



Legislative Fiscal Bureau

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May 15, 2013

Joint Committee on Finance

Paper #105

Low-Income Weatherization and Energy Assistance Program Allocation Changes (DOA -- General Agency Provisions)

[LFB 2013-15 Budget Summary: Page 24, #13]

CURRENT LAW

The allocation of state public benefits funding to the low-income weatherization program and other low-income energy assistance program services, such as bill payment and crisis assistance and prevention, depends in part on the amount of federal assistance received for the year.

GOVERNOR

Modify the formula used to allocate state public benefits funds to low-income public benefits programs so that 50% of the sum of the following is allocated to the state's low-income weatherization and conservation services: (a) "transferred fees" from utilities in the amounts those utilities spent on low-income public benefits programs in 1998 (\$21,329,100 annually); (b) low-income assistance fees collected from customers of electric utilities; and (c) low-income assistance fees collected from customers of municipal utilities and electric cooperatives.

Eliminate the statutory provision permitting a transfer of \$10,000,000 in state public benefits funding from low-income weatherization or other energy conservation services to low-income energy assistance in years 2011-12 and 2012-13. The provision was included in 2011 Act 32.

DISCUSSION POINTS

1. The state operates a segregated utility public benefits fund to support the costs of the low-income assistance programs relating to home energy costs and conservation that are not supported by federal funds. Revenues to the public benefits fund are primarily from fees collected from customers by all non-municipal electric utilities. Municipal utilities and electric cooperatives

have the option of implementing the low-income energy assistance program themselves or forwarding fee collections to DOA for operation of its low-income public benefits program. In 2011-12, 15 of the state's 24 retail electric cooperatives and 54 of the state's 82 municipal electric utilities had elected to participate in the DOA-operated program.

2. The state's low-income energy assistance is provided through two programs: (a) the low-income weatherization program (weatherization and energy conservation services); and (b) the Wisconsin Home Energy Assistance Program (WHEAP), primarily aid in payment of energy bills, early identification and prevention of energy crises, and emergency furnace repair and replacement). Most weatherization assistance is provided through the low-income weatherization program, which the Division administers through contracts with community action agencies and local governments. However, some WHEAP expenses are associated with weatherization administration and are accounted for by the Division when allocating public benefits funding.

3. The current allocation formula requires that the amount allocated to the state's low-income weatherization and energy conservation services must be sufficient to ensure that spending on the program will equal 47% of the sum of the following, for the fiscal year: (a) federal assistance for low-income weatherization and energy assistance; (b) "transferred fees" from utilities in the amounts those utilities spent on low-income public benefits programs in 1998 (\$21,329,100 annually); (c) low-income assistance fees collected from customers of electric utilities; and (d) low-income assistance fees collected from customers of municipal utilities and electric cooperatives.

4. Federal assistance for low-income weatherization and energy assistance includes funds from two federal programs: (a) the low-income home energy assistance program (LIHEAP); and (b) the Weatherization Assistance Program (WAP). Of the federal LIHEAP block grant funds, 15% is allocated to the low-income weatherization program and the remaining 85% is allocated to WHEAP for other energy assistance services. All federal WAP funds, a smaller grant amount than that provided by LIHEAP, are allocated to the low-income weatherization program. In response to ongoing changes in federal funding, the state public benefits funding allocation must be adjusted annually in order to meet the state's statutory requirement that 47% of total funding (federal and state) be dedicated to weatherization and energy conservation services.

5. Due to the unpredictability of federal funding amounts for low-income assistance programs, there is an element of uncertainty involved in estimating the amount of federal funds that will be received. In addition, the federal funding cycle does not align with the state's fiscal year. In recent years, DOA has used a conservative estimate of federal LIHEAP funds to determine the amount of state public benefits funds that would be needed to meet the statutory requirement of 47% of federal and state funds for weatherization and energy conservation services. Once the public benefits allocation has been determined, it is not changed. If federal funds exceed or fall short of the DOA estimate, the allocation of public benefits to each purpose is not affected.

