

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5402-09
Bill No.: HCS for SCS for SB 1261
Subject: Boards, Commissions, Committees, Councils; Energy; Natural Resources
Department; Public Service Commission
Type: Original
Date: May 2, 2008

Bill Summary: Requires collaboration among state departments in order to secure grants under the federal energy independence and security act of 2007. Requires sellers of newly constructed residential homes to disclose to initial purchasers the energy efficiency rating of homes based on the energy star rating system. Requires the Public Service Commission to annually report trends and new developments relating to renewable energy. Creates requirements and provides incentives for environmentally sustainable buildings. Establishes the Missouri Alternative Energy Loan Authority to provide low-interest loans to public and private entities for financing renewable energy products and services.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|--|---|---|
| FUND AFFECTED | FY 2009 | FY 2010 | FY 2011 |
| General Revenue | (Unknown - Greater than \$15,974,240) | (Unknown Greater than \$1,056,131) | (Unknown - Greater than \$1,087,289) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (Unknown - Greater than \$15,974,240) | (Unknown Greater than \$1,056,131) | (Unknown - Greater than \$1,087,289) |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 26 pages.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|-----------------------------|-----------------------------|-----------------------------|
| FUND AFFECTED | FY 2009 | FY 2010 | FY 2011 |
| State School Moneys Fund* | \$0 | \$0 | \$0 |
| Parks & Soils Tax Fund | (Unknown) | (Unknown) | (Unknown) |
| Conservation Fund | (Unknown) | (Unknown) | (Unknown) |
| Missouri Alternative Energy Loan Authority Fund | Unknown to (Unknown) | Unknown to (Unknown) | Unknown to (Unknown) |
| Total Estimated Net Effect on <u>Other</u> State Funds | Unknown to (Unknown) | Unknown to (Unknown) | Unknown to (Unknown) |

* Offsetting Savings and Losses to State School Moneys Fund in FY 2010 and FY 2011

| 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 |
| General Revenue | 14.5 FTE | 14.5 FTE | 14.5 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 14.5 FTE | 14.5 FTE | 14.5 FTE |

- 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 to (Unknown) | Unknown to (Unknown) | Unknown to (Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact to the SOS office for Administrative Rules for this proposal is less than \$2,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

Officials from the **Office of State Courts Administrator** state this proposal has no fiscal impact on the Courts.

Officials from the **Office of Administration - Division of Budget and Planning** and the **Administrative Hearing Commission** state there should be no added cost to their agency as a result of this proposed legislation.

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel, Department of Agriculture, Department of Public Safety - Office of the Director**, and the **Department of Labor and Industrial Relations** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Department of Transportation** assume no fiscal impact at this time.

Officials from the **Department of Higher Education** assume there would be a cost associated with the implementation of this proposal; however, they cannot estimate with any degree of certainty the amount of that cost.

Officials from the **Kansas City Metropolitan Community College** state this proposal will have no significant fiscal impact on their college.

ASSUMPTION (continued)

Section 8.295 - State energy projects

Officials from the **Office of Administration - Division of Budget and Planning** indicated there could be an impact on Facilities Management, Design and Construction and deferred to them for an estimate of impact.

Officials from the **Office of Administration - Division of Facility Management, Design and Construction** stated they are already implementing this provision as it had been included in a statement of goals outlined to the Governor in 2006 regarding state energy conservation.

Section 8.800, 8.810, 8.812, 8.815, 8.837 - Energy Standards for State Buildings

According to officials from the **Department of Natural Resources (DNR)** this portion of the proposal would require that after July 1, 2009, construction of new state buildings and new or substantially renovated state buildings must meet or exceed the standards reflected by the International Energy Conservation Code, 2006, latest revision. DNR must convene a voluntary working group to advise and assist the department in the development and implementation of the minimum energy efficiency standard, which would be established by rule no later than January 1, 2009.

Officials from the **Office of Administration - Division of Facilities Management, Design and Construction (FMDC)** assume the overall cost to the CI budget to comply has many variables that would affect cost such as:

- Type of building,
- Square footage of a building,
- New Construction or renovation/modernization,
- Rehabilitation of existing building,
- Renovation/modernization project cost over \$100,000 or \$500,000,
- Modify spaces in buildings,
- Flexibility and adaptability of project,
- Evaluation process in the daily activities of the facility,
- Overall five-year plan and other issues.

