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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 1st Session, 2025

Bill Number	<u>HB128/aHENRC/aHAFC/aHFI#1</u>	Sponsor	<u>Szczepanski/Pope/Roybal Caballero/Lujan/Hernandez</u>
Tracking Number	<u>.228628.3</u>	Committee Referrals	<u>HENRC/HAFC;SCONC/SFC</u>
Short Title	<u>NMFA Local Solar Access Fund</u>		
Analyst	<u>Montoya</u>	Original Date	<u>2/3/2025</u>
		Last Updated	<u>3/5/2025</u>

BILL SUMMARY

Synopsis of House Floor Amendment

The House Floor Amendment to House Bill 128 (HB128/aHENRC/aHAFC/aHFI#1) specified grants awarded by the New Mexico Finance Authority (NMFA) would go to eligible entities or the New Mexico Councils of Governments.

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 128 (HB128/aHENRC/aHAFC) would strike the \$60 million dollar appropriation to the Energy, Minerals, and Natural Resources Department (EMNRD.) The amendment would also add solar energy systems that include an energy storage system to the metrics to be used by the New Mexico Finance Authority (NMFA) to prioritize solar energy systems for funding.

Synopsis of HENRC Amendment

The House Energy, Environment, and Natural Resources Committee amendment to House Bill 128 (HB128/aHENRC) would make an addition to the criteria for the New Mexico Finance Authority's (NMFA's) evaluation of proposed solar energy systems, which includes setting minimum eligibility requirements including appropriate caps on different types of grants to select the "most qualified projects" and prioritizing hiring local New Mexico workers. The amendment would also eliminate the contingent effective date.

Synopsis of Original Bill

House Bill 128 (HB128) adds a new section to the New Mexico Finance Authority Act (Chapter 6, Article 21 NMSA 1978) to establish the local solar access fund, which would provide grants for solar energy systems and interconnection equipment to counties, municipalities, school districts, and land grant-merced controlled and governed pursuant to Chapter 49, Article 1 NMSA 1978, and Native American nations, tribes or pueblos located wholly or partially in New Mexico.

HB128 would appropriate \$60 million to the Energy, Minerals, and Natural Resources Department (EMNRD) for the local solar access fund. New Mexico Finance Authority (NMFA) would carry out the purposes of, and manage, the non-reverting local solar access fund. HB128 requires NMFA, in consultation with EMNRD, to promulgate rules by December 31, 2025, to implement the provisions set forth by the proposed legislation.

The effective date of this bill is contingent upon the inclusion of NMFA’s administrative costs within the General Appropriation Act of 2025, commonly known as House Bill 2.

FISCAL IMPACT

HB128/aHENRC/aHAFC/aHF1#1 does not contain an appropriation. However, the House Appropriations and Finance Committee Substitute for House Bills 2 and 3 ([HB2/HAFC](#)) includes \$20 million from the general fund to the solar access fund in fiscal year 2026 (FY26), contingent on the enactment of HB128/aHENRC/aHAFC/aHF1#1, which would establish and provide initial funding for the solar access fund.

SUBSTANTIVE ISSUES

Use of Proposed Fund. HB128/aHENRC/aHAFC/aHF1#1 notes money in the proposed local solar access fund would be appropriated for the following uses:

1. Providing grants to eligible entities to plan, design, construct, purchase, install and equip solar energy systems used to power buildings and infrastructure located within New Mexico that are owned and operated by an eligible entity, including necessary upgrades or repairs required to install or connect solar energy systems;
2. Providing grants for technical assistance to apply for federal or other funding to plan, design, construct, purchase, install and equip solar energy systems; and
3. Paying the administrative costs incurred by the authority in carrying out the provisions of this section.

HB128/aHENRC/aHAFC/aHF1#1 would allow eligible entities, including school districts, access to additional funds to pursue energy efficiency projects in their communities. Additionally, HB128/aHENRC/aHAFC/aHF1#1 would be a grant program, which would negate the need for eligible entities to take on additional debt to pursue these types of projects.

Equal Access to Funding for Solar Projects. Solar energy systems with energy storage play a role in advancing any commitment to an affordable and resilient electricity sector while shifting to zero-emission power generation. The Public School Capital Outlay Council (PSCOC) does not currently provide funds for solar initiatives, which would require school districts interested in solar power generation to cover related costs with local revenues and other available avenues. EMNRD noted in its analysis of HB128/aHENRC/aHAFC/aHF1#1 that by offering grants for solar projects, the local solar access fund could drive broader adoption of solar energy across the state, specifically benefiting rural and low-income communities. Creating a local solar access fund could help address fairness issues caused by power companies shifting costs to customers who don’t use solar energy. This problem may be exacerbated as more customers switch to solar technologies, putting more financial strain on those who do not.

Recapitalization. As grants are distributed, the proposed fund balance will gradually decrease, potentially requiring additional appropriations to maintain funding levels. Revenue from

investments of fund balances may help mitigate some of the reductions associated with grant disbursements and administrative costs. Depending on demand for the program and capital needs, which would increase for large-scale solar acquisition and construction projects, sustaining a grant-based fund without periodic capital reinvestment may be a challenge. NMFA expects rulemaking and system development to take about three months. Personnel costs, including salaries and overhead, are estimated at \$500 thousand annually for the first two years.

OTHER SIGNIFICANT ISSUES

Current NMFA Programs. The [Energy Efficiency and Renewable Energy Bonding Act \(Chapter 6, Article 21D NMSA 1978\)](#) is currently managed by NMFA and ENMRD, and was created to fund energy efficiency projects for schools and state agencies. Under this act, NMFA is authorized to issue revenue bonds, referred to as “energy efficiency bonds” to provide funds to state agencies and school districts for the installation of energy efficiency measures resulting in energy cost savings realized within a reasonable time. The act limits the amount of outstanding bonds for this purpose not to exceed \$20 million dollars at any given time.

The Energy Efficiency and Renewable Energy Bonding Act is administered through the public project revolving loan fund at tax-exempt interest rates, which is administered by NMFA. Eligible entities would repay these loans through debt service payments from available sources of local revenue. EMNRD provides technical support to NMFA in the administration of this fund to evaluate projected energy savings to structure loans to determine if total debt service is offset by future cost reductions. Since 2019, the program has been unable to fund new projects due to reaching its bond issuance limit.

ADMINISTRATIVE IMPLICATIONS

HB128/aHENRC/aHAFC/aHFI#1 would require NMFA to collect necessary information from applicants to evaluate and prioritize projects in compliance with the act. The bill would also require administrative coordination between EMNRD and NMFA to successfully carry out the technical responsibilities for the local solar access fund and energy efficiency measures.

RELATED BILLS

Relates to House Bill 213, School Solar Tax Credits, which would establish a corporate income tax credit for school solar projects.

Relates to Senate Bill 48, Community Benefit Fund, which would create a “community benefit fund.”

Relates to Senate Bill 49, Community Benefit Fund Transfers, which would be contingent on SB48 and would authorize transfers from the proposed fund.

SOURCES OF INFORMATION

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