N00I0006

Office of Home Energy Programs

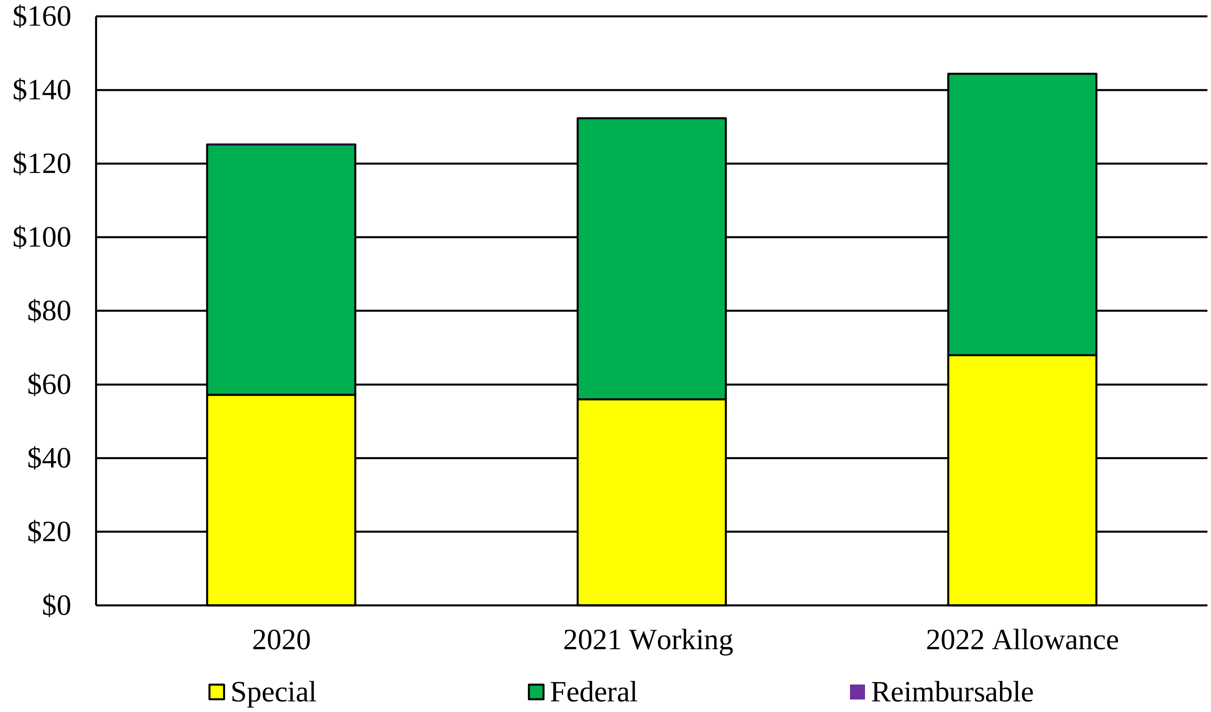
Department of Human Services

Executive Summary

The Office of Home Energy Programs (OHEP) contained within the Department of Human Services (DHS) Family Investment Administration primarily provides bill payment assistance for electric and heating customers and arrearage assistance to electric and natural gas customers.

Operating Budget Summary

Fiscal 2022 Budget Increases $12.0 Million, or 9.1%, to $144.4 Million
($ in Millions)



Note: The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions and annualization of general salary increases.

- The increase in the fiscal 2022 allowance occurs among special funds from the Strategic Energy Investment Fund to support energy assistance benefits due to available fund balance. Outside of this increase, the OHEP budget decreases by $59,481.

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- The fiscal 2021 working appropriation does not capture all of the funds available to OHEP for energy assistance. Approximately $19.4 million of additional federal Low Income Home Energy Assistance Program funds were allocated to DHS from the Coronavirus Aid, Relief, and Economic Security Act. DHS intends to use these funds in fiscal 2021, but the funds have not been added by deficiency appropriation or budget amendment. If these available unappropriated funds are accounted for, the fiscal 2022 allowance would decrease by approximately $7 million.

Key Observations

- ***Utility Termination Moratorium Reduced Demand, but Applications Increasing After Expiration:*** Applications for energy assistance decreased substantially during most of the period of the moratorium on utility terminations (March 16, 2020, through November 15, 2020). Applications began to increase near the end of this period, particularly as termination notices began to be sent. By December 2020, applications exceeded the prior year level. However, due to application processing times, households receiving benefits were still below prior year levels in that month.

- ***Denial Rates Increase in Fiscal 2022:*** DHS indicates that denial rates for the bill payment assistance programs increased by more than 2 percentage points between fiscal 2019 and 2020. Missing documentation was the leading cause of denials in fiscal 2020, accounting for 65% of Maryland Energy Assistance Program and 70% of Electric Universal Service Program bill payment assistance denials.

- ***OHEP Plans to Add Categorical Eligibility:*** During fiscal 2020, OHEP contracted with a vendor to examine options for administrative changes, including adding categorical eligibility as an option for qualifying for energy assistance benefits. The resulting report indicated that adding categorical eligibility could produce savings and increase households served. OHEP indicates that it will outline details for implementation of this process in submissions to the Public Service Commission and the U.S. Department of Health and Human Services related to its program operations for fiscal 2022.

Operating Budget Recommended Actions

1. Adopt committee narrative requesting information on energy assistance application processing times.

2. Adopt committee narrative requesting an update on the implementation of categorical eligibility and other administrative changes.

Updates

- ***Energy Assistance Application Processing Times Increase:*** The average number of days to process applications increased by 4 days (to 22) in fiscal 2021 (through November 1) compared to the same period in fiscal 2020. The increase occurred in nearly all jurisdictions but was most significant in Montgomery County due to social distancing challenges in the current office space and Prince George's County due to vacant positions.

Operating Budget Analysis

Program Description

The Office of Home Energy Programs (OHEP) is a program of the Department of Human Services (DHS) Family Investment Administration (FIA). The services of OHEP include cash benefits, budget counseling, referrals, and heating/cooling equipment repair and replacement (through the Department of Housing and Community Development (DHCD)). OHEP administers two energy assistance programs for residential customers: (1) the Maryland Energy Assistance Program (MEAP) provides bill payment assistance, natural gas arrearage assistance, and crisis assistance for a variety of heat sources; and (2) the Electric Universal Service Program (EUSP) provides bill payment and arrearage assistance to electric customers. MEAP is funded by the federal Low Income Home Energy Assistance Program (LIHEAP). EUSP is funded by a combination of sources: (1) a ratepayer surcharge on electric bills; (2) an allocation of revenue from the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions (budgeted through the Strategic Energy Investment Fund (SEIF)); and (3) when available, if needed, LIHEAP.

These programs are administered using local administering agencies (LAA), which are primarily local departments of social services (LDSS), community action agencies (CAA), or local government offices in each county and Baltimore City. Two LAAs serve multiple counties: (1) the Southern Maryland Tri-County Community Action Committee, Inc. serves Calvert, Charles, and St. Mary's counties; and (2) ShoreUp! Inc. serves Somerset, Wicomico, and Worcester counties. All other LAAs serve one jurisdiction.

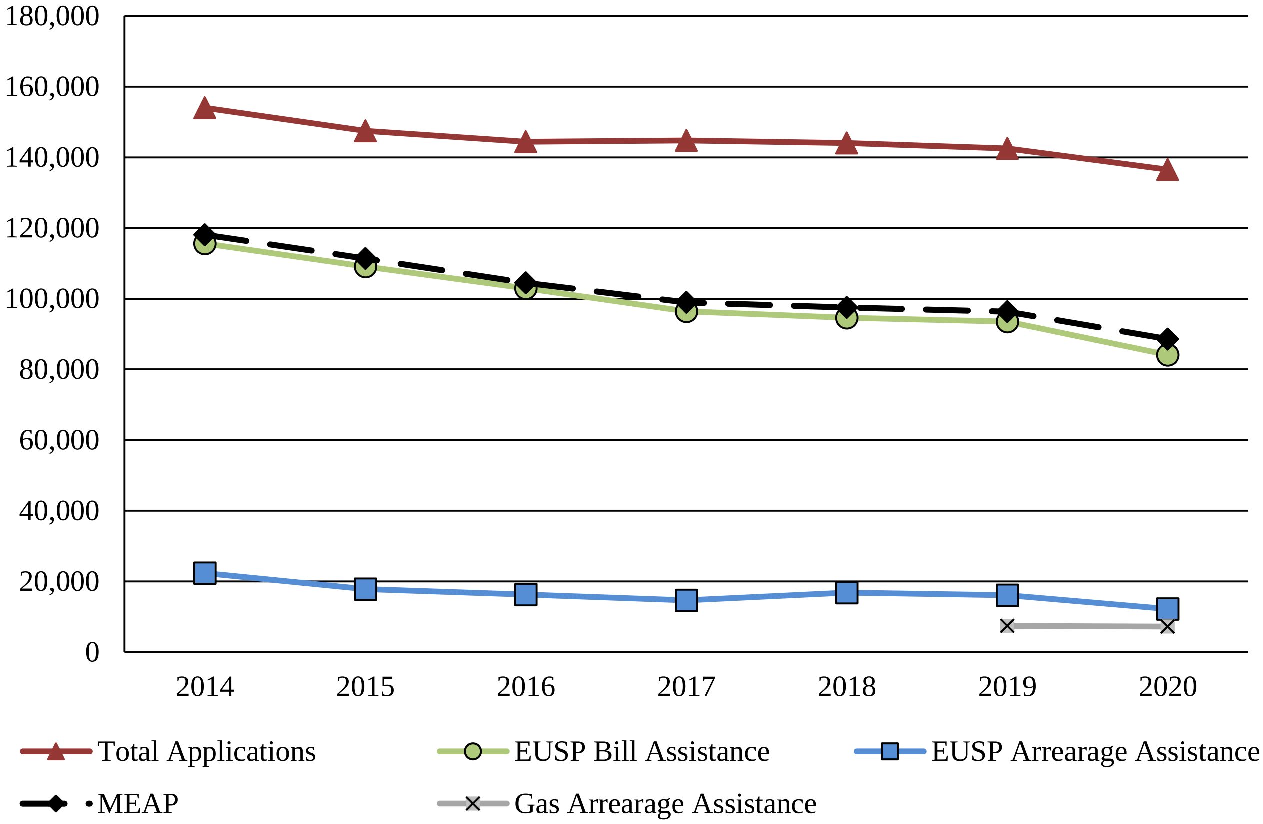
DHS has one key goal related to the work of OHEP, which is that Maryland residents have access to essential services to support themselves and their families.

