



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0097 - Implement renewable portfolio standard production tax for property tax relief (Regier, Keith)

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

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$2,517,780	\$3,319,989	\$3,374,419
State Special Revenue	\$0	\$2,517,780	\$3,319,989	\$3,374,419
Revenue:				
General Fund	\$0	\$2,517,780	\$3,319,989	\$3,374,419
State Special Revenue	\$3,357,040	\$3,307,638	\$3,396,680	\$3,374,629
Net Impact-General Fund Balance:	\$0	\$0	\$0	\$0

Description of fiscal impact: SB 97 creates a new renewable resource electrical production tax. The tax is \$0.001 per kilowatt-hour of electrical energy generation from qualifying renewable energy producers. The bill also creates a new state special revenue fund known as the school transportation property tax relief account, which is funded by the renewable resource electrical production tax. The new account is administered by the superintendent of public instruction for the purpose of property tax relief by increasing the state share of school transportation expenses while decreasing the county share.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Section 2 of SB 97 establishes a renewable resource electrical production tax equal to \$0.001 per kilowatt hour on generation from eligible producers.

2. Many renewable energy producers that meet the eligibility criteria of section 2(3)(a) of the bill are exempt from the tax under section 2(2)(b) because their generation capacity is less than 25 megawatts.
3. The provisions of the bill result in the renewable electricity production tax being assessed primarily on output from Montana’s large scale wind facilities.
4. Renewable energy generation data for Montana is sourced from the U.S. Energy Information Administration (EIA), which houses data on net generation by month by generating unit.
5. Monthly net generation from the producers eligible for the renewable energy production tax is summed to arrive at a FY 2021 total for renewable electricity production subject to the new renewable energy production tax (EIA data is not current enough to calculate the FY 2022 total).
6. Projections of taxable renewable energy production through FY 2027 are made by assuming that taxable renewable energy production grows at the same rate as total taxable energy production in Montana.
7. Total taxable energy production in Montana for FY 2022 is known; estimates of total taxable energy production for FY 2023 – FY 2027 are sourced from the HJ 2 forecast.
8. The table below contains the renewable energy production and expected tax revenue based on HJ 2 forecasts of taxable kilowatt-hours produced and assuming no short-term changes in energy sources.

SB 97 Renewable Energy Tax Revenue				
	FY 2024	FY 2025	FY 2026	FY 2027
HJ 2 Total Taxable KWh	18,758,422,536	18,482,374,777	18,979,919,965	18,856,707,321
Taxable Renewable KWh	3,357,040,233	3,307,638,242	3,396,679,802	3,374,629,451
Tax Rate	\$0.001	\$0.001	\$0.001	\$0.001
Tax Revenue	\$3,357,040	\$3,307,638	\$3,396,680	\$3,374,629
Transfer to School Trans. Acct.		\$2,517,780	\$3,319,989	\$3,374,419

9. The tax will be administered by the Department of Revenue while the special revenue account will be administered by the Superintendent of Public Instruction.
10. Changes will be needed to the Electrical Energy Producers License Tax Return form (which currently consists of the electrical energy producers license tax and invasive species fee), and rules may be needed to determine how under payments and late payments are allocated to the three areas of revenue collected on this return. These changes are expected to be minimal and will be absorbed by the Department of Revenue.
11. The effective date of the bill is July 1, 2023, but distribution from the account will not begin until July 1, 2024. There is no fiscal impact in FY 2024. Taxes collected in a fiscal year are distributed the following year.
12. Beginning in calendar year 2024, the state treasurer shall transfer money from the state special revenue school transportation property tax relief account on July 1 to the state general fund based on rules adopted by the Superintendent pursuant to SB 97.
13. Transfers made on July 1, 2024, would include 75% of the FY 2023 collections as the fourth quarter cash would not yet be available since producers have 30 days to report. Each succeeding July 1 revenue transfer would consist of 25% of the revenue two years prior plus 75% of the prior year collections.

