCR requested a report on the planned program changes and any legislative changes that would result. The report with the planned changes was submitted on December 1, 2016.

The program changes were developed in consultation with a Policy Reform Advisory Group that included members from various utilities, the Fuel Fund of Maryland, PSC, MEA, the Department of Housing and Community Development, the Department of Aging, several community action agencies, several local departments of social services, the Abell Foundation, the National Consumer Law Center (NCLC), the University of Baltimore Jacob France Institute, the University of Maryland School of Social Work, and Welfare Advocates. The advisory group held six meetings in calendar 2016.

### Supplemental Targeted Energy Program

As explained in the report, OHEP plans to maintain the existing benefit programs while adding a new incentive benefit known as the Supplemental Targeted Energy Program (STEP) beginning

July 1, 2017. OHEP indicates that no legislative changes are required to implement the STEP. Under the STEP, customers would receive an additional benefit if the customer completes certain activities that are intended to improve long-term energy bill affordability. The available incentive benefit would be intended to reduce the customer's bill to 6% of the household income (deemed an affordable level) if the customer completes each of three activities. The benefit level would be calculated by taking into account the household income, the estimated energy cost, and the amount of EUSP and MEAP assistance received (unless these funds are used solely to reduce an arrearage rather than being applied to future bills), and the remaining customer energy cost compared to the cost at the affordable 6% level, similar to the percentage of income plan proposal. **Exhibit 8** provides an example of how this benefit will be calculated. However, the STEP would have a maximum level after which no additional benefit would be provided. The maximum STEP grant for a year would be $1,000 (approximately $83 per month), and the additional benefit is only earned by completing certain activities.

**Exhibit 8**

## Example of Calculation of STEP Grant

| | |
|---|---|
| Monthly Household Income | $1,666 |
| Estimated Monthly Energy Cost | 250 |
| EUSP and MEAP Monthly Assistance (Total Grant/12) | 100 |
| Cost Paid by Customer | 150 |
| Affordable Energy Cost (6% of Monthly Income) | 100 |
| Monthly STEP Benefit | 50 |
| **Total STEP Benefit (if All Activities Are Completed)** | **$600** |

EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program
STEP: Supplemental Targeted Energy Program

Source: Department of Human Resources

### Enrollment and Eligibility

OHEP will enroll customers in the STEP through self-referral and targeted outreach by administering agencies. OHEP will establish a target enrollment number for a year based on available funding. If the program is oversubscribed, OHEP will focus on priority groups. The priority groups are (1) customers that receive arrearage assistance; (2) high energy burden customers (customer paying 18% or more of income toward the energy bill); (3) households with an individual over the age of 65; (4) households with children under the age of 2; and (5) medically fragile individuals. Customers will only be allowed to participate in the STEP once every four years, even if the customer does not complete all three components. Only customers with bills (after accounting for the EUSP and MEAP assistance) that exceed 6% of the household income are eligible for the program.

**Program Components**

The STEP has three components, and the customer earns a portion of the benefit after completing each component. A customer does not have to complete all three components to be eligible to receive any benefit. The incentive for each component is paid out over a four-month period, so that if a customer completes all three components, the incentive benefit would allow the bill for the year to be at a 6% of the household income. The incentives are paid out only one per month (so if a customer completes the second step before the incentive for the first step is completed, the second step incentive does not begin until the incentive for the first step runs out).

The three STEP components are:

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

- ***Behavior Change*** – The activities under this component 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 electronics usage. The curriculum and type of session (classroom, home visit, *etc*.) would be determined by the administering agency, although OHEP will establish minimum standards and review agency plans; and

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

The benefits will be earned after (1) developing the Service Coordination Plan; (2) completing the energy education workshop; and (3) developing the Energy Affordability Evaluation Plan. Customers have a maximum of 15 months to complete all three components, or the customer is removed from the program.

**Administration**

Administration of STEP may, or may not, be completed by existing LAAs. LAAs may also partner with other organizations to provide the services. OHEP is conducting an evaluation process for all interested parties to identify the organizations in each jurisdiction best capable of providing the STEP services. The evaluation will be conducted using an assessment tool (released in December 2016) to understand organizations' capability of providing services and how organizations intend to provide the services. After selection, organizations will submit a detailed implementation plan for review and approval, which will then be incorporated into the annual LIHEAP State plan. **DHR should comment on the status of determining administering agencies for the STEP.**

**DLS recommends committee narrative requesting reports on the implementation of the program, including the number of households participating and the value of benefits provided.**

## Arrearage Management Plan Pilot

One of the conditions of approval of the merger between Exelon Corporation and Pepco Holdings, Inc., (PHI) required that the companies initiate discussions with NCLC and other stakeholders to consider the development of an Arrearage Management Plan (AMP) for limited-income customers in arrears, which would include providing credits or matching payments for customers making timely payments on current bills (essentially an arrearage forgiveness program) subject to approval by PSC. On December 22, 2016, Baltimore Gas and Electric (BGE) and PHI (on behalf of Delmarva Power & Light (DPL) and Potomac Electric Power Company (Pepco)) submitted a proposed AMP pilot for PSC review and approval. The companies noted that they held six stakeholder meetings that included a variety of organizations: NCLC; 2-1-1; American Association of Retired Persons; Apartment and Office Building Association of Metropolitan Washington; Fuel Fund of Maryland; OPC; OHEP; and other local government, community action, and nonprofit organizations.

The proposed AMP would operate as a pilot to evaluate the change in payment behaviors, arrearages, collection actions, and other factors, which would ultimately help OHEP determine whether such a program could replace the existing EUSP arrearage program. As a result, customer data would be tracked not only during the pilot but for six months after program completion for use in the program evaluation.

### Eligibility

To be eligible for the pilot, the customer must apply and be determined eligible for the existing EUSP arrearage program. However, the pilot will only enroll customers whose projected annual energy cost (after including all assistance received through OHEP) does not exceed the affordable level (6% of household income). Customers can be participating in both the STEP and the AMP pilot. However, if the customer's energy cost is not reduced to 6% of household income or less through the STEP and regular OHEP assistance, then the customer will not be eligible for the AMP pilot and will instead receive the traditional EUSP arrearage assistance. Customers whose electricity has been disconnected are still eligible for the program as long as the customer otherwise meets the reconnection rules of the utility. If customers are selected for the pilot but decline enrollment, the customer will not receive the traditional EUSP arrearage grant.

