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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Dixon/Small/Garrat/Parajon **ORIGINAL DATE** 2/13/2025

BILL

SHORT TITLE Technology & Innovation Division **NUMBER** House Bill 20

ANALYST Rodriguez

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$100,000.0	Nonrecurring	General Fund
	\$10,000.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Transfer		(\$51.6)				Nonrecurring	Technology Enterprise Fund
Transfer		\$51.6				Nonrecurring	Technology and Innovation Fund

Parentheses () indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
EDD	No fiscal impact	\$732.7	\$758.7	\$1,491.4	Recurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bills 49, 107, 119, 211, and 212

Sources of Information

LFC Files

Agency Analysis Received From
University of New Mexico (UNM)
Central New Mexico Community College (CNM)
Economic Development Department (EDD)

Agency Analysis was Solicited but Not Received From
New Mexico Office of the Attorney General (N MAG)
New Mexico State University (NMSU)
Department of Finance and Administration (DFA)
Community Colleges Association
UNM Health Sciences Center
New Mexico Institute of Mining and Technology
San Juan College

SUMMARY

Synopsis of House Bill 20

House Bill 20 (HB20) appropriates \$110 million from the general fund, including \$100 million to the research, development and deployment fund and \$10 million to the Economic Development Department (EDD) to award prizes for the proposed technology innovation prize program.

HB20 amends the Economic Development Department Act (Sections 9-15-1 through 9-15-36 NMSA 1978) and creates the Technology and Innovation Division and the Technology and Innovation Network Advisory Board; creates the Research, Development and Deployment Fund Act; creates a research, development and deployment fund; creates the technology innovation prize program; creates the technology and innovation fund; and eliminates the Technology Enterprise Division.

HB20 defines target sectors as aerospace and space, biosciences, clean energy and water, advanced computing, which includes artificial intelligence, quantum computing and cybersecurity.

Detailed Synopsis

Technology and Innovation Division. HB20 creates the Technology and Innovation Division at EDD, which consists of the existing Office of Strategy, Science, and Technology (OSST). The bill outlines the responsibilities of the division, including engaging with technology and innovation network advisory board, representing New Mexico at conferences and trade shows, identifying federal grant opportunities, providing staffing for each target sector, developing a statewide technology and innovation strategic plan, supporting technology transfer and commercialization, and administering the Research, Development, and Deployment Fund Act.

Technology and Innovation Network Advisory Board. HB20 creates the Technology and Innovation Network Advisory Board, which includes four subcommittees for aerospace and space, advanced computing, bioscience, and clean energy and water and an executive committee. The bill outlines the duties of the advisory board, including working with the new division, ensuring engagement with the private sector, and assisting with the research, development, and deployment fund, as well as duties of the subcommittees and executive committee. HB20 requires the advisory board, subcommittees, and executive committees to meet at least once a quarter at the call of the chair or at the request of the members. A majority constitutes a quorum for adoption of any action.

Research, Development and Deployment Fund Act. HB20 enacts the Research, Development and Deployment Fund Act. Section 8 outlines duties to the Technology and Innovation Division to administer the fund, the application process, and review timelines; Section 9 defines eligibility to apply, what projects are eligible, and match funding requirements; and Section 10 details how projects will be selected for funding, what projects get priority, and terms for awarded projects. See *Significant Issues* for more details on the act.

Research, Development and Deployment Fund. HB20 creates a research, development and deployment fund. The fund would be administered by EDD and for the purpose of catalyzing innovation, economic growth, and job creation by providing early-stage capital and financial support to emerging technologies, start-up businesses, and research initiatives that align with the state's economic development plan through project awards.

Technology Innovation Prize Program. HB20 creates the technology innovation prize program. The program provides funding up to \$5 million for companies that provide technological innovation in the target sectors. Eligible companies must be registered in New Mexico and have substantial presence or commit to establishing a presence for a minimum of three years.

Technology and Innovation Fund. HB20 creates the technology and innovation fund that replaces the technology enterprise fund. The fund is administered by EDD and subject to appropriation by the legislature for the duties of the division.

Transfers. HB20 transfers OSST and Office of Entrepreneurship and all related all functions, personnel, and appropriations to the proposed Technology and Innovation Division. HB20 also transfers funding in the technology enterprise fund to the technology and innovation fund.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

House Bill 20 appropriates \$110 million from the general fund, including \$100 million to the research, development and deployment fund and \$10 million to EDD to award prizes for the proposed technology innovation prize program.

The appropriation of \$100 million to the research, development, and deployment fund contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of the fiscal year shall not to the general fund.

