F I S C A L   I M P A C T   R E P O R T

SPONSOR	Martinez, R.	**ORIGINAL DATE LAST UPDATED**	8-16-08	**HB**	
SHORT TITLE	Residential Energy Efficiency Improvement Loan Program			**SB**	10
				ANALYST	Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	**FY09**		
	$2,500.0	Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Mortgage Finance Authority (MFA)

BILL SUMMARY

Senate Bill 10 appropriates $2.5 million from the general fund to the Department of Finance and Administration (DFA) for disbursement to the Mortgage Finance Authority (MFA) to create and implement a residential energy efficiency improvement loan program for low- and moderate income households. The bill contains an emergency clause.

FISCAL IMPLICATIONS

The $2.5 million authorized in Senate Bill 10 is a non-recurring expense to the general fund. Funds not expended or encumbered at the end of FY2010 will revert to the general fund.
The funds would be appropriated to the Department of Finance and Administration for disbursement to MFA to create and implement a residential energy efficiency improvement loan program for low- and moderate-income households whose incomes are no more than one hundred twenty percent of the area median income as defined by the United States Department of Housing and Urban Development. Energy efficient improvements may include conversion of existing utility systems to solar systems or other energy-efficient retrofits. No more than five percent (5%) of the appropriation may be used by MFA for administrative expenses.

SIGNIFICANT ISSUES

MFA reports the following:

- "A growing proportion of a household's disposable income is spent on energy costs, pushing working families closer to the edge: *energy costs comprise up to 30% of low- and moderate income homeowners' monthly budgets*.
- New Mexicans can save hundreds—even thousands—of dollars annually when they live in energy efficient homes and apartments: the average household spends between $1,300 and $1,500 annually on energy bills, roughly half of which is attributable to heating and cooling costs.
  - In New Mexico's climate, spectrally selective low-e windows can cut cooling costs by as much as 38%.
  - Appropriate insulation for your climate (based on R-value) can increase your comfort and reduce your heating and cooling costs up to 30%.
  - An Energy Star furnace or air conditioning system, when properly sized and installed, can save consumers 30 - 40% on heating and cooling bills.
- New Mexico's environment will realize significant benefits.
  - The U.S. Environmental Protection Agency estimates an average house releases 22,000 pounds of carbon dioxide (CO2) annually compared to a typical car's 11,500 pounds of CO2.
  - Energy production and use account for nearly 80 percent of air pollution, more than 88 percent of greenhouse gas emissions, and more environmental damage than any other human activity.
  - According to data from the U.S. Energy Information Administration, the Building Sector is responsible for 48 percent of all greenhouse gas emissions each year, and 76 percent of all electricity generated by U.S. power plants goes to supply the Building Sector. Action in the form of reduction of energy use in the Building Sector can thus play a significant role in creating a solution to the growing problem of global warming.
  - Every kilowatt-hour (kWh) of electricity a consumer avoids using saves more than 1-1/2 pounds of CO2 from being pumped into the atmosphere. If Americans bought only Energy Star products over the next 15 years, we would shrink our energy bills by more than $100 billion and eliminate as much greenhouse gas pollution as is produced by 17 million cars for each of those 15 years.
- If this bill is enacted, MFA will utilize up to 5% of the appropriation to work with valued lender and builder partners to administer funding through two loan pools:
  - One pool will comprise the Energy$avers Loan Program, which is currently available to builders and developers for:
    - Low-interest rate loans for energy efficient systems in new construction of affordable for-sale and rental housing development;
    - Low-interest rate loans for energy efficiency upgrades to projects involving the acquisition and rehabilitation of affordable for-sale and rental housing development.
  - A second pool will comprise the Energy$avers *Rehab* Loan Program, which is available to current low- and moderate income homeowners for:
    - Low-to-zero interest rate loans for energy efficiency upgrades and retrofits in the rehabilitation of owner-occupied housing.
  - As they are repaid, funds will be recycled so they may provide future loans to builders, developers, and homeowners."

PERFORMANCE IMPLICATIONS

If this bill is enacted, MFA will be able to expand Energy$avers programs currently available and in development stages once it receives appropriated funds from DFA. These are new programs, which require significant marketing and outreach efforts to targeted audiences. Once both programs are launched, MFA anticipates the various types of loans will complement existing products MFA offers; what is more, MFA has an extensive network of lenders, builders, and housing rehabilitation providers who are anxious to utilize this program. MFA's Energy$avers programs also complement federal and state tax credit incentives for solar energy system installation and conversion, *etc*.

JLL/mt