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## FISCAL IMPACT REPORT

SPONSOR Picraux                      DATE TYPED 2/19/05                      HB 730

SHORT TITLE UNM Dual Fiber Optic Network Infrastructure                      SB \_\_\_\_\_

ANALYST Hanika-Ortiz

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$4,000.0			Recurring	GF

Relates to Appropriation for Commission on Higher Education in the General Appropriation Act.

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		See Narrative		

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Commission on Higher Education  
Office of Information Technology Management

### SUMMARY

#### Synopsis of Bill

HB 730 appropriates \$4 million from the general fund to the Board of Regents of the University of New Mexico for expenditure in FY06 and FY07 for the implementation of the dual fiber optic network infrastructure related to the national LambdaRail (NLR) project.

#### Significant Issues

The NLR project is a major initiative of U.S. research universities and private sector technology companies to provide a national scale infrastructure for research and experimentation in network-

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ing technologies and applications. The \$1 million payment for FY04 has been processed, with a current funding need of \$4 million.

The goal of HB 730 is to ensure that the NLR network infrastructure will not bypass New Mexico, but will traverse the State from El Paso through Albuquerque to Denver.

The very high speed connectivity provided by the NLR enhances New Mexico State University, New Mexico Tech and The University of New Mexico's opportunities to develop research partnerships with other major universities in the United States and abroad and to compete for regional and national funded initiatives in areas such as homeland security, microelectronics, ecology, advanced materials research, and telemedicine.

The NLR can provide New Mexico's national labs with very high speed connectivity to other labs and research institutes in the United States.

The NLR can be used by New Mexico companies to collaborate in economic development initiatives with other entities across the country where high-speed connectivity is a requirement.

K through 12 and higher education in New Mexico will benefit by being able to engage in next generation teaching and learning technologies. They will be able to do this by using advanced tools made available by the NLR such as virtual reality, visualization and distributed multimedia tools.

### **PERFORMANCE IMPLICATIONS**

The University of New Mexico shall submit a plan for program evaluation, including specific program goals and criteria for assessing program effectiveness to the Legislative Finance Committee and the Commission on Higher Education by October 1, 2005. The institution shall also submit a program evaluation to the Legislative Finance Committee and the Commission on Higher Education by June 30, 2008 detailing the benefits to the State of New Mexico from having this program implemented for a three-year period.

### **FISCAL IMPLICATIONS**

In the CHE report, this proposal was ranked second out of six new or expansion research and public service items submitted to the CHE by the University of New Mexico. The program was not recommended for expansion by the CHE at that time.

The appropriation of \$4 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY07 shall revert to the general fund.

### **OTHER SUBSTANTIVE ISSUES**

CHE notes that higher education institutions receive indirect cost revenues from federal contracts and grants. The institution has the flexibility to choose which projects are supported with these funds. A great deal of this money is used as seed money to develop new research and public services projects at institutions. A portion of the indirect cost revenue, or earned overhead, is used to support items such as the salaries of the accountants responsible for monitoring the contracts

and grants, or for paying utilities and other expenses required to maintain the space where the contract and grant activities are housed.

The higher education funding formula allows institutions to retain 100% of this indirect cost revenue. One of the purposes of retaining these funds is to provide seed money and matching funds for projects such as the one proposed in this bill.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

Potential loss of New Mexico membership in NLR.

BW/sb