An EVALUATION of MINNESOTA'S ENERGY ASSISTANCE PROGRAM

JANUARY 2000

A Management Analysis Division Report to the Legislature

Department of Administration

MANAGEMENT ANALYSIS DIVISION

1999 Minn. Laws Chap. 223
Art. 2 Sec. 75

An EVALUATION of MINNESOTA'S ENERGY ASSISTANCE PROGRAM

JANUARY 2000

A Management Analysis Division Report
to the Legislature

Admin MINNESOTA

Department of Administration

MANAGEMENT ANALYSIS DIVISION

The Management Analysis Division is Minnesota government's in-house fee-for-service management consulting group. We are in our second decade of helping public managers increase their organization's effectiveness and efficiency. We provide quality management consultation services to local, regional, state, and federal government agencies.

(651) 297-3904 ▪ e-mail: judy.plante@mn.state.us ▪ fax: (651) 297-1117

203 Administration Building ▪ 50 Sherburne Avenue ▪ St. Paul, Minnesota 55155

To obtain these materials in Braille, audiotape, large print or other forms, call Beth Gross
Voice (651) 297-1148 or TDD (800) 627-3529

For more information or copies of this report, contact the Management Analysis Division

Admin MINNESOTA

Department of Administration

Office of the Commissioner
200 Administration Building
50 Sherburne Avenue
St. Paul, MN 55155
VOICE: 651.296.1424
FAX: 651.297.7909
TTY: 651.297.4357

January 18, 2000

The Honorable Jesse Ventura
Governor
130 State Capitol Building

Patrick E. Flahaven
Secretary of the Senate
231 State Capitol Building

Edward A. Burdick
Chief Clerk
House of Representatives
211 State Capitol Building

Gentlemen:

Pursuant to Laws of Minnesota 1999, Chapter 223, article 2, section 75, the Management Analysis Division of the Department of Administration has conducted an evaluation of Minnesota's Energy Assistance Program. The results of this evaluation, including recommendations regarding management, operational structure, and the program's placement in state government, are contained in the enclosed report.

Very truly yours,

David F. Fisher
Commissioner

Enclosure

CONTENTS

EXECUTIVE SUMMARY

The Minnesota Energy Assistance Program helps state residents meet their heating needs during the winter. It distributes federal funds through local service agencies, which grant various amounts to eligible households that apply for assistance. The 1999 State Legislature asked the Management Analysis Division to evaluate and recommend changes for the program's future effectiveness, in light of possible energy industry deregulation. This report documents the project team's findings, conclusions, and recommendations.

Project leader
Donna Koren

Project team
Liz O'Brien and Gen Swenson

Division director
Judy Plante

Assistant division director
William Clausen

Editor
Mary M. Williams

Minnesota's Energy Assistance Program is at a unique juncture in its almost 20-year history. Electric and gas utility deregulation is expected to take place in the next few years, through either state action or federal mandate.

Electric and natural gas deregulation, or, for this report, energy industry deregulation, could give the program the opportunity to take advantage of increased funding, through creation of a universal service fund. Such a fund could more than double the program's current funding level.

A greater funding level would enable the program to serve many more of the state's eligible low-income populations than it now has the funding or the basic operating structure to do.

The program could achieve this expansion by redesigning its service delivery systems into a purposeful blend of state and local nonprofit activities. Then each involved group could build on its strengths and do what it does best, so that the energy needs of low-income senior citizens, families, veterans, and other groups would best be served.

The potential for expansion and questions about the program's effectiveness resulted in the 1999 Legislature asking the Department of Administration's Management Analysis Division to evaluate the program and make recommendations to ensure its future effectiveness.

STATE of the PROGRAM

The State Office of the Energy Assistance Program does not formally evaluate itself or its grantees for effectiveness. It does not require keeping records of referral and other client services, making it difficult to determine appropriate use of administrative and program services dollars. Nor does it evaluate outreach methods for effectiveness. The state has not attempted to identify the income-eligible population throughout Minnesota; instead, it operates on a first-come, first-served basis and assumes that people in need will find and apply for the program's assistance. No significant data exists to indicate that this assumption is justified.

The program has served between 80,000 and 90,000 households over the past few years. A variety of data indicates, however, that the eligible population is at least 200,000 and perhaps as many as 400,000 households. Although the program could not be expected to serve this number of households with its current level of funding, what many find troubling is that the state office has not attempted to undertake this research itself so that it could target its assistance to people most in need. Moreover, without such data, the program is not in a position to demonstrate a need for increased funding.

Indications are that the program is not meeting some recipients' needs. Evidence of this was revealed in the results of a recent customer satisfaction survey conducted by an advocacy organization and also in the increased number of power disconnections and past-due payments over the past few years. Anecdotal data gathered through interviews also supported this conclusion.

Interviews and other data indicate that the program is being administered inconsistently on several levels:

- It is a widely voiced concern that the program's state office staff (1) provides conflicting and inconsistent information about the program's policies and activities, (2) changes start and end dates within and among program years, and (3) changes eligibility requirements from year to year in some instances. Service delivery agencies, utilities, and fuel vendors find these inconsistencies frustrating, because they inadvertently give clients incorrect information and because it is difficult to educate clients and staff from year to year as the program changes its policies.
- Data indicates that service delivery agencies are inconsistent with program start and end dates; determination of eligibility, particularly for help with a crisis; and processing time of applications. Some of these problems are due to computer software difficulties. Other inconsistencies are likely based on the capacity of individual agencies and the community customs within which they operate.

The program's current technology, including its data software system, is not meeting many of its needs:

- The software is owned by a consulting firm with whom the state contracts to provide it with program information twice a year and as needed. Supplying the information may take several weeks and the data is often incomplete and inaccurate, according to staff. This has resulted in staff reportedly giving "best guesses" to requests for information from state and federal legislators, the media, and others.
- State program staff reported that they do not know the amount of funds that have been guaranteed to vendors or handed out by service delivery agencies at any given time, which makes it difficult to be able to transfer funds for emergencies.
- Every year, software "bugs" appear at the program's start-up. This can result in delayed payments to utility and fuel vendors and has led to unnecessary disconnections for program clients.

RECOMMENDATIONS

The Management Analysis Division project team makes the following recommendations to improve the state's management of the program:

- The program's state office should undertake regular studies to determine its eligible populations, client satisfaction, and other measures of the program's effectiveness.
- State program staff need to develop a consistent, logical strategy that covers several years and is evaluated for effectiveness before changes are made. This should include consistent program start and end dates and eligibility requirements.
- The state office should implement more rigorous monitoring practices over its grantees to achieve greater consistency among service delivery agencies. This includes ensuring that agencies adhere to state guidelines and imposing sanctions when guidelines are not consistently followed. Reporting data should be submitted by agencies on a regular basis. Agencies should be regularly evaluated against program-determined outcomes, using federal recommendations. Outreach efforts and referrals should be documented and reviewed for effectiveness and planning purposes. Adherence to policies, including cash-on-hand limits, payments to vendors, and assistance given within certain time periods as determined by state and federal policies are standards that agencies should be held accountable to meet.
- The program should implement a data collection and reporting software system that enables real-time reporting and has user-friendly features, such as the one that Wisconsin's Energy Assistance Program developed and has informally agreed to give to Minnesota for minimal cost.
- Keeping in mind the benefits of consistent service delivery providers, the state should nonetheless consider regularly including new grantees, to introduce to the program new ideas and ties to different populations. It should develop objective criteria to evaluate service delivery agencies to whom they award grants.

OPERATIONAL CHANGES for a DEREGULATED ENVIRONMENT

Many of the inconsistencies and problems discussed above can be resolved with more attention to management and leadership. However, inconsistencies are to be expected in administering a program through more than 40 service delivery agencies. Some variation may be warranted, given the different needs of population groups throughout the state. In addition, a local organization is in a better position than the state to handle some functions. However, the project team believes that basic administrative functions can best be performed at the state level, which can achieve consistent outputs in higher numbers than individual agencies can.

In order for the program to achieve a "uniform statewide assistance network," as requested by the legislature, Management Analysis recommends that the program create a service delivery model that incorporates centralization of the following administrative functions:

- identification of likely eligible population groups through use of the state's existing databases, such as those at the departments of Economic Security, Human Services, and Revenue;
- verification of eligibility through the same databases; and
- payments to vendors for primary assistance and possibly for crisis and other energy assistance components.

The program would contract with service delivery agencies to perform the following functions:

- outreach to households that may not be in the state's existing databases, such as persons new to Minnesota;
- outreach to persons who may appreciate or require assistance with the application process;
- delivery of the crisis assistance, energy-related repair, weatherization, Reach Out for Warmth, and Summer Fill programs; and
- consumer education and assistance necessary in a deregulated energy industry environment.

It is recommended that the state implement these processes as soon as possible to correct current weaknesses as well as increase the program's capacity to provide services in a deregulated environment.

LOCATION within STATE GOVERNMENT

The Energy Assistance Program has not weathered very well its two and half years at the Department of Children, Families and Learning. This study does not assess fault, but it found that the program is not a good "fit" with respect to the department's mission and fiscal support systems. For example, the program has been cited by state and federal auditors for poor fiscal reporting and management.

It is recommended that the Low-Income Home Energy Assistance Program components be returned to the Department of Economic Security for the following reasons:

- The program originated there, and the department's staff are familiar with its operations, strengths, and challenges. Economic Security is more of a "known quantity" in terms of the Energy Assistance Program's "fit" there than any other state agency suggested for the program's placement.
- Economic Security and Energy Assistance provide services to many common populations.
- Economic Security and Energy Assistance provide services through many of the same service delivery agencies, and Economic Security has experience in monitoring and providing technical assistance to these agencies.
- Economic Security and Energy Assistance administer the same types of federal grants, and Economic Security has expertise in federal fiscal and other reporting requirements.
- Economic Security has an ample and skilled technology staff that could support the Energy Assistance Program not only for its everyday technical needs, but also to help the program identify its eligible populations through connection with the state's various databases.
- The weatherization component may fit equally well at Economic Security or at the Department of Commerce, given the more technical nature of this program and Commerce's existing energy program; however, the project team does not make a recommendation on this point.

FUNDING

The project team did not undertake an in-depth study of funding options; however, it found widespread opinion that Minnesota should move toward establishing a universal service fund to provide a consistent level of funding from year to year, not subject to changing state and federal budgets.

A calculation using one population estimate and one grant size estimates that approximately $120 million would be needed to serve households living at 150 percent of the federal poverty level. This project recommends further and more refined research and makes no recommendation on this particular estimate.

Other smaller-scale funding options exist, such as more effective administration of current program components and taking advantage of federal leveraging opportunities.

INTRODUCTION

Minnesota's Energy Assistance Program is at a unique juncture in its almost 20-year history. With energy industry deregulation expected to take place in the next few years, either through state action or federal mandate, the program has the opportunity to take advantage of increased funding through creation of a universal service fund. Such a fund, which could more than double the program's current funding level, would enable it to serve many more of the state's eligible low-income population than it now has the funding or the infrastructure to do. The program can maximize the opportunity provided by the universal service fund by recreating its service delivery systems to achieve a strategic blend of state and local nonprofit activities, with each entity playing on its strengths and doing what it does best, so that the energy needs of low-income senior citizens, families, veterans, and vulnerable populations are best served.

The 1999 Legislature asked the Department of Administration's Management Analysis Division to evaluate the program and make recommendations to ensure its future effectiveness. Specifically, the legislature asked Management Analysis to "analyze and make recommendations in the following areas:

"(1) improvements necessary in the administration of low-income energy assistance programs to develop a uniform statewide assistance network, including outreach efforts, eligibility determination, and areas for technological improvements;

"(2) development of an accurate and consistent method to determine the number of Minnesotans who should be eligible for energy assistance and the level of assistance which should be provided; and

"(3) analyze funding level and revenue options for low-income energy assistance programs consistent with competitive electric and gas energy markets" [Minn. Session Laws 1999, Chap. 223, Art. 2, Sec. 75].

The study addressed these issues in the context of three larger frames:

- the state of the program, which focuses on the effectiveness of the program, issues of accountability, and current strengths and weaknesses;
- the impact of energy industry deregulation, which includes recommendations for a new operational model and looks at methods and options for program delivery, specifically addressing the issue of centralizing certain administrative functions; and
- structure, which discusses the most appropriate location within state government for the Energy Assistance Program and some of the determining factors.

This study looked to some degree at all components of the Energy Assistance Program: primary assistance, crisis, weatherization, energy-related repairs, the Reach Out for Warmth fund, and the Summer Fill program. However, most of the evaluation centered on primary assistance, because it involves the majority of the program's funding, and crisis assistance, because it is so closely connected to primary assistance. Moreover, in the course of this study it soon became apparent that, of all the Energy Assistance Program components, the operational effectiveness of these two areas is most in dispute.

Similarly, the study's recommendations either focus specifically on these two components of the program or would position the program to improve its overall effectiveness.

Finally, the study team examined funding issues, per the legislative directive. However, because many organizations and entities, including the Legislature's Electric Energy Task Force, have been studying this issue for some time, the study scope was limited in this area in order to not duplicate these efforts.

It should be emphasized that this study was an evaluation of the state's management of the Energy Assistance Program. It was not within the scope or ability of the project to audit the performance of individual service delivery agencies. Nor did the project evaluate the effectiveness or management of these agencies as a whole, except where the agencies' performance directly affected the goals and outcomes of the Energy Assistance Program.

The Management Analysis project team conducted approximately 90 interviews with individuals, ranging from those overseeing and administering various aspects of the program to program observers, and in addition gathered data from several Minnesota state agencies as well as other states. More detail concerning the study method is in Appendix A.

The assistance, information, and insights provided by Energy Assistance Program staff, service delivery agencies, advocacy organizations, and energy providers were invaluable. Although the study team found wide-ranging opinions regarding the program's current problems and how it should be improved, the commitment to improving service to individuals and families with low incomes in Minnesota was apparent among everyone.

ORIGIN of PROGRAM and LAYOUT of DELIVERY SYSTEM

The Low-Income Home Energy Assistance Program was created by Congress in 1981 and is funded by the U.S. Department of Health and Human Services, Office of Community Services. The program's enabling legislation spells out its mission:

> The mission of the Low-Income Home Energy Assistance Program (LIHEAP) is to assist low-income households, particularly those with the lowest incomes, that pay a high proportion of their household income for home energy, primarily in meeting their immediate home energy needs.[1]

In Minnesota, the program has several components:

Primary assistance is the basic benefit given to all eligible applicants to help offset their heating costs. Benefit levels are based on income, household size, and the previous winter's fuel consumption.

Crisis assistance benefits are made to assist households experiencing a "heating crisis," for example, those in an imminent shut-off situation.

Energy-related repair funds are spent on repairing and replacing furnaces for eligible households in emergency situations.

Weatherization activities are designed to make lasting conservation improvements to homes to reduce energy bills, including such projects as insulating walls and attics.

Reach Out for Warmth was created in 1992 and raises private donations, in large part at the community level, to supplement heating emergency funds. Grants can be made to low-income households with incomes above the guidelines for primary assistance. The state office coordinates statewide activities and provides training to agencies to develop their own strategies.

Summer Fill Program was initiated in Program Year[2] 1998 by the Energy CENTS Coalition, a low-income-advocacy organization, to purchase delivered fuels (oil and propane) in the summer when prices are projected to be lower than during the heating season, thus further stretching a household's primary assistance grant.

Funding for energy assistance has been predominately federal since its inception. In addition to the U.S. Department of Health and Human Services allocation, the program has received supplements and leveraging awards from that agency, and it received state appropriations in

---

[1] Omnibus Budget Reconciliation Act of 1981 [PL 97-35, (95 Stat. 357)] Title XXVI — Low-Income Home Energy Assistance, Sec. 2602(a).

[2] Oct. 1 to Sept. 30.

TABLE 1. Program funding

	Federal Fiscal Year					
	95	96	97	98	99	00
Total funding	$56,392,000	$42,149,000	$62,457,000	$39,739,000	$45,934,000	$42,528,000
Average heating payment	$420	$322	$462	$316	$286	$340 - $400*
Average crisis payment	N/A	N/A	$311	$270	$208	$205
Number of households served	103,760	87,080	89,280	81,486	89,924	80,000 - 90,000*

* These are projected figures.

SOURCE: "Low-Income Home Energy Assistance Funding" report to the legislature, January 1998, Department of Children, Families and Learning.

Program Years 97 and 98. In Program Year 97, the state appropriated almost $10 million; in Program Year 98, it appropriated $500,000 to the Energy Assistance Program. The program did not receive an appropriation in Program Year 99.[3] Supplements are contingency monies released by the President under such extreme conditions as 10 percent more "degree days" than normal or higher fuel costs. For example, Program Year 97 saw both extremely cold temperatures and higher fuel prices, and the program received $13.71 million in supplemental funding.[4] Leveraging awards are federal funds awarded according to the amount of funding the program generates from the public or private sector. For example, in Program Year 98, the program earned more than $300,000 by generating $9.5 million in savings through such activities as utility discounts and waivers, use of state funds, and raising funds from charitable entities.[5]

[3] Energy Assistance Program budget documents, Minnesota Department of Children, Families and Learning.

