JOINT
BUDGET
COMMITTEE

STAFF FIGURE SETTING
FY 2023-24

OFFICE OF THE GOVERNOR

(Colorado Energy Office)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
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HOW TO USE THIS DOCUMENT

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is provided for each division, but the description of incremental changes is not repeated, since it is available under the Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables.

Decision items, both department-requested items and staff-initiated items, are discussed either in the Decision Items Affecting Multiple Divisions or at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

In some of the analysis of decision items in this document, you may see language denoting certain 'levels of evidence', e.g. theory-informed, evidence-informed, or proven. For a detailed explanation of what is meant by 'levels of evidence', and how those levels of evidence are categorized, please refer to Section 2-3-210 (2), C.R.S.

DEPARTMENT OVERVIEW

The Office of the Governor (Division) oversees operation of the executive branch of state government including coordination, direction, and planning of agency operations. The Office represents the State, and serves as a liaison with local and federal governments. This division includes the core functions of a traditional executive director's office and the Colorado Energy Office.

The Colorado Energy Office (CEO) was established in statute in H.B. 08-1025 and pursuant to Section 24-38.5-101, C.R.S., the office's mission is to:

- Support Colorado's transition to a more equitable, low-carbon, and clean energy economy and promote resources that reduce air pollution and greenhouse gas emissions;
- Promote economic development and high quality jobs in Colorado through advancing clean energy, transportation electrification, and other technologies that reduce air pollution and greenhouse gas emissions;
- Promote energy efficiency;
- Promote an equitable transition toward zero emission buildings;
- Promote an equitable transition to transportation electrification, zero emission vehicles, transportation systems, and land use patterns that reduce energy use and greenhouse gas emissions;
- Increase energy security;
- Support lower long-term consumer costs and support reduced energy cost burden for lower-income Coloradans; and
- Protect the environment and public health.

CEO is also instrumental in coordinating Colorado's Greenhouse Gas Pollution Reduction Roadmap (GHG Roadmap). Released in January 2021, the GHG Roadmap is based on H.B. 19-1261 (Climate Action Plan) which sets targets to reduce statewide GHG pollution from 2005 levels by 26.0 percent by 2025, 50.0 percent by 2030, and 90.0 percent by 2050. To achieve these goals, CEO works with agencies throughout the state to meet the goals set by the GHG Roadmap, and also manages various statewide programs aimed at reducing emissions, electrifying transportation, increasing energy efficiency in public buildings, and providing assistance to qualified households to reduce energy expenditures.

Some of the programs that CEO manages include:

- Charge Ahead Colorado;
- EV Corridors and EV Plazas;
- Clean Truck Strategy;
- ReCharge Colorado;
- Energy Performance Contracting;
- Industrial Strategic Energy Management;
- Renewable Energy Upgrade Loan;
- Weatherization Assistance Program; and
- Community Access Enterprise.

COLORADO ENERGY OFFICE

SUMMARY OF STAFF RECOMMENDATIONS

Colorado Energy Office	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2022-23 Appropriation						
HB 22-1329 (Long Bill)	$43,294,630	$5,705,653	$33,836,249	$0	$3,752,728	37.8
Other legislation	(1,343,405)	(1,396,309)	0	52,904	0	0.9
TOTAL	**$41,951,225**	**$4,309,344**	**$33,836,249**	**$52,904**	**$3,752,728**	**38.7**
FY 2023-24 Recommended Appropriation						
FY 2022-23 Appropriation	$41,951,225	$4,309,344	$33,836,249	$52,904	$3,752,728	38.7
CEO R1 EPC feasibility study	750,000	750,000	0	0	0	0.0
Centrally appropriated line items	448,486	448,486	0	0	0	0.0
Indirect cost adjustment	62,057	(63,213)	0	0	125,270	0.0
Technical adjustments	(138,138)	0	(138,138)	0	0	0.0
Prior year legislation	(37,527)	(31,327)	0	(6,200)	0	0.2
TOTAL	**$43,036,103**	**$5,413,290**	**$33,698,111**	**$46,704**	**$3,877,998**	**38.9**
INCREASE/(DECREASE)	**$1,084,878**	**$1,103,946**	**($138,138)**	**($6,200)**	**$125,270**	**0.2**
Percentage Change	2.6%	25.6%	(0.4%)	(11.7%)	3.3%	0.5%
FY 2023-24 EXECUTIVE REQUEST	**$43,066,825**	**$5,571,752**	**$33,698,111**	**$46,704**	**$3,750,258**	**38.8**
Request Above/(Below) Recommendation	$30,722	$158,462	$0	$0	($127,740)	(0.1)

DESCRIPTION OF INCREMENTAL CHANGES

CEO R1 EPC FEASIBILITY STUDY: The recommendation includes a one-time increase of $750,000 General Fund in FY 2023-24 to hire a third-party contractor to conduct a feasibility study on state facilities on the potential for entering into energy performance contracts. These contracts would provide state agencies with the ability to reduce energy and water consumption and costs without needing capital financing for building improvements up front.

CENTRALLY APPROPRIATED LINE ITEMS: The recommendation includes an increase of $448,486 General Fund for adjustments to centrally appropriated line items.