The companies intend to enroll a statistically valid sample, with a goal of 3,000 customers. The total enrollment is expected to be distributed among BGE, DPL, and Pepco, in proportion to the share of EUSP arrearage eligible customers. Although the companies intend to conduct enrollment during a three-month period (January through March), enrollment would remain open until a valid sample size is reached.

**Program Components**

The program would not have a maximum benefit amount (unlike the existing program that is capped at $2,000) to allow for study of the impacts of different size arrearages in the evaluation, which may help set a future program cap. Upon enrollment, customers will be enrolled in a level payment program (budget billing) for the amount of their estimated bill use for the year. Customers earn one-twelfth of the arrearage forgiveness for each full payment made on the budget bill amount. The forgiven amount is paid for through the arrearage assistance program of OHEP. The amount is earned incrementally, so a benefit still accrues even if the customer does not succeed in paying all 12 months needed to earn full forgiveness. In addition, the customers would be able to earn forgiveness for the month if the full payment is made late (for example, if a customer misses a payment but in the next month makes two full payments). Late payment charges will still apply. Customers enrolled in the program, however, would be subject to typical collection procedures, including disconnection. Any arrearages that accumulate during enrollment are the responsibility of the customer.

Under the pilot, a customer enrolled in the AMP will have a total of 15 months (to allow some grace period for missed payments) to make 12 months of payments. Customers remain enrolled in the program until the earliest of the following occur: (1) 12 months of billed payments are paid; (2) 60 days after a customer is disconnected for nonpayment of new charges during enrollment (excluding pre-program arrears) without payment for reconnection; (3) the date a customer voluntarily stops utility service and closes the account (*e.g.*, if the customer moves out of the service territory or into a residence in which the utility service is not the responsibility of the customer); or (4) 15 months after enrollment. If an enrolled customer voluntarily stops service, a final bill including all past due amounts (including pre-program arrears not yet forgiven) and other unbilled charges is presented and due by the customer.

**Implementation Timeline**

Within 90 days after approval of the proposal by PSC, the companies anticipate filing consumer education material. The companies would also file within that timeframe all new or revised tariffs necessary to implement the program. Due to utility billing design changes that would be required to implement the program, the companies indicate that at least six months are necessary between PSC approval and launch. The companies anticipate a January 2018 launch of the pilot (depending on the timing of PSC approval). The companies expect, given the anticipated launch date, that the evaluation would begin no sooner than December 2019. As of this writing, PSC has not ruled on the proposal.

## Funding

For both STEP and the AMP pilot, OHEP indicates that existing funds will support the program. The SEIF will support the STEP incentive payments, while existing arrearage funds (primarily, the SEIF) will support the AMP pilot if approved. DHR indicates that approximately $3.0 million to $5.0 million of the fiscal 2018 SEIF appropriation will be used to support the STEP in fiscal 2018. The overall amount of funding required for the AMP program is dependent on the completion rate of participating customers. The estimated maximum cost (if 100% of participating customers completed the program) was estimated by the companies (BGE (electric and gas customers), DPL, and Pepco) to be a combined $6.1 million. OHEP explained that any increase in arrearage payments that result from lifting the $2,000 cap in arrearage benefits for participating households will be offset by the customer payments that are required as part of the program (which reduces the size of the arrearage to be paid).

As noted earlier, OHEP plans to use the $400,000 available from the DCP CPCN approval to support implementation and evaluation costs of the two programs in fiscal 2018. The funds will be used for IT enhancements, staffing, and other operating costs associated with the implementation of these program changes. The evaluation is expected to include the impacts of the enhanced services on customer outcomes, including lower energy usage, improved bill payment behavior, reduced disconnections, and lower energy burdens. If needed, OHEP also indicated that it is able to use federal LIHEAP funds for administration and evaluation costs associated with the STEP under a federal guideline that allows a certain amount of funds (5%) to be used for services that encourage and enable households to reduce home energy needs.

Both programs are dependent on the SEIF as a source of funding. However, as discussed earlier, the RGGI revenue that supports the SEIF decreased dramatically in calendar 2016, which will dramatically reduce the fund balance. While OHEP anticipates sufficient funds in fiscal 2018 to support the STEP and the AMP pilot, OHEP will need to continue to monitor the revenue and consider how it will allocate funds across the programs in the future if revenue remains low. Because the STEP, like other energy assistance programs, is a discretionary rather than an entitlement program, OHEP could limit participation based on available funding.

In addition to OHEP spending on the AMP pilot, the utilities may experience administrative costs associated with the program. The expenses would be outside of the State budget. The pilot program proposal estimated approximately $839,000 for these costs, which would be expected to be recovered in future rate recovery proceedings or alternatively for DPL and Pepco through funds available from the merger. If the program is implemented statewide, the companies suggest that a customer surcharge may be required.

