HB10-1328

Colorado Legislative Council Staff Fiscal Note

STATE, LOCAL and STATUTORY PUBLIC ENTITY FISCAL IMPACT

Drafting Number:	LLS 10-0656	**Date:**	February 19, 2010
Prime Sponsor(s):	Rep. Miklosi Sen. Schwartz	**Bill Status:**	House SVMA
		Fiscal Analyst:	Marc Carey (303-866-4102)

TITLE: CONCERNING THE "NEW ENERGY JOBS CREATION ACT OF 2010", AND, IN CONNECTION THEREWITH, CREATING THE COLORADO NEW ENERGY IMPROVEMENT DISTRICT AND AUTHORIZING THE DISTRICT TO FUND NEW ENERGY IMPROVEMENTS BY ISSUING SPECIAL ASSESSMENT BONDS PAYABLE FROM SPECIAL ASSESSMENTS LEVIED ON ELIGIBLE REAL PROPERTY OWNED BY PERSONS WHO VOLUNTARILY JOIN THE DISTRICT IN ORDER TO HAVE THE DISTRICT HELP THEM FUND NEW ENERGY IMPROVEMENTS TO THE ELIGIBLE REAL PROPERTY.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue General Fund*	$180,000	$180,000
State Expenditures General Fund*	$180,000	$180,000
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: See Local Government Impact section.		

**The state is reimbursed this amount of money by the Colorado New Energy Improvement District.*

Summary of Legislation

This bill creates the Colorado New Energy Improvement District to administer and finance a New Energy Improvement Program for home energy efficiency and renewable energy improvements. The improvements will be financed by bonds issued by the district that are paid by special assessments levied on homes that choose to participate in the program. The total principal amount of bonds that can be issued by the district is limited to $250 million and the duration of the bonds cannot exceed 20 years. Bonds are exempt from all taxation and assessments in the state.

The amount of the assessment will be based on the cost of the home energy improvements to the district, including paying the contractors who make the energy improvements and district administrative costs. The amount of the assessment cannot exceed the value of the special benefit of the energy improvement made to the home, defined as:

- any increase in market value of the property;
- any cost of completing the improvement defrayed by reimbursement;
- any reduction in energy bills resulting from completion of the improvement; and
- any value of the improvement to the property included in the program application.

The assessment can either be paid in full within 30 days of being levied or can be paid in installments, with interest, over a period not to exceed 20 years. The district's payment for an energy improvement, either to a homeowner or contractor, cannot exceed $25,000, adjusted annually for inflation.

The Colorado New Energy Improvement District will include all residential properties that apply to and are accepted to join the district. However, the program may be conducted only in counties where the board of county commissioners has explicitly authorized the program. The district will be a statutory public entity that is governed by a nine-member board. It will not be an agency of state or local government or subject to administrative direction by any state or local government agency.

A utility can count the energy savings achieved resulting from its efforts with the district toward its demand side management targets or goals established with the Public Utilities Commission.

Finally, for FY 2010-11 and thereafter, the bill requires the State Auditor's Office to conduct an annual performance audit and an annual financial audit of the district. The state auditor is required to prepare a report and present its findings to the Legislative Audit Committee.

State Revenue

Reimbursement for Audit Requirements - $180,000. The bill requires the State Auditor's Office to annually conduct both a financial audit and a performance audit of the new Colorado New Energy Improvement District. Associated costs are discussed in the State Expenditures section, and will be reimbursed by the district per the provisions of Section 2-3-110(1), C.R.S.

State Income and Sales Tax Revenue. The creation of the Colorado New Energy Improvement District may reduce state income tax revenue as interest on payments of the district special assessment paid by participating homeowners is deductible from federal taxable income and thus state taxable income. The amount of the reduction will depend on the number of participating homeowners choosing to pay the assessments in installments with interest, the amount of the assessments, and the interest rate charged. The reduction will be minimal since only the interest portion of the assessment is tax deductible.

State income and sales tax revenue will increase to the extent that the district directly results in an increase in economic activity from home energy improvements that would otherwise not occur. For example, an increase in personal income from new jobs and business activity will increase state income tax revenue and the materials used in completing energy improvements will increase sales tax revenue. The amount of the potential increase is not quantified as it depends on the number and cost of energy improvements that will occur expressly as a result of the creation of the district.

State Expenditures

State Auditor's Office. The bill requires the State Auditor's Office to perform an annual financial audit and an annual performance audit of the district. The financial audit is estimated to cost $20,000 while the more resource intensive performance audit would cost roughly $160,000 annually. Associated costs would be reimbursed by the district per Section 2-3-110(1), C.R.S.

Statutory Public Entity Impact

The Colorado New Energy Improvement District is authorized to issue bonds of up to $250 million to administer and finance the energy improvement program. It is also authorized to solicit and collect gifts, grants, and donations. The district will fund energy improvement projects for residential properties and its administrative costs, such as salaries, financing costs, and fees paid to local governments, primarily from the revenue received from the issuance of bonds.

Local Government Impact

Local governments that have homes participating in the Colorado New Energy Improvement District will need to collect the special assessment on homes and record liens on the homes with assessments. Local governments generally charge fees to offset the costs of such activities.

To the extent that property values increase expressly as a result of energy improvements financed by the district, local governments will see an increase in property tax revenue, unless the entity is at its TABOR revenue limit. For governments at the limit, mill levies will decline.

Departments Contacted

Local Affairs	Regulatory Agencies	State Auditor's Office