



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

AUDITS

IN THE MATTER OF THE DEPARTMENT OF)	ORDER APPROVING
COMMUNITY AFFAIRS' STATE FISCAL YEAR 2016)	BUDGET
UNIVERSAL SERVICE FUND ADMINISTRATIVE COST)	
BUDGET)	DOCKET NO. EO15070821

Parties of Record:

Jose Sanchez, Supervisor, New Jersey Department of Community Affairs
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD: ¹

BACKGROUND/PROCEDURAL HISTORY

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("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.

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

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, DCA was designated as the State’s administrator of LIHEAP. The DCA Commissioner sent a letter dated September 21, 2006, requesting that the Board designate the DCA 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 September 30, 2014, the Board approved the projected State Fiscal Year 2015 (“FY 2015”) DCA USF administrative cost budget in the amount of \$6,928,500.00. The FY 2015 Budget encompassed an increase above the \$3 million cap instituted in the April 2003 Order, which required Board approval prior to such expenditures.

DISCUSSION

On July 27, 2015, DCA submitted its USF administrative cost budget for State Fiscal Year 2016 (“FY 2016”) in the amount of \$7,265,447.00. This is a \$336,947.00 increase from the prior fiscal year’s budget.

The DCA submitted a joint USF/LIHEAP budget with costs broken down between the two programs according to the number of recipients benefited from each program. The increase in this year’s budget is not due to an increase in the total USF/LIHEAP budget, but an increase in the percentage of applicants who received USF in comparison to LIHEAP. In the FY 15 budget, 39 percent of all USF/LIHEAP applications received a USF benefit while in the attached FY 16 budget, 42 percent of all joint USF/LIHEAP applications received a USF benefit.

This factor accounts for much of the line item increases. However, combined USF/LIHEAP costs that did increase slightly were: 1) In the “Materials and Supplies” cost category, there was a \$3,728.00 increase for printing for applications, brochures and system generated notices for clients; and 2) A \$21,842 increase in USF/LIHEAP costs for funding the Community Based Organizations which process USF/LIHEAP applications.

Staff has thoroughly reviewed the budget submission and, based upon the size and complexity of the program as well as the efficiencies being made, believes that the budget request is warranted.

The FY 2016 budget is broken down as follows:

DCA	\$1,791,877.00
Subgrantees-	
County Welfare Organizations	\$238,560.00
Community Based Organizations	<u>\$5,235,010.00</u>
Total	\$7,265,447.00

It has been twelve 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 low in relation to the yearly program cost, despite the fact that the overall cost of the program has increased from \$30 million in 2003 to \$183 million for the 2014-2015 program year. DCA's proposed administrative budget for the 2015-2016 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 that the costs listed therein appear to be appropriate and necessary for the administration of the USF program by DCA. The costs contained in the budget are proportionally justified, relative to the enrollment size of the program. Therefore, Staff recommends the Board approve the proposed FY 2016 budget. It is noted that the budget is an estimate. DCA will provide the Board with an accounting of all expenditures; after reviewing these expenditures Board Staff will come before the Board for final approval of all expenditures.

FINDINGS AND ORDER

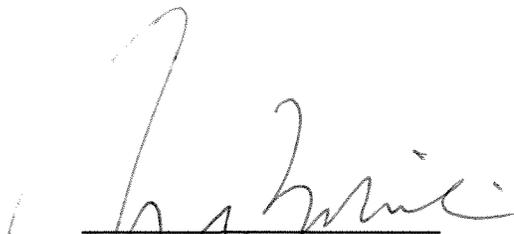
Accordingly, the Board **HEREBY FINDS** that DCA has adequately justified its FY 2016 USF administrative cost budget and **HEREBY APPROVES** said budget in the amount of \$7,265,447.00. The DCA FY 2016 USF administrative cost budget summary is attached hereto as Schedule "A."

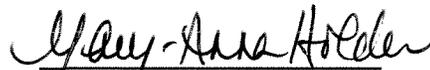
This Order will be effective on August 29, 2015.

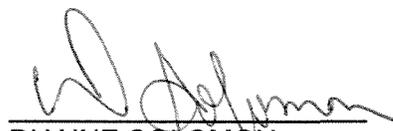
DATED: 8/19/15

BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

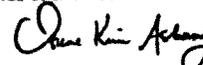

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER

ATTEST:

IRENE KIM ASBURY
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



IN THE MATTER OF THE DEPARTMENT OF COMMUNITY AFFAIRS' STATE FISCAL YEAR
2016 UNIVERSAL SERVICE FUND ADMINISTRATIVE COST BUDGET
DOCKET NO. EO15070821

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Schedule A: DCA FY 2016 Budget Summary

**STATE OF NEW JERSEY
DEPARTMENT OF COMMUNITY AFFAIRS
FY 16 USF BUDGET - EXPENSE SUMMARY**

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PO BOX 811
Phone: 609 633-6204
Chief Executive Officer: Manuel Garcia

Prepared By: Jose Sanchez

BUDGET CATEGORIES COSTS	TOTAL	HEA	USF
A. PERSONNEL AND FRINGE	\$1,339,929	\$805,159	\$534,770
B. CONSULTANTS AND PROFESSIONAL FEES	\$1,718,756	\$1,009,678	\$709,078
C. MATERIALS AND SUPPLIES	\$151,120	\$87,650	\$63,470
D. OTHER	\$1,162,738	\$678,179	\$484,559
DCA SUB TOTAL COST	\$4,372,543	\$2,580,666	\$1,791,877
County Welfare Agencies	\$568,000	\$329,440	\$238,560
Community Based Organizations (CBO's)	\$12,597,683	\$7,362,673	\$ 5,235,010
Subgrantees SUB TOTAL COST	\$13,165,683	\$7,692,113	\$5,473,570
TOTAL COST (DCA & Subgrantees)	\$17,538,226	\$10,272,778	\$7,265,447