NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 95

SHORT TITLE: State Energy Conservation Program

SPONSOR(S): Plexico, Cooper, et. al.

FISCAL IMPACT: **Expenditures:** **Increase ( )** **Decrease ( )**
Revenues: **Increase ( )** **Decrease ( )**
No Impact ( )
No Estimate Available (x**)**

FUNDS AFFECTED: **General Fund ( )** **Highway Fund ( )** **Local Fund ( )**
Other Fund ( )

BILL SUMMARY Permits Secretary of Administration to finance energy conservation measures through lease-purchase agreements, installment contracts, and certificate of participation agreements after determination by the State Treasurer that projected energy savings will be sufficient to service the debt; creates a revolving loan fund to finance technical analysis of energy conservation measures proposed for state facilities; permits the State Treasurer to issue up to $30,000,000 in state bonds to fund energy conservation measures in state facilities, with debt service obligations to be met from energy savings. Bond issues would not be backed by the faith and credit of the state.

EFFECTIVE DATE: July 1, 1993

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED: Department of Administration; Energy Division; State Treasurer; Office of the Governor

FISCAL IMPACT

	FY	FY	FY	FY	FY
EXPENDITURES					
RECURRING					
NON-RECURRING					
REVENUES/RECEIPTS					
RECURRING					
NON-RECURRING					

POSITIONS:

ASSUMPTIONS AND METHODOLOGY: While the legislation provides reasonable assurance that conservation measures will be financed only upon a showing that state government energy costs would be lowered, the amount saved will depend upon the ability of executive agencies to identify opportunities for conservation and their willingness to pursue those opportunities. Thus no reliable estimate of fiscal impact can be provided.

SOURCES OF DATA: Energy Division, Department of Commerce; State Construction Office; Legislative Research Commission Report entitled Ways to Promote the Conservation of Energy and the Use of Renewable Energy Sources in Residential, Commercial, Industrial, and Public Facilities

TECHNICAL CONSIDERATIONS: The attribution of energy cost reductions to a specific energy conservation measure by reference to an agency's budget request poses challenging technical difficulties, especially in a long-term context. Energy consumption is affected by many factors, among them weather conditions. There is no certain way to determine what an agency would spend during the current year (or any future year) in the absence of energy conservation measures, and therefore no certain way to compute savings alleged to have occurred because of conservation measures that may have been installed.

Section 5 of the bill requires the State Planning Office to allocate unspent current year funds from agency "energy budgets" to debt service, and empowers that same Office to allocate funds from a reserve in the Treasurer's Office if unspent funds are insufficient. In this regard the General Assembly may wish to consider three observations: 1) the amount of "unspent funds" cannot be determined until the fiscal year is concluded (2) during the year agencies are permitted to transfer expenditure authority among objects of expenditure, so funds originally intended for energy costs will be spent in other lines as lower energy costs are realized (3) unlike the Office of Budget and Management, the State Planning Office has previously played no formal role in budget execution and has no authority to police budget transfers.

Section 5 requires the Energy Division to obtain approval from the Joint Legislative Commission on Governmental Operations prior to implementing an energy conservation measure. The General Assembly may wish to consider whether that provision meets constitutionality requirements.

RESEARCH DIVISION
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