

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2210

STATUS: B-Engrossed

SUBJECT: Relating to alternative energy fuels and related tax exemptions and credits

GOVERNMENT UNIT AFFECTED: Department of Energy, Department of Revenue, Department of Agriculture, and the Department of Administrative Service

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DATE: February 22, 2007

EXPENDITURES: See Comments.

REVENUES: Refer to the Revenue Impact Statement issued by the Legislative Revenue Office.

POSITIONS / FTE: See Comments.

EFFECTIVE DATE: 91st day following adjournment sine die.

GOVERNOR'S BUDGET: See comments.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The measure expands local property tax exemptions for facilities producing ethanol, biofuel or certain fuel additives; requires Department of Energy (DOE) to conduct a periodic study of the biofuels program; directs the Oregon Department of Agriculture (ODA) to study and monitor ethanol and biodiesel fuel production, use, and sales in the state; allows ODA to adopt biodiesel or other renewable diesel testing rules, with the cost of transporting and testing of the samples paid for by applicable businesses; establishes standards related to sale of mixes of diesel and other renewable diesel; restricts sale of gasoline with certain additives; directs state-owned structures to use biofuels for back-up generation where economically feasible; establishes income and corporate excise tax credit values for agriculture producers and collectors of biofuel raw materials used to produce alternative fuels; and, allows consumer tax credit for purchase of forest or agriculture waste or solid biofuel residue.

The bill directs the DOE to develop rules related to categories of fuel blend and solid biofuel that qualify for the personal income tax credit, and to conduct a periodic study of the biofuels program (Section 8a). In the Governor's Recommended Budget, DOE has requested additional limitation and positions to cover costs associated with renewable energy and conservation incentives and existing energy programs. The agency states that rulemaking activities and completion of the study can be assumed within existing resources. DOE completes a Biennial Energy Plan, by December 31 of all even numbered years. This process already gathers much of the information needed to complete the study. The study does require some new data: 1) number of acres of biofuel feedstock planted; 2) impact of biofuel feedstock production on the price of commodity crops; and 3) extent to which Oregon producers import biofuel or biofuel feedstock. DOE has already worked out an agreement where the ODA will supply this information, as this is data they generally already collect. DOE expects to include the study as an appendix to the Biennial Energy Plan; hence, the study will be conducted biennially. The Renewable

Energy Resource Division will be responsible for completing the survey, which is estimated to take 173 staff hours during the final quarter of each even numbered calendar year.

The bill directs the ODA to study and monitor ethanol and biodiesel fuel production, use, and sales in the state. The bill also allows ODA to adopt biodiesel or other renewable diesel testing rules, with the cost of transporting and testing of the samples paid for by applicable businesses. Funding for this work is not directly included in the Governor's Recommended Budget. The agency states that this additional work can be assumed by the department if the Measurement Standards Division is fully funded. The agency is requesting a fee increase (SB 238) to cover revenue shortfalls in this division. ODA's Motor Fuel Quality Program, housed within the Measurement Standards Division, would be the source of support for the implementation of this bill as the program already has a presence at fuel shipment and retail/wholesale locations. The program would shift its emphasis from work they are already doing in the gasoline and regular diesel areas, such as testing for octane levels or the presence of contaminants like water, to the new work outlined in the bill. The 20 inspectors in the Measurement Standards Division spend about 8% of their time conducting inspections in the Motor Fuel Quality Program. The agency estimates that each inspector would adjust to spend about 2% of their time implementing the bill. This change would result in about 528 inspection hours, which totals approximately .50 FTE. Oversight of the monitoring of sales and use would be split between the two staff working within the Motor Fuel Quality Program. This work is expected to take 44% of their time resulting in a total investment of .44 FTE. A support staff function within the Motor Fuel Quality program would also provide support a quarter of their time. ODA will gather data during the 2007-09 biennium to determine the affect, if any, of this resource redistribution. ODA indicates that without full funding of the Measurement Standards Division, the agency can not perform the duties outlined in the bill.

The Department of Revenue anticipates a minimal fiscal impact, less than \$10,000, to the agency as a result of this bill. This assumes the maximum number of corporate credits is less than 57, that consumer credits are less than 250 households, and some updating of forms, publications and websites.

The impact on counties is expected to minimal. The bill may require local administrative time (of county commissioners, judges, administrators, zone managers, or assessors) in working with the biofuel facilities to establish and monitor property tax abatement.

The Department of Administrative services indicates that this bill will have no fiscal impact to the department.