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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/18/08

SPONSOR     Martinez     LAST UPDATED                      HB                     

SHORT TITLE     Residential Energy Efficiency Loan Program     SB     210    

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ANALYST     Propst    

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
\$2,500,000		Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Mortgage Finance Authority (NMMFA)

Energy, Minerals and Natural Resources Department (EMNRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 210, Making an Appropriation for Residential Energy Efficiency Improvement Loan Program, appropriates \$2.5 million from the general fund to DFA for a residential energy efficiency improvement loan program for expenditure through fiscal years 2008 through 2010..

### FISCAL IMPLICATIONS

The appropriation of \$2.5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY10 shall revert to the general fund. If appropriated, MFA reports that it will expend the funds over a three-year period to create and implement a residential energy efficiency improvement loan program for low- and moderate income households.

### SIGNIFICANT ISSUES

NMNRD reports that there are currently nearly 120,000 low-income New Mexico households in need of energy efficiency retrofits. Natural gas and propane prices have increased in recent years and the prospect for future price spikes is great. Energy price increases disproportionately affect

low- and moderate-income households by significantly raising the percentage of income required for utility bills. Energy efficiency retrofits can reduce energy usage and result in savings of several hundred dollars per household per year.

Solar thermal and photovoltaic systems can offset significant portions of utility-provided heating fuel and electricity, thus reducing a household's ongoing utility bills; however, the capital costs of these systems are frequently too expensive for low- and moderate-income households to consider. The Loan Program would augment the existing Solar Market Development Tax Credit and provide an additional way for low- and moderate-income households to finance solar systems.

MFA notes that:

- 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 (CO<sub>2</sub>) annually compared to a typical car's 11,500 pounds of CO<sub>2</sub>.
  - 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 CO<sub>2</sub> 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 EnergySavers 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 EnergySavers *Rehab* Loan Program, which is currently in development and will soon be 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**

EMNRD reports that SB 210 would assist the Energy Conservation and Management Division (ECMD) in meeting its strategic goal to promote energy conservation in all sectors of New Mexico's economy including the residential sector.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB 210 relates to SB 189, which makes a distribution to the home energy relief fund, for the Human Services Department's low income home energy assistance program; SB 211, which appropriates \$5 million from the general fund to the Department of Finance for FY09 and 2010 for NMMFA to provide for a residential energy conservation program to increase the energy efficiency and reduce energy expenditures of low-income households and HB 219, which appropriates \$10 million dollars from the general fund to the Human Services Department for expenditures in FY09 to provide home heating and weatherization for households that qualify for the low income energy assistance program.

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