

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 695 (First Edition)

**SHORT TITLE:** University/Community College Energy Savings.

**SPONSOR(S):** Representatives Justice, Fisher, Harrison, and Samuelson

### FISCAL IMPACT

Yes ( )      No ( )      No Estimate Available (X)

FY 2009-10    FY 2010-11    FY 2011-12    FY 2012-13    FY 2013-14

#### REVENUES

#### EXPENDITURES

General Fund

See Assumptions and Methodology

Local Governments' General Funds

See Assumptions and Methodology

State Energy Office

See Assumptions and Methodology

#### POSITIONS (cumulative):

#### PRINCIPAL DEPARTMENT(S) &

**PROGRAM(S) AFFECTED:** University of North Carolina (UNC); North Carolina Community College System; counties that support community colleges; State Energy Office

**EFFECTIVE DATE:** This act becomes effective July 1, 2009, and applies to contracts entered into on or after that date.

#### BILL SUMMARY:

This bill provides that any budget savings realized from energy conservation measures approved by the State Energy Office and undertaken by campuses in the University of North Carolina system and the Community College System shall be credited to nonreverting accounts at the campuses for future facility upgrades related to reducing energy and water consumption.

#### BACKGROUND:

The 2007 General Assembly set a goal of reducing energy consumption per gross square foot in all state buildings by 20% by 2010 and 30% by 2015 based on energy consumption for the 2002-03 fiscal year. [G.S. 143-64.12(a)] Each state agency and state institution of higher learning must submit annual plans to the State Energy Office showing their efforts to conserve energy and water.

The law also requires each community college to submit an annual written report of utility consumption and costs to the State Energy Office.

## **ASSUMPTIONS AND METHODOLOGY:**

### **UNC**

All constituent institutions of the University of North Carolina (UNC) have submitted Strategic Energy and Water Plans to the State Energy Office. Each school has verified its energy and water consumption dating back to FY 2002-03. University plans have shown that campuses have undertaken many energy and water conservation efforts utilizing the following funding sources:

- Current operating budget (includes carry forward of reversions)
- Capital budget (2000 Bond, auxiliary receipts, overhead receipts)
- Repair and Renovation funds
- Grants
- Guaranteed Energy Savings Contracts

Given the numerous funding methods that UNC campuses now have to pay for energy and water conservation projects, it is unlikely that campuses would choose a funding option that requires additional paperwork and approval by an outside agency. Furthermore, given the funding constraints on state agencies in the next biennium and possibly for the entire five year period of this fiscal note, it is unlikely that campuses will give up their budget flexibility. For example, UNC campuses in FY 2008-09 have had to manage a 7% General Fund budget holdback of \$168 million and a \$25 million budget reduction due to hiring freezes and spending restrictions. These governor mandated reductions came on top of a legislatively directed \$42.2 million base budget reduction for the UNC system in FY 08-09. UNC officials may not be willing to tie up operating funds in nonreverting accounts when energy and water savings may be needed to replace aging equipment.

### **Community Colleges**

Per G.S. 115D-32, community college maintenance of plant expenses, including utilities, are the responsibility of the tax-levying authority of each institution. Consequently, the local government that provides for an institution's utility expenses would be impacted by HB 695, not the State. Note that the local government would experience an impact only if any energy savings retained under the provisions of this bill would have otherwise reverted. The size of the impact depends on multiple factors, which this fiscal note cannot estimate:

**Program utilization:** HB 695 does not require community colleges to participate in this program; therefore, the fiscal impact will depend in part on the rate of participation, which is unclear. First, it is unknown how many community colleges would implement energy savings measures. HB 695 does not require community colleges to implement such measures. Since local governments are responsible for providing funds for maintenance of plant and capital projects, voluntary implementation would likely depend on funding decisions made on the local level. Second, even if a community college implements an energy savings measure, it is unclear whether the benefit provided by this bill would be sufficient enough to outweigh the costs associated with the required reporting and monitoring.

**Magnitude of energy savings realized:** Without additional information, it is not possible to estimate the potential size of the energy savings that would be transferred to the restricted Institutional Fund for future energy savings measures.

**Adequacy of current utility budgets:** Since community colleges are local institutions, state-wide data is not readily available on total community college utility expenditures or how these total expenditures compare to the utility budgets at each institution. If an institution's utility budget is not adequate to meet current needs, any savings realized through an energy savings measure may simply reduce the amount by which the line item is overspent. In such a case, it is possible that the savings realized do not result in a year-end credit balance available for transfer.

**State Energy Office**

The State Energy Office does not estimate any need for additional staff or resources related to the implementation of House Bill 695.

**SOURCES OF DATA:**

**TECHNICAL CONSIDERATIONS:** None

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