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FISCAL IMPACT REPORT

SPONSOR Salazar, T ORIGINAL DATE 03/11/15
LAST UPDATED _____ HM 123
SHORT TITLE Study Sharing Resources with Cuba SB _____
ANALYST Cerny

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI				

(Parenthesis () Indicate Expenditure Decreases)

Companion to HB 206 Cuban Trade Office

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Cultural Affairs (DCA)

Economic Development Division (EDD)

SUMMARY

Synopsis of Bill

House Memorial 123 requests the EDD identify and study opportunities for trade and for sharing of academic and cultural resources between New Mexico and Cuba.

FISCAL IMPLICATIONS

HM 123 carries no appropriation.

EDD analysis states: HM 123 does not include an appropriation, but it does mandate a study be conducted. The NMEDD has an economist and trade specialist on staff, who could complete the study. However, once the study is completed, no additional funds are available to carry out specific follow-up opportunities. HM 123 relates to HB 206, which includes an appropriation of \$25,000 for trade “missions” to Cuba. Thus far, HB 206 has passed two House Committees.

SIGNIFICANT ISSUES

The Obama Administration recently began working towards restoring full diplomatic relations with Cuba and on December 17, 2014 President Obama announced policy changes that are aimed at supporting independent economic activity in Cuba among other things.

These policy changes were published in the Federal Register on January 15, 2015. A summary of major changes to rules may be found here:

<http://www.treasury.gov/press-center/press-releases/Pages/j19740.aspx>

Changes to trade include:

- Exports and reexports to provide support for the Cuban people in three areas: improving living conditions and supporting independent economic activity; strengthening civil society; and improving communications – will be eligible under Commerce’s License Exception Support for the Cuban People (SCP).
- To improve living conditions and support independent economic activity, SCP will authorize: (1) building materials, equipment, and tools for use by the private sector to construct or renovate privately-owned buildings, including privately-owned residences, businesses, places of worship, and building for private sector social or recreational use; (2) tools and equipment for private agricultural activity; and (3) tools, equipment, supplies, and instruments for use by private sector entrepreneurs.

Changes to travel include:

- In all 12 existing categories of authorized travel, travel previously authorized by specific license will be authorized by general license, subject to appropriate conditions. This means that individuals who meet the conditions laid out in the regulations will not need to apply for a license to travel to Cuba.
- These categories are: family visits; official business of the U.S. government, foreign governments, and certain intergovernmental organizations; journalistic activity; professional research and professional meetings; educational activities; religious activities; public performances, clinics, workshops, athletic and other competitions, and exhibitions; support for the Cuban people; humanitarian projects; activities of private foundations or research or educational institutes; exportation, importation, or transmission of information or information materials; and certain authorized export transactions.
- The per diem rate previously imposed on authorized travelers will no longer apply, and there is no specific dollar limit on authorized expenses. Authorized travelers will be allowed to engage in transactions ordinarily incident to travel within Cuba, including payment of living expenses and the acquisition in Cuba of goods for personal consumption there.
- Additionally, travelers will now be allowed to use U.S. credit and debit cards in Cuba.

EDD analysis states:

Cuba still remains under a trade embargo and any trade opening will be slow and gradual with some sanctions remaining subject to milestones being met by the Cuban government in extending freedoms to local opposition groups.

Current New Mexico exports to Cuba are minimal and market prospects for the near term appear to be brighter in other overseas markets which currently import more from New Mexico.

PERFORMANCE IMPLICATIONS

EDD should be able to conduct the study, however, the study will not result in the agency meeting its goals and objectives per the Government Accountability Act.

ADMINISTRATIVE IMPLICATIONS

FTE's within EDD should be able to comply with the mandate contained in HM 123.

DCA states that they would request a role in researching opportunities for potential cultural and educational exchange with Cuba.

COMPANIONSHIP

HB 206 provides \$25.0 in funding from the general fund to establish a mission to promote trade with Cuba.

CAC/bb