

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 15-0124
Prime Sponsor(s): Sen. Jones
 Rep. Hamner

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Bill Status: Senate Agriculture
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BILL TOPIC: PUBLIC BUILDING WOODY BIOMASS ENERGY GRANT PROGRAM

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	<u>\$0</u>	<u>\$0</u>
State Transfers		
General Fund	(1.0 million)	(1.0 million)
Woody Biomass Grant Cash Fund	1.0 million	1.0 million
State Expenditures	<u>\$1,000,000</u>	<u>\$1,000,000</u>
Cash Funds	993,924	993,244
Centrally Appropriated Costs	6,076	6,756
FTE Position Change	0.5 FTE	0.5 FTE
Appropriation Required: \$1,000,000 - Department of Natural Resources (FY 2015-16)		

* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

Summary of Legislation

This bill, **recommended by the Wildfire Matters Review Committee**, creates a grant program within the Colorado Department of Natural Resources (DNR) to encourage the use of woody biomass as a fuel source in public buildings. The grant program will be funded by an annual \$1.0 million transfer from the General Fund to the Woody Biomass Grant Cash Fund for five years beginning with FY 2015-16. The DNR is authorized to use up to three percent of the funds for the direct and indirect costs of administering the grant program. The grant program is repealed September 1, 2021.

The bill requires that grant awards only be made to public entities that will use woody biomass as a fuel source for a public building's biomass energy system, and when either the use of the grant allows the public building to operate more cost-effectively when compared to other fuels, or the executive director of the DNR reasonably believes that the grant will provide other substantial benefits as specified in the rules created for the program. The executive director of the DNR is required to promulgate rules for the program, which must specifically include:

- guidance regarding situations in which the use of woody biomass is not cost-effective when compared with other fuels, but making a grant will still provide other substantial benefits;
- a preference for making grants to projects that use a woody biomass energy system for two or more public buildings that are located near one another; and
- criteria to evaluate grant applications and prioritize awards, including an analysis of the public building's distance from a substantially forested area of the state as determined by the State Forester.

Background

Biomass is biological material, such as wood chips, that can be used as a fuel source. Biomass fuel is burned or converted in systems that produce heat or electricity, or both.

State Revenue

State transfers. Beginning with FY 2015-16 and for the following four state fiscal years thereafter (through FY 2019-20), the bill requires an annual \$1.0 million transfer from the state General Fund to the Woody Biomass Grant Cash Fund.

State Expenditures

The bill increases state expenditures by \$1.0 million beginning in FY 2015-16 and for the following four state fiscal years through FY 2019-20. Of this total, administrative expenses are estimated at \$38,474 and 0.5 FTE in FY 2015-16, and \$39,767 and 0.5 FTE per year thereafter, up to and including FY 2019-20. Grant awards made each year will be up to approximately \$960,000. Costs are detailed in Table 1 and explained below. First year personal services costs are prorated to reflect the August 5, 2015, effective date of the bill.

Table 1. Expenditures Under Senate Bill 15-009		
Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$26,584	\$31,900
FTE	0.5 FTE	0.5 FTE
Operating Expenses	475	475
Travel	636	636
Capital Outlay Costs	4,703	0
Grant Awards	961,526	960,233
Centrally Appropriated Costs*	6,076	6,756
TOTAL	\$1,000,000	\$1,000,000

* Centrally appropriated costs are usually not included in the bill's appropriation.

Program Administration. The DNR currently lacks staff expertise to develop and administer a grant program related to biomass energy systems, and specifically a program using woody biomass as a fuel source. Therefore, it is anticipated that the DNR will hire an additional 0.5 FTE at the General Professional IV (GP IV) level who has the required expertise to successfully administer the program. The GP IV will be responsible for creating a grant application and criteria, evaluating grant applications and selecting grantees, administering funds to grantees, and monitoring awarded projects. In addition, it is expected that the GP IV will conduct periodic site visits to awarded projects, resulting in travel expenses of about \$636 per year.

It should be noted that the three percent figure identified by the bill for administrative costs, amounting to \$30,000 annually, does not adequately cover the estimated costs of administering the program (see the Technical Note section of this fiscal note).

Grant awards. The DNR will annually award up to \$960,000 in grants beginning with FY 2015-16, and in each of the following four state fiscal years through FY 2019-20. The amount expended will depend on the rules promulgated for the program and the number and size of grants awarded.

Institutions of Higher Education. If institutions of higher education are included in the definition of "public building" that is promulgated in the rules by the DNR, Western State Colorado University will be eligible to apply for a grant to convert Taylor Hall, which is currently biomass-ready. In addition, the Colorado State University Foothills Campus has a biomass heating plant and will be eligible to apply for a grant.

Legislative Council Staff is not aware of any other institutions of higher education that are currently biomass-ready.

Centrally appropriated costs. 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 estimated in the fiscal note for informational purposes and summarized in Table 2.

Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,016	\$4,026
Supplemental Employee Retirement Payments	2,060	2,730
TOTAL	\$6,076	\$6,756

*More information is available at: <http://colorado.gov/fiscalnotes>

Local Government Impact

The bill may increase local government revenue to the extent that public buildings owned by local governments, including school districts and special districts, are awarded a grant under the program. The number and size of local government grant awards have not been calculated for this fiscal analysis, and will depend on the rules promulgated for the program.

Currently, Legislative Council staff is aware of two local government campuses that are biomass-ready and will be eligible to apply for a grant: the Boulder County Jail, and the Boulder County Parks and Open Space Department.

Technical Note

Section 24-82-603 (1) (b) of the bill permits the DNR to expend no more than \$30,000 to offset the costs incurred in implementing the new grant program; however, this amount is insufficient to cover the department's fixed costs to establish the new program, or the ongoing administrative cost to run the program.

Effective Date

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2015-16, the Department of Natural Resources requires a cash fund appropriation of \$1,000,000 and 0.5 FTE from the Woody Biomass Grant Cash Fund.

State and Local Government Contacts

Personnel and Administration
Natural Resources
Municipalities

Higher Education
Counties

Education
Special Districts