

**Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement**

PUBLISHED: 3/25/2026 4:21 PM

ORIGINAL

Bill Number: HB884 S1

Patron: Herring

Bill Title: Electric utilities; Percentage of Income Payment Program; eligibility, delayed effective date.

Bill Summary: As substituted by the Senate, amends the Percentage of Income Payment Program (PIPP), which provides electric bill payment assistance to eligible customers, to include participation by any retail electric customer of Dominion Energy Virginia or Appalachian Power with a household income at or below 200 percent of the federal poverty guidelines. The bill further amends PIPP to limit an eligible participant’s electric bill payments directly to (i) no more than three percent of the eligible participant’s annual household income if the household’s heating source is anything other than electricity, and (ii) no more than five percent of the eligible participant’s household income if the household’s primary heating source is electricity; current law limits such payments to six percent and ten percent of annual household income, respectively. As substituted, the bill retains a \$125.0 million annual cap on program and administrative costs. The bill finally directs the Department of Social Services to update its rules and guidelines related to PIPP to reflect the eligibility provisions of the bill. The bill has a delayed enactment date of January 1, 2027.

Budget Amendment Necessary: Yes

Items Impacted: Item 324, Item 330

Explanation: Although this legislation is expected to impact the amount of nongeneral funds that are utilized for the PIPP program in a given year, because the substitute bill maintains the \$125.0 million annual cap on program and administrative costs, no additional nongeneral fund appropriation will be necessary. However, an amendment to budget language may be necessary to update the current \$5.5 million cost cap for state and local administrative costs. See fiscal analysis below.

Fiscal Summary: While this legislation is expected to increase expenditures at the Department of Social Services (DSS) for the PIPP program, it is expected that any changes to PIPP expenditures resulting from this legislation will not exceed the \$125.0 million annual cap for program and administrative costs pursuant to Items 324 and 330, Chapter 7, 2026 Acts of Assembly, and as reflected in § 56-585.6 of the Code of Virginia. Accordingly, it is expected that any fiscal impacts resulting from this legislation will be absorbable within existing resources. It may be necessary to update budget language referencing the \$5.5 million dollar cost cap for state and local administrative costs to reflect the actual cost of providing administrative services pursuant to this legislation. See fiscal analysis below.

Nongeneral Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DSS (765)						
Benefit Changes for Current Households	-	\$7,885,718	\$15,771,435	\$15,771,435	\$15,771,435	\$15,771,435
DSS (765)	-	\$34,856,550-	\$69,713,100-	\$69,713,100-	\$69,713,100-	\$69,713,100-

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Benefits for New Participants		\$42,214,283	\$84,428,565	\$84,428,565	\$84,428,565	\$84,428,565
DSS (765) State and Local Administration	-	\$3,900,498	\$4,759,906	\$4,759,906	\$4,759,906	\$4,759,906
TOTAL	-	\$46,642,766- \$54,000,499	\$90,244,441- \$104,959,906	\$90,244,441- \$104,959,906	\$90,244,441- \$104,959,906	\$90,244,441- \$104,959,906

Nongeneral Fund Revenue Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DSS (765) Benefit Changes for Current Households	-	\$7,885,718	\$15,771,435	\$15,771,435	\$15,771,435	\$15,771,435
DSS (765) Benefits for New Participants	-	\$34,856,550- \$42,214,283	\$69,713,100- \$84,428,565	\$69,713,100- \$84,428,565	\$69,713,100- \$84,428,565	\$69,713,100- \$84,428,565
DSS (765) State and Local Administration	-	\$3,900,498	\$4,759,906	\$4,759,906	\$4,759,906	\$4,759,906
TOTAL	-	\$46,642,766- \$54,000,499	\$90,244,441- \$104,959,906	\$90,244,441- \$104,959,906	\$90,244,441- \$104,959,906	\$90,244,441- \$104,959,906

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DSS (765) State and Local Administration	-	2.0	2.0	2.0	2.0	2.0
TOTAL	-	2.0	2.0	2.0	2.0	2.0

Fiscal Analysis: This bill proposes a significant expansion to the Percentage of Income Payment Program (PIPP) by expanding eligibility to any retail customer of Dominion Energy or Appalachian Power with a household income at or below 200 percent of the federal poverty guidelines. Further, the bill amends PIPP to limit an eligible participant’s electric bill payments directly to (i) no more than three percent of the participant’s annual household income if the household’s heating source is anything other than electricity, and (ii) no more than five percent of the participant’s household income if the household’s primary heating source is electricity; current law limits such payments to six percent and ten percent of the participant’s annual household income, respectively. As substituted, the bill maintains the \$125.0 million annual cap on program and administrative costs.

It is expected that the expansion of this program will impact benefits administration, benefit costs, and local staff responsibilities at the Department of Social Services (DSS) and local departments of social services (LDSS). Revenue to support PIPP benefit payments is generated through the collection of a Universal Service Fee from all Dominion Energy and Appalachian Power Company (APCO) retail customers.

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Expanded Eligibility and Changes to Benefit Payments

Currently, there are 34,854 participants in the Percentage of Income Payment Program (PIPP). By expanding the eligibility criteria to include retail electric customers with a household income at or below 200 percent of the federal poverty guidelines, DSS estimates that 401,538 more households will be eligible for participation in PIPP. Under the substitute bill, the number of participating households would be limited by the \$125.0 million spending cap, which includes a separate annual cap of \$5.5 million for state and local administrative costs pursuant to Items 324 and 330, Chapter 7, 2026 Acts of Assembly. This leaves approximately \$119.5 million available to be used for benefits and/or any utility administrative costs in a given year.