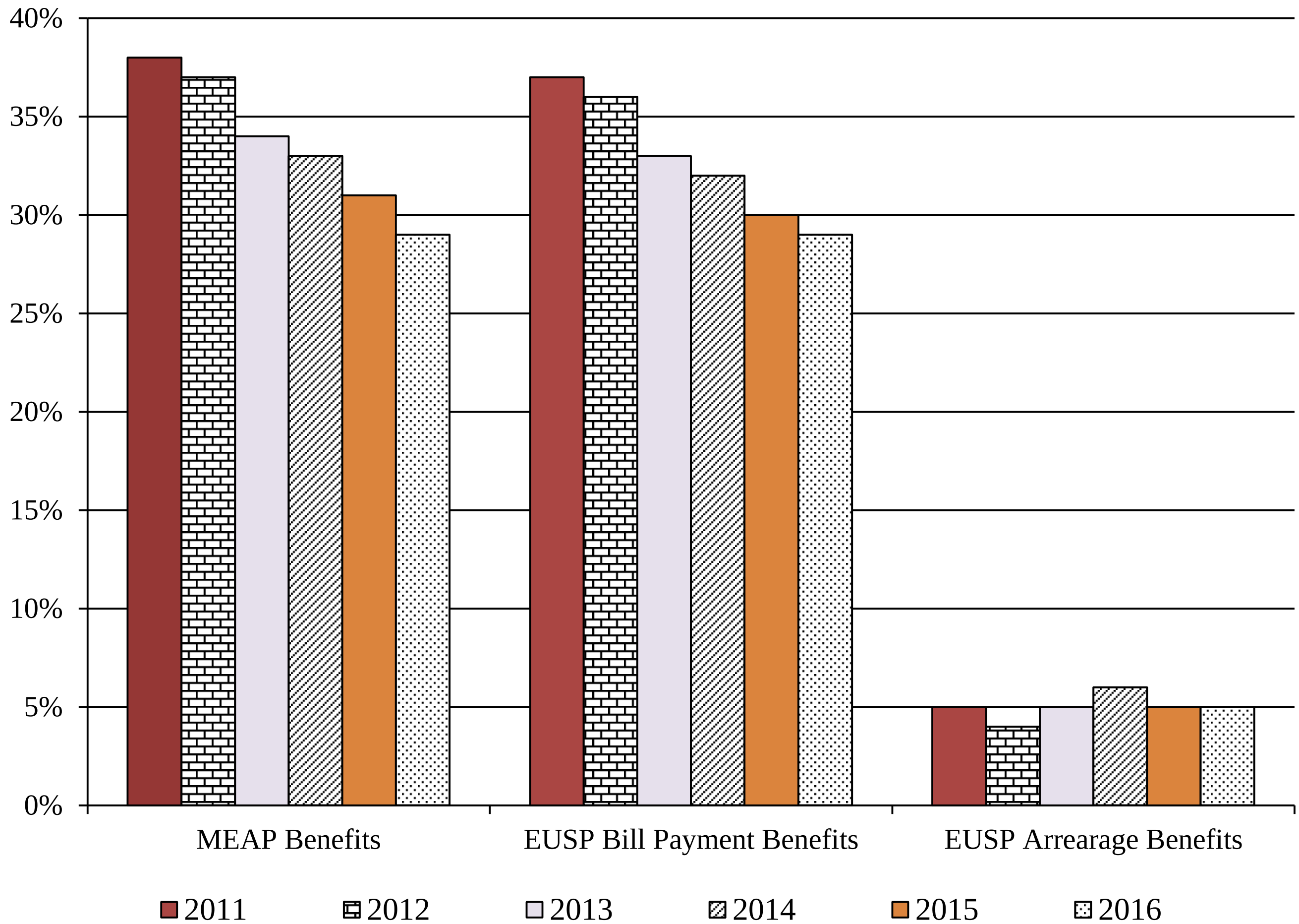
## 2. Outreach Plans

### Participation Rates

As part of its annual Managing for Results submission, DHR calculates the percent of eligible households that receive each of the three energy assistance benefits. This calculation uses both 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 percent of eligible households served even as participation remains the same.

The percent of eligible households receiving MEAP and EUSP bill assistance benefits (the penetration rate of benefits) has decreased in recent years. In fiscal 2010, the percent of eligible households receiving benefits was 40.1%, but that fell to 29.0% in fiscal 2016, as shown in **Exhibit 9**. Similarly, the percent of eligible households receiving EUSP bill assistance benefits decreased from 38.6% in fiscal 2010 to 29.0% in fiscal 2016.

**Exhibit 9**
**Percent of Eligible Households Certified for Energy Assistance Benefits**
**Fiscal 2011-2016**

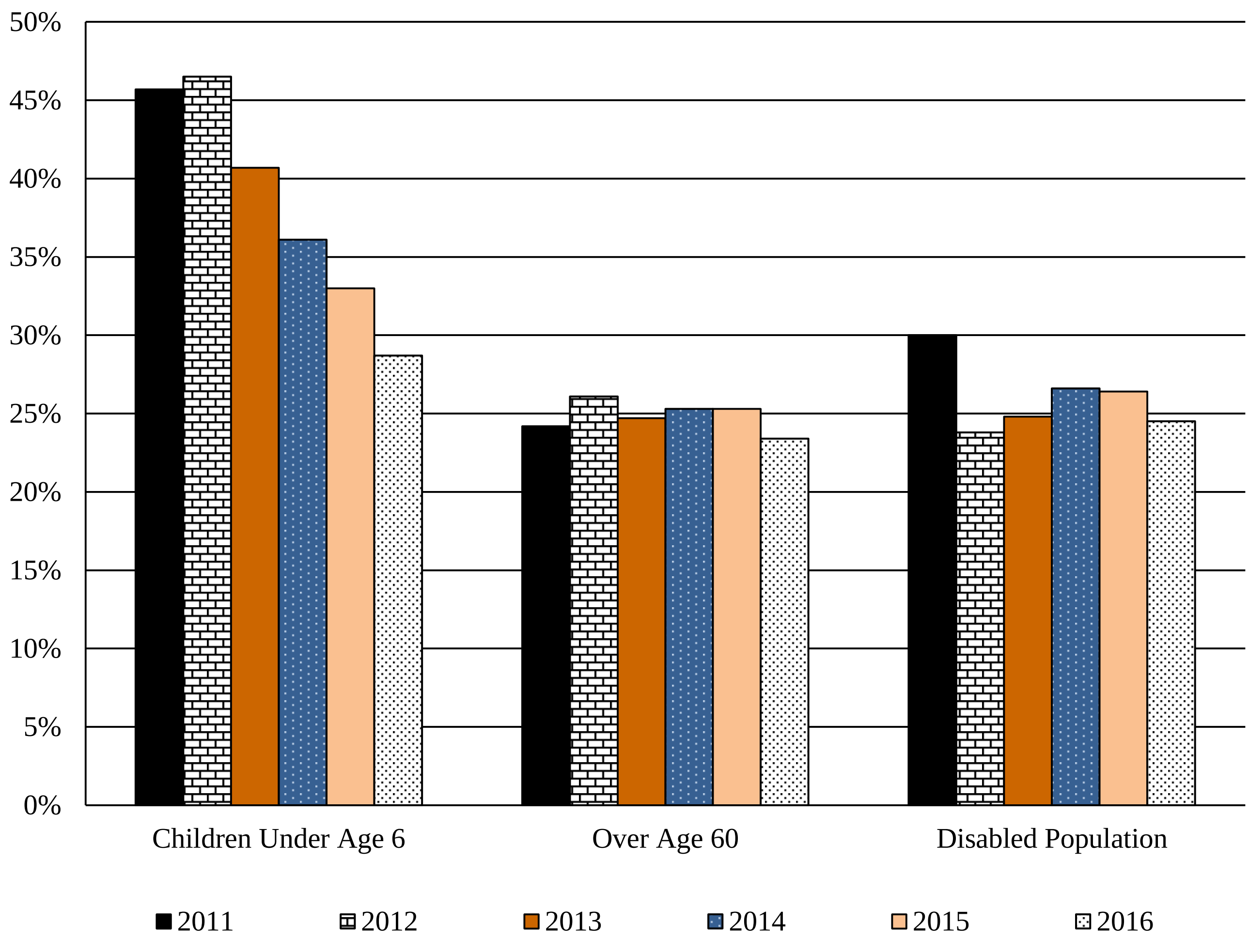



EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program

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

OHEP also tracks the penetration rate of benefits for three vulnerable populations (households with a child under the age of 6, households with an individual with a disability, and households with an individual over the age of 60). Consistent with trends in overall penetration rates, the percent of eligible households with a child under the age of 6 has decreased in recent years, from 46.5% in fiscal 2012 to 28.7% in fiscal 2016, as shown in **Exhibit 10**. The other two vulnerable populations have had a penetration rate lower than 30.0% since fiscal 2012, and each had a decline in fiscal 2016 (to lower than 25.0%).

**Exhibit 10**
**Targeted Populations Receiving Energy Assistance Benefits**
**(Percent of Eligible Households)**
**Fiscal 2011-2016**




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

## Outreach Plans

The 2016 JCR included committee narrative requesting that OHEP report on outreach efforts undertaken by the State and LAAs in fiscal 2016 and plans to further improve outreach in fiscal 2017 to increase the percent of eligible households receiving benefits. OHEP submitted the response in August 2016.

OHEP indicates that its outreach efforts fall into the following four strategies: (1) targeted outreach campaigns to groups underutilizing energy assistance; (2) improvements in the customer application process to reduce denial rates and improve customer service; (3) local outreach and advertising campaigns; and (4) creative partnerships with organizations to perform satellite application intake.

### Targeted Outreach

OHEP has conducted activities to target potentially eligible customers not currently receiving benefits. In fiscal 2016, these efforts included attempting to connect Food Supplement Program (FSP) recipients to energy assistance benefits if those customers are not already receiving these benefits. Between February 22 and April 18, 2016, OHEP sent mailings to 112,500 of these FSP recipients notifying the customers that they might be eligible for energy assistance benefits and providing information about the programs. The mailings directed customers to contact DHR's call center to receive additional information. OHEP noted that the call center experienced a spike in calls about energy assistance during the mail campaign. However, OHEP found some issues during this campaign, including that in the initial review of the outcomes of this mailing, about 10% of mailings were returned to the sender due to invalid addresses or changes in customer addresses, and some customers told OHEP that they are not responsible for their energy bill. In addition, the LAAs indicated that many customers did not submit applications until the end of the fiscal year and suggested future mailings occur earlier in the fiscal year. OHEP planned to continue this outreach in fiscal 2017.

OHEP also developed a Geographic Information System (GIS) map of energy assistance utilization rates across the State. OHEP worked with the Applied Public Policy Research Institute for Study and Evaluation to layer information on program participation with census data to determine the percentage of income-eligible households receiving assistance in each county and zip code. OHEP provided the data to each LAA and asked the LAAs to determine the reason why certain areas have higher utilization rates and how outreach could be improved in underutilized areas. OHEP is requiring LAAs to use GIS mapping to guide outreach activities. In fiscal 2017, OHEP planned to examine options for conducting targeted outreach, including development of a door hanger campaign in specific zip codes (particularly in Baltimore, Montgomery, and Prince George's counties and Baltimore City).

### Customer Application Process Improvements

OHEP undertook activities to reduce denial rates and improve utilization rates. OHEP indicates that reducing denial rates by 6% would allow the program to serve an additional 2,000 customers per year. OHEP determined that nearly two-thirds of application denials were the result of missing documentation.

***Eligibility Verification:*** During fiscal 2016, OHEP began providing access to several systems available to FIA workers for other public benefit programs to the LAAs, which assist with eligibility verification including:

- the Client Automated Resources and Eligibility System, the IT system for most public benefit programs, which allows workers access to eligibility information for other programs that can expedite the application review and reduce the number of applications that are on hold due to missing information; and

- the Work Number, which is a system that allows for wage and employment verification, which will allow for income verification when documentation is missing from the application.

***Application Changes:*** OHEP also revised the application form in fiscal 2017 to:

- incorporate a previously separate form that requests information on income sources into the application;

- provide additional guidance to customers on supplemental forms that may need to be submitted (for example a declaration of zero-income form);

- clarify definitions of earned and unearned income;

- clarify information presented on certain rules about program participation (budget billing requirements and limitations on arrearage assistance);

- remove a requirement that applications include an original signature; and

- make supplemental forms more user friendly, including instructions on how to fill out these forms.

In addition, DHR's new call center allows for call center staff to provide application status information to customers who call. In fiscal 2017, OHEP also began allowing call center staff to directly mail applications to customers (instead of having to refer these requests to the LAAs as was done in fiscal 2016).

***IT Improvements:*** In fiscal 2017, OHEP began requesting customers' email addresses in applications and storing the information in the OHEP data system. OHEP plans to develop a process to allow LAAs and OHEP to send emails to customers in the future (including the ability to email customers from prior years who have not reapplied, provide information on application status, and provide information on missing documentation). OHEP also began providing the LAAs email addresses on communications and will accept emailed application submission and submission of missing documents.

OHEP also made updates to the online application tool for fiscal 2017. Users of the online application system are now directed to fill out supplemental forms. The online system also directs customers to a website that explains the documents that they need to submit and provides the contact information for the local OHEP office. The online tool now also limits questions to those relevant to an OHEP application, if these are the only benefits for which the individual is applying rather than questions necessary only for programs to which they are not applying.

