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FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/09

SPONSOR King LAST UPDATED _____ HB 345

SHORT TITLE NMSU Extension Service & Experiment Station SB _____

ANALYST Haug

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$500.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
New Mexico State University (NMSU)

SUMMARY

Synopsis of Bill

House Bill 345 appropriates \$500.0 from the general fund to the Board of Regents of New Mexico State University to support the operation of the Cooperative Extension Service (\$250.0) and for the Agricultural Experiment Station (\$250.0).

FISCAL IMPLICATIONS

The appropriation of \$500.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2010 shall revert to the general fund.

SIGNIFICANT ISSUES

The HED states that this bill differs from the requests that were submitted by NMSU to the HED for review. The FY10 Institution Funding Requests submitted to the HED by NMSU states an increase of \$500,000 to the existing recurring General Fund base appropriation of \$16,460,970 for AES and \$500,000 increase to the existing recurring General Fund base appropriation of \$14,309,153 for CES from FY09. The Department's recommendation, as the requests were

submitted to NMHED, is neutral for these projects for FY10, if the State's fiscal outlook improves.

The LFC Appropriation Recommendations, Volume II, pages 364-365 states:

The committee has concerns about the growth of research and public service projects within the higher education budget, as well as the alignment of these projects with state goals and strategic plans. The committee also continues to have significant concerns about accountability and performance outcomes for these projects.

The committee recommendation reduces funding included in the HED request by varying levels from FY09 funding amounts for research projects, public service projects and P-20 pipeline projects focusing on students.

With respect to special projects, higher education institutions advanced 114 proposals for new projects and expansions at a total general fund cost of \$54 million during the HED budget request process in fall 2008.

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

The Executive Budget in Brief notes that over the years more than 300 RPSPs have been created, accounting for a large portion of institution budgets. The current RPSPs were reviewed while considering the relevance of the project to the core mission of the institution, the community benefit and the outcomes associated with each project. (Budget in Brief and Policy Highlights, P 9-10.)

NMSU states that NMSU's land grant flagship is the College of Agricultural Consumer & Environmental Sciences Agricultural Experiment Station (AES) and the Cooperative Extension Service. These two programs carry out federal and state statutorily mandated effort throughout the state of New Mexico, maintaining 54 off-campus offices, a presence in all thirty three counties.

NMSU notes further that all costs have risen but the most prevalent example to isolate is the cost of fuel. Costs of fuel and petroleum-based products have increased sharply over the past several years. The AES and CES faculty and staff travel extensively throughout the state by automobile. The relevancy of AES and CES work many times depends upon the ability of the employees to be on site with farmers, ranchers, and with related value-added industries. Costs to operate research/demonstration farms include fuel to operate irrigation wells, farm equipment, purchase petroleum-based fertilizers, etc. Both AES and CES received half of their requested funding increase last year, representing the first increase of unrestricted funds in 18 years. Although helpful, the funds do not cover the increased operations costs and deferred maintenance costs

GH/mc