Performance Analysis: Managing for Results

1. Applications Impacted by Utility Termination Moratorium

As shown in **Exhibit 1**, applications for energy assistance declined in all but one year between fiscal 2014 through 2020. The rate of decline generally was relatively slow between fiscal 2017 and 2019. However, in fiscal 2020, applications decreased by 4.2% compared to the prior year. Applications were modestly below the prior year level throughout much of the year (2.6% in February), generally reflective of the positive economic conditions and mild weather. The rate of the decrease relative to the prior year accelerated after April, despite high unemployment and higher than normal residential energy use following closures of businesses, schools, and other activities to prevent the spread of COVID-19. OHEP noted that while there was an initial surge in applications following the COVID-19-related closures, applications generally decreased due to the utility termination moratorium that was in effect from March 16, 2020, through November 15, 2020. DHS notes that about half of applications are accompanied by a utility termination notice.

Exhibit 1
Energy Assistance Benefits Provision History
Fiscal 2014-2020



EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program

Source: Department of Human Services

Of note, the decline in applications occurred for the bill payment benefits, while applications for EUSP arrearage assistance were essentially level, and gas arrearage assistance applications were more than a third higher. The gas arrearage assistance program was only in its second year in fiscal 2020, so the higher number of applications may be more directly related to increased awareness of the program. However, in combination, the increased/steady number of applications for the two arrearage assistance programs indicates that the decrease in bill payment assistance applications was not necessarily because of improved affordability of bills.

Consistent with the decline in applications, the number of households receiving EUSP bill payment and MEAP benefits decreased in fiscal 2020. The year-over-year decrease in recipients in EUSP bill payment assistance was the largest in program history (10.1%) and, in MEAP, the decrease was the largest since fiscal 2013 (8.0%). The number of recipients for EUSP bill payment assistance was the lowest since fiscal 2006, and for MEAP, it was the lowest since fiscal 2005. While applications for the two arrearage assistance programs were higher than in fiscal 2019, the number of recipients was lower. For EUSP arrearage assistance in particular, the limitation on benefit receipt to once every seven years can lead to high denial rates. Denial rates are discussed further in Issue 1.

As a result of the declines in the number of households served, the share of the eligible population receiving each benefit type declined by 2 percentage points (25% for MEAP, 25% for EUSP bill payment assistance, and 3% for EUSP arrearage assistance). Participation rates had held relatively level in the preceding three years.

2. Fiscal 2021 Applications Year-to-date Increased Due to COVID-19 Recession

Although applications remained below prior year levels for the bill payment assistance programs early in the fiscal year, from September through December 2020, applications for both programs have exceeded the same month in the prior year. These increases coincide with the impending and actual end of the utility termination moratorium. However, it was not until November 2020 that the application volume for the fiscal year to date exceeded the application volume in the same period the prior year. As shown in **Exhibit 2**, in fiscal 2021, through December, applications for MEAP are 4.5% higher than the same period in fiscal 2020, while applications for bill payment assistance are 2.4% higher. As noted earlier, applications for arrearage assistance did not decrease to the same degree as the bill payment assistance programs during the pandemic, and in fiscal 2021, through December, applications for these programs are well ahead of the prior year level.

Despite increases in applications, the number of households receiving each type of benefit is lower than the same period in fiscal 2020. This impact is likely temporary due to the timing of applications and the length of time to process applications. As noted in Update 1 of this analysis, average processing times have increased in nearly all LAAs due to impacts of the pandemic. **DHS should comment on efforts by LAAs and OHEP to ensure that households receive benefits prior to any utility termination that the household may be facing.**

Exhibit 2
Applications and Benefit Data
Fiscal 2020-2021
(July through December in Each Year)

	2020	2021	Change	% Change
Applications				
MEAP	92,658	96,800	4,142	4.5%
EUSP Bill Payment	89,048	91,154	2,106	2.4%
EUSP Arrearage	26,485	37,218	10,733	40.5%
Gas Arrearage	13,882	21,402	7,520	54.2%
Receiving Benefits				
MEAP	63,671	47,433	-16,238	-25.5%
EUSP Bill Payment	60,239	46,659	-13,580	-22.5%
EUSP Arrearage	8,046	6,296	-1,750	-21.7%
Gas Arrearage	4,977	2,854	-2,123	-42.7%
Percent of Bill Paid (Lowest Income Level)				
MEAP Natural Gas and Bulk Fuels	95%	95%	0%	
MEAP Electric Heat (No EUSP)	55%	55%	0%	
MEAP Electric Heat (If Also Receive EUSP)	25%	25%	0%	
EUSP Bill Payment Assistance	55%	55%	0%	
Average Benefit				
MEAP	$587	$511	-$76	-12.9%
EUSP Bill Payment	494	478	-16	-3.2%
EUSP Arrearage	781	927	146	18.7%
Gas Arrearage	651	675	24	3.7%
Benefits Paid ($ in Millions)				
MEAP	$37.4	$24.2	-$13.1	-35.1%
EUSP Bill Payment	29.8	22.3	-7.4	-25.0%
EUSP Arrearage	6.3	5.8	-0.4	-7.2%
Gas Arrearage	3.2	1.9	-1.3	-40.5%
Total Benefits Paid	**$76.6**	**$54.3**	**-$22.3**	**-29.1%**

EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program

Source: Department of Human Services

Average benefits have declined for bill payment assistance. However, this is largely influenced by the cost of utilities and mix of customers receiving assistance, as OHEP has maintained the percent of bill paid for each benefit level. Average benefits for the arrearage assistance programs are higher than the same period in fiscal 2020, particularly EUSP arrearage assistance (18.7% higher). At the current rate, average EUSP arrearage assistance benefits would be the highest since fiscal 2016, a time when average bill payment benefits were less than $400. The higher average arrearage assistance benefits are consistent with utility-reported data showing higher average arrears for customers in arrears. Through November 2020, four of the five investor-owned utilities were reporting arrearages per customer in arrears that were more than double the same month in the prior year. For example, for Baltimore Gas and Electric residential customers, arrearages per customer with arrears was $647 in November 2020 compared to $299 in November 2019. While this data includes customers that would not qualify for energy assistance due to income or limitations on frequency of receipt, it indicates that the higher trend in average arrearage assistance benefits is likely to continue.

