



**STATEMENT OF SAM MALHOTRA
SECRETARY
DEPARTMENT OF HUMAN RESOURCES
BEFORE THE
SENATE BUDGET AND TAXATION COMMITTEE
HEALTH AND HUMAN SERVICES SUBCOMMITTEE
FY 2017 BUDGET**

THURSDAY, FEBRUARY 4, 2016



**STATEMENT OF SAM MALHOTRA
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BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE
HEALTH AND HUMAN RESOURCES SUBCOMMITTEE
FY 2017 BUDGET**

WEDNESDAY, FEBRUARY 10, 2016

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. With me today are the Deputy Secretary for Programs, Tracey Paliath, Director of the Office of Home Energy Programs in the Family Investment Administration, Matthew Lyons and the Department's Chief Financial Officer, Stafford Chipungu.

The Office of Home Energy Programs administers grants to make energy bills more affordable and to help with the prevention of loss or restoration of home energy service. The program achieves this through benefits paid for customers' electric and heating bills.

The Office of Home Energy Programs' electric benefit is comprised of two components; bill payment assistance to make monthly bills more affordable and arrearage retirement assistance to help customers pay past due bills. Electric benefits are funded through special ratepayer funds and the Strategic Energy Investment Fund.

The Office of Home Energy Programs' heating benefit assists customers with all types of heating, including electric, gas, propane, oil, kerosene, coal and wood. Benefits keep heating costs affordable for customers and help those low on or without heating fuel with expedited delivery of assistance during the winter season. Heating benefits are 100% funded through the federal Low Income Home Energy Assistance Program.

OHEP's fiscal year 2017 budget allowance totals \$140.8 million, a \$3.2 million increase from the current fiscal year. Approximately \$63.2 million of this total comes from the federal LIHEAP block grant. The remaining \$77.6 million comes from special ratepayer funds and funding from the Strategic Energy Investment Fund.

There are no general funds in the Office of Home Energy Programs budget allowance.

This year, the program has been able to increase average benefits to its customers and is launching new outreach campaigns that will offset the unseasonably warm start of winter. As of December 31, 2015:

- 65,216 households have received a total of \$38.4 million in heating benefits with an average benefit of \$588, representing a \$50 increase in average benefits compared to last year;
- 65,001 households have received a total of \$25.4 million in total electric bill assistance with an average benefit of \$390, representing a \$38 increase compared to last years
- 9,468 households have received a total of \$9.2 million in electric arrearage retirement benefits with an average benefit of \$975, representing a \$27 increase compared to last year;

The number of applicants served by the Office of Home Energy Programs to date is slightly lower this year compared to last due to the unseasonably warm temperatures in November and December. As the weather turns and to help low-income Marylanders get through the coldest months, the Office of Home Energy Programs has launched a targeted mail campaign to Food Supplement Program recipients that have not applied for energy assistance, in addition to a

targeted mailing to Medicaid-eligible seniors that have not applied for energy assistance. These mailings begin this month and will last through the remainder of the fiscal year.

We expect federal funding for FY 2016 to be \$68.9 million, in line with last year's allocation.

As of January 10, 2016, we have received \$64.8 million in federal funds.

With our new Director in place to oversee our Office of Home Energy Programs, we are working with our local administering agencies to reduce application processing times and improve customer service. Compliance rates for application processing have improved by 27% Statewide compared to last year and new tools are being launched to empower local agencies to reduce processing times even further. And just this past week, the Office of Home Energy Programs began use of the newly launched DHR Call Center to improve customer service and reduce call volume on our local agencies.

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

**Department of Human Resources
 FY 2017 Budget Highlights
 Family Investment Administration
 Office of Home Energy Program (OHEP)
 NI00.06**

	<u>FY 2016 Appropriation</u>	<u>FY 2017 Allowance</u>	<u>Changes</u>
I. FUNDING^a			
General Funds	-	-	-
Special Funds	70,380,085	77,588,858	7,208,773
Federal Funds	67,191,747	63,216,048	(3,975,699)
Reim. Funds	-	-	-
Total	<u>137,571,832</u>	<u>140,804,906</u>	<u>3,233,074</u>
II. PERSONNEL^a			
Regular Positions:	16.87	16.87	0.00
Contractual Positions:	0.00	0.00	0.00
III. MAJOR CHANGES (In Thousands)			
01 Salaries			45
Increase in Salaries due to Employees' Retirement, \$25K; Retirees Health Insurance Premiums, \$24K; Accrued Leave Payments, \$19K; Health Insurance, \$12K; Regular Earnings, \$11K; and Fringe Benefits, \$2K; Offset by Decrease in Turnover Adjustments, (\$30K); and Salary Adjustments, (\$18K).			
03 Communications			(13)
Decrease in Communications due to Postage, (\$7K); Regular Telephone Services, (\$5K); and DGS - Office of Telecommunications, (1K).			
08 Contractual Services			3,202
Increase in Contractual Services due to Maryland Strategic Regional Greenhouse Gas Initiative (RGGI), \$7,206K; Electric Universal Service Program (EUSP), \$1,111K; Administrative Costs for Local Administrative Agencies, \$906K; and Call Center Services, \$21K; Offset by Decrease in Maryland Energy Assistance Programs (MEAP), (\$6,040K); and Rental for Meetings, Training and Staff Development, (\$2K).			
09 Supplies			1
Increase in Supplies due to Data Processing Supplies.			
13 Fixed Charges			(2)
Decrease in Fixed Charges due to Subscriptions and Dues.			
Total			<u>3,233</u>

