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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/21/12

SPONSOR Vigil LAST UPDATED \_\_\_\_\_ HB 119

SHORT TITLE Local Government Energy & Infrastructure Audits SB \_\_\_\_\_

ANALYST Kehoe

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
NFI	NFI	N/A	Local Government Planning Fund (See Fiscal Impact Narrative)

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to House Bill 55

### SOURCES OF INFORMATION

LFC Files  
 Energy, Minerals & Natural Resources Department (EMNRD)  
 New Mexico Finance Authority (NMFA)

### SUMMARY

#### Synopsis of Bill

House Bill 119, endorsed by the New Mexico Finance Authority Oversight Committee, expands the purpose of the local government planning fund to allow payment from the fund for planning for infrastructure and for energy audits. The bill further eliminates the statutory requirement that certain grants made from the fund be repaid.

### FISCAL IMPLICATIONS

The local government planning fund is capitalized by funds authorized by the Legislature from the public project revolving fund. Any unexpended funds do not revert.

The NMFA administers the local government planning fund and may make grants to qualified entities for a maximum amount of \$50,000 based on a sliding scale of an entity's median household income and local burden ratio. Current statute requires entities to reimburse the fund with no interest or fee, but if the entity obtains financing through the NMFA for the project, the repayment provision is waived. The planning fund has limited additional funds to be used

toward planning for future water, wastewater, or economic development plans. The NMFA analysis does not indicate the fiscal impact on the local government planning fund if entities are not required to repay funds for planning if the project is not financed through the NMFA.

According to EMMRD, audits cost approximately 30 cents per square foot of facility heating and cooled floor area. A \$50 thousand planning grant, based on the maximum allowable per project, could cover energy audit costs for up to 166,667 square feet of a local government facility.

### **SIGNIFICANT ISSUES**

The Legislature in 2002 created the water and wastewater planning fund to provide grants for qualified entities to plan and estimate the costs of implementing the most cost effect and means to meet water and wastewater public project needs and to assist in paying for the administrative costs of the program. In 2005, the Legislature changed the name to the local government planning fund and expanded the scope to allow planning grants for water conservation, long-term master plans, and economic development plans.

To date, NMFA has closed 76 projects totaling more than \$2 million from the local government planning fund. An additional 49 projects totaling approximately \$1.2 million have been approved by the NMFA Board, but are awaiting engineering evaluation of their system to determine operational status and areas needing improvement before accessing.

As provided by EMNRD, “Performance of an energy audit is the essential first step in getting the information needed to make a prudent investment in upgrading local government buildings and other energy consuming facilities such as streetlights, pumps, and wells. Yet the upfront cost of an energy audit deters most local governments from pursuing this approach and subsequent prudent investments in energy efficiency and renewable energy measures, which could also be covered by the Public Project Revolving Fund. Eliminating the need to repay NMFA for the grant should offer local governments an additional incentive to pursue energy audits.”

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

House Bill 55, endorsed by the New Mexico Finance Authority Oversight Committee, appropriates \$1 million from the public project revolving fund to the local government planning fund administered by the New Mexico Finance Authority (NMFA) for the purpose of funding local government planning for water or wastewater system development, economic development or long-term water management and water conservation strategies.

### **POSSIBLE QUESTIONS**

- 1) As indicated above, the NMFA Board has approved planning grants for 49 projects totaling \$1.2 million. If the entities do not finance their projects through NMFA, will the grant repayment be waived for the pending projects?
- 2) If this bill is enacted, should the Legislature consider increasing the allocation from the public project revolving fund requested in House Bill 55?