ASSUMPTION (continued)

FMDC's operating budget (SFMOF-State Facility Maintenance and Operations Fund) would increase based on staffing needs and EE needs. At this time we are unable to determine the exact position needs but it should include a Professional Engineer (civil, electrical, mechanical, structural engineering or engineering management).

In response to a similar proposal, HB 2442, 5500-01, officials from the **Department of Conservation (MDC)** assume this proposal would effect MDC funds due to additional construction costs and certification process for LEED. The exact amount of impact is unknown.

Officials from **Linn State Technical College** would expect to incur a significant increase in construction costs in order to meet the International Energy Conservation Code. However, Linn State would expect to recover a significant portion of those costs through lower building life cycle expenses. The exact fiscal impact is unknown at this time.

Officials at the **University of Missouri** assume the impact of this proposal is difficult to determine. It will fluctuate but could cost more than \$1,000,000 on a given year.

Officials at the **Lincoln University** assume modest fiscal impact in the form of increased costs for both design and construction.

Officials at the **Moberly Area Community College** assume it is not possible to determine the fiscal impact.

Oversight assumes that the costs of this proposal to Colleges and Universities is not state revenue. Additionally, Oversight assumes that the Colleges and Universities will raise tuition to cover any costs associated with this proposal.

Section 8.852 - 10% - Renewable Energy Source

Officials at the **Department of Natural Resources (DNR)** assume no direct impact to their agency; however, technical support or energy-related information and/or data, including energy sustainability, renewable energy and green building information/data as stipulated in section 640.157 may be requested or supplied by DNR to meet the requirements of this section.

ASSUMPTION (continued)

Officials from the **City of Columbia** assume the state renewable mandate could increase competition for the resource and make it more expensive for cities to purchase.

Section 143.121 Adjusted Gross Income Deduction

Officials from the **Office of Administration - Division Budget and Planning** assume the legislation's proposed section 143.121 adds an income tax deduction of up to \$1,000 per year, and up to \$2,000 per taxpayer cumulatively, for 100% of the cost of a home energy audit. This will reduce general and total state revenues by an unknown amount.

US BEA consumption data does not have an explicit category for appliances, but these data suggest a substantial portion, perhaps 1% of expenditures, may be made on appliances each year. Missourians file an estimated 2.6 million tax returns each year. Assuming 10% of these taxpayers purchase a qualifying appliance, at \$1,000, this would be an expenditure (and thus income tax deduction) of \$260 million. At an effective tax rate of 4.5%, this could reduce general and total state revenues by \$11.7 million.

Officials from the **Department of Revenue (DNR)** state this section will result in a need for the following additional staff:

Customer Service

1 Tax Collection Technician I for every additional 24,000 calls annually received on the non-delinquent inbound line

1 Revenue Processing Technician I for every additional 4,800 contacts annually in the field offices

Personal Tax

2 Temporary Tax Employees for key-entry

1 Revenue Processing Technician I for every additional 19,000 returns to be verified

1 Revenue Processing Technician I for every additional 2,400 pieces of correspondence generated

The **Office of Administration Information Technology (ITSD DOR)** estimates that this legislation could be implemented utilizing 2 existing CIT III's for 2 months for modifications to MINITS and 2 existing CIT III's for 3 months for modifications to MITS at a rate of \$41,860.

ASSUMPTION (continued)

ITSD DOR estimates the IT portion of this request can be accomplished within existing resources; however; if priorities shift, additional FTE/overtime would be needed to implement. Funding would be requested through the budget process.

Officials from the **Department of Natural Resources (DNR)** state this section is linked to section 640.153 that requires DNR to certify qualified home energy auditors to fully implement this section.

Section 144.526 - Show Me Green Sales Tax Holiday

Officials at the **Department of Natural Resources** assume this creates a tax abatement period of 7 days to extend from April 19 and ending April 25 annually beginning in 2009. Certain appliances that reflects the "ENERGY STAR" label are exempt from state and local sales tax during that period. Political subdivisions may adopt ordinances to opt-out of this sales tax holiday. The Department's Parks and Soil Fund, the Conservation Fund and the School District Trust Fund in addition to General Revenue would be effected by a sales tax exemption.

