Department of Planning and Budget
2021 Fiscal Impact Statement

1. **Bill Number:** HB2330-S1

House of Origin	☐	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☒	Substitute	☐	Enrolled

2. **Patron:** Kory

3. **Committee:** In Conference

4. **Title:** Electric utilities; Percentage of Income Payment Program.

5. **Summary:** Requires the Department of Housing and Community Development (DHCD) and the Department of Social Services (DSS) (the Departments) to adopt rules or establish guidelines for the adoption, implementation, and general administration of the Percentage of Income Payment Program (PIPP) and the Percentage of Income Payment Fund (the Fund). The bill establishes the Fund for the purposes of implementing and administering the PIPP and related programs. The bill requires Dominion Energy Virginia and American Electric Power to cooperate with the requests of the Departments and the State Corporation Commission (the Commission) in the implementation and administration of the PIPP. The Commission is required to promulgate any rules necessary to ensure that funds collected from each utility's universal service fee are directed to the Fund. The bill requires the Commission to initiate proceedings to provide for an annual reconciliation of the universal service fee within 60 days of the commencement of the PIPP and on an annual basis thereafter. The bill provides that the PIPP may utilize existing energy efficiency or related programs approved by the Commission. The bill authorizes the Departments to determine what deficiencies exist in current and available federal, state, local, or nonprofit programs to meet energy reduction obligations and to: (i) make recommendations to the Commission or the utilities regarding such deficiency analysis and (ii) develop programs to address such deficiencies.

   The bill authorizes the Departments to develop and implement non-utility energy efficiency programs and other programs for the reduction of energy use for eligible participants in the PIPP, provided that the Departments engage stakeholders in the process and undertake a cost-benefit analysis in the development of any such programs. The bill requires the Commission to make adjustments to the universal service fee as necessary to provide adequate funding for such programs. Additionally, the bill requires the Commission to initiate any proceedings to establish new energy efficiency or low-income programs as necessary to provide service to PIPP participants over a timeframe to be determined by the Commission.

   An enactment clause requires the Commission to issue an order providing for a non-bypassable universal service fee to be collected from customers of a Phase I or Phase II Utility, as defined in the Code of Virginia, as soon as practicable following the effective date of the act. The second enactment clause gives DSS the authority to access funds in the Percentage of Income Payment Fund as soon as funds become available.

The third enactment clause prevents the provisions of the bill from becoming effective unless they are reenacted by the 2022 Session of the General Assembly.

6. **Budget Amendment Necessary**: No. Funding for both DSS and DHCD was included in HB1800/SB1100 for FY 2022; however with the third enactment clause, the funds in the introduced budget may no longer be necessary. See Item 8.

7. **Fiscal Impact Estimates:**

7a. Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2021	-	-	-
2022	-	-	-
2023	$2,000,000	-	Special Fund
2024	$3,000,000	5	Special Fund
2025	$3,000,000	5	Special Fund
2026	$3,000,000	5	Special Fund
2027	$3,000,000	5	Special Fund

*A 15.5 percent local match is required and is estimated at $85,984 in FY 2024 and $454,742 in FY 2025 and each year thereafter.
**Costs include $300,000 and three positions annually at DHCD.

7b. Revenue Impact:

Fiscal Year	*Dollars*	*Fund*
2021	-	-
2022	-	-
2023	Indeterminate	Special Fund
2024	Indeterminate	Special Fund
2025	Indeterminate	Special Fund
2026	Indeterminate	Special Fund
2027	Indeterminate	Special Fund

8. **Fiscal Implications:** Chapters 1193 (HB 1526) and 1194 (SB 851) of the 2020 Virginia Acts of Assembly, known as the Virginia Clean Economy Act (VCEA), became effective July 1, 2020. The VCEA, among many other things, establishes the Percentage of Income Payment Program (PIPP), which is designed to limit the electric utility payments of certain persons or households. A PIPP-eligible utility customer is any person or household whose income is equal to or less than 150 percent of the federal poverty level. The Department of Social Services (DSS), in consultation with (as it deems necessary), the Department of Housing and Community Development (DHCD) shall adopt rules or establish guidelines for the adoption, implementation, and general administration of the PIPP. The PIPP shall commence no earlier than one year after DSS publishes such rules or guidelines; however, the third enactment clause prevents the provisions of the bill from becoming effective unless they are reenacted by the 2022 Session of the General Assembly.