The appropriation of \$10 million contained in this bill for the technology innovation prize program is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY29 shall revert to the general fund. Although HB20 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

This bill also creates two new funds—the technology and innovation fund and the research, development and deployment fund—and provides for continuing appropriations to the Technology and Innovation Division and to carry out the provisions of the proposed Research, Development and Deployment Act, respectively. LFC has concerns with including continuing

appropriation language in the statutory provisions for funds because it reduces the ability of the Legislature to establish spending priorities.

The LFC fiscal impact analysis also accounts for the transfer of funds in the technology enterprise fund into the proposed technology and innovation fund. Based on the agency's most recent audit, the fund had a balance of \$51.4 thousand.

LFC estimates additional operating budget impact due to anticipated per diem costs for the 24 public members based on two quarterly meetings for the advisory board and executive committee or subcommittees and staffing and operational costs to the agency for additional duties pursuant to the proposed act. For EDD staffing, LFC analysis accounts for five additional staff to support the target industries, the proposed board and respective committees, and the mission of the proposed division. LFC also accounts for an increase in operational costs to support additional staff at the division.

SIGNIFICANT ISSUES

Application Process. Section 8 of the bill specifies that the division will administer a rolling and streamlined application process, review applications to ensure they aligned with the agency's priorities, and reviews applications within 31 days, if not quicker if applicant demonstrates need. HB20 requires applicants to meet match funding requirements to receive state support. Section 9 of the bill also details required application materials, including project budget, letters of support, agreements with public and private entities, project timeline and funding schedule, and valuation methodology for in-kind contributions. An open and detailed application process creates an even playing field where registered businesses and public entities can match a pitch for public support. The application also narrows the agency's discretion in supporting projects that align with the state's economic development priorities.

EDD raises concerns over the bill's requirement to include partnership agreements between public and private entities in funding applications. EDD writes:

HB20 requires that applications for funding from a non-private entity like a business must include a "partnership agreement entered into for the purposes of the project with a public entity." This requirement would exclude any grant funding from the research, development and deployment fund from being awarded to New Mexico businesses that are commercializing a new technology without involvement in a larger-scale project – currently, the majority of grants made by EDD's Office of Strategy, Science & Technology to New Mexico small businesses in science and technology fit that description and would be ineligible to receive these new funds.

While the specifications of the research, development and deployment fund are well-suited to support coalition projects or proposals for federal funding that require partnerships, they do not allow for supporting small businesses technology commercialization. Given that this is currently the primary mission of the Office of Strategy, Science & Technology (OSST), which would be absorbed by the new Technology and Innovation Division, this bill language is of great concern. OSST operates numerous grants funding to New Mexico small businesses engaged in research and development to support the commercialization of new technology – while many of these businesses work with the state institutes of higher education or are commercializing technology licensed from a state institute of higher education, that does not mean they

have an ongoing partnership directly tied to their work. These businesses are the lifeblood of the state's startup ecosystem, and to exclude them from accessing this monumental increase in funding meant to support the state's science and technology sectors would be hugely detrimental.

Monitoring Compliance. Section 8 also requires the division to track the progress of funding projects and ensure compliance with the match funding commitments. The bill does not include specific language on required outcomes of projects, although it does specify that priority will be given to projects that create high-quality and high-wage jobs, have higher percentages of matching funds, have strong potential for commercialization, support growth of New Mexico-based companies, or benefit rural or tribal communities. To ensure funded projects are resulting in benefits to the state, the state should consider what data metrics it will collect from awarded companies and public entities, such as actual jobs created, employment retention rates, company growth as a result of match funding, and products commercialized.

Caps. There is no capped amount that each eligible entity can receive from the fund. The absence of a capped amount for the matching fund allows for a flexible, case-by-case approach. This flexibility ensures that each entity applying for the fund can receive needed financial support without being constrained by predetermined limits. However, a lack of cap on awards allows for varying funding requests and potential fiscal uncertainty. Without a capped amount, there may be difficulties in allocating resources efficiently and balancing competing needs within the state, especially if entities are seeking funding simultaneously.

Claw Backs. HB20 does provide claw back language for the Technology Innovation Prize Program and requires awardees to repay prize money if they fail to meet the requirements of the program. However, the bill does not contain a claw back provision, in the event funds are misspent, for the research, development, and deployment fund. The only provision of the bill that could address this is in Section 8, which requires the Technology and Innovation Division to establish procedures for addressing undelivered applicant funding commitments. Ideally, incentive programs would include guardrails to ensure that the money being administered to the eligible entity results in the intended benefits. This bill should consider similar guardrails to ensure appropriate use of match fund awarding. The bill is unclear as to what happens to unexpended balances eligible entities may have once their project(s) is complete.

Existing Incentives and Grants Programs. The most similar existing program in New Mexico to the proposed research, development, and deployment fund is the technology enhancement fund. The fund provides matching funds to state research universities to support innovative foundational and applied research and equipment that advance knowledge and create new products and production processes in the fields of agriculture, biotechnology, biomedicine, energy, materials science, microelectronics, water resources, aerospace, telecommunications, manufacturing science, and similar research areas.

