

# Administration

## Energy and Environment

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### LFB Summary Items for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
4	Water Utility Assistance Program (Paper #125)

### LFB Summary Items Removed From Budget Consideration

<u>Item #</u>	<u>Title</u>
1	Establish the Office of Sustainability and Clean Energy
2	Establish the Office of Environmental Justice
3	Transfer Administration of High-Voltage Impact Fees





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May, 2021

Joint Committee on Finance

Paper #125

### **Water Utility Assistance Program (Administration – Energy and Environment)**

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#### **CURRENT LAW**

The Wisconsin home energy assistance program (WHEAP), administered by the Department of Administration (DOA), helps low-income households pay energy and heating bills. Heating assistance is funded under the federal low-income home energy assistance program (LIHEAP), while non-heating electric assistance is funded by the state utility public benefits fund. The assistance is intended to pay a portion of heating and electrical costs, not the entire amount. If, by February 1 of any year, the number of applicants exceeds the number anticipated, DOA may reduce subsequent payments. In 2019-20, DOA spent \$74.5 million FED and \$39.8 million SEG for energy assistance benefits.

To be eligible for energy assistance, a household must consist of an individual or group living together as a single economic unit whose household income does not exceed 60% of the statewide median income. Further, households are categorically eligible if all members are recipients of Wisconsin Works assistance, FoodShare benefits, or supplemental security income.

The Department also provides crisis assistance to households that experience, or are at risk of experiencing, a heating emergency. Emergency services may include providing heating fuel, temporary shelter, or in-kind benefits, such as blankets and space heaters. The Department is allowed to establish the amounts of federal and state funding used for crisis assistance. In 2019-20, DOA spent \$2.4 million on crisis assistance.

The state does not currently provide assistance with water utility bills. The Public Service Commission (PSC) oversees more than 575 drinking water utilities in Wisconsin, including municipal and investor-owned utilities. To help ensure that water utilities have sufficient financial

capacity to provide public health and safety, the PSC establishes and approves rates and monitors utilities' financial sufficiency. Local governments are generally responsible for operating and setting rates for wastewater systems. For drinking water and wastewater services, customers' bills typically support costs to capture, treat, and convey water, including maintenance and capital costs.

## DISCUSSION POINTS

1. Wisconsin has an estimated 395,900 residential water customers living below 200% of the federal poverty line (\$43,440 per year for a household of three). An estimated 157,000 Wisconsin residents are cost burdened by water consumption, meaning that the household spends more than 3% of income on drinking water and wastewater utility bills.

2. The cost of water services increased by 3.6% in 2020 and has outpaced the average annual increase in the consumer price index for the past 10 years. Costs have increased in part because of the need to repair aging infrastructure. In January, 2021, the Congressional Research Service estimated that the amount needed to bring existing water systems into compliance with health and safety requirements could exceed \$744 billion over the next 20 years. In addition, utility investments in storm water and wastewater management have led to higher costs for consumers.

3. Utilities are required to submit disconnection plans and report arrears to PSC. For all service types (water, gas, and electric), utilities reported \$309.2 million in arrears as of December, 2020. As of February, 2021, 21,300 residential water customers met their utility's threshold for disconnection of service for nonpayment. In October, 2020, PSC banned all utility disconnections until April 15, 2021, due to the Coronavirus pandemic. Following the end of the moratorium, a utility may disconnect residential service for nonpayment, provided that the utility has complied with PSC's notice requirements. In addition to arrearages, the lack of demand from commercial and industrial users during the pandemic may challenge utilities' ability to operate without increasing water rates.

## Water Utility Assistance Program Overview

4. To address water affordability concerns, 2021 Assembly Bill 68/Senate Bill 111 would expand WHEAP to include a water utility assistance program and provide \$10,170,200 GPR in 2021-22, \$13,560,200 GPR in 2022-23, and 1.0 GPR position annually for program administration and assistance to households. The program would be structured as follows:

*Program Administration.* Create an annual GPR appropriation and provide \$1,071,200 in 2021-22, \$1,428,200 in 2022-23, and 1.0 position annually for administration. Administrative costs could include upgrades to the energy assistance program's online system to include water utility assistance, technical assistance, and training for local agencies.

*Application Procedure.* Create a continuing GPR appropriation and provide \$9,099,000 in 2021-22 and \$12,132,000 in 2022-23 for assistance to households. Expenditures would be limited to amounts authorized by the Legislature; however, those amounts would be continuously available and would not lapse at the end of each fiscal year.