Officials at the **Office of Administration - Division of Budget and Planning** assume this section of the proposal would exempt the purchases of "Energy Star" certified appliances, with retail prices up to \$1,500, from sales tax for the seven day period beginning April 19th and ending April 25th, starting in 2009. Based on Personal Consumption data as provided by the US Bureau of Economic Analysis, sales of qualifying appliances would be approximately 0.04% of annual retail sales. Gross GR sales tax collections in FY07 were \$1,977.7M. Therefore, general and total state revenues would be reduced by proposed section 144.526 in the following ways, beginning in FY09:

| | |
|------------------------|-------------|
| Reductions (\$million) | |
| General Revenue | \$ 791,000 |
| Prop C | \$ 264,000 |
| Conservation | \$ 33,000 |
| DNR | \$ 26,000 |
| Total | \$1,114,000 |

ASSUMPTION (continued)

According to officials from the **Department of Revenue (DOR)**, this section will create an increased "setup" for Central Registration to add this "item tax" for qualifying businesses. This will require Central Registration to identify businesses that potentially qualify by SIC, contact them, and then respond to the responses. Also, Technical phone calls will increase around the holiday. Additional staff needs are as follows:

- 1 Tax Collection Technician I for every additional 15,000 contacts annually on the delinquent tax line;
- 1 Tax Collection Technician I for every additional 24,000 contacts annually on the non-delinquent tax line;
- 3 Revenue Processing Technician I for every additional 4,800 contacts annually to the field offices

Notification will need to be sent to approximately 20,000 businesses each year of the holiday and the holiday rate they are to charge.

Oversight assumes the Conservation Fund would also see a loss due to this proposal.

Officials at the **City of West Plains** assume a possible negative impact on the city.

Officials at the **City of Centralia** assume the impact is zero if the Board votes to be exempt from the sales tax holiday; otherwise a loss of sales tax receipts less than \$400 per year.

Officials from the **City of Columbia** state they could lose some local revenues, but can't predict an amount. In the long term, if electric systems reduce energy use, savings could be realized.

Section 251.650

Officials from the **Department of Economic Development, Department of Agriculture, Department of Elementary and Secondary Education and Department of Labor and Industrial Relations** assume no fiscal impact to their agency.

Officials from the **Department of Natural Resources** assume this proposal would require the directors of the Departments of Labor and Industrial Relations, Economic Development and Natural Resources to meet, at least twice a year, to discuss ways to secure grants established under the federal Energy Independence and Security Act of 2007.

ASSUMPTION (continued)

The department assumes this could be accomplished utilizing existing resources.

Section 386.850

Officials from the **Department of Natural Resources (DNR)** state the Missouri Energy Task Force created by EO 05-46 shall reconvene at least one time per year for the purpose of reviewing any progress made toward meeting the recommendations set forth in the task force's final report as issued under Executive Order. The Director of the Department of Natural Resources is a member of the task force established by the executive order. Although there is no direct impact to DNR, technical support, staff support or energy-related information and/or data may be requested or supplied by the department to the meet the requirements of this section.

Section 640.153 - Energy Auditors

Officials at the **Department of Natural Resources (DNR)** assume they must certify qualified home energy auditors as required under subsection 8 of section 143.121, RSMo. DNR would request a .5 Energy Specialist II to implement this portion of the proposal.

Section 640.157 - Energy Center

Officials from the **Department of Natural Resources (DNR)** assume this section of the proposal authorizes DNR's Energy Center to serve as a central point of coordination for activities relating to energy sustainability in the state. The Energy Center shall consult and cooperate with other state agencies to serve as a technical advisor on sustainability issues, including but not limited to renewable energy use and green building design and construction; provide technical assistance to local governments, businesses, schools and homeowners on sustainability issues including renewable energy use and green building design and construction; and conduct outreach and education efforts about financial assistance opportunities for energy conservation to include tax incentives. DNR would request two (2) Energy Engineer II's and one (1) Office Support Assistant to implement this portion of the proposal.

Sections 701.500, 701.503, 701.506, 701.509, 701.512 & 701.515 - Energy efficiency requirements, standards, and incentive programs

Officials from the **Department of Natural Resources (DNR)** assume their department is given authority to enforce the provisions of the energy efficiency standards for appliances and products. The department may test and inspect appliances and products and may charge a manufacturer for the cost of such testing if a product is found not to be in compliance with the standards.

