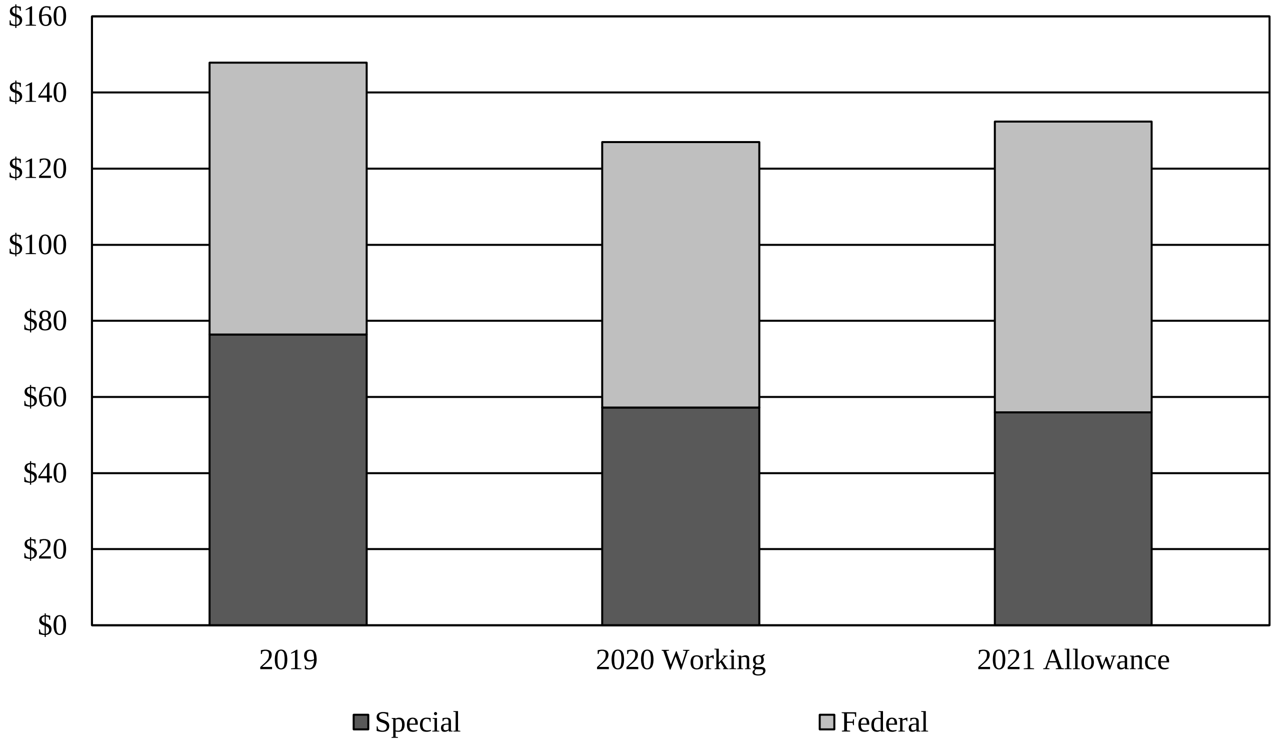
N00I0006
Office of Home Energy Programs
Department of Human Services

Executive Summary

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

Operating Budget Summary

Fiscal 2021 Budget Increases by $5.4 Million or 4.2% to $132.3 Million
($ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- The increase in the fiscal 2021 allowance primarily results from available federal Low Income Home Energy Assistance Program (LIHEAP) funds to support energy assistance benefits. This increase brings the level of the allowance to approximately the three-year average of federal LIHEAP funds received.

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Key Observations

- ***Strategic Energy Investment Fund in OHEP Stable but Proposed Changes Could Reduce Funds Available:*** HB 359/SB 277 (Clean Cars Act of 2020) propose to extend and increase the level of funds transferred from the Strategic Energy Investment Fund (SEIF) to the Transportation Trust Fund to replace revenue lost from the electric vehicle excise tax credit. Absent this proposal, the transfer would have ended after fiscal 2020. The proposed level of transfer is at least $12 million. A separate proposal in the Budget Reconciliation and Financing Act of 2020 proposes to end a mandated transfer from the SEIF two years early. The net impact of these proposals on SEIF revenue available for distribution is a loss of $10.5 million, which could translate to a decrease of $5.25 million to OHEP in fiscal 2021.

- ***Energy Assistance Applications Have Declined in Fiscal 2020 Except in the Natural Gas Arrearage Program:*** In the first half of fiscal 2020, applications for bill payment assistance through the Maryland Energy Assistance Program and Electric Universal Service Program have decreased by 3% compared to the same period in fiscal 2019. The natural gas arrearage assistance benefit applications have increased by 31% in fiscal 2020 compared to fiscal 2019. Increases in this program are expected as word spreads about the availability of the benefit, which is only in its second year. In the first half of fiscal 2020, 4,977 households have received total benefits of $3.2 million.

Operating Budget Recommended Actions

		Funds	Positions
1.	Delete 1.37 regular positions that have been vacant longer than two years.	$ 43,167	1.4
2.	Adopt narrative requesting information on energy assistance application processing times.		
	Total Reductions	**$ 43,167**	1.4

Updates

- ***Energy Assistance Application Processing Times Continue to Improve***: Through November 1, in fiscal 2020, four local administering agencies averaged fewer than 10 days to process applications. Statewide application processing times decreased to an average of 18 days. OHEP attributes the improved speed to year-round application processing times, which reduces early year backlogs, and streamlined redeterminations for certain applicants.

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 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, natural gas arrearage assistance, crisis assistance, and furnace repair/replacement for a variety of heat sources; 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 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. serves Calvert, Charles, and St. Mary's counties; and (2) ShoreUP! Inc. serves Somerset, Wicomico, and Worcester counties. All other LAAs serve one jurisdiction.

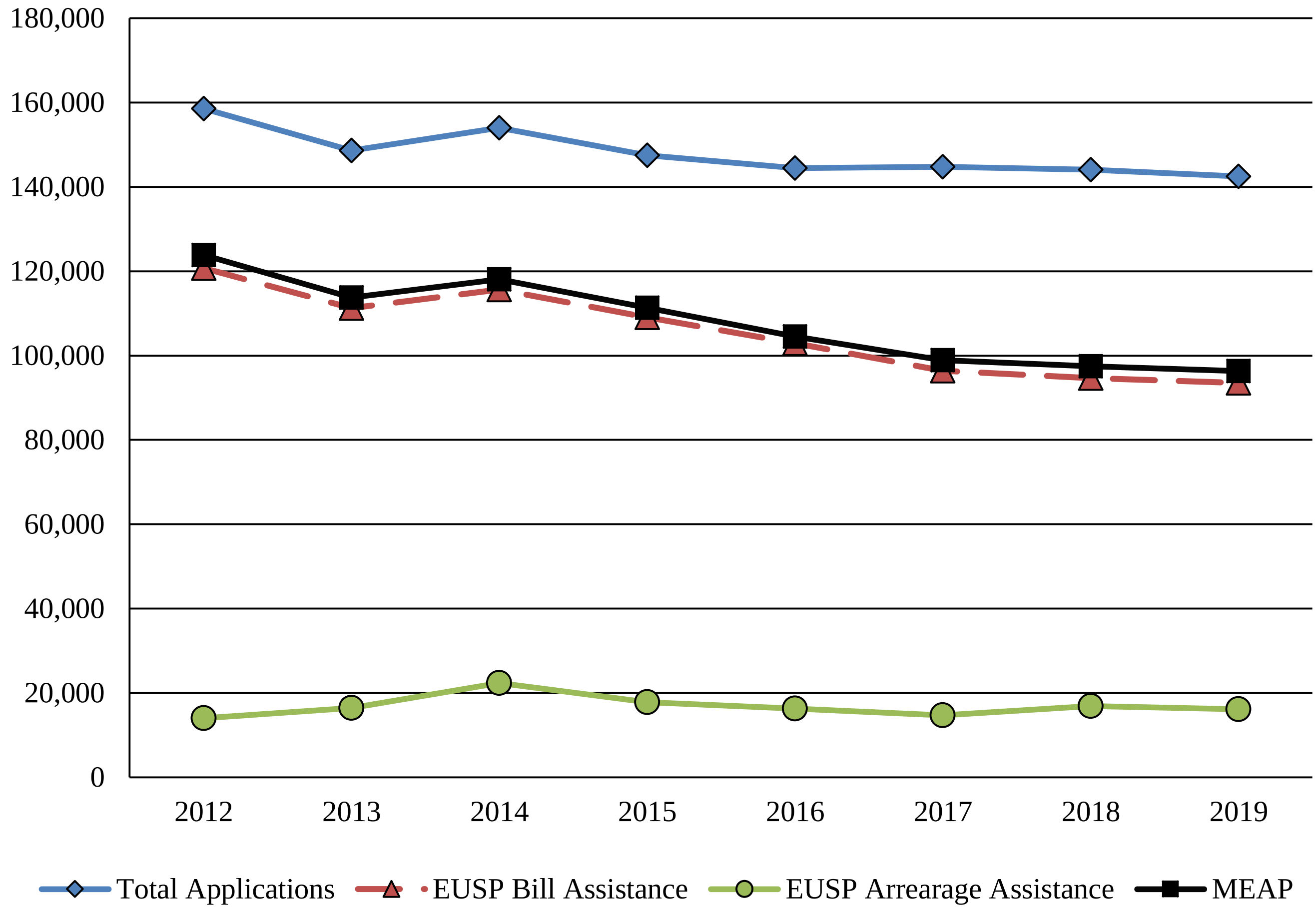
DHS has one key goal related to the work of OHEP, which is that Maryland residents have access to essential services to support themselves and their families.

