

LFC Requester:**Helen Gaussoin****AGENCY BILL ANALYSIS****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 1/18/2024**Bill No:** HB 108

Sponsor: Reps. Szczepanski & Roybal
Caballero

Short Title: Local Solar Access Fund

Agency Name and Code EMNRD 521
Number: _____

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SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|---------|---------------------------|---------------|
| FY24 | FY25 | | |
| | 110,000 | Nonrecurring | GF |
| | | | |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|------|------|---------------------------|---------------|
| FY23 | FY24 | FY25 | | |
| | | | | |
| | | | | |

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY23 | FY24 | FY25 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|------|---------------|-------------------|---------------------------|---------------|
| Total | | | Indeterminant | Indeterminant | Recurring | Indeterminant |

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A
Duplicates/Relates to Appropriation in the General Appropriation Act: UNKNOWN

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 108 (HB 108) would amend the New Mexico Finance Authority Act to create the Local Solar Access Fund. This fund is created and administered by the New Mexico Finance Authority (NMFA). The bill appropriates \$110 million annually starting in Fiscal Year 2025 to EMNRD, for the NMFA to administer.

The new fund created by HB 108 is intended to enable the New Mexico Finance Authority to provide grants to eligible entities to install solar energy systems.

- Eligible entities include counties, municipalities, school districts, and Indian nations, tribes, or pueblos partially or wholly in New Mexico.
- Solar energy systems are defined as the equipment used to generate, convert, store, manage, and monitor solar energy for use as thermal energy or electricity. A solar energy system would also include:
 - Energy storage systems including batteries for storing and delivering electricity; and/or
 - Interconnection equipment to safely connect the system with the electrical grid.

The fund is to be administered by NMFA as a separate account and may be used to provide grants for the following purposes:

- Grants to plan, design, construct, purchase, install, and equip solar energy systems used to power buildings and infrastructure located within New Mexico that are owned and operated by an eligible entity.
- Grants for technical assistance to apply for federal or other funding to plan, design, construct, purchase, install and equip solar energy systems.

Fund dollars can also be used to pay for the administrative costs incurred by NMFA in administering this fund.

HB 108 gives NMFA until December 31, 2024 to establish rules for carrying out these provisions, including:

- Criteria for evaluating proposed solar energy systems and metrics to be used to prioritize solar energy system proposals, including:
 - An eligible entity's need for funding to plan or complete a solar energy system;
 - The percentage of low-income households in the community served by the solar energy system;
 - Whether the building or infrastructure would be used to provide community services or emergency shelter;
 - The requirement that the majority of the fund be allocated to rural eligible entities ;
 - The projected long-term operating cost reductions of the solar energy system;
 - Procedures to ensure maximum geographic disbursement and diversity;
 - Appropriate caps on different types of grants to ensure the fund's sustainability;
 - Ensuring that pricing is consistent with statewide price agreements; and

- Solar energy system installers support workforce development, including by hiring local workers; paying the prevailing wage, or hiring workers participating in apprenticeship programs registered pursuant to the Apprenticeship Assistance Act.
- Developing the format that grant applications should take and include such information as required by NMFA including:
 - An estimate of the cost of the solar energy system;
 - An estimate of the operating cost savings expected to be achieved by the solar energy system; and
 - A description of the benefits of the solar energy system.

FISCAL IMPLICATIONS

As written, HB 108 would designate \$110,000,000 from the General Fund for EMNRD in FY 25 to distribute to eligible entities. However, all the responsibilities of implementation and administration of the funding are assigned to the New Mexico Finance Authority. This arrangement is similar to the Venture Capital Program Act, which appropriates funds to the Economic Development Department for administration by NMFA.

SIGNIFICANT ISSUES

Solar energy systems are a critical component of New Mexico's ability to meet its climate and clean energy goals, and also contributes significantly in building the resilience of the state's electric grid. Since municipalities and other eligible entities identified in HB 108 may have difficulty accessing capital to fund installation of their own energy systems, grants to install solar energy systems administered through NMFA would likely increase the amount of solar energy systems installed in the state, particularly on public buildings.

EMNRD also notes that the state Grid Modernization Grant Program, which is administered by EMNRD's Energy Conservation and Management Division, was specifically designed to help public entities ready the grid for the integration of publicly owned renewable energy assets, and could complement the funding which HB 108 would make available.

Number of Projects a \$110 Million Fund Could Support

A commercial-sized solar system – which is likely to be equivalent in size to a solar system installed on a public building – is on average over 10kW in panel capacity. Based on data collected from the Solar Market Development Tax Credit (administered by EMNRD), on average, projects of this size cost around \$51,000. A number of projects which have come through the Solar Market Development Tax Credit program have also included a battery storage system, which increased the average project cost to \$71,000. If these projects represented the type of projects the Local Solar Access Fund would fund, the \$110 million appropriation in HB 108 would support around 1,500 to 2,000 individual small projects.

However, a municipal utility or a local governmental entity interested in a microgrid with a focus on resiliency would likely pursue a larger project (at least 1 MW in capacity, with extensive battery storage), which cost \$3-5 million per project. In the event of an emergency or outage such a project could ensure multiple critical facilities remain able to run for multiple hours. At that size, the appropriation in HB 108 could support about 27 projects.

PERFORMANCE IMPLICATIONS

HB 108 does not enumerate EMNRD's specific responsibilities in the administration and implementation of the funds appropriated to EMNRD for use by NMFA. EMNRD has a seat on the NMFA Board, but this does not imply that EMNRD is automatically incorporated into NMFA rulemakings.

ADMINISTRATIVE IMPLICATIONS

The bill names EMNRD as the recipient of the appropriation funds and the NMFA as the body with the responsibility to carry out the purposes of the fund. This would require significant coordination, both administrative and during NMFA's rulemaking process, between EMNRD and NMFA to successfully carry out the responsibilities for the fund.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

The Inflation Reduction Act of 2022 currently allows municipalities to take advantage of federal solar tax credits for similar projects as those identified in HB 108 as eligible for funding. This IRA tax credit could be "stacked" with HB 108.

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill is not passed a local solar access fund administered by NMFA will not be created.

AMENDMENTS

None.