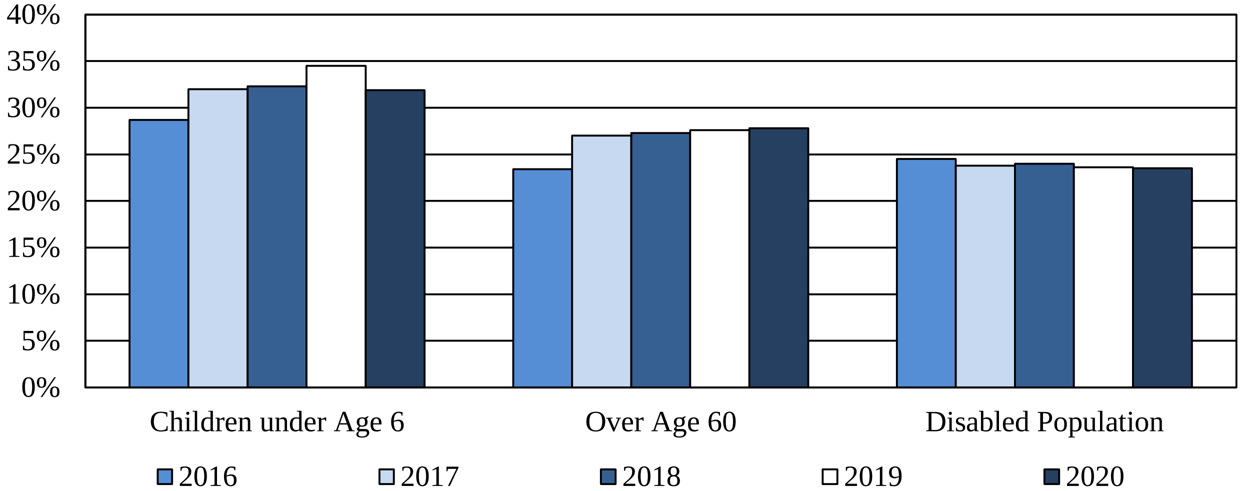
Overall, in fiscal 2021, through December, spending on energy assistance is approximately 29% lower than fiscal 2020 due to fewer households receiving benefits to date. However, as applications continue to be processed, the Department of Legislative Services (DLS) anticipates that this trend will ultimately reverse. OHEP has a higher amount of funding available to assist customers in fiscal 2021 in part due to the availability of additional LIHEAP funding from COVID-19-related stimulus legislation in spring 2020. Maryland was allocated $19.4 million under this appropriation. As a result, OHEP anticipates having sufficient funds to meet increased demand. **DHS should comment on how it monitors spending to ensure that sufficient funds will be available to all those who qualify.**

3. Participation Rates for Vulnerable Populations Have Mixed Results

As part of its annual Managing for Results submission, DHS calculates the percent of eligible households that receive energy assistance benefits for three vulnerable populations (households with children under age 6, households with an individual over age 60, and households with an individual with a disability). The calculation uses both the participation numbers and information received from the *Low Income Home Energy Assistance Notebook* on the number of households estimated to be eligible for benefits.

As shown in **Exhibit 3**, in fiscal 2020, the share of eligible households receiving benefits decreased substantially for households with children under age 6 after increasing in the three prior years. DHS had made progress among these households, despite overall declines in households receiving benefits, in those years due to requiring LAAs to target outreach strategies to these households. As a result of the decrease, the share of these households receiving benefits in fiscal 2020 was at the lowest level since fiscal 2016. DHS indicates that typical outreach strategies to families with young children were impacted by closures of schools, child care centers, Head Start programs, and related programs in spring 2020. OHEP has supplemented outreach with direct mail activities to these families. In addition, OHEP is working to integrate texting options into outreach and application processes to improve program access to households with limited access to technology.

Exhibit 3
Vulnerable Populations Receiving Energy Assistance Benefits
(Percent of Eligible Households)
Fiscal 2016-2020



Source: Department of Human Services; Department of Budget and Management; Governor's Fiscal 2019-2022 Budget Books

The percent of eligible households with an individual with a disability receiving benefits decreased slightly in fiscal 2020 and, as a result, remained below any year since before fiscal 2010. The percent of eligible households with an individual over age 60 receiving benefits increased slightly in fiscal 2020. The percent of these households receiving benefits has increased in each of the last seven years and is at the highest level since before fiscal 2010. In recent years, DHS streamlined the application process for households with an individual with a disability and households with an individual over the age of 60. Under this process, households in these populations that have received benefits in the prior year receive a prefilled simplified application that needs only to be signed and returned. This process has improved access by households with seniors. However, access has not improved among households with an individual with disabilities.

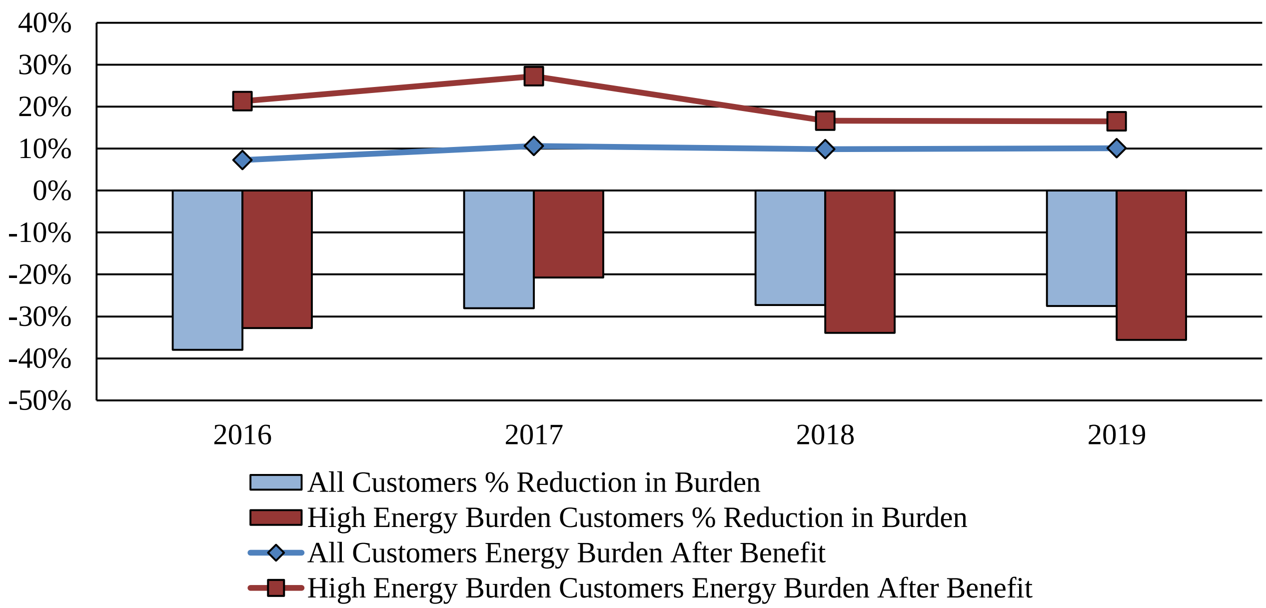
OHEP indicates that additional efforts are underway to address this population. Chapters 282 and 283 of 2019 led to a statewide launch of the Critical Medical Needs Program in October 2019. Under this program, navigators at medical providers or other providers who are in contact with critical medically vulnerable individuals are trained to assist these individuals in accessing energy assistance benefits and utility service extensions more quickly. DHS has conducted 10 trainings in fiscal 2020 and 2021 (through mid-November 2020) for navigators with 421 attendees. During this time, 162 new navigators were added to the program for a total of 264 navigators available to assist individuals through this program. In total, DHS reports 177 applications were submitted in fiscal 2020 and 2021 (through mid-November) with the assistance of navigators. In addition, DHS anticipates that the introduction of telephonic signatures for applications/verifications will improve access to benefits for this population rather than relying solely on mail.

4. OHEP Improves Targeting of Benefits and Energy Burden Reduction

Beginning with data for federal fiscal 2016, the U.S. Department of Health and Human Services (HHS) required states to report on new performance measures for LIHEAP. These measures focus on how well states are targeting energy assistance benefits to households with the highest energy burden (energy cost compared to income) and reducing energy burdens, particularly among high energy burden households (burdens in the top 25% of energy burden among households that receive bill assistance). Other measures include restoration of service and prevention of loss of service due to LIHEAP-funded benefits. Data is available for federal fiscal 2016 through 2019 for these measures.

As shown in **Exhibit 4**, in federal fiscal 2019, OHEP benefits funded through LIHEAP reduced the energy burden for all households receiving a benefit by 27.5% and for high energy burden households by 35.6%. Compared to federal fiscal 2018, the energy burden reduction for all households was 0.2 percentage points higher but was 1.7 percentage points higher for high energy burden households. The slightly larger decrease among high energy burden households is in part related to a larger energy burden reduction for fuel oil households included in the high energy burden group compared to the prior year. Despite the larger energy burden reduction, high energy burden households in federal fiscal 2019 had a higher post-benefit burden (16.47%) than all customers had prebenefit.

