



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 BUDGET
COMMUNITY AFFAIRS' STATE FISCAL)	
YEAR 2013 UNIVERSAL SERVICE FUND)	
ADMINISTRATIVE COST BUDGET)	DOCKET NO. EO12080760

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:

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 percent (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, 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 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 October 13, 2011, the Board approved the projected State Fiscal Year 2012 ("FY 2012") DCA USF administrative cost budget in the amount of \$6,727,136.00. The FY 2012 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 10, 2012, DCA submitted its USF administrative cost budget for State Fiscal Year 2013 ("FY 2013") in the amount of \$8,082,494. After subsequent review by Board Staff ("Staff") and revisions to the budget of the community based organizations ("CBO"), DCA resubmitted its FY 2013 budget on August 8, 2012 in the amount of \$7,948,299.00. The FY 2013 DCA USF budget has increased by \$1,221,163.00 from the FY 2012 budget.

This increase is due to several factors. Because USF and LIHEAP are so closely aligned, with a shared application and administrative network, breaking out the charges for each individual program can be difficult. As a result, since State Fiscal Year 2011 the CBOs provide one budget for both programs. DCA and BPU staffs then determine the cost to be allocated to USF and LIHEAP based upon the number of grantees processed for each program in the prior fiscal year. Based on this process, there has been an increase in USF grantees compared to LIHEAP grantees, increasing specifically from 36 percent USF grantees in FY 2012 to 40 percent USF grantees in FY 2013.

This increase in cost allocation, combined with increased staff at CBOs, required computer and telephone upgrades; new CBO offices opening and other improvements increased the Subgrantee budget by \$320,000 compared with FY 2012.

Additionally, DCA's expenses have increased. In addition to expenses relating to the 40/60 split between the total USF/LIHEAP budget, is a combination of the following: DCA's salary and State fringe increases; DCA's increased postage costs; consultant fees to fund the call center vendor for administering the USF/LIHEAP hotline as well as increases to the New Jersey Office of Information Technology costs which stem from significant improvements to the USF/LIHEAP database system. Some of these costs represent one-time expenses and estimates based on a

change in call center vendor. Additionally, call center costs have been re-allocated from a Subgrantee expense to a Consultant expense, which is reflected in higher DCA expenses.

Despite the increase in the requested budget amount, the DCA administrative budget is still well under five percent of the overall program cost. Constant program improvements are being made, and the number of applications processed increases annually. Staff has thoroughly reviewed the budget submission and, based upon the size and complexity of the program as well as the improvements being made, believes that the budget request is warranted.

The FY 2013 budget is broken down as follows:

DCA	\$1,931,599.00
Subgrantees-	
County Welfare Organizations	\$227,200.00
Community Based Organizations	<u>\$5,789,500.00</u>
Total	\$7,948,299.00

It has been almost nine 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 \$242 million for the 2011-2012 program year. The DCA's proposed administrative budget for the 2012-2013 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 2012-2013 program year and concluded the costs are proportionally justified, relative to the enrollment size and participation in the program. Therefore, Staff recommends the Board approve this 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.

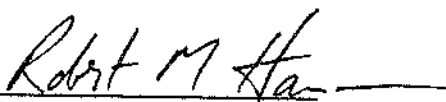
FINDINGS AND ORDER


Accordingly, the Board **HEREBY FINDS** that DCA has adequately justified its FY 2013 USF administrative cost budget and **HEREBY APPROVES** said budget in the amount of \$7,948,299.00. The DCA FY 2013 USF administrative cost budget summary is attached hereto as schedule A.


This Order will be effective on September 25, 2012.

DATED: 9/13/12

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER

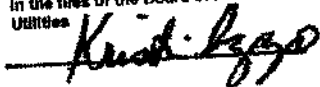

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER


MARY ANNA HOLDEN
COMMISSIONER

ATTEST: 
KRISTI IZZO
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 2013 UNIVERSAL SERVICE
FUND ADMINISTRATIVE COST BUDGET
DOCKET NO. EO12080760

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Attachment A: DCA FY 13 Budget Summary

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

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Phone: 609 292-9111

Chief Executive Officer: Ana A. Montero

Prepared By: Jose Sanchez

BUDGET CATEGORIES COSTS	TOTAL	HEA	USF
A. PERSONNEL AND FRINGE	\$1,144,779	\$854,304	\$490,475
B. CONSULTANTS AND PROFESSIONAL FEES	\$2,366,005	\$1,431,313	\$935,492
C. MATERIALS AND SUPPLIES	\$101,050	\$86,630	\$40,420
D. OTHER	\$1,156,834	\$691,622	\$465,212
DCA SUB TOTAL COST	\$4,768,468	\$2,837,869	\$1,931,599
County Welfare Agencies	\$568,000	\$340,800	\$227,200
Community Based Organizations (CBO's)	\$14,592,361	\$8,802,861	\$5,789,500
Subgrantees SUB TOTAL COST	\$15,160,361	\$9,143,661	\$6,016,700
TOTAL COST (DCA & Subgrantees)	\$19,928,829	\$11,981,530	\$7,948,299