COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4551-03
Bill No.: SB 1203
Subject: Energy; Natural Resources
Type: Original
Date: March 27, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	($100,000 up to $985,704)	($915,576 up to $5,512,576)	($938,849 up to $5,538,819)
Total Estimated Net Effect on General Revenue Fund	**($100,000 up to $985,704)**	**($915,576 up to $5,512,576)**	**($938,849 up to $5,538,819)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
ESA Clean Energy Fund	$0	$0	($39,808,635) up to $39,808,635
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**($39,808,635) up to $39,808,635**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 20 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture** assume no fiscal impact to their agency.

Officials from the **Secretary of State's Office** assume the Department of Revenue, Department of Natural Resources and the Public Service Commission may promulgate rules to enact this legislation. Their division will publish these rules in the Missouri Register and the Code of State Regulations. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Revenue, Department of Natural Resources and the Public Service Commission could require as many as 70 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is $23.00. The estimated cost of a page in the Code of State Regulations is $27.00. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.
[($27x70=$1,890)+($23x105=$2,415)=$4,305]

Oversight assume the SOS could absorb the costs of printing and distributing packets and sections of the State Manual related to this proposal. If multiple bills pass which require the

ASSUMPTION (continued)

printing and distribution of packets at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Revenue (DOR)** assume the following:

Section 135.563 – a new section establishing the "Residential Alternative Energy Tax Credit Program". A taxpayer (defined as any non-corporate taxpayer) with a FAGI of $30,000 or less may receive a tax credit in the amount equal to the lesser of 100% of eligible costs for the installation and purchase of "Energy Star" labeled items, or $1,000, to apply against their Missouri income tax liability (defined as tax due under chapter 143, other than withholding taxes).

The credits issued under this section are not refundable and have no carry forward/backward provisions.

The aggregate amount of all tax credits allowed shall not exceed $50,000 per fiscal year. The credits will be issued on a first-come first-serve basis.

The taxpayer must claim the credit in the same taxable year as the eligible costs were incurred, provided the return is filed timely.

DOR is to administer this tax credit.

The tax credit shall apply to all tax year beginning on or after January 1,2007.

The provisions of this section shall not apply to section 23.253, RSMo, of the sunshine act.

Section 135.564 – a new section establishing the "Residential Hybrid Vehicle Tax Credit Program". A taxpayer (defined as any non-corporate taxpayer) with a FAGI of $30,000 or less may receive a tax credit in the amount equal to the lesser of 50% of eligible costs for the expenses incurred for the purchase of a hybrid vehicle, or $500, to apply against their Missouri income tax liability (defined as tax due under chapter 143, other than withholding taxes).

The credits issued under this section are not refundable and have no carry forward/backward provisions.

The aggregate amount of all tax credits allowed shall not exceed $50,000 per fiscal year. The credits will be issued on a first-come first-serve basis.

ASSUMPTION (continued)

The taxpayer must claim the credit in the same taxable year as the eligible costs were incurred, provided the return is filed within 6 months after purchasing the vehicle.

DOR is to administer this tax credit.

The tax credit shall apply to all tax year beginning on or after January 1,2007.

The provisions of this section shall not apply to section 23.253, RSMo, of the sunshine act.

Section 135.565 – a new section establishing the "Green Building Tax Credit". The definition of "Economic development area" is an area defined by the "department", which is DOR. The Green Building Tax Credit is comprised of 6 types of tax credits as follows:

1) **Green Whole Building Credit** is equal to 1 4/10% of allowable costs incurred by the applicant for the construction or rehabilitation of a building not already a green whole building. If the building is located in an economic development area, the allowable percentage is 1 6/10%. In aggregate, the costs shall not exceed $150 per square foot for the base building, and $75 per sq ft for the tenant space.

2) **Green Base Building Credit** is equal to 1% of allowable costs incurred by the applicant for the construction or rehabilitation of a building not already a green base building. If the building is located in an economic development area, the allowable percentage is 1 2/10%. In aggregate, the costs shall not exceed $150 per square foot for the base building.