[4] *Ibid.*

[5] "FY 1998 State Leveraging Summary and Table," Low-Income Home Energy Assistance Program Clearinghouse (www.ncat.org/ liheap/pubs/98stlvsm).

Weatherization is funded through the U.S. Department of Energy; a small percentage of the Health and Human Services grant is also applied to this program.

Table 1 provides an overview of the program's federal allocations and benefits over the past six years.

Excluding the state's appropriation in Program Year 97 (which included considerable supplemental funding based on degree days), the program's funding has decreased since Program Year 94 from its higher levels in the 1980s and earlier in the 1990s, when appropriations ranged from $52 million to $62 million.

The levels of heating and crisis payments and the number of households served depend on various factors, discussed in the "State of the Program" section of this report.

Energy assistance is delivered through 41 service delivery agencies throughout the state. The agencies are composed of 25 Community Action Programs, seven Indian Business Reservations, seven counties, and two nonprofit agencies. The delivery process is discussed in the "Operational Changes for a Deregulated Environment" section of this report.

STATE of the PROGRAM

This section discusses the state of Minnesota's Energy Assistance Program, that is, how effectively it provides services through its grantees and the health of its internal systems, policies, and management that support this work. Specifically, the project team evaluated the program in terms of its measures of effectiveness, its consistency in program delivery, its internal management, its grantee evaluation, and its technology.

MEASURING EFFECTIVENESS

The program's state office has not used outcome measures to evaluate its effectiveness; that is, it has not evaluated its policies or the performance of service delivery agencies in terms of results for clients. However, this program year, the state office plans to collect data on the following measure:

> The number of Energy Assistance eligible families with incomes below $12,000, who, as a result of Community Action services, have to pay no more than 70 percent of their overall (heating and electric) energy costs.[6]

This measure was developed in the context of creating measures for Community Action Programs; however, the Energy Assistance Program plans to use this measure to evaluate all of its service delivery agencies.

In a 1998 attempt to design benefits to reduce households' total energy burden, the state office asked service delivery agencies to collect non-heat electricity consumption information. However, staff reported that not enough agencies complied to provide usable data. For the current program year, the state requires that one-third of a household's benefit be applied to the non-heat portion of their electricity bill. As a result, agencies will collect electricity consumption data so that the state will have data to make grants based on total energy burden in Program Year 2001.

One effectiveness measure discussed by service delivery agencies was the number of deaths due to lack of household heat. It is assumed that no one has died because of lack of household heat in Minnesota in recent memory. This most likely can be attributed in part to the Cold Weather Rule. The rule mandates that investor-owned utilities cannot disconnect heat from Oct. 15 through April 15 under certain conditions. (An unintended consequence is that on April 16, many households with unpaid debts are disconnected, throwing them into a crisis situation.) The rule does not apply to delivered fuels, cooperatives, or municipal utili-

[6] "Community Action Common Outcome Measures: Telling the Community Action Story" instruction manual, October 1999, Page 6.

ties. Unlike some other states, such as Wisconsin, the rule is not a moratorium on all shut-offs — households must be income-eligible; if they are in arrears as of Oct. 15, they must agree to pay 10 percent of their income toward their utility bills. (If they are not in arrears as of Oct. 15, they can claim that they are unable to pay at this level through the winter and will not be disconnected.)

A more pertinent measure may be the extent to which Energy Assistance helps low-income households meet their basic needs. However, there is some concern that, in fact, low-income households may be doing without basic necessities or turning the thermostat lower than is healthful in order to pay their heating bills. Nationally, the U.S. Census Bureau has found that almost 10 percent of households cannot pay their gas, electric, or fuel oil bills in full.[7] Census Bureau data on Minnesota alone was not available. However, the Energy CENTS Coalition surveyed a sample of households receiving energy assistance during the 1996-97 heating season.[8] The survey's response rate (35 percent of a sample of 40,000 households) suggests that the data does not provide a statistically valid representation of the entire program population; the survey results nonetheless provide some insights. Energy CENTS asked program recipients to complete the following sentence:

"Because of the cold winter and higher fuel costs, my family or I . . . ."

Table 2 reflects some of the responses.

Given the low response rate, it is possible that households in the worst situations responded to the survey and that the survey does not reflect a typical energy assistance recipient's circumstances. Too, any self-reported data should be viewed with caution. However, there appears to be reason for concern, given that such large percentages of respondents reported that they were doing without what are considered basic necessities: adequate heat, food, and medical care, as a result of their high energy burden. In addition, large numbers reported that they could not pay their other bills, including rent or mortgage. The areas directly affected by the program's activities (shaded in Table 2) indicate that those respondents reported that the program's grant levels were not sufficient to pay bills in full or to prevent no-heat situations.

The state office itself has not conducted statistically sound client surveys to determine "satisfaction" or adequacy of the program as evaluated by its recipients. One staff person noted telephoning program recipients (20 or so random households) to get a sense of satisfaction with service.

---

[7] "Extended Measures of Well-Being: Meeting Basic Needs," *Current Population Reports*, U.S. Census Bureau, June 1999, based on 1995 data.

[8] "Minnesota's Energy Gap: Unaffordable Energy and Low Income Minnesotans," Energy CENTS Coalition, January 1999.

TABLE 2. Energy CENTS Coalition survey responses of Energy Assistance Program recipients[a]

Because of the cold winter and higher fuel costs, my family or I . . .	Senior citizens[b]	Families with children[b]	Wage earners[b]
turned the thermostat below 65 degrees[c]	50.9 percent	50.4 percent	51.9 percent
had heat shut off or ran out of fuel	5.5 percent	15.4 percent	13.6 percent
could not pay the electric bill	19.1 percent	55.1 percent	49.6 percent
could not pay other bills	44 percent	83.4 percent	77.3 percent
did not seek medical care	28.5 percent	26 percent	31 percent
went at least one day without food	10.3 percent	17.7 percent	18.4 percent
could not pay the full rent or mortgage	10 percent	34.4 percent	32.4 percent

[a] Surveys were sent to Energy Assistance recipients by 28 of the Energy Assistance Program's 41 service delivery agencies. Data does not represent clients from Minneapolis and three counties in Greater Minnesota. See Appendix 2 in the *Energy Gap Survey* (see source below) for further information on methodology.

[b] There may be overlap among these three categories; for example, a wage-earning household may also have children.

[c] Some service delivery agencies said that they advise clients to turn their thermostat below 65 degrees in order to conserve energy. Energy Assistance Program staff reported that this is a U.S. Department of Energy recommendation.

SOURCE: *Energy Gap Survey*, Energy CENTS Coalition, 1999.

To measure its effectiveness, the state office primarily collects data on such outputs as the number of households served by the program's various components. The program also relies on anecdotal data, as illustrated by the sampling of program recipients by telephone.

The program's outputs, such as the number of households served, do not allow definite conclusions to be drawn about effectiveness, because interpretation of the numbers depends on one's perspective. (Moreover, some staff expressed doubt concerning the accuracy of the output data itself, as discussed below.) Too, while anecdotal data can be heartwarming, as many service delivery providers attest, it does not accurately portray the program's entire population.

TABLE 3. Disconnections and past-due payments of energy assistance clients

	1995	1996	1997	1998	1999
NSP					
Energy Assistance Program customers	27,937	25,637	28,585	23,513	26,477
Disconnections[a, b]	1,271	102	2,618	2,590	3,527
Average past-due payments[c]	N/A	N/A	$169	$140	$119
Reliant Energy/Minnegasco					
Energy Assistance Program customers	17,663	16,802	15,000[d]	14,074	14,457
Disconnections[b, e]	1,003	627	565	859	749
Average past-due payments[f]	$418	$585	$680	$631	$637

[a] NSP implemented a new billing system in 1996 and performed only minimal field collections and disconnections that year.

[b] These numbers include disconnections that occurred during the summer (June through September), when some service delivery agencies are not open to provide benefits, particularly during July and August, according to state program staff. State program staff also estimated that many disconnections occur in September, prior to implementation of the Cold Weather Rule on Oct. 15. NSP reported that from June through September, in Program Year 98, 1,852 Energy Assistance program households were disconnected; in Program Year 99, 1,939 householders were disconnected. The number of disconnections during these "off" months may point to the need to increase the program's capacity so that it can provide service to clients year around.

[c] Outstanding debts of "active" Energy Assistance Program customers (those who are still being billed) from August of each year.

[d] Estimated.

[e] The actual figures may be higher; these do not include households that were reconnected within eight days. It was not possible to determine how many of the households reconnected within eight days received energy assistance. Data is from September of each year.

[f] Past-due payments of Energy Assistance Program customers who were disconnected.

Since 1996, the number of households receiving energy assistance has ranged from 80,000 to 90,000. This is down from a high of 111,473 in 1994 and more than 100,000 in each of the other years in the first half of this decade.[9] Some program staff and service delivery agencies interviewed attributed the decrease to three factors:

- several mild winters,
- a decrease in the program's funding, and
- a perception that people are managing better and don't need assistance.

Mild winters The state has enjoyed mild winters in the past few years, which may have reduced heating bills; however, Reliant Energy/Minnegasco and NSP reported substantial past-due payments and disconnections for energy assistance customers, which may indicate that the energy burden for these households is still too high.

In an attempt to determine whether the Energy Assistance Program's benefit levels are adequate to prevent heating disconnections, the project asked the state's two largest utilities, NSP and Reliant Energy/Minnegasco, to provide data on the number of households receiving energy assistance that have been disconnected over the past few years. The two utilities serve approximately 40 to 50 percent of energy assistance clients. The project team was not able to collect data from the program's 1,600 other vendors, and the numbers of disconnection or "no-fuel" households have not been collected by the state Energy Assistance Program or the Public Utilities Commission in recent years.

As shown in Table 3, approximately 2,000 to 4,000 program clients have been disconnected by these two companies alone, annually except in 1996. What is not known is when the disconnection occurred — prior to a household applying for energy assistance, during the application process, or after the grant was made, when households fell into significant debt again during the heating season. Therefore, this data could not indicate problems with outreach and referral activities, administration of applications, or grant sizes. Most likely, this data confirms problems with all of these areas, as discussed in other parts of this report.

For NSP's Energy Assistance Program customers, the average past-due payments are minimal, perhaps half a month or a month behind. This could indicate that the grant sizes are sufficient for most program clients and that most households are managing their bills. On the other hand, the number of households disconnected relative to NSP's Energy Assistance Program customer base has risen (except for 1996), which may mean that a greater number of people are having problems paying their energy bills (this is somewhat substantiated by data from Minnegasco. The average debt for disconnected customers has ranged from $400 to $700 over the past five years). Some anecdotal data also suggests that grants are not large enough during very cold winters.

This data suggests that the state office should conduct further research into grant sizes, because this data alone is not conclusive.

[9] "Low Income Home Energy Assistance Program Funding: Report to the Legislature," Department of Children, Families and Learning, January 1998.

Other states interviewed thought that mild winters have contributed to their declining applications as well. It was not possible for this study to determine the effect that the winters have had on the number of Energy Assistance Program applicants.

Decreased funding The program's funding has decreased from a high of almost $94 million in 1994 to an average of $42.7 million for Program Years 1998 through 2000. However, state program staff and service delivery agencies reported that they have not turned away applicants because of lack of funds; despite the decrease, the program has never had more applicants than it could assist. Some interviewees thought that the publicity around decreases in funds may have led to fewer applicants, particularly among senior citizens who either thought there was no funding or who dropped out of the program because they thought there were people who needed the assistance more than they did.

Assistance not needed Although the positive economic climate in many parts of the state would seem to support the idea that households are managing better on their own and don't need energy assistance, the program could not provide more than anecdotal data to support this. Many service providers as well as some energy assistance staff assume that eligible households needing assistance apply, and therefore one reason that applicant numbers are down is that fewer people need assistance. Some agencies interviewed reported that they followed up with the prior year's recipients who did not reapply and found that the households said they no longer needed assistance. However, this is not a universal practice and it is simply not known whether the program's eligible population is choosing not to participate in such great numbers.

For example, other research produced mixed results. Table 4 (on Page 22), which provides two rough estimates of the state's energy assistance-eligible population, shows this population's numbers increasing. However, the number of households categorically eligible for energy assistance has been declining, although it is still relatively high. This data is discussed more fully below.

Outreach Other interviewees with various kinds of connections to the program, such as advocacy organizations and utility companies, rejected the assumptions that mild winters, decreased funding, and assistance not being needed explained why fewer households applied for assistance. Instead, they attributed the decline in applicants to a lack of outreach efforts and what they consider to be the unnecessary complexity and burden of the application process.

Service delivery agencies reported that they use a variety of outreach methods, such as public service announcements, ads in local newspapers, visits to senior dining centers and other organizations, and referrals of clients who come in for other types of assistance. The agencies are required to develop an outreach plan at the beginning of each program year; however, different types of outreach methods are not evaluated by state staff for effectiveness, or in any systematic way by the agencies interviewed. For this reason, it is difficult to determine whether or to what extent the decline in applicants is attributable to the methods or level of outreach. Some of the agencies interviewed noted that they have experimented with different types of outreach activities that increased their numbers of applicants.

It was noted by some interviewees, such as delivered-fuel vendors and smaller utilities, that effective outreach methods are very important in rural Minnesota, where seniors are more isolated and applicants in general have to travel significant distances to reach agencies. It was suggested that energy assistance applications be put online, so that applicants can access them through libraries. Others also stressed that greater efforts need to be made throughout Minnesota for people with limited English skills.

Utilities and delivered-fuel vendors interviewed were somewhat divided as to whether agencies did a good job of outreach. Some noted that people new to the area need more attention. Utilities also said they themselves did outreach, providing information about the program to customers. For example, this program year, NSP, which serves about a third of the program's clients, volunteered to provide generic energy assistance applications to its customers whose electricity or fuel had been disconnected.

Federal outcome measures In 1995, the U.S. Department of Health and Human Services released model performance goals and measures to "assess the success of the states in achieving the purposes of the federal Energy Assistance Program." The states may use these measures at their discretion; however, the department advised that Congress and the administration are "becoming more interested in assessments of the effectiveness of federally funded programs."[10] Health and Human Services developed approximately 30 outcome measures; however, the department also noted that energy assistance programs vary by state, so state programs may "pick and choose which performance goals and measures are applicable to their particular program."[11]

Following are five examples of the department's suggested outcomes that measure improvements in the lives of Energy Assistance Program recipients beyond addressing their immediate heating bills each season:

1. Positive change in the number of recipients making regular payments to energy suppliers;
2. Negative change in the number of repeat program households requiring intense targeting for regular assistance in crisis intervention;
3. Negative change in the number of program households with past-due fuel bills;
4. Negative change in energy consumption after program conservation assistance; and
5. Number of program recipients who consider themselves to be more self-sufficient (as measured by participation in customer surveys).

[10] "Energy Assistance Program Model Performance Measures — Final Version," Low-Income Home Energy Assistance Program, Division of Energy Assistance (www.acf.dhhs.gov/programs/liheap/im96-02.htm), Page 2.

[11] *Ibid.*, Page 14.

It appeared from interviews that only Outcome 4 is being measured by Minnesota's Energy Assistance Program. State program staff have undertaken efforts to measure changes in energy consumption following weatherization assistance through the new "Datalogger" program, a research method developed by the University of Minnesota and in the pilot stage of implementation by the program. However, the program does not systematically track outcomes of other measures listed above or similar ones.

When agencies were asked how they evaluate their effectiveness, some said they look at the number of clients they served and whether their applications were processed within 30 days. Several agencies reported conducting client surveys. Some of those interviewed noted that they receive thank-you notes from clients and that they can see the tangible benefits they provide to clients through negotiating with vendors in crisis situations and working with vendors for furnace repairs and home weatherization.

Because the state office has not systematically collected performance data from its service delivery agencies, for the purposes of this study, state Energy Assistance Program field representatives, or monitors, visited 16 service delivery agencies throughout the state, including the Ramsey County and City of Minneapolis community action programs, to collect Program Year 99 data. Some data was self-reported by agencies themselves; other data was collected by the monitors from 10 randomly drawn files from each of the 16 agencies.

NOTE: It was not within the scope of this study to evaluate particular service delivery agencies; for example, this study didn't compare particular agencies' levels of "program service" funding they received and the activities to which the funding was allocated. Collecting the type of primary data from service delivery agencies needed to determine their effectiveness was not possible within the scope of this project; rather, this data needs to be collected over time by the state office.

Monitors reviewed agency files for notations of referrals to or assistance with energy-related and non-energy-related programs (for example, food and transportation) and to other community resources. State Energy Assistance Program staff looked specifically at referrals to non-energy-related services because many agencies reported during interviews that they refer Energy Assistance Program clients to other services. The goal was to determine the extent to which this is occurring to get a sense of the advantage of in-person applications.

The review revealed that many agencies either do not document referrals made to individual households or those referrals are not being provided at a significant level. Of 162 files, it was documented that 40 Energy Assistance Program clients (25 percent) were referred to other energy services, such as crisis assistance or weatherization, and 28 clients (17 percent) were referred to other types of assistance programs.