**Local Outreach and Advertising Campaigns**

Certain jurisdictions undertook local advertising campaigns during fiscal 2016 including:

- a bus advertisement campaign in Frederick County;
- the posting of information at certain transit stops in Queen Anne's County; and
- an advertisement in local newspapers (Carroll, Frederick, Garrett, and Talbot counties and Shore UP!) on the radio (Caroline and Talbot counties).

The materials used for the transit-related campaigns have been shared with other jurisdictions that have a bus system. OHEP has also contracted with an organization to develop video and audio material to explain how energy assistance can assist households. This content is to be released in various media markets and at various intake points (local departments of social services waiting rooms, local area agencies on aging, and refugee resettlement agency offices).

**Creative Partnerships**

OHEP developed two partnerships under which OHEP trains navigators or case managers to assist individuals in applying for assistance. One of these partnerships is the Critical Needs pilot (with OPC and the Cancer Foundation) that provided training to navigators in health care organizations for assistance with energy costs to medically fragile individuals. The pilot began in the BGE territory but has since expanded. OHEP notes that 80 navigators are available statewide. This partnership began in fiscal 2016 and continued into fiscal 2017. OHEP also partnered with the Maryland Office of Refugees and Asylees, a program of FIA, to train refugee resettlement case management providers on how to submit applications for energy assistance. The resettlement agencies then provide hands-on training to clients in filling out the applications and direct customers to LAAs.

OHEP has also partnered with the Benefits Data Trust (BDT), an organization that assists individuals in accessing public benefits, to identify customers that are likely eligible for energy assistance benefits but have not applied. DHR has partnered with this organization in the past for other FIA programs. BDT, through its call center, assists customers in applying for benefits and in compiling the documents that must be submitted with the application. BDT also conducted targeted mailings to older adults receiving Medicaid that had not applied for energy assistance benefits. OHEP reports that BDT's efforts in fiscal 2016 resulted in the submission of 1,672 applications. This partnership continued into fiscal 2017.

OHEP is also working to develop partnerships with community-based advocacy organizations to increase access to benefits in Spanish-speaking communities. OHEP has planned radio advertisements for Spanish radio outlets. Both efforts are designed to address lower utilization rates.

**Given that the number of households applying for benefits has continued to decline, DHR should comment on how it is evaluating the success of these outreach efforts.**

# *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) of the Office of Home Energy Programs in improving energy assistance application processing timeliness. Although progress is evident, some LAAs have experienced worsening performance. The committees request that the Department of Human Resources (DHR) provide by LAA (1) the number of applications received; (2) the average number of days to process applications; (3) the number and percent of applications processed within 30 days, 55 days, and longer than 60 days; and (4) the date of the data.

| **Information Request** | **Author** | **Due Date** |
|---|---|---|
| Application processing times | DHR | December 20, 2017 |
| Application processing times | DHR | June 30, 2018 |

2. Adopt the following narrative:

**Implementation of the Supplemental Targeted Energy Program:** In fiscal 2018, the Department of Human Resources (DHR) Office of Home Energy Programs plans to introduce a new Supplemental Targeted Energy Program (STEP). Under the STEP, participating households will receive an additional benefit if the recipients undertake certain activities related to energy education, self-sufficiency, and service coordination. The committees are interested in understanding the impact of this change. The committees, therefore, request that DHR submit two reports on program implementation. The first report should include information on the process for identifying administering agencies for the new benefits and how those administering agencies coordinate with the existing Local Administering Agencies for the regular energy assistance programs (if it is not the same entity) and any challenges experienced during program implementation. The second report should provide information on (1) the number of individuals who participate in the program; (2) the number of those participating who earn each type of incentive; and (3) the dollar value of incentives earned (both cumulative and on average).

| **Information Request** | **Author** | **Due Date** |
|---|---|---|
| Report on administration and implementation challenges of the STEP | DHR | December 15, 2017 |
| Report on STEP participation | DHR | June 30, 2018 |

# *Updates*

## 1. Energy Assistance Application Processing Times

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, DHR was unable to track application processing times in the OHEP data system. Since 2014, committee narrative in the JCR has requested that DHR provide information on application processing times by LAA to the budget committees.

### Average Processing Times

In fiscal 2015, through December 16, 2014, the average number of days to process applications statewide was 33 days, as shown in **Exhibit 11**. At that time, 10 jurisdictions had average processing times of longer than 30 days, and 4 jurisdictions had processing times longer than 40 days. The average number of days to process applications has generally declined since that time. In fiscal 2017, through December 7, 2016, the average number of days to process applications statewide was 25 days. As shown in **Exhibit 12**, only 3 jurisdictions (Carroll, Frederick, and Montgomery counties) had average processing times of longer than 30 days, and none had average processing times of longer than 35 days. These improvements have come, in part, because of revised LAA case management techniques that prioritize older applications.

**Exhibit 11**
**Comparison of Average Days to Process Energy Assistance Applications**

| | Dec. 2014[1] | Jun. 2015[2] | Dec. 2015[3] | Jun. 2016[4] | Dec. 2016[5] | Change in Average Processing Days Dec. 2015-16 |
|---|---|---|---|---|---|---|
| Allegany County Human Resources Development Commission | 30 | 26 | 24 | 23 | 28 | 4 |
| Anne Arundel County CAC | 25 | 23 | 33 | 40 | 29 | -4 |
| Baltimore City Department of Housing and Community Development | 35 | 37 | 45 | 38 | 27 | -18 |
| Baltimore County DSS | 28 | 22 | 16 | 15 | 23 | 7 |
| Caroline County DSS | 18 | 16 | 15 | 15 | 16 | 1 |

