

LFC Requester:

Helen Gaussoin

**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

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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: SB 59

Sponsor: Sen. Ortiz y Pino, Rep. Roybal Caballero
Short Title: Geothermal Resources Project Funds

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 | | |
| | 600 | Nonrecurring | General Fund |
| | 10,000 | Nonrecurring | General Fund, Geothermal Projects Development Fund |
| | 15,000 | Nonrecurring | General Fund, Geothermal Projects Revolving Loan Fund |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|------|------|---------------------------|---------------|
| FY24 | FY25 | FY26 | | |
| | | | | |
| | | | | |

(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 | | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: SB 59 is identical to HB 91.

Duplicates/Relates to Appropriation in the General Appropriation Act - Unknown

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 59 (SB 59) amends the duties of the energy conservation and management division (ECMD) of the energy, minerals and natural resources department (EMNRD); creates the geothermal projects development fund for geothermal project grants authorized by EMNRD; and creates the geothermal projects revolving loan fund for geothermal project loans authorized by EMNRD.

The Geothermal Projects Development Fund is a nonreverting fund created by SB 59 which shall be used for grants of up to \$250,000 for the purpose of either financing or studying the costs and benefits of a proposed geothermal development project. Grants are approved by the Secretary of EMNRD, and this money may only go to a political subdivision of the state, a state university, or a tribal entity.

The Geothermal Projects Revolving Loan Fund is a nonreverting fund created by SB 59 which shall be used to provide revolving loans to political subdivisions, state universities, Indian nations, tribes, and pueblos, nonprofits, and private entities, for financing geothermal projects. Loans are approved by the Secretary of EMNRD and should be made at the lowest legally permissible interest rate.

No geothermal projects financed from these funds are exempt from the usual required permits or other required permissions.

SB 59 expands ECMD/EMNRD’s role through the following additions:

- ECMD shall administer laws relating to geothermal resources (except laws specifically administered by another authority);
- ECMD shall administer the two funds created by HB 91 and their associated grant and loan programs;
- ECMD shall apply for federal grants related to geothermal resources development; and
- ECMD shall foster the growth of geothermal resources in the state.

FISCAL IMPLICATIONS

SB 59 provides \$600,000 of **nonrecurring** operational funding from the General Fund to fund all activities associated with the expanded scope of work directed to the Energy Conservation and Management Division of EMNRD. Currently, the division fulfills the implementation of the extant Geothermal Resources Development Act with approximately one-third of an FTE. Given the additional scope imposed on the division by this bill and the assumed additional permitting activity by the industry, SB 59 assumes a \$600,000 appropriation will be adequate to effectively staff up, implement and manage the presumed increase in permitting activity. Management of the grant fund and management of the revolving loan fund appears to be funded directly from those funds - \$10 million and \$15 million, respectively, in one-time appropriations to the newly created funds. However, the actual annual fiscal impact on EMNRD is difficult to calculate at this time and is dependent on the increased level of geothermal industry activity requiring those staff resources.

However, EMNRD notes that nonrecurring operational funding for staff and contractual resources will mean that in FY26 and years following, EMNRD will not have capacity to administer the expanded Geothermal Resources Act nor manage the two funds and their associated grant and loan programs.

However, if this funding *was* recurring, EMNRD would be able to develop a robust regulatory and industry-supporting program throughout the agency. We would aim to hire one (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; the expected annual salary and benefits for all three would be approximately \$325,000. The remaining appropriation – again, if made recurring – would fund a program manager with policy expertise to administer the grant and loan program, annual IT support costs for all the above FTEs and the program as a whole, and operational costs for the FTEs including equipment and travel.

EMNRD also notes that the structure of the two funds established by SB 59 suggest that funds appropriated there may be used for administrative and reimbursable costs EMNRD incurs. However, we strongly believe that fund money should be distributed to grant and loan recipients, rather than fund staff salaries, and would prefer the \$600,000 be recurring in the agency's base budget.

SIGNIFICANT ISSUES

The energy conservation and management division of EMNRD currently regulates high temperature geothermal resources under the authority of the Geothermal Resources Development Act of 2016. SB 59 adds the requirement that the division (EMNRD/ECMD) apply for federal grants related to geothermal resources development. Historically, those grants have been targeted to research universities or other geothermal research and development organizations that often perform direct research or exploration of geothermal resources or technologies. While the division may be able to assist those institutions and organizations with grant proposals, the chance that the division would be eligible for federal funding under existing programs could be limited.

The geothermal project development fund contains a \$10,000,000 appropriation yet has a grant cap of only \$250,000 per grant. The grant cap amount is a very low incentive for high temperature geothermal projects where one exploration or temperature gradient well can exceed seven figures. Only actual exploration will provide the data needed to measure future development. A \$1,000,000

grant cap (i.e., the fund is limited to 10 grants) would be more manageable for EMNRD and result in better data and risk reduction for the applicants.

PERFORMANCE IMPLICATIONS

See above discussion on the development of a robust geothermal program at EMNRD.

ADMINISTRATIVE IMPLICATIONS

See above discussion.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 59 is identical to HB 91.

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

A geothermal projects development fund and a geothermal projects revolving loan fund would not be created. In addition, the duties of EMNRD related to geothermal resources would not be expanded.

AMENDMENTS

N/A