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FISCAL IMPACT REPORT

SPONSOR <u>Soules</u>	LAST UPDATED <u>3/9/23</u> ORIGINAL DATE <u>1/29/23</u>
SHORT TITLE <u>New Home Build Renewable Requirements</u>	BILL NUMBER <u>Senate Bill 77/aSTBTC/aHENRC/aHCPAC</u>
	ANALYST <u>Anderson</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Regulation Licensing Department Construction Industries Division	No fiscal impact	\$2.0-\$5.0	No fiscal impact	\$2.0-\$5.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent version of this legislation.

Relates to House Bill 32, HB67, SB60, SB 489 (2019 Session)

Sources of Information

LFC Files

Responses Received From

Regulation Licensing Department (RLD)
 New Mexico Office of Natural Resources Trustee (ONRT)
 Department of Environment (NMED)

No Response Received

Board of Examiners for Architects
 Board of Licensure for Professional Engineers and Professional Surveyors
 New Mexico Counties
 Office of Natural Resource
 Energy, Minerals and Natural Resources Department

SUMMARY

Synopsis of HCPAC Amendment to Senate Bill 77

The House Consumer and Public Affairs Committee amendment to Senate Bill 77 changes the bill's effective date from July 1, 2023 to January 1, 2023.

Synopsis of HENRC Amendment to Senate Bill 77

The House Energy, Environment and Natural Resources Committee amendment to Senate Bill 77 changes the bill's effective date from July 1, 2023 to January 1, 2023. This addresses CID's concern about the timeframe to adopt rules. The agency said depending on the number and complexity of rules determined to be necessary to implement the provisions of the bill, there may be costs incurred by the RLD of several thousand dollars or more. The department also mentioned the necessary rulemaking efforts can be expected to extend into FY24.

The agency has continued to suggest the provisions of the bill could be addressed in the New Mexico Residential Energy Conservation Code.

Synopsis of STBTC Amendment to Senate Bill 77

One of the proposed Senate Tax, Business and Transportation Committee amendments strikes the word "include" from page one, line 12 and replaces it with "offer." Rather than requiring all new residential construction to include photovoltaic systems, all new residential construction would offer photovoltaic systems. The amendment also adds the word "require" to the same line, making electrical receptacles for charging electric vehicles a requirement.

The final STBTC amendment strikes the word "have" and replaces it with "offer" on page 2, line 1, revising the bill to read "All new residential construction after July 1, 2023 shall offer photovoltaic systems installed that provide at least one watt per square foot of heated area.

The amendments soften the requirements for the Construction Industries Licensing Act from new residential construction mandating the installation of photovoltaic systems to make the installation optional. While the requirements for the inclusion of photovoltaic systems is softened, the amendment keeps consistent a requirement for electrical receptacles for charging electric vehicles on new residential construction. Kelly Blue Book estimates \$2,000 as the ballpark figure for parts and installation of a level two charger in a residential garage, a cost that may be offset by rebates or incentives offered at state and local levels, or through utility providers. The amendments to the bill will likely reduce the impact of costs on new home builds compared to the original version which required the inclusion of photovoltaic systems on all new residential home builds.

The amendments do not address concerns previously raised by CID that it would be difficult for CID to adopt rules by the effective date of July 1, 2023, due to time constraints under the state rules act.

Synopsis of Original Bill

Senate Bill 77 amends the Construction Industries Licensing Act to require all new residential construction after July 1, 2023, to have photovoltaic systems installed that are designed to supply usable solar power to residences and be tied to the grid, a hybrid grid, or off-grid system. The system must provide at least one watt per square foot of heated area and at least one electrical receptacle for charging electric vehicles. Senate Bill 77 directs the Electrical Bureau to recommend rules to be approved by the Construction Industries Division of the Regulation Licensing Department to modify New Mexico's electrical code to implement the provisions of the legislation.

The effective date of this bill is July 1, 2023, however amendments change the effective date to January 1, 2024.

FISCAL IMPLICATIONS

According to the Regulation Licensing Department (RLD), enactment of this legislation would result in administrative rulemaking efforts by the Construction Industries Division (CID) of the agency. The rulemaking efforts involve research by staff, consultation with industry, and other experts, drafting and review time, as well as the expenses for publication and public hearings on proposed rules. The agency said, depending on the number and complexity of rules determined to be necessary to implement the provisions of the bill, there may be costs incurred of up to \$5,000.

SIGNIFICANT ISSUES

While no response was received from New Mexico Counties, an Albuquerque news release mentions concerns of the New Mexico Home Builders Association. Per the article, the association said the bill could substantially increase building costs for home buyers. Supporters of Senate Bill 77 say building costs would be offset with energy savings. According to Electric Rate, an internet site that allows consumers to compare electric companies and rates, the cost of a solar panel system installation generally includes the overall expenses incurred during solar installation, including the cost of equipment (panels, inverters, wiring, mounting and rack, etc.), labor costs, site upgrade expenses, and permits. Tax credits also largely affect the cost of solar panels.

