

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5287-01
Bill No.: SB 1262
Subject: Energy; Natural Resources Dept.; Public Service Commission; Tax Credits;
 Taxation and Revenue - Sales and Use; Treasurer, State; Utilities
Type: Original
Date: March 5, 2008

Bill Summary: Creates incentives and requirements for renewable energy production and use.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Other State Funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture, Department of Economic Development, State Treasurer's Office** assume no fiscal impact to their agency.

Officials from the **Public Service Commission (PSC)** assume no fiscal impact to their agency. However, the "Renewable Energy Standard" will require a re-write of a rule that the PSC is currently in the process of writing. It will also require changes to the Commission's net metering rule (4 CSR 240-20.065) that the Commission is currently revising.

Officials from the **Department of Conservation (MDC)** assume this proposal would have a negative fiscal impact on MDC funds; since it removes the sales tax on all sales of commercial and residential solar-electric photovoltaic cell systems, wind energy systems, anaerobic digesters, and fuel cells fueled by renewable resources for the three-year period of 2009 through 2011. However, MDC is unable to provide the estimated amount of impact and will rely on DOR for the fiscal impact of this proposal.

Officials from the **Department of Natural Resources (DNR)** assume Section 144.030 would create a sales tax exemption for calendar years 2009, 2010 and 2011 on the sales of solar-electric photovoltaic cell systems, wind energy systems, anaerobic digesters, and fuel cells fueled by renewable resources for residential and commercial purposes.

The Department's Parks and Soils Tax Fund is derived from one-tenth of one percent sales and use tax pursuant to Section 47(a) of the Missouri Constitution. It is unknown to what degree the proposed exemption would be expected to have but taken in the aggregate with those sales and use tax exemptions in past and future legislative sessions would result in some loss to the Parks and Sales Tax Fund.

Section 393.1029 – Within one year of the effective date of this proposal the Public Service Commission (PSC) in consultation with the Department of Natural Resources (DNR) must prescribe by rule a renewable energy portfolio for all electric utilities.

DNR, in consultation with the PSC, establish by rule a certification process for electricity generated from renewable resources and used to fulfill the requirements of 393.1029.1. subject to certain criteria outlined by the proposal.

ASSUMPTION (continued)

At least 10% of each portfolio requirement must come from electricity derived from zero-emission distributed energy resources. Utilities may comply with the standard by purchasing renewable energy credits. Within one year of this proposal's effective date, the PSC in consultation with the DNR would be required to select a program for tracking and verifying the trading of renewable energy credits.

This proposal would allow the PSC to assess penalties against electric utilities for non-compliance with the Renewable Energy Standard and allow certain forfeited revenues to be used by the DNR's Energy Center for renewable energy and energy efficiency projects.

The department's Energy Center would request 0.5 Energy Specialist III to perform all related responsibilities and duties associated with this proposal.

Officials from the **Department of Revenue (DOR)** assume Personal Tax would require one Tax Processing Technician I for every 4,000 credits claimed.

Office of Administration Information Technology (ITSD DOR) estimate the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this proposal could be implemented utilizing 1 existing CIT III for one month for modifications to MINITS and 3 existing CIT III for 1 month for modifications to corporate systems. The estimated cost is \$16,744.

Oversight assume this would be accomplished during the normal budgetary process. Therefore, Oversight assumes the initial administrative impact of this proposal is \$0.

This Proposal Reduces Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Loss - Various State Agencies</u>			
Sales Tax Exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
OTHER STATE FUNDS			
<u>Loss - School District Trust Fund</u>			
Sales Tax Exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Loss - Various Other State Funds</u>			
Sales Tax Exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL GOVERNMENTS			
<u>Loss - Local Sales Tax Revenues</u>			
Sales Tax Exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

Yes. It will raise the electric rates for all electric utility ratepayers.

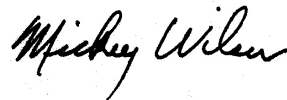
FISCAL DESCRIPTION

The proposed legislation creates incentives and requirements for renewable energy production and use.

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 Natural Resources
Public Service Commission
Department of Revenue
State Treasurer's Office
Department of Agriculture
Department of Conservation
Department of Economic Development



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