

Report of the Analysis of Administrative Costs Associated with Seasonal and Crisis Fuel and Weatherization Programs

2016 Acts and Resolves No. 134, Sec. 36a

**Submitted to the Senate Committees on Finance, on Health and
Welfare, and on Appropriations and to the House Committees on
Ways and Means, on Human Services, and on Appropriations**

Prepared by Maria Belliveau
Associate Fiscal Officer
Joint Fiscal Office
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ANALYSIS OF ADMINISTRATIVE COSTS

Enabling legislation

The General Assembly passed language in 2016 Acts and Resolves No. 134, Sec. 36a, An Act Relating to Making Miscellaneous Tax Changes, requiring the Joint Fiscal Office to analyze the administrative costs associated with the Low Income Home Energy Assistance Program (LIHEAP), the Home Weatherization Assistance Program (Wx), and the Fuel Crisis Program within the Department for Children and Families in the Agency of Human Services.

No. 134 of 2016, An Act Relating to Making Miscellaneous Tax Changes

Sec. 36a. ANALYSIS OF ADMINISTRATIVE COSTS

The Joint Fiscal Office shall conduct an analysis of the administrative costs associated with seasonal and crisis fuel and weatherization programs for the State of Vermont. The Joint Fiscal Office shall report its findings to the Senate Committees on Finance, Health and Welfare, and Appropriations, and the House Committees on Ways and Means, Human Services, and Appropriations on or before December 15, 2016.

Findings

The LIHEAP and Wx programs both rely on State funds to operate. The LIHEAP Program requires an appropriation of State funds for three purposes: to support the cost of administration for eligible households up to 185% of the Federal Poverty Guidelines (FPG); seasonal fuel benefits for eligible households between 151% and 185% of the FPG; and all administration and a portion of benefits in the Crisis Fuel Program up to 200% of the FPG. The Wx program relies on State funds for most of its operating expenses, which include the provision of weatherization services.

As currently configured, the LIHEAP program will always require some level of State funding for both benefits and administration. Funds spent on administration within DCF were 12.9% of total program funds in Fiscal Year 2014, growing to 15% of total program funds in Fiscal Year 2015, and then increased to 20.9% in Fiscal Year 2016. This increase was due to the new Random Moment Time Study (RMTS) that DCF implemented in 2016 and 2017 which attributed more administrative costs to the LIHEAP program than was historically the case. This represents a substantial increase in administrative costs. DCF understands that this is significant and is conducting increased training for district offices to ensure that the staff is not inadvertently attributing too much time to LIHEAP activities when processing cross-program eligibility.

In addition to providing additional training, DCF recognizes that removing the LIHEAP eligibility process from the year-round Economic Services benefits application and implementing a stand-alone eligibility process for LIHEAP is a possible strategy to discreetly identify LIHEAP administrative costs. According to DCF, the LIHEAP eligibility process could operate on an annual application basis with a deadline each year. This change could result in other Economic Services Division programs such as SNAP, TANF, and General Assistance receiving a larger share of administrative costs. However, the resulting effect to administrative costs is unclear.

In order to provide transparency, it would be helpful if the DCF provided detail during their annual budget testimony before the House and Senate Committees on Appropriations regarding the amount of State funds spent in the prior fiscal year and the amount projected to be spent in the current fiscal year on administration of the LIHEAP program and on providing benefits to both the seasonal heat assistance clients and the Crisis Fuel benefit clients. In addition, the testimony should include an explanation of the cost allocation system for the administrative costs if that continues to be the way that administrative costs are spent. This would allow the General Assembly to compare annual expenditures over time and predict with a reasonable level of certainty what the cost will be for administration.

The Wx Program has its own dedicated source of funds that is generated from a fuel tax on the retail sale of heating oil, propane, kerosene, and dyed diesel, as well as a gross receipts tax on the retail sale of natural gas, coal, and electricity. Since the State funds in this program represent the majority of program funds, State funds will likely be used for some portion of administration. In Fiscal Year 2016 the Wx program spent 13% of the total program funds on administration. This allocation of administrative funds remained fairly level in Fiscal Year 2017.

Introduction

The Low Income Heating Assistance Program (LIHEAP) is predominately funded with federal block grant funds; however, since fiscal year 2012 Vermont has consistently contributed either one-time or base appropriation State funds to provide a benefit to clients over the federal income threshold for both seasonal LIHEAP benefits and Crisis Fuel benefits. In addition, State funds have been used to support the costs of administering the LIHEAP program that exceed the allowable federal allocation.

Funding for the Home Weatherization Program (Wx) differs from that of the LIHEAP program in that it is predominately funded with State funds generated from a fuel tax on the retail sale of heating oil, propane, kerosene, and dyed diesel, as well as a gross receipts tax on the retail sale of natural gas, coal, and electricity.

During the 2016 Legislative Session there was considerable discussion of the cost of administering LIHEAP and Wx. The discussion focused on the funds required to support the cost of administration, the limit that the federal government places on the amount that can be used for administration from the federal grants, the amount of State funds required to support administration, and the overall amount that Vermont spends to administer the LIHEAP and the Wx programs.

