



**STATEMENT OF LOURDES R. PADILLA
SECRETARY
DEPARTMENT OF HUMAN RESOURCES
BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE
HEALTH AND HUMAN RESOURCES SUBCOMMITTEE
FY 2018 BUDGET**

WEDNESDAY, FEBRUARY 22, 2017



**STATEMENT OF LOURDES R. PADILLA
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DEPARTMENT OF HUMAN RESOURCES
BEFORE THE
SENATE BUDGET AND TAXATION COMMITTEE
HEALTH AND HUMAN SERVICES SUBCOMMITTEE
FY 2018 BUDGET**

MONDAY, MARCH 6, 2017

Good afternoon Chairman Reznik 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 Acting Deputy Secretary for Programs, Ann Flagg, Director of the Office of Home Energy Programs in the Family Investment Administration, Bill Freeman, 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 ratepayers' fund 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 2018 budget allowance totals \$144.1 million, a \$3.3 million increase from the current fiscal year. Approximately \$70.9 million of this total comes from the federal LIHEAP block grant. Of the remaining \$73.2 million, \$37 million is from the Strategic Energy Investment Fund and \$36.2 million comes from the special ratepayers' fund.

We expect federal funding for FY 2017 to be \$68.9 million, in line with last year's allocation. Through January of 2017, we have received \$66 million in federal funds.

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

CUSTOMERS SERVED TO DATE

The Office of Home Energy Programs continues to provide critical benefits to thousands of households in Maryland. Through January 31, 2017:

- 71,442 households have received a total of \$39.4 million in heating benefits with an average benefit of \$552;
- 70,339 households received a total of \$35.2 million in total electric bill assistance with an average benefit of \$500; and
- 9,202 households received a total of \$8.1 million in electric arrearage retirement benefits with an average benefit of \$885.

PROGRAM CONTINUES TO IMPROVE APPLICATION PROCESSING TIMELINESS

This year, the program continued to improve application processing times to ensure a timely delivery of benefits to customers in need. So far in FY 2017, 98% of applications have been processed in 60 days or less, compared to 88% in FY 2015.

OUTREACH EFFORTS UNDERWAY TO INCREASE ACCESS TO SERVICES

OHEP is aggressively conducting outreach to help ensure eligible households have access to our benefits. This winter, OHEP developed an innovative awareness video for customers to learn about how to apply for benefits. By sharing this with the Maryland General Assembly and other partners, we have been able to reach thousands of individuals who otherwise may not be aware of available help. OHEP has also increased its overall investment in outreach and has launched targeted messaging campaigns to specific populations, such as households that receive other benefits that do not receive energy assistance and reaching out to non-English speaking communities.

LAUNCH OF STEP GRANT WILL HELP MAKE BILLS MORE AFFORDABLE

A core part of DHR's vision is to offer the households we assist with services that help them independently support themselves. To further that vision, the Office of Home Energy Programs will launch the Supplemental Targeted Energy Program (STEP) beginning in fiscal year 2018. Customers will be given tools that will make their energy bill more affordable in the long-term, such as energy education, access to energy

efficiency programs and self-sufficiency services. As an incentive to participate, customers will be offered a supplemental grant to keep their bill affordable in the short-term while they work with our program to fix their long-term issues. Participation in STEP is fully voluntary and does not affect a customer's eligibility for existing energy assistance benefits. Administrative funds to operate the program will be federally funded and incentive benefits will be paid out of our existing allocation from the Strategic Energy Investment Fund.

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

Department of Human Resources
FY 2018 Budget Highlights
Family Investment Administration
Office of Home Energy Program (OHEP)
NI00.06

