OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

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M E M O R A N D U M

TO: Jon Bennion, Assistant Attorney General
Montana Department of Justice

FROM: Tom Livers, Director Tom
Office of Budget and Program Planning

RE: Fiscal note for initiative "I-187"

DATE: July 9, 2019

In accordance with section 13-27-312, MCA, we are submitting the attached fiscal note for initiative I-187.

Please contact Ryan Evans if you have questions regarding the fiscal note.

c: Dana Corson, Director
Elections & Voter Services
Secretary of State

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GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note for 2020 Initiative

Bill #	I-187	Title:	Montana Cohesive Renewable Energy Policy

☑ 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

	FY 2021 Difference	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Expenditures:					
General Fund	$0	$0	$0	$0	$0
State Special Revenue	$600,883	$958,051	$913,699	$831,086	$831,086
Federal Special Revenue	$0	$0	$0	$0	$0
Other	$0	$0	$0	$0	$0
Revenue:					
General Fund	$336,000	$2,205,675	$1,958,225	$1,675,300	$1,695,900
State Special Revenue	$13,856,605	$26,673,503	$26,725,073	$26,794,240	$26,914,819
Federal Special Revenue	$0	$0	$0	$0	$0
Trust Fund Revenue	$730,000	$2,113,060	$1,897,060	$1,814,300	$1,745,730
Net Impact-General Fund Balance:	$336,000	$2,205,675	$1,958,225	$1,675,300	$1,695,900

Description of fiscal impact: I-187 incrementally increases the percentage of renewable energy supplied by public utilities and competitive electricity suppliers from the current standard of 15% to a total of 80% by December 31, 2034. The initiative mitigates lost tax revenue from several coal sources by levying additional incremental taxes on the energy producers' license tax. These incremental tax rate increases are tied to threshold levels of coal revenue as compared to FY 2016 revenues. The initiative creates an independent unemployment compensation benefit and training program funded by an assessment against taxable wages reported under the Unemployment Compensation Program by certain energy producers. It also creates a workforce training program to assist displaced fossil fuel workers and displaced coal-impacted workers funded by a tax assessment on electrical energy production. This initiative also requires the Department of Labor & Industry (DLI) to conduct studies regarding the changing employment needs and problems of displaced fossil fuel workers and displaced coal-impacted workers. In addition, the act gives DLI the ability to borrow money if the assessment in the special revenue fund is insufficient to defray the costs of the program.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. This initiative requires that public utilities and competitive electric suppliers increase their percentage of energy produced from renewable sources incrementally each year until reaching 80% at the end of 2034.
2. This initiative implements a series of taxes on electrical production that will be in addition to the current $0.0002 per kilowatt hour (kWh) electrical energy producers' license tax.
3. All tax increases are subject to a calculation of savings to consumers by comparing the price of electricity supplied with renewables versus fossil fuels. This fiscal note assumes for the relevant time frame that taxes will not exceed this savings level.
4. The HJ 2 forecast contains estimates on kWh production through FY 2023. The estimates are 22,079 million kWh in FY 2020, 22,485 million kWh in FY 2021, 21,514 million kWh in FY 2022, and 21,702 million kWh in FY 2023.
5. The rate of change between FY 2022 and FY 2023 (0.87%) is used to estimate production of 21,892 million kWh in FY 2024 and 22,083 million kWh in FY 2025.
6. The initiative mandates that public utilities increase their renewable resource energy portfolio by seven percentage points (from 15 percent to 22 percent) in CY 2022, and six percentage points each year from CY 2023 through CY 2027.
7. This fiscal note assumes energy demand is relatively constant during the first half of the year and the second half, which allows for conversion from calendar year to fiscal year by taking half of the current calendar year and half of the previous calendar year as the basis for the fiscal year.
8. The Energy Information Administration (EIA) tracks coal production and consumption. In CY 2016, Montana produced 32,336 thousand short tons of coal, while consuming 9,328 thousand short tons for energy production. Montana used 28.8% of the coal it produced for in-state electricity generation. In CY 2017 this ratio was 25.4%. The average of the two years, 27.1%, is used for calculations of losses to coal taxes from the transition away from coal power generation.
9. The Public Service Commission quotes the approximate percentage of electricity consumed in Montana from utilities regulated under the Renewable Portfolio Standard (RPS) at 50 percent. The initiative requires cooperatives to poll their members at regular intervals to see if they want to voluntarily comply with the RPS, but this analysis assumes they will not comply because they are not required to do so.
10. The amount of displaced coal is calculated by multiplying the percentage of coal used for electric production in Montana by the percentage of electric production regulated by the RPS, then multiplying that product by the change in RPS requirement.
11. $Yearly\ Coal\ Reduction = 27.117\% * 50\% * (New\ RPS - 15\%)$
12. Estimated reductions of coal production due to the RPS requirements in the initiative are 0.95% in CY 2022, 1.76% in CY 2023, 2.58% in CY 2024, and 3.39% in CY 2025.
13. Fiscal year reduction projections are 0.47% in FY 2022, 1.36% in FY 2023, 2.17% in FY 2024, and 2.98% in FY 2025.
14. The replacement rate for coal severance tax begins January 1, 2021 and is $0.000125/kWh through 2025.
15. This will raise $1.405 million in FY 2021, $2.689 million in FY 2022, $2.713 million in FY 2023, $2.736 million in FY 2024, and $2.760 million in FY 2025.
16. Reductions in coal severance tax from the increased RPS requirement are estimated at $0 in FY 2021, $266,000 in FY 2022, $720,430 in FY 2023, $1.126 million in FY 2024, and $1.513 million in FY 2025.
17. The net change in the various funds of coal severance tax is summarized in the table below.

