

STATEMENT OF LOURDES R. PADILLA

SECRETARY

DEPARTMENT OF HUMAN SERVICES

BEFORE THE

HOUSE BUDGET AND TAXATION COMMITTEE

HEALTH AND SOCIAL SERVICES SUBCOMMITTEE

FY 2020 BUDGET

WEDNESDAY, FEBRUARY 20, 2019



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 the Office of Home Energy Programs (OHEP). With me today is the Executive Director of the Family Investment Administration, Netsanet Kibret; Director of the Office of Home Energy Programs, Bill Freeman; and the Department's Chief Financial Officer, Stafford Chipungu.

The Office of Home Energy Programs administers energy assistance benefits through a network of local Departments of Social Services, Community Action Agencies, and local municipalities throughout the state. Energy assistance benefits make energy bills more affordable and help with the prevention of loss or the restoration of home energy service. The program achieves this through benefits paid for customers' electric and heating bills.

OHEP's electric benefit is comprised of two components: **bill payment assistance** to make monthly bills more affordable, and **arrears retirement assistance** to help customers pay past due electric and gas bills. Electric benefits are funded through special ratepayer funds and the Strategic Energy Investment Fund.

OHEP's heating benefit assists customers with numerous types of heating sources, including electric, gas, propane, oil, kerosene, coal, and wood. This benefit helps keep heating costs affordable for customers and helps those who are running low on, or completely without, heating fuel during the winter season. Heating benefits are 100% funded through the federal Low Income Home Energy Assistance Program, known as LIHEAP.

OHEP's Fiscal Year 2020 budget allowance totals \$133.1 million. Approximately \$69.7 million of this total comes from the federal LIHEAP block grant. The remaining \$63.4 million comes from special ratepayer funds and funding from the Strategic Energy Investment Fund. There are no state general funds in the OHEP budget allowance.

OHEP Enrollment and Average Benefit Data

OHEP provides critical benefits to thousands of households in Maryland and continues to target the benefits to the most vulnerable households. As of December 31, 2018:

- 62,020 households received a total of \$37 million in heating benefits with an average benefit of \$598, representing a 12% increase in the number of households receiving benefits from the previous year;
- 61,090 households received a total of \$30.6 million in total electric bill assistance with an average benefit of \$501, representing a 10.5% increase in the number of households receiving benefits from the previous year;
- 9,021 households received a total of \$7.4 million in electric arrearage retirement benefits with an average benefit of \$822, representing a 5.4% increase in the number of households receiving benefits from the previous year;
- 1,741 households received a total of \$1.1 million in gas arrearage retirement benefits with an average benefit of \$631. This is the first year that this benefit was made available to households facing a termination of natural gas service.

Crisis response is the foundation of OHEP's work. Action is taken for all applicants presenting a life-threatening crisis within 18 hours of receipt of application. In FY 2018, energy assistance

benefits in Maryland prevented the loss of service or restored service for 36,297 households. In addition, through funding provided to the Department of Housing and Community Development, the program repaired or replaced heating equipment for 339 households.

RGGI Revenue-Impact on Program Administration

Funding has been adequate to meet demand and improve key metrics of program quality, such as reducing household energy burdens and preventing terminations.

Maryland will receive \$78.9 million in federal fiscal year 2019. While concerns about federal funding through LIHEAP have abated for this federal fiscal year, declines in Regional Greenhouse Gas Initiative auction revenues, which fund the Maryland Strategic Energy Investment Fund, will result in less available funding for bill payment and electric arrearage retirement assistance. The \$19.9 million allocated from the Strategic Energy Investment Fund is a significant reduction from its peak of \$42.1 million in FY 2016. The Department has modified the LIHEAP State Model Plan to allow for LIHEAP funds to be used for Bill Payment and Electric Arrearage Retirement Assistance as necessary.

