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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Munoz/Soules</u>	<b>LAST UPDATED</b> _____
	<b>ORIGINAL DATE</b> <u>1/31/24</u>
<b>SHORT TITLE</b> <u>Innovation Fellowship Act</u>	<b>BILL NUMBER</b> <u>Senate Bill 250</u>
	<b>ANALYST</b> <u>Jorgensen</u>

### APPROPRIATION\* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$5,000.0	Nonrecurring	General Fund

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

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

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HED	No Fiscal Impact	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund

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

Relates to an appropriation in the General Appropriation Act

### Sources of Information

LFC Files

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

## SUMMARY

### Synopsis of Senate Bill 250

Senate Bill 250 (SB250) creates a new fellowship program for graduate students and post-doctoral students at New Mexico research universities. To be eligible to receive a fellowship, a graduate or post-doctoral student must have filed a patent with the potential to result in a commercial enterprise and enter a binding agreement to establish a commercial enterprise in New Mexico. If a recipient sells the patent, they must repay the amount of the fellowship funding awarded. Research institutions are defined as: the University of New Mexico (UNM); UNM

Health Sciences Center (UNM-HSC); New Mexico State University (NMSU); New Mexico Institute of Mining and Technology (NM Tech); and Navajo Technical University (NTU).

SB250 states that no more than 10 fellowships shall be awarded per year with no more than three fellowships per institution. For graduate students, the fellowship would include the full student cost of tuition and fees, \$20 thousand in living expenses, and \$5,000 in travel costs related to promotion of the fellow's patent. For post-doctoral students, up to half of the fellow's annual salary may be awarded to ensure that at least half of the fellow's time is dedicated to commercialization of the patent. In addition to these awards, a fellow is eligible to receive up to \$50 thousand for patent development or business startup costs.

SB250 creates a seven-member fellowship selection committee consisting of the secretaries of the Higher Education Department and the Economic Development Department, or their designees, and the four vice presidents for research of the research universities, or their designees. This committee will select awardees and provide annual reports to the Legislature. HED shall promulgate rules governing the program.

SB250 creates and appropriates \$5 million to the nonreverting innovation fellowship fund to be administered by HED for the purpose of implementing the Innovation Fellowship Act. Additionally, the bill awards \$50 thousand per year to the research universities to offer entrepreneurship education programs to students.

The effective date of this bill is July 1, 2024.

## **FISCAL IMPLICATIONS**

The appropriation of \$5 million contained in this bill is a nonrecurring expense to the general fund. Although this bill does not specify future appropriations, multiyear appropriations, particularly if used to fund services and those services perform well, create an expectation the program will continue in future fiscal years; therefore, this cost could become recurring after the funding period.

Additionally, HED will likely incur additional costs to administer the provisions of SB250, however, no appropriation is made for this purpose and HED has not provided an estimated cost. Therefore, the estimated additional operating budget impact is indeterminate but minimal.

## **SIGNIFICANT ISSUES**

SB250 does not specify the duration of the fellowship award making it difficult to determine how many fellowships could be awarded with the \$5 million appropriation. Additionally, it is unclear if the \$50 thousand for further patent development and business startup is intended to be a one-time or annual award.

Many graduate students who may be eligible for fellowship awards may already be receiving tuition waivers. Post-doctoral employees may have employment arrangements that are grant-funded. The provisions of SB250 may require institutions change the terms of existing grants in order to make awards.

It is not possible at this time to determine how many individual students could receive awards as the number of years of eligibility for the program and the costs of the individual grants are not known. Additional analysis from higher education institutions will be needed to estimate program impacts.

## **ADMINISTRATIVE IMPLICATIONS**

HED would have to track fellowship recipients to determine if they have sold the patent related to the award of fellowship funding. The bill does not contemplate the possibility of multiple patents related to a single fellowship award. It is possible that an awardee could have multiple patents that HED would have to monitor.

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

The General Appropriation Act includes \$10 million to provide scholarships to graduates of New Mexico high schools who are full-time master's or doctoral students in science, technology, and mathematics programs.

## **TECHNICAL ISSUES**

Section 4 of the bill provides annual appropriations of \$50 thousand to the research institutions for entrepreneurship programs for students. It is unclear if this is \$50 thousand per institution or \$50 thousand for all institutions.

CJ/ne