



Testimony of
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Before
The Joint Standing Committee on Housing and Economic Development (132nd)

In Opposition to
LD 1585: Resolve, to Direct the Maine State Housing Authority to Amend Its Rules Governing the Fuel Assistance Program Regarding Benefit Payments for Wood Fuel

Senator Curry, Representative Gere, and members of the Joint Standing Committee on Housing and Economic Development, I am Erik Jorgensen Senior Director of Government Relations and Communications at the Maine State Housing Authority (MaineHousing) and I am submitting this testimony in opposition to **LD 1585: Resolve, to Direct the Maine State Housing Authority to Amend Its Rules Governing the Fuel Assistance Program Regarding Benefit Payments for Wood Fuel**

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. We are an independent state authority (not a state agency) created to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family mortgages for first time homebuyers and for affordable multi-family housing.

We are also authorized to administer a number of state and federal programs, including rental subsidies, weatherization, fuel assistance, two housing block grants, the low-income housing tax credit program, and homeless grant programs. We receive state general fund revenue for homeless programs and receive a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund.

Two years ago, as part of our annual rulemaking process, we made a change that affected a small number of households in our HEAP program who take their benefit as firewood. This resulted in our providing direct benefit checks to these households, rather than requiring them to go through a small and shrinking group of wood vendors who were willing to work in the program under our old rules. This change has affected around 1400 households out of the more than 50,000 households we expect to serve this year.

As you may know, HEAP is a very difficult program to administer. It is intended to provide the greatest benefit to those households with the lowest income AND the highest heating burden. It involves multiple fuel types, from oil to K-1 to propane, natural gas, and even a couple of customers who still use coal. It interacts with other programs like TANF and SNAP and all of those factors make benefit calculations, which also include income verification, difficult. In addition, MaineHousing limits its administrative costs for this \$40 million dollar program to 3.5% in an effort to direct as much funding as possible to the CAA's who

deliver their programs. Both MaineHousing and the CAA's lose money on HEAP, which means that increased efficiency benefits administration as well as customers.

HEAP (also called LIHEAP) is delivered by Community Action Agencies around the state, and more than any other program, we hear constituent frustration about agency backlogs and dissatisfaction with the time required to process applications. The program is not intended as an emergency program – HEAP is designed for eligible households to receive a benefit at some point over the course of the program year. That said, the majority of customers want fuel during the winter months, so we always get backlogged over the winter, even with improvements like a fully online application process. With that in mind, we are always looking at ways to improve program efficiency.

Changing the wood program eliminated a cumbersome process where we would have to send a purchase order to a contracted vendor to have a product delivered within a certain time period. If the product was not available from that vendor at the time, or if the client was unable to accept a full delivery, paperwork would need to be updated and tracked and then the purchase order would need to be submitted to the vendor again. Once the delivery or deliveries were made, the documentation would be submitted and the vendor would be reimbursed. This required a disproportionate amount of administrative tracking and bureaucracy.

As a result of this bureaucracy the number of wood vendors in our program had dwindled, from high of 80 who covered the state to just 36. This provided insufficient coverage, which means that using a contracted vendor who had to deliver wood a long distance often meant less wood for the household than when using a more local wood vendor. We believe that direct payments provide the best value for this small group of program participants. The average benefit for this group this year is \$485.

With regard to fraud, we have a record of taking that very seriously. We have fraud prevention staff in our office and we aggressively pursue any specific reports we receive regarding misuse of HEAP funds (as well as funds from other programs). We have had no fraud complaints regarding misuse of HEAP wood benefits since this change. The only complaint that we received this year was from a client who received small pieces of wood that did not meet the standard of the wood type ordered. In addition, we are implementing a quality control process that includes a 10% sampling of wood clients who are required to provide receipts to verify that they actually purchased wood. That will go into effect next program year.

We do not in general, favor direct cash payment of benefits for programs, but given the very small number of wood clients we believe this to be a case where the efficiency gained is greater than the risks incurred. This change was the result of a careful process made with both our program staff and the CAA's.

For Program Year 2025 (the current year – now in progress), MaineHousing has issued 1,408 checks with an average benefit of \$485 for customers using wood, with the following County breakdown:

Androscoggin County	56
Aroostook County	176
Cumberland County	39
Franklin County	104
Hancock County	50
Kennebec County	85
Knox County	28
Lincoln County	15
Oxford County	133
Penobscot County	240
Piscataquis County	80
Sagadahoc County	13
Somerset County	143
Waldo County	116
Washington County	76
York County	54