

**FINAL
FISCAL NOTE**

Drafting Number: LLS 08-0783
Prime Sponsor(s): Sen. Gordon
 Rep. Hodge

Date: July 25, 2008
Bill Status: Signed into Law
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TITLE: CONCERNING INCREASED ENERGY EFFICIENCY IN STATE-ASSISTED FACILITIES.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: The Governor signed the bill into law on May 27, 2008, and unless a referendum petition is filed, the bill will take effect August 5, 2008.		
Appropriation Summary for FY 2008-2009: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

This bill repeals statutory exemptions from existing energy efficiency requirements for state-assisted facilities for low-income housing projects and facilities constructed with severance tax revenue. However, the bill exempts "publically-assisted housing projects" from the definition of state assisted facilities (and thus from these requirements). Instead, the bill requires the State Housing Board to adopt and update, as appropriate, a separate, high energy performance building standard program for such projects. The bill also authorizes the Department of Personnel and Administration to rely on any national or locally appropriate fuel escalating methodology approved by the department in performing life-cycle cost analyses.

Background

State assisted facilities. State assisted facilities are defined as facilities that are: (1) larger than 5,000 square feet, (2) renovated, designed, or constructed using state funds to cover at least 25 percent of the project cost, (3) include heating, ventilation, and air conditioning systems, and (4) have not entered a design phase prior to January 1, 2008. Under current law, state agencies are required to ensure that life-cycle cost analyses and energy conservation practices are employed in the design and construction of new or renovated major state-assisted facilities.

In addition, agencies are required to achieve the highest performance certification, which is attainable if the increased initial costs of renovation, design, or new construction can be recouped from decreased operating costs (e.g., energy, water consumption) within 15 years. Current law exempts the following facilities from these requirements:

- capital construction projects for higher education greater than \$1,000,000;
- facilities financed by the Colorado Housing and Finance Authority or the Division of Housing in the Department of Local Affairs (DOLA); and
- facilities funded by the direct distribution of severance tax revenue.

Publically-assisted housing projects. Publically-assisted housing projects are defined as a property with 5 or more rental units that was developed, rehabilitated or purchased with financial assistance from the Division of Housing. Such assistance is subject to affordability restrictions, and includes grants and loans from the division, and federal funding.

State Expenditures

Department of Local Affairs, State Housing Board. The board, in consultation with the division, is required to adopt a nationally-recognized high energy performance building standard for its publically-assisted housing projects. On October 3, 2007, the Division of Housing adopted an energy efficiency standard for the affordable housing projects that it funds. While its adoption involved increased administrative costs, because this standard was already in place, the passage of this bill does not further add to these costs.

Local Government Impact

While this bill will likely affect the initial cost of facilities financed through either a low-income housing grant program or with severance tax moneys, the net impact is unknown. High performance building standards typically increase initial construction costs up to 20 percent in the short term. Thus initially, fewer facilities will be built for a given amount of funding. In the medium term, the 15-year payback requirement would result in no net impact. Beyond the payback period, continued savings on utilities and water consumption will result in net savings for these projects. Other factors that may influence building costs and high performance standards include:

- Projects may lack elements relevant to high performance standards (e.g., roof replacement, site renovation). Different sites may require markedly different approaches to high performance standards, such as orientation and rural-vs-urban settings. Climate will also influence the degree of energy savings.
- The costs of pursuing high performance standards varies based on region specific and project specific issues such as the availability of local materials and the availability of recycled construction materials.
- Local and regional design standards, building codes, and incentives may influence the application of high performance standards.

Departments Contacted

Local Affairs

Natural Resources

Personnel and Administration