Department of Planning and Budget
2009 Fiscal Impact Statement

1. **Bill Number:** SB1245

   House of Origin ___ Introduced ___ Substitute X Engrossed

   Second House X In Committee ___ Substitute ___ Enrolled

2. **Patron:** Stosch

3. **Committee:** Appropriations

4. **Title:** **Virginia Public Building Authority; financing energy performance-based contract projects.**

5. **Summary:** Authorizes the Virginia Public Building Authority (VPBA) to issue bonds in a principal amount not to exceed $50 million for the financing of projects on state-owned buildings that are contracted under an energy performance-based contract. The bill also includes an enactment clause stating that the provisions of the bill will not become effective unless the State Treasurer certifies to the Governor that the bonds authorized in the bill will not negatively impact the Commonwealth's debt capacity.

6. **Fiscal Impact Estimates are preliminary.** See item 8, below.

7. **Budget Amendment Necessary:** Yes. See item 8, below.

8. **Fiscal Implications:** The proposed legislation authorizes VPBA to issue up to $50 million in bonds for the financing of projects on state-owned buildings that are contracted under an energy performance-based contract. Once bonds are issued, the proposed legislation will have an expenditure impact, as funding will need to be appropriated to the Treasury Board for debt service payments. Based on current interest rate assumptions, debt service on $50 million of VPBA bonds financed over a 20-year period would be approximately $4.2 million annually, or approximately $84,000 for each $1 million financed. Generally, debt service must be appropriated in the budget for the fiscal year following the calendar year in which the bonds are sold. VPBA bonds are typically sold in the spring and debt service is included in the budget for the following fiscal year. Bonds are issued on a cash flow basis; VPBA does not issue bonds until the proceeds are needed based on draw schedules developed by the state agencies with approved projects. Bonds issued through VPBA are considered tax-supported debt and impact the Commonwealth's debt capacity; debt service on VPBA bonds is paid from the general fund.

   Currently, 17 agencies and institutions have 44 active projects through the energy performance-based contract program. These projects have a total contract amount of $159 million.

   The bill requires the Governor to provide to VPBA a list of projects financed through the bonds authorized in this proposal. Also, the bill tasks the Department of Mines, Minerals, and Energy (DMME) and the Department of General Services (DGS) with recommending projects for financing through VPBA.

There may be some savings for individual agencies with these projects. As part of the program, the project must result in verifiable savings. Allowing for the financing of these projects through VPBA may make the program more accessible to state agencies and could result in savings for agencies that may otherwise not have participated in the program.

9. **Specific Agency or Political Subdivisions Affected:** Treasury Board, Virginia Public Building Authority, Department of Mines, Minerals and Energy, and the Department of General Services.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** Section 11-34.3, Code of Virginia, establishes the energy performance-based contract program and provides contracting procedures. DGS administers the program. Through the program, a state agency may enter into an energy performance-based contract with an energy performance contractor to significantly reduce energy costs of a state facility through one or more energy conservation or operational efficiency measures.

    Also, the Code allows for the financing of energy efficiency projects of state agencies and institutions through the state's Virginia Energy Leasing Program (VELP). The Treasury Board administers this program. VELP is considered tax-support debt and impacts the Commonwealth's debt capacity.

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cc: Secretary of Finance
Secretary of Commerce and Trade
Secretary of Administration