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FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/07

SPONSOR Lundstrom LAST UPDATED _____ HB 93

SHORT TITLE Manufacturing Extension Services SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
\$1,300.0		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

House Bill 93 duplicates Senate Bill 7.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	\$35.0*	\$70.0*	0.0	\$105.0*	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

***See fiscal and administrative implications sections for more detail.**

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 93 appropriates \$1.3 million from the general fund to the Economic Development Department to contract for manufacturing extension services for small and mid-sized manufacturers. The appropriation is contingent on the receipt of money from the National Institute of Standards and Technology (NIST) to operate a manufacturing center in New Mexico that is approved by NIST. The bill declares an emergency.

FISCAL IMPLICATIONS

The appropriation of \$1.3 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2008 shall revert to the general fund.

EDD also estimates the need for an additional FTE to manage this contract, resulting in a \$105 thousand fiscal impact over three years. According to EDD, the expansion would almost triple the activity for this contract and would require one FTE to administer this contract. The cost for an FTE with benefits would be approximately \$70,000 per year.

SIGNIFICANT ISSUES

The appropriation of \$1.3 million is to provide technical assistance to New Mexico’s emerging and medium size manufacturing companies, but with a contingency. Manufacturing extension services is a key technical assistance program of EDD’s Your Homefield Advantage Program. This assistance helps these companies streamline their processes so that they more efficient and more competitive. Technical assistance will ultimately result in more jobs and capital investment in New Mexico. Manufacturing extension services is very valuable to start-up manufacturers in helping companies design streamlined processes.

PERFORMANCE IMPLICATIONS

In FY07, NMEDD contracted with the NM Manufacturing Extension Partnership (MEP) for manufacturing extension services. NM MEP assisted manufacturing companies in both rural and urban New Mexico to improve their manufacturing processes. These manufacturers created approximately 87 additional jobs; increased their sales by approximately \$27.5 million which resulted in capital investment in New Mexico of over \$10.6 million. A snapshot of the companies that NM MEP assisted are Viviendas in Taos, Syzygy Tile, Inc in Silver City, A & M Machine Works in Hobbs, Millennium in Roswell and many other companies throughout New Mexico.

ADMINISTRATIVE IMPLICATIONS

EDD estimates the need for an additional FTE to administer the expansion of this contract.

Due to the contingency, however, it is not clear that this expansion would actually triple the workload, as EDD estimates. A new NIST-approved manufacturing center would have to be opened in NM and matching funds allocated for this appropriation to be made. The contingency suggests that only one contract would be required.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 93 duplicates Senate Bill 7.

BE/nt:csd