

SENATE BILL REPORT

SB 5524

As of January 31, 2001

Title: An act relating to energy assistance.

Brief Description: Providing assistance with energy payments.

Sponsors: Senators Honeyford, Oke, Deccio, Hale, Long, Stevens, Hochstatter, Rossi and Winsley.

Brief History:

Committee Activity: Environment, Energy & Water: 2/1/01.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & WATER

Staff: Andrea McNamara (786-7483)

Background: The state currently provides no state funding for energy assistance. Existing energy assistance funds are available through a federal block-grant program that provides funds to states for low-income energy assistance and weatherization programs. The Department of Community, Trade, and Economic Development administers these federal energy assistance grants in Washington through the Low-Income Home Energy Assistance Program (LIHEAP). LIHEAP grants are distributed to qualifying households through a service network of charitable organizations and local governments.

Federal funding has fluctuated over the 20-year history of the program. During the 1990's, the block grants were significantly reduced, while emergency funds were utilized more regularly. Last year Washington received \$21.9 million in LIHEAP funds, which provided energy assistance to approximately 17 percent of the eligible households. This was just over one half as much as the state received in the mid-1980's. This year, Washington State received \$28.1 million in its regular block grant. In addition, federal emergency funds released by the President in September and December of 2000 have provided an additional \$11 million for this heating season.

The state collects a public utility tax from electric and gas utilities on the gross receipts earned from the sale of electricity and natural gas. The rate is 3.873 percent for electricity and 3.852 percent for natural gas. All of the revenues from these taxes are currently deposited into the state general fund.

The purchase of any natural or manufactured gas that is not otherwise subject to the public utility tax is subject to a natural/manufactured gas use tax known as the brokered natural gas tax.— The rate is the same as the public utility tax rate for natural gas and is imposed directly on the consumer rather than the seller. These tax revenues are deposited into the state general fund.

Both of these taxes are imposed on the value of the product rather than the amount of the product used. This makes the tax revenues subject to fluctuations as a result of price changes regardless of whether consumption of electricity or natural gas changes. Numerous electric and gas utilities have announced significant rate increases over the past few months as a result of unprecedented increases in wholesale power costs.

Summary of Bill: A new state energy assistance account is created. Funds from the account are to be used for providing energy assistance to the elderly on fixed income and other low-income individuals. The account is funded by revenues from the state public utility tax and the brokered natural gas tax.

Beginning in January 2003, public utility tax and brokered natural gas tax revenues in excess of 105 percent of the previous year's collections must be deposited into the account. The account is subject to allotment procedures but does not require appropriation. The Director of the Department of Community, Trade, and Economic Development is authorized to approve expenditures and distributions from the account for energy assistance. The director is given rulemaking authority to administer the program, including establishing guidelines for eligibility.

Funds must be distributed through existing local entities that administer federal energy assistance funds for the state.

The Department of Revenue must determine the baseline public utility tax and brokered natural gas tax revenues in 2002 and each subsequent year in order to establish the amounts available for deposit into the new energy assistance account.

Appropriation: None.

Fiscal Note: Requested on January 29, 2001.

Effective Date: Ninety days after adjournment of session in which bill is passed.