



Legislative Council Staff
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Fiscal Note

Drafting Number: LLS 21-0137 Date: March 1, 2021
Prime Sponsors: Rep. Kennedy Bill Status: House Finance
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Bill Topic: LOW-INCOME UTILITY PAYMENT ASSISTANCE CONTRIBUTIONS

- Summary of Fiscal Impact:
State Revenue (checkbox)
State Expenditure (checked)
State Transfer (checked)
TABOR Refund (checkbox)
Local Government (checkbox)
Statutory Public Entity (checkbox)

This bill requires investor-owned utilities to collect a monthly energy assistance system benefit charge from each customer beginning October 2021 to help finance the low-income energy assistance programs administered by Energy Outreach Colorado, and eliminates the existing Tier 2 severance tax allocation to Energy Outreach Colorado. It increases state expenditures beginning in FY 2021-22 and impacts state transfers beginning in FY 2024-25.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of \$74,440 to the Department of Human Services and the Colorado Energy Office.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 21-1105

Table with 4 columns: Category, Sub-category, Budget Year FY 2021-22, and Out Year FY 2022-23. Rows include Revenue, Expenditures (General Fund, Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers (Net Transfer), and TABOR Refund.

Summary of Legislation

This bill requires investor-owned utilities to collect a monthly energy assistance system benefit charge from each customer beginning October 2021 to help finance the low-income energy assistance programs administered by Energy Outreach Colorado, and eliminates the existing Tier 2 severance tax allocation to Energy Outreach Colorado.

Severance Tax Operational Fund. The bill removes the Energy Outreach Colorado program from Tier 2 severance tax allocations.

Low-income utility customer. The bill modifies the definition of low-income utility customer to mean a customer who has a household income at or below 185 percent of the current federal poverty line, or who otherwise meets the income eligibility set forth in Department of Human Services rule.

Legislative Commission on Low Income Energy and Water Assistance. The Legislative Commission on Low-income Energy Assistance is renamed to the Legislative Commission on Low-income Energy and Water Assistance. The bill modifies the composition of the commission effective May 1, 2022, reducing it from 11 members to 7 to include representatives from the Department of Human Services, the Colorado Energy Office, and Energy Outreach Colorado, and 4 Governor-appointed members meeting criteria outlined in the bill.

The commission is newly charged with:

- serving as a policy advisor to the Colorado Energy Office with respect to any U.S. Department of Energy grant award;
- serving as an advisory council to any Colorado water utilities that provide or seek to provide water assistance and efficiency programs to their customers; and
- reviewing annual budget submissions from Energy Outreach Colorado regarding the organization's use of the energy assistance system benefit charge.

Energy Assistance System Benefit Charge. Beginning October 2021, each investor-owned utility is required to collect a monthly energy assistance benefit charge from each customer and to transfer these funds to Energy Outreach Colorado. The bill sets the charge at \$1 for electric service and \$1 for natural gas service. Money collected by the energy utilities is transferred directly to Energy Outreach Colorado. The Public Utilities Commission may initiate a rulemaking proceeding to increase the charge.

Water utilities. The bill creates a voluntary, opt-in program among water utilities to help finance water assistance for low-income customers provided by Energy Outreach Colorado. A water utility is defined as a water corporation or municipal water provider that provides retail water service to Colorado customers.

Energy Outreach Colorado. The bill requires Energy Outreach Colorado to use the energy assistance system benefit charge to help finance direct utility bill payment assistance and energy retrofits to low-income households within the investor-owned utility's service territory. No more than 50 percent of the total amount collected, including from optional energy assistance contributions, may be allocated to direct utility bill payment assistance. Any money collected for water assistance must be

held in a separate account and used to provide low-income water assistance. The organization is required to submit a copy of its budget to the Colorado Energy Office for review.

Reporting. Energy Outreach Colorado is required to submit annual financial reporting on the low-income energy assistance program, to be reviewed by the Colorado Energy Office and the commission. In addition, an annual report to the General Assembly, the Legislative Audit Committee, and the Office of the State Auditor is due by March 31 each year.

