FISCAL IMPACT REPORT

		LAST UPDATED	02/14/2023
SPONSOR	SCONC	**ORIGINAL DATE**	01/26/2023
SHORT TITLE	Climate Investment Center & Fund	**BILL NUMBER**	CS/Senate Bill 169/SCONCS
		ANALYST	Chilton

APPROPRIATION*
(dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	$20,000.0	Nonrecurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent version of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DFA Expenses		$1,916.0	$1,640.0	$3,556.0	Recurring	General Fund
Other agency expenses		Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General fund
Total		$1,916.0-$2,500.0	$1,640.0-$2,000.0	$3,556.0-$4,500.0	Recurring	General fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent version of this legislation.

Relates to House Bill 42 and Senate Bill 5.

Sources of Information

LFC Files

<u>Responses Received From the following regarding the original bill:</u>
New Mexico Attorney General (NMAG)
Economic Development Department (EDD)
Energy, Minerals and Natural Resources Department (EMNRD)
Human Service Department (HSD)
Department of the Environment (NMED)
Department of Finance and Administration (DFA)

SUMMARY

Synopsis of the SCONC Substitute for Senate Bill 169

Senate Bill 169, Climate Investment Center and Fund, establishes a Climate Investment Center, charging it with supporting projects that address the effects of climate change on New Mexico and New Mexicans, establishes a fund to be administered by that center, and funding it with an appropriation of $20 million.

Section 1 of the bill establishes the title of the bill; section 2 enters definitions.

Section 3 creates a new nonprofit, independent public corporation, not to be considered a subdivision of state government, to manage an environmental project financing program with options to make loans and offer grants through partnerships and investments. It would be able to enter into contracts, sue and be sued, and cooperate with local, state, and federal agencies. Lack of status as a state subdivision enables the state to disclaim legal responsibility for investments made.

Section 4 establishes first an appointing committee to be appointed by legislative leaders and the governor. The nominating board in turn would select nine board members with expertise in such areas as "renewable energy, economic development, banking, environmental justice, law, finance, foundation or nonprofit management or other matters relevant to the work of the climate investment center." The legislation specifies the board must have at least one member expert in each of seven enumerated areas. Board members would have two-year terms, except that, in order to stagger terms, five of the initial members would have one-year terms. Nonvoting members would include the chief executive office of the program and representatives from EMNRD and HSD. Appointments are to consider ethnic and geographic diversity.

Tasks of the climate investment center board are enumerated in Sections 3F through 3J. They include

- Hiring a chief executive officer,
- Establishing goals of the center and its environmental project financing program.

In establishing goals, this section specifies that the following goals be included: (1) alternative energy sources for fuel and electrification; (2) reduction of greenhouse gas emissions (3) determining means of mitigating climate change; (4) reducing energy burdens, as determined by the ratio of household energy costs to household income, to those in tribal communities impacted by climate change; (4) enhancing green job creation; (5) creating green [energy] jobs; (6)supporting economic growth in fields that address climate change; (7) supporting sustainable buildings and transportation; (8) providing support for workers and communities impacted by the transition to a low-carbon economy.

In turn, the following are considered priority projects: solar, wind, hydropower and geothermal resources; resources that increase water and energy efficiency; fuel cells; alternative-fuel vehicles, and other renewable resources.

Section 5 creates a "climate investment revolving fund" within the center to be funded through appropriations, grants, and donations.

Section 6 of the bill requires the center to make annual reports to the Legislature before each new legislative session.

In its Section 7, Senate Bill 169 appropriates $20 million from the general fund to the Department of Financing and Administration for the purpose of providing funding for financing projects with an environmental impact and addressing climate change's effects on the environment, administered by the climate investment center, as well as for the climate investment center's operating expenses.

As stated in Section 8 of the bill, the effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

The appropriation of $20 million contained in this bill is a nonrecurring expense to general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund. Although Senate Bill 169 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost could become recurring in future years.

EDD notes, "If unable to receive additional funding the $20 million allocation may be insufficient to meet overall climate goals. Without an administrative budget and a maximum threshold on CEO salary, the center may cannibalize the $20 million allocation for ongoing operations, instead of investment in clean energy projects."