Centrally Appropriated Line Items	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Legal services	$389,779	$389,779	$0	$0	$0	0.0
Prior year salary survey	53,169	53,169	0	0	0	0.0
Leased space	4,751	4,751	0	0	0	0.0
Vehicle lease payments	787	787	0	0	0	0.0
TOTAL	**$448,486**	**$448,486**	**$0**	**$0**	**$0**	**0.0**

INDIRECT COST ADJUSTMENT: The recommendation includes net adjustments to indirect costs in this subdivision, including a refinancing of the General Fund amount in this line item to federal funds.

TECHNICAL ADJUSTMENTS: The recommendation includes a net decrease of $138,138 cash funds from the Community Access Enterprise Fund for adjustments to the enterprise's legal services expenditures.

PRIOR YEAR LEGISLATION: The recommendation includes a net decrease of $37,527 total funds including $31,327 General Fund and an increase of 0.2 FTE for FY 2023-24.

PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB22-1249 Elec grid resil	$7,490	$7,490	$0	$0	$0	0.1
HB22-1013 Microgrids comm resil	6,905	6,905	0	0	0	0.1
SB22-206 Disaster prep. and recov.	(30,722)	(30,722)	0	0	0	0.0
SB22-118 Encourage geothermal use	(15,000)	(15,000)	0	0	0	0.0
HB22-1304 Affordable housing grants	(6,200)	0	0	(6,200)	0	0.0
TOTAL	**($37,527)**	**($31,327)**	**$0**	**($6,200)**	**$0**	**0.2**

MAJOR DIFFERENCES FROM THE REQUEST

The recommendation is consistent with the request.

DECISION ITEMS – COLORADO ENERGY OFFICE

➔ R1 EPC FEASIBILITY STUDIES

REQUEST: The request includes a one-time increase of $750,000 General Fund in FY 2023-24 to hire a third-party contractor to conduct a feasibility study on state facilities on the potential for entering into energy performance contracts. These contracts would provide state agencies with the ability to reduce energy and water consumption and costs without needing capital financing for building improvements up front.

RECOMMENDATION: Staff recommends approving an increase of $750,000 General Fund for FY 2023-24.

EVIDENCE LEVEL: The Department indicated that this request item is evidence-informed, and staff agrees with this designation. **When a request item is designated 'evidence-informed' it means that the program "reflects a moderate, supported, or promising level of confidence related to the effectiveness, ineffectiveness, or harmfulness as determined by an evaluation with a comparison group, multiple pre- and post-evaluations, or an equivalent measure." (Section 2-3-210 (2)(a), C.R.S.)**

ANALYSIS:

ENERGY PERFORMANCE CONTACTING

Energy performance contracting (EPC) is an idea that got its start in the 1980s when Energy Service Companies (ESCOs) were established to provide the infrastructure for utilities to meet federal and state mandates and offer energy conservation services. From this beginning, EPCs began to emerge when ESCOs began bidding on pieces of utilities' integrated resource plans to provide services that were funded by the ESCOs. The cost of those services were then repaid by the utilities over time through the realized savings as a result of the improvements to the buildings that the ESCOs implemented.[1]

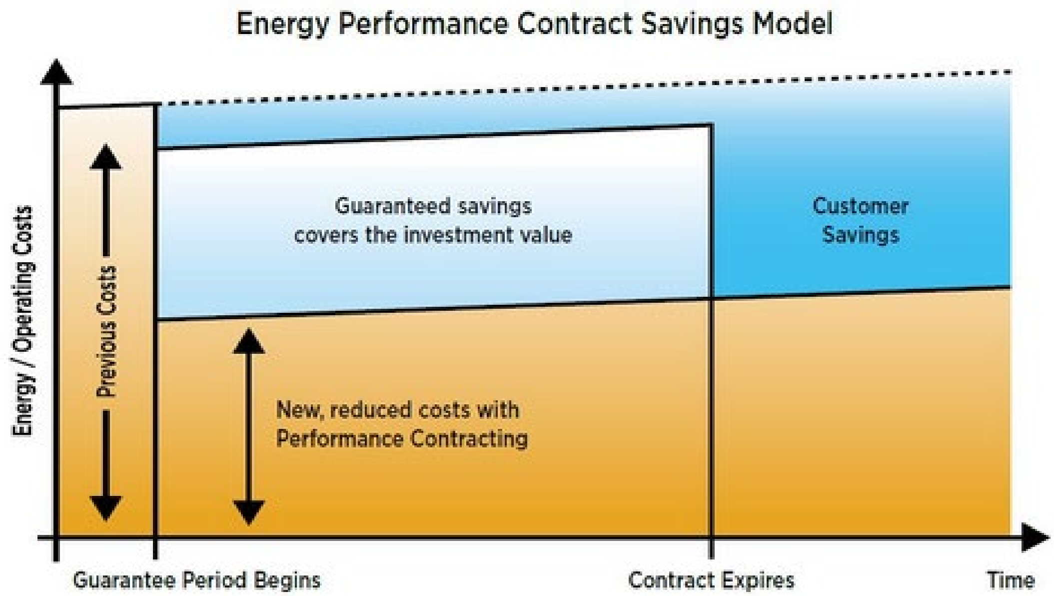
An EPC is a contract wherein some entity (the State in our case) contracts the service of an ESCO to make improvements to entity-owned buildings with the goal of reducing energy and water usage over time. Buildings targeted for improvements and upgrades are typically older buildings with aging energy and water infrastructure – which usually means less efficient in energy and water consumption.

