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Final Fiscal Note

Drafting Number:	LLS 22-0058	Date:	July 20, 2022
Prime Sponsors:	Rep. Barnett; Valdez A. Sen. Hansen; Winter	Bill Status:	Signed into Law
		Fiscal Analyst:	Christina Van Winkle 303-866-6289 Christina.VanWinkle@state.co.us

Bill Topic: BUILDING GREENHOUSE GAS EMISSIONS

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires the Colorado Energy Office and the Department of Local Affairs to convene an Energy Code Board to develop a model electric ready and solar ready code and a model low energy and carbon code for adoption by counties, municipalities, and state agencies. It also creates two grant programs to provide funding for high efficiency electric equipment. Beginning in FY 2022-23, the bill increases state and local government expenditures.

Appropriation Summary: No appropriation is required. The Energy Fund and the Clean Air Building Investment Fund are continuously appropriated to the Colorado Energy Office.

Fiscal Note Status: The fiscal note reflects the enacted bill.

**Table 1
State Fiscal Impacts Under HB 22-1362**

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	Cash Funds	\$6.3 million	\$6.3 million
	Total Expenditures	\$6.3 million	\$6.3 million
	Total FTE	2.6 FTE	2.6 FTE
Transfers	General Fund	(\$25 million)	-
	Cash Funds	\$25 million	-
	Net Transfer	\$0	-
Other Budget Impacts		-	-

Summary of Legislation

The bill requires the Colorado Energy Office (CEO) and the Department of Local Affairs (DOLA) to appoint and convene an Energy Code Board (board), by October 1, 2022, to develop both a model electric ready and solar ready code by June 1, 2023, and a model low energy and carbon code by June 1, 2025, for adoption by counties, municipalities, and state agencies. The CEO will also identify model green code language for voluntary adoption by July 1, 2024. The CEO and DOLA will include an update regarding the effectiveness of the board in its 2027 Smart Act hearings. It also creates two grant programs in the CEO to provide funding for state and local governments, utilities, non-profit organizations, and housing developers to purchase high-efficiency electric equipment.

State agency model code adoption. By January 1, 2025, the following state agencies must adopt and enforce an energy code that is at least as stringent as the 2021 International Energy Conservation Code and the model electric and solar ready code developed by the board:

- the Office of State Architect (OSA) in the Department of Personnel and Administration;
- the Division of Housing (DOH) in the Department of Local Affairs; and
- the Division of Fire Protection and Control (DFPC) in the Department of Public Safety.

By January 1, 2030, these agencies must adopt and enforce an energy code that meets or exceeds energy and carbon emissions performance of the model low energy and carbon code. The OSA energy code applies to the construction by state agencies on state-owned or leased properties. The DOH energy code applies to factory-built structures, manufactured homes, as well as hotels, motels, and multi-family structures in areas of the state where no construction standards exist. The DFPC energy code applies to certain school buildings and health facilities.

Boards of county commissioners and governing bodies of municipalities are required to adopt and enforce an energy code that achieves equivalent or better energy and carbon emissions performance than the model codes when updating building codes on or after July 1, 2023.

Energy code training and support. The CEO will provide energy code training and technical assistance in multiple languages to assist local governments, state agencies, builders, and contractors in adopting and implementing the energy codes, and will award grants to local governments to support their adoption and enforcement of energy codes. The bill transfers \$4.15 million from the General Fund to the Energy Fund to provide grants to local governments (up to \$2 million), training and technical assistance to local governments and state agencies (up to \$1 million), training to assist architects, builders, contractors, and designers in implementing the energy codes (up to \$1 million), and to administer the Energy Code Board (\$150,000).

Building Electrification for Public Buildings Grant Program. The bill creates the Building Electrification for Public Buildings Grant Program in the CEO. Local governments, school districts, state agencies, special districts are eligible to receive funding to install high-efficiency electric heating equipment for space heating, water heating, or cooking.

High Efficiency Electric Heating and Appliances Grant Program. The bill creates the High Efficiency Electric Heating and Appliances Grant Program. Local governments, utilities, non-profit organizations, and housing developers are eligible to receive funding to install high efficiency electric heating equipment in multiple structures within a neighborhood.

Grant program funding. The bill creates the Clean Air Buildings Investment Fund (fund), which is continuously appropriated to the CEO, to create, implement and administer the grant programs. The bill transfers \$20.85 million from the General Fund to the fund, and authorizes the CEO to use \$10 million for the Building Electrification for Public Buildings Grant Program, and \$10.85 million for the High-Efficiency Electric Heating and Appliances Grant Program.

State Transfers

In FY 2022-23, the bill transfers \$25 million from the General Fund, of which:

- \$4.15 million is transferred to the Energy Fund; and
- \$20.85 million is transferred to the Clean Air Buildings Investment Fund.

