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FISCAL IMPACT REPORT

ORIGINAL DATE 2/21/2007

SPONSOR Stewart LAST UPDATED 3/02/2007 HB 825/aHAFC

SHORT TITLE Energy Efficiency Bonding and Fund SB _____

ANALYST Schuss

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	\$500.0			\$500.0	Non- Recurring	General

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Mineral and Natural Resources Department (EMNRD)
 General Services Department (GSD)
 Department of Finance and Administration (DFA)
 New Mexico Finance Authority (NMFA)
 Public Education Department (PED)
 State Treasurer (ST)
 Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of HAFC Amendment

The amendment proposed by the House Appropriations and Finance Committee removes the \$500,000 appropriation from the general fund to the energy efficiency assessment revolving fund. If the energy efficiency assessment revolving fund is to be funded in the future then there will be an additional budget impact, this is noted in the table above.

Synopsis of Original Bill

House Bill 825 amends the Energy Efficiency and Renewable Energy Bonding Act [Section 6-21D-1 NMSA 1978] to provide for building assessments; makes a one-time general fund appropriation to create a revolving fund for the purpose of performing energy assessments; increases the duration of installation contracts for participating agencies; and removes the requirement for development of a state plan by EMNRD.

HB 825 creates the Energy Efficiency Assessment Revolving Fund (Fund) in the state treasury that would consist of appropriations, gifts, grants, donations and bequests to be made to the fund. Income from the fund shall be credited to the fund, and money in the fund shall not revert or be transferred to any other fund at the end of the fiscal year. The purpose of the fund is for performing energy efficiency assessments to implement the Energy Efficiency and Renewable Energy Bonding Act. Expenditures from the Fund shall be made on vouchers signed by EMNRD and warrants issued by the Department of Finance and Administration.

House Bill 825 appropriates \$500,000 from the general fund to the Energy Efficiency Assessment Revolving Fund for the purpose of performing energy efficiency assessments pursuant to the Energy Efficiency and Renewable Energy Bonding Act.

FISCAL IMPLICATIONS

The appropriation of \$500,000 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

GSD reports that the bill does not address the case where an assessment is performed and the recommendation is to not proceed with project. Over time, such cases could dilute the fund, and require a future appropriation to restore viability of the fund.

SIGNIFICANT ISSUES

HB 825 states that EMNRD upon requests by a state agency or a school district may perform state and school building energy efficiency assessments that identify potential energy efficiency measures that will realize significant energy cost savings in the shortest time frame. The state building assessment will be developed by EMNRD in conjunction with the General Services Department staff, Capitol Buildings Planning Commission, other state agencies with control and management over buildings; and in conjunction with the Public Education Department, Public School Capital Outlay Council and the Public Schools Facilities Authority will develop assessments for school buildings. State agencies and school districts are to cooperate with EMNRD in developing a schedule for funding and installation of energy efficiency measures identified in the assessment.

HB 825 further provides that a state agency or school district may enter into an installation contract for up to ten years and allows for the New Mexico Finance Authority to make disbursement to one or more state agencies or school districts for installation of energy efficiency measures. A state agency and school district shall deposit funds equal to the cost incurred by EMNRD for the energy efficient assessment into the Fund and use the remainder for the installation of the certified building energy efficiency measures. Any unexpended balance of the bond proceeds shall revert to the Energy Efficiency and Renewable Energy Bonding Fund. Bonds shall not be issued unless EMNRD certifies that the energy efficiency measures will result in energy cost savings and that state agencies or school districts commit to installing or have entered into contracts for installation of identified energy efficiency measures.

TECHNICAL ISSUES

HB 825 provides for the appropriation to be available in FY07, but the bill does not declare an emergency.

NMFA notes that HB 825 significantly reduces the requirements on EMNRD to complete a state plan by 2010. This change makes an entity's involvement determined by that party and not the state.

OTHER SUBSTANTIVE ISSUES

According to EMNRD, HB 825 amends the act to address issues and facilitates the process for implementation. State buildings and public schools have significant cumulative energy-related operating costs and implementation of the act is important in reducing these costs. These recurring costs, totaling tens of millions of dollars annually, are ultimately borne by New Mexico taxpayers. Responsible government management and accountability dictate that every reasonable effort is made to reduce energy consumption and expenditures relating to these public facilities. HB 825 provides an innovative, promising mechanism to achieve the desired energy and cost savings in a manner that is beneficial to taxpayers. Moreover, other benefits will accrue to building occupants and visitors (*i.e.*, students, teachers, state workers, general public) such as improved comfort levels and enhanced productivity.

EMNRD adds that HB 825 provides state agencies and schools a means to reduce fossil fuel consumption and directly influences the impact of climate change and the reduction of greenhouse gas emissions. By reducing the overall energy consumption in a building the cost-effectiveness of using onsite renewable energy increases. There is also great potential for energy cost savings benefits that would remain for many years to come and economic benefits provided through implementation of the Act from installation and construction of the energy measures. Gross receipts tax revenues directly stemming from construction could benefit state revenues and could also provide for rural economic development.

PED notes that the estimated backlog of repair and renovation costs to bring the state's public school buildings up to the statewide adequacy standards are approximately \$5,300,000,000. This amount pertains to HVAC equipment and damaged lighting and branch circuits. There are currently approximately 739 public school buildings throughout the state encompassing approximately 66 million square feet. The average age of school facilities in New Mexico is 30+ years.

BS/mt:csd