



Agenda Date: 3/12/12
Agenda Item: 1B

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

AUDITS

IN THE MATTER OF THE DEPARTMENT)	ORDER APPROVING
OF COMMUNITY AFFAIRS' STATE)	DCA FISCAL YEAR 2011
FISCAL YEAR 2011 UNIVERSAL SERVICE)	USF ADMINISTRATIVE
FUND ADMINISTRATIVE COST BUDGET)	EXPENSES
)	
)	DOCKET NO. EO10090640

Parties of Record:

Jose Sanchez, Supervisor, New Jersey Department of Community Affairs
Stefanie Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND/PROCEDURAL HISTORY

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. (EDECA or the Act) established the Universal Service Fund (USF). The Act directed the New Jersey Board of Public Utilities (Board), inter alia, to determine for the USF the level of funding, the appropriate administration, and the purposes and programs to be funded. N.J.S.A. 48:3-60(b).

On April 30, 2003, in Docket No. EX00020091, the Board approved a permanent USF program to ensure that low-income customers have access to affordable energy. The Board ordered that the program be operated on a state-wide basis and funded through uniform charges on customers' electric and natural gas bills through the Societal Benefits Charge collected pursuant to N.J.S.A. 48:3-60(a). The Board also determined in this Order that initial administrative expenses would be capped at ten percent (10%) of the program costs. In its order dated July 16, 2003, in Docket Number EX00020091, the Board clarified that this cap would total \$3 million, and any administrative costs (excluding one-time start-up costs) exceeding this amount must be approved in advance by the Board. The Board also stated that the USF would be an ongoing, evolving program, subject to review and amended as necessary. In this same Order, the Board designated the Department of Human Services (DHS) as the USF program administrator.

The USF program was intentionally linked to the federal Low Income Home Energy Assistance Program (LIHEAP) in order to take advantage of the existing infrastructure already in place to administer LIHEAP. Through a shared application, and eventually a shared database system that was funded via USF, repetition of administrative resources was reduced, and applicants

were conveniently able to apply for both programs simultaneously. LIHEAP was jointly administered by DHS and the Department of Community Affairs (DCA) when the permanent USF program was authorized by the Board.

On August 31, 2006, DCA was designated as the State's administrator of LIHEAP. Subsequently, the DCA Commissioner sent a letter dated September 21, 2006, requesting that the Board designate DCA as the Universal Service Fund program administrator. On October 23, 2006, the Board changed the USF program administrator from DHS to DCA. By December 2006, DCA assumed full responsibility as USF program administrator.

On October 5, 2010 the Board approved the State Fiscal Year 2011 (FY11) DCA USF administrative cost budget in the amount of \$6,941,513.00 - In the Matter of the Department of Community Affairs' State Fiscal Year 2011 Universal Service Fund Administrative Cost Budget – Docket Number EO10090640.

DISCUSSION

On February 27, 2012, DCA submitted a detailed USF administrative report for FY11, which listed expenditures of \$6,725,581.00.

The FY 2011 expenses are broken down as follows:

DCA	\$ 1,017,666.00
Subgrantees-	
County Welfare Organizations	\$ 198,800.00
Community Based Organizations	<u>\$ 5,509,115.00</u>
Total	\$ 6,725,581.00

After reviewing DCA's FY 2011 budget report, Staff adjusted the budget to include \$391,836.00 from the FY 2010 budget. The \$391,836.00 was budgeted for one of the Community Based Organizations (CBO), but DCA was not satisfied with the documentation provided by the CBO which was initially submitted prior to the end of the state FY 2010 (and therefore the expenses were not paid for as part of the Board's 2010 budget closeout in Docket No. EO09070525). However, during FY 2011, the CBO submitted additional paperwork completing DCA's review of the CBO's FY 2010 expenses. As FY 2010 state Treasury accounts (such as the USF Trust Fund) were closed prior to this determination, this money could not be processed as part of the 2010 budget. Therefore, the expense has been added to FY 2011.¹

The final FY 2011 expenses are broken down as follows:

DCA	\$ 1,017,666.00
Subgrantees-	
County Welfare Organizations	\$ 198,800.00
Community Based Organizations	<u>\$ 5,509,115.00</u>
Total	\$ 6,725,581.00
FY 2011 Budgeted Payment	<u>\$ 391,836.00</u>
Adjusted Total Cost	\$ 7,117,417.00

¹ In FY 2010, DCA spent approximately 1.4 million dollars less than was budgeted. Therefore, even if the \$391,836.00 expense had been properly included in the 2010 budget close out, the actual expenses were still over 1 million dollars less than the amount budgeted by the Board.

