

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Picraux **ORIGINAL DATE** 02/20/09
LAST UPDATED _____ **HB** 670
SHORT TITLE NM-Grown Camelina As Biofuel **SB** _____
ANALYST Haug

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$150.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Energy, Minerals and Natural Resources Department (EMNRD)

No Responses Received From

New Mexico State University (NMSU)

SUMMARY

Synopsis of Bill

House Bill 670 appropriates \$150 thousand from the general fund to the Board of Regents of New Mexico State University for the first phase of a research project to determine the viability of a sustainable clean energy program using New Mexico grown Camelina as a biofuel.

FISCAL IMPLICATIONS

The appropriation of \$150.0 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.

This appropriation is not included in the LFC appropriation recommendations for Higher Education.

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 February 2009 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$575 million less than the FY09 appropriations before the 2009 solvency reductions. 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.)

The HED notes that camelina, an oilseed crop, that can be used to make biodiesel, an alternative to diesel fuel. Crops for biofuel production has incited the “food vs. fuel” debate where governments have supported biofuel policies that have the unintended consequence of diverting resources from food production that then leads to high food prices and potential destruction of natural habitats. According to Alternative Consumer, camelina is a non-food crop that can thrive on marginal agricultural land, utilizing very little moisture, and where many trees and crops will not grow. Camelina is virtually 100 percent efficient as all its parts can be used to produce multiple products, including biodiesel.

The EMNRD comments that HB 670 may help the state achieve its Biodiesel Fuel Standard, which requires that, beginning in 2010, diesel fuel consumed by municipal, state and school bus fleets must contain 5% biodiesel (B5) that in 2012, all diesel fuel sold in the state will be blended B5. HB 670 will not likely help the state meet the 2010 requirement, but it may help meet the 2012 requirement if the study finds camelina yields to be sufficient and economically viable. Among other issues that will need to be addressed is the need for seed pressing and oil processing plants in order to produce quantities of biodiesel sufficient to positively affect the statewide biodiesel oil supply. HB 670 could help meet New Mexico’s biodiesel standards mandate (NMSA 1978, Section 57-19-29) as well as greenhouse gas emissions reduction goals. Developing this feedstock for biofuel has the potential of stimulating the state’s rural economy as well.