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FISCAL IMPACT REPORT

ORIGINAL DATE 1/19/08
 SPONSOR Cisneros LAST UPDATED 1/30/08 HB _____
 SHORT TITLE Technology Development Act SB 53/aSFC
 ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act for the Economic Development Department's Technology Commercialization Program.

SOURCES OF INFORMATION

LFC Files
 Economic Development Department (EDD)
 Higher Education Department (HED)
 Department of Finance and Administration (DFA)

Responses Received From

Economic Development Department (EDD)
 Higher Education Department (HED)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of the Senate Finance Committee Amendment

The SFC amendment strikes the \$10 million appropriation; changes the composition of the authority; subjects the governor's appointees to the authority to the advice and consent of the Senate; and makes money in the technology development fund subject to appropriation by the Legislature.

Under the amendment, the authority will consist of 11 members, as follows:

1. the governor's science advisor or the science advisor's designee;
2. the secretary of economic development or the secretary's designee;
3. the state investment officer or the officer's designee; and
4. eight ~~six~~ members appointed by the governor, with the advice and consent of the senate,

who shall represent the following:

- a. ~~a research university~~ three from research universities, not more than one of whom is from any single university;
 - b. a national laboratory;
 - c. the venture capital sector;
 - d. two business sectors; and
 - e. a research park.
5. The governor shall appoint the chair of the authority from among the members.

The amendment strikes the appropriation, thus eliminating the fiscal impact in FY09. However, once the former TRC's resources are expired, the authority will need funding in future years to carry out the provisions of the act.

Synopsis of Original Bill

Senate Bill 53 creates the Technology Development Authority, replacing the Technology Research Collaborative, and appropriates \$10 million from the general fund to a new technology development fund. The purpose of the authority is to create a collaborative of universities, the national laboratories, the state and private sector to develop create and commercialize new intellectual property and technologies for the state and encourage new opportunities for business and increased jobs. EDD states that the intent of the authority is to support emerging technologies within the small- to medium-sized business sector with a view towards creating high-wage sustainable employment through the State. The bill also repeals Section 21-11-8.5 NMSA, which created the Technology Research Collaborative as a part of the New Mexico Institute of Mining and Technology.

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall not revert to the general fund.

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

The executive has recommended \$7 million in capital outlay appropriations for the new authority.

SIGNIFICANT ISSUES

Laws 2005, Chapter 81 (Senate Bill 169), created the Technology Research Collaborative (TRC) in statute, with the New Mexico Institute of Mining and Technology acting as fiscal agent. TRC members include the state's national laboratories, major research institutes and three research universities: University of New Mexico, New Mexico State University and New Mexico Institute of Mining and Technology. To date, funding for the TRC has been provided through special and capital outlay appropriations, with little accountability for expenditures and outcomes.

While the purpose and duties of the Technology Development Authority are similar to the TRC,

additional accountability provisions are included in the bill, such as reporting requirements to the Secretary of Economic Developments and new mandate to create performance metrics of administration and funded projects.

According to HED:

The creation of the technology development fund will facilitate a comprehensive business strategy with the State Investment Council, the Technology Development Authority, and the Economic Development Department for better oversight. The Authority will also have an administrative board and a science council to place New Mexico at the cutting edge of targeting technology business and leadership for a broad variety of science and business initiatives within the state.

The bill establishes broad powers of the Authority, including:

- contracting for research and development services;
- providing funding for technology enterprise development pursuant to the Technology Development Act and the Local Economic Development Act;
- creating initiatives to respond to strategic market opportunities;
- forming partnerships with any combination of public and private organizations, including businesses, universities and national laboratories; and
- developing, creating and commercializing new intellectual property for the state and encouraging new opportunities for business and increased jobs.

Intellectual property created by an employee or agent of an institution associated with the authority shall be owned by that institution. Intellectual property created jointly shall be owned jointly. If the intellectual property is created using federal funds, the applicable federal laws and regulations shall govern the ownership.

DFA reports that the new authority is intended to “improve the state’s ability to transition basic research supported by Federal funding at the universities and laboratories into the commercial sector. The TRC is focused primarily on technology push from the universities and laboratories in which one seeks to find a business application for new technology that is developed. The TDA will include this role but will have a primary focus on market pull in which technology development is driven by identified needs in the market place. Experience in other states has shown this approach to be much more effective in leveraging Federal Research and Development (R&D) investments into the commercial sector.”

PERFORMANCE IMPLICATIONS

The bill requires that the Technology Development Authority set performance standards for management of operations and track progress and accomplishments of funded projects.

ADMINISTRATIVE IMPLICATIONS

The bill allows the authority to hire an executive director and other personnel as appropriate. The bill transfers all personnel, appropriations, money, records, equipment, supplies, and other property of the Technology Research Collaborative to the Technology Development Authority. The current resources of the TRC are not known at this time.

DFA notes that EDD currently has three administratively attached agencies. The new Authority would increase this to four.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 2, the General Appropriation Act, includes an FTE and \$80 thousand for an executive director of the TRC or new TDA, in the Office of Science and Technology in EDD.

OTHER SUBSTANTIVE ISSUES

The bill does not require the new authority to report to the Legislature or a committee of the Legislature. Such a provision would enhance the accountability measures included in the legislation.

BE/mt