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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/06
 SPONSOR Nunez LAST UPDATED 1/31/06 HB 135/aHEC
 SHORT TITLE NMSU Animal & Food Testing Laboratory SB _____
 ANALYST Earp

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$220.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 243

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
 New Mexico State University (NMSU)

SUMMARY

Synopsis of House Education Committee Amendment

The House Education Committee Amendment reduces the proposed appropriation for the animal and food testing laboratory from \$1,000,000 to \$220,000.

Synopsis of Original Bill

House Bill 135 appropriates \$1,000,000 from the General Fund to the Board of Regents of New Mexico State University (NMSU) to establish an animal and food testing laboratory.

FISCAL IMPLICATIONS

The appropriation of \$1,000,000 contained in this bill would provide start-up funding for the proposed animal and food testing laboratory. NMSU reports that these funds would be used to upgrade an existing university laboratory facility, equip the lab with state-of-the-art testing equipment and supplies, and fund salary and fringe benefits for two professional PhD or MS-level laboratory scientists/supervisors, graduate assistants and undergraduate research aids. A

fee-based service structure and enhanced research project funding would fund the laboratory after the first year's state and university investment. Any unexpended or unencumbered balance remaining from this non-recurring start-up appropriation at the end of fiscal year 2007 shall revert to the general fund.

SIGNIFICANT ISSUES

NMSU submitted this project to the Higher Education Department (HED) for review as a component of priority #4 out of 9 requests for program expansion. HED has not included this request in its fiscal year 2007 funding recommendations.

ADMINISTRATIVE IMPLICATIONS

NMSU would administer the appropriation contained in this bill, as well as the proposed testing laboratory. Following the initial start-up period, administrative costs are expected to be covered through fee-based testing revenues and research funds.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 135 (as originally introduced) and Senate Bill 243 are duplicate measures.

OTHER SUBSTANTIVE ISSUES

NMSU states that an exciting opportunity exists to create a cross-campus, state-of-the-art animal and food testing facility at NMSU that will meet industry demands, generate highly-skilled graduates needed by industry and government, identify new research opportunities and generate revenue for program development. The New Mexico horse racing, livestock, dairy, chile, onion and pecan industries now spend over \$1 million a year for testing services at out-of-state laboratories. Representatives of these industries have indicated that they support the development of a New Mexico facility and are anxious to use its services. Expected benefits of the proposed facility include:

- Building a stronger and more industry-responsive university
- Channeling testing revenues back into the State
- Bolstering economic development through creation of high-paying jobs and attraction of new income into the state
- Providing experiences for students in quality control and bio-security testing, thus providing them with a competitive advantage in the job market
- Identifying research topics to which NMSU scientists may apply their expertise

POSSIBLE QUESTIONS

Does NMSU have written commitments from anticipated users of the laboratory facility to use its services?

How much of the \$1 million appropriation will be devoted to recurring cost during the initial year?

Will NMSU formally commit to operating the proposed facility without state general fund support after the initial year of operation?

Has a proposed fee structure been developed that is anticipated to generate the revenues required for a self-sufficient operation?

DKE/mt:nt