



Fiscal Note
H.B. 242 1st Sub. (Buff)
 2016 General Session
 Alternative Energy Development Tax
 Amendments
 by Handy, S. (Handy, Stephen.)



General, Education, and Uniform School Funds

JR4-5-101

	Ongoing	One-time	Total
Net GF/EF/USF (rev.-exp.)	\$(1,482,000)	\$304,000	\$(1,178,000)

State Government

UCA 36-12-13(2)(b)

Enactment of this bill could reduce revenue to the General Fund by \$1,178,000 in FY 2017 and by \$1,482,000 in FY 2018. Enactment of this bill could also result in a revenue loss to earmarked sales tax revenue of \$372,000 in FY 2017 and a loss of \$468,000 in FY 2018.

Revenues	FY 2016	FY 2017	FY 2018
General Fund	\$0	\$(1,482,000)	\$(1,482,000)
General Fund, One-Time	\$0	\$304,000	\$0
Restricted Funds	\$0	\$(372,000)	\$(468,000)
Total Revenues	\$0	\$(1,550,000)	\$(1,950,000)

Enactment of this legislation likely will not materially impact state expenditures.

Expenditures	FY 2016	FY 2017	FY 2018
Total Expenditures	\$0	\$0	\$0

Net All Funds	\$0	\$(1,550,000)	\$(1,950,000)
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Local Government

UCA 36-12-13(2)(c)

Enactment of this bill could reduce local sales tax revenue by \$660,000 in FY 2017 and by \$830,000 in FY 2018. Enactment of this bill could also result in a loss of local municipal energy taxes of \$2,520,000 in FY 2017 and \$3,180,000 in FY 2018.

Individuals & Businesses

UCA 36-12-13(2)(d)

Enactment of this bill could reduce aggregate sales tax for consumers of alternative energy electricity by \$2,210,000 in FY 2017 and \$2,780,000 in FY 2018. Enactment of this bill could also reduce aggregate municipal energy taxes for consumers of alternative energy electricity by \$2,520,000 in FY 2017 and \$3,180,000 in FY 2018. The per customer savings would be approximately \$6.00 per \$100 in electricity used.

Performance Note

JR4-2-404

No performance note required for this bill



DYNAMIC FISCAL ANALYSIS

HB242, 1st Substitute

2016 General Session

Alternative Energy Development Tax Amendments

by Stephen G. Handy



STATIC IMPACT (See fiscal note for details)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund ¹	-\$1,550,000	-\$1,950,000	-\$2,020,000	-\$2,090,000	-\$2,160,000	-\$2,570,000
Education Fund						
Total	-\$1,550,000	-\$1,950,000	-\$2,020,000	-\$2,090,000	-\$2,160,000	-\$2,570,000

SCENARIO 1: DO NOTHING

Do not make the tax policy change proposed by this bill, do not spend proceeds on government programs, deposit money in reserve.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund	\$28,100	\$54,100	\$61,500	\$63,600	\$65,800	\$74,500
Education Fund						
Total	\$28,100	\$54,100	\$61,500	\$63,600	\$65,800	\$74,500
Diff From Static	\$1,578,100	\$2,004,100	\$2,081,500	\$2,153,600	\$2,225,800	\$2,644,500
Jobs	0	0	0	0	0	0
Wages (millions)	\$0	\$0	\$0	\$0	\$0	\$0
Gross Domestic Product (GDP) (millions)	\$0	\$0	\$0	\$0	\$0	\$0

SCENARIO 2: GOVERNMENT SPENDING

Do not make the tax policy change proposed by this bill but spend collections on government programs. The multiplier is 0.84. Commonly estimated government spending multipliers ($\Delta GDP / \Delta \text{Government Spending}$) range from 0.7 to 1.3. The multiplier value depends upon economic conditions, interest rates, expected tax policy, geographic region, past and expected government spending policy, and various other assumptions. The multiplier is on the lower end currently because of higher expected interest rates and strong economic conditions (unemployment rate in Utah is 3.5%). The dynamic revenue stems from the revenue connected with state government spending.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund	-\$2,225,700	-\$2,323,000	-\$2,392,500	-\$2,474,100	-\$2,557,200	-\$3,030,300
Education Fund	\$90,900	\$128,900	\$146,500	\$160,600	\$172,100	\$217,100
Total	-\$2,134,800	-\$2,194,100	-\$2,246,000	-\$2,313,500	-\$2,385,100	-\$2,813,200
Diff From Static	-\$584,800	-\$244,100	-\$226,000	-\$223,500	-\$225,100	-\$243,200
Jobs	54	69	72	73	73	71
Wages (millions)	\$2.9	\$4.2	\$4.7	\$5.2	\$5.6	\$7.0
Gross Domestic Product (GDP) (millions)	\$3.9	\$5.3	\$5.7	\$6.0	\$6.2	\$6.9

SCENARIO 3: MARGINAL BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Utility companies and consumers treat the tax reduction as a cost savings and reinvest the savings in production/output. No construction or business expansion is included directly.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund	-\$2,261,500	-\$2,344,500	-\$2,405,900	-\$2,495,900	-\$2,567,400	-\$3,011,900
Education Fund	\$31,000	\$93,000	\$123,900	\$123,900	\$154,900	\$247,900
Total	-\$2,230,500	-\$2,251,500	-\$2,282,000	-\$2,372,000	-\$2,412,500	-\$2,764,000
Diff From Static	-\$680,500	-\$301,500	-\$262,000	-\$282,000	-\$252,500	-\$194,000
Jobs	20	35	46	54	60	70
Wages (millions)	\$1.0	\$3.0	\$4.0	\$4.0	\$5.0	\$8.0
Gross Domestic Product (GDP) (millions)	\$3.0	\$5.0	\$6.0	\$7.0	\$8.0	\$12.0

SCENARIO 4: STRONG BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Utility companies and consumers treat the tax reduction as a cost savings, plus savings induces outside investment. The presumed outside investment is \$108 million by energy producers for a 40 megawatt plant and 2 data centers, each at a cost of \$100 million. The solar facility and the data centers are assumed to include ongoing employment.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund	-\$1,428,400	-\$419,100	-\$1,776,500	-\$1,459,200	-\$1,771,400	-\$2,160,300
Education Fund	\$1,425,400	\$3,315,600	\$1,177,500	\$1,859,200	\$1,487,400	\$1,673,300
Total	-\$3,000	\$2,896,500	-\$599,000	\$400,000	-\$284,000	-\$487,000
Diff From Static	\$1,547,000	\$4,846,500	\$1,421,000	\$2,490,000	\$1,876,000	\$2,083,000
Jobs	787	1,689	430	777	516	474
Wages (millions)	\$46.0	\$107.0	\$38.0	\$60.0	\$48.0	\$54.0
Gross Domestic Product (GDP) (millions)	\$66.0	\$205.0	\$60.0	\$164.0	\$84.0	\$99.0

¹ Used throughout this note, General Fund includes sales tax earmarks