A household would apply for assistance through a county department, local governmental agency, or private nonprofit organization with which DOA would be authorized to contract, using a form prescribed by DOA. The Department would be authorized to reduce payments or suspend the processing of applications if, by February 1 of any year, the number of households applying for assistance exceeds the number anticipated. It should be noted that the administration did not specify how much households would be expected to contribute towards water utility bills.

*Eligibility.* An eligible household would consist of an individual or group living together as a single economic unit whose household income does not exceed 60% of the statewide median income. This is the same criteria used by DOA to determine eligibility for energy assistance. In 2020-21, for the energy assistance program, this is equivalent to \$48,270 annually for a household of three.

A household would also be categorically eligible if all members receive supplemental nutrition assistance benefits, supplemental security income, or state supplemental payments. Households in subsidized housing who pay utility bills would be eligible, provided that the household income is within program limits. No assistance would be provided to those imprisoned in a state prison, juvenile correctional facility, or secured residential care center.

*Crisis Assistance.* Specify that households eligible for water utility assistance may also be eligible for crisis assistance. The Department would be authorized to define the circumstances of a crisis, determine the amount of assistance, and delegate administration to a county department, local governmental agency, or private nonprofit organization, as is the practice for current crisis services. An example of crisis assistance would be the provision of bottled water in the event of a temporary suspension of service.

5. Under the proposed program, only residential customers in single family residences and duplexes (with individually-metered water services) could apply for assistance. The majority of those who live in multiple dwelling buildings pay their water bills as part of their rent and would not be served by this program. Payments would be made directly to utility companies through the procedure currently used for energy assistance. Participating water utilities would be registered as vendors in the energy assistance system, with payments processed as electronic transfers.

6. The recommended funding level is based on an estimate by PSC that used the number of residential water connections, utility rates, and poverty rates by jurisdiction to analyze statewide need. The PSC estimate assumes that households would contribute 3% of their annual income for water utility bills and that the state would only fund the difference between the total bill and the household's income-based contribution. The estimated annual water bill per household in the state is \$918. At that amount, a household earning \$20,000 per year would contribute \$600 for water utility services each year and the state would pay for the remaining \$318 through the water utility assistance program.

7. Expanding the energy assistance program to include water services could help mitigate recent increases in water utility costs and ease the economic burden of water consumption on low-income households. It is expected the program would also reduce water utility bill arrearages. Therefore, the Committee could create a water utility assistance program, using the funding method, eligibility criteria, and program guidelines specified by the bill. The program would be provided

\$10,170,200 GPR in 2021-22, \$13,560,200 GPR in 2022-23, and 1.0 GPR position annually for program administration and benefits. [Alternative 1]

8. The bill assumes that 118,800 households would participate in the water utility assistance program (similar to participation in WHEAP), while PSC estimated that 70,200 households would participate (similar to the national participation rate for LIHEAP). If 70,200 households participate, the program would only require \$6.7 million in 2021-22 and \$9.0 million in 2022-23 for benefits. The Committee could create the program and provide funding at the level calculated by PSC. If applications exceed appropriated amounts, DOA would reduce payments or suspend the processing of applications. [Alternative 2]

### **Utility Public Benefits Fund**

9. Under current law, the state's energy assistance program is supported by the segregated utility public benefits fund. Revenues are generated by low-income assistance fees collected by electric utilities as line items on customer bills. The Department of Administration reviews the fees annually and makes adjustments based on current funding levels and estimated need. For residential customers of electric utilities in 2020-21, the fee may not exceed 3% of the bill or \$3.15 monthly, whichever is less. In 2019-20, electric utilities remitted \$105.9 million in low-income assistance payments to DOA.

10. Given that the water utility assistance program would be created as an extension of the existing energy assistance program, it could be appropriate to also fund the program through the utility public benefits fund. The programs would have the same eligibility criteria and program structure, thereby producing administrative and statutory efficiencies.

11. The Committee could authorize DOA's existing low-income assistance grants SEG appropriation to also fund water assistance. Expenditures could be re-estimated by \$9.1 million in 2021-22 and \$12.1 million in 2022-23 to reflect the program expansion. The sum sufficient appropriation currently funds energy assistance. Because of the sum sufficient appropriation structure, DOA would be authorized to spend amounts necessary for eligible applications, subject to available revenues, as under current law for energy assistance.

12. The Department could be required to coordinate with PSC to assess water utilities for program costs, factor water utility assistance needs in its assessment calculation, and promulgate administrative rules for program implementation to ensure revenues are sufficient. According to PSC's analysis, charging a 3% low-income water assistance fee would increase the average monthly bill for a household consuming 3,000 gallons of water from \$76.44 to \$78.74, a change of \$2.30.

