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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/09

SPONSOR Nunez LAST UPDATED _____ HB 120

SHORT TITLE NM Pecan Industry Support SB _____

ANALYST Haug

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$170.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Department of Agriculture (NMDA)

SUMMARY

Synopsis of Bill

House Bill 120 appropriates \$170.0 from the general fund to the Board of Regents of New Mexico State University to support the NMDA's marketing assistance, pest research and management for the pecan industry.

FISCAL IMPLICATIONS

The appropriation of \$170.0 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 not submitted by NMSU to the HED for review and is not included in the Department's funding recommendation for FY10.

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.

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.

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.

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.)

NMDA states that eradication efforts directed at three new (2008) pecan pest infestations (three counties) is expected to exceed current available funds. Pecan pests represent the most significant single threat to pecan production. New Mexico is one of only three pecan producing states where pecan pests are not established. Prevention of pecan pest establishment is due to ongoing programs conducted by NMDA in cooperation with the pecan industry and New Mexico state university. New Mexico's current status represents an advantage compared to pecan pest infested states with respect to increased profitability, increased foreign markets, and reduced insecticide exposure. Pecan pests have the potential to be continually introduced into the state via tourists and increased commercial pecan traffic.

NMDA notes further that New Mexico is identified as the "guardian state" with respect to preventing pecan pest establishment within its boundaries and ultimately protecting the pecan producing regions of Arizona, California, and Chihuahua from its establishment. New Mexico benefits economically from its position as the "center of western pecan production and processing", but also suffers the consequences associated with a growing agricultural industry with respect to increased risk associated with the introduction of new pecan pests.

Finally, NMDA states that unfunded eradication efforts directed at three recent pecan pest populations (2008) will rapidly exceed NMDA's current pest management funds. Pecan pest eradication efforts must be initiated early and remain in place to be effective.