Once the improvements have been made, the entity will then pay back the ESCO using the savings from the reduced energy and water consumption. In essence, this is a form of financing where the funding to perform the building improvements is not required at the beginning of the project, but is paid over a specified payback period.

EPC contracts are structured in such a way that it is a win-win for both the ESCO and the entity contracting them to make the improvements. Once the improvements have been made, the entity realizes cost savings from the higher-efficiency equipment. They use most, but not all, of those cost savings to repay the ESCO over a set period of time while still seeing reduced costs overall. Once the

[1] https://www.energystar.gov/ia/partners/spp_res/Introduction_to_Performance_Contracting.pdf

contract period is over, then the entity can realize the full cost savings. The following graphic is a good representation of this explanation.



Source: https://www.imt.org/how-external-financing-can-unlock-energy-savings-for-retailers-part-1/

EPC IN COLORADO

Since 1996, the State has engaged in 23 total EPC projects in various departments. All but two of these projects were initiated between 2003 and 2013. The other two were initiated in 1996 and 2019. This lack of consistency in starting EPC projects comes from fluctuations in available funding for EPC grants. During the 2008-2013 period, the State had funding through the American Recovery and Reinvestment Act (ARRA), and many departments took advantage of that by initiating EPC projects.

Many of the projects started in the 2008-2013 window are now nearing the end of their payback periods because the State typically agrees to 15-year terms in their contracts with ESCOs. As a result, they are in a good position to enter into new contracts to make further building improvements. The following tables show when departments entered into EPCs, and how much annual savings they have realized since the building improvements were installed.

	Year EPC Signed												
State Agency	1996	2003	2005	2006	2007	2008	2009	2010	2011	2012	2013	2019	Total
CDA									1				1
CDE							1	1					2
CDHS			3	1	2	1			1	1			9
CDOC								1	2		1		4
CDOT										1			1
CDPA		1	1			1				1		1	5

	Utility Savings			Estimated Cost Savings*		
State Agency	kWh	Therms	kGal	kWh ($)	Therms ($)	kGal ($)
CDA	1,430,539	22,398	2,600	$207,714	$9,716	$9,100
CDE	668,017	90,050		$96,996	$39,064	$0
CDHS	9,003,948	329,036	89,125	$1,307,373	$142,736	$311,938
CDOC	14,787,181	886,947	83,997	$2,147,099	$384,758	$293,990
CDOT	323,567	97,431	680	$46,982	$42,266	$2,380
CDPA	2,525,331	0	521	$366,678	$0	$1,824

While the above data represent estimated savings per year, the Office provided actual total cost vs. savings data for these projects. The following table illustrates the cost and estimated realized savings as a result of past EPC contracts.

Annual and Total Utility and Cost Savings			
		Total Annual Savings	Total Lifetime Savings
Electricity			
	kWh	28,738,583	431,078,745
	Dollars	$3,008,973	$45,134,590
Gas			
	Therm	1,414,630	21,219,450
	Dollars	$1,599,503	$23,992,543
Water			
	kGal	176,923	2,653,845
	Dollars	$610,131	$9,151,958
Total Savings		**$5,218,606**	**$78,279,090**
Total Contract Cost			$76,869,901
Net Savings			$1,409,189

To achieve those savings, the various departments entered into contracts worth $76,279,090. That amount was financed up front by the ESCOs that implemented the changes, and then paid back with the utility savings or are in the closing years of the payback period. Once the contract amount is paid back, the departments will then reap the full savings that has resulted from the energy and water saving infrastructure.

As is shown in these tables, the primary metrics used to evaluate prior EPCs and future feasibility studies are utility and cost savings in kilowatt hours (kWh), Therms, and kilogallons (kGal). However, there are other metrics that are also used, including operational and maintenance costs, potential changes to utility rate design, and avoided capital expenses.

In looking at all these factors in the feasibility studies, CEO indicates that buildings with the potential for more than 20.0 percent reductions in utility use and cost are the best candidates for EPC projects, as those will provide enough savings to reduce the payback period below 25 years

REQUEST

CEO is asking for a one-time General Fund appropriation of $750,000 to hire a third-party contractor to conduct a feasibility study to identify state-owned buildings where EPCs are financially viable and likely to produce significant reductions in energy and water consumption.

Seeing as most prior EPC projects that have included state-owned buildings have been undertaken by individual agencies, this request represents the first attempt to engage in EPCs statewide. It also represents the first step in a three-step process to carry out EPC projects.

The first step is the feasibility study which, according to the office, will serve as proof of concept to attract proposals from ESCOs to invest in the project. Prior to this feasibility study, however, the Office will conduct an analysis to determine which state facilities should be included in the feasibility study. The goal of this analysis is to find those buildings with the most need for upgrades, and that have the most potential savings to be most attractive to ESCOs.

Currently, the Office has set a goal to include approximately 3,750,000 square feet, or 16.0 percent, of state facilities in the feasibility study. This number comes from looking at the building in each department that has the highest energy use intensity. When multiplying the square footage by feasibility studies' market rate of $0.20 per square foot, the cost comes out to $750,000.

Once an ESCO has signed on to the EPC project, they will then carry out the second step – an investment grade audit to determine exactly which energy and water improvement opportunities exist at each location, and what the pricing structure of the contract will look like. Once the Office and the ESCO agree on terms, the ESCO will implement the agreed upon improvements. CEO indicates that the total timeframe, from finalizing the agency building list to completion of upgrades, will take approximately 1.5-2 years.