The U.S. Department of Health and Human Services (HHS) stipulates that no more than 10% of the federal block grants may be used for administration of both the LIHEAP and Wx programs. Any additional cost of administration over the federal 10% limit must be paid with alternate sources of funds at the State level. Both the LIHEAP Program and the Wx Program are administered by the Department for Children and Families (DCF). LIHEAP is specifically administered by the Economic Services Division, while the Office of Economic Opportunity administers Wx.

This report is focused on the cost to DCF of administering both the LIHEAP and the Wx programs.

Discussion of LIHEAP and Wx Programs

Vermont receives federal funds to support both LIHEAP and, to a lesser degree, the Wx Program. Both programs are administered by the DCF. LIHEAP is specifically administered by the Economic Services Division, while the Office of Economic Opportunity administers Wx. This analysis focuses on the amount of funds spent to administer the two programs. The federal funds come with a requirement that no more than 10% of the grant to the State can be used for costs related to administration. Any costs of administration above 10% must be paid with other funding sources.

LIHEAP PROGRAM DETAIL

According to the DCF, the current administrative cost structure for LIHEAP is the result of several factors as follows.

- In 2009 the Administration launched the DCF “Modernization” initiative. Historically the Economic Benefits Programs, which includes LIHEAP, required clients to go to one of the 12 District Offices in person to apply for benefits. This may have been a very inconvenient and time sensitive process for many clients that relied upon paper applications. In addition, this was very staff intensive. This system was changed through the “Modernization” initiative to use state-of-the-art technologies and national best practices to allow clients to apply for benefits and access benefit information over the telephone or through the web. This initiative added the Application and Documentation Processing Center (ADPC) and the Benefits Service Center (BSC) and enabled clients to access benefits for the 3SquaresVT Program, LIHEAP, and health insurance. Each of these programs were assessed a charge for this administrative function. At this point in time the LIHEAP application period started in late summer and went through the fall so the cost of administering the applications was concentrated into just a few months.
- In 2012 DCF adopted a single application for all benefit programs and moved to a year-round application period via the 12 district offices, or by phone/web, further streamlining the application process. Once again, the cost of district operational costs associated with this streamlining process was allocated to each of the Economic Benefits Programs. Eventually, the health care eligibility process was removed, along with associated staff, from the District Offices and centralized in the Health Access Eligibility Unit (HAEU). Once health care eligibility was removed from the District Offices, the cost of overhead could no longer be charged to the Global Commitment fund, creating a pressure on the remaining programs. This pressure on the remaining programs as well as moving toward a year-round application process added costs to the

amount allocated to LIHEAP for administration as well as among other funding sources. DCF did not reduce the staff at the district offices in order to maintain resources for addressing quality control error rate issues and related penalties for the 3SquaresVT program. Table 1 below shows an increase from Fiscal Year 2012 to 2013 which is attributable to moving to a 12 month application period.

- In FY 2016 a new Random Moment Time Study (RMTS) was implemented in order to comply with federal cost allocation principles. This study resulted in there being more administrative costs attributed to the LIHEAP program than in prior years. Table 1 on page 5 summarizes the administrative costs attributable to the LIHEAP program. There is a significant increase between Fiscal Years 2015 and 2016 due to this new RMTS allocation.

Table 1

LIHEAP ADMINISTRATION COSTS - DCF					
Fiscal Year	State Funds	Federal Funds	TOTAL	% Change	% of Total Program
2010		3,084,188	3,084,188		9.0
2011		3,235,144	3,235,144	4.89	10.9
2012	323,284	2,369,271	2,692,555	-16.77	9.0
2013	1,274,385	1,822,974	3,097,359	15.03	11.1
2014	1,435,495	1,914,014	3,349,509	8.14	12.9
2015	1,629,185	1,896,517	3,525,702	5.26	15.0
2016	3,034,831	1,898,102	4,932,933	39.91	20.9

Vermont's Crisis Fuel Program

The DCF, Economic Services Division, has contracted with the State's five Community Action Agencies to administer the Crisis Fuel Program. Funding is allocated to each of these agencies based upon the size of the population they serve. Each agency provides public outreach, income eligibility verification, and issues crisis benefits to clients. The Administration of this program includes providing after-hours access to benefits. Crisis fuel benefits are paid with either Federal funds or State funds, depending upon the Federal Poverty Guidelines (FPG) of the household. If the household is at or below 150% of the FPG, the crisis benefits are paid with federal funds. If the household is at 151% of the FPG up to and including 200% of the FPG, the benefit is paid with State funds. All of the administration associated with the Crisis Fuel Program administered by these organizations is paid with State funds.

According to 33 V.S.A. § 2609(a) "...The Secretary or designee shall also adopt rules to define crisis situations for the expenditure of the home heating fuel crisis funds, and to establish the income and asset eligibility requirements of households for receipt of crisis Home Heating Fuel Assistance, provided that no household shall be eligible whose gross household income is greater than 200 percent of the federal poverty level or is in excess of income maximums established by LIHEAP based on the income of all persons residing in the household."