DFA notes significant costs to that department resulting from its work required by this bill:

> Initial startup costs will be required for initiating and completing Board by-laws, non-profit policies and procedures and office startup (furnishings, telephones, software systems, etc.). Expected positions may include CEO, Executive Assistant, Legal Counsel, Finance Manager, Credit Analyst, Program Operations Manager, Program Administrator, Investments Manager, CFO, Accountant, CIO, Systems Analyst

Other state agencies that would contribute to discussions at Climate Investment Center board meetings would incur personnel time costs; NMED estimates that costs to that agency would be up to 1 FTE at a cost of up to $140 thousand.

SIGNIFICANT ISSUES

According to EDD:

> The bill may result in some additional economic development opportunities throughout the state by catalyzing sustainable and green energy projects and transitions. The Climate Investment Revolving fund may represent a critical and necessary tool in the mission to achieve net zero emissions by 2050. The fund and center may help diversify the state's economy and make it more resilient. The program may enable further collaboration between the public and private sector. The fund created by this program may support the expansion of new businesses, job creation, innovation, and workforce development opportunities. The growth of businesses related to sustainable and green energy may increase the tax base. This appropriation could make launching a sustainable and green energy startup and doing business in New Mexico more attractive.

NMED comments that projects that the climate investment center pursues through its fund would assist it in its efforts to

> lower greenhouse gas emissions advance the statewide GHG emission reduction goals per [Governor Luján Grisham's] Executive Order 2019-003. In addition, such reductions will also lower polluting air emissions, resulting in improved air quality and possibly increasing the number of days with an air quality index of moderate or good... Better air quality improves the health of all New Mexicans, especially those who are most vulnerable including children, the elderly, and those with respiratory system diseases such as asthma and bronchitis.

NMED is responsible for implementing the Governor's Executive Order 2019-003 Addressing Climate Change and Energy Waste Prevention,[1] which seeks to reduce statewide greenhouse gas emissions by at least 45 percent by 2030. The environmental project financing program established in SB169 may fund climate actions that will help New Mexico and the state agencies collaborating within the interagency Climate Change Task Force reach the goals set under Executive Order 2019-003. As SB169 omits NMED from the proposed board, NMED recommends that the proposed board be modified to include the NMED secretary or their designee in the board's composition, so that NMED can guide these efforts to align with the state's greenhouse gas emission reduction targets.

The Economic Development Department notes:

> The bill may result in some additional economic development opportunities throughout the state by catalyzing sustainable and green energy projects and transitions. The Climate Investment Revolving fund may represent a critical and necessary tool in the mission to achieve net zero emissions by 2050. The fund and center may help diversify the state's economy and make it more resilient. The program may enable further collaboration between the public and private sector. The fund created by this program may support the expansion of new businesses, job creation, innovation, and workforce development opportunities. The growth of businesses related to sustainable and green energy may increase the tax base. This appropriation could make launching a sustainable and green energy startup and doing business in New Mexico more attractive.

PERFORMANCE IMPLICATIONS

According to NMED, "Any projects supported by the Center will assist NMED's responsibility to improve air quality throughout New Mexico, as described in NMED's "Performance Measure 4.2: Percent of days with good or moderate air quality index."

RELATIONSHIP

Related to House Bill 42 and Senate Bill 5, identical bills that would establish a Public Health and Climate Resiliency program in the Department of Health and would also make grants for projects involving climate change.

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[1] https://www.governor.state.nm.us/wp-content/uploads/2019/01/EO_2019-003.pdf

TECHNICAL ISSUES

EDD suggests addition of nonvoting members from the Environment Department and the Economic Development Department in addition to HSD and EMNRD.

OTHER SUBSTANTIVE ISSUES

NMED notes that it "administers a number of loan and grant programs related to water infrastructure that could leverage Center funding and result in greener infrastructure investments."

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMED notes, "If SB169 is not enacted, New Mexico may miss out on the opportunity to receive competitive grants from the U.S. Environmental Protection Agency from the Greenhouse Gas Reduction Fund, which provides funding 'to mobilize financing and leverage private capital for clean energy and climate projects that reduce greenhouse gas emissions.'"

LC/al/hg/rl/ne