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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/06/2020

SPONSOR Soules LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE School Research Grant Matching Funds SB 226

ANALYST Chilton

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
	\$1,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$72.9	\$72.9	\$145.8	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)  
 University of New Mexico (UNM)  
 New Mexico State University (NMSU)  
 Eastern New Mexico University (ENMU)

### SUMMARY

#### Synopsis of Bill

Senate Bill 226, School Research Grant Matching Funds, appropriates \$1 million from the general fund to the Higher Education Department for the purpose of providing researchers at the state's colleges and universities with matching funds required for grants they will pursue.

### FISCAL IMPLICATIONS

The appropriation of \$1 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of each fiscal year shall revert

to the general fund.

HED states that “If NMHED were to administer the funds, rather than the HEIs [higher educational institutions], NMHED would have to implement a peer-review process. Because of the breadth of research occurring in New Mexico, NMED would have to convene a separate panel of experts for each application. Convening a series of ongoing panels, each with different expertise, would require an additional FTE.” Using the average cost of one state employee of approximately \$72.9 thousand, including benefits, that amount is added to the Estimated Additional Operating Impact table above.

## **SIGNIFICANT ISSUES**

As noted by ENMU, “Matching funds increase the odds of receiving grant awards and therefore this funding would increase the number of successful grant applications amongst the higher education institutions in New Mexico.” UNM concurs: “This legislation will have a direct stimulating effect on our state’s public universities by enabling them to be more competitive for federal and private research grants, many of which require matching funds.”

UNM notes:

For instance, to build and maintain needed research infrastructure, NM universities routinely apply to the NSF Major Research Instrumentation Program, which makes awards from \$100,000 to \$4M and requires 30 percent nonfederal matching funds. The immediate and direct return on investment of the “School Research Grant Matching Funds” would be over a three-fold return on investment in this case. As an example, a \$300,000 investment from this program could result in a \$1 million piece of state-of-the-art research equipment that would be used by numerous students and faculty and increase the research productivity of the institution. This productivity is directly related to innovation and thus has immediate economic impact. Many such pieces of research equipment are placed in research centers that are openly accessible to the public and thus benefit not only the university where they are housed, but other colleges and universities and private industries as well, thus enhancing their competitive edge.

Thus, aside from such direct returns on the matching fund investment, the stimulus in research provided by the “School Research Grant Matching Funds” would lead to many secondary effects that would benefit not only the state’s universities, but the economic competitiveness of our State’s businesses and our State economy in general.

Specifically, the enhanced research capacity provided by this modest investment in research would:

- Lead to increased student enrollment (especially of graduate students)
- Enhance the competitiveness of our students for the best jobs by providing state-of-the-art learning infrastructure
- Improve recruitment and retention of highly qualified faculty and staff
- Enhance innovation, commercialization, and establishment of start-up companies
- Enhance the general competitiveness of our State’s industrial base.

We also note that funding in the arts and humanities (e.g. NEA, NEH) often requires cost share. Though dollar amounts are typically more modest than in STEM, these small investments and subsequent awards can have a huge impact on the culturally-rich state of

New Mexico.

Finally, for all programs, if a grant is not funded, there is no cost to the fund. Cost share occurs only when research proposals are successful, guaranteeing the return on investment.

NMSU notes:

This State investment will bring a substantial Return on Investment. Many external grants, particularly mission agency grants, require cost-sharing. For example, the recent Dept. of Energy Desal Hub award, which NMSU is partner to, requires a 20% match. In other words, when NMSU competes to be funded through the Desal Hub, it will need \$1 for every \$4 it requests. NMSU's ability to receive such funds depends on how much it can contribute on the front end. New Mexico and its institutions of higher education need to be able to compete for external funds and in order to do so must have the ability to cost share. **At this juncture, we are more limited by cost-sharing requirements than we are by talent.**

There is no discussion in Senate Bill 226 as to how research matching funds would be disbursed. Last year's House Bill 297 specified a competitive process for disbursements from a much larger fund:

A panel of experts established by HED in consultation with the presidents of New Mexico's public higher education institutions would review applications for matching funds. Awards from the fund would be based on excellence of research design and other factors determined by HED. Institutions must have equal or greater matching funds from non-state sources. If a grant is not awarded, there will not be a cost to the fund. The cost share will occur only on successful research proposals. UNM and NM Tech state the bill will have a stimulating effect by enabling New Mexico's public postsecondary institutions to be more competitive for the federal and private research grants which require matching funds, the amount of required matching funds varies for each grant. UNM provides the example of the National Science Foundation Major Research Instrumentation Program which makes awards from \$100 thousand to \$4 million and requires 30 percent nonfederal matching funds. According to NMSU this bill enable New Mexico to be more competitive for externals funds as at this time New Mexico public postsecondary institutions are more limited by cost-sharing requirements than by talent. Additionally, NMSU states "(i)f used strategically, the fund will have a significant impact on research expenditures in NM, which will result in new knowledge and discoveries (IP), greater STEM workforce development, companies and jobs created, and local and regional economic development." UNMHSC states "in order to assure that universities are truly matching, indirect cost dollars obtained from extramural grants should not be allowed as the source of matching funds." UNMHSC also states if the match is for an existing program, there will be no new activity to the state, just the possibility for more activity in the existing program.

## ADMINISTRATIVE IMPLICATIONS

According to HED, promulgating administrative code for the fund would be challenging as the code would need to address the requirements of numerous public and private funding sources, such as National Institutes of Health, National Science Foundation, Department of Energy, Gates Foundation, Ford Foundation, etc. As HED would be required to implement a peer review process, due to the breadth of research in New Mexico's public higher education institutions, a

single panel of experts would likely be insufficient to determine the quality of applications. HED believes an additional full-time employee would be required to administer the fund. UNM suggests that applications for funding should be vetted by each institutions' Vice President for Research so as to reduce the burden on HED. NM Tech points out timing is important when applying for.

In response to this year's Senate Bill 226, HED states that it would adopt the following procedure: "A panel of experts established by the NMHED, in consultation with the presidents of the state's colleges and universities, would review applications for matching funds. Awards would be based on excellence of research design and other factors determined by NMHED."

### **ADMINISTRATIVE IMPLICATIONS**

UNM notes that proposals by faculty, staff, or students at UNM and other educational institutions should be vetted by an administrator (at UNM, the Vice President for Research) before being submitted to HED.

### **RELATIONSHIP**

Similar to 2019 House Bill 297, which would have created a "research grants closing fund" for similar purposes, funded by a \$10 million appropriation. That bill did not pass.

### **TECHNICAL ISSUES**

HED notes that "SB226 does not specify whether New Mexico public colleges and universities that apply for matching funds from the Research Grants Closing Fund must have equal or greater matching funds for the research proposal from non-state sources."

NMSU notes the importance of timeliness in awarding matching funds from this allotment, in that the time between grant submission by the institution and closing date of these often-competitive grants may be short.

### **ALTERNATIVES**

HED suggests that "Funds could be directed through NMHED to New Mexico's three research universities to be used for research matching funds at their discretion (with regent approval). Funds could also be appropriated directly to the universities for the purpose of providing matching funds.

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

New Mexico institutions may not be competitive with those in other states that do offer matching funds to their educational institutions applying for grants.