3) **Green Tenant Space Credit** is equal to 1% of allowable costs incurred by the applicant for the construction or rehabilitation of a building not already a green tenant space. If the building is located in an economic development area, the allowable percentage is 1 2/10%. The owner or tenant, who occupies fewer than 10,000 sq ft, shall qualify for the credit component only in the event the base building is a green base building. In aggregate, the costs shall not exceed $75 per sq ft. In the event both an owner and tenant incur costs, and such costs exceed $75 per sq ft in aggregate, the owner shall have priority as to costs constituting the basis for the green tenant space credit component.

4) **Fuel Cell Credit** shall be allowed for the installation of a qualifying fuel cell. The amount of the credit shall be equal to 6% of the costs incurred for each fuel cell installed. The amount of any governmental grant received for the purchase and installation of such fuel cell not included in the FAGI, shall be subtracted from the amount of such cost.

ASSUMPTION (continued)

5) **Photovoltaic Module Credit** shall be allowed for the installation of a qualifying module. The amount of the credit shall be equal to 20% of the incremental cost incurred by the applicant, and 5% of the cost of non-building-integrated photovoltaic modules, not to exceed $300 and the number of watts included in the direct current rated capacity of the photovoltaic modules. The amount of any governmental grant received for the purchase and installation of such equipment, not included in the FAGI, shall be subtracted from the amount of such cost.

6) **Wind Turbine Credit** shall be allowed for the installation of a qualifying turbine. The amount of the credit shall be equal to 25% of the costs incurred for each wind turbine installed. The amount of any governmental grant received for the purchase and installation of such turbine not included in the FAGI, shall be subtracted from the amount of such cost.

Any person claiming a green building tax credit shall file an application with DOR for a tax credit certificate.

DOR has the authority to approve or reject any application. DOR administers and issues these credits.

In no event shall the aggregate amount of all tax credits allowed under this section, exceed $4.5 million per fiscal year.

These credits are transferable, and may be carried forward for 4 succeeding years.

Each person receiving the tax credits shall provide upon request, records showing energy savings.

On or before July 1, 2010, DOR must submit a report to the governor and GA indicating the numbers of certificates issued and credits redeemed.

DOR shall work in conjunction with DNR to adopt rules for additional energy efficiencies.

Subsection 22 states the provisions of this section shall expire July 1, 2010.

Subsection 23 contains sunset language.

Section 144.030 – added language to create in subsection 2, subdivision (40) to exempt from sales tax, selected products that have received the “Energy Star Label” developed by the EPA and purchased in MO after August 28, 2006. The product eligible for the exemption will be determined by DOR in consultation with DNR.

ASSUMPTION (continued)

Also adds in subsection 2, subdivision (41) to exempt from sales tax, tangible property used in energy conversion, thermal-efficiency improvements, and the conversion of solid waste to energy. Tangible property is defined as, but not limited to, solar-thermal systems, photovoltaic systems, wind, biomass, landfill gas, and waste recovery systems. Eligible property shall be certified by DOR prior to the exemption being issued.

Section 144.030 – added language to create in subsection 2, subdivision (40) to exempt from sales tax, selected products that have received the "Energy Star Label" developed by the EPA and purchased in MO after August 28, 2006. The product eligible for the exemption will be determined by DOR in consultation with DNR.

Also adds in subsection 2, subdivision (41) to exempt from sales tax, tangible property used in energy conversion, thermal-efficiency improvements, and the conversion of solid waste to energy. Tangible property is defined as, but not limited to, solar-thermal systems, photovoltaic systems, wind, biomass, landfill gas, and waste recovery systems. Eligible property shall be certified by DOR prior to the exemption being issued.