Performance Analysis: Managing for Results

1. Benefit Recipients Decrease Slightly in Fiscal 2019, New Benefit Introduced

Historically, OHEP has offered three primary cash benefits: (1) electric bill payment assistance through EUSP; (2) electric arrearage assistance through EUSP; and (3) bill payment assistance for heating fuels through MEAP. As shown in **Exhibit 1**, the number of applications and households receiving EUSP and MEAP bill payment assistance continued to decline in fiscal 2019. Households receiving EUSP and MEAP bill payment assistance have decreased each year since fiscal 2014. Applications have decreased in four of five years since fiscal 2014. However, the rate of decline for bill payment recipients continues to slow. Recipients for both EUSP and MEAP bill payment assistance decreased by less than 1.5%. The number of households that received EUSP bill payment assistance was the lowest since fiscal 2007, and MEAP bill payment assistance was the lowest since fiscal 2008.

Exhibit 1
Energy Assistance Benefits Provision History
Fiscal 2012-2019



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

Source: Department of Human Services

The number of households receiving EUSP arrearage assistance has fluctuated within a relatively small range since fiscal 2015, except in fiscal 2017. In fiscal 2019, DHS introduced a new natural gas arrearage assistance benefit in MEAP, funded through LIHEAP. This program operates in a similar fashion as the EUSP electric arrearage assistance program. In fiscal 2019, 6,302 households received this benefit.

2. Fiscal 2020 Applications Year-to-date Have Decreased Except for the Newest Benefit

DHS has made changes over the last several years to improve application processing including (1) year-round application processing that reduces backlogs and allows applications to be processed earlier in the year and (2) a new streamlined application process for households with seniors and individuals with disabilities that have previously received benefits. In addition, due to available carryover funding, DHS has processed and distributed MEAP bill payment assistance earlier in the fiscal year since the agency has not had to wait to receive a distribution from the U.S. Department of Health and Human Services (HHS). In fiscal 2019, OHEP began distributing MEAP benefits in September, while in fiscal 2020, OHEP began distributing benefits in August.

These changes have resulted in faster processing earlier in the year, which has allowed the number of MEAP recipients to increase in the first half of fiscal 2020 compared to 2019, despite fewer applications. As shown in **Exhibit 2**, households applying for bill payment assistance have decreased by more than 3% in fiscal 2020 compared to the same period in fiscal 2019. DHS did not make changes to the percent of bill paid by benefit level or fuel source. As a result, average benefits for EUSP and MEAP bill payment assistance are similar between fiscal 2019 and 2020.

Exhibit 2
Applications and Benefit Data
Fiscal 2019-2020
(July through December in Each Year)

	2019	2020	Change	% Change
Applications				
MEAP	95,891	92,658	-3,233	-3.4%
EUSP Bill Payment	92,129	89,048	-3,081	-3.3%
EUSP Arrearage	26,520	26,485	-35	-0.1%
Gas Arrearage	10,562	13,882	3,320	31.4%
Receiving Benefits				
MEAP	62,020	63,671	1,651	2.7%
EUSP Bill Payment	61,090	60,239	-851	-1.4%
EUSP Arrearage	9,021	8,046	-975	-10.8%
Gas Arrearage	1,559	4,977	3,418	219.2%
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%	

	2019	2020	Change	% Change
Average Benefit				
MEAP	$598	$587	-$11	-1.8%
EUSP Bill Payment	501	494	-7	-1.4%
EUSP Arrearage	822	781	-41	-5.0%
Gas Arrearage	658	651	-7	-1.1%
Benefits Paid ($ in Millions)				
MEAP	$37.1	$37.4	$0.3	0.8%
EUSP Bill Payment	30.6	29.8	-0.8	-2.8%
EUSP Arrearage	7.4	6.3	-1.1	-15.2%
Gas Arrearage	1.0	3.2	2.2	215.8%
Total Benefits Paid	**$76.1**	**$76.6**	**$0.5**	**0.7%**

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

Source: Department of Human Services

Applications for EUSP arrearage assistance in fiscal 2020 are essentially level with fiscal 2019. Despite only a slight decrease in applications, households receiving EUSP arrearage assistance have decreased by 10.8% compared to the same period in fiscal 2019. Arrearage assistance has a higher overall denial rate than other energy assistance benefits due to the limitations on the size of arrearage assistance and the limit on receiving benefits to only once every seven years. The average benefits for EUSP arrearage assistance continues to decline. The average benefit of $781 in fiscal 2020 is the lowest since before fiscal 2009 and 22% lower than the recent peak in fiscal 2016 ($1,002). This decrease has coincided with increases in the average EUSP bill payment benefit, which increased by 24.9% during the same period.

The natural gas arrearage assistance applications have increased by more than 30% in fiscal 2020. Increases in applications for this program over the next several years would be expected due to more widespread information about the benefit, which is only in its second year of availability. The number of households receiving this benefit in fiscal 2020 is significantly higher than the same period in fiscal 2019, due in part to the higher applications, but also due to the timing of the benefit distribution. In fiscal 2019, these benefits were first provided in December, while in fiscal 2020, these benefits were provided beginning in August. Through December 2019, in fiscal 2020, the rate of benefit receipt compared to applications is slightly higher for the natural gas arrearage program (35.9%) compared to the electric arrearage program (30.4%). This emphasizes the impact the seven-year limit has on the electric arrearage program since fewer households receiving the natural gas arrearage benefit are subject to the limit in only the second year of existence.

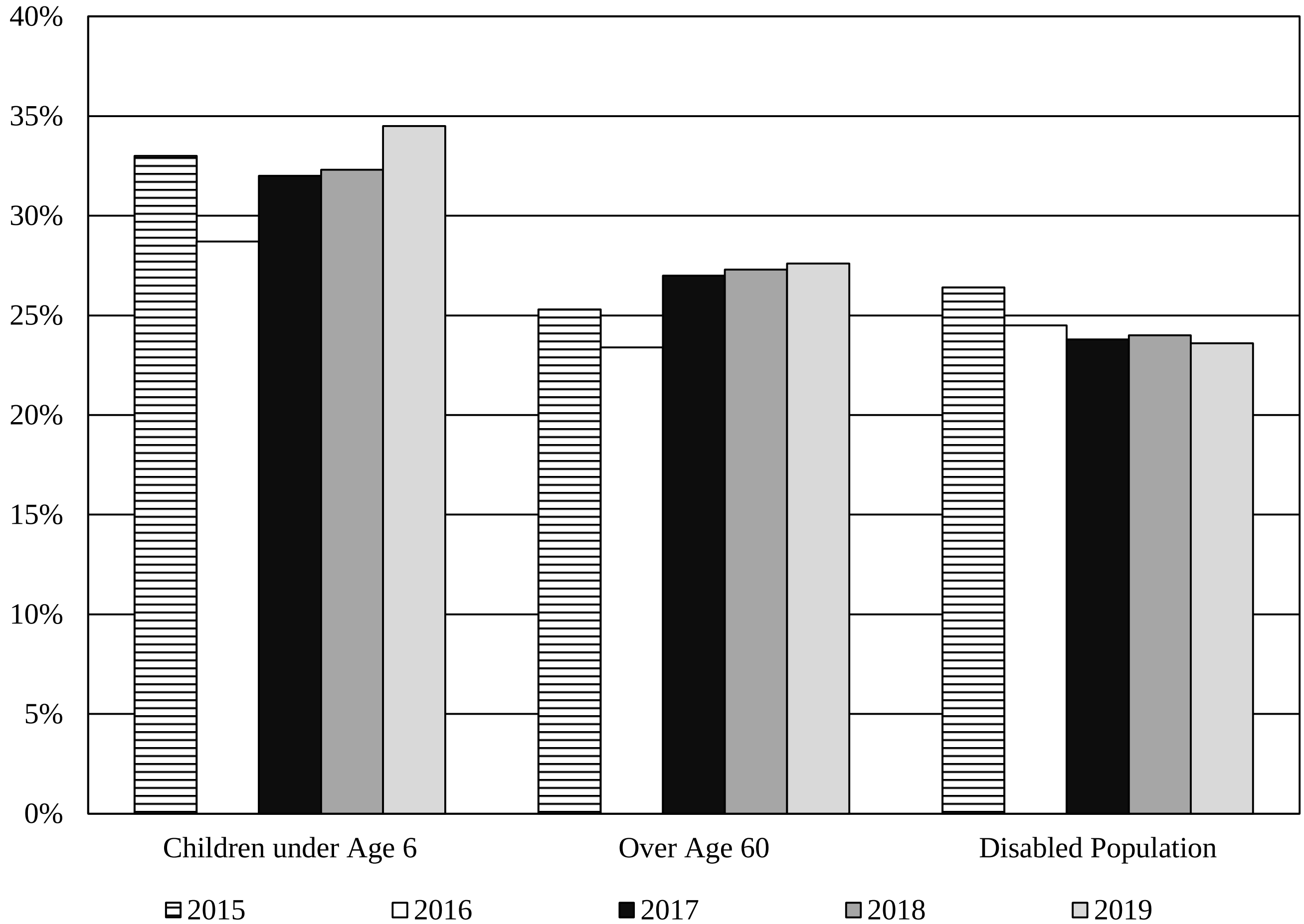
Overall, expenditures are slightly higher than the same period in fiscal 2019, primarily due to the growth in the natural gas arrearage program. Absent these payments, the overall expenditures would be approximately $1.7 million lower in fiscal 2020 than in fiscal 2019.

