

NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC's office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT



SPONSOR: Adair DATE TYPED: 01/30/02 HB _____

SHORT TITLE: Biomass Feasibility Study SB 326

ANALYST: Trujillo

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	\$300.0		\$180.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in The General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

Senate Bill 326 appropriates \$300.0 from the general fund to EMNRD for the Forestry Division to assess the feasibility of using biomass from salt cedar and other undesirable woody vegetation removal and watershed restoration projects to generate electric power. The projects are to include:

- An inventory of the supply of undesirable woody vegetation such as salt cedar, Russian olive, pinon and juniper on land that needs clearing and restoration to native plant species in the middle Rio Grande valley, the Pecos river valley and the northern upland rangelands;
- Cooperation and consultation with federal, state, local and nonprofit organizations to implement the action plan; and
- Preparation of an interdisciplinary action plan to remove undesirable woody species to enhance water quality and quantity, restoration of native plant species and wildlife habitat, promote fire prevention in the bosque, promote local industry and improve the environment.

Significant Issues

EMNRD reports the bill addresses the need to assess the volume of woody material that could be feasible to remove for use in electrical generation power plants. To offset the construction costs, the mill proponents will need a 20 to 25 year commitment of wood supply. The bill directs the creation of an interdisciplinary action plan. The bill calls for the project to include cooperation with federal, state, local and nonprofit organizations to implement the action plan.

There are a number of issues associated with this bill. Interpretation of the phrase "feasibility of using biomass from salt cedar and other undesirable woody vegetation removal and watershed restoration projects to generate electric power" could be difficult. Assessing the feasibility of watershed restoration projects would focus on various types of labor and equipment to conduct the work.

Assessing the feasibility of using that material for electrical power generation would require in depth research on the numerous existing technologies for generating electricity. These technologies have significantly different fuel performance requirements, woody material consumption schedules and widely divergent generation efficiencies. There are electrical generation plants that operate using small logs, chipped wood, compressed chips, or only clean chips.

The term undesirable woody vegetation has the possibility of diverse interpretations that will impact the accuracy of the feasibility study. Many people do not believe pinon and juniper trees to be undesirable. The result is that gross measures of standing tree volumes will not assure long-term availability of materials to run the electrical generation plant.

The bill requires EMNRD to cooperate and consult with federal, state, local and nonprofit organizations to implement an action plan. The federal agencies have planning and environmental clearance requirements that need significant lead times.

FISCAL IMPLICATIONS

The appropriation of \$300.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of 2003 shall revert to the general fund.

EMNRD reports the appropriation is **not sufficient** to provide reliable data and a successful implementation plan. The Forestry Division estimates an additional \$180,000 will be needed as well as an additional year to accomplish the implementation and data gathering.

ADMINISTRATIVE IMPLICATIONS

EMNRD reports it will require additional personnel and an extended period to accomplish the study; an FTE to conduct the environmental analysis to assess volumes and assure the removal operations do not create erosion, or impact wildlife; an FTE will be needed to manage the assessment of the feasibility of various electrical generation stations; an FTE to manage the consultation and implementation of the action plan and work on assessing the willingness of landowners to allow material to be removed from their land.

EMNRD estimates the action plan will take an additional year to complete.

TECHNICAL ISSUES

EMNRD suggests the following amendments:

Line 17 should be amended to read: "Four hundred and eighty thousand dollars (\$480,000) and three (3) FTE"

Lines 19 and 20 should be amended to read: "for expenditure in fiscal years 2003 and 2004"

According to EMNRD, the bill does not specify the size or type of electric power generation technology to be researched and assessed. Moreover, the technical and economical feasibility of an electrical power plant is very site specific dependant on a variety of other significant factors such as projected electricity demand, proximity to the transmission grid, water requirements and availability and land ownership.

The extent of the middle Rio Grande valley the Pecos river valley and the upper northern range-lands is not defined, leaving to interpretation the precise acreage to be inventoried.

LAT/ar