



**STATEMENT OF SAM MALHOTRA  
SECRETARY  
DEPARTMENT OF HUMAN RESOURCES  
BEFORE THE  
SENATE BUDGET AND TAXATION COMMITTEE  
HEALTH AND HUMAN SERVICES SUBCOMMITTEE  
FY 2016 BUDGET**

**FRIDAY, FEBRUARY 20, 2015**



**STATEMENT OF SAM MALHOTRA  
SECRETARY  
DEPARTMENT OF HUMAN RESOURCES  
BEFORE THE  
HOUSE APPROPRIATIONS COMMITTEE  
HEALTH AND HUMAN RESOURCES SUBCOMMITTEE  
FY 2016 BUDGET**

**MONDAY, MARCH 2, 2015**

Good afternoon Chairman Madaleno and members of the Committee. Thank you for the opportunity to appear before you today to discuss the Department's budget request for our Office of Home Energy Programs (OHEP). With me today are the Executive Director of the Family Investment Administration, Rosemary Malone, Deputy Executive Director for Family Investment Administration Programs, Vince Kilduff and the Department's Budget and Finance Director, Stafford Chipungu.

OHEP is responsible for administering the Electric Universal Service Program (EUSP) and the Maryland Energy Assistance Program (MEAP). The goal of EUSP is to help make electric bills more affordable for low-income families. There are two components of this program: bill paying assistance and arrearage retirement assistance.

MEAP, which is Maryland's version of the federal Low Income Home Energy Assistance Program (LIHEAP), shares the goal of helping low-income households with their home energy bills. MEAP provides benefits for all types of heating including electric, gas, propane, oil, kerosene, coal and wood. MEAP is 100 percent federally funded.

OHEP's fiscal year 2016 budget allowance totals \$137.6 million, a \$4.7 million decrease from the current fiscal year. Approximately \$67.2 million of this total comes from the federal LIHEAP block grant. The remaining \$70.4 million comes from EUSP special funds from ratepayers and funding from the Strategic Energy Investment Fund (SEIF).

There are no general funds in the OHEP budget allowance for the coming year.

As of January 31, 2015, the number of applications we have received this year is 1.8 percent higher than at the same point a year ago. Specifically:

- 111,693 households have applied for MEAP
- 108,312 households have applied for EUSP Bill Assistance
- 15,727 households have applied for EUSP Bill Arrearage

Current projections suggest that up to 156,900 households may apply for assistance this year.

Additionally as of January 31, 2015, the number of households that are receiving benefits this year remains slightly higher from last year. Specifically:

- 78,138 households have received a total of \$42.0 million in benefits through MEAP with an average benefit of \$538;
- 77,157 households have received a total of \$23.9 million in total benefits paid through EUSP bill payment assistance with an average benefit of \$352; and
- 11,251 households have received a total of \$10.7 million in total benefits paid through EUSP arrearages retirement with an average benefit of \$948.

We expect Federal LIHEAP funding for FY 2015 to be \$68.2 million, in line with last year's allocation. As of January 21, we have received our full allocation of \$68.2 million.

Continued high returns generated by the Maryland Strategic Energy Investment Fund (MSEIF, or Regional Greenhouse Gas Initiative-RGGI) gave us the flexibility to fund EUSP Bill Payment Assistance at \$47.5 million for FY 2015.

We have allocated \$29.2 million to EUSP arrearages retirement for FY 2015 from MSEIF.

We are working with local agencies to develop new strategies for diversifying our outreach efforts and conducting additional outreach by targeting families that received a benefit last year but have not yet applied.

Thank you again for having me here today. I am happy to answer any questions you may have.