3. Participation Rates Increase among Some Vulnerable Populations

As part of its annual Managing for Results (MFR) submission, DHS calculates the percent of eligible households that receive energy assistance benefits 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 *Low Income Home Energy Assistance Notebook* on the number of households estimated to be eligible for benefits.

As shown in **Exhibit 3**, in fiscal 2019, DHS continued to make progress on the participation rates for households with children under age 6 and households with individuals over age 60 receiving benefits. Participation rates for households with children under age 6 increased by 2.2 percentage points in fiscal 2019. At 34.5%, this group had its highest participation rate since fiscal 2014. DHS indicates that it has refined the LAA annual outreach plan process in order to focus on specific populations. OHEP now returns plans for revision and resubmission to LAAs that do not include clear strategies for improving service to households with young children through collaboration with the local school systems, Head Start, Judy Centers, and child care operations.

Exhibit 3
Vulnerable Populations Receiving Energy Assistance Benefits
(Percent of Eligible Households)
Fiscal 2015-2019



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

The participation rate for households with an individual over age 60 increased slightly to 27.6%, the highest level since before fiscal 2010. DHS anticipates the streamlined application process for households with an individual with disabilities and households with an individual over the age of 60 will continue to improve participation rates among this population. This process allows households in these populations that had applied in the previous year to receive a pre-filled simplified application that needs only to be signed and returned. DHS indicates that this simplified process will also allow for more resources to go to outreach on households that have not previously received benefits.

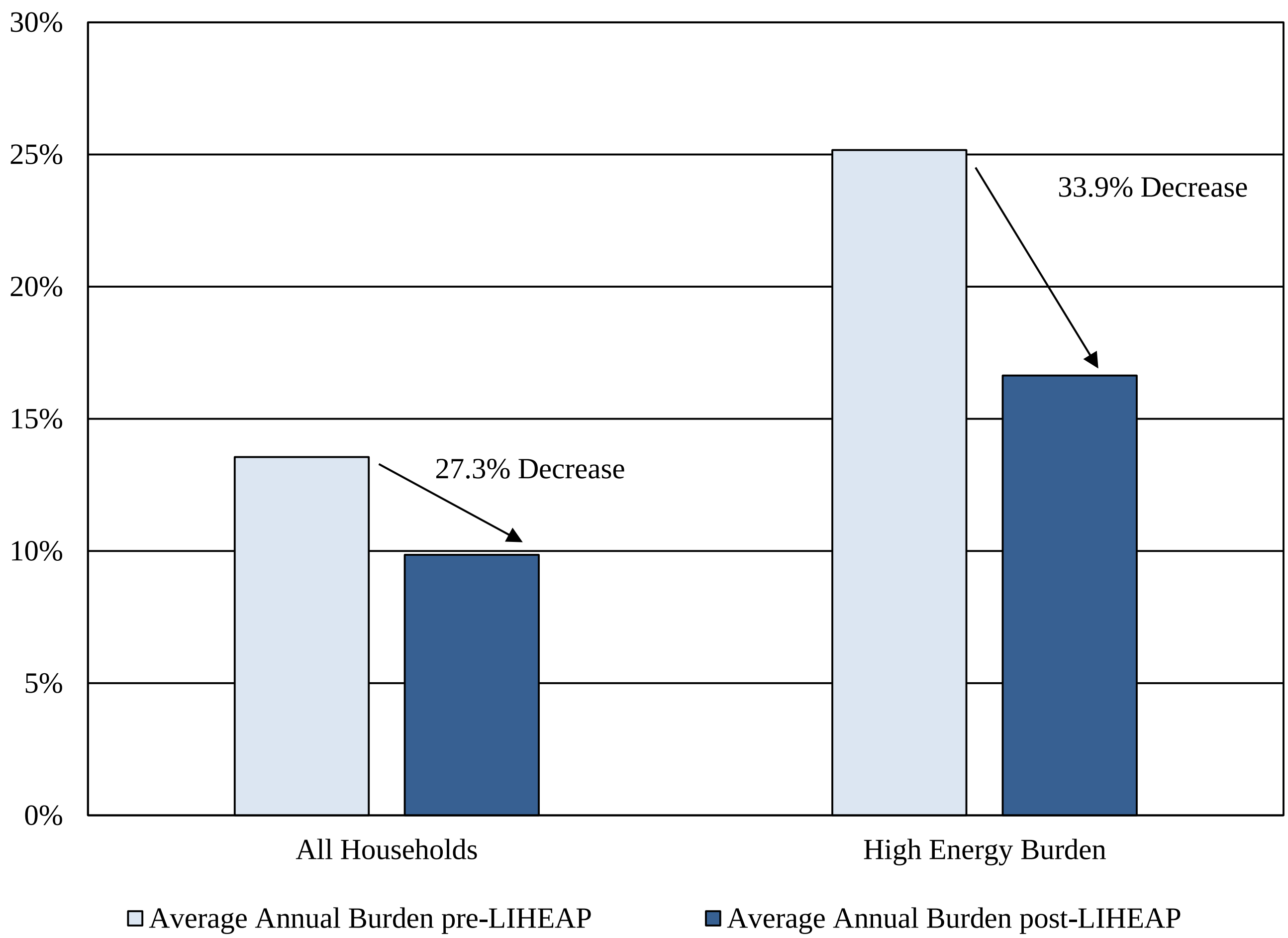
While this process has shown benefits for households with individuals over age 60, the participation rate for households with an individual with a disability declined slightly to 23.6%, the lowest level since before fiscal 2010. DHS explains that these households utilize the streamlined application process at a lower rate than seniors, and that it plans to investigate the reasons for this. However, DHS indicates that the Critical Medical Needs Program, which launched statewide in October 2019 due to Chapters 282 and 283 of 2019, will improve outreach to individuals with disabilities. Under this program, navigators at medical providers or assistance providers who are in contact with critical medically vulnerable individuals are trained to assist these individuals in accessing energy assistance benefits and utility service extensions more quickly. DHS notes that, between October 2019 and January 2020, four training programs were held for navigators, which resulted in 148 new navigators. In total, DHS reports that there are 306 Critical Medical Needs Program Navigators working in hospitals and cancer centers. Between July and December 2019, 93 applications for energy assistance benefits assisted by navigators have been processed.

4. OHEP Improves Targeting of Benefits and Energy Burden Reduction

Beginning with data for federal fiscal 2016, HHS required states to report on new performance measures for LIHEAP. The new performance measures focus on targeting energy benefits to households with the highest energy burden (energy cost compared to income) and energy burden reduction, particularly among high energy burden households (burdens in the top 25% of energy burden households that receive bill assistance). Other measures include restoration of service and prevention of loss of service due to LIHEAP funded benefits. Data is available for fiscal 2016 through 2018 for these measures.

As shown in **Exhibit 4**, OHEP benefits funded through LIHEAP reduced the energy burden for all households receiving a benefit by 27.3% and for high energy budget households by 33.9% in federal fiscal 2018. Compared to federal fiscal 2017, the energy burden reduction is slightly lower for all households, while the reduction is 13.2 percentage points larger for high energy burden households. DHS indicates that the larger decrease among high energy burden customers is the result of several factors including customer mix and improvements in the data that more accurately reflect energy costs and burdens for customers of various fuel sources. In particular, DHS noted that while more propane customers were included in the high energy burden group (a fuel source with relatively high costs), the energy burden for these customers before the LIHEAP benefit was applied was lower than the previous year, which translated to a lower burden after the benefit. In addition, more natural gas customers (with relatively lower costs) were in the high energy burden group compared to the prior year.

