FISCAL IMPACT REPORT

		LAST UPDATED	2/25/25
SPONSOR	Sen. Stewart/Rep. Szczepanski	**ORIGINAL DATE**	1/30/25
SHORT TITLE	Community Benefit Fund	**BILL NUMBER**	Senate Bill 48/aSCONC/aSFC
		ANALYST	Hilla

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	$100.0	$100.0	$200.0	Recurring	General Fund

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

Relates to Senate Bill 49, Senate Bill 4, and Senate Bill 83.

Sources of Information

LFC Files

Agency Analysis Received From
General Services Department (GSD)
Public Regulation Commission (PRC)
Workforce Solutions Department (WSD)
Environment Department (NMED)
State Treasurer Office (STO)
Energy, Minerals and Natural Resources Department (EMNRD)
Economic Development Department (EDD)

Agency Analysis was Solicited but Not Received From
Department of Finance and Administration (DFA)
Department of Transportation (NMDOT)
Governor's Office on Housing

Agency Declined to Provide Analysis
Department of Health (DOH)

SUMMARY

Synopsis of the SFC Amendment to Senate Bill 48

The Senate Finance Committee (SFC) amendments to Senate Bill 48 (SB48) strike the appropriation in the bill. SFC tabled Senate Bill 49, which makes distributions from the community benefit fund created in SB48.

Synopsis of the SCONC Amendment to Senate Bill 48

The Senate Conservation Committee (SCONC) amendments to Senate Bill 48 (SB48) strike that the Department of Finance and Administration (DFA), in consultation with the Energy, Minerals and Natural Resources Department (EMNRD), would need to identify "an existing" data tool "used by the federal government" that uses spatial datasets to identify overburdened communities; the amendments instead allow the departments identify "a" data tool. SCONC amendments add that DFA and EMNRD shall ensure data from tribal and indigenous communities are included in the data used by the data tool.

Synopsis of Senate Bill 48

Senate Bill 48 (SB48) appropriates $340 million from the general fund to the community benefit fund to be administered by DFA in collaboration with EMNRD. The community benefit fund is for projects that would:

- Reduce greenhouse gas related to the construction or the renovation of a public building as long as the project exceeds the most recent international conservation code;
- Reduce methane leaks and releases attributable to extractive industries, with projects to achieve emissions that are in addition to those that would be achieved according to any existing greenhouse regulatory requirements in state or federal law;
- Increase electric grid capacity;
- Increase electricity from renewable energy resources and efficiency of electricity from energy efficiency projects;
- Reduce the use of combustion engine vehicles through transportation projects, including projects that increase electric vehicle infrastructure or bicycle and pedestrian infrastructure;
- Assess or reduce the effects of climate change on the natural environment, agricultural production, land and natural resources, and human health;
- Assist public entities in the purchase of electric vehicles and related charging infrastructure to reduce the use of combustion engine vehicles;
- Establish or expand economic development needed to address the economic implications of climate change;
- Develop economic opportunities to optimize resources to lower consumption and promote the reuse and recycling of materials sustainably;
- Transition the state away from dependence on the fossil fuel industry as a revenue resource;
- Establish or expand worker training activities in achieving these objectives.

A project that proposes to meet the bill's requirements shall provide documentation that two meetings regarding the project were held within the community affected by the proposed project to address concerns and that the meetings were provided to overburdened communities. The project must have a negotiated agreement with the overburdened community along with a plan for outreach to community members to engage them in worker training programs or in economic development opportunities.

DFA and EMNRD shall develop or identify an existing federal government data tool that uses spatial datasets to identify overburdened communities, which are communities experiencing disproportionate burdens in climate change, energy, health, housing, legacy pollution, transportation, water and wastewater, and workforce development.

On or December 1 of each year that a project receives an appropriation from the community benefit fund, DFA must submit a report to the appropriate interim legislative committees with the progress or, if appropriate, final results of the project and any other information the committees require to evaluate the project.

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

While SFC strikes the appropriation of $340 million contained in this bill, an appropriation contingent on passage of SB48 exists in the House version of the General Appropriation Act (GAA). The House-adopted GAA supports a $253.3 million special nonrecurring appropriation. This change in appropriation allows direct appropriations to agencies through the GAA, like direct general fund appropriations to EDD. While the GAA appropriation is nonrecurring, this analysis assumes it is a recurring expense to the general fund because establishing a new grant program could create an expectation the program will continue in future fiscal years. Any unexpended or unencumbered balance remaining shall not revert.

Additionally, the fiscal analysis assumes that various agencies, such as the Economic Development Department (EDD), may require additional staff, a recurring cost. The analysis assumes that agencies that do not already have existing processes related to SB48, like EDD, would require one additional FTE at a cost of $100 thousand.

