

2008 Special Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 1091

STATUS: Original

SUBJECT: Creates environmental investment tax credit

GOVERNMENT UNIT AFFECTED: Department of Environmental Quality and Department of Revenue

PREPARED BY: Dawn Farr

REVIEWED BY: Paul Siebert and Dallas Weyand

DATE: February 11, 2008

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES: Department of Environmental Quality (DEQ)		
Personal Services – Other Funds	\$ 58,451	\$ 116,955
Services and Supplies – Other Funds	\$ 11,130	\$ 21,831
Indirect Costs – Other Funds	\$ 11,632	\$ 23,274
Total Other Fund Expenditures	\$ 81,213	\$ 162,061

	<u>2007-2009</u>	<u>2009-2011</u>
REVENUES:		
Application Processing Fee - Other Funds	\$ 28,500	\$ 228,000
Ground Water Protection Surcharge – Other Funds	\$ 15,000	\$ 120,000
Total Other Fund Revenues	\$ 43,500	\$ 348,000

See the Revenue Impact Statement issued by the Legislative Revenue Office for tax revenue impacts.

POSITIONS / FTE:

DEQ Positions	1/.43	1/.85
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EFFECTIVE DATE: 91st day following sine die.

INTERIM JOINT COMMITTEE ON WAYS AND MEANS: The budgetary impact of this bill was not reviewed and approved by the Interim Joint Committee on Ways and Means Committee.

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.

ANALYSIS: The bill requires the Environment Quality Commission (EQC) to establish rules to certify eligible environmental facilities and environmental investments; allows for precertification of investments; and, establishes conditions for environmental investments tax credits. The EQC must prepare an estimate of revenue impacts of tax credits for all environmental investments certified in a calendar year, and monitor that certified environmental investments do not exceed \$10 million in any calendar year. The Department of Revenue shall monitor the actual revenue impact of tax credits and report excesses of the \$10 million to the EQC. The EQC may adopt a schedule of fees for certificates issued to cover the costs of administering the program. Applicants must pay a surcharge equal to 1.5 percent of the amount certified by the EQC to the Department of Environmental Quality's (DEQ) Ground Water Protection Account. Monies in this account are continuously appropriated to DEQ for the purpose of funding ground water protection programs. The bill instructs DEQ to prepare a biennial summary

report on environmental investment tax credit information and to make this report available to the Legislative Assembly.

DEQ's existing tax credit section would administer the environmental investments tax credits. DEQ indicates that the additional workload associated with this bill can be absorbed within existing position authority and Other Fund limitation. The section has two FTE; a Program Analyst (PA) 1 and an Operations and Policy Analyst (OPA) 3 position. The PA 1 works part-time to full-time depending upon workload demands. DEQ estimates that the bill will increase workload by 0.43 FTE for the remainder of the 2007-09, and by 0.85 for the 2009-11 biennia. This workload can be accommodated by having the PA 1 position work closer to or at full-time. Total additional Other Fund expenditures are estimated to be \$81,213 for 2007-09 and \$162,061 for the 2009-11 biennia. The bill authorizes DEQ to charge a fee for program administration. Other Fund fee revenues, calculated as one percent of investment costs, are estimated to be \$28,500 for 2007-09 and \$228,000 for the 2009-11 biennia. Revenue projections for 2007-09 are based on DEQ not receiving revenues until March 2009 as it takes 10 to 12 months to develop rules and have them approved by the EQC. The revenue projections for 2009-11 are above estimated expenditures because tax credits can require administrative support for up to a 10 year period. As the number of applications accumulates over time, administrative costs, which include biennial reporting requirements, increase. These increased future expenditures are factored into the fee schedule, which results in revenues being higher than expenditures the first few years of the tax credit program.

DEQ estimates that Other Fund surcharge revenues, which will be deposited to the Ground Water Protection Account, will be \$15,000 for 2007-09 and \$120,000 for 2009-11 biennia. While the bill authorizes DEQ to issue up to \$10 million in environmental investments tax credits per year, the department estimates ramping up to this maximum over time to enable effective management of the program.

The Department of Revenue anticipates minimal costs for updating and developing forms and administrative rules. These additional costs are expected to be less than \$10,000 and are assumable with existing resources.