Exhibit 4
Energy Burden Reduction for All Fuel Sources
Federal Fiscal 2018

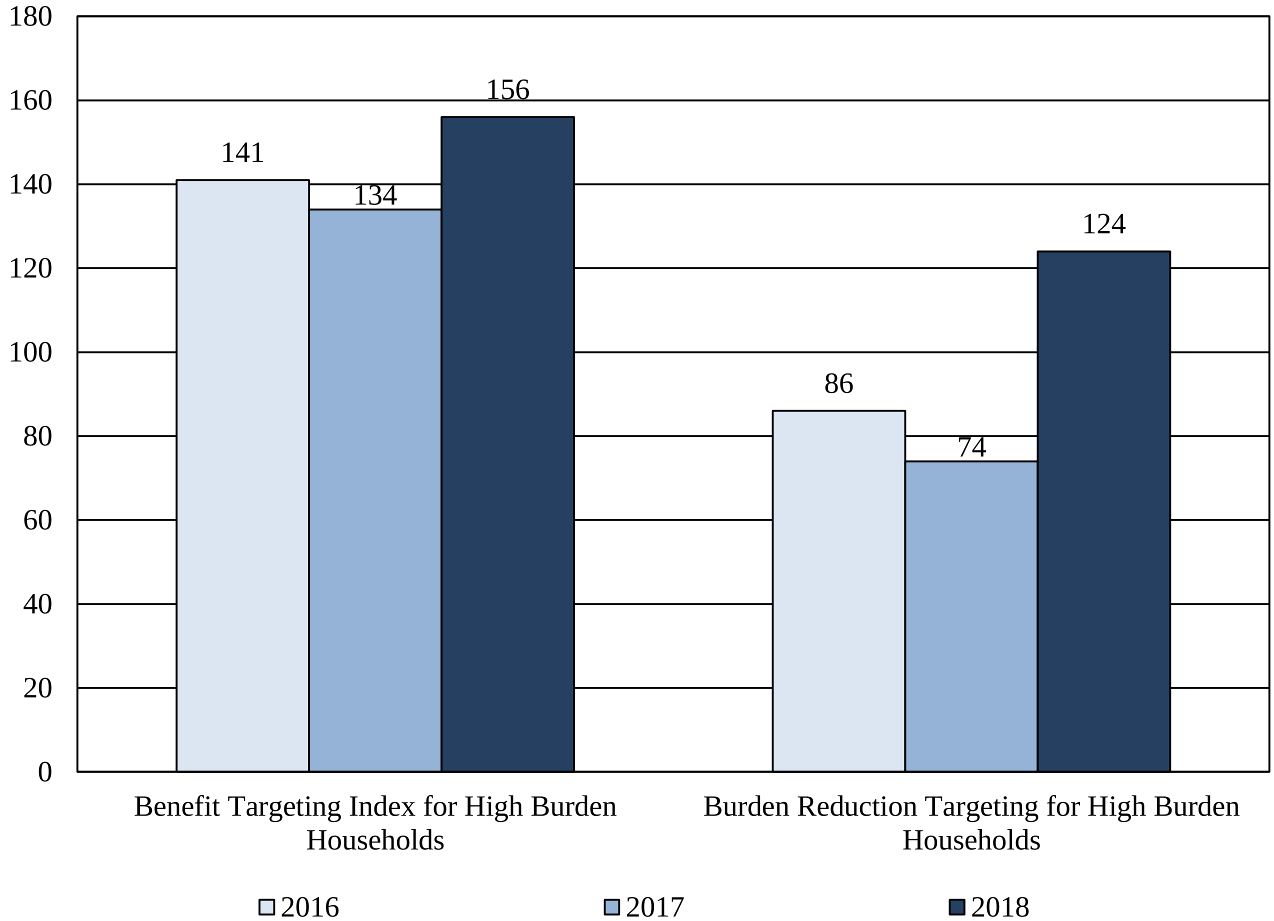


LIHEAP: Low Income Home Energy Assistance Program

Source: Department of Human Services

The energy burden reduction index measures the difference in the percentage of the energy burden reduction between high-energy burden households and all households. An index of 100 indicates that these households had the same reduction, while an index over 100 indicates that high energy burden households had a greater reduction. As shown in **Exhibit 5**, in federal fiscal 2018, OHEP's energy burden reduction index was 124, a reduction of 24% more for high energy burden households than all households. This was the first year in which the index in Maryland exceeded 100. The index exceeded 100 for three of the fuel sources measured (electricity, natural gas, and propane), which continues to remain below 100 for fuel oil.

Exhibit 5
Benefit Targeting and Energy Burden Reduction Indices
Federal Fiscal 2016-2018



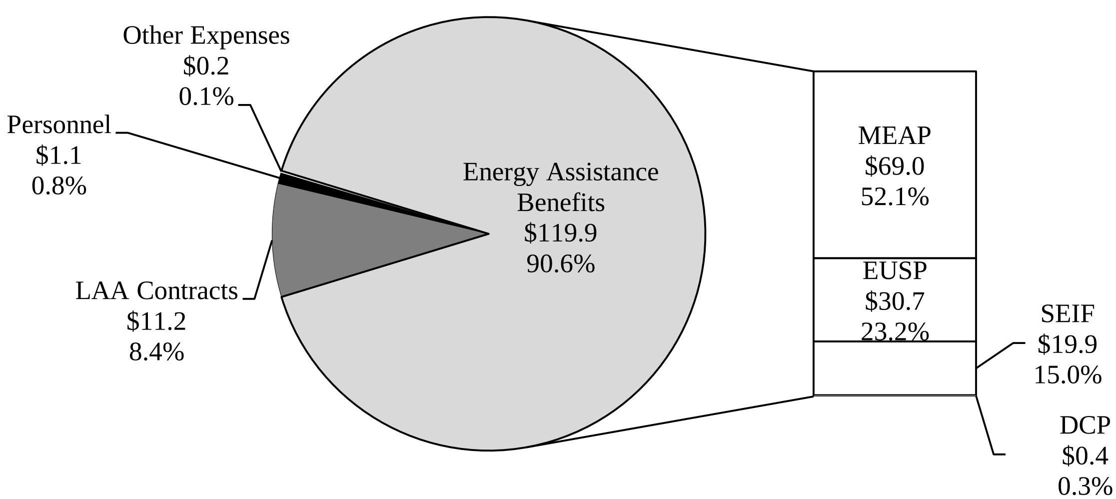
Source: Department of Human Services

The federal performance measures also include a benefit targeting index, which 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 less than 100 would indicate that higher benefits are paid to those without the highest burdens. OHEP's formula for determining benefits takes into account 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). Since the benefit calculation specifically takes into account energy use and income level, Maryland's benefit targeting index has exceeded 100 in all three years of the measure. In federal fiscal 2018, the benefit targeting index was 156, the highest of the three years of available data, indicating a 56% higher benefit for those with the highest energy burdens.

Fiscal 2021 Overview of Agency Spending

The fiscal 2021 allowance of OHEP totals $132.3 million after accounting for statewide employee compensation adjustments. As shown in **Exhibit 6**, 90.6% of the OHEP spending is for energy assistance benefits. Federal heating benefits, provided through MEAP, are slightly more than half of these benefits ($69 million). Electric assistance, provided through the EUSP ratepayer surcharge, the SEIF, and a Public Service Commission (PSC) order related to an electric generating facility at Dominion Cove Point, accounts for the remaining $50.9 million. The funding level for electric assistance varies primarily with the availability of RGGI carbon dioxide emission allowance auction revenue and available fund balance. The other two sources are relatively set amounts, with fluctuation in the ratepayer surcharge portion generally limited to adjustments in the allocations between administrative expenses and benefits. The second largest category of spending is for LAA contracts (8.4%). These contracts provide funding for the community action agencies/LDSS offices/local government offices to administer the program.

Exhibit 6
Overview of Agency Spending
Fiscal 2021 Allowance
($ in Millions)



