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## FISCAL IMPACT REPORT

**ORIGINAL DATE**  
**LAST UPDATED** 2/28/17     **HB** 460/aHLEDC

**SPONSOR** Larranaga

**SHORT TITLE** Bioscience Development Act     **SB** \_\_\_\_\_

**ANALYST** Martinez

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY17	FY18		
See Fiscal Impact	See Fiscal Impact	See Fiscal Impact	See Fiscal Impact

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	See Fiscal Impact	See Fiscal Impact				

(Parenthesis ( ) Indicate Expenditure Decreases)

HB460 duplicates SB478.

HB460 relates to SB479.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Economic Development Department

Higher Education Department

### SUMMARY

#### Synopsis of Labor and Economic Development Committee:

The Labor and Economic Development Committee amendments include the following:

1. On page 3, line 24, strike “fifteen” and replace it with “sixteen”
2. On page 4, line 10, strike “and”
3. On page 4, between line 10 and 11, insert, “the director of the New Mexico state university institute of applied bioscience; and”
4. Renumber the succeeding paragraphs accordingly
5. On page 4, line 24, strike “(6)” and replace it with “(7)”

The impact is the Bioscience Authority is expanded to include the director of the NMSU Institute of Applied Bioscience.

Synopsis of Original Bill:

HB460 would enact the Bioscience Development Act; creating the Bioscience Authority Fund. The act would enable and establish authority powers of the Bioscience Authority, which is a public-private partnership representing a collaborative among state government, research institutions, national laboratories and private industry in New Mexico.

The purpose of the Bioscience Act is to:

- encourage and foster economic development in the state and its cities and counties by attracting and encouraging the growth of bioscience industries and facilities in New Mexico;
- proactively engage with industry, chambers of commerce and economic development associations to ensure that New Mexico develops a turnkey and effective means of attracting bioscience companies and allowing new bioscience companies to start up, including an effort to reduce unnecessary regulatory and permitting challenges;
- actively promote and assist public and private sector infrastructure development to attract new bioscience industries and businesses, thereby creating new job opportunities in the state;
- engage the state's institutions of higher education and national research laboratories to promote and assist in the development of New Mexico's life science workforce and to promote bioscience discovery;
- work with state agencies to identify effective incentives targeted to increase bioscience presence in New Mexico; and
- promote educational involvement in bioscience activities and education and training of the workforce to develop the skills needed for bioscience industries.

The 15 voting member Bioscience Authority Board is composed of the secretaries of Economic Development and Higher Education or their designees; the vice presidents of research of the University of New Mexico, New Mexico State University, and the New Mexico Institute of Mining and Technology; the vice chancellor for research of the University of New Mexico; and nine members of the public who have experience working in bioscience. The bill also makes provisions for an executive director and staff for the board. The board and bioscience authority are administratively attached to the New Mexico Economic Development Department.

HB460 creates a bioscience development fund within the state treasury. This fund would be created by non-reverting appropriations. HB460 also protects the intellectual property created under the board's activities. HB460 also requires the board to submit a report of its activities to the governor and appropriate interim committees.

## **FISCAL IMPLICATIONS**

The "bioscience development fund" is created in the state treasury. Separate accounts within the fund may be created for any project. Money in the fund is appropriated to the authority for the purposes of carrying out the provisions of the Bioscience Development Act. Money in the fund shall not revert at the end of a fiscal year.

The bill creates a new non-reverting fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for new created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

The fiscal implications of HB460 are unclear as HB460 does not provide dollar amounts for the activities included in statute. While, HB460 proposes several activities with potentially large fiscal implications there is little clarity on the potential monetary returns to the state from the Bioscience Authority Board's activities.

The following activities outlined in HB460 have fiscal implications for New Mexico (i.e. they require state funding). Additionally, other activities may have unforeseen implications.

- 1) Page 7, line 5, the proposed programs to expand bioscience economic opportunities within New Mexico. While it is unclear what these programs are they may include direct financial assistance from the state and the funding of incentives (including tax credits);
- 2) Page 7, line 23, the technical studies to be performed in support of bioscience;
- 3) Page 8, line 2, the suggested recruitment activities;
- 4) Page 8, line 17, "facilitating the applications to build bioscience facilities and carrying out all tasks and functions for the acquisition or construction of bioscience facilities." This suggests that the appropriations to the bioscience authority may be used for construction purposes;
- 5) Page 9, line 3, "entry into joint ventures, partnerships, or other business relationships." This suggests the appropriation could be used for direct investment into companies; and
- 6) Funding required for the executive director and staff.

## **SIGNIFICANT ISSUES**

**The Economic Development Department and Higher Education Department provided the following significant issues:**

Bioscience is critical to New Mexico's economy. A GrowBio Study (which initially recommended the creation of the "BioScience Authority" reports that 7% of all private sector jobs in NM are in the bioscience field. These jobs have a 4.4 multiplier effect. Every bioscience job created generates an additional 4.4 jobs in New Mexico. The bioscience cluster in New Mexico is poised to expand. This expansion will lead to job creation, wealth generation, and economic diversification. A public-public private partnership that supports the growth of this cluster is beneficial to New Mexico's economic growth and diversification.

New Mexico's bioscience industry garnered about \$1.2 billion in revenue in 2015. That's according to a report from GrowBio, an initiative headed by the University of New Mexico (UNM) Health Sciences Center (HSC) and the Albuquerque Economic Development Department.

Some 700 biotech companies now work in human health, agriculture and environmental issues around the state. That includes new medical devices, diagnostic tools and treatments, as well as improved methods and tools for food production and safety, and innovative use of microbes and enzymes to make manufacturing and chemical processes environmentally friendly. Those businesses directly employ about 9,300 people, and up to 41,000 if related support jobs are included. That represents about 7 percent of all New Mexico’s private sector jobs, according to the *Growbio* report.

