

# **HOUSE BILL ANALYSIS**

## **HB 1275**

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**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:** *Representatives Mastin, Mitchell, Radcliff, Morris, Mason, Schoesler, Keiser, Dickerson, Wood, Kessler, Scott, Blalock, Thompson, Costa, Kenney and Conway.*

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### **HOUSE COMMITTEE ON ENERGY & UTILITIES**

**Meeting Date:** *February 4, 1997.*

**Bill Analysis Prepared by:** *Margaret Allen (786-7110).*

**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. The United States Department of Energy (USDOE) Low-Income Weatherization Assistance Program is a federal grant program that provides funds to states for low-income weatherization.

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. Weatherization funds are used to install weatherization materials and make related minor home repairs. Examples of weatherization measures include: diagnostically directed airsealing, insulating, caulking, weatherstripping, replacing broken windows, and improving the efficiency of a home's heating system. The program also provides measures to mitigate hazards such as carbon monoxide poisoning and other air quality dangers.

The DCTED administers LIHEAP and USDOE weatherization funds, combining weatherization funding with funding from other low-income energy programs (the

state Energy Matchmakers and the Bonneville Power Administration Low-Income Weatherization Assistance Program) where appropriate so that all cost-effective measures are installed in an eligible home. The DCTED provides LIHEAP funds to a service network of 27 contractors, 23 locally based nonprofit organizations, and four units of local government. Benefits are based on actual heating costs from the previous 12 months, with a maximum household benefit of \$700 and a minimum benefit of \$25. The DCTED also contracts with a statewide network of 26 local agencies, providing weatherization funds to those agencies for weatherization and consumer energy conservation education services.

In 1995, LIHEAP funds were sufficient to assist approximately 80,000 households in Washington, or less than 30 percent of the eligible population. Over 70,000 low-income occupied homes in the state have received weatherization services with reported energy savings of up to 23 percent. 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, as compared to \$26.38 million in 1995. The state will receive \$2.389 million in USDOE weatherization funds in 1997, compared to approximately \$4.255 million in 1995. The combined amount the state will receive in LIHEAP funds and USDOE weatherization funds will be about 23 percent less in 1997 than in 1995. Without the emergency appropriation, the combined amount received would have been about 27 percent less in 1997 than 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 to organizations with contracts with the DCTED as of October 1, 1994, to provide low-income energy assistance and weatherization programs.

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 24 percent of LIHEAP and USDOE weatherization funds allotted to the particular organization by CTED 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.

**Appropriation:** *None.*

**Fiscal Note:** *Available.*

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