

LFC Requester:	
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**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

Analysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original **Amendment**
Correction **Substitute**

Date 1/26/24

Bill No: HB 150

Sponsor: Rep. John Block
Short Title: RENEWABLE ENERGY
PRODUCTION TAX ACT

Agency Name and Code State Land Office - 539
Number: _____
Person Writing Sunalei Stewart
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
None	None		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
	Indeterminate but negative	Indeterminate but negative	Recurring	Land Maintenance Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None	None	None			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

HB 150 would tax renewable energy production from resources including solar, wind, geothermal and biomass. The Act imposes an excise tax at a rate of 3.75 percent of the taxable value of each mega-watt hour generated in New Mexico. The taxable value will be the wholesale value of the electricity established by the United States Energy Information Administration for the southwest regional wholesale market. HB 150 includes certain exemptions from the tax including renewable energy produced by the United States, the State of New Mexico, foreign nations, Indian Nations, tribes, or pueblos, and limited renewable energy produced for personal consumption. HB 150 amends the Tax Administration Act (TAA) to specify that revenues from this tax will be distributed to the severance tax permanent fund.

FISCAL IMPLICATIONS

The New Mexico State Land Office manages about nine million acres of surface estate and 13 million acres of minerals. State trust lands have significant solar, wind, geothermal and biomass potential. HB 150 will have a negative but undetermined impact on the New Mexico NMSLO's ability to generate lease revenue from these uses. Wind and solar energy development are poised to play a significant role in the NMSLO's ongoing efforts to diversify revenue streams, and the various existing and anticipated projects are expected to generate hundreds of millions of dollars (over the life of the projects, which generally range between 30-50 years). NMSLO revenue offsets the amount of General Funds that the legislature and taxpayers need to come up with to fund important public services.

NMSLO's Office of Renewable Energy (ORE) earned just shy of \$20 million over the last four fiscal years. Wind leases have provided about 85% of that revenue, yet most of the NMSLO's large wind farm leases are still in the development stage with significant anticipated revenue increases once the projects are operational. Two-thirds of wind leases on state trust land are in the initial phase (18 out of 27) and one-third of solar leases are in the initial phase (four of 12). Once these projects start to sell power, the NMSLO receives substantially higher base rents and percent of revenue rent payments. Revenues from existing leases will increase over time absent any further disincentive to develop as initially planned.

In addition to existing leases, the demand for new leases is very robust, and applicants are

applying for larger projects. If applications currently under review were to become leases, the power generated by renewable energy leases on state trust land (as measured by megawatts) would be increased fivefold.

Considering the number of leases still in development as well as the size of the applications, ORE revenues will likely be consistently in the tens of millions in the near term and in the hundreds of millions in the longer term. The state's overall financial gain from this excise tax would be offset to some extent by the, predictable if not quantifiable, loss of lease revenue experience by the NMSLO. Moreover, an undetermined number of project proponents may move to other states to avoid the additional tax burden imposed by HB 150.

SIGNIFICANT ISSUES

New Mexico has begun to realize its enormous potential for wind, solar and geothermal energy development. By virtue of New Mexico's abundant renewable energy resources and the location of state trust lands, NMSLO is an attractive partner for renewable energy development. New Mexico's Energy Transition Act (ETA) and Renewable Portfolio Standards (RPS) across the U.S. are also driving significant demand for renewable energy development on state trust land.

Renewable energy development in New Mexico, and on state trust lands in particular, has steadily increased as business costs have decreased. Taxing renewable energy production will have a significant negative impact on the renewable energy industry in New Mexico in general and on the NMSLO ongoing efforts to diversity and increase sustainable revenue streams specifically. Consider the example provided by Wyoming; after Wyoming passed a \$1 per MW/hr tax on wind power generation, total wind power generation in that state went flat during the same time that other states without a similar tax experienced an increase in wind development. If an excise tax on all renewable electricity generation was implemented in New Mexico, New Mexico could expect the same result, stagnating development of these sustainable energy resources on state trust land and across the state.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS