SB13-212

Colorado Legislative Council Staff Fiscal Note

STATE, LOCAL and STATUTORY PUBLIC ENTITY FISCAL IMPACT

Drafting Number:	LLS 13-0308	**Date:**	March 19, 2013
Prime Sponsor(s):	Sen. Jones; Schwartz Rep. Tyler	**Bill Status:**	Senate Agriculture
		Fiscal Analyst:	Marc Carey (303-866-4102)

TITLE: CONCERNING INCREASED OPTIONS FOR FINANCING AVAILABLE THROUGH THE COLORADO NEW ENERGY IMPROVEMENT DISTRICT FOR THE COMPLETION OF NEW ENERGY IMPROVEMENTS, AND, IN CONNECTION THEREWITH, ALLOWING COMMERCIAL BUILDINGS TO ACCESS DISTRICT FINANCING, REQUIRING CONSENT FOR SUBORDINATION OF MORTGAGE LIENS, AND FACILITATING PRIVATE THIRD-PARTY FINANCING.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures		
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: See Local Government Impact section.		

Summary of Legislation

This bill makes several modifications to the operation of the Colorado New Energy Improvement District.

Program Expansion. The district currently allows for the financing of new energy improvements for residential real estate. This bill expands the scope of the program to include commercial property. In addition, the bill repeals the maximum 95 percent loan-to-value requirement for qualified applicants as well as the percentage of value and dollar caps on allowable new energy improvements. The bill also includes fuel cells within the definition of renewable energy improvement.

District board. The bill directs the Governor to appoint all five voting members to the district board by September 1, 2013, and specifies qualifications. The bill directs the district to develop a program for financing new energy improvements by private third-party financing in addition to district bonds.

District assessments. Current law includes increased market value and decreased energy bills as factors to be used in the calculation of district assessments. This bill repeals these factors from this calculation and eliminates the requirement that assessments be prepaid. The bill also specifies that if district special assessments are attributable to new energy improvements financed by a private third party, the proceeds from the assessments will be credited to the third party.

Mortgage Holder Consent. The bill directs the district to develop the processes for ensuring in all cases that consent of existing mortgage holders is obtained to subordinate the priority of their mortgages to the priority of the district's lien.

Property Assessment. The bill prohibits county assessors, when assessing the value of real property, from including any increase in market value resulting from a new energy improvement in the market value of that property.

Repeal. Under current law, the district is repealed on January 1, 2016. This bill eliminates that repeal.

Background

Under Property-Assessed Clean Energy (PACE) financing programs, local governments or financing districts sell bonds to investors, then loan the proceeds to property owners to cover the cost of renewable energy or energy efficiency improvements. The loans are typically repaid over time (15 to 20 years) through an annual assessment on the property owner's property tax bill.

In May 2008, Colorado enacted **HB08-1350** which enabled Colorado counties and cities to propose a local improvement district (LID) specifically for clean energy improvements. Boulder County, Eagle County, Gunnison County and Pitkin County have used this provision to enact PACE financing programs. **SB10-100** amended this law to allow multiple counties, even non-contiguous counties, to form a single clean energy improvement district.

HB10-1328 further expanded this authority by creating the Colorado New Energy Improvement District, a clean energy statutory public entity encompassing the entire state of Colorado. The bill authorized the district to issue up to $800 million in bonds to fund PACE financing programs. Local governments wishing to provide PACE financing programs to their citizens may opt to join the statewide district and access this bond revenue for clean energy loans. To date, while several counties have expressed interest in joining the district, none have done so.

State Expenditures

School Finance Impact. This bill prohibits the inclusion of any increased property value due to new energy improvements in a property's assessed value. If property values increase as a result of energy improvements financed by the district on residential properties, local governments will receive less property tax revenue than they would have without the bill. The state may have to backfill this lost property tax revenue, depending on the funding level the General Assembly sets for school finance.

Local Government Impact

Local governments that opt to join the Colorado New Energy Improvement District will see a slight increase in administrative costs from allowing commercial properties to participate than they would have otherwise. Additional costs could include tracking the expanded number of clean energy loans that will occur in their jurisdiction and the effect of these improvements on property assessments. Local governments generally charge fees to offset the costs of such activities. These impacts are conditional on the local government choosing to opt into the district.

To the extent that residential property values increase as a result of energy improvements financed by the district, local governments will receive less property tax revenue than they would have, as the bill prohibits the inclusion of the increased value in the assessed value of the property.

Statutory Public Entity Impact

The bill potentially increases the activity of the Colorado New Energy Improvement District. Increased administrative costs to the district will be paid for by assessments charged to property owners that finance new energy improvements through the district.

Departments Contacted

Local Affairs   Regulatory Agencies