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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/6/2020

SPONSOR Harper/Soules LAST UPDATED \_\_\_\_\_ HB 297

SHORT TITLE Research Grants Closing Fund SB \_\_\_\_\_

ANALYST Hawker

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
	\$10,000.0	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>		\$75.0	\$75.0	\$150.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates Senate Bill 30

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)

New Mexico State University (NMSU)

New Mexico Institute of Mining & Technology (NMIMT)

University of New Mexico (UNM)

University of New Mexico Health Sciences Center (UNMHSC)

### SUMMARY

#### Synopsis of Bill

House Bill 297 creates a nonreverting fund, the research grants closing fund (fund). The bill appropriates \$10 million from the general fund to this fund for the purpose of providing researchers at New Mexico's public post-secondary educational institutions with research grant matching funds. The fund will be administered by the Higher Education Department (HED).

Money in the fund is appropriated to HED. The fund consists of appropriations, gifts, grants, donations, and income from investment of the fund.

HED will establish a panel of experts who will review applications for funds. To apply for a closing grant, the state public post-secondary institution must have equal or greater matching funds for the research proposal from sources other than state funds.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature, May 20, 2020.

## **FISCAL IMPLICATIONS**

The appropriation of \$10 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance does not revert.

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.

HED believes the department will require an additional 1.0 FTE to administer the fund.

## **SIGNIFICANT ISSUES**

HED did not respond to HB297, however they did respond to SB30 which is a duplicate. HED's information is taken from HB297's FIR.

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 post-secondary 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 research grants. As such there needs to be a rapid analysis and award process from HED. As not every proposal submitted is funded, the HED process must be able to guarantee funds and then release them if a higher education institution receives notice the grant proposal was not funded.

## **DUPLICATION**

HB297 is a duplicate of SB30.

## **TECHNICAL ISSUES**

NMSU observes the steps and timeline for development of grant proposals that require cost-sharing may not allow for the HED process required to obtain closing fund dollars. NMSU proposes a mechanism that assures access to closing funds for high impact grants in order to allow New Mexico higher education institutions to be more aggressive in seeking external funds from other sources.

## **ALTERNATIVES**

HED suggests the appropriation could be made directly to higher education institutions with language stipulating the use of funds to matching grants and reporting requirements with the institutional governing board approving any expenditure of matching funds.

VKH/sb