Background

Direct bill assistance. Under current law, up to \$6.5 million in Tier 2 severance tax distributions is authorized for direct bill assistance to low-income households. This includes:

- up to \$3.25 million to the Department of Human Services' Low-income Energy Assistance Program (LEAP) which operates during the heating season in accordance with the federal Low-income Home Energy Assistance Program funded by the U.S. Department of Health and Human Services. LEAP applications are accepted from November through April, and county offices and Goodwill deliver the direct service; and
- up to \$3.25 million to the nonprofit Energy Outreach Colorado, which provides direct bill payment assistance to low-income households when DHS is not accepting LEAP applications (May through October). The appropriation is made to the Energy Outreach Colorado Low-Income Energy Assistance Fund in the Colorado Energy Office and passed through to the nonprofit.

Severance Tax Trust Fund. The Operational Fund of the Severance Tax Trust Fund receives 25 percent of severance tax receipts. The fund is used for Tier 1 and Tier 2 programs. Tier 1 programs are prioritized in the fund and include operations for the Avalanche Information Center; the Division of Parks and Wildlife; the Division of Reclamation, Mining, and Safety; the Geological Survey; the Oil and Gas Conservation Commission; the Water Conservation Board; and the fund's statutory reserve. Tier 2 is comprised of the Natural Resources and Energy Grant Programs, including the direct bill assistance programs outlined above, and the Weatherization Assistance Program in the Colorado Energy Office.

State Transfers

The reduction in the transfer is not expected to occur until at least FY 2024-25. Based on the December 2020 Legislative Council Staff revenue forecast, Tier 2 programs, including Energy Outreach Colorado's direct bill assistance program, are not projected to receive any transfers from the Severance Tax Operational Fund in the near-term. When the transfer occurs, the bill will decrease the total obligation of the grant fund by up to \$3.25 million and will allow available revenue to be spread over a smaller pool of programs.

State Expenditures

The bill will increase state expenditures by \$92,563 and 0.9 FTE in FY 2021-22 and \$116,452 and 1.3 FTE in FY 2022-23. Expenditures in the Department of Human Services will be paid from the General Fund, and expenditures in the Colorado Energy Office will be paid from the Energy Outreach Colorado Low-Income Energy Assistance Fund. First year costs are prorated for an October 1, 2021, start date and, where applicable, the General Fund pay date shift. Costs are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 21-1105**

Cost Components	FY 2021-22	FY 2022-23
Department of Human Services		
Personal Services	\$47,451	\$71,176
Operating Expenses	\$1,080	\$1,350
Capital Outlay Costs	\$1,200	-
Centrally Appropriated Costs ¹	\$11,294	\$16,440
FTE – Personal Services	0.7 FTE	1.0 FTE
DHS Subtotal	\$61,025	\$88,966
Colorado Energy Office		
Personal Services	\$20,209	\$22,454
Computer Programming	\$7,500	-
Centrally Appropriated Costs ¹	\$3,829	\$5,032
FTE – Personal Services	0.2 FTE	0.3 FTE
CEO Subtotal	\$31,538	\$27,486
Total	\$92,563	\$116,452
Total FTE	0.9 FTE	1.3 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Human Services. The DHS requires 1.0 FTE Social Services Specialist to support the commission, since the commission's new scope to include advisory services to water assistance programs and weatherization grants is outside of the scope of department's current federal funding and expertise. Employee costs include mid-range salary, standard operating costs, and reduced capital outlay costs to account for remote work.

Colorado Energy Office. The CEO requires 0.3 FTE Program Manager to develop new reporting processes, upgrade the current database to track additional required metrics, and report.

Department of Regulatory Agencies. The Public Utilities Commission may consider whether the energy assistance system benefit charge should be increased, which can be accommodated during the normal course of business.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$15,123 in FY 2021-22 and \$21,472 in FY 2022-23.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

Technical Note

The bill eliminates one reference to a transfer to the Energy Outreach Colorado Low-income Energy Assistance Fund; however, remaining language in Section 39-29-109.3 (2)(f)(V), C.R.S., authorizes a \$13.0 million transfer from the Severance Tax Operational Fund for energy assistance, including 25 percent of the transfer to the Energy Outreach Colorado Low-income Energy Assistance Fund. The fiscal note has been written to interpret the intent of the bill as effectively removing the transfer.

State Appropriations

For FY 2021-22, the bill requires the following appropriations:

- \$49,731 to the Department of Human Services from the General Fund and 0.7 FTE; and
- \$27,709 to the Colorado Energy Office from the Energy Outreach Colorado Low-Income Energy Assistance Fund and 0.2 FTE.

State and Local Government Contacts

Colorado Energy Office
Information Technology
Regulatory Agencies

Governor
Law

Human Services
Natural Resources