

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2072 - 1

79th Oregon Legislative Assembly – 2017 Regular Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Extends sunset for tax credit for biomass production or collection for all types of biomass and moves administration and certification of the woody biomass feedstock program from Department of Energy to the Department of Forestry.

Government Unit(s) Affected:

Department of Energy, Department of Revenue(DOR), Department of Forestry

Summary of Expenditure Impact:

See Analysis

Analysis:

This bill extends biomass producer or collector tax credit program until January 1, 2024 and transfers administration and certification of the woody biomass feedstock elements of the tax credit to the State Forester at the Oregon Department of Forestry.

Department of Energy

The biomass producer or collector tax credit is divided into two programs: animal manure and rendering offal (manure) feedstocks, and all other eligible (non-manure) feedstocks. The Department of Energy currently administers both the manure and non-manure programs. With the -1 amendments, the Department of Energy would continue to administer the manure feedstocks credits, along with the non-manure program credits for used oil or grease, and for vegetative biomass.

The animal manure and rendering offal feedstock credit is scheduled to expire on January 1, 2022. The credit for all other eligible feedstocks is scheduled to sunset January 1, 2018. This bill extends the sunset for all biomass producer or collector tax credits until January 1, 2024.

Extending the sunset on the biomass producer or collector tax credit will not require additional staff at the Department of Energy (DOE). DOE's 2017-19 current service level budget includes resources to administer the animal manure and rendering offal feedstock credits that were scheduled to continue through 2021. Adding the used oil or grease and the vegetative biomass feedstocks back in for the 2017-19 biennium would have no impact on workload from the current levels as these feedstocks are still included in the program costs. Additional time required for rulemaking would be minimal and could be absorbed by the Department.

However, the ability of DOE to track and report on the biomass producer or collector tax credit is beyond the capacity of DOE's current databases. The extension of this, or any other energy tax credits currently administered by the Department, would require information technology upgrades to improve tracking and reporting capabilities. DOE estimates Other Funds costs of \$690,963 for the 2017-19 biennium, including \$174,963 for a full-time Information Systems Specialist (ISS) 5 position (1.00 FTE), ongoing database licensing of \$100,000, and one-time development costs of \$416,000. The proposed information technology upgrades are applicable to the extension of any energy tax credit currently scheduled to sunset January 1, 2018. The ultimate scope of the data system and total cost will be dependent on the combined impact of the tax credit programs extended.

Department of Forestry

Under the -1 amendment, the Oregon Department of Forestry (ODF) would administer the woody biomass component of the biomass producer or collector tax credit. The Department does not currently administer any tax credit programs.

Currently the Department of Energy's non-manure program is administered using 1.5 FTE. Functions include:

1. Verification of eligible biomass source
2. Verification of eligible biomass recipient
3. Verification of biomass volume
4. Payment and tracking payments and program
5. Periodic random audits
6. General program support

Applicants self-report the source, recipient and volume of eligible biomass. Payment, tracking payments and program, random audits of applications and program support would require FTE. Based on the existing program at the Department of Energy and on similar administrative activities currently operating at ODF, it is anticipated that ODF would need an Office Specialist 1 (0.5 FTE) and a Natural Resource Specialist 2 (0.5 FTE). Together these positions would cost \$127,470 in the 2017-19 biennium.

Fees associated with the credit would offset the cost of the program by an estimated \$25,000 in the 2017-19 biennium. General Fund would be needed to cover the remainder of the program costs for this tax credit.

Department of Revenue

Minimal fiscal impact to the Department of Revenue.