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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/14

SPONSOR Campos **LAST UPDATED** _____ **HB** _____

SHORT TITLE Energy Audits for Certain School Districts **SB** 230

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$10,500.0	Nonrecurring	General fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 149 and HB 68.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 230 appropriates \$10.5 million from the General Fund for expenditure in Fiscal Years 2015 through 2017 to ENMRD. The funds are to be used to conduct energy audits and purchase and install appropriate alternative energy systems in the following school districts with fewer than three hundred students: (1) Animas; (2) Carrizozo; (3) Chama Valley; (4) Cimarron; (5) Corona; (6) Des Moines; (7) Dora; (8) Elida; (9) Floyd; (10) Grady; (11) Hondo Valley; (12) House; (13) Lake Arthur; (14) Logan; (15) Maxwell; (16) Mosquero; (17) Quemado; (18) Questa; (19) Reserve; (20) Roy; (21) San Jon; (22) Springer; (23) Vaughn; and (24) Wagon Mound.

FISCAL IMPLICATIONS

The appropriation of \$10.5 million contained in this bill is a nonrecurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2017 shall revert to the General Fund.

SIGNIFICANT ISSUES

PED expresses the concern that while alternative energy use is generally a good idea, it is unclear whether these districts have the capacity and technical experience to support and maintain such systems.

PED continues that it is not clear whether any allocations from this appropriation will be subject to the offset for future Public School Capital Outlay Council (PSCOC) projects?

- Current statute states that the PSCOC must “reduce any grant amounts awarded to a school district by a **percent** of all direct non-operational legislative appropriations for schools in that district that have been accepted, including educational technology and re-authorizations of previous appropriations.”
- The Legislature enacted the offset as one of a number of initiatives taken to better equalize state funding of capital requests across all of New Mexico’s school districts. The 2002 report of the Special Master appointed as a result of the Zuni lawsuit specifically highlighted “the dis-equalizing effect of direct legislative appropriations to individual schools for capital outlay purposes.” The offset was enacted to mitigate this concern.

EMNRD contributes that the purchase and installation of alternative energy systems would reduce energy usage at the named public school districts, thus also reducing the energy costs in utility billings. This would provide budget relief to these school districts, who are faced with increasing electricity and heating fuel rates, aging facilities costing more to maintain, and limited professional facilities management expertise in rural areas. To determine cost savings, energy audits need to be conducted.

In order for public facilities such as schools to use alternative energy systems most effectively, the energy audits of school facilities should also include assessments of energy efficiency. All of the named school districts are probably candidates for upgrading one or more of the primary systems: lighting, heating/cooling, and shell (walls/roofs/doors/windows). It can be quite cost-effective to achieve energy savings with investment in the aforementioned systems. Such investments are possible through existing EMNRD programs: the Clean Energy Revenue Bond and Energy Performance Contracting. These programs provide outside financing without the need for school districts to request additional capital funds. This approach—conduct energy audit, install alternative energy, and upgrade building systems—should be combined to further leverage the appropriation of SB 230. This would create an even higher level of energy cost savings, without needing additional appropriations.

TECHNICAL ISSUES

The bill does not specify which enrollment count (Average of 80th-120th Day or 40th Day) will be used to verify the school districts listed above with student enrollment less than 300. Using the 2012-2013 Average 80th-120th Day Membership and the 2013-2014 40th Day Membership we find that three school districts (Chama Valley, Cimarron, and Questa) would not be eligible for this funding for the 2013-2014 fiscal year:

ALTERNATIVES

PED points out that New Mexico’s Energy Efficiency and Renewable Energy Bonding Act, enacted in 2005, authorizes up to \$20 million in bonds to finance energy efficiency and renewable energy improvements in state government and school district buildings. At the request of a state agency or school district, the EMNRD will conduct an energy assessment of a building to determine specific efficiency measures which will result in energy and cost savings. A state agency or school district may install or enter into contracts for the installation of energy efficiency measures on the building identified in the assessment. An installation contract may be entered into for a term of up to ten years. The bonds are exempt from taxation by the state, and any type of renewable energy system and most energy efficiency measures, including energy recovery and combined heat and power systems, are eligible for funding. Projects financed with the bonds will be paid back to the bonding authority using the savings on energy bills. School districts can also enter into contracts with private vendors to implement energy efficient improvements pursuant to the “Public Energy and Water Conservation Act” (6-23-1 NMSA 1978).

MW/ds:jl