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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/11  
 SPONSOR Bandy LAST UPDATED 03/15/11 HB 87/aSFL#1  
 SHORT TITLE Organic Production Act SB \_\_\_\_\_  
 ANALYST Aguilar/Weinberg

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	\$198.0	\$230.0	Recurring	New Mexico Department of Agriculture Operating Fund

(Parenthesis ( ) Indicate Revenue Decreases)

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

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		(\$40.0) (\$105 FTE/per diem - \$65 FTE)	(\$40.0) (\$105 FTE/per diem - \$65 FTE)	(\$80.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Organic Commodity Commission (OCC)

New Mexico Department of Agriculture (NMDA)

### SUMMARY

#### Synopsis of SFL Amendment #1

The Senate Floor Amendment #1 caps assessments on gross sales over one million dollars (\$1,000,000) and provides for increases to this cap beginning in 2015.

#### Synopsis of Original Bill

House Bill 87 enacts the Organic Production Act, establishes the powers and duties of the New Mexico State (NMSU) Board of Regents and the New Mexico Department of Agriculture (NMDA) for organic agricultural production in the state, and transfers the functions, funding, contractual obligations and statutory references of the Organic Commodity Commission to NMSU and NMDA.

## **FISCAL IMPLICATIONS**

According to the Organic Commodity Commission staff, the cap established in Senate Floor Amendment #1 exceeds the fee structure currently projected and will have no fiscal impact on House Bill 87.

New Mexico Department of Agriculture and Organic Commodity Commission staff estimates that the agency will generate approximately \$198 thousand in revenue for FY12 and about \$230 thousand in FY13 from its regulatory activities. This coupled with anticipated expenditures for FY12 of \$270 thousand would result in a net shortfall of approximately \$72 thousand.

Transferring the NMOCC organic program to NMDA will eliminate the positions of director and financial coordinator, saving about \$100 thousand. The proposed legislation also eliminates the five member governor-appointed commission, which will save approximately \$4.0 to \$5.0 per year in per diem and other related expenses.

## **SIGNIFICANT ISSUES**

For FY 10 the NMOCC received a general fund appropriation of \$310 thousand. In FY11, this amount was reduced to \$24 thousand.

NMDA is proposing to increase fees and assessments for FY 12 potentially generating an additional \$75 thousand in income to the program. The increase in income would not be recognized until FY 13 and would still leave the agency with a small shortfall for FY12.

Currently, 198 organic-certified producers operate in New Mexico representing 229 thousand acres of organic production.

NMDA reports that the agency has recently lost its ISO 9000 certification, a global quality management standard that assists organizations achieve standards of quality that are recognized throughout the world, due to staff shortages and will need to transfer three existing positions to NMDA in order to regain the certification. Only two staff were included in the original cost estimates, and NMDA has identified the need for an additional \$65 thousand to cover the costs of this position.

If the state organic program was eliminated, New Mexico organic producers would seek certification services from private sources outside of the state. Program elimination could prove extremely costly for all involved because of the high costs associated with private, out-of-state inspections for certification and could force smaller producers out of organic production.

Another concern for many producers is the unfamiliarity of New Mexico agriculture to out-of-state certifiers. Because of our unique climate conditions and cultural practices, this could present a problem for those trying to get or keep certification.

## **PERFORMANCE IMPLICATIONS**

The state organic program will have to continue to adhere to federal regulations and standards/mandatory oversight by the United State Department of Agriculture National Organic Program. NMDA will be responsible for creating, reporting, and adhering to relevant performance measures and outcomes as mandated by the federal government.