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FISCAL IMPACT REPORT

SPONSOR Papen ORIGINAL DATE 2/16/15
LAST UPDATED _____ HB _____

SHORT TITLE Woody Biomass Job Creation SB 531

ANALYST Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$250.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 38

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Agriculture (NMDA)

Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

Senate Bill 531 appropriates \$250 thousand from the general fund to the Economic Development Department (EDD) to advance opportunities for entrepreneurs to utilize woody biomass generated from forest restoration.

FISCAL IMPLICATIONS

The appropriation of \$250 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2016 shall revert to the general fund.

SIGNIFICANT ISSUES

The New Mexico Department of Agriculture (NMDA) reports there is a significant need for forest restoration projects in New Mexico, but the high costs of forest restoration limit the number of acres that are treated. Commercial use of woody biomass from forest restoration

projects can help offset overall project costs, and woody biomass can be used for a variety of purposes, including lumber, fuel wood, processed fuel wood products, and energy production. This could make forest restoration more profitable and enhance the ability of entrepreneurs to respond to requests for proposal for restoration projects.

However, a large portion of forested acres in New Mexico that are in need of restoration are on national forests, and utilization of woody biomass from restoration projects on federal lands would have to be approved by the federal land management agency through compliance with the National Environmental Policy Act and other federal laws and regulations. Commercial use of woody biomass from restoration projects on non-municipal and non-federal lands could require the landowner to file an approved forest harvest practice plan with the state forestry division of the Energy, Minerals and Natural Resources Department to receive a commercial timber harvest permit.

NMDA also notes utilization of woody biomass to produce energy presents economic problems because of the high costs associated with harvest and transportation of the biomass to energy production facilities. Research is ongoing with state forestry, the United States Forest Service, universities, and industry groups to develop more efficient and cost effective methods of converting woody biomass to energy.

ADMINISTRATIVE IMPLICATIONS

There will be a minimal administrative impact.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to HB 38, which creates the Forest and Watershed Restoration Act, fund, and board and appropriates \$15 million annually to fund forest and watershed restoration and other projects.

OTHER SUBSTANTIVE ISSUES

The bill does not define terms including “advance opportunities,” providing EDD with significant authority to determine how to use the appropriation contained in the bill.

JC/aml