HOUSE RESEARCH ORGANIZATION bill analysis | 5/8/2009 | HB 2753 Farias (CSHB 2753 by Bolton)

SUBJECT: Financing solar energy improvements with county property assessments

COMMITTEE: County Affairs — committee substitute recommended

VOTE: 9 ayes — Coleman, Morrison, Berman, Bolton, Castro, J. Davis, Marquez, Sheffield, W. Smith

0 nays — None

WITNESSES: For — (*Registered, but did not testify:* Jim Campbell, CPS Energy; Luke Metzger, Environment Texas; Susan Ross, Texas Renewable Energy Industries Association; Cindy Segovia, Bexar County Commissioners Court)

Against — None

On — (*Registered, but did not testify:* Stephanie Newberg)

DIGEST: CSHB 2753 would allow a county to provide by order for a voluntary solar energy improvement special assessment on single-family residential properties. The assessment would be imposed to facilitate financing arrangements for photovoltaic or solar thermal systems to be installed on the properties.

Solar energy improvement special assessment. CSHB 2753 would allow a county to impose a solar energy improvement special assessment on a single-family residential property if the owner requested it in order to increase access to the benefits of residential solar technology by facilitating financing arrangements.

Requirements and implementation. A county would direct the appropriate appraisal district to include the special assessment in the property tax assessment and to collect it at the same time and in the same way as the property taxes levied on the property, after the following requirements were met:

- a property owner had submitted a request that the assessment be applied to the owner’s property for financing a solar energy improvement;

- the county tax assessor-collector had verified the property owner was the owner of record and that there were no delinquent taxes or certain liens on the property; and
- the property owner had submitted documentation of the proposed financing agreement for the solar energy improvements establishing the annual amount of the assessment needed to satisfy the financing agreement, the number of years the assessment would need to be imposed, and that financing would be provided by an approved institution for no more than 40 percent of the assessed value of the property.

A county could not establish any additional criteria for participation by property owners or require that a property be in compliance with energy efficiency standards.

Creation of a lien. The solar energy improvement special assessment would constitute a lien on a property of equal priority to other tax liens. The amount of the special assessment would be an amount necessary to pay the costs of the improvements, the costs of the financing when due, and the county administrative fees. The assessment would have to be imposed at the same time and in the same manner as property taxes, but would be kept separate from other county funds.

The administrative fees imposed by the county could not exceed 10 percent of the principal amount of the property owner’s obligation to the financial institution for the improvement and could be used to pay expenses of promoting the solar energy improvement special assessment program.

Disbursement of proceeds. The county tax assessor-collector would be required to disburse the proceeds from an assessment on a property solely for financing the solar energy improvements to that property and for paying the administrative fees to the county. The tax assessor-collector would have to enter into an agreement with the financing institution specifying procedures for transferring the revenue from the assessment to the institution.

Qualifications of financing institutions. The Finance Commission of Texas would adopt rules for the certification of a financial institution as a solar energy improvement financing institution, including that the financing institution be a member of the FDIC or National Credit Union

Administration or that the institution met the generally accepted criteria for financial stability and soundness.

Effective date. The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009.

SUPPORTERS SAY:

CSHB 2753 would allow counties to use solar energy improvement special assessments in which homeowners could participate voluntarily. Participating homeowners would be able to spread the cost of solar renewable energy projects into a long-term, low-cost payment plan. For the average homeowner, installing solar energy systems can be prohibitively expensive. The high up-front cost is the single biggest roadblock to widespread residential solar use. This bill would let homeowners voluntarily install renewable energy systems with no upfront cost.

OPPONENTS SAY:

No apparent opposition.

NOTES:

Rep. Farias intends to offer a floor amendment that would:

- provide a definition for a solar energy improvement financing institution;
- provide that, if applicable, the improvement be contracted for in writing like a mechanic's, contractor's, or materialmen's lien;
- provide that rather than verification from the county tax assessor-collector, a financing institution would provide the tax assessor-collector with an opinion from a title insurance company;
- provide that the property owner and financing institution submit verification that the improvements were eligible improvements;
- allow the tax assessor-collector to require the property owner and financing institution to complete an affidavit stating that all information was true and complete;
- remove language that the special assessment would be a lien with a priority equal to other tax liens and replace it with a provision that the assessment lien securing payments for the improvement would be subordinate to the rights of any purchaser for value without notice, any other mortgage or deed of trust, and a lien or claim for state, county, school district, or municipal ad valorem taxes;

- provide that disbursement of the proceeds from an assessment also be used to pay the title insurance company fees;
- provide that proceeds from an assessment be disbursed in order of: 1) county administrative fees; 2) title insurance company fees; 3) principal amount and financing costs related to the improvement;
- provide that any current or delinquent real property taxes be paid before any proceeds from the assessment be disbursed.

A similar bill, HB 1391 by Strama, has been placed on the May 11 General State Calendar.

The committee substitute differs from the bill as filed by:

- adding a provision that the property could not have certain liens;
- removing a provision that the improvements and installation of the improvements comply with Texas Commission on Environmental Quality standards; and
- adding a provision capping the administrative fees and authorizing that the fees could be used to promote the solar energy improvement special assessment program.