

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 112** SLS 17RS 101
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|-----------------------------------|
| Date: April 11, 2017 8:27 AM | Author: WHITE, BODI |
| Dept./Agy.: Statewide | Analyst: Alan M. Boxberger |
| Subject: Provides relative to performance based energy efficiency | |

PROCUREMENT CODE OR NO IMPACT See Note Page 1 of 1
 Provides relative to the execution of performance based energy efficiency contracts. (8/1/17)

Present law provides that a state agency may enter into a performance-based energy efficiency contract for services and equipment. Proposed law retains present law but provides that if at any time after the execution of a performance-based energy efficiency contract the state agency makes a unilateral change or modification to the scope of work under the contract that results in the removal of one or more facilities, the annual energy cost savings attributable to the services or equipment shall be adjusted to account for any expended costs and any projected savings that can no longer be measured or verified as a result of the change or modification. Proposed law further provides that any adjustment that reduces the annual energy cost savings attributable to the services or equipment by 20% or more shall require approval of the JLCB prior to amendment of the contract. Proposed law applies to all performance-based energy efficiency contracts in effect on and after January 1, 2010, and all future contracts. Effective 8/1/17.

| EXPENDITURES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

Proposed law requires that a state agency making unilateral changes or modifications to a scope of work that results in the removal of one or more facilities under a performance-based energy efficiency contract shall adjust the annual energy cost savings attributable to the services or equipment. This adjustment must account for any expended costs and projected savings that can no longer be measured or verified as a result of the change or modification. In cases where the adjustment reduces the annual energy cost savings by twenty percent or more, any such change shall require approval of the Joint Legislative Committee on the Budget. Proposed law applies to all performance-based energy efficiency contracts in effect on and after January 1, 2010, and all such future contracts.

JLCB approval of a unilateral change or modification of the scope of work under a performance-based energy efficiency contract may slow or delay an amendment sought to meet the needs of an agency in the event an agency were to decide to close and/or sell a property or part of a property for which such a contract is in place. However, the Office of State Procurement reports that any expenditure impacts associated with such a delay are indeterminable, but likely negligible, as proposed law does not preclude agencies from closing the facility prior to approval of the adjusted savings value in the efficiency contract. Furthermore, re-scoring of projected energy savings after reductions in the scope of work provide an inherent value to the state for budgetary planning purposes.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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