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FISCAL IMPACT REPORT

ORIGINAL DATE 1-27-09

SPONSOR Lundstrom LAST UPDATED _____ HB 74

SHORT TITLE Gallup-McKinley Schools Energy Audit SB _____

ANALYST Woods

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$75.0	Non-Recurring	general

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals, and Natural Resources Department (EMNRD)
Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 74 seeks to provide \$75,000 for an energy audit of Gallup-McKinley County Schools' facilities. The funding would be appropriated to the Energy, Minerals and Natural Resources Department (EMNRD) and expenditures would occur in FY10. The purposes of the energy audit are to increase energy efficiency of the facilities, recommend design incentives, and recommend other energy efficiency measures. Funding not expended by the end of FY10 would revert to the general fund.

FISCAL IMPLICATIONS

It is noted that, according to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

SIGNIFICANT ISSUES

EMNRD indicates that to effectively evaluate and retrofit existing school buildings, investment-grade energy audits are necessary as a design tool to determine cost-effective energy efficiency measures that decrease energy consumption. Statewide, New Mexico's existing school buildings, including Gallup-McKinley County Schools, are significant users of electricity, natural gas and propane and in great need of energy efficiency improvements. The energy audit would prepare the way for a following construction phase to retrofit Gallup-McKinley County Schools' buildings, using other capital funding. The completed project would reduce utility costs and help to control operational costs in future years.

OTHER SUBSTANTIVE ISSUES

PED advises that the 2006-001 Executive Order for "State of New Mexico Energy Efficient Green Building Standards for State Buildings" addresses four distinct building arenas: state-owned buildings, state-leased buildings, public school buildings and private-sector commercial and residential buildings. The purpose of the executive order is to improve the health of building occupants, reduce consumption of fossil fuels and the resulting greenhouse gas emissions, reduce resource waste and related operating costs and promote sustainable and clean-energy economic development. By addressing state-owned and state-leased buildings first, the state can be instrumental in creating the expertise and infrastructure necessary to affect this major change in the building industry. The taxpayers will reap the benefit of reducing utility bills through the energy-efficiency measures, leading to a more fiscally responsible state government. Public schools and private sector buildings will follow, thus transforming the building industry. This bill is consistent with the Executive Order and where the state wants to go.

PERFORMANCE IMPLICATIONS

EMNRD notes that the department's Energy Conservation and Management Division is able to manage the funds and energy audits to support Gallup-McKinley County Schools.

ALTERNATIVES

PED suggests that the Energy Efficiency and Renewable Energy Bonding Act is another avenue for the district to consider. Through this act, the district can apply for funds for the energy audit from the revolving Energy Efficiency Assessment Fund. Local school districts can enter into guaranteed savings contracts with qualified providers for up to 10 years to finance, purchase and install energy efficiency measures in their buildings through the Public Building Energy Efficiency Act 6-23-1 NMSA 1978.

AMENDMENTS

None Proposed.

BW/mt