FISCAL NOTE

Requested by Legislative Council
01/17/2007

Bill/Resolution No.: SB 2288

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$0		
Expenditures				$12,800,000		$22,400,000
Appropriations			$22,000,000	$3,000,000		$3,000,000

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2288 addresses renewable energy issues, including creating a biofuels PACE program and a Biomass Energy Center. The bill also establishes a renewable energy policy.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sections 1 expands the definition of an eligible facility for the ethanol production incentive to include biodiesel production facilities. Section 2 amends the subsidy limitations for the ethanol production incentive to allow up to $1,600,000 per eligible facility in annual payments.

The fiscal effect of this change is entirely dependent upon the number and size of additional ethanol and biodiesel plants and the price of corn and ethanol. Using current information, it is estimated that there would be four plants – three ethanol and one biodiesel – that would be eligible to receive this incentive the first year of the 2007-2009 biennium and an additional two ethanol plants the second year of the biennium. Assuming the worst case scenario that the price of ethanol and corn is such that these plants would receive the maximum $1,600,000 per year, this could have a total potential fiscal impact of $16 million for the 2007-2009 biennium. This is an additional fiscal impact of $12,800,000 over the current potential impact of $3,200,000 per biennium under the current statute.

There are two additional plants under consideration that may be eligible for incentives during the 2009-2011 biennium; which would bring the total to eight. Thus the total potential fiscal impact would be $25,600,000 for the 2009-2011 biennium, which is an additional fiscal impact of $22,400,000 over the current potential impact of $3,200,000 per biennium under the current statute.

Sections 3, 4, 5, and 6 deal with biofuels PACE; Section 18 appropriates $5 million in state general fund revenues to the biofuels PACE program.

Sections 7, 8, 9, 10, and 11 deal the Biomass Energy Center.

Section 12 is expected to reduce revenues in the highway distribution fund by $800,000 in the 2007-09 biennium. These funds will be transferred to the ethanol production incentive fund. (Because these are both "other funds", above, they net out to zero.)

Section 13 sets forth a renewable energy policy and creates a council. Section 17 appropriates $17 million in state general fund revenues.

Section 14 enables the income tax credit for installation of geothermal, solar, or wind energy devices to be claimed on the "short-form", Form ND-1. A typical household geothermal heating/cooling unit can sell for a price between $5000 and $15,000, which would translate to tax credits of $750 to $2250 each over five years. We do not know how many of these types of units will be installed during the biennium. This section will result in a reduction in state general fund revenues of an unknown amount.

Section 15 authorizes the "clawback" of agricultural business investment tax credits if the investment is held for less than five years. The fiscal impact of this section is unknown. This provision may conflict with other statutes regarding the period of time investments must be held at risk.

Justin Dever, DOC (ph: 328-7258) and Patty Schock, DOT (ph: 328-1933) contributed to this fiscal note.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The expenditures shown are potential amounts that would be expended from the ethanol production fund relative to Sections 1 and 2 of the bill. Revenues in the fund would not be sufficient to cover these expenditures.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The appropriations are contained in Sections 16, 17, and 18.

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