

SENATE BILL REPORT

2SHB 1275

As Reported By Senate Committee On:
Energy & Utilities, February 23, 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: 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: 3/31/97 [DP-WM]; 2/23/98 [DPA-WM].

SENATE COMMITTEE ON ENERGY & UTILITIES

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Finkbeiner, Chair; Hochstatter, Vice Chair; Brown, Jacobsen, Rossi, T. Sheldon and Strannigan.

Staff: Andrea McNamara (786-7483)

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, 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.

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, 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.

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 Amended 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 process for application for credit is specified. The Department of Revenue is directed to keep a running total of all credits approved, and to work with utilities and organizations to track credits by service area.

The amount of the tax credit is limited to the amount of the utility's state public utility tax liability, and unused credit may not be carried forward from one year to the next. Refunds may not be given in lieu of tax credits, and no credit may be approved for grants made before the effective date of the act. People receiving credit approval must keep records sufficient for verifying eligibility.

A local organization receiving qualifying grants applies 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.

Amended Bill Compared to Original Bill: The amendment adds a definition of "specified service area" and clarifies the application process for utilities seeking credit.

The Department of Revenue is directed to keep running track of all credits approved and to work with utilities and organizations to track credits by service area.

The ability to carry forward unused credit from one year to the next is removed. Clarification is added that refunds may not be given in lieu of tax credits, and no credit may be approved for grants made before the effective date of the act.

A requirement is added that persons receiving credit approval must keep records necessary for verifying their eligibility.

Other clarifying changes are made.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1998.

Testimony For: 1997: This is a small piece to a larger picture to help low-income people. Even scaled back as it is, this bill will help about 5,000 people, which is worth doing. **1998:** The purpose of the bill is to mitigate cuts in federal funding that have taken place over the past several years. The funding provided through this bill will support the well-run, well-used LIHEAP program, and the amount generated would benefit up to 4,400 households per year. This form of partnership between utilities and local organizations is a good model that will become more useful in the future.

Testimony Against: 1997: None. **1998:** None.

Testified: 1997: PRO: Majken Ryherd Keira, WSACAA; Collins Sprague, Washington Water Power Company. **1998:** PRO: Majken Ryherd Kiera, WA State Association of Community Action Agencies; Collins Sprague, Washington Water Power Co.