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M E M O R A N D U M

April 6, 2015

TO: Members of the House Finance Committee

FROM: Greg Sobetski, Economist, 303-866-4105

SUBJECT: Fiscal Assessment of Proposed Amendment **HB1236_L.006**.

This memorandum is an assessment of the fiscal impact of the attached proposed amendment to **HB15-1236**. This fiscal assessment is for the impact of the bill with inclusion of this amendment only. Any other added amendment could influence the fiscal impact of the bill.

Summary of Proposed Amendment

Amendment L.006:

- sunsets the energy efficiency improvement tax credit after tax year 2018;
- caps the number of credit certificates that may be issued by the Colorado Energy Office at 25 for a single tax year;
- requires that five certificates be issued for affordable housing projects, unless the office receives fewer than five applications of this type;
- caps the number of credit certificates that may be issued for new or renovated multifamily or commercial buildings at five for each of the three eligibility tiers in the bill;
- allows new or renovated affordable housing projects to qualify for the credit by achieving a Silver or better certification from the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, or two Green Globes or better from the Green Building Initiative;
- allows the office to award certificates based on the achievement of comparable certifications to LEED and Green Globes, at its discretion;
- stipulates that no credit certificates may be issued for buildings where local code already requires buildings to meet the energy savings requirements in the bill; and
- allows taxpayers who jointly receive a credit for a co-owned building to divide the credit's value among themselves at their discretion.

Fiscal Impact of Amendment

Compared to the amended version of the bill passed out of the House Transportation and Energy Committee, this amendment reduces the size of the bill's estimated revenue reduction by \$337,500 in FY 2015-16 and \$675,000 in FY 2016-17. The sunset in the bill results in a half-year impact for FY 2018-19, and eliminates the bill's fiscal impact for subsequent years.

Under the amendment, 25 credit certificates are expected to be issued for each tax year, down from about 50 under the version of the bill passed out of the House Transportation and Energy Committee. Capping the number of credits available for new and renovated buildings at five for each eligibility tier is expected to reduce the number of credit certificates issued for these buildings to about 12 for each year. The number of credit certificates issued for buildings with energy efficiency improvements is expected to be reduced to about 13. Expectations for the average value of each type of credit are unchanged.

Expenditures for the Colorado Energy Office are not expected to change as a result of the amendment. The office will require 1.0 FTE at the Program Assistant II level to administer the program, as well as software-related expenditures. Expenditures for the Department of Revenue are fixed programming costs and are not expected to change with a different number of credit claimants.

Bill's Revised Fiscal Impact with Amendment

If Amendment L.006 is adopted, HB15-1236 will reduce income tax revenue by \$442,500 in FY 2015-16 and \$885,000 in FY 2016-17. General Fund expenditures for this bill will total \$139,690 and 0.9 FTE for FY 2015-16, and \$116,006 and 1.0 FTE for FY 2016-17. The summary box in the revised fiscal note will be replaced with the following:

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	<u>(\$442,500)</u>	<u>(\$885,000)</u>
General Fund	(442,500)	(885,000)
State Expenditures	<u>\$139,690</u>	<u>\$116,006</u>
General Fund	127,718	102,158
Centrally Appropriated Costs**	11,972	13,848
TABOR Set-Aside	(\$442,500)	(\$885,000)
FTE Position Change	0.9 FTE	1.0 FTE
Appropriation Required: \$127,718 - Colorado Energy Office (FY 2015-16).		

* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

HB1236_L.006

HOUSE COMMITTEE OF REFERENCE AMENDMENT

Committee on Finance.

