

HB

296

<target><bill>HB 296</bill><subject>HB
296</subject><comm>HFIN26</comm></target>

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 296
(H) Publish Date: 1/19/10

Identifier (file name): 0903-DOR-AHFC-1-6-10
Title: AHFC Energy Efficiency Bonds/Revolving Loan
Sponsor: Rules
Requester: Request of Governor
Dept. Affected: Revenue
RDU: Alaska Housing Finance Corp.
Component: Operations
Component Number: 110

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
AHFC Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill will set up an energy efficiency revolving loan fund and authorize AHFC to sell up to \$250 million in bonds to fund the program.

Costs associated with the issuance of these bonds are anticipated to be covered with annual operating budget authorizations. Operational costs for issuing and monitoring these bonds will be done with existing personnel and within the authorized operating budget for FY11 and beyond.

Prepared by: Bryan Butcher, Director, Gov't Relations/Public Affairs
Division: Alaska Housing Finance Corporation
Approved by: Ginger Blaisdell, Director
Administrative Services Division

Phone: 330-8445
Date/Time: 12/30/09 12:00 AM
Date: 1/6/10; 11:37am

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 296
(H) Publish Date: 1/19/10

Identifier (file name): 09030-DOT-SPF-01-04-10 Dept. Affected: DOT&P
Title: Establishing Alaska Energy Revolving Loan Fund etc RDU: Design, engineering & construction
Component: Statewide Public Facilities
Sponsor: _____ Component Number: 2882
Requester: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

Since all this bill does is create the ability for DOT&PF to participate in loan a program, there is no fiscal impact.

Prepared by: Mary Siroky, Legislative Liaison
Division: DOT&PF, Commissioner's Office
Approved by: Frank Richards
Deputy Commissioner, DOT&PF

Phone: 465-4772
Date/Time: 1/4/10 4:00 PM
Date: 1/4/2010

House Bill 296

Sponsor Statement

House Bill 296 will establish an energy efficiency revolving loan fund in the Alaska Housing Finance Corporation and authorize the Corporation to sell up to \$250 million in bonds to fund the program.

The federal ARRA bill appropriated \$28.3 million to Alaska for the State Energy Program. Of that, Governor Parnell recommended spending \$18 million to make energy efficiency improvements to public buildings. Of this, \$10 million would go for energy efficient improvements to state facilities and \$8 million would go for energy efficient improvements to school and municipal facilities.

HB 296 will use this \$18 million to leverage up to \$250 million in bonds to fund the program. The bill also establishes an energy efficiency revolving loan fund in AHFC.

As an example, a municipal government or school district would have an energy audit done on their building. Let's say the building needs \$120,000 to make it more energy efficient and that those improvements would reduce their energy costs by \$20,000 a year. They would take a loan out with AHFC to do the work and then pay the loan back with the funds available due to the savings achieved through the energy efficiency improvements. After the loan is paid back those funds would be available to that government for other purposes or to reduce the size of its budget. This would result in less energy used by public buildings as well as ultimately saving public money.

This type of program has proven to be successful in other states as well as by the Alaska state Department of Transportation and Public Facilities.





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HB 296 Sectional Analysis

Section 1 -

Section 1 amends Alaska Housing Finance Corporation's statutes to add a new section establishing an Alaska energy efficiency revolving loan fund and making AHFC the administrator of this fund. This program would make loans to municipal governments, including subdivisions of municipal governments, or to the Department of Transportation and Public Facilities.

Section 2 -

Section 2 gives the Alaska Housing Finance Corporation the authorization to sell up to \$250 million in bonds and that the funds shall be deposited in the Alaska energy efficiency revolving loan fund established in Section 1.

Section 3 -

Section 3 instructs the revisor of statutes to change the heading of article 6 of AS 18.56 from "Article 6. Energy Conservation" to "Article 6. Energy Efficiency and Conservation Programs."

Section 4 -

Section 4 allows for an immediate effective date.



"HOUSING FOR ALASKANS"



Energy Savings Performance Contracting Summary

Prepared by DOT/PF

- Under an Energy Savings Performance Contract (ESPC), an Energy Savings Contractor (ESCO) is selected through a competitive Request for Proposal process to complete an energy audit, recommend, design and implement Energy Conservation Measures (ECM's), and guarantee energy savings.
- The contractor will first complete an investment grade energy audit that identifies conservation measures, along with their payback periods, and present it to the facilities owner or manager. The manager will select a set of conservation measures that meets their desired financial goals, and will negotiate the implementation cost with the ESCO.
- When selecting the ECM's to be implemented, it is critical to avoid "cherry picking" quick payback measures, such as lighting upgrades, and ignoring longer payback items such as heating and ventilation system upgrades. Since lighting upgrades are typically the quickest payback for an ECM, they can help to offset the cost of a longer payback ECM, such as a boiler upgrade, when accomplished under an ESPC.
- Example: Lighting Upgrade will pay back in 3 years. Boiler Upgrade will pay back in 12 years. Combined the payback will be 7 years. It is also common for an owner to package several buildings together under one agreement to leverage savings in one facility towards another, providing that the buildings have the same funding source. This allows for a greater amount of work to be accomplished.
- Capital funding can be used to fund the entire contract; however, more typically, financing is obtained from either the ESCO or third party financing. The amount financed, plus the interest charges, are paid back over time from the dollar savings that are realized from the reduction in energy consumption. The financing period may range from 8 to 25 years, depending upon the ECM's chosen and the owner's financial requirements (our contract with Siemens utilized third party financing with a payback ranging from 12 to 15 years).
- A combination of capital funding – such as the ARRA energy funds – and financing may be chosen to fund the project. Arizona is leveraging \$10 million in ARRA energy funds with about \$40 million in private financing to accomplish \$50 million in energy efficiency projects in state facilities. This approach will also work for Alaska. Under any of these scenarios, a limited amount of capital or operating funding is required to pay personnel cost to implement the contract.
- The ESCO guarantees that the ECM's will reduce the energy consumption in the facility. If the energy savings are less than what the ESCO guarantees, the ESCO will monetize the difference in guaranteed versus actual savings and will reimburse the owner this amount. Example: ESCO guarantees a savings of 30,000 Btu's, but only 25,000 Btu's are saved, the ESCO will write a check for the cost of the missing

5,000 Btu's. Under some performance contracts, if the energy savings are greater than that which the ESCO guaranteed, the owner is required to share the monetized cost of the excess savings with the ESCO. Our contract with Siemens did not have this language, i.e. excess savings belong to the State.

- The U.S. Department of Energy guidance regarding the ARRA energy funds specifically encourages the use of these funds for energy performance contracting, as a method of leveraging and extending the life of the funds.

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 Component Operations
 Sponsor Rules
 Requester Request of Governor Component Number 110

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 Division: DOT&PF, Commissioner's Office Date/Time 1/4/10 4:00 PM
 Approved by: Frank Richards Date 1/4/2010
Deputy Commissioner, DOT&PF

(Revised 11/6/2009 OMB)