MINUTES
LEGISLATIVE TASK FORCE
ON
SUSTAINABLE BUILDING DESIGN AND PRACTICES
OF THE
ARKANSAS GENERAL ASSEMBLY

Monday, December 12, 2011
1:30 P.M.
Room 171, State Capitol
Little Rock, Arkansas

The Legislative Task Force on Sustainable Building Design and Practices met at 1:30 P.M., Monday, December 12, 2011, in Room 171 of the State Capitol in Little Rock, Arkansas. The following members attended:

Legislative Members: Senator David Johnson, Co-Chairman and Representative Greg Leding, Co-Chairman.

Non-Legislative Members: Chris Benson, Charlie Foster, Anne Laidlaw, Mikel Lolley (via telephone), Allen Maxwell, Zack Mobley, Martha J. Murray, Mark Robertson, and Kenneth Smith.

Also attending: Representative Denny Altes.

Representative Leding called the meeting to order.

CONSIDERATION TO APPROVE NOVEMBER 14, 2011, MINUTES (EXHIBIT C)

<u>**Mr. Foster made a motion to approve the November 14, 2011, minutes. Senator Johnson seconded the motion, and the motion carried.**</u>

APPOINTMENT TO TASK FORCE
Representative Leding said Mr. Burak resigned from the Task Force and asked for recommendations for a replacement. Senator Johnson said Mr. Burak was affiliated with the Arkansas Home Builders Association and suggested asking them for suggestions regarding a new member to the Task Force.

NEXT MEETING DATE: January 9, 2012
The February meeting was scheduled for February 13, 2012, the first day of the 2012 fiscal session. The Task Force agreed to reschedule the meeting for February 6, 2012.

DISCUSSION ON PROPERTY ASSESSED CLEAN ENERGY (PACE)

Mr. Mark Robertson [EXHIBIT E, HANDOUTS E.1, E.2, E.3, E.4, E.5 & E.6], presented a PowerPoint overview of the Property Assessed Clean Energy (PACE) program. [Attachment 1] PACE is a local government/community voluntary initiative that allows property owners to finance energy-efficiency and renewable energy projects for homes and commercial buildings. Property owners opt in to receive financing that is repaid through an assessment on their property taxes for up to 20 years. PACE provides long-term funding from private capital markets at low cost and does not need government subsidies or taxes. Enabling legislation for PACE has been adopted by 27 states.

PACE initiatives solve two key barriers: reduction of high up-front costs and fear that project costs will not be recovered prior to future sale of the property. Because PACE attaches to the property, it allows payback to occur over a long period of time.

There are efforts in Washington, via HR 2599, to allow PACE to be used at the state level, and Mr. Robertson hopes the Arkansas delegation will sign on. Pulaski Technical College and Northwest Arkansas Community College offer programs for careers focusing on energy efficiency.

Mr. Lolley asked what the advantage would be for the Arkansas Development Finance Authority (ADFA) to administer a statewide PACE plan compared to counties administrating a more regional type plan. Mr. Robertson said consistency would be the key advantage, because ADFA is familiar with these bond sales. Using the eight Arkansas improvement districts as regional entities would utilize agencies that are already accustomed to working together. SB 516 [of 2011], Page 3, Line 25 provided flexibility, so communities wanting to move forward with PACE programs were not held back. Mr. Robertson said federal programs found problems with PACE, so Arkansas' bill provided for a junior lien. Colorado and Florida have enacted statewide PACE programs.

Ms. Murray said marketing is the largest barrier (beside financing) for the energy plan to move forward, noting there is an enormous education piece needed for PACE. Tagging ADFA with administering the program is not the answer. They can issue the bonds, but administering a comprehensive program will have to happen at the local level.

Mr. Smith said if Arkansas had a proven statewide billing and payment process for energy-efficiency improvements and renewable energy, utility companies and their contracting partners would be in the position to market PACE programs themselves. Additionally, a broader market would be generated and more people would become involved with energy-efficiency improvements.

Mr. Maxwell said if the state would put this program together using ADFA or the Economic Development Districts and put people out there with the ability to educate, many Arkansans would take advantage of this program.