^a Reference Source: FY 2017 Maryland State Budget Book - Part II: Page 43

Department of Human Resources

DHR – Office of Home Energy Programs

N00I0006

Response to Issues

The Department of Legislative services (DLS) recommends committee narrative requesting that OHEP report on outreach efforts undertaken by the office and LAAs in fiscal 2016 and plans to further improve outreach in fiscal 2017, including among the targeted populations.

Response to Issue:

As discussed in the Department's response to the recommended actions by the committees, DHR concurs with the recommendation for OHEP to report on outreach efforts undertaken in fiscal 2016 and plans to further improve outreach in fiscal 2017. A brief overview of plans to improve both overall outreach and outreach to targeted populations is included below:

Plans to Improve Overall Outreach

- GIS Mapping of Communities Underserved by Energy Assistance – Using FY 2015 data, OHEP has conducted an analysis of utilization rates of energy assistance across all zip codes and counties in Maryland. The analysis compares the total number of households that receive energy assistance to the estimated eligible population. Data sets provide a county-by-county comparison Statewide and a zip code-by-zip code comparison for each county of energy assistance utilization rates. DHR is using this data to help local agencies focus outreach in targeted regions.
- Restructured Process to Allocate Outreach Funds to Local Agencies – OHEP has established a new, competitive application process for local agencies to request outreach funding. Under this new criteria, funding is prioritized for creative use of outreach funds and targeting of services to older adults, disabled individuals and families with young children.
- Use of Non-Traditional Outreach Methods – OHEP is updating its application in fiscal 2017 to begin capturing client e-mail addresses. During this time, OHEP intends to begin deploying tools for local agencies to target outreach and communications to customers electronically in addition to current, traditional methods.

Plans to Improve Outreach to Targeted Populations

- Mailings to Food Supplement Program-eligible households – DHR has analyzed what households we have served through the Food Supplement Program that are not currently receiving energy assistance and is conducting targeted mailings to these customers. This effort will increase both overall participation rates for energy assistance, but also is expected to improve participation from households with young children, given that 76% of benefits for the federal Supplemental Nutrition Assistance Program (SNAP) go towards households with children.
- Mailings to Medicaid-eligible older adults – DHR has partnered with the non-profit organization Benefits Data Trust to conduct a targeted energy assistance outreach campaign to Medicaid-eligible households with an older adult living in the home. As part of the relationship, Benefits Data Trust will assist these individuals with completing and submitting their applications into their closest OHEP local agency. DHR will evaluate the effectiveness of this outreach campaign to determine whether we will continue this outreach effort in fiscal 2017.
- Critical needs partnership with medical organizations – DHR has partnered with the Office of People’s Counsel and Cancer Support Foundation to develop a direct relationship with over two-dozen medical facilities that serve cancer patients and other medically fragile customers. Navigators working out of each facility provide application assistance to customers and submit their applications to contacts at the local OHEP agency for expedited processing.

DHR should comment on the agency’s plan to reduce the fund balance in SEIF available for energy assistance benefits.

Response to Issue:

The Department is taking a prudent, incremental approach to reducing the fund balance in SEIF available for energy assistance benefits. A one-time, drastic increase in grant levels for energy assistance for one or two years would not offer a strategic, long-term benefit for energy assistance customers. DHR’s fiscal 2017 budget reflects an increase in special funds that will facilitate a smart and reasonable increase in electric grants for customers.

Beyond fiscal 2017, OHEP intends to launch a targeted supplemental benefit program, offering a higher, incentive-based benefit to customers that participate in energy education classes combined with energy conservation and case management services. While long term, the goal of the targeted supplemental benefit is to reduce energy usage and dependency on energy assistance services, DHR anticipates that there will be high usage of the supplemental benefits in the first few years that will result in drawdown of surplus SEIF funds. The details of this proposed program is being finalized through the recently formed OHE Policy Reforms Advisory Group.

The Department believes strongly this approach to drawing down the fund balance in the SEIF will result in wholesale improvement in the way OHEP assists its customers in making energy bills more affordable.

OHEP should comment on when the funds are expected to be received by MEAP from DCP, given that the plant is under construction. OHEP should also discuss plans for using these funds.