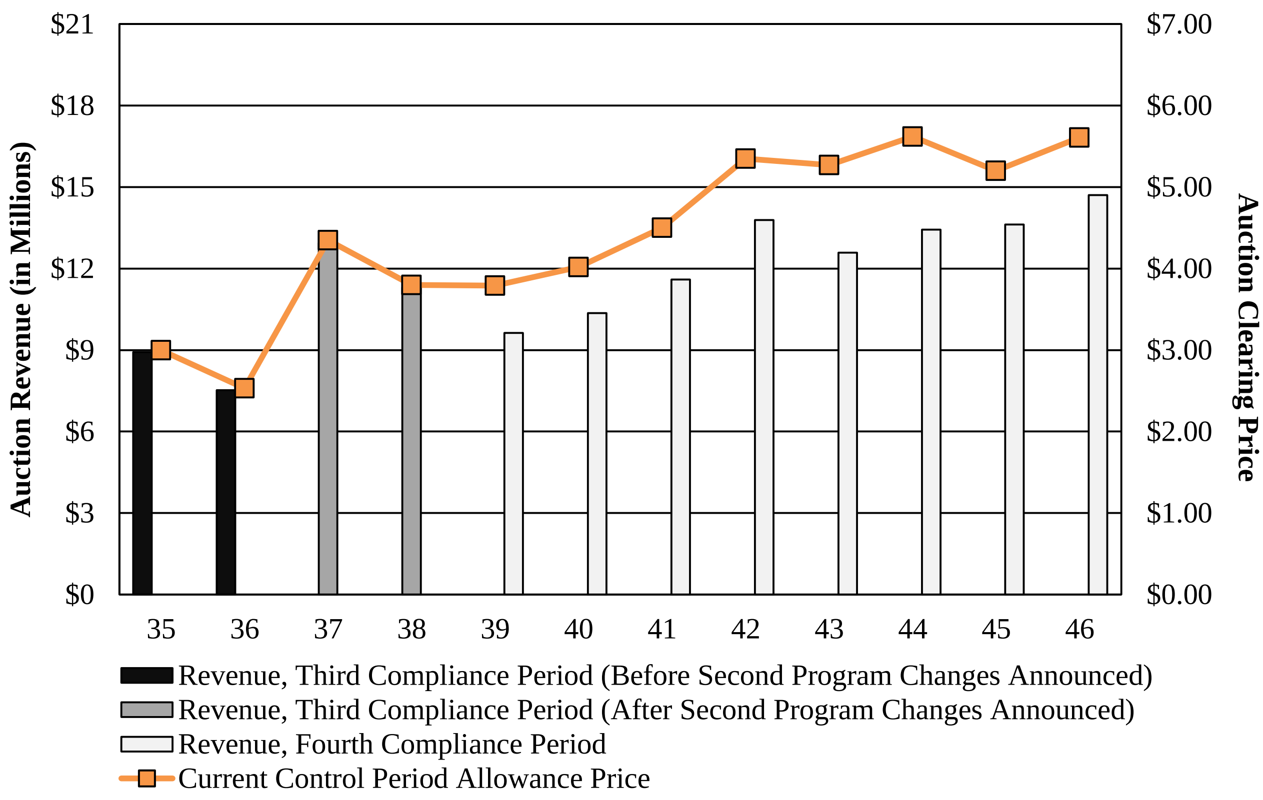
DCP: Dominion Cove Point
EUSP: Electric Universal Service Program
LAA: local administering agencies
MEAP: Maryland Energy Assistance Program
SEIF: Strategic Energy Investment Fund

Source: Governor's Fiscal 2021 Budget Books

SEIF Availability

Under Section 9-20B-05 of the State Government Article, at least 50% of the revenue from the RGGI auctions is directed to energy assistance. Since the beginning of the program, RGGI auction revenue has shown substantial variation. For two and a half years, the auction clearing prices stayed at the minimum level and, during a portion of that period, not all allowances available for sale 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 fell again, to a low of $2.53 per allowance in June 2017, which was relatively near the minimum clearing price. As shown in **Exhibit 7**, auction clearing prices and revenue rebounded again following the announcement of a second round of program changes and have remained relatively stable over the last year.

Exhibit 7
Regional Greenhouse Gas Initiative Revenue
Auctions 35-46
(March 2017 to December 2019)



Source: Regional Greenhouse Gas Initiative, Inc.

Due to the unpredictability of auction 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 resulted in mid-year program reductions in other years including in the energy assistance program. To stabilize the program funding, the Maryland Energy Administration (MEA), the administrator of the SEIF, began estimating revenue for the budget by using the minimum clearing prices with actual overattainment of revenue compared to that minimum used in the following fiscal year (for example, fiscal 2021 overattainment is available for fiscal 2023).

This method of forecasting revenue helps to ensure that there is some fund balance available in future years to support spending. It has also meant that the fund balance for energy assistance in the SEIF has been able to remain over $20 million in recent years. This available fund balance allows the fiscal 2021 allowance to remain approximately at the same level as the fiscal 2020 working appropriation (a decrease of less than $100,000). However, significant changes in fiscal 2021 may reduce the available fund balance and potentially result in lower available funding from the SEIF beginning in fiscal 2022.

- ***Emissions Containment Reserve:*** In calendar 2021, a new reserve (the emissions containment reserve) will be added to RGGI, which reduces allowances available for sale if the auction clearing price does not reach a certain level (this is described more fully in the budget analysis for MEA). Recent auction clearing prices have been below this level and, as a result, it is uncertain what level of revenues will be attained after this mechanism begins.

- ***Governor's Proposed Changes:*** The Governor has proposed two legislative changes which, if enacted, would have the net effect of reducing RGGI revenue available for distribution under the statutory allocation by $10.5 million:

  - increase and extend the transfer from the SEIF to the Transportation Trust Fund for the electric vehicle excise tax credit to at least $12 million from fiscal 2021 through 2023, which otherwise would have expired following fiscal 2020 (HB 359/SB 277); and

  - end a required SEIF transfer to the Maryland Energy Innovation Fund two years early (HB 152/SB 192).

In the fiscal 2021 forecast, the emissions containment reserve change has no effect because it continues the conservative forecasting method. The impact of this change will be more readily felt in future years based on the impact on overattainment. As shown in **Exhibit 8**, the proposed legislative changes reduce the anticipated revenue available for energy assistance and fund balance by $5.25 million compared to current law. Under both scenarios, the fund balance would be substantially reduced because the amount of SEIF revenue used in the fiscal 2021 allowance remains at approximately the level of fiscal 2020. However, the fund balance in both scenarios is understated due to the revenue forecasting method.

Exhibit 8
Strategic Energy Investment Fund Energy Assistance Balance
Fiscal 2018-2021 Est.

2018 Closing Balance	**$24,771,549**
2019 Est. Balance	**$24,065,262**
2020 Est. Revenue	$16,445,187
Realignment of Interest	1,854,733
2020 Working Appropriation	-19,942,924
2020 Est. Balance	**$22,422,258**
2021 Est. Revenue (Governor's Plan)	$5,271,827
2021 Allowance	-19,850,329
2021 Est. Balance (Governor's Plan)	**$7,843,756**
2021 Est. Balance (Current Law)	**$13,093,756**

Note: The fiscal 2019 and 2020 estimated balances differ slightly from those reported in Appendix K of the Governor's Budget Books to reflect fiscal 2019 actual program spending. In addition, the estimated fiscal 2020 and 2021 estimated balances differ from Appendix K to reflect the transfer to the Transportation Trust Fund as proposed in HB 359/SB 277.

Source: Governor's Fiscal 2021 Budget Books; Department of Budget and Management; Maryland Energy Administration; Department of Legislative Services

Proposed Budget Change

As shown in **Exhibit 9**, the fiscal 2021 allowance of OHEP increases by $5.4 million, or 4.2%, compared to the fiscal 2020 working appropriation after accounting for statewide employee compensation adjustments. Excluding changes related to energy assistance benefits, the fiscal 2021 allowance decreases by slightly less than $400,000. The vast majority of this decrease ($350,000) is the result of budgeting the employment and verification contract costs solely in FIA, rather than splitting between OHEP and FIA. DHS notes that these services will still be required for OHEP.

Exhibit 9
Proposed Budget
DHS – Office of Home Energy Programs
($ in Thousands)

How Much It Grows:	Special Fund	Federal Fund	Total
Fiscal 2019 Actual	$76,427	$71,394	$147,821
Fiscal 2020 Working Appropriation	57,251	69,714	126,965
Fiscal 2021 Allowance	55,958	76,385	132,344
Fiscal 2020-2021 Amount Change	-$1,293	$6,671	$5,378
Fiscal 2020-2021 Percent Change	-2.3%	9.6%	4.2%

Where It Goes:	Change
Personnel Expenses	
Regular earnings	$30
Employee retirement	11
2% general salary increase, effective January 1, 2021	8
Annualization of 1% general salary increase, effective January 1, 2020	2
Turnover expectancy increases from 6.84% to 7.03%	-5
Employee and retiree health insurance	-12
1 position transferred to the Family Investment Administration	-61
Other fringe benefit adjustments	2
Energy Assistance Benefits	
Availability of federal Low Income Home Energy Assistance Program funds to better reflect recent experience	6,901
Strategic Energy Investment Fund	-91
Electric Universal Service Program ratepayer surcharge to align with allowable collections	-1,034
Other Changes	
Administrative expenses primarily related to subscription and dues to align with recent experience	5
Supplies primarily related to outreach and printed forms	-28
Employment and Verification Services contract due to a budgetary realignment; in fiscal 2021 this funding is budgeted in the Family Investment Administration	-350
Total	**$5,378**

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Energy Assistance Benefits

In total, funding for energy assistance benefits increases by $5.8 million (5.1%) compared to the fiscal 2020 working appropriation. The increase results from available federal LIHEAP funds, while the other two fund sources (the EUSP ratepayer surcharge and the SEIF) decrease.

LIHEAP

LIHEAP funds included in the State budget increase to $77.5 million in the fiscal 2021 allowance, an increase of $6.4 million, compared to the fiscal 2020 working appropriation. The overall level of LIHEAP funds better reflects the amount of these funds received recently. From fiscal 2017 through 2019, Maryland averaged $78.2 million of LIHEAP funds received per year. The actual amount of funds received varies year to year based on the overall funding of the block grant and the State share of the grant.

