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FISCAL IMPACT REPORT

ORIGINAL DATE 2/09/09

SPONSOR Gonzales LAST UPDATED _____ HB 268

SHORT TITLE Residential Energy Efficiency Improvement SB _____

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$2,500.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

HB 268 is related to SB 62; see the narrative.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Energy, Minerals and Natural Resources Department (ENMRD)
 New Mexico Environment Department (NMED)
 New Mexico Finance Authority (NMFA)
 New Mexico Mortgage Finance Authority (NMMFA)

SUMMARY

Synopsis of Bill

House Bill 268 appropriates \$2.5 million from the General Fund to the Department of Finance and Administration for the Mortgage Finance Authority to implement a residential energy efficiency improvement loan program in fiscal year 2010. The program would define low-and moderate-income households as eligible, where incomes are no more than 120% of the median income as established by the United States Department of Housing and Urban Development. Qualifying energy efficiency improvements include conversion of existing utility systems to solar systems or other energy-efficient retrofits. The bill limits the use of the appropriation for administrative costs to 5%.

FISCAL IMPLICATIONS

The appropriation of \$2.5 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 2010 shall revert to the General Fund.

House Bill 268 restricts the New Mexico Mortgage Finance Authority from spending more than five percent (5%) of this appropriation for administrative costs.

SIGNIFICANT ISSUES

The New Mexico Mortgage Finance Authority reports that it will expend the funds over a three-year period to create and implement a residential energy efficiency improvement loan program for low- and moderate income households.

The NMMFA provided the following points regarding home energy efficiency.

- A growing proportion of a household's disposable income is spent on energy costs, pushing working families closer to the edge: *energy costs comprise up to 30% of low- and moderate income homeowners' monthly budgets.*
- New Mexicans can save hundreds—even thousands—of dollars annually when they live in energy efficient homes and apartments: the average household spends between \$1,300 and \$1,500 annually on energy bills, roughly half of which is attributable to heating and cooling costs.
 - In New Mexico's climate, spectrally selective low-e windows can cut cooling costs by as much as 38%.
 - Appropriate insulation for your climate (based on R-value) can increase your comfort and reduce your heating and cooling costs up to 30%.
 - An Energy Star furnace or air conditioning system, when properly sized and installed, can save consumers 30 - 40% on heating and cooling bills.
- New Mexico's environment will realize significant benefits.
 - The U.S. Environmental Protection Agency estimates an average house releases 22,000 pounds of carbon dioxide (CO₂) annually compared to a typical car's 11,500 pounds of CO₂.
 - Energy production and use account for nearly 80 percent of air pollution, more than 88 percent of greenhouse gas emissions, and more environmental damage than any other human activity.
 - According to data from the U.S. Energy Information Administration, the Building Sector is responsible for 48 percent of all greenhouse gas emissions each year, and 76 percent of all electricity generated by U.S. power plants goes to supply the Building Sector. Action in the form of reduction of energy use in the Building Sector can thus play a significant role in creating a solution to the growing problem of global warming.
 - Every kilowatt-hour (kWh) of electricity a consumer avoids using saves more than 1-1/2 pounds of CO₂ from being pumped into the atmosphere. If Americans bought only Energy Star products over the next 15 years, we would shrink our energy bills by more than \$100 billion and eliminate as much greenhouse gas pollution as is produced by 17 million cars for each of those 15 years.

- If this bill is enacted, MFA will utilize up to 5% of the appropriation to work with valued lender and builder partners to administer funding through two loan pools:
 - One pool will comprise the EnergySavers Loan Program, which is currently available to builders and developers for:
 - Low-interest rate loans for energy efficient systems in new construction of affordable for-sale and rental housing development;
 - Low-interest rate loans for energy efficiency upgrades to projects involving the acquisition and rehabilitation of affordable for-sale and rental housing development.
 - A second pool will comprise the EnergySavers *Rehab* Loan Program, which is currently in development and will soon be available to current low- and moderate income homeowners for:
 - Low-to-zero interest rate loans for energy efficiency upgrades and retrofits in the rehabilitation of owner-occupied housing.
 - As they are repaid, funds will be recycled so they may provide future loans to builders, developers, and homeowners.

PERFORMANCE IMPLICATIONS

The New Mexico Environment Department’s Air Quality Bureau has a legislative performance measure to reduce annual statewide greenhouse gas emissions to a target level. Similarly, the Governor’s Accountability and Performance Contract contains goals for reduction of greenhouse gas emissions. The Governor’s Executive Order on Climate Change (05-033) contains goals for reduction of greenhouse gas emissions to 2000 levels by 2012, 10 percent below that by 2020 and 75 percent below 2000 levels by 2050. Finally, the Governor’s Executive Order on energy efficiency (07-053) establishes a statewide energy efficiency goal of a 20 percent reduction in per capita energy use statewide from 2005 levels by 2020 with an interim goal of a 10 percent reduction in per capita use statewide from 2005 levels by 2012.

RELATIONSHIP

House Bill 268 relates to Senate Bill 62 which provides \$5 million for “a residential energy conservation program to increase the energy efficiency and reduce energy expenditures of homes occupied by low-income persons in New Mexico.” House Bill 268 references “low- and moderate-income households” while Senate Bill 62 references low income households (without a defining threshold). Low-income household is a broader category than low income homeowner.

OTHER SUBSTANTIVE ISSUES

The Energy, Minerals and Natural Resources Department released this month a new report, “New Mexico Energy Efficiency Strategy: Policy Options,” outlining 25 policy options for meeting the governor’s energy efficiency goal of reducing energy use in New Mexico by 20 percent by 2020. Energy efficiency measures are seen by many as the most cost effective strategy to reducing greenhouse gas emissions. The report as prepared by the Southwest Energy Efficiency Project (SWEEP). SWEEP estimates that implementing all 25 options will reduce annual carbon dioxide emissions in New Mexico by 8.3 million metric tons in 2020 at a net cost savings. This is a significant reduction and represents about 10 percent of emissions predicted to be produced in the state under a business-as-usual scenario. The SWEEP report recommends that the state prioritize low-income home retrofit for energy efficiency.