

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 504

(Senator Klausmeier, *et al.*)

Finance

Economic Matters

Electricity - Universal Service Program - Extension and Funding

This bill requires the Public Service Commission (PSC) to continue collecting \$34 million annually from electric customers to fund the Department of Human Resources' (DHR) Electric Universal Service Program (EUSP). Any unspent program funds at the end of one fiscal year may be retained and spent in the first three months of the following fiscal year and for an additional three months if the commission determines an extension is necessary. Only customers who qualified for assistance in the fiscal year the funds were retained, who applied before the end of that fiscal year, and who remain eligible at the time services are provided would be eligible for those retained funds. Any retained funds not spent in the following fiscal year must be returned to electric customers in the same proportion they contributed to the fund. The refund must come in the form of a credit toward the customers' following fiscal year's EUSP charge. The bill also specifies the factors that PSC's recommendation on the total amount of program funds for the following fiscal year must be based on. This recommendation must be included in PSC's annual report to the General Assembly on EUSP.

The bill specifies that PSC may retain any unspent EUSP funds at the end of June 30, 2003 and make the funds available for disbursement through June 30, 2004 to electric customers who qualify for assistance during fiscal 2002 or 2003, apply for assistance before July 1, 2003, and who remain eligible at the time services are provided. This provision takes effect June 30, 2003.

Otherwise, the bill takes effect July 1, 2003.

Fiscal Summary

State Effect: The FY 2004 budget includes \$33.6 million in special fund expenditures for the program, which must cover the cost of legislative audits (\$80,000 per audit)

contingent upon enactment of this legislation. It is unknown at this time how much, if any, of the FY 2003 special funds will be carried over into FY 2004.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill specifies that program funds can be used to retire arrearages for electric customers who have not previously received assistance in retiring arrearages under the program, up to a total of \$1.5 million in a fiscal year. In addition, the program may waive the income eligibility limitation to provide assistance to a customer who would qualify for a similar waiver under the Maryland Energy Assistance Program (MEAP).

The Office of Home Energy Programs (OHEP) must report annually to the commission on the number of customers and the amount of distributions made to fuel customers under MEAP, identified by funding and fuel source, and the cost of program outreach and education materials provided by OHEP. This information must be included in the commission's report to the General Assembly.

The Office of Legislative Audits must conduct a EUSP performance audit once every three years or at another interval set by the Joint Audit Committee and must report its findings to the General Assembly. The initial performance audit must be completed by January 7, 2004. The audit's costs must be included in the EUSP administration costs and funded through the program.

Current Law: Chapters 3 and 4 of 1999 required PSC to establish a continuing, nonlapsing EUSP to help electric customers with annual incomes at or below 150% of the federal poverty level. DHR is required to administer the program through MEAP. DHR may contract with a for-profit or nonprofit Maryland corporation existing as of July 1, 1999 to help administer the program. PSC is responsible for overseeing the program.

The universal service program includes: (1) bill assistance, at a minimum of 50% of the individual's need; (2) low-income weatherization; and (3) retiring arrearages.

All electric customers financially support the universal service program through a charge collected by each electric company. PSC must determine a fair and equitable way of allocating electric customers' charges among all customer classes. Any universal service program funds not spent must be returned to customers proportionate to how the

customer classes paid into the fund. Legislation adopted during the past two sessions, Chapter 263 of 2002 and Chapter 433 of 2001, allowed DHR to carry over unexpended funds from one fiscal year to the following fiscal year, due to delays in expenditures caused by administrative difficulties. However, Chapter 263 of 2002 expires June 30, 2003.

A total of \$34 million must be collected from electric customers in each of the three years following EUSP's implementation: \$24.4 million from the industrial and commercial classes; and \$9.6 million from the residential classes. The General Assembly may appropriate funds supplemental to the funds collected. For the fourth year after implementation, fiscal 2004, and every year thereafter, PSC must recommend the amount of program funds. PSC's recommendation is subject to General Assembly approval through enacting legislation.

PSC must report on the universal service program to the General Assembly by December 1, 1999, and annually thereafter. The report must include a recommendation on the total amount of funds for the program for the following fiscal year; the total amount and percentage of bill assistance needed; the total amount of funds needed for low-income weatherization; the amount of funds needed to retire arrearages; the impact on customers' rates; and the impact of using other federal poverty benchmarks on costs and the program's effectiveness.

Background: Under EUSP, the State spent approximately \$30 million in special funds in fiscal 2002 and served 58,262 customers. In fiscal 2002, \$3.97 million in special funds was carried over into fiscal 2003, \$3.5 million of which was set aside for DHR's Weatherization Assistance Program. The program provides weatherization services such as weather stripping, caulking, and plastic window coverings to make homes more energy efficient.

MEAP helps low-income State residents meet heating costs through local administering agencies under the federal Low-Income Home Energy Assistance Act. In fiscal 2002, the State spent \$19,999,246 in federal funds and assisted 66,816 people.

Additional Information

Prior Introductions: None.

Cross File: HB 797 (Delegate D. Davis, *et al.*) – Economic Matters.

Information Source(s): Department of Human Resources, Public Service Commission, Department of Legislative Services

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