This funding is only a one-time request because after an ESCO signs on to complete the project, they will pay for the audit and the installation of building upgrades. Each agency is then allowed to repay their portion of the EPC through cost savings realized from the upgrades and appropriated through operating expense line items.[2]

RECOMMENDATION

In reviewing the literature on energy performance contracting, staff found broad agreement that energy performance contracting generally works as intended to greater or lesser degrees. Most of the research centered on how to establish baseline energy usage for a particular building[3], what factors are important when attempting to implement EPC in government[4], and the different ways that EPC can be implemented in different settings.[5] The articles referenced here are a but a very small collection of the growing body of evidence for the potential use of EPC to save utility and cost. Staff was unable to find any literature that showed that EPC was ineffective in saving water, energy, or cost.

[2] Section 24-30-2003 (5), C.R.S.

[3] Measurement and Verification for multiple buildings: An innovative baseline model selection framework applied to real energy performance contracts

[4] What encourages local authorities to engage with energy performance contracting? Evidence from German municipalities

[5] Application of energy performance contracts for rural remote areas electrification

In thinking about what level of evidence this request item should be assigned, staff felt it prudent to agree with the department that it is evidence-informed as opposed to proven not because there is a lack of evidence that shows that EPC works, but because there are still some aspects of EPC that, if not carefully considered, could cause a project to fail.

In this sense, failure is the same as not saving money because the goal of EPC is to save the contracting entity money so that it can repay the ESCO for the implemented upgrades. If the contracting entity saves no money, then it has to pay the ESCO back out of its own pocket, so to speak.

One of the most important aspects of EPC that needs to be carefully considered is the method by which the savings are measured and verified. There are several different methods that could be used to measure and verify savings, including short-term metering of key parameters, short-term metering of all parameters, long-term utility data, long-term calibrated simulation, and inspection and engineering calculations. The first two methods are less than ideal because they typically measure water and energy meters for about 2 weeks and then extrapolate savings from those numbers. This is problematic because of seasonal changes and changes in behavior depending on the uses of the building. The last two methods are also problematic because they don't use data from utility meters, rather they use simulated metering and calculations to estimate cost savings. The middle method – long-term utility data – is the most effective way to measure and verify because it uses utility meter data over a period up to a year. This method is able to capture weekdays, weekends, seasonal changes, and any behavioral changes of the occupant if those are expected to repeat year after year.[6]

Based on the documentation that the Office provided, which outlines the rules and guidelines that the ESCO's must follow, using long-term utility data is the method that the ESCO must use to measure and verify the savings that result from the retrofits.

It is staff's belief that the Office has a robust framework in place to ensure that ESCOs adhere to the rules of the contracts, and that they estimate their cost savings in good faith using the best available method. For these reasons, staff recommends funding this request.

[6] Dude, Where's my Savings: An Investigation of Project Performance

LINE ITEM DETAIL — (1) OFFICE OF THE GOVERNOR

COLORADO ENERGY OFFICE

PROGRAM ADMINISTRATION

This line item provides funding for a variety of energy efficiency and innovative energy programs throughout the state.

STATUTORY AUTHORITY: Sections 24-37.5-101 to 604, C.R.S.

REQUEST: The Office requests an appropriation of $7,358,702 total funds, including $3,680,312 General Fund, and 28.0 FTE for FY 2023-24. The request includes funding for the Office's prioritized request, adjustments to centrally appropriated line items, and annualizations from prior year legislation.

RECOMMENDATION: **Staff recommends the appropriation outlined in the following table.**

OFFICE OF THE GOVERNOR, COLORADO ENERGY OFFICE, PROGRAM ADMINISTRATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION						
HB 22-1329 (Long Bill)	$6,451,251	$2,819,565	$0	$0	$3,631,686	27.0
Other legislation	111,087	58,183	0	52,904	0	0.9
TOTAL	**$6,562,338**	**$2,877,748**	**$0**	**$52,904**	**$3,631,686**	**27.9**
FY 2023-24 RECOMMENDED APPROPRIATION						
FY 2022-23 Appropriation	$6,562,338	$2,877,748	$0	$52,904	$3,631,686	27.9
CEO R1 EPC feasibility study	750,000	750,000	0	0	0	0.0
Centrally appropriated line items	53,169	53,169	0	0	0	0.0
Prior year legislation	(37,527)	(31,327)	0	(6,200)	0	0.2
TOTAL	**$7,327,980**	**$3,649,590**	**$0**	**$46,704**	**$3,631,686**	**28.1**
INCREASE/(DECREASE)	**$765,642**	**$771,842**	**$0**	**($6,200)**	**$0**	**0.2**
Percentage Change	11.7%	26.8%	n/a	(11.7%)	0.0%	0.7%
FY 2023-24 EXECUTIVE REQUEST	**$7,358,702**	**$3,680,312**	**$0**	**$46,704**	**$3,631,686**	**28.0**
Request Above/(Below) Recommendation	$30,722	$30,722	$0	$0	$0	(0.1)

LOW-INCOME ENERGY ASSISTANCE

This appropriation reflects the primary state fund created pursuant to Section 40-8.7-112 (3)(a), C.R.S that provides funding for comprehensive energy efficiency retrofits aimed at reducing energy consumption and lowering energy costs for qualifying, low-income individuals and families throughout all 64 counties of Colorado. Fund revenue comes from fees on weatherization utility contracts and from a monthly charge on all investor-owned utilities. Money in the Fund is continuously appropriated to CEO.