Fund	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Coal Severance Trust Fund (50%)	$703,000	$1,212,000	$996,000	$805,000	$624,000
Long Range Building Program (12%)	$169,000	$291,000	$239,000	$193,000	$150,000
Library Services	$13,000	$23,000	$19,000	$15,000	$12,000
Conservation Districts	$52,000	$90,000	$74,000	$60,000	$46,000
Growth Through Agriculture	$12,000	$20,000	$16,000	$13,000	$10,000
Parks Acquisition Trust (1.27%)	$18,000	$31,000	$25,000	$20,000	$16,000
Renewable Resources Debt Service (0.95%)	$13,000	$23,000	$19,000	$15,000	$12,000
Cultural Trust (0.63%)	$9,000	$15,000	$13,000	$10,000	$8,000
Coal Natural Resources Account (5.8%)	$82,000	$141,000	$116,000	$93,000	$72,000
General Fund (Remainder)	$336,000	$579,000	$476,000	$385,000	$298,000

18. Tax revenue deposited into the coal severance tax trust fund will generate interest earnings that will be transferred to various state special revenue funds.
19. The tax to fund the coal worker transition account begins January 1, 2021 and levies a constant $0.0012/kWh tax. This additional tax will raise $13.491 million in FY 2021, $25.816 million in FY 2022, $26.042 million in FY 2023, $26.270 million in FY 2024, and $26.500 million in FY 2025.
20. The following taxes are all based on threshold reductions in tax collections on coal production. For every $107,000 less revenue received by these funds as compared to FY 2016, an additional $0.000005/kWh fee is added to the electrical producers' license tax for the following fiscal year. These incremental taxes begin July 1, 2021 (FY 2022) if revenue for the respective account is below FY 2016 levels.
21. Coal gross proceeds are reported on the previous calendar years production, and then assessed in the next fiscal year. This means there is a two-year delay between calendar year production and fiscal year taxes paid. Since the RPS standard does not increase until 2022, coal gross proceeds would not be paid until FY 2024 and distortions in collections based off the demand for coal should not be expected until FY 2024.
22. Coal gross proceeds are projected through FY 2025 using estimates from HJ 2 on the value of coal for severance tax.
23. Coal gross proceeds are projected at $16.681 million in FY 2021, $16.763 in FY 2022, $16.820 million in FY 2023, $16.435 million in FY 2024, and $15.391 million in FY 2025.
24. The adoption of the new RPS standards lowers expected revenues by $156,000 in FY 2024 and $276,000 in FY 2025.
25. FY 2016 coal gross proceeds revenues were $20.757 million. Because FY 2021 collections were $4.076 million below FY 2016, 38 threshold increments are triggered for FY 2022, resulting in a $0.00019/kWh increase on the electrical producer license tax for FY 2022.
26. The difference between expected collections and FY 2016 levels is $3.994 million in FY 2022, $3.937 million in FY 2023, $4.478 million in FY 2024, and $5.366 million in FY 2025. These differences trigger tax increments of $0.000185/kWh in FY 2023, $0.00018/kWh in FY 2024, $0.000205/kWh in FY 2025, and $0.00025/kWh in FY 2026.
27. Collections from the replacement rate adjustment for coal gross proceeds are $4.088 million in FY 2022, $4.015 million in FY 2023, $3.941 million in FY 2024, and $4.527 million in FY 2025.
28. The table below summarizes changes to coal gross proceeds collections and the resulting distributions.

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Description
Revenue Projection	16.681	16.763	16.820	16.279	15.391	In millions
Rate Adjust	0.00019	0.000185	0.00018	0.000205	0.00025	Per kWh
Total Increment	0	$4,088,000	$4,015,000	$3,940,000	$4,527,000	From previous years rate
Net after RPS	0	$4,088,000	$4,015,000	$3,785,000	$4,251,000	Increment – loss from RPS
Gen Fund	0	$1,695,000	$1,665,000	$1,569,000	$1,763,000	45/51 state mills
University	0	$226,000	$222,000	$209,000	$235,000	6/51 state mills
County	0	$2,166,000	$2,128,000	$2,162,000	$2,529,000	~53% total

29. Tribal coal severance tax and tribal royalty payments are not shared with the Department of Revenue and the department does not have comparable data on the amount of money collected by tribes in FY 2016 for these funds. It is unknown what threshold level of replacement revenue would be triggered for these accounts.
30. Revenue projections of royalties and rentals from coal leases on state lands are from a five-year average due to the volatility of the payments. The five-year average from FY 2015 through FY 2019 is $8.144 million. This amount is carried through FY 2025 as the base revenue assumption.
31. Reductions in coal rental and royalty revenue resulting from decreased production on state lands due to the increased RPS requirement are estimated to be $38,647 in FY 2022, $110,420 in FY 2023, $176,672 in FY 2024, and $242,924 in FY 2025. These numbers are the result of multiplying the estimated reduction in fiscal year coal production from assumption #13 by the $8.144 million rental and royalty income estimate from the previous assumption.
32. The difference between expected collections for royalties and rentals from coal leases on state lands and FY 2016 collections are $896,177 in FY 2021, $934,824 in FY 2022, $1.007 million in FY 2023, $1.073 million in FY 2024, and $1.139 million in FY 2025. These differences trigger electrical energy tax increments of $0.00004/kWh in FY 2022, $0.00004/kWh in FY 2023, $0.000045 in FY 2024, $0.00005 in FY 2025, and $0.00005 in FY 2026.
33. Collections from the replacement rate adjustment for state land royalty and rentals amount to $860,000 in FY 2022, $868,000 in FY 2023, $985,000 in FY 2024, and $1.104 million in FY 2025.
34. Federal mineral royalties from coal through FY 2023 are taken from HJ 2 with FY 2024 and FY 2025 estimated from the average rate of change between FY 2021 and FY 2023. Revenue projections under current law are $20.544 million in FY 2021, $19.193 million in FY 2022, $17.977 million in FY 2023, $17.128 million in FY 2024, and $16.320 million in FY 2025.
35. Losses to this fund from the RPS requirement increase are $91,000 in FY 2022, $244,000 in FY 2023, $372,000 in FY 2024, and $486,000 in FY 2025.
36. FY 2016 collections from federal mineral royalties on coal were $15.459 million. Since all years are projected to receive higher payments than the FY 2016 level, no incremental replacement rates are triggered for federal mineral royalties.
37. The table below summarizes the revenue impact of lower federal mineral royalty payments from coal leases due to the RPS.

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General (75%)	$0	-$68,325	-$182,775	-$278,700	-$365,100
County (25%)	$0	-$22,775	-$60,925	-$92,900	-$121,700

38. The Resource Indemnity Trust Tax (RITT) does not have replacement revenue in this initiative. The estimated loss in RITT taxes from coal are $11,000 in FY 2022, $31,000 in FY 2023, $49,000 in FY 2024, and $67,000 in FY 2025.
39. The sum of new increments for the electrical energy producers' license tax is $0.001325/kWh in FY 2021, $0.001510/kWh in FY 2022, $0.001505/kWh in FY 2023, $0.001500/kWh in FY 2024, and $0.001525/kWh in FY 2025. These rates are added on top of the current $0.0002/kWh rate for the electrical energy producers' license tax and the incremental rates that would be levied for replacement tribal royalty and severance tax income.
40. Department costs associated with implementation are expected to be *de minimis* and will be absorbed.

Department of Natural Resources and Conservation

41. State coal royalty revenues are subject to significant year-to-year variability. This is due to variability in the volume mined and the price of coal. Fiscal analysis by the Trust Lands Management Division (TLMD) of the Department of Natural Resources and Conservation (DNRC) used the five-year average (FY15 – FY19) of state coal revenue, which was $8.144 million. This is $896,177 below the 2016 calendar year base revenue of $9,040,143, which is split between rentals ($5,414) and royalties ($890,763).
42. Rentals and royalties will continue to come from common school trust lands.
43. Offset payments from the electricity production tax will become available in FY 2022.
44. Montana Department of Revenue estimates the incremental electricity production tax in Section 14(8)(b) will generate offset tax payments to common schools of $860,000 in FY 2022 ($5,200 rental and $854,800 royalty); $868,000 in FY 2023 ($5,200 rental and $862,800 royalty); $985,000 in FY 2024 (6,000 rental and $979,000 royalty); and $1,104,00 in FY 2025 ($6,600 rental and $1,097,400 royalty).
45. The taxes generated by Section 14 do not exceed 90% of total savings accruing to consumers per Section 15(2).
46. No offset from new state land eligible for renewable energy development revenues can be estimated per Section 14(8)(b). While there likely are some future eligible projects, their size, number, and revenue generating potential is not possible to predict. Amount of increases, if any, to wholesale energy transaction taxes and federal offsets, if any, is unknown.
47. Section 14(8)(c) requires the money collected to replace lost state coal rentals and royalties to be distributed in the same manner as actual state coal rentals and royalties, as provided in 77-3-318.
48. Annual rental income for the common schools is 95% distributable to the common schools guarantee account and 5% to the common schools permanent fund.
49. The permanent fund generates interest for the trust beneficiaries. Interest for the common schools trust is distributed 95% to the common schools guarantee account annually with 5% reinvested in the permanent fund. Interest on the common schools permanent fund is forecast at a rate of 3.50% for FY 2022 and 3.55% for FY 2023. Interest rates for FY 2022 and FY 2023 were provided by the Board of Investments, whose responsibility it is to manage the trust and legacy fund. For fiscal note purposes, the interest rate of 3.55% was held constant for FY 2024 and FY 2025.

Department of Environmental Quality

50. DEQ programs will support and respond to Energy and Telecommunications Interim Committee (ETIC) requests for information using existing staff and resources, reprioritizing existing work.
51. DEQ funding for programs that regulate fossil fuels is not altered.
52. DEQ's coal program receives coal severance tax revenue, and the current statutory allocation is not altered.

Department of Labor and Industry

53. DLI estimates there are currently 3,061 workers employed in Montana by coal and fossil fuel, as defined by this initiative. This does not include transportation or railroad workers who might be subject to the initiative as DLI lacks sufficient information to estimate that figure. It is assumed that there will be a 25% downsize of workers who qualify for this initiative between FY 2021 and FY 2024. It is also assumed that of the 765 workers who would be affected within the first three years, 50% will be served within the first 18 months, 30% in FY 2023 and 20% in FY 2024.

54. DLI assumes that of the 765 people eligible for and seeking services under this program within FY 2021 through FY 2024, approximately 25% of them, or 191 individuals, would receive training services.
55. The average cost of training and supportive services per client trained in general workforce programs is approximately $3,000 per person. Using this model, it is anticipated that $573,938 would be needed to provide training assistance and supportive services from FY 2021 through FY 2024. The below table breaks out the estimated number of individuals served, the anticipated number of individuals receiving training and supportive services and the estimated dollar amount per fiscal year, using the assumptions above.

	FY 2021	FY 2022	FY 2023	FY 2024
Individuals Served	128	255	230	153
Individuals Receiving Training & Supportive Services	32	64	57	38
Cost of Training & Supportive Services	$ 95,656	$ 191,313	$ 172,181	$ 114,788

