Individual State Agency Fiscal Note

Bill Number: 1976 HB	Title: Incentives/energy upgrades	Agency: 103-Department of Commerce

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:
NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Megan McPhaden	Phone: 360-786-7114	Date: 01/02/2024
Agency Preparation:	Marla Page	Phone: 360-725-3129	Date: 01/09/2024
Agency Approval:	Marla Page	Phone: 360-725-3129	Date: 01/09/2024
OFM Review:	Val Terre	Phone: (360) 280-3973	Date: 01/10/2024

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This bill amends the structure of the Tier 1 and Tier 2 Clean Buildings incentive programs to allow the department to move from a capped per square foot incentive to offering an enhanced incentive in its program designs. This bill will allow these programs to offer increased flexibility in its incentive offering and consider additional criteria for enhanced incentives.

There is no fiscal impact to the department associated with this bill. This bill changes the structure of the incentive payments made to building owners by utilities that then receive a tax credit. The Department would authorize higher incentive payments, but would not distribute them. The authorization of incentive payments is already a part of the Building Unit's existing workload.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

There is no fiscal impact to the department associated with this bill. This bill changes the structure of the incentive payments made to building owners by utilities that then receive a tax credit. The Department would authorize higher incentive payments, but would not distribute them. The authorization of incentive payments is already a part of the Building Unit's existing workload.

Current building owner interest provides enough capacity within existing resources to increase incentive payments. Both incentive programs in this bill were previously authorized – the Tier 1 program in 2019, and the Tier 2 program in 2022 – and are funded through a utility tax credit. This bill makes no changes to these authorizations.

In order to determine enhanced incentive amounts, Commerce would solicit building owner feedback through a public process on what an appropriate amount would be. For example, the 179D federal tax credit for energy efficiency improvements in commercial buildings is a similar source of funding building owners can leverage, which ranges in incentive amount up to $1.88 per square foot.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail:

FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

There are no capital budget impacts. Current building owner interest provides enough capacity within existing resources to increase incentive payments. Both incentive programs in this bill were previously authorized – the Tier 1 program in 2019, and the Tier 2 program in 2022 – and are funded through a utility tax credit. This bill makes no changes to these authorizations. The Tier 1 program is limited to $75 million and must be spent by 2027, and the Tier 2 program is limited to $150 million and must be expended by 2030.

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

None.