HB 1528

Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1528 (Delegate Clippinger)
Economic Matters Finance

Electric Universal Service Program - Funds - Arrearage Prevention

This bill authorizes the Department of Human Services (DHS) to use unexpended bill assistance and arrearage funds, as specified, to establish an arrearage prevention program to prevent or reduce arrearages for low-income customers who have participated in a low-income residential weatherization program. The bill requires DHS, in fiscal 2019, to dedicate $750,000 of specified funds to the arrearage prevention program. **The bill takes effect July 1, 2018**.

Fiscal Summary

State Effect: Special fund expenditures increase by $29,300 in FY 2019 for staff. Future year expenditures reflect termination of contractual employment after FY 2020. Revenues are not affected.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	$0	$0	$0	$0	$0
SF Expenditure	29,300	22,900	0	0	0
Net Effect	($29,300)	($22,900)	$0	$0	$0

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

Local Effect: Local grant revenues and expenditures may increase.

Small Business Effect: Potential meaningful

Analysis

Bill Summary: The program is intended as a one-time grant of money to establish ongoing arrearage prevention activities in the State. DHS, in consultation with the Public Service Commission (PSC), must select up to two public or private entities as program recipients to administer the program. At least one recipient must primarily serve customers in a major urban area of the State.

A program recipient must demonstrate significant efforts to (1) secure additional private investment in rooftop solar installation, including the use of program money for credit enhancement, direct project support, or support for program recipients and customers and (2) provide employment in solar installation to unemployed and underemployed individuals, as specified. The program may include the installation of rooftop solar electricity generation equipment after energy efficiency measures at the residential property have been completed.

For fiscal 2019, DHS must dedicate $750,000 of the unexpended bill assistance and arrearage funds in the Electric Universal Service Program (EUSP) to the arrearage prevention program established in the bill.

Current Law/Background: PSC must establish an EUSP to assist electric customers with specified income levels. Components of EUSP include bill assistance, low-income residential weatherization, and bill arrearage retirements for specified electric customers. EUSP is funded in part by a surcharge collected from electric customers' bills. The total amount of funds to be collected from customers each year is $37.0 million. However, it is difficult to set a surcharge that collects exactly that amount, therefore, the amount of funds collected often exceeds $37.0 million.

Chapter 777 of 2017 requires DHS to use any unexpended ratepayer funds that were collected in fiscal 2010 through 2017 in excess of the statutorily authorized amount for (1) bill assistance and arrearage retirements; (2) targeted and enhanced low-income residential weatherization; and/or (3) an arrearage management program for low-income customers. Chapter 777 also expressed the intent of the General Assembly that the funds be expended beginning in fiscal 2019. DHS estimates that $15.3 million of these funds remain available.

State Fiscal Effect: Special fund expenditures increase by $29,263 in fiscal 2019, which accounts for the bill's July 1, 2018 effective date. DLS notes that Chapter 777 includes a provision that requires PSC to establish a rate credit on or before October 1, 2020, for the return of excess collections that remain unexpended through the end of fiscal 2019 to ratepayers, which limits the length of time that DHS has to use these funds. Furthermore, the bill specifies that the program is intended as a one-time grant of money to establish ongoing arrearage prevention activities. Accordingly, this estimate therefore reflects the cost of hiring one part-time (50%) administrator to oversee the bill's provisions. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	0.5
Salary and Fringe Benefits	$24,060
Operating Expenses	5,203
Total FY 2019 State Expenditures	**$29,263**

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses, as well as termination of contractual employment after fiscal 2020.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

Because the bill otherwise alters the purposes for which existing funds may be used, there is no additional impact on special fund revenues or expenditures. There is also no material impact on PSC.

Local Fiscal Effect: To the extent that a local entity is awarded a grant, grant revenues and expenditures increase.

Small Business Effect: Potential meaningful to the extent a small business is awarded a grant under the arrearage prevention program.

Additional Information

Prior Introductions: None.

Cross File: SB 1117 (Senator Klausmeier) - Finance.

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

Fiscal Note History: First Reader - February 27, 2018
mm/jc Third Reader - March 27, 2018
Revised - Amendment(s) - March 27, 2018
Revised - Updated Information - March 27, 2018

Analysis by: Jennifer K. Botts and Tonya D. Zimmerman

Direct Inquiries to:
(410) 946-5510
(301) 970-5510