



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 |) | BUDGET. |
| 2020 UNIVERSAL SERVICE FUND |) | |
| ADMINISTRATIVE COST BUDGET |) | DOCKET NO. EO19080907 |

Parties of Record:

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

BY THE BOARD:

By this Order the Board of Public Utilities ("Board") is considering the Department of Community Affairs' ("DCA") proposed Universal Service Fund ("USF") administrative cost budget for the State Fiscal Year 2020 ("FY 2020").

BACKGROUND/PROCEDURAL HISTORY

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("the "Act") established the USF. The Act directed the 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 at the same time. 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 USF 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 August 29, 2018, the Board approved the projected State Fiscal Year 2019 ("FY 2019") DCA USF administrative cost budget in the amount of \$6,400,005.00. The FY 2019 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 August 8, 2019, DCA submitted its USF administrative cost budget for FY 2020 in the amount of \$6,618,443.00. This is a \$218,438.00 increase from the prior fiscal year's budget.

Each year the DCA submits a joint USF/LIHEAP budget with costs broken down between the two programs according to the percentage of recipients benefited from each program in the previous fiscal year. In FY 2019 the breakdown was 40% USF recipients and 60% LIHEAP recipients which represents a slight increase from 39% USF and 61% LIHEAP used in the FY 2019 budget.

In addition to the USF/LIHEAP percentage breakdown, line item increases were due to the following reasons: 1) "Personnel and Fringe" increased by \$38,209 due to salary increases; 2) "Consultants and Professional Fees" increased by \$61,246 due to an increase in 211 contractual costs for administering the USF/LIHEAP hotline; 3) "Other" cost category increased by \$11,928 due to increases to the "Indirect" line item; and 4) "Subgrantees" increased by \$106,254 due to DCA's intention to increase the number of USF/LIHEAP Community Based Organizations ("CBOs"),¹ in six counties: Bergen, Burlington, Essex, Middlesex, Ocean and Union.² The reason for increasing the number of CBOs in these specific counties is that 15 percent or less of the income eligible population in these counties is currently receiving benefits and these counties also have a high number of income eligible households.

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 2020 budget is broken down as follows:

¹ CBOs process USF/LIHEAP applications at the local level.

² The total cost to USF and LIHEAP programs is estimated at \$1.2M; however due to the current CBOs budgets decreasing and other factors, the increase to USF was minimal.

| | |
|-------------------------------|-----------------------|
| DCA | \$1,715,752.00 |
| Subgrantees- | |
| County Welfare Organizations | \$227,200.00 |
| Community Based Organizations | <u>\$4,675,491.00</u> |
| Total | <u>\$6,618,443.00</u> |

The Board created the permanent USF program in its April 2003 Order and 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 \$112 million for the 2018-2019 program year. DCA's proposed administrative budget for the 2019-2020 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. Therefore, Staff recommends the Board approve the proposed FY 2020 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.

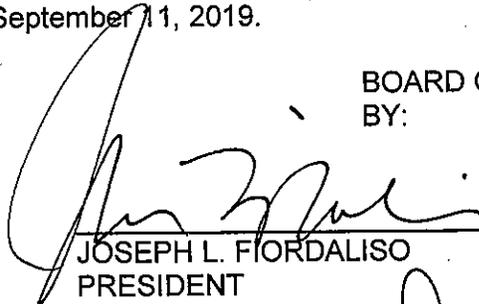
FINDINGS AND ORDER

Accordingly, the Board **HEREBY FINDS** that DCA has adequately justified its FY 2020 USF administrative cost budget and **HEREBY APPROVES** said budget in the amount of \$6,618,443.00. The DCA FY 2020 USF administrative cost budget summary is attached hereto as Schedule "A."

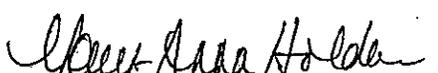
This Order will be effective on September 11, 2019.

DATED: 9/11/19

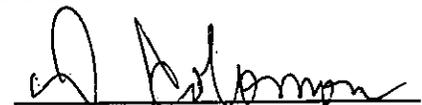
BOARD OF PUBLIC UTILITIES
BY:



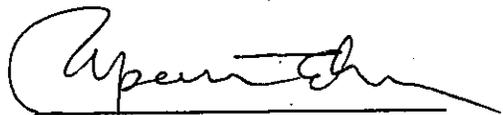
JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
SECRETARY

IN THE MATTER OF THE DEPARTMENT OF COMMUNITY AFFAIRS' STATE FISCAL YEAR
2020 UNIVERSAL SERVICE FUND ADMINISTRATIVE COST BUDGET
DOCKET NO. DOCKET NO. EO19080907

SERVICE LIST

Fidel Ekhelar
Department of Community Affairs
Division of Housing & Community Resources
101 South Broad Street
Post Office Box 811
Trenton, NJ 08624-0811
jose.sanchez@dca.nj.gov

Rosaura Collazo
Department of Community Affairs
Division of Housing & Community Resources
101 South Broad Street
Post Office Box 811
Trenton, NJ 08624-0811
rosaura.collazo@dca.nj.gov

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Sarah Steindel, Esq.
Division of Rate Counsel
Post Office Box 003
Trenton, NJ 08625-0003
ssteindel@rpa.state.nj.us

Geoffrey Gersten, Esq.
Deputy Attorney General
NJ Office of the Attorney General
Division of Law – Public Utilities Section
Newark, NJ 07101
Geoffrey.Gersten@law.njoag.gov

Aida Camacho-Welch
Secretary of the Board
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08625-0350
board.secretary@bpu.nj.gov

Alice Bator, Director
Division of Audits
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08625-0350
alice.bator@bpu.nj.gov

William Foley, Chief
Division of Audits
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08625-0350
william.foley@bpu.nj.gov

Maureen Clerc
Office of the Secretary
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08625-0350
maureen.clerc@bpu.nj.gov

Tony Iskander
Office of the Secretary
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08625-0350
tony.iskander@bpu.nj.gov

Schedule A: DCA FY 2020 Budget Summary

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

Address: Department of Community Affairs
 101 S. Broad Street
 Trenton NJ, 08625
 PO BOX 811

Phone: 609 633-6204
Chief Executive Officer: Janel Winter

Prepared By: Fidel Ekhehar

| BUDGET CATEGORIES COSTS | TOTAL | HEA | USF |
|---|---------------------|---------------------|--------------------|
| A. PERSONNEL AND FRINGE | \$1,560,054 | \$940,975 | \$619,078 |
| B. CONSULTANTS AND PROFESSIONAL FEES | \$1,796,052 | \$1,126,542 | \$669,510 |
| C. MATERIALS AND SUPPLIES | \$80,000 | \$48,000 | \$32,000 |
| D. OTHER | \$983,186 | \$588,023 | \$395,164 |
| DCA SUB TOTAL COST | \$4,419,292 | \$2,703,540 | \$1,715,752 |
| County Welfare Agencies | \$568,000 | \$340,800 | \$227,200 |
| Community Based Organizations (CBOs) | \$11,868,350 | \$7,192,859 | \$4,675,491 |
| Subgrantees SUB TOTAL COST | \$12,436,350 | \$7,533,659 | \$4,902,691 |
| TOTAL COST (DCA & Subgrantees) | \$16,855,642 | \$10,237,199 | \$6,618,443 |