ASSUMPTION (continued)

Violations of the energy efficiency standards may be referred to the Attorney General for prosecution. DNR would request one and a half (1.50 Energy Engineer II's to implement this portion of the proposal.

Section 701.515

Officials from the **Department of Elementary and Secondary Education (DESE)** assume there is no state cost to the foundation formula associated with this proposal. Should the new crimes and amendments to current law result in additional fines or penalties, DESE cannot know how much additional money might be collected by local governments or the Department of Revenue to distribute to schools. To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to schools increases the deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

Oversight notes that local school districts would see an increase in fine revenue as a result of this proposal. As stated by DESE, this fine revenue would be a deduction the next year for some of the school districts. Oversight assumes an unknown amount of revenue would be realized each year by school districts and a corresponding decrease in school funding from the state the following year. Oversight assumes the fine revenue will fluctuate from year to year, therefore, the net fiscal impact to local school districts from FY 2009 on could be Unknown to (Unknown).

Section 386.950

Officials from the **Missouri Senate** that this proposal either has no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

Officials from the **Missouri House of Representatives** state this proposal will have no fiscal impact.

Officials from the **Office of the Governor** assume there should be no added cost to the Governor's Office as a result of this proposed legislation.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** do not anticipate any fiscal impact to their agency from this proposal.

Officials from the **Department of Economic Development - Public Service Commission (PSC)** state some of the reporting requirements may be the same or similar to reports currently produced by the Department of Natural Resources. PSC assumes these reporting requirements would require research beyond what the PSC staff currently has the resources to conduct and they would need one Engineer I/Engineering Specialist III to conduct research and write the report.

Oversight assumes the PSC could obtain information and reports from the Department of Natural Resources and could complete the research and report writing with existing resources. If reporting requirements increased and additional personal services were required, PSC could request resources through the budget process.

Section 442.620

Officials from the **Office of State Courts Administrator, Department of Economic Development (DED) - Public Service Commission, and DED - Office of Public Counsel** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Attorney General** did not respond to our request for a statement of fiscal impact.

Section 135.032 - Green Building Tax Credit

Officials from the **Office of Administration - Division of Budget and Planning** assume this section creates an income Green Building Tax Credit, aggregately capped at \$1,000,000 per year, which should reduce General Revenue by the same amount each fiscal year.

Officials at the **Department of Natural Resources** assume this would require the department to administer a tax credit program beginning January 1, 2010, promulgate rules and certify that applicants have met all program requirements prior to receiving state certification authorizing the tax credit. It is assumed that tax credits and their recipients would be tracked in the Missouri Consumer Management System administered by the Department of Economic Development. The department assumes we would request one (1) Energy Engineer II and .5 Office Support Assistant to implement this portion of the proposal. The tax credit is capped at \$1 million annually.

ASSUMPTION (continued)

In response to a similar proposal, HB 2442, 5500-01, officials at the **Department of Revenue** assume computer changes and changes to the tax forms would be required. Additionally, Personal Tax would require one Tax Processing Technician for every 6,000 credits claimed. Corporate Tax would require one Tax Processing Technician I for every additional 5,200 returns to be verified and 2,080 additional pieces of correspondence generated. Customer Assistance would require two Tax Collection Technician I's and 3 Tax Processing Technician I's.

Oversight assumes that since the tax credit does not begin until January 1, 2010 then no more than half of the \$1 million tax credit could be distributed in FY 2011.

Section 640.216 - Studies in Energy Conservation Fund

Officials from the **Office of Administration - Division of Budget and Planning** assume this section creates a new dedicated fund, the Studies in Energy Conservation Fund, to support an energy conservation professorship at Missouri State University, but does not provide for a revenue-generating mechanism, making the fund dependent upon appropriations by the General Assembly and donations. The proposal appears likely to result in a request for additional General Revenue funding.

Officials at the **Department of Natural Resources** assume this creates the "Studies in Energy Conservation Fund" and the fund would be administered by the department. Following the initial appropriation from the fund, in the College of Natural and Applied Sciences of Missouri State University (MSU), a full professorship in energy conservation would be established. Following the establishment of this professorship at MSU, the department could request appropriations to create similar professorships at any public university within the state. The primary responsibilities of these professorships is to conduct studies and research regarding energy efficiency and renewable energy, including evaluation of policy proposals and legislation relating to energy efficiency and renewable energy. The department would collaborate with the professor(s) and provide oversight of this new fund. The department assumes we would request .5 Planner III to implement this portion of the proposal.

