

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Soules ORIGINAL DATE 1/23/19
 LAST UPDATED _____ HB _____

SHORT TITLE Research Grants Closing Fund SB 155

ANALYST Valenzuela

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$10,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$75.0	\$75.0	\$150.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 251, which creates a higher education coordinating council.
 Relates to Appropriation in the General Appropriation Act, which includes a performance incentive for research awards for the four-year research universities

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Higher Education Department (HED)
 New Mexico Independent Community Colleges (NMICC)
 New Mexico State University (NMSU)

SUMMARY

Synopsis of Bill

Senate Bill 155 appropriates \$10 million from the general fund to a new fund, named the Research Grants Closing Fund, which will be administered by the Higher Education Department (HED) for the purpose of providing matching funds for research grants. The bill establishes a competitive application process, requiring HED to establish a panel of experts to evaluate the

applications and make recommendations for funding. Awards from the Research Grants Closing Fund must be matched with other funding sources in an amount equal to or more than the state award.

The bill directs HED to promulgate rules for the application process.

FISCAL IMPLICATIONS

The ability for researchers at public colleges and universities to access matching funds to leverage non-state research dollars is an important element to increase revenues at universities. Typically, funding entities, whether public, private or not-for-profit foundations, require institutional cost share for important research grants.

Currently, the research universities have been successful in efforts to win competitive research funding from private donors and federal agencies. The amounts of funding each year are reported by the research universities through the higher education funding formula. The three-year average for revenues from research awards by university is:

New Mexico Institute of Mining and Technology: \$ 58,166,151
 New Mexico State University: \$ 103,364,085
 University of New Mexico: \$ 230,961,456

Higher Education Funding Formula. The higher education instructional and general operations (I&G) funding formula includes a performance incentive for research dollars generated, which applies only to the four-year research universities: UNM, NMSU and NMIMT. Based on the award levels, the universities are rewarded for generating research dollars. The incentives awarded by research university are shown below.

Higher Education Funding Formula: Research Award Performance Incentive				
	FY17	FY18	FY19	FY20 (Rec)
New Mexico Institute of Mining and Technology	\$ 928,339	\$ 406,463	\$ 579,544	\$ 526,530
New Mexico State University	1,633,995	733,894	1,058,654	935,669
University of New Mexico	2,916,229	1,356,754	2,107,465	2,090,702
Total Performance Incentive	\$ 5,478,563	\$ 2,497,110	\$ 3,745,662	\$ 3,552,901

Impact to HED. HED would request one additional staff member to manage the requirements of SB155. The FY20 LFC Recommendation to HED increased the operating budget by 6.7 percent.

The appropriation of \$10 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 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.

SIGNIFICANT ISSUES

Typically, most research grants are earned at the four-year research universities. The New Mexico Independent Community Colleges commented two-year colleges do not typically have a

research component to their missions and generally support economic diversification through workforce development, entrepreneurship training, and business development.

The revenues generated from increased research activity on college campuses are positive for the financial benefit for the institution. However, several additional benefits accrue to a university. Foremost, higher levels of research activity can be a measure of prestige for a university, which can help recruit renowned faculty and increase student enrollment.

ADMINISTRATIVE IMPLICATIONS

According to HED, it would need an additional staff person to manage the requirements of SB155. The department believes, given the breadth of research occurring within New Mexico's colleges and universities, an expert panel would have to be convened for different disciplines of research, and promulgating rules to cover the wide range of research occurring in the state would be challenging.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 251, Higher Education Coordinating Council, would complement SB155. HB251 is an LFC sponsored bill.

HB251 creates a statewide coordinating council, designed to address and bring attention to important statewide issues impacting higher education. Research funding, being a central variable in the funding formula and to performance, would be a critical topic for the Council.

MFV/sb/gb