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FISCAL IMPACT REPORT

SPONSOR	<u>HENRC</u>	LAST UPDATED	<u>2/17/23</u>
	<u>Renewable Energy Office in State Land</u>	ORIGINAL DATE	<u>2/17/23</u>
SHORT TITLE	<u>Office</u>	BILL	<u>CS/House Bill</u>
		NUMBER	<u>95/HENRCS</u>
		ANALYST	<u>Gaussoin</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent version of this legislation.

Relates to House Bill 67

Sources of Information

LFC Files

Responses Received From

State Land Office (SLO)

Energy, Minerals and Natural Resources Department (EMNRD)

New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of HENRC Substitute for House Bill 95

The House Energy, Environment and Natural Resources Committee Substitute for House Bill 95 (HB95/HENRCS) mandates the State Land Office create and maintain a renewable energy office to advance the production and development of renewable energy. This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

HB95/HENRCS has no immediate fiscal impact; the bill carries no appropriation, and the State Land Office already has a renewable energy office.

SIGNIFICANT ISSUES

The State Land Office (SLO) reports its Office of Renewable Energy generated \$12 million in FY22, and existing and anticipated renewable energy projects are expected to generate long-term revenue in the hundreds of millions of dollars. The office currently has 39 active long-term renewable energy leases (27 wind and 12 solar) and 33 lease applications under review. According to the office, the Pattern Energy leases for the Western Spirit Wind and Sun Zia Wind projects (Torrance, Lincoln and San Miguel Counties) are estimated to bring in a minimum of \$360 million in direct lease payments over the life of the projects, and the NextEra Buena Vista Energy Center solar project (Otero County) is expected to earn a minimum of \$12.5 million over the project lifespan.

Revenue from renewable energy activity on state trust land is deposited in the land maintenance fund, as is all revenue from activities that do not deplete a permanent resource. Revenue in the land maintenance fund pays for land office operations and is distributed to the beneficiaries of the trust land, primarily public schools. Reducing revenue from either the land maintenance fund or the land grant permanent fund, which generates revenues for beneficiaries through investment, increases the amount of general fund revenue needed to support the beneficiaries.

The Energy, Minerals and Natural Resources Department contends in-state renewable energy is key to meeting the goals of the Energy Transition Act, enacted in 2019. In analysis of the original and substantively identical HB95, it noted the legislation would institutionalize the existing Office of Renewable Energy at the State Land Office, which currently could be dissolved by future state land commissioners. However, future state land commissioners could eliminate or greatly reduce renewable energy development even with an institutionalized office.

PERFORMANCE IMPLICATIONS

The office currently has a performance measure on annual income generated from renewable energy projects.

ADMINISTRATIVE IMPLICATIONS

The bill would not create any additional administrative obligations for the State Land Office.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB95/HENRCS relates to HB67, which would expand the uses of industrial revenue bonds to include energy storage facilities.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

While failure to institutionalize a renewable energy unit at the State Land Office would change little under the current land commissioner, future land commissioners could dissolve the renewable energy office if not in statute, making it easier to stop renewable energy projects.