In response to a similar proposal, HB 2442, 5500-01, officials at the **Missouri State University** assume it is estimated that the full-year ongoing costs for such a professorship would be \$97,345 including fringe benefits. In addition MSU estimates it would take \$150,000 to \$200,000 in one-time start up funds to recruit a professor and to begin the program.

Oversight assumes the half a Planner III position can be absorbed with existing resources.

ASSUMPTION (continued)

Oversight assumes that the costs of this proposal to Missouri State University is not state revenue. Additionally, Oversight assumes that Missouri State University will raise tuition to cover any costs associated with this proposal.

Oversight assumes that the Department of Revenue can absorb the costs of the computer changes, tax form changes and staff with existing resources. Should the volume of work exceed what present staff can handle then the Department can request appropriations through the appropriations process.

Officials at the **Department of Higher Education, Metropolitan Community College, Administrative Hearing Commission, Department of Economic Development, Linn State Technical College, St. Louis County, Budget and Planning** and the **Missouri Department of Transportation** assume that there is no fiscal impact from this proposal.

Section 701.515.section 1 - Missouri Alternative Loan Authority

Officials from the **Missouri Senate** that this proposal either has no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

Officials from the **Office of the Governor** state this proposal will result in no added cost to the Governor's Office.

Officials from the **Office of State Treasurer** state that the proposal, as written, has no direct fiscal impact on their agency.

Officials from the **Department of Economic Development - Public Service Commission (PSC)** and **Office of Public Counsel** state this proposal does not affect the PSC other than including the Public Service Commission in the definition section of the proposal.

Officials from the **Department of Natural Resources (DNR)** assume the department's Energy Center would require resources to carry out the duties that would result from this proposal with regard to rule making, financial administration including loan application review, technical review and loan closing; general and specific inquires regarding loans available through the Authority and record retention.

ASSUMPTION (continued)

DNR assumes they would request one (1) Energy Specialist II, one (1) Energy Engineer II and 0.5 Office Support Assistant to implement this proposal.

Oversight assumes that it is not known if all of the initial appropriation of \$15,000,000 to the Missouri Alternative Energy Loan Authority Fund will be distributed the first year to eligible entities or if there will be carryover to future years. **Oversight** further assumes that income in the form of loan repayments, fees, and charges may begin to be credited to the fund beginning in FY 2009.

This Proposal Reduces Total State Revenue.

| <u>FISCAL IMPACT - State Government</u> | FY 2009 (10 Mo.) | FY 2010 | FY 2011 |
|---|---------------------|--------------------|--------------------|
| GENERAL REVENUE | | | |
| <u>Savings</u> - Department of Elementary and Secondary Education (§701.515) | | | |
| Reduced appropriations to the State School Moneys Fund (from deduction of fine revenue from previous year | \$0 | (Unknown) | (Unknown) |
| Subtotal | <u>\$0</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| <u>Cost</u> - Department of Revenue - Energy audit deduction and sales tax holiday (§143.121 & 144.526) | | | |
| Personal Services (6 FTE) | (\$203,703) | (\$251,777) | (\$259,330) |
| Benefits | (\$84,156) | (\$104,017) | (\$107,138) |
| Equipment and Expense | (\$56,371) | (\$10,338) | (\$10,648) |
| Subtotal | <u>(\$344,230)</u> | <u>(\$366,132)</u> | <u>(\$377,116)</u> |
| FTE Change - DNR | 6 FTE | 6 FTE | 6 FTE |
| <u>Cost</u> - Office of Administration - FMDC | | | |
| Personal Services (1 FTE) | (\$59,327) | (\$72,972) | (\$74,797) |
| Benefits | (\$26,234) | (\$32,268) | (\$33,075) |
| Equipment and Expense | (\$7,140) | (\$1,648) | (\$1,697) |
| Subtotal | <u>(\$92,701)</u> | <u>(\$106,888)</u> | <u>(\$109,569)</u> |
| FTE Change - COA-FMDC | 1 FTE | 1 FTE | 1FTE |
| <u>Cost</u> - Department of Natural Resources | | | |
| Personal Services (5 FTE) | (\$206,644) | (\$255,412) | (\$263,074) |
| Benefits | (\$91,378) | (\$112,943) | (\$116,331) |
| Equipment and Expense | (\$62,610) | (\$26,757) | (\$27,561) |
| Subtotal | <u>(\$360,632)</u> | <u>(\$395,112)</u> | <u>(\$406,966)</u> |
| FTE Change - DNR | 5 FTE | 5 FTE | 5 FTE |