It should be stressed that the state office has never required that referral activities be documented. That is, it is possible that many referrals are being made but not noted in client files, which was found by monitors to be the case in several sampled files. This exercise was an interesting first attempt to collect this kind of data, but the results are inconclusive.

Conversely, several interviewees said that First Call Minnesota, a state-funded statewide referral service for social services, has incomplete and in some cases incorrect listings for agencies providing energy assistance, which would hinder applicants' ability to find energy assistance.

An underlying perception among many interviewees, such as service delivery agencies, advocacy groups, and utilities, is that there is a stigma attached to receiving assistance and that some people would rather go without necessities or turn down the thermostat than apply for energy assistance. Interviewees speculated on the implications of this for the program's service delivery design. Some felt that there are clients who will accept assistance they view as "community-based" but would never apply for assistance from a government agency. Interviewees also said that some people appreciate the personal assistance they receive in filling out the application.

In contrast, some said that one of the strongest arguments for moving to a more impersonal administrative system that verifies eligibility through state data is that people with lower incomes would no longer have to feel embarrassed by providing proof of low income. Instead of filling out an energy assistance application that carries the statement

> **YOU MUST SEND PROOF OF ALL INCOME FOR EVERYONE IN YOUR HOUSEHOLD FOR THE LAST THREE MONTHS**[12]

at the top of the page, eligible applicants would provide minimal information and sign a release so that state offices can share their income or program participation data. (This idea is discussed more fully in this report's section on operational changes for a deregulated environment.)

ELIGIBLE POPULATION

The state office itself has not tried to determine its eligible population, something many have asserted is a necessary first step to serving those most in need. The Low Income Home Energy Assistance Program statute says that "the highest level of assistance must go to households with the lowest incomes and highest energy costs in relation to income."[13] However, the state has not led efforts to determine the eligible population, let alone conduct outreach and provide assistance to them.

---

[12] Program Year 2000 energy assistance application from a service delivery agency.

[13] "Fact Sheet," U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, August 1997.

TABLE 4. Energy Assistance Program actual and eligible populations

	Federal Fiscal Year				
	95	96	97	98	99
Number of actual households served	103,760	87,080	89,280	81,486	89,924
Eligible population estimates[a]					
Current population survey[b]	341,343 households				
Property tax refund data	207,056	185,894	214,993	249,910	263,893
Estimate from wage detail	307,000	304,000	344,000	412,000	380,000[c]
Categorically eligible populations[a]					
MFIP (households)	62,013	59,367	55,132	49,048	44,735
Supplemental Security Income (persons)	58,923	61,526	63,695	63,329	approx. 64,000
Food stamps (households)	132,099	127,729	114,978	98,979	95,047
Veterans' pension benefits[d] (persons)	6,250	6,250	6,250	6,250	6,250

[a] It is probable that a small percentage of these households do not pay energy bills, and therefore would not necessarily be eligible for energy assistance.

[b] Data from 1995, 1996, and 1997 Current Population Survey, Annual Demographic File (Bureau of the Census) extracted and prepared by the Machine Readable Data Center, University of Minnesota Libraries. Poverty levels are based on the Department of Health and Human Services' 1998 poverty income guidelines. Reprinted from "Minnesota's Energy Gap: Unaffordable Energy and Low Income Minnesotans," Energy CENTS Coalition, January 1999.

[c] Data taken from Minnesota Department of Economic Security's wage detail. 1999 figures reflect two quarters; estimates are projected to increase when the last two quarters are reported.

[d] Only approximate figures were obtainable for this study. According to the Department of Veterans Affairs, these numbers have remained fairly constant over the past few years. Recipients are reevaluated annually for income eligibility.

It is the state office's policy to operate on a "first-come, first-served" basis. That is, it does not identify all eligible households, contact them, and serve those most in need; rather, it operates on the assumption that the number of applicants will match its total federal grant. The assumption that those in need will find the assistance prevails among many of the

service delivery agencies interviewed. However, others, including advocacy groups, utilities, and delivered-fuel vendors, argued that the most vulnerable populations — new immigrants, limited-English speakers, and minority households — may not be aware of the program. It is an unsubstantiated assumption that households that apply for assistance are the ones most in need.

Within a limited capacity, this project's team attempted to estimate the number of households in Minnesota that are eligible for energy assistance under the program's own income guidelines. Estimates for the non-categorically eligible population ("eligible population estimates" in Table 4) are weaker, and are discussed first. The numbers of categorically eligible households — those that qualify under federal energy assistance program guidelines by virtue of their participation in other benefit programs — are most likely quite reliable. Minnesota's policy doesn't use categorical eligibility as a qualifying criterion. Table 4 reflects the numbers for both categories.

To estimate the larger energy assistance-eligible population, that is, those households that may qualify because of their income level, but don't necessarily receive other program benefits from the state, the study team looked to a variety of sources: the Census Bureau's

Current Population Survey, the Department of Revenue's property tax refund data, and the Department of Economic Security's wage detail. None of these sources alone provides a complete or completely accurate accounting of households in poverty in Minnesota; but considered collectively, they provide a sense of the size of the population.

The U.S. Census Bureau's Current Population Survey The Current Population Survey number reflects households at or below 150 percent of the U.S. Department of Health and Human Services' 1998 poverty income guidelines. The figure is an average of 1995-1997 poverty levels. (Averaging data from several years is the recommended method when working with the survey data, to help control for errors in any given year.[14]) Because it is a survey, its figure is based on a representative sample of households in Minnesota; it is not as accurate as the Census Bureau's decennial census, which attempts to gather information on every household. Thus, the survey figure should be treated cautiously and understood in the context of the other estimates.

[14] Conversation with staff from the Minnesota State Demographer's Office.

TABLE 5. Energy assistance eligibility guidelines

Program Year				
95	96	97	98	99
135 percent of federal poverty guidelines	135 percent of federal poverty guidelines	150 percent of federal poverty guidelines	50 percent of Minnesota state median income	50 percent of Minnesota state median income

Both the property tax refund and wage detail figures were derived using the Energy Assistance Program's income and assets thresholds determined by the eligibility guidelines for each program year. The guidelines are listed in Table 5.

The State Energy Assistance Program changed its guidelines over the past five years for several reasons. One-hundred and thirty-five percent of federal poverty guidelines had been used historically and, according to staff, wasn't reevaluated until Program Year 97. Prior to Program Year 97, the program had the higher guideline but also allowed applicants to take "deductions" such as out-of-pocket medical and funeral expenses. For administrative reasons, the program removed the deductions and broadened the eligibility to 150 percent of federal poverty guidelines. The program changed the standard to 50 percent of state median income in Program Year 98 to reflect Minnesota's relatively higher cost of living. That is, staff reasoned that federal poverty guidelines are meaningful in states with lower costs of living, but in Minnesota the federal poverty limit set by the Energy Assistance Program disqualified many lower-income households whom staff thought should receive assistance. Essentially, the shift enabled the program to enlarge the pool of qualified households.

Because the property tax and wage detail estimates are not based on internally consistent criteria, they may not accurately reflect trends in the eligible populations based on an objective poverty standard. What they do illustrate is that, when using the program's own guidelines, a substantial percentage of eligible households are not receiving energy assistance and that those numbers have increased over the past few years. Each data set is discussed below.

Department of Revenue's property tax refund data The Department of Revenue's data on households that filed for property tax refunds provides an estimate of the Energy Assistance Program-eligible population. These estimates, in Table 4 on Page 22, reflect households where gross income was below program limits for those years. Revenue staff noted that their estimates may actually be lower than the eligible population because property tax refund filers have high tax burdens, whereas some eligible households may have low tax burdens and do not receive property tax refunds.

Another caution is that the data for each state fiscal year is based on income from the prior calendar year. For example, the number of households eligible in State Fiscal Year 99 is calculated in Calendar Year 1998 based on Calendar Year 1997 income. However, the program allows tax returns to be used as proof of income eligibility.

Department of Economic Security's wage detail Economic Security keeps records on wages in Minnesota; employers and self-employed people send reports to the department detailing gross wages by employee for the previous quarter. This data is used to calculate re-employment insurance. The data does not include certain groups of people such as federal employees, some reservations, and some nonprofits. The data also doesn't include Minnesotans who work in other states, and the data includes non-Minnesotans who work in Minnesota.

The project team asked Economic Security to estimate the number of Energy Assistance Program-eligible households based on the wage detail. Given the limited time and resources to conduct this analysis, the data is extremely "rough" and should be understood to provide only a sense of magnitude and illustrate possible trends in the population. This data should also be viewed in the context of the other data provided. However, in the longer term, Energy Assistance can consider the wage detail as a resource to identify and possibly verify wage income of applicants.

Based on income guidelines used by the Energy Assistance Program for Program Years 95 through 99, wage detail estimates show that the number of eligible households was at a minimum — 300,000 and possibly as high as 400,000 — over the five-year period as a whole. This is in the same range as the census figure of 341,343. The property tax refund data shows that the number of eligible households has been increasing, to more than 250,000 in 1999.

Economic Security staff had to make several large assumptions to arrive at these figures and therefore advised against regarding these exact numbers as accurate. First, staff decided to set a threshold of $4,000 in annual wages to exclude presumably very short-term workers (for example, seasonal) who presumably are part of a household that is not program-eligible. The $4,000 is based on a 30-hour work week for at least half of the year at minimum wage ($5.15). A higher threshold, which would be reasonable based on the higher wages in the Twin Cities, for example, would reduce the estimated number of eligible households. A second large assumption was needed to translate individual wage earners into "households," the program unit for determining eligibility. Staff assumed that persons in the wage detail, regardless of wages, were members of different-size households in the same distribution as the overall population. Staff believed that this is likely incorrect, that there is most likely a relationship between wages and household size. It is unclear what effect this assumption had on the estimates; more research into this relationship would be needed.

There are several cautions as well. First, wages in many cases may be a subset of household income. That is, households that receive wages and other sources of income may have a total gross income that exceeds the program's eligibility limits. Thus, the wage detail estimates may be higher than the actual eligible population. Second, wage earners who worked only

part of a year in Minnesota will appear to have wages low enough to qualify for energy assistance. However, if these persons had income from another state for the remainder of the year, they may exceed income guidelines, again making the eligible population appear larger than it is.

Economic Security staff cautioned that "the numbers and assumptions used to generate these estimates are extremely rough .... However, the estimated number of households does give a sense of the relative size of the population and how it has increased as new income guidelines have been implemented by the Energy Assistance Program."

Categorical eligibility According to the federal Low Income Home Energy Assistance Program legislation, households in which one or more persons receive benefits from certain programs are categorically eligible for energy assistance. These programs are:

- Aid to Families with Dependent Children (Minnesota Family Investment Program) or Temporary Assistance to Needy Families,
- Supplemental Security Income (SSI) payments,
- food stamps, or
- persons receiving payments under Section 415, 521, 541, or 542 of Title 38, United States Code, or under Section 306 of the Veterans' and Survivors' Pension Improvement Act of 1978.[15]

It is not the state office's policy to use categorical eligibility as a single qualifying criterion.

According to the Minnesota Department of Human Services, all households that receive Minnesota Family Investment Program benefits receive food stamps. However, there is not complete overlap with persons receiving Supplemental Security Income; according to Human Services, approximately 53 percent of households receiving Supplemental Security Income receive food stamps. It should be noted in general that Table 4's estimates from the various sources should not be added to arrive at the eligible population for that year. As with the Minnesota Family Investment Program and food stamps, the probability of overlap among the other programs is very high. However, it would be possible to arrive at an unduplicated estimate if each of the databases cross-referenced the others. It was not possible to do that for this project; however, it is feasible, as demonstrated by a smaller-scale example discussed below.

The estimates and other assistance program participation numbers illustrate that the Energy Assistance Program has continually under-served its eligible population. Food stamp participation alone is consistently higher than the entire population of Energy Assistance Program recipients. The program does not have the funding to serve the entire eligible population; that is not in dispute. What many, particularly advocacy groups, find troubling is that the state

[15] State of Minnesota Federal Energy Assistance Program Plan Federal Fiscal Year 2000, Page 2.

TABLE 6. Demographic breakdown of Energy Assistance Program clients

	Federal Fiscal Year				
	95	96	97	98	99
Total number of households served	103,760	87,080	89,280	81,486	89,924
Households with children	57,000	24,000	24,000	28,000	NA
Households with a person with disabilities	30,000	12,000	13,000	31,000	NA
Households with an elderly person	57,000	45,000	44,000	34,000	NA

NOTE: There may be overlap among demographic categories; also, there may be program households that aren't represented by these categories.

SOURCE: Energy Assistance Program 2000-2001 Biennial Budget, Page A-419.

office has not attempted to undertake this research itself so that it could target its assistance to those most in need. Moreover, without such data, the state office is not in a position to demonstrate the need for increased levels of funding.

Current Energy Assistance Program households Table 6 provides a demographic breakdown of program recipients who fall within these categories. Households with persons over 60 years of age have been the single largest group of program recipients, except in Federal Fiscal Year 95, when their numbers equaled households with children. The elderly make up approximately a third to a half of program recipients, followed by households with children and persons with disabilities.

If the state is serving roughly a third of eligible households, who is not being served? This research has not been conducted by the Energy Assistance Program's state office, and this project's scope precluded examining this question in the detail it deserves. However, in an attempt to provide a snapshot of a sample of these households, Economic Security staff cross-referenced energy assistance recipient data for Program Year 98 with Minnesota Family Investment Program records for three counties — Ramsey, Douglas, and Faribault.

TABLE 7. Cross-reference of energy assistance and Minnesota Family Investment Program recipients

County	MFIP households[a]	Energy Assistance Program households enrolled in MFIP or food stamp program	Percent of MFIP or food stamp households enrolled in Energy Assistance Program
Ramsey	8,770	2,031	23%
Douglas	231	106	46%
Faribault	133	54	41%

[a] This column does not include all food stamp recipients, which is the larger population of the two programs. If food stamp participation numbers were included, the percentage of households who also are enrolled in the Energy Assistance Program would be smaller.

SOURCES: Number of individuals enrolled in Minnesota Family Investment and food stamp programs from July 1, 1998, to June 30, 1999, Minnesota Department of Economic Security; number of households served by Energy Assistance Program in Program Year 99, Energy Assistance Program.

Although households receiving Minnesota Family Investment Program or food stamp benefits are categorically eligible for energy assistance, only 25 to 50 percent of those households in these counties received energy assistance (Table 7).

Some have pointed out that if one of the Energy Assistance Program goals is to help households achieve self-sufficiency wherever possible, the state would be more likely to achieve this by giving the measure of stability that the program provides to these families receiving Minnesota Family Investment Program assistance who are working to move themselves out of poverty.

INCONSISTENCY

Energy assistance program delivery lacks consistency across the state. Benefit levels themselves are determined by a formula, based on household income, size, fuel type, and consumption from the previous year; no interviewees questioned this method, although suggestions were made that would reportedly make the formula more accurate. Rather, inconsistencies include variations in program start and end dates, eligibility determination, and application and payment processing times. The effect is that clients in some cases receive unequal treatment. Some factors are attributable to the operational structure of the program, but others the state staff has the ability to correct within the current structure through more consistent communication and more rigorous monitoring of service delivery agencies.

Communication Some service delivery agencies reported that communication from state Energy Assistance staff is inconsistent, among staff and from the same staff persons, over time. For example, many people interviewed, service delivery agencies and utilities alike, reported that the program's "end date," that is, the date when agencies are supposed to stop taking new applications for energy assistance, is extended several times within one program year. State program staff attributed these changes to determining on a continuing basis that the program has enough funding to provide more benefits. (If state program staff had real-time data on their grant balance [as discussed below under "Technology"], this problem to a large extent could be alleviated.) Some of the confusion regarding end dates is attributable to "new money" coming from the federal government, which some service delivery agencies acknowledged. For example, fresh in everyone's minds was the "cooling money" released by the President this past summer in response to the heat wave. While many welcomed the additional funding, they explained that it was difficult to explain to clients.

The agencies find these inconsistencies frustrating because they have inadvertently given clients incorrect information. Utilities and fuel vendors interviewed echoed this complaint, particularly with regard to end dates, because their representatives, too, provide this information to customers and learn later that the decision has changed. As many have pointed out, it leads to inconsistent treatment of clients across the state.

Eligibility Similarly, service delivery agencies and utilities are concerned that state policy is not consistent from year to year about eligible populations. They argued that changes from year to year make it difficult to educate both staff and clients and that clients are understandably confused when they are eligible for assistance one year but not the next. For example, persons living in subsidized housing with heat included in their rent were eligible in Program Year 99. In Program Year 2000, they may apply for energy assistance, but their applications will not be considered until March 2000; they are given lower priority for the funding because they are not subject to heat shut-offs. Although it is appropriate for the state to set priorities given its scarce resources, at issue are the reportedly annual changes in program priorities.

