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FISCAL IMPACT REPORT

ORIGINAL DATE 01/30/13

SPONSOR Martinez LAST UPDATED _____ HB _____

SHORT TITLE Expand Low-Income Residential Energy Program SB 33

ANALYST Boerner

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$1,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

This bill appropriates \$1 million from the general fund to the Department of Finance and Administration for expenditure by the New Mexico Mortgage Finance Authority in fiscal years 2014 and 2015 to provide for a residential energy conservation program to increase energy efficiencies and reduce energy expenditures of low-income households.

FISCAL IMPLICATIONS

The appropriation of \$1 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2015 shall revert to the general fund.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

This bill would provide \$1 million in additional funding to the NM EnergySmart program (administered by the MFA) which would allow service providers to weatherize 200-350 more homes than would otherwise be possible. Low-income homeowners may spend up to 25 percent of their monthly budgets on utility costs, compared to about 5 percent for homeowners with higher incomes. There is an established continual need of up to 1,400 low income persons a month and each home costs an average of \$5,000 in energy upgrades that pay for themselves with energy savings for the home. There is currently a waiting list of 1,400 households; however, there are over 100,000 eligible households.

The MFA leverages state funds with existing federal funding. The state's financial participation is leveraged 5 to 1 with the Department of Energy Weatherization Program funding and the Low Income Energy Assistance Program funding. Before the American Recovery and Reinvestment Act (ARRA), the program received approximately \$1.3 million from the DOE and between \$500 thousand and \$800 thousand per year from the state. During ARRA, the program received around \$26 million over 3 years from DOE; during that time many New Mexicans were put back to work and MFA's partners weatherized more than 4,000 homes. The program received no appropriations from the state during the ARRA period. In fiscal year 2013 the program received \$600 thousand in funding from the DOE and expects to receive about the same in FY14.

PERFORMANCE IMPLICATIONS

The weatherization program has been in existence for 30 years and the MFA has provided management for NM EnergySmart since 1997. The MFA procures eligible non-profit and local government subcontractors that provide the workers to perform weatherization services for all New Mexico counties. The DOE provides the funds for equipment, vehicles, training of the workers, and weatherizing of homes. The workers are trained at the NM EnergySmart Training Academy, based at Santa Fe Community College, which is considered one of the best weatherization training facilities of its kind in the nation.

ADMINISTRATIVE IMPLICATIONS

The MFA will use no more than 5 percent of this appropriation 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 the reduction of at least 200 units for low-income households that can be assisted. More households would face high energy bills and continuing health and safety hazards in their homes. Combined savings for energy and non-energy benefits show weatherization returns at \$2.51 for every \$1 invested. At current prices, home energy savings average \$358 per year for homes that participate in the program. Additionally, without the proposed funding subgrantees would be forced to lay off 54 FTE or approximately 150-200 of their part-time employees