56. Under the current HELP-Link program, DLI case-managed approximately 600 individuals over 30 months, using the equivalent of 5 FTE for case management during this time period. Using this model, approximately 1 FTE is needed for every 50 individuals that are case-managed each year. Based on the number of individuals estimated to receive services in the table above, DLI estimates that an additional 5 FTE would be needed to serve this population. These positions would be Band 5 Employment Specialists. Estimated annual salary and benefits for each person is $52,201 for a total annual cost of $261,004 for an additional 5 FTE ($130,502 in FY 2021 due to this program taking effect in January and running for only half of the fiscal year).
57. With the specific requirements and outreach needed for this program, as well as the extensive coordination required with other agencies and entities, DLI would need a dedicated, full-time program manager to oversee and coordinate the program. This position would be a Band 6 Administrative Specialist with an annual salary of $78,213 ($39,106 in FY 2021 for ½ of the year).
58. To assist with the program evaluation and study requirements under this initiative, DLI would need a 0.50 FTE for a Band 7 Economist. With salary and benefits, the annual cost for this position would be $51,730 ($25,865 for FY 2021 for ½ of the year).
59. Each of these new employees would require a desk and computer, estimated at $2,800 per employee for a total of $18,200.
60. Direct operating costs associated with the addition of 6.5 FTE is estimated to be $76,950 per year ($38,475 in FY 2021 for ½ of the year). This includes $30,689 for the DLI cost allocation program calculated at 7.85% of personal services, $20,748 in technology services costs calculated at $266 per month per FTE, $19,013 in ITSD costs, $3,250 in other fixed costs and $3,250 in miscellaneous supplies.
61. Other general administrative and management costs typically equate to approximately 7.5% of program personnel services and operating costs. At a total estimated cost for this program in service delivery, the general administrative and management costs are estimated to increase by $35,092 per year ($17,546 in FY 2021 for ½ of the year).
62. This initiative requires the department to provide information and materials pertinent to the programs and services available to individuals eligible under this program. DLI estimates an additional $5,000 will be required on an annual basis to ensure materials are developed, printed and distributed.
63. There will be need for significant legal counsel during the first biennium to assist with program establishment and process development. DLI assumes this will require approximately 0.25 FTE in legal assistance, or 520 hours per year for the first two years. At DLI's legal rate of $97/hour, this will cost the program $100,880. Of this $25,220 would be charged in FY 2021, $50,440 would be charged in FY 2022 and $25,220 would be charged in FY 2023.
64. One-time-only administrative rule-making costs related to the workforce training program are estimated to be $1,500. In addition to the legal work outlined above, this includes the cost to file a 20-page proposal

with the Secretary of State's Office and a 5-page adoption notice for the rule-making process. The current rate for these filings is $60/page.

65. The Unemployment Insurance Division would need to adopt administrative rules regarding the eligibility of persons who may be served under the Montana Cohesive Renewable Energy Policy, Fossil Fuel Worker Retraining, Coal Revenue Replacement, and Rural Economic Development Act. Rulemaking is estimated to be $5,060 including $500 to the Secretary of State for filing and publication (10 pages x $50 per page = $500), $440 for rule hearing and transcript ($95 per hour for Hearing Officer x 2 hours =$190 + $250 for court reporter and transcript), and $3,880 for additional legal time ($97/hour x 40 hours).
66. Since employees in the fossil fuel and coal industries are typically in higher wage brackets, the division assumes that any displaced fossil fuel worker would be eligible for the maximum Weekly Benefit Amount of $552, using current wage calculations.
67. It is assumed that each displaced fossil fuel or displaced coal-impacted worker who is otherwise eligible and who files for unemployment compensation benefits under this initiative would receive regular (current law) benefits as follows:
    a. A maximum number of 28 weeks of regular benefits under 39-51-2204, MCA, and
    b. Additional training benefits of 104 weeks of benefits, based an additional 78 weeks of the claimant's regular weekly benefit amount under 39-51-2116, MCA, and 24.11.475 ARM.
68. Under new section 20 (3) & (4) of the initiative and assuming entry into an approved training program within 3 months of becoming displaced, each displaced fossil fuel or displaced coal-impacted worker would be eligible for the following Fossil Fuel Worker Retraining (FFWR) benefits:
    a. 20% increase in weekly benefit payment amount during a training program;
    b. Up to 2 years of weekly benefit payments, including 20% benefit increase factor, during participation in a training program;
    c. additional benefit amount not greater than $200 per month, needed to maintain up to one-third of the mortgage payments on the workers' primary Montana residence;
    d. Up to 12 weeks of weekly benefit payments between completion of the training program and re-employment.
69. In the absence of training funds otherwise available through other state, federal, or private funded training programs, the above benefits, including training benefits, will be paid out of the displaced fossil fuel workers fund.
70. The displaced fossil fuel and displaced coal-impacted workers fund established under the initiative must be separate and distinct from any UI funds received from the federal government as federal administrative funds may only be used to administer the UI program for its intended purpose.
71. The division assumes that workers laid off under the Montana Cohesive Renewable Energy Policy, Fossil Fuel Worker Retraining, Coal Revenue Replacement, and Rural Economic Development Act would not be eligible to receive benefits or training under the Trade Adjustment Assistance Act because the layoffs were not due to sending jobs overseas or because of trade competition.
72. The department is unable to estimate the total amount of the increase to benefits due, as there is no way of knowing when these workers would become unemployed, or for how long they would remain unemployed. For purposes of the fiscal note it is demonstrated what the impact to benefits would be under the following assumptions:
    e. One claimant will be laid off January 1, 2021. The actual number of claimants would likely be much higher, but this will demonstrate the cost impact for each claimant who fully utilized all additional benefits available.
    f. The claimant collected unemployment benefits for 3 months before entering a retraining program.
    g. The claimant receives 28 weeks regular Unemployment Insurance (UI) benefits plus an additional 78 weeks of training UI benefits.
    h. The claimant will receive the current maximum weekly benefit of $552 per week for the duration of the claim.

