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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/12/21

SPONSOR Woods LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Reforestation Center Act SB 180

ANALYST Wan

### APPROPRIATION (dollars in thousands)

| Appropriation |           | Recurring or Nonrecurring | Fund Affected |
|---------------|-----------|---------------------------|---------------|
| FY21          | FY22      |                           |               |
|               | \$4,607.1 | Recurring                 | General Fund  |

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

|              | FY21 | FY22    | FY23   | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|---------|--------|-------------------|---------------------------|---------------|
| <b>Total</b> | NFI  | \$148.9 | \$76.8 | \$225.7           | Recurring                 | General Fund  |

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

Higher Education Department (HED)

University of New Mexico (UNM)

New Mexico State University (NMSU)

#### No Response Received

New Mexico Highlands University (NMHU)

### SUMMARY

#### Synopsis of Bill

Senate Bill 180 appropriates \$4.6 million from the general fund to the Board of Regents of New Mexico Highlands University for deposit in the New Mexico reforestation center account (created by the bill) for first-year operational expenses of the New Mexico Reforestation Center, which the bill establishes.

SB180 directs the State Forestry Division of the Energy, Minerals and Natural Resources Department (EMNRD) to enter into a joint powers agreement with the Department of Forestry at New Mexico Highlands University (NMHU), the Agricultural Experiment Station at New Mexico State University (NMSU), and the Department of Biology at the University of New Mexico (UNM) to create the New Mexico Reforestation Center.

The bill establishes that the mission of the Reforestation Center will be to address the impacts of climate change on the state's forests and address the state's reforestation needs through establishment of a seed bank program, nursery program, and planting program. The bill requires the Reforestation Center to develop comprehensive policies and projects necessary to the operation of those programs.

SB180 lays out specific provisions that must be included in the joint powers agreement, including that NMHU will be the fiscal agent for the Reforestation Center and 1 FTE will be created in EMNRD's Forestry Division to serve as a planting and seed collection coordinator.

SB180 also creates the New Mexico Reforestation Board, whose powers and duties include strategic planning, fiscal decisions, and allocation of funds for the Reforestation Center.

The bill directs NMHU to establish a New Mexico reforestation center account to receive appropriations from the Legislature, gifts, grants or donations, and revenues and receipts derived from the operations of the Reforestation Center. Money in the account will be used for operating expenses of the Reforestation Center, including salaries, and shall not revert to any other fund or account at the end of a fiscal year. SB180 provides the exception that, if the joint powers agreement creating the Reforestation Center is not entered into by July 1, 2022, the bill's appropriation of \$4.6 million will revert to the general fund.

There is no effective date of this bill. It is assumed the effective date is 90 days following adjournment of the Legislature.

## **FISCAL IMPLICATIONS**

The appropriation of \$4.6 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 to the general fund, unless the Reforestation Center is not created by July 1, 2022. Although SB180 does not specify future appropriations and the majority of the FY22 appropriation will likely be used for one-time expenditures to develop the Reforestation Center, establishing a new program with FTE needs could create an expectation or need for general fund appropriations in future fiscal years. Additionally, neither the bill nor agency analyses specify how much of the appropriation is allowed or estimated to be used for nonrecurring versus recurring expenditures. Therefore, this appropriation is scored as recurring.

Although SB180 does not explicitly establish a mechanism or requirement for revenue generation, EMNRD states the Reforestation Center will raise revenue to fund its future operating costs by selling climate-ready seedlings. The agency further states, "The NMSU Forestry Research Center estimates that running the 5-million seedling capacity nursery at 50 percent will cover all operational and salary costs for the entire New Mexico Reforestation Center," though NMSU did not provide this information in its analysis.

EMNRD’s expected recurring expense for the new position created by SB180 is \$71.7 thousand beginning in FY22. The agency also estimates nonrecurring costs of \$73.5 thousand in FY22 for one-time purchases related to the new FTE, including seed collection gear, a vehicle, computer, and cell phone.

The Higher Education Department (HED) reports there was no specific funding request for the Reforestation Center for FY22, but future recurring funds may be requested through the Research and Public Service Project process.

The University of New Mexico (UNM) estimates a recurring cost of \$97 thousand for a climate modeler and database manager, funded initially by SB180’s appropriation and later by the sale of seedlings.

### **SIGNIFICANT ISSUES**

NMSU reports the health of the state’s forests is declining due to a combination of factors, including historic fire suppression, increased fuel densities, increased drought, and a lack of proper forest management. According to EMNRD, New Mexico’s forests have lost hundreds of thousands of acres of trees to wildland fire and insects and disease outbreaks attributable to the effects of the changing climate, and NMSU adds many forests are not growing back naturally. EMNRD further provided the following:

“Research confirms that warm to hot droughts are increasing in frequency, severity, and duration in the Southwest. Longer and hotter dry periods over successive years weaken trees in forest types that were previously able to withstand droughts, making them more susceptible to bug kill, diseases, and wildfire. ... Megafires have left entire watersheds denuded and vulnerable to flash floods, debris flows, erosion, and sedimentation, and in some cases convert large landscapes from forest to shrubland. The New Mexico Reforestation Center will enable the state to lessen some of these negative impacts by providing the infrastructure, materials, and qualified practitioners required to strategically address New Mexico’s reforestation needs.”

The provisions of SB180 are based on the reforestation strategy in the 2020 *New Mexico Forest Action Plan*, developed by experts from the State Forestry Division and the universities identified in the bill. According to NMSU, the state’s reforestation needs are currently estimated to be between 1 million and 2.6 million acres, which would require 150 million to 390 million seedlings. Current seedling production capacity in New Mexico is approximately 300 thousand seedlings per year, meaning it would take at least 500 years to meet reforestation needs if capacity is not increased, as it would be through enactment of SB180. The Reforestation Center, says UNM, will leverage state-of-the-art modeling to inform seedling planting efforts, increasing survival rates and thus decreasing the cost of reforestation on public and private land in the state.

EMNRD reports the Reforestation Center created by SB180 would greatly expand the capacity of the Forestry Division to respond to challenges posed by climate change: “In the short term, it will enable the state to mitigate burned area damages. ... over the long term, [it will] ensure New Mexico and the Southwest have forests that are resilient to the climate conditions expected for this region.”