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FISCAL IMPACT REPORT

SPONSOR Cervantes **ORIGINAL DATE** 02/02/14
LAST UPDATED _____ **HB** _____

SHORT TITLE NMSU Manufacturing Development Program **SB** 204

ANALYST Hartzler-Toon

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$100.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$100.0		\$100.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act: Section 4J Higher Education, New Mexico State University (NMSU), Research and Public Service Projects, Manufacturing Sector Development Program

SOURCES OF INFORMATION

LFC Files

Responses Received From

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

Synopsis of Bill

Senate Bill 204, a bill making an appropriation to the New Mexico State University (NMSU) for the Manufacturing Sector Development Program (MSDP), appropriates \$100 thousand from the general fund to the NMSU for the program to expand services.

FISCAL IMPLICATIONS

In FY14, the general fund appropriations for NMSU's Manufacturing Sector Development Program (MSDP) and Waste Education Research Consortium (WERC) were consolidated for a

total of \$446.4 thousand. Of this, MSDP budgeted \$321.4 thousand and WERC budgeted \$125 thousand in general fund support. Overall, MSDP's FY14 annual budget was around \$300 thousand in unrestricted general fund revenues, WERC's annual budget totaled \$1.73 million in restricted and unrestricted funds: \$125 thousand in general fund appropriations, \$133.6 thousand from other revenues, and \$1.6 million in restricted funds.

For FY15, MSDP requested a \$100 thousand expansion, for a total general fund appropriation of \$556 thousand. The expansion request would support and retain engineering personnel involved in the engineering business assistance component of the program, which has experienced a 33 percent increase in demand over FY13 target levels. The program reported community participation in professional development services grew 73 percent over FY13 targets and technical workers and science, technology, engineering, math (STEM) public school teachers demanded more short courses and certificate programs. MSDP's STEM outreach programs grew by more than 90 percent over FY13 targets, and the program is planning to expand these programs and the NM Boosting Engineering, Science, Technology (BEST) Robotics program to Albuquerque Public Schools.

Other than an increase for the 0.75 percent education retirement fund contribution required under Section 22-11-21 NMSA 1978, the LFC and Executive recommended FY14 general fund levels.

The appropriation of \$100 thousand contained in this bill is a recurring expense to the general fund. While SB 204 states any unexpended or unencumbered balance remaining at the end of FY15 shall revert to the general fund; however, the funds would be nonreverting and likely recurring if the appropriation was added to the existing MSDP line-item in Section 4 of the General Appropriation Act (GAA). (The tables in this FIR report SB 204's appropriation as recurring.)

SIGNIFICANT ISSUES

The MSDP serves the small business community in southern New Mexico. The College of Engineering's faculty and students provide entrepreneurs with engineering, manufacturing, product development, creating prototypes, and other services to move products from the design phase to market.

NMSU reports

The typical small and medium New Mexico business does not possess in-house expertise to meet the needs for advanced product design, testing, and manufacturing, particularly as it relates to utilization of new technologies that are necessary to remain viable and competitive in today's marketplace. The [MSDP] is the only entity in New Mexico to provide this unique type of technical assistance and outreach that would otherwise be extremely limited or difficult for businesses to access. Current programmatic funding has allowed up to 40 hours of engineering assistance to qualified businesses. The qualification process has been enhanced through leveraged partnerships with existing business assistance programs across the state to ensure that resources (financial and personnel) are utilized effectively.

The demand for technical assistance has grown significantly due to state and national efforts to support advanced manufacturing, innovation and entrepreneurship. The additional business success, employment opportunities, and taxes generated from the

increased economic development justify the state investment in this unique and invaluable program.

PERFORMANCE IMPLICATIONS

The program submits annual reports on performance measures to HED as part of the annual budget process. As in the past, the program exceeded performance targets. For example, NMSU reports that, “during FY13, the [MSDP] delivered engineering business assistance to 126 businesses from across the state. This assistance included the delivery of advanced engineering and technology assistance, mechanical design of specialized equipment, assessment of existing technical design and process automation, and various levels of technical support for small and medium businesses. Specialized one-on-one business assistance ensures the economic and technical competitiveness of small- and medium-sized businesses across the state.”

RELATIONSHIP

SB 204 would expand the base appropriation included in the GAA, Section 4, the NMSU, research and public service projects, MSDP.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The program would likely receive the FY14 general fund level of support, and may face difficulties retaining key engineering staff.

THT/jll:svb