



600 Cameron Street
Suite 206
Alexandria, VA 22314
703.340.1660
INFO@NORAweb.org

Budget 2018 - 2019

July 2017

The National Oilheat Research Alliance Act of 2000 (Public Law 106-469) as amended by P.L. 113-79 requires the National Oilheat Research Alliance (the Alliance) to publish a biennial budget for public comment before August 1st of 2014 and every two years thereafter. That budget shall include the probable costs of all programs, projects, and contracts and other agreements.

Following public review and comment, the Alliance is required to submit a proposed budget to the Secretary of Energy and to the Congress.

Part I. Assessment Rate and Income

The Alliance has one primary source of income. The federally authorized assessment on Oilheat sold in the states participating in NORA at \$.002 per gallon. The Alliance also receives interest income on the investment of assessment funds. Additionally, the Alliance realizes revenue from the sale of books and other educational resources. Further, NORA periodically enters into contracts with other research organizations to conduct studies.

Assessment Collections

The Alliance estimates that revenues from assessments will be **\$9,380,256 in 2018**. Similarly, the 2019 revenue from collections was placed at **\$9,192,651**. These calculations are based on normalizing the most recent year's collections for weather, and then reducing by 2 percent per annum to accommodate conservation and loss of customers. The 2019 budget is based on a full year of operation. However, at this time the statutory collection authority expires in 2019, so NORA is presenting an alternative revenue number of \$1,838,530 to accommodate a partial year. To ensure the appropriate allocations to the accounts established by Congress are in line with actual collections, NORA adjusts the rebates to the states at the conclusion of the audit. Reductions or overages are generally made to the state rebates in the next year. This ensures that with the central budget and the state budget, Congressional allocations are followed.

The Alliance expects to receive interest of \$1,000 in 2018 and \$1,000 in 2019. NORA expects no continuing revenue from book sales as the publications are now printed and distributed independently and NORA distributes the materials with no expectation of revenue.

NORA will also be making it a priority to work with other organizations and provide services that benefit the oilheating industry. NORA anticipates that partnerships with organizations such as the National Biodiesel Board and New York State Energy Research and Development Authority (NYSERDA) may provide as much as \$100,000 per year in 2018 and 2019. However, these funds are uncertain, and generally lead to higher costs, so they are not included in this budget document.

Part II. General Expenditures and Capital Investments

Administrative Expenses in 2018 are anticipated to be \$ 242,000 and include salaries and other expenses related to administering the program, insurance, accounting fees and rent. This figure will rise by \$2,000 in 2019. It should be noted that several of the overhead expenses could be allocated, but NORA believes this presentation is the most appropriate. The expenditures will thus be approximately 2.4% and 2.5% of the program's collections in those years. Thus, they will be within the statutory cap of 5%.

Assessments and Collections.

The Alliance anticipates expenditures of **\$115,000** for collection expenses in 2018 and 2019. These costs include processing of collections, publicizing the collection system, maintaining lists, and providing attorney's fees to ensure that the system is effective. It also includes expenses associated with refunds, and audit costs. These expenses reflect actual costs in previous years. If NORA collections are suspended, these costs will be reduced to \$23,000.

Part III. State Rebates

The Alliance has endeavored to ensure that the funds generated benefit consumers and the oilheat industry. The limitation on Administration contained in the Act and the current status of the industry also indicates that allowing local decision-making is the best way to maximize value. To that end, the Alliance therefore intends to return a substantial portion of the funds for use in the state where they are generated. In 2018, this is anticipated to be \$6,448,156, and in 2019, it will be \$6,258,551. If the year is abbreviated, it will be reduced to \$1,245,710. The states will use these funds to accomplish many of the goals described herein, and will be within the statutory directives and their spending will match congressional allocations.

Part IV. Program and Project Expenditures

The Act requires the Alliance to develop programs, and projects and enter into contracts or other agreements with other persons and entities for implementing this title.

The Act is designed to benefit consumers of Oilheat by allowing the industry to develop appropriate programs of consumer education, energy efficiency, research and development and education and training to benefit consumers.

This budget document will determine all spending. The Executive Committee of the Alliance and the Alliance will be responsible for reviewing contracts and approving them as appropriate and implementing this budget.

Education and Training and Consumer Education.

