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FISCAL IMPACT REPORT

SPONSOR Garcia, T. **ORIGINAL DATE** 1/30/09
LAST UPDATED _____ **HB** 167
SHORT TITLE Alternative Energy for Schools Grant Act **SB** _____
ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$1,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Higher Education Department (HED)

Energy, Minerals, and Natural Resources Department (ENMRD)

SUMMARY

Synopsis of Bill

HB167 establishes the "Alternative Energy for Schools Grant Act" that creates the Alternative Energy for Schools Grant Program at the Energy Minerals and Natural Resources Department (EMNRD). The grant program will fund alternative energy projects at qualified public schools and postsecondary institutions that have applied for the grant funding to the Energy Conservation and Management Division. HB167 also requires the Secretary of the department to promulgate rules and procedures to administer the program. HB167 appropriates \$1.0 million from the General Fund to the Energy Minerals and Natural Resources Department for expenditure in fiscal year 2010 to carry out the provisions of the Alternative Energy for Schools Grant Act.

FISCAL IMPLICATIONS

The appropriation of \$1.0 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall revert to the general fund.

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

House Bill 119 provides funding and establishes a methodology for distributing the funds to provide grants to schools to install alternative energy infrastructure that will help defray a school's energy costs and provide educational opportunities for students relating to the use of alternative sources of energy.

Any public school or post secondary educational institutions that has in place an alternative energy project team is eligible to apply for grants.

Schools receiving grants shall use the funding to pay for technical assistance, equipment or installations costs associate with the alternative project.

EMNRD is responsible for administering the grant, promulgating rules, determining eligible projects and awarding grants.

The Public Education Department observes that intent of the grant is to help qualified schools reduce the school's energy costs while providing educational opportunities for students related to alternative energy use. The average age of New Mexico schools is over 30 years. Most schools are not energy efficient and installation of alternative energy projects might not realize anticipated savings because of the basic inefficiency of the aging buildings. It is not clear if the grant program would include basic renovation needed to increase energy efficiency as well as incorporating alternative energy sources.

PERFORMANCE IMPLICATIONS

PED states that this bill supports their department's efforts to fully implement the standards and benchmarks in science, especially those related to the use of alternative energy. It also supports Strategy 1.1 of the Strategic Action Plan for Advancing Math and Science Education in New Mexico (www.ped.state.nm.us/MathScience/dl/MathSciStrategicPlan_fv.pdf), specifically "Implement math and science curricula...which engage students by capitalizing on today's exciting frontiers in math and science." Furthermore, this legislation supports recommendations in NM Project 2012 (available at www.ped.state.nm.us/MathScience) which focus on using problem-solving, inquiry-based curricula.

ADMINISTRATIVE IMPLICATIONS

The PED notes EMNRD would be responsible for the administration of the grant program and development of the necessary rules for implementing the grant. One criterion for selection is a plan to incorporate the alternative energy project into the school's curriculum; therefore, EMNRD might need to consult with PED staff to ensure plans are appropriately aligned to state standards. Additionally, any alternative energy project that requires any type of major renovation or construction to public school buildings will require approval from the Public Schools Facilities Authority (PSFA) according to 22-20-1 NMSA 1978.

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The Higher Education Department states that House Bill 167 does not elucidate what alliance that the HED has with the EMNRD on the proposed grant. HED has statutory oversight of institution capital projects

TECHNICAL ISSUES

The appropriation is to EMNRD to carry out the provisions of the Act. It does not specify if a portion of the \$1,000.0 can be used for program administration. The restriction of the funds to one fiscal year may not allow the agency enough time to develop the start-up of the program (to include creating application materials and determining application processes, standards for awards and review procedures by rule) and make awards that would utilize the entire appropriation amount before reversion.

EMNRD suggests the following amendments for consideration by the Legislature:

The bill should be amended to include an energy efficiency requirement to qualify for an alternative energy grant and allow for a competitive selection process instead of rulemaking.

Page 2, lines 7 through 11: D. "qualified school" means a facility that meets minimum insulation requirements for the building shell, minimum energy efficiency requirements for the heating and cooling and lighting systems and maximum water consumption requirements either in a public school or public post-secondary educational institution in New Mexico and also has in place an alternative energy project team that includes school, community and technical assistance membership; and Page 3, line 3 change "adopt rules" to "develop a competitive process".

Page 3, line 19: "(1) meets energy efficiency requirements." Renumber following sections accordingly.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

The Public Education Department notes that 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.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

POSSIBLE QUESTIONS

CH/svb