Improvements in Customer Service

The Department has prioritized customer service for households seeking energy assistance and is striving to increase the efficiency of service delivery. The goal is to maintain the improvements in processing times achieved in recent years while ensuring households receive the benefits for which they are eligible.

Applications for all benefits provided through OHEP have remained consistent over the last three years. Enhanced and targeted outreach is central to increasing participation rates. In recent years, OHEP recalibrated the overall outreach strategy, and Local Administering Agencies are now encouraged to invest more in specific outreach events during which they can directly assist with the completion of applications and focus less on general advertising for the program. Putting a premium on completed applications from vulnerable populations helps ensure that the greatest number of those in need receive the benefits for which they are eligible.

In FY 2019, OHEP launched a streamlined eligibility determination process for seniors and the disabled. Through this process, seniors and disabled applicants that applied the previous year receive a pre-filled simplified OHEP application. This allows these households to simply sign and return the application to OHEP for eligibility verification. By streamlining this process for up to 20,000 households with senior and disabled applicants, vulnerable households more quickly receive the benefits they are eligible for, and more resources can be dedicated to further improving outreach to those that have not applied for benefits.

FY 2019 marks the first year that energy assistance applications were processed in the month of June. This change resulted in a reduction of application backlogs and more efficient processing. As a result, 6,000 more households received benefits before the end of December 2018 than the previous year, despite a similar number of applications received.

OHEP launched the gas arrearage retirement program in FY 2019 to address a need that has long existed for vulnerable households. No longer will these households have a zero dollar balance on

their electric account while facing a burdensome natural gas bill that threatens their family's safety and well-being. Already in FY 2019, 1,741 households have received benefits that will carry them through the winter without the threat of losing their source of heat.

Reducing energy assistance denial rates has also been a key focus area for the Department, as detailed in a Joint Chairmen's Report submitted in December. The steps taken to improve processing times while reducing denial rates have already resulted in a 19% reduction in overall denial rates from FY 2018 to FY 2019, thus increasing the number of households receiving benefits.

Timely processing of applications continues to be a key measure of customer service for OHEP. This year, the program maintained improvement in application processing times to ensure the timely delivery of benefits to customers in need. In FY 2019, 96% of applications continue to be processed within 55 days or less.

In the coming years, the integration of OHEP energy assistance programming with the Family Investment Administration (FIA) Eligibility and Enrollment system within MD THINK will further reduce denial rates, continue to improve application processing times, and increase participation rates across the state. OHEP is working to align its eligibility and screening criteria with those of other FIA programs to expand categorical eligibility, allow for simultaneous screening for multiple FIA benefits, and condense the parallel administrative infrastructure for energy assistance eligibility and enrollment.

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

Department of Human Services
FY 2020 Budget Highlights
Family Investment Administration
Office of Home Energy Program (OHEP)
NI00.06

	<u>FY 2019</u> <u>Appropriation</u>	<u>FY 2020</u> <u>Allowance</u>	<u>Changes</u>
I. FUNDING^a			
General Funds	-	-	-
Special Funds	60,926,338	63,447,427	2,521,089
Federal Funds	68,674,279	69,698,630	1,024,351
Reim. Funds	-	-	-
Total	129,600,617	133,146,057	3,545,440
II. PERSONNEL^a			
Regular Positions:	14.87	15.87	1.00
Contractual Positions:	0.00	0.00	0.00
III. MAJOR CHANGES (In Thousands)			
01 Salaries			55
Increase in Salaries due to Regular Earnings, \$25K; Fringe Benefits, \$16K; Health Insurance, \$8K; and Retirees Health Insurance Premiums, \$6K;			
03 Communications			(16)
Decrease in Communications due to Regular Telephone Services, (\$9K); and DBM Paid Telecommunications, (\$9K); Offset by Increase in Postage, \$2K.			
08 Contractual Services			3,506
Increase in Contractual Services due to Electric Universal Service Program (EUSP), \$8,563K; and Maryland Energy Assistance Programs (MEAP), \$1,000K; Offset by Decrease in Maryland Strategic Regional Greenhouse Gas Initiative (RGGI), (\$6,057K).			
Total			3,545

^a Reference Source: FY 2020 Maryland State Budget Book - Part II:264.

