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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-30-07

SPONSOR Stewart LAST UPDATED \_\_\_\_\_ HB HJM 12

SHORT TITLE New Mexico as Energy Conservation Leader SB \_\_\_\_\_

ANALYST Aubel

### APPROPRIATION (dollars in thousands)

| Appropriation |                   | Recurring<br>or Non-Rec | Fund<br>Affected |
|---------------|-------------------|-------------------------|------------------|
| FY07          | FY08              |                         |                  |
|               | See Fiscal Impact | Non-Rec                 | General Fund     |
|               | See Fiscal Impact | Recurring               | General Fund     |

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in thousands)

| Estimated Revenue |                   |      | Recurring<br>or Non-Rec | Fund<br>Affected |
|-------------------|-------------------|------|-------------------------|------------------|
| FY07              | FY08              | FY09 |                         |                  |
|                   | See Fiscal Impact |      | Recurring               | General Fund     |

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

|              | FY07 | FY08                 | FY09 | 3 Year<br>Total Cost | Recurring<br>or Non-Rec | Fund<br>Affected |
|--------------|------|----------------------|------|----------------------|-------------------------|------------------|
| <b>Total</b> |      | See Fiscal<br>Impact |      |                      | Recurring               | General<br>Fund  |

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 534, SB 543, SB 542, SB 404  
Potential Conflict with HB 16, HB 180

### SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Environment (NMED)  
Energy, Minerals, Natural Resources Department (EMNRD)  
Public Education Department (PED)  
General Services Division, Building Services Department (BSD)

**SUMMARY**

Synopsis of Bill

House Joint Memorial 12 urges the state to become a leader in reducing greenhouse gases through resource conservation and the use of alternative energy.

**FISCAL IMPLICATIONS**

House Joint Memorial 12 does not appropriate funding from any source. However, the initiatives listed in HJM 12 suggest required recurring (for recurring programs) and non-recurring (for one-time programs) appropriations for their implementation. These appropriations would range from the relatively small cost of consumer awareness campaigns, to the intermediate cost of planting trees, to the significant costs of creating wetlands or providing research grants. Other proposals contained in HJM 12 would result in a reduction of revenues to the general fund, such as tax credits. As an indication of such revenue fiscal reductions, the following table presents energy policy initiatives (Appendix B) from the Executive’s Budget in Brief. The actual fiscal impact of specific legislation may vary from these amounts.

Revenue Initiatives (General Fund Fiscal Impacts in Millions)

|  | <b>FY07</b> | <b>FY08</b> | <b>FY09</b> | <b>FY10</b> |
|--|-------------|-------------|-------------|-------------|
| Expand definition of biomass for renewable energy production credits | -           | (0.3)       | (0.3)       | (0.3)       |
| Alternative fuel refueling facility tax credit                       | (0.1)       | (0.2)       | (0.3)       | (0.4)       |
| Advanced energy investment tax credits                               | -           | (0.2)       | (0.2)       | (0.2)       |
| Earmark conservation tax for land conservation                       | -           | (10.5)      | (9.9)       | (9.4)       |
| Income tax credit for efficient heating and cooling                  | (0.4)       | (0.7)       | (0.8)       | (0.8)       |
| GRT holiday for Energy Star appliances                               | -           | (0.5)       | (0.5)       | (0.6)       |
| Increase renewable energy credit for solar appliances                | -           | (0.1)       | (0.1)       | (0.1)       |
| Tax credits for “Green” buildings                                    | (0.1)       | (0.4)       | (0.7)       | (1.1)       |
| Income tax credit for biofuels distributors                          | (0.1)       | (0.2)       | (0.4)       | (1.4)       |
| Investment credit for biofuels facilities                            | (0.1)       | (0.1)       | (0.1)       | (0.1)       |

Positive, recurring operating budget impacts would accrue from any reduction in energy costs to the state as a result of implementing strategies promoting energy-efficiency for state-run buildings and programs. EMNRD stated that simply replacing 50 of the most-frequently used lights in a building with ENERGY STAR-qualified models, the state could save more than \$600 a year per building. Additional operating savings have been noted for energy-efficient buildings, which usually require a higher up-front cost that is defrayed over time by the lower operating costs.

## **SIGNIFICANT ISSUES**

HJM 12 suggests that human activities are contributing to global warming, which has been forecasted to have negative effects such as extreme weather cycles of drought and floods, increased fire seasons, and loss of habitat and species.

To help combat such changes, HJM 12 requests New Mexico become a leader in energy conservation and related endeavors and specifies several action items to be performed by various governmental entities:

- *Governor:* declare a “Climate Change Awareness Day” to educate residents about climate change.
- *Legislature:* consider adopting income tax credits for Energy Star certified appliances.
- *Energy, Minerals and Natural Resources Department (EMNRD):* Initiate a “Get a Bright Idea” consumer awareness campaign regarding energy conservation.
- *All State Agencies:*
  - Replace light bulbs with compact fluorescent and automatic timers on lights and heating and cooling systems.
  - Use energy-efficient vehicles for fuel conservation.
  - Encourage employees to carpool or use public transportation.
  - Support sustainable energy production through research.
- *New Mexico Schools:* Recycle paper, cardboard, plastic, aluminum and glass.

EMNRD noted that through such activities HJM 12 has the potential to have a broad impact on energy reduction across the state by raising awareness of climate change issues and putting forth strategies to address the problem.

## **PERFORMANCE IMPLICATIONS**

HJM 12 may help increase the output of EMNRD programs by greatly facilitating agency efforts to expand energy efficiency programs renewable energy development.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HJM 12 relates to several bills that specify tax credits:

Senate Bill 543 and House Bill 534: Sustainable Building Credit

Senate Bill 542: Energy Efficient Appliance Tax Credit

Senate Bill 404: Residential Energy-Efficient Loan

Because it recommends replacing incandescent bulbs with more energy-efficient florescent lighting, HJM 12 potentially conflicts with House Bill 16 and House Bill 180, which indicate that improperly disposed broken fluorescent lights are a contributor of mercury to the environment.

#### **OTHER SUBSTANTIVE ISSUES**

EMNRD suggested that HJM12 complements the existing statewide initiatives to make New Mexico the “Clean Energy State” and the “Lead by Example” initiatives for state government including Climate Change and Greenhouse Gas Reduction (EO-2005-033); Climate Change Action Implementation Team (EO-2006-69); Energy Efficient Green Building Standards (EO-2006-001); Requiring Increased Use of Renewable Fuels (EO-2005-049) and; meeting the goals of the Chicago Climate Exchange to reduce carbon emissions.

PED reported that the Public Schools Clean Energy Task Force recommended that new construction and major renovation of all new school projects set a goal of reducing energy consumption by 50 percent, based on the national average. To facilitate this process and initiate the practice of continuous improvement, the task force also recommends doing a pilot program with four to five schools.

#### **ALTERNATIVES**

PED noted that school districts have the option of entering 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**

State agencies will continue to implement energy efficiency and greenhouse emission reduction programs as mandated in the various executive orders with no additional direction from the legislature.

MA/nt