HOUSE BILL NO. 12

INTRODUCED BY QUILICI

BY REQUEST OF THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS TO FUND THE STATE BUILDING ENERGY CONSERVATION PROGRAM; APPROVING ENERGY CONSERVATION PROJECTS FOR FISCAL YEARS 1996 AND 1997; APPROPRIATING BOND PROCEEDS TO THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION; PLEDGING THE CREDIT OF THE STATE OF MONTANA TO SECURE THE BONDS TO BE ISSUED; REAPPROPRIATING STRIPPER-WELL PAYMENTS CONTAINED IN THE FEDERAL SPECIAL REVENUE FUND; REVISING THE PROCEDURES AND REQUIREMENTS FOR THE ENERGY CONSERVATION PROGRAM; AMENDING SECTION 90-4-605, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Stripper-well payments -- reappropriation -- definition -- priority.** (1) There is reappropriated from the stripper-well payments contained in the federal special revenue fund to the department of natural resources and conservation $100,000 to fulfill duties authorized by 90-4-605 and 90-4-607. The original appropriation was contained in section 9, Chapter 597, Laws of 1989. The reappropriation is a biennial appropriation.

(2) (a) "Stripper-well payments" means the oil overcharge payments made to the United States treasury for distribution to the state of Montana as the result of the final settlement agreement in Cause No. M.D.L. 378, United States district court for the district of Kansas, and any interest accrued on the payments.

(b) The term does not include stripper-well payments that have been expended or legally obligated or have been incorporated into any of the existing federal energy programs as the result of prior appropriations by the legislature.

(3) The stripper-well payments reappropriated in this section have a higher priority than any other appropriation of stripper-well payments for fiscal years 1996 and 1997.

NEW SECTION. **Section 2. Appropriation of bond proceeds.** There is appropriated from bond proceeds authorized by Chapter 571, Laws of 1991, Chapter 350, Laws of 1993, and [section 4] $600,000 to the department of natural resources and conservation to fulfill duties under 90-4-605 and 90-4-607. This appropriation is a biennial appropriation.

NEW SECTION. **Section 3. Approval of energy conservation projects -- definition.** (1) Pursuant to Title 90, chapter 4, part 6, the legislature approves the following energy conservation projects for fiscal years 1996 and 1997:

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Kalispell National Guard Armory

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(2) In addition to the energy conservation projects listed in subsection (1), the department of natural resources and conservation may expend funds appropriated under [section 4] to respond to lost energy saving opportunities.

(3) For purposes of this section, a "lost energy saving opportunity" means an opportunity to improve energy use that would provide significant energy and cost savings to the state and that will be technically infeasible or uneconomical if the department is delayed in providing the necessary funds until specific legislative approval can be obtained.

(4) If the costs of the projects authorized in subsections (1) and (2) are substantially below the bond amount authorized in [section 4], the department of natural resources and conservation may fund projects that otherwise would be proposed as part of the state building energy conservation package for fiscal years 1998 and 1999.

NEW SECTION. **Section 4. Bond authorization -- appropriation of bond proceeds.** (1) The board of examiners may, pursuant to 90-4-611, issue and sell bonds of the state in an aggregate principal amount not to exceed $5 million for fiscal years 1996 and 1997 for the projects approved in [section 3] and to fulfill duties authorized by 90-4-605 and 90-4-607 as provided in [section 2]. The bonds are general obligations for which the full faith and credit and taxing powers of the state are pledged for payment of the principal and interest on the bonds. The bonds must be issued as provided by Title 17, chapter 5, part 8.

(2) The proceeds of the bonds, other than any premiums and accrued interest received, must be deposited in the energy conservation program account established by 90-4-612. Premiums and accrued interest must be deposited in the debt service fund established in 17-2-102. Proceeds of bonds deposited in the energy conservation program account may be used to pay the costs of issuing the bonds, to fulfill duties authorized by 90-4-605 and 90-4-607, and to fund the projects approved in [section 3]. For purposes of 17-5-803 and 17-5-804, the energy conservation program account constitutes a capital projects account. The bond proceeds must be available to the department of natural resources and conservation and may be used for the purposes authorized in this section without further budgetary authorization.

