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FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/10
 LAST UPDATED 02/13/10

SPONSOR SFC HB _____

SHORT TITLE Public Building Energy Efficiency Standards SB 200/SFCS

ANALYST Escudero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY10	FY11	FY12	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		NONE				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

- General Services Department (GSD)
- Energy, Minerals and Natural Resources Department (EMNRD)
- Public Education Department (PED)
- Public Schools Facilities Authority (PSFA)

Other Input Received From

Sierra Club (SC)

SUMMARY

Synopsis of Bill

Senate Finance Committee substitute for Senate Bill 200, the Public Building Energy Efficiency Standards bill which sets minimum energy performance standards for design and construction that is cost-effective for the life cycle of public buildings and to attain the energy star qualification of the United States environmental protection agency, or an alternative, equivalent standard specified by rule of the department.

The standard pertains to new buildings three thousand square feet or more, any addition to a building three thousand square feet or more and renovation of at least two of the following to an existing building relating to heating, ventilation and air conditioning or electrical systems and modification of the components protecting the environment of the building.

The bill affects only those public buildings that are financed to any extent with legislative appropriations of state general fund revenues, severance tax bond proceeds, supplemental severance tax bond proceeds or state general obligation bond proceeds.

FISCAL IMPLICATIONS

Public Schools Facilities Authority indicated as follows:

Minor cost increases may result from increased design expenditures, including design and modeling re expenditure vs. savings analysis. Improved building systems attributes intended to meet energy savings goals will not be required if the added cost of these attributes are not expected to offset--with operational savings within their life cycle--any additional cost of such building systems. However, comprehensive fiscal impact is indeterminate without: 1) additional analysis of agency resource capacity to implement/monitor impacted future building projects, and 2) building owner resource capacity for data collection/entry into an interactive energy management tool.

Energy, Minerals and Natural Resources Department indicates as follows:

SB 200 has no direct impact to the General Fund. Many green building practices can be designed and implemented with little or no additional cost. There may be situations, particularly in a renovation, where reducing energy consumption increases the budget of the project. By definition of being cost-effective, however, these measures should provide savings that at least offset the increased initial cost. These requirements will result in buildings that cost less to operate and maintain over the projected life of the building and will have a positive fiscal impact for years in the future.

In FY11 the fiscal impact will entail the rulemaking process carried out by EMNRD's Energy Conservation and Management Division (ECMD). The process is expected to take three months, averaging two days of effort per week, and is estimated to cost \$8.0. Starting in FY11, the fiscal impact will depend on the number of projects that must be reviewed by EMNRD. Based on available information and approximately three hours to review and approve each project, ECMD will need approximately \$32.0 in operating funds once the program is fully implemented. If the General Fund for EMCD is reduced, ECMD will not have the resources necessary to implement SB 200.

Public Education Department indicates as follows:

The state would fund these energy efficiency standards with legislative appropriations funded through general fund revenues, severance tax bonds, supplemental severance tax bonds or state general obligation bonds. Requiring all governmental agencies to use the funding for energy efficient buildings would decrease the monthly energy costs for those agencies. However, the cost to make a building completely energy efficient would be more than just a normal renovation, addition or new building. Because of this, more funding will need to be available for appropriations funded through these sources.

However, the fiscal impact cannot be determined without knowing the agency's resource capacity to implement and monitor the impact on future building projects and the building owner's resource capacity for data collection and entry into the management tool.

General Services Department indicates as follows:

Designing and building to the level of Energy Star is less expensive in life cycle analyses because the small design and capital increment results in lower energy consumption and operating costs for the life of the building. In FY09, the State of New Mexico entities using SHARE spent \$14.8 million to heat, cool and power its buildings (university, public school, county and municipal buildings are not included in this total.) Building and remodeling to the energy performance of Energy Star will ensure that public entities have the lowest reasonable recurring energy expenses and are somewhat insulated from the rising cost of energy. GSD's Property Control Division currently conducts life cycle analyses for the major construction and renovation projects on its building so there is insignificant additional burden added by this bill.

SIGNIFICANT ISSUES

Public School Facilities Authority indicated as follows:

The design and construction modeling of a project's goal for achieving fifty percent or less energy consumption may be limited after evaluating life cycle cost of proposed solutions in conjunction with owner building needs. Issues on projects when evaluating the cost-effectiveness of alternate designs to achieve the performance goal within owner's operational fiscal responsibility. When selecting a design option the building indoor air quality, comfort quality and maintainability are driving factors.

Energy, Minerals and Natural Resources Department indicates as follows:

Energy efficient design and construction are critical to mitigate the rising cost of energy and rate of energy consumption. All buildings that are built and operated using public funds should employ cost-effective, energy-conserving practices to assure state monies are being used appropriately

Public Education Department indicates as follows:

SB 200 introduces energy efficiency standards for certain public buildings that are financed with legislative appropriations funded through general fund revenues, severance tax bonds, supplemental severance tax bonds (which includes SB-9 dollars and PSCOC funding) or state general obligation bonds.

The public buildings must achieve a minimum delivered energy performance standard of 50 percent or less of the national average energy consumption of similar building type while attaining the energy star qualification or equivalent standard qualification.

