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

**SPONSOR** Altamirano **ORIGINAL DATE** 2/16/2007 **LAST UPDATED** **HB**

**SHORT TITLE** NM Tech Petroleum Recovery Research Center **SB** 1084

**ANALYST** Moser

## APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---|---|---|---|
| **FY07** | **FY08** | | |
| | $410.0 | Recurring | General Fund |
| | | | |

(Parenthesis ( ) Indicate Expenditure Decreases)

**SOURCES OF INFORMATION**
LFC Files

**SUMMARY**

Synopsis of Bill

Senate Bill 1084 appropriates $410,000 from the General Fund to the Board of Regents of New Mexico Institute of Mining and Technology for expenditure in FY08 and subsequent fiscal years for the Petroleum Recovery Research Center to use as a mandatory match for a $67,000,000 grant from the United States Department of Energy over the next 10 years for carbon sequestration.

**FISCAL IMPLICATIONS**

The appropriation of $410,000 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall revert to the general fund.

HED indicates that the provisions of SB1084 require a recurring funding increase of $410,000 for 10 years beginning in FY08. This would make the recurring funding for the PRRC $2,321,800 from the General Fund. The FY07 base currently includes an increase of $39,800 from the previous fiscal year.

**SIGNIFICANT ISSUES**

This request was submitted by New Mexico Tech in the amount of $409,300 to the New Mexico

Higher Education Department as an increase in the base of $1,912,500 for the PRRC, but is not included in the Department's funding recommendation for FY08. However, the Department recommended PRRC be funded at its base recurring level in FY08.

Per HED the Petroleum Recovery Research Center (PRRC) of New Mexico Tech is regarded both nationally and internationally as one of the nation's leading petroleum research centers. PRRC was established by the New Mexico State Legislature in 1977 to conduct both basic and applied research designed to improve recovery of petroleum and natural gas.

The PRRC website (http://baervan.nmt.edu/) describes carbon sequestration as an approach in the world's climate change mitigation effort that involves the capture and permanent storage of greenhouse gases. At PRRC, regional possibilities for storing carbon dioxide are being explored and tested through the Southwest Partnership on Carbon Management. The project is an alternative energy process taking carbon from a power plant and out of the atmosphere. Dr. Robert Lee is the Program Manager for this seven-state effort sponsored by the U.S. DOE.

According to PRRC management staff, the carbon sequestration project is in its third phase, which includes the preparation for market to the oil industry. The third phase is approximately a three-year process. The $67,000,000 DOE grant award to New Mexico Tech was announced this year and includes a 20% total match requirement, and about $800,000 matching funds annually over 10 years. There are currently a large number of stakeholders and occasionally in-kind contributions are acceptable. The PRRC has a $390,000 commitment from the private sector and is seeking the remaining $410,000 from the state.

Primary funding for the PRRC comes through the U.S. Department of Energy's (DOE) Office of Fossil Energy through the National Energy Technology Lab (NETL) and the State of New Mexico for their funding and support of the research program. Various major and independent oil companies have also worked with the PRRC on cooperative projects to seek solutions to real-world problems in the oil field.

GM/csd