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**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

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SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Click all that apply:
Original **Amendment**
Correction **Substitute**

Date 2024-01-31
Bill No: SB250

Sponsor: Munoz, George K **Agency Name and Code** NMHED
Short INNOVATION **Number:** _____
Title: FELLOWSHIP ACT **Person Writing** Comes, Douglas
Phone: 5056706478 **Email** douglas.comes@hed.n

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
N/A	\$5,000.00	Recurring, and money does not revert	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue	Recurring	Fund

FY24	FY25	FY26	or Nonrecurring	Affected
N/A	N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	N/A	N/A	N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

BILL SUMMARY

SB250 creates the Innovation Fellowship which can be awarded to graduate students and post-doctoral researchers at the University of New Mexico (UNM), the UNM Health Sciences Center (UNM HSC), New Mexico State University (NMSU), the New Mexico Institute of Mining and Technology (NMT), and Navajo Technical University (NTU) who have applied for patents with the United States Patent and Trademark Office (USPTO). Administrative responsibility of the fellowship falls to the New Mexico Higher Education Department (NMHED). The bill further creates a Fellowship Selection Committee which selects fellows and determines if fellows are eligible for supplemental awards; creates the innovation fellowship fund which will be the source of funds for fellowship; and provides for the awarding of fifty thousand dollars (\$50,000) to the aforementioned Higher Education Institutions (HEIs) per year for entrepreneurship education programs. Finally, the bill appropriates five million dollars (\$5,000,000) in recurring funds to the innovation fellowship fund in FY25 and subsequent years to fund these awards.

FISCAL IMPLICATIONS

SB250 appropriates five million dollars (\$5,000,000) in recurring funds to the innovation fellowship fund in FY25 and subsequent years to fund fellowships, supplemental awards, and awards to Higher Education Institutions (HEIs) for entrepreneurship education programs. Any

unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the General Fund.

Additional staffing may be required to support this program.

SIGNIFICANT ISSUES

SB250, proposed as the Innovation Fellowship Act, creates the Innovation Fellowship which can be awarded to graduate students and post-doctoral researchers at the University of New Mexico (UNM), the UNM Health Sciences Center (UNM HSC), New Mexico State University (NMSU), the New Mexico Institute of Mining and Technology (NMT), and Navajo Technical University (NTU) who have applied for patents with the United States Patent and Trademark Office (USPTO).

As part of the fellowship, fellows must sign a binding commitment that, upon successful commercialization of the fellow's patent, the fellow will establish a commercial enterprise in New Mexico, or, if the patent is sold, repay the amounts awarded to the fellow as part of the Innovation Fellowship.

No more than 10 fellowships may be awarded in a given fiscal year, and no more than 3 fellowships may be awarded to students and/or researchers at any one Higher Education Institution (HEI).

Fellowship awards are as follows (see Technical Issues for additional discussion):

- covering all tuition and fees at the HEI at which the fellow is enrolled;
- a living stipend of twenty thousand dollars (\$20,000) per academic year;
- reimbursement of up to five thousand dollars (\$5,000) per academic year for expenses incurred by the fellow for travel to promote the commercialization of their patent.
- Fellows may be awarded supplemental awards of up to an additional fifty thousand dollars (\$50,000) to further develop their patent and initiate commercial enterprise based on that patent if determined to be eligible by the Fellowship Selection Committee.

The employers of fellows who are postdoctoral researchers will have half of the fellow's annual salary covered by the fellowship to ensure that half of the fellow's time at work is dedicated to the commercialization of their patent.

While Administrative responsibility of the fellowship falls to the New Mexico Higher Education Department (NMHED), the bill creates a Fellowship Selection Committee which selects fellows and determines if fellows are eligible for supplemental awards. The committee also awards fifty thousand dollars (\$50,000) per fiscal year to the aforementioned HEIs to offer entrepreneurship education programming. The committee further provides consultation to NMHED for the creation of fellowship rules. The committee consists of the following members:

- the secretary of NMHED or the secretary's designee;
- the secretary of economic development or the secretary's designee;

- the vice president of research or the vice president's designee from
 - UNM
 - UNM Health Sciences Center
 - NMSU
 - NMT
 - NTU

SB250 creates the innovation fellowship fund and appropriates five million dollars (\$5,000,000) in recurring funds to the innovation fellowship fund in FY25 and subsequent years. The fund provides funding for the fellowship and for the awards to HEIs for entrepreneurship education programming.

Beginning on October 1, 2025, each year, the fellowship selection committee must submit a report to the Legislative Finance Committee (LFC) and other appropriate legislative committees on the funding awarded through the Innovation Fellowship Act during the prior fiscal year and the extent to which fellows' patents have been successfully commercialized.

Providing an additional source of funding to promote the creation of patents could help spur additional patent making in New Mexico and, thus, economic returns. However, returns might be difficult to predict. A 2020 article from The Hechinger Report, discusses the challenges HEIs face in turning research into patents. The article states that HEIs make up a "surprisingly small proportion of the nation's patents?" and continues that getting a patent can take five to seven years with many efforts failing as the process of getting a patent is "imprecise?" (<https://hechingerreport.org/think-universities-are-making-lots-of-money-from-inventions-think-again/>).

The Innovation Fellowship may help diversify the pool of individuals participating in patent making and innovation in New Mexico. A 2022 brief from the Congressional Research Service (<https://crsreports.congress.gov/product/pdf/IF/IF12259>) discusses disparities between groups who participate in patent making, noting disparities by race/ethnicity, income-level, and gender. However, SB250 does not provide any provisions that discuss efforts to reach or target underrepresented groups.

Data from the St Louis Federal Reserve shows that, in 2019, New Mexico ranked thirty-third out of fifty states plus the District of Columbia in patents per thousand persons. Neighboring Arizona, Colorado, Texas, and Utah all were in the top half of patents per thousand persons in 2019 (<https://fredblog.stlouisfed.org/2021/05/the-distribution-of-patents-across-u-s-states/>).

PERFORMANCE IMPLICATIONS

The Fellowship Selection Committee is required to submit by October 1, 2025 and by October 1 of each subsequent year a report to the Legislative Finance Committee (LFC) and other appropriate legislative committees on the funding awarded through the Innovation Fellowship Act during the prior fiscal year and the extent to which fellows' patents have been successfully commercialized.

ADMINISTRATIVE IMPLICATIONS

The New Mexico Higher Education Department (NMHED) would administer this program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

Sections 3-A-1 and 3-B refer to "post-doctoral students?". Individuals with post-doctoral positions are typically not considered students and may be more accurately referred to as "post-doctoral researchers?".

Section 3-C discusses the awards fellows receive. but makes no mention if this is specific to graduate students. Awards include covering all tuition and fees at the institution at which the fellow is enrolled. However, postdoctoral researchers would not have tuition and fees to be covered.

SB250 does not include a time limit for the fellowship. It is unclear if the fellowship is for a certain amount of time or if it persists as long as the fellow is enrolled in graduate studies at their institution or employed as a postdoctoral researcher.

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If SB250 is not enacted, the innovation fellowship fund will be unlikely to be created nor would the Innovation Fellowship likely be created. It is, therefore, unlikely these awards can be made to graduate students and post-doctoral researchers.

AMENDMENTS

N/A