HB15-1236 be amended as follows:

- 1 Amend printed bill, page 4, line 3, strike "THE CREDIT" and substitute "A
2 CREDIT".
- 3 Page 4, line 14, strike "(8)." and substitute "(8), OR THAT HAS BEEN
4 CERTIFIED BY ENTERPRISE GREEN COMMUNITIES OR SUCH SUCCESSOR
5 ORGANIZATION."
- 6 Page 5, line 22, strike "FOR" and substitute "EXCEPT AS PROVIDED IN
7 PARAGRAPHS (a) AND (b) OF SUBSECTION (6) OF THIS SECTION, FOR".
- 8 Page 5, line 23, strike "JANUARY 1, 2021," and substitute "JANUARY 1,
9 2019,".
- 10 Page 7, line 7, strike "SHARES." and substitute "SHARES, UNLESS
11 OTHERWISE AGREED TO BY THE QUALIFIED TAXPAYERS."
- 12 Page 7, line 19, after "(4)," insert "AND EXCEPT AS PROVIDED IN
13 PARAGRAPHS (a) AND (b) OF SUBSECTION (6) OF THIS SECTION,".
- 14 Page 7, line 20, strike "JANUARY 1, 2021," and substitute "JANUARY 1,
15 2019,".
- 16 Page 8, line 14, strike "RENOVATION; OR" and substitute "RENOVATION;".
- 17 Page 8, line 16, after "RENOVATION;" insert "OR".
- 18 Page 8, before line 17 insert:
- 19 "(C) A COMPARABLE NUMERIC RATING UNDER A SUSTAINABLE
20 BUILDING CERTIFICATION PROGRAM AS DETERMINED BY THE OFFICE;".
- 21 Page 9, line 4, strike "RENOVATION; OR" and substitute "RENOVATION;".
- 22 Page 9, after line 6 insert:
- 23 "(C) A COMPARABLE NUMERIC RATING UNDER A SUSTAINABLE
24 BUILDING CERTIFICATION PROGRAM AS DETERMINED BY THE OFFICE; OR".



- 1 Page 9, line 21, strike "RENOVATION; OR" and substitute "RENOVATION;".
- 2 Page 9, line 23, strike "RENOVATION." and substitute "RENOVATION; OR".
- 3 Page 9, before line 24 insert:
- 4 "(C) A COMPARABLE NUMERIC RATING UNDER A SUSTAINABLE
5 BUILDING CERTIFICATION PROGRAM AS DETERMINED BY THE OFFICE."
- 6 Page 10, line 12, after "(5)," insert "AND EXCEPT AS PROVIDED IN
7 PARAGRAPHS (a) AND (b) OF SUBSECTION (6) OF THIS SECTION,".
- 8 Page 10, line 14, strike "2021," and substitute "2019,".
- 9 Page 11, line 5, strike "OR".
- 10 Page 11, after line 7 insert:
- 11 "(C) LEED SILVER CERTIFICATION OR BETTER FOR THE
12 CONSTRUCTION OR MAJOR RENOVATION UNDER THE LEED PROGRAM IN
13 EFFECT AT THE TIME OF COMPLETION OF THE CONSTRUCTION OR MAJOR
14 RENOVATION;
15 (D) A TWO GREEN GLOBES CERTIFICATION OR BETTER FOR THE
16 CONSTRUCTION OR MAJOR RENOVATION; OR
17 (E) A COMPARABLE NUMERIC RATING UNDER A SUSTAINABLE
18 BUILDING CERTIFICATION PROGRAM AS DETERMINED BY THE OFFICE;".
- 19 Page 11, line 21, strike "OR".
- 20 Page 11, line 23, strike "OR".
- 21 Page 11, before line 24 insert:
- 22 "(C) LEED GOLD CERTIFICATION OR BETTER FOR THE
23 CONSTRUCTION OR MAJOR RENOVATION UNDER THE LEED PROGRAM IN
24 EFFECT AT THE TIME OF COMPLETION OF THE CONSTRUCTION OR MAJOR
25 RENOVATION;
26 (D) A THREE GREEN GLOBES CERTIFICATION OR BETTER FOR THE
27 CONSTRUCTION OR MAJOR RENOVATION; OR
28 (E) A COMPARABLE NUMERIC RATING UNDER A SUSTAINABLE
29 BUILDING CERTIFICATION PROGRAM AS DETERMINED BY THE OFFICE; OR".