i. The claimant will stay in retraining without breaks for the maximum allowable two years.
j. The claimant will continue to receive benefits for 12 weeks after retraining is complete.
k. The claimant will collect $200 per month for the additional mortgage payment for the full 2 years

73. The following table outlines the cost of retraining for a displaced fossil fuel worker.

	State fiscal year	**amount charged to FFWR acct**	**Number of Claimants**	**weeks claimed**	**UI benefit amount/week**	**regular UI Benefits**	**additional 20%/week for FFWR Act**
Regular UI Non-Training	2021	$0.00	1	12	$552	$6,624	$0
Regular UI Training	2021	$1,540	1	14	$552	$7,728	$110
Monthly Mortgage Assistance	2021	$1,200					
Total	**2021**	**$2,740**					
Regular UI Training	2022	$220	1	2	$552	$1,104	$110
Additional Training Weeks	2022	$2,860	1	26	$552	$14,352	$110
After expiration UI Benefits	2022	$15,888	1	24	$0	$0	$662
Monthly Mortgage Assistance	2022	$2,400					
Total	**2022**	**$21,368**					
After expiration UI Benefits	2023	$25,156	1	38	$0	$0	$662
After Completion of Training	2023	$7,944	1	12	$0	$0	$662
Monthly Mortgage Assistance	2023	$1,200					
Total	**2023**	**$34,300**					

74. DLI used the Montana Real Estate Market View for September 29, 2017 to obtain the average monthly mortgage payment of $1,026.00. Given this information, the claimant would receive the maximum amount of mortgage payment assistance ($200/month) because one-third of the average monthly mortgage payment is greater than the $200/month limit outlined in section 20 of the initiative ($1,026 X 33.3% = $341.66).
75. Programming would be required both to properly collect the revenue from employers, as well as to appropriately change the benefits amount for impacted claimants. It is estimated that approximately 600 hours of programming time would be necessary to accomplish this change. Assuming a cost of $125 per hour, this would equate to $75,000 in programming costs.

Public Service Commission

76. The department assumes passage of the initiative would necessitate the hiring of 1.00 FTE analyst position and 1.00 FTE attorney position.
77. Regulating the maximum retail rate impacts specified in Section 13 would require complex annual filings from regulated utilities.
78. The annual reports required in Sections 8, 9, and 10 would be more complex due to the inclusion of net metering systems and public hearings would be required each year to evaluate rate impacts on utilities' retail customers, which would involve determining the avoided cost for net metering systems and renewable resources.
79. The initiative will have a significant impact on the scope of electric utilities' rate applications and, presumably, on utilities' long-range integrated resource plans, which are reviewed by PSC and other agencies.
80. The initiative will necessitate the collection and analysis of data for variables that influence retail rates, such as consumption, number of net metering systems and associated capacity quantities, and annual utility cost of service information.
81. Administrative rulemaking proceedings and ongoing rule enforcement regarding neighborhood net metering will be needed.
82. There will be increased complexity relating to regulating the renewable energy standard, particularly with respect to the new Community Renewable Energy Project mandates and reporting requirements in Section 8, i.e., 75 MW in nameplate capacity and at least 15% of the cumulative nameplate capacity added during each compliance year, with at least half of the total coming from projects less than or equal to 3 MW.

