SB08-184

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 08-0563	**Date:**	March 5, 2008
Prime Sponsor(s):	Sen. Romer	**Bill Status:**	Senate Agriculture
		Fiscal Analyst:	Marc Carey (303-866-4102)

TITLE: CONCERNING THE CREATION OF THE COLORADO CLEAN ENERGY FINANCE PROGRAM.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010
State Revenue	$0	$0
State Expenditures General Fund	$981,351	$978,106
FTE Position Change	1.0 FTE	1.0 FTE
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2008-2009: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

This bill creates the Colorado Clean Energy Finance Program to provide below market-rate loans to homeowners to finance home improvements that will improve energy efficiency and increase the use of renewable energy. The bill requires the Governor's Energy Office (GEO) to oversee the program and select a program administrator to issue and process clean energy loans. Specifically, the administrator will generate the necessary capital for these loans by issuing securities payable from loan payments. The state treasurer is authorized to invest up to $10 million of state moneys in such securities in each fiscal year from FY 2008-09 through FY 2010-11.

The bill also creates the Clean Energy Program Fund and the Loan Buy-Down (LBD) and Loan Loss Reserve (LLR) accounts within the fund, and specifies that the fund will consist of an as yet to be determined amount of money appropriated by the General Assembly. Moneys in the LBD account will be used to buy down the interest rate on clean energy loans issued to three tiers of income-qualified borrowers. Moneys in the LLR account will be used to periodically compensate the program administrator for losses from loans that have been written off. Moneys from the LBD account are periodically required to be transferred to the LLR account to ensure the account balance remains at 5% of the principal amount of outstanding loans.

The GEO is also required to market the program and operate a quality assurance program to monitor the quality of installations and measure and report on energy and cost savings and emissions reductions resulting from program loans. Within 1 year of origination of the first loan, the program administrator is required to provide the GEO with information delineated in the bill. Finally, no later than January 30, 2010 and annually thereafter, the GEO is required to report to the House Transportation and Energy Committee and the Senate Agriculture, Natural Resources, and Energy Committee regarding the status of the program.

State Expenditures

State Treasury. The bill authorizes the state treasurer to invest $10 million annually over the next three fiscal years in securities issued by the selected program administrator. To invest in these securities, the treasurer requires a rate of return equivalent to the rate that could have been achieved through other investments, assumed to be 4.5%. This rate is dependent upon the number of loans issued to borrowers within each of the three income-related tiers. The bill requires that loan rates in 2 of the 3 tiers be subsidized through buy-down funds appropriated by the General Assembly. Until the source for such funds is identified, this fiscal note assumes that no money for buy-downs are available, and loans will be made only at an un-subsidized interest rate. Accordingly, this note assumes a rate of return at least as high as the 4.5% that would have been achieved from other investments, and there will be no opportunity cost from participating in the program.

Governor's Energy Office, Program Administration. The GEO will incur additional personal service costs for a General Professional III to oversee the program in the amount of $56,361 and 1.0 FTE in FY 2008-09 and $53,106 and 1.0 FTE in FY 2009-10. Table 1 details these costs.

Table 1. Personal Services Expenditures Under SB 08-184

Cost Components	FY 2008-09	FY 2009-10
Personal Services	$51,256	$51,256
FTE	1.0	1.0
Operating Expenses	$1,350	$1,350
Capital Outlay (one-time cost)	$3,255	$0
Travel Expenses	$900	$900
TOTAL	**$56,361**	**$53,106**

An additional $425,000 in expenses have been identified for GEO's responsibilities related to program marketing, contractor training, and operation of the quality assurance, measurement and verification program. As no funding source has been identified to cover any costs incurred under the bill, this fiscal note assumes that General Fund will be needed.

Governor's Energy Office*, *Loan Buy0-Down and Loan Loss Reserve. The bill requires the GEO to use moneys in the Clean Energy Program Fund to buy-down the interest rate for loans made to customers in 2 of the 3 income-related tiers. As no funding source has been identified to cover these costs, this fiscal note assumes that only 1 tier of borrowers will exist, and loans will be made at a rate established by the state treasurer.

The bill also requires the GEO to maintain a balance in the LLR account of 5% of the principal amount of the outstanding loans as security against loans in default. Based on the assumption that $10 million in loans will be originated annually, the GEO will need to fund this account at $500,000 in each of the first 3 fiscal years. In addition, the GEO is required to maintain this balance through periodic transfers from the LBD account. The amount transferred depends on the level and timing of loan defaults. This fiscal note assumes that 1% of loans will default. However, because these loans will have a payback period of 7 to 10 years, default will not occur immediately, and no additional funds will be required in the next 3 fiscal years. This fiscal note assumes that General Fund will be needed to cover these costs.

State Appropriations

For FY 2008-09, the Governor's Office will require a General Fund appropriation of $981,351 and 1.0 FTE for allocation to the Governor's Energy Office.

Departments Contacted

Governor's Office	Treasury