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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/27/09  
 LAST UPDATED 02/08/09    **HB** \_\_\_\_\_

SPONSOR Garcia, M. J.

SHORT TITLE Manufacturing Extension Services    **SB** 25

ANALYST Lucero

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$325.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$0.01	\$0.01	\$0.02	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 25 appropriates three hundred twenty five thousand dollars (\$325,000) from the general fund to the Economic Development Department (EDD) to contract for training and for projects involving manufacturing extension services.

### FISCAL IMPLICATIONS

The appropriation of three hundred twenty five thousand dollars contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of 2010 shall revert to the general fund.

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

### **SIGNIFICANT ISSUES**

Manufacturing extension services is a key technical assistance program at EDD. This assistance helps companies streamline their processes so that they are 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.

According to EDD, manufacturing extension services are provided through the Manufacturing Extension Program (MEP). MEP received \$250,000 in FY09, down from \$435,000 in FY08 from EDD as well as other federal funding to provide services.

MEP duplicates services provided by EDD but at a cost to the client. However, most services provided by EDD are free or discounted.

### **PERFORMANCE IMPLICATIONS**

In FY08, EDD contracted with the New Mexico Manufacturing Extension Partnership (MEP) for manufacturing extension services. New Mexico MEP assisted manufacturing companies in both rural and urban New Mexico to improve their manufacturing processes. These manufacturers created approximately 183 new jobs and retained 331 jobs; increased and retained sales by \$45.5 million which resulted in \$14 million in capital investment in New Mexico; and companies reported \$18 million in cost savings. A snapshot of the companies that New Mexico MEP assisted are Viviendas Viviendas in Taos, Syzygy Tile Inc. in Silver City, Calculex in Las Cruces, PESCO Inc in Farmington, Sunland Inc. in Portales, Stolar in Raton, and Desert Paper and Envelop in Albuquerque.

There may be an additional impact to EDD to monitor performance and verify that there is not an overlap in services.

### **ADMINISTRATIVE IMPLICATIONS**

There may be additional costs associated with contract monitoring by the EDD staff.

### **ALTERNATIVES**

EDD notes it can provide manufacturing extension services including ISO 9000/9001 classes and audits with existing staff if required.

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