STATUTORY AUTHORITY: Section 40-8.7-112 (3)(a), C.R.S.

REQUEST: The Office requests a continuation informational appropriation of $11,524,618 cash funds from the Low-income Energy Assistance Fund for FY 2023-24.

RECOMMENDATION: **Staff recommends approving the request.**

ENERGY PERFORMANCE FOR BUILDINGS

This appropriation is used to implement the building performance program to assist building owners to increase energy efficiency and reduce greenhouse gas emissions from their buildings, including by providing outreach, training, technical assistance, and grants to building owners to help their buildings come into compliance with the building performance program. It reflects the primary state fund created pursuant to Section 24-38.5-112, C.R.S. The money in the fund comes from an annual fee of $100 per covered building – defined as any building in excess of 50,000 square feet, and may be used to fund the administrative costs of the program and is continuously appropriated.

STATUTORY AUTHORITY: Section 24-38.5-112, C.R.S.

REQUEST: The Office requests a continuation informational appropriation of $1,300,000 cash funds from the Climate Change Mitigation and Adaptation Fund and 2.0 FTE for FY 2023-24.

RECOMMENDATION: **Staff recommends approving the request.**

CANNABIS RESEARCH OPTIMIZATION PROGRAM

This line item provides funding for assessment financing, grants, credit enhancement offerings, and direct incentives to producers to reduce energy and water use, promote renewable energy, and encourage sustainable practices in cannabis operations. Money in the fund comes from General Fund transfers.

STATUTORY AUTHORITY: Sections 24-38.5-117, C.R.S.

REQUEST: The Office requests a continuation appropriation of $500,000 General Fund and 0.6 FTE for FY 2023-24.

RECOMMENDATION: **Staff recommends approving the request.**

ELECTRIC VEHICLE CHARGING STATION GRANTS

This line item provides funding for grants for the development of electric vehicle charging stations throughout the state. Moneys for the program are subject to the provisions outlined in H.B. 13-1110 (Special Fuel Tax & Electric Vehicle Fee). The legislation altered the revenue collected from vehicles propelled by plug-in electricity by requiring the payment of an annual fee of $50. County clerk and recorders are required to collect the $50 decal fee for plug-in electric vehicles and remit the money to the State Treasurer. Of the $50, $30 is deposited into the Highway Users Tax Fund (HUTF) and $20 into the Electric Vehicle Grant Fund, managed by the Colorado Energy Office. S.B. 21-260 changed the Electric Vehicle Grant Fund to be continuously appropriated and is thus included in the Long Bill for informational purposes only.

STATUTORY AUTHORITY: Section 24-38.5-103, C.R.S.

REQUEST: The Office requests a continuation informational appropriation of $1,036,204 cash funds from the Electric Vehicle Grant Fund for FY 2023-24.

RECOMMENDATION: **Staff recommends approving the request.**

LEGAL SERVICES

This line item provides funding for the legal representation for the Office that is provided by the Department of Law. The appropriation is based on the blended hourly rate, as set by the Committee every year, and the number of hours required.

STATUTORY AUTHORITY: Section 24-38.5-102.4, C.R.S.

REQUEST: The Office requests an appropriation of $949,273 total funds, including $896,895 General Fund for FY 2023-24 to purchase legal services from the Department of Law.

RECOMMENDATION: **Staff's recommendation is pending Committee action on the legal services common policy for FY 2023-24.** Final Department of Law rate recommendations will be presented to the Committee via a memo at the end of the figure setting process. Staff will incorporate the Committee's action into the Long Bill. The following table summarizes the calculations for the Office's request.

OFFICE OF THE GOVERNOR, COLORADO ENERGY OFFICE, LEGAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION						
HB 22-1329 (Long Bill)	$544,708	$492,330	$0	$0	$52,378	0.0
Other legislation	14,786	14,786	0	0	0	0.0
TOTAL	**$559,494**	**$507,116**	**$0**	**$0**	**$52,378**	**0.0**
FY 2023-24 RECOMMENDED APPROPRIATION						
FY 2022-23 Appropriation	$559,494	$507,116	$0	$0	$52,378	0.0
Centrally appropriated line items	389,779	389,779	0	0	0	0.0
TOTAL	**$949,273**	**$896,895**	**$0**	**$0**	**$52,378**	**0.0**
INCREASE/(DECREASE)	**$389,779**	**$389,779**	**$0**	**$0**	**$0**	**0.0**
Percentage Change	69.7%	76.9%	n/a	n/a	0.0%	n/a
FY 2023-24 EXECUTIVE REQUEST	**$949,273**	**$896,895**	**$0**	**$0**	**$52,378**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

VEHICLE LEASE PAYMENTS

This line item provides funding for the annual payment to the Department of Personnel for the cost of administration, loan repayment, and lease-purchase payments for new and replacement motor vehicles.

STATUTORY AUTHORITY: Section 24-30-1104 (2), C.R.S.

REQUEST: The Office requests an appropriation of $4,940 General Fund for FY 2023-24.