**Department of Human Resources**  
**FY 2016 Budget Highlights**  
**Family Investment Administration**  
**Office of Home Energy Program (OHEP)**  
**NI00.06**

	<u>FY 2015</u> <u>Appropriation</u>	<u>FY 2016</u> <u>Allowance</u>	<u>Changes</u>
<b>I. FUNDING<sup>a</sup></b>			
General Funds	-	-	-
Special Funds	76,666,930	70,383,614	(6,283,316)
Federal Funds	65,607,205	67,204,544	1,597,339
Reim. Funds	-	-	-
Total	142,274,135	137,588,158	(4,685,977)
<b>II. PERSONNEL<sup>a</sup></b>			
Regular Positions:	17.00	17.00	0.00
Contractual Positions:	0.00	0.00	0.00
<b>III. MAJOR CHANGES (In Thousands)</b>			
<b>01 Salaries</b>			(22)
Decrease in Salaries due to Regular Earnings, (\$31K); Accrued Leave Payments, (\$16K); Health Insurance, (\$10K); and Salary Adjustments, (\$9K); Offset by Increase in Retirees Health Insurance, \$37K; Turnover Adjustments, \$3K; Fringe Benefits, \$2K; and Reclassifications, \$2K.			
<b>03 Communications</b>			2
Increase in Communications due to Regular Telephone Services, \$1K; and Postage, \$1K.			
<b>08 Contractual Services</b>			(4,679)
Decrease in Contractual Services due to Electric Universal Service Fund, (\$4,473K); and Maryland Strategic Energy Investment Fund (SEIF) (\$2,357K); Offset by Increase in Administrative Costs for Local Administrative Agencies, \$1,076K; and Maryland Energy Assistance Programs, \$1,075K.			
<b>09 Supplies</b>			9
Increase in Supplies due to Printed Forms, \$7K; and Data Processing Supplies, \$2K.			
<b>13 Fixed Charges</b>			4
Increase in Fixed charges due to Subscriptions and Dues.			
 <b>Total</b>			<b>(4,686)</b>

<sup>a</sup> Reference Source: FY 2016 Maryland State Budget Book - Part II: Pages 379 - 380.

## Department of Human Resources

### DHR – OFFICE OF HOME ENERGY PROGRAMS

N00I0006

#### Response to Issues

*DHR should comment on steps the agency could take to reduce the number of households requiring EUSP arrearage assistance.*

#### Response to Issue

Contingent on the availability of funds, DHR will increase the EUSP Bill Assistance benefit to make a further reduce customers' bills. This increases the affordability of the energy used by OHEP clients, which could reduce the frequency that arrearages occur.

The EUSP arrearage caseload remains high because we instituted the Vulnerable Population Arrearage Waiver in Fiscal Year 2014. The initiative waives the policy that limits EUSP Arrearage benefits to once every seven years for certain vulnerable populations.

*DHR should comment on the impact on OHEP customers if no funds are available for supplemental benefits in fiscal 2015. DHR should also comment on if it anticipates having enough funding to provide benefits to all customers who apply and are eligible for benefits in fiscal 2015.*

#### Response to Issue

DHR projects it will spend its EUSP and MEAP budgets with minimal carry over funds for FY 2015, therefore we do not plan to issue a supplemental benefit for either program. FY 2015 expenditures to date are five and seven percent, respectively, over last year's expenditures at this time.

***DHR should explain its plans to increase the percent of eligible households receiving EUSP bill payment and MEAP assistance.***

**Response to Issue**

We plan to allocate more resources to outreach in FY 2016 from both the Central OHEP Office and the Local Administering Agencies (LAA). The Central OHEP office will implement mass market strategies, such as advertisement on all Mass Transit to draw potential participants' attention to our program. We will advise LAAs to target specific populations that data show are underserved in their communities.

***DHR should comment on whether changes will be required in OHEP's processes or data system to enable the agency to report the new measures. DLS also recommends committee narrative requesting that DHR began reporting on the new federal performance measures in its annual Managing for Results Submission for OHEP in addition to current measures.***

**Response to Issue**

The federal changes will have an impact on our information technology systems. The measures also appear to require amendments to agreements with utility providers because they rely on utility data not currently available to DHR. We expect that fiscal 2017 estimates for a MFR measure will be speculative since the MFR measures are set prior to the first quarterly federal report. We suggest an alternate plan for 2017 - share the federal reports with the budget committees, with the expectation of MFR measures for the fiscal 2018 Allowance.