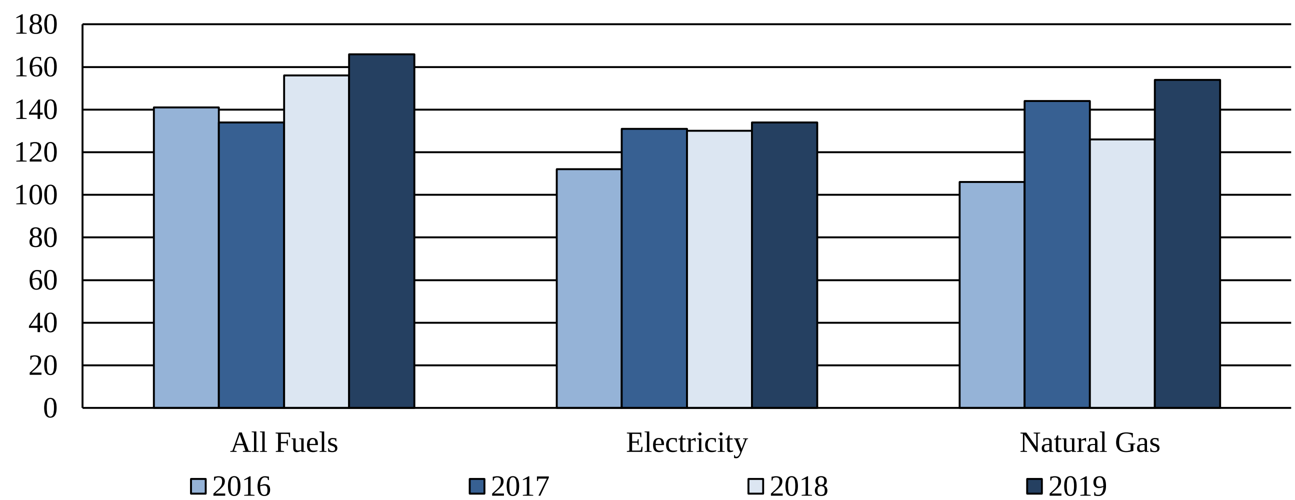
Exhibit 4
Energy Burden Reduction for All Fuel Sources
Federal Fiscal 2016–2019



Source: Department of Human Services

The federal performance measures also include a benefit targeting index, which focuses on the extent to which the highest benefits are paid to those with the highest energy burden. A measure of greater than 100 indicates that higher benefits are paid to those with the highest energy burdens, while a measure of less than 100 would indicate that higher benefits are paid to those without the highest burdens. OHEP's formula for determining benefits takes into account annual energy use, cost of energy, income level (through a percent of bill paid as determined by income relative to the federal poverty level), an index based on utility service territory, a location adjustment (for MEAP only) for Garrett County due to the longer winter heating season, and type of heating fuel (for MEAP only). As shown in **Exhibit 5**, since Maryland's benefit calculation takes into account energy use and income level, the benefit targeting index has exceeded 100 in all four years of the measure among all fuel sources and the two primary fuel sources in Maryland. In federal fiscal 2019, the benefit targeting index for all fuels was 166, the highest of the four years of available data, indicating a 66% higher benefit for those with the highest energy burden.

Exhibit 5
Benefit Targeting Index
Federal Fiscal 2016-2019



Source: Department of Human Services

Fiscal 2021

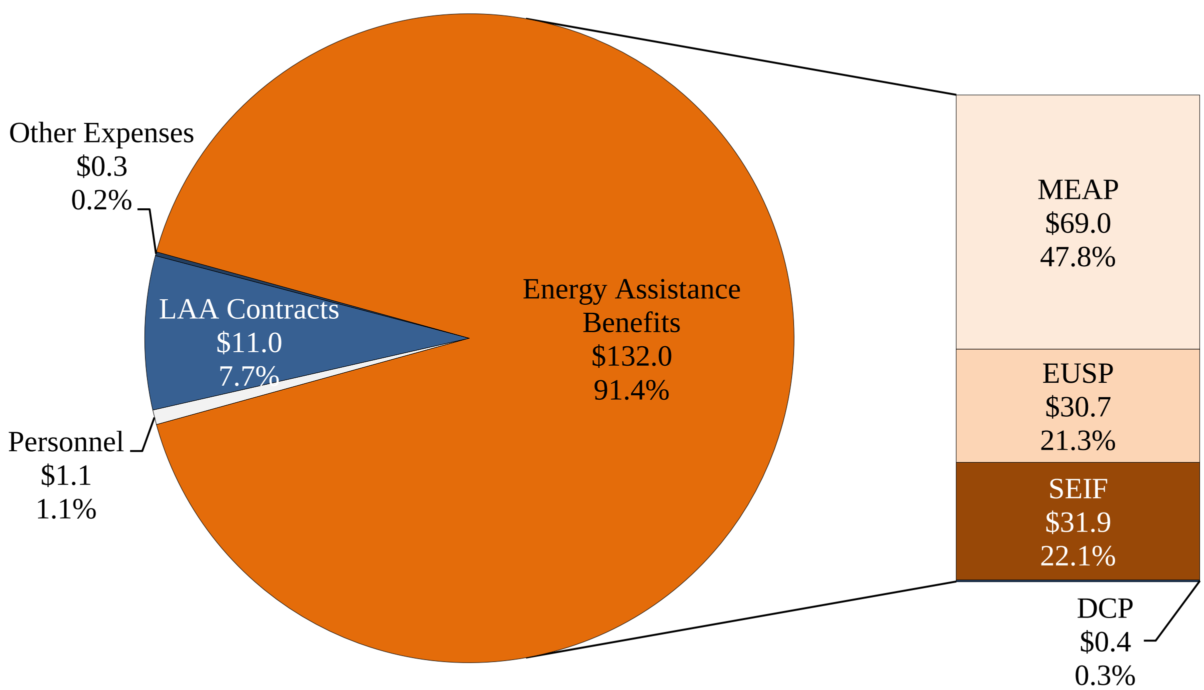
Cost Containment

OHEP's fiscal 2021 appropriation was reduced by $2,031 ($803 in special funds and $1,228 in federal funds) as a result of actions approved by the Board of Public Works on July 1, 2020, to reduce State agency unemployment insurance contributions due to available fund balance.

Fiscal 2022 Overview of Agency Spending

The fiscal 2022 allowance for OHEP totals $144.4 million after accounting for statewide employee compensation adjustments. As shown in **Exhibit 6**, 91.4% of the OHEP budget is for energy assistance benefits. Federal heating assistance benefits, which include furnace repair/replacement by DHCD through MEAP, account for slightly less than half of the total OHEP budget ($69 million). Electric assistance, provided through the EUSP ratepayer surcharge, the SEIF, and a Public Service Commission (PSC) order related to an electric generating facility at Dominion Cove Point, accounts for the remaining funding for energy assistance benefits ($63 million). The funding level of electric assistance varies primarily with the availability of RGGI carbon dioxide emission allowance auction revenue and related fund balance. The other two sources are relatively set amounts, with fluctuation in the ratepayer surcharge portion generally limited to adjustments in the allocations between administrative expenses and benefits. The second largest category of spending is for LAA contracts (7.7%). These contracts provide funding for the CAAs/LDSS offices/local government offices to administer the program.

Exhibit 6
Overview of Agency Spending
Fiscal 2022 Allowance
($ in Millions)



DCP: Dominion Cove Point
EUSP: Electric Universal Service Program
LAA: local administering agencies
MEAP: Maryland Energy Assistance Program
SEIF: Strategic Energy Investment Fund

Note: Numbers may not sum due to rounding. The fiscal 2022 allowance includes contingent reductions and annualization of general salary increases.

Source: Governor's Fiscal 2022 Budget Books

Proposed Budget Change

As shown in **Exhibit 7**, the fiscal 2022 allowance for OHEP increases by $12.0 million, or 9.1%, compared to the fiscal 2021 working appropriation after accounting for statewide employee compensation adjustments. Excluding changes related to energy assistance benefits, the fiscal 2022 allowance decreases by $59,481. The majority of this decrease ($49,994) is due to the abolition of 1.37 long-term vacant positions.

Exhibit 7
Proposed Budget
Department of Human Services – Office of Home Energy Programs
($ in Thousands)

How Much It Grows:	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2020 Actual	$57,181	$67,983	$5	$125,169
Fiscal 2021 Working Appropriation	55,958	76,384	0	132,341
Fiscal 2022 Allowance	67,999	76,379	0	144,378
Fiscal 2021-2022 Amount Change	$12,041	-$5	$0	$12,036
Fiscal 2021-2022 Percent Change	21.5%			9.1%

Where It Goes:	Change
Personnel Expenses	
Annualization of the fiscal 2021 2% general salary increase	$9
Regular earnings and an annual salary review adjustment to bring a position up to $15 per hour in earnings	6
Turnover adjustments	3
Restoration of unemployment compensation contribution after one-time reduction	2
Employee and retiree health insurance	-11
Abolition of 1.37 long-term vacant positions	-50
Other fringe benefit adjustments	1
Energy Assistance Benefits	
Strategic Energy Investment Fund balance to support increased demand for benefits	12,096
Other Expenses	
Application and outreach materials to reflect experience	47
Travel due to pandemic related changes including remote monitoring and virtual conferences	-6
Supplies to reflect experience during the pandemic	-53
Other changes	-9
Total	**$12,036**

Note: Numbers may not sum to total due to rounding. The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions and annualization of general salary increases.

Energy Assistance Benefits

In total, funding for energy assistance benefits increases by $12.1 million (10.1%) compared to the fiscal 2021 working appropriation. The increase results entirely from funds available from the SEIF, while the remaining fund sources are level funded. However, federal LIHEAP funds are understated in the fiscal 2021 budget, and if the additional funds were accounted for, the fiscal 2022 allowance for energy assistance benefits would decrease by approximately $7.3 million.

LIHEAP

LIHEAP funds included in the State budget are approximately $77.9 million in the fiscal 2022 allowance, an increase of $0.4 million compared to the fiscal 2021 working appropriation. The increase occurs in areas outside of OHEP primarily to support information technology costs. The vast majority of the LIHEAP funding in the fiscal 2022 allowance, approximately $69.0 million, is budgeted for energy assistance. Of the $69.0 million budgeted for energy assistance benefits, $5 million is allocated for furnace repair/replacement in DHCD, the same level as in fiscal 2021. The overall level of LIHEAP funds in the State budget closely reflects the five-year average of receipts of the program, excluding one-time stimulus funds. The actual amount of funds received varies year to year based on the overall block grant funding and the State share of the grant.