According to 33 V.S.A. § 2609(b) "Crisis fuel grants shall be limited per winter heating season to one grant for households that are income-eligible and have received a seasonal fuel assistance grant and meet all eligibility requirements for crisis fuel assistance, or two grants for households that are not income-eligible for seasonal fuel assistance and meet all eligibility requirements for crisis assistance." Each crisis assist consists of a maximum of 125 gallons of oil, propane, kerosene, or other liquid fuels, one ton of coal, or one cord of wood.

Table 2

Fiscal Year	Crisis Fuel Program Administration – CAPs	Total Crisis Funds	% of Total Crisis Funds
2011	516,000	4,823,819	10.7
2012	532,000	4,000,000	13.3
2013	539,000	3,725,000	14.5
2014	480,000	3,476,710	13.8
2015	490,000	3,044,363	16.1
2016	500,000	1,210,000	4.5
2017	480,000	3,030,000	15.8

Available LIHEAP Funds in Fiscal Years 2016 and 2017

Fiscal Year 2016 LIHEAP Funds

In Federal Fiscal Year 2016, Vermont received a federal LIHEAP block grant of \$18,981,020 for the 2015-2016 heating season. The allowable federal administrative cap was \$1,898,102 (10%). During this period the DCF spent a total of \$4,932,933, both State and federal funds, on administering the LIHEAP program. This spending level necessitated the use of \$3,034,831 in State funds for administration of the LIHEAP program in DCF.

In addition to these State funds for administration, there was an expenditure of State funds to support the LIHEAP seasonal fuel benefits for clients between 151% and 185% of the FPG and for Crisis Fuel benefits from 151% to 200% of the FPG.

Source of State Funds for LIHEAP in 2016

For the 2015-2016 heating season, State funds were identified from two sources. These State funds supported the cost of administration as noted above, the cost of serving LIHEAP seasonal fuel clients from 151% to 185% of the FPG, and the cost of providing Crisis Fuel benefits to clients from \$151% to 200% of the FPG.

1. First, the Fiscal Year 2016 budget, 2015 Acts and Resolves No. 58, Sec. C.108, provided for a one-time contingent appropriation of \$5,000,000 of Fiscal Year 2015 General Fund carry-forward funds to be expended in Fiscal Year 2016 to provide low-income home energy assistance during the calendar year 2015-2016 heating season at a level not to exceed the estimated purchasing power of the average low-income home energy benefit provided during the calendar year 2014-2015 heating season. The DCF determined that State funds amounting to **\$3,357,500** were needed to meet this threshold from the Fiscal Year 2015 contingent appropriation.
2. The second source of State funds resulted from 2015 Acts and Resolves No.58, Sec. E.324.2 which allowed the Secretary of Administration to transfer up to 15 percent of the Federal Fiscal Year 2016 Federal LIHEAP block grant to the Home Weatherization Assistance (Wx) appropriation. The result of this language was that there was a transfer of \$2,835,000 federal LIHEAP funds to the Wx appropriation. Then, in return, there was a transfer of **\$1,700,000** State funds from the Wx program to LIHEAP, leaving a net addition of \$1,135,000 in the Wx program for services. This transfer enabled the LIHEAP program to utilize a total of **\$5,057,500** State funds to support LIHEAP for the Fiscal Year 2016 heating season (\$3,357,500 general funds and \$1,700,000 Wx funds).

Fiscal Year 2017 LIHEAP Funds

In Federal Fiscal Year 2017, Vermont is estimated to receive a federal LIHEAP block grant of \$18,900,000 for use during the 2016-2017 heating season. The allowable federal administrative cap is \$1,890,000 (10%). During this period, DCF anticipates spending a similar amount of both State and federal funds as was spent in 2016 on administering the LIHEAP program. However, until the 2016-2017 heating season comes to a close, DCF can only estimate what its administrative costs will be.

In addition to these State funds for administration, there will be an expenditure of State funds to support the LIHEAP seasonal fuel benefits for clients between 151% and 185% of the FPG and for Crisis Fuel benefits.

Source of State Funds for LIHEAP in 2017

For the fiscal year 2017 heating season, State funds were identified from two sources. These State funds will support the cost of administration as well as the cost of serving LIHEAP seasonal fuel clients from 151% to 185% of the FPG, and the cost of providing Crisis Fuel benefits to clients from 151% to 200% of the FPG.

1. When constructing the Fiscal Year 2017 budget, the same language was in place as in Fiscal Year 2016 allowing the Secretary of Administration to transfer up to 15% of the Federal LIHEAP block grant to Wx which is estimated to be \$2,832,000. In turn, a like amount of State Wx funds was transferred to LIHEAP, making State funds available to the LIHEAP program.
2. There are carry forward of State funds in the amount of \$1,037,000 from the prior fiscal year that can be used in the current fiscal year.