***DHR should comment on the amount of excess funds, the cause of the excess funds, and the guidance provided by PSC on what should be done with the excess funds.***

**Response to Issue**

The Department is communicating with PSC staff regarding the excess funds, and their response is pending.

***DHR should comment on the reason not all of the anticipated revenue in fiscal 2016 is included in the fiscal 2016 allowance.***

**Response to Issue**

The Department followed its established pattern of conservative budgeting due to the fluctuations of the auction revenue.

***However, DLS recommends language be added to the BRFA to clarify that the transfer should occur from other accounts such as energy efficiency, renewable energy, or administration rather than energy assistance.***

**Response to Issue**

The Department is awaiting directions from the Department of Budget and Management on this proposal.

***DHR should comment on how it intends to reduce the fund balance in the SEIF available for energy assistance benefits.***

**Response to Issue**

The Department has ongoing discussions with the Administration and DBM regarding this issue. It is always good policy to have sufficient reserve funds in case of emergencies.

***DHR should comment on the possible causes of application processing delays in certain LAAs and what steps OHEP plans to take to assist those LAAs with application processing delays to improve processing timeliness. DLS recommends committee narrative requesting that DHR submit information on energy assistance processing times so that the committees can see whether progress in processing times has occurred.***

**Response to Issue**

The Department concurs with the recommendation that it share application timeliness reports to the budget committees.

The timing that we receive OHEP applications differs from other FIA assistance programs in that OHEP has a large wave of applications at the beginning of the fiscal year. The high volume affects application timeliness, and due to information systems we have performance measures data to quantify timeliness at the local level.

We funded additional temporary staff for several of our larger LAAs to assist with the processing of applications to help mitigate delays. We also reviewed the operation of the certain LAAs, shared best practices from higher performing local agencies and worked with certain LAAs to streamline their application processing.

***DLS recommends committee narrative requesting that OHEP provide information on the enhancements implemented in fiscal 2016 and enhancements under consideration for fiscal 2017.***

The Department will share its plans for program enhancement after we first select the initiatives and then develop the operational and information technology that are needed to implement them.

Enhancements under consideration include improved case management for vulnerable households seeking assistance, increased collaboration between DHCD's energy efficiency programs and DHR's OHEP programs, and improved energy efficiency training, outreach programs, and materials for energy assistance customers.

**Department of Human Resources  
Office of Home Energy Programs  
N00I0006**

**Response to Recommended Actions**

**Recommendation #1:**

Adopt committee narrative requesting information on program enhancements.  
(Pages 3 and 29)

**Response:** Concur

The Department concurs with the Analyst's recommendation.

**Recommendation #2:**

Adopt committee narrative recommending new performance measures. (Pages 3 and 29)

**Response:**

The Department suggests the following revision to this recommendation: we suggest an alternate plan for 2017 – DHR shares its federal reports with the budget committees, with the expectation that the federal measures become part of OHEP MFR for the fiscal 2018 Allowance. We note that MFR measures for 2017 will be determined this summer, which may not provide sufficient time for the utilities and OHEP to complete and analyze the data matches needed to provide estimates for the new MFR measures. An FY 2018 implementation will enable us to use several quarters of actual data in our MFR estimates and allow sufficient time to implement changes to our OHEP eligibility system.

The federal changes will have an impact on our information technology systems. The measures also appear to require amendments to agreements with utility providers because they rely on utility data not currently available to DHR.

**Recommendation #3:**

Adopt committee narrative requesting information on application processing times.  
(Pages 3 and 30)

**Response:**

The Department concurs with the Analyst's recommendation. We have developed and installed a Local Agency Processing time report in the OHEP data system.