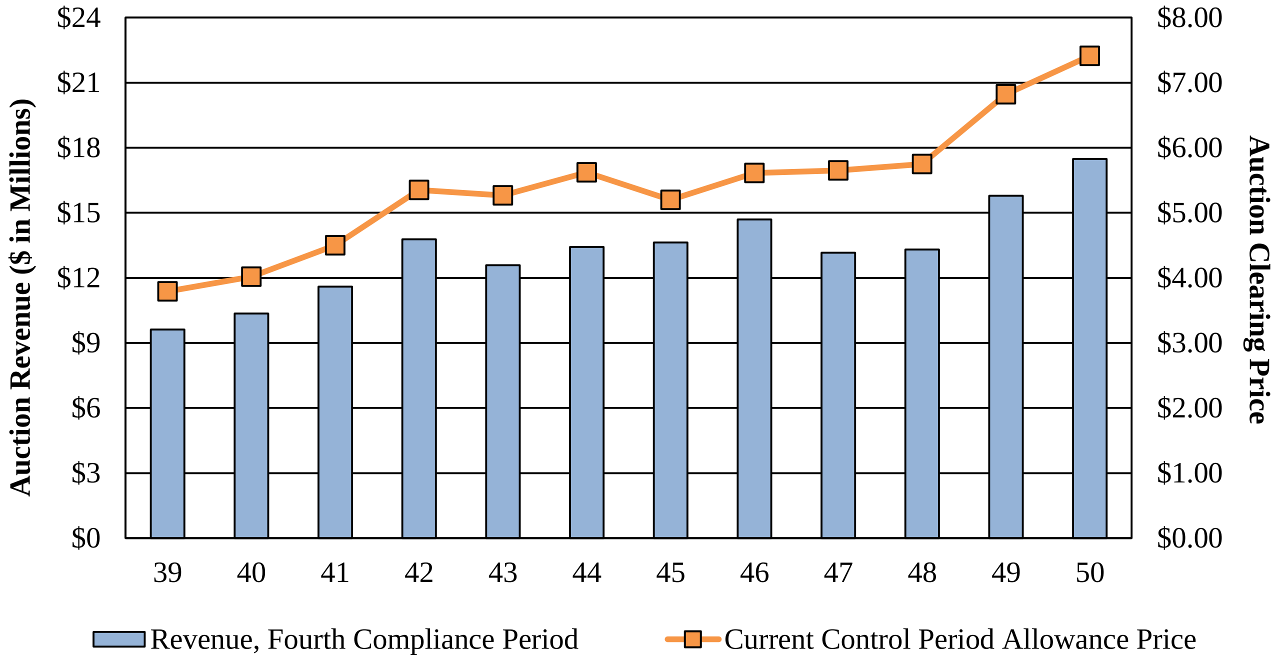
The Coronavirus Aid, Relief, and Economic Security Act provided $900 million in additional LIHEAP funds. These funds are available to be used until September 30, 2021. The additional funds were allocated to states in May 2020. Maryland received $19.4 million of these funds. OHEP held these funds for use in fiscal 2021 to assist additional households following the end of the utility termination moratorium. DHS indicates that these funds will be fully utilized by the end of February 2021. However, as of this writing, these funds have not been appropriated in the fiscal 2021 budget by either budget amendment or a proposed deficiency appropriation. This distorts the year-to-year change in available funding for energy assistance.

SEIF

Under Section 9-20B-05 of the State Government Article, at least 50% of the revenue from the RGGI auctions is directed to energy assistance. Since the beginning of the program, RGGI auction revenue has shown substantial variation. For two-and-a-half years, the auction clearing prices stayed at the minimum level and, during a portion of that period, not all allowances available for sale sold. From calendar 2013 through 2015, all of the allowances began to sell again, and auction clearing prices generally increased, peaking at $7.50 per allowance in December 2015. Following that peak, auction clearing prices fell again, to a low of $2.53 per allowance in June 2017, which was relatively near the minimum clearing price. Since that time, auction clearing prices and revenue rebounded again following the announcement of a second round of program changes. One key change included in that announcement was the planned implementation of an Emissions Containment Reserve (to begin in calendar 2021). This reserve will reduce allowances available for sale if the auction clearing price does not reach a certain level ($6 in calendar 2021). As shown in **Exhibit 8**, auction clearing prices have increased in recent auctions, despite the impact of the pandemic on emissions, to a level above the

Emissions Containment Reserve calendar 2021 trigger price. These increases may also be influenced by entry of a new state (Virginia) into the market beginning in calendar 2021.

Exhibit 8
Regional Greenhouse Gas Initiative Revenue
Auctions 39-50
(March 2018 to December 2020)



Source: Regional Greenhouse Gas Initiative, Inc.

Due to the unpredictability of auction clearing prices, the revenue assumed in the budget for many years did not generally align well with actual auction revenue. These variations in some years led to a buildup of fund balance but resulted in mid-year program reductions in other years, including in the energy assistance program. To stabilize the program funding, the Maryland Energy Administration (MEA), the administrator of the SEIF, began estimating revenue for the budget using the minimum clearing prices with the actual overattainment of revenue compared to that minimum used in the following fiscal year (for example, fiscal 2020 overattainment is available for fiscal 2022).

This method of forecasting revenue helps to ensure that there is some fund balance available in future years to support spending, but it can also delay the impact of higher revenue receipts on program spending since it is not used until the subsequent budget cycle. This process has kept the fund balance over $20 million in recent years. The fiscal 2022 allowance increases the funding budgeted for energy assistance from the SEIF by $12.1 million to a total of $31.9 million based on the fiscal 2020 overattainment of revenues above the budgeted floor price and some fund balance.

SB 152 (an MEA departmental bill) proposes to reduce the RGGI revenue available for distribution by transferring $4 million of the SEIF to the Transportation Trust Fund (TTF) in both fiscal 2022 and 2023 to reimburse the TTF for costs related to electric vehicle excise tax credits (discussed further in the analysis of MEA). If enacted, this proposal would reduce funding from the SEIF available for energy assistance by $2 million in each year, as shown in **Exhibit 9**. Revenue plus fund balance is sufficient to support the fiscal 2022 allowance under either current law or the proposed change while leaving some overattainment/fund balance for use in fiscal 2023. In addition, because of the revenue forecasting method, the fund balance in both scenarios is understated.

Exhibit 9

Strategic Energy Investment Fund Energy Assistance Closing Balance

Fiscal 2020-2022 Est.

2020 Closing Balance	**$29,086,288**
2021 Est. Revenue	$22,871,683
Realign Interest	1,364,064
2021 Working Appropriation	-19,850,329
2021 Est. Balance	**$33,471,706**
2022 Est. Revenue (Governor’s Plan)	$9,695,293
Realign Interest	1,130,376
2022 Allowance	-31,947,519
2022 Est. Balance (Governor’s Plan)	**$12,349,856**
2022 Est. Balance (Current Law)	**$14,349,856**

Note: Estimated closing balances for fiscal 2021 and 2022 do not match Appendix K of the Governor’s Budget Books due to differences in calculations of available revenue.

Source: Governor’s Fiscal 2022 Budget Books; Department of Budget and Management; Maryland Energy Administration; Department of Legislative Services

Personnel Data

	FY 20 Actual	FY 21 Working	FY 22 Allowance	FY 21-22 Change
Regular Positions	15.87	14.87	13.50	-1.37
Contractual FTEs	0.10	0.00	0.00	0.00
Total Personnel	**15.97**	**14.87**	**13.50**	**-1.37**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.99	7.34%
Positions and Percentage Vacant as of 12/31/20	2.37	15.94%
Vacancies Above Turnover	1.38	

- The fiscal 2021 allowance abolishes 1.37 vacant regular positions, comprised of 1 regular full-time position and 1 part-time (0.37) position. Both positions have been vacant since June 2017; therefore, the abolition of these positions is not expected to impact the agency.