The Regulation and Licensing Department (RLD) said that, while the Real Estate Commission does not regulate the cost of homes, it agrees that the requirements in Senate Bill 77 will increase the cost of home construction, which will in turn increase the cost of homes. This could have a significant impact on new home sales.

RLD also provided the following response:

The New Mexico Association of Realtors and their local boards of realtors, has historically opposed any legislation that will increase the price of homes, including a transfer tax, which would tax the transfer, i.e. sale, of real property. Currently, the commissions earned by real estate brokers are subject to the gross receipts tax, but the sale itself is not taxed.

The average cost of solar per watt in the United States ranges from \$2.50 to \$4. Solar estimate calculators take into consideration panel location by municipality (zip code), if the panels will include a battery, and if the panels will be mounted on the ground or on the roof of a dwelling. Calculators also take into consideration weather panels will be mounted on the ground or on a roof. The cost of roof repairs may need to be taken into consideration for homeowners because panels likely cannot be mounted on dated roofs or roofs that are in disrepair.

Costs to keep installments at a specific standard of quality and safety for the state should be considered, which could be substantial depending on the level of standards set forth by the state and municipalities. Attached is the February 2017 report *Standards and Requirements for Solar Equipment, Installation, and Licensing and Certification: A Guide for State and Municipalities*

which was published by U.S. Department of Energy and Clean Energy States Alliance.
<https://www.cesa.org/wp-content/uploads/Standards-and-Requirements-for-Solar.pdf>

No agencies commented on costs, issues, performance implications, or administrative implications of electrical receptacles for charging electric vehicles. Residential dwellings in New Mexico vary in size, with the municipal code for the city of Santa Fe indicating multiple-family dwellings can average 250 square feet. The requirement of installing photovoltaic systems and electric vehicle charging stations in all new residential homes might increase the cost of construction, perhaps beyond what low-income and first-time home buyers may be able to obtain in financing when purchasing a new home. Kelly Blue Book estimates \$2,000 as the ballpark figure for parts and installation of a level two charger in a residential garage, a cost that may be offset by rebates or incentives offered at state and local levels, or through utility providers.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 77 is related to House Bill 32, which proposes a personal income tax credit of 40 percent of the cost of equipment and installation for an energy storage system installed for taxable years up to January 1, 2028. The credit is for installation of an energy storage system on the claimant’s residential, agricultural, or commercial property.

Senate Bill 77 also relates to the House Energy, Environment and Natural Resources Committee Substitute for House Bill 67, which adds “energy storage facilities” to the authority granted municipalities and counties to negotiate an industrial revenue bond (IRB). This parallels the authority granted these jurisdictions to negotiate an IRB for solar and wind production projects and for renewable energy transmission.

In March 2019, the Energy Transition Act was signed into law by the governor:

The Energy Transition Act establishes New Mexico as a national leader in clean energy. The ETA sets a statewide renewable energy standard of 50 percent by 2030 for New Mexico investor-owned utilities and rural electric cooperatives and a goal of 80 percent by 2040, in addition to setting zero-carbon resources standards for investor-owned utilities by 2045 and rural electric cooperatives by 2050. The law transitions New Mexico away from coal and toward clean energy, ensuring greater renewable energy production and reducing costs for consumers, and provides tens of millions of dollars of economic and workforce support for communities impacted by coal plant closures, as well as the development of renewable replacement power in San Juan County.

<https://www.governor.state.nm.us/2019/03/22/governor-signs-landmark-energy-legislation-establishing-new-mexico-as-a-national-leader-in-renewable-transition-efforts/>

Finally, Senate Bill 77 relates to Senate Bill 63, which amends the Public School Capital Outlay Act to include photovoltaic (PV) systems, or power systems designed to supply usable solar power, as a building system eligible for funding from the Public School Capital Outlay Council. The bill requires any new public school constructed after July 1, 2023, that uses grant assistance from the public school capital outlay fund to include a PV system sufficient to meet the energy needs of the public school.

ALTERNATIVES

Section 1 (C) of Senate Bill 77 requires the Construction Industries Division of the Regulation Licensing Department (RLD) to recommend rules modifying New Mexico’s electrical code to implement the provisions of this bill. RLD responded a more appropriate code to amend to implement this provision might be the New Mexico Residential Energy Conservation Code. The agency said the 2021 International Energy Conservation Code has established codes that address the proposals in Senate Bill 77, and it would be difficult for the agency to promulgate necessary administrative rules for implementation by the bill’s effective date and necessary rulemaking efforts could be expected to extend into FY24.

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