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FISCAL IMPACT REPORT

ORIGINAL DATE 02/02/09

SPONSOR Sandoval LAST UPDATED _____ HB 260

SHORT TITLE Low Income Energy Assistance Programs SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$12,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)
 NM Mortgage Finance Authority (MFA)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 260 appropriates \$12 million from the general fund for expenditure in FY10 and FY11 to improve energy use of person in poverty in New Mexico, as follows:

- \$3 million to the Human Services Department for the low income home energy assistance program (LIHEAP)
- \$9 million to the Department of Finance and Administration for weatherization assistance through the New Mexico Mortgage Finance Authority.

FISCAL IMPLICATIONS

The appropriation of \$12 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY11 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

This bill provides additional funding to the NM Energy Smart program which, according to MFA, increases the energy efficiency and reduces the residential energy costs of homes occupied by low-income people, while improving their health and safety.

In 2008 funding for NM the EnergySmart (Weatherization Assistance Program) totaled \$4.9 million, allowing MFA to service an estimated 1629 homes. Funding came from the following sources:

DOE	\$1,714,483	(6/08)
STATE (DFA Budget)	\$ 800,000	(10/08)
LIHEAP	\$1,402,056	(4/08)
PNM Gas Energy Efficiency Act Funding	\$ 823,453	(12/08)
Xcel Energy Funding	\$ 140,000	(9/08)

The proposed funding for 2009 totals \$9.8 million.

DOE	\$3,414,483
STATE (DFA Budget)	\$ 800,000
Federal LIHEAP	\$3,437,826
State LIHEAP	\$ 500,000
NM Gas Energy Efficiency Act Funding	\$ 1,217,678
PNM Electric Energy Efficiency Act Funding	\$ 415,250
Xcel Energy Funding	\$ 140,000

With an additional \$9 million, MFA estimates it could weatherize 3,004 additional households.

NM’s federal LIHEAP grant more than doubled in 2009 to more than \$25 million. During the August special session, the Legislature appropriated \$1.9 million for state fiscal years 2009 and 2010 for the LIHEAP program. Additional state funding for the LIHEAP increases assistance; the federal program does not require state matching funds. In addition, the current economic stimulus bills being considered in Congress include more LIHEAP funding for states.

HSD provide the following history of LIHEAP funding, a percentage of which is distributed to MFA for weatherization programs:

HSD LIHEAP Historical Funding

Year	Base Grant	*State Funds	Emergency Contingency Funds	**Leveraging Funds	Total Funding	Funding to MFA for Weatherization	
2009	\$22,918,844	\$1,900,000	\$2,346,755	Not Authorized	\$27,165,599.00	\$ 3,437,826	15%
2008	\$9,535,262	\$ 2,000,000	\$ 1,175,835	\$92, 852	\$12,714,049.00	\$1,920,056	15% Fed 25% State
2007	\$9,358,167	\$ 6,000,000	\$ 508,870	\$553,832	\$16,420,869	\$1,403,725	15%
2006	\$9,392,231	\$ 21,260,000	\$ 523,567	\$ 15,881	\$31,191,679	\$ 900,000	9%
2005	\$8,934,013	\$ 0	\$ 982,691	\$ 9,714	\$ 9,926,418	\$1,487,500	15%
2004	\$8,474,722	\$ 0	\$ 191,282	\$ 319	\$ 8,666,323	\$1,200,000	14%
2003	\$8,469,606	\$ 0	\$ 583,707	\$ 176	\$ 9,053,489	\$1,050,000	12%
2002	\$8,043,979	\$ 0	\$2,245,669	\$ 0	\$10,289,648	\$ 0	0%
2001	\$6,600,853	\$ 2,000,000	\$2,380,284	\$ 0	\$10,981,137	\$ 0	0%

HSD also notes that HB 260 is silent on whether any administrative funds could be used from the appropriation. HSD must be able to utilize up to 5% of the GF appropriation for administrative costs.

If leveraging funds are authorized by the federal Health and Human Services Department, that HSD may receive leveraging funds by claiming any general fund appropriation spent on utility assistance.

HB 260 does not indicate whether any of these funds should be used to provide funding to Tribes/Pueblos in New Mexico that administer their own LIHEAP program. If HSD had to provide funding to Tribes/Pueblos, it would require several General Service Agreements (GSA) with the following Tribes and Pueblos: Five Sandoval Pueblos, Navajo Nation, Zuni, Jemez, Laguna, Nambe, and Jicarilla.

PERFORMANCE IMPLICATIONS

HSD indicated that in FY 2009 it served 65,960 LIHEAP households. With this additional funding, HSD could serve up to an additional 10,000 LIHEAP households at the current average benefit of \$300, (based on \$40 per point) assuming current levels of federal funding; or HSD could increase the average benefit to \$340 (based on \$45 per point) and serve approximately 75,000 households.

HSD Historical Information

Year	Served	Point Value	Average Benefit
2009	37,453 to date 1/09	\$40	\$300
2008	65,960	\$19	\$135
2007	62,269	\$19	\$127
2006	71,794	\$65*	\$417
2005	55,685	\$20	\$128

* In July of 2006, point value was reduced to \$25 due to funding balances

ADMINISTRATIVE IMPLICATIONS

HSD and MFA identify the need to use up to 5 % of the General Fund appropriation for administrative costs. Serving more households would require additional HSD staff, program outreach, equipment and supplies.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to Senate Bill 62.

OTHER SUBSTANTIVE ISSUES

HSD provided the following additional information:

LIHEAP is a grant from U.S. Department of Health and Human Service (HHS) that helps low-income families meet the costs of home heating and cooling one time per year and

increase energy self-sufficiency and reduce vulnerability resulting from energy needs. HSD is the recipient of the federal LIHEAP funds along with several Tribes/Pueblos. Up to 15% of the federal grant may be used for weatherization and up to 10% may be used for administrative costs. HSD and the MFA enter into an Agreement each year to provide funding for weatherization from the LIHEAP grant.

According to the 2006 Fisher, Sheehan & Colton publications, the Home Energy Affordability Gap for low-income households is \$600.00. Although only 71,794 New Mexico households received LIHEAP in FFY 2006, there are approximately 180,530 households that meet the LIHEAP income eligibility limit of 150% of Poverty (2000 Decennial Census 2/2005). Using the Home Energy Affordability Gap of \$600, the total approximate energy need for 180,530 households is \$108,318,000.

BE/mt