

## Department of Planning and Budget 2009 Fiscal Impact Statement

**1. Bill Number:** HB1707

House of Origin      X     Introduced                 Substitute                 Engrossed  
Second House                In Committee             Substitute                 Enrolled

**2. Patron:**        Oder

**3. Committee:** General Laws

**4. Title:**        **Energy performance-based contracts; local assistance.**

**5. Summary:** This bill requires the Department of Mines, Minerals and Energy (DMME) to assist localities, upon request, in implementing an energy performance-based contract. The bill also requires DMME to compile information annually concerning the progress of energy efficiency and energy conservation achieved through energy performance-based contracting and post such information on its website. Local governments would have the responsibility of notifying DMME of any existing energy performance-based contract and providing a copy of any energy performance-based contract to DMME within 30 days of entering the contract.

**6. Fiscal Impact Estimates:** Preliminary.

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2009	\$0	0.0	n/a
2010	\$158,441	1.0	GF
2011	\$158,441	1.0	GF
2012	\$158,441	1.0	GF
2013	\$158,441	1.0	GF
2014	\$158,441	1.0	GF
2015	\$158,441	1.0	GF

**7. Budget Amendment Necessary:** Yes, Item 121.

**8. Fiscal Implications:** This bill requires the Department of Mines, Minerals and Energy (DMME) to assist local governments in entering into energy performance-based contracts.

In FY 2008, DMME received funding and authorization for the creation of the Virginia Energy Management Program (VEMP). This program authorized three additional positions to execute state-focused energy efficiency efforts. Currently, these positions are allocated for the management and execution of efficiency efforts in the areas of energy procurement, demand response, and energy performance-contracting involving state facilities. Specifically, there is one position dedicated solely to the responsibilities of overseeing and managing energy performance-contracting involving only state facilities. This bill would require that DMME also assist localities in their efforts to procure and execute energy performance contracting.

There are 95 counties in Virginia, 39 cities and 36 towns for a total of 170 localities that could require DMME's assistance as a result of this bill. This bill would essentially more than double the current workload for the VEMP position currently dedicated to energy-performance contracting. As such, DMME states that the position currently allotted for energy performance contracting cannot absorb the additional workload associated with assisting local governments, and that an additional position is needed.

This position would be responsible for coordinating contacts with contractors and providing technical assistance in getting contracts in place for all 170 localities. In addition, they would be responsible for adhering to the other responsibilities named by this bill, specifically compiling and posting on DMME's website the annual information concerning the progress of energy efficiency and energy conservation achieved through energy performance-based contracting initiatives at the state and local level, and notifying local governments of their responsibilities related to this initiative. DMME expects to be able to absorb any technology costs associated with posting information on their website, and any costs incurred by having to notify local governments of their responsibilities.

DMME estimates the total cost for supporting this new position to be \$158,441 annually, beginning on July 1, 2009. This assumes a personnel cost of \$130,441, including salary and benefits, and an additional cost for travel, mileage, and telecommunication and technology costs, estimated to be \$28,000 annually. DMME anticipates needing this position starting on July 1, 2009 should this bill pass.

The anticipated need for one additional position is based on an interpretation of the bill that DMME would only be responsible for assisting localities in establishing energy performance contracts. Should DMME also be responsible for oversight of implementation of these projects, they expect that additional positions may be needed.

**9. Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals and Energy, local governments.

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

**11. Other Comments:** This bill does not create any funding obligations for the state for the purpose of capital funds needed for energy performance contracting. By their nature, energy performance contracts are constructed in such a way that the initial capital investment is reimbursed through future savings achieved by energy efficiency. For state agencies, restrictions regarding state funds used for these investments may be found under §4-4.01 u. of Chapter 879 of the 2008 Acts of Assembly (Appropriation Act). Funding options for local governments include loans authorized by the Virginia Resources Authority (VRA). Chapters 24 and 613 of the 2008 Acts of Assembly authorized the VRA to finance energy conservation and energy efficiency projects.

**Date:** 1/15/2009 dpbaek

**Document:** G:\FIS\2009 Fiscal Impact Statements\DMME\HB1707.Doc aek

cc: Secretary of Commerce and Trade

Secretary of Finance