

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 09-0621  
**Prime Sponsor(s):** Rep. Kerr A.

**Date:** March 24, 2009  
**Bill Status:** House Education  
**Fiscal Analyst:** David Porter (303-866-4375)

**TITLE:** CONCERNING THE RENEWABLE ENERGY AND ENERGY EFFICIENCY FOR SCHOOLS LOAN PROGRAM.

<b>Fiscal Impact Summary</b>	<b>FY 2009-2010</b>	<b>FY 2010-2011</b>
<b>State Revenue</b> Cash Funds Renewable Energy and Energy Efficiency for Schools Loan Program Administration Fund	Potential Gifts, Grants, and Donations	
<b>State Expenditures</b> Cash Funds Public School Energy Efficiency Fund* Public (Permanent) School Fund – Loans**	See State Expenditures Section	
<b>FTE Position Change</b>	0.3 FTE	0.1 FTE
<b>Effective Date:</b> The bill is effective August 4, 2009, if the General Assembly adjourns on May 6, 2009, as scheduled, and no referendum petition is filed.		
<b>Appropriation Summary for FY 2009-2010:</b> See State Appropriations section.		
<b>School District Impact:</b> Public (Permanent) School Fund loans are made to schools. See School District Impact section.		

\* *No net change in expenditures from the Public School Energy Efficiency Fund. The bill redirects current funding to personnel tasked with overseeing the new loan program.*

\*\* *The state Treasurer will provide school districts with \$2.0 million in loans from the Public School Fund.*

**Summary of Legislation**

This bill creates the Renewable Energy and Energy Efficiency for Schools Loan Program in the Governor's Energy Office. The program provides school districts with loans for wind, solar, or other renewable energy projects. Battery-powered or hybrid-electric bus projects are also eligible. The application procedure and applicant requirements are established through rules passed by the State Board of Education in consultation with the Governor's Energy Office.

To apply for a loan, a school district must receive approval from its school district board of education and must have a team dedicated to the renewable energy project. Applications are submitted to the Governor's Energy Office and must meet specific energy efficiency standards for the project facility or the school district must develop an energy efficiency plan with the Governor's Energy Office.

The Governor's Energy Office recommends which loans to award and the amount of the loan to the state Treasurer. The state Treasurer provides loan moneys and specifies the loan terms and conditions. In the event that a school district is unable to repay a loan, the state Treasurer may withhold from the state share of the district's school finance moneys. The state Treasurer issues loans from the Public School Fund and determines the amount of the fund that will be made available for loans. The General Assembly is responsible for guaranteeing that the Public School Fund is made whole if a loan is not repaid.

The bill creates a new cash fund, the Renewable Energy and Energy Efficiency for Schools Loan Program Administration Fund and allows the Governor's office to seek gifts, grants, and donations for this fund.

### **Background**

The Public School Fund (often referred to as the Permanent Fund) consists of the proceeds from the state school lands. The fund was established in the constitution upon the state's creation and is held inviolate. The constitution and statute provide the state Treasurer guidance as to how the fund can be invested, including allowing loans to school districts.

The Public School Energy Efficiency Fund was established by HB07-1309 and consists of a portion of the interest moneys earned on severance tax fund deposits. The fund is administered by the Governor's Energy Office for assisting schools with the financing of energy efficiency upgrades, with the design of new schools to be more energy efficient, to be more effective in managing their utility budget, and for providing training related to energy efficiency.

### **State Revenue**

The Renewable Energy and Energy Efficiency for Schools Loan Program Administration Fund may receive gifts, grants, and donations. However, no gifts, grants, or donations have been identified for this fund at this time.

### **State Expenditures**

**There are no new state expenditures under HB09-1312 but new FTE are needed. The loan program will shift existing funds of \$20,088 FY 2009-10 and \$6,696 in FY 2010-11 to support 0.3 FTE and 0.1 FTE, respectively. The bill provides for a loan program to school districts that is anticipated to make \$2.0 million available annually.** Personal services costs are within the Governor's Energy Office and are described below.

***Governor's Energy Office.*** The Governor's Energy Office is responsible for approving loans and working with loan applicants. Establishing the program's rules, application procedures, and forms is estimated at 500 hours. Each year, the office will process approximately 20 applications taking 10 hours each. In addition to evaluating projects, the office will work with some school districts to create an energy efficiency plan. In total, this bill's workload is anticipated to be 0.3 FTE (\$20,088) in FY 2009-10 and 0.1 FTE (\$6,696) thereafter.

***Department of Education.*** The State Board of Education and department staff will work with the Governor's Energy Office in developing and promulgating program rules. Staff time is expected to be small enough to be accomplished within existing appropriations. Additionally, 5 hours of legal services are required to promulgate rules. It is anticipated that these costs can be absorbed within current appropriations.

***State Treasurer (\$2.0 million in loans).*** The State Treasurer is responsible for making loans to school districts and setting the terms of the loans. The majority of the work of loan review will be completed by the Governor's Energy Office. The amount of Public School Fund money available for loans is at the discretion of the state Treasurer.

An estimated \$2.0 million in loans will be made each year. Loans are expected to range between \$50,000 and \$1.0 million and will be paid back over time. Interest on the loans is set by the state Treasurer, but must exceed the amount of interest earned by the Public School Fund. The department does not require an appropriation to make loans from the Public School Fund, which currently has a balance of \$581.6 million.

***Funding of Administrative Costs .*** The bill indicates administrative costs can be paid from either the Renewable Energy and Energy Efficiency for Schools Loan Program Administration Fund or the Public School Energy Efficiency Fund.

The Renewable Energy and Energy Efficiency for Schools Loan Program Administration Fund consists of moneys appropriated to it from the Public School Energy Efficiency Fund, other moneys directed to the fund by either the Governor's Energy Office or the General Assembly, and gifts, grants, and donations. The fund is subject to annual appropriation and is used for direct and indirect program costs, but not for making loans.

As discussed in the Background section of this fiscal note, the Public School Energy Efficiency Fund receives a portion of severance tax deposit interest. The FY 2008-09 appropriation to the Public School Energy Efficiency Fund is \$496,000. Since the Renewable Energy and Energy Efficiency for Schools Loan Program Administration Fund is not a viable option for paying administrative costs at this time, this fiscal note assumes these costs will be paid directly from the Public School Energy Efficiency Fund. Since the fund balance is typically spent in full, energy efficiency projects of equivalent value will be foregone. However, the net change in spending from the fund will not change. The Public School Energy Efficiency Fund is continuously appropriated.

**Expenditures Not Included**

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

<b>Table 2. Expenditures Not Included under HB09-1312*</b>		
<b>Cost Components</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$2,054	\$685
Supplemental Employee Retirement Payments	585	249
<b>TOTAL</b>	<b>\$2,639</b>	<b>\$934</b>

*\*More information is available at: [http://www.state.co.us/gov\\_dir/leg\\_dir/lcsstaff/2009/comsched/CommonPolicies2009.pdf](http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2009/comsched/CommonPolicies2009.pdf)*

**School District Impact**

School districts may apply for loan funding through the Renewable Energy and Energy Efficiency for Schools Loan Program. Loans through the program are likely to be at a lower interest rate than otherwise available to the school districts. Participating school districts will have expenditures associated with the project for which the loan is made and will need to meet the loan terms and payments.

**State Appropriations**

For FY 2009-10, the Governor's Energy Office requires authorization for 0.3 FTE from the Public School Energy Efficiency Fund.

**Departments Contacted**

Treasurer  
Natural Resources

Governor's Office

Education