



Agenda Date: 7/11/08

Agenda Item: 1A

## **STATE OF NEW JERSEY**

### **Board of Public Utilities**

**Two Gateway Center**

**Newark, NJ 07102**

**[www.nj.gov/bpu/](http://www.nj.gov/bpu/)**

### AUDITS

IN THE MATTER OF THE DEPARTMENT  
OF COMMUNITY AFFAIRS STATE  
FISCAL YEAR 2009 UNIVERSAL SERVICE  
FUND ADMINISTRATIVE COST BUDGET

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ORDER APPROVING  
BUDGET

DOCKET NO. EO08060391

(SERVICE LIST ATTACHED)

BY THE BOARD:

### **Background/Procedural History**

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. (EDECA or the Act) established the Universal Service Fund (USF). The Act directed the New Jersey Board of Public Utilities (Board), inter alia, to determine for the USF the level of funding, the appropriate administration, and the purposes and programs to be funded. N.J.S.A. 48:3-60(b).

On April 30, 2003, in Docket No. EX00020091 (April 2003 Order), the Board approved a permanent USF program to ensure that low-income customers have access to more affordable energy. The Board ordered that the program be operated on a state-wide basis and funded through uniform charges on customers' electric and natural gas bills through the Societal Benefits Charge collected pursuant to N.J.S.A. 48:3-60(a). The Board also determined in this Order that initial administrative expenses would be capped at ten per cent (10 %) of the program costs or \$3 million. Further, the Board determined it must approve additional expenses above \$3 million in advance.

In its order dated July 16, 2003, in Docket Number EX00020091, the Board clarified that this cap would total \$3 million, and any administrative costs (excluding one-time start-up costs) exceeding this amount must be approved in advance by the Board. The Board also stated that the USF would be an ongoing, evolving program, subject to review and amended as necessary. In this same Order, the Board designated the Department of Human Services (DHS) as the USF program administrator.

The USF program was intentionally linked to the Federal Low Income Home Energy Assistance Program (LIHEAP) in order to take advantage of the existing infrastructure already in place to administer LIHEAP. Through a shared application and database system, repetition of administrative resources was reduced and applicants were conveniently able to apply for both programs simultaneously. LIHEAP was jointly administered by DHS and the Department of Community Affairs (DCA) when the permanent USF program was authorized by the Board.

On August 31, 2006, Governor Jon S. Corzine designated DCA as the State's administrator of LIHEAP. DCA Commissioner Susan Bass Levin sent a letter dated September 21, 2006, requesting that the Board designate the Department of Community Affairs as the Universal Service Fund program administrator. On October 23, 2006, the Board changed the USF program administrator from DHS to DCA. By December 2006, DCA assumed full responsibility as USF program administrator.

On May 15, 2007, the Board approved the State Fiscal Year 2007 (FY 2007) DCA USF administrative cost budget in the amount of \$3,647,225. The budget encompassed the nine months of FY 2007 for which DCA was responsible for budgeting and reporting USF administration costs.

On July 12, 2007, the Board approved the State Fiscal Year 2008 (FY 2008) DCA USF administrative cost budget in the amount of \$4,458,281. This budget represented the first full year that DCA served as the Board's USF program administrator.

### Discussion

On June 6, 2008, DCA submitted its USF administrative cost budget for State Fiscal Year 2009 (FY 2009) in the amount of \$5,284,228. The proposed FY 2009 USF administrative cost budget has increased by \$825,947 or 18.5% over the FY 2008 budget.

The FY 2009 budget is broken down as follows:

DCA	\$1,950,227
Subgrantees-	
County Welfare Organizations	\$284,000
Community Based Organizations (CBO)	<u>\$3,050,001</u>
Total	\$5,284,228

In its proposed budget, DCA has noted that the subgrantee costs have increased by 25% over 2008 due to the addition of more service locations, increased staff time spent on USF matters and the addition of personnel in some locations. In order to provide better service to the residents, DCA has added another CBO, Cape Human Resources, in Rio Grande. In addition, Proceed, a CBO serving the city of Elizabeth, has added staff and opened an additional office in Plainfield. Further, other CBO's such as the Puerto Rican Action Board, which is located in New Brunswick, has experienced an increase in the amount of time its staff spends on USF related matters. Accordingly, these factors have led to an increase in the requested budget amount for the USF administrative cost budget for FY 2009.

It has been over five years since the Board created the permanent USF program in its April 2003 Order and during that time the administrative costs for the program have remained relatively constant, despite the fact that the overall cost of the program has increased from \$30 million in 2003 to \$174 million for the 2007-2008 program year. The DCA's proposed administrative budget for the 2008-2009 program year does present administrative costs above

the \$3 million cap that was instituted in the April 2003 Order, which accordingly requires Board approval prior to such expenditures.

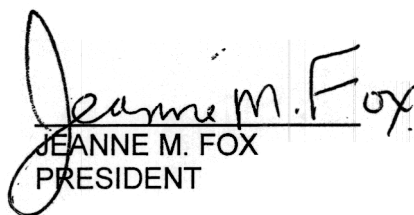
Staff has reviewed DCA's proposed budget and has found the costs listed therein appear to be appropriate and necessary for the administration of the USF program by the DCA. Staff has reviewed the Administrative Budget for the 2008-2009 program year and finds the increases are proportionally small, relative to the increased size and participation in the program. Therefore, Staff recommends that the Board approve this budget. It is noted that the budget is an estimate. As per the Board's Memorandum of Understanding with DCA, DCA shall submit to the Board on a quarterly basis a billing for actual USF administrative costs incurred. Payment of said costs will be considered by the Board upon receipt of these billings.