Response to Issue:

The Department is in communication with the Public Service Commission regarding Dominion Cove Point's obligations under Commission Order 86372 to contribute \$8.0 million to MEAP or other Maryland low-income energy assistance programs and can provide further details to the committees shortly. Funds are anticipated to be used to help with the development and implementation of innovative program enhancements being pursued by DHR for our energy assistance programs.

DLS recommends committee narrative requesting information on the planned program changes including anticipated legislative changes required during the 2017 session.

Response to Issue:

As discussed in the Department's response to the recommended actions by the committees, DHR concurs with the recommendation to adopt a committee narrative on the planned program changes being considered by the OHEP Policy Reforms Advisory Group, including anticipated legislative changes required during legislative session.

DLS recommends committee narrative requesting that DHR continue to submit information on energy assistance application processing times so that the committees can continue to monitor improvements.

Response to Issue:

As discussed in the Department's response to the recommended actions by the committees, DHR concurs with the recommendation to adopt a committee narrative on energy assistance application processing times. DHR anticipates being able to provide feedback to the committee on continued improvements we are making to application processing times and what operational changes are having the greatest impact. DHR is currently in the process of implementing the following changes to assist with application timeliness among local agencies:

- Enhanced tracking of application processing times – DHR will make available to all local OHEP agencies the ability to track all cases, sorted by case worker, that are between 25-

45 days in process and over 45 days in process. This level of reporting will allow local agencies to identify cases that are approaching non-compliance with timeliness and resolve them, as well as provide insight into what case workers are struggling with their workload demands.

- Enhanced tracking of overall pipeline of cases – DHR is currently developing a more detailed program dashboard to help the State and our local agencies evaluate blockages and throughput of their pipeline of cases. The detailed dashboard will identify areas within the application process that are contributing to excessive processing times for applications.
- Increased access to application verification tools – DHR is working to expand access to tools to assist local agencies with verifying eligibility requirements such as income and social security numbers and increase usage of online document scanning across all local agencies to build a repository of documents that can be used year-after-year to reduce the number of applications with incomplete supporting documents.

In conversations with local agencies that displayed tremendous improvement in application processing times so far in fiscal 2016, DHR has received the following feedback:

- Southern Maryland Tri-County Community Action Committee reported access to DHR's CARES system, real time data input during the client interview process and the ability for the OHEP database to automatically generate denial notices to clients that do not submit missing information on a timely basis has contributed to their improved application times.
- Community Action County of Howard County reported the enhanced reporting features available in the OHEP database to assist them in managing their volume of clients and the use of a committee to oversee changes in operations each quarter of the fiscal year were vital to their improved application times.
- Garrett County Community Action Committee reported the specialization of staff to focus on specific components of the application process and the use of supervisors to consistently monitor the list of pending and awaiting files has assisted them in their improved timeliness for application processing.

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

Responses to Recommended Actions

Recommendation #1:

Adopt committee narrative requesting information on application processing times. **(Page 4 and 27)**

Response: Concur

The Department concurs with the recommendation to adopt committee narrative requesting information on application processing times. As recognized in our budget analysis, OHEP has improved its average days to process applications from 29 days to 27 days in fiscal year 2016 compared to a similar time period in fiscal year 2015. Similarly, the percent of applications processed in longer than 55 days decreased from 17% to 11% between these two years.

While the Department is proud of this improvement, we continue to implement program improvements to further reduce application processing times for energy assistance. DHR will continue to provide updates to the committee as we implement these changes.

Recommendation #2:

Adopt committee narrative requesting information on outreach plans. **(Page 4 and 27)**

Response: Concur

The Department concurs with the recommendation to adopt committee narrative requesting information on our current and future outreach plans. DHR is implementing numerous initiatives to increase overall participation in energy assistance as well as participation among vulnerable populations. Efforts underway include:

- Targeted mailings to Food Supplement Program recipients and Medicaid-eligible seniors that are not currently utilizing energy assistance
- Partnership with over two-dozen medical facilities serving patients with cancer and other illnesses to expedite application assistance
- GIS mapping of all Maryland zip codes and counties to determine what percentage of estimated eligible households are actually receiving energy assistance in order to further refine and target outreach strategies

As DHR pursues these strategies and more, we will provide feedback to the committee as to the challenges and successes we face in increasing utilization of energy assistance services.

Recommendation #3:

Adopt committee narrative requesting information on program changes including anticipated legislative changes. **(Page 4 and 28)**

Response: Concur

The Department concurs with the recommendation to adopt committee narrative requesting information on program changes, including anticipated legislative changes needed in upcoming legislative sessions. Upon the conclusion of our *Office of Home Energy Programs Policy Reform Advisory Group*, DHR will provide a detailed plan on how we will implement proposed changes to energy assistance programs to incentivize customer participation in energy conservation, education and case management services and to link forgiveness of arrearages to good-faith efforts by customers to make contributions towards their past due bills.