	<u>FY 2017</u>	<u>FY 2018</u>	<u>Changes</u>
	<u>Appropriation</u>	<u>Allowance</u>	
I. FUNDING^a			
General Funds	-	-	-
Special Funds	77,598,316	73,217,314	(4,381,002)
Federal Funds	63,219,893	70,871,477	7,651,584
Reim. Funds	-	-	-
Total	140,818,209	144,088,791	3,270,582
II. PERSONNEL^a			
Regular Positions:	14.87	14.87	0.00
Contractual Positions:	0.00	0.00	0.00
III. MAJOR CHANGES (In Thousands)			
01 Salaries			(139)
Decrease in Salaries due to Regular Earnings, (\$78K); Health Insurance, (\$38K); Salary Adjustments, (\$18K); Accrued Leave Payments, (\$16K); Employees' Retirement, (\$15K); Fringe Benefits, (\$7K); and Reclassifications, (\$2K); Offset by Increase in Turnover Adjustments, \$35K.			
03 Communications			(2)
Decrease in Communications due to Postage, (\$12K); Offset by Increase in Regular Telephone Services, \$10K.			
08 Contractual Services			3,297
Increase in Contractual Services due to Maryland Energy Assistance Programs (MEAP), \$6,903K; Administrative Costs for Local Administrative Agencies, \$1,103K; Employment Verification Services, \$590K; and Dominion Cove Point Funds, \$400K; Offset by Decrease in Maryland Strategic Regional Greenhouse Gas Initiative (RGGI), (\$5,000K); and Electric Universal Service Program (EUSP), (\$699K).			
09 Supplies			115
Increase in Supplies due to Promotional Expenses, \$100K; and Office Supplies, \$15K.			
Total			3,271

^a Reference Source: FY 2018 Maryland State Budget Book - Part II: 48.

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

Response to Issues

Issue #1: DHR should comment on how increased bill payment assistance in recent years may be impacting the need for EUSP arrearage assistance.

Response to Issue

Preliminary data suggests a correlation between increased EUSP bill payment benefits and reduced demand and amount required for the arrearage assistance benefit. The increased bill payment benefit reduces the energy burden for recipients, which makes the bill more manageable on a month-to-month basis and reduces the likelihood of large arrearage accumulation.

Issue #2: DHR should comment on the status of determining administering agencies for the STEP.

Response to Issue

The process of determining administering agencies for STEP is proceeding as designed. Readiness Assessments are due from interested parties February 17th. The purpose of the Readiness Assessment is to evaluate which parties are most capable of providing STEP services to clients. Once received, an evaluation committee comprised of members of the OHEP Policy Reform Advisory Group will rate and review the responses of all interested parties.

Organizations that are the highest rated in each jurisdiction will be invited to submit a detailed implementation plan. These plans will include proposed staffing, budgets, timelines, and other element to carry out the STEP locally. It is anticipated that detailed implementation plans will begin development in some jurisdictions by the end of the current fiscal year.

Since the release of the Readiness Assessments in December, the OHEP Director and staff have visited all Local Administering Agencies to address in advance any concerns with local implementation. These conversations have been productive and helped inform the STEP implementation plans.

Issue #3: DLS recommends committee narrative requesting a report on the implementation of the program, including the number of households participating and the value of benefits provided.

Response to Issue

The Department will provide a detailed report on the administration and implementation challenges of STEP in December 2017, and a report on STEP participation in June 2018.

Issue #4: Given that the number of households applying for benefits has continued to decline, DHR should comment on how it is evaluating the success of these outreach efforts.

Response to Issue

The recent reduction in caseload is consistent with trends in other related programs administered under DHR's Family Investment Administration, namely the Food Supplement Program and Temporary Cash Assistance.

DHR has launched a number of new outreach initiatives over the last two years, which continue to be evaluated and refined. The Food Supplement Program mailing, DHR call center initiatives, Local Administering Agency outreach improvements, and outreach to constituents through legislative offices will take some time to produce results. The Department is closely monitoring the response rates from the various outreach channels and the resulting application success rates. OHEP is also monitoring the success of increasing the applications of vulnerable populations through outreach efforts.

In addition to a refined and targeted outreach strategy, OHEP is working to reduce denial rates, as noted on page 24. The Department estimates that reducing denial rates by 6% would allow the program to serve an additional 2,000 customers annually.

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

Response to Recommended Actions

Recommendation #1

Adopt committee narrative requesting information on energy assistance application processing time. **(Page 4 and 28)**

Response: The Department will provide this information as requested in December and June of FY 2018.

Recommendation #2

Adopt committee narrative requesting information on the implementation of the new Supplemental Targeted Energy Program. **(Page 4 and 28)**

Response: The Department will provide this information as requested in December and June of FY 2018.