

## Department of Planning and Budget 2014 Fiscal Impact Statement

**1. Bill Number:** SB653

**House of Origin**     Introduced         Substitute         Engrossed  
**Second House**     In Committee     Substitute         Enrolled

**2. Patron:**        Norment

**3. Committee:** Passed Both Houses

**4. Title:**         Renewable energy property tax credits.

**5. Summary:** Establishes the Renewable Energy Property Grant Fund (the Fund) and a grant program to administer grants for placing renewable energy property into service. The Division of Energy with the Department of Mines, Minerals, and Energy (DMME) is tasked with administering the grant program. The provisions of this bill will not become effective unless reenacted by the 2015 General Assembly.

The total amount of grants that can be allocated by DMME is capped at \$10 million in any fiscal year. Grants paid by the Fund will equal 35 percent of the costs paid or incurred by the person to place the renewable energy property into service, not exceeding \$2.5 million for any individual piece of renewable energy property. Additionally, no grant shall be allowed for costs paid or incurred related to renewable energy property that has generated electricity in the 12 months preceding the date of the grant application or for renewable energy property paid for by utility ratepayer funds. The bill also requires DMME to report to the General Assembly each year on the economic impact of the renewable energy property placed into service which received a grant under the Fund.

The bill defines renewable energy as energy derived from sunlight, wind, falling water, biomass, waste, landfill gas, municipal solid waste, wave motion, tides, or geothermal power, but not including energy derived from coal, oil, natural gas, or nuclear power.

**6. Budget Amendment Necessary:** Yes, item 115 of HB30/SB30. See items 7 and 8, below.

**7. Fiscal Impact Estimates:** Indeterminate. See item 8, below. A budget amendment is necessary to capitalize the Fund.

**8. Fiscal Implications:** This legislation creates the Renewable Energy Property Grant Fund (the Fund) as a special, nonreverting fund on the state books. The Fund is subject to appropriation. A budget amendment will be needed to capitalize the Fund prior to grants being paid out. Only renewable energy properties that have been placed into service during the fiscal year are eligible and any renewable energy properties that have generated electricity in the previous 12 months prior to applying for a grant are ineligible. Individual grants are capped at \$2.5 million and the total amount of grants in a fiscal year is capped at \$10 million. Given the various forms of renewable-fueled electricity generating technologies

covered by the grant program, it is not possible to determine the level of demand for funds from the grant program. As a result, the fiscal impact of this bill is indeterminate.

DMME anticipates that the additional workload associated with administering the grant program could be handled using existing staff. The bill provides that moneys in the fund can be used to reimburse DMME for reasonable costs of administering the program. The bill caps these reasonable costs at the lesser of \$200,000 or five percent of the annual program cap.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals, and Energy.
- 10. Technical Amendment Necessary:** Yes. Line 13, strike “2015-2016” and insert “2016”. Line 31, strike “2015-2016” and insert “2016”.
- 11. Other Comments:** The bill provides that the grant that a person is eligible to receive shall be reduced by the amount by which that person claims as a state tax credit under Virginia law or receives as a grant under a different Virginia grant program for costs paid or incurred with regard to the acquisition of the renewable energy property or energy generated by the renewable energy property. This could reduce the amount of grant awards depending on the use of other state tax credits or grant programs. The bill does not reduce grant amounts for those claiming federal tax credits or receiving non-state grants.