The Act requires the Alliance to enhance consumer and employee safety and training and provide consumer education. The total expenses available for these activities are \$2,814,076 in 2018 and \$2,757,795 in 2019. In a reduced year, these would 551,559. Of these expenditures, the Alliance is proposing to budget \$355,000 to be administered by the national office in each year. The national office will be producing and maintaining an online training center with these funds. In-person training is often the preferred method of training; however, many technicians are in remote areas and have limited access to training. Having a training center that can provide training, maintain student records and outreach to students is critical. NORA transitioned its existing learning site in 2015, and will enhance and add content in the next two years. NORA is working to bring its advanced Gold program into an on-line learning regime.

The states affiliated with NORA will be provided with \$2,464,076.80 for 2018 and \$2,407,795.26 in 2019. In a shortened year, this will be 481,559. The states will develop internal budgets based on these allocations. The states will focus most of their funding on basic technician education. Extended management training to improve overall service and improve the oilheat consumer experience will also be developed and used.

Technician Certification Program

The Alliance will continue to improve its Technician Certification program. Recognizing excellence is a vital part of improving employee training which leads to improved consumer value and safety. To this end, the Alliance assumed the Technician Certification Program previously operated by the Petroleum Marketers Association of America.

This program is operated in house, and will be maintained and continuously improved as part of website, learning.noraweb.org

New Training Materials.

The Alliance will continue to develop training materials and course materials for the industry. NORA will continue to conduct Train-the-Trainer programs for the Gold and Silver program. NORA is working on online presentations of the subject areas of its expanded gold program, steam, hydronics, venting, advanced controls, air flow for warm air systems, and energy efficiency.

State Rebates

A significant portion of the Alliance generated funds will be returned to the states in conformance with the law to accomplish the objectives of the Act. The states will implement many of the programs described above. Providing in field training for technicians is critical.

Several of the states operate full time training facilities used by the industry. These include Maine, Vermont, Connecticut, New York, and Pennsylvania. The remaining states use the funds to do periodic training at temporary facilities.

Additionally, the states may allocate a portion of this to traditional consumer education activities using traditional media such as broadcast television and radio, and a limited amount of internet communications. Using broadcast media allows the industry to provide a small bit of information to consumers which might help them make decisions regarding oilheat fuel. These consumer education activities will also provide information on energy efficiency and improvements to the equipment.

Research and Development

The Act requires the Alliance to provide for research, development, and demonstration of clean and efficient oilheat utilization equipment. The Alliance anticipates expending approximately \$2,814,077 being directly allocated to research and development activities in 2018, and \$2,757,795 in 2019. Of this, \$2,100,000 will be directly funded by the central office. Additionally, there will be rebates to the states of \$714,077 in 2018 and \$657,795 that can be used by the states for either research and development or transitioning equipment to higher efficiency, or support of biofuels. At a minimum, the research and development program will be 30% of the budget, and may approach 45 percent of total collections.

NORA is now operating a research and development laboratory in New York. Staffing for that lab will include a full time director, as well as 1.5 full time equivalent laboratory employees. Additionally, NORA will continue to fund and develop new projects based on its research review meeting which established priorities for the industry, including biofuels, controls, novel burner technologies, and new appliances.

Under the revised statute, there are additional responsibilities which include the transition and facilitation of the entry of energy efficient heating systems into the marketplace. A report on biofuels in oilheat fuel utilization equipment, and the development of consumer education materials describing the benefits of using biofuels in oilheat fuel is also a core function of research and development in the act. It is likely that the states will use their funds to facilitate these two objectives.

NORA anticipates that the core of its fundamental research will occur at the NORA laboratory in Plainview New York, while more product development projects will occur through funded projects. NORA will continue to work with the New York State Energy Research and Development Authority and the National Biodiesel Board.

Energy Efficiency

The Act also includes a requirement on “Heating Oil Efficiency and Upgrade Program. The Alliance has budgeted \$1,407,038 in 2018 and \$1,379,897 in 2019. In a shortened year, these funds will be reduced to \$275,779 This program allocates \$80,000 for development of the program at the central level in both years.