Administration Funding Challenges in LIHEAP

One of the challenges facing Vermont is that, due to the federal funding formula, which is based upon population, the size of the federal grant is small compared to larger states. Because Vermont's overall grant is relatively small, the amount available for administration is, likewise, relatively small. This puts pressure on the State fund appropriation.

Another challenge is that administrative costs in the LIHEAP program are fairly static but the size of the federal block grant can vary significantly from year to year. Historically the federal block grant has varied from \$39 million in Federal Fiscal Year 2009 to \$18.9 million in Federal Fiscal Year 2017. From 2009 through 2011 when the federal block grant was much larger than today's grant, the 10 percent federal funds cap covered the majority of the State's administrative cost. For the past several years the size of the federal grant has been more consistent, but at the lower end of the funding scale, necessitating the use of State funds to support the administration of the program.

LIHEAP Program Eligibility Guidelines

Federal LIHEAP guidelines stipulate that states may provide LIHEAP benefits to households whose income is between 110% of the FPG and 150% of the FPG, or up to 60% of the state's median income (SMI), adjusted for family size, whichever is higher. Vermont has adopted an

income threshold of at or below 150% of the FPG for federal fund expenditures.

In 2010 the General Assembly passed Act 88, “An Act Relating to Fuel Assistance,” which made important changes to the LIHEAP Program. One of the most significant changes was to increase the eligibility levels from a ceiling of 150% of the FPG to a ceiling of 185% of the FPG. Since the State Plan submitted to the federal government regarding LIHEAP stipulates that the federal funds would be used for clients up to and including 150% of the FPG, benefits for households between 150% and 185% of the FPG were to be paid with State funds.

In an effort to maintain a similar benefit as in prior years for the population at or below 150% of the FPG, 2010 Acts and Resolves No. 88, Sec. 4, which amended 33 V.S.A. § 2605(b), states that “The maximum percentages of annual heating fuel cost table established in subsection (a) of this section shall provide proportionally higher benefit percentages to households with a gross income of 154 percent of the federal poverty guidelines or less and proportionally lower benefit percentages to households with a gross income of 155 to 185 percent of the federal poverty guideline.”

In addition to the income threshold discussed above, there are three categories where households receive “categorical eligibility” which includes cases where at least one member receives assistance under the federal programs Temporary Assistance for Needy Families (TANF), Social Security Income (SSI), or Supplemental Nutrition Assistance Program (Food Stamps.)

HOME WEATHERIZATION (Wx) PROGRAM DETAIL

Home Weatherization Assistance Program Funds

The Weatherization Assistance Program (Wx) is funded with a grant from the U.S. Department of Energy (DOE) as well as State funds raised by a Gross Receipts Tax (GRT) on the retail sales of heating oil, propane, gas, electricity, and coal (see Appendix 2.) The GRT is deposited into the Home Weatherization Assistance Program Fund. In addition, funds from other sources have been available in some of the past years to support the program, such as settlement funds from Green Mountain Power and Federal ARRA funds.

Weatherization services are provided to eligible households by five community-based nonprofit organizations who receive grant funding and oversight from OEO. Some of the Office’s personnel and operating expenses are considered administrative expenses, while some are considered “training

and technical assistance,” which is categorized as nonadministrative costs by the U.S. Department of Energy. Each grant-funded Weatherization Assistance Program receives funding to support administrative expenses which are included under their approved indirect cost rate and administrative cost allocation plan. There is a small amount of administrative expense for the Emergency Heating System Repair and Replacement program, which is funded by the State Home Weatherization Program Fund.

Each of the five nonprofit agencies that provide Wx services performs public outreach, energy efficiency coaching, energy audits, installation of the necessary energy savings, and health/safety improvement work, and conducts a followup quality control audit of the weatherized units.

The cost of administering the Wx program in Fiscal Year 2016 was \$1,228,649 which included costs associated with the Office of Economic Opportunity staff, Emergency Heating System Repair and Replacement, and the Weatherization Assistance Program grants to five community-based nonprofit organizations. See Table 2 below for a summary of Wx administration costs during Fiscal year 2016. Please see Appendix 2 for more detail on revenues and expenditures of the Wx program.

In Fiscal Year 2017 total Wx Program funds are \$11,600,000. Of this approximately \$1,370,193 is estimated for administration, or 11.8%.

