



Ohio Legislative Service Commission

Edward M. Millane

Fiscal Note & Local Impact Statement

Bill: H.B. 113 of the 128th G.A.

Date: May 12, 2009

Status: As Introduced

Sponsor: Reps. Foley and Blessing

Local Impact Statement Procedure Required: Yes

Contents: Requires that all Ohio school districts have a long-term supply of solar-sourced electricity for 25% of the schools within their districts

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
School Facilities Commission Fund (Fund 5E30) – School Facilities Commission			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase as a result of contracting out for solar energy consultants and for other administrative costs as a result of the Energy Conservation Program expansion		
Advanced Energy Fund (Fund 5M50) – Department of Development			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase in grants awarded to school districts		

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- According to the School Facilities Commission (SFC), SFC may incur additional costs as a result of having to hire outside consultants to assist in overseeing the expansion of the Energy Conservation Program to include solar energy systems for schools.
- By requiring that school districts have a long-term supply of solar-sourced electricity for 25% of the schools within their districts within five years of the bill's effective date, the bill may increase the number of school districts applying for, and receiving, grant awards from the Advanced Energy Fund (Fund 5M50).

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
School Districts			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase in costs for adapting school buildings to solar-sourced electricity and purchasing and maintaining a solar electricity-generating system or contracting with a third-party provider. These costs may be offset by grants and reduction in the amount of electricity purchased from traditional sources.		

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Districts may incur costs for modifications to 25% of their schools to accommodate solar electricity-generating systems.
- The cost of purchasing a solar energy system could be between \$0.3 million and \$2.4 million depending on the size and location of the project. Districts purchasing systems will also have ongoing maintenance costs. In lieu of purchasing a system outright, districts may contract with a third-party provider that owns and maintains the system.
- If a district chooses to purchase a system, it may partly offset the cost with state or federal grant funds. The district will also reduce future expenditures by purchasing less electricity from traditional sources. If a district opts to host a system through a third-party provider, the district may pay lower electricity rates over the life of the contract than they pay to their current electricity providers.

Detailed Fiscal Analysis

The bill expands the School Facilities Commission's (SFC) Energy Conservation Program to include renewable energy generation measures and requires that all Ohio school districts have a long-term supply of solar-sourced electricity for 25% of the schools within their districts within five years of the bill's effective date. These provisions are discussed in greater detail below.

Expansion of Energy Conservation Program

The Energy Conservation Program allows school districts with older facilities to borrow funds to make energy-saving facilities improvements without seeking voter approval. Projects include a variety of energy conservation measures, such as insulation, storm window, and door installation. Since the program's inception in 1985, it has been used for 952 projects in approximately 557 districts, with estimated savings of over \$100.1 million. Under current law, the cost of the improvements may not exceed the savings in energy, operating, and maintenance costs over a 15-year period. In addition, the entire cost must be paid within 15 years and any securities issued for the improvements may not have maturity periods of more than 15 years. The bill extends these three time constraints to 30 years. This extension may allow higher cost projects to qualify for the program.

The bill also expands the type of projects allowed under the program to include renewable energy generation measures, such as solar energy systems. Under continuing law, districts must receive SFC approval before undertaking a project. SFC currently does not have expertise in the area of renewable energy generation measures. According to a spokesperson, SFC anticipates needing to hire consultants specializing in these types of projects to assist them in approving proposed school projects. The cost of these consultants will depend on the number of projects that need to be approved.

Installation of solar energy systems in schools

The bill requires that each Ohio school district ensure that at least 25% of the district's schools have a long-term supply of solar-sourced electricity within five years of the bill's effective date. Under the bill, a district can meet these energy requirements in two ways: through direct ownership of a solar energy system or through a power purchase agreement with a third-party operator that owns, operates, and maintains the system.

According to a private firm contacted for this analysis, the cost of a solar energy system in Ohio ranges from \$6 to \$8 per watt. The bill requires each system to generate at least 50 kilowatts, so at a minimum each system may cost from \$0.3 million (\$6 x 50,000) to \$0.4 million (\$8 x 50,000). A large school building, however, may require a system that generates up to 300 kilowatts. Such a system may cost from \$1.8 million (\$6 x 300,000) to \$2.4 million (\$8 x 300,000). In addition, districts may need

to update the buildings' current electrical systems to operate with the new solar system. Districts will also need to prepare a location for the solar panels. If placed on rooftops, the district may need to make structural changes to accommodate the panels. Once the system is in place, the electricity generated is free; however, districts will incur ongoing maintenance costs. For districts opting to purchase systems outright, state and federal grants, including those from the Ohio Department of Development's Advanced Energy Program, could help lower costs.¹ Districts will also save through purchasing less electricity from traditional sources.

Instead of purchasing a system outright, districts may opt for hosting a solar energy system owned by a third-party provider. If a district chooses this option, the bill requires it to enter into a power purchase agreement with the third-party provider to supply the designated school with the electricity generated by the system. Under this type of an agreement, the third-party provider secures funding for the project, maintains and monitors the energy production, and sells the electricity to the host at a contractual price for the term of the contract, which generally ranges between 5 and 25 years. The third-party provider will likely be able to take advantage of tax credits and tax depreciation unavailable to the school district if the district purchases the system outright. As a result, the provider may be able to offer lower electricity rates than the district's current electric provider. Under this option, districts may still be responsible for any costs related to upgrading their electrical systems and preparing a site to accommodate the solar panels.

If the 30-year cost of complying with the 25% solar-sourced electricity requirement is determined to be uneconomic relative to the reasonably forecasted retail rate of electricity, the bill permits districts to provide solar electricity to fewer than 25% of its schools, as long as they get as close to the 25% goal as possible. In addition, the bill specifies that any funds received from the Advanced Energy Program by a district are in addition to the funds received from the state for its SFC-assisted project. Therefore, recipients of the grants should not have their SFC project funding affected.

HB0113IN.docx / sle

¹ According to the Department of Development's Ohio Energy Office's web site, to qualify for the Advanced Energy Grant Program, projects must be located in Ohio and in the service territories of one of four participating electric distribution companies: American Electric Power, Duke Energy, Dayton Power and Light, and First Energy. The program was appropriated \$17.0 million in FY 2009 to provide loans and grants for residential, small business, local government, nonprofit, agricultural, and other entities for the adoption and installation of renewable and efficient energy sources.