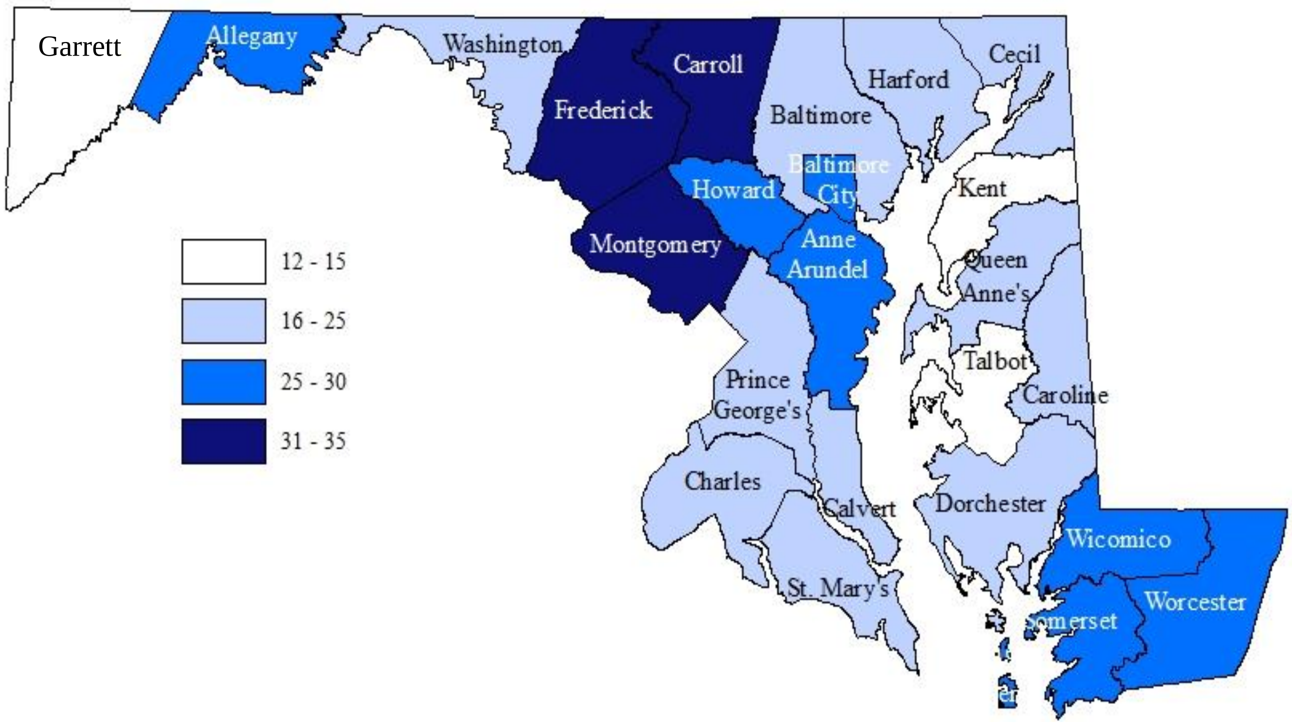
| | Dec. 2014[1] | Jun. 2015[2] | Dec. 2015[3] | Jun. 2016[4] | Dec. 2016[5] | Change in Average Processing Days Dec. 2015-16 |
|---|---|---|---|---|---|---|
| Human Service Programs of Carroll County Inc. | 40 | 37 | 22 | 30 | 32 | 10 |
| Cecil County DSS | 44 | 42 | 17 | 16 | 19 | 2 |
| Dorchester County DSS | 14 | 11 | 19 | 18 | 23 | 4 |
| Frederick County DSS | 31 | 25 | 21 | 22 | 31 | 10 |
| Garrett County CAC | 45 | 34 | 8 | 8 | 12 | 4 |
| Harford County CAC | 30 | 26 | 32 | 29 | 22 | -10 |
| Howard County CAC | 53 | 37 | 20 | 18 | 27 | 7 |
| Kent County DSS | 22 | 17 | 17 | 16 | 13 | -4 |
| Montgomery County Department of Health and Human Services | 45 | 38 | 29 | 29 | 35 | 6 |
| Prince George's County DSS | 31 | 26 | 29 | 31 | 24 | -5 |
| Queen Anne's County DSS | 17 | 16 | 12 | 13 | 17 | 5 |
| Southern Maryland Tri-County Community Action Committee Inc. (Calvert, Charles, and St. Mary's counties) | 45 | 36 | 17 | 16 | 25 | 8 |
| Neighborhood Service Center (Talbot County) | 16 | 15 | 14 | 13 | 13 | -1 |
| Washington County CAC | 25 | 21 | 25 | 24 | 23 | -2 |
| Shore UP! (Somerset, Worcester, and Wicomico counties) | 36 | 25 | 26 | 28 | 26 | 0 |
| **Total** | **33** | **29** | **27** | **27** | **25** | **-2** |

CAC: Community Action Council
DSS: Department of Social Services

[1] December 2014 data – fiscal 2015 through December 16, 2014.
[2] June 2015 data – fiscal 2015 through June 5, 2015.
[3] December 2015 data – fiscal 2016 through December 20, 2015.
[4] June 2016 data – fiscal 2016 through June 6, 2016.
[5] December 2016 data – fiscal 2017 through December 7, 2016.

Source: Department of Human Resources

**Exhibit 12**
## Average Days to Process Energy Assistance Applications
**Fiscal 2017 to Date through December 7, 2016**




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 agencies as a whole.

Source: Department of Human Resources

Performance in individual jurisdictions has fluctuated. For example, Anne Arundel County that had a relatively good processing time in fiscal 2015, had a substantial decline in performance in fiscal 2016 (processing time of 40 days). However, year-to-date, in fiscal 2017, Anne Arundel County's performance had once again improved, with average processing times of 29 days. DHR indicated that staffing issues were the primary cause of the application processing challenges in Anne Arundel County in fiscal 2016 and that these issues have largely been resolved. In addition, the other two jurisdictions that experienced the longest processing times in fiscal 2016 (through December 20, 2015), have also experienced substantial reductions in the average number of days to process applications (18 days in Baltimore City and 10 days in Harford County) in fiscal 2017.

## Applications Processed Beyond the 55-day Guideline

In fiscal 2015, through December 16, 2014, 17% of applications processed statewide were processed in longer than 55 days, as shown in **Exhibit 13**. At that time, in Howard County, more than half (53%) of applications were processed in longer than 55 days, and a total of 10 LAAs had more than 10% of applications processed in longer than 55 days. Year-to-date, in fiscal 2017, only 2% of applications statewide were processed in longer than 55 days, and only one jurisdiction (Montgomery County) has processed more than 5% of applications in longer than 55 days, as shown in **Exhibit 14**.