The fiscal 2020 working appropriation understates the amount of funding available to Maryland in that year, due to carryover funding available from the prior year (approximately $30 million). In recent years, the carryover has been used to begin paying benefits earlier in the year than would otherwise be possible based on the timing of the release of funds in the federal fiscal year. To the extent that DHS prefers to continue begin paying benefits early in the fiscal year, DHS will likely continue the recent trend of carrying a portion of its federal fiscal year appropriation into the next state fiscal year. **DHS should comment on whether it plans to continue this practice.**

In the fiscal 2021 allowance, LIHEAP funds budgeted for energy assistance totals $69 million, which is an increase of $6.9 million compared to the fiscal 2020 working appropriation. In addition to providing bill payment and natural gas arrearage assistance, the LIHEAP funds budgeted for energy assistance are also used to support furnace repair/replacement in the Department of Housing and Community Development (DHCD). In the fiscal 2021 allowance, the LIHEAP funding for energy assistance supports an increase of $5.15 million for bill payment and natural gas arrearage assistance and an increase of $1.75 million for furnace repair/replacement in DHCD. In total, in fiscal 2021, $5 million of LIHEAP will be used for furnace repair/replacement in DHCD. DHS indicates that the increase is the result of demand for heating and/or cooling system replacement. All other areas of LIHEAP spending both within OHEP and other areas of DHS decrease by a net of $0.5 million.

EUSP

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. The fiscal 2021 allowance includes approximately $37 million of these funds throughout DHS, a decrease of $1.1 million, compared to the fiscal 2020 working appropriation. The fiscal 2019 budget did not appropriate the full amount of EUSP funds available. As a result, the fiscal 2020 working appropriation contains an extra amount beyond that year’s collections to account for the prior year understatement.

The majority of the EUSP funds are budgeted for energy assistance in each of fiscal 2020 ($31.7 million) and fiscal 2021 ($30.7 million), a decrease of $1.0 million in fiscal 2021. Outside of energy assistance benefits, EUSP funds included in the allowance of OHEP and other areas of DHS decrease by a net of less than $100,000.

Personnel Data

	FY 19 Actual	FY 20 Working	FY 21 Allowance	FY 20-21 Change
Regular Positions	14.87	15.87	14.87	-1.00
Contractual FTEs	0.99	0.00	0.00	0.00
Total Personnel	**15.86**	**15.87**	**14.87**	**-1.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	1.05	7.03%
Positions and Percentage Vacant as of 12/31/19	2.37	14.93%
Vacancies Above Turnover	1.32	

- One position was transferred from OHEP to the Local Family Investment Program.

- The vacant positions represent 1 full-time position and 2 part-time positions, all of which had been vacant for more than 12 months. One of these positions has since been filled. The 2 part-time positions (office clerks) have been vacant for two and a half years. DHS indicates that it has had difficulty filling these positions and is revising the job descriptions in an effort to fill the positions. **The Department of Legislative Services (DLS) recommends deleting the regular positions that have been vacant for longer than two years.**

Issues

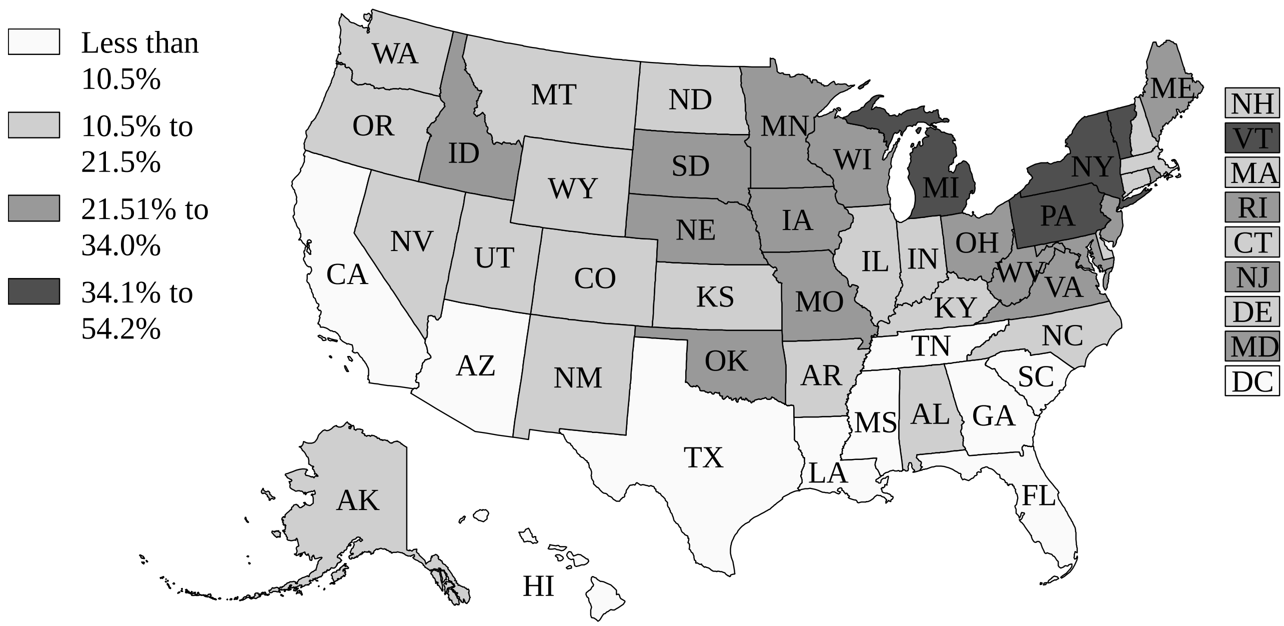
1. Cost of Increasing Program Participation Rates

Current Participation Rates

The LIHEAP Performance Management website presents data on a variety of measures related to state performance for LIHEAP funded benefits. This website presents participation rates for LIHEAP funded heating benefits for each state as well as summary national data. Data for federal fiscal 2016 through 2018 is preliminary.

The national participation rate for heating assistance, using each state's eligibility criteria, decreased from 20.5% in federal fiscal 2013 to 17.0% in federal fiscal 2017. In federal fiscal 2018, the participation rate increased slightly to 17.3%. Maryland had a higher rate of participation than occurred nationally from federal fiscal 2016 through 2018 with participation between 25% and 27% in each year. **Exhibit 10** provides information on the preliminary federal fiscal 2018 participation rate by state. In federal fiscal 2018, Maryland had the tenth highest participation rate among states. Michigan had the highest participation rate at 54.2%. Two other states (New York and Vermont) had participation rates exceeding 40%.

Exhibit 10
Income-eligible Household Participation in LIHEAP Funded Heating Assistance
Federal Fiscal 2018



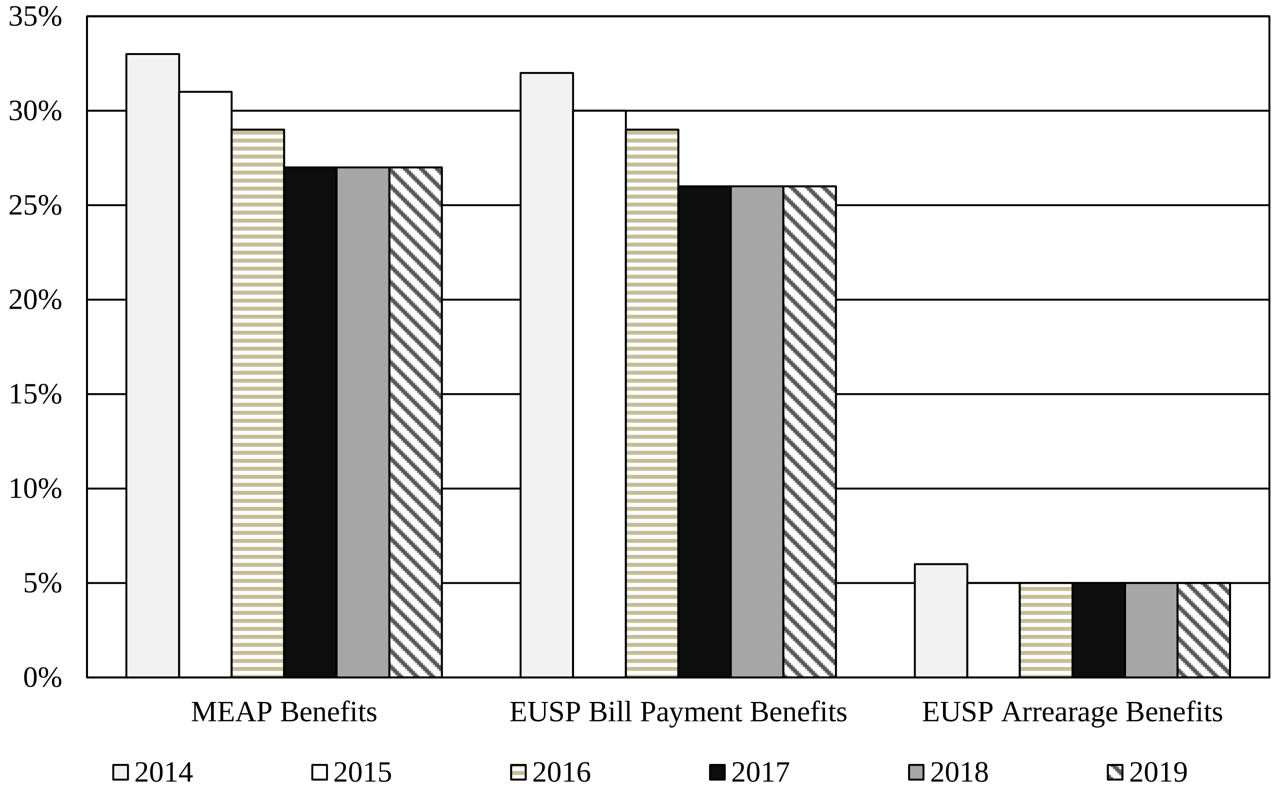
LIHEAP: Low Income Home Energy Assistance Program

Note: The data is based on state income eligibility criteria, which differs among states.

