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FISCAL IMPACT REPORT

SPONSOR Maestas/Martinez/ Rubio **ORIGINAL DATE** 2/26/19 **LAST UPDATED** _____ **HB** 658

SHORT TITLE Mexican Affairs Division **SB** _____

ANALYST Martinez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$2,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 658 appropriates \$2 million from the general fund to the Economic Development Department for the purpose of creating a Mexican Affairs division at the Economic Development Department (EDD) to conduct and coordinate the state's relations with Mexico and the Mexican State of Chihuahua including interagency coordination with Departments of the Environment, Tourism, Transportation, Public Safety, Border Authority and New Mexico State University. The bill calls for establishing a physical office location in Mexico City to promote trade, tourism and attract investment from Mexico.

FISCAL IMPLICATIONS

Economic Development Department provided the following:

The appropriation of \$2 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 shall revert to the general fund.

HB 658 calls for an expenditure of \$2 million annually to fund an office in Mexico City. It is difficult to calculate what the overall fiscal impact will be since EDD already

promotes international trade with Mexico and has led several trade missions and delegations to Mexico City to promote NM goods and services. EDD has an International Trade Division, but that division has only one staff person. This will increase the travel budget of EDD.

SIGNIFICANT ISSUES

HB658 appropriates \$2 million the Economic Development Department Mexican Affairs Division. However, there are currently no FTE in this division, and the only international communications that are taking place are through EDD's International Trade Office. EDD would need to establish the Mexican Affairs Division, hire FTE, and administer the division again if HB658 is passed. It is assumed that most funds would be needed to reestablish the Division at EDD. It is unknown how much of the \$2 million appropriation would remain in order to support a new office in Mexico City.

TECHNICAL ISSUES

Economic Development Department provided the following:

Most U.S. states are phasing out their international trade office networks to contract with individuals to promote trade, tourism and investment. EDD has operated and closed an office in Mexico City twice and the Mexican Affairs Division at EDD was effectively closed in 2013. The Mexico City Office opened by EDD in partnership with UNM and the City of Albuquerque was subsequently closed in 2016 although the office remains open and funded by the City of Albuquerque and UNM. Apart from a cement operation in Albuquerque there has been no job producing investment from Mexico in the State of New Mexico.

ALTERNATIVES

Economic Development Department provided the following:

The legislature could bolster funding or expand the mandate for the New Mexico Border Authority to embrace other areas like Tourism and Environment. The Border Authority already works on transportation and environment related issues. It could be beneficial to renew the partnership with the City of Albuquerque and UNM to operate a trade office with focus on statewide issues.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

EDD will continue to foster international relations through their International Trade Office.

JM/sb