



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0293

Title: Revising property tax laws related to electric generation

Primary Sponsor: Pope, Christopher

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 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$96,029	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$96,029)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 293 provides a property tax abatement during construction and for five years of operation for electrical generation facilities meeting certain requirements. SB 293 requires the Department of Environmental Quality (DEQ) to adopt rules to implement provisions of the bill, determine whether a facility qualifies for the tax abatement, and track ongoing compliance of certified property.

FISCAL ANALYSIS

Assumptions:

Department of Environmental Quality (DEQ)

- DEQ will engage stakeholders and adopt the administrative rules required under SB 293 in FY 2022. This one-time effort will require 0.50 FTE (Environmental Science Specialist, Band 7) along with 0.25 FTE (Lawyer, Band 8) in legal support. DEQ will incur \$750 in charges for publication of rulemaking notices. These costs will be paid by the general fund.
- DEQ will receive its first application for certification in FY 2023 and will receive one application per year through FY 25.
- On-going implementation of the requirements contained in SB 293, including developing the required form(s), reviewing applications to determine acceptability, and tracking compliance of certified property will be completed with existing resources.

Department of Revenue

4. In order to qualify for abatement, construction must start after July 1, 2021, and prevailing wage rates requirements must be met during construction. The facility must operate directly or through power purchase agreements, meet customer size requirements, be of certain facility size, and other requirements.
5. The property would be exempt for five years and for a construction period of up to two years for a total of up to seven years. The facility would thereafter be taxed at 100% of its taxable value.
6. The Department of Environmental Quality would be responsible for certifying that the property meets the requirements for the abatement, as well as for ensuring the property continues to meet the requirements to maintain the exemption. If the company fails remain qualified, the abatement may be canceled. The bill provides claw back of taxes.
7. SB 293 allows local governments impacted by the abatement to collect impact fees up to 0.5% of the total cost of construction.
8. There are no qualifying facilities anticipated in the HJ 2 revenue forecast, and as a result, there is no estimated impact on general fund revenues.

The Office of the Secretary of State

9. SB 293 has a tribal notification requirement. This will have minimal costs for postage and administrative duties. The office does not receive general fund monies for office operations but has agreed to absorb these costs within the existing operating budget.

<u>Fiscal Impact:</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Department of Environmental Quality (DEQ)				
FTE	0.75	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$76,814	\$0	\$0	\$0
Operating Expenses	\$19,215	\$0	\$0	\$0
TOTAL Expenditures	\$96,029	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$96,029	\$0	\$0	\$0
TOTAL Funding of Exp.	\$96,029	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$96,029)	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

Montana Association of Counties

1. A state agency abating local property taxes would have an unknown but likely negative impact on county collections, budgeting, and planning. Depending how the Department of Revenue certifies the values being abated for the jurisdiction, the tax burden may shift to the remainder of the taxing jurisdiction.
2. The bill provides an offset in terms of an impact fund, but the amount that could be generated by any impact fee is unknown. Additionally, the use of the funds categorized into a nonbudgeted fund would require an amended budget each time a county intended to use the funds.

3. Although the bill specifies that the impact fees could be used for any purpose allowed by law, the section does not specify what is allowed by law.

Long-Term Impacts:

Department of Revenue

1. There are proposals for new energy projects that may qualify for the abatements in SB 293 in the future. For example, the Helena Independent Record published a story on January 4, 2021 titled “Montana's largest wind farm will be built near Colstrip beginning in 2021” detailing a 750-megawatt facility that is estimated to pay \$217 million in taxes. The passage of HB 293 may substantially reduce taxes for this and similar projects.

_____	_____	_____	_____
<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>