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

Response to Issues

Issue #1: DHS should comment on the current status of its review of the benefit calculation and a timeline for determining whether OHEP will make changes to the calculation. (Page 13)

Response to Issue

Each year, the Department makes changes to the benefit calculation based on:

- The funds appropriated
- Commodity and utility costs; and
- Energy burden reduction

As a result of these considerations, benefit calculations were adjusted in fiscal year 2018, including:

- Increasing propane benefits by 30%
- Increasing kerosene benefits by 5%; and
- Increasing subsidized housing benefits by 8%.

Issue #2: DHS should comment on how it works with DHCD on this program to ensure that recipients have operable home energy equipment. (Page 13)

Response to Issue

The Department maintains an Inter-Agency Agreement and works with DHCD to ensure timely responses to households with inoperable furnaces. The Department provides funding, referrals, and eligibility screening results to DHCD on behalf of households identified through the energy assistance application process. DHCD works through its local housing agencies and contractors to expedite crisis assistance.

The number of households served through this partnership has increased, and the additional \$1 million in LIHEAP funding that will be made available to DHCD in FFY 2020 will help address the current demand.

DHS is appreciative of DHCD's efforts to streamline their processes to ensure that more households in desperate need receive this emergency service.

Issue #3: The Department of Legislative Services (DLS) recommends that DHS budget funding closer to the historical level of program receipts. (Page 20)

Response to Issue

The Department agrees that it should consider budgeting LIHEAP funds to the historical receipts from the U.S. Department of Health and Human Services (DHHS).

Issue #4: DHS should comment on the impact of the reduced availability of funding for households receiving energy assistance benefits in fiscal 2020. (Page 20)

Response to Issue

The Department anticipates that adequate funding is available to support benefits at the same levels as recent years.

Issue #5: DLS recommends deleting the excess collections included in the fiscal 2020 allowance because these funds are required to be returned to ratepayers. DLS also recommends language restricting funding until a report is submitted on options for increasing the ratepayer surcharge to support higher program participation. (Page 23)

Response to Issue

The Department agrees that the EUSP excess collections from fiscal 2018 should be deleted from the 2020 allowance.

The Department believes that increasing the ratepayer surcharge is beyond the authority of the Department. As such, the Department respectfully disagrees with the recommendation to restrict funding and develop a report in coordination with the Public Service Commission, Office of People’s Counsel, and other stakeholders to increase the ratepayer surcharge.

Issue #6: DHS should comment on potential changes to eligibility to align the programs and whether these changes would require legislation. (Page 26)

Response to Issue

In terms of energy assistance eligibility system enhancements, at this time the Department does not anticipate that legislation will be required to align energy assistance programs with other FIA benefit programs. Any changes resulting from this alignment would be limited to the regulatory promulgation process under the Code of Maryland Regulations (COMAR).

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Office of Home Energy Programs
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Response to Recommended Action

Recommendation #1

Add language restricting funds until a report is submitted on options for increasing the ratepayer surcharge. **(Page 3 and 27)**

Response: The Department believes it has no authority to provide options for increasing the ratepayer surcharge. As such, the Department respectfully disagrees with this Recommended Action.

Recommendation #2

Reduce funds to a level in line with statutory authorization. \$ 6,206,999. **(Page 3, 27 and 28)**

Response: The Department concurs with the Analyst's Recommended Action and, to the extent possible, will use the Low Income Home Energy Assistance Program (LIHEAP) funding to mitigate reduction in the level of benefits to eligible households.

Recommendation #3

Adopt committee narrative requesting information on application processing times. **(Page 3 and 28)**

Response: The Department concurs with the Analyst's Recommended Action.