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FISCAL IMPACT REPORT

ORIGINAL DATE 2-6-2007

SPONSOR Gutierrez LAST UPDATED _____ HB 834

SHORT TITLE New Mexico Chile Documentary SB _____

ANALYST Dearing

APPROPRIATION (dollars in thousands)

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

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Cultural Affairs Department (CAD)

SUMMARY

Synopsis of Bill

House Bill 834 appropriates \$300 thousand from the general fund to department of Cultural Affairs to contract for the preparation of a documentary film on New Mexico chile.

FISCAL IMPLICATIONS

The appropriation of \$300 thousand contained in this House Bill 834 is a nonrecurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY08 shall revert to the General Fund.

SIGNIFICANT ISSUES

Chile peppers have been cultivated in New Mexico's Rio Grande Valley for more than four hundred years. Considered the state's signature crop, chile is the foundation for a healthy and complex industry that includes commodity and value-added products. In 2000, the crop ranked fifth in the state for cash receipts from agricultural commodities. The chile pepper industry contributes to New Mexico's economy and employs many workers engaged in manual farm labor, processing, marketing and other related areas.

Overall, the growth and production of chile in Dona Ana, Luna and Hidalgo counties was estimated to have generated approximately \$400 million in economic activity annually. Crop values are on the range of \$60-100 million annually, depending on production levels and cash price. Production of the crop however, multiplies the economic impact by a factor of four. In total, the chile industry provides 10,000-15,000 seasonal harvesting jobs, and over 5300 permanent jobs, in addition to indirect economic impact. Chile production is both vital economically as well as culturally in New Mexico. The State produces two-thirds of the chile consumed in the United States.¹

Through increased global competition, the New Mexican chile industry is facing competitors producing in areas which have substantially reduced labor economics and essentially non-existent environmental regulation. Similarly, chile is an integral component in reducing agricultural risks through its role in crop rotation strategies. Tourism and niche (southwestern) product markets are in some part based on cultural links to chile, its production and consumption.

In partnership with NMSU, the South central council of governments is administering a \$333,355 Economic Development administration grant with the goal of increasing the chile growing and processing industry's global reach. The project is researching methods to mechanize the harvesting and storage processes, studying the implications of mechanization for retraining workers for new processing jobs and creating new marketing and branding strategies for the State's pepper industry.

The appropriation in House Bill 834 to produce this documentary film could allow the marketing of this New Mexico product to a wider audience.

If this legislation is enacted Cultural Affairs would work closely with New Mexico State University and the Chile Pepper Institute, the Economic Development Department and Film Office, as well as the Tourism Department in the documentary's preparation.

ADMINISTRATIVE IMPLICATIONS

The appropriation of \$300 in House Bill 834 would be administered by the Cultural Affairs department.

TECHNICAL ISSUES

The agency response does not specify the level (if any) of involvement and collaboration of the Cultural Affairs department with the either Tourism or Economic development departments in conjunction with this legislation.

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¹ NMDA and The Chile Pepper Institute @ NMSU. The Census Bureau utilizes the North American Industry Classification system, a system of code numbers to identify economic activity in particular industries and agricultural crops. These identifier codes are lacking for the processing and production of the chile crop. The USDA State Agricultural Overview fact sheets for NM does not even mention this crop. <http://spectre.nmsu.edu/dept/welcome.html?t=chile>,