To the extent the new tax credits create additional contacts for the department's customer service bureau, the following FTE are requested:

1 Tax Processing Technician I for every additional 4,800 contact in the field offices
(8 FTE)
1 Tax Collections Technician I for every additional 15,000 contacts on the delinquent tax line regarding balance dues notices and adjustments.
1 Tax Collections Technician I for every additional 24,000 contacts on the income tax line regarding adjustment notices and eligibility questions.

DOR assumes this credit is not refundable due to language allowing a carry forward for 4 succeeding years.

Corporate Tax will require 3 Tax Processing Technician I, to administer, approve, and track the new credits.

Personal Tax will require 1 Tax Processing Technician I for every 4,000 credits claimed.

Section 135.565; having the "Green Credit" under the administration of DOR does not seem logical. DOR would have to hire qualified staff to review applications and work in conjunction with DNR. As worded, with the administration and certification handled by DOR, PT would

ASSUMPTION (continued)

require 1 Management Analyst Specialist I and 1 Tax Processing Technician I to work in conjunction with DNR verifying the qualification of the applicants as well as processing the applications and issuing the credits.

Business Tax/Exemptions – Section 144.030.2(41) & (42); establish an exemption from sales tax, on selected products that have received the "Energy Star Label" developed by the EPA and purchased in MO after August 28, 2006. The product eligible for the exemption will be determined by DOR in consultation with DNR.

DOR would have to maintain a list of all eligible items on the DOR website. This list will prove to be quite extensive (according to the EPA website, there are 682 qualifying dishwashers alone). BT would require 2 Tax Processing Technicians to certify qualified products, consult with DNR, process and issue exemptions.

Officials from the **Public Service Commission (PSC)** assume this proposal would require the PSC to write rules for uniform standards for cogeneration interconnection, rebate programs, renewable portfolio standards and surcharges for Center for Advanced Renewable Energy. The proposal would also result in analysis of carbon emissions and sequestration technology with possible impacts to electric utility planning and rates.

The PSC also would be required to assess a charge of not less than one-half of one mill per kilowatt hour to each end use customer of electric services in the state, to be deposited into a clean energy assistance fund. No fiscal impact is made upon the assumption that the affected companies will perform this task by Commission directive (similar to the local gross receipts tax process), as they have the requisite customer and usage data. It is also assumed that the companies would issue the appropriate billings, collect the assessment and remit the monies collected under section 640.690.2 to the Department of Revenue for credit to the Clean Energy Assistance Fund in the state treasury along with filing any necessary report to the PSC. If these assumptions are invalid, there could be substantial fiscal impact to the PSC for performing the periodic customer assessment billings, data compilation, depositing of funds, etc. related to collection of this charge from the approximately 1.8 million electric customers of the four investor-owned electric utilities regulated by the PSC.

Officials from the **State Treasurer's Office (STO)** assume this proposal creates the "Residential Alternative Energy Tax Credit Program".

ASSUMPTION (continued)

-taxpayers with federal a AGI of $30,000 or less may receive tax credits for purchasing/installing solar electric panels and other energy efficient appliances.
-tax credits are capped at $1,000 per taxpayer and $50,000 annually for the program.

Creates the "Residential Hybrid Vehicle Tax Credit Program"

-taxpayers with a federal AGI of $30,000 or less may receive a tax credit for the purchase of a hybrid vehicle.
-tax credits are capped at $500 per taxpayer and $50,000 annually for the program.

Creates the "Green Building Tax Credit" for the construction of certified green buildings.

-tax credits are capped at $4,500,000 for the program for fiscal year.

Exempts the sales of Energy Star Label products and certain tangible property used in energy conversion from state sales tax.

Establishes mandates for the suppliers of electrical energy to begin using renewable sources of energy by 2010.

Creates the "Clean Energy Assistance Program" as a subaccount within the energy set-aside program fund.
-subaccounts do not technically exist--this must be set up as a separate fund unless DNR wants to track it
-electricity usage surcharges of not less and ½ of one mill per kilowatt hour will be deposited into the subaccount.