Source: U.S. Department of Health and Human Services; Administration for Children and Families; LIHEAP Performance Management Website

In 2018, the Applied Public Policy Research Institute for Study and Evaluation (APPRISE) released a report on behalf of the Office of People's Counsel that, among other information, provided data on participation rates in EUSP and MEAP compared to State eligibility criteria. The report noted that, in fiscal 2017, the participation rate for EUSP was 25% and for MEAP was 26% for all income-eligible households. The data for MEAP is consistent with nationally reported data for heating assistance. According to APPRISE, the participation rate was slightly higher for some income groups, but it did not exceed 31% for any income group. Allegany and Garrett counties had the highest participation rate for the programs at 46%. Montgomery County had the lowest participation rates: 15% for MEAP; and 14% for EUSP. As shown in **Exhibit 11**, in its annual MFR submission, which is reported on the State fiscal year rather than federal fiscal year, DHS reports participation rates have remained at essentially the same levels through fiscal 2019.

Exhibit 11
Program Participation by Benefit Type
Fiscal 2014-2019



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

Source: Department of Human Services

Cost to Increase Program Participation Rates

Although Maryland's participation rate is high relative to other states, the number of households that receive the benefit is relatively low. As a result, language in the fiscal 2020 budget bill restricted funds until DHS submitted a report providing information on the amount of additional funding that would be required to increase program participation rates to 50%, 75%, or 100%, including the impact on the ratepayer surcharge that is the basis for part of the funding for EUSP.

Assumptions

In its response, DHS focused only on the electric benefit program rather than including the federal benefit. DHS assumed that the increased cost of participation would be born entirely by EUSP even though the electricity portion of the energy assistance program also receives funds from the SEIF. DHS uses the SEIF for electric arrearage assistance and then any funds not needed for that purpose are used to support bill payment assistance. DHS assumed that with an increase in recipients, more households would qualify for the electric arrearage assistance program and, therefore, no funds from the SEIF would be available to support increased bill payment assistance participation. DLS notes that in fiscal 2019, electric arrearage assistance totaled approximately $13.5 million, while the fiscal 2021 allowance for energy assistance benefits from the SEIF total $19.9 million. Therefore, it is possible that some portion of this funding may be available to support bill payment assistance benefits even with higher participation rates.

To calculate the cost, DHS used benefit levels in each jurisdiction to account for varying benefit levels throughout the State. The varying benefit levels result from factors such as electric usage difference and electric cost variations by utility. DHS explained that the benefit levels used in the calculation ranged from $400.70 per year in Washington County to $684.64 in Calvert County.

Estimated Cost

DHS estimated that the total funding needed to support increased participation rates for EUSP are:

- $95.2 million for 50% participation (191,497 households);
- $142.9 million for 75% participation (287,245 households); and
- $190.5 million for 100% participation (382,993 households).

Ratepayer Surcharge Impacts

The EUSP residential ratepayer surcharge is set at a per month amount by PSC. The current surcharge is lower than is normal due to prior year overcollections. The commercial and industrial ratepayer surcharge is set on a per month charge, and the level of the charge varies based on customer classes, determined by the size of the customer’s electric bill. The current rates vary from $0.25 per month for Tier 1 to $2,763.43 for Tier 24. These rates are also lower than is typical due to prior year overcollections. For purposes of calculating the impact of the increased cost on the ratepayer surcharge, DHS assumed a return to more typical levels of these surcharges.

In developing estimates, DHS worked with PSC and found that the ratepayer surcharges would need to increase by (1) 130% to reach 50% participation; (2) 253% to reach 75% participation; and (3) 387% to reach 100% participation. For residential customers, this would equate to (1) $0.78 per month to reach 50% participation; (2) $1.20 per month to reach 75% participation; and (3) $1.66 per month to reach 100% participation. The report did not provide specific rate examples for the commercial and industrial classes due to the many tiers. However, for illustrative purposes, using the current surcharge (which as noted is lower than normal) for Tier 1 and Tier 24, the per month charges would be (1) $0.58 for Tier 1 and $6,355.89 for Tier 24 to reach 50% participation; (2) $0.88 for Tier 1 and $9,754.91 for Tier 24 to reach 75% participation; and (3) $1.22 for Tier 1 and $13,457.90 for Tier 24 to reach 100% participation.

Operating Budget Recommended Actions

		Amount Reduction		Position Reduction
1.	Delete 1.37 Regular Positions (PIN 080768 and PIN 080769) that have been vacant for longer than two years.	$ 17,267 $ 25,900	SF FF	1.4

2. Adopt the following narrative:

Energy Assistance Application Processing Times: The committees are interested in continuing to monitor the local administering agencies (LAA) energy assistance application processing times. The committees request that the Department of Human Services (DHS) provide by LAA:

- the number of applications received;
- the average number of days to process applications;
- the number of days to process applications; and
- the number and percent of applications processed within 30 days, 55 days, and longer than 60 days.

The report should note the date of the data. The data should be current through November 1, 2020, 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 31, 2020
Application processing times	DHS	June 30, 2021

Total Reductions	**$ 43,167**	**1.4**
Total Special Fund Reductions	**$ 17,267**	
Total Federal Fund Reductions	**$ 25,900**	

Updates

1. Average Application Processing Times Decrease in All but One Jurisdiction

Since 2015, committee narrative in the *Joint Chairmen's Report* (JCR) has requested that DHS provide information on application processing times by LAA to the budget committees. Processing times are reviewed in the report through two measures: (1) average days to process (certify/deny applications); and (2) percent of applications processed within certain time frames. 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 Number of Days to Process

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. Since then OHEP and LAAs have made substantial improvements in reducing the average days to process applications. As shown in **Exhibit 12**, through November 1 in fiscal 2020, the statewide average number of days to process applications was 18 days, 5 days lower than a similar period in fiscal 2019. As shown in **Exhibit 13**, in fiscal 2020 through November 1, four LAAs had application processing times of fewer than 10 days, while only one LAA had processing times of fewer than 10 days in fiscal 2019. DHS attributes the increase in the number of LAAs processing applications in fewer than 10 days to the introduction of year-round application processing and the streamlined application process for seniors who received a benefit in the previous year. Specifically on the year-round processing, DHS explained that, without a backlog at the start of the year, all applications are able to be processed more quickly. In fiscal 2020, no LAAs had an average application processing time of longer than 30 days compared to three LAAs in fiscal 2019.

Exhibit 12
Comparison of Average Days to Process Energy Assistance Applications
Fiscal 2018-2020

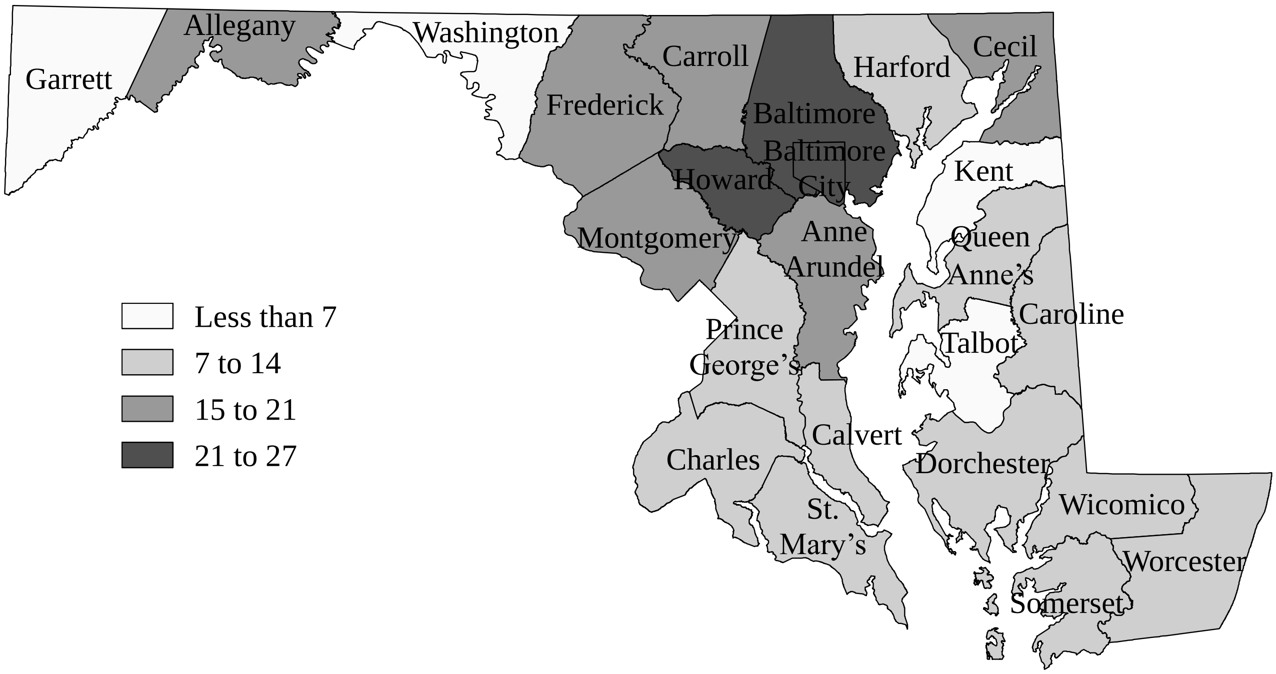
	2018 (through October 11)	2019 (through September 30)	2020 (through November 1)	2019-2020 Change
Allegany County Human Resources Development Commission	24	17	16	-1
Anne Arundel County CAC	28	22	20	-2
Baltimore City Mayor's Office of Children and Family Success	34	35	27	-8
Baltimore County DSS	26	19	25	6
Caroline County DSS	21	16	10	-6
Human Service Programs of Carroll County Inc.	35	27	20	-7
Cecil County DSS	29	24	20	-4
Dorchester County DSS	23	19	13	-6
Frederick County DSS	38	19	18	-1
Garrett County CAC	15	11	1	-10
Harford County CAC	16	16	13	-3
Howard County CAC	32	41	24	-17
Kent County DSS	21	12	7	-5
Montgomery County Department of Health and Human Services	44	37	20	-17
Prince George's County DSS	26	23	13	-10
Queen Anne's County DSS	15	19	14	-5
Southern Maryland Tri-County Community Action Committee Inc. (Calvert, Charles, and St. Mary's Counties)	18	17	12	-5
Neighborhood Service Center (Talbot County)	4	6	5	-1
Washington County CAC	28	13	6	-7
Shore UP! (Somerset, Worcester, and Wicomico Counties)	13	17	12	-5
Total	**26**	**23**	**18**	**-5**

