

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0512-02
Bill No.: SB 173
Subject: Energy; Natural Resources Dept.; Public Service Commission; Utilities; Taxation
and Revenue - Sales and Use
Type: Original
Date: February 4, 2009

Bill Summary: Creates a grant program to assist homeowners install renewable energy
generation equipment.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(Could exceed \$5,155,651)	(Could exceed \$5,187,224)	(Could exceed \$5,192,841)
Total Estimated Net Effect on General Revenue Fund*	(Could exceed \$5,155,651)	(Could exceed \$5,187,224)	(Could exceed \$5,192,841)

*Includes funding for \$5,000,000 annual grant cap as outlined in Section 640.152.2 as outlined in this proposal as well as resources to implement Sections 144.030.2(41) and 640.152 of this proposal of \$155,651 in FY2010, \$187,224 in FY2011 and \$192,841 in FY2012.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Parks and Soils Tax Fund	(Unknown)	(Unknown)	(Unknown)
Conservation Sales Tax	(Unknown)	(Unknown)	(Unknown)
School District Trust Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	3	3	3
Total Estimated Net Effect on FTE	3	3	3

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 2010	FY 2011	FY 2012
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Public Service Commission, Department of Revenue** and **Department of Economic Development** assume there will be no fiscal impact to their agency.

Officials from the **Department of Natural Resources (DNR)** assume the Department of Revenue may be better able to estimate the exact amount of impact to the PSST.

Section 640.152 would require the DNR to develop and implement a Renewable Energy Generation Grant Program to assist residents of the state to install and operate equipment used to generate electricity from renewable energy resources. The DNR would be required to establish, by rule, standards for the types of renewable energy generation equipment to be eligible for the grant program, which must include photovoltaic solar panels, solar water heaters, and wind turbines.

The DNR assumes that Missouri homeowners would take advantage of this grant program combined with the existing federal tax credits to make these renewable energy systems more affordable. For purposes of this fiscal note, the DNR assumed that a minimum of 500 grant/rebate applications would be processed per year with a larger amount more likely to be processed. If there are 500 applications for 2 kilowatt photovoltaic systems at a cost of \$20,000 each, and the maximum amount of \$10,000 was provided for each, this would meet the \$5 million annual cap. If there are 500 applications for 10 kilowatt small wind generators at a cost of \$60,000 each, and the maximum amount of \$10,000 was provided for each, this would meet the \$5 million cap. Because of the high cost of the systems, it is assumed that smaller grant amounts and more applications would be the norm.

Existing personnel and resources are not available to implement the provisions of Sections 144.030.2(41) and 640.152. The DNR would request three (3) FTE to implement and administer the program. The DNR would request: one (1) Energy Specialist II for overall project development and management, rule development, review and determination of eligibility, qualifying equipment and forms, public outreach and coordination; one (1) Account Clerk II to provide financial support to the project including processing rebate applications for payment, tracking payment and required forms, financial reporting; and one (1) Office Support Assistant to provide project clerical support including maintaining the tracking and filing system, correspondence, etc.

ASSUMPTION (continued)

Section 144.030.2(41) would exempt equipment purchased for the generation of electricity from renewable energy resources through the program created under Section 640.152, RSMo, when that equipment is certified by the director of the Department of Natural Resources.

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. Therefore, any additional sales and use tax exemption would be a loss to the Parks and Sales Tax Fund.

Oversight also assumes there will be a possible loss the Conservation Sales Tax as well as General Revenue.

This proposal reduces Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost - Department of Natural Resources</u>			
Salaries	(\$77,806)	(\$96,168)	(\$99,054)
Fringe Benefits	(\$37,837)	(\$46,766)	(\$48,170)
Equipment & Expense	(\$40,008)	(\$44,290)	(\$45,617)
Section 640.152 Grant Program	<u>(Unknown up to \$5,000,000)</u>	<u>(Unknown up to \$5,000,000)</u>	<u>(Unknown up to \$5,000,000)</u>
<u>Loss - General Revenue</u>			
Other Costs (Section 144.030.2(41) sales tax exemption)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE*	<u>(Could exceed \$5,155,651)</u>	<u>(Could exceed \$5,187,224)</u>	<u>(Could exceed \$5,192,841)</u>
Estimated Net FTE Change for General Revenue	3	3	3

***Includes funding for \$5,00,000 annual grant cap as outlined in Section 640.152.2 as outlined in this proposal as well as resources to implement sections 144.030.2(41) and 640.152 of this proposal if \$155,651 in FY2010, \$187,224 in FY2011 and \$192,841 in FY2012.**

PARKS & SOILS TAX FUND

<u>Loss - Department Natural Resources</u>			
Other Costs (Section 144.030.2(41) sales tax exemption)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED NET EFFECT ON PARKS & SOILS TAX FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

CONSERVATION SALES TAX	FY 2010 (10 Mo.)	FY 2011	FY 2012
<u>Loss</u> - Department of Conservation Sales Tax			
Other Costs (Section 144.030.2(41) sales tax exemption)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED NET EFFECT ON DEPARTMENT OF CONSERVATION	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Savings</u> - Sales Tax Exemption	Unknown	Unknown	Unknown
<u>Loss</u> - Less District Sales Tax Exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
Local Political Subdivisions -			
Other Costs (Section 144.030.2(41) sales tax exemption)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Small Business</u>			

Yes. Small businesses engaged in the manufacture, sale and installation of photovoltaic or wind energy systems may realize greater economic stimulus as a result of the proposed tax credit.

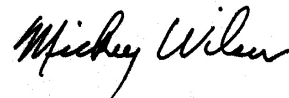
FISCAL DESCRIPTION

This act creates the Renewable Energy Generation Grant Program, which shall be administered by the Department of Natural Resources. Subject to appropriations, grants shall be awarded to homeowners in Missouri for the purchase and installation of equipment used for generating electricity from renewable sources such as solar and wind power. Grants shall be limited to either 80% of the cost to purchase and install the equipment, or \$10,000, whichever is less. The cumulative amount of grant money awarded through the program shall not exceed \$5,000,000 per year. Inspections by licensed electricians and building inspectors shall be required. The department is authorized to promulgate rules for the program regarding eligibility and qualifying equipment. The program shall sunset in 6 years unless reauthorized. Equipment purchased for the grant program shall be exempt from sales tax.

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 Economic Development
Public Service Commission
Department of Natural Resources
Department of Revenue



Mickey Wilson, CPA
Director
February 4, 2009