



Legislative Fiscal Bureau

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May 11, 2005

Joint Committee on Finance

Paper #105

Elimination of the Low-Income Home Energy Assistance Program Crisis Assistance Allocation Maximum (DOA -- General Agency Provisions)

[LFB 2005-07 Budget Summary: Page 31, #15]

CURRENT LAW

Under s. 16.23(3) of the statutes, DOA is required to determine by October 1 each year both the amount of federal funding available for heating assistance grants under the Low-Income Home Energy Assistance Program (LIHEAP) and the schedule of benefits for such grants for the ensuing federal fiscal year. Once this annual funding level has been established, DOA must also apportion specific amounts of the available LIHEAP funding to a variety of designated purposes. These allocations are not based on federal statutory requirements but instead represent spending allocations established under state law.

These statutory apportionments are as follows: (1) 15% of the total available funding must be allocated for weatherization assistance for low-income homeowners; (2) not more than \$3,200,000 FED must be allocated for crisis assistance payments to meet weather-related or fuel supply shortage emergencies; (3) \$2,900,000 FED must be allocated for local administrative expenses; and (4) \$1,100,000 FED must be allocated for state administrative expenses. After these statutory apportionments are made, the remaining LIHEAP balance is available for the payment of heating assistance benefits.

In the event that a portion of the \$3,200,000 annual allocation for crisis assistance benefit payments remains unspent, these funds (as well as any residual, unspent funds allocated for state or local administrative costs) will revert to the state's LIHEAP heating assistance program for use during the following fiscal year. However, where the \$3,200,000 annual crisis assistance allocation proves to be insufficient to fund the program's current year needs, s. 16.54(2)(b) of the statutes authorizes DOA to submit a proposal to the Joint Committee on Finance to increase the amounts allocated to the crisis assistance program from regular LIHEAP home heating assistance benefits. The Committee must meet under s. 13.10 to consider the agency's proposal. The

revised allocation proposal for crisis assistance payments becomes effective upon the approval of the Committee.

GOVERNOR

Repeal the current \$3,200,000 annual allocation maximum applicable to the payment of crisis assistance benefits under LIHEAP. Subject to the continuing current law allocations for weatherization assistance and for state and local administrative expenses, specify that the remaining LIHEAP balances would then be available for heating assistance and for crisis assistance payments.

Delete the requirement that DOA seek the approval of the Joint Committee on Finance to increase the current law \$3,200,000 annual maximum allocation of LIHEAP funds for crisis assistance benefit payments.

DISCUSSION POINTS

1. The authority of the Joint Committee on Finance to review and make adjustments to federal LIHEAP allocations dates to 1983 when the state first began to receive significant heating assistance and weatherization-related funding from the federal government. This oversight authority was first established by the 1983-85 biennial budget act.

2. Subsequently, the 1985-87 biennial budget act (Act 29) established statutory allocation amounts for regular heating assistance, crisis assistance, weatherization and program administration. Act 29 established a statutory \$2,400,000 annual allocation of LIHEAP funding for crisis assistance payments. Act 29 also authorized the Committee to generally revise LIHEAP-funded benefit payments, consistent with a plan submitted to the Committee by the Department of Health and Social Services (the administering state agency at the time).

3. The 1987-89 biennial budget established the Committee's authority to revise the \$2,400,000 statutory maximum annual allocation of LIHEAP funds for crisis assistance benefits. There appear to have been at least two rationales for granting the Committee this type of authority:

- First, there was an interest in monitoring the amount of funding allocated for crisis assistance payments. In the absence of a supplemental federal emergency energy assistance distribution during a fiscal year, any allocation of additional funds for crisis assistance benefit would have the effect of diverting funds from the regular heating assistance component of the program.

- Second, the Committee found it desirable to have a mechanism by which additional crisis assistance could be made available, subject to an approved plan, in the event of a sudden run-up in heating fuel costs or an outbreak of severe weather conditions.

