

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 966

(Senator Klausmeier, *et al.*)

Finance

Economic Matters

Electric Universal Service Program - Unexpended Funds

This bill establishes requirements for the Department of Human Resources (DHR) regarding expending specified excess and unexpended bill assistance and arrearage funds and returning specified funds to customers via a rate credit. As a general requirement, if the Public Service Commission (PSC) determines that a rate credit for the amount to be returned in a given fiscal year under current law is impractical, PSC may defer the return for up to two more fiscal years and combine the returned amount with the amounts to be returned in those years. A joint legislative workgroup is established to monitor the disbursements made under the bill. PSC oversight responsibility of the Electric Universal Service Program (EUSP) is expanded to include any funds expended under the program.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: Special fund expenditures for DHR increase by *up to* \$14.8 million for authorized purposes in FY 2019 and 2020, as discussed below. These funds otherwise would have been returned to ratepayers through a credit on future bills. Accordingly, special fund revenues increase by *up to* \$14.8 million in total in future years, relative to what they otherwise would have been. The amount and timing of the revenue increases cannot be reliably estimated at this time. By October 1, 2020, *any* unexpended bill assistance and arrearage funds accumulated through the end of FY 2019 must be returned via a customer rate credit; as this is consistent with the requirement under current law, special fund revenues are not affected. The authorization for PSC to combine up to three fiscal years when determining a rate credit does not affect overall special fund revenues but may delay the timing of revenue reductions. State finances and operations are otherwise not materially affected.

Local Effect: Local agencies can distribute additional funding from EUSP in FY 2019 and 2020 with existing staff. Local government finances and operations are otherwise not materially affected.

Small Business Effect: Minimal. Small businesses would have been charged lower fees beginning as early as FY 2018 if the approximately \$14.8 million in EUSP fund balance accumulated from FY 2010 through 2017 was returned through a credit on future bills; however, the overall effect on any given business is minimal.

Analysis

Bill Summary: DHR must expend any excess and unexpended bill assistance and arrearage funds that were collected from fiscal 2010 through 2017. The funds may be expended for bill assistance and arrearage retirements, targeted and enhanced low-income residential weatherization, and/or an arrearage management program for low-income customers. It is the intent of the General Assembly that these funds be expended beginning in fiscal 2019.

Separately, *any* unexpended bill assistance and arrearage funds accumulated through the end of fiscal 2019 must be returned via a customer rate credit beginning no later than October 1, 2020.

Current Law: Components of EUSP must include bill assistance, low-income residential weatherization, and bill arrearage retirements for specified electric customers. DHR is responsible for administering the bill assistance and arrearage programs, while the Department of Housing and Community Development is responsible for administering the low-income weatherization component.

EUSP is funded in part by a surcharge collected from electric customer's bills. The total amount of funds to be collected from customers each year is \$37.0 million; \$27.4 million is collected from industrial and commercial customers, and the remaining \$9.6 million is collected from residential customers.

At the end of a given fiscal year, any unexpended bill assistance and arrearage retirement funds that were collected for that fiscal year must be retained in EUSP and made available for disbursement through the first six months of the next fiscal year to qualifying customers. PSC may extend this time period for an additional three months if it determines an extension is needed. Following these additional periods, any remaining unexpended funds must be returned to each customer class in the proportion that the customer class contributed to the fund in the form of a credit toward the charge assessed in the following year.

Background: The Office of Home Energy Programs in DHR administers two energy assistance programs for residential customers: (1) the Maryland Energy Assistance Program, which is funded by the federal Low-Income Home Energy Assistance Program and provides bill payment assistance, crisis assistance, and furnace repair/replacement for a variety of heating sources and (2) EUSP, which is funded from a ratepayer surcharge and an allocation of revenue from the Regional Greenhouse Gas Initiative's carbon dioxide emission allowance auctions (budgeted through the Strategic Energy Investment Fund) and provides both bill payment and arrearage assistance to electric customers. These programs are administered using local administering agencies, which are primarily local departments of social services, community action agencies, or local government offices in each county and Baltimore City.

The residential EUSP surcharge is 36 cents per month. Commercial and industrial surcharges vary and are based on the size of the customer. The fiscal 2018 budget includes a total of \$37.3 million from EUSP ratepayer funds.

State Fiscal Effect: The authorization for PSC to combine up to three fiscal years when determining a rate credit does not affect overall special fund revenues but may delay the timing of revenue reductions. Except where discussed below, State finances and operations are otherwise not materially affected.

Unexpended Funds Collected From Fiscal 2010 through 2017

As noted above, current law requires that \$37.0 million be collected from ratepayers each year for EUSP. However, difficulties in setting a surcharge that collects exactly the correct amount of funds result in collections sometimes exceeding \$37.0 million. DHR advises that the fund balance referenced in the bill – unspent funds from fiscal 2010 through 2017 – is anticipated to be approximately \$14.8 million. It is the intent of the General Assembly that these funds be expended beginning in fiscal 2019.

Separately, any unexpended bill assistance and arrearage funds accumulated through the end of fiscal 2019 must be returned via a customer rate credit beginning no later than October 1, 2020. This analysis assumes the rate credit is effective July 1, 2020, concurrent with the beginning of fiscal 2021.

Therefore, special fund expenditures for DHR increase by *up to* \$14.8 million in total in fiscal 2019 and 2020 for authorized purposes (bill assistance, weatherization, and arrearage management). These funds otherwise would have been returned to ratepayers through a credit in the future, either under current law or other provisions of the bill (with fund balance used to maintain spending). Therefore, special fund revenues increase by *up to* \$14.8 million in total in future years, relative to what they otherwise would have been. The amount and timing of the revenue increases cannot be reliably estimated at this time.

Rate Credit for Unexpended Funds Collected through Fiscal 2019

As noted above, any unexpended bill assistance and arrearage funds accumulated through the end of fiscal 2019 must be returned via a customer rate credit beginning no later than October 1, 2020. Such credits reduce special fund revenues for a period of time while the excess fund balance is used to maintain spending. However, as this provision is consistent with the requirement that unexpended funds be returned under current law, special fund revenues are not affected.

Local Fiscal Effect: EUSP programs are administered using local administering agencies, which are primarily local departments of social services, community action agencies, or local government offices in each county and Baltimore City. These local agencies can distribute additional funding from EUSP in fiscal 2019 and 2020 with existing staff. Local government finances and operations are otherwise not materially affected.

Additional Information

Prior Introductions: None.

Cross File: HB 1002 (Delegate Davis) - Economic Matters.

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

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