6. Under 2009 Act 28 and 2011 Act 32, DOA was permitted to subtract \$10,000,000 per year from the amount required to be spent on weatherization and other energy conservation services. The Department exercised this option in 2010-11, 2011-12, and 2012-13 by transferring \$10,000,000 in public benefits funding from the low-income weatherization program to WHEAP. As a result, the amount of state public benefits funding allocated to weatherization in those years was less than it would have been without the \$10.0 million transfer between programs. However, as

previously noted, WHEAP incurs expenses relating to the administration of the low-income weatherization program. The transfers and internal allocation of expenses are shown in Table 1.

TABLE 1
Program Transfers and Budgeting Allocations

<u>Program</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-15</u> <u>Annually</u>
Low-Income Weatherization				
Transfer	-\$10,000,000	-\$10,000,000	-\$10,000,000	\$0
WHEAP (Public Benefits)	7,650,000	8,150,000	8,150,000	8,150,000
WHEAP (FED)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Net	-\$350,000	\$150,000	\$150,000	\$10,150,000
Wisconsin Home Energy Assistance				
Transfer	\$10,000,000	\$10,000,000	\$10,000,000	\$0
Weatherization (Public Benefits)	- 7,650,000	- 8,150,000	- 8,150,000	- 8,150,000
Weatherization (FED)	<u>- 2,000,000</u>	<u>- 2,000,000</u>	<u>- 2,000,000</u>	<u>- 2,000,000</u>
Net	\$350,000	-\$150,000	-\$150,000	-\$10,150,000

7. Table 2 below shows the percentages used to allocate state public benefits funding to each program, in addition to DOA's estimate of the percentages that would be used for 2013-14 and 2014-15 under current law. The increase from 57.96% in 2012-13 to 59.42% annually over the 2013-15 biennium is due to the sunset date of July 1, 2013, for the annual transfer of \$10.0 million in public benefits funding from the low-income weatherization program to WHEAP.

TABLE 2
Current Law Public Benefits Allocation

<u>Program</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-15</u> <u>Annually</u>
Low-Income Weatherization	59.01%	58.20%	57.96%	59.42%
Wisconsin Home Energy Assistance	40.99	41.80	42.04	40.58

8. Under the bill, state public benefits funding would be evenly divided between the programs. According to the administration, the change in allocation is in response to recent variability in federal funds awarded and would "provide low-income home energy assistance and weatherization programs with a set utility public benefits funds allocation." Further, the administration indicates that the formula is intended "to ensure fair and consistent funding for each program." Under DOA's method of funding allocation, recent budgeted amounts for the initial allocation of public benefits funding to the low-income weatherization program have been about 60% (as shown in Table 2). The new allocation method would have the effect of shifting about 10%

of public benefits funding from the low-income weatherization program to WHEAP. Further, the change in allocation method would not make federal funding any more predictable. If federal funding changes significantly in the future, spending for each program purpose will change as well.

9. In addition, although statutory language requires that 47% of federal and state funds for energy assistance be spent on weatherization and energy conservation services, budgeted federal and state program funding for weatherization, including budgeted WHEAP expenses relating to weatherization administration, has accounted for 41% of the sources specified under statute, as shown in Table 3 below. This is due to the permitted transfer of \$10.0 million from low-income weatherization in 2010-11, 2011-12, and 2012-13, which had the effect of lowering the amount required to be spent on weatherization. The amounts shown in Table 3 for public benefits allocations are net of transfers from the public benefits fund for W-2 maintenance of effort (\$9,139,700), of which 47% was taken from the weatherization allocation and 53% from the allocation for other energy assistance services.