| <u>FISCAL IMPACT - State Government</u> | FY 2009 (10 Mo.) | FY 2010 | FY 2011 |
|--|---|--|--|
| <u>Cost - Section 135.032</u> | | | |
| Department of Natural Resources | | | |
| Tax Credits | <u>\$0</u> | <u>\$0</u> (\$0 to \$500,000) | |
| Subtotal | <u>\$0</u> | <u>\$0</u> (\$0 to \$500,000) | |
| <u>Cost - Section 701.515.section 1</u> | | | |
| Appropriation to Missouri Alternative Energy Loan Fund | (\$15,000,000) | (\$0 to Unknown) | (\$0 to Unknown) |
| <u>Cost - Department of Natural Resources</u> | | | |
| Personal Services (2.5 FTE) | (\$93,225) | (\$115,226) | (\$118,683) |
| Benefits | (\$41,224) | (\$50,953) | (\$52,482) |
| Equipment and Expense | <u>(\$42,228)</u> | <u>(\$21,820)</u> | <u>(\$22,473)</u> |
| Total Cost - DNR | <u>(\$176,677)</u> | <u>(\$187,999)</u> | <u>(\$193,638)</u> |
| FTE Change - DNR | 2.5 FTE | 2.5 FTE | 2.5 FTE |
| <u>Loss - General Revenue - Loss of tax revenue (Energy audit deduction and sales tax holiday)</u> | | | |
| | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(Unknown - Greater than \$15,974,240)</u> | <u>(Unknown Greater than \$1,056,131)</u> | <u>(Unknown - Greater than \$1,087,289)</u> |
| <u>ESTIMATED NET FTE CHANGE - GENERAL REVENUE</u> | | | |
| | 14.5 FTE | 14.5 FTE | 14.5 FTE |

| <u>FISCAL IMPACT - State Government</u> | FY 2009 (10 Mo.) | FY 2010 | FY 2011 |
|---|-------------------------|-------------------------|-------------------------|
| STATE SCHOOL MONEYS FUND | | | |
| <u>Savings</u> - Department of Elementary and Secondary Education - Reduced distributions to local school districts | \$0 | Unknown | Unknown |
| <u>Loss</u> - DESE - Reduced appropriation from General Revenue | <u>\$0</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| PARKS AND SOILS SALES TAX | | | |
| <u>Loss</u> - Sales Tax Revenue | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON PARKS AND SOILS SALES TAX | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| CONSERVATION FUND | | | |
| <u>Cost</u> - LEED Certification | (Unknown) | (Unknown) | (Unknown) |
| <u>Loss</u> - Sales Tax Revenue | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON CONSERVATION FUND | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |

| <u>FISCAL IMPACT - State Government</u> | FY 2009 (10 Mo.) | FY 2010 | FY 2011 |
|--|--|--|--|
| MISSOURI ALTERNATIVE ENERGY LOAN AUTHORITY FUND | | | |
| <u>Income</u> - General Revenue - Appropriation | \$15,000,000 | \$0 to Unknown | \$0 to Unknown |
| <u>Income</u> - Loan repayments, fees and charges | Unknown | Unknown | Unknown |
| <u>Cost</u> - Loans to qualifying entities | (Unknown) | (Unknown) | (Unknown) |
| <u>Cost</u> - Expenses of Missouri Alternative Energy Loan Authority | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON MISSOURI ALTERNATIVE ENERGY LOAN AUTHORITY FUND | <u>Unknown to (Unknown)</u> | <u>Unknown to (Unknown)</u> | <u>Unknown to (Unknown)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2009 (10 Mo.) | FY 2010 | FY 2011 |
|--|------------------------------------|------------------------------------|------------------------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Income</u> - Loans from Missouri Alternative Energy Loan Authority | Unknown | Unknown | Unknown |
| <u>Savings</u> - Reduced utility costs | Unknown | Unknown | Unknown |
| <u>Revenue</u> - School Districts - Income from fines | Unknown | Unknown | Unknown |
| <u>Cost</u> - Renewable energy projects and energy efficiency and related expenses | (Unknown) | (Unknown) | (Unknown) |
| <u>Cost</u> - Loan repayments, fees and charges | (Unknown) | (Unknown) | (Unknown) |
| <u>Loss</u> - School Districts - Reduced distributions from State School Moneys Fund | \$0 | (Unknown) | (Unknown) |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>Unknown to (Unknown)</u> | <u>Unknown to (Unknown)</u> | <u>Unknown to (Unknown)</u> |

