2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 3612 **STATUS:** A-Engrossed
SUBJECT: Energy use reporting and reduction for state agencies building or renovating state buildings
GOVERNMENT UNIT AFFECTED: Oregon Department of Energy, Department of Higher Education, Department of Administrative Services
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DATE: February 13, 2007

	2007-2009	2009-2011
EXPENDITURES:		
See Analysis Section.		

EFFECTIVE DATE: On passage with an Operative Date of 90 days after passage.

INTERIM JOINT COMMITTEE ON WAYS AND MEANS: The budgetary impact of this bill was not reviewed and approved by the Interim Joint Committee on Ways and Means Committee.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The bill requires authorized state agencies to reduce the amount of energy used in their owned or controlled facilities by at least 20 percent by June 30, 2015, from a baseline amount the State Department of Energy (ODE) determines by rule based on usage in calendar year 2000. Authorized state agencies are required to report annually regarding energy use in authorized state agency facilities. DOE shall specify by rule the form and content of and deadlines for the report. DOE shall adopt rules, in consultation with authorized state agencies, to carry out bill requirements which include establishing guidelines for implementation of reduction of energy used by at least 20 percent by June 30, 2015, and guidelines for incorporating energy efficiency requirements into rental or lease agreements. DOE may by rule require mandatory prequalification as a condition for a person to submit a bid or proposal to direct energy consumption analysis for authorized state agencies, enter into an energy saving performance management contract, or perform energy management services. DOE may recover from authorized state agencies the costs associated with administering the provisions of this bill including costs associated with adopting rules, maintaining a state energy use database and prequalifying individuals.

The bill requires state agencies to reduce energy consumption by 20% by 2015; however, information on determining the strategies and methods for accomplishing this are to be defined by DOE in rule. While some energy reduction strategies have minimal initial up-front investment, others may require more significant investments. The potential fiscal impact associated with actually meeting the target of 20% reductions and the timing of related expenditures is not known at this time. Similarly, while the intent of the bill is to reduce energy consumptions and related costs, the timing and potential amount of these savings are indeterminate at this time.

The Department of Energy indicates that the bill will require rule making activities, which is work that can be assumed with existing resources. They do not anticipate that the requirement that they consult with authorized state agencies will increase the complexity or cost associated with rule making as they have historically included agencies beyond the Department of Administrative Services (DAS) and the Department of Higher Education in their rule making process. DOE also confirmed that no changes to format, content or deadlines are expected to the current report process, so this will require no increased expenditures on their side. Finally, while the bill authorizes DOE to recover costs associated with administering the provisions of this bill, DOE does not plan to charge a fee, or anticipate additional revenues to be generated from this bill.

The bill directs authorized state agencies to annually report energy use in their authorized state agency facilities to DOE. Agencies are already expected to report energy use, and DOE has developed an electronic reporting process where agencies report information directly into an online database. The Legislative Fiscal Office consulted with several state agencies who confirmed that they are already reporting this information, and, that this work is covered by existing resources. According to DOE there are 22 authorized state agencies (many other agencies' information is compiled and reported through DAS), and 16 agencies are currently compliant. Authorized state agencies who have not been reporting on energy use may need to reprioritize resources to become compliant. No new authorized state agencies are expected to be added to the list as a result of the proposed legislation.

Finally, there are sections of the bill that agencies have indicated are not clear, that may trigger fiscal consequences. The first is the lack of clarity around what would be required of leased facilities. Section 3 (3) (f) requires DOE to "establish guidelines for incorporating energy efficiency requirements into rental or lease agreements…." If reporting on energy use was to be expanded to leased facilities, there are several authorized state agencies who anticipate having increase costs to comply with this additional reporting. A second is the definition of whether the 20 percent reduction target is applicable to an agency overall or facility by facility. Older facilities typically require higher up-front investments to achieve energy savings, so if the standard is facility by facility, agencies have expressed concern about being able to fund these investments.