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FISCAL IMPACT REPORT

SPONSOR <u>Reps. Szczepanski and Roybal Caballero/Sen. Pope</u>	LAST UPDATED <u>2/28/2025</u> ORIGINAL DATE <u>2/2/2025</u>
SHORT TITLE <u>NMFA Local Solar Access Fund</u>	BILL NUMBER <u>House Bill 128/aHENRC/ aH AFC/aHFI#1</u>
ANALYST <u>Carswell</u>	

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMFA	No fiscal impact	\$650.0	\$500.0	\$1,150.0	Recurring	Other state funds

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

Relates to House Bill 2 and Senate Bills 48 and 49

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Finance Authority (NMFA)
 Energy, Minerals and Natural Resources Department (EMNRD)
 Public Regulation Commission (PRC)

SUMMARY

Synopsis of HFI Amendment to House Bill 128

The House Floor Amendment to House Bill 128 (HB128) adds language specifying that grants for technical assistance to apply for federal or other funding for solar energy systems may be made to eligible entities or councils of governments.

Synopsis of H AFC Amendment to House Bill 128

The House Appropriations and Finance Committee amendment to House Bill 128 strips the \$60 million appropriation from the general fund to the Energy, Minerals and Natural Resources Department. The amendment also adds solar energy systems that include an energy storage system to the metrics that determine how applications for funding will be prioritized.

Synopsis of HENRC Amendment to House Bill 128

The House Energy and Natural Resources Committee amendment to House Bill 128 eliminates the contingent effective date in the bill and adds language that specifies the New Mexico Finance

Authority is to include minimum eligibility requirements in its criteria for evaluating proposed solar system projects and is to select the most qualified projects for funding. The amendment inserts the words “New Mexico” before “workers” to a provision establishing support for workforce development by hiring local workers among the criteria by which projects are evaluated for funding.

Synopsis of Original Bill

House Bill 128 creates the local solar access fund as a non-reverting fund within NMFA. Money in the fund is to be used to make grants to counties, municipalities, school districts, land grants-mercedes, and Indian nations, tribes, and pueblos in New Mexico to plan, design, construct, purchase, install, and equip solar energy systems to power buildings and infrastructure. The fund may also be used for grants for technical assistance to seek federal funding for the same purposes related to solar energy and to pay NMFA’s administrative costs.

The bill directs NMFA to work with EMNRD to establish rules to guide the grant program by December 31, 2025, and specifies the method of prioritizing solar energy systems shall include consideration of applicants’ financial need to complete the project, percentage of low-income households in the community served by the solar system, long-term savings on operating costs, solar energy systems that support workforce development, buildings and infrastructure used to provide community services, and other criteria. The bill specifies that the majority of funding shall be allocated to rural, eligible entities.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The House Appropriations and Finance Committee Substitute for House Bill 2 contains a \$20 million general fund transfer to the local solar access fund in FY26, contingent on enactment of HB128 or similar legislation of the first session of the fifty-seventh Legislature creating the fund. Although neither HB2 nor HB128 specify future appropriations to the fund, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, costs to the general fund are likely to recur at some future date, though not annually.

NMFA estimates the annual cost of administering the new grant program at approximately \$500 thousand, with some additional upfront cost in the first year for program development.

SIGNIFICANT ISSUES

HB128’s definition of “solar energy system” includes equipment used to generate, convert, store, manage, and monitor solar energy and may include energy storage systems, such as batteries, to retain, store, and deliver electrical energy. Analysis submitted by the Public Regulation Commission (PRC) indicates additional energy storage will be required in the near future to continue incorporating more solar energy onto the electric grid. This is because solar energy production is intermittent, fluctuating based on the time of day and weather, which is a challenge for grid stability and balancing energy production with consumption. PRC analysis further notes battery storage that can be deployed by grid operators helps overcome these challenges. The

agency suggested grant prioritization criteria could include programs that include storage systems; the HAFC amendment to HB128 added such language to the prioritization criteria in the bill.

ENMRD analysis indicates the entities that would be eligible for funding through the local solar access fund may have difficulty accessing capital to develop their own solar systems but that a grant program is likely to increase the number of solar installations serving low-income and rural communities. According to EMNRD, approximately a quarter of households in New Mexico are considered “energy burdened,” meaning they spend 6 percent or more of their income to cover energy costs. The agency estimated the \$60 appropriation in the original bill could support 800 to 1,000 small commercial solar projects or 12 to 20 utility-scale projects; the \$20 million in HB2 could therefore be expected to support about a third of those installations.

The bill does not specify whether applicants should seek other sources of financial support, including loan programs or federal funds, before pursuing state grants.

ADMINISTRATIVE IMPLICATIONS

EMNRD notes its responsibility for the new grant program could slow its work on its existing programs without additional FTE. However, the bill assigns most administrative responsibility for the fund to NMFA. While EMNRD will likely have to collaborate with NMFA in an ongoing manner for the duration of the program, its technical expertise will likely be required more during the program development phase and its workload may diminish in later years. The bill does not specify whether the two agencies are to collaborate in making awards from the fund on an ongoing basis.

NMFA’s administrative costs are allowed to be covered from the local solar access fund. Because it is a grant rather than a loan program, additional appropriations from the Legislature would be required to continue the program after the initial \$20 million is expended.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB128 relates to House version of the General Appropriation Act because its effective date is contingent on an appropriation that does not exist in the introduced version of the GAA.

HB128 relates to Senate Bill 48 (SB48), which appropriates \$340 million from the general fund to a newly created community benefit fund. The fund has similar general purposes of increasing renewable power generation. Senate Bill 49, a companion bill that makes distributions to state agencies from the \$340 million in SB48, would distribute \$100 million to the grid modernization grant fund, whose purpose overlaps in some respects with the new fund.

HB128 relates to the HAFC Committee Substitute for HB2, which contains a \$20 million general fund transfer to the local solar access fund, contingent on enactment of HB128 or similar legislation of the first session of the fifty-seventh Legislature.