

LFC Requester: _____

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original X **Amendment** _____
Correction _____ **Substitute** _____

Date 1/22/2025
Bill No: HB 128

Sponsor: Rep. Reena Szczepanski
Short Title: NMFA Local Solar Access Fund

Agency Name and Code EMNRD 521
Number: _____

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	60,000	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate			Recurring	

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A
 Duplicates/Relates to Appropriation in the General Appropriation Act: UNKNOWN

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 128 (HB 128) would amend the New Mexico Finance Authority Act to create the Local Solar Access Fund. This fund is created and administered by the New Mexico Finance Authority (NMFA). The bill appropriates \$60 million annually starting in Fiscal Year 2025 to EMNRD, for the NMFA to administer.

HB 128 creates a new fund for the New Mexico Finance Authority to provide grants to eligible entities to install solar energy systems.

- Eligible entities include counties, municipalities, school districts, land grants-mercedes controlled and governed pursuant to Chapter 49, Article 1 NMSA 1978, and Indian nations, tribes, or pueblos partially or wholly in New Mexico.
- “Solar energy systems” are defined as the equipment used to generate, convert, store, manage, and monitor solar energy for use as thermal energy or electricity. A solar energy system would also include:
 - o Energy storage systems including batteries for storing and delivering electricity
 - o Interconnection equipment to safely connect the system with the electrical grid

The fund is to be administered by the Finance Authority as a separate account and may be used to provide grants for the following purposes:

- Grants to plan, design, construct, purchase, install, and equip solar energy systems used to power buildings and infrastructure located within New Mexico that are owned and operated by an eligible entity.
- Grants for technical assistance to apply for federal or other funding to plan, design, construct, purchase, install and equip solar energy systems.

Fund dollars can also be used to pay for the administrative costs incurred by the Finance Authority in administering this fund.

HB 128 gives the NMFA until December 31, 2025, to establish rules for carrying out these provisions in consultation with EMNRD including:

- Criteria for evaluating proposed solar energy systems and metrics to be used to prioritize solar energy system proposals. Metrics include, but are not limited to:
 - o
 - o The percentage of low-income households in the community served by the solar energy system
 - o The requirement that the majority of the fund be allocated to rural eligible entities
 - o Estimated cost savings for the community as a result of installing the project That solar energy system installers support workforce development, such as hiring local workers; paying the prevailing wage, or hiring workers participating in apprenticeship programs registered pursuant to the Apprenticeship Assistance Act

FISCAL IMPLICATIONS

As written, HB 128 would appropriate \$60,000,000 from the General Fund to EMNRD in FY 26. The New Mexico Finance Authority (NMFA), in consultation with EMNRD, is responsible for implementing and administering the program. The appropriation amount is recurring, and any unexpended or unencumbered balance at the end of the fiscal year does not revert to the general fund.

SIGNIFICANT ISSUES

Solar energy systems that include storage support New Mexico's goal of maintaining affordability and resiliency in the electricity sector while transitioning to zero-emission sources of generation. Since municipalities and other eligible entities may have difficulty accessing capital to fund installation of their own energy systems, grants to install solar energy systems would likely increase the amount of solar energy systems installed in the state, particularly those serving low-income and rural communities. Additionally, the local solar access fund could help address equity issues stemming from possible cost shifts resulting from private distributed solar adoption.

Low-income energy burden is currently a serious issue in New Mexico. The U.S. Census Bureau's 2022 American Community Survey (ACS) revealed that roughly a quarter (24%) of all households in New Mexico were classified as energy burdened by the Department of Energy (meaning they spend 6% or more of their annual income to meet household energy costs).

Subsidizing solar energy and storage through the Local Access Solar Fund could help alleviate energy poverty by enabling affordable community microgrids in disadvantaged and rural communities

Local Access Solar Fund grants will result in utility bill savings for energy burdened households via lower rates and deferred infrastructure upgrades. Also, participating entities that serve the public would benefit from lower operating costs (eg lower electric bills), further benefitting communities.

HB 128 could support about 800 - 1000 smaller commercial projects annually (~21kW). For utility scale projects (~1MW), the fund could support 12-20 projects annually

PERFORMANCE IMPLICATIONS

Moreover, adding a grant program to EMNRD's responsibilities without adding additional FTE resources would slow EMNRD's responsibilities on its existing programs, including the Sustainable Buildings Tax Credit, the Solar Market Development Tax Credit, and the Solar for All Program.

ADMINISTRATIVE IMPLICATIONS

The bill names EMNRD as the recipient of the appropriation funds and the NMFA as the body with the responsibility to carry out the purposes of the fund. This would require administrative

coordination between EMNRD and NMFA to successfully carry out the responsibilities for the fund.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

New Mexico's Grid Modernization Grant Program and Grant Fund (Sections 71-11-1 and 71-11-2 NMSA 1978) were specifically designed to help public entities ready the grid for the integration of publicly owned renewable energy assets and could complement this funding.

HB25 establishing the Land Grant – Merced Infrastructure Fund would complement this bill in supporting electric grid upgrades to facilitate projects funded by HB128 in relevant communities.

TECHNICAL ISSUES

The definition of “eligible entity” from Section 1 of the proposed bill:

“A. As used in this section:

1. "eligible entity" means a county, a municipality, a school district, a land grant-merced controlled and governed pursuant to Chapter 49, Article 1 NMSA 1978 or an Indian nation, tribe or pueblo located wholly or partially in New Mexico...”

... seems unnecessarily limiting compared to, and possibly conflicts with the legislative intent of, this definition from the New Mexico Finance Authority Act at Section 6-21-3(F) NMSA 1978:

“F. "qualified entity" means the state or an agency or institution of the state or a county, municipality, school district, two-year public post-secondary educational institution, charter school, land grant corporation, acequia association, public improvement district, federally chartered college located in New Mexico, intercommunity water or natural gas supply association or corporation, special water, drainage, irrigation or conservancy district or other special district created pursuant to law, nonprofit foundation or other support organization affiliated with a public university, college or other higher educational institution located in New Mexico, including a university research park corporation, a nonprofit housing developer, an Indian nation, tribe or pueblo located wholly or partially in New Mexico, including a political subdivision or a wholly owned enterprise of an Indian nation, tribe or pueblo or a consortium of those Indian entities or a consortium of any two or more qualified entities created pursuant to law...”

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill is not passed, a local solar access fund will not be created, and low-income and rural communities will continue to endure energy burdens.

AMENDMENTS