Issues

1. Missing Documentation Remains Leading Cause of Application Denials

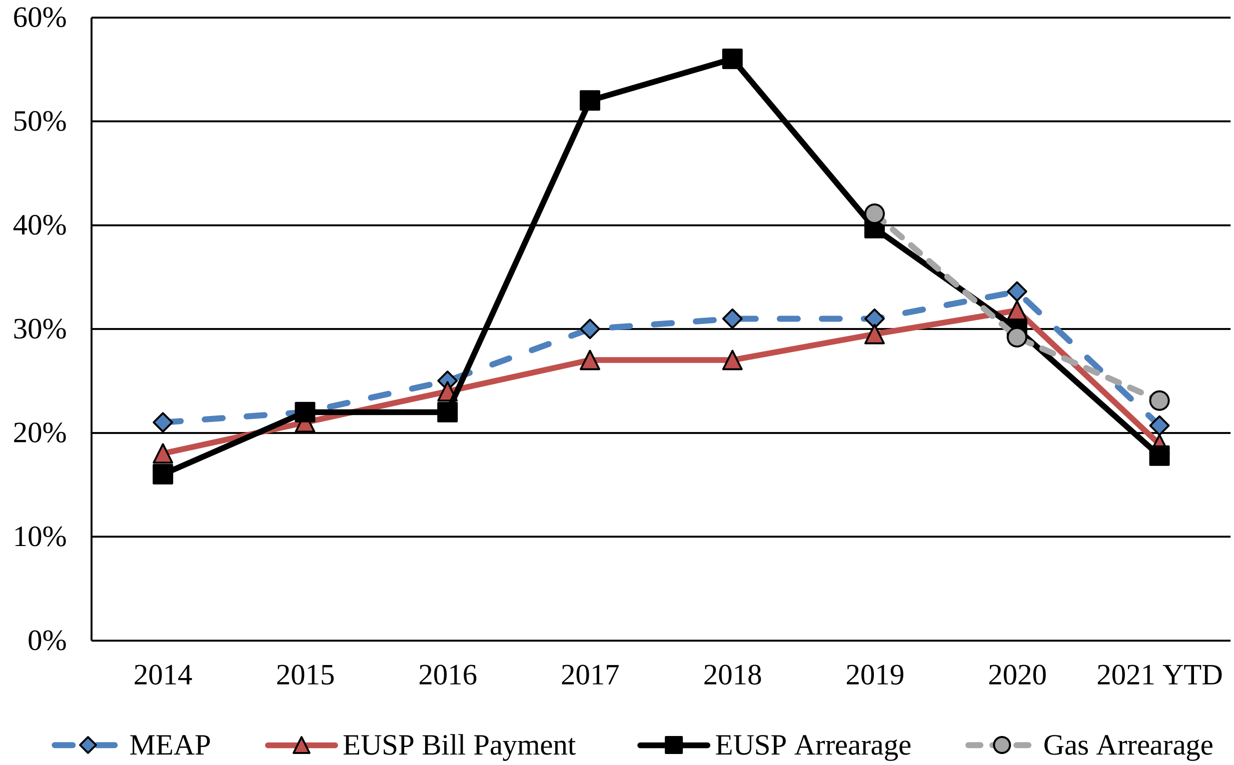
During the 2018 session, DHS indicated that a portion of the reason for the decreases in the number of households receiving bill payment assistance was the result of an increase in denial rates. DHS noted, in particular, that the increase in denial rates largely resulted from missing information in applications. The fiscal 2019 Budget Bill included language restricting funds until the department submitted a report on actions taken or planned to reduce application denial rates. In an effort to monitor progress in reducing denial rates due to missing information, the 2020 *Joint Chairmen's Report* (JCR) included committee narrative requesting that the department submit a report on:

- application denial rates by benefit type for fiscal 2019 to 2021 (year to date);
- the most common reason for application denials by benefit type;
- steps taken by LAAs to work with customers to avoid application denials due to missing information; and
- any changes in policy implemented in recent years or planned to assist in reducing application denial rates.

Denial Rates Continued to Rise for Bill Payment Benefits through Fiscal 2020

As shown in **Exhibit 10**, despite earlier efforts, denial rates for the two bill payment assistance programs were higher in fiscal 2020 than in any other recent year. Denial rates for each program increased by more than 2 percentage points between fiscal 2019 and 2020; this occurred after three years of relative stability in MEAP denial rates. In fiscal 2020, MEAP denial rates were 12.6 percentage points higher than in fiscal 2014, and EUSP bill payment denial rates were 13.8 percentage points higher. Fiscal 2021 data shows a substantial decline in denial rates. However, caution should be taken when interpreting the data for fiscal 2021. This data represents only the period through October 31, a period in which applications were lower than normal due to the moratorium on utility terminations. In addition, DHS excluded denials that were still subject to being overturned due to the applicants providing the missing documentation following an initial denial.

Exhibit 10
Application Denial Rate by Benefit Type
Fiscal 2014-2021 (through October 31, 2020)



EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program
YTD: year to date

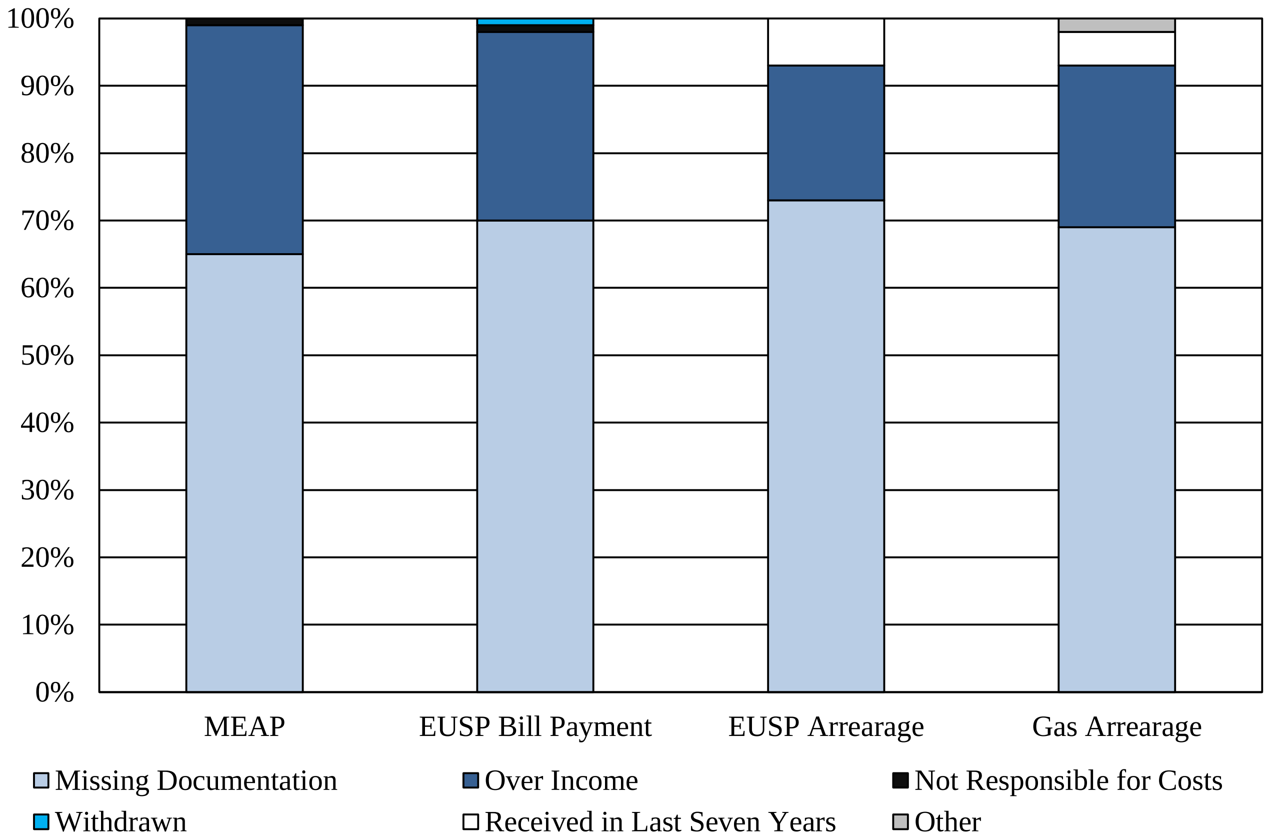
Source: Department of Human Services

Arrearage assistance programs have additional restrictions on eligibility, such as a limitation on benefits to once every seven years, which can lead to higher application denials. Application denial rates declined for EUSP arrearage assistance in both fiscal 2019 and 2020. In fact, the denial rate for both programs was below the bill payment assistance programs in fiscal 2020, despite the additional eligibility limitations. Even with these decreases, the denial rate in fiscal 2020 was 14 percentage points higher than in fiscal 2014. The Natural Gas Arrearage Assistance Program was new in fiscal 2019, so limited data is available on denial rates. However, the program experienced a substantial decrease in denial rates between fiscal 2019 and 2020, consistent with the decrease in EUSP arrearage assistance.

Reasons for Denial

In the response, DHS provided information on the reasons for application denial for fiscal 2020. As shown in **Exhibit 11**, across all benefit types, the most common cause of denial was missing documentation. This cause accounted for between 65% (MEAP) and 73% (EUSP Arrearage Assistance) of denials in fiscal 2020. The second most common cause of denial was income-related. However, the share of denials due to income was lower among the arrearage assistance programs largely because of substantial shares of denials due to not meeting arrearage assistance specific eligibility criteria (receipt in last seven years), while the bill payment benefits had virtually no other cause of denial.

Exhibit 11
Reasons for Denial by Benefit Type
Fiscal 2020



EUSP: Electric Universal Service Program
MEAP: Maryland Energy Assistance Program

Source: Department of Human Services

DHS indicates that key areas of eligibility requiring documentation include:

- gross income for 30 days prior to application for all household members 18 years or older that are not full-time students;

- household composition; and

- living arrangements.