CAC: Community Action Council
DSS: Department of Social Services

Note: The local administering agency for Baltimore City has been at various times the Baltimore City Department of Housing and Community Development and the Mayor's Office of Human Services. It is currently the Mayor's Office of Children and Family Success.

Source: Department of Human Services

Exhibit 13
Average Days to Process Energy Assistance Applications
Fiscal 2020 through November 1, 2019



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 the LAA as a whole.

Source: Department of Human Services

Only one LAA had the average number of days to process applications increase between these periods (Baltimore County). In addition, the Baltimore County LAA had the second highest average days to process applications. DHS reports that this increase was due to the program manager position being vacant beginning in July 2019.

The largest decrease in the average number of days to process applications (17) occurred in Howard County. The Community Action Council of Howard County (the LAA in that jurisdiction) moved to a new building on July 1, 2018, which impacted application processing times early in fiscal 2019.

Applications Processed Beyond the 55-Day Guideline

In fiscal 2015, 17% of applications processed statewide were processed in longer than 55 days. Seventeen of the 20 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. Consistent with the declines in the average number of days to process applications, the statewide share of applications processed in longer than 55 days has declined. As shown in **Exhibit 14**, through November 1 in fiscal 2020, statewide, only 1% of applications were processed in longer than 55 days. Three LAAs had 1% or more of applications processed in longer than 55 days of which none had more than 5%. Baltimore City had the highest share of applications processed in longer than 55 days, but this share had decreased by nine percentage points since a similar period in fiscal 2019.

Baltimore County was the only LAA that experienced an increase in applications processed beyond 55 days. Two LAAs had decreases in the percent of applications processed in longer than 55 days, exceeding 10 percentage points. Howard County LAA experienced a decrease of 26% to return to a more typical level after the high point in fiscal 2019 due to the office move noted earlier. Montgomery County LAA had a decrease of 15 percentage points. Montgomery County has historically had one of the highest rates of applications processed beyond 55 days but has made a number of improvements in recent years that led to the improved processing times, including changing workflows for applications (which includes real-time scanning of applications) and increasing staffing. The increased staffing was expected to bring the county closer to the staffing levels of similarly sized jurisdictions.

Exhibit 14
Comparison of Applications Processed Beyond the 55-day Guideline
Fiscal 2018-2020

	2018 (through October 11)	2019 (through September 30)	2020 (through November 1)	2019-2020 Change
Allegany County Human Resources Development Commission	1%	0%	0%	0%
Anne Arundel County CAC	2%	0%	0%	0%
Baltimore City Mayor's Office of Children and Family Success	20%	13%	4%	-9%
Baltimore County DSS	3%	0%	1%	1%
Caroline County DSS	1%	0%	0%	0%
Human Service Programs of Carroll County Inc.	1%	0%	0%	0%
Cecil County DSS	2%	0%	0%	0%
Dorchester County DSS	0%	0%	0%	0%
Frederick County DSS	12%	0%	0%	0%
Garrett County CAC	0%	0%	0%	0%
Harford County CAC	0%	0%	0%	0%
Howard County CAC	1%	26%	0%	-26%
Kent County DSS	1%	0%	0%	0%
Montgomery County Department of Health and Human Services	30%	16%	1%	-15%
Prince George's County DSS	3%	0%	0%	0%
Queen Anne's County DSS	0%	0%	0%	0%
Southern Maryland Tri-County Community Action Committee Inc. (Calvert, Charles, and St. Mary's Counties)	0%	0%	0%	0%
Neighborhood Service Center (Talbot County)	0%	0%	0%	0%
Washington County CAC	1%	0%	0%	0%
Shore UP! (Somerset, Worcester, and Wicomico Counties)	0%	0%	0%	0%
Total	**5%**	**4%**	**1%**	**-3%**

CAC: Community Action Council
DSS: Department of Social Services

Note: The local administering agency for Baltimore City has been at various times the Baltimore City Department of Housing and Community Development and the Mayor's Office of Human Services. It is currently the Mayor's Office of Children and Family Success.

Source: Department of Human Services; Department of Legislative Services

Appendix 1
2019 *Joint Chairmen's Report* Responses from Agency

The 2019 *Joint Chairmen's Report* (JCR) requested that the Department of Human Services (DHS) Office of Home Energy Programs prepare two reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Additional Funding That Would Be Needed to Increase Program Participation:*** DHS reported that the cost of increasing to 50% participation would total $95 million and to increase to 100% participation would total $190.5 million. Further discussion of this data can be found in Issue 1 of this analysis.

- ***Energy Assistance Application Processing Times:*** DHS provided data on application processing times through November 1 in fiscal 2019. Statewide, the average number of days to process applications was 18 days, and only 1% of applications were processed in longer than 60 days. Two jurisdictions (Baltimore and Montgomery counties) accounted for the applications processed in longer than 60 days. Further discussion of this data can be found in Update 1 of this analysis.

Appendix 2
Audit Findings

The Department of Human Services (DHS) Family Investment Administration (FIA) audit released in March 2019 contained one finding related to the Office of Home Energy Programs. Specifically that FIA did not periodically review and adequately restrict user access to its OHEP computer system, resulting in several hundred employees with unnecessary access to recipients' personally identifiable information. Full details of the FIA audit findings are contained in the budget analysis for FIA.

Appendix 3
Object/Fund Difference Report
DHS – Office of Home Energy Programs

Object/Fund	FY 19 Actual	FY 20 Working Appropriation	FY 21 Allowance	FY 20 - FY 21 Amount Change	Percent Change
Positions					
01 Regular	14.87	15.87	14.87	-1.00	- 6.3%
02 Contractual	0.99	0.00	0.00	0.00	0.0%
Total Positions	**15.86**	**15.87**	**14.87**	**-1.00**	**- 6.3%**
Objects					
01 Salaries and Wages	$ 2,053,912	$ 1,124,553	$ 1,090,864	- $ 33,689	- 3.0%
02 Technical and Spec. Fees	265,422	1,150	930	- 220	- 19.1%
03 Communication	39,293	21,937	21,767	- 170	- 0.8%
04 Travel	11,516	7,004	7,004	0	0%
06 Fuel and Utilities	17,961	0	0	0	0.0%
08 Contractual Services	144,934,993	125,642,193	131,067,242	5,425,049	4.3%
09 Supplies and Materials	116,174	158,111	129,830	- 28,281	- 17.9%
10 Equipment – Replacement	791	0	0	0	0.0%
11 Equipment – Additional	95	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	306,696	0	0	0	0.0%
13 Fixed Charges	73,718	8,850	14,388	5,538	62.6%
Total Objects	**$ 147,820,571**	**$ 126,963,798**	**$ 132,332,025**	**$ 5,368,227**	**4.2%**
Funds					
03 Special Fund	$ 76,426,564	$ 57,250,481	$ 55,953,826	- $ 1,296,655	- 2.3%
05 Federal Fund	71,394,007	69,713,317	76,378,199	6,664,882	9.6%
Total Funds	**$ 147,820,571**	**$ 126,963,798**	**$ 132,332,025**	**$ 5,368,227**	**4.2%**

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.