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FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/18

SPONSOR Soules LAST UPDATED _____ HB _____

SHORT TITLE Research Grants Closing Fund SB 115

ANALYST Chilton

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
\$1,000.0	\$1,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$75.0	\$75.0	\$75.0	\$225.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico State University (NMSU)
 University of New Mexico (UNM)
 Higher Education Department (HED; partial)

Responses Not Received From

New Mexico Technical University (NMT)

SUMMARY

Synopsis of Bill

Senate Bill 115, Research Grants Closing Fund, appropriates \$1 million from the general fund to establish a Research Grants Closing Fund to be administered by the Higher Education Department for the purpose of providing matching funds to research investigators – professors, students, or others – applying for public or private grants for their research. These grants would require that other non-state funds at least equal to the amount being requested from this fund, and would be awarded on a competitive basis through HED.

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 shall not revert to the General Fund, but shall be maintained within the Research Grants Closing 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 grant would be administered by the Higher Education Department. HED would have expenses related to administering the funds, but those expenses are expected to be minimal.

SIGNIFICANT ISSUES

Many grants available from public or private entities require that researchers find part of the funding needed for their research from other sources. The fund proposed in Senate Bill 115 recognizes that, making matching funds available to those researchers who could find additional matching funds from other sources (other than the state and the granting public or private entity).

NMSU states “As a state with two major research labs and three research intensive universities, this appropriation would be a welcomed additional source for matching funds. In programs like EPSCoR, these funds could have a positive impact on the state. Not only in terms of promoting science but also in terms of economic impact since these grants hire students and other researchers.”

UNM agrees, commenting further, as follows:

This legislation can have a dramatic and 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. Research programs (federal, private) vary in the amount of matching funds required. This legislation will be particularly important for the NM universities to be competitive for NSF EPSCoR [federal National Science Foundation Established Program to Stimulate Competitive Research] Track 1 grants, which are among the largest federal grants to these universities. These grants (up to \$20M/5 yrs) require 20 percent nonfederal cost share (matching funds). Other EPSCoR grants (e.g., NASA EPSCoR) are not as large, but require 100 percent non-federal cost share. 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. *Thus, the immediate and direct return on investment of the “research grants closing fund” would be as high as 1000 percent: a \$2M investment over 5 years from the closing fund in matching funds for NSF EPSCoR would result in a \$20M award.*

Aside from such direct returns on the matching fund investment, the stimulus in research provided by the “research grants closing fund” would lead to many secondary effects that would benefit not only the state’s universities, but the 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)
- Improve recruitment and retention of highly qualified faculty and staff
- Enhance demand for research associated goods and services throughout the state.

Thus, the “research grants closing fund” would also result in a substantial indirect return on investment for our state.

ADMINISTRATIVE IMPLICATIONS

HED notes that “The Higher Education Department would administer the fund and promulgate Rules that set out the criteria for applications for matching funds.

Promulgating administrative code for the fund would be difficult because the code would have to address the requirements of numerous public and private funding sources, for example, National Institutes of Health, National Science Foundation, Department of Energy, Department of Defense, Gates Foundation, Ford Foundation, Robert Wood Johnson Foundation, and others. HED could not rely on whether the grant has been funded because grants that require matching funds usually require the matching funds to be in hand at the time of application.

HED would have to implement a peer review process. Because of the breadth of research occurring in New Mexico, a single panel of experts would not be sufficient to determine the quality of the applications, meaning HED would have to host a panel of experts for each application. This would require an additional FTE to administer the Research Grants Closing Fund, reflected in the additional budget impact noted above.”

TECHNICAL ISSUES

NMSU states that “The competitive review process as described on page 2, lines 8-11 will limit the number of proposals seeking matching funds from this allocation to those research proposals that allow for a long lead time.”

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

No fund would be created to help researchers with required matching funds. As noted by UNM, “Participation in major federally and privately funded research programs will continue to be prohibitive due to adverse effects on the operations of state universities.”

LAC/sb