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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Sanchez</u>	<b>LAST UPDATED</b> <u>2/7/24</u>
<b>SHORT TITLE</b> <u>Higher Ed Tech Enhancement Fund Provisions</u>	<b>ORIGINAL DATE</b> <u>1/31/24</u>
	<b>BILL NUMBER</b> <u>House Bill 270/aHAFC</u>
	<b>ANALYST</b> <u>Jorgensen</u>

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

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		No fiscal impact				

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to an appropriation in the General Appropriation Act

### Sources of Information

LFC Files

#### Agency Analysis Received From

Economic Development Department (EDD)

New Mexico Tech (NM Tech)

University of New Mexico (UNM)

## SUMMARY

### Synopsis of HAFC Amendment to House Bill 270

The House Appropriation and Finance Committee amendment to House Bill 270 removes language stating projects will be assessed based on benefits for workforce education and training. This is a clarifying change. The amendment also removes the \$70 million appropriation.

### Synopsis of Original House Bill 270

House Bill 270 (HB270) clarifies that research institutions may use awards from the technology enhancement fund (TEF) to match federal and private grants. Currently, TEF eligibility is restricted to research institutions “conducting collaborative research with corporate and nonprofit organizations”. HB270 clarifies that research institutions (defined as University of New Mexico, New Mexico State University, New Mexico Institute of Mining and Technology, and Navajo Technical University) are eligible to receive funding awards.

Currently, the TEF allows research institutions to submit an application for funding to be reviewed by a panel of experts that awards in accordance with rules established by the Higher Education Department (HED). The TEF may be used to “support innovative applied research that advances knowledge and creates new products and production processes in the fields of agriculture, biotechnology, biomedicine energy, materials science, microelectronics, water resources, aerospace, telecommunications, manufacturing science and similar research areas.”

HB270 includes a new requirement that the review panel consider “benefits for economic development, rural and tribal communities and workforce education and training.”

HB270 appropriates \$70 million from the general fund to the technology enhancement fund for the purpose of making awards to leverage matching funds for research institutions in FY25 and subsequent fiscal years.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

## **FISCAL IMPLICATIONS**

HB270, as amended by HAFC, will have no fiscal impact on the Higher Education Department or other higher education institutions.

## **SIGNIFICANT ISSUES**

The HAFC amendment clarifies the purpose of the TEF by removing project assessment criteria that are unrelated to the stated purpose of the TEF, defined as “to support innovative applied research that advances knowledge and creates new products and production processes ...”.

The Legislature appropriated \$45 million to the TEF in FY23 and an additional \$30 million to HED for the purposes of the TEF in FY24. In FY23, \$13.9 million was awarded from the TEF and \$15.9 million has been awarded in FY24 to date with additional awards anticipated.

UNM reports the federal government supports research at all stages of the “technology readiness levels,” from basic research to the deployment of new technologies, but the grant process is “extremely competitive” and requires institutional support. From UNM:

For New Mexico to effectively compete with better-resourced states, policy levers like the TEF are needed to provide additional capacity for state institutions in New Mexico, along with our public and private partners, to improve our position as we work collaboratively to apply for federal and other non-state grants that require significant up-front cash match dollars to be eligible or competitive. Additional TEF funds will be used to support collaborative university research and technology development grants, primarily opportunities announced by federal agencies, maximizing New Mexico’s ability to draw down available federal dollars in specific fields for university research that are prioritized for further high-potential intellectual property, workforce, and commercial development in New Mexico.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

The General Appropriation Act as passed by the House includes \$25 million in total authorized spending for the purposes of matching research grants in FY25, including \$10 million from the general fund and \$15 million from existing TEF fund balance.