It is unclear if any appropriation made from the community benefit fund could be used for administrative expenses. Should SB48 cover administrative expenses, there would be no need for agencies to increase their recurring budget.

Proposed methane emission reductions created by companion bill Senate Bill 4 (SB4) have the potential to impact the state's revenue from the severance tax revenue utilized by multiple areas of the state. However, SB48's initiatives for greenhouse gas reductions do not appear to have the same or any impact on the state's severance revenue.

SIGNIFICANT ISSUES

New Mexico currently has Climate Change Task Force, whose chairs are representatives of EMNRD and the Environment Department (NMED). Other agencies in the task force are the Department of Transportation (NMDOT), EDD, the State Land Office (SLO), and the Workforce Solutions Department (WSD). The task force was created by executive order in 2019, with the executive order including greenhouse and oil production emissions targets and directives that mimic or closely resemble the targets and directives of SB48.

EMNRD, which administrates the grid modernization initiative from the U.S. Department of Energy, states the demand for grid modernization program funding has exceeded the available federal funds, with state funds not yet allocated for grid modernization. The department has received $1.5 million in federal awards for training residential energy contractors and has applied for two more federal grants worth $4 million in total to further train industry workers for energy initiatives. EMNRD states, should the bill pass, grid modernization and workforce training initiatives can be administered by the agency's existing processes.

NMED recommends that criteria for awarding funding for projects include the magnitude of greenhouse gas emission reductions, e.g., the dollars per ton of carbon dioxide.

The General Services Department (GSD) says SB48 provides a potential funding pathway to reduce greenhouse gas emissions through the construction or renovation of public buildings to meet requirements of the most current international energy conservation code and projects that increase electric vehicle infrastructure.

Without specific measurable performance benchmarks, there is the potential for ineffective allocation of funds when distributed to agencies to then distribute to the local level. This is also applicable when considering more structured, desired outcomes for workforce training beyond general statements for workforce or economic development in the bill.

PERFORMANCE IMPLICATIONS

WSD states that Executive Order 2024-152 requires state agencies to collaborate on developing the workforce for "climate-ready" professions by the end of 2026. The department states that climate-related workforce training is part of its 2024-2027 Workforce Innovation and Opportunity Act (WIOA) plan. The LFC program evaluation, *Workforce Development Post Covid-19 Pandemic* and *Improving New Mexico's Workforce Participation,* highlights the fragmentation and duplication of services that persist under WIOA and raise concerns about the implementation of workforce programs under WIOA, which climate-related training falls under. A more recent LFC evaluation recommends WSD revise its operating model to incorporate the evidence-based practices of providing education, training, and support services for all recipients, which would need to translate to the department's climate-related workforce training outlined in SB48.

ADMINISTRATIVE IMPLICATIONS

EMNRD states it will provide venting and flaring statistics to assist in identifying and tracking greenhouse gas emissions.

By itself, the creation of a new fund in the state treasury does not have a direct fiscal impact on the State Treasurer's Office (STO). However, in the aggregate, the creation of many new funds within the state treasury does increase the workload of STO staff.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 49, which makes distribution to state agencies from the $340 million appropriation in SB48, is contingent on the passage of this bill.

SB48 is related to SB4, which makes an appropriation of $3 million to NMED for greenhouse gas emission reductions. LFC analysis highlights SB4, in addition to SB48, has the potential to impact the state's revenue via severance tax.

SB48 is similar to Senate Bill 83, which creates the innovation in state government fund with $10 million from the general fund. SB83 is intended to fund agencies to create master plans and increase capacity to achieve net-zero emissions, implement sustainable economic policies, provide technical support to entities applying for funding that seek to address climate change, or reduce barriers to implementing climate change policy.

As noted in the fiscal impacts, there is a contingent appropriation in the LFC-recommended version of the General Appropriation Act for a $350 million general fund transfer to the community benefit fund at DFA.

TECHNICAL ISSUES

The terms "overburdened communities," "appropriate scale" for biomass projects, "scientifically determined restoration," and "sustainable manner" may require more precise definitions. The bill prioritizes funding for overburdened communities without having specific definitions, rather it leaves this up to DFA and EMNRD to use a tool used by the federal government to identify overburdened communities.

NMED states the definitions of greenhouse gas in SB4 and SB48 should be the same.

OTHER SUBSTANTIVE ISSUES

Potential issues from SB48 arise from Section 1. (B) to require emission reductions that are in addition to those that would already be achieved pursuant to any existing regulatory requirements in state or federal law. This could create the argument that SB48 is preempted by federal law if certain methane reduction projects are already in compliance with federal methane regulations, which could conflict with the Supremacy Clause established in Article VI, Clause 2, of the U.S. Constitution.

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