

# STATE-BUILDING ENERGY CONSERVATION PROGRAM

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## Program Description

The State Building Energy Conservation Program (SBECP), administered by the Department of Environmental Quality (DEQ), was established by the 1989 Legislature to reduce operating costs of state facilities by identifying and funding cost-effective energy efficiency improvement projects. Statutory authority is found in Title 90, Chapter 4, part 6, MCA. Energy efficiency improvements include projects such as:

- \* Replacing old, inefficient boilers
- \* Insulating buildings
- \* Upgrading inefficient lighting
- \* Providing more effective temperature controls
- \* Increasing ventilation system efficiency
- \* Upgrading water conservation systems

SBECP projects are designed so that energy savings exceed costs. The estimated savings of energy costs are used to reimburse the project costs and finance operational costs. In the past, projects were funded through a bonded program, and reimbursements in excess of the projected debt service were statutorily required to be transferred to the Long-Range Building Program (LRBP). Beginning in FY 2008, bond proceeds were no longer used to fund the program. The 2007 Legislature funded SBECP projects with an appropriation of general fund and the 2009 Legislature funded projects with appropriations of general fund and federal special funds (ARRA funds). With those funding changes, the program was modified to become a revolving fund, and project reimbursements, plus the interest on the outstanding debt related to the project, are expected to support future projects and program administrative costs. Program recommendations encourage conservation measures which have a service life of at least 15 years. However, energy savings are expected to continue throughout the life of the improvement.

Projects come to the SBECP either directly because of the energy saving benefits or in conjunction with projects planned under the Long-Range Building Program. DEQ offers state agencies assistance in evaluating energy use and identifying energy conservation projects. Program engineers evaluate all projects proposed for the LRBP to assess the energy savings potential on proposed remodeling and renovation projects. Projects with the potential for energy savings are funded through the SBECP, and are often jointly funded with the LRBP deferred maintenance funds.

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## Program Budget Comparison

The following figure summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Program Comparison - State Building Energy Conservation Program				
Budget Item	Budget 2015 Biennium	Budget 2017 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated</u>	<u>Proposed</u>		
Projects Costs	\$3,500,000	\$2,500,000	(\$1,000,000)	-28.57%
<b>Total Costs</b>	<b>\$3,500,000</b>	<b>\$2,500,000</b>	<b>(\$1,000,000)</b>	<b>-28.57%</b>
State Special Revenue	\$3,500,000	\$2,500,000	(\$1,000,000)	-28.57%
<b>Total Funds</b>	<b>\$3,500,000</b>	<b>\$2,500,000</b>	<b>(\$1,000,000)</b>	<b>-28.57%</b>

## Program Discussion

The executive proposal for the SBECP is \$2.5 million, \$1.0 million less that appropriated for the program in the 2015 biennium. The program appropriation is found in section 4 of HB 5. A list of SBECP projects, costs, anticipated energy savings and years of expected repayments is seen in the figure below. Detailed project descriptions are provided in Vol. 3 of the Governor's Budget.

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State Building Energy Conservation Program Executive Recommendation - 2017 Biennium				
Department	Project Title	Project Costs	Est. Annual Savings	Simple Payback/Yrs
Corrections	Dairy Digester	\$600,000	\$40,000	15.0
Administration	Capital Complex Energy Improvements	1,150,000	74,000	15.5
	1100 Last Chance Gulch Mechanical Upgrades	150,000	11,000	13.6
University System	Campus Lighting Upgrades	600,000	60,000	10.0
<b>Total Funding / Savings</b>		<b>\$2,500,000</b>	<b>\$185,000</b>	

Note: Simple payback years do not include the interest charged by the SBCEP in support of the program administrative costs. As a result, actual payback years will vary slightly from the years shown.

## Funding

The SBCEP has been fashioned to operate in a method similar to a “revolving loan program”. Agencies in effect borrow from the program for the costs of the project, and then reimburse the program for those costs with the savings realized through the projects. In addition to the project costs, agencies also pay an interest rate equal to 3.0% of project costs, which funds the administrative costs of the program. Total “loan” repayments are expected to generate approximately \$1.8 million per year through the 2017 biennium.