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FISCAL IMPACT REPORT

ORIGINAL DATE 8/16/08

SPONSOR Gonzales LAST UPDATED 8/19/08 HB 3/aHFL#1/aHFL#2

SHORT TITLE Low Income Energy Assistance Programs SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
\$4,000		Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB21 and SB7

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

SUMMARY

Synopsis of HFI Amendment #2

House Floor Amendment #2 would prevent the Human Services Department from expending any of the appropriation on an outside contractor.

Synopsis of HFI Amendment #1

House Floor Amendment #1 strikes the \$2 million appropriation for weatherization programs at the Mortgage Finance Authority.

Synopsis of Original Bill

House Bill 3 appropriates \$6 million from the general fund to improve energy use for persons in poverty in New Mexico. The appropriation is divided as follows:

- \$4 million to the Human Services Department for the low income home energy assistance program

- \$2 million to the Department of Finance and Administration for weatherization assistance through the NM Mortgage Finance Authority.

The bill declares an emergency.

FISCAL IMPLICATIONS

The appropriation of \$4 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2010 shall revert to the general fund.

This additional funding could allow HSD to serve up to 75,598 LIHEAP households at the current average benefit of \$140 (based on \$19 per point); or HSD could increase the average benefit to \$166 (based on \$23 per point) and serve 62,451 households.

In addition to any new households HSD could serve, many more households could be served by the Tribes/Pueblos and for weatherization.

SIGNIFICANT ISSUES

In FY08, the state has paid more than \$8.3 million to households through LIHEAP, serving more than 61,392 households. HSD provided the following table:

Year	Served	Point Value	Average Benefit
2008	63,662 to date	\$19	\$140
2007	62,269	\$19	\$127
2006	71,794	\$65*	\$417
2005	55,685	\$20	\$128
2004	54,234	\$20	\$127
2003	50,699	\$20	\$125
2002	40,601	\$30	\$191
2001	47,018	\$40	\$250

* In July of 2006, point value was reduced to \$25 due to funding balances

During the 2008 session, \$2 million was appropriated to HSD for the LIHEAP program, of which no less than 15 percent and no more than 25 percent shall be used on weatherization programs. The federal base grant for 2008 is about \$9.5 million, bringing the total funding in 2008 to about \$11.5 million. Of this amount, \$1.4 million will be used for weatherization programs at MFA.

LIHEAP FUNDING

Year	Federal Base Grant (in millions)	State Funds (in millions)
2008	\$9.5	\$2.0
2007	\$9.4	\$6.0
2006	\$9.4	\$12.0
2005	\$8.9	\$0.0
2004	\$8.5	\$0.0
2003	\$8.5	\$0.0

HSD provided the following information:

LIHEAP is a grant from U.S. Department of Health and Human Services (HHS) that helps New Mexico low-income families meet the costs of home heating and cooling one time per year and increase energy self-sufficiency and reduce vulnerability resulting from energy needs. HSD is the recipient of the federal LIHEAP funds. Up to 15% of the grant may be used for weatherization, or 25% with an approved waiver. HSD and the Mortgage Finance Authority enter into an agreement each year to provide funding for weatherization from the LIHEAP grant.

Appropriating non-recurring funds for a program such as LIHEAP makes it difficult to adjust the benefit levels in years where there is no general fund appropriation.

According to the 2006 Fisher, Sheehan & Colton publications, the Home Energy Affordability Gap for low-income households is \$600.00. Although only 62,269 New Mexico households received LIHEAP in FFY 2007, there are approximately 180,530 households that meet the LIHEAP income eligibility limit of 150% of Poverty (2000 Decennial Census 2/2005). Using the Home Energy Affordability Gap of \$600, the total approximate energy need for 180,530 households is \$108,318,000. Receiving this appropriation in HB 3 would help to reduce the un-met need.

In addition, HSD notes that general fund appropriations for this purpose may be credited toward the Temporary Assistance for Needy Families (TANF) Maintenance of Effort (MOE) when used to serve low-income households with dependent children. Over \$4 million in Temporary Assistance for Needy Families (TANF) Maintenance of Effort (MOE) was claimed in FFY 2207 using LIHEAP General Fund monies appropriated during the 2007 Legislative Session.

According to HSD, seven tribes in New Mexico that administer their own LIHEAP programs could receive \$318,446 of this appropriation, based on the federal funding formula. If HSD had to provide funding to Tribes/Pueblos, it would require Joint Powers Agreements with several Tribes and Pueblos, including Five Sandoval, Navajo Nation, Zuni, Jemez, Laguna, Nambe and Jicarilla.

ADMINISTRATIVE IMPLICATIONS

HB 3 does not include administrative funds for HSD. HSD uses federal funds to administer the federal LIHEAP program. HSD will have to re-program the IT system to change the point value and add separate state funds to supplement the federal LIHEAP benefit. However, no additional administrative dollars are needed to do this. No additional staff is needed to administer the \$4

million appropriated through HB 3 because the number served by the additional appropriation would not increase significantly (63,662 LIHEAP applications approved as of July 31, 2008).

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 3 Relates to Senate Bill 7 and Senate Bill 21.

BE/mt