Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1271 (Delegate R. Lewis)
Economic Matters

Public Utilities - Homeowner Utility Repair Fund - Establishment

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This bill establishes a Homeowner Utility Repair Fund (HURF), administered by the Public Service Commission (PSC), the stated purpose of which is to offset the costs that a low- to middle-income residential customer may incur due to damage caused by a utility company's routine maintenance, repairs, or upgrades. PSC must determine the amount of funds to be transferred annually to HURF from federal, State, and local government low-income weatherization and energy assistance programs that retain unused funds at the end of a State fiscal year, as specified.

Fiscal Summary

State Effect: State finances (multiple fund types) are affected, likely significantly, as discussed below.

Local Effect: Local government finances may be affected, potentially significantly, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: "Utility company" means an electric company, a gas company, or a gas and electric company.

PSC must determine the amount of funds to be transferred annually to HURF from federal, State, and local government low-income weatherization and energy assistance programs that retain unused funds at the end of a State fiscal year, including (1) the Electric Universal

Service Program (EUSP) established under § 7-512.1 of the Public Utilities Article; (2) the Energy Assistance Program established under Title 5, Subtitle 5A of the Human Services Article; (3) the weatherization program developed by the Community Development Administration (CDA) within the Department of Housing and Community Development (DHCD) under § 4-211 of the Housing and Community Development Article; (4) the U.S. Department of Energy (DOE) Weatherization Assistance Program; and (5) any other federal, State, or local government low-income program that provides weatherization and energy assistance to low- to middle-income residential customers.

PSC may request a budget amendment to transfer to HURF unspent unencumbered money in the funds described above at the end of a given fiscal year.

HURF is a special, nonlapsing fund that consists of (1) money transferred to HURF from the funds described above; (2) money appropriated in the State budget to HURF; (3) interest earnings; and (4) any other money from any other source accepted for the benefit of HURF.

HURF may only be used to offset the costs a low- to middle-income residential customer incurs due to damage caused by a utility company's routine maintenance, repairs, or upgrades. Expenditures from HURF may be made only in accordance with the State budget.

Current Law:

Electric Universal Service Program

Established under § 7-512.1 of the Public Utilities Article, EUSP includes (1) bill assistance; (2) low-income residential weatherization; and (3) the retirement of arrearages for electric customers who have not received assistance in retiring arrearages under the program within the preceding five fiscal years. The Department of Human Services (DHS) is responsible for administering the bill assistance and arrearage retirement components of the program (with PSC oversight) and may coordinate benefits under the program with benefits under other available energy assistance programs. Up to $1.0 million of low-income residential weatherization funds must be disbursed to DHCD.

Electric customers contribute to the funding of EUSP through a charge collected by each electric company. Under current law, § 7-512.1 of the Public Utilities Article requires collecting at least $37.0 million each year for EUSP ($27.4 million from industrial and commercial classes and $9.6 million from the residential class), and unexpended bill assistance and arrearage retirement funds must generally be returned to customers, as specified. However, 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 must be made available for disbursement through the first six months of the next fiscal year, as specified. PSC may extend, up to an additional six months, the period in which unexpended bill assistance and arrearage retirement funds may be made available for such disbursement.

EUSP is also funded through an allocation of revenue generated by the Regional Greenhouse Gas Initiative carbon dioxide emission allowances.

Energy Assistance Program (Title 5, Subtitle 5A, of the Human Services Article)

Under the Human Services Article, the Office of Home Energy Programs (OHEP) in DHS administers energy assistance programs to make payments on behalf of qualified households to defray fuel and utility costs. OHEP administers energy assistance programs (including EUSP and arrearage assistance programs) using local administering agencies, including local departments of social services, in each county and Baltimore City.

The Maryland Energy Assistance Program helps the State's vulnerable populations pay their heating bills, minimize crises, and make heating costs more affordable. Among other things, benefits include referrals to weatherization services and emergency heating system repairs/replacement. The program is funded with federal funds.

Weatherization Assistance Program (Section 4-211 of the Housing and Community Development Article)

Section 4-211(c) of the Housing and Community Development Article requires CDA, among its other duties, to develop and implement a weatherization program to provide money for insulation materials and insulation costs to households that qualify based on income and the program eligibility guidelines that the Secretary of Housing and Community Development establishes. The program is funded with federal and special funds.

Section 4-211(a)(8) also generally requires CDA to contract for and accept from the federal government a grant, contribution, or loan of money, property, or other aid in any form for community development and to do all things necessary to qualify for such funding.

U.S. Department of Energy Weatherization Assistance Program

According to the Congressional Research Service (CRS), DOE's Weatherization Assistance Program allows low-income families to reduce their energy consumption by making homes more energy efficient. The program is a formula grant program from DOE to state governments and then to local governments and weatherization agencies. Energy efficiency measures that are eligible for support under the program include insulation, space-heating equipment, energy-efficient windows, water heaters, and efficient air conditioners. Under federal regulations, DOE may reduce a state's allocation due to unexpended funds.

In federal fiscal 2021, Maryland was allocated approximately $3.5 million under the program. The federal Infrastructure Investment and Jobs Act, which was enacted in November 2021, allocates $3.5 billion in federal funding for the program.

Further information about the DOE program can be found in this CRS report.

State/Local Fiscal Effect: PSC advises that administering HURF and implementing the bill's requirements have a significant operational and fiscal impact on the agency, although exact costs are indeterminable at this time, given PSC's uncertainty regarding the mechanism by which it will determine that compensation to residential customers is warranted, or how payments will be made to eligible customers. Currently, PSC does not dispense funds or issue credits directly to electric customers, and PSC does not have the staff or administrative process to adjudicate homeowner repair requests. Regardless of the specific expenditures incurred by PSC to implement the bill's requirements, special fund revenues increase correspondingly from assessments imposed on public service companies.

Overall, the amount of funding that will be available under the bill for transfer to the newly established HURF (to be distributed, in turn, to low- to middle-income residential customers in order to offset costs incurred due to damage caused by a utility company's routine maintenance, repairs, or upgrades) depends upon the amount of funds that are unused in the other specified funds at the end of any given fiscal year. In addition, the bill gives discretion to PSC as to how much is redirected each year. Accordingly, the overall impact on HURF and the affected programs from which funding is redirected is unknown.

DHS advises that OHEP will not be able to operate for at least three months (from July through September) if unused energy assistance program funds are redirected under the bill. DHS further advises that, because the federal government allows DHS to carry over 10% of unused federal funds at the end of the federal fiscal year to use until the new federal grant is received, redirecting energy assistance program funds has a significant impact on DHS finances. Given that OHEP administers its various energy assistance programs using local administering agencies (including local departments of social services), to the extent funds are redirected under the bill, local governments may be correspondingly impacted.

Although the bill's specific impact on DHCD is also indeterminable at this time, PSC advises that there is generally little money left at the end of the year from the various specified weatherization programs affected by the bill. As noted above, federal regulations specify that a state's allocation under DOE's Weatherization Assistance Program may be reduced due to undispersed funds.

Small Business Effect: Small businesses (such as contractors, *etc.*) may benefit if customers whose homes have been damaged by a utility company's routine maintenance, repairs, or upgrades use funds obtained from HURF for home repair. On the other hand, small business entities who may have otherwise performed work relating to energy efficiency measures (that would have been paid for with weatherization funding) may be impacted if weatherization funding is redirected to HURF.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 770 (Senator Ferguson) - Finance.

Information Source(s): Harford and Montgomery counties; City of College Park; Department of Human Services; Maryland Energy Administration; Public Service Commission; Congressional Research Service; U.S. Department of Energy; Department of Legislative Services

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