Table 2

HOME WEATHERIZATION PROGRAM ADMINISTRATION - FY 2016 ACTUAL		
OEO Weatherization Office		213,997
Wages and Benefits for two staff	188,274	
3rd Party Contractors	14,569	
Operating Expenses	11,154	
DCF & Agency Cost Allocation to Wx		14,229
Emergency Heating System Repair and Replacement		49,375
Weatherization Assistance Program Grants		951,048
SUBTOTAL ADMINISTRATION		1,228,649
Total Weatherization Expenditures		9,433,769
Percent of Total Spent on Admin		13%

Home Weatherization Funds in Fiscal Years 2016 and 2017

In Vermont the Federal Weatherization grant only represents a small percentage of total funding for the program. In State Fiscal Year 2016 the Federal DOE Weatherization award was \$1,101,000, representing 10.5% of program funds. Revenue into the Home Weatherization Trust Fund are State funds including funds from a fuel tax on the retail sale of heating oil, propane, kerosene, and dyed diesel, as well as a gross receipts tax on the retail sale of natural gas, coal, and electricity (please see Appendix 2.) In Fiscal Year 2016 these sources of State funds raised \$6,830,000. In addition, there was a transfer of \$1,235,000 from the LIHEAP program and some carry forward funds for total expenditures of \$9,433,769. Federal funds are spent according to federal guidelines, however, there is more flexibility with the use of State funds, therefore, State funds can be spent on clients whose household income is above 200% of the FPG (DOE requirement) but below 80% of the State median income by county.

In Fiscal Year 2017 the Federal DOE award is anticipated to be \$1,228,156. The fuel tax and gross receipts tax are projected to raise \$10,600,000 for total program funds of \$11,828,156. Of this, \$900,000 is onetime in nature due to a change in the timing of the collection of the fuel tax and gross receipts tax from quarterly to monthly.

Home Weatherization Program Income Guidelines

One of the primary factors affecting eligibility for the Wx Program is income, and each state sets its income requirements within DOE guidelines. Services are provided by the states, and so each state may have slightly different income criteria that fall within the federal income guidelines.

Under Department of Energy (DOE) guidelines, a client is automatically eligible to receive weatherization assistance if he or she receives SSI or TANF. In other cases, states give preference to:

- People over 60 years of age
- Families that have one or more members with a disability

One of the primary factors affecting eligibility is income. Although income eligibility varies by state, the federal government allows eligibility for federal funds up to a ceiling of 200% of the FPG.

In Vermont, a household is eligible for weatherization services, whether the occupants own or rent, if the household income is at or below 80% of median income, by county and household size. Priority is given to households with incomes at or below 60% of median income, households receiving fuel

assistance, households with high fuel usage, the elderly, people with a disability, and families with children.

A household is considered automatically eligible for weatherization services if someone in the household receives LIHEAP or Supplemental Security Income (SSI). In Fiscal Year 2016, 48% of all households who received weatherization services also received LIHEAP benefits.

Appendix 1

Definition of Allowable Administration Costs

The LIHEAP statute limits the amount of LIHEAP funds that state grantees may use for planning and administrative costs to 10% of funds payable for a fiscal year and stipulates that any excess administrative costs must come from nonfederal funds.

[LIHEAP Statute Section 2605\(9\)](#)

(A) the State may use for planning and administering the use of funds under this title an amount not to exceed 10 percent of the funds payable to such State under this title for a fiscal year

B) the State will pay from non-Federal sources the remaining costs of planning and administering the program assisted under this title and will not use Federal funds for such remaining costs (except for the costs of the activities described in paragraph (16));

The LIHEAP statute does not define planning and administrative costs; however, the federal block grant regulations provide some guidance, essentially granting states some flexibility based on how they handle other programs.

The U.S. Department of Health and Human Services (HHS) has issued general guidance ([LIHEAP-IM-2000-12](#), dated 3/15/2000) stating that "costs associated with taking applications, determining eligibility and benefits levels, and monitoring the assistance provided, are normally administrative in a predominantly cash assistance program." It added that: Outreach "encompasses activities that are administrative and others that are not."

Furthermore, HHS will defer to the state's definition unless it is based on an interpretation of the statute that is "clearly erroneous. ([45 CFR 96.50\(e\)](#))

Appendix 2

Home Weatherization Trust Fund Revenue Source

Misc Tax Bill, Act 134

Sec. 35. 33 V.S.A. § 2503 is amended to read:

§ 2503. FUEL GROSS RECEIPTS TAX

~~(a) There is imposed a gross receipts tax of 0.5 percent on the retail sale of the following types of fuel:~~

~~(1) heating oil, propane, kerosene, and other dyed diesel fuel delivered to a residence or business;~~

~~(2) natural gas;~~

~~(3) electricity;~~

~~(4) coal~~

(1) There is imposed a tax on the retail sale of heating oil, propane, kerosene, and other dyed diesel fuel delivered to a residence or business, at the rate of \$0.02 per gallon.

(2) There is imposed a gross receipts tax of 0.75 percent on the retail sale of natural gas and coal.

(3) There is imposed a gross receipts tax of 0.5 percent on the retail sale of electricity.

EXPLANATION: These changes to statute raised an estimated additional \$2.87 million to be deposited into the Home Weatherization Trust Fund in FY 2017.

* * * Filing Periods * * *

Misc Tax Bill, Act 134

Sec. 37. 32 V.S.A. § 5836(c) is amended to read:

~~(c) The tax imposed by this section shall be paid quarterly~~ monthly to the Commissioner ~~not later than on or before the 25th day of the each month following the last day of each quarter of the corporation's taxable year under the federal Internal Revenue Code, for the three months of that quarter~~ for the tax due in the previous month.

