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FISCAL IMPACT REPORT

SPONSOR Lopez DATE TYPED 02-26-05 HB _____

SHORT TITLE Program to Stimulate Competitive Research SB 731

ANALYST Woods

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$3,000.0			Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to the appropriation for the Commission on Higher Education in the General Appropriations Act.

Duplicates HB184

Relates to SB331

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Economic Development Department (EDD)

Commission on Higher Education (CHE)

SUMMARY

Synopsis of Bill

Senate Bill 731 – Making an Appropriation to Provide Matching Funds for New Mexico’s Experimental Program to Stimulate Competitive Research – appropriates \$3,000,000 from the general fund to the Commission on Higher Education for expenditure in FY06 to match federal funds for New Mexico’s experimental program to stimulate competitive research. Any unexpended or unencumbered balance remaining at the end of FY06 shall revert to the general fund.

Significant Issues

While CHE suggests that the commission has not adopted a formal position on this particular

issue, it advises that the *Experimental Program to Stimulate Competitive Research* (EPSCoR) is a financial assistance opportunity provided by the U.S. Department of Energy. The purpose of the program is to enhance the capability of designated states to conduct nationally competitive energy-related research and to develop science and engineering manpower in energy-related areas to meet current and future needs. Grant applications are presently being accepted by the Department of Energy and have a deadline of July 6, 2005.

FISCAL IMPLICATIONS

CHE notes that the \$3 million appropriation contained in this legislation is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY06 shall revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

CHE indicates that the purpose of the *Technology Enhancement Fund* – created during 2003 legislature in 21-1-27.2 – is to provide matching funds to state research universities to support innovative applied research that advances knowledge. The funds shall be administered by CHE on a competitive grant basis, with proposals being reviewed by a panel of scientific and business experts established by the commission. To apply for a grant, a state research university must have equal or greater matching funds for the proposal from sources other than the state. The statute also states “Money in the fund shall not revert at the end of any fiscal year.” While this fund was not given an appropriation during the 2003 legislative session, CHE notes that the funds requested in this legislation appear appropriate for *Technology Enhancement Fund* applications.

CHE will retain oversight of this initiative.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to the appropriation for the Commission on Higher Education in the General Appropriations Act.

Duplicates HB184 in that HB184 also seeks to appropriate \$3 million from the general fund to CHE for expenditure in FY06 to match federal funds for New Mexico’s experimental program to stimulate competitive research.

Relates to SB331 in that SB331 seeks to appropriate \$5 million from the general fund to the CHE for expenditure in fiscal years 2006 and 2007 to provide support for competitive research at the New Mexico Institute of Mining and Technology, New Mexico State University and the University of New Mexico. The funds shall be divided between the three universities at an equal percentage rate up to one percent of a university's annual aggregate awards for competitive research.

OTHER SUBSTANTIVE ISSUES

CHE indicates that higher education institutions receive indirect cost revenues from federal contracts and grants. This money is unrestricted in the sense that the governing board of the institution has the flexibility to choose which projects are supported with these funds. A great deal of this money is used as seed money to develop new research and public services projects at institu-

tions. A portion of the indirect cost revenue, and earned overhead, is used to support items such as the salaries of the accountants responsible for monitoring the contract and grants, or for paying utilities and other expenses required to maintain the space where the contract and grant activities are housed.

CHE additionally observes that the higher education funding formula allows institutions to retain 100 percent of this indirect cost revenue. One of the purposes of retaining these funds is to provide seed money and matching funds for projects such as the one proposed in this bill.

BFW/lg