FISCAL IMPACT - Small Business

Small businesses will see a fiscal impact to the extent they participate in the "tax holiday". They also could see an impact depending on the renewable energy cost factor to be included in the rates from the utility companies.

This proposal would require small manufacturers to develop and implement a recovery plan to the Department of Natural Resources (DNR) before offering computer equipment for sale in the state of Missouri.

FISCAL IMPACT - Small Business (continued)

Manufacturers of computer equipment would be required to adopt and implement a recovery plan which shall enable a consumer to recycle computer equipment without paying a fee and include provisions for the manufacture's collection of the computer equipment that has reached the end of its useful life and the recycling or reuse of the computer equipment.

The recovery plan shall include provisions for collection of the computer equipment that is reasonably convenient, available to consumers and designed to meet the collection needs of the consumers of the state.

Each manufacturer of computer equipment shall submit a report to DNR that includes the weight of computer equipment collected, recycled, reused during the preceding calendar year. Also required in the report is documentation certifying that the collection, recycling and reuse of computer equipment complies with the requirements of the proposal.

This proposal would stimulate the availability, sale and installation of energy efficiency and renewable energy products throughout the state.

FISCAL DESCRIPTION

This proposed legislation modifies and creates provisions regarding energy efficiency and energy conservation:

Section 8.295 - State Energy Projects

Up to 10% of the funds appropriated each year for the Facilities Maintenance Reserve Fund shall be used for otherwise eligible projects that are also energy projects with a 20-year payback or less.

Sections 8.810, 8.812, 8.815, 8.837 - Energy Standards for State Buildings

Design documents submitted to the Office of Administration for new construction or substantial renovation of certain state buildings shall include a projection of the energy savings of the building as a result of meeting the state minimum energy efficiency standard.

By January 1, 2009, the Department of Natural Resources shall modify the minimum energy efficiency standard so that it is at least as stringent as the 2006 International Energy Conservation Code (2006 IECC), or the latest version of the Code rather than the current standard of American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) Standard 90. The

FISCAL DESCRIPTION (continued)

proposal modifies the date to July 1, 2009, by which all design for state buildings over 5,000 square feet involving new construction or substantial renovation and any building over 5,000 square feet considered for purchase or lease by a state agency shall comply with the minimum energy efficiency standard. The Commissioner of the Office of Administration may exempt any state building from meeting the minimum energy efficiency standard requirement for safety reasons or when the cost of compliance is expected to exceed the energy cost savings.

Section 8.852

Beginning July 1, 2016, at least 10% of the electricity used by state government must come from renewable energy sources and beginning July 1, 2026, at least 20% of the electricity used by state government must come from renewable energy sources, to the extent that such renewable energy sources are available.

Section 135.032

Establishes the Green Building Tax Credit which authorizes, beginning January 1, 2010, a tax credit for individuals who construct a green building or green tenant space or rehabilitate an existing structure into a green whole or base building or green tenant space. The tax credit has a per-taxpayer cap of \$50,000 per year and an aggregate cap of \$1 million per year and can be refunded, transferred, sold or assigned.

Section 143.121

Creates an income tax deduction for either the cost of a home energy audit conducted by an energy auditor certified by the Department of Natural Resources or for the cost of implementing any of the recommendations made in any such energy audit, or for both such activities. The deduction is limited to \$1,000 per taxpayer per year, up to \$2,000 cumulative total per taxpayer.

Section 144.526

Creates the "Show Me Green Sales Tax Holiday." For 2009 and every year thereafter, during the seven day period beginning on April 19th and ending April 25th, all sales of Energy Star certified new appliances will be exempt from state sales tax. Political subdivisions may opt in at their choosing.