EXPLANATION: This change in filing dates raised an estimated one-time amount of \$900,000 in FY 2017.

Language included in Act 172 Granting Authority to Transfer Funds between Home Weatherization Assistance Appropriation and LIHEAP Appropriation

Appendix 3

Language in Omnibus Appropriations Bill Authorizing Fund Swap Between LIHEAP and Wx Programs

Act 172 – Fiscal Year 2017 Omnibus Appropriations Bill

Sec. E.324 LIHEAP AND WEATHERIZATION

(a) Notwithstanding 33 V.S.A. §§ 2603 and 2501, in fiscal year 2017, the Secretary of Administration may, upon recommendation of the Secretary of Human Services, transfer up to 15 percent of the federal fiscal year 2017 federal Low Income Home Energy Assistance Program (LIHEAP) block grant from the federal funds appropriation in Sec. B.324 of this act to the Home Weatherization Assistance appropriation in Sec. B.326 of this act to be used for weatherization in State fiscal year 2017. An equivalent appropriation transfer shall be made to Sec. B.324 of this act, Low Income Home Energy Assistance Program, from the Home Weatherization Assistance Fund in Sec. B.326 of this act to provide home heating fuel benefits in State fiscal year 2017. At least three days prior to any such transfer being made, the Secretary of Administration shall report the intended transfer to the Joint Fiscal Office and shall report any completed transfers to the Joint Fiscal Committee at its next meeting.

EXPLANATION: The FY17 budget only includes federal funds for LIHEAP; this language allows DCF to meet costs that are solely State-funded to cover benefits for recipients over 150 percent of the federal poverty limit as well as administration costs in excess of ten percent of the federal award.

APPENDIX 4

DEPARTMENT FOR CHILDREN AND FAMILIES
OFFICE OF ECONOMIC OPPORTUNITY
WEATHERIZATION ASSISTANCE PROGRAM
SFY 2016 - ADMINISTRATIVE COST MEMO ADDENDUM

The Weatherization Assistance Program is administered by the Office of Economic Opportunity (OEO) with a combination of funds from the U.S. Department of Energy (DOE) and the State Home Weatherization Assistance Program Fund (supported by the fuel tax). OEO defines administrative costs based on the guidance provided by the US Department of Energy.^[1] Weatherization services are provided to eligible households by five community-based nonprofit organizations who receive grant funding and oversight from OEO. Some of the Office’s personnel and operating expenses are considered administrative expenses, while some are considered “training and technical assistance,” which is categorized as non-administrative costs by the US Department of Energy. Each grant-funded Weatherization Assistance Program receives funding to support administrative expenses which are included under their approved indirect cost rate and administrative cost allocation plan. Costs that cannot be directly attributed to program operations are also covered through this. There is a small amount of administrative expense for the Emergency Heating System Repair and Replacement program, which is funded by the State Home Weatherization Program Fund.

	SFY 2016 Administrative Costs
OEO Weatherization Office	\$ 213,997
DCF & Agency Costs Allocated to Weatherization	\$ 14,229
Emergency Heating System Repair & Replacement	\$ 49,375 ^[2]
Weatherization Assistance Program Grants	\$ 951,048 ^[3]
SUBTOTAL Administration	\$ 1,228,649
TOTAL Weatherization Budget	\$ 9,433,769
Administrative Percentage:	13%

Further Administrative Costs Breakdown:

	SFY 2016 Administrative Costs
OEO Weatherization Office	
Personnel Services - Wages and Benefits, 2 full-time positions	188,274
3rd Party Contractors	14,569
Operating Expenses	11,154
Subtotal OEO Weatherization Office Administrative Costs	213,997

Personnel Services:

2 full-time positions: Weatherization Program Administrator, Energy Services Program Officer

The Office of Economic Opportunity employs 3 full time Weatherization program staff to administer the Weatherization program, which includes coordination of efforts with other key agencies and programs, training and technical assistance to grant-funded organizations,

^[1] US DOE guidance can be found here:

<http://energy.gov/sites/prod/files/2016/01/f28/2016%20WAP%20Application%20Instructions%20Final.pdf>

^[2] Revised down, see explanation.

^[3] Revised up slightly, based on final closeout.

monitoring, and quality inspections of weatherized homes. One position is fully supported by the Department of Energy to provide training and technical assistance, and thus categorized as non-administrative costs by the US Department of Energy.

3rd Party Contractors:

Included 3rd party consultant costs to develop, train and implement the Weatherization “one-touch” referral system.

Operating Expenses:

Includes typical costs such as travel (fleet and mileage), training costs, dues to national association, telephone, insurance, printing and allocated costs such as HR, Vision, etc.

Some of these costs could be considered training and technical assistance under the DOE methodology; we have left all operating costs as “administrative costs” for simplicity.

