



STATE OF WASHINGTON
DEPARTMENT OF COMMERCE
1011 Plum Street SE • PO Box 42525 • Olympia, Washington 98504-2525 • 360-725-4000
www.commerce.wa.gov

September 10, 2024

Via email: eric.thomas@leg.wa.gov

Eric Thomas, Legislative Auditor
Joint Legislative Audit & Review Committee
106 11th Ave SW
PO Box 40910
Olympia, WA 98504-0910

RE: Tax preference review – public utility tax credit for home energy assistance (RCW 82.16.0497)

Dear Mr. Thomas:

Thank you and the Joint Legislative Audit and Review Committee (JLARC) for extending the opportunity to comment on the Public Utility Tax Credit for Home Energy Assistance (RCW 82.16.0497). Energy assistance need is an important public policy problem, and our state's current approach warrants reconsideration.

Recommendation

Our agency recommends the Legislature eliminate the Public Utility Tax Credit for Home Energy Assistance.

A lot has changed since this tax preference was established by the Legislature 23 years ago. Electric utilities now have explicit obligations to provide assistance to low-income households, obviating any need to provide encouragement through the tax code. Furthermore, the current funding level of the tax is not material, and the fact that it is not even used by many utilities demonstrates it is not material to them.

The Legislature may well want to take a more comprehensive approach to reducing the energy burden of our state's low-income households, and it may wish to alter the sharing of financial responsibility between individual utilities and state government. The Legislature has begun such considerations, as described below. Termination of the existing tax credit would not affect the future direction of state policy one way or another.

Additional information

As noted in your analysis, Commerce's Low-Income Energy Assistance 2023 Legislative Report found more than 250,000 low-income households (about 25%) are energy burdened—that is they spend more than 6% of their household incomes on residential energy bills. The average amount they spend above 6% of household incomes on home energy bills is \$844 annually. These expenditures annually exceed \$234 million statewide after taking bill reductions from energy assistance programs into account.

This is a significant energy and housing issue. Households that spend over 6% of their incomes on residential energy bills are more likely to leave the temperature of their homes at unhealthy and unsafe

levels, forgo other household necessities, like essential food and medicine, and are more likely to lose their housing and remain in cycles of poverty.

Energy assistance programs reduce the likelihood of these harms, but Washington's current energy assistance system is a patchwork of utility energy assistance programs where crucial programs and funding remain absent. Utility programs serve only a small percentage (less than 25%) of low-income households compared to individual statewide programs, such as the Supplemental Nutrition Assistance Program (SNAP), that have similar eligibility requirements. In other words, more than four times as many low-income households participate in SNAP than low-income energy assistance program despite the programs having similar eligibility criteria.

Layered over this patchwork of utility programs is a federal block grant program, the Low-Income Home Energy Assistance Program (LIHEAP), and a few relatively small state programs that offer limited assistance to low-income households and often prove inaccessible to households due to limited funding, and restrictive eligibility and program design requirements mandated by the federal government.

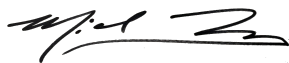
Because of the underwhelming program participation rates of utility programs and the economic inefficiencies of administering 60+ utility bill assistance programs, the Legislature, in a 2023 budget proviso ([Chapter 475, Laws 2023](#)) directed Commerce to recommend a design for a statewide low-income energy assistance program to provide universal access to home energy assistance and meet energy assistance need. Our agency has been busy designing a program with community input over the last year. The report and recommendation will be published ahead of the 2025 legislative session.

Conclusion

The Public Utility Tax Credit for Home Energy Assistance is structured as an incentive mechanism, encouraging utilities to increase their support relative to year 2000 amounts. An incentive mechanism is no longer necessary since the Legislature has established explicit obligations for electric utilities to reduce their low-income customers' energy burden. If the Legislature aims to comprehensively address the performance of utility energy bill assistance programs, there are other more effective policy mechanisms that better align with the needs of low-income households and the public interest.

Please let us know if you have questions about these comments or would like additional information.

Sincerely,



Michael Fong
Director