State Expenditures

Beginning in FY 2022-23, the bill increases state expenditures in the CEO by around \$6.3 million annually from multiple fund sources. It is assumed that spending on model code development will occur over two years through FY 2023-24, and grant program spending will extend for five years, through FY 2026-27. Expenditures are shown in Table 2 and detailed below.

**Table 2
Expenditures Under HB 22-1362**

	FY 2022-23	FY 2023-24
Colorado Energy Office - Model Code Development		
Personal Services	\$99,866	\$99,866
Operating Expenses	\$1,350	\$1,350
Capital Outlay Costs	\$6,200	-
Consultant Costs	\$50,000	\$100,000
Grants Management Software	\$10,000	\$10,000
Grants and Technical Assistance	\$1,866,701	\$1,866,701
Centrally Appropriated Costs	\$18,983	\$18,983
FTE – Personal Services	1.0 FTE	1.0 FTE
Model Code Subtotal	\$2,053,100	\$2,096,900
Colorado Energy Office - Grant Programs		
Personal Services	\$132,504	\$132,504
Operating Expenses	\$2,160	\$2,160
Capital Outlay Costs	\$12,400	-
Consultant Costs	\$390,000	\$390,000
Grant Management Software	\$10,000	\$10,000
Grant Funding	\$3,670,195	\$3,670,195
Centrally Appropriated Costs	\$27,919	\$27,919
FTE – Personal Services	1.6 FTE	1.6 FTE
Grant Program Subtotal	\$4,245,178	\$4,232,778
Total	\$6,298,278	\$6,329,678
Total FTE	2.6 FTE	2.6 FTE

Colorado Energy Office. The Colorado Energy Office will hire staff and outside consultants to administer the model code provisions and grant programs created in the bill, as outlined below.

Model Energy Codes

- **Personnel costs.** The CEO will require 1.0 FTE project manager to issue requests for proposal and manage contracts for energy code training and technical assistance. The project manager will also manage local government grant programs and contract with an outside consultant to facilitate the Energy Code Board. Standard capital and operating costs are included.

- **Consultant costs.** The CEO will hire an outside consultant at an estimated cost of \$50,000 in FY 2022-23 and \$100,000 in FY 2023-24 to facilitate the Energy Code Board and provide recommendations to the CEO on the model voluntary green code language.
- **Grant management software.** The CEO will require \$10,000 in FY 2022-23 and FY 2023-24 to administer the grant program to local governments to support the adoption and enforcement of energy codes.
- **Grant and technical assistance funding.** After accounting for administrative and consultant costs, around \$3.7 million remains available to provide grants and technical assistance. This fiscal note assumes these funds will be spent over two fiscal years.

Other state agencies. The Department of Personnel and Administration, the Department of Public Safety, and the Department of Local Affairs will incur workload impacts to adopt and enforce the new energy codes.

High Efficiency Electric Equipment Grant Programs

- **Personnel costs.** The CEO will require 1.6 FTE annually beginning in FY 2022-23 to design and implement the two high efficiency electric equipment grant programs, and oversee third-party contractors. Staff will establish program policies and procedures, approve grant applications, provide technical guidance and stakeholder coordination, assist with outreach and marketing strategies, manage contractors and program budgets, process invoices, and fulfill tracking and reporting requirements.
- **Consultant costs.** The CEO will hire outside consultants estimated at \$390,000 annually to administer the two grant programs, provide technical support services to eligible public sector participants, assist in selecting grant awardees, and monitor and track grantees to ensure funds reduce energy use, environmental impacts, and operating costs.
- **Grant management software.** The CEO will require \$10,000 per year to administer two grant programs.
- **Grant funding.** After accounting for administrative costs for the two grant programs, around \$18.4 million remains available to disburse as grants to eligible recipients. This fiscal note assumes that funding will be evenly distributed annually until the grant programs are repealed.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Local Government

Counties and municipalities will incur costs to adopt and enforce energy codes, including costs for the adoption process, legal review, training of building inspectors, and increased questions from permit applicants. Costs to adopt energy codes are estimated to range from \$10,000 for local governments with existing up-to-date code to \$150,000 for local governments that will be adopting energy codes for the first time. In addition, local governments will incur staff costs to enforce these energy codes, which are not estimated here. These costs may be mitigated by technical assistance and grant funding provided by the CEO.

Local governments that apply for and are awarded grant funding to purchase and install high efficiency electric equipment will incur workload and expenditure impacts.

Effective Date

This bill was signed into law by the Governor and took effect on June 2, 2022.

State Appropriations

No appropriation is required. The Energy Fund and the Clean Air Building Investment Fund are continuously appropriated to the CEO.

State and Local Government Contacts

Colorado Energy Office
Law
Personnel

Counties
Local Affairs
Public Safety

Information Technology
Municipalities