Emergency Heating System Repair & Replacement	\$ 49,375
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The Crisis Fuel Program at Community Action Agencies in conjunction with the Weatherization Assistance Programs provide emergency heating system repair and replacement. In SFY 2016, 395 households were served. In each case of assistance, the agency receives a flat fee of \$125 to cover client intake costs, and administrative time to arrange and contact contractors to provide repair and replacement. Additionally, agencies bill for the costs to have an energy auditor to homes to inspect/assess the heating system. With further analysis, we have reduced the amount recorded for administrative costs to provide emergency heating system repair and replacement. This reduction is due to the removal of the costs associated with heating system inspection, as this would be considered direct service.

Weatherization Assistance Program Grants	\$ 913,248
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The five community-based nonprofits which operate the Weatherization Assistance Program each receive funding for administration as part of their grants. These costs are based on the agencies federally approved indirect cost rate or their agency’s respective administrative cost allocation plan (when an indirect cost rate does not exist).

Summary of LIHEAP Revenues and Expenditures in Vermont

Updated 12/15/2016

APPENDIX 5

Winter of:	Federal						Program Expenditure Information						
	Federal Block Grant	Federal Contingency Funds	State Weatherization	Other State Funds	Prior Year Carryforward	Other	Total Program Funds	DCF Admin Costs	Crisis Funds	CAPs Crisis Admin	Full Season Ave Fuel Benefit	House Holds Served	Purchase Pwr Gallons/ % Funded
2016-2017	\$ 16,050,478		\$ 2,832,000	\$ 1,037,000	\$ 3,646,376		\$ 23,565,854	4,932,933	3,030,000	480,000	\$ 865	21,500	410 / 54%
2015-2016	\$ 16,187,983		\$ 1,700,000	\$ 3,357,500	\$ 2,515,000		\$ 23,760,483	3,525,702	1,210,000	500,000	\$ 699	22,618	331 / 43%
2014-2015	\$ 18,938,993			\$ 5,000,000	\$ 2,074,954		\$ 26,013,947	3,349,509	3,044,363	490,000	\$ 783	25,147	274 / 36%
2013-2014	\$ 19,140,144			\$ 8,100,000	\$ 591,060		\$ 27,831,204	3,097,359	3,476,710	480,000	\$ 792	26,625	219 / 29%
2012-2013	\$ 18,359,509		\$ 900,000	\$ 8,800,000	\$ 1,583,684	\$ 129,777	\$ 29,772,970	2,692,555	3,725,000	539,000	\$ 898	27,776	233 / 31%
2011-2012	\$ 19,529,156		\$ 1,050,000	\$ 5,050,000	\$ 4,005,000	\$ 100,000	\$ 29,734,156	3,235,144	4,000,000	532,000	\$ 900	27,100	248 / 33%
2010-2011	\$ 25,675,382	\$ 1,882,468			\$ 6,687,000	\$ 36,710	\$ 34,281,560	3,084,188	4,823,819	516,000	\$ 866	26,546	262 / 34%
2009-2010	\$ 25,568,440	\$ 1,773,441			\$ 3,615,560	\$ 183,716	\$ 31,141,157		2,956,390		\$ 1,064	20,399	397 / 52%
2008-2009	\$ 25,596,268	\$ 13,123,514			\$ 363,402	\$ 883,968	\$ 39,967,152		2,352,524		\$ 1,718	19,227	656 / 86%
2007-2008	\$ 11,615,526	\$ 7,686,284		\$ 3,512,032	\$ 1,780,000	\$ 161,070	\$ 24,754,912		2,507,011		\$ 1,362	15,369	420 / 55%
2006-2007	\$ 11,612,664			\$ 590,769	\$ 11,037,550		\$ 23,240,983		2,171,000		\$ 1,368		545 / 71%
2005-2006	\$ 13,639,012	\$ 7,263,891	\$ 3,500,000	\$ 5,942,055	\$ 389,946	\$ 147,726	\$ 30,882,630		1,404,789		\$ 1,364		546 / 71%
2004-2005	\$ 11,046,117	\$ 2,704,939	\$ 1,000,000	\$ 159,352	\$ 524,426	\$ 142,487	\$ 15,577,321		1,535,118		\$ 902		441 / 58%
2003-2004	\$ 10,478,244	\$ 931,848			\$ 213,966	\$ 160,293	\$ 11,784,351		1,511,943				
2002-2003	\$ 10,471,920	\$ 2,128,885				\$ 177,103	\$ 12,777,908		1,669,734				
2001-2002	\$ 9,945,667	\$ -			\$ 994,989	\$ 177,137	\$ 11,117,793		1,043,691				
2000-2001	\$ 8,161,371	\$ 4,971,349					\$ 13,132,720						
1999-2000	\$ 6,377,075	\$ 3,850,933					\$ 10,228,008						
1998-1999	\$ 6,374,976	\$ 474,893					\$ 6,849,869						
1997-1998	\$ 5,797,964	\$ -					\$ 5,797,964						
1996-1997	\$ 5,797,476	\$ 1,083,605					\$ 6,881,081						
1995-1996	\$ 5,415,154	\$ 1,070,578	\$ 940,517				\$ 7,426,249						
1994-1995	\$ 7,661,248	\$ 246,448	\$ 601,046				\$ 7,907,696						
1993-1994	\$ 8,397,541	\$ 4,798,863	\$ 1,979,461				\$ 15,175,865						
1992-1993	\$ 7,855,363	\$ -					\$ 7,855,363						
1991-1992	\$ 8,769,816	\$ -					\$ 8,769,816						
1990-1991	\$ 8,413,284	\$ 1,400,117					\$ 9,813,401						
1989-1990	\$ 8,282,912	\$ 713,200					\$ 8,996,112						
1988-1989	\$ 8,225,517	\$ -					\$ 8,225,517						
1987-1988	\$ 9,107,881	\$ -					\$ 9,107,881						
1986-1987	\$ 10,838,202	\$ -					\$ 10,838,202						