Establishes the "Climate Change Advisory Commission"

Creates the "Clean Energy Financial Assistance Fund" (640.692)

-in the treasury
-"state treasurer shall be custodian of the fund and approve disbursements from the fund in accordance with sections 30.170 and 30.180, RSMo."
-exempt from the biennial transfer

-retains interest earnings

ASSUMPTION (continued)

The Treasurer's Office only ensures the disbursements are made from a lawful appropriation and don't exceed the amount of the appropriation.

Officials from the **Department of Natural Resources (DNR)** assume the following:

Section 135.563 - Residential Alternative Energy Tax Credit Program (begins Jan. 1, 2007; sunset provisions of section 23.253 would not apply). The Department of Revenue (DOR) would establish a tax credit (the lesser of 100% of eligible costs or $1,000) for costs incurred for the purchase and installation of solar electric panels, energy-efficient appliances and heating and cooling systems with the Energy Star label and energy efficient windows at a taxpayer's primary residence. The taxpayer must have a federal adjusted gross income of $30,000 or less. There would be a cap of $50,000 per fiscal year; tax credits would be issued on a first-come, first-served filing basis.

Section 135.564 - Residential Hybrid Vehicle Tax Credit Program (begins Jan. 1, 2007; sunset provisions of section 23.253 would not apply). The DOR would establish a tax credit (the lesser of 50% of eligible costs or $500) for costs incurred for the purchase of a hybrid vehicle. The taxpayer must have a federal adjusted gross income of $30,000 or less. There would be a cap of $50,000 per fiscal year; tax credits would be issued on a first-come, first-served filing basis.

Section 135.564 - Residential Hybrid Vehicle Tax Credit Program (begins Jan. 1, 2007; sunset provisions of section 23.253 would not apply). The DOR would establish a tax credit (the lesser of 50% of eligible costs or $500) for costs incurred for the purchase of a hybrid vehicle. The taxpayer must have a federal adjusted gross income of $30,000 or less. There would be a cap of $50,000 per fiscal year; tax credits would be issued on a first-come, first-served filing basis.

Section 135.565 - Green Building Tax Credit (conflict in the bill regarding expiration year -- July 1, 2010 or 6 years after the effective date of enactment).

The DOR would establish a tax credit for certain non-residential and residential multi-family buildings constructed or rehabilitated that meet Leadership in Energy and Environmental Design (LEED) standards. Separate tax credits (based on $/sq. ft. for portions of buildings or percentages of allowable costs) are specified for green whole buildings, green base buildings, green tenant space, fuel cells, photovoltaic modules and wind turbines. If buildings are located in economic development areas, separate calculations for tax credits are specified. The maximum amount of tax credits in each fiscal year would be limited to $4.5 million.

ASSUMPTION (continued)

DNR's Energy Center would consult with the DOR's promulgation of rules related to tax credit provisions. The Energy Center would not anticipate any direct fiscal impact from these sections of the proposal.

Section 640.693 - This proposal would require the Department of Natural Resources (DNR) - Energy Center to establish a program no later than January 1, 2008, to provide financial and technical assistance to communities that submit a community energy conservation plan to reduce consumption of natural gas and electricity. DNR must promulgate rules governing the process by which these plans may be submitted, modified, accepted, rejected and maintained.

The department assumes it would request .5 Energy Specialist II (.5 FTE) to promulgate rules governing voluntary community energy conservation plan submittals; develop program of technical and financial assistance targeted to communities that reduce natural gas and electricity consumption; develop partnerships and coordinate with the Public Service Commission, local governments and councils and electric and natural gas providers. The department assumes this .5 FTE would be paid from General Revenue.

Section 640.151 - This provision would establish the Missouri Center for Advanced Renewable Energy within DNR's Energy Center to conduct and sponsor research for cellulose-based ethanol, advanced soy diesel, methane recapture and renewable energy conversion systems that would reduce the dependence of Missouri residents on non-renewable energy. The director of DNR's Energy Center would employ necessary research and support staff to implement the provisions of this section. Up to $150,000 of the funds appropriated in any one fiscal year could be spent on salaries and benefits of Energy Center's employees with all remaining funds to be used to implement the provisions of this section.

