

# HOUSE BILL REPORT

## HB 1275

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### As Reported By House Committee On:

Energy & Utilities  
Finance

**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.

### Brief History:

#### Committee Activity:

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

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

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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).

**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 Substitute 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 and weatherization programs 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 24 percent of LIHEAP and USDOE weatherization 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-related 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.

**Substitute Bill Compared to Original Bill:** Utilities may give grants to the Department of Community, Trade and Economic Development (CTED) to forward to the appropriate organization or organizations for low-income energy-related programs, or may give the money directly to the organizations providing the programs.

An organization receiving a grant need not have had a contract with CTED by October 1, 1994 to provide low-income energy-related programs. But, the organization must have a contract with CTED to provide the programs for a specified service area.

The definition of low-income energy-related programs— is narrowed by adding the requirement they be currently defined as such by the federal Department of Health and Human Services and the federal Department of Energy.

A utility may receive the tax credit for a qualifying grant during the year to the extent all qualifying grants for a specified services area do not exceed 24 percent of the LIHEAP and USDOE money allotted within the area during federal fiscal year 1995.

The local organization receiving qualifying grants will apply the money to the low-income energy-related 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 of Substitute Bill:** The bill contains an emergency clause and takes effect on July 1, 1997.

**Testimony For:** 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. Unweatherized homes often are unhealthy and unsafe to live in.

**Testimony Against:** None.

**Testified:** (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.

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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).

**Summary of Recommendation of Committee on Finance Compared to Recommendation of Committee on Energy & Utilities:** Electric and gas utilities are only allowed a tax credit against the state public utility tax for making grants to provide low-income energy assistance. The utilities are not allowed a tax credit for grants to provide for weatherization programs.

Additionally, a utility only receives a tax credit for making a grant to a qualifying organization, if the combined total of the tax credits received by all electric and gas utilities for such grants does not exceed 5 percent of the federal LIHEAP funds allotted to nonprofit or governmental organizations within a particular service area during federal fiscal year 1995. This 5 percent recommendation is lower than the Energy and Utilities Committee's 24 percent recommendation.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 11, 1997.

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

**Testimony For:** 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:** None.

**Testified:** Representative Mastin, prime sponsor.