

STATE BUILDING ENERGY PROGRAM

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 obsolete/inefficient boilers
- * Improving building envelope systems
- * Upgrading inefficient lighting
- * Providing more effective building control systems
- * Increasing ventilation system efficiency
- * Improving water systems

SBECP projects are designed so that the financial savings resulting from utility upgrades reimburse the project costs and finance DEQ operational costs. Prior to 2009, the SBECP was funded through the issuance of GO bonds. Projects initiated after 2009 have been funded through a revolving loan program seeded with general fund and federal funding from the American Recovery and Reinvestment Act (ARRA). Project reimbursements, plus 3.0% interest on the outstanding loan balance of the project, are expected to support future projects and administrative costs. Program recommendations encourage conservation projects that have a service life of at least 15 years. However, the utility savings are expected to continue throughout the life of the improvement.

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

Program Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Figure 8

Program Comparison - State Building Energy Conservation Program				
Budget Item	Budget 2021 Biennium	Budget 2023 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated</u>	<u>Proposed</u>		
Projects Costs	\$3,600,000	\$3,700,000	\$100,000	2.78%
Total Costs	\$3,600,000	\$3,700,000	\$100,000	2.78%
Capital Project Funds	3,600,000	3,700,000	100,000	2.78%
Total Funds	\$3,600,000	\$3,700,000	\$100,000	2.78%

Program Discussion

As seen in Figure 8, the executive proposal for the SBECP is \$3.7 million, \$0.1 million more than the appropriation in the 2021 biennium. The program appropriation is found in HB 5. A list of SBECP projects, costs, anticipated energy savings, and years of expected repayments is seen in appendix item A-2 of this report. Detailed project descriptions are provided in [Vol. 3 of the Governor’s Budget](#).

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Funding

Since 2009, the SBECF has functioned as a revolving loan program. Agencies borrow from the program for the cost of the project and then repay the project investment with utility savings. In addition to the project costs, agencies also pay an interest rate equal to 3.0% on the unpaid balance of the loan. This 3.0% addition funds the administrative costs of the program. In the HB 2 budgets, SBECF loan repayments are scheduled to generate an average of \$2.0 million per year in the 2023 biennium which can then be reinvested into new projects. Note: a portion of the repayments are dedicated to paying GO bonds used to fund projects initiated prior to 2009.