TABLE 3

Current Law Budgeted Funding

<u>Program Purpose and Fund Source</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Weatherization	40.8%	41.3%	41.0%
Federal Funding	\$17,275,000	\$17,082,800	\$16,592,300
Utility Public Benefits	49,146,800	53,432,500	53,205,700
Other Energy Assistance	59.2%	58.7%	59.0%
Federal Funding	\$59,925,000	\$60,525,000	\$60,525,000
Utility Public Benefits	36,261,000	39,795,800	40,055,100

10. The administration argues that an even split in public benefits funding between low-income weatherization and energy conservation services and other low-income energy assistance services make funding to both programs more predictable and fair. For these reasons, the Committee could choose to approve the Governor's recommendation to modify the allocation formula in that manner, as well as eliminating superfluous statutory language relating to the \$10.0 million transfer provision that will sunset on July 1, 2013. [Alternative 1]

11. On the other hand, the new allocation formula would shift funding from the low-income weatherization program to WHEAP, which primarily provides bill payment assistance and crisis assistance. If the Committee wishes to maintain the current allocation of public benefits funding, it could modify the provision so that the allocation of public benefits to the low-income weatherization program is 60%. Overall public benefits funding allocations to each program would not change from current practice under this alternative. In addition, budgeted state and federal funding to each program purpose would remain approximately 47% for weatherization services and 53% for other energy assistance, as shown in Table 4 below. However, the formula by which the allocations are determined would be clearer, and could make budgeted amounts for the programs easier to determine, than the formula applied under current law. [Alternative 2]

12. If the Committee wished to make total funding (federal and state) for each program more equal, the percentage allocation of public benefits to the low-income weatherization program could be increased further. As noted, current actual allocations of federal and state funds to weatherization equal approximately 41%. If federal LIHEAP and WAP funding amounts over the 2013-15 biennium are close to what the state has received in recent years, an allocation of 65% of public benefits funding to the low-income weatherization program would result in equal amounts of spending for weatherization (including WHEAP expenses associated with weatherization) and for other energy assistance services, as shown in Table 4 below. [Alternative 3]

13. Table 4 summarizes the alternatives included in this paper. Further, the attachment to the paper provides additional details for each alternative, including: (a) funding by program; (b) the public benefits ratios applied; (c) the division of the Wisconsin Works transfer of public benefits funding; and (d) program expense budgeting adjustments.

TABLE 4

2013-15 Allocation Alternatives

<u>Purpose by Fund Source</u>	<u>Current Law</u>	<u>Alternative 1</u>	<u>Alternative 2</u>	<u>Alternative 3</u>
Weatherization	46.8%	40.9%	46.5%	49.3%
Federal Funding	\$13,046,800	\$13,046,800	\$13,046,800	\$13,046,800
Utility Public Benefits	64,911,100	54,957,400	64,318,900	68,999,700
Other Energy Assistance	53.2%	59.1%	53.5%	50.7%
Federal Funding	\$59,798,300	\$59,798,300	\$59,798,300	\$59,798,300
Utility Public Benefits	28,703,800	38,657,400	29,296,000	24,615,200

14. However, it could be argued that allocating public benefits funding according to a formula that does not consider federal funding will not ensure stability for the programs if federal funding amounts change significantly. Approximately 16% of weatherization services and 70% of other energy assistance services are funded with federal grants. Therefore, maintaining a formula that takes into account federal funds for the year, even if the funds are difficult to predict, may be more flexible in responding to significant decreases or increases in federal funds. The Committee could, therefore, delete the provision. [Alternative 4]

15. If the Committee deletes the Governor's recommendation regarding the formula, it could choose to separately retain the Governor's recommendation to eliminate statutory language relating to the transfer of \$10.0 million annually for weatherization, which will sunset on July 1, 2013. This provision was enacted for two consecutive two-year periods when the state received significant amounts of American Recovery and Reinvestment Act weatherization funds. This alternative would eliminate obsolete statutory language which would no longer be applicable in the 2013-15 biennium. [Alternative 5]

ALTERNATIVES

1. Approve the Governor's recommendation to modify the formula used to allocate state public benefits funds to low-income weatherization and other energy assistance programs so that 50% of annual revenue from electric utilities, municipal utilities, and electric cooperatives is allocated to the state's low-income weatherization and conservation services. Eliminate the statutory provision permitting a transfer of \$10,000,000 in state public benefits funding from low-income weatherization or other energy conservation services to low-income energy assistance in years 2011-12 and 2012-13.

