Revised 1/31/11

# Department of Planning and Budget
## 2011 Fiscal Impact Statement

1. **Bill Number:** HB 2107

   **House of Origin** ☒ Introduced ☐ Substitute ☐ Engrossed

   **Second House** ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Armstrong, Ward L.

3. **Committee:** Finance

4. **Title:** Reduced electricity rates for low-income residential customers; tax credit

5. **Summary:** Requires investor-owned electric utilities to offer eligible residential customers a reduced rate for electric service during December through April of each year. The reduced rate is 20 percent less than the rate that would be applicable to the customer if the customer was ineligible for the special rate. To be eligible for the special rate, a customer must be receiving (i) supplemental security income, (ii) aid to families with dependent children, (iii) aid to families with dependent children—unemployed, or (iv) food stamps, if the food stamp recipients are 60 years of age or older. The State Corporation Commission is required to certify each utility's revenue deficiency resulting from the special reduced rates, and the utility will receive an income tax credit calculated at 1.45 percent of the revenue deficiency. The Department of Social Services is required to adopt regulations establishing procedures to inform persons about the availability of the special reduced rates, assist applicants for the special reduced rates in proving their eligibility therefor, and assist utilities in determining the eligibility of persons for such rates. The Commission and the Department are required to adopt temporary emergency regulations implementing the program by October 1, 2011.

6. **Budget Amendment Necessary**: No

7. **Fiscal Impact Estimate Cannot Be Determined** (see item 8)

8. **Fiscal Implications:**

   <u>Department of Social Services</u>
   It is assumed that the Department of Social Services (DSS) will meet the provisions of this bill creating an encrypted data exchange with approximately 45 electric utilities in the first year using existing agency data available in the Application Benefit Delivery Automation Process System (ADAPT). The department estimates this project will require approximately 400 man hours, which includes the cost of programming and testing the data exchange. Using an hourly rate of $100 per hour for a information technology contractor, the total vendor cost is estimated to be $48,000. This amount includes the anticipated Division of

Information Systems costs to support this initiative. This approximation is based on the following assumptions:

- The department would incur no new costs to educate/inform the public of reduced rates. It is assumed that DSS will issue a media release, post information on the agency website and include information in currently planned mass mailings.
- The proposed data exchange is sufficient to meet the requirements of this bill.
- The department will include a release statement on the application for benefits that customer information may be shared with another entity.
- This activity will not become a part of the eligibility determination process.

State Corporation Commission
The State Corporation Commission estimates that the bill will likely serve to lower income tax revenue from electric utilities. The amount of the reduction will be dependent on (i) the number of customers qualifying for the discount, (ii) those customers' usage which will be impacted by weather, and (iii) ratemaking policies. This reduction could potentially be partially offset by an increase in revenue collected via the consumer utility tax if customer usage is elastic and customers qualifying for the discount increase consumption in response to lower electric bills. None of these variables can be accurately predicted at this time.

Department of Taxation
The Department of Taxation has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to tax systems and forms. As stand-alone legislation, the department considers the bill's implementation "routine," and will not require additional funding.

The Department of Taxation will provide specific administrative costs on any legislation that is not considered "routine." Additionally, the department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department of Taxation will identify the costs at that time.

*Revenue Impact*
The negative impact on general fund revenue is not known. According to the Social Security Administration, there are 144,448 SSI recipients in Virginia in December 2009. In addition, the Virginia Department of Social Services reports an average of 36,358 TANF cases and an average of 350,599 SNAP cases (all ages, not just 60 or older) in the state for FY 2010. However, it is not known how many of these cases are receiving benefits from more than one qualifying program, nor is it known how many of these recipients are customers of a utility in their own name.

9. **Specific Agency or Political Subdivisions Affected:**
Department of Social Services
State Corporation Commission
Department of Taxation

10. **Technical Amendment Necessary:** Yes. The bill indicates that the State Corporation Commission will begin certifying revenue deficiencies in 2012 for the previous year. Based on this language, it is assumed that the revenue deficiencies resulting from the December 2011 billing cycle would be eligible for the credit. However, in order to clarify the effective date of the credit created by this bill, the Department of Taxation recommends the following technical amendment is suggested.

    Page 2, Line 75, after "that deficiency."
    Strike: "An"
    Insert: "For taxable years beginning on and after January 1, 2011, an"

    For purposes of statutory organization and functionality, it has been the practice of the General Assembly to enact income tax credits in Title 58.1 of the Code of Virginia (Taxation). Because this bill would enact an income tax credit under Title 56 of the Code of Virginia (Public Service Companies), The Department of Taxation recommends that the income tax credit provisions of the bill be moved to Article 10 of Title 58.1. Such a change would require an amendment in the nature of a substitute.

11. **Other Comments:** This bill is a companion to SB 1011.

**Date:** 1/27/11
**Document:** G:\2011 Fiscal Year\EFIS 2011\HB2107.Doc