



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0086

Title: Generally revise obligations and conditions for property impacted by coal

Primary Sponsor: Ankney, Duane

Status: 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

| | <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> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Expenditures: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$250,000 | \$250,000 | \$250,000 | \$250,000 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$250,000 | \$250,000 | \$250,000 | \$250,000 |
| Net Impact-General Fund Balance: | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Description of fiscal impact: SB 86 modifies the coal-fired generation remediation and retirement requirements to include the estimated loss of value of residential or commercial property due to the retirement of a coal-fired generating unit in the decommissioning costs and allow for rules to govern the grant administration. To administer SB 86, the Department of Environmental Quality would incur an annual fiscal impact of \$250,000 in operating expenses to hire and pay consultants for rule development, grant application submittal verification, grant administration and stakeholder outreach for FY 2022 through FY 2025. See technical notes.

FISCAL ANALYSIS

Assumptions:

Department of Environmental Quality (DEQ)

1. The DEQ will receive, review, and develop plans from the newly generated, proposed remediation and retirement plan submitted by the owner.
2. A state special revenue account known as coal-fired generating unit retirement grant program account must be established.

3. During FY 2022 DEQ, along with outside expertise, will develop rules to establish the coal-fired generating unit retirement grant program, costing the agency an estimated \$250,000. These allowable costs will be cost recovered from owners through the fund established under 75-8-106, MCA. This work would be required in FY 2022 in order to be sure that DEQ is ready in the event that the coal fired units are retired. However, after development of the rules and parameters of the program, the department would then be “on hold” until the units are declared to be retiring.
4. At the time that DEQ is notified of retirement of the coal fired units, DEQ will administer and implement the coal-fired generating unit retirement grant program under the state special revenue fund established in 17-2-102, MCA through FY 2025.
5. Administration of the grant program and stakeholder outreach will be performed by contractors secured by DEQ with expertise in economic grant development, administration, and adversely affected stakeholder expertise, costing the DEQ an estimated \$250,000 annually.
6. Implementation from a DEQ regulatory perspective would be cost-recovered, including the costs of the FTE administering the program.
7. DEQ does not have enough information to project revenues in the new fund under 17-2-101, MCA, to estimate the necessary appropriation.
8. State special authority must be appropriated in the future to administer this grant once revenue is available in the established grant fund.
9. DEQ assumes an ongoing grant cycle through FY 2025 based on available grant fund balance.
10. The water rights transfer process and fiscal impact have not been evaluated by DEQ.
11. Administrative penalties associated with an owner’s failure to comply cannot be estimated at this time.

Secretary of State

12. This fund bill will have minimal cost for postage and administrative duties. The Office of the Secretary of State does not receive general monies for office operations but has agreed to absorb those costs in our existing operating budget.

| | <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> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| <u>Expenditures:</u> | | | | |
| Operating Expenses | \$250,000 | \$250,000* | \$250,000* | \$250,000* |
| Grants | * | * | * | * |
| TOTAL Expenditures | \$250,000 | \$250,000* | \$250,000* | \$250,000* |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$250,000 | \$250,000* | \$250,000* | \$250,000* |
| TOTAL Funding of Exp. | \$250,000 | \$250,000* | \$250,000* | \$250,000* |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$250,000 | \$250,000* | \$250,000* | \$250,000* |
| TOTAL Revenues | \$250,000 | \$250,000* | \$250,000* | \$250,000* |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |

* See technical notes and fiscal impact assumptions 3-9

Technical Notes:

- Overall, the department must stand up the program so that it is ready to go when the coal fired units are retired. It is then assumed, that the program would wait until the coal fired units retirement announcement is made. Once the unit is retired, an appropriation and funding will be required to award grants. The amount of funding that will be received cannot be determined, and therefore the amount of grants awarded cannot be determined.
- DEQ does not have adequate information to determine when and how much revenue would be placed in the new fund under 17-2-101, MCA. An appropriate amount of revenue would need to be deposited in the coal-fired generating unit retirement grant program account in the state special revenue fund for DEQ to administer this grant program.
- Deposits in the account include money received from legislative allocations; payments or penalties received under 75-8-106(7)(b), 75-8-106(8)(b), and 7-8-109(3)(c); and any gift, donation, legacy, bequest or devise made. The source of funding to administer the program during the first year when there has been little opportunity for deposits in the account is undefined.
- It is unclear whether the coal-fired generating unit retirement grant program continues to exist after July 1, 2025, to disperse grants from funds deposited in the coal-fired generating unit retirement grant program account prior or subsequent to that date for decommissioning costs incurred prior to that date.

NO SPONSOR SIGNATURE

Sponsor's Initials

1/18/21

Date

KA

Budget Director's Initials

1/15/21

Date



Dedication of Revenue 2023 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

17-1-507, MCA.

a) Are there persons or entities that benefit from this dedicated revenue that do not pay?

Yes, the state special revenue fund will receive funding through legislative allocation, payments or penalties, and any gift, donation, grant, legacy, bequest, or devise made for the purposes of the grant program. The grants will be provided to owning property affected by the retirement or pending retirement of a coal-fired generating units who are not required to pay into the fund.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

The state special revenue will have the advantage of providing grants specific for property owners impacted by the retirement or pending retirement of a coal-fired generating unit. The property owners would receive any financial resources to address the property impacts without the grant program.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?

Yes, the revenue is relevant to current use of funds. DEQ is currently working on cleanup of the coal-fired generating unit. Without further information on how much revenue will be generated from the revenue streams listed in (a) it is unclear if the revenue is adequate to fund the program activities.

d) Does the need for this state special revenue provision still exist?

The revenue streams listed in (a) must be deposited into a state special revenue fund.

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?

No, the new fund will be included in HB2 and legislature will have the ability to determine the budget amount allocated to the fund.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need?

No, the dedicated revenue will create a new fund to address properties impacted by coal-fired generating unit. Grants will be provided through the fund from FY 2023 through FY 2025 or until funds are no longer available.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency

The dedicated revenue will not have an impact on accounting/auditing in our agency.