The department assumes it would request one Energy Specialist III (1 FTE) to recommend, develop, perform and/or coordinate technical research of various renewable fuels, technologies and systems; prepare and manage grant and subgrant proposals and/or agreements and budgets; develop and maintain cooperative partnerships with educational and research institutions; perform technical analyses, prepare reports, provide technical assistance and provide for project evaluation activities. The department assumes this FTE would be paid from General Revenue.

Sections 640.690 - 640.692 - These provisions would require DNR to establish a subaccount within the Energy Set-Aside Fund (640.665) called the "clean energy assistance program" to encourage the development, manufacture, commercialization, deployment, and installation of renewable energy technologies and the establishment, modernization and expansion of facilities producing renewable energy or energy efficient products in the state. DNR may award financial

assistance in the form of a loan, loan guarantee, grant or combination of these, to eligible persons. Beginning July 1, 2008, the Public Service Commission would be required to assess a charge of not less than one-half of one mill per kilowatt hour charged to each end use customer of electric services in this state with all revenues deposited into the clean energy assistance program subaccount. Eligibility criteria and award limits for certain projects are included in the proposal. This bill would establish the "Clean Energy Financial Assistance Fund" in the state treasury to consist of moneys appropriated from general revenue, charges assessed by the PSC pursuant to section 640.690, RSMo, and other funds from federal or private sources.

DNR's Energy Center assumes beginning in fiscal year 2009, additional funds generated from the charges assessed by the PSC on electric consumers would be deposited in the Energy-Set-Aside Fund Clean Energy Financial Assistance subaccount and financial assistance awards would also begin in FY 2009. A charge of one-half of one mill ($0.0005) per kilowatt-hour on each end use customer of electric services in the state is estimated to generate approximately $40 million per year. [2005 Missouri retail sales of electricity to end use customers in Missouri was 80,623,000,000 kilowatt hours (DOE/EIA) multiplied by $0.0005 = $40,311,500.] The department assumes it would request one Energy Specialist III, an office support assistant, and one Executive I (3 FTEs) to develop and administer this program that would be funded from the Clean Energy Financial Assistance subaccount. For purposes of this fiscal note, costs associated with these FTEs begin in FY 2009. For purposes of this fiscal note, it was assumed these positions would be paid from monies generated by the mill charge and placed in the new Fund subaccount.

The Energy Specialist III duties would be to: develop guidelines, procedures, application and documentation required for establishment of a financial assistance program targeting clean energy business development, manufacturing, commercialization, deployment and installation of renewable energy technologies; market and manage financial assistance agreements; review detailed applications, documentation and business plans to determine awards based on designated awards criteria; coordinate with state colleges, universities, business and governmental agencies to determine research value, potential for technological development and additional business development program incentives; calculate potential emissions reductions and environmental improvements from proposed projects.

The Office Support Assistant would provide clerical support for development and administration of the financial assistance program targeting clean energy projects.

The Executive I would include the development of a database, maintenance of data and financial tracking associated with this program.

ASSUMPTION (continued)

Sections 640.760 - 640.784 - These provisions would establish a carbon sequestration registry within DNR to encourage voluntary actions to reduce greenhouse gas emissions, enable participants to voluntarily record carbon sequestrations, ensure that sources receive appropriate consideration for certified sequestration results in any future regulatory regime relating to greenhouse gas emissions, and recruit board participation. The DNR would be allowed to contract with another entity to operate and maintain a statewide uniform automated electronic information system for this purpose and could establish fees and manage such funds. DNR would adopt rules setting acceptable types of carbon sequestration results and procedures and protocols for monitoring, estimating, calculating, reporting and certification and would adopt standardized forms for reporting. DNR would develop a process to qualify third-party organizations to certify reported baseline results. Registry credits could be sold, purchased or otherwise transferred. DNR would perform random occasional reviews and evaluations of participants' information and could accompany third-party organizations on scheduled visits. DNR would be required to review future international or federal programs and promote consistency. No later than July 1, 2008 and biennially thereafter, the director of DNR would report to the governor and general assembly.