RECOMMENDATION: **Staff recommends the appropriation outlined in the following table, consistent with the Committee decision for this common policy.**

OFFICE OF THE GOVERNOR, COLORADO ENERGY OFFICE, VEHICLE LEASE PAYMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION						
HB 22-1329 (Long Bill)	$4,153	$4,153	$0	$0	$0	0.0
SB 23-116 (Supplemental)	$0	$0	$0	$0	$0	0.0
TOTAL	**$4,153**	**$4,153**	**$0**	**$0**	**$0**	**0.0**
FY 2023-24 RECOMMENDED APPROPRIATION						
FY 2022-23 Appropriation	$4,153	$4,153	$0	$0	$0	0.0
Centrally appropriated line items	787	787	0	0	0	0.0
TOTAL	**$4,940**	**$4,940**	**$0**	**$0**	**$0**	**0.0**
INCREASE/(DECREASE)	**$787**	**$787**	**$0**	**$0**	**$0**	**0.0**
Percentage Change	19.0%	19.0%	n/a	n/a	n/a	n/a
FY 2023-24 EXECUTIVE REQUEST	**$4,940**	**$4,940**	**$0**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

LEASED SPACE

This line item provides funding to the Office to pay for leased space. The Office currently occupies 8,261 square feet of space at 1600 Broadway in Denver.

STATUTORY AUTHORITY: Sections 24-1-105, 24-1-107, 24-1-109, 24-4-103, and 24-38.5-101, C.R.S.

REQUEST: The Office requests an appropriation of $331,143 General Fund for FY 2023-24.

RECOMMENDATION: **Staff recommends the appropriation outlined in the following table.**

OFFICE OF THE GOVERNOR, COLORADO ENERGY OFFICE, LEASED SPACE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION						
HB 22-1329 (Long Bill)	$326,392	$326,392	$0	$0	$0	0.0
TOTAL	**$326,392**	**$326,392**	**$0**	**$0**	**$0**	**0.0**
FY 2023-24 RECOMMENDED APPROPRIATION						
FY 2022-23 Appropriation	$326,392	$326,392	$0	$0	$0	0.0
Centrally appropriated line items	4,751	4,751	0	0	0	0.0
TOTAL	**$331,143**	**$331,143**	**$0**	**$0**	**$0**	**0.0**
INCREASE/(DECREASE)	**$4,751**	**$4,751**	**$0**	**$0**	**$0**	**0.0**

Office Of The Governor, Colorado Energy Office, Leased Space						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Percentage Change	1.5%	1.5%	n/a	n/a	n/a	n/a
FY 2023-24 EXECUTIVE REQUEST	**$331,143**	**$331,143**	**$0**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

Indirect Cost Assessment

This line item provides funding for the Office's share of assessed statewide indirect cost recoveries.

Statutory Authority: Colorado Fiscal Rules #8-3 and Section 24-75-1401, C.R.S.

Request: The Office requests an appropriation of $193,934 total funds, including $127,740 General Fund for FY 2023-24.

Recommendation: **Staff recommends the appropriation outlined in the following table.** This recommendation is consistent with indirect cost recovery plans in other departments where General Fund is not appropriated in these lines because indirect costs are supposed to be charged to cash and federal funds to offset General Fund that is paid for administrative overhead expenses in the Governor's Office's central office.

Office Of The Governor, Colorado Energy Office, Indirect Cost Assessment						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2022-23 Appropriation						
HB 22-1329 (Long Bill)	$131,877	$63,213	$0	$0	$68,664	0.0
TOTAL	**$131,877**	**$63,213**	**$0**	**$0**	**$68,664**	**0.0**
FY 2023-24 Recommended Appropriation						
FY 2022-23 Appropriation	$131,877	$63,213	$0	$0	$68,664	0.0
Indirect cost adjustment	62,057	(63,213)	0	0	125,270	0.0
TOTAL	**$193,934**	**$0**	**$0**	**$0**	**$193,934**	**0.0**
INCREASE/(DECREASE)	**$62,057**	**($63,213)**	**$0**	**$0**	**$125,270**	**0.0**
Percentage Change	47.1%	(100.0%)	n/a	n/a	182.4%	n/a
FY 2023-24 EXECUTIVE REQUEST	**$193,934**	**$127,740**	**$0**	**$0**	**$66,194**	**0.0**
Request Above/(Below) Recommendation	$0	$127,740	$0	$0	($127,740)	0.0

COMMUNITY ACCESS ENTERPRISE

This appropriation is used to support the community access enterprise. The enterprise is and operates as a government-owned business within the office to support the widespread adoption of electric motor vehicles in an equitable manner by directly investing in transportation infrastructure, making grants or providing rebates or other financing options to fund the construction of electric motor vehicle charging infrastructure throughout the state, and incentivizing the acquisition and use of electric motor vehicles and electric alternatives to motor vehicles. The appropriation reflects the primary state funds created pursuant to Section 24-38.5-303, C.R.S. The money in the fund may be used to fund the administrative costs of the enterprise and is continuously appropriated. The money in the funds is not subject to Section 20 of Article X in the State Constitution (TABOR).

STATUTORY AUTHORITY: Section 24-38.5-303, C.R.S.

REQUEST: The Office requests a continuation informational appropriation of $19,760850 cash funds from the Community Access Enterprise Fund and 3.7 FTE for FY 2023-24.

