



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0753	<b>Title:</b>	Montana global warming solutions act
<b>Primary Sponsor:</b>	Hands, Betsy	<b>Status:</b>	As Introduced

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
State Special Revenue	\$238,724	\$222,916	\$228,489	\$234,201
<b>Revenue:</b>				
State Special Revenue	\$238,724	\$222,916	\$228,489	\$234,201
<b>Net Impact-General Fund Balance</b>	\$0	\$0	\$0	\$0

#### Description of fiscal impact:

This bill requires the Department of Environmental Quality (DEQ) to develop and the Board of Environmental Review (BER) to adopt a global warming program for the State of Montana that will include identifying historical as well as current sources of greenhouse gas emissions (GHGE) and developing a plan to reduce current emissions to 1990 levels. Conducting these activities will require a thorough understanding of GHGE and the sources and source categories that have the potential to emit GHGE in the State of Montana. These new program elements will require an additional 2.50 FTE at DEQ and operating costs to support this program.

### FISCAL ANALYSIS

#### Assumptions:

##### **Department of Environmental Quality (DEQ)**

1. Program development would be completed in two concurrent tasks. Task 1, involving "source identification," will include the identification and quantification of greenhouse gas emissions (GHGE) from both the current and the 1990 GHGE sources. Task 2, involving "control plan development," will include the development of a GHGE reduction plan, establishment of limitations, a potential market based plan, and quantification and verification of voluntary reduction measures.

2. In the next two biennia, only program development will occur and no program implementation will be conducted. Program implementation would include permitting and compliance activities.
3. The timelines in the legislation require the department to complete its research in the identification of both current and 1990 GHGE sources and source categories by the end of 2007. To accomplish this, the department will rely on the GHGE inventory and the carbon dioxide (CO<sub>2</sub>) reductions strategies identified by the Montana Climate Change Advisory Committee (MCCAC). However, the emission inventory completed by MCCAC will not include all of the pollutants required to be inventoried by this legislation; therefore, the department will still be required to conduct additional emission inventory work.
4. Due to the timelines in the legislation and the interdependency of each piece of program development, the department will be required to complete its research and development of emissions limits and reduction measures by the end of 2008.
5. This bill requires DEQ to evaluate the total potential costs and total potential economic and non-economic benefits of the plan for reducing greenhouse gasses to Montana's economy, environment, and public health using the best available economic models.
6. This bill also requires DEQ to: consider any adverse impacts to small businesses; consult with the Public Service Commission in the development of rules affecting electricity and natural gas providers in order to minimize any duplicative or inconsistent regulatory requirements; ensure, when applicable and to the extent feasible, that public and private investment in greenhouse gas emission reduction be directed toward the most disadvantaged communities in Montana; and provide an opportunity for tribal governments, small businesses, schools, affordable housing associations, and other community institutions to participate in and benefit from statewide efforts to reduce greenhouse gas emissions.
7. The Board of Environmental Review (BER) will request a market based plan for reducing GHGE be developed for its consideration.
8. For Task 1 in assumption 1, the identification and quantification of GHGE sources and source categories will be completed by reviewing and augmenting, if necessary, the inventory completed by MCCAC. This portion of the project will require an additional 0.50 FTE.
9. For Task 2 in assumption 1, the control plan development will require an additional 2.0 FTE, divided as follows. Development of the GHGE reduction plan and verification and quantification of voluntary reduction measures will require an additional 0.75 FTE. Consultations with the Public Service Commission for review of rules for electricity and natural gas providers and evaluation of potential economic and non-economic benefits will require 0.50 FTE. Establishment of the limitations to meet the 1990 GHGE level and development of a market based program will require 0.75 additional FTE. Any reductions will be based on information compiled by MCCAC.
10. The DEQ will rely heavily on the cooperation of other state agencies to correctly inventory all current sources of their GHGEs and to determine the GHGE levels that existed in 1990.
11. The FTE required for both Task 1 and Task 2 of the new program will consist of one senior environmental science specialist, one senior environmental engineer, and one-half economist. The estimated personal services costs (salary and benefits) are \$156,251 in FY 2008 and \$156,251 in FY 2009. Operating expenses would include supplies, travel, communications, education/training, vehicle lease, indirect costs, and contracted services. Operating expenses are estimated at \$82,473 in FY 2008 and \$66,665 in FY 2009. The costs for FY 2008 are higher for office setup purposes.
12. A 2.5% inflation has been applied to FY 2010 and FY 2011.
13. Once the program has been developed, the FTE will be used to implement the program elements including compliance and enforcement related activities.
14. The revenue source will be state special revenue greenhouse gas emission fees. Because the legislation requires the BER to set fees commensurate with the DEQ's costs of regulating greenhouse gas emission sources, the DEQ's estimate is that revenue will equal expenditures.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	2.50	2.50	2.50	2.50
<b><u>Expenditures:</u></b>				
Personal Services	\$156,251	\$156,251	\$160,157	\$164,161
Operating Expenses	<u>\$82,473</u>	<u>\$66,665</u>	<u>\$68,332</u>	<u>\$70,040</u>
<b>TOTAL Expenditures</b>	<b><u><u>\$238,724</u></u></b>	<b><u><u>\$222,916</u></u></b>	<b><u><u>\$228,489</u></u></b>	<b><u><u>\$234,201</u></u></b>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)	\$238,724	\$222,916	\$228,489	\$234,201
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Long-Range Impacts:**

1. The personnel and operating costs would continue each year beyond FY 2011.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*