Agenda Date: 5/11/07
Agenda Item: 1C

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
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AUDITS

IN THE MATTER OF THE DEPARTMENT OF COMMUNITY AFFAIRS STATE FISCAL YEAR 2007 UNIVERSAL SERVICE FUND ADMINISTRATIVE COST BUDGET	)))))))	ORDER APPROVING BUDGET DOCKET NO. EO07040255

(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, the Board approved a permanent USF program to ensure that low-income customers have access to 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. 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 eventually a shared database system that was funded via USF, 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 the Department of Community Affairs 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.

At its October 23, 2006 special meeting, the Board changed the USF program administrator from DHS to DCA. By December 2006, DCA assumed full responsibility as USF program administrator. DHS and DCA agreed that to simplify matters for accounting purposes, DCA would be responsible for budgeting and reporting USF administration costs starting October 1, 2006, the beginning of the second quarter of fiscal year 2007.

As directed by the Board in its Order dated October 25, 2006, under Docket No. ER06070525, Staff worked with DCA to ensure it submitted a comprehensive fiscal year 2007 budget as soon as possible.

Discussion

Initially, DCA submitted a twelve-month budget for calendar 2007. Subsequently, Staff met with DCA representatives and communicated the need for a fiscal year 2007 budget covering the period of October 1, 2006 through June 30, 2007, the nine months of fiscal year 2007 that DCA would be the program administrator. DCA then submitted a detailed USF administrative cost budget in the amount of $3,647,225 for the requested period. The budget is broken down as follows:

DCA	$1,696,157
Subgrantees-	
County Welfare Organizations	$284,000
Community Based Organizations	$1,667,068
Total	$3,647,225

The budget includes $417,970 in one-time, start-up costs for such items as telephone system upgrades, senior outreach, training, peak period call center temporary employees and equipment.

Along with the budget, DCA provided budget justification documentation that outlines three major initiatives to be undertaken by DCA in addressing concerns previously raised by Staff and in the report issued in April of 2006 by APPRISE (Applied Public Policy Research Institute for Study and Evaluation). The initiatives are as follows:

- Client support - DCA plans to implement an outreach program and to set up a state-of-the-art call center.
- Agency performance - DCA proposes a program wherein agencies,, i.e., County Welfare Organizations and Community Based Organizations, are required to estimate specific allocations of resources to a comprehensive task list. It is expected that this process will support an increased agency monitoring program.

- Agency capacity - DCA will require agencies to develop budgets directly from the aforementioned task list. It is felt that this will assure a continuous funding stream and therefore stability of staff so that monitoring and training efforts can be fully realized.

It is noted that DHS is responsible for the reporting of the first quarter fiscal year 2007 actual administration costs. To date, DHS has not provided an administration cost statement for this period. However, DHS indicates it should have the actual cost statement completed shortly. When received, it will be brought before the Board for consideration.

DCA has indicated that it needs the Board to consider its budget as soon as possible in order to begin implementation of the aforementioned initiatives should the budget be approved. Staff has reviewed the DCA's proposed budget and has found that the costs listed therein appear appropriate and necessary for the administration of the USF program by the DCA. 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 and outreach program costs incurred. Payment of said costs will be considered by the Board upon receipt of the billings.

FINDINGS AND ORDER

Accordingly, the Board HEREBY FINDS the Department of Community Affairs has adequately justified its fiscal year 2007 USF administrative cost budget and HEREBY APPROVES said budget in the amount of $3,647,225. The DCA fiscal year 2007 USF administrative cost budget summary is attached hereto as schedule A.

DATED: 5/15/07

BOARD OF PUBLIC UTILITIES
BY:

JEANNE M. FOX
PRESIDENT

FREDERICK F. BUTLER
COMMISSIONER

CONNIE O. HUGHES
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

CHRISTINE V. BATOR
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

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

October 1, 2006 through June 30, 2007

Address: Department of Community Affairs
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Chief Executive Officer: Clarice Sabree-Svila

Prepared By: Jose Sanchez

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BUDGET CATEGORIES	**TOTAL**	**HEA**	**USF**
Department of Community Affairs Costs			
A. PERSONNEL AND FRINGE	$ 1,398,264	$ 727,480	$ 670,784
B. CONSULTANTS AND PROFESSIONAL FEES	$1,268,028	$587,645	$680,384
C. MATERIALS AND SUPPLIES	$7,500	$3,750	$3,750
D. OTHER	$397,454	$107,415	$290,039
E. EQUIPMENT	$80,000	$28,800	$51,200
DCA SUB TOTAL COST	$3,151,246	$1,455,089	$1,696,157
F. SUBGRANTEES			
COUNTY WELFARE AGENCIES (CWAs)	$ 568,000	$ 284,000	$ 284,000
COMMUNITY BASED ORGANIZATIONS (CBOs)	$ 5,653,150	$ 3,986,082	$ 1,667,068
Subgrantees SUB TOTAL COST	$ 6,221,150	$ 4,270,082	$ 1,951,068
TOTAL COST (DCA & Subgrantees)	$9,372,396	$5,725,171	$3,647,225

Schedule A