RECOMMENDATION: **Staff recommends approving the request.**

COMMUNITY ACCESS ENTERPRISE LEGAL SERVICES

This appropriation provides funding for the cost of purchasing legal services from the Department of Law based on the Community Access Enterprise's number of legal services hours and the hourly rate per Common Policy. The funding sources for this appropriation include the primary state funds created pursuant to Section 24-38.5-303, C.R.S. The money in the fund may be used to fund the administrative costs of the enterprise and is continuously appropriated. The money in the funds is not subject to Section 20 of Article X in the State Constitution (TABOR).

STATUTORY AUTHORITY: Section 24-38.5-303, C.R.S.

REQUEST: The Office requests an appropriation of $76,439 cash funds from the Community Access Enterprise Fund for FY 2023-24.

RECOMMENDATION: **Staff recommends the appropriation outlined in the following table.**

OFFICE OF THE GOVERNOR, COLORADO ENERGY OFFICE, COMMUNITY ACCESS ENTERPRISE LEGAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION						
HB 22-1329 (Long Bill)	$214,577	$0	$214,577	$0	$0	0.0
TOTAL	**$214,577**	**$0**	**$214,577**	**$0**	**$0**	**0.0**
FY 2023-24 RECOMMENDED APPROPRIATION						
FY 2022-23 Appropriation	$214,577	$0	$214,577	$0	$0	0.0
Technical adjustments	(138,138)	0	(138,138)	0	0	0.0
TOTAL	**$76,439**	**$0**	**$76,439**	**$0**	**$0**	**0.0**
INCREASE/(DECREASE)	**($138,138)**	**$0**	**($138,138)**	**$0**	**$0**	**0.0**
Percentage Change	(64.4%)	n/a	(64.4%)	n/a	n/a	n/a

Office Of The Governor, Colorado Energy Office, Community Access Enterprise Legal Services						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2023-24 EXECUTIVE REQUEST	**$76,439**	**$0**	**$76,439**	**$0**	**$0**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

LONG BILL FOOTNOTES

The Office had no footnotes in the FY 2022-23 Long Bill.

REQUESTS FOR INFORMATION

The Office has no requests for information and staff is not recommending any for FY 2023-24.

APPENDIX A:
NUMBERS PAGES

Appendix A: Numbers Pages

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2023-24 Request	FY 2023-24 Recommendation	
GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING						
Jared Polis, Governor						
(1) OFFICE OF THE GOVERNOR						
(A) Governor's Office						
(C) Colorado Energy Office						
Program Administration	6,522,356	46,568,854	6,562,338	7,358,702	7,327,980	*
FTE	24.8	0.0	27.9	28.0	28.1	
General Fund	2,890,670	2,772,328	2,877,748	3,680,312	3,649,590	
Cash Funds	0	35,415,220	0	0	0	
Reappropriated Funds	0	0	52,904	46,704	46,704	
Federal Funds	3,631,686	8,381,306	3,631,686	3,631,686	3,631,686	
Low-Income Energy Assistance	6,500,000	684,569	11,524,618	11,524,618	11,524,618	
FTE	0.0	0.0	4.5	4.5	4.5	
General Fund	0	0	0	0	0	
Cash Funds	6,500,000	684,569	11,524,618	11,524,618	11,524,618	
Reappropriated Funds	0	0	0	0	0	
Federal Funds	0	0	0	0	0	
Energy Performance for Buildings	0	0	1,300,000	1,300,000	1,300,000	
FTE	0.0	0.0	2.0	2.0	2.0	
General Fund	0	0	0	0	0	
Cash Funds	0	0	1,300,000	1,300,000	1,300,000	
Reappropriated Funds	0	0	0	0	0	
Federal Funds	0	0	0	0	0	

* This line item contains a decision item.

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2023-24 Request	FY 2023-24 Recommendation
Cannabis Resource Optimization Program	0	0	500,000	500,000	500,000
FTE	0.0	0.0	0.6	0.6	0.6
General Fund	0	0	500,000	500,000	500,000
Cash Funds	0	0	0	0	0
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Electric Vehicle Charging Station Grants	1,036,204	670,449	1,036,204	1,036,204	1,036,204
Cash Funds	1,036,204	670,449	1,036,204	1,036,204	1,036,204
Legal Services	219,328	534,442	559,494	949,273	949,273
General Fund	166,950	534,442	507,116	896,895	896,895
Cash Funds	0	0	0	0	0
Reappropriated Funds	0	0	0	0	0
Federal Funds	52,378	0	52,378	52,378	52,378
Vehicle Lease Payments	8,237	6,555	4,153	4,940	4,940
General Fund	8,237	6,555	4,153	4,940	4,940
Cash Funds	0	0	0	0	0
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Leased Space	229,801	218,835	326,392	331,143	331,143
General Fund	229,801	218,835	326,392	331,143	331,143
Cash Funds	0	0	0	0	0
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2023-24 Request	FY 2023-24 Recommendation
Indirect Cost Assessment	221,324	37,763	131,877	193,934	193,934
General Fund	37,763	37,763	63,213	127,740	0
Cash Funds	0	0	0	0	0
Reappropriated Funds	0	0	0	0	0
Federal Funds	183,561	0	68,664	66,194	193,934
Community Access Enterprise	0	124,041	19,760,850	19,760,850	19,760,850
FTE	0.0	0.0	3.7	3.7	3.7
General Fund	0	0	0	0	0
Cash Funds	0	124,041	19,760,850	19,760,850	19,760,850
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Community Access Enterprise Legal Services	0	0	214,577	76,439	76,439
General Fund	0	0	0	0	0
Cash Funds	0	0	214,577	76,439	76,439
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
SUBTOTAL - (C) Colorado Energy Office	14,737,250	48,845,508	41,951,225	43,066,825	43,036,103
FTE	24.8	0.0	38.7	38.8	38.9
General Fund	3,333,421	3,569,923	4,309,344	5,571,752	5,413,290
Cash Funds	7,536,204	36,894,279	33,836,249	33,698,111	33,698,111
Reappropriated Funds	0	0	52,904	46,704	46,704
Federal Funds	3,867,625	8,381,306	3,752,728	3,750,258	3,877,998

MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Mitch Burmeister, JBC Staff (303-866-3147)
DATE	March 7, 2023
SUBJECT	General Fund Repayment from Severance Tax Operational Fund

During staff's figure setting presentation for the Department of Natural Resources dated February 16, 2023, the Committee inquired about the feasibility of repaying the General Fund with excess Severance Tax revenue.

HISTORY

Senate Bill 21-281 (State Severance Tax Trust Fund Allocation) transferred $9,456,005 General Fund to the Severance Tax Operational Fund in FY 2020-21 and FY 2022-23. Very low severance tax revenues were collected in FY 2020-21, and as a result, there was not going to be enough revenue in the fund to pay for the grant programs that were funded by severance tax prior to S.B. 21-281.

This legislation reduced the number of grant programs funded by severance tax revenue to three:

- The Species Conservation Trust Fund grant - $5,000,000;
- The Aquatic Nuisance Species Fund grant - $4,006,005; and
- The Soil Conservation Grant Fund grant - $450,000.

The amount of the General Fund transfer in both fiscal years was enough to cover appropriations to those three grant funds, for a total transfer of $18,912,010.

CURRENT SEVERANCE TAX OPERATIONAL FUND HEALTH

After the dramatic decrease in severance tax revenue in FY 2020-21, there has been an equally dramatic increase in collections, with total collections of $306,809,972 in FY 2021-22 and an estimated $190,065,385 in collections for FY 2022-23 through January 2023. As a result of this massive increase in severance tax collections, the Committee has asked if it would be feasible to repay the General Fund the $18,912,010 that was transferred to the Severance Tax Operational Fund to ensure the solvency of the programs that rely on severance taxes to operate.

The following tables outline the impact of this transfer using both the OSPB and LCS December forecast data for severance tax collections. These tables are inclusive of the decisions made by the Committee thus far for FY 2023-24 – addition of the COSWAP program to the list of discretionary appropriations and $10.0 million, and a one-time increase in severance tax revenue of $1,075,419 to the Colorado Avalanche Information Center.

LCS DECEMBER FORECAST		
	FY 22-23 APPROPRIATION	FY 23-24 PROJECTED
Beginning Fund Balance	$71,927,004	$83,815,126
Spillover to Perpetual Base Fund	($17,970,864)	($8,855,880)
SB 21-281 Transfers	$9,456,005	$0
Reverse SB 21-281 Transfers	($18,912,010)	$0
Projected Collections	$76,625,000	$56,950,000
Projected Interest	$1,333,146	$1,579,479
Total Revenue	**$122,458,281**	**$133,488,725**
Core Program Appropriations	$18,023,618	$19,295,978
Discretionary Program Appropriations	$19,456,005	$14,456,005
Total Program Appropriations	**$37,479,623**	**$33,751,983**
DRMS Rollforward	$1,163,532	$0
Core Reserve Requirement	$74,959,246	$67,503,966
Actual Revenue in Reserve	$74,959,246	$67,503,966
Percent of Reserve Held vs Needed	100%	100%

OSPB DECEMBER FORECAST		
	FY 22-23 APPROPRIATION	FY 23-24 PROJECTED
Beginning Fund Balance	$71,927,004	$72,640,126
Spillover to Perpetual Base Fund	($17,970,864)	$0
SB 21-281 Transfers	$9,456,005	$0
Reverse SB 21-281 Transfers	($18,912,010)	$0
Projected Collections	$65,450,000	$39,675,000
Projected Interest	$1,333,146	$1,579,479
Total Revenue	**$111,283,281**	**$113,894,605**
Core Program Appropriations	$18,023,618	$19,295,978
Discretionary Program Appropriations	$19,456,005	$14,456,005
Total Program Appropriations	**$37,479,623**	**$33,751,983**
DRMS Rollforward	$1,163,532	$0
Core Reserve Requirement	$74,959,246	$67,503,966
Actual Revenue in Reserve	$72,640,126	$67,503,966
Percent of Reserve Held vs Needed	97%	100%

Based on the December forecast data, there is clearly enough money in the fund to repay the General Fund in the current year. However, if the revenue collections are closer to the OSPB forecast numbers, that would leave the reserve unfilled and risk funding for one or more of the discretionary programs. The Department has informed staff that its main priority is to keep the reserve filled so that it can ensure core and discretionary funding for at least two years when severance tax revenues go through another low-collection period. It is almost a certainty that this will happen sooner than later, and staff agrees with the Department that it is important to keep the reserve filled.