There are three main tasks under this section, and at least 15 percent of the assessments shall be used to assist consumers to

- 1) Make cost effective upgrades to more fuel efficient modifications to an existing heating system or otherwise make cost-effective modifications to an existing heating system to improve the efficiency of the system.
- 2) To improve energy efficiency or reduce energy consumption through cost-effective energy efficiency programs for consumers, or
- 3) To improve the safe operation of the system

In carrying out this section, the Alliance shall to the maximum extent practicable coordinate, develop and implement the programs and activities of the Alliance in conjunction with an existing state energy efficiency program administrator. The amount of funding in states will limit the amount of planning that is likely to occur. NORA believes that developing a series of programs that meets the goals of this section will be essential, and then each state affiliate will be able to work to the maximum extent practicable with its state energy efficiency administrator to develop the best plan for that state. Preliminary discussion have indicated that better understanding of efficiency and appropriate tools to measure and improve efficiency in the home, tune-ups of existing equipment, and setback thermostats may all be invaluable in fulfilling this task.

State Rebates

NORA’s Board has indicated a continued desire to utilize the state resources to implement the program. Thus, funds not specifically allocated to programs in accordance with this budget will be subject to the decision making of the states. Currently, \$1,942,964 in 2018, and \$1,894,063 in 2019. In a shortened year, these will be reduced to 372,812 These funds will only be available for research, development and demonstration and home energy efficiency.

Central Office Expenses

The budget provides for \$287,100 to be spent on the management of the Alliance and compliance with specific program objectives in 2018, and \$289,100 in 2019. These include the provision of the Annual report, and the verification of said report.

NORA has allocated \$162,000 to all accounting, salaries, insurance, and rent, as expenses that may not be allocated to specific programs in 2018 and \$164,000 in 2019.

NORA would note that OMB Circular A-122 would allow a percentage of these expenses to be allocated to program categories. However, as this budget is developed, these expenses will be preliminarily described as administrative.

Part V. Budget Summary

The following pages provides an income statement for 2018 and 2019 as well as a shortened 2019, and also provide the appropriate state allocations for 2018 and 2019. The board has directed that the allocations to the states be adjusted annually based on the collections in the prior year. This is a formulaic adjustment and will occur in the spring of 2018, which will be implemented in 2019. This adjustment has occurred for 2018, and will occur in 2018 prior to final allocations to the states in 2019.

	2018	2019 Full Year	2019 Partial Year
<i>INCOME</i>			
<i>Collections and Assessments</i>			
Collections	\$9,380,256.00	\$9,192,650.88	\$1,838,530.18
Remittance Accrual			
Refunds		0.00	
Collection Costs	-115000	-115,000	-23000
<i>Net Collections</i>	\$9,265,256.00	\$9,077,650.88	1,815,530.18
<i>In Kind Contributions</i>			
Sales Revenue			
Other Revenue (Grants, etc)			
<i>Total Income</i>			
<i>PROGRAM EXPENSES</i>			
<i>Consumer Education and Training (Max. 30%)</i>			
Education and Training (Central)	\$350,000.00	\$350,000.00	\$70,000.00
Education and Training (States)	\$2,464,076.80	\$2,407,795.26	\$481,559.05
<i>Research Development and Demonstration (Min. 30%)</i>			
Research Development and Demonstration (Central)	\$2,100,000.00	\$2,100,000.00	\$420,000.00
Research Development and Demonstration (States)	\$714,076.80	\$657,795.26	\$131,559.05
<i>Home Energy Efficiency Program (Min. 15%)</i>			
Home Energy Efficiency Program (Central)	\$80,000.00	\$80,000.00	\$16,000.00
Home Energy Efficiency Program (States)	\$1,327,038.40	\$1,298,897.63	\$259,779.53
<i>Total Central</i>	\$2,530,000.00	\$2,530,000.00	\$506,000.00
<i>Total States</i>	\$4,505,192.00	\$4,364,488.16	\$872,897.63
<i>State Rebates</i>	\$1,942,964.00	\$1,894,062.72	\$372,812.54
<i>Old Grant Advertising</i>			