Although many appreciate the state's need to make changes for various reasons, service delivery agencies and utilities alike expressed wide frustration that the program doesn't follow a plan for several years to give it a chance to work. Many said that it takes that long to educate staff and clients so that the program can run smoothly.

TABLE 8. Breakdown of FY 99 crisis grants by service delivery agency

	Percent				
	0 - 5	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 26**
Number of agencies' crisis grants, as a percentage of total funds for primary assistance and crisis	8	15	10	6	2
Average percentage of funds allocated for crisis grants	12 percent				
	0 - 10	**11 - 20**	**21 - 30**	**31 - 40**	**41 - 60**
Number of agencies with approved crisis applications, as a percentage of total primary assistance applications	8	20	7	2	3
Average percentage of approved crisis grant applications	18 percent				

SOURCE: Primary data provided by Energy Assistance Program internal reports.

Program requirements Even where the Energy Assistance Program's manual is clear regarding the program's start and end dates, administering crisis grants, and meeting other program requirements, some service delivery agencies, utilities, and others reported that other agencies do not follow it. A frequently cited example regards crisis assistance benefits. Some service delivery agencies provide crisis assistance to households that received a disconnect notice, and other agencies reportedly provide assistance only after a household has been disconnected or is in a no-fuel situation. The Program Year 99 manual states that an:

> . . . eligible household must receive cash assistance in the following circumstances:
>
> The household has less than five days' fuel remaining in their tank
>
> The fuel vendor refuses to deliver
>
> The household has a disconnection notice from either a gas or electric utility.[16]

Crisis grants are a particularly contentious issue, with some agencies reportedly stating that they will not administer them because agency staff are ambivalent about giving what they see

[16] Energy Assistance Program Manual for Program Year 1999, Chapter 10, Page 2.

as a "reward" to households that end up in a crisis situation. However, it is state and federal Low-Income Home Energy Assistance Program policy that crisis assistance be available. Analysis of Program Year 99 data on agency grants showed that all 41 agencies did in fact administer crisis grants; however, total funds expended on crises and the number of crisis applications approved varied widely across the agencies (Table 8). Total funds expended on crisis grants per agency are expressed as a percentage of crisis plus primary assistance. The data shows that agencies ranged from spending less than 5 percent to more than 25 percent of their allocation on crisis assistance. The average crisis expenditure by agency was 12 percent.

Another way to look at the data is to consider the number of crisis assistance applications approved as a percentage of primary assistance applications. In order to receive crisis assistance, a household must be approved for primary assistance; households that receive crisis assistance are a subset of the larger primary assistance population. The data shows that agencies range from approving less than 10 percent to almost 60 percent of their primary assistance households. The average was 18 percent.

The "right" percentage of funding for crisis assistance is unknown; it is the variation among agencies that leads to the perception of inconsistency and even unfairness. That is, whether a household receives assistance — and how much — appears to depend on the service delivery agency. There may indeed be variations in need across the state, and perhaps some agencies do a better job than others of helping their clients stay out of situations requiring crisis assistance. However, it is not clear whether these differences alone would explain the variation.

The Salvation Army, which administers its own heating assistance as a "last stop," noted that some service delivery agencies refer clients to the Salvation Army without telling them that crisis grants are available. A number of service delivery agencies expressed a desire for the state to consistently and thoroughly monitor all Energy Assistance Program grantees, because their experience with crises indicates to them that this is not being done.

Start and end dates A common complaint among many people interviewed, such as service deliveries and utilities, was that some service delivery agencies do not start the program on the same date during a program year. Reasons for this center on several issues. Although the program officially starts Oct. 1, the state often does not receive its federal funding by that date. Some agency boards of directors allow the agencies to make guarantees to vendors, because they can either temporarily cover the funding or they count on the federal agencies' releasing the funds. Other boards will not allow guarantees to be made to vendors based on these assurances from state program staff, reportedly because of a pattern of inconsistency in staff communication. In addition, some agencies reported that they do not have the funds to rehire staff to take applications until they receive Energy Assistance funding. Other, larger agencies employ staff year around so they can fund this work. The effect is that clients seeking assistance may or may not receive assistance at the start of the program year, depending on the agency at which they apply. For example, at the start of Program Year 2000, which was Oct. 1, 1999, at least four service delivery agencies reportedly told clients

that the program did not have money and that they could not give them energy assistance.[17] A review of a sample of agency files shows that in Program Year 1999, some agencies began taking applications in September, primarily through the mail or by telephone, while other agencies did not start the program until Oct. 1. Thus, some utilities noted that they did not receive payments until November.

End dates also vary. For Program Year 99, some agencies took applications throughout the summer, while other agencies stopped taking applications in May. Some smaller utilities noted that the program "should be extended beyond March," indicating that some agencies stopped providing benefits months before other agencies did. An interviewee observed that the effect of agencies closing at different times in the spring resembled popping corn across the state. It was noted by several interviewees that an agency stops providing assistance when it expends its funds for administering grants, even if it has not expended its assistance allocation. This affects the Reach Out for Warmth fund in particular, as that money is available year around. Agencies that are closed in the summer cannot provide it to their clients. Too, state staff reported that recently some agencies have said they will not provide Reach Out for Warmth assistance unless they receive extra funding to administer it. However, federal funding for administrative work is capped at 10 percent for the entire Energy Assistance Program; there are no additional administration funds.

State staff and service delivery agencies alike have said that many agencies do not have the staff capacity to process the hundreds of applications that come in each fall. As a result, some agencies fall behind and do not process applications within the 30-day limit according to program policy.

Staff from the Public Utilities Commission also reported that they receive calls from energy assistance applicants who receive disconnect notices. In working with the utilities, Public Utilities Commission staff determined that grants disbursed by service delivery agencies can be delayed up to a couple of months, putting the households' utility service at risk. In interviews, utilities reported that households had been disconnected despite being eligible for energy assistance because information about grant guarantees was delayed. When households are disconnected, not only do they suffer the trauma, embarrassment, and also potential harm related to medical conditions, they incur additional costs due to reconnection fees, deposits, and even food spoilage, according to interviewees. Utility companies noted that the disconnection/reconnection process is a waste of their resources as well.

[17] Anecdotal information was reported by a service delivery agency that does not administer the Energy Assistance Program but that provided assistance to these applicants after they were reportedly denied energy assistance. It should be noted that the agencies in question vigorously objected to this project's staff receiving these reports, because the names of the clients in question were not given to the agencies and thus they did not have an opportunity to review the cases. However, this data was included in this report as a separate service delivery organization and several utility companies reported similar situations.

Eligibility verification Another area of inconsistency concerns eligibility verification. Although the program issues an instruction manual each program year, state staff and some agencies have expressed concern that some agencies are "stricter" than others when verifying applicants' income. For example, when an applicant's situation is in a "grey" area, agency staff who feel that the household is in need of assistance will contact state staff to request an exception. Staff in other agencies will apply a strict interpretation of the guidelines and deny the application. "Right or wrong" depends on one's point of view; however, different approaches taken by more than 40 agencies across the state result in inconsistent treatment among households.

INTERNAL MANAGEMENT

Fundamental philosophical differences among the state office's program staff regarding the program's mission and operations may be the root cause of many problems hurting the program's effectiveness. These differences focus on the state office's relationship with its service delivery agencies and are evident in starkly contrasting convictions concerning what the appropriate relationship should be. Examples include:

Oversight responsibilities The state is responsible for overseeing its service delivery agencies. Some staff have taken the position that the relationship between the state and the agencies ought to be one of cooperation and partnership; others argue that this relationship has been carried to the point where the state does not set or enforce its own policies. This is best illustrated by half of the state staff using the term "field representatives" and the other half referring to "monitors," to describe staff who review service delivery agencies. Although staff are supposed to perform both monitoring and consultative functions, the almost exclusive use of just one of the terms, depending on the staff member, illustrates this philosophical split among staff.

Primary emphasis Some state staff feel that the primary emphasis of Energy Assistance should be the most-efficient-possible delivery of energy benefits to households. Others emphasize that the program is one component of a menu of programs delivered at the local level and designed to help households, so that higher priority is placed on maintenance of the service delivery agencies. Similarly, some staff view themselves as working to support low-income households, while others view the service delivery agencies as the state's primary focus. Although these positions do not have to be in opposition, the split among the staff on emphasis itself has basically divided them into two "camps."

Limited software system The existing computer system has many apparent limitations, including ease of use and reporting functions. Despite these limitations, it appears that the state has kept its current software system because the system is in place in many service delivery agencies. Some state staff reported that agencies have fought the program's attempts to investigate other systems; therefore, such efforts were officially abandoned, despite ongoing problems and costs associated with the current computer system. Staff reported that they

are discouraged from researching other systems of service delivery, technology improvements, or process improvements.

Leadership At the most basic level, at issue is the degree of leadership the state takes in determining and enforcing its policies. Although all of the state staff interviewed appreciate collaboration with agencies and respect the good work they believe some agencies do, some state staff believe that the balance has swung too far and that the state has actually become negligent in its responsibilities as the agencies' grantor.

The divergence of perspectives and priorities has become so extreme that a number of staff fear their positions are in jeopardy as a result of raising questions about the current system and participating in this study.

This split among state staff has led the external world — service delivery agencies, utility companies, advocates, and others — to view the program as lacking leadership, frequently changing policies in response to complaints, communicating conflicting information, and reactively planning without a clear sense of purpose and goals.

EVALUATION and AUDITING of GRANTEES

Grantees undergo an annual financial audit conducted by independent accounting firms, using Generally Accepted Accounting Principles and Government Auditing Standards. However, it is not uniformly within the scope of these audits to determine the extent to which grantees are meeting specific program requirements of the federal regulations.[18] For example, regulations state that up to 5 percent of program funding may be used for "program services," including budget counseling, vendor negotiations, and working with other service providers to address a household's chronic energy issues. These funds are not to be used for such administrative activities as processing applications or outreach. However, the financial audits do not address that level of a program's operation. During the course of this study, a number of interviewees from a variety of organizations expressed concern that administration and program service funding may be misappropriated within some agencies. It was not within the scope or capacity of this study to audit individual agencies, so it is unknown whether these suspicions could be substantiated. This point is raised here to indicate that concern exists that the state office is not paying enough attention to this issue in its monitoring activities.

State staff who monitor service delivery agencies said they are discouraged from monitoring for compliance with state and federal fiscal and program requirements. Some say that it is the position of state program management that the role of monitors is to advise or counsel,

[18] In certain service delivery agencies, energy assistance is audited as a "major" program, according to staff at Williams Young, LLC, an accounting firm that has conducted audits of some of the Energy Assistance Program's service delivery agencies. For major program audits, audit staff sample program files for compliance with federal program regulations. However, not all service delivery agencies' energy assistance programs undergo a "major" audit each year; and program compliance is not reviewed in those agencies.

to the exclusion of performing their regulatory role, as required by federal statute. Staff who have found particularly obvious problems with service delivery agencies reported that they have not been supported by management and, in some cases, have had those agencies removed from their monitoring duties.

TECHNOLOGY

Another area in which the state program has demonstrated little leadership is technology, specifically, the program's intake and data collection software. The program uses software developed and owned by a consulting firm. The state office has not worked with the software for the past half year, because it has not been able to use its mainframe. However, the state contracts with the consulting firm to provide it with program data. The software has been widely used by Community Action Programs for years for their various programs and fiscal systems. These agencies, along with other Energy Assistance Program providers who have variations of the software, submit disks to the consultant, who generates program data twice a year for state staff. Interviewees, such as state staff, service delivery agencies, and utility companies, discussed many problems with this software system and frustration with the state's insistence on its continuing use.

Reports The technology is not meeting the state program staff's most basic needs for timely and accurate information. State staff reported that they are unable to run their own queries when data is requested by outside entities. For example, staff receive requests from state and federal legislators and the media for information on client demographics (number of seniors or number of veterans served), and they need this information for their own planning purposes. However, they have not been able to generate this information themselves for months. Instead, the state depends on the software consultant to generate these reports, which often takes time and is reportedly incomplete. Staff said this has resulted in their giving "best guesses," potentially inaccurate data, to requests for information.

State program staff reported that they are continually frustrated with not knowing the amount of funds that has been guaranteed to vendors and disbursed by the agencies at any given time. Agencies are required to submit biweekly reports to the state; however, many are often late, and staff reported that the two-week lag time can pose problems when the funding is tight and emergencies arise. Although this is an oversight issue, it is also a technology issue. These reports, which provide state staff with data on funds expended and obligated and number of households served, are not provided using the program's software system; rather, agencies submit the data by disk, on paper, or through e-mail, and state staff input it into a commonly used spreadsheet application.

The software itself does not easily collect or generate all of the client data that staff would find useful. State program staff could not produce complete demographic data on their clients for this evaluation. Program staff requested that each service delivery agency report the

number of households served with respect to persons over 60 and under 6 years of age for Program Year 99 (this is a federal reporting requirement); fewer than half of the agencies responded. Part of this is a monitoring issue, but state staff also attributed these problems in part to the software and service delivery agency staff's inability to produce the reporting data. Staff reported that this problem has been ongoing for years. In another example, data on client ethnicity, which would help state program staff ensure that certain populations are not being under-served, has to be generated by the program's software consultant and, in this instance, it could not be easily aggregated, but was reported by service delivery agency in a format that would not be considered "user-friendly."

Programming State staff and some service delivery agencies reported that changing parameters for program calculations takes a seemingly long time, leading to a rushed installation right before the program's start-up each year. All programming changes are made by the consulting firm. State and service delivery agency program staff cannot update screens or change formulas. A number of interviewees questioned the state's planning process and whether the state gives the consultant sufficient time to make changes to the software to reflect the year's new grant formulas. Some agencies discussed breakdowns in communication among some of the state staff, the software consultant, and the Community Action Program Association's technology committee, which provides input on program and software changes.

Many service delivery agencies themselves reported frustration with the "bugs" that come with each year's program start-up. Of the 16 agencies reviewed for this study, seven reported that Program Year 99 payments to vendors were sent out late (after the 30-day limit required by the state) because of software-related problems. Several of these agencies reported that they could not make payments until December 1998. This current program year, some agencies were again not able to make payments as of the beginning of December 1999.

Cost Many service delivery agency staff are frustrated with the cost of the software and feel that they are being "held hostage." One service delivery agency noted that approximately 10 percent of their funding to administer energy assistance grants was being spent on maintaining the software. Others said that the software is cumbersome, that they do not receive adequate training or even current operator's manuals, and that they simply do not understand why the state maintains this system year after year. Not all service delivery agencies presented such concerns.

Fuel consumption Prior to this program year, a household's fuel consumption data was collected in various ways. The larger utilities would submit large computer print-outs with clients' consumption data from the previous year. Some vendors provided spreadsheets, which the agencies hand-entered into their software application. Some agencies asked energy assistance applicants to call their vendors for the consumption data, or the agencies called the vendors directly. Some Twin Cities area agencies can connect electronically to Minnegasco for the data.

For Program Year 2000, the program asked its 1,600 fuel and utility vendors to submit applicants' consumption data on disk, using the software format common to all of the service delivery agencies. According to state program staff, many vendors said they did not have the staffing capacity to enter their data into that particular software and requested to submit it in a more common format. Large vendors such as NSP and Minnegasco attempted to submit the data in the requested format, but were unsuccessful for various technical reasons. Some of the service delivery agencies for whom this data transfer was unsuccessful had to call utilities for consumption data as they received individual applications. Although problems were understandably encountered because this was the first year this data transfer method was attempted, it illustrates the nature of the problem of 41 separate agencies, with often slightly different computer systems, performing these calculations.

Although this study did not review all types of software options available, interviews with other states yielded some promising possibilities. Project staff reviewed Wisconsin's intake/data collection system in person and discussed it at length with Wisconsin Energy Assistance staff. As discussed below, it addresses many of the problems Minnesota has had with its current software.

Wisconsin Wisconsin launched a new online intake software system this program year. Grantees around the state take applications in person and enter them directly into the state system. The software determines the benefit based on a "dummy-proof" entry system, and the state staff can change the benefits formula as needed. Eligibility rules are in the system, and the software also supports entry of case notes. Vendors transfer consumption data into the software, which the local agencies access to determine benefits. The formula for benefit determination is based on the client's exact income, previous year's heating cost, fuel type, and weather conditions, normalized over a 10-year period. The state sends notification letters to clients and a lump sum payment to vendors with a list of the accounts to which the benefits should be applied. Moreover, utility companies can log into the system at any time to see whether a customer has received benefits and how much they will be, preventing avoidable disconnections. This can be downloaded into their databases.

The state gave personal computers and training on the new system to their service delivery agencies, but otherwise does not support them. The agencies are responsible for making sure that they are connected to the system.

The reporting functions seem to address many of the Minnesota Energy Assistance Program's software needs; the Wisconsin system provides:

- current number and status of applicants;
- current dollars spent and obligated;
- instant communication with vendors, which prevents unnecessary disconnections;
- current data on client demographics, so if a population seems under-represented during the program year, the program can target outreach to them immediately;

- easy access to previous years, for reporting, planning, and comparisons;
- grants based on the households' exact income, not an income range;
- methods of determining grant sizes based on fuel prices and weather data; and
- the ability to make payments to fuel vendors and utilities centrally. (The need for this is discussed in greater depth in the report's section that discusses the impact of deregulation.)