2. Modify the provision to allocate 60% of annual revenue from electric utilities, municipal utilities, and electric cooperatives to low-income weatherization and energy conservation services. [Under this alternative, recent public benefits allocations to each program would remain the same as under current law.]

3. Modify the provision to allocate 65% of annual revenue from electric utilities, municipal utilities, and electric cooperatives to low-income weatherization and energy conservation. [Based on current budgeting methods, this alternative would provide equal amounts of funding to low-income weatherization services and other energy assistance services.]

4. Delete the provision.

5. In addition to Alternative 4, retain the Governor's recommendation to make the following technical change to eliminate statutory language no longer applicable after July 1, 2013: repeal s. 16.957(2)(d)2m, which specifies that a state public benefits funding transfer of \$10,000,000 may be made in years 2011-12 and 2012-13 from low-income weatherization and energy conservation services to other low-income energy assistance services.

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Attachment

ATTACHMENT

2013-15 Annual Funding Under Public Benefits Allocation Alternatives

<u>Purpose by Fund Source</u>	<u>Current Law</u>	<u>Alternative 1</u>	<u>Alternative 2</u>	<u>Alternative 3</u>
Weatherization	46.8%	40.9%	46.5%	49.3%
Federal Funding	\$13,046,800	\$13,046,800	\$13,046,800	\$13,046,800
Utility Public Benefits	<u>64,911,100</u>	<u>54,957,450</u>	<u>64,318,900</u>	<u>68,999,700</u>
Total Weatherization	\$77,957,900	\$68,004,250	\$77,365,700	\$82,046,500
Other Energy Assistance	53.2%	59.1%	53.5%	50.7%
Federal Funding	\$59,798,300	\$59,798,300	\$59,798,300	\$59,798,300
Utility Public Benefits	<u>28,703,800</u>	<u>38,657,450</u>	<u>29,296,000</u>	<u>24,615,200</u>
Total Other Energy Assistance	\$88,502,100	\$98,455,750	\$89,094,300	\$84,413,500
Total Weatherization and Other Assistance	\$166,460,000	\$166,460,000	\$166,460,000	\$166,460,000
<u>Program</u>	<u>Current Law</u>	<u>Alternative 1</u>	<u>Alternative 2</u>	<u>Alternative 3</u>
Low-Income Weatherization Program				
Public Benefits Allocation Ratio	59.42%	50.00%	60.00%	65.00%
Federal Funding	\$11,046,800	\$11,046,800	\$11,046,800	\$11,046,800
Utility Public Benefits	61,056,800	51,377,300	61,652,700	66,790,500
WI Works (W-2) Public Benefits Transfer	-4,295,659	-4,569,850	-5,483,800	-5,940,800
Weatherization Expense Adjustments				
WHEAP (Utility Public Benefits)	8,150,000	8,150,000	8,150,000	8,150,000
WHEAP (FED)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Total Weatherization	\$77,957,900	\$68,004,250	\$77,365,700	\$82,046,500
Wisconsin Home Energy Assistance Program				
Public Benefits Allocation Ratio	40.58%	50.00%	40.00%	35.00%
Federal Funding	\$61,798,300	\$61,798,300	\$61,798,300	\$61,798,300
Utility Public Benefits	41,697,800	51,377,300	41,101,900	35,964,100
WI Works (W-2) Public Benefits Transfer	-4,844,000	-4,569,850	-3,655,900	-3,198,900
Weatherization Expense Adjustments				
Weatherization (Utility Public Benefits)	-8,150,000	-8,150,000	-8,150,000	-8,150,000
Weatherization (FED)	<u>-2,000,000</u>	<u>-2,000,000</u>	<u>-2,000,000</u>	<u>-2,000,000</u>
Total Other Energy Assistance	\$88,502,100	\$98,455,750	\$89,094,300	\$84,413,500
Total Weatherization and Other Assistance	\$166,460,000	\$166,460,000	\$166,460,000	\$166,460,000