Missing information generally involves pay stubs, applicant identification, household member information, and verifications of zero-income. DHS indicates that LAAs have access to a variety of verification systems that may be used when an application is submitted without all necessary documents. However, the agency notes that even with this information, many applications still require a request for additional information. DHS indicates that there is a process for providing opportunities for applicants to submit the documentation and allow the original application to be processed or to appeal the denial. DHS also explained that supervisors at LAAs review reports daily to assist in prioritizing outreach (phone calls and e-mail) to those at risk of denial and to follow up with customers that are still in a window in which the denial can be overturned.

Efforts to Reduce Denial Rates

DHS described a number of efforts to reduce denial rates that have been introduced in recent years. These efforts include:

- reviewing denied application case files as part of the annual LAA monitoring to ensure that the customer communication complied with regulations and requirements and the case was appropriately processed;

- reviewing denial rates by LAA on a monthly basis to provide feedback on potential issues;

- modifying certain requirements related to some areas requiring verification in fiscal 2019 to make it easier for applicants to provide documentation, such as:

    - expanding documents that can be used to attest to residency to include utility bills or confirmation of other benefits;

    - adopting a domestic violence/personal safety policy to exempt certain individuals from having to provide photo identification, proof of residence, and a copy of a utility bill;

    - expanding documents able to serve as photo identification to include for seniors and individuals with disabilities items such as a birth certificate; a Medicare/Medicaid Card; or any document that includes the applicant's full Social Security Number and, for applicants 25 or younger, a school photo identification (high school, college, or vocational/technical school); and

- altering the verification of self-employment income and reducing the documentation required for applicants with no income.

DHS also described two changes in October 2020 designed to reduce denial rates. These efforts include granting access to LAAs of the myDHR system (DHS' online application process), which allows the agencies to see documentation uploaded by an applicant after the initial application, and adjusting the data management system mailings to allow for verification documents to be mailed with the request for additional information. The remaining actions planned by the agency are described in Issue 2.

2. Categorical Eligibility and Transition in Service Delivery

As an additional effort to reduce application denial rates, DHS plans to integrate OHEP into the new Eligibility and Enrollment (E&E) System (part of the Maryland Total Human-services Information Network system) in July 2022 rather than remaining as a stand-alone system. DHS also plans to introduce categorical eligibility into the program. Under categorical eligibility, a household's eligibility for another program can be used to determine eligibility for OHEP. Use of categorical eligibility would reduce the number of verifications needed to be provided to process applications, and, therefore, reduce denial rates.

In March 2020, Eleventh House Solutions submitted a report (*Process Evaluation Research and Cost Benefit Analysis*) to DHS that it completed under a contract by OHEP. The primary goal of the analysis was to review the administrative model used by OHEP for administrative efficiencies, particularly in light of the implementation of the new E&E System in FIA. Eleventh House Solutions reviewed states that implement categorical eligibility for the LIHEAP-funded benefits in the state, reviewed the administrative operations of other states focusing on cost effectiveness of various eligibility and enrollment models (government conducted, CAA conducted, or combination), and conducted a cost benefit valuation of changes to the OHEP administrative operations.

Cross State Comparison

Eleventh House Solution noted that 17 of the 47 states included in the review of the impact of various delivery methods use categorical eligibility (20 states total use this method). As shown in **Exhibit 12**, the most common program used for categorical eligibility determinations for LIHEAP-funded benefits among the 20 states was the Supplemental Nutrition Assistance Program (17). Some of these states still require households to submit some documentation or require a household to certify that the information used for eligibility has not changed. In addition, for some states, the categorical eligibility applies to only a portion of the participants/program.

Exhibit 12
States Using Program for Categorical Eligibility
Federal Fiscal 2018

Program	States
Temporary Assistance for Needy Families	11
Supplemental Security Income	11
Supplemental Nutrition Assistance Program	17
Veterans Administration	3

Note: States may use more than one program for categorical eligibility.

Source: Eleventh House Solutions

Eleventh House Solutions found that the most common method of service delivery was CAAs (25 of 47), with government-operated programs (15) the second most common. In general, the report noted that the government-operated programs were generally smaller than the programs operated through other methods.

Eleventh House Solutions conducted several types of reviews of performance and cost effectiveness that examined measures such as percent of eligible households served, percent change in the energy burden, and percent of funding used for administrative expenses.

- In general, government-operated programs had a lower share of funding used for administration, while combination programs had the highest.
- In addition, government-administered programs served higher shares of the eligible population.
- Those using categorical eligibility also had lower administrative costs and a higher percent served.
- In particular, states using government-operated programs with categorical eligibility had the lowest share of funding devoted to administrative costs, though it should be noted that only five states use the combination of government-operated service delivery and categorical eligibility, and these programs are relatively small.

OHEP Administrative Review and Cost Benefit Analysis

Eleventh House Solutions examined three options in the cost benefit analysis: (1) Current Operations – no categorical eligibility and a combination method of service delivery; (2) no categorical eligibility but a change to a government method of service delivery; and (3) Implementing Categorical Eligibility and a change to a government method of service delivery. Government in this context was defined as the LDSS conducting eligibility and case management, though in the review, the two jurisdictions in which the city/county government conducts eligibility were included as a government-operated jurisdiction.

Findings Related To Various Options for Change

Some of the findings in the cost benefit analysis include:

- Transitioning only the service delivery method without implementing categorical eligibility could achieve savings, but the differences are driven by salary costs in the agency types.

- Transitioning to categorical eligibility along with a government service model could reduce outreach costs because applications could be triggered by those applying for other programs rather than requiring specific outreach.

- Transitioning to categorical eligibility is expected to reduce application processing times due to having more complete applications and reducing time dedicated to managing exceptions in the application process.

- Eleventh House Solutions estimates that savings could potentially reach $2.8 million per year (3.4% of the program cost) due to these lower costs.

Challenges

Eleventh House Solutions identified several challenges in these transitions, which include:

- establishing realistic timelines for the transitions in administration, eligibility, outreach, and other changes;

- navigating contracts and staffing during the change;

- developing a simpler benefit matrix to effectively reduce energy burdens while collecting less information; and

- creating a cultural shift.

Eleventh House Solutions also identified the need for staff training and updating the program's operations manual to reflect the planned transitions.

Recommendations

The report included a number of recommendations:

- simplifying the application process through a single application, eliminating duplicative activities;

- aligning the eligibility of benefits with other benefit programs;

- fully integrating OHEP into the E&E system rather than maintaining the separate data system; and

- transferring LAA operations to LDSS in remaining jurisdictions.

DHS has not finalized the parameters for the implementation of categorical eligibility. However, the agency notes that the parameters will be proposed in the fiscal 2022 EUSP Operations Plan submitted to PSC in May 2021 and the LIHEAP State Plan submitted to HHS in September 2021. DHS also indicates that it has not finalized a decision on whether the LAA administration will be transitioned from the current combined method to an all LDSS delivery method. **DHS should comment on a planned timeline for determining if that transition will occur and the potential timing of any transition. DLS recommends committee narrative requesting an update on the status of the implementation of categorical eligibility, the integration of the program into the new E&E system, and any other changes in the program operations.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Energy Assistance Applications Processing Times and Denial Rates: The committees are interested in continuing to monitor the local administering agencies (LAA) energy assistance application processing times and overall program denial rates. The committees request that the Department of Human Services (DHS) provide by LAAs:

- the number of applications received;
- the average number of days to process applications; and
- the number and percent of applications processed within 30 days, 55 days, and longer than 60 days.

In addition, the committees request that DHS provide application denial rates separately by benefit type as well as the most common causes for application denials separately by benefit type.

The report should note the date of the data. The data should be current through November 1, 2021, for the report due December 30, 2021 and current through May 1, 2022, for the report due June 30, 2022. In addition, for the application denial rate data, DHS should provide the fiscal 2021 actual data in the report due December 30, 2021.

Information Request	**Author**	**Due Date**
Application processing times and denial rates	DHS	December 30, 2021
Application processing times and denial rates	DHS	June 30, 2022

2. Adopt the following narrative:

Administrative and Eligibility Changes: The Department of Human Services (DHS) Office of Home Energy Programs intends to implement categorical eligibility for energy assistance programs to ease the application process. DHS indicates that it plans to submit details on this planned change to the Public Service Commission, with the submission of its fiscal 2022 proposed operations plan, and the U.S. Department of Health and Human Services, with submission of its Low Income Home Energy Assistance Program State Plan in calendar 2021. In addition to reviewing categorical eligibility, a report submitted by Eleventh House Solutions to DHS reviewed the potential for changing the method of service delivery for energy assistance. The committees request that DHS submit a report providing an update on the status of the implementation of categorical eligibility for energy assistance, including information on programs that will be used for establishing categorical eligibility and regulatory or statutory changes needed. In addition, DHS should provide an update on the status of integration of energy assistance programs into the new Eligibility and Enrollment System and any other administrative changes to energy assistance programs, including a transition in the method of service delivery.

