Fiscal Note 2011 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	HB0413	**Title:**	Use coal tax to fund energy efficiency in public education facilities
Primary Sponsor:	Peterson, Ken	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☑ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$1,449,320	$1,005,607	$839,699	$843,710
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	($1,449,320)	($1,005,607)	($839,699)	($843,710)

Description of fiscal impact:

An additional $4,138,336 in state general funds would be used for the purpose of evaluating energy conservation projects at schools by the Department of Environmental Quality (DEQ) as a result of this bill. HB 413 provides for energy conservation loans for public school district facilities by authorizing public school districts to participate in the State Energy Conservation Program. The Board of Investments (BOI) would be authorized to invest up to $50 million of the Coal Severance Tax Permanent Fund in loans to school districts for energy conservation projects. HB 413, as introduced, has no fiscal impact on the BOI, Department of Commerce (DOC), or Office of Public Instruction (OPI).

FISCAL ANALYSIS

Assumptions:

Department of Commerce (DOC)

1. HB 413 amends 17-6-305, MCA, and authorizes the BOI to make up to $50 million in loans from the Permanent Coal Tax Trust Fund to school districts for energy efficiency and conservation projects based upon the energy conservation report provided for in 90-4-605(6), MCA. Loan applications must reference the portion of the report upon which any application to the Board of Investments is based.
2. HB 413 as introduced has no fiscal impact on the operational budgets of the BOI or DOC.

Office of Public Instruction (OPI)

3. HB 413 as introduced has no fiscal impact on the operational budget of OPI.

Department of Environmental Quality (DEQ)

4. The bill would require that the State Building Energy Conservation Program (SBECP) evaluate school energy efficiency projects when a school district applies.
5. The SBECP evaluates state buildings for investments in energy efficiency and has a process in place to conduct the analyses using contracted engineering services with direction from DEQ engineers.
6. The analysis would be used for BOI to make decisions on loans, so the analysis would be of the same quality and cost as analyses completed for state owned buildings, sufficient for making investment decisions.
7. Currently, the DEQ is required to review energy loans for the Board of Investments. DEQ receives fewer than five requests a year for this assistance.
8. The allocation of $50 million in coal severance tax money for energy efficiency projects for public schools will be a substantial increase in work load that would be met largely through contractors with DEQ direction and oversight.
9. DEQ will need staff to write contracts for the energy analyses of school districts that request it. This will involve developing a scope of work pertinent to the school district, selecting contractors, reviewing the work product, and processing payment.
10. The bill requires the department to develop a report for BOI on the energy savings relating to school districts so that they may make loans on the projects. This report will be completed by DEQ staff.
11. DEQ will need 1.00 FTE Engineer and 0.50 FTE Public Ed Specialist to provide the services needed in HB 413.
12. There is no cost to the school district for the analysis provided. Therefore, it is assumed that many schools will take advantage of energy analysis. It is assumed that schools will request energy evaluations more heavily in FY 2010 and FY 2011 and that 15% of schools request assistance in FY 2010, 10% in FY 2011, 8% in FY 2012, and 8% FY 2013.
13. Contract costs for analysis are estimated below. The chart below shows the total number of K-8, K-12, and high schools. It does not include additional athletic facilities, maintenance or teaching shops, office buildings or other special use buildings.

Type of School	Number of Schools	Avg.Cost	Total Cost
K-8	535	$10,000	$5,350,000
K-12	53	$12,000	$636,000
High School	167	$15,000	$2,505,000
			$8,491,000

FY 2010 15% of total	$1,273,650.00
FY 2011 10% of total	$849,100.00
FY 2012 8% of total	$679,280.00
FY 2013 8% of total	$679,280.00

14. It is assumed that the funding source for the analyses will be general fund because there is no provision for using the coal severance tax funds for the analyses.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
FTE	1.50	1.50	1.50	1.50
Expenditures:				
Personal Services	$89,100	$89,100	$91,328	$93,611
Operating Expenses	$1,360,220	$916,507	$748,371	$750,099
TOTAL Expenditures	$1,449,320	$1,005,607	$839,699	$843,710
Funding of Expenditures:				
General Fund (01)	$1,449,320	$1,005,607	$839,699	$843,710
TOTAL Funding of Exp.	$1,449,320	$1,005,607	$839,699	$843,710
Revenues:				
General Fund (01)	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($1,449,320)	($1,005,607)	($839,699)	($843,710)

Effect on County or Other Local Revenues or Expenditures:

Office of Public Instruction

1. Loan payments would be made using existing budget authority out of the school district general fund. The school district could also hold an election to levy for additional budget authority in the general, debt service, or building reserve funds in order to make the loan payments.
2. A school district would be able to pledge up to 50% of the anticipated energy cost savings from an energy conservation project to the repayment of the loan.

Long-Term Impacts:

Department of Environmental Quality

1. The bill would provide energy savings to local school districts if the energy analysis resulted in loans made. The savings would be substantial over the long term for two reasons: (1) the amount of energy used would be reduced, and (2) because less energy would be used the impact of increasing energy costs also would be reduced.

Technical Notes:

Office of Public Instruction

1. Loans would be subject to 20-9-406, MCA, meaning they would count toward the maximum bonded indebtedness of a school district.

Department of Commerce

2. As written it is unclear whether these loans would be included in the 25% allocation of the Coal Tax Trust dedicated to loans for Montana business. If HB 413 loans must be included in that allocation, it will reduce the amount of the Trust available to lend to Montana businesses.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*