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HB 19-1003

REVISED FISCAL NOTE

(replaces fiscal note dated January 14, 2019)

Drafting Number:	LLS 19-0692	**Date:**	February 6, 2019
Prime Sponsors:	Rep. Hansen	**Bill Status:**	House Appropriations
		Fiscal Analyst:	Erin Reynolds | 303-866-4146 Erin.Reynolds@state.co.us

Bill Topic: COMMUNITY SOLAR GARDENS MODERNIZATION ACT

Summary of Fiscal Impact:

☐ State Revenue
☒ State Expenditure
☐ State Transfer
☐ TABOR Refund
☒ Local Government
☐ Statutory Public Entity

This bill extends a property tax exemption for community solar gardens for 5 years beginning in 2021; increases the maximum size of a community solar garden from 2 to 5 megawatts; modifies requirements related to subscriber location; and requires electrical supervision and inspection for community solar gardens producing over 2 megawatts. Beginning in FY 2019-20, the bill will increase state workloads. From FY 2021-22 to FY 2026-27, the bill will increase state revenue and expenditures and reduce local government revenue.

Appropriation Summary: No appropriation is required in the current fiscal year.

Fiscal Note Status: The fiscal note reflects the introduced bill, as amended by the House Energy and Environment Committee.

Table 1
State Fiscal Impacts Under HB 19-1003

		FY 2019-20	FY 2020-21	FY 2021-22
Revenue	General Fund	-	-	$37,974
Expenditures	General Fund	-	-	$1,623,677
Transfers		-	-	-
TABOR Refund	General Fund	-	-	not estimated

Summary of Legislation

This bill modifies the definition of "community solar garden" (CSG) to mean a solar electric generation facility with a nameplate rating of 5 megawatts. Under current law, the limit is 2 megawatts. The bill also modifies the definition of "subscriber" so that customers no longer need to be in the same or adjacent county as the CSG, but only the service territory of the qualifying retail utility.

In addition, the bill postpones the expiration of an existing property tax exemption for CSGs by 5 years, from 2021 to 2026. The exemption applies to the share of CSG property used to generate electricity for residential, governmental, or tax-exempt customers. Assessors value this property by determining the generating capacity of the CSG and multiplying by the cost per kilowatt of alternating current electricity as published by the Division of Property Taxation in the Department of Local Affairs (DOLA).

Finally, the bill requires any CSG exceeding 2 megawatts to have an electrician's on-site supervision for any photovoltaic electrical work and for initial installation to be subject to final electrical inspection.

Background

As of January 2019, there are 231 megawatts at Xcel Energy and about 13 megawatts at Black Hills Energy of CSGs that are operational or committed through 2019.

Under current law, CSGs (defined as generating less than 2 megawatts of electricity) are valued by the county assessor, while solar energy facilities (defined as generating more than 2 megawatts of electricity) are valued by the State Assessed Properties section of the Division of Property Taxation in the DOLA because these facilities are considered public utilities.

State Revenue

The bill is expected to increase General Fund revenue from income tax collections by $37,974 in FY 2021-22 and $75,947 in FY 2022-23.

Federal taxable income. Property taxes are deducted from federal taxable income, which is the starting point for calculating Colorado income taxes. The reduction in property taxes from this bill reduces the deduction CSGs will be allowed to take, increasing their Colorado income tax liability. An estimated one-third of aggregate property tax liability is currently deducted from the taxable income of owners. The revenue impact is calculated by applying the state's 4.63 percent income tax rate to the reduced property tax liability. The smaller deduction will increase income tax revenue by $37,974 in FY 2021-22, and $75,947 in FY 2022-23. The FY 2021-22 revenue impact is based on a half-year property tax impact to account for the accrual accounting of income tax.

State Expenditures

Beginning in FY 2019-20 only, DOLA and the Department of Regulatory Agencies (DORA) will have an increased workload to implement the bill. Beginning in FY 2021-22, the bill will increase state General Fund expenditures by an estimated $1,623,677 per year through FY 2026-27 to backfill school finance. These impacts are explained below.

Department of Local Affairs, Division of Property Taxation. The division will amend existing property statement forms for renewable energy properties and develop procedures for assessing CSGs above 2 megawatts in FY 2019-20. The division will have an ongoing minimal workload impact to maintain the personal property declaration schedule specific to CSGs and process appeals. Finally, the division will need to determine the eligibility of each CSG for the partial personal property exemption. These workload increases can be accomplished within existing resources.

Department of Regulatory Agencies. The Public Utilities Commission in DORA will perform rulemaking to conform with the bill in FY 2019-20 within the normal course of the commission's business.

General Fund Backfill — School Finance. Assuming the current school finance formula and the budget stablization factor renews at its current level, the bill will require a General Fund appropriation of approximately $1,623,677 from FY 2021-22 through FY 2026-27. This backfill amount is a result of exempting CSG-generated electricity from property tax, which will reduce the local share of school finance. The estimate was calculated using 2017 school mill levies applied to the FY 2019-20 assessed values of the state's CSG capacity as of January 2019, as discussed in the Background section. The amount may increase as more CSGs are constructed.

TABOR refunds. The bill may increase state General Fund obligations for TABOR refunds in years the state collects a TABOR surplus; however, the impact is outside the current economic forecast period.

Local Government

Beginning in property tax year 2021, the bill decreases non-school finance property tax revenue in affected local governments by an estimated $3,347,020 per year beginning in FY 2021-22 by exempting the share of CSG property used to generate electricity for residential, governmental, and tax-exempt customers. This reduction will impact municipalities, counties, special districts, and school districts, and is not backfilled by state aid. This estimate is based on the level of 2017 non-school finance countywide average mills, which are subject to change.

School District Impact

This bill is estimated to reduce the local share of funding for public schools by approximately $1,623,677 per year from FY 2021-22 through FY 2026-27. This reduction will be replaced by state aid, as discussed in the State Expenditures section.

Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Colorado Energy Office	Counties	Information Technology
Local Affairs	Regulatory Agencies	