HB13-1105

Colorado Legislative Council Staff Fiscal Note

STATE
REVISED FISCAL IMPACT

(replaces fiscal note dated January 31, 2013)

Drafting Number:	LLS 13-0435	**Date:**	March 11, 2013
Prime Sponsor(s):	Rep. Tyler; Foote Sen. Schwartz	**Bill Status:**	House Appropriations
		Fiscal Analyst:	Marc Carey (303-866-4102)

TITLE: CONCERNING THE ENERGY SAVING MORTGAGE PROGRAM, AND, IN CONNECTION THEREWITH, DEFINING THE PROGRAM AND THE ENERGY SAVING MORTGAGE PROGRAM FUND, ESTABLISHING PROGRAM REQUIREMENTS, AND PROVIDING AN INCENTIVE TO PUBLIC UTILITIES TO PARTICIPATE IN THE PROGRAM.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures Cash Funds Colorado Energy Saving Mortgage Program Fund	$500,000	
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: None.		

Summary of Legislation

The Colorado Energy Office (CEO) currently administers the Colorado Energy Star mortgage incentive program providing interest rate buy-downs to persons taking out mortgages to finance purchases of new energy efficient homes or improvements that make existing homes more energy efficient. This bill, ***as amended by the House Transportation and Energy Committee***, redefines that program as the Colorado Energy Saving Mortgage program. All energy saving mortgages funded through the program must be funded with contributions from the state, a participating public utility (including investor owned, municipally owned, and cooperative energy associations), and a participating lender, and the CEO may adopt guidelines specifying minimum percentages of total funding for non-state sources. Utilities that participate using demand-side moneys may only use these moneys for savings attributable to energy efficiency improvements. Mortgages financing improvements to existing homes must be approved by CEO, and require an initial energy audit of the home and verification of increased energy efficiency resulting from the improvement.

The amended bill limits the value to borrowers of energy saving mortgages, depending on the homes's expected energy efficiency, measured by the home energy rating system (HERS) index. For new homes with a HERS index score of 0, the maximum value of the mortgage is $8,000. For new homes with a HERS index score between 0 and 50, the maximum value of the mortgage is to be established by CEO guidelines. For improvements to existing homes, the maximum value of the mortgage is to be established by CEO guidelines, up to $8,000.

Participating public utilities may receive credit toward demand-side management goals and any potential future carbon emission goals. Demand side management money contributed by utilities that exceed the cost of the energy efficiency improvements must be accounted for in the utility's demand side management plan and approved by the Colorado Public Utilities Commission (PUC).

Background

Over the past two years, the CEO has partnered with lending institutions to offer Energy Star incentive mortgages, as an extra incentive to buy a new home that meets Energy Star efficiency standards. The incentive mortgage provides a financial benefit to Colorado homebuyers in the form of an interest rate buy-down. The maximum benefit is no more than $5,000 on a $500,000 loan. The program was funded with federal American Recovery and Reinvestment Act money and, according to the CEO, has provided 188 incentive mortgages in slightly more than two years.

State Expenditures

Colorado Energy Office. The amended bill authorizes the CEO to spend any available moneys to fund energy saving mortgages. The new program will be initially capitalized with money from the Clean and Renewable Energy Fund which is continuously appropriated to CEO. Currently, the balance in the Clean and Renewable Energy Fund is nearly $3.3 million.

This fiscal note assumes that the CEO will expend $500,000 in FY 2013-14 to fund the new Colorado Energy Saving Mortgage program. Including contributions from utilities and private lenders, the total amount of mortgage incentives provided through the program will be at least $1.0 million. While it is difficult to know the demand in advance for the various incentive levels, it is anticipated that $8,000 and $4,000 incentives will be the most popular. For example, this incentive level could be reached with 80 $8,000 incentives, 10 $6,000 incentives and 75 $4,000 incentives.

Colorado Public Utilities Commission. In the event that demand side management money contributed by utilities exceed the cost of the energy efficiency improvements the amended bill requires PUC to approve of the treatment of these moneys in the utility's demand side management plan. Because utilities already submit demand-side management plans to the PUC for review and approval, this may be accomplished within existing appropriations.

Departments Contacted

Colorado Energy Office

Regulatory Agencies