13. The Committee could allocate \$60,200 in 2021-22, \$80,200 in 2022-23, and 1.0 position annually to DOA's utility public benefits appropriation for program administration. Base funding for the low-income assistance grants appropriation is \$11.5 million SEG and 4.0 SEG positions annually. It appears the appropriation already has sufficient authority to fund one-time system modifications. [Alternative 3]

## Federal Assistance

14. The federal Consolidated Appropriations Act (CAA) created a low-income household water assistance program (LIHWAP) to assist low-income households with water and wastewater bills. The program was provided \$638 million under the CAA and \$500 million under the federal American Rescue Plan Act. Funding will be provided to states and federally-recognized tribes for allocation to water and sewer utilities and must be spent by December 30, 2023.

15. Wisconsin's share is not yet available. However, it is estimated that the state could receive a one-time allocation between \$13.7 million and \$15.9 million for water utility assistance. If the Committee wanted to create a water utility assistance program but recognize the availability of federal funds, it could specify that any available federal funds be spent prior to the allocation of state funds for water utility assistance. [Alternative 4] This may be adopted in addition to any of the prior alternatives.

16. Alternatively, the Committee could take no action. Under this alternative, WHEAP and LIHEAP would continue to provide heating and electric utility assistance, and LIHWAP would provide one-time assistance for water utility assistance. The Department could utilize available federal funding and submit a future request once the federal funding is no longer available. [Alternative 5]

## ALTERNATIVES

1. Create a water utility assistance program to help low-income households pay water bills. Provide \$10,170,200 GPR in 2021-22, \$13,560,200 GPR in 2022-23, and 1.0 GPR position annually for program administration and assistance to households, as described below.

*Program Administration.* Create an annual appropriation and provide \$1,071,200 in 2021-22, \$1,428,200 in 2022-23, and 1.0 position annually for administration. Require DOA to administer a water utility assistance program for low-income households. Authorize DOA to contract with a county department, local governmental agency, or private nonprofit organization to process applications and make payments.

*Application Procedure.* Create a continuing appropriation and provide \$9,099,000 in 2021-22 and \$12,132,000 in 2022-23 for assistance to households. Specify that a household may apply for assistance through a county department, local governmental agency, or private nonprofit organization with which DOA contracts, using a form prescribed by DOA. Authorize DOA to reduce payments or suspend the processing of applications if, by February 1 of any year, the number of households applying for assistance exceeds the number anticipated.

*Eligibility.* Specify that to be eligible for assistance, a household must consist of an individual or group living together as a single economic unit whose household income does not exceed 60% of the statewide median income. A household would also be eligible if all members receive supplemental nutrition assistance benefits, supplemental security income, or state supplemental payments. Households in subsidized housing who pay utility bills would be eligible, provided that the household income is within program limits. No assistance would be provided to those imprisoned in a state

prison, juvenile correctional facility, or secured residential care center.

*Crisis Assistance.* Specify that households eligible for water utility assistance may also be eligible for crisis assistance. Authorize DOA to define the circumstances of a crisis, determine the amount of crisis assistance provided, and delegate administration to a county department, local governmental agency, or private nonprofit organization.

<b>ALT 1</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
GPR	\$23,730,400	1.00

2. Adopt Alternative 1. However, modify the funding amounts to instead provide \$6,741,200 GPR in 2021-22 and \$8,988,300 GPR in 2022-23 for assistance to households.

<b>ALT 2</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
GPR	\$18,228,900	1.00

3. Modify the types of assistance that may be provided under the existing low-income assistance program to include water utility assistance. Authorize DOA, in coordination with PSC, to assess water utilities for the cost of the program and to promulgate administrative rules for program implementation.

Increase estimated expenditures for DOA's low-income assistance grants appropriation by \$9,099,000 SEG in 2021-22 and \$12,132,000 SEG in 2022-23 in 2022-23 to reflect the program expansion. Provide \$60,200 SEG in 2021-22, \$80,200 SEG in 2022-23, and 1.0 SEG position annually to DOA's general program operations; utility public benefits appropriation.

<b>ALT 3</b>	<b>Change to Base</b>		
	<b>Revenue</b>	<b>Funding</b>	<b>Positions</b>
SEG	\$21,371,400	\$21,371,400	1.00

4. Specify that DOA must spend available federal funds for the water utility assistance program prior to spending state funds. [This may be selected in addition to any of the prior alternatives.]

5. Take no action.

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