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FISCAL IMPACT REPORT

SPONSOR SJC ORIGINAL DATE 3/1/17
LAST UPDATED 3/17/17 HB _____

SHORT TITLE Bioscience Development Act SB 478/SJCS/aSFl#1/aHAFC

ANALYST Martinez/Armstrong

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|-------------------------|------------------------------|------------------|
| FY17 | FY18 | | |
| | See Fiscal Implications | | |

(Parenthesis () Indicate Expenditure Decreases)

SB478 relates to HB460 and SB479.

SOURCES OF INFORMATION

LFC Files

Responses Received From

No responses received for substitute bill. However, analysis received from the Economic Development Department and Higher Education Department pertaining to the original SB 478, relevant to SJC SB478, is included.

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment provides that state contributions to the Bioscience Authority Fund shall revert to the general fund.

Synopsis of Senate Floor Amendment

The Senate floor amendment adds “the executive director of the spaceport authority or the executive director’s designee,” to the Bioscience Authority Board of Directors, creating 13 voting members.

Synopsis of Bill

SB478 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, which shall be formed pursuant to the Nonprofit Corporation Act,

representing a collaborative among state government, research institutions, national laboratories and private industry in New Mexico.

The authority is administratively attached to and shall be considered an affiliated supporting organization of the University of New Mexico Health Sciences Center.

The purpose of the Bioscience Act is to:

- Advise the governor, Economic Development Department, Legislature, and the New Mexico Finance Authority oversight committee
- Make and execute all contracts and other instruments necessary or convenient to the exercise of its powers and duties
- Create avenues of communication between New Mexico and representatives of bioscience industries
- Promote legislation that will further the goals of the authority and development of bioscience industries
- Oversee, produce or cause to have produced promotional literature related to explanation and fulfillment of the authority's goals
- Identify science and technology trends that are significant to bioscience enterprises and act as a clearinghouse for bioscience enterprise issues and information
- Coordinate and expedite the involvement of the state executive branch's bioscience-related development effort
- Perform or cause to be performed environmental, transportation, communication, land use and other technical studies necessary or advisable for bioscience projects or programs; and
- Actively recruit industries and establish programs that will result in the location and relocation of new bioscience industries in the state

The 12 voting member Bioscience Authority Board of Directors is composed of the following:

1. Two representatives of the University of New Mexico Health Sciences Center
2. Two representatives of New Mexico State University
3. One representative of the New Mexico Institute of Mining and Technology
4. Secretary of Economic Development or their designees
5. Six members of the public who have experience working in bioscience

SB478 creates a bioscience development fund within the state treasury. Money in the fund is subject to appropriation by the legislature. Money in the fund shall not revert at the end of the fiscal year. SB478 also requires the board to submit a report of its activities to the governor and appropriate interim committees by October 1 of each year.

FISCAL IMPLICATIONS

SB478 carries no appropriation.

The Bioscience Authority is formed pursuant to the Nonprofit Corporation Act.

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 and can be used in subsequent fiscal years for the purpose of implementing the Bioscience Development Act.

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.

SB478 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, however, members of the board will have to travel to attend meetings, resulting in an expense to operating budgets of all Universities and state agencies involved.

The following activities outlined in SB478 have fiscal implications for New Mexico (i.e. they require state funding). Additionally, other activities may have unforeseen implications.

- 1) Page 7, line 8, 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 8, line 1, the technical studies to be performed in support of bioscience;
- 3) Page 8, line 5, the suggested recruitment activities;
- 4) Page 8, line 13, "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;

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-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, SB478 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.

Possible Duplication of Efforts under SB478:

- **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 SB478 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 SB478:

- The Bioscience authority does not specifically include representation from the three federal research labs in the state (Sandia, Los Alamos, and the Air force Research Lab). It does include members of the public with bioscience experience. However, it would be crucial to specifically include members from the laboratories as 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.

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 SB478 fall to the University of New Mexico Health Sciences Center.

All additional staffing responsibilities required of UNM HSC may require additional financial backing for daily operations that will need to be performed by current staff. SB478 has the possibility of requiring staff to reprioritize daily job duties to focus on organization and implementation of the Bioscience Authority.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB478 relates to HB460. However, SB478 does specify an appropriation to the Bioscience Authority Fund, where HB460 does not include an appropriation.

SB478 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 SB478 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 the duplication that is created in SB478. 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 SB478 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/sb/jle/al/jle