4. Provisions relating to the Committee's authority to revise the specific statutory crisis

assistance maximum annual allocation amount have remained unchanged since that time, other than for an increase to the annual allocation maximum from \$2,400,000 to \$3,200,000 and a shift of program administration responsibilities for LIHEAP to DOA. Both of those changes were implemented as part of the 1995-97 biennial budget act.

5. The Governor's recommendation would retain the current law weatherization and state and local administrative expense statutory annual allocations of LIHEAP funding but would newly authorize DOA to allocate the remaining balance to regular heating assistance payments or to crisis assistance payments. DOA would have the authority to determine the apportionment of funding between these two program components.

6. The rationale for this revised procedure appears to be based on the following considerations:

- DOA has regularly had to seek the approval of the Committee to reallocate heating assistance funding to the crisis assistance program. In recent years, the Committee has approved additional allocations of \$5,755,900 FED in 2004-05, \$3,048,700 FED in 2003-04, and \$2,000,000 FED in 2001-02. Since the Committee has routinely approved these recent reallocation requests, a question may be raised whether a separate review and approval by the Committee of changes to crisis assistance allocation maximums is still necessary.

- The need for additional crisis assistance allocations may arise suddenly and may not correspond to the Committee's quarterly meeting schedule under s. 13.10. In the event that the Committee cannot meet in a timely fashion, some counties in the state may temporarily exhaust their crisis assistance allocations.

7. While the Governor's recommendation would provide additional flexibility to DOA to make adjustments to crisis assistance allocations when needed, the proposed modifications would eliminate the Committee's long-standing review authority over LIHEAP funding reallocations. If the Committee still believes that the original reasons for providing Committee oversight of LIHEAP funding allocations have merit, but that additional flexibility should be granted to DOA, the Committee could delete the Governor's recommendation and consider either or both of the following alternatives.

8. First, the current law annual allocation maximum for crisis assistance payments could be increased from the current \$3,200,000 ceiling. This ceiling was last adjusted under the 1995-97 biennial budget act. Since that time, the consumer energy price index maintained by Global Insight, Inc., has increased by nearly 47%. If the Committee wished to increase the current crisis assistance funding allocation maximum to reflect the effects of energy price inflation since the last adjustment, it could revise the annual crisis assistance allocation maximum from the current \$3,200,000 to \$4,750,000. Committee approval would still be required for allocations in excess of that amount.

9. Second, the Committee could modify the current procedure by which it approves an

adjustment to the annual allocation maximum for crisis assistance payments. Instead of requiring the Committee to meet formally under s. 13.10 procedures to approve a modification, a 14-day passive review approval mechanism could be employed. Such an arrangement would continue the Committee's long-standing role in reviewing and approving LIHEAP funding allocation changes but would also permit the Committee to address modification requests in a more timely fashion, since a formal meeting of the Committee would not necessarily be required. However, if issues of concern were present in any DOA funding reallocation request, the Committee would still have the option of considering the matter by objecting to the request and scheduling a subsequent meeting under s. 13.10 to formally review the matter.

10. Finally, if the Committee concludes that the existing procedures available for adjusting the annual allocation maximum for crisis assistance benefit payments are not unduly burdensome, it could choose to make no changes to the current law approval mechanism.

ALTERNATIVES

1. Approve the Governor's recommendation to: (a) repeal the current \$3,200,000 annual allocation maximum applicable to the payment of crisis assistance benefits under LIHEAP; (b) specify that the LIHEAP balances not specifically allocated for weatherization and for local and state administration purposes would be available both for regular heating assistance and crisis assistance payments; and (c) delete the requirement that the Joint Committee on Finance meet to approve any change to the current maximum annual funding allocation for crisis assistance payments.

2. *[The Committee may adopt either Alternative 2 or Alternative 3, or both.]* Increase from \$3,200,000 to \$4,750,000 the annual threshold for crisis assistance allocations, above which DOA would be required to seek the approval of the Joint Committee on Finance for further allocations.

3. Modify the current procedure by which the Joint Committee on Finance approves an adjustment to the annual allocation maximum for crisis assistance payments to provide that the Committee's approval could be made using a 14-day passive review procedure.

4. Delete the Governor's recommendation.

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