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FISCAL IMPACT REPORT

ORIGINAL DATE 1/23/2007

SPONSOR M. H. Garcia LAST UPDATED _____ HB 136

SHORT TITLE NM State Chile Industry Research SB _____

ANALYST McOlash

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$7,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 196, except for title.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico State University – College of Agriculture & Home Economics (NMSU-CAHE)
Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Bill 136 appropriates \$7.0 million from the General Fund to the Board of Regents of New Mexico State University for expenditure in FY 2008 and subsequent fiscal years for research to support the chile industry in New Mexico.

FISCAL IMPLICATIONS

The appropriation of \$7.0 million contained in this bill is a recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert.

SIGNIFICANT ISSUES

The passage of recent international trade laws has impacted the New Mexico chile industry resulting in loss of market share. According to the New Mexico Chile Institute, 80% of chile

consummed in the United States is imported. The imported chile comes from countries which have significantly lower labor and production costs than New Mexico. At this time, the largest producers are China, Peru, and India.

New Mexico is the leading chile producer in the United States. Chile production also ranks first in horticultural crop cash receipts for New Mexico. In order to maintain the industry's economic viability, new technologies need to be developed to address production and labor costs and to increase crop yields.

New Mexico State University reports the chile industry in Doña Ana, Luna and Hidalgo counties generates \$418 million annually in economic activity. This economic activity includes 10,000 to 15,000 part-time harvesting jobs and 5,322 permanent jobs created directly in the chile industry and indirectly in other business sectors. Chile is a vital, high-value component of the region's cropping system. It provides financial stability in the cropping system rotation that includes cotton, alfalfa, silage, onions and other vegetables. Chile's loss could jeopardize banks' willingness to provide financing to farming operations. Quality-of-life benefits are tied to a healthy farm economy and to the cultural significance of the crop. Locally and statewide, chile's cultural significance has a direct impact on the tourism industry and niche product markets.

The proposed funding is intended to play a role in the avoidance of the devastation that results from farms, businesses, jobs, and income lost to foreign competition through 1) improvement of management practices; 2) reduction of costs through harvesting system mechanization; and 3) expansion of market opportunities.

This request was not on the list of priority projects submitted by New Mexico State University to the HED for review and was not included in the Department's funding recommendation for FY08.

PERFORMANCE IMPLICATIONS

The Higher Education Department recommends that NMSU submit a plan for program evaluation, including specific program goals and criteria for assessing program effectiveness to the Legislative Finance Committee and the New Mexico Higher Education Department by August 1, 2007. The institution shall also submit a program evaluation to the Legislative Finance Committee and the New Mexico Higher Education Department by June 30, 2010 detailing the benefits to the State of New Mexico from having this program implemented for a three-year period.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 136 (NM State Chile Industry Research) is a duplicate of SB 196 (NMSU Chile Industry Research), except for title.

BM/mt