

GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING**Fiscal Note 2023 Biennium**

<b>Bill #</b>	HB0128	<b>Title:</b>	Create renewable energy trust fund
<b>Primary Sponsor:</b>	Reksten, Linda	<b>Status:</b>	As Introduced

- ☐ Significant Local Gov Impact
 ☐ Needs to be included in HB 2
 ☒ Technical Concerns
- ☐ Included in the Executive Budget
 ☐ Significant Long-Term Impacts
 ☐ Dedicated Revenue Form Attached

**FISCAL SUMMARY**

	<b><u>FY 2022</u></b> <b><u>Difference</u></b>	<b><u>FY 2023</u></b> <b><u>Difference</u></b>	<b><u>FY 2024</u></b> <b><u>Difference</u></b>	<b><u>FY 2025</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$1,933,081)	(\$2,000,896)	(\$2,074,672)	(\$2,155,444)
State Special Revenue	\$29,769	\$109,758	\$150,216	\$204,103
Federal Special Revenue	\$0	\$0	\$0	\$0
Other - Permanent Fund	\$1,933,081	\$2,000,896	\$2,074,672	\$2,155,444
<b>Net Impact-General Fund Balance:</b>	<b><u>(\$1,933,081)</u></b>	<b><u>(\$2,000,896)</u></b>	<b><u>(\$2,074,672)</u></b>	<b><u>(\$2,155,444)</u></b>

**Description of fiscal impact:** HB 128 creates a renewable energy trust fund to be made up of any state tax on the production of renewable energy. The estimated impact is a decrease in general fund revenue of \$1,933,081 in FY 2022, \$2,000,896 in FY 2023, \$2,074,672 in FY 2024, and \$2,155,444 in FY 2025 with those amounts instead going into the trust fund. Estimated earnings from the trust fund are \$29,769 in FY 2022, \$109,758 in FY 2023, \$150,216 in FY 2024, and \$204,102 in FY 2025. There would be minimal additional administrative costs to the Department of Revenue.

**FISCAL ANALYSIS****Assumptions:****Department of Revenue**

- HB 128 creates a renewable energy trust fund with the intent to replace declining coal severance tax collections. The trust fund will be composed of any state tax collected on the production of renewable energy, including, but not limited to, the electrical energy producer's tax and wholesale energy transaction tax.

2. For the purposes of this fiscal note, only tax revenue from the electrical energy producer's tax is included because it is not possible for the department to determine what percentage of the wholesale energy transaction tax originated with the production of renewable energy.
3. Based on the current distribution of energy production in Montana and the forecasted growth in wind and solar energy production, it is assumed that the percentage of the electrical energy tax attributable to renewable energy (primarily wind, solar and hydro) will be 46% in FY 2022, 48% in FY 2023, 50% in FY 2024 and 51% in FY 2025.
4. Under current law, the electrical energy producer's tax revenue is distributed solely to the general fund. Applying the above percentages to the HJ 2 forecasts for the electrical energy producer's tax, the estimated revenue to be deposited in the renewable energy trust would be \$1,933,081 in FY 2022, \$2,000,896 in FY 2023, \$2,074,672 in FY 2024, and \$2,155,444 in FY 2025. General fund revenues will decrease by equal amounts.
5. The renewable energy trust fund will be of the permanent fund type, meaning that the tax revenue deposited into the fund will remain there to be invested and not used for any other purposes. The investment earnings on the principal contributions estimated above will be distributed according to 15-35-108, MCA.
6. Using the Board of Investments' trust fund interest rate assumptions, estimated earnings from the renewable energy trust fund will be \$29,769 in FY 2022, \$109,758 in FY 2023, \$150,216 in FY 2024, and \$204,102 in FY 2025. The assumption is that earnings would be deployed as revenues are realized. For FY 2022, interest earnings are calculated at 50% of the total annual revenue.
7. The following table summarizes the fiscal impact of HB 128.

	FY 2022	FY 2023	FY 2024	FY 2025
Current Law Electrical Energy Tax Revenue	\$4,223,068	\$4,203,095	\$4,190,451	\$4,186,151
Estimated Renewable Energy Production %	46%	48%	50%	51%
Electrical Energy Tax to Trust Fund (decrease in general fund revenue)	\$1,933,081	\$2,000,896	\$2,074,672	\$2,155,444
Remaining Electrical Energy Tax Revenue (general fund)	\$2,289,987	\$2,202,199	\$2,115,779	\$2,030,706
Total Trust Fund Principle (end of year)	\$1,933,081	\$3,933,977	\$6,008,649	\$8,164,093
Trust Fund Earnings	\$29,769	\$109,758	\$150,216	\$204,102

8. The Department of Revenue does not expect to incur significant additional costs because of this bill.

### Department of Commerce

9. The Department of Commerce would not receive any of the trust fund earnings until FY 2028. At which time 2.90% of the earnings collected would be credited to the coal natural resource account established in 90-6-1001(2). The earnings would be used by the Coal Board to make additional grants to coal industry impacted communities.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$1,933,081)	(\$2,000,896)	(\$2,074,672)	(\$2,155,444)
State Special Revenue	\$29,769	\$109,758	\$150,216	\$204,103
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other - Permanent Fund (09)	\$1,933,081	\$2,000,896	\$2,074,672	\$2,155,444
TOTAL Revenues	<u>\$29,769</u>	<u>\$109,758</u>	<u>\$150,216</u>	<u>\$204,103</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$1,933,081)	(\$2,000,896)	(\$2,074,672)	(\$2,155,444)
State Special Revenue (02)	\$29,769	\$109,758	\$150,216	\$204,103
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other - Permanent Fund (09)	\$1,933,081	\$2,000,896	\$2,074,672	\$2,155,444

**Technical Notes:****Department of Revenue**

1. The wholesale energy transaction tax is a tax on the transmission of electricity in the state. It would be challenging to accurately determine that amount of wholesale energy transaction tax paid that is attributable to the transmission of energy produced from renewable sources.
2. The distribution of the electrical energy producer's tax needs to be edited to allow a portion of the tax to go to the renewable energy trust fund instead of only to the general fund (15-51-103, MCA or 17-2-124, MCA). The bill edits the distribution for the wholesale energy transaction tax but not the electrical energy producer's tax.

**NOT SIGNED BY SPONSOR**

Sponsor's Initials

1/13/21  
DateKA  
Budget Director's Initials1/12/21  
Date