



STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT

HUMAN SERVICES REGISTER

I. DEPARTMENT

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II. SUBJECT

Low Income Home Energy Assistance Program
(LIHEAP) State Plan

III. PROGRAMS AFFECTED

Low Income Home Energy Assistance Program

IV. ACTION

Final LIHEAP State Plan

V. BACKGROUND

The Human Service Department held a public hearing on July 27, 2017 where eight attendees were present and four provided verbal and written comments. The comments and responses are summarized below with regards to the proposed FFY18 LIHEAP State Plan in the Human Services Register Vol. 40 No. 11. The Department is finalizing the State Plan with an amendment based on the comments received regarding the per unit cap of \$6,000.00. The Department will increase this cap to \$7,000.00. The comments and responses are summarized below.

Comment #1: The Department received comments regarding the proposed unit cap of \$6,000.00: DOE regulations, state that all of the measures in the energy audit that have a savings to investment ratio (SIR) of one or greater, must be installed. Therefore, some homes receive a higher amount of services and some homes receive a lower amount of services. Over the course of the year, the NM EnergySmart service providers must manage the funds to ensure that the overall per unit average does not exceed the contractual obligation, currently set at \$6,000. This per unit average includes single family and multifamily units being weatherized.

Multifamily units are generally more cost efficient and on average cost one third to one half the cost of single family units. This is important for several reasons, including the fact that more families can be served, overall per unit averages are lowered and increased

Response #1: The Department has decided to increase the per unit cap from \$6,000.00 to \$7,000.00 on our current Governmental Service Agreement for the months of September 2017 through June 2018 (GSA 18-630-9000-0006) to be closer in line with the DOE allowed unit average. This is an increase of \$1,000.00 per unit cap.

Comment #2: The Department received comments regarding administration amounts listed in the current Governmental Service Agreement with the Mortgage Finance Authority (MFA): While not detailed in the LIHEAP State Plan, we are concerned with the administration fee paid for Weatherization Assistance. Included in the \$6,000 cap is an 8% percent administrative fee split between MFA and the subcontractors, 3% and 5% respectively. LIHEAP allows a 10% administration fee to ensure that agencies have the capacity necessary to manage a successful program. The State LIHEAP office has reduced MFA's admin portion to 3% from 5% and awarded itself the remaining 2% for "additional monitoring activities". MFA is then required to impose this change per unit and MFA would only receive a fraction of the allowable 10% admin. This amount of funding is not sufficient to cover our costs for one staff member and there are several other indirect costs associated with managing a federal program. (Legal, HR, IT, Accounting, External Audit, etc.).

Response #2: The GSA details are not part of this model plan. The Department will schedule a meeting with our contractor to review the current GSA.

Comment #3: The Department received comment with categorization of direct and indirect costs: The current categorization of indirect costs is not consistent with true direct costs and should be re-categorized if intent is to place a cap on the amount of indirect costs.

Some of the costs which LIHEAP staff has identified as "indirect" costs are actually direct because they support the program directly; these allowable costs are found in 10 CFR 440.18 "Allowable Expenditures". Some of those allowable expenditures can be related to organization wide administration, such as Executive Director and support staff, finance office, and Board of Directors while others such as QC Staff and on-site supervisors are direct costs. We would like the opportunity to review the various costs in detail to ensure they are properly categorized.

Response #3: The GSA details are not part of this model plan. The Department will schedule a meeting with our contractor to review the current GSA.

Comment #4: The Department received an Invoicing and Reporting comment: While this is also not specifically addressed in the LIHEAP State Plan, we are concerned with the deadline imposed on invoicing and reporting. We appreciate the extension to the 10th of each month but are still concerned with the short time frame allowed to compile all of the documents and data. We'd like your reconsideration on the deadline being imposed.

Response #4: The GSA details are not part of this model plan. The Department will schedule a meeting with our contractor to review the current GSA.

Comment #5: The Department received comments on the weatherization of only single family units: Currently, the draft plan would only allow LIHEAP funds to be used to weatherize single family units, owner occupied and rental units. This is a change from last year's plan, in which all income-eligible properties, including multifamily, were eligible for LIHEAP funding. I encourage the department to continue allowing LIHEAP weatherization assistance funds for multifamily units because of the following reasons:

1. It discriminates against low income family who are living in multifamily properties versus those renting single family units. And since most seniors and disabled folks live in multifamily apartments rather than single family homes, because they can get better support services in those multifamily properties, this plan goes against the stated objectives of "preference given to households of seniors and persons with disabilities....."

2. Using LIHEAP for multifamily weatherization has great support nationally and from the Department of Energy. The DOE encourages Weatherization Assistance funds to be used for multifamily weatherization because it provides leveraged funding for the program since the owners of multifamily properties provide matching funds for the program, unlike owners of single family rental housing.

3. And at this time when the State and its low-income residents are facing fiscal crisis, the State Public Regulation Commission has made great strides in developing and launching new multifamily incentive programs through PNM, NM Gas and other utility companies. These new multifamily incentives are sources of additional leveraging to a multifamily Weatherization program. So now is perhaps the worse time for the human services department to cut multifamily housing from its weatherization assistance program.

4. Since approx. 20% of the State of NM residents live in multifamily properties, this plan for no reason of their choosing, makes these residents ineligible for receiving LIHEAP funds for WAP.

5. Weatherization is more cost effective when used in multifamily properties. Average cost to retrofit a single family home is more than twice the cost to retrofit a multifamily unit because of volume and other efficiencies. Couple this with the leveraged funds from multifamily owners and the multifamily weatherization is able to leverage 3-1 the LIHEAP funds to serve a low income family and provide the same benefits.

6. Last but not the least, weatherization benefits families directly by improving the comfort, health and safety of their homes and lowering utility bills for the long term. The majority of multifamily housing stock in New Mexico was built at least 40 years ago, and as this housing stock ages, LIHEAP can use weatherization as a strategic tool and play a critical role in preservation of affordable housing and maintaining affordable utility costs in the state.

Response #5: The Department's focus is to minimize the single family unit waiting list of 2000+ and growing. This list is composed of applicants that were eligible up to five or more years ago and have not received assistance. HSD's focus is not only to assist those

who have been waiting years for assistance but to break the barrier of the lengthy waiting list to ensure an adequate distribution of weatherizing service to eligible families in a timely manner. Multi-family unit weatherization will be reconsidered when we see a significant drop in the single family wait list.

VI. FINAL PLAN

The final LIHEAP State Plan differs slightly from the proposed state plan due to the Departments consideration of the unit cap increase to \$7,000.00. This register and final state plan are available on the Human Service Department website at: <http://www.hsd.state.nm.us/LookingForInformation/income-support-division-plans-and-reports.aspx>. If you do not have internet access, a copy of the final State Plan may be requested by contacting the Income Support Division, Work and Family Support Bureau, at (505) 827-7267.

VII. EFFECTIVE DATE

October 1, 2017

VII. PUBLICATION

Publication of these regulations approved on August 28, 2017 by:



BRENT EARNEST, SECRETARY
HUMAN SERVICES DEPARTMENT