F I S C A L I M P A C T R E P O R T

SPONSOR: Saavedra DATE TYPED: 02/03/03 HB 88

SHORT TITLE: Manufacturing Extension Services SB

ANALYST: Padilla

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
$400.0				Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
		Indeterminate	Recurring	Federal

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates SB 11

SOURCES OF INFORMATION

LFC Files

Responses Received From
Economic Development Department

SUMMARY

Synopsis of Bill

House Bill 88 appropriates $400.0 from the general fund to the Economic Development Department for expenditure in fiscal years 2003 and 2004 for the purpose of contracting for manufacturing extension services. Expenditure of the funds is contingent on the receipt of an unspecified amount of funds from the National Institute of Standards and Technology (NIST) for a NIST-approved manufacturing center in New Mexico. The bill contains an emergency clause.

Significant Issues

The only NIST-approved center for manufacturing extension services in New Mexico is the New Mexico Manufacturing Extension Partnership (MEP). The MEP is part of a nationwide system of centers intended to assist small manufacturers to become more competitive. According to EDD, NIST supports the MEP network and provides funds at a one-third match. The bill, however, does not specify the level of NIST contributions.

FISCAL IMPLICATIONS

The appropriation of $400.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

EDD believes there may be administrative implications to the agency for administration of the contract. In FY01, when EDD last managed a contract with the MEP, the agency did not have sufficient resources to conduct what it felt was an adequate audit. Via spot checks, EDD found two significant issues: 1) the MEP invoiced the department for services that were specifically excluded by the contract, and 2) the MEP initially invoiced the department for a 20 percent "management fee" on all services it provided to small businesses.

OTHER SUBSTANTIVE ISSUES

EDD believes the MEP should work more closely with the department in order to ensure that the MEP's services meet the needs of New Mexico's small businesses.

According to EDD, the New Mexico MEP is managed by a Maine-based non-profit organization called MEP/MSI. The New Mexico MEP pays a fee to MEP/MSI for its services. EDD believes this arrangement is not ideal and does not allow for the best use of MEP resources in New Mexico.

LP/njw