

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 11-0741

Date: February 10, 2011

Prime Sponsor(s): Rep. Gardner B.
Sen. Mitchell

Bill Status: House Local Government

Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING LIMITS ON FEES FOR THE APPROVAL OF THE INSTALLATION OF SOLAR ENERGY DEVICES.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
Cash Funds		
Public School Construction and Inspection Cash Fund	(\$60,000)	(\$60,000)
State Expenditures		
General Fund	60,000	60,000
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

Current law, set to expire on July 1, 2011, prohibits municipalities and counties from charging a permit fee in excess of \$500 for a residential application or \$1,000 for a nonresidential application to install an active solar energy device or system. Under current law, beginning July 1, 2011, local governments may set fees for solar installations based on actual costs or any other lawful method.

This bill extends the sunset date for statutory limits on solar device fees to July 1, 2018, and applies fee limitations to state government and its political subdivisions. The bill specifies that fee limits apply to permits, plan review, or other fees. State or local government agencies are permitted to charge the actual cost to review plans and issue a permit if a subject solar device produces the equivalent of at least 2 megawatts of direct current electricity. Finally, the bill requires governmental agencies to itemize all fees and taxes assessed for a solar device application.

State Revenue

Fees collected by the Division of Fire Safety in the Department of Public Safety will be reduced by \$60,000 annually beginning in FY 2011-12 to the Public School Construction and Inspection Cash Fund. The Division of Fire Safety is responsible for building and fire code

compliance for public school facilities and is authorized under current law to collect fees to cover actual costs for plan reviews and inspections. An annual caseload of approximately 50 solar panel installations under 2 megawatts on public schools will yield \$50,000 in permit fees, with associated costs to the division exceeding \$110,000.

The fiscal note assumes that the bill becomes effective on or about July 1, 2011.

State Expenditures

The Division of Fire Safety is required to perform plan review and inspection duties for public schools. Since the Public School Construction and Inspection Cash Fund will not be adequately funded to cover the division's costs, the bill requires \$60,000 from the General Fund per year beginning in FY 2011-12 to backfill its budget.

Local Government Impact

Counties and municipalities that charge applicants for plan review, permits, or inspection of solar devices and systems are very likely to experience a reduction in revenue as a result of this bill.

To the extent that solar installations under 2 megawatts are valued at a level that the building permit would cost in excess of the \$500 and \$1000 limits, the bill reduces building permit fee revenue. Fee revenue may be increased based on the allowance of actual costs for solar installations over 2 megawatts; however, due to the small number of such projects, this increase is assumed to be minimal.

Local government revenue will also be reduced in municipalities where established plan review (e.g., special use, variance, zoning modification, site development plan, etc.) and inspection fees exceed \$500 for residential and \$1000 for commercial applications. Because the bill collectively caps plan review and inspection fees within the current cap for building permits, the bill may significantly curtail local fee revenue from plan reviews and inspections.

The bill may increase the cost for counties and municipalities to produce invoices for building permits, use taxes, and services related to solar installations. The preparation of itemized invoices and detailed fee accounting is, however, commonly practiced by local governments; therefore, new local government expenditures to comply with the bill will be minimal.

State Appropriations

In FY 2011-12, the Department of Public Safety requires an appropriation of \$60,000 General Fund.

Departments Contacted

All Departments Governor's Energy Office Office of Economic Development