

SENATE BILL REPORT

SB 5331

As Reported By Senate Committee On:
Energy, Technology & Telecommunications, February 11, 1999
Ways & Mean, March 8, 1999

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: Senators Brown, Goings, Patterson, Eide, Winsley and Rasmussen.

Brief History:

Committee Activity: Energy, Technology & Telecommunications: 2/2/99, 2/11/99 [DPS].
Ways & Means: 2/25/99, 3/8/99 [DP2S].

SENATE COMMITTEE ON ENERGY, TECHNOLOGY & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5331 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Fairley, Fraser, Hochstatter, Roach and Rossi.

Staff: Andrea McNamara (786-7483)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5331 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Kline, Kohl-Welles, Long, Rasmussen, Roach, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley, Wojahn and Zarelli.

Staff: David Schumacher (786-7474)

Background: 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 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 Department of Community, Trade, and Economic Development (CTED) distributes LIHEAP funds to a service network of 27 contractors, 23 locally based nonprofit organizations, and four units of local government.

Households eligible to receive LIHEAP funds are households at or below 125 percent of federal poverty guidelines (approximately \$17,000 annual income for a family of three). The lowest income households receive up to 80 percent of heating costs as a benefit and those at 125 percent of poverty receive 40 percent of heating costs as a benefit. The maximum benefit per heating season is \$700.

Due to repeated reductions in federal funding over the past several years, CTED now provides assistance to approximately one half as many households as it did in 1990 (46,000 households in 1998 compared to 96,000 households in 1990), which represents approximately 18 percent of the eligible population.

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 Second Substitute Bill: Electric and gas utilities may be allowed a tax credit against the state public utility tax for making grants directly to organizations that contract with CTED to provide low-income energy assistance for specified service areas.

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

A utility may receive the credit only if the combined total of the tax credits received by all electric and gas utilities for such grants does not exceed 2 1/2 percent of LIHEAP funds allotted within the particular service area in federal fiscal year 1995. The application and approval process 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 each applicant's tax credit is limited to the amount of the utility's state public utility tax liability. Unused credit may 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.

When a recipient closes a utility account that contains unused energy assistance funds, the unused funds must either be transferred to the recipient's next utility account or returned to the energy assistance program.

Second Substitute Bill Compared to Substitute Bill: The second substitute allows the credit only if the grants are made directly to the appropriate organizations. It also reduced the amount of credits available each year. The second substitute authorizes unused credits to be carried forward from one year to the next.

Substitute Bill Compared to Original Bill: The substitute clarifies that a one-to-one credit is available for grants made by utilities from company contributions, and that grants made by utilities from voluntary customer contributions may be credited at 10 percent of the amount of the customer contributions.

The substitute also removes the emergency clause but provides that credits may be given for grants made beginning on July 1, 1999.

Appropriation: None.

Fiscal Note: Requested on January 29, 1999.

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

Testimony For: This bill creates an important opportunity to partially mitigate significant federal funding cuts for low-income energy assistance programs. The number of families in need of such assistance in Washington is growing, at the same time federal funds have been reduced by nearly 35 percent this decade. The local administration of the grants is a positive feature, letting local communities decide how best to direct the energy assistance funds.

Testimony Against: None.

Testified (Energy, Technology & Telecommunications): PRO: Majken Ryherd Keira, Washington State Association of Community Action Agencies; Victoria Lincoln, Association of Washington Cities; Collins Sprague, AVISTA Corporation; Mary Lou Pearson, American Association of Retired Persons; Danielle Dixon, NW Energy Coalition; Bennie Barnes, City of Seattle; Aaron Jones, Washington Co-ops; Kathleen Collins, Pacificorp; Al Aldrich, Snohomish PUD.