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FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/14
LAST UPDATED _____ **HB** _____

SPONSOR Keller

SHORT TITLE Public Facility Energy & Water Study **SM** 49

ANALYST McCoy

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	\$125.0	NFI			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HM 61

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the State Engineer (OSE)

Energy, Minerals and Natural Resources Department (EMNRD)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Memorial 49 requests the Department of Finance and Administration, the Energy, Minerals and Natural Resources Department, the General Services Department, the New Mexico Finance Authority, the Public Education Department, the Public School Capital Outlay Council, the Public School Facilities Authority and the Taxation and Revenue Department to conduct a joint study related to the Public Facility Energy Efficiency and Water Conservation Act and the Energy Efficiency and Renewable Energy Bonding Act. This memorial lists a number of issues and concerns related to the two Acts and directs a number of executive agencies to form a group chaired by a representative from the Energy, Minerals, and Natural Resources Department to conduct a joint study of numerous issues relating to implementation of the Acts. The study group is also directed to recommend statutory and regulatory changes to promote implementations of the Acts. Written recommendations are to be reported to appropriate interim committees and to the legislative finance committee prior to December 1, 2014.

FISCAL IMPLICATIONS

There is no appropriation in this memorial, so the affected agencies would be required to perform the tasks with existing resources.

The Public Education Department (PED) notes, the agency does have the staff to participate in the joint study.

The Energy, Minerals and Natural Resources Department (EMNRD) notes, SM 49 does not specify which agency will provide administrative support to the task force. To comply with SM 49, to coordinate the task force and report to the Legislature, will likely require staff resources. The EMNRD reports the agency does not have the resources to perform the task force coordination and reporting duties without hiring additional staff and procuring contract services. EMNRD estimates the need to dedicate one full-time equivalent position and anticipates a fiscal impact of \$70,000 for salaries and benefits for a term employee to coordinate study group meetings, compile data collected by a private contractor, and oversee the completion of the required report. The costs for a private contractor are estimated at approximately \$50,000 to conduct surveys and research of existing barriers to implementation of the Public Facility Energy Efficiency and Water Conservation Act and the Energy Efficiency and Renewable Energy Bonding Act.

SIGNIFICANT ISSUES

According to the Office of the State Engineer, water conservation measures contemplated by the Public Facility Energy Efficiency and Water Conservation Act require certification from the Office of the State Engineer before the proposed water conservation activities commence. Because the Office of the State Engineer is not included among the executive agencies listed in the memorial, it is not clear that the goals of the Act would be met.

The ENMRD notes:

Some of the barriers to Energy performance contracting (EPC) which could be considered by the task force are:

- funding is needed for energy efficiency assessments to initiate projects;
- agency managers are concerned about impacting future budgets;
- agencies need a special fund to pay energy service companies;
- there can be difficulty in communicating energy cost savings;
- agencies need education on utilizing EPC.

EPC is a financing option for energy efficiency upgrade projects that provides agencies with an alternative to capital appropriations. Eligible entities for one or both of the above statutes are state agencies, schools, municipalities, and higher education institutions. EPC enables these agencies to use future energy savings to implement upgrades needed now, without capital appropriations.

EMNRD reports, the agency will include the task force as an activity to support several ongoing efforts, including the U.S. Department of Energy's Better Buildings Challenge (BBC) and the EMNRD and GSD joint implementation of an energy efficiency program, called WISE (Whole-building Investments for Sustainable Efficiency). This is also a DOE-New Mexico partnership,

with EPC included as one option to provide funding. Finally, EMNRD is managing a gradually increasing workload of successful EPC projects. In two years there has been an increase of activity in EPC. An example is the \$14 million EPC project at NMSU, which is anticipated to provide \$1 million in annual energy cost savings. Other projects are completed or progressing for McKinley Co., Deming, Truth or Consequences, Silver City, Cultural Affairs, Corrections, Public Safety, Socorro Consolidated Schools, and Mountainair Public Schools.

The EMNRD also notes, there can be confusion between an energy service company's energy cost savings, which is guaranteed, and an agency's utility bill accounting. The task force may want to address this, with one solution being independent third-party verification of the energy service company analysis.

The PED reports:

Between 1994 and 1998 approximately 31 school districts had an approved contract through the Public Facility Energy Efficiency and Water Conservation Act. Currently there are only 3 contracts remaining and no school districts have taken advantage of these conservation programs since 2005 in which 3 districts were approved.

Potential savings in energy costs for school districts and charter schools may result in more funding towards operational costs which may have a significant impact for school districts and charter schools.

The following school districts received federal stimulus (ARRA) funds for the purchase and installation of 50KW solar voltaic systems at their schools. The grants were a total of \$300.0 per site, and \$4,500.0 statewide:

Belen Consolidated School District, Dulce Independent School District, Gallup-McKinley County School District, Hatch Valley Public School District, Los Alamos Public School District, Los Lunas Public School District, Moriarty Municipal School District, Penasco Independent School District, Portales Municipal School District, Rio Rancho Public School District, Ruidoso Municipal School District, and Taos Municipal School District.

DUPLICATION, RELATIONSHIP

SM 49 duplicates HM 61. SB 230 appropriates \$10.5 million, for expenditure in FY2015 through FY2017, to the EMNRD to conduct energy audits and to purchase and install alternative energy systems for certain school districts with fewer than three hundred students. HB 149 amends the language in Section 22-24-3 NMSA 1978 of the Public School Capital Outlay Act to allow annual allocations up to \$15 million in FY15 through FY19 to school districts to address "building system" needs such as alternative energy systems.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

A study of energy performance contracting, water conservation, and financing for public facilities in New Mexico will not be completed.