General Services Department indicates as follows:

The building owner does not always have the responsibility to pay utilities. The Energy Star is awarded for a building only after a year's worth of energy usage is collected and compared to averages by building type. This bill directs building owners to track ongoing energy usage. The building occupant or tenant (the "Lead-Agency" for PCD) often has the data that is required to earn the Energy Star award.

PERFORMANCE IMPLICATIONS

Public Schools Facilities Authority indicates as follows:

Potentially insufficient project oversight from the departments/state agencies, as well as, qualified staff to assist with design and engineering recommendations and for of modeling options. Entry of utility consumption data into EPA Portfolio Manager in order to verify and measure actual performance of the design to the constructed outcome after the first year of operation and then subsequent years to sustain energy savings verification

Energy, Minerals and Natural Resources Department indicated, enactment of SB 200 will assist in achieving New Mexico's energy and greenhouse gas emission reduction goals.

Public Education Department indicated, this bill is not related to the public school or Public Education Department (PED) performance measures.

ADMINISTRATIVE IMPLICATIONS

Public School Facilities Authority indicates as follows:

An implication for administrative resource for educational assistance for the building owner and design team. Potential increase in administrative resource requirements in implementation and monitoring performance measures.

As stated by Energy, Minerals and Natural Resources Department, SB 200 would have administrative implications for EMNRD because of the rulemaking and review process requirements. If the General Fund for ECMD is reduced, ECMD will not have the necessary staff to meet its obligations under SB 200.

Public Education Department indicated as follows:

The only agency that has expertise in resources and energy efficiency would be the Energy, Minerals, and Natural Resources Department. This department would need to either administer or approve all of these construction-related projects that are funded by the Severance Tax Bonding Act. This might constitute more full-time employees for that department.

There could be an increase in administrative resource requirements in implementation and monitoring performance measures.

General Services Department indicates as follows:

Depending upon the requirements in the regulations promulgated and staffing level at the administering agency (EMNRD) there may be delays in EMNRD's review of submitted data.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Energy, Minerals and Natural Resources indicates as follows:

The requirements of this bill are similar, but not identical, to the requirements under Executive Order 2006-001.

TECHNICAL ISSUES

Public School Facilities Authority indicates as follows:

Energy management tools available for tracking energy consumption that does not require manual data entry by building owners. A survey of the energy efficiency performance upon completion of the project may require qualified individual for data analysis and recommendations.

Public Education Department indicates a qualified individual may be required to analyze the effectiveness of the energy efficiency performance.

OTHER SUBSTANTIVE ISSUES

As stated by Energy, Minerals and Natural Resources Department, SB 200 makes it mandatory for certain building projects to comply with energy efficiency standards, but does not including any disincentive for failure to comply

Public Education Department indicated as follows:

The estimated backlog of repair and renovation costs to bring the state's public school buildings up to the statewide adequacy standards is approximately \$3.8 billion. This amount pertains to HVAC equipment and damaged lighting and branch circuits. There were also approximately 739 public school buildings throughout the state encompassing approximately 66 million square feet. The average age of school buildings in New Mexico is 30+ years. Most schools may need a major renovation for any type of building to be energy efficient. The Energy, Minerals, and Natural Resources Department would not want to put energy efficiency equipment on buildings that are not energy efficient.

OTHER COMMENTS

Commenting on the legislation, Sierra Club notes the following:

In New Mexico, a 2008 comparative analysis of four nearly identical Rio Rancho school building projects showed that a 1.3% added investment in energy efficiency would be recovered in two years.

ALTERNATIVES

Public School Facilities Authority indicates as follows:

An alternative for energy consumption data collection is for all utility companies to participate with automating data tracking from the source directly into Energy Star Portfolio Manager Application.

Public Education Department indicated as follows:

The Energy Efficiency and Renewable Energy Bonding Act is another avenue for the district to consider. Through this act, the district can apply for funds for the energy audit from the revolving Energy Efficiency Assessment Fund. Local school districts can also

enter into guaranteed savings contracts with qualified providers for up to 10 years to finance, purchase and install energy efficiency measures in their buildings through the Public Building Energy Efficiency Act 6-23-1 NMSA 1978.

To aid energy consumption data collection – utility companies could directly track automated data into the Energy Star Portfolio Manager application.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Public Schools Facilities Authority indicates as follows:

Public buildings potentially may continue to be designed and constructed with unnecessarily higher utility and operations costs.

Energy, Minerals and Natural Resources Department indicates as follows:

If this bill is not enacted, New Mexico will have fewer requirements that mandate the design and construction of taxpayer-funded buildings that reduce energy consumption and utility costs.

Public Education Department indicates as follows:

Schools will continue to use the normal means of energy and use standard building materials because of the high cost of implementation.

General Services Department indicates as follows:

State agencies would continue to design and build new and remodeled buildings under the guidelines of Governor Richardson’s various energy efficiency and green building Executive Orders.

AMENDMENTS

General Services Department indicates, because of the split responsibilities that are addressed in Significant Issues above, it is suggested to add “and Lead-Agency or tenant” after “owner” in line 10 of page 3.

PME/mew:svb:mew