REPORT – "FISCAL YEAR 2011 REPORT FOR ACT 1494 OF 2009, AN ACT TO PROMOTE THE CONSERVATION OF ENERGY AND NATURAL RESOURCES IN BUILDINGS OWNED BY PUBLIC AGENCIES AND INSTITUTIONS OF HIGHER EDUCATION AND FOR OTHER PURPOSES" [EXHIBIT F]

Mr. Ed Ellis, Energy Efficiency Programs Manager, Energy Office, Arkansas Economic Development Commission (AEDC), provided a PowerPoint presentation [Attachment 2] on Act 1494 of 2009, promoting energy efficiency and natural resource conservation in public buildings. The act implements the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) 90.1 2007 and develops an energy management program.

State agencies have formed energy management teams and focused on energy awareness to help the employees better understand the role of energy efficiency in the workplace. The act requires development of an energy program covering 132 state agencies. Of these, 98 agencies do not pay direct utility bills and have been set aside until the Energy Office works with agencies that do pay utility bills. Mr. Ellis noted the important thing now is the need to collect good data.

Every agency that pays utility bills is required to appoint an energy manager who is trained and proficient. The AEDC has invested $200,000 in a training program for these positions and intends to make the class available online. Act 1494 of 2009 is an unfunded mandate.

Weather normalization influences energy use. Current legislation does not include this component, but the reality of how weather affects energy use must be considered.

The Arkansas Department of Environmental Quality Building increased square footage, but its current energy use index has decreased every year since an engineer helped them optimize energy-saving features that were already in place. Agencies are allowed to increase energy use as long as they are more efficient.

The Arkansas Department of Correction (DOC) faces challenges in meeting the requirements of the act. They have increased demand, yet they are being asked to reduce energy use. Coupled with federal requirements, it is difficult for the DOC to show improvement in energy efficiency.

The University of Arkansas for Medical Sciences (UAMS) has technology that decreased its energy index by almost 20%. Even though square footage increased to 3.9 million square feet from 2.8 million square feet, energy costs decreased over $100,000.

Recommendations in the annual report include:

- Continue funding for an Energy Efficiency Programs Manager.
- Continue working with agencies on energy plans and automatic upload of data into portfolio manager accounts.
- Engage state agencies in the Arkansas Energy Efficient State Government working group.
- Encourage the Arkansas Building Authority (ABA) to look at lease agreements so all agencies will be gathering and submitting utility data.

Mr. Ellis said water data is available, but the focus this year was on electricity, natural gas, and fuels. Developing water usage data is a challenge because there are 155 water accounts for state agencies.

Mr. Smith asked if the state knows how much state agencies (including higher education) spend on utilities annually. Mr. Ellis said the Department of Finance and Administration (DF&A) provides a report on utility costs once a year, but higher education facilities have a different budgeting system, so calculating a total number is not easy. Mr. Smith said the first step to achieving energy efficiency would be to know that collective number.

Senator Johnson asked Mr. Scott Hamilton, Director, Arkansas Energy Office, AEDC, for an update on the status of the 2009 IECC Residential Building Code. Mr. Hamilton said the agency is in the process of adopting the code but does not want to put anything in that will not comply with the needs of the building community. The AEDC would like to see this implemented immediately, but it is difficult to declare a timeline right now.

Representative Leding reminded the group that the next meetings will be January 9, 2012, and February 6.

Mr. Smith wanted to note from the last meeting that the ABA may be the appropriate entity to monitor Energy Service Companies (ESCOs) and Energy Saving Performance Contracting (ESPCs), rather than the DFA’s Office of Procurement. He is concerned that agencies too small to use ESCOs are leasing facilities, and when energy costs in the facility increase, the lessor passes along costs to lessee in the lease agreement.

Mr. Hamilton said AEDC has developed an advisory committee comprised of members from the Energy Office, ABA, DF&A, ADFA, and the Office of Procurement to encourage state agencies to face past challenges with ESCOs and help smaller agencies deal with leases and energy saving concepts.

With no further business, the meeting adjourned at 3:15 P.M.