Most biotech businesses are concentrated in high-population centers, such as Bernalillo, Santa Fe and Doña Ana counties. The state's most active bioscience areas are in research and bioinformatics, which includes 293 companies, and testing and medical laboratories, which includes 128 companies. A few large companies also dominate the employment landscape, such as Tricore Reference Laboratories in Albuquerque with more than 1,000 employees and Lovelace Respiratory Research Institute with 500.

The UNM HSC Office of Research stated that since 2004, 38 new private companies were either spun off from the University or used University technology to start up. These companies focus on drug development, cancer therapies, molecular imaging, medical diagnostics, software development, genetics and more.

The Biotechnology Innovation Organization reported industry salaries at around \$94,000 in 2014. Bioscience products and services will remain one of the fastest-growing markets over the next 20 to 30 years, according to the *GrowBio* report. It says biomechanical engineering jobs are expected to grow by 35 percent through 2024. Dr. Richard Larson, executive vice chancellor at the UNM HSC stated, “With bioscience, people think its all high-tech jobs and graduate degrees, but most of these positions are associates and bachelor’s degrees. That means growing the industry could have a substantial impact on jobs for younger people.”

However, HB460 does not include the full bioscience community and portions of the legislation are redundant to existing undertakings and organizations in the state. The dilution of resources in the support of duplicate organizations and incomplete representation of the community may hinder efforts to grow the bioscience cluster in New Mexico.

#### Some Possible Redundancies under HB460

- **New Mexico Biotechnology and Biomedical Association (NMBIO)** is an existing partnership and bioscience advocacy organization. This organization is described as a “catalyst for bioscience industry acceleration in NM, providing a forum for information exchange, developing initiatives to enhance business success and bioscience education, helping establish collaboration and serving as a voice of the industry to state, federal, and local governments.” NMBIO is supported dominantly by private entities and does not request allocated funds. NMBIO already advises the governor, the economic development department, and the legislature on ways to stimulate investment in bioscience industries and provide additional employment. NMBIO is an avenue of communication between NM and representatives of bioscience industries. They serve as clearing house for information and actively recruit companies and industries to New Mexico. They also provide promotional materials about the bioscience industry in New Mexico. While HB460 proposes these activities--all these activities are currently underway through the work of NMBIO.
- **The New Mexico Partnership** is the state economic development recruiting

organization. They actively recruit business to New Mexico and provide promotional materials as well. They have successfully brought bioscience companies to NM in the past.

- **The Technology Research Collaborative (TRC)** is a public private partnership with representation from New Mexico’s three research universities, three federal research labs, and five members of the public. The TRC was created by statute (HB562) to establish advanced technology centers based on the wealth of scientific and technical talent that exists in the member institutions; 2) develop and create new intellectual property for the state, encourage new opportunities for business and increase jobs; 3) commercialize the intellectual property that is created; and 4) create a workforce to support enterprises based on the intellectual property that is created. While the TRC is not solely bioscience focused they do represent the bioscience cluster and are actively (in FY17) reviewing state incentives and the needs of NM’s science and technology industries in order to make recommendations and grow the science and technology based economy in NM. Additionally, the TRC has in the past offered technology maturation grants (which supported the bioscience sector) and will be launching two programs geared towards supporting and growing the science and technology economy in NM.
- **New Mexico’s Incubators and Accelerators**, entities like the BioScience Center in Albuquerque and the bioscience lab at the Santa Fe Business Incubator provide valuable infrastructure, resources, and are informational outlets for New Mexico’s bioscience cluster. The organizations often provide financial assistance to bioscience companies as well.

Other sectors of the bioscience community not represented in HB460

- The Bioscience authority does not include representation from the three federal research labs in the state (Sandia, Los Alamos, and the Air force Research Lab). These entities support significant bioscience development and research in the state. It will be important for the Bioscience authority to collaborate with all the bioscience entities in New Mexico.
- The board includes the Vice Chancellor of research of the University of New Mexico Health Science Center but, does not include representatives of similar research clusters at other New Mexico universities (e.g. the Institute of Applied Biosciences at New Mexico State University)

## **PERFORMANCE IMPLICATIONS**

The authority shall submit a report of its activities to the governor and to the appropriate interim committees of the legislature not later than October 1 of each year.

## **ADMINISTRATIVE IMPLICATIONS**

The administrative duties of the Bioscience board created by HB460 fall to the New Mexico Economic Development Department. All additional staffing responsibilities required of NMEDD would need appropriate financial backing. These positions include an executive director and other professional, technical, and clerical staff. Without these positions the performance of the bioscience authority may not function efficiently.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB460 Duplicates SB478.

HB460 Relates to SB479, which amends the Technology Jobs and Research and Development Tax Credit Act to include certain bioscience businesses.

## **ALTERNATIVES**

The funding required to fully implement HB460 could be utilized to support and leverage the existing efforts that are already completing the activities suggested by the bill. The scope of and funding for existing efforts could readily be expanded without duplication that is created in HB460. Existing state supported organizations and public-private partnerships such as the TRC and the New Mexico Partnership could collaborate more closely with or contract with organizations like NMBIO and the BioScience Center to grow the bioscience sector in the state. These collaborations leverage existing resources and are likely less costly than the formation of the Bioscience Authority and do not duplicate efforts or requests for resources.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If HB460 were not passed, then the Biosciences Authority Act will not be enacted and the Biosciences Authority Fund won't be created.

The existing successful efforts to encourage, foster, and grow the bioscience sector in New Mexico will continue and expand. However, not having a focused public-private partnership may lengthen the timeline associated with that growth.

JM/jle/sb/jle