

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Harden & Stapleton **ORIGINAL DATE** 02/01/11
LAST UPDATED 02/28/11 **HB** _____

SHORT TITLE Renewable Energy Transmission Bond Sales **SB** 60/aSFL#1

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
NFI	NFI	n/a	None

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Renewable Energy Transmission Authority (RETA)

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Senate Floor Amendment #1

Senate Floor Amendment #1 to Senate Bill 60 clarifies that the separate accounts proposed apply to the account created in the bond fund, not to the bond itself.

Synopsis of Original Bill

Senate Bill 60 proposes to amend Chapter 62 Article 16 NMSA 1978, the New Mexico Renewable Energy Transmission Authority (RETA) Act.

The authority would be allowed to create separate accounts within the Renewable Transmission Bonding Fund in connection with any bond issuance. The bill specifies that any such separate account shall be held by a trustee acting under a trust indenture relating to those bonds. These separate accounts and the authority's books would be subject to "periodic examination" by the State Auditor.

The bill would amend the New Mexico Renewable Energy Transmission Authority Act to allow for the Renewable Transmission Bonding Fund and the Renewable Energy Transmission Authority Operational Fund to be moved from the State Treasurer's Office (STO) to "a bank designated by the authority in an account or accounts as the authority may establish." Money in

any separate account would be bonding fund would be pledged solely to payment of bonds for which the separate account was created.

A clarification is proposed that specifies payments the authority receives for administrative costs shall be deposited in the authority's operational fund.

Section 62-16A-9 NMSA 1978 would be amended to allow the authority to issue bonds at "par, above par or below" par.

A new section of the Renewable Energy Transmission Authority Act is added to protect proprietary information from inspection pursuant to the New Mexico Inspection of Public Records Act. The bill states that proprietary confidential information "includes power purchase agreements, costs of production, costs of transmission, transmission services agreements, credit reviews, detailed power models and financing statements." The NMFA notes that there are possible national security reasons for keeping certain proprietary information confidential.

FISCAL IMPLICATIONS

Senate Bill 60 makes no appropriation.

Increasing the marketability of RETA bonds, and the revenue streams they would generate may be a key issue to the viability of the authority. The Legislative Finance Committee noted in its Appropriation Recommendation for FY12 that unless the authority could begin earning project fees they would need further general fund appropriations beginning in FY12.

SIGNIFICANT ISSUES

The RETA comments that the ability to create separate accounts for individual projects is important for financial management. Under the current statute, potential investors in RETA's bonds may be reluctant to purchase its bonds based solely on RETA's inability to have funds separated for individual projects. Since RETA issues project specific revenue bonds, and does not receive state assistance for its debt, it is necessary to secure specific bonds with specific project revenues and not comingle them with other funds. This change ensures RETA's future ability to issue debt.

This authority states that allowing the RETA to issue bonds above, below and at par will give RETA the tools it needs to issue debt in the most advantageous manner to get renewable energy projects developed, and is similar language to that of other state entities that have the ability to issue debt.

ADMINISTRATIVE IMPLICATIONS

The RETA states that their funds are still being held through the State Treasurer's Office with the Bank of America, the state's former fiscal agent.

JCH/bym:mew