

**Department of Legislative Services**  
 Maryland General Assembly  
 2006 Session

**FISCAL AND POLICY NOTE**

House Bill 56 (Delegate D. Davis)  
 Economic Matters

**Electric Universal Service Program - Funding**

This emergency bill increases the annual funding for the Electric Universal Service Program (EUSP) from \$34 to \$37 million funded by a \$3.0 million increase in assessments on industrial and commercial electric customers.

The bill requires the Public Service Commission (PSC) to make alterations to the funding levels, including a supplementary assessment, so that the full \$37 million is available for fiscal 2006.

**Fiscal Summary**

**State Effect:** The Department of Human Resources (DHR) EUSP fund revenues would increase by \$3.0 million annually beginning in FY 2006.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** Minimal.

**Analysis**

**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 the Maryland Energy Assistance Program within the Office of Home Energy Programs (OHEP). 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.

PSC determines a fair and equitable way of allocating electric customers' charges among all customer classes. The total funds collected for the universal service program are \$34 million annually: \$24.4 million from the industrial and commercial classes; and \$9.6 million from the residential classes. At the end of the fiscal year, any unspent funds collected during that year must be made available for disbursement during the first three months of the next fiscal year to customers who qualify for assistance during the given fiscal year, apply for assistance from the fund before the end of the given fiscal year, and remain eligible for assistance when services are provided. PSC can give an additional three-month extension to disburse the unspent funds in a given fiscal year. Any unspent funds that remain unspent at the end of the allowable period must revert back to each customer class in proportion to their contributions.

**Background:** OHEP has experienced significant increases in enrollment in the EUSP program. OHEP estimates that fiscal 2007 program enrollment will reach 95,000. The chart below shows the number of applicants and actual program enrollments from fiscal 2002 through 1/20/06.

<u>Fiscal</u>	<u>Applications</u>	<u>Approved</u>	<u>Percentage Approved</u>
2002	64,547	58,263	90.3%
2003	77,025	69,781	90.6%
2004	80,825	72,930	90.2%
2005	88,368	78,668	89.0%
2006 (thru 1/20/06)	76,524	53,718	

The following chart provides the EUSP revenues and expenditures, according to DHR, from fiscal 2002 through 1/18/06.

<u>Fiscal</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Excess (Deficiency)</u>
2002	\$37,775,358	\$30,995,459	\$6,779,899
2003	31,233,453	32,601,213	(1,367,760)
2004	34,573,915	32,153,765	2,420,150
2005	32,339,581	30,516,239	1,823,342
2006 (thru 1/18/06)	13,148,861	23,041,589	(9,892,728)

**State Fiscal Effect:** This bill increases the revenues for the EUSP fund by \$3 million annually beginning in fiscal 2006. It requires PSC to implement a supplemental assessment to allow full funding for fiscal 2006. The increase in fees is to be achieved through an increase in assessments on the electric commercial and industrial customer classes.

**Additional Comments:** The December 2005 PSC report on the EUSP recommended that the funding level for the program remain at the current \$34 million level. The report also provided information on the Governor's initiative referred to as "Project Heat Up." The Governor has included a deficiency appropriation for fiscal 2006 in the fiscal 2007 budget of \$13 million for assistance through OHEP and the Weatherization Program in the Department of Housing and Community Development for this initiative. The deficiency appropriation is to be funded by \$6 million in general funds and \$7 million from the Energy Overcharge Restitution Trust Fund. The initiative is to provide benefits to applicants whose household income places them above the current EUSP range.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Public Service Commission, Office of People's Counsel, Department of Human Resources, Department of Legislative Services

**Fiscal Note History:** First Reader - January 31, 2006  
mam/jr

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