

HCS HB 978 & 1028 -- ENERGY AND THE ENVIRONMENT

SPONSOR: Bivins

COMMITTEE ACTION: Voted "do pass" by the Committee on Energy and Environment by a vote of 9 to 2.

This substitute changes the laws regarding energy and the environment.

INCOME TAX CREDIT FOR HOMES BUILT UNDER GREEN BUILD STANDARDS

Beginning January 1, 2010, the substitute authorizes an income tax credit for homes built using green build standards. The credit ranges from 45 cents to \$1.15 per square foot of the home and will be based on the percentage of the level of green build standards met as verified by a program-certified, third-party verifier. The credit is not refundable, but can be transferred or carried back or carried forward to any taxable year. The credit will be on a first-come, first-served filing basis and cannot exceed \$2 million per fiscal year.

LINKED DEPOSIT LOAN PROGRAM

The substitute:

(1) Expands the Linked Deposit Loan Program to include eligible alternative energy consumers and eligible governmental entities;

(2) Revises the definition of "eligible job enhancement business" to limit the amount of the linked deposit to not exceed \$50,000 per job created or retained plus the initial cost of the physical expansion, renovation, or capital outlay when an applicant can demonstrate the significant costs associated with the physical expansion, renovation, or modernization of a facility or equipment;

(3) Increases from less than 25 to less than 100 the number of employees a company can employ in order to be considered an eligible small business; and

(4) Specifies that the total amount of tax credits available for qualified investments in Missouri small businesses cannot exceed \$30 million and at least \$20 million of that amount must be for the manufacture of alternative power generation equipment. Currently, the total amount of tax credits cannot exceed \$13 million.

SALES AND INSTALLATION OF HOME GENERATORS

The substitute prohibits a utility or affiliate from selling and installing home generators for electrical production unless there are no existing heating, ventilation, or air conditioning providers in the service area. Every utility must comply with all local permit and code requirements.

#### MISSOURI ALTERNATIVE ENERGY LOAN AUTHORITY

The Missouri Alternative Energy Loan Authority is established within the Department of Natural Resources to provide low-interest loans on a need-based program to public and private entities for the purpose of financing various energy-saving projects and services. The authority will consist of seven members appointed by the Governor with the advice and consent of the Senate. The members' terms, eligibility, and qualifications are specified in the substitute. Action may be taken upon the affirmative vote of at least three members. The authority must file an annual financial statement with the department director.

An initial appropriation of \$14 million to the newly created Missouri Alternative Energy Loan Authority Fund will be made; and the fund may receive annual appropriations from the General Assembly as well as from any gifts, contributions, grants, or bequests.

#### MISSOURI PROPANE EDUCATION AND RESEARCH COUNCIL

The substitute changes the laws regarding the Missouri Propane Education and Research Council. In its main provisions, the substitute:

- (1) Removes the provision allowing the director of the council to initiate a referendum on the abolishment of the council;
- (2) Removes the director's authority to:
  - (a) Fill council vacancies;
  - (b) Approve or modify council budgets. The council will approve or modify the budget after a 30-day public comment period;
  - (c) Require additional reports from the council; and
  - (d) Establish alternative means to collect the odorized propane assessment fee and establish a late payment charge and the rate of interest not to exceed the legal rate for judgments; and
- (3) Requires the Missouri council to keep funds resulting from the federal assessment rebate on propane fees and not to coordinate its operation with the National Propane Education and

Research Council in conjunction with the United States Secretary of Energy.

#### WATER WELL REGULATIONS

The substitute specifies that any water system that serves a benevolent or charitable organization and draws less than 15,000 gallons per month will be exempt from all rules relating to well construction except those applying to domestic wells which are determined to present a threat to groundwater.

#### GREEN SCHOOL GRANTS FOR SCHOOL BUILDINGS

Any public school district seeking state reimbursement for bond offering costs related to new construction or renovation must certify a cost analysis of building to certification issued by the United States Green Building Council under the Leadership in Energy and Environmental Design Green Building Rating System (LEED) or an equivalent certification versus the cost of owning and operating a new or renovated building without LEED standards.

#### ENVIRONMENTAL AUDITS

The substitute allows companies to conduct voluntary environmental audits in order to discover and correct noncompliance with environmental regulations. If a company complies with the voluntary audit requirements, it will be exempt from certain types of criminal and administrative penalties and may keep its voluntary audit reports confidential. Companies will not be exempt from any tort actions by private parties. In order to comply with the voluntary audit requirements, a company must:

- (1) Discover noncompliance during a voluntary environmental audit or through a compliance management system;
- (2) Disclose its noncompliance to the Department of Natural Resources within 21 days;
- (3) Make the disclosure prior to any legal actions or regulatory investigations concerning the audit;
- (4) Correct any noncompliance within 60 days or as determined by the department;
- (5) Agree to take steps to prevent future noncompliance with environmental regulations;
- (6) Document that the reported noncompliance was not part of a pattern and that a similar noncompliance did not occur in the

previous three years or within the past five years at another facility owned by the company;

(7) Prove that the noncompliance did not cause actual harm or violate an administrative order or agreement; and

(8) Provide certain specified information to the department.

The department cannot disclose any audit report information relating to scientific and technological innovations in which the owner has a proprietary interest that is protected from disclosure by law.

The provisions of the substitute regarding the tax credit for homes built using green building standards expire December 31 five years from the effective date.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$14,110,682 to \$19,777,349 in FY 2010, \$140,494 to \$5,807,161 in FY 2011, and \$157,564 to \$5,824,230 in FY 2012. (The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.) Estimated Effect on Other State Funds of an Income of Unknown to a Cost of Unknown in FY 2010, FY 2011, and FY 2012.

PROPOSERS: Supporters of House Bill 978 say that the bill will create incentives for environmental friendly green building without defraying all of the costs for homebuilders or homeowners. It is a big step in the right direction toward encouraging contractors to build to the standards that may be required in the future.

Supporters of House Bill 1028 say that the bill will encourage more environmentally friendly power production and will make the benefits of linked deposit loans available to political subdivisions and universities as well as more businesses. It increases the overall benefits that any eligible entity can receive under the program which will encourage its use.

Testifying for HB 978 were Representative Pratt; Homebuilders Association of Greater Kansas City; Richard Schuessler, United States Green Building Council; St. Louis Home Builders Association; Kevin Enyeart; and Kansas City Power and Light.

Testifying for HB 1028 were Representative Schoeller; Midwest Alliance for Renewable Energy; and Yauil Lawson.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on House Bill 1028 were there to answer any questions.

Testifying on HB 1028 was FCS Financial.