This bill also makes changes to the current electric bill payment limits for PIPP participants by limiting a participant's electric bill payments directly to (i) no more than three percent of the participant's annual household income if the household's heating source is anything other than electricity, and (ii) no more than five percent of the participant's household income if the household's primary heating source is electricity; current law limits such payments to six percent and ten percent of the participant's annual household income, respectively.

DSS reports that the current average PIPP benefit payment per household is \$883 annually. For the purposes of this analysis, it is assumed that this average is representative of average PIPP payments for households using electric or non-electric primary heating sources.

The U.S. Energy Information Administration estimated that the average monthly electric bill per household in Virginia in 2024 was approximately \$149, for a total of \$1,788 per year. When accounting for the current average PIPP payment of \$883, this would mean that the remainder of the bill (\$905) would be roughly equal to six percent of a participant's annual household income for a home utilizing a non-electric primary heating source, and ten percent of a participant's annual household income for a home utilizing an electricity-based primary heating source. Under the provisions of the bill, the participant would only be required to make bill payments equal to three percent and five percent of their household income, respectively, resulting in a cost shift to the PIPP program of approximately \$452.50 per participating household. This cost shift would be applied to current participants (34,854 households) as well as any new households participating in the program under the expanded eligibility created by the bill.

Presently, only 13 percent of qualifying households under the current eligibility criteria choose to participate in PIPP. DSS assumes that the participation rate of eligible households will remain unchanged under the new eligibility criteria. If 13 percent of the 401,538 newly eligible households elect to participate in PIPP, this would mean that the program would serve 52,200 new households. It is unknown what factors may currently be driving the lower participation rate. However, it is possible that under the expanded criteria a higher percentage of eligible households may choose to participate. For the purposes of this analysis, the lower limit of newly participating households will be 52,200, while the upper limit of newly participating households will be determined by the impact of benefit cost changes relative to current spending and the annual cost cap. Recent spending data indicates that DSS spends an average of \$17.8 million per year on PIPP benefits and utility administrative costs. Based on the projected state and local administrative costs of this legislation

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(below), it is assumed that approximately \$1.5 million of the current benefits pool will need to be utilized for state and local administration, on top of the \$5.5 million already reserved for this purpose.

The annual impact of the benefit payment changes for existing PIPP participants (34,854 households) is estimated at \$15,771,435. The corresponding annual impact of expanding program eligibility and applying the benefit payment changes to newly eligible households is estimated between \$69,713,100 (52,200 new households at the new benefit payment rate) and \$84,428,565 (upper spending limit based on the combination of current average spending and projected spending increases for current households and administration relative to the benefits cost cap; this correlates to serving approximately 63,219 new households at the increased benefit payment rate). This estimate is halved in FY 2027 to account for the bill's delayed implementation date of January 1, 2027.

State and Local Administration

DSS anticipates that additional expenditures will be required to support local and state administration of the program under an expanded service population. DSS first expects that additional LDSS staff will be required to handle expected increases in administrative workload associated with an increase in PIPP participants. For all new participants, local staff will perform intake, case management, internal monitoring, respond to customer inquiries, provide outreach and work directly with Energy Assistance Program vendors regarding billing for services provided to customers. Based on DSS' initial estimate of new participants under this legislation (52,200 households), DSS expects that 42 new full-time (FTE) local staff (52,200 new cases/1,245 average number of cases per worker) and six new supervisor/manager FTEs (one supervisor per seven staff for 42 FTEs) would be needed across all LDSS (48 total positions). However, the actual number of local staff needed for PIPP administration and casework may vary depending on the actual number of new households that elect to participate in the program.

DSS also reports that they will need up to two program consultants at the DSS central office to (i) develop and provide training to LDSS staff; (ii) monitor PIPP reports and address issues with local workers; (iii) review existing policy and develop new policy as necessary; (iv) participate in Virginia Case Management System (VaCMS) release testing and readiness calls; (v) work with utilities to clarify information and provide training; (vi) develop workshops for relevant meetings; and (vii) respond to increased calls from customers pertaining to questions and complaints.

Finally, given the additional changes to benefit payments required by the engrossed legislation, DSS reports that one-time updates will be required for the Virginia Case Management System (VaCMS) in FY 2027, which is the electronic case management portal used in administration of the PIPP program. Necessary modifications include updates to tables, internal and client-facing references to benefit and payment limits, mass changes for eligibility re-evaluation, and ad hoc reporting capabilities.

New state and local administrative costs resulting from this legislation are estimated at \$3,900,498 in FY 2027 and \$4,759,906 in FY 2028 and future years. State and local position costs in FY 2027 are adjusted for three quarters of the fiscal year to allow for onboarding and training prior to the implementation of program

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changes. It is expected that all position and information technology costs will be supported by PIPP special funds.

Budget language in Items 324 and 330, Chapter 7, 2026 Acts of Assembly, caps state and local expenditures for program administration at \$5.5 million annually. Recent spending data indicates that DSS spends an average of \$2.0 million per year on state and local PIPP administration. Based on the current state and local administrative cost cap, any future state and local administrative costs incurred as a result of this legislation would not be able to exceed \$3.5 million per year on average. To account for the difference in the anticipated administrative costs of this legislation relative to the cost cap, budget language in Items 324 and 330 may need to be amended to set the administrative cost cap around \$7.0 million beginning in FY 2027.

Other: n/a