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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/09

SPONSOR Garcia, M. J. LAST UPDATED _____ HB _____

SHORT TITLE NMSU Alternative Energy Technology Research SB 194

ANALYST Haug

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|---------|-------------------------|------------------|
| FY09 | FY10 | | |
| | \$400.0 | Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico State University (NMSU)
 Higher Education Department (HED)
 Economic Development Department (EDD)
 Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

Senate Bill 194 appropriates \$400.0 from the general fund to the Board of Regents of New Mexico State University for applied research in alternative energy technologies.

FISCAL IMPLICATIONS

The appropriation of \$400.0 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 request was submitted by NMSU to the HED for review. The Department would not oppose this projects funding for FY10, if the State's fiscal picture 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 the purpose of this request is to develop alternative energy technologies that will enhance rural economic development while utilizing the unique geographic and climatic resources present in the state of New Mexico. The applied research will focus on new technologies that will i) produce transportation fuels derived from algae, ii) produce and store hydrogen derived from dairy wastes, and iii) conversion of solar energy with photovoltaic's derived from photonic nanomaterials. The technologies being developed will be utilizing waste products from the dairy industry, underutilized desert rangeland and underground saltwater reserves. The request will support applied research into power generation that is competitively priced, clean and renewable, with the potential to make New Mexico a net energy exporter.

The EMNRD notes that NMSU conducts applied research in alternative energy technologies for a wide range of clients, nationally and globally. SB 194 does not require NMSU's research from the \$400,000 in state funding to be used to benefit NM nor does SB 194 offer any guidance or accountability mechanism for efficiently obtaining research results... EMNRD currently manages the Energy Innovation Fund (EIF) Program that has provided funds on a competitive basis to research and deploy clean energy technologies for commercialization. The EIF program, typically, requires projects to be located in NM and that the state's investment is returned to NM.

The EDD comments that New Mexico would probably cede part of this industrial growth to neighboring states/competitors that offer the same combinations of infrastructure, land, incentives, etc.