Department of Planning and Budget
2013 Fiscal Impact Statement

1. **Bill Number:** HB 2108

House of Origin	☒	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☐	Substitute	☐	Enrolled

2. **Patron:** Morefield, James W.

3. **Committee:** Commerce and Labor

4. **Title:** Low-income residential customers; reduced electricity rates

5. **Summary:** The proposed legislation 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 at least age 60 and receiving (i) supplemental security income, (ii) Temporary Assistance for Needy Families, or (iii) food stamps.

   The State Corporation Commission is required to certify each utility's revenue deficiency resulting from the special reduced rates. 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 therefore, 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, 2013.

6. **Budget Amendment Necessary**: No

7. **Minimal Fiscal Impact**

8. **Fiscal Implications:** None
   <u>Revenue Impact</u>
   This bill would have an unknown negative general fund revenue impact, beginning in FY 2015. This impact depends on the quantity of electricity consumed by those eligible for the reduced rates, as well as the difference between the reduced and standard rates. Eligible customers would be residential utility customers who are 60 years of age or older and who receive SSI benefits, TANF, or food stamps. According to the Social Security Administration, there were 151,053 SSI recipients in Virginia in December 2009. In addition, the Virginia Department of Social Services reported 32,666 TANF cases in Virginia in November 2011. In 2008 there were 582,494 recipients of food stamps in Virginia. However, it is not known how many of these individuals have a utility in their name and are

60 years of age or older, nor is it known the amount of electricity consumed by such individuals.

Department of Social Services
The Department of Social Services proposes to meet the requirements of this bill by creating an encrypted data exchange with the electric utilities in the first year using existing data in the department's systems. The systems are currently being replaced through the department's eligibility system modernization project so there are potential workload and fiscal unknowns with regards to the creation and implementation of the data exchange. However, the Department's Division of Information Systems (DIS) estimates that creating the exchange 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 an information technology contractor, the total vendor cost is estimated to be $40,000, which can be absorbed by the department. 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 the department will 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.

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 our systems and forms. As stand-alone legislation, the department considers implementation of this bill as "routine," and does not require additional funding.

State Corporation Commission
The State Corporation Commission does not expect the requirements of this bill to have a fiscal impact.

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

10. **Technical Amendment Necessary:** Yes. During the 2012 Legislative Session, the General Assembly enacted Va. Code § 30-19.1:11, which prohibits committees of the General Assembly from reporting any bill that adds a new tax credit or renews an existing tax credit unless such a bill contains an expiration date of not longer than five years from the effective date of the tax credit. The Department of Taxation maintains that this bill creates a new tax credit that would be effective for taxable years beginning on or after January 1, 2013, but

would not sunset until July 1, 2018. Therefore, the department recommends the following technical amendments:

Line 76, beginning of line
Strike: A.

Line 76, after 2013,
Insert: but before January 1, 2018

Line 84, beginning of line
Strike: B. The provisions of this section shall expire on July 1, 2018.

11. Other Comments: None

Date: 1/14/13
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