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FISCAL IMPACT REPORT

ORIGINAL DATE 01/24/08

SPONSOR Sandoval LAST UPDATED _____ HB 219

SHORT TITLE Low-Income Home Energy Assistance SB _____

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$10,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)
 New Mexico Finance Authority (NMFA)
 Energy Minerals and Natural Resources (EMNR)

SUMMARY

Synopsis of Bill

House Bill 219 appropriates \$10 million from the general fund to the Human Services Department for home heating and weatherization for households that qualify for the low-income home energy assistance program (LIHEAP).

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a recurring expense to the general fund general fund. Any unexpended or unencumbered balance remaining at the end of FY09 shall revert to the general fund.

SIGNIFICANT ISSUES

HSD notes that the bill does not apportion the funds to be used for LIHEAP benefits verses weatherization funding. LIHEAP federal funding limits the amount used for weatherization to 15% of the base grant or 25% with a waiver. Assuming this same limitation, HSD could utilize

\$1,500,000 for weatherization (15%) and \$8,500,000 for LIHEAP benefits (assuming a 5% administrative cost and a Tribal share of \$676,698.00 based on the federal formula).

This additional funding could allow HSD to serve up to 105,910 LIHEAP households at the current average benefit of \$140 (based on \$19 per point); or HSD could increase the average benefit to \$202 (based on \$28 per point) and serve 71,867 households. Another alternative is to use all or a portion of these funds for a special bulk fuel project. The current bulk fuel project began October 1, 2007 and is expected to run for one year or until funding runs out. LIHEAP participants that heat their home with bulk fuels such as propane, wood, wood pellets fuel oil or coal are eligible for an additional \$300. HSD, through HELP New Mexico is using carry-forward federal funds from FFY 2007 to provide this extra benefit because of increased costs for these fuel types (sometimes as much as 27% increase from last year). These carry-forward funds accrued when HSD used the SFY 2007 state funds provided by the Legislature for most of the SFY 2007 LIHEAP benefits.

New Mexico Finance Authority contributes the following regarding the weatherization program.

This bill provides additional funding to the NM EnergySmart program which increases the energy efficiency and reduces the residential energy costs of homes occupied by low-income people, while improving their health and safety.

Funding for NM EnergySmart (Weatherization Assistance Program) in 2007 program year is:

FUNDING

DOE	\$1,874,902	(received 7/07)
STATE Funding (DFA Budget)	\$ 800,000	(received 10/07)
LIHEAP Funding	\$ 710,000	(received 2/07)
LIHEAP Funding	\$ 693,506	(received 6/07)
PNM Gas Energy Efficiency Act Funding	\$ 823,453	(received 12/07)
<i>Total Funding:</i>	<i>\$5,126,861</i>	

1607 homes have been weatherized with this funding from the months of 7/06 through 6/07

Energy and Minerals adds that providing weatherization services is critical to reducing energy expenditures for low income households. According to Oak Ridge National Labs' Joel Eisenberg, low-income families spend 15 percent of their income on energy, compared to three percent for the average family. Savings follows waste, thus those who consume large amounts of energy have great energy efficiency potential. Eisenberg recommends targeting high burden, high usage households, which are those whose energy bills exceed \$2600 per year. Key are energy audits, when performed by trained diagnosticians, to get cost effective weatherization and energy efficiency improvements installed in low-income families' homes. Without weatherization services, low income families will continue to pay high energy bills and need continuing home heating utility assistance.

MW/nt