



Rising Energy Costs Plague State Government, Too

by Paul Cillo and Doug Hoffer

Like families and businesses, Vermont’s state government uses energy to heat and light buildings and fuel vehicles and equipment. And each year the cost of energy is taking a bigger bite out of the budget. The state’s energy costs in fiscal 2008, which ended June 30, are estimated at about \$28.9 million—\$4.2 million (17 percent) higher than in 2007 and \$9.2 million (46 percent) higher than in 2003.¹ If oil prices stay at their July/August 2008 level, those costs will increase to \$33.7 million in fiscal 2009, a \$4.8 million (17 percent) increase over 2008.²

Of the \$25 million the state government spent on energy in fiscal 2007, slightly more than half was related to buildings (**Figure 1**). The remainder went to transportation, including fuel for state vehicles such as police cruisers and snowplows and mileage paid to state employees driving their personal vehicles for state business.

Figure 1. State Government Energy Expenditures

	2003	2007	Change	
			\$	%
Buildings	\$9,341,533	\$13,000,149	\$3,658,616	39%
Electricity	\$5,972,114	\$7,473,582	\$1,501,468	25%
Heating fuels	\$2,072,279	\$2,639,594	\$567,315	27%
Natural gas	\$638,152	\$1,246,022	\$607,870	95%
Propane	\$340,554	\$1,022,506	\$681,952	200%
Wood	\$316,475	\$599,565	\$283,090	89%
Other	\$1,959	\$18,881	\$16,921	864%
Transportation	\$10,392,530	\$11,741,648	\$1,349,118	13%
Mileage	\$7,355,013	\$6,040,943	-\$1,314,070	-18%
Gasoline	\$1,563,452	\$3,150,160	\$1,586,708	101%
Diesel	\$1,474,065	\$2,550,544	\$1,076,480	73%
Total	\$19,734,063	\$24,741,797	\$5,007,734	25%

Data Source: Department of Buildings and General Services

While transportation expenditures grew, managers kept that growth down by working to limit miles driven in private vehicles—reducing mileage reimbursements 18 percent from 2003 to 2007.

During that same period, energy costs for buildings increased far faster than for transportation—three times as fast. One reason for the increase in buildings energy costs is that the state occupies more space than it used to. The good news is that energy consumption in state buildings has grown only 2 percent (measured in million BTUs, or MMBTUs)³, despite a 12 percent increase in the square footage of space the state uses. So the amount of energy consumed per square foot has fallen about 8 percent since 2004 (**Figure 2**).

Figure 2. Energy Use and Square Footage
Vermont State Government Buildings

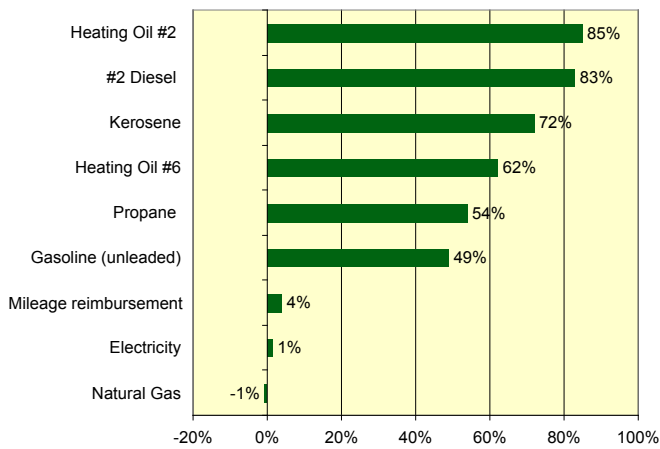
	2004	2007	Change
Square feet (sf)	6,974,788	7,781,879	11.57%
MMBTU	809,724	828,997	2.38%
MMBTU/sf	0.116	0.107	-8.24%

Data Source: Department of Buildings and General Services

Increasing oil prices are behind much of the recent increases in state energy expenditures. **Figure 3** shows the percentage price change for energy sources the state purchases and also change in the mileage reimbursement rate to employees. Prices for petroleum-based fuels are taken from the “rack” prices⁴ published by the Department of Buildings and General Services.

The most recent State Agency Energy Plan (SAEP 2005)⁵ set goals for reducing consumption. The plan, with fiscal 2004 as its base, called for a 20 percent reduction in energy use in buildings and 10 percent

**Figure 3. Energy Unit Price Increases
July 1, 2007 to June 30, 2008**



Sources: Department of Buildings and General Services (rack prices); US Department of Energy, Energy Information Agency; Internal Revenue Service

Note: This analysis uses commercial-customer electricity and natural gas rates.

in transportation by 2012—for a cut of 15 percent overall. Achieving these goals requires investment in the energy efficiency of the state's vehicles and building—money well spent.

State statute requires the Commissioner of Buildings and General Services to report to the Secretary of Administration every other year on the government's progress in reducing energy consumption. But to monitor that progress, state officials and citizens need to know what the state is spending and where it is spending it. The Department of Buildings and General Services provides the best available information on state government energy consumption and cost—we use those figures in this analysis. But the department has not been given the authority or the resources to collect and maintain state government

energy consumption data under an audited system, and that undermines confidence in the accuracy of the information. A serious program to reduce energy consumption demands a rigorous commitment to reliable data-keeping.

ENDNOTES

- ¹ Usage data are not yet available for fiscal 2008. This estimate is based on the authors' calculations assuming usage was the same as for fiscal 2007.
- ² 2009 estimate is based on the authors' calculations using rack prices (see note 4 below) for July and August 2008.
- ³ BTU means British thermal unit, the amount of energy required to raise the temperature of one pound of liquid water (approx. one pint) by one degree Fahrenheit. MMBTU = 1 million BTUs.
- ⁴ The rack price is the posted price at which refineries sell fuel to wholesalers from a specified bulk terminal. The State of Vermont buys its fuels through Vermont retail suppliers, but sets the price each week based on the rack prices for the Albany and Selkirk, NY, and Boston, MA, terminals (as of close of business Thursday and listed Friday in the New York Journal of Commerce), plus the supplier's markup.
- ⁵ Required by 3 V.S.A. §2291.

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