Office Unallocated Expenses

Salaries and Consulting (Admin)	\$75,000.00	\$75,000.00	\$15,000.00
Accounting (Admin)	\$50,000.00	\$50,000.00	\$10,000.00
Insurance (Admin)	\$15,000.00	\$15,000.00	\$3,000.00
Taxes	\$3,000.00	\$3,000.00	\$600.00
Postage	\$3,000.00	\$3,000.00	\$600.00
Web Pages	\$30,000.00	\$30,000.00	\$6,000.00
Annual Report	\$45,000.00	\$45,000.00	\$15,000.00
Rent and Telephone	\$22,000.00	\$24,000.00	\$4,800.00
Travel	\$1,000.00	\$1,000.00	\$200.00
Meeting Expenses	\$8,000.00	\$8,000.00	\$1,600.00
Office Supplies	\$2,000.00	\$2,000.00	\$400.00
Dues & Memberships	\$100.00	\$100.00	\$20.00
Bank Fees	\$6,000.00	\$6,000.00	\$1,200.00
Legal Expense	\$15,000.00	\$15,000.00	\$3,000.00
Professional Fees	\$3,000.00	\$3,000.00	\$600.00
Misc Expense	\$1,000.00	\$1,000.00	\$200.00
Advertising Expense	\$1,000.00	\$1,000.00	\$200.00
Fixed Assets <\$1,000	\$1,000.00	\$1,000.00	\$200.00
Equipment Maintenance	\$5,000.00	\$5,000.00	\$1,000.00
Bad Debts	\$1,000.00	\$1,000.00	\$200.00

Total Unallocated Expenses

\$287,100.00	\$289,100.00	\$63,820.00
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Other Expenses/(Income)

Cost of Goods Sold			
Interest Expense	1,000	1,000	1,000
Interest			

Total Other Expenses/(Income)

2018

	Education and Training	Research and Development	Energy Efficiency	Rebate to State
	\$246,074.00	\$714,078.00	\$1,327,039.00	\$1,942,964.00
Connecticut	\$30,265.56	\$87,827.13	\$163,217.51	\$238,972.43
District of Columbia	\$78.11	\$226.66	\$421.22	\$616.73
Delaware	\$1,537.08	\$4,460.43	\$8,289.24	\$12,136.56
Idaho	\$177.98	\$516.47	\$959.80	\$1,405.28
Indiana	\$312.35	\$906.40	\$1,684.45	\$2,466.26
Kentucky	\$3,428.84	\$9,950.10	\$18,491.21	\$27,073.63
Massachusetts	\$31,200.50	\$90,540.19	\$168,259.45	\$246,354.51
Maryland	\$7,854.16	\$22,791.86	\$42,356.28	\$62,015.30
Maine	\$16,786.87	\$48,713.55	\$90,529.01	\$132,546.68
Michigan	\$5,241.16	\$15,209.23	\$28,264.75	\$41,383.40
Norh Carolina	\$8,283.29	\$24,037.13	\$44,670.48	\$65,403.61
New Hampshire	\$10,994.36	\$31,904.35	\$59,290.88	\$86,809.85
New Jersey	\$14,198.91	\$41,203.59	\$76,572.54	\$112,112.52
Nevada	\$64.61	\$187.49	\$348.43	\$510.14
New York	\$44,825.43	\$130,078.15	\$241,736.59	\$353,934.95
	\$14,388.83	\$41,755.04	\$77,597.58	\$113,613.14
	\$12,506.18	\$36,291.76	\$67,444.62	\$98,747.87
	\$6,634.10	\$19,251.54	\$35,777.08	\$52,382.38
	\$11,295.90	\$32,779.66	\$60,917.72	\$89,191.62
Ohio	\$6,599.55	\$19,151.12	\$35,590.35	\$52,109.07
Pennsylvania	\$32,994.45	\$95,746.03	\$177,933.95	\$260,519.28

Rhode Island	\$6,668.16	\$19,350.23	\$35,960.38	\$52,650.84
South Carolina	\$3,461.61	\$10,045.19	\$18,667.93	\$27,332.37
Virginia	\$7,712.55	\$22,380.93	\$41,592.61	\$60,897.19
Vermont	\$6,483.83	\$18,815.32	\$34,966.29	\$51,195.36
Washington	\$1,205.78	\$3,499.02	\$6,502.56	\$9,520.63
Wisconsin	\$5,698.87	\$16,537.45	\$30,733.11	\$44,997.42

2019

	Ed and Train	R and D	En Efficiency	Rebate
	\$2,407,793.00	\$657,797.00	\$129,898.00	\$1,894,063.00
Connecticut	\$296,143.50	\$80,904.92	\$15,976.64	\$232,957.92
District of Columbia	\$764.27	\$208.80	\$41.23	\$601.21
Delaware	\$15,040.08	\$4,108.87	\$811.40	\$11,831.11
Idaho	\$1,741.47	\$475.76	\$93.95	\$1,369.91
Indiana	\$3,056.28	\$834.96	\$164.88	\$2,404.19
Kentucky	\$33,550.65	\$9,165.87	\$1,810.02	\$26,392.24
Massachusetts	\$305,291.64	\$83,404.15	\$16,470.18	\$240,154.20
Maryland	\$76,851.65	\$20,995.49	\$4,146.07	\$60,454.48
Maine	\$164,256.76	\$44,874.12	\$8,861.49	\$129,210.71
Michigan	\$51,283.85	\$14,010.49	\$2,766.71	\$40,341.85
Norh Carolina	\$81,050.58	\$22,142.61	\$4,372.60	\$63,757.52
New Hampshire	\$107,577.98	\$29,389.77	\$5,803.72	\$84,625.00
New Jersey	\$138,934.00	\$37,956.07	\$7,495.35	\$109,290.85
Nevada	\$632.19	\$172.71	\$34.11	\$497.30
New York	\$438,609.31	\$119,825.87	\$23,662.53	\$345,027.03
	\$140,793.49	\$38,464.15	\$7,595.82	\$110,753.67
	\$122,371.91	\$33,431.45	\$6,601.98	\$96,262.53
	\$64,914.13	\$17,734.25	\$3,502.12	\$51,064.00
	\$110,529.47	\$30,196.15	\$5,963.08	\$86,946.80
Ohio	\$64,575.49	\$17,641.70	\$3,483.78	\$50,797.58
Pennsylvania	\$322,845.15	\$88,199.68	\$17,417.17	\$253,962.47

Rhode Island	\$65,246.87	\$17,825.12	\$3,520.00	\$51,325.71
South Carolina	\$33,871.29	\$9,253.47	\$1,827.32	\$26,644.46
Virginia	\$75,466.05	\$20,616.95	\$4,071.32	\$59,364.51
Vermont	\$63,443.19	\$17,332.36	\$3,422.70	\$49,906.87
Washington	\$11,798.31	\$3,223.24	\$636.51	\$9,281.01
Wisconsin	\$55,762.47	\$15,234.03	\$3,008.33	\$43,864.91

2019 Partial
Year

Connecticut	\$59,228.75	\$16,180.94	\$31,951.32	\$45,853.67
District of Columbia	\$152.86	\$41.76	\$82.46	\$118.34
Delaware	\$3,008.02	\$821.77	\$1,622.69	\$2,328.75
Idaho	\$348.29	\$95.15	\$187.89	\$269.64
Indiana	\$611.26	\$166.99	\$329.75	\$473.22
Kentucky	\$6,710.14	\$1,833.17	\$3,619.82	\$5,194.85
Massachusetts	\$61,058.38	\$16,680.78	\$32,938.32	\$47,270.13
Maryland	\$15,370.34	\$4,199.08	\$8,291.63	\$11,899.40
Maine	\$32,851.38	\$8,974.80	\$17,721.88	\$25,432.86
Michigan	\$10,256.78	\$2,802.09	\$5,533.08	\$7,940.58
Norh Carolina	\$16,210.13	\$4,428.51	\$8,744.66	\$12,549.55
New Hampshire	\$21,515.61	\$5,877.94	\$11,606.73	\$16,656.94
New Jersey	\$27,786.82	\$7,591.19	\$14,989.77	\$21,511.98
Nevada	\$126.44	\$34.54	\$68.21	\$97.89
New York	\$87,721.94	\$23,965.10	\$47,322.14	\$67,912.50
NYOHA	\$28,158.44	\$7,692.77	\$15,190.36	\$21,799.75
OHILI	\$24,474.16	\$6,686.24	\$13,202.84	\$18,947.45
Hudson	\$12,982.71	\$3,546.82	\$7,003.66	\$10,050.98
UNYEA	\$22,105.69	\$6,039.18	\$11,925.14	\$17,113.82
Ohio	\$12,915.11	\$3,528.33	\$6,967.14	\$9,998.61
Pennsylvania	\$64,569.08	\$17,639.88	\$34,832.19	\$49,988.05
Rhode Island	\$13,049.38	\$3,565.01	\$7,039.57	\$10,102.56

South Carolina	\$6,774.26	\$1,850.69	\$3,654.42	\$5,244.49
Virginia	\$15,093.22	\$4,123.38	\$8,142.13	\$11,684.86
Vermont	\$12,688.65	\$3,466.46	\$6,844.97	\$9,823.29
Washington	\$2,359.66	\$644.65	\$1,272.94	\$1,826.80
Wisconsin	\$11,152.50	\$3,046.80	\$6,016.29	\$8,634.04