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FISCAL IMPACT REPORT

SPONSOR Wirth **ORIGINAL DATE** 02/24/09 **LAST UPDATED** 03/13/09 **HB** _____
SHORT TITLE Renewable Energy Financing District Act **SB** 647/aSFL#1
ANALYST White

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 572, HB 893

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Energy Minerals and Natural Resources Department (EMNRD)

Responses Not Received From

Taxation and Revenue Department (TRD)

New Mexico Association of Counties

New Mexico Municipal League

SUMMARY

Synopsis of SFl Amendment #1

Senate Floor Amendment #1 to Senate Bill 647 makes a technical change to the original bill by requiring a governing body to adopt ordinances instead of resolutions relative to the districts which may be created under the proposed legislation. This language was clarified in order to address legal technical concerns in reference to the mechanics of the bonds to be issued pursuant to the original bill.

Synopsis of Original Bill

Senate Bill 647 would permit counties and municipalities to form renewable energy financing districts in order to facilitate the funding of renewable energy improvements. The governing body of the county or municipality may form a renewable energy financing district after a public

hearing has been held. The district board may then impose “a special assessment on property within the district to facilitate the financing of renewable energy improvements to the property.” The district may use the special assessment revenues to secure bonds which fund the costs of such improvements “including the costs of bond issuance, debt service and administrative costs of the district and the municipality or county in which the district is located.” These special assessments will be placed only upon property within the districts where improvements have been made allowing individual property owners the opportunity to finance these renewable energy improvements at a zero percent interest rate over a twenty year period.

FISCAL IMPLICATIONS

The only fiscal impacts that could accompany this legislation would affect local governments and municipalities. The administrative workloads of counties and municipalities who form renewable energy financing districts would increase however, this legislation allows those entities to fund costs associated with such increases through bond proceeds. There could also be an additional impact to the local governments or municipalities if only a small amount of property owners elect to participate in a district. This could require the local governments or municipalities to devise creative ways of financing these individual improvements until enough property owners participate to make up a marketable bond issuance.

SIGNIFICANT ISSUES

This legislation, in conjunction with various tax incentives already in place and incentives which will soon be available through the recently enacted Federal American Recovery and Reinvestment Act (ARRA) of 2009, would allow individual property owners to finance renewable energy improvements at virtually no cost. These property owners could elect to levy a special assessment upon themselves in order to amortize the costs of the improvements over a twenty year period at a zero percent interest rate. Through the use of Qualified Energy Conservation Bonds (which have zero percent interest due Federal tax incentives) these improvements could possibly pay for themselves given that an individual could receive more in energy savings and energy portfolio rebates than they would be required to payout in annual special assessment taxes.

Energy Minerals and Natural Resources Department (EMNRD):

Financing mechanisms are needed to support expansion of renewable energy deployment in New Mexico. Property owners have incentives available in New Mexico to offset capital costs (e.g., solar tax credits, solar gross receipts exemption) and be compensated for green energy production (e.g., utility interconnection, renewable portfolio standards), but complementary financing mechanisms have not been implemented. The high capital costs of renewable technologies are only partially offset by incentives and the remaining capital costs can still be significant to property owners. Not all property owners may be able or willing to refinance an existing mortgage or obtain a bank loan, often because they have already used those avenues for other high priority home improvements. The renewable energy special assessment offers another method to finance these improvements.

There is strong interest from counties, municipalities, and property owners throughout the State of New Mexico for renewable energy financing. As an example, the City of Santa Fe provides financing for homeowners in need of property improvements, including energy efficiency and solar energy systems. Dona Aña County commissioners have urged state lawmakers to create solar districts around the state.

ADMINISTRATIVE IMPLICATIONS

According to the Department of Finance and Administration (DFA), this bill would not create any additional administrative burden on its local government division.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 572 and HB 893 create Solar Energy Improvement Special Assessments and Residential Solar Tech Improvement Districts. Both of which, similar to this legislation, provide financing to renewable energy projects through bonds secured with special assessment revenues.

TECHNICAL ISSUES

Department of Finance and Administration (DFA):

The special assessment section of the law does not set a maximum mill levy rate to be used in the collection of property taxes of the district participants each year. The act should include the need to determine an amount of money necessary to be raised by taxation, taking into consideration other sources of revenue of the district. Further, the proposed legislation should also determine the amount required by the district annually to supply funds for paying expenses of organization and the costs of acquiring, improving, equipping, operating and maintaining any project or facility of the district, and promptly to pay in full, when due, all interest on and principal of bonds and other securities of the district.

The legislation allows for the tax levy to be assessed and collected in the same manner, at the same time and with the same penalties as other property taxes. The collection of property taxes is the responsibility of the county treasurers. The imposition of mill rates is set only once annually by municipalities and counties through resolution when the interim budgets are submitted in June.

SB – 647 does not address how the district will be audited. Since it is a component of the governing municipality or county, the act should indicate that the district shall be audited along with the annual audit of municipalities and counties.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Local governments and municipalities would be prevented from forming renewable energy financing districts, and individual property owners would therefore need to fund these individual renewable energy improvements through more traditional and possibly more expensive forms of financing.