This legislation allows DSS to determine what deficiencies exist in current federal, state, local, or nonprofit programs to meet energy reduction obligations and to make recommendations to the State Corporation Commission (the Commission) or the utilities regarding such deficiencies.

If this legislation passes, DSS will need two additional staff (program manager and program analyst) to administer the PIPP. Costs include $231,250 in salary, benefits, and nonpersonal services in FY 2024 and $220,924 salary, benefits, and nonpersonal services in FY 2025 and each year thereafter.

Additionally, local staff will be needed to implement and operate the PIPP at an estimated cost of $468,750 in FY 2024 and $2,479,076 in FY 2025 and each year thereafter. These cost estimates include a local match of 15.5 percent ($85,984 in FY 2024 and $454,742 in FY 2025 and every year thereafter).

Based on an analysis completed during the 2020 General Assembly session, DHCD also will require $300,000 and three positions in FY 2024 and each year thereafter to help the agency's weatherization network connect with PIPP. Households participating in the PIPP will have the opportunity to reduce their arrearage balances as well as be offered the opportunity to reduce their energy consumption due to the utilization of weatherization services.

Additionally, modifications to the Virginia Case Management System (VaCMS) are needed at a one-time estimated cost of $2,000,000 in FY 2023.

This legislation requires the State Corporation Commission (the Commission) to establish a universal service fee and make adjustments to the fee, as necessary, to provide adequate funding for such programs and requires the Commission to initiate any proceedings to establish new energy efficiency or low-income programs to provide service to PIPP participants. The Commission has confirmed that this legislation does not create a fiscal impact for the agency.

A special fund, known as the Percentage of Income Payment Fund, will be created to be used solely for the purposes of implementation and administration of the PIPP and any other programs developed by DCHD and DSS; however, the amount of revenue cannot be determined at this time. In addition, HB 1800/SB 1100 include language that prevents DSS from implementing the PIPP until there is adequate fee revenue from the universal service fee available to fund the administrative costs necessary to implement the program, not to exceed $3.0 million annually. Further, the costs of the actual benefits for eligible clients is not figured into this summary, as that amount is currently unknown and will be set at a later time.

The total cost of this legislation is $3,000,000 from the special fund in FY 2024 and each year thereafter. Funding will come from the Percentage of Income Payment Fund, as prescribed by the bill. The introduced budget includes $3.0 million in annual appropriation, beginning in FY 2022, as that was the original timeframe.

This special fund appropriation ($2.7 million at DSS and $300,000 at DHCD) and the five positions can be removed in FY 2022, if the third enactment clause requiring the provisions of the act to be reenacted by the 2022 Session of the General Assembly remains part of the legislation.

If the act is reenacted by the 2022 Session and it becomes effective July 1, 2022, DSS is still required to develop rules and guidelines for the administration of the program. According to the bill, administration of the program can commence no earlier than one year after the publication of such rules and guidelines, which means that even if the agency can publish on July 1, 2022, program administration cannot begin until July 1, 2023 (FY 2024).

If the Department of Social Services is able to publish rules and guidelines after passage by the 2021 Special Session I, pending the bill's reenactment at the 2022 Session, it may be possible that the rules and guidelines could go into effect on July 1, 2022. If legally permitted to do so and the agency is successful in expediting rule setting, then program administration could commence at some point in FY 2023.

9. **Specific Agency or Political Subdivisions Affected:** Department of Social Services, local departments of social services, Department of Housing and Community Development, State Corporation Commission

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** Funding for the administration of the PIPP was included in HB 1800/SB 1100 and appropriated from the Home Energy Assistance Fund (DSS) and federal funds (DHCD) because the Percentage of Income Payment Fund has not been established. Additionally, the language below was included in HB 1800/SB 1100, related to the PIPP:

    Item 349 I. The Department of Social Services shall not implement the Percentage of Income Payment Program (PIPP) until such time as there is adequate fee revenue from the universal service fee, collected by utility providers, available to fund the administrative costs necessary to implement the program, not to exceed $3.0 million. Maximum allowable administrative costs are in totality and include costs borne by the Department of Housing and Community Development for PIPP administration.