Section 643.622 - This proposal would require a plan to be created to assist in the reduction of carbon dioxide emissions through technologies to capture CO_2, offset CO_2 or plan the replacement of fossil fuels by electric utilities and generation plants (with more than 10 MW capacity) and retail dealers of motor vehicle fuel with 10 or more retail stations in the state. Each plan is to be submitted to and approved by the DNR.

The department assumes it would request one Environmental Specialist III (1 FTE) to implement the climate change/carbon sequestration provisions of Sections 640.760 - 640.784 and Section 643.622 of this proposal. It is assumed this FTE would be paid from General Revenue until such time as fees authorized by the proposal would be established and sufficient use of the registry occurs.

Section 640.694 - This section would establish the "Climate Change Advisory Commission" consisting of 22 members appointed by the governor and approved by the senate. Members would include the directors of the departments of agriculture, natural resources and representatives from universities, environmental organizations, health care, tourism, construction, agriculture, forestry, mining and excavation, manufacturing, fossil fuel and electric power generation industries. Duties of the commission would include collecting information on greenhouse gas emissions in the state, monitoring climatic changes, evaluating existing and creating new incentives and programs, making recommendations to the legislature on programs and incentives to reduce greenhouse gas emissions. The commission would be required to adopt

<u>ASSUMPTION</u> (continued)

a comprehensive state climate change guide that includes a plan to coordinate and allocate public and private resources to the development of such programs by Dec. 31, 2010.

The DNR's Energy Center would not anticipate any direct fiscal impact from this section of the proposal.

Section 393.320 - This section would establish requirements for all suppliers of electrical energy in Missouri to increasingly use renewable sources of energy as a percentage of all energy produced or utilized in the state (3% by 2010; 5% by 2015; 10% by 2020). Suppliers could use renewable energy credits to satisfy these requirements, if approved by the PSC. The PSC would work with DNR to establish a program of tradable renewable energy credits and to promulgate rules to administer this section. Suppliers who did not comply would forfeit an amount equal to three times the average market cost of a renewable energy credit for each kilowatt-hour deficiency during the compliance period. Amounts forfeited would be remitted to the PSC and used to purchase credits.

The DNR's Energy Center assumes it would use existing resources to provide assistance to the Public Service Commission to promulgate rules that establish requirements for all suppliers of electrical energy in Missouri to increasingly use renewable sources of energy as a percentage of all energy produced or utilized in the state, as well as a program of tradable renewable energy credits.

Section 640.150 - This section would amend the DNR's authorizing language related to energy-related activities to require the DNR to promulgate rules governing the process to offer and implement free energy management and energy conservation training to recipients of utility assistance pursuant to sections 660.100-660.136, RSMo.

For purposes of this fiscal note, DNR's Energy Center assumes this energy management and conservation training to utility assistance recipients could be funded from annual federal grant awards to Missouri from the Low-Income Home Energy Assistance Program (LIHEAP) or the Weatherization Assistance Program (WAP). It is further assumed the training could be provided by local agencies that currently receive these federal funds through subgrant agreements with the State of Missouri.

Section 144.030 - This section would provide a sales tax exemption for Energy Star labeled products purchased after August 28, 2006; and sales of tangible property used in energy conversion, thermal-efficiency improvements and the conversion of solid waste to energy (e.g. solar-thermal, photovoltaic systems, wind, biomass, landfill gas and waste recovery systems).

<u>ASSUMPTION</u> (continued)

The DNR's Energy Center would not anticipate any direct fiscal impact from this section of the proposal. The exemption from sales tax on certain products would reduce revenue to state and local governments.

