

**Comments on draft language (Drafting request 18-0822 – draft 1.2)
regarding a study of approaches to reducing greenhouse gas emissions.**

Joint Fiscal Office 1-26-2018

JFO is generally not in favor of being tasked with conducting this study. We would prefer that the study be done by an agency or outside entity. The reasons for this are as follows:

1. JFO tends to focus its work on short term and near term budget costs. Global policy option consideration and analysis is beyond the scope of our usual area of operation.
2. While we understand that the intent of the bill requiring the study would be for JFO to hire a consultant, there would still be a great deal of work that would need to be done by JFO staff, including: drafting an RFP, reviewing submittals, working with a consultant to map out objectives and timeline, review drafts of the study, and report to the General Assembly. JFO staffing is limited, as revenue staff will already be occupied with federal tax reform follow up in summer of 2018 and, depending on other legislative priorities, this study could be problematic.
3. We also have limited in-house expertise on energy fiscal policy; this is also a concern with increasing demand for energy related fiscal analysis. JFO would estimate total project cost closer to \$215,000-230,000. We would most likely use Tom Kavet and Deb Brighton for part of the review and analysis. Generally when we work with an RFP of this nature we task 3-4 staff as an in house work group to assist with data issues and consultant work to ensure the study is relevant to our state.

If the General Assembly ultimately decides that JFO should oversee the GHG emissions reduction study, we would ask that the study language be narrowed and that the Public Service Board, The Tax Department and the Dept. of Public Service all be required to offer support as needed. Specific suggestions to increase the feasibility of the study and the outcomes include:

1. JFO received a cost estimate in 2017 of \$185k for performing a similar study. This was from a firm that was interested in expanding its reach to include these types of studies and was likely a lower price than would normally be secured. JFO would desire approximately \$185k-\$200k to be able to secure a capable consultant.
2. JFO would additionally request another \$30k to be able to secure additional assistance from an energy policy expert or economist to help review the draft study before it is finalized.
3. The language should indicate a source of funding for the study.
4. The current language leaves the scope of the study very broad. It would be helpful to have a few specific policy proposals to narrow the focus of the study. Sec. 1(a)(1)(C) of the draft language opens the study up to a potentially large universe of options with countless combinations. The universe of possible tax incentives and structures is also very broad. More specificity could reduce the costs and improve the potential usefulness of the study. The more the Legislature can reduce the options or set priorities the better.

5. The time allotted for the study is limited. The Oregon General Assembly passed a bill requiring a study mainly focused on an air quality tax/fee in July 2013 and the study was not completed until December 2014. \$200,000 was appropriated for this report, which was more narrowly focused. A study commissioned in Washington State by the General Assembly, which was more broadly focused, had an estimated cost of \$377,000¹

There is a great deal of existing literature at the federal, state and think-tank level regarding greenhouse gas reduction methods.

Oregon Study

<https://www.oregonlegislature.gov/lro/Documents/RR%204-14%20SB%20306%20Clean%20Air.pdf>

Washington State Study

https://www.governor.wa.gov/sites/default/files/documents/Task_4_Final_Report_10-13-2013.pdf

Massachusetts Study

<http://www.mass.gov/eea/docs/doer/fuels/mass-carbon-tax-study.pdf>

Carbon Tax Methodology from the U.S. Treasury Department

<https://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/WP-115.pdf>

Carbon Tax Options and Opportunities from the Brookings Institution

<https://www.brookings.edu/wp-content/uploads/2016/07/State-level-carbon-taxes-Options-and-opportunities-for-policymakers.pdf>

REMI study of carbon price policy in Vermont

https://www.energyindependentvt.org/wp-content/uploads/2015/04/REMI_Final.pdf

¹ Multiple Agency Fiscal Note Summary for SB5802 of 2013.

<https://fortress.wa.gov/FNSPublicSearch/GetPDF?packageID=35206>