

BILL # HB 2324

TITLE: state buildings; energy conservation standards

SPONSOR: Graf

STATUS: As Amended by Senate Government

REQUESTED BY: House

PREPARED BY: Paul Shannon

FISCAL YEAR

2003

2004

2005

EXPENDITURES

General Fund

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See Below

FISCAL ANALYSIS

Description

HB 2324, as amended, requires the Department of Commerce, in consultation with the various State of Arizona building systems, to adopt standards for the construction of new buildings that are in compliance with the International Energy Conservation (IEC) Code. The amended bill also requires the state's building systems to meet an objective to reduce energy use in the building systems 10% by July 1, 2008 and 15% by July 1, 2011, using the energy consumption of FY 2002 as a baseline. The State Energy Office, a division of the Department of Commerce, is required to provide technical assistance to the building systems.

Estimated Impact

The implementation of energy saving construction standards for new buildings may result in short term costs to the various building systems. In the long term, however, those energy saving building designs will result in savings on energy expenditures. In the case of the School Facilities Board (SFB), the short-term cost will be borne by the state, but the long-term energy cost savings will accrue to the local school districts.

The State Energy Office, which is required to provide technical assistance, is supported by a one-time funding source. Future requirements of the office as a result of this legislation may require General Fund support, as the office's funding source is expected to be exhausted by FY 2005.

Analysis

HB 2324 has 4 provisions that could potentially have a fiscal impact: 1) additional conservation standards for new construction, 2) creation of energy conservation objectives, 3) additional monitoring and reporting requirements for the State Energy Office (a division of the Department of Commerce), and 4) procurement of energy saving products.

The potentially most cost significant provision is the requirement that new building should be constructed in compliance with the IEC Code. The various state building systems administered by the Arizona Department of Administration (ADOA), the Arizona Board of Regents (ABOR), Arizona Department of Transportation (ADOT), and the various Community College Districts, and the building constructed by school districts would be subject to this requirement. The code will require the use of energy efficient materials, equipment, and designs that may increase the costs of construction in the short term, but will reduce energy utilization and the resulting costs in the long term.

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Analysis (Continued)

The State Energy Office is also required to annually determine energy usage and report to the Legislature the progress of the building systems in meeting the objectives, including explanations in the cases where objectives were not met. The State Energy Office is responsible for advising the building system on the creation of energy efficient building designs, establishing energy conservation objectives, monitoring those objectives, and reporting the results. The State Energy Office has sufficient existing resources in FY 2004 and FY 2005 to conduct those activities at no additional cost. However, the office is funded via the Oil Overcharge Fund, which consists of one-time monies granted to the state from federal court settlements for alleged violations of price controls of oil and petroleum products between 1973 and 1981. As no new revenues are anticipated, the Oil Overcharge Fund will be unable to sustain the operations of the office past FY 2005. As a result, a new funding source would have to be identified in order to enable the office to fulfill the reporting requirements resulting from HB 2324. In addition to the lack of a sustainable funding source for the State Energy Office, the JLBC budget recommendation is to zero-base the Department of Commerce in FY 2004.

Finally, all state agencies are required to procure energy efficient products when cost effective on a life-cycle basis. The provision of the bill that requires the purchase of energy efficient products will not result in any fiscal impact because agencies already purchase energy efficient products in accordance with the provisions of the bill.

Local Government Impact

The bill amends existing statute so that school districts constructing new facilities would be required to meet the IEC Code. Because school facilities are built with funds provided by the SFB, there would be no additional construction costs to local governments. Any additional construction costs would be incurred by SFB, however, local school districts would experience long term savings from the reduced consumption of energy.

4/10/03