Information Request	**Author**	**Due Date**
Report on status of implementation of categorical eligibility and other administrative changes	DHS	October 15, 2021

Updates

1. Average Application Processing Times Increase in Many Jurisdictions Primarily Due to Pandemic-related Challenges

Since 2016, committee narrative in the JCR has requested that DHS provide information on application processing times by LAAs to the budget committees. Processing times are reviewed in the report through two measures: (1) average days to process (certify/deny applications); and (2) percent of applications processed within certain time frames. While there are no formal processing time standards, the termination protection time period (55) days has been used as the measure for timely processing.

Average Number of Days to Process Applications Increases

In fiscal 2015, the average number of days to process applications statewide was 33 days. At that time, six jurisdictions had average application processing times of 40 days or longer. Since then, OHEP and LAAs have made substantial improvements in reducing the average days to process applications. However, as shown in **Exhibit 13**, through November 1 in fiscal 2021, the statewide average number of days to process applications was 22 days, 4 days higher than a similar period in fiscal 2020. Despite the increase, the statewide average remained lower than the early portions of fiscal 2019. Increases in the average number of days to process applications occurred in all but two LAAs. The largest increases occurred in the LAAs in Prince George's County (the Prince George's County Department of Social Services) and Montgomery County (Montgomery County Department of Health and Human Services (DHHS)). Even with the increases, only three LAAs had average processing times of longer than 30 days. Eight LAAs had average processing days of fewer than 20 days.

Exhibit 13
Comparison of Average Days to Process Energy Assistance Applications
Fiscal 2019-2020

	2019 (Through September 30)	2020 (Through November 1)	2021 (Through November 1)	2020 to 2021 Change
Allegany County Human Resources Development Commission	17	16	21	5
Anne Arundel County CAC	22	20	24	4
Baltimore City Mayor's Office of Children and Family Success	35	27	28	1
Baltimore County DSS	19	25	15	-10
Caroline County DSS	16	10	16	6
Human Service Programs of Carroll County Inc.	27	20	22	2
Cecil County DSS	24	20	26	6
Dorchester County DSS	19	13	21	8
Frederick County DSS	19	18	21	3
Garrett County CAC	11	1	7	6
Harford County CAC	16	13	12	-1
Howard County CAC	41	24	33	9
Kent County DSS	12	7	13	6
Montgomery County Department of Health and Human Services	37	20	37	17
Prince George's County DSS	23	13	34	21
Queen Anne's County DSS	19	14	16	2
Southern Maryland Tri-County Community Action Committee Inc. (Calvert, Charles, and St. Mary's Counties)	17	12	17	5
Neighborhood Service Center (Talbot County)	6	5	6	1
Washington County CAC	13	6	10	4
Shore UP! (Somerset, Worcester, and Wicomico Counties)	17	12	22	10
Total	**23**	**18**	**22**	**4**

CAC: Community Action Council
DSS: Department of Social Services

Source: Department of Human Services; Department of Legislative Services

Applications Processed Beyond the 55-day Guideline

In fiscal 2015, 17% of applications processed statewide were processed in longer than 55 days. Seventeen of the 20 LAAs had at least 1% of applications processed in longer than 55 days, and 10 LAAs had greater than 10% of applications processed in longer than 55 days. As shown in **Exhibit 14**, through November 1 in fiscal 2021, statewide, only 2% of applications were processed in longer than 55 days. However, the number of LAAs that had at least 1% of applications processed in longer than 55 days increased from three to five compared with fiscal 2020. The LAA in Prince George's County, which had not had applications processed beyond the 55-day deadline in three prior mid-year reporting periods, had 15% of applications processed in longer than 55 days. The Montgomery County LAA had the second highest percentage of applications processed in longer than 55 days, with an increase of 3 percentage points compared to the prior year. However, the LAA remained well below the level of applications processed beyond 55 days experienced in the early portion of fiscal 2019.

Exhibit 14
Comparison of Applications Processed Beyond the 55-day Guideline
Fiscal 2019-2021

	2019 (Through September 30)	2020 (Through November 1)	2021 (Through November 1)	2020-2021 Percentage Point Change
Allegany County Human Resources Development Commission	0%	0%	0%	0
Anne Arundel County CAC	0%	0%	1%	1
Baltimore City Mayor's Office of Children and Family Success	13%	4%	2%	-2
Baltimore County DSS	0%	1%	0%	-1
Caroline County DSS	0%	0%	1%	1
Human Service Programs of Carroll County Inc.	0%	0%	0%	0
Cecil County DSS	0%	0%	0%	0
Dorchester County DSS	0%	0%	0%	0
Frederick County DSS	0%	0%	0%	0
Garrett County CAC	0%	0%	0%	0
Harford County CAC	0%	0%	0%	0
Howard County CAC	26%	0%	0%	0
Kent County DSS	0%	0%	0%	0
Montgomery County Department of Health and Human Services	16%	1%	4%	3
Prince George's County DSS	0%	0%	15%	15
Queen Anne's County DSS	0%	0%	0%	0
Southern Maryland Tri-County Community Action Committee Inc. (Calvert, Charles, and St. Mary's Counties)	0%	0%	0%	0
Neighborhood Service Center (Talbot County)	0%	0%	0%	0
Washington County CAC	0%	0%	0%	0
Shore UP! (Somerset, Worcester, and Wicomico Counties)	0%	0%	0%	0
Total	**4%**	**1%**	**2%**	**1**

CAC: Community Action Council
DSS: Department of Social Services

Source: Department of Human Services; Department of Legislative Services

Processing Delays Due to Pandemic-related Challenges

DHS indicates that the increase in average processing times in fiscal 2021, compared to the prior year, is the result of challenges associated with new working arrangements during the pandemic. DHS reports that some statewide changes have allowed most jurisdictions to maintain relatively timely processing despite the challenges associated with the pandemic. These changes include authorization of telephonic signatures and increased document scanning. DHS also notes that LAAs use weekly compliance reports to redistribute work and focus on the oldest applications.

However, DHS noted that four jurisdictions had particular challenges that contributed to the increases in those jurisdictions:

- position vacancies at the Prince George's County Department of Social Services . In addition to working with the Department of Budget and Management to fill vacant positions, Prince George's County is using overtime on evenings and weekends to improve processing;

- social distancing changes resulting in limited staff at any one time at the Montgomery County DHHS. Montgomery County has altered workflow to address these challenges;

- technology issues at the Community Action Council of Howard County at the beginning of the fiscal year that have since been resolved; and

- workforce challenges due to administrative leave and the pandemic at the Baltimore City Mayor's Office for Human Services, which reduced the workforce by 42%. DHS reports that, beginning in October, the office returned to its full workforce and also is making use of temporary workers to assist with improving processing times.

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Appendix 1
2020 *Joint Chairmen's Report* Responses from Agency

The 2020 *Joint Chairmen's Report* (JCR) requested that the Department of Human Services Office of Home Energy Programs prepare two reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Application Processing Times:*** Further discussion of this report can be found in Update 1 of this analysis.

- ***Application Denial Rates and Efforts to Reduce Denial Rates Due to Missing Documentation:*** Further discussion of this data can be found in Issue 1 of this analysis.

Appendix 2
Object/Fund Difference Report
Department of Human Services – Office of Home Energy Programs

Object/Fund	FY 20 Actual	FY 21 Working Appropriation	FY 22 Allowance	FY 21 - FY 22 Amount Change	Percent Change
Positions					
01 Regular	15.87	14.87	13.50	-1.37	- 9.2%
02 Contractual	0.10	0.00	0.00	0.00	0.0%
Total Positions	**15.97**	**14.87**	**13.50**	**-1.37**	**- 9.2%**
Objects					
01 Salaries and Wages	$ 2,250,634	$ 1,091,803	$ 1,042,344	- $ 49,459	- 4.5%
02 Technical and Special Fees	189,571	930	21	- 909	- 97.7%
03 Communication	34,798	21,767	20,858	- 909	- 4.2%
04 Travel	1,866	7,004	982	- 6,022	- 86.0%
06 Fuel and Utilities	12,288	0	0	0	0.0%
08 Contractual Services	122,180,989	131,067,242	143,163,205	12,095,963	9.2%
09 Supplies and Materials	138,425	129,830	124,240	- 5,590	- 4.3%
10 Equipment – Replacement	27	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	286,429	0	0	0	0.0%
13 Fixed Charges	74,100	14,388	7,247	- 7,141	- 49.6%
Total Objects	**$ 125,169,127**	**$ 132,332,964**	**$ 144,358,897**	**$ 12,025,933**	**9.1%**
Funds					
03 Special Fund	$ 57,181,261	$ 55,954,136	$ 67,991,130	$ 12,036,994	21.5%
05 Federal Fund	67,983,088	76,378,828	76,367,767	- 11,061	0%
09 Reimbursable Fund	4,778	0	0	0	0.0%
Total Funds	**$ 125,169,127**	**$ 132,332,964**	**$ 144,358,897**	**$ 12,025,933**	**9.1%**

Note: The fiscal 2021 appropriation does not include deficiencies, targeted reversions, general salary increases, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or annualized general salary increases.