Section 386.269 - This provision would require fossil-fuel (coal, petroleum, wood or natural gas) electric power generation facilities constructed or significantly expanded in Missouri after August 28, 2006, to use cogeneration systems to recover energy otherwise lost. The PSC would be required to adopt uniform standards for interconnection of the cogeneration systems to the grid and local distribution facilities.

The DNR's Energy Center would not anticipate any direct fiscal impact from this section of the proposal.

Section 393.318 - This section would require the PSC to promulgate rules by Jan. 1, 2008, governing the process for any regulated supplier of electric energy to voluntarily develop and implement a rebate program to customers who switch from an electric hot water heater to a solar hot water heater.

The DNR's Energy Center would not anticipate any direct fiscal impact from this section of the proposal.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
Cost - Department of Revenue			
Salaries (19 FTE)	($387,061)	($473,084)	($487,987)
Fringe Benefits	($170,539)	($209,763)	($215,007)
Equipment & Expense	($163,423)	($57,029)	($58,740)
Total Cost Department of Revenue	($721,023)	($739,876)	($761,734)
Cost - Department of Natural Resources			
Salaries (2.5 FTE)	($89,508)	($110,095)	($112,847)
Fringe Benefits	($39,437)	($48,508)	($49,720)
Equipment & Expense	($35,739)	($14,097)	($14,518)
Other Fund Costs - Tax Credits	Up to $100,000	Up to $4,600,000	Up to $4,600,000
Total Cost Department of Natural Resources	($164,684)	($172,700)	($177,085)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($100,000 up to $985,704)**	**($912,576 up to $5,512,576)**	**($938,819 up to $5,538,819)**

ESA CLEAN ENERGY FUND

Revenue - Department of Natural Resources			
Other Sources (Charge on electricity use)	$0	$0	$40,000,000
Cost - Department of Natural Resources			
Salaries (3 FTE)	$0	$0	($102,826)
Fringe Benefits	$0	$0	($45,305)
Equipment & Expense	$0	$0	($43,234)
Financial Assistance Loans/Grants	$0	$0	($0 to $39,808,635)
Total Cost Department of Natural Resources	$0	$0	($191,365)
ESTIMATED NET EFFECT ON ESA CLEAN ENERGY FUND	**$0**	**$0**	**($39,808,635) up to $39,808,635**

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FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

The proposal could encourage greater demand of renewable energy technology and energy efficient products and equipment resulting in potential economic stimulation for Missouri businesses.

DESCRIPTION

The act promotes energy efficiency and the development and use of renewable energy.

SECTION 135.563 - The act creates the Residential Alternative Energy tax credit; a tax credit for taxpayers who install or purchase various energy efficient equipment including solar panels, Energy Star appliances and heating and cooling systems, and energy efficient windows. The credits are not refundable and are available on a first come first serve basis. The act sets a limit of one thousand dollars for each individual applying for such credits and in each fiscal year, the aggregate amount of all such credits shall not exceed fifty thousand dollars.

SECTION 135.564 - The act creates a hybrid vehicle tax credit; a tax credit for taxpayers who purchase a hybrid vehicle. The credits are not refundable and are available on a first come first serve basis and must be filed by the individual within six months of purchasing the vehicle. The act sets a limit of five hundred dollars for each individual applying for such credits and in each fiscal year, the aggregate amount of all such credits shall not exceed fifty thousand dollars.

SECTION 135.565 - The act creates the Green Building tax credit; a program encouraging and providing incentives for the development of cleaner buildings and useable renewable energies within them. The process by which such credits are accessed is laid out in the act, first an individual shall apply to the department of revenue for a green building certificate and if approved, shall then apply for a green building tax credit. The act sets a limit of four million five hundred dollars for the aggregate amount of available tax credits per fiscal year. Eligible properties, technologies and the various credits available are all described in the act. Any individual receiving such a credit shall maintain records for the department on overall energy consumption for the project, and in turn, the department shall submit a report to the Governor and General Assembly by July 1, 2010 on the number of credits redeemed under the act and the value of those credits. Based on this report, the department shall make recommendations on the establishment of a permanent green building tax credit program. The provisions of this section shall expire July 1, 2010.

