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FISCAL IMPACT REPORT

ORIGINAL DATE 3/3/09
LAST UPDATED 3/9/09 **HB** 893/aHTRC

SPONSOR Rodefer

SHORT TITLE Residential Solar Tech Improvement Districts **SB** _____

ANALYST Haug

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 572, SB 647

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Energy, Minerals and Natural Resources Department (EMNRD)
 New Mexico Environment Department (NMED)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment removes the legislative findings section from the bill.

Synopsis of Original Bill

House Bill 893 permits municipalities and counties to form residential solar technology improvement districts for the financing of residential solar technology improvements. Residential solar technology improvements are photovoltaic energy systems installed on residential property that collect or absorb sunlight for conversion into energy. Owners of property must consent to inclusion of their property in the district and to imposition of special assessments by the district. The district can include contiguous and noncontiguous property. The initial board of directors of the district will be composed of either members of the governing body of the municipality or county forming the district or five persons appointed by the governing body. After an initial term of six years, board members will be elected by the property

owners in the district or the governing body will resume governance of the district. A hearing must be held by the governing body prior to creation of the district. The district board may impose a special assessment for financing solar technology improvements and may issue revenue bonds for the improvements.

FISCAL IMPLICATIONS

There is no appropriation impact.

According to the TRD, this bill has no revenue impact. The proceeds from the special assessment (above and beyond the property tax obligation for that property) will be used to pay the necessary costs of eligible solar energy improvement.

SIGNIFICANT ISSUES

The EMNRD states:

Financing mechanisms are needed to support expansion of solar energy deployment in New Mexico. Property owners have incentives available in New Mexico to offset capital costs (e.g., solar tax credits, solar gross receipts exemption) and be compensated for green energy production (e.g., utility interconnection, renewable portfolio standards), but complementary financing mechanisms have not been implemented. The high capital costs of solar technologies are only partially offset by existing incentives and the remaining capital costs can still be significant to property owners. Not all property owners may be able or willing to refinance an existing mortgage or obtain a bank loan, often because they have already used those avenues for other home improvements. The solar energy special assessment offers a convenient way through a separate financing mechanism where a payment process is already established.

There is strong interest from counties, municipalities, and property owners throughout the State of New Mexico in renewable energy financing. As an example, the City of Santa Fe provides financing for homeowners in need of property improvements, including energy efficiency and solar energy systems. Dona Aña County commissioners have urged state lawmakers to create solar districts around the state.

The NMED notes:

The state's coal-fired power plants emit contaminants into the air including oxides of nitrogen, sulfur dioxide, particulates, mercury and carbon dioxide. Similarly, biomass-derived energy production causes emissions of oxides of nitrogen, sulfur dioxide, and particulates. Those pollutants adversely impact public health, visibility, and the global climate. HB 893 promotes the generation of the state's abundant renewable energy resources in an environmentally responsible manner at the local level. The increased use of solar energy will help lessen the need to construct new conventional coal-fired power plants that emit more air pollutants.

It appears that HB 893 intends to allow property owners that would not otherwise install solar technology improvements to do so and pay for those improvements through special assessments on their property instead of financing projects on their own.

The DFA is concerned that there is no language indicating any financial oversight of the residential solar technology improvement district. Counties and or municipalities are generally audited every year to ensure fiscal responsibility. Further, the DFA notes HB-893 indicates that any carbon credits accruing pursuant to any state or federal law as a result of the owner's residential solar technology improvement in the district shall be credited to the municipality or county that formed the district. There is not language to identify what mechanisms are in place for the county or the municipality to handle carbon credits.

RELATIONSHIP

House Bill 893 is related to House Bill 572 which also provides for financing solar improvements through a similar mechanism and to Senate Bill 647 which would finance not only solar but a wider range of renewable energy systems through a similar mechanism.

OTHER SUBSTANTIVE ISSUES

The TRD states the bill allows a property owner to impose a special assessment on the owner's property to pay for solar energy improvements to the property. The special assessment is to be collected as a property tax. The bill's effective date is July 1, 2009, well into this year's property tax schedule, but before property tax is due. It does not seem probable that the ordinance, certifications and documentation could be completed in time for inclusion of the assessment in this year's property tax bill.

ALTERNATIVES

The DFA suggests HB-893 should be amended to include language that a yearly audit shall be conducted on the residential solar technology improvement district to ensure fiscal responsibility.

GH/mc:mt