F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 02/05/09
SPONSOR Garcia, M. J. **LAST UPDATED** 03/11/09 **HB**

SHORT TITLE Higher Ed Alternative Energy Program Awards **SB** 288/aSFC

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to House Bill 622: Green Jobs Bonding Act
Relates to SB 194: NMSU Alternative Energy Technology Research

Relates to Appropriation in the General Appropriation Act to the Higher Education Department of $581.4 thousand for high skills training and instruction and general line-item appropriations to public universities and colleges

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Higher Education Department (HED)
Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee Amendment to Senate Bill 288 adds an emergency clause and makes associated changes to the title. The amendment also removes the appropriation in Section 2.

Synopsis of Original Bill

Senate Bill 288 creates the higher education new energy development fund to be administered by HED. The fund may receive appropriations, gifts, grants, donations, bequests, and federal funds. Income from investments of the fund would be retained by the fund.

The fund would provide financial incentives to public, post-secondary educational institutions. Universities could use funding awards to develop research programs, instructional courses and degree programs in alternative energy and energy efficiency. Two-year colleges would be eligible to use funds for alternative energy and energy efficiency programs and courses for students seeking licensure or certification as electricians, plumbers, mechanics, welders and heating, ventilation and air conditioning personnel or similar occupations.

Through an administrative rule-making process, HED is authorized to establish criteria and procedures to make awards via a competitive proposal process. Statutorily designated criteria for awards includes: 1) funding must be used to establish permanent educational programs in alternative energy and energy efficiency; 2) local resources must be used, including cooperation with local employers with potential need for interns or graduates; and 3) matching funds must be committed.

The bill authorizes an amount, up to five percent of total awards in a fiscal year, to be used for administrative costs, including project management, auditing and other oversight functions. HED would report annually to the Legislature and the governor on the status of the fund and the initiative.

FISCAL IMPLICATIONS

Through the Senate Finance Committee amendment, the bill does not contain an appropriation.

The original bill contained an appropriation of $1 million, which was a recurring expense to the General Fund because it will be used for programmatic purposes. Any unexpended or unencumbered balance would not revert.

This bill creates a new, non-reverting fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

HED notes additional staffing may be required to support this program.

SIGNIFICANT ISSUES

HED notes this legislation is not among the priorities on its legislative agenda, but is consistent with its strategic priorities and goals.

EMNRD discusses the need for a skilled workforce in the areas of energy efficiency and renewable energy and the Energy Conservation and Management Division in its mission of promoting energy efficiency and renewable energy.

According to the February 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is $575 million less than the FY09 appropriations before the 2009 solvency reductions. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

TECHNICAL ISSUES

The Senate Finance Committee amendment is inconsistent in that the amendment does not remove the references to the appropriation in the title.

OTHER SUBSTANTIVE ISSUES

HED notes this bill would support the focus of the Green Jobs Cabinet.

The incentive component of the higher education funding formula is intended to recognize institutional success in meeting needs of students and the state. Originally, five incentive funds were created: program development enhancement fund, performance fund, work force skills development fund, technology enhancement fund, and the faculty endowment fund. Created in 21-1-27.4 NMSA 1978, the higher education program development enhancement fund was created to “enhance the contribution of post-secondary education institutions to the resolution of critical state issues and the advancement of the welfare of state citizens.” Created in 2003, this fund is intended to support awards to expand instructional programs to meet critical state work force and professional training needs, enhance instructional program and develop mission-specific instructional programs. The work force skills development fund is to provide matching funds to community colleges for the development, expansion and support of broad-based entry-level high skills training programs, as part of the Workforce Training Act (21-13A-1 to 21-13A-5 NMSA 1978). Finally, the technology enhancement fund was also created in 2003 to “provide matching funds to state research universities to support innovative applied research that advances knowledge and creates new products and production processes in the fields of agriculture, biotechnology, biomedicine, energy, materials science, microelectronics, water resources, aerospace, telecommunications, manufacturing science and similar research areas” (see 21-7-27.2 NMSA 1978).

POSSIBLE QUESTIONS

1. What is the role of the Energy, Minerals and Natural Resources Department?
2. What are the implications for this funding stream as relates to the current higher education funding formula, both workload and incentive funds?
3. How would the funding match requirement be determined? What type of funds would qualify as matching funds?
4. How would performance outcomes be measured?
5. In a declining revenue and/or budget neutral environment in the future, how would this program be funded? Would there be budget savings generated elsewhere in the budget?
6. How would this legislation interact with the Green Jobs Bonding initiative authorized in House Bill 622?

AW/svb:mt