Section 5. Section 90-4-605, MCA, is amended to read:

"**90-4-605. Preparation of energy conservation program.** (1) Before June 30 of each odd-numbered year, ~~state agencies shall submit to~~ the department~~, on forms provided by the department, a list of any facilities operated by that agency~~ shall inform, in writing, each state agency of the energy conservation program and request agencies interested in participating in the program to contact the department. The department shall work with these agencies to identify buildings that have a potential for energy savings, based on age, energy use, function, and condition of the building. ~~Agencies may request assistance from the department to identify these facilities.~~

(2) Based on the criteria in subsection (1) and on the feasibility of leveraging other funds, such as federal and utility energy conservation program money, the department shall select certain facilities for in-depth energy analyses to identify the technical and financial feasibility of making energy conservation improvements to the facilities.

(3) During the energy analyses, the department shall consult with the utilities that serve the selected facilities to discuss potential impacts on the utilities and their customers of making energy conservation improvements to these facilities.

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(5) The department shall compile a report that must include the following:

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(e) if a fuel switching measure is proposed, an analysis of the costs to the affected utility and its customers and of the benefits to the state ~~of the fuel switching measure~~.

(6) If a fuel switching measure is proposed, the department shall demonstrate through the analysis required by subsection (5)(e) that the benefits to the state exceed the costs to the utility and its customers.

(7) The department shall submit the report required by subsection (5) to the governor before September 1 of each even-numbered year."

NEW SECTION. **Section 6. Requirements for approval of state debt.** Because [section 4] authorizes the creation of a state debt, a vote of two-thirds of the members of each house is required for enactment of [section 4].

NEW SECTION. **Section 7. Effective date.** [This act] is effective July 1, 1995.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0012, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
This bill provides for the issuance of general obligation bonds to fund the State Building Energy Conservation Program, approves energy conservation projects for fiscal years 1996 and 1997, appropriates bond proceeds to the Department of Natural Resources and Conservation, pledges the credit of the state to secure the bonds to be issued, and reappropriates stripper-well payments contained in the federal special revenue fund.

ASSUMPTIONS:
1. Stripper well funds remaining from the $100,000 appropriated in the 1995 biennium are reappropriated for the 1997 biennium. The carryover funds may be used for startup costs for the projects included in this bill.
2. Bond issues are: $2.5 million in FY96 and $2.5 million in FY97, and the bonds would be issued March 1st of each fiscal year.
3. State general obligation bonds will be sold at an interest rate of 5.75% for ten years (estimated by D.A. Davidson).
4. Annual debt service to retire the bond issues would be $35,000 in FY96 and $178,000 in FY97; thereafter, until retired, $285,000 per year.
5. Estimated annual energy savings when all projects are completed is $350,000. Although some projects would be completed in FY96 and all completed in FY97, it is assumed there will be no savings in FY96, but total savings in FY97.
6. The energy costs of the projects in this bill are funded 70% by the general fund.
7. No additional staffing will be required to administer this program at DNRC.
8. The fiscal impact addresses only the energy savings and debt service costs, not the bond proceeds and subsequent project costs, which are presumed to equal each other.

FISCAL IMPACT:
Expenditures:

	FY96 Difference	FY97 Difference
Energy savings	0	(350,000)
Debt service	35,000	178,000
Total	35,000	(172,000)

Funding:

	FY96 Difference	FY97 Difference
General fund	24,500	(120,400)
other funds	10,500	(51,600)
Total	35,000	(172,000)

Note: If energy savings are greater than debt service costs, the difference is deposited in the Long-Range Building Program.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:
The state initially will show short run cost savings because the reduction in utility bills will exceed the debt service payments for the bonds (approximately $65,000 per year in years 3-10; after 10 years, $350,000 per year). When fuel prices rise, the dollar savings to the state will increase.

Dave Lewis 1-2-95

DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Joe Quilici

JOE QUILICI, PRIMARY SPONSOR DATE

APPROVED BY COM ON APPROPRIATIONS

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THERE ARE NO CHANGES IN THIS BILL AND WILL NOT BE REPRINTED. PLEASE REFER TO YELLOW COPY FOR COMPLETE TEXT.

THIRD READING

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