Wisconsin has informally agreed to give Minnesota the software for the cost of copying it, on the condition that any upgrades Minnesota makes will be shared with Wisconsin. (Coincidentally, Iowa, which has used to some extent the same software as Minnesota, is in the process of adopting Wisconsin's system.) It would cost Minnesota an estimated $80,000 to modify and install the software. In addition, the state would need to maintain a server. Wisconsin staff estimated that it would take six months to make the software operational in Minnesota.

California California's Energy Assistance Program recently developed an automated, online service system as well. They expected to roll it out fully at the beginning of Calendar Year 2000. Local agencies will enter applicant data and the program will calculate income eligibility, determine energy burden, put the applicant in a priority group, tell the staff if the applicant is within agency goals, and send a notice if the energy burden is below a certain figure, asking the staff if they want to pay the grant or put it in a pending file. Applications will be continually reevaluated against each other as more households apply so that the "neediest of the needy" are ensured assistance. Because all agencies will enter information into one real-time system, the software will signal a duplicate check if someone is applying twice. The software will provide instant demographic data and produce monthly output reports to enable staff to track progress and expenditures. Staff indicated that they, too, would be interested in discussing sale of the software to Minnesota.

Interviews with one of Minnesota's larger utility companies indicated that it has offered to help offset start-up costs, since improvements to Minnesota's system are needed for the utility to operate more efficiently. Specifically, NSP has offered up to $300,000 to procure this specific system for the state.[19]

CONCLUSIONS

The State Energy Assistance Program Office has not made attempts to determine its eligible population, to rigorously assess the compliance and performance of its service delivery agencies, or to achieve consistency of service. Instead, out of a strong belief in and deference to local discretion, it has allowed some of its service delivery agencies to determine the direction and scope of the program.

This has led to unnecessary inconsistency in service delivery across the state. Specifically, start and end dates; eligibility determination, particularly for crisis assistance; and the length of time it takes to process and make payments on applications vary by agency.

Although outreach efforts should depend on the most effective ways to reach particular populations, it is questionable whether the state program is determining that service delivery agencies are implementing the most effective methods given their population.

Within the current system of delivering energy assistance through more than 40 service delivery agencies, inconsistencies are inevitable, determined by management practices of individual agencies, community customs, and the quality of the relationship between agency and state staff. Program delivery is complicated by the degree of discretion that has been woven into the program, in practice if not in policy.

Minnesota's technology is not meeting its needs by almost any standard, and the state office has not taken the lead on exploring other options. Software systems, notably Wisconsin's, are readily available and could help the program provide more effective service to low-income households.

RECOMMENDATIONS

1. The state should implement a data collection and reporting software system that enables real-time reporting and has user-friendly features, such as the one developed by the Wisconsin Energy Assistance Program. The system should be owned by the state so that it is not dependent on a consultant to produce program data. The data should be collected in real time so that state staff can provide current and accurate data in response to public requests for information and also know the status of their funds and can reallocate funds as needed for emergencies.

[19] Jan. 10, 2000, e-mail from NSP to the Energy Assistance Program.

2. The state office should undertake planning efforts to get a more accurate estimate of its eligible population and an understanding of the population's demographics. The state's existing data and expertise in various departments, such as Economic Security, Human Services, and Revenue, are valuable resources that can provide such assistance. In fact, in the process of conducting the wage detail analysis, Economic Security staff raised many suggestions for improving the methods in a longer-term study to yield more accurate estimates. Although the state's databases have been constructed to collect data for specific programs and purposes and will thus yield imperfect data when used to derive population estimates for the Energy Assistance Program, imperfect data may still be more useful than no data, as long as its limitations are understood.

3. The state office, with input from its service delivery agencies and other stakeholders, needs to develop a consistent, coherent strategy that spans multiple years, within the constraints of funding changes, varying climate conditions and projected fuel prices, and lessons learned from prior years. Specifically, start and end dates should be the same from year to year; if this is determined to be not feasible due to funding changes, then the state should consider adopting a year-around strategy. The state office should also be consistent about eligible populations so that persons who qualify one year are eligible the following year if their circumstances remain the same.

4. The state office needs to address its internal conflicts and set its course within state and federal guidelines. Until it does this, it cannot provide consistent leadership and communication of its policies and activities.

5. The state office staff should conduct its own surveys of recipient populations to make adjustments to the program.

6. The state office, in conjunction with service delivery agencies and other stakeholders, should make greater strides toward developing outcome measures and evaluating outreach efforts. State staff should review other states' energy assistance systems as well as other types of programs to bring in new ideas about most-effective activities.

7. The state office should implement a tighter monitoring policy over its grantees, the service delivery agencies. This would include ensuring that the agencies comply with state guidelines and imposing sanctions when guidelines are not consistently followed. Reporting data should be submitted by all agencies on a regular basis. A software system such as Wisconsin's would address many of the reporting problems. It should be the service delivery agencies' responsibility to have the capacity to support the software required by the state for reporting purposes. Agencies should be regularly evaluated against program-determined outcomes, using the federal recommendations discussed above. Outreach efforts and energy-related referrals should be documented and reviewed for effectiveness and planning purposes. Adherence to policies, including cash-on-hand limits, payments to vendors, and assistance rendered within certain time periods as determined by state and federal policy, are standards that agencies should be held accountable for meeting.

8. The state office should consider including new grantees regularly, to infuse the program with new ideas and ties to different populations. There is value in having consistent service providers throughout the state; clients and vendors can develop relationships there. However, the process for awarding grants to agencies should be based on outcomes, prior performance, and plans and ability to reach clients, particularly underserved or under-represented populations. The state should develop criteria for awarding energy assistance contracts to local service delivery agencies. These could include, but not be limited to, the following:

   - ability to conduct intake for crisis assistance, energy-related repair, Reach Out for Warmth, and Summer Fill;
   - ability to conduct outreach, particularly to harder-to-reach populations;
   - history of running similar programs;
   - ability to work one-on-one with clients;
   - ability to operate a year-around program; and
   - a proven track record in all of the above areas.

OPERATIONAL CHANGES for a DEREGULATED ENVIRONMENT

The United States has been in the process of deregulating the energy industry for the past several years. Since 1996, 21 states have passed comprehensive utility restructuring legislation and six states' utility commissions have adopted comprehensive restructuring orders.[20] Minnesota does not have a deregulation plan, but many industry and energy experts predict that it will happen within the next 10 years, perhaps as soon as the next five. The legislature's Electric Energy Task Force has been investigating deregulation alternatives, as have many other organizations. It is widely projected that deregulation will increase residential consumer costs, because Minnesota is a relatively "low-rate" state.

Many states that have deregulated have created universal service funds to supplement federal funding for energy assistance. In Minnesota, this fund could conceivably double the Energy Assistance Program's budget. However, it does not appear that the program has the necessary operational processes and infrastructure to both educate and assist energy consumers in the wake of deregulation or to demonstrate the need for and manage the increase of funding from establishment of a universal service fund, should one be created. (Universal service funding is discussed in more detail in the "Funding" section of this report, Page 63.)

As discussed in the previous section, the program is operating from several critical areas of weakness, particularly with regard to identification of and outreach to eligible populations and consistency of service delivery. As such, many, particularly larger utility companies, have argued that the program does not have the capacity to effectively serve a larger population or manage significantly increased funding levels. This section provides recommendations on how to better design the program so that it can meet these demands in a deregulated environment. Although a new operational model cannot address all of the Energy Assistance Program's current challenges, more effective and efficient mechanisms can resolve many of the problems of the current operational model itself.

OPERATING STRUCTURE

In general, a program's operating structure should be designed to support and carry out the program's mission and goals. Fiscal and staff resources should be allocated according to program priorities.

[20] Low-Income Home Energy Assistance Program Clearinghouse Website www.ncat.org/liheap/ereg.tm#HISTORY), July 1999.

Many interviewees, from within the state office to advocacy groups and service delivery agencies, expressed seemingly opposing views concerning the program's mission and priorities. Simply put, some emphasized that the program's intent is to provide funding to persons to help them pay their energy bills. They said that, practically speaking, the priority is to administer grants as quickly and as inexpensively as possible and that therefore service delivery should be structured around this goal. Others interviewed focused on energy assistance as a component of an overall package of programs and services that help individuals achieve self-sufficiency. The implication is that subsidizing utility bills alone will not achieve this; rather, a household's situation must be evaluated at the point of energy assistance intake so that its members can be referred to other types of assistance. Many, particularly service delivery agencies, believe that the current service delivery system is designed to meet this goal and argue that a shift in emphasis to faster benefit disbursement simply puts the interests of utility and fuel companies ahead of those of households with low incomes, because applicants would not receive referral services to other programs. (As noted earlier, 17 percent of Energy Assistance clients had documented referrals to other types of assistance from the 16-agency sample.)

Federal energy assistance program staff agreed that the statute can support any position along that spectrum, although their interpretation is that the program's primary purpose is to meet immediate energy needs, to get people through the winter.

To some extent, however, this is an unnecessary distinction. An efficient method of grant disbursement that minimizes administrative costs does not necessarily negate providing the counseling and referral services that contribute to achieving self-sufficiency. Keeping these dual goals in mind, the project team explored other states' experiences with service delivery. Prior to this discussion is an overview of Minnesota's current service delivery process:

Receipt and allocation of grants Under the current system, the state Energy Assistance Office receives the grant and allocates it to 41 service delivery agencies throughout the state, based on the number of households served in the previous year. The agencies are composed of 26 Community Action Programs, seven tribal governments, seven counties, and another nonprofit agency.

Application for grants Applicants apply for assistance in several ways. Some service delivery agencies mail applications to clients from the previous year, and some mail out applications on request. Agencies also take applications in person.

Eligibility verification Eligibility is verified by reviewing paycheck stubs or other documented forms of income. Households who received energy assistance during the previous heating season and who are on a fixed income, such as those receiving Social Security or Supplemental Security Income, may fill out an abbreviated application without submitting other documentation. A household's assets are self-declared; this program year, liquid assets below $25,000 are allowable for energy assistance benefits.

Benefit determination Agencies determine the primary assistance benefit with a formula common to all service delivery agencies. This formula calculates benefits based on income and declared assets, family size, fuel type, and the previous winter's fuel consumption data. If fuel consumption data is unavailable, because a household is new to the state, for example, the program uses an estimated amount as a proxy.

Check distribution Once the agencies have determined benefits, they write checks to fuel vendors and utilities.

Crisis assistance A crisis benefit is additional money that can be awarded to a household when a service delivery agency determines that the primary assistance grant is insufficient to address a no-heat situation. In Program Year 2000, crisis benefits are available for two categories of situations:

- when an immediate threat, such as a disconnection, is present; or
- when an additional amount of funding would prevent an imminent crisis situation. For example, if a household receives an intent-to-disconnect notice from a utility, the service delivery agency can provide a crisis grant.

Other heating assistance The Energy Assistance Program provides the other types of heating assistance (energy-related repair, weatherization, Reach Out for Warmth, and Summer Fill) through the service delivery agencies; the service delivery agencies offer these types of assistance as options to eligible households.

Although there are management-related problems with this service delivery process as discussed in the "State of the Program" section, many have argued and the project team has come to conclude that the program should develop a more effective operational model to address the inefficiencies inherent in a decentralized system of administration.

DEVELOPING a SERVICE DELIVERY MODEL

At issue is the degree to which program administration should be decentralized. "Centralization" refers to the state government office administering various aspects of the program, such as intake, eligibility determination, and payment to vendors. Thus, "decentralization" refers to contracting with local service delivery agencies to perform these functions, as is the current situation.

Table 9. Nationwide energy assistance program delivery systems

Responsible party	Intake*	Eligibility determination*	Payment to vendors*	Client notification*
State	17	16	27	23
County and/or nonprofit organization	43	41	34	37

* Figures total more than 51 (states and the District of Columbia) because some states have both state and local units of government performing this activity.

SOURCE: "U.S. Energy Assistance Program program delivery procedures FY 99: Intake Eligibility and Benefit Determination, Client Notification" draft document researched and compiled by the Low-Income Home Energy Assistance Program Clearinghouse, based on survey data from the U.S. Department of Health and Human Services, 1999.

Nationwide, states have adopted a variety of models to deliver energy assistance, with a leaning toward local agencies administering most program aspects. The exception is in making payments to utility companies, where slightly more than half of states make payments for primary assistance. Breakdowns are shown in Table 9.

In nine states, the state office and local organizations share the responsibility for intake. Staff from the Low-Income Home Energy Assistance Program Clearinghouse believe that in most of these cases, the state offices take responsibility for primary assistance and the local organizations handle crisis assistance. The study noted that most Energy Assistance Program state offices that handle intake do so by taking applications through the mail. Similarly, in the 10 states that share responsibility with local organizations for making vendor payments, the state offices make the payments for primary heating assistance and the local organizations handle crisis assistance.

At least eight states (California, Colorado, Idaho, Kentucky, Michigan, Montana, North Carolina, and Vermont) use other state agency databases to identify categorically and/or potentially eligible households, to whom they or the other state agencies mail energy assistance information or applications.[21] For example, Michigan mails applications to low-income seniors who filed a tax claim during the previous year, to cash assistance recipients, and to recipients of Michigan's property tax credits who appear to be eligible but did not apply for energy assistance. In Minnesota, the Department of Human Services sends a letter to all Minnesota Family Investment Program, Supplemental Security Income, food stamp, and

[21] Draft report of "Outreach Activities" compiled by the Low-Income Home Energy Assistance Program Clearinghouse, based on Fiscal Year 99 state Energy Assistance Program plans and interviews with states' energy assistance program staff.

TABLE 10. Comparison of Minnesota with other states

	1997		1998		1999	
	Households served/ total federal funding		Households served/ total federal funding		Households served/ total federal funding	
Minnesota[a]	89,280	$52,646,000	81,486	$39,239,000	89,924	$45,934,000
California	172,217	$52,943,000	105,861	$44,581,000	98,017	$49,127,000
Wisconsin	102,852	$41,867,000	92,270	$35,288,000	89,007	$38,796,000
Vermont[b]	13,700	6,881,000	14,200	5,797,000	13,200	6,377,000
Indiana	104,945	$30,392,000	100,326	$25,594,000	98,000	$35,295,000
New Jersey	129,275	$37,800,000	120,000	$37,800,000	111,000	$41,600,000
Ohio[b]	226,466	$60,084,000	207,951	$50,774,000	194,836	$64,531,000

[a] Funding level includes federal leveraging awards.

[b] These states serve more households than the numbers reflect; data on crisis assistance recipients is collected separately; however, there is some overlap of the two populations, but these states could not easily provide unduplicated numbers.

other program recipients with the intention that it would expedite income verification for various programs. It includes cash benefits that the household received for the previous three months. According to state program staff, it varies by service delivery agency whether agencies will accept the letter as proof of eligibility or require other documentation. It has not been program policy to instruct service delivery agencies to accept this letter as "proof" in itself. There is no formal tracking of how many program application requests this mailing generates.

According to the Low-Income Home Energy Assistance Program Clearinghouse, two states — Montana and Virginia — use their food stamp database to make automatic energy assistance payments. New Jersey reported that it does this as well.

The project team interviewed six states with a variety of operational systems to get a more in-depth understanding of different types of models. States were suggested by a variety of sources because they either share similar characteristics with Minnesota's system or because they employ procedures that some interviewees thought Minnesota should adopt. Points relevant to developing a service delivery model are included here. More complete information about other states' programs is included in Appendix B. Comparative statistics are listed in Table 10.

This data is shown only to provide a sense of scale; that is, it is impossible to make apples-to-apples comparisons between Minnesota and other states because of variations in weather, fuel costs, quality of housing stock, demographics, and other characteristics. For example, New Jersey has received roughly the same federal appropriation as Minnesota for the past few years, but serves far more than 100,000 households. Some of this may be attributable to administrative savings, and some of it is attributable to lower per-household benefits. A much more detailed analysis would be needed to make valid comparisons; that level of research was beyond the scope of this report.

Many interviewees, such as advocacy groups, utilities, and state program staff, advocated for adopting greater centralization of administrative functions. Some service delivery agencies, while more cautious, also indicated that some centralization could address some of the current structural problems. The primary reasons focus on consistency, efficiency, and increased participation. These are discussed in the context of five components of a centralized administrative model: identification of eligible population, outreach and eligibility verification, collection of energy consumption data, payments to vendors, and contracting for local services. Although it was outside the scope of this project to create a new service delivery model in its entirety, the project team identified the following components as desirable, perhaps essential, in a service delivery system that would meet the legislature's request for a "uniform statewide assistance network."

It is recommended that the program implement these processes as soon as possible to correct current weaknesses as well as increase the program's capacity to provide services in a deregulated environment. Five recommended components of a centralized administrative model are:

1. Identification of eligible population The program operates on a first-come, first-served basis. This is fundamentally flawed if the state's goal is to serve those most in need; the state has not identified its eligible population and so cannot determine and conduct outreach to those who are most in need. Therefore, the state should use its existing data on categorically and potentially eligible populations to understand its client base and prioritize within.

