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FISCAL IMPACT REPORT

SPONSOR <u>Szczepanski/Roybal Caballero</u>	LAST UPDATED _____
	ORIGINAL DATE <u>01/22/04</u>
SHORT TITLE <u>Local Solar Access Fund</u>	BILL NUMBER <u>House Bill 108</u>
	ANALYST <u>Wan Smith</u>

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$110,000.0	Recurring	General Fund

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

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMFA	No fiscal impact	\$703.0	\$717.0	\$1,420.0	Recurring	Other state funds
Total	No fiscal impact	\$703.0	\$717.0	\$1,420.0	Recurring	Other state funds

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

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Finance Authority (NMFA)

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of House Bill 108

House Bill 108 creates the “local solar access fund” in the New Mexico Finance Authority (NMFA) and appropriates \$110 million from the general fund to the Energy, Minerals and Natural Resources Department (EMNRD) to carry out the purposes of the fund described in the legislation. The appropriation is provided for FY25 and subsequent years. The local solar access fund is created as a nonreverting fund.

The fund is established for a new grant program in NMFA related to solar energy systems. Eligible entities may receive grants to plan, design, construct, purchase, install, and equip solar

energy systems used to power buildings. Entities may also use grants for technical assistance with applying for federal or other funding that would be used for the same purpose. The fund would also support the administrative costs associated with implementing the new program. HB108 stipulates NMFA will establish rules for the application, evaluation, and prioritization of proposed solar energy systems.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation of \$110 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY25 shall not revert to the general fund. Although House Bill 108 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

This bill creates a new fund and provides for continuing appropriations. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds because it reduces the ability of the Legislature to establish spending priorities.

NMFA states that the creation of the local solar access grant program will require additional staff at an annual cost of approximately \$720 thousand in the first two years of implementation. Regarding the grants themselves, the authority points out that there are financing alternatives for the capital-intensive phases of solar projects (construction, installation, etc.) that would be more fiscally sustainable than grants.

SIGNIFICANT ISSUES

EMNRD notes that municipalities and other eligible entities identified in HB108 may have difficulty accessing sufficient capital to support installing energy systems. The bill's grant program, then, would likely increase the number of solar energy systems installed in the state, particularly on public buildings. Increasing solar energy production would move New Mexico closer to attaining its clean energy goals.

Based on data collected by EMNRD from the solar market development tax credit, small commercial-sized solar projects (such as those that would be installed on public buildings) cost on average \$51 thousand to \$71 thousand. Using these costs, the appropriation in HB108 could fund 1,500 to 2,000 individual projects of that size. Municipal utilities and local governments interested in improving grid resilience would likely pursue larger projects that could support a microgrid and extensive battery storage. These types of projects, according to EMNRD, cost between \$3 million and \$5 million each. The appropriation in HB108 could fund roughly 27 projects of that size.

ADMINISTRATIVE IMPLICATIONS

NMFA would be responsible for establishing rules to evaluate proposed solar energy systems and prioritize projects. After developing rules and policies, the authority anticipates needing approximately three months for program application systems development and related agreements.

CWS/al/ne