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### Exhibit 13
### Comparison of Applications Processed Beyond the 55-day Guideline

| | Dec. 2014[1] | Jun. 2015[2] | Dec. 2015[3] | Jun. 2016[4] | Dec. 2016[5] | Percentage Point Change Dec. 2015-16 |
|---|---|---|---|---|---|---|
| Allegany County Human Resources Development Commission | 1% | 0% | 0% | 1% | 2% | 2% |
| Anne Arundel County CAC | 4% | 7% | 18% | 27% | 5% | -13% |
| Baltimore City Department of Housing and Community Development | 17% | 24% | 36% | 26% | 5% | -31% |
| Baltimore County DSS | 16% | 9% | 2% | 1% | 2% | 0% |
| Caroline County DSS | 1% | 1% | 1% | 1% | 1% | 0% |
| Human Service Programs of Carroll County Inc. | 26% | 22% | 3% | 11% | 1% | -2% |
| Cecil County DSS | 28% | 32% | 0% | 0% | 0% | 0% |
| Dorchester County DSS | 0% | 0% | 0% | 0% | 1% | 1% |
| Frederick County DSS | 4% | 1% | 1% | 0% | 1% | 0% |
| Garrett County CAC | 42% | 31% | 0% | 0% | 0% | 0% |
| Harford County CAC | 7% | 5% | 14% | 10% | 1% | -13% |
| Howard County CAC | 53% | 30% | 1% | 0% | 0% | -1% |
| Kent County DSS | 1% | 1% | 1% | 1% | 0% | -1% |
| Montgomery County Department of Health and Human Services | 38% | 23% | 5% | 6% | 7% | 2% |
| Prince George's County DSS | 14% | 11% | 11% | 15% | 3% | -8% |
| Queen Anne's County DSS | 0% | 0% | 0% | 1% | 0% | 0% |

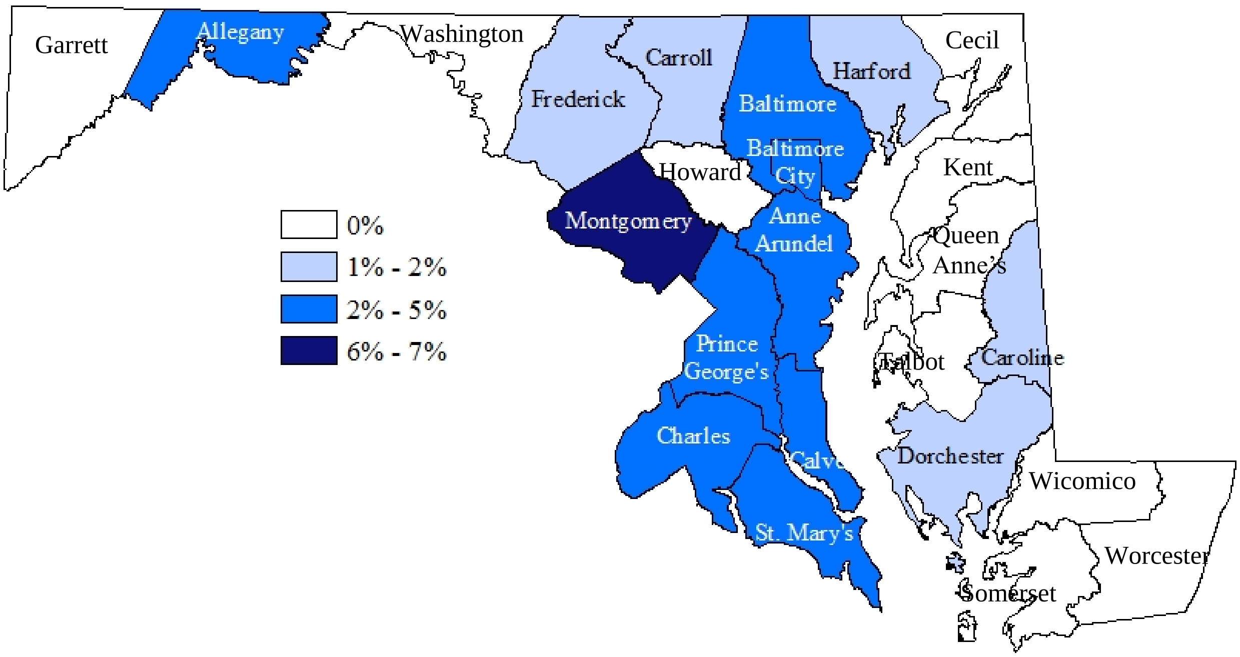
| | Dec. 2014[1] | Jun. 2015[2] | Dec. 2015[3] | Jun. 2016[4] | Dec. 2016[5] | Percentage Point Change Dec. 2015-16 |
|---|---|---|---|---|---|---|
| Southern Maryland Tri-County Community Action Committee Inc. (Calvert, Charles, and St. Mary's counties) | 27% | 21% | 1% | 1% | 3% | 2% |
| Neighborhood Service Center (Talbot County) | 0% | 1% | 0% | 0% | 0% | 0% |
| Washington County CAC | 1% | 1% | 3% | 4% | 0% | -3% |
| Shore UP! (Somerset, Worcester, and Wicomico counties) | 17% | 8% | 3% | 5% | 0% | -3% |
| **Total** | **17%** | **15%** | **11%** | **10%** | **2%** | **-9%** |

CAC: Community Action Council
DSS: Department of Social Services

(1) December 2014 data – fiscal 2015 through December 16, 2014.
(2) June 2015 data – fiscal 2015 through June 5, 2015.
(3) December 2015 data – fiscal 2016 through December 20, 2015.
(4) June 2016 data – fiscal 2016 through June 6, 2016.
(5) December 2016 data – fiscal 2017 through December 7, 2016.

Source: Department of Human Resources

**Exhibit 14**
## Applications Processed Beyond the 55-day Guideline
**Fiscal 2017 to Date through December 7, 2016**




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 agencies as a whole.

Source: Department of Human Resources

Eight LAAs had no applications processed in longer than 55 days. An additional five jurisdictions processed only 1% of applications in longer than 55 days. Baltimore City and Anne Arundel and Harford counties, which had the highest percent of applications processed in longer than 55 days through December in fiscal 2016, each reduced the applications processed in longer than 55 days in fiscal 2017 by more than 10 percentage points. Baltimore City undertook improvements to its workflow management in fiscal 2017, including deploying document imaging, triaging applications based on the completeness of documentation and clients with disconnect notices (or in arrearages), using verification systems to collect missing documentation.

**OHEP Actions to Improve Application Processing Timeliness**

Through December 7, 2016, in fiscal 2017, three jurisdictions had application processing times longer than 30 days. Montgomery County had the longest average days to process applications (35) and the highest percent of applications processed in longer than 55 days (7%). OHEP is working with the Montgomery County Department of Health and Human Services (the LAA in Montgomery County) to improve performance. A couple of issues were identified concerning the cause of application processing delays in Montgomery County: (1) adjusting to changes in OHEP policies; and (2) a higher volume of applications received in June 2016 than in June 2015 (a month in which LAAs do not process new applications). Applications submitted during June are held for processing in the next fiscal year. The higher volume of June applications in Montgomery County led to a backlog and delays in fiscal 2017 application processing. To address these issues, additional training and clarification was provided to the staff leadership to ensure that the policy changes were being implemented effectively and additional preparations are being conducted in Montgomery County for the June-related backlog for fiscal 2018.

OHEP explains that the application processing timeliness issues in Carroll and Frederick counties (each of whom has an average days to process longer than 30 days) are the result of staffing issues. Carroll County experienced staff vacancies and turnover, including a change in leadership during fiscal 2016. While these issues are now resolved, the time needed for training of the new county OHEP director and new staff led to some delays in application processing. Frederick County was limited to 1 staff being able to certify applications for much of calendar 2016. DHR indicates that a new county OHEP manager was hired in December 2016, and the State OHEP staff is working to train the new manager and address the timeliness issues that are believed to be the result of insufficient staffing.

## Appendix 1
# Current and Prior Year Budgets
### DHR – Office of Home Energy Programs
### ($ in Thousands)

| | General Fund | Special Fund | Federal Fund | Reimb. Fund | Total |
|---|---|---|---|---|---|
| **Fiscal 2016** | | | | | |
| Legislative Appropriation | $0 | $70,371 | $67,183 | $0 | $137,554 |
| Deficiency Appropriation | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | 0 | 7,465 | 9 | 0 | 7,474 |
| Reversions and Cancellations | 0 | 0 | -2,017 | 0 | -2,017 |
| **Actual Expenditures** | **$0** | **$77,836** | **$65,175** | **$0** | **$143,011** |
| **Fiscal 2017** | | | | | |
| Legislative Appropriation | $0 | $77,586 | $63,214 | $0 | $140,800 |
| Cost Containment | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | 0 | 12 | 6 | 0 | 18 |
| **Working Appropriation** | **$0** | **$77,598** | **$63,220** | **$0** | **$140,818** |

DHR: Department of Human Resources

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

## Fiscal 2016

The fiscal 2016 actual expenditures of the Office of Home Energy Programs (OHEP) were $5.5 million higher than the legislative appropriation: special fund expenditures increased by $7.5 million, while federal fund expenditures were $2.0 million lower. Increases totaling $7.5 million occurred by budget amendment, primarily due to an increase of $7.3 million of the Strategic Energy Investment Fund to support a supplemental energy assistance benefit. An increase of $143,339 was available from the Electric Universal Service Program ratepayer surcharge to support benefits ($143,339). The remaining increase of $17,679 in total funds ($9,179 in special funds and $8,500 in federal funds) was due to the restoration of the 2% pay reduction. These increases were partially offset by a federal fund cancellation of $2.0 million due to lower than anticipated energy assistance expenditures resulting from mild winter weather.

## Fiscal 2017

OHEP's fiscal 2017 appropriation has increased by $18,279 in total funds ($12,131 in special funds and $6,148 in federal funds) due to the distribution of centrally budgeted funds for employee increments.

**Appendix 2**
**Object/Fund Difference Report**
**DHR – Office of Home Energy Programs**

| Object/Fund | FY 16 Actual | FY 17 Working Appropriation | FY 18 Allowance | FY 17 - FY 18 Amount Change | Percent Change |
|---|---|---|---|---|---|
| **Positions** | | | | | |
| 01 Regular | 16.87 | 14.87 | 14.87 | 0.00 | 0% |
| 02 Contractual | 1.85 | 0.00 | 0.00 | 0.00 | 0.0% |
| **Total Positions** | **18.72** | **14.87** | **14.87** | **0.00** | **0%** |
| **Objects** | | | | | |
| 01 Salaries and Wages | $ 1,570,480 | $ 1,191,076 | $ 1,051,800 | -$ 139,276 | -11.7% |
| 02 Technical and Spec. Fees | 432,083 | 1,150 | 1,150 | 0 | 0% |
| 03 Communication | 26,831 | 37,253 | 34,995 | -2,258 | -6.1% |
| 04 Travel | 6,415 | 2,979 | 3,393 | 414 | 13.9% |
| 06 Fuel and Utilities | 7,634 | 0 | 0 | 0 | 0.0% |
| 08 Contractual Services | 140,427,796 | 139,428,870 | 142,726,017 | 3,297,147 | 2.4% |
| 09 Supplies and Materials | 105,360 | 149,681 | 264,236 | 114,555 | 76.5% |
| 10 Equipment – Replacement | 870 | 0 | 0 | 0 | 0.0% |
| 11 Equipment – Additional | 7,214 | 0 | 0 | 0 | 0.0% |
| 12 Grants, Subsidies, and Contributions | 365,991 | 0 | 0 | 0 | 0.0% |
| 13 Fixed Charges | 60,759 | 7,200 | 7,200 | 0 | 0% |
| **Total Objects** | **$ 143,011,433** | **$ 140,818,209** | **$ 144,088,791** | **$ 3,270,582** | **2.3%** |
| **Funds** | | | | | |
| 03 Special Fund | $ 77,836,336 | $ 77,598,316 | $ 73,217,314 | -$ 4,381,002 | -5.6% |
| 05 Federal Fund | 65,175,097 | 63,219,893 | 70,871,477 | 7,651,584 | 12.1% |
| **Total Funds** | **$ 143,011,433** | **$ 140,818,209** | **$ 144,088,791** | **$ 3,270,582** | **2.3%** |

DHR: Department of Human Resources

Note: Does not include targeted reversions, deficiencies, and contingent reductions.