

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6301

BILL NUMBER: HB 1254

NOTE PREPARED: Apr 13, 2009

BILL AMENDED: Apr 9, 2009

SUBJECT: Energy Savings Contracts.

FIRST AUTHOR: Rep. Thompson

FIRST SPONSOR: Sen. C. Lawson

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill does the following.

Guaranteed Energy Cost Saving Contracts: This bill provides that the maximum term of a guaranteed energy cost savings contract or utility efficiency program is 20 years. (Current law provides for maximum terms of 10 and 15 years.)

Design-Build Contracts: The bill amends the statute governing local public works projects to state that a political subdivision or its agencies may: (1) participate in a utility efficiency program or may enter into a guaranteed savings contract as provided by law; and (2) enter into a design-build contract as permitted by law instead of awarding a public works contract.

Conservation Measure: The bill provides that a "conservation measure" includes installation of insulation in a political subdivision's facility. (Under current law, the definition of "conservation measure" includes only insulation of school facilities.)

Public Works Compliance: The bill provides that a political subdivision that, with respect to certain public work projects that cost less than \$400,000, complies with public purchasing statutes is not required to comply with public work statutes.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Guaranteed Energy Cost Saving Contracts:* The bill would allow the state to fund larger energy savings projects through the use of an energy savings contract. Currently, an

energy savings contract must include a guarantee from the provider that the energy cost savings and or operational cost savings from the project will meet or exceed the cost of the project not later than 10 years from the date the installation is completed. The projects could be about 2 times the size of current projects.

Explanation of State Revenues:

Explanation of Local Expenditures: *Guaranteed Energy Cost Saving Contracts:* The bill would allow local units to fund larger energy savings projects through the use of an energy savings contract or participate in a utility efficiency program. Currently, an energy savings contract must include a guarantee from the provider that the energy cost savings and or operational cost savings from the project will meet or exceed the cost of the project not later than 15 years from the date the installation is completed. The energy savings projects or energy contracts relating to the alteration of water or wastewater could be about 1 1/3 times the size of current projects, and other efficiency programs could be about 2 times the size of current programs.

(Revised) *Design-Build Contracts:* The bill could reduce local government public work project costs if the design-build contract was cheaper than a traditional public works project. The savings would depend on the project.

(Revised) *Conservation Measure:* The impact of allowing local governments to participate in utility efficiency programs or enter into guaranteed savings contracts could also reduce locals' costs. Energy savings contracts are paid from the reduction in energy costs resulting from the project.

(Revised) *Public Works Compliance:* The bill could reduce the cost of small public works projects. The reduction would probably be minor.

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected: All

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825.