

LFC Requester:

Cally Carswell

**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.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}*Date Prepared: 2/4/2025

Check all that apply:

Bill Number: HB 128Original  Correction Amendment  Substitute 

<b>Sponsor:</b>	Reene Szczepanski and Patricia	<b>Agency Name and Code Number:</b>	NMFA (385)
	Royball Caballero		
<b>Short Title:</b>	NMFA Local Solar Access Fund	<b>Person Writing</b>	Marquita Russel
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**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
-0-	(60,000)	Recurring	General Fund
-0-	60,000	Recurring	Local Solar Access Fund

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
-0-	-0-	-0-	n/a	n/a

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	50	650	500	1,200	Recurring	Local Solar Access Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

## **SECTION III: NARRATIVE**

### **BILL SUMMARY**

#### **House Energy, Environment and Natural Resources Committee amendment Summary:**

The amendment adds criteria to the minimum requirements of NMFA's rules governing the program. The amendment also strikes contingency language that provides that the law is effective upon NMFA's administrative costs being budgeted in HB 2.

#### **Original Bill Summary**

HB 128 amends the New Mexico Finance Authority ("NMFA") Act ("Act") by adding a new section that creates the local solar access fund ("fund") in the NMFA to provide grants to "eligible entities" (counties, municipalities, school districts, land grant-mercedes, and Indian nations, tribes and pueblos) to plan, design, construct, purchase, install and equip solar energy systems used to power buildings and infrastructure located in New Mexico, and to provide grants for technical assistance to apply for federal or other funding to plan, design, construct, purchase, install and equip solar energy systems.

By December 31, 2025, the NMFA shall establish rules establishing application, evaluation and prioritization criteria of proposed solar energy systems compliance with the Act.

HB 128 appropriates sixty million (\$60,000,000) from the general fund to the Energy, Minerals and Natural Resources Department ("EMNRD") for expenditure in FY26 and subsequent fiscal years for the NMFA to carry out the purposes of the Act. Money in the fund may be used to pay the administrative costs incurred by the NMFA. Money in the fund does not revert to the general fund.

The provisions of this act become effective upon the enactment into law of an appropriation for administrative costs of the New Mexico finance authority in the General Appropriation Act of 2025. The secretary of finance and administration shall notify the New Mexico compilation commission and the director of the legislative council service by July 1, 2025 that the appropriation has been made.

### **FISCAL IMPLICATIONS**

The creation of the new program with a capitalization of \$60 million will require additional staff. NMFA anticipates after developing rules and policies, it will take approximately three months of program application systems development and related agreements. These additional personnel expenses are estimated at approximately \$500,000 per annum including salaries and overhead in operating budget impact to NMFA in the first two years.

### **SIGNIFICANT ISSUES**

Construction, purchasing, installation and equipping solar energy systems may require larger amounts of funding relative to planning and design phases of solar energy projects. There are financing alternatives to grants that present a more financially sustainable means of funding more capital-intensive phases of solar project development.

### **PERFORMANCE IMPLICATIONS**

Over time the fund may require future additional appropriations as the fund balance will decline as grants are disbursed. Income from investment of the fund may help offset declines from grant disbursements and administrative costs. Given the capital needs, particularly of larger solar acquisition and construction projects, a grant fund appears financially unsustainable in the absence of additional capital injections.

### **ADMINISTRATIVE IMPLICATIONS**

NMFA would require applicants to submit information necessary to evaluate and prioritize projects in compliance with the Act.

NMFA may enter an administrative partnership with EMNRD to fulfill technical responsibilities related to energy efficiency measures.

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

HB 128 would complement an existing program operated jointly by NMFA and EMNRD for similar projects. In 2005 the New Mexico Legislature created the Energy Efficiency and Renewable Energy Bonding Act which created a program jointly administered by EMNRD and NMFA to finance energy efficiency projects for school districts and state agencies. Under the program NMFA finances building projects designed to reduce energy consumption, operating costs or provide a renewable energy source up to the \$20 million limit in statute. EMNRD calculates estimated energy cost savings in the form of lower utility payments, and loans are structured such that debt service can be met by estimated future cost savings. NMFA underwrites loans under the Public Project Revolving Fund (“PPRF”), which are financed by tax-exempt bond issuances at PPRF prevailing interest rates. EMNRD conducts energy efficiency assessments, approves energy efficiency contracts and works with the Department of Finance and Administration to intercept debt service payments for the public borrowers. Under this program, five school districts and the New Mexico General Services Department financed building projects at interest rates from 0% to 3.2% and terms between 14 and 25 years. This program has not had additional capacity to underwrite projects since 2019 due to the statutory limit on bond issuance of \$20 million for these projects

### **TECHNICAL ISSUES**

HB 128 Section 3 makes HB 128 contingent upon the enactment of HB 2 that contains an appropriation to NMFA for its administrative costs. NMFA is not a budgeted entity. Typically, NMFA covers its administrative costs for its programs from interest earned on the investment of unexpended proceeds. If these earnings are insufficient to cover administrative expenses, then NMFA will recapture its expenses from principal and interest payments from loans made and from the corpus of the funds for grant programs.

Additionally, Section 1(C) allows NMFA to cover the costs of its administration from the fund making Section 3 unnecessary. Currently, NMFA expects the costs of administration to not exceed 2% of the \$60 million appropriation.

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

Costs of pursuing and executing solar energy system projects may remain prohibitive for public entities.

## **AMENDMENTS**

NMFA recommends that the contingency language contained in Section 3 be struck in its entirety.