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FISCAL IMPACT REPORT

SPONSOR <u>Szczepanski/Roybal Caballero</u>	LAST UPDATED _____
	ORIGINAL DATE <u>2/2/2025</u>
SHORT TITLE <u>NMFA Local Solar Access Fund</u>	BILL
	NUMBER <u>House Bill 128</u>
	ANALYST <u>Carswell</u>

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$60,000.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMFA	No fiscal impact	\$650.0	\$500.0	\$1,150.0	Recurring	Other state funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 2 and Senate Bills 48 and Senate Bill 49

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Finance Authority (NMFA)

Energy, Minerals and Natural Resources Department (EMNRD)

Public Regulation Commission (PRC)

SUMMARY

Synopsis of House Bill 128

House Bill 128 (HB128) appropriates \$60 million from the general fund to the Energy, Minerals and Natural Resources Department (EMNRD) for the New Mexico Finance Authority (NMFA) to carry out the purposes of the local solar access fund. The bill creates the local solar access fund as a non-reverting fund within NMFA. Money in the fund is to be used to make grants to counties, municipalities, school districts, land grants-mercedes, and Indian nations, tribes, and pueblos in New Mexico to plan, design, construct, purchase, install, and equip solar energy systems to power buildings and infrastructure. The fund may also be used for grants for technical

assistance to seek federal funding for the same purposes related to solar energy and to pay NMFA’s administrative costs.

The bill directs NMFA to work with EMNRD to establish rules to guide the grant program by December 31, 2025, and specifies the method of prioritizing solar energy systems shall include consideration of applicants’ financial need to complete the project, percentage of low-income households in the community served by the solar system, long-term savings on operating costs, solar energy systems that support workforce development, buildings and infrastructure used to provide community services, and other criteria. The bill specifies that the majority of funding shall be allocated to rural eligible entities.

The effective date of this bill is contingent upon an appropriation to the New Mexico Finance Authority for administrative costs being enacted in the 2025 General Appropriation Act.

FISCAL IMPLICATIONS

The appropriation of \$60 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall not revert to the general fund. Although HB128 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, costs to the general fund are likely to recur at some future date, though not annually.

NMFA estimates the annual cost of administering the new grant program at approximately \$500 thousand, with some additional upfront cost in the first year for program development.

SIGNIFICANT ISSUES

HB128’s definition of “solar energy system” includes equipment used to generate, convert, store, manage, and monitor solar energy and may include energy storage systems, such as batteries, to retain, store, and deliver electrical energy. Analysis submitted by the Public Regulation Commission (PRC) indicates additional energy storage will be required in the near future to continue incorporating more solar energy into the electric grid. This is because solar energy production is intermittent, fluctuating based on the time of day and weather, which is a challenge for grid stability and balancing energy production with consumption. PRC analysis further notes that battery storage that can be deployed by grid operators helps overcome these challenges. The agency suggests grant prioritization criteria could include programs that include storage systems, especially those that can be deployed by grid operators.

ENMRD analysis indicates the entities that would be eligible for funding through the local solar access fund may have difficulty accessing capital to develop their own solar systems but that a grant program is likely to increase the number of solar installations serving low-income and rural communities. According to EMNRD, approximately a quarter of households in New Mexico are considered “energy burdened,” meaning they spend 6 percent or more of their income to cover energy costs. The agency estimates the appropriation in HB128 could support 800 to 1,000 small commercial solar projects or 12 to 20 utility-scale projects.

The bill does not specify whether applicants should seek other sources of financial support, including loan programs or federal funds, before pursuing the state grants.

ADMINISTRATIVE IMPLICATIONS

EMNRD notes its responsibility for the new grant program could slow its work on its existing programs without additional FTE. However, the bill assigns most administrative responsibility for the fund to NMFA. While EMNRD will likely have to collaborate with NMFA in an ongoing manner for the duration of the program, its technical expertise will likely be required more during the program development phase and its workload may diminish in later years. The bill does not specify whether the two agencies are to collaborate in making awards from the fund on an ongoing basis.

NMFA's administrative costs are allowed to be covered from the local solar access fund. Because it is a grant rather than a loan program, additional appropriations from the Legislature would be required to continue the program after the initial \$60 million is expended.

NMFA notes, regarding HB128's contingent effective date, that:

“NMFA is not a budgeted entity. Typically, NMFA covers its administrative costs ... 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. ...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 percent of the \$60 million appropriation.”

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB128 relates to House Bill 2 (HB2) because its effective date is contingent on an appropriation that does not exist in the introduced version of HB2.

HB128 relates to Senate Bill 48 (SB48), which appropriates \$340 million from the general fund to a newly created community benefit fund. The fund has similar general purposes of increasing renewable power generation. Senate Bill 49, a companion bill that makes distributions to state agencies from the \$340 million in SB48, would distribute \$100 million to the grid modernization grant fund, whose purpose overlaps in some respects with the new fund.