* From FFY 94 - FY 96, Wx Fund transfers to the ANFC appropriation paid fuel benefits for ANFC fuel program participants. Starting with FFY 97, federal TANF funds were not used for fuel benefits to TANF recipients because federal welfare reform (PRWORA) requires that TANF-funded fuel benefits be counted as income which would have a major adverse impact on TANF household's food stamp benefits.

* Total cost of LIHEAP in FY 2005/06 was \$20,792,524. Legislature directed that any supplemental FF received be carried forward for the next heating season. Carry forward was approx. \$9,442,055.

* Prior to passage of the FY 2006 Budget Adjustment Bill the AHS paid back \$598,593 to the Dept of Corrections.

* FY 2008-2011 were ARRA years when we expanded eligibility to 151-200% FPL. In FY 2012 had to fund this new population with state funds, not FF.

* For the 2012/13 heating season the Legislature added \$900,000 for crisis fuel from the Energy and Regulation fund in the Dept of Public Service

* Additionally the E-Board added \$7.9M GF and \$900,000 weatherization funds for a total state contribution of \$9.7M.

* In FY 2015/2016 \$2,835,000 LIHEAP funds transferred to the Wx Fund and a transfer back of \$1,600,000, leaving \$1.235M LIHEAP funds in the Wx fund. FF prior to swap were \$18.9M

* In FY 2016/2017 there was a direct swap of \$2,835,000 LIHEAP funds with Weatherization funds to secure state funds for administration of crisis and 151 to 185% FPG and Admin. FF were \$18.9M prior to swap

DCF-Weatherization
Combined Funding Summary
Thru January 2017

SUMMARY: All Weatherization Program Funding

APPENDIX 6

FUND	Actual SFY 2007	Actual SFY 2008	Actual SFY 2009	Actual SFY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	
Cash Balance Carry Forward	543,295	376,648	1,402,565	2,906,619	3,623,087	4,103,854	3,999,925	4,870,746	4,475,433	1,072,080	
<u>New Revenue/Awards</u>											
Weatherization Trust Funds	21235	6,857,743	7,380,026	7,553,733	6,762,352	7,633,081	7,837,523	8,511,589	8,233,717	8,184,532	6,911,756
GMP	21870	0	0	0	0	0	0	6,000,000	4,000,000	0	0
Federal ARRA Funds	22040	0	0	1,684,258	6,737,030	7,406,306	5,960,607	0	0	0	0
Federal Funds	22005	1,353,926	1,146,018	2,099,965	1,399,729	1,004,572	735,684	0	1,005,309	1,229,055	1,101,981
Property Surplus	21584	6,291	9,541	0	6,930	0	1,428	4,410	9,615	1,428	2,793
Total Available Funds		8,761,255	8,912,233	12,740,521	17,812,660	19,667,046	18,639,097	18,515,924	18,119,387	13,890,448	9,088,610
DCF Cash Expenditures		(7,984,607)	(7,509,668)	(10,083,902)	(11,489,901)	(13,262,226)	(13,589,172)	(12,745,178)	(13,643,954)	(12,818,368)	(7,146,353)
Cash Balance		776,648	1,402,565	2,656,619	6,322,759	6,404,819	5,049,925	5,770,745	4,475,433	1,072,080	1,942,256
Withdrawals by Fin & Mgmt		(400,000)	0	250,000	(2,300,000)	(2,300,965)	(1,050,000)	(900,000)	0	0	0
ENDING CASH / AWARD BALANCE		376,648	1,402,565	2,906,619	4,022,759	4,103,854	3,999,925	4,870,745	4,475,433	1,072,080	1,942,256
*Obligations - Escrows & PO CFWD		0	57,614	219,648	2,498,239	190,827	2,519,181	4,230,024	1,468,712	1,026,937	1,001,997
Unobligated Cash / Award Balance		376,648	1,344,951	2,686,972	1,524,520	3,913,027	1,480,744	640,721	3,006,721	45,143	940,259
Units Weatherized		1,441	1,383	1,548	1,548	1,722	1,773	1026	1,281	1,124	774

*Obligations represent the Escrow for Utility Rebates (2.5%) pursuant to 33 V.S.A. § 2503 and purchase order encumbrances rolled to following year.