With its current funding level, the program would run out of money and have to turn people away if it served everyone who is eligible. California's program software determines who is the most in need on a continual basis and the state has turned people away as it runs out of money during the program year. If Minnesota adopts a change in philosophy, namely serving those most in need instead of on a first-come, first-served basis, it would need to adopt this or similar technology.

This doesn't argue against a new system for administration. It is better that the state knows how many citizens it can't serve that do need assistance than to operate without such knowledge. As to the question of turning applicants away, in effect it happens now. For example, people living in subsidized housing with their heat included in the rent were covered last year but this program year these applications won't be reviewed until March. Also, the state could

set more stringent guidelines to narrow the possible eligible field. That way, the program could serve those most in need while maintaining meaningful grant sizes and not turning away masses of applicants.

The state office should conduct sensitivity analysis to identify the approximate number they are able to serve, instead of qualifying a larger pool and turning many of them away.

2. Outreach and eligibility verification Data used to identify energy assistance potentially and categorically eligible populations should be used for outreach purposes; that is, the state can mass mail either notices of primary assistance eligibility or applications, as appropriate, to these populations. As applications are returned, eligibility can be verified through these databases as well, eliminating the need for individual staff workers in service delivery agencies to check through paycheck stubs and clients' other personal documentation.

The larger issue, of which energy assistance is one example, is how many times state and service delivery staff enter and re-enter the same data on the same family, or, as one observer put it, "How many times does someone have to go to an office to prove that they're poor?" Many have argued that this is a significant barrier to applying for energy assistance, particularly among the elderly.

Local service delivery agencies, too, have stressed their desire to have one master application so that applicants don't have to fill out the same information multiple times. The disadvantage, according to others, is that personal data that may never be used is requested; thus the larger application can be perceived by applicants as cumbersome and intrusive. For example, Energy Assistance Program applications vary by agency, some requesting data that is not necessary for determining eligibility under current guidelines. However, program-essential data has been laid out in a short, user-friendly mailer designed by the Department of Revenue for a pilot project discussed below. A solution may be to use the state's databases at the departments of Economic Security, Human Services, Revenue, and possibly others as "virtual applications" that programs can tap into for whatever information they need to provide assistance.[22]

Energy assistance recipients and the program's eligible population participate in a variety of state-funded or -administered programs, data from which can be used to identify these populations and, at a minimum, verify their eligibility. These data sources include the Minnesota Family Investment Program, Supplemental Security Income, food stamps, social security, property tax refund data, and re-employment insurance. There are most likely many more that should be further researched. Data exchange of this nature for outreach purposes involves data practices concerns and would need to be thoroughly considered. Data exchange for verification of eligibility may be of less concern because applicants can sign a release

[22] Data sharing of this magnitude would require multi-agency planning and legislative changes in data privacy statutes.

TABLE 11. Sample of cross-referenced data

	Energy Assistance Program households			Number of program recipients over age 60	Percent of program recipients over age 60
	Number	Number with wage detail data	Percent with wage detail data		
Ramsey	7,205	4,155	58%	1,431	20%
Douglas	1,192	645	54%	472	40%
Faribault	655	335	51%	291	44%

SOURCES: Wage detail data submitted in third or fourth quarter, 1998, Minnesota Department of Economic Security; data on senior Energy Assistance Program participation, Program Year 98, Energy Assistance Program.

authorizing such exchange. This is the mechanism used by the Energy CENTS pilot, discussed below. Other implementation issues, such as timely availability of the data, would have to be investigated by the state Energy Assistance Office as well.

Nonetheless, for this report, Economic Security staff compared data on energy assistance program recipients in three counties — Ramsey (large, metropolitan area), Douglas, and Faribault (rural, Greater Minnesota) against wage detail (Table 11).

For these three counties, between 50 and 60 percent of Energy Assistance Program recipients matched wage detail data, demonstrating that data on this aspect of household income can be determined electronically. Wage detail would not show non-wage income; that would have to be verified against other sources of data. Economic Security also demonstrated that between 20 and 45 percent of program recipients in these counties were over 60 years old. These recipients could be found through Social Security records, for outreach purposes or to verify their eligibility (again keeping in mind data practices concerns).

This program year, the Energy CENTS Coalition will conduct a pilot project using state databases to identify potential Energy Assistance Program-eligible households and to verify their income.

The Department of Economic Security will mail 1,500 applications to households receiving unemployment insurance payments in Ramsey and Washington counties. The Department of Human Services will mail applications to all MinnesotaCare and food stamp recipients in these same counties — approximately 8,000 households. The Department of Revenue will mail applications to households within Energy Assistance Program income guidelines receiv-

ing property tax refunds in the two counties. According to Revenue staff, a statutory change would be required to make Revenue's data available directly to the Energy Assistance Program.

Energy CENTS will receive these applications from households and have the respective departments verify income. They will send the applications to the departments in batches, the most efficient way for department staff to verify income. According to Energy CENTS staff, this will most likely result in a two-week turnaround time. However, staff pointed out that if they had constant access to this client data, as state energy assistance staff could, turnaround time would be minimized. Energy CENTS will receive consumption data from NSP electronically and determine eligibility. Then the list of eligible households with their calculated benefits will be given to the Energy Assistance Program to make a lump sum payment to NSP. Information on recipients will be forwarded to the Ramsey Action Program for crisis and weatherization outreach and assistance.

Energy CENTS predicts savings on the current system in two main areas: First, they minimize outreach costs to find clients because potentially eligible households are identified by the state's databases; second, it is more efficient to verify income through the state's databases than manually at agency offices. Energy CENTS projects that the cost per application for primary assistance, including state staff time, resources, and postage, will be approximately $18. The state office should evaluate this pilot to confirm administration costs, compare timeliness with the current system, identify implementation challenges, and make a recommendation regarding the model's potential for broader application.

For example, in a 1997 pilot conducted by Children, Families and Learning's food and nutrition program, the program identified families in 14 targeted school districts who received Minnesota Family Investment Program funds or food stamps, because participation in these programs makes the children categorically eligible for free school lunches. Instead of sending free lunch applications to families, the families were certified directly, which staff said increased participation by 12 percent. Currently, once the program determines which children are eligible through data matching with the Minnesota Family Investment Program, the program sends this list to each school district. The school districts are responsible for sending notification letters to parents. Program staff said that direct certification has increased participation to a greater extent than when parents had to bring eligibility notices to schools.

With software that doesn't allow for duplicate client entry, the state can use its databases to reach the largest pool of clients, and agencies can then reach out to populations not participating in state assistance programs or available through Revenue records. For example, information on new immigrants to the state may not be available through these databases. Also, harder-to-reach populations such as non-English-speaking people or those who would appreciate personal assistance in filling out the applications would be natural clients of local agencies. Moreover, a local presence may be in the best position to provide crisis assistance and to work with local vendors to provide energy-related repairs and weatherization.

Sending applications to the majority of the eligible population would reach many more low-income households than are currently receiving energy assistance. Therefore, fully implementing this approach assumes that a universal service fund or other funding mechanism is in place to meet that demand. However, even without that level of funding, implementing this system is projected to save administrative dollars and prepare the state, should a universal service fund be implemented. If the increased outreach was implemented fully without a commensurate level of funding, the program would need a software component similar to California's program to prioritize assistance to those with the highest energy burden or the most vulnerable populations.

3. Collection of energy consumption data The state can collect energy consumption data from vendors electronically, avoiding the problems vendors have encountered when providing data to multiple agencies using multiple versions of a software system. (Applicants would authorize this through the application form.) Vendors themselves would be able to access the status of their customers' benefits through the state's energy assistance database, thereby reducing the number of unnecessary disconnections.

4. Payments to vendors The state can issue payments to vendors, batching hundreds or even thousands of client benefits into single payments to delivered-fuel and -utility vendors. This makes sense for primary assistance benefits; however, whether local agencies would make payments for delivering other program components is questionable. Agencies interviewed pointed out that vendors want to negotiate with the entity that will be paying them. Small vendors interviewed did not express strong opinions on this point.

Among the states interviewed, Ohio, which administers all aspects of primary assistance at the state level, has its local service delivery administer all aspects of crisis assistance and other service components, including payments to vendors. California, which has a mostly decentralized system, pays gas and electric companies, and local agencies pay propane, wood, and oil vendors. New Jersey makes payments for primary assistance at the state level and local agencies administer crisis assistance. Vermont makes payments for all types of assistance at the state level.

5. Contracting for local services The state would contract with service delivery agencies to conduct intake of populations the state can't reach and persons who need individual assistance. Local agencies are optimally located to provide one-on-one assistance. This would be accomplished online so that the state and vendors would have real-time data. In addition, local agencies are in the best position to negotiate with local vendors and provide other components of the program, such as crisis assistance and weatherization. Concerns discussed earlier regarding inconsistencies in managing these types of assistance are more of a management issue than one of operational structure. These issues can be addressed through closer and more effective monitoring and better documentation and reporting practices.

The state also could forward names of Energy Assistance Program recipients, with the clients' release, to local agencies so that they may follow up with the household for other types of assistance.

In addition, it is widely anticipated that household energy consumers will need education and various types of assistance regarding their choices for energy providers in a deregulated environment. Although the Energy Assistance Program at the state level can provide leadership in developing objectives and provide support for consumer education efforts, actual outreach to households and one-on-one assistance are best implemented at the local level. The state could contract with local service delivery agencies to provide this assistance.

COSTS

Under the current system, the federal Low-Income Home Energy Assistance Program allows state programs to automatically take 10 percent of their federal grant allocation to administer all aspects of the program (primary assistance, crisis assistance, energy-related repair, and Summer Fill). In Minnesota, the 10 percent allocation is split between the state office (1.63 percent) and the service delivery agencies (8.37 percent). The state office does not track how the service delivery agencies divide administration dollars among the program components; that is, it is not discernable from the state's budget documents how much it costs to administer different aspects of the program. However, staff at some service delivery agencies reported that components such as crisis assistance require more staff time and thus cost more to administer. In addition to administration funding, the program can use 5 percent of its total grant for program services, including budget counseling, vendor negotiations, and working with other service providers to address a household's chronic energy issues. According to state program staff, the program as a whole (state office and service delivery agencies) always uses the full 15 percent.

Table 12 on the next page shows an average cost per household, with administration and program service dollars combined. There doesn't appear to be any discernable pattern of cost per household served; that is, the cost per household doesn't consistently rise or fall depending on the number of total households. Rather, it would seem that the program (the state office and agencies combined) spends 15 percent of its grant each year on these activities. The study team was not able to research or audit uses of administration dollars in any greater detail; therefore, it is unclear why the program does not achieve economies of scale.

If this new model is implemented, service delivery agencies would receive a smaller portion of the state's allocation for administration, with which it would perform outreach activities. In addition, the state could pay agencies for new applicants the state has not contacted and could provide a portion of program services dollars, as needed, for providing one-on-one assistance to clients.

TABLE 12. Minnesota Energy Assistance Program total administrative and program services cost per household served

Program year	Total funding[a, b]	Number of households served	Average cost per household served
1995	$53,572,000	103,760	$77.45
1996	40,042,000	87,080	68.97
1997	50,014,000	89,280	84.03
1998	37,752,000	81,486	69.49
1999	43,637,000	89,924	72.79

[a] Appropriated, not actual expended, budget. Expenditures are lower than the budget amounts, thus the average cost per household served is slightly lower than the stated figures.

[b] Total funding less 5 percent that is allocated to weatherization.

Although a complete cost–benefit analysis was not conducted on this model, it is believed that the level of automation recommended would save administrative dollars, which could then be applied to making more or larger assistance grants, as determined by the program. It is believed that Minnesota could make use of economies of scale. For example, when a database is queried for eligible households, the time (cost) it takes to identify additional households is negligible. The same is most likely true for eligibility verification.

The state issuing payments itself should not increase costs. The Energy Assistance Program contracts with approximately 1,600 fuel vendors of various types. The project team asked Department of Finance staff how much it would cost to process transactions with vendors. Finance estimated that it would charge the program slightly more than a dollar per transaction, in Fiscal Year 2000.

OTHER OPERATIONAL ISSUES

Under the current system, clients are awarded one-time primary heating grants. They also may apply for crisis grants. It is thought that this has created incentives that run counter to self-sufficiency. Many, including service delivery agencies and some utilities and delivered-fuel vendors, have pointed out that the incentive is for people to fall into arrears to receive additional money through the crisis program.

It was suggested to spread the energy assistance grant over the course of a year, to even out a client's utility bills. The incentive would be for the client to make an affordable contribu-

tion each month toward the utility bill, thereby receiving the subsidy for the following month. Winter bills would not appear daunting, and the incentive to fall into arrears in order to receive a grant would be reduced. The state operates a similar program. In 1997, the Department of Human Services arranged with 1,300 Minnesota Family Investment Program recipients to have portions of their benefits, the amount determined by the recipients, sent directly by Human Services to NSP and other utilities at the first of every month. Staff from NSP said they can apportion the money over the year to even out the utility bills and they have found that these direct monthly payments help keep these customers from falling into arrears.

Several questions arise, however, about energy assistance benefits. What would happen to the client who failed to make a monthly payment? Who would oversee administration of such a system, and what would be the cost? Has this been tried elsewhere, and what were the results? This is an area for the Energy Assistance Program to investigate further.

To address the pride and privacy issues that by many accounts keep eligible citizens, particularly senior citizens, from applying for energy assistance, the program may want to explore other methods for delivering the benefit. For example, perhaps grants could be issued as an "energy credit" or "rebate" made payable to the recipient instead of the utility company or fuel vendor, as some advocacy organizations suggested.

The PROGRAM'S LOCATION within STATE GOVERNMENT

The Energy Assistance Program was moved by executive order from the Department of Economic Security in summer 1997 to join the newly created Department of Children, Families and Learning, which held many programs from the former Department of Education. There was a debate at that time whether the Energy Assistance Program fit with Children, Families and Learning's mission and whether this program was going to be operationally supported in the new department. This study's scope did not include evaluation of Children, Families and Learning's operations or effectiveness in general, and the findings and conclusions presented here should not be construed as criticisms of the department. Rather, this report section looks at the department's operations strictly relative to the Energy Assistance Program, with the intent of resolving the long-running debate on optimal program placement.

The following factors are key to the Energy Assistance Program's effectiveness:

- support from department offices (fiscal, communications, technology, advocacy);
- similar processes;
- access to data needed for efficient functions; and
- stability.

The anticipated energy industry deregulation will require increased capacity and greatly improved processing from the Energy Assistance Program. The program needs to sharply refocus to prepare for the upsurge in program volume.

MISSION

The purpose of the Energy Assistance Program is to provide financial and other types of assistance to low-income households so that they can meet their energy needs. Since the program's inclusion in the Department of Children, Families and Learning by executive order in 1997, critics internal and external to the program have questioned the fit of that mission with the overall mission of Children, Families and Learning. The mission of the Department of Children, Families and Learning is to "increase the capacity of Minnesota communities to measurably improve the well-being of children and families." Its stated goals focus on strengthening the structures and systems that support children, such as schools, libraries, health care systems, and communities as a whole. It can be argued that Energy Assistance helps to fulfill the department's goal to "support families in poverty and help all families

provide a stable environment for their children";[23] however, the program reports that only about a third of its clients are families with young children. The remainder, approximately 66 percent, are single persons, couples without children, and the elderly.

The department's budget naturally reflects its focus on children, and on school-based education in particular. The General Education Program, which disburses funds to school districts, constitutes 67 percent of the department's $8-plus billion biennial budget.[24] "Special Programs," which compose 14 percent of the budget, are directed at schools. It stands to reason that the staff's time, energy, processes, and resources are directed toward supporting children and schools.

Interviewees from a variety of organizations have pointed out that the attention of the Children, Families and Learning legislative committees is primarily on education. Again, this is quite reasonable, considering the department's mission. However, as the state continues discussion on energy industry deregulation, including its effect on low-income customers, observers have noted that the Energy Assistance Program needs to have a strong presence and representation in the committees where the policy discussions affecting its clients will take place.

VISIBILITY

Some program staff use the word "invisible" when referring to the program in its current department; however, visibility isn't a problem exclusive to staff morale. Given the program mission, external visibility is necessary to inform citizens about the program. For some aspects of the program, such as Reach Out for Warmth, which is funded by private contributions, visibility is essential. Attempts to publicize Reach Out for Warmth through department events and community vehicles haven't been successful. For example, the program sponsored a fund-raising event that was not publicized by the department, despite the program making such a request. A search of the Energy Assistance Website, managed by Children, Families and Learning support services, revealed incorrect telephone numbers for program staff and did not list the program's toll-free number.

FISCAL OPERATIONS

When the Energy Assistance Program was located at Economic Security, the department's support services managed all of the program's fiscal accounts, reviewed their service delivery agency audits, and was responsible for meeting the program's state and federal reporting requirements. Since their transfer to Children, Families and Learning, Energy Assistance Program staff, who do not have backgrounds in budgeting and nonprofit accounting, have assumed many of these functions themselves, with mixed success. Children, Families and

[23] CFL Website (cfl.state.mn.us/DEPART.HTM).

