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May 30, 2007 Joint Committee on Finance Paper #101

Division of Energy Position Realignment and Administrative Expenses for Low-Income Energy Assistance (DOA -- General Agency Provisions)

Bill Agency

[LFB 2007-09 Budget Summary: Page 20, #4 (part) and 22, #5]

CURRENT LAW

The Low-Income Home Energy Assistance program (LIHEAP) is established under s. 16.27 of the statutes. This program provides cash benefits and services in the form of heating assistance, crisis assistance and emergency furnace repair and replacement to low-income households. For households applying for any of these benefits, a household must have an income of not more than 150% of the federal poverty level during any of the following time periods: the three months immediately prior to applying for benefits; the month preceding the application; or the current month. Applications are made to a local administrator which is generally a county social services office or a private non-profit organization that has been contracted by the county to provided such services.

Funding for LIHEAP comes primarily from federal block grant allocations to the state. During the 2000-01, the Department of Administration (DOA) also began to receive additional funds under the state public benefits program. No more than $1,100,000 FED annually of the federal LIHEAP funds may be expended on DOA's expenses for administering the low-income energy assistance programs. In addition, no more than $2,900,000 FED annually of the federal LIHEAP funds may be used for the administrative expenses of the county departments, or other local administrators. However, there is no statutory limit to the amount of public benefits funding that may be expended on administrative costs.

GOVERNOR

Delete the $1,100,000 FED statutory limit on the amount of federal funding that may be used for DOA's administrative expenses for administering federal grants for LIHEAP. Specify the Department's Secretary would determine, on an annual basis, the amount that could be expended on administrative expenses.

Specify funding and position realignments within DOA's Division of Energy as follows: (a) $57,000 FED annually for salaries and fringe benefits for 0.7 FED position annually from oil overcharge restitution funds; (b) reallocate $1,021,100 FED from salaries and fringe benefits to local assistance from federal aids funds related to the deletion of 13.1 FED positions; (c) provide $67,300 PR annually for salaries and fringe benefits for 1.05 PR positions annually funded from weatherization assistance funding; (d) delete $71,100 PR annually for salaries and fringe benefits related to the deletion of 1.0 PR position funded from services to non-state agencies (an appropriation that provides repurchasing services to non-state agencies and contracts for the dissemination of health care information of hospitals and ambulatory surgery centers); and (e) reallocate $967,900 SEG annually from supplies and services to salary and fringe benefits for the addition of 12.35 SEG positions annually paid from public benefits revenues received for administrative expenses.

DISCUSSION POINTS

1. In federal fiscal year (FFY) 2006, the state received a total of $99.8 million from the federal government for low-income assistance (heating assistance and weatherization assistance for households with incomes of no greater than 150% of the federal poverty level) and an additional $35.4 million SEG was received from utility payments to the public benefits fund for low-income assistance. In 2005-06, a total of $1,085,100 FED was expended from federal funds low-income heating assistance funds and $90,000 SEG from the public benefits funds was expended for administrative costs.

2. The federal Omnibus Budget Reconciliation Act of 1981 authorized grants to states to assist low-income households with making energy payments. This federal act consolidated several separate energy assistance programs. Before the program was transferred to DOA, the Department of Health and Social Services (DHSS) operated low-income energy assistance. Prior to 1985-86, DHSS had to submit a plan for expending the revenues to the Joint Committee on Finance and the Committee was required to approve a plan before the federal funds could be expended.

3. Under 1985 Wisconsin Act 29, the Legislature modified these earlier provisions by establishing several statutory requirements on the use of the funds, including setting the maximum amounts for state and local administration. The state administration maximum was initially established at $1.1 million, and has not been modified. The Act also established minimum set-asides for weatherization programs and maximums for emergency weather-related fuel supplements (a predecessor to the current crisis assistance program). Under 1995 Wisconsin Act 27, the low-

income heating assistance programs were moved from the Department of Health and Social Services to DOA.

4. The federal government currently allows 10% of low-income heating assistance funding to be used for administrative costs. Currently, the state and local administrative caps are a combined $4 million ($1.1 million for state administration and $2.9 million for local administration), while the federal limitations would allow almost $10 million (10% of $99.8 million) to be spent on administration. The Governor has recommended the removal of the state administrative cap as part of SB 40. The Department argues that elimination of the cap would provide more flexibility in the use of federal funds.

5. It could be argued that the administrative cap has not been modified since its creation as part of the 1985-87 biennial budget, and that the Department is justified in seeking increased costs.

6. Under s. 16.54(8) of the statutes, an agency may request, and the Governor may create, federally-funded positions. If such positions are created, the Secretary of DOA must inform the Joint Committee on Finance. However, no review or approval is required from the Committee. Under the SB 40, the Governor would reallocate $1,021,100 FED from salaries and fringe benefits to local assistance from federal aids funds related to the deletion of 13.1 FED positions. Under the bill, most of these positions (12.35) would be newly funded from the segregated public benefits fund.

7. Removal of the federal cap, along with the transfer of current position funding would allow significant increases to the amount of administrative costs within the Division of Energy, without legislative oversight. Under SB 40, subsequent to removal of the cap, federal positions could be recreated and expenditures for administration increased to the allowable federal maximum. Since any additional administrative costs would reduce available heating assistance provided to low-income households in Wisconsin, it could be argued that the Legislature should maintain oversight on how funding is used to ensure that there is sufficient administration, but that the maximum amount of heating assistance is provided to Wisconsin households.

8. It could be argued that 1985 Wisconsin Act 29 granted DOA more flexibility in creating the low-income heating assistance budget by placing a cap on the administrative costs rather than requiring the Department to submit its entire budget for approval on an annual basis. Senate Bill 40 would eliminate this safeguard and would allow the Department to determine the entire low-income heating assistance budget without legislative oversight.

9. The Committee could choose to delete the position realignment and restore the $1.1 million state administration cap. If increased administrative funding is necessary, DOA could expend FED funds up to the current cap. If administrative costs exceed that limit, DOA could seek legislative approval to increase the federal low-income administration cap or to use additional segregated public benefit funding for administration costs.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to delete the cap on the amount of federal low-income assistance revenues that are used for state administration of the program and realign positions and funding within DOA as follows: (a) $57,000 FED annually for salaries and fringe benefits for 0.7 FED position annually from oil overcharge restitution funds; (b) reallocate $1,021,100 FED from salaries and fringe benefits to local assistance from federal aids funds related to the deletion of 13.1 FED positions; (c) provide $67,300 PR annually for salaries and fringe benefits for 1.05 PR positions annually funded from weatherization assistance funding; (d) delete $71,100 PR annually for salaries and fringe benefits related to the deletion of 1.0 PR position funded from services to non-state agencies (an appropriation that provides repurchasing services to non-state agencies and contracts for the dissemination of health care information of hospitals and ambulatory surgery centers); and (e) reallocate $967,900 SEG annually from supplies and services to salary and fringe benefits for the addition of 12.35 SEG positions annually paid from public benefits revenues received for administrative expenses.

ALT 1	Change to Bill		Change to Base	
	Revenue	Positions	Revenue	Positions
FED	$0	0.00	$114,000	- 12.40
PR	0	0.00	- 7,600	0.05
SEG	0	0.00	0	12.35
Total	$0	0.00	$106,400	0.00

2. Delete provision.

ALT 2	Change to Bill		Change to Base	
	Revenue	Positions	Revenue	Positions
FED	- $114,000	12.40	$0	0.00
PR	7,600	- 0.05	0	0.00
SEG	0	- 12.35	0	0.00
Total	- $106,400	0.00	0	0.00

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