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FISCAL IMPACT REPORT

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|--------------------|--|----------------------|-------------------------|
| SPONSOR | Roybal Caballero/Ferrary/Lujan/Sarinana/ Ortiz y Pino | LAST UPDATED | 2/25/23 |
| | | ORIGINAL DATE | 2/14/23 |
| SHORT TITLE | Geothermal Center & Fund | BILL NUMBER | House Bill 365/aHAFC |
| | | ANALYST | Sanchez |

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

| | FY23 | FY24 | FY25 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|-----------------------------|------------------|------------------|----------------------|------------------------------|--------------------------------|
| | No fiscal impact | \$500.0 | \$500.0 | \$1,000.0 | Recurring | NMIMT Center for Excellence |
| | No fiscal impact | \$600.0 | \$600.0 | \$1,200.0 | Recurring | EMNRD |
| Total | No fiscal impact | \$1,100.0 | \$1,100.0 | \$2,200.0 | Recurring | |

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 8

Sources of Information

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)
New Mexico Institute of Mining and Technology (NMIMT)
Attorney General’s Office (NMAG)
Higher Education Department (HED)

No Response Received

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 365 removes language making an appropriation and the sections that specified the sources and uses of the appropriation contained in House Bill 365.

Synopsis of Original Bill

House Bill 365 amends Section 21-1-27.11 NMSA 1978 to create a new Center for Excellence at

the New Mexico Institute of Mining and Technology focused on developing and promoting innovation in Geothermal Resources.

The bill also amends Section 71-9 NMSA 1978 and retitles it as the “Geothermal Resources Development Act” while adding a definition for “geothermal development project.”

House Bill 365 appropriates \$500 thousand from the general fund to the board of regents of the New Mexico Institute of Mining and Technology for the purpose of adding “geothermal resources” to the mission of the school’s Center for Excellence.

House Bill 365 appropriates \$600 thousand from the general fund to the Energy, Minerals and Natural Resources Department’s Energy Conservation and Management Division for the purpose of administering laws and rules related to geothermal resources and overseeing the geothermal resources development fund and the geothermal resources revolving loan fund.

House Bill 365 appropriates \$10 million in FY24 from the general fund to create the geothermal resources development fund for the purpose of studying the costs and benefits of proposed geothermal resource development projects approved by EMNRD.

House Bill 365 appropriates \$15 million in FY24 from the general fund to create the geothermal resources revolving loan fund for the purpose of providing revolving loans to political subdivisions of the state, state universities, Indian nations, tribes or pueblos, nonprofit organizations, and private entities for financing geothermal resource development projects approved by EMNRD.

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

The Energy, Minerals and Natural Resources Department analysis included the following breakdown of proposed spending for the \$600 thousand recurring appropriation contained in the original bill:

- 1 regulatory specialist FTE in ECMD – a highly technical position – and 1 or 2 (depending on rate of industry growth) underground injection well specialists in the Oil Conservation Division, whose duties are assigned first and foremost to evaluation of geothermal wells; expected annual salary and benefits for all three would be approximately \$325 thousand;
- 1 program manager with policy expertise to manage the grant program in ECMD (pay band 75);
- 1 program manager with policy expertise to manage the loan program in ECMD (pay band 75);
- Operational costs for the above five FTEs, including equipment and travel; and
- Annual IT support costs around \$20 thousand.

The removal of the appropriations contained in the original bill means that the concerns expressed by EMNRD and NM Tech are even more likely to result in challenges for the agencies’ attempts to meet the geothermal resource development goals forth in House Bill 365.

SIGNIFICANT ISSUES

The expansion of the mission of the Center for Excellence at NMIMT beyond cybersecurity without recurring funding presents administrative challenges, as explained below. NMIMT's analysis of Senate Bill 8 suggested that inserting language to create the geothermal center for excellence as a stand-alone entity might be a better alternative, a change that is reflected in House Bill 365. NM Tech's analysis of HB365 expressed concerns regarding the institute's ability to sustain the program without recurring funding. Even with the \$600 thousand nonrecurring appropriation contained in the original bill, there were concerns that because it was nonrecurring, the proposed center for excellence would not be able to be sustained once the original appropriation was expended.

The Energy, Minerals and Natural Resources Department's analysis of the original bill stated:

In HB 365, which reflects proposed edits EMNRD discussed with the sponsors of SB8, the \$600 thousand recurring operation goes to the agency as a whole, for the purposes of fulfilling the mandates of the Geothermal Resources Act. Thus, we see the opportunity to develop this program – given the full funding amount in HB365 – throughout the agency, as appropriate.

SS/hg/mg