[24] CFL 2000-2001 Biennial Budget, Page A-57.

Learning's fiscal offices have provided basic financial services; however, the expertise of the fiscal staff is in the education reporting, budgeting, and payment functions. The types of support functions that the program had been used to receiving in the past have not been available nor has the program fully developed them internally. As a result, the program has been out of compliance with state and federal requirements in several instances.

For Fiscal Year 1998, the Legislative Auditor cited the program for cash management irregularities and "not adequately monitor[ing] certain subrecipients as required by federal regulation." Specifically, the state energy assistance office had "not established procedures to review audit reports and follow up on any findings. The office ha[d] not maintained a system to track and follow up on material findings and resolve issues with subgrantees."[25] The state office reports that these issues have since been corrected.

In a more recent example, during the course of this project, program staff reported that their program and financial reports to the U.S. Department of Energy for the program's weatherization grant had been inaccurate and late for the past year and a half. Federal Energy Department staff confirmed that the program's noncompliance with these reporting requirements is jeopardizing its funding. Energy Assistance Program staff recently have been receiving assistance from Economic Security fiscal staff to address the fiscal reporting requirements.

In some instances, the Energy Assistance Program's fiscal operations and requirements have not fit with the department's more standard fiscal operations. For example, donations to the Reach Out for Warmth program have been dormant in the account since Program Year 1999, instead of being disbursed to service delivery agencies. However, the department also has been working to accommodate the specific needs of the program. For example, problems related to timely cash disbursement, which had limited the program's ability to meet the requirements of the Cash Management Improvement Act, were recently addressed.

OTHER STATES

Energy assistance programs in states across the country are housed in such agencies as social/human services, housing, administration, energy, economic and community affairs, family and children's services, commerce, human rights, health, and trade and economic development. The lack of consistency in the program's placement nationally may reflect the program's diverse constituency (for example, the elderly, families with children, veterans, persons with disabilities) and activities (essentially income transfers and weatherization). It can reasonably be argued that there is no "perfect" fit for this program within state government.

---

[25] "Department of Children, Families, and Learning: Statewide Audit - Selected Programs, Fiscal Year Ended June 30, 1988", Financial Audit Division, Office of the Legislative Auditor, State of Minnesota, March 1999, pg. 5.

The project team took a closer look at several states to find out what they've learned from their program's placement.

Ohio's Energy Assistance Program is located in the state's Department of Development, the mission of which is to ensure a healthy state economic climate. The division where the Energy Assistance Program is located focuses on local economic development projects; affordable housing and infrastructure improvements; energy assistance and related services; and job training and emergency food, shelter, and medical services. The program director said that the program fits with the department's mission because it helps enable citizens to work and achieve self-sufficiency.

Ohio's program director noted that she appreciates that the Energy Assistance Program is not located in the state's welfare department because they would be seen, and treated, as a small fish amid the Temporary Assistance to Needy Families programs. Department of Development support services are responsible for the payment to vendors, internal auditing, and reporting.

New Jersey's program staff said they were glad that the program is separate from the welfare department because of the stigma attached to welfare.

In Indiana, the program is housed with the Department of Family and Social Services, which houses all of the state's "traditional welfare programs." Staff said that the program feels "misplaced" there, because the department does not administer grants similar to the Energy Assistance Program's.

California believes that being co-located with other Health and Human Services-funded programs maximizes opportunities to collaborate.

Wisconsin recently moved its energy assistance program to a newly created Division of Energy and Public Benefits in the Department of Administration. The mission of the division is to address "the state's long-term energy policy goals, including electric power reliability"; other offices in the division include the Energy Services Bureau and the Weatherization Bureau.

MINNESOTA

Several state agencies, such as Economic Security, Public Service (now Commerce), Human Services, and the Minnesota Housing Finance Agency, were mentioned during the study as possible candidates for the program's home. Of those four agencies, Economic Security was the most prominently discussed. Several interviewees suggested the Department of Commerce,

particularly with regard to the weatherization component of the program.[26] This section discusses the advantages and merits of transferring the Energy Assistance Program to the departments of Economic Security and Commerce, respectively, as well as the aspects of each department that do not seem to provide a good "fit" for the Energy Assistance Program. As discussed below, the most appropriate fit for the program depends in part on whether one focuses on aspects of the program related to providing services to low-income clients (Economic Security) or on delivery of energy services in general (Commerce).

Department of Economic Security

Interviewees, primarily state Energy Assistance Program staff and low-income advocacy organizations, who view the Energy Assistance Program primarily as a program to provide assistance to low-income individuals and families, regard Economic Security as a natural location for the program. Many of these interviewees believe that Economic Security's mission of helping people achieve self-sufficiency is in line with the Energy Assistance Program, because this assistance is intended to help people living on the margin stay in their homes. Economic Security's stated mission is to "help people help themselves achieve economic security." In addition to Economic Security's focuses on a skilled work force and providing labor market information, its goals include helping Minnesotans live independently so they can participate in their communities and meeting basic needs of people temporarily outside of the work force.[27]

ADVANTAGES Advantages to locating the Energy Assistance Program at Economic Security focus on the program's operational similarities with other Economic Security programs, as well as the Energy Assistance Program's history with the department.

For example, Economic Security programs and the Energy Assistance Program serve many of the same citizens and administer similar funding streams. Both Economic Security and Energy Assistance programs provide services to these populations:

- low-income adults, including public-assistance recipients;
- dislocated workers;
- youth;

[26] The Department of Human Services was not researched in further depth because the few interviewees who raised it were concerned whether the state's largest agency could devote the necessary attention to the Energy Assistance Program's immediate needs. The Minnesota Housing Finance Agency also was mentioned, but a cursory review of its mission indicated that it would not be a strong fit for the Energy Assistance Program; no further research was conducted in this area.

[27] Department of Economic Security 2000-2001 Biennial Budget, Page E-79.

- persons needing rehabilitation services and/or persons with disabilities; and
- the elderly who have low or fixed incomes.

Minnesotans who receive assistance from the Minnesota Family Investment Program, Supplemental Security Income, or the Food Stamp Employment and Training Program are categorically eligible for energy assistance. Data on these populations is managed by existing Economic Security databases and the Human Services/Economic Security data warehouse. Therefore, more efficient data collection and sharing and greater collaboration should result from housing energy assistance staff with these programs. This would facilitate broader outreach to needy citizens and more effective identification of the services needed to enable self-sufficiency.

At the local level, there are more opportunities to connect services. For example, several service delivery agencies, including some Community Action Programs, are co-located with Economic Security Workforce Centers. This enables citizens, who often have limited time and transportation options, to "one-stop shop" for assistance.

Economic Security administers federally funded programs such as Welfare-to-Work and the Job Training Partnership Act. Certain aspects of administration of these programs are similar to administration of Energy Assistance. Specifically, Economic Security staff have expertise in disbursing funds on an as-needed (and often emergency) basis, adhering to federal fiscal operating and reporting requirements, and reviewing service delivery agency audits.

The Energy Assistance Program contracts primarily with Community Action Programs as well as with other nonprofit organizations and county governments to work with clients and deliver energy assistance grants. Similarly, Economic Security contracts with the programs for federally funded older worker training and placement programs and programs for youth prevention and intervention. Economic Security training programs in general are delivered through a variety of local service delivery agencies, public and nonprofit, throughout the state. The department is therefore experienced in contract administration, federal accounting standards, and monitoring service delivery agencies' compliance with federal and state requirements, all of which are needed supports for the Energy Assistance Program.

Finally, Economic Security administered the program prior to its move to Children, Families and Learning; some observers and most state program staff interviewed perceived that, in some respects, the program was more effective at Economic Security. Many said repeatedly, "It was a better fit." Economic Security staff interviewed for this project had worked with the program when it was at the agency; they seem to have a good understanding of the program's operations, its strengths, and its challenges.

DISADVANTAGES Some interviewees made the argument that Economic Security's mission is primarily focused on work force readiness, and that many energy assistance recipients, such as senior citizens, are not in and are not likely to re-enter the work force. Although Economic Security provides services to senior citizens, they are not the department's "typical" client to the same extent that senior citizens receive energy assistance.

Department of Commerce

A few interviewees, primarily staff in state agencies, emphasized the Energy Assistance Program's connection to energy services and therefore saw a more natural fit with the energy-related programs in the Department of Commerce. Commerce regulates some of Minnesota's major businesses and industries, such as telecommunications, insurance, and energy. The mission of its Energy Division is to "assure continuous access to reliable, reasonably priced, efficient and economical energy services to Minnesotans through environmentally responsible energy use."[28] It works to achieve this in a variety of arenas; the program "participates in all utility regulatory matters before the Public Utilities Commission as consumer advocates, analyzes and approves Conservation Improvement Programs (utility-funded programs), monitors petroleum supplies, promotes the research . . . of renewable energy resources," and is involved in other activities, as well.[29]

ADVANTAGES Advantages of moving the program to Commerce focus primarily on the department's visibility in administering other types of energy programs.

For example, the Energy Division runs the state's Energy Information Center, which disseminates energy conservation information to homeowners, renters, builders, and others who work in the field. Staff noted that they also receive calls from people seeking the Energy Assistance Program (approximately 400 last year), and they refer these callers to the program. Other outreach locations include the State Fair and vendor and trade shows. The center produces informational brochures and packets on a variety of energy conservation issues, such as the energy code, energy audits, and simple energy conservation tips for homeowners.

The division administers the State Energy Program, which is funded through the U.S. Department of Energy. These grants are disbursed to public and private entities for demonstration projects in energy conservation, including investigating alternative energy sources such as wind, solar, and biomass; developing alternative technologies such as flexible fuel automobiles; and designing and remodeling homes for greater energy efficiency. Commerce staff determine and oversee use of these funds as well as provide technical assistance and data to their grantees.

---

[28] Department of Public Service 2000-01 biennial budget, P. E-360.

[29] *Ibid.*

The division also oversees administration of Conservation Improvement Programs, which are funded by utility companies. Utilities submit plans to Commerce for energy-related projects in commercial, industrial, and residential sectors. In the residential arena, funds can be used for low-income assistance, such as paying energy bills, weatherizing, and installing energy-efficient appliances (refrigerators, for example). These funds are distributed through public and private entities, including local service delivery agencies. The state staff does not monitor administration of these funds; rather, they request that utility companies provide reports.

Operationally, there are some intersections with the Energy Assistance Program's needs. For example, the Commerce energy programs collect regular data from utilities on energy consumption, although not on individual households. Commerce also exchanges data with the Department of Health on regulating the insurance industry. Staff thought that additional staffing would permit them to implement similar links to the Department of Economic Security and other state agencies for data on the Energy Assistance Program's populations.

Some grants administered by Commerce energy programs ultimately are delivered through local service delivery agencies, although there is no direct monitoring of these agencies by department staff.

Regarding the future of much of the Energy Assistance Program's funding and activities, however, Commerce is heavily engaged in energy industry deregulation activities. It has been conducting work groups on the subject; will be involved in negotiations, including those concerning the creation of a universal service fund; and plans to provide consumer information through its Energy Information Office, in conjunction with utilities. It has been argued that, if the Energy Assistance Program wants a "seat at the table," it would be well-suited to be located at Commerce.

DISADVANTAGES Commerce staff do not monitor agencies for the same type of activities necessary for the Energy Assistance Program, such as agencies' outreach activities, their referrals to energy-related services, and their effectiveness overall. In the case of Conservation Improvement funds, there is no direct monitoring by Commerce at all. As discussed earlier in this report, the Energy Assistance Program would benefit from guidance in this area by staff experienced in monitoring social service delivery.

Commerce has no experience administering this program and would require time to develop a working knowledge of the program's operations, let alone its strengths and current challenges. This introductory period would occur while interviewees from all types of organizations (service delivery, utilities and fuel vendors, advocacy agencies, and state agencies) are asserting that program improvements are needed as soon as possible, and certainly prior to the passage of energy industry deregulation legislation.

Although some of Commerce's grants may serve low-income populations, this population is not the focus of their programs. Therefore, collaboration possibilities with other social

service programs are most likely limited at the state and local levels. Too, there is some concern among those interviewed that the department's more technical orientation would overshadow the Energy Assistance Program's emphasis on meeting the needs of low-income individuals and families.

Splitting the Energy Assistance Programs

It was suggested that the weatherization component of Minnesota's energy assistance programs could be a better fit at Commerce than the program's other components. Weatherization, while intended to benefit low-income households, is specifically geared toward improving housing stock so that it is more energy-efficient. Only persons with low incomes qualify for this assistance, but the focus is on the more technical goal of energy conservation.

Communication between Commerce's energy programs and CFL's weatherization staff reportedly has increased over the past year. Commerce staff have provided technical assistance to weatherization staff and they have consulted with state and service delivery agency staff in collecting data regarding effective weatherization techniques. This data also helps Commerce staff with their energy conservation efforts.

More cooperation, collaboration, and data-sharing may be achieved if the weatherization component is transferred to Commerce. Commerce engages in many research projects to identify more effective weatherization techniques, and the weatherization program collects data from actual implementation in homes, providing more opportunities for testing and feedback as a whole.

Both the weatherization and Commerce energy programs receive U.S. Department of Energy funding and make reports to that department. Thus, Commerce staff understand the reporting requirements and could assist weatherization in this capacity.

A drawback to separating the Low-Income Home Energy Assistance Program components from weatherization is that the programs work with the same population; applicants for energy assistance are evaluated for weatherization. Some sort of data transfer would be necessary to continue this connection. On the other hand, many state programs operate out of different state agencies and serve the same populations; it is not an insurmountable obstacle. Another issue is the Energy Assistance Program's energy-related repair, which repairs or replaces faulty or inoperable furnaces; the Summer Fill program, which purchases fuel for households off-season when prices are low; and the Reach Out for Warmth program, which relies on private funding to make supplemental grants to low-income households. If the energy assistance programs are split, it is not clear in which department each of these components should be located, although the program's emphasis on serving low-income populations seems to weigh more heavily than any technical components.

Staffing split programs is another issue that would need to be studied. The Energy Assistance Program has one director, with coordinators for the Low-Income Home Energy Assistance Program programs and weatherization. Several staff monitor both programs through service delivery agency visits and other types of support. It is not clear if existing staff in new departments could assume some of the monitoring functions, or whether additional staff would have to be added to one of the new departments. It also is not clear how many directors would be needed.

To get a broader perspective on dividing Low-Income Home Energy Assistance Program from weatherization, the project team looked at other states. According to the Low-Income Home Energy Assistance Program Clearinghouse, 32 states administer energy assistance and weatherization from the same department.[30] According to Clearinghouse staff, the co-location of the programs is most likely due to historic reasons. However, they also noted that over the past 10 years, several states have combined their previously separated programs into one agency. Staff noted that effective programs operate out of split as well as combined agencies, that "the key is coordination of operations and resources."

Two 1993 reports, published by the Oak Ridge National Laboratories in cooperation with the U.S. departments of Health and Human Services and Energy, illustrate that the degree of innovation and effectiveness of weatherization programs is not dependent on co-location with other energy assistance programs.[31] Although this question was not the focus of either report, the discussions illustrate that effective programs were found in both states that co-located and states that divided the programs; and other factors were shown to be more important to overall effectiveness. For example, one study reported that several successful weatherization programs, including Minnesota's, found that "the key decision-making level for effective weatherization may be at the weatherization job site itself. [These programs] have worked to create agency contacts, audit instruments, and installation protocols that will facilitate good choices and techniques by local weatherizers."[32] Other factors discussed include targeting homes that are high energy users (Colorado) and identifying critical types of work such as tuning and cleaning inefficient heating systems (New York). These and other policies are not dependent on co-location with Low-Income Home Energy Assistance Program, although data sharing between programs facilitates some types of work, such as targeting particular low-income populations.

---

[30] "FY 1999 State LIHEAP Administering Agencies by Component Heating," Low-Income Home Energy Assistance Program Clearinghouse, http://www.ncat.org/liheap/admintro.htm.

[31] "A Weatherization Manual for LIHEAP Policy Makers and Program Administrators," 1993; and "Keys to Success: Ten Case Studies of Effective Weatherization Programs,"1993.

[32] "A Weatherization Manual for LIHEAP Policy Makers and Program Administrators," p. 7.

CONCLUSIONS

Low-income populations themselves have not been a focus of the Department of Commerce or its energy programs. As one person noted, their programs are "people-neutral." The extent to which this is an important factor in effective delivery of energy assistance is not clear and is somewhat dependent on whether one views the program as a component of overall self-sufficiency, thereby benefitting from "collaboration" and possibly co-location with other self-sufficiency programs, or whether the program's priority is to simply efficiently administer funds. As noted earlier in this report, these two goals are not by any means mutually exclusive; and stating the situation as such is not to imply that Commerce would deliver the funds more efficiently than any other department.

What should be understood is that the opportunity for inter-program collaboration to assist low-income populations with a wide variety of services does not exist in the Department of Commerce to the same degree that it exists in Economic Security.

Commerce does not focus its programs on providing services to low-income populations, so gathering data on eligible populations, verifying eligibility (as was recommended earlier in this report), and disbursing funds to utilities would be new functions and would require assistance, as well as rely completely on data, from other state agencies. The recommendations in this report are based in large part on the belief that state agencies should share data and provide assistance to each other in order to serve the needs of the Energy Assistance Program's low-income clients. Therefore, the fact that this population data or these existing functions do not exist at Commerce is not sufficient reason to recommend against placing the entire Energy Assistance Program there. However, it should be understood that these factors provide more operational adjustments and changes to manage, in additional to the change that accompanies any transition of a program from one department to another.

In addition, Commerce's energy programs are not engaged in the type of monitoring relationships with service delivery agencies that seem necessary for increasing the Energy Assistance Program's effectiveness.

Commerce's link with currently regulated utilities may argue in favor of placing the program here; however, the importance of this link, relative to other aspects of program operations, is not clear.

Given Commerce's mission and operations, its involvement with utility deregulation notwithstanding, it is not clear that the Low-Income Home Energy Assistance Program components of the Energy Assistance Program would necessarily fit well at this department. Although Commerce staff indicated a willingness to take the steps needed to integrate the program within its existing program, such as forming electronic links to other departments to exchange information and developing an understanding of monitoring responsibilities for this particular program, these capacities do not exist at Commerce to the same extent as at Economic Security.

Economic Security's operations are more similar than Commerce's to the Energy Assistance Program. These similarities, such as monitoring social service delivery, reporting to federal grantors for similar programs, and maintaining data on overlapping populations, will help the program regain stable footing so that it can serve a greater number of people more effectively.

Perhaps one of the strongest arguments for moving the program to Economic Security is that the agency has expertise to help the program prepare for the future. Energy Assistance has served between 80,000 and 90,000 households over the past several years. According to the U.S. Census Bureau's Current Population Survey, more than 300,000 households are income-eligible for energy assistance. Although Energy Assistance is not expected to serve 300,000 households, due to budget constraints, it does not have the data or any planning mechanism to identify and serve those most in need of assistance. The program's "first-come, first-served" policy carries the implicit assumption that those in need will "find" the service delivery agencies who administer energy assistance through the agencies' outreach efforts, fuel vendors' referrals, or their clients' own wherewithal or connections. With access to Economic Security's population data and planning expertise in specifically serving those populations who need assistance, energy assistance dollars would arguably be spent more purposefully. Further, greater use of Economic Security's data resources could lead to administrative savings, resulting in more funding available to pay citizens' energy bills.

RECOMMENDATIONS

The project team recommends that the primary and crisis components of the Energy Assistance Program be transferred to the Department of Economic Security for all of the operational reasons discussed. Given its history with and knowledge of the program, Economic Security is the agency most likely to improve the program's operations within the shortest amount of time.

At some point within the next few years, when the implications of energy industry deregulation become clear, the optimal location for this program within state government can be reevaluated in terms of mission fit and activities. It may be that once the program has met its management challenges and developed an infrastructure capable of delivering consistent service in larger numbers, its clients could benefit from having the program located with other energy-related programs and activities associated with energy industry deregulation.

The optimal location for weatherization, however, is unclear. It may fare well in either department. Determining the best location for the other Low-Income Home Energy Assistance Program-funded components of the program may need further research and evaluation; however, it is this project team's inclination to recommend transferring them to Economic Security for its operational advantages discussed above.

Moving the program to another department alone will not improve its functioning. Even those who advocate for the transfer agree that it is not a complete solution. However, Economic Security appears to provide the fiscal, technical, and administrative support systems that the program clearly needs.

FUNDING

Several options exist for funding the Energy Assistance Program, in conjunction with or as a replacement for federal funding, should it continue to decrease. The project team could not research these options in any great depth because it is a study in itself. However, this work has been and continues to be done by many others, such as the Legislative Electric Energy Task Force,[33] advocacy organizations, and the Energy Assistance Program itself, which produced a report to the legislature on this issue.[34]

The option that interviewees discussed most was the creation of a universal service fund, essentially, a minimal monthly fee paid by energy consumers. This concept has various versions; issues include whether all energy providers, such as delivered-fuel vendors, would have to apply this fee; whether low-income households would pay the fee; and who would administer the funds (the state, utilities, local community organizations, or others).

Although several organizations interviewed favored a general fund appropriation for energy assistance, others argued that such a funding mechanism would leave the program's clients in a precarious situation, subject to budget changes (decreases), much as it is now with federal funding. On the other hand, a universal service fund provides a constant source of funding and could be designed to reflect changes in energy costs.

A variety of opinions also exists about the level of funding needed, in part because there has not been an accepted estimate of the eligible population.

According to the Low-Income Home Energy Assistance Program Clearinghouse, states serve on average about a third of their eligible population. Clearly, there is not enough funding to serve everyone eligible under the federal guidelines. As a result, states adjust their own guidelines and may set stricter eligibility criteria or develop priorities among the low-income populations to ensure that the funding is, theoretically, targeted to the neediest of the needy. States that have instituted a universal service fund have substantially increased their energy assistance funding and can provide more assistance to more households. Wisconsin, for example, has not gone through deregulation yet, but it has instituted a universal service fund that employs a meter charge, capped at a 3 percent maximum on a single bill, on residential and commercial energy customers. Wisconsin projects that its funding will increase from its current $44 million to $105 million (including federal funding) at the end of a three-year transition.

---

[33] See "A Staff Report to the Legislative Electric Energy Task Force on Issues Relating to Bulk Power, Distribution , Pricing and Universal Service," prepared by the Offices of House Research and Senate Counsel Research, 1999.

[34] "Low Income Home Energy Assistance Program Funding," January 1998.

Using the U.S. Census Bureau's Current Population Survey's estimate of 341,343 Minnesota households living at or below 150 percent of federal poverty guidelines, in order to provide $350 grants to these households, the Energy Assistance Program's total funding would need to be roughly $120 million. This estimate clearly does not account for differences in energy burden or make any attempt to prioritize among the program's low-income populations. The program will need to undertake a comprehensive analysis of the population data and set its policies in accord with larger state objectives.

TABLE 13. Household fuel types and costs

Fuel type	Percentage of households	Average heating cost per household, Program Year 99
Natural gas	53%	$612
Fuel oil	20	$601
Liquid propane	14	$749
Electric	8	$891
Wood and other	4	$676

SOURCES: Energy Assistance Program 2000 - 2001 Biennial Budget, Page A-418; Energy Assistance Program staff.

Table 13 provides an overview of current Energy Assistance Program recipients' average heating costs. It should be noted that these costs would vary from year to year, depending on weather and fuel costs.

Some agencies reported that they have waiting lists of clients who applied for weatherization; the current funding level is not adequate to serve identified eligible households. Weatherization reduces energy costs in the longer term so that households may not need to apply for energy assistance as often or at the same dollar amount. Therefore, it seems reasonable to make an investment in weatherization to reduce energy burdens in the longer run.

Outside of a universal service fund, the program can take advantage of existing fund-raising mechanisms to a greater extent than it has. For example, it was pointed out that more federal funding may be available to states that demonstrate substantial levels of disconnections. However, the program has not attempted to collect this data. Another example is the Summer Fill program, which Energy CENTS has argued would yield more savings if it was expanded to include fuel oil and was administered more effectively.

Appendix A
METHODOLOGY

This evaluation is based in large part on many interviews with people concerned with the program's success. The project team interviewed approximately 90 individuals from a variety of organizations. Most of these interviews focused on gathering information about the Energy Assistance Program; however, several state agencies were contacted for technical assistance, and other states were contacted to gather comparative data. Following are the number of organizations interviewed and/or the names of those organizations, where appropriate.

- 10 State Energy Assistance Program staff, including the director
- 21 staff from 16 service delivery agencies, and the Minnesota Community Action Association
- Four delivered-fuel vendors and a delivered-fuel vendor association
- 12 staff from nine electric and/or gas utilities, including investor-owned utilities and cooperatives; and two electric and/or gas associations
- **State agencies:** staff from the departments of Children, Families and Learning; Economic Security; Commerce; Human Services; Revenue; Veteran's Affairs; and Finance; and the Public Utilities Commission, the State Demographer's Office, and the Office of the Legislative Auditor.
- **Federal agencies:** U.S. Departments of Health and Human Services, Energy, and the Low-Income Home Energy Assistance Program Clearinghouse
- **Legislature:** Sen. Steve Novak and staff, Sen. Pat Piper and staff, Rep. Bob Gunther and staff, and staff to Rep. Barb Sykora
- **Advocacy/service provider organizations:** the Senior Federation, Legal Services Advocacy Project, Salvation Army, Energy CENTS Coalition
- **Comparison states:** Wisconsin, Ohio, California, Vermont, New Jersey, Indiana
- University of Minnesota Machine Readable Data Center

In addition,

- Energy Assistance Program data was collected from program staff and various documents and reports;
- referral data was collected from service delivery agencies; and
- population and low-income program participation data was prepared by and collected from the departments of Economic Security, Human Services, and Revenue.

Last, project staff made a field visit to the Energy Assistance Program in Wisconsin to review its intake and program management software.

Appendix B
OTHER STATES' ENERGY ASSISTANCE PROGRAMS

OHIO

Ohio administers all aspects of the primary assistance component of energy assistance. It identifies eligible populations, handles applications, verifies eligibility, and makes payments to utility and fuel vendors. They work with other state agencies, such as the Department of Aging and Department of Human Services, to identify potential clients. The program mass mails applications to former recipients, utilities make announcements, and local agencies make referrals. Applications are mailed back to the state staff, who screen them. The program hires 35 temporary workers from September through March, who also staff the program's toll-free telephone line. Operators have access to the payment mainframe. The computer program determines the benefit and generates a letter of notification to clients at the same time that it sends an electronic payment to utilities. This letter also serves as verification for eligibility for other assistance programs. The director noted that backlogs can occur, but the usual turnaround is about eight days from the time the application is received until the payment and client notification letter are sent out. Callers to the toll-free line receive referrals to other programs and to Community Action Agencies.

The state office receives all consumption data from utilities and fuel vendors on a monthly basis. Their ability to look at usage patterns helps them to target weatherization benefits to the poorest housing stock and citizens with the lowest incomes.

Ohio works with 52 Community Action Programs that span its 88 counties. These agencies administer the crisis component of the program, including making vendor payments. They interview the applicant, verify income eligibility, determine the grant amount, and notify utilities. The director noted that the vendor notification happens "immediately." A mix of Community Action Programs and counties administers the weatherization program. The grantees also conduct outreach activities and refer clients to other programs. Agencies submit annual management plans explaining how they will administer the program; program staff visit agencies, investigate client complaints, and train agency staff so that the program delivers a "consistent message."

WISCONSIN

The state contracts with 80 counties, and about a third of them subcontract with Community Action Programs and other nonprofits to conduct client intake. The state has approximately 1,200 vendors, with major utilities serving the majority of customers. The state office moni-

tors the service delivery agencies, but holds the counties responsible for meeting contract terms.

Staff said that it is difficult to get all needed information through the mail. Clients bring income verification data to the local organizations. However, agencies can tap into the Department of Workforce Development's databases to verify income online of persons receiving Social Security, unemployment insurance, medical assistance, or food stamps.

The Wisconsin Legislature put a $4 million cap on administration fees, even if the federal grant exceeds $40 million; by law, $2.9 million goes to service delivery organizations and $1.1 million is used by the state. In addition, the program can use the 5 percent program service dollars authorized by federal law.

The program operates on a first-come, first-served basis.

Wisconsin said that its mission is to help households become self-sufficient, keeping in mind that some people have fixed incomes and won't be able to move beyond assistance. Wisconsin believes that the local component of the program ties families into other types of support so they can achieve self-sufficiency.

The program is working on developing outcome measures; currently, it uses output measures (for example, the number of people served) to evaluate effectiveness.

The program is looking into mailing to recipients of medical assistance and food stamps, informing them of the program's benefits. It also is considering hiring a staff person to coordinate outreach efforts by working with the local agencies.

CALIFORNIA

California moved to a decentralized system in 1996. It has 44 local service providers. Intake is done at the local level, including eligibility determination. Local governments make payments for wood, propane, and oil; the state pays gas and electric companies. The state makes crisis payments. The state sends the money directly to the utilities, through one check to each company covering multiple eligible households. The utilities notify the clients of the Energy Assistance Program credit, either on their bill or in a letter of credit.

California had a centralized program with access to their state's Temporary Assistance to Needy Families program records for outreach and eligibility determination. Staff reported that, as their funds decreased and there was more of a need to reach the working poor (those not receiving Temporary Assistance to Needy Families) and target the neediest, they decided to move to a decentralized system. Service providers use 5 percent of the grant for administration, and the department uses 5 percent to cover administrative costs.

Payments are sent weekly by the state to major utilities and every two weeks to smaller utilities. Local agencies make payments to small vendors; the state thinks it would be cumbersome to identify all of the individuals.

California said that the benefit of local determination is that different areas have different needs and are best able to set their priorities and identify their target populations. Staff said they provide guidance but don't "dictate" to them. Although staff said that they don't think there are many inconsistencies, they noted that there were some applicant and legislative concerns about consistency and payment methods, and that it was the legislature that required them to automate their payment system using Energy Assistance Program funds.

Gas and electric crisis payments are made by the state; other crisis assistance is given at the local level. The agencies do the local planning; how much will go to primary assistance, how much to crisis. Some administer crisis assistance until March 15, others throughout the year. Also, households receive either primary or crisis assistance, not both.

California said that it never serves everyone who applies, even with direct assistance. Although California has deregulated the gas industry and is in the process of electric utility restructuring, there hasn't been creation of a universal service fund.

INDIANA

Indiana administers its program through 24 local service delivery agencies. Applications are taken on paper. The local agencies verify eligibility, determine payments, and send daily lists to vendors and the state notifying them of applicants receiving benefits. Indiana noted that it runs into problems with agencies not sending out vendor payments in a timely manner.

Until the late 1980s, the program had a more centralized administration in which applications were taken at the central office, and the central office handled all vendor negotiations and payments. Administration was deemed too expensive, and the state decentralized the program. Staff said that their accounting system is cumbersome, and they had problems with the state agency that was disbursing vendor payments.

Indiana noted that it takes about a year for all of the field agencies to implement policy changes consistently.

Clients can receive a crisis grant at the time of their initial application to pay past-due heating bills. Moreover, because there is not a moratorium on bulk fuel, those customers can apply for crisis assistance during the year.

Indiana runs out of money, even though it estimates that it is serving about a third of its eligible population. It operates on a first-come, first-served basis, although agencies conduct more outreach to households considered at risk (elderly, persons with disabilities, and fami-

lies with children under 6). Agencies mail applications to these households before they open the program to the general population. Indiana doesn't base benefits on consumption data, but hopes to in the future.

The agencies use a variety of software of their choosing; the state receives data through hard copies and sometimes electronically. They input the data themselves into spreadsheets.

NEW JERSEY

New Jersey has a two-office system at the state administration level, which staff said hinders program effectiveness. One office uses the state's food stamp recipient data to provide automatic energy assistance to those recipients. When households apply for food stamps, they are required to provide their utility information (name of company and account number) so that the state has this data and can make an automatic payment to the utility company. New Jersey staff estimated that this population composes about 65 percent of Energy Assistance Program clients. A second office contracts with 60 local service delivery agencies to take applications and determine eligibility for the rest of the program applicants. The state itself pays the vendors, except for the crisis component of the program, for which the local organizations administer all aspects.

Office staff interviewed said that the two-office administration does not work well because one office holds responsibility for the federal Energy Assistance Program grant and does not have authority over the other office, which works with the service delivery agencies. Thus, when the reports from local offices are submitted late, the office that needs to report to the federal office has no recourse. The grantee also cannot provide direction for outreach, which staff feel has been inadequate.

New Jersey is in the process of deregulation and plans to create a universal service fund, but the specifics are not currently known.

VERMONT

Vermont administers primary heating assistance at the state level, and contracts with five local service delivery agencies to administer crisis assistance. Clients mail primary assistance applications to the state. The state determines eligibility and benefit amount and makes the payments to vendors.

Income is self-declared. Staff said that the vast majority of clients are receiving other state benefits, such as Temporary Assistance to Needy Families, food stamps, and Vermont Healthcare, data from which is stored in their Human Services database. The applications are compared with the systems' records and, if the income is within the guidelines, are processed. If the declared income doesn't match the records, the state follows up with the client or caseworker. They also have access to Supplemental Security Income and Social Security databases. The local agencies help clients complete the applications, but the state determines

eligibility. Applications are mailed with a self-addressed stamped envelope over the summer to all participants of the prior year. Notices are also added to food stamp and Temporary Assistance to Needy Families forms.

The program uses income, housing type, housing size, and fuel type, but not consumption data to determine benefits. Vermont said it doesn't turn anyone away; it scales down the grant size. Staff don't think they are serving everyone who is eligible.