SECTION 144.030 - The act exempts certain products equipped with the Energy Star Label from state sales tax; eligible products are to be determined by the Department of Revenue in consultation with the Department of Natural Resources' energy center. The act exempts tangible property used in energy conversion, thermal-efficiency improvements and the conversion of solid waste into energy, from state sales tax; eligible property shall be certified by the department prior to any exemptions being made.

SECTION 386.269 - The act directs any fossil fuel electric power generating facility constructed or significantly expanded after August 28, 2006, to utilize cogeneration facilities to recover

DESCRIPTION (continued)

energy otherwise lost. The Public Service Commission shall promulgate uniform standards for the interconnection of cogeneration systems to the utility grid.

SECTION 393.318 - The act directs the Public Service Commission to promulgate rules for a rebate program available to customers who switch from electric hot water heaters to solar hot water heaters. The rebate program is a voluntary one for regulated suppliers of electric energy and once begun, can be suspended provided the company does so in a manner prescribed by commission rule.

SECTION 393.320 - The act directs the Public Service Commission to establish rules for the implementation of a renewable sources of energy requirement. The mandate would require all regulated suppliers of electric energy to produce or use a percentage of that energy from renewable sources. The act asserts that by the year 2010, at least three percent of all energy from these suppliers originate from renewable sources, increasing by the year 2015 to at least five percent of the energy, and by the year 2020, at least ten percent of the energy produced or utilized by all regulated suppliers of electric energy shall originate from renewable sources. This language is similar to SB 843 (2006).

SECTION 640.150 - The act directs the Department of Natural Resources to provide free energy management and conservation training to recipients of utility assistance and to promulgate rules governing such training.

SECTION 640.151 - The act establishes the Missouri Center for Advanced Renewable Energy within the department of natural resources' energy center. The newly created center shall be responsible for improving the economic, environmental performance and feasibility of renewable energy production in the state. The act describes what areas of research the center shall be responsible for and authorizes the employment of necessary staff to accomplish the goals set for the center.

SECTIONS 640.690 to 640.692 - The act creates a subaccount within the energy set-aside program, to be called the "clean energy assistance program". The program shall encourage the development and deployment of renewable energy technologies as well as the modernization and expansion of facilities producing renewable energy. The Public Service Commission shall assess a charge to end use customers of electric services to be deposited into the subaccount, along with any moneys appropriated by the General Assembly. Eligibility requirements for assistance are described in the act as well as projects that shall not be considered for assistance.

DESCRIPTION (continued)

SECTION 640.693 - The act directs the Department of Natural Resources' energy center to establish a program to provide technical and financial assistance to communities that prepare and submit a conservation plan to reduce consumption of natural gas and electricity within their communities. Requirements for plans are described in the act and the department is authorized to promulgate rules governing the process.

SECTION 640.694 - The act creates the Climate Change Advisory Commission, a commission made up of twenty-two members. Responsibilities of the commission are laid out in the act and include making recommendations to the General Assembly on programs to reduce the greenhouse gas emissions throughout the state. The commission shall submit their report to the General Assembly by December 31, 2010 and expire immediately thereafter.

SECTIONS 640.760 to 640.784 - The act creates a carbon sequestration registry, a voluntary registry to be maintained by the Department of Natural Resources with the purpose of monitoring the greenhouse gas emissions throughout the state. Specific activities that are to be reported are described in the act as well as the expectation that the department will adopt procedures and protocols for monitoring, estimating, calculating and reporting such emissions to the registry. The department shall, no later than January 1, 2008, and biennially thereafter, report to the governor and the General Assembly on the number of registry participants, quantifiable results from the participants' sequestration efforts, and recommendations for making the registry more easily workable for participants.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development -
Public Service commission
Secretary of State's Office
Department of Revenue
State Treasurer's Office
Department of Natural Resources

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March 27, 2006