

LFC Requester:**H. Gaussoin**

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

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{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original **Amendment**
Correction **Substitute**

Date 1/19/2024

Bill No: HB 108

Sponsor: Reena Szczepanski and Patricia Roybal Caballero

Agency Name and Code NMFA (385)
Number: _____

Short Title: Local Solar Access Fund

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
-0-	(110,000)	Recurring	General Fund
-0-	110,000	Recurring	Local Solar Access Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
-0-	-0-	-0-	n/a	n/a

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	-0-	703	717	1,420	Recurring	Local Solar Access Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A

Duplicates/Relates to Appropriation in the General Appropriation Act: N/A

SECTION III: NARRATIVE

BILL SUMMARY

HB 108 amends the New Mexico Finance Authority (“NMFA”) Act (“Act”) by adding a new section that creates the local solar access fund (“fund”) in the NMFA to provide grants to newly defined “eligible entities” to plan, design, construct, purchase, install and equip solar energy systems used to power buildings and infrastructure located in New Mexico, to provide grants for technical assistance to apply for federal or other funding to plan, design, construct, purchase, install and equip solar energy systems, and to pay the administrative costs incurred by the NMFA in carrying out the purposes of the fund. Money in the fund does not revert to the general fund. The NMFA will establish rules which will establish application, evaluation and prioritization of proposed solar energy systems. HB 108 appropriates \$110,000,000 from the general fund to the Energy, Minerals and Natural Resources Department (“EMNRD”) for expenditure in FY25 and subsequent fiscal years for the NMFA to carry out the purposes of the fund.

FISCAL IMPLICATIONS

The creation of the new program with a capitalization of \$110 million will require additional staff. NMFA anticipates after developing rules and policies, it will take approximately three months of program application systems development and related agreements. These additional personnel expenses are estimated at approximately \$710,000 to \$720,000 per annum including salaries and overhead in operating budget impact to NMFA in the first two years.

SIGNIFICANT ISSUES

Construction, purchasing, installation and equipping solar energy systems may require larger amounts of funding relative to planning and design phases of solar energy projects. There are financing alternatives to grants that present a more financially sustainable means of funding more capital intensive phases of solar project development.

PERFORMANCE IMPLICATIONS

Over time the local solar access fund may require future additional appropriations as the fund balance will decline as grants are disbursed. Income from investment of the fund may help offset declines from grant disbursements and administrative costs. Given the capital needs, particularly of larger solar acquisition and construction projects, a grant fund appears financially unsustainable in the absence of additional capital injections.

ADMINISTRATIVE IMPLICATIONS

Section (1) provides NMFA shall establish rules to carry out the provisions of the Act for (a) evaluating proposed solar energy systems, and (b) prioritizing projects. NMFA would require applicants to submit information necessary to evaluate and prioritize projects according to these yet to be determined metrics.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 108 would complement an existing program operated jointly by NMFA and EMNRD for similar projects. In 2005 the New Mexico Legislature created the Energy Efficiency and Renewable Energy Bonding Act which created a program jointly administered by EMNRD and NMFA to finance energy efficiency projects for school districts and state agencies. Under the program NMFA finances building projects designed to reduce energy consumption, operating costs or provide a renewable energy source up to the \$20 million limit in statute. EMNRD calculates estimated energy cost savings in the form of lower utility payments, and loans are structured such that debt service can be met by estimated future cost savings. NMFA underwrites loans under the Public Project Revolving Fund (“PPRF”), which are financed by tax-exempt bond issuances at PPRF prevailing interest rates. EMNRD conducts energy efficiency assessments, approves energy efficiency contracts and works with the Department of Finance and Administration to intercept debt service payments for the public borrowers. Under this program, five school districts and the New Mexico General Services Department financed building projects at interest rates from 0% to 3.2% and terms between 14 and 25 years. This program has not had additional capacity to underwrite projects since 2019 due to the statutory limit on bond issuance of \$20 million for these projects.

TECHNICAL ISSUES

NMFA may enter into an administrative partnership with EMNRD to fulfill technical responsibilities related to energy efficiency measures.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Costs of pursuing and executing solar energy system projects may remain prohibitive for public entities.