

# HOUSE BILL REPORT

## 2SHB 1275

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### As Passed House

January 16, 1998

**Title:** An act relating to public utility tax credits for weatherization and energy assistance programs.

**Brief Description:** Establishing public utility tax credits for weatherization and energy assistance programs.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Mastin, Mitchell, Radcliff, Morris, Mason, Schoesler, Keiser, Dickerson, Wood, Kessler, Scott, Blalock, Thompson, Costa, Kenney and Conway).

### Brief History:

#### Committee Activity:

Energy & Utilities: 2/4/97, 2/18/97 [DPS];

Finance: 3/10/97 [DP2S(w/o sub EN)].

#### Floor Activity:

Passed House: 3/19/97, 97-0;

Passed House: 1/16/98, 94-0.

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### HOUSE COMMITTEE ON ENERGY & UTILITIES

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Crouse, Chairman; DeBolt, Vice Chairman; Mastin, Vice Chairman; Poulsen, Ranking Minority Member; Morris, Assistant Ranking Minority Member; Bush; Cooper; Honeyford; Kastama; Kessler; Mielke; Mulliken and B. Thomas.

**Staff:** Margaret Allen (786-7110).

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Energy & Utilities. Signed by 15 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson,

Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler; Thompson and Van Luven.

**Staff:** Linda Brooks (786-7153).

**Background:** Affordable housing is defined as housing that takes no more than 30 percent of the household's income for the rent (or mortgage) and utilities. According to the Department of Community, Trade and Economic Development (DCTED), because of their precarious financial situation, on average, low-income households spend considerably more than that.

The Low-Income Home Energy Assistance Program (LIHEAP) is a federal block-grant program that provides funds to states for low-income energy assistance and weatherization programs.

Energy assistance funds are used to help low-income households meet the costs of home heating, make furnace repairs, and educate recipients on how to reduce their energy consumption and better manage their heating resources.

The DCTED distributes LIHEAP funds to a service network of 27 contractors, 23 locally based nonprofit organizations, and four units of local government. The benefits an individual household receives are based on actual dwelling heating costs for the previous 12 months (if the data is available), with a maximum household benefit of \$700 and a minimum benefit of \$25. In 1995, LIHEAP funds were sufficient to assist approximately 80,000 households in Washington, or less than 30 percent of the eligible population. An eligible household is a household at or below 125 percent of federal poverty guidelines. The incomes of more than 60 percent of the households receiving LIHEAP funds were at or below 75 percent of poverty guidelines. Thirteen percent had at least one person over 65 years old, and 70 percent had children under 18 years of age.

On January 31, 1997, the DCTED received an emergency appropriation of LIHEAP funds of \$3.7 million. Counting emergency and regularly appropriated funds the state will receive a total of \$23.7 million in LIHEAP funds in 1997, compared to \$26.38 million in 1995.

State Public Utility Tax. Public and investor-owned utilities, such as electric utilities and natural gas distribution companies, pay a state public utility tax on gross receipts, instead of the business and occupation tax.

**Summary of Bill:** Electric and gas utilities may be allowed a tax credit against the state public utility tax for making grants directly, or through DCTED, to organizations with contracts with DCTED to provide low-income energy assistance for specified service areas.

A utility may receive the credit for making a grant to a qualifying organization only if the combined total of the tax credits received by all electric and gas utilities for such grants does not exceed 5 percent of LIHEAP funds allotted to nonprofit or governmental organizations within the particular service area in federal fiscal year 1995.

The amount of the tax credit is limited to the amount of the utility's state public utility tax liability. Any unused excess credit may be carried forward a maximum of one year.

A local organization receiving qualifying grants will apply the money to the low-income energy assistance program that best meets a community's needs as determined by the organization.

Utilities receiving qualifying grant funds are to make reasonable efforts to see that those funds are either transferred to another utility or to the local organization if the utility customer's account is closed. Local organizations receiving qualifying grant funds must notify recipients that a recipient does not have the right to retain the funds if the recipient closes his or her utility account.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 1997.

**Testimony For:** (Energy & Utilities - Original Bill) Cutbacks in LIHEAP and USDOE weatherization funds have occurred since the 1980's. These programs prevent freezing deaths and health problems due to cold exposure. The programs prevent homelessness, malnutrition, and low birth-weight in babies, because families aren't forced to choose between food, shelter, and heat when using their scarce resources.

(Finance - 1st Substitute) As the state moves forward on welfare reform, there is a need for the private sector to help pick up the tab on the costs for programs benefitting low income households. The utility companies' grants will help to fund energy assistance programs at a time when federal funds are being reduced.

**Testimony Against:** (Energy & Utilities) None.

(Finance) None.

**Testified:** (Energy & Utilities) (PRO) Larry Stuckart, Spokane Neighborhood Action Program; Majken Ryherd Keira, Washington State Association of Community Action Agencies and Washington Low-Income Housing Congress; and Bennie Barnes, Seattle City Light.

( Finance) Representative Mastin, prime sponsor.