HB13-1105

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 13-0435	**Date:**	January 31, 2013
Prime Sponsor(s):	Rep. Tyler; Foote Sen. Schwartz	**Bill Status:**	House Transportation and Energy
		Fiscal Analyst:	Marc Carey (303-866-4102)

TITLE: CONCERNING THE ENERGY SAVING MORTGAGE PROGRAM, AND, IN CONNECTION THEREWITH, DEFINING THE PROGRAM AND THE ENERGY SAVING MORTGAGE PROGRAM FUND, ESTABLISHING PROGRAM REQUIREMENTS, AND PROVIDING AN INCENTIVE TO PUBLIC UTILITIES TO PARTICIPATE IN THE PROGRAM.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Transfers Transfer from the Clean and Renewable Energy Fund to the Colorado Energy Saving Mortgage Program Fund	$500,000	
State Expenditures Cash Funds Colorado Energy Saving Mortgage Program Fund	$500,000	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: None.		

Summary of Legislation

The Colorado Energy Office (CEO) currently administers the Colorado Energy Star mortgage incentive program providing interest rate buy-downs to persons taking out mortgages to finance purchases of new energy efficient homes or improvements that make existing homes more energy efficient. This bill redefines that program as the Colorado Energy Saving Mortgage program and creates a Colorado Energy Saving Mortgage Program cash fund. The fund consists of state appropriations, matching funds from public utilities or other non-state entities, and gifts, grants and donations. State appropriations may not exceed non-state contributions. Money in the fund is continuously appropriated to the CEO to fund energy saving mortgages. All such mortgages must be funded with contributions from the state, a participating public utility, and a participating lender, and the CEO will promulgate rules specifying minimum percentages of total funding for non-state sources.

The bill limits the value to borrowers of energy saving mortgages, depending on the homes's expected energy efficiency, measured by the home energy rating system (HERS) index. Table 1 provides information on the maximum potential benefit of each incentive loan.

Table 1. Maximum Incentive Value under HB 13-1105			
New Home Purchase		**Existing Home Improvement**	
Maximum Incentive Value	**HERS Index of new home**	**Maximum Incentive Value**	**HERS Index of Improvement**
$8,000	< 0	$8,000	> 75
$6,000	between 0 and 25	$6,000	between 50 and 75
$4,000	between 25 and 50	$4,000	between 25 and 50

Public utilities participate by contributing money to the Colorado Energy Saving Mortgage Program fund and may receive credit toward demand-side management goals and any potential future carbon emission goals. The Colorado Public Utilities Commission (PUC) is authorized to promulgate rules establishing requirements for claiming and methods for calculating the amount of any such credit.

Background

Over the past two years, the CEO has partnered with lending institutions to offer Energy Star incentive mortgages, as an extra incentive to buy a new home that meets Energy Star efficiency standards. The incentive mortgage provides a financial benefit to Colorado homebuyers in the form of an interest rate buy-down. The maximum benefit is no more than $5,000 on a $500,000 loan. The program was funded with federal American Recovery and Reinvestment Act money and, according to the CEO, has provided 188 incentive mortgages in slightly more than two years.

State Transfers or Diversions

The new program will be initially capitalized with money from the Clean and Renewable Energy Fund which is continuously appropriated to CEO. Based on the expenditure assumptions noted below, $500,000 will be transferred in FY 2013-14 from the Clean and Renewable Energy Fund to the Colorado Energy Saving Mortgage Program Fund for the state's share of the program. Currently, the balance in the Clean and Renewable Energy Fund is nearly $3.3 million.

State Expenditures

Colorado Energy Office. This fiscal note assumes that the CEO will expend $500,000 in FY 2013-14 to fund the new Colorado Energy Saving Mortgage program. The bill requires at least half of the program to be funded with non-state funds, so the total amount of mortgage incentives provided through the program will be at least $1.0 million. While it is difficult to know the demand in advance for the various incentive levels, it is anticipated that the $8,000 and $4,000 incentives will be the most popular. For example, this incentive level could be reached with 80 $8,000 incentives, 10 $6,000 incentives and 75 $4,000 incentives.

Colorado Public Utilities Commission. The bill authorizes the PUC to promulgate rules establishing requirements for utilities claiming demand-side management credits for participating in the incentive mortgage program. Because utilities already submit demand-side management applications to the PUC and any credits claimed would be included in the application, this may be accomplished within existing appropriations.

Departments Contacted

Colorado Energy Office   Regulatory Agencies