

Weatherization, Fuel Tax and LIHEAP - 2016 Legislative Session

Shortfall in Funding

In the past few years the Low Income Weatherization Program (WX) went from a high of \$14 M in FY 2012 to \$12M in FY 2015 and finally to \$9M in FY2016 due to the loss of federal funds and Green Mountain Power merger monies available. The reduction in funding resulted in a loss of capacity, loss of good jobs, and a reduction in the number of units weatherized. Additionally, although the budget was set to be level funded at \$9M for FY 2017, it became evident that for both FY 2016 and FY 2017 there was a shortfall of \$1.2 M in the gross receipts tax revenue - the primary funding source for the program - because of the dramatic drop in heating fuel oil prices in the past year.

For FY 2016, the Legislature Appropriated \$3.3 M in contingent State dollars for LIHEAP Benefits and administration not in the Governor's proposed budget. A portion of the authority that allows 15% of Federal LIHEAP dollars (\$2.8M) was used to cover the shortfall in Weatherization without reducing fuel assistance benefits. The remainder was used to put additional State dollars into LIHEAP to cover benefits over 150% of the Federal Poverty Level that were not funded during the 2015 Legislative Session.

This session, for the second year in a row, the Governor did not propose any State dollars for LIHEAP to cover the 150% of the FPL households and the additional administration money needed over the amount allowed to be funded with Federal dollars. Without additional revenues, that would have left a \$5 M hole in LIHEAP for benefits and administration, and a \$1.2 M reduction in the Weatherization Budget, with only \$2.8 M in "swapping" authority to cover the \$6.2M needed for LIHEAP and Weatherization. Unfortunately, that once again pitted the short term fuel assistance benefits against the Low Income Weatherization program, a long term solution to low-income energy burdens.

Raising Revenues

Legislation was introduced to raise the Gross Receipts Tax from 0.05% to 0.1%. A 0.25% GRT increase was included in the Miscellaneous Tax bill that the House passed. The Appropriations bill increased the Weatherization Program with the new revenues and the use of some Weatherization/LIHEAP federal dollars, leaving fuel assistance benefits short of the need. The Senate did pass a 0.25% increase, but shorted the revenues by \$300K by exempting natural gas and maintained the LIHEAP dollars for fuel assistance leaving the Weatherization program with no ongoing increase after this year.

The House proposed a compromise solution in the Committee of Conference which led to a modest ongoing increase in Weatherization and the intent to fully fund LIHEAP benefits for households above 150% FPL with contingent funding, as has been done in the past.

Legislative Action

Legislation passed in the Miscellaneous Tax Bill this session changes the GRT to a 2 cent per gallon tax on fuel oil and propane and raises the tax on natural gas and coal by 0.25%, from 0.5% to 0.75%. The tax on electricity remains unchanged at 0.5%.

This legislation raises an additional \$2.87M over the current \$6.83M raised by the existing 0.5% GRT, for a total of \$9.7M, making up the Weatherization shortfall *and* providing a sustainable

increase. With \$1M in federal funds and \$900K in one-time money, next year's total Weatherization budget is \$11.6M in the Budget Bill passed. For FY 18, after the one-time money is gone, Weatherization has a \$10.7M budget, a \$1.6M increase from the FY 16 funding level of \$9.1M.

Moving the tax to a cents-per-gallon basis for fuel oil and propane creates a sustainable funding source for Weatherization and enables a modest increase in capacity, but unlike a percentage based tax, it does not yield additional revenues when fuel prices go up.

Lastly, funding for Weatherization does *not* rely on any LIHEAP money to cover the shortfall and makes possible full funding for LIHEAP benefits above 150% of federal poverty and the needed additional administrative funding.

Summary of Action on Weatherization, Fuel Gross Receipts and LIHEAP

Weatherization

- The entire Gross Receipts Tax on fuel oil, propane and kerosene is restructured as a 2 cents per gallon tax and is no longer called a GRT but a "Fuel tax"
- Natural Gas and coal are increased by the 0.25% and remain a GRT
- Electricity remains at 0.5%
- This raises a total of \$9.7M - an additional \$2.87M over the current \$6.83M raised by the existing 0.5% GRT
- Add the \$1M in Department of Energy money and you have a total Weatherization budget of \$10.7M for FY 18
- For FY 17 the \$900K one-time money gives WX \$11.6M next year
- The "Fuel Tax" is reauthorized for another three years.
- It does away with the Vermont Gas rebates as requested by OEO
- It allows for itemization on the fuel bill (for the fuel per gallon providers only) and mandates an explanation of the move to per gallon from GRT on the bill
- It creates a study of the administrative cost of LIHEAP, Crisis Fuel and Weatherization

LIHEAP

- The WX funding construct does not rely on any LIHEAP money in FY 17 or after to make WX whole and realize a sustainable increase
- The full \$2.8M from the LIHEAP-WX swap can go towards the additional admin and benefits above 150% of FPL
- \$500K from fuel dealer refunds and the Suburban Propane settlement can be used for that purpose as well
- The budget sets aside \$1.2M for a number of contingencies, including LIHEAP
- IF there are unanticipated revenues at the end of the current fiscal year - \$1.7M in contingent appropriations is set aside for LIHEAP.
- The full \$5M needed to fund LIHEAP benefits above 150% of FPL and the additional administration are not fully funded unless contingent funding is available. The Joint Fiscal Committee and the Administration have not yet finalized LIHEAP funding for the 2016-2017 heating season, as the \$1.7 M in contingent funding is not available at this time, but they have indicated that the \$1.2 M set aside will be used for LIHEAP.