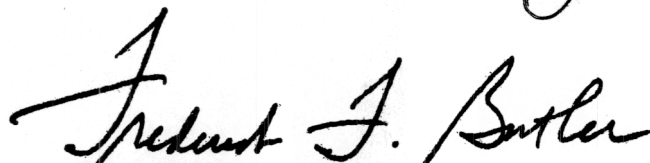
#### FINDINGS AND ORDER

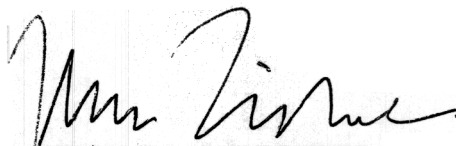
Accordingly, the Board HEREBY FINDS that DCA has adequately justified its FY 2009 USF administrative cost budget and HEREBY APPROVES said budget in the amount of \$5,284,228. The DCA FY 2009 USF administrative cost budget summary is attached hereto as schedule A.

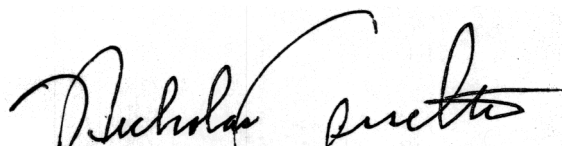
DATED: 1/21/08

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

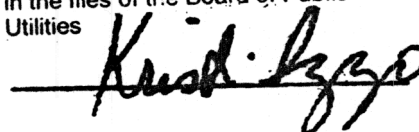
  
NICHOLAS ASSELTA  
COMMISSIONER

  
ELIZABETH RANDALL  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

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Utilities



IN THE MATTER OF THE DEPARTMENT OF COMMUNITY AFFAIRS  
STATE FISCAL YEAR 2009 UNIVERSAL SERVICE  
FUND ADMINISTRATIVE COST BUDGET  
DOCKET NO. EO08060391

SERVICE LIST

Jose Sanchez  
Department of Community Affairs  
Division of Community Resources  
101 S. Broad Street  
P.O. Box 811  
Trenton, NJ 08624-0811

Richard Osworth  
Department of Community Affairs  
Division of Community Resources  
101 S. Broad Street  
P.O. Box 811  
Trenton, NJ 08624-0811

Geoffrey Gersten, DAG  
Deputy Attorney General  
124 Halsey Street, 5<sup>th</sup> Floor  
Newark, New Jersey 07102

Sarah Steindel  
Division of the Ratepayer Advocate  
31 Clinton Street, 11<sup>th</sup> Floor  
Post Office Box 46005  
Newark, New Jersey 07101

Dennis Moran, Director  
Division of Audits  
Board of Public Utilities  
Two Gateway Center, 8<sup>th</sup> Floor  
Newark, New Jersey 07102

Albert Weierman  
Division of Audits  
Board of Public Utilities  
Two Gateway Center, 8<sup>th</sup> Floor  
Newark, New Jersey 07102

Peter Hilerio  
Board of Public Utilities  
Two Gateway Center, 8<sup>th</sup> Floor  
Newark, New Jersey 07102

**STATE OF NEW JERSEY  
DEPARTMENT OF COMMUNITY AFFAIRS  
DCA USF BUDGET- EXPENSE SUMMARY**

July 1, 2008 through June 30, 2009

Address: Department of Community

101 S. Broad Street

Trenton NJ, 08625 PO BC

Phone: 609-984-3301

Chief Executive Officer: Clarice Sabree-Sylla

Prepared By: Richard Osworth

<b>BUDGET CATEGORIES</b>
<b>Department of Community Affairs Costs</b>
<b>A. PERSONNEL AND FRINGE</b>
<b>B. CONSULTANTS AND PROFESSIONAL FEES</b>
<b>C. MATERIALS AND SUPPLIES</b>
<b>D. OTHER</b>
<b>E. EQUIPMENT</b>

**DCA SUB TOTAL COST**

<b>TOTAL</b>	<b>HEA</b>	<b>USF</b>
\$ 1,770,399	\$ 886,918	\$ 883,481
\$950,000	\$475,000	\$475,000
\$620,000	\$310,000	\$310,000
\$544,700	\$272,954	\$271,745
\$20,000	\$10,000	\$10,000
<b>\$3,905,099</b>	<b>\$1,954,872</b>	<b>\$1,950,227</b>

**F. SUBGRANTEES**

COUNTY WELFARE AGENCIES (CWAs)
COMMUNITY BASED ORGANIZATIONS (CBOs)
<b>Subgrantees SUB TOTAL COST</b>

\$ 568,000	\$ 284,000	\$ 284,000
\$ 9,365,424	\$ 6,315,423	\$ 3,050,001
<b>\$ 9,933,424</b>	<b>\$ 6,599,423</b>	<b>\$ 3,334,001</b>

**TOTAL COST (DCA & Subgrantees)**

<b>\$13,838,523</b>	<b>\$8,554,295</b>	<b>\$5,284,228</b>
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