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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-26-09

SPONSOR R. Martinez LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Low-Income Energy Conservation Program SB 62

ANALYST Leger

### APPROPRIATION (dollars in thousands)

| Appropriation |           | Recurring<br>or Non-Rec | Fund<br>Affected |
|---------------|-----------|-------------------------|------------------|
| FY09          | FY10      |                         |                  |
|               | \$5,000.0 | Non-Recurring           | General Fund     |

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Mortgage Finance Authority (MFA)  
 Department of Finance and Administration (DFA)  
 Energy Minerals and Natural Resources Department (EMNRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 62 appropriates \$5,000.0 from the general fund to the Department of Finance and Administration for disbursement to the New Mexico Mortgage Finance Authority for the purpose of providing a residential energy conservation program.

### FISCAL IMPLICATIONS

The appropriation of \$5,000.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY10 shall revert to the general fund.

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

## Senate Bill 62 – Page 2

The General Appropriation Act proposes \$800.0 appropriated to DFA for use by MFA for the NM Energy Smart program.

H.R. 1 (Economic Stimulus 2009), as of 1-23-09 proposes \$6.2 billion for weatherization purposes; New Mexico could receive \$48 million.

### **SIGNIFICANT ISSUES**

This bill provides additional funding to the NM Energy Smart program which increases the energy efficiency and reduces the residential energy costs of homes occupied by low-income people, while improving their health and safety.

### **PERFORMANCE IMPLICATIONS**

Funding for NM Energy Smart (Weatherization Assistance Program) in 2008 program year is:

#### **FUNDING**

|                                       |                    |         |
|---------------------------------------|--------------------|---------|
| DOE                                   | \$1,714,483        | (6/08)  |
| STATE (DFA Budget)                    | \$ 800,000         | (10/08) |
| LIHEAP                                | \$1,402,056        | (4/08)  |
| PNM Gas Energy Efficiency Act Funding | \$ 823,453         | (12/08) |
| Xcel Energy Funding                   | \$ 140,000         | (9/08)  |
| <i>Total Funding:</i>                 | <i>\$4,879,992</i> |         |

#### **PRODUCTION - 2008**

An estimated 1629 homes will be weatherized with this funding from the months of 7/08 through 6/09 (2008 program year).

#### **PROPOSED FUNDING FOR 2009**

|  |                    |
|--|--------------------|
| DOE  | \$3,414,483        |
| STATE (DFA Budget)                         | \$ 800,000         |
| Federal LIHEAP                             | \$3,437,826        |
| State LIHEAP                               | \$ 500,000         |
| NM Gas Energy Efficiency Act Funding       | \$ 1,217,678       |
| PNM Electric Energy Efficiency Act Funding | \$ 415,250         |
| Xcel Energy Funding                        | \$ 140,000         |
| <i>Total Funding</i>                       | <i>\$9,785,237</i> |

#### **ANTICIPATED PRODUCTION - 2009**

If the requested funding of \$5,000,000 is added into the estimates, it would equate to approximately 1669 additional households being assisted. Without the funding; many households would not receive assistance.

### **ADMINISTRATIVE IMPLICATIONS**

MFA will administer the program. SB 62 includes language which states no more than five

percent of this appropriation shall be used by MFA for administrative expenses.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

This bill proposes to address the substantial unmet demand for energy conservation assistance throughout the state. Accordingly, a direct consequence of not enacting this bill would be a reduction of 1,669 units to the number of low-income households that could be assisted. The result is more of those household being faced with high energy bills and continuing health and safety hazards in their homes. Combined savings for energy and non-energy benefits in 2007 shows NM Energy Smart returns at \$2.69 for every \$1 invested. At current prices, home energy savings average \$358 per year, year after year, in homes that have part of this program.

Funding in the NM Energy Smart program is heavily leveraged, meaning that \$1 in funding from the State can actually mean as much as \$3 to the program. Without the proposed funding, sub grantees will be forced to lay off employees which will be a detriment to the numbers of households being assisted by all of the other funding sources.

JL/mc