



**Colorado
Legislative
Council
Staff**

SB17-301

**FINAL
FISCAL NOTE**

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-1155 **Date:** September 7, 2017
Prime Sponsor(s): Sen. Scott; Marble **Bill Status:** Deemed Lost
 Rep. Becker K.; Saine **Fiscal Analyst:** Erin Reynolds (303-866-4146)

BILL TOPIC: ENERGY-RELATED STATUTES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019	FY 2019-2020
State Revenue	See Background section.		
Severance Tax Trust Fund			
State Transfers	\$0	\$0	\$0
General Fund	(2.1 million)	(2.1 million)	(2.1 million)
Cash Funds	2.1 million	2.1 million	2.1 million
State Expenditures	\$3.8 million	\$2.1 million	\$2.1 million
Cash Funds	2.1 million	2.1 million	2.1 million
Federal Funds	1.7 million	Potential increase.	
FTE Position Change	16.0 FTE	16.0 FTE	16.0 FTE
Appropriation Required: None.			
Future Year Impacts: General Fund transfer is repealed after FY 2020-21.			

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

The bill annually transfers \$2.1 million from the General Fund to the Colorado Energy Office (CEO) in the Office of the Governor from FY 2017-18 through FY 2020-21. It repeals several defunct energy-related statutes in the CEO. Finally, it makes changes to the Property Assessed Clean Energy program. The bill is detailed further below.

General Fund transfer – Colorado Energy Office. The bill partially restores funding that repeals in FY 2016-17 to both the Clean and Renewable Energy Fund and the Innovative Energy Fund.

- **Clean and Renewable Energy Fund.** The bill restores \$1.1 million of a former \$1.6 million General Fund transfer to the fund, which was repealed as of January 1, 2017.

- ***Innovative Energy Fund.*** The bill replaces an off-the-top Severance Tax Trust Fund transfer of \$1.5 million, which repeals July 1, 2017, with a \$1.0 million General Fund transfer to the Innovative Energy Fund.

Program repeals – Colorado Energy Office. The bill repeals several statutory programs and requirements in the CEO that were primarily defunct, including:

- involvement with the Forest Service to support the increased use of woody biomass in bio-heating;
- involvement in grants with the Colorado Energy Research Institute for the development of a central resource for building trade professionals;
- the Green Building Incentive Pilot Program, which was a federally funded pilot program that ended in 2012; and
- the administration of the Colorado Carbon Fund special license plate, which is now administered by a nonprofit.

Property Assessed Clean Energy program – New Energy Impact District and county treasurers. Under current law, property owners that participate in the Property Assessed Clean Energy program must inform title insurance companies of the new assessment. The New Energy Impact District, which manages the program must hold a hearing to notify lienholders of the special assessment. The bill exempts property owners or private third parties financing improvements from the title commitment and hearing requirements if the owner or third party is not seeking to subordinate the priority of existing liens when using the program. The bill also clarifies that housing authorities can voluntarily utilize the program.

Background

House Bill 12-1315. In 2012, the Governor's Energy Office was reorganized as the CEO. The mission of the office was modified to encourage all sources of energy development. The bill created both the Clean and Renewable Energy Fund and the Innovative Energy Fund.

Severance Tax Trust Fund. Because the Severance Tax Trust Fund transfer repeals under current law and is not reauthorized under this bill, DNR and the Department of Local Affairs will split an additional \$1.5 million from the Severance Tax Trust Fund; however, this is not a direct impact of this bill.

Property Assessed Clean Energy program. The Property Assessed Clean Energy program allows property owners to finance up to 100 percent of up-front energy efficiency, renewable energy, and water conservation improvements through a special assessment on their property tax bill. The special assessment allows the building improvements to be paid over time even if the property sells. Property owners voluntarily join the special district to gain access to financing and allow the administration of the special assessment. Like property taxes, the special assessment takes priority over other mortgages on the property. County treasurers collect the special assessment on participating properties when property taxes are collected.

State Revenue

The bill creates an annual state transfer of **\$2.1 million** per year from the General Fund to two funds in the CEO over a four-year period.

State transfers. The bill transfers \$2.1 million from the General Fund from FY 2017-18 through FY 2020-21. This includes \$1.1 million to the Clean and Renewable Energy Fund, and \$1.0 million to the Innovative Energy Fund.

State Expenditures

The bill increases state cash fund expenditures by **\$3.8 million and 16.0 FTE** per year between FY 2017-18 to FY 2020-21. Of this amount, \$1.1 million comes from the Clean and Renewable Energy Fund and \$1.0 million comes from the Innovative Energy Fund. These funds are continuously appropriated to the CEO. In addition, these cash funds have historically drawn down approximately \$1.7 million in federal funds per year.

Colorado Energy Office — cash funds. The bill increases state cash fund expenditures by \$2.1 million and approximately 16.0 FTE in the CEO for each of the four years from FY 2017-18 through FY 2020-21 from the Clean and Renewable Energy Fund and the Innovative Energy Fund. These funds support CEO operational expenses of payroll, leased space, and intergovernmental expenses. These funds also currently support:

- financing programs such as the Property Assessed Clean Energy program and energy performance contracting;
- programming to reduce energy use and generate cost savings in agricultural operations, public buildings, and rural schools;
- technical assistance and trainings, including programs on hydropower development, energy-related building codes, and industrial waste heat to power;
- energy research on technologies, case studies, and demonstration projects on all state energy resources;
- energy emergency planning and liquid fuels management, including propane supply monitoring, coordinating petroleum marketer hours of service exemptions, updating the state energy assurance plan, and natural disaster responses;
- electric vehicle grant funding for public infrastructure; and
- science, technology, and math-related energy education initiatives.

Because the bill extends the funding for CEO at a reduced funding level, approximately 8.0 FTE and some programs are expected to be unfunded. The precise impacts have not been estimated by this fiscal note.

Colorado Energy Office — federal funds. The bill affects \$1.7 million of federal funds in FY 2017-18 and potentially the same amount in outyears. In order to receive a \$620,000 U.S. Department of Energy grant for the State Energy Program, the CEO provides a 20 percent match from the Energy Fund and the Innovative Energy Fund. The CEO also administers the \$1.1 million U.S. Department of Agriculture Regional Conservation Partnership Program for the state, which delivers grants directly to grantees. This program requires CEO administration paid for by the Energy Fund and the Innovative Energy Fund. The CEO would be unable to access or pass-through this funding without the bill.

Local Government Impact

To the extent that local housing authorities utilize the Property Assessed Clean Energy program, revenue and expenditures to fund energy improvements will increase through a special assessment on property taxes. These amounts have not been estimated.

Effective Date

The bill was deemed lost in the House on May 10, 2017.

State and Local Government Contacts

Colorado Energy Office
County Clerks
Education
Housing and Finance Authority
Law
Natural Resources
Public Health and Environment
Revenue
Transportation

Counties
County Treasurers
Higher Education
Information Technology
Municipalities
Property Tax Division
Regulatory Agencies
School Districts
Treasury