

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 703

(Senator Klausmeier, *et al.*)

Finance

Economic Matters

Electric Universal Service Program - Modifications

This emergency bill alters the electric universal service program (EUSP) by removing restrictions on how the Department of Human Resources (DHR) may provide benefits for low-income energy bill assistance through EUSP. The requirement that assistance offered through EUSP meet at least 50% of determined need is removed. The \$1.5 million limit on the total amount of assistance that DHR can provide for the retirement of arrearages for electric customers who have not previously received assistance for arrearages is altered, allowing the Public Service Commission (PSC) to determine the maximum amount that may be granted.

Fiscal Summary

State Effect: None. The bill primarily alters the purposes for which existing funds may be used. To the extent it requires administrative changes, DHR and PSC can handle them with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The maximum amount determined by PSC should consider electric customers not receiving benefits for the previous seven fiscal years. The bill also extends from three to six months after the end of the fiscal year the time that unexpended bill assistance and arrearage retirement funds in the EUSP fund that were collected in the fiscal year shall be used to provide additional assistance. The bill also specifies that

low-income weatherization funding applies to residential electric customers. DHR may establish minimum and maximum benefits available to an electric customer through the bill assistance and arrearage retirement components. DHR may coordinate benefits under EUSP with benefits under the Maryland Energy Assistance Program (MEAP).

The bill requires the annual report on EUSP provided by PSC to reflect the benefit changes specified in the bill. PSC must also include in its annual report the amount of money DHR receives and is projected to receive for low-income energy assistance. These fund sources include the Maryland Strategic Energy Investment Fund; with respect to electric customers only; MEAP; and any other federal State, local, or private source.

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. Senate Bill 1 of the 2006 special session increased this amount to 175% of the federal poverty level. DHR is required to administer the program through MEAP within the Office of Home Energy Programs. 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.

Background: DHR administers two energy assistance programs:

- EUSP, which provides assistance to households in paying electric bills and is funded with State general funds and special funds from fees imposed on commercial, industrial, and residential ratepayers paid into the EUSP fund; and
- MEAP, which provides assistance with home heating bills using a variety of fuels and is funded with federal Low-Income Home Energy Assistance Program (LIHEAP) dollars.

Recent electricity rate increases and higher energy costs generally, combined with the deterioration in the economy have led to an increasing demand for energy assistance. **Exhibit 1** shows the number the applications received, approved, and the amount of funding distributed during the first half of fiscal 2009 (last half of calendar 2008) compared with the same period a year earlier. Except for the number of households receiving MEAP benefits, there are significant increases in all areas in fiscal 2009 compared with a year earlier.

Exhibit 1
OHEP Applications and Benefits Paid
July through December Data

	<u>2007</u>	<u>2008</u>	<u>Change</u>	<u>% Change</u>
Applications				
MEAP	87,276	95,211	7,935	9.1%
EUSP Bill Payment	82,722	91,094	8,372	10.1%
EUSP Arrearage	6,820	14,129	7,309	107.2%
Receiving Benefits				
MEAP	59,487	54,847	-4,640	-7.8%
EUSP Bill Payment	52,505	58,589	6,084	11.6%
EUSP Arrearage	3,510	10,077	6,567	187.1%
Average Benefit				
MEAP	\$444	\$578	\$134	30.2%
EUSP Bill Payment	\$576	\$657	\$81	14.1%
EUSP Arrearage	\$763	\$904	\$141	18.5%
Benefits Paid (\$ in Millions)				
MEAP	\$24.4	\$34.4	\$10.0	41.2%
EUSP Bill Payment	\$30.2	\$38.5	\$8.3	27.4%
EUSP Arrearage	\$2.7	\$9.1	\$6.4	240.0%
Total	\$57.2	\$82.0	\$24.7	43.2%

EUSP: Electric Universal Services Program
MEAP: Maryland Energy Assistance Program
OHEP: Office of Home Energy Programs
Source: Department of Human Resources

Prior to fiscal 2009, Maryland limited use of federal LIHEAP funding to MEAP, which provides assistance for home heating. EUSP, which provides assistance for electricity costs, was funded entirely from State funds – both special and general. The substantial increase in LIHEAP funding combined with the requirement that states spend at least 90% of annual LIHEAP allocation by the end of the federal fiscal year, has led DHR to begin using LIHEAP funds for EUSP as well in fiscal 2009. Beginning in fiscal 2009, 17% of proceeds from the Regional Greenhouse Gas Initiative (RGGI) carbon auction are available to the EUSP program. The Governor’s Budget Reconciliation and Financing Act of 2009 (HB101) proposes increasing the share of RGGI auction funds going to EUSP to 50% in fiscal 2010 and 2011.

State Fiscal Effect: None. The bill provides an operational benefit to DHR by granting greater flexibility in how EUSP funds may be dispersed. Removing the restriction that bill assistance meets at least 50% of an individual's determined need and extending to six months the time to use unexpended prior year funds allows DHR to provide bill assistance to a greater number of individuals. Removing the \$1.5 million limit on the total assistance for electric customers that have not previously received arrearage assistance allows DHR greater flexibility in determining the most effective way of dispersing energy assistance funds. As advised by DHR and PSC, the bill can be implemented within existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: HB 736 (Delegate McHale, *et al.*) - Economic Matters.

Information Source(s): Department of Legislative Services

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