	FY 2021 Difference	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Fiscal Impact:					
FTE	8.50	8.50	8.50	8.50	8.50
Expenditures:					
Personal Services	$308,806	$594,363	$594,363	$594,363	$594,363
Operating Expenses	$196,421	$172,374	$147,154	$121,934	$121,934
Equipment	$0	$0	$0	$0	$0
Benefits	$95,656	$191,313	$172,181	$114,788	$114,788
Transfers	$0	$0	$0	$0	$0
TOTAL Expenditures	$600,883	$958,050	$913,698	$831,085	$831,085
Funding of Expenditures:					
General Fund (01)	$0	$0	$0	$0	$0
State Special Revenue (02)	$600,883	$958,051	$913,699	$831,086	$831,086
Federal Special Revenue (03)	$0	$0	$0	$0	$0
Other	$0	$0	$0	$0	$0
TOTAL Funding of Exp.	$600,883	$958,051	$913,699	$831,086	$831,086
Revenues:					
General Fund (01)	$336,000	$2,205,675	$1,958,225	$1,675,300	$1,695,900
State Special Revenue (02)	$13,856,605	$26,673,503	$26,725,073	$26,794,240	$26,914,819
Federal Special Revenue (03)	$0	$0	$0	$0	$0
Trust Fund Revenue (09)	$730,000	$2,113,060	$1,897,060	$1,814,300	$1,745,730
TOTAL Revenues	$14,922,605	$30,992,238	$30,580,358	$30,283,840	$30,356,449
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):					
General Fund (01)	$336,000	$2,205,675	$1,958,225	$1,675,300	$1,695,900
State Special Revenue (02)	$13,255,722	$25,715,452	$25,811,374	$25,963,154	$26,083,733
Federal Special Revenue (03)	$0	$0	$0	$0	$0
Other	$730,000	$2,113,060	$1,897,060	$1,814,300	$1,745,730

Local Government Impacts:

1. Increases in the electrical energy license tax will generate revenue to offset losses in coal gross proceeds tax revenue for counties. The revenue impact to local governments is estimated to be $2.166 million in FY 2022, $2.128 million in FY 2023, $2.162 million in FY 2024, and $2.529 million in FY 2025.

Long-Term Impacts:

1. As the RPS requirement increases beyond 2025, the electric generation tax will grow larger. There are a couple sideboards on the rate, namely that average electric bills cannot go up by more than 2% annually and that taxes generated cannot exceed savings to consumers as calculated by the Department of Revenue by a formula set forth in the initiative. If the taxes exceed the savings to consumers, they would not be levied in the following fiscal year, resulting in tax revenue shortfalls.
2. The analysis presented in this fiscal note is based on assumptions about energy markets contained in the 2019 Legislature's HJ 2 revenue estimate. Significant changes in Montana's energy market, particularly relating to the future of the Colstrip power plant, may cause the estimated fiscal impacts contained herein to differ from reality.

Technical Notes:

Department of Revenue

1. The Department of Revenue may need to develop rules and cooperative agreements with the Department of Natural Resources and Conservation, Native American tribes, and county governments to determine reimbursement timing and amounts for the coal revenues replaced by the increased taxes on electrical energy producers.

Department of Labor

2. Definitions of "displaced fossil fuel worker" and "displaced coal-impacted worker" include transportation as an affected industry. Railroad workers receive benefits under the federal Railroad Unemployment Insurance Act, 45 U.S.C.351, et seq., and not under state law. Consequently, there is no means for the department to apply the 0.02% assessment to wages paid by railroads to determine payment into the displaced fossil fuel worker special revenue fund or determine weekly benefit amounts for displaced railway workers.
3. There is no means under the current interstate unemployment compensation program to implement the provisions of this act if a displaced worker filed for benefits in another state. This act could only be applied to state administered UI claims.
4. The act contemplates the borrowing of money by the department if the FFWR special revenue fund is not sufficient to cover the costs of benefits under the program. While the act provides that the loan be repaid from future assessments, it does not specify a source for the loan and it is unknown whether revenue from future assessments could repay the loan in a reasonable time period.
5. When additional UI claimants are considered, the expenses indicated in this fiscal note would be larger; however, the department is unable to determine when claimants would begin collecting benefits, or how long they would collect those benefits.

Tom Livers

Budget Director's Signature

7/9/19

Date