The University of New Mexico (UNM) argues that argues that the proposed fund fills the gap between the technology enhancement fund and the New Mexico match fund. UNM writes:

Both of those funds [the technology enhancement fund and the New Mexico match fund)] primarily support match funding for more common federal awards that require cost share levels that are well under \$1 million dollars and that often only involve single organizations. In contrast, the Technology and Innovation Division funding would allow highly competitive submissions for large, often state-wide or regional funding

opportunities, that require millions to tens of millions of dollars in commitments from the state to be successful. These opportunities are often new [funding and grant] programs created by the federal government, like the [U.S.] Economic Development Agency’s Tech Hub program or the National Science Foundation’s Regional Innovation Engines program.

EDD also writes:

In particular, the research, development and deployment fund will make a dramatic difference in enabling and supporting broad coalition proposals for large-scale federal funding opportunities. In recent years, EDD has seen such proposals from New Mexico fail to be awarded federal dollars due to a lack of dedicated and available state match funding for such projects – other states have established mechanisms to ensure this kind of fund availability, which has enabled them to make successful proposals for additional federal funds that catalyze technology commercialization and drive economic growth in their states.

EDD, primarily through the Office of Strategy, Science, and Technology, also administers a variety of grant programs to support technology transfer and commercialization, including the Science and Technology Business Startup Grants, New Mexico Quantum Technologies Award Pilot Program, the New Mexico Advanced Energy Award Pilot Program, and the New Mexico Research University Pilot Program. These programs award non-dilutive funds to early-stage science and technology companies. EDD argues that the proposed fund would provide additional funding to support its science and technology target sectors. EDD writes:

While EDD currently provides grant awards to support the development and advancement of technology transfer, commercialization, and business growth in science and tech, the department’s available resources for grants have historically been a fraction of the proposed fund and far outstripped by demonstrated demand and potential. The EDD Office of Strategy, Science & Technology frequently works with growing science and technology companies in search of funds and support for pilot projects and technology demonstrations, but the state currently lacks consistent funds to provide such support. Dedicated funding for additional grant programs and technology demonstration projects will enable the state to support more New Mexico startups and advance relevant technologies at a faster pace. Additionally, businesses will be attracted from out of state, which will grow economic activity and accelerate high wage job growth in New Mexico.

Advisory Board Membership and Meetings. The advisory board would consist of over 30 members. HB20 requires the advisory board as well as subcommittees and executive committees to meet at least once a quarter at the call of the chair or at the request of the members—meaning most members would meet twice a quarter. EDD raises concerns over the size of the board, noting it could be difficult to convene the board to make award decisions. EDD writes:

The size and broad scope of the makeup of the technology and innovation network advisory board is commendable but also of some concern. With New Mexico’s small size and the board’s directed involvement in funding award decisions, there are likely to be numerous conflicts of interest, which could present difficulties in making award decisions. Additionally, the size of the board could make convening all members difficult, presenting a challenge for full board engagement or when the board is required for EDD or the Technology and Innovation Division to make policy or funding decisions.

Review Timelines. HB20 specifies that the division will administer a rolling and streamlined

application process and reviews applications within 31 days, if not quicker if applicant demonstrates need. The bill also requires the division to work with the advisory board in making funding decisions. The required timeline and necessary board involvement would make it difficult for the agency to review applications as quickly as directed in HB20. EDD raises similar concerns and writes:

HB20 requires the application process for research, development and deployment fund award funds to be administered on a rolling basis, as opposed to within set time periods. The legislation's requirement of the board's involvement in funding award review and decision, combined with the board's size and the realities of coordinating so many people to score applications, could result in making award decisions logistically difficult. The current Office of Strategy, Science & Technology works with the Technology Research Collaborative Board to evaluate grant applications and make recommendations for award and already faces logistical difficulties in organizing its ten volunteer, non-state employee members to score applications and meet to discuss funding recommendations for three grant cycles per year.

Award Terms. HB20 allows project funding to support multi-year projects if their timelines align with federal or private sector grants and allows pre-award spending to meet external grant deadlines but specifies applicants must use non-state funds for these expenses. As noted by UNM, this flexibility is beneficial for entities applying to federal programs. UNM writes:

Applications for these [federal] programs are often announced with only a few months notice and require rapid commitment of resources. Even when pre-solicitation announcements are made, and when year-long, multi-stage review processes extend the timeframe for proposal updates, there is still a need to secure large amounts of funding much faster than our regular legislative process can manage. In addition, agencies regularly provide new guidance during the application and award processes that change the nature of the supporting funding that is needed to be successful, and that requires flexibility and fast responses that can only be accomplished if existing funding is available for the New Mexico Economic Development Department to use.