Staff has carefully reviewed DCA's FY 2011 expenses and has found that the costs listed therein appear appropriate and necessary for the administration of the USF program by DCA. Therefore, Staff recommends that the Board find that DCA has adequately justified its FY 2011 USF administrative expenditures.

The total USF program budget has increased from \$30M in 2003 to \$242M for the 2011-2012 program year due to increased enrollment. DCA's administrative expenses continue to be well under 5% of the total program budget costs, demonstrating the DCA's effective administration and the efficiencies the Board had attempted to achieve when it established the program.

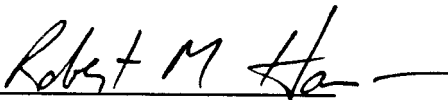
FINDINGS AND ORDER

Accordingly, the Board **HEREBY FINDS** the Department of Community Affairs has adequately justified its fiscal year 2011 USF administrative cost budget expenditures in the amount of \$7,117,417.00. The Board **HEREBY AUTHORIZES** reimbursement of \$7,117,417.00 to the Department of Treasury to cover the DCA FY11 USF administrative expenses. This amount appears reasonable, subject to audit. The DCA fiscal year 2011 USF administrative cost budget summary is attached hereto as Schedule "A".

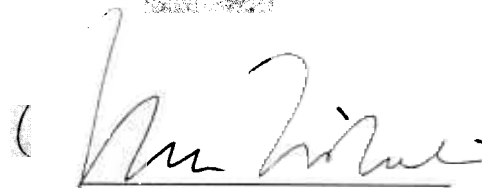
This Order will be effective on March 22, 2012.


DATED: 3/12/2012


BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

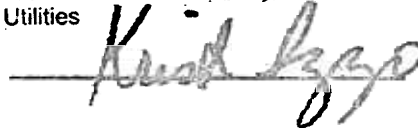

NICHOLAS ASSELTA
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

KRISTI IZZO

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



I/M/O THE DEPARTMENT OF COMMUNITY AFFAIRS'
STATE FISCAL YEAR 2010 UNIVERSAL SERVICE FUND
ADMINISTRATIVE COST BUDGET
DOCKET NO. EO10090640

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DCA USF Budget- Expense Summary

July 1, 2010 through June 30, 2011 Final Report

N.J. Department of Community Affairs

Division of Housing & Community Resources

101 S. Broad Street

PO Box 811

Trenton, NJ 08650

Prepared By: Jose Sanchez

Budget Categories	USF Expenditures	Budget	Balance
A. PERSONNEL AND FRINGE	\$491,331.00	\$605,716.00	\$114,385.00
B. CONSULTANTS AND PROFESSIONAL FEES	\$324,891.00	\$328,354.00	\$3,463.00
C. MATERIALS AND SUPPLIES	\$1,355.00	\$9,800.00	\$8,445.00
D. OTHER	\$163,007.00	\$130,550.00	(\$32,457.00)
E. MISCELLANEOUS	\$37,082.00	\$0.00	(\$37,082.00)
DCA Subtotal Cost	\$1,017,666.00	\$1,074,420.00	\$56,754.00

F. SUBGRANTEES	USF Expenditures	Budget	Balance
County Welfare Agencies (CWAs)	\$198,800.00	\$198,800.00	\$0.00
Community Based Organizations (CBOs)	\$5,509,115.00	\$5,668,295.00	\$159,180.00
Subgrantees Subtotal Cost	\$5,707,915.00	\$5,867,095.00	\$159,180.00

	USF Expenditures	Budget	Balance
Total Cost (DCA & Subgrantees)	\$6,725,581.00	\$6,941,515.00	\$215,934.00
Cost Adjustment	\$0.00	\$0.00	\$0.00
Open Encumbrances	\$0.00	\$0.00	\$0.00
Total Cost	\$6,725,581.00	\$6,941,515.00	\$215,934.00
PRAB's 2010 Budget	\$391,836.00	391,836.00	0.00
Adjusted Total Cost	\$7,117,417.00	7,333,351.00	215,934.00