1 Page 12, line 9, strike "OR".

2 Page 12, line 11, strike "RENOVATION." and substitute "RENOVATION;"

3 Page 12, before line 12 insert:

4 "(C) LEED PLATINUM CERTIFICATION FOR THE CONSTRUCTION OR
5 MAJOR RENOVATION UNDER THE LEED PROGRAM IN EFFECT AT THE TIME
6 OF COMPLETION OF THE CONSTRUCTION OR MAJOR RENOVATION;

7 (D) A FOUR GREEN GLOBES CERTIFICATION FOR THE
8 CONSTRUCTION OR MAJOR RENOVATION; OR

9 (E) A COMPARABLE NUMERIC RATING UNDER A SUSTAINABLE
10 BUILDING CERTIFICATION PROGRAM AS DETERMINED BY THE OFFICE."

11 Page 13, line 3, strike "SHARES." and substitute "SHARES, UNLESS
12 OTHERWISE AGREED TO BY THE QUALIFIED TAXPAYERS."

13 Page 13, strike line 4 and substitute:

14 "(6) (a) THE COLORADO ENERGY OFFICE SHALL NOT ISSUE MORE
15 THAN TWENTY-FIVE CREDIT CERTIFICATES PER INCOME TAX YEAR, AND OF
16 THOSE TWENTY-FIVE CREDIT CERTIFICATES:

17 (I) AT LEAST FIVE MUST BE FOR AFFORDABLE HOUSING PROJECTS,
18 UNLESS THE OFFICE RECEIVES FEWER THAN FIVE REQUESTS FOR CREDIT
19 CERTIFICATES FOR AFFORDABLE HOUSING;

20 (II) NO MORE THAN FIVE MAY BE FOR THE CREDIT ALLOWED IN
21 SUBPARAGRAPH (I) OF PARAGRAPH (a) OF SUBSECTION (4) OF THIS
22 SECTION;

23 (III) NO MORE THAN FIVE MAY BE FOR THE CREDIT ALLOWED IN
24 SUBPARAGRAPH (II) OF PARAGRAPH (a) OF SUBSECTION (4) OF THIS
25 SECTION; AND

26 (IV) NO MORE THAN FIVE MAY BE FOR THE CREDIT ALLOWED IN
27 SUBPARAGRAPH (III) OF PARAGRAPH (a) OF SUBSECTION (4) OF THIS
28 SECTION.

29 (b) IF AN OWNER OR QUALIFIED TAXPAYER CONSTRUCTS, MAKES
30 MAJOR RENOVATIONS TO, OR MAKES ENERGY EFFICIENCY IMPROVEMENTS
31 TO A MULTI-FAMILY HOME, COMMERCIAL BUILDING, OR AFFORDABLE
32 HOUSING PROJECT THAT IS LOCATED WHERE THE LOCAL GOVERNMENT
33 BUILDING CODE OR OTHER REGULATIONS REQUIRE ENERGY SAVINGS OR
34 ENERGY EFFICIENCY IMPROVEMENTS THAT MEET THE REQUIREMENTS FOR
35 A PARTICULAR TAX CREDIT ALLOWED IN THIS SECTION, THEN THE

1 COLORADO ENERGY OFFICE MAY NOT ISSUE A CREDIT CERTIFICATE TO THE
2 OWNER OR QUALIFIED TAXPAYER FOR SUCH CREDIT.

3 (c) TO CLAIM A CREDIT ALLOWED IN THIS SECTION, THE".

4 Page 14, strike lines 10 through 12 and substitute:

5 "(10) THE COLORADO ENERGY OFFICE SHALL, IN A SUFFICIENTLY
6 TIMELY MANNER TO ALLOW THE DEPARTMENT OF REVENUE TO PROCESS
7 RETURNS CLAIMING THE CREDIT ALLOWED BY THIS SECTION, PROVIDE THE
8 DEPARTMENT OF".

9 Page 14, line 19, strike "DECEMBER 31, 2026." and substitute "DECEMBER
10 31, 2024.".

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