Office of Public Instruction

14. Section 7, 20-10-144, MCA, the computation of revenue and net tax levy requirements for district transportation fund budget, is modified to add to the state proportionate share, an amount equal to the amount of revenue deposited into the school transportation property tax relief state special revenue account.
15. The increase in state share for payment of the schedule portion of district transportation claims is to then offset the county share of claim payments for the schedule portion of the district transportation claims.
16. Section 8, 20-10-145, MCA, the state transportation reimbursement is amended to incorporate the addition of the renewable resource electrical production tax revenue as part of the state distribution to districts for schedule claims.

17. Section 9, 20-10-146, MCA, the county transportation reimbursement is amended to incorporate the reduction of county requirement associated with the additional renewable resource electrical production tax revenue as a part of the county distribution to districts for schedule claims.
18. Pupil transportation budgeting is authorized in 20-10-143, MCA School districts may budget for costs associated with transporting students to and from school for both bus route and individual transportation contract estimations. These types of estimations and then claims are reimbursed to districts from both state and county payments. Reimbursement amounts are determined through formulas provided in 20-10-141 through 20-10-146, MCA.
19. These state and county reimbursements are termed the “*schedule*” and are typically distributed approximately 50% state and 50% county. Annual schedule budgeted claim distributions are approximately \$12.4 million state general fund and \$12.4 million county property tax levy. Additionally, districts may permissively levy the district taxpayers for pupil transportation costs that exceed the schedule formula limits and is frequently referred to as the over-schedule. Over-schedule levies in FY 2023 totaled approximately \$97.8 million. In summary, the statewide pupil transportation budget is approximately \$122.6 million with state budgeted claims supporting \$12.4 million (10%), county budgeted claims supporting \$12.4 million (10%) and local property taxes for over-schedule totaling \$97.8 million (80%).
20. State and county claims of the most recent four years of final data are as follows:

	County Total	State Total
FY 2022	\$11,223,645	\$11,055,359
FY 2021	\$10,926,234	\$11,010,569
FY 2020	\$11,293,881	\$11,365,199
FY 2019	\$11,592,280	\$11,586,568

21. Based on historic distribution data, the percent of state schedule distribution would increase to approximately 64%, (≅\$15.8 million) and the county schedule claims percent to 36%, (≅\$9.0 million) beginning in FY 2025.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Transfers	\$0	\$2,517,780	\$3,319,989	\$3,374,419
Local Assist (County Transportation)	\$0	\$2,517,780	\$3,319,989	\$3,374,419
TOTAL Expenditures	\$0	\$5,035,560	\$6,639,978	\$6,748,838
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$2,517,780	\$3,319,989	\$3,374,419
State Special Revenue (02)	\$0	\$2,517,780	\$3,319,989	\$3,374,419
TOTAL Funding of Exp.	\$0	\$5,035,560	\$6,639,978	\$6,748,838
<u>Revenues:</u>				
General Fund (01)	\$0	\$2,517,780	\$3,319,989	\$3,374,419
State Special Revenue (02)	\$3,357,040	\$3,307,638	\$3,396,680	\$3,374,629
TOTAL Revenues	\$3,357,040	\$5,825,418	\$6,716,669	\$6,749,048
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$3,357,040	\$789,858	\$76,691	\$210

Effect on County or Other Local Revenues or Expenditures:

1. It is estimated that statewide local property taxes savings will be \$2.5 million beginning in FY 2025 and increasing to \$3.3 million in future fiscal years.

Technical Notes:

1. There are timing constraints related to the implementation of SB 97. School district budgets are due to counties on September 15; however, with tax reassessments and many other district realities, budget submissions are very frequently not completed until the end of September, and sometimes as late as mid-October. The OPI needs to review and prepare the percent adjustment for the counties and communicate this information. This is not automatic, and it is estimated that at least a week will be needed for data review and processing at the state level to assure accuracy. The county commissioners, treasurer, and county superintendent need to prepare and approve the county budget and mills. The county needs to produce and release tax bills (in most years) on or before November 1.

NO SPONSOR SIGNATURE _____ 1/11/23 _____ [Signature] _____ 1-11-23
Sponsor's Initials *Date* *Budget Director's Initials* *Date*