FISCAL DESCRIPTION (continued)

Section 251.650

This section requires representatives of the Departments of Labor and Industrial Relations, Elementary and Secondary Education, Agriculture, Economic Development, and Natural Resources to meet, at least twice a year, to discuss ways to secure grants established under the federal Energy Independence and Security Act of 2007. Such grants would fund: green jobs, the production of renewable fuels, increasing energy efficiency of products, buildings and vehicles, and increasing research and development for manufacturing of renewable energy technologies. The Department of Natural Resources shall serve as the coordinating agency for the inter-agency group. The group shall report to the general assembly and governor each year regarding any grants secured under this act.

Section 640.153 & 640.157

The Department of Natural Resources' Energy Center shall serve as a central coordinator for energy sustainability activities in the state and shall carry out the duties described in the proposal.

Section 640.216

Creates the Studies in Energy Conservation Fund, consisting of appropriations and private donations, to establish a full professorship of energy conservation in the College of Natural and Applied Sciences of Missouri State University for research regarding energy efficiency and renewable energy. The provisions of the bill regarding the Green Building Tax Credit Program will expire three years from the effective date.

Section 701.500 - 701.515

Creates minimum energy efficiency standards for certain new appliances and products sold or installed within the state. Exceptions are provided for certain products that are intended to be sold outside the state, installed in manufactured homes, or designed expressly for use in recreational vehicles. The Department of Natural Resources (DNR) shall promulgate the energy efficiency standards for such products, which shall be at least as stringent as the standards described in the proposal. The Appliance Energy Efficiency Advisory Group, created in the proposal, shall advise the department on the development of the standards.

In consultation with the advisory group, DNR shall update the minimum energy efficiency standards for the appliances and products at least once every 3 years to keep current with technological advancements.

FISCAL DESCRIPTION (continued)

Manufacturers of the appliances and products for which the energy efficiency standards apply shall certify to the department that their products meet the standards. Manufacturers who knowingly certify a product that does not meet the standards shall be subject to a civil penalty up to \$10,000 per violation and up to \$10,000 per day for a continuing violation. Manufacturers are also required to mark their products as meeting the energy efficiency standards.

DNR is given authority to enforce the provisions of the energy efficiency standards for appliances and products. The department may test and inspect appliances and products and may charge a manufacturer for the cost of such testing if a product is found not to be in compliance with the standards. Violations of the energy efficiency standards may be referred to the Attorney General for prosecution. First-time violators shall receive a warning and subsequent violations shall be subject to a civil penalty up to \$250 per violation.

Section 701.515.section 1 - Missouri Alternative Energy Loan Authority

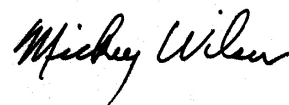
This proposed legislation establishes the Missouri Alternative Energy Loan Authority, within the Department of Natural Resources, to provide low-interest loans to public and private entities for the purpose of financing various energy-saving projects and services. The authority will consist of seven members appointed by the Governor with the advice and consent of the Senate. The authority must file an annual financial statement with the department director.

An initial appropriation of \$15 million to the newly created Missouri Alternative Energy Loan Authority Fund will be made; and the fund may receive annual appropriations from the General Assembly as well as from any gifts, contributions, grants, or bequests.

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

SOURCES OF INFORMATION

Department of Economic Development
 Public Service Commission
 Office of Public Counsel
Office of Administration
 Division of Budget and Planning
 Division of Facilities Management, Design and Construction
Department of Elementary and Secondary Education
Department of Higher Education
Department of Transportation
Department of Natural Resources
Department of Revenue
Office of Secretary of State
 Administrative Rules Division
Office of State Treasurer
Department of Agriculture
Department of Labor and Industrial Relations
Department of Insurance, Finance, and Professional Regulation
Department of Conservation
Office of the Governor
Missouri Senate
Cities
 West Plains
 Centralia
 Columbia
Colleges and Universities
 Linn State Technical College
 University of Missouri
 Lincoln University
 Moberly Area Community College
 Kansas City Metropolitan Community College



L.R. No. 5402-09
Bill No. HCS for SCS for SB 1261
Page 26 of 26
May 2, 2008

Mickey Wilson, CPA
Director
May 2, 2008