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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED 1/28/2015 **HB** _____

SPONSOR Martinez, R

SHORT TITLE Residential Energy Conservation Programs **SB** 110

ANALYST van Moorsel

APPROPRIATION (dollars in thousands)

Appropriation					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
	\$1,000.0				Nonrecurring	General Fund

Parenthesis () indicate expenditure decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals, and Natural Resources Department (EMNRD)

Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

Senate Bill 110 appropriates \$1.0 million from the general fund to the Department of Finance and Administration (DFA) for expenditure in FY16 and FY17 for MFA to provide for a residential energy conservation program to increase the energy efficiency and reduce energy expenditure of homes occupied by low-income persons in New Mexico.

The bill provides no more than five percent of the appropriation may be used by MFA for administrative expenses.

There is no effective date of this bill. It is assumed that the new effective date is 90 days after this session ends.

FISCAL IMPLICATIONS

The appropriation of \$1 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY17 shall revert to the general fund. It is anticipated this could become a recurring appropriation in FY18.

MFA notes in its analysis of the bill that, in past years, it has leveraged state appropriations five to one with Department of Energy (DOE) Weatherization and Low Income Home Energy Assistance program (LIHEAP) funding. MFA reports it expects to similarly leverage the appropriation in this bill.

SIGNIFICANT ISSUES

MFA reports the appropriation will provide funding for New Mexico EnergySmart to complete whole-house weatherization for approximately 200 homes throughout New Mexico. MFA estimates that more than 85,000 homes in New Mexico are eligible for weatherization through New Mexico EnergySmart.

MFA states many low-income families live in homes with inadequate heat, leaky or missing windows and unsafe living conditions. As a result, low-income households may spend up to 17 percent of their monthly budgets on utility costs compared with four percent for homeowners with higher incomes. MFA states weatherization through the New Mexico EnergySmart program has resulted in savings up to \$400 per year in the energy bills of low-income households.

MFA administers the New Mexico EnergySmart program using a combination of DOE weatherization and LIHEAP funds, with some additional funding from local utilities and other sources. From 2005-2009, the state appropriated funds on an annual basis for New Mexico EnergySmart. MFA did not request state appropriations in 2010 or 2011 because it received substantial funding for New Mexico EnergySmart from the American Recovery and Reinvestment Act (ARRA) during that period. MFA notes the ARRA funds have been fully expended.

MFA notes that reinstating state funding for New Mexico EnergySmart is important because federal budget cuts are expected, and the authority reports there is an unmet need for the program, in particular for seniors living on fixed incomes, low income families with children, and rural areas of the state where housing stock tends to be older and in greater need of weatherization.

MFA adds the EnergySmart program has been recognized for best practices, and led to the development of the New Mexico EnergySmart Academy at Santa Fe Community College, which is now accredited by the Interstate Renewable Energy Council in four weatherization certificates.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate