

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** HB 79aa

**51st Legislature, 2nd Session, 2014**

**Tracking Number:** .195362.3SA

**Short Title:** Higher Ed Endowment Fund Distribution & Uses

**Sponsor(s):** Representatives Larry A. Larrañaga and Don L. Tripp, Jr.

**Analyst:** Travis Dulany

**Date:** February 17, 2014

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**AS AMENDED**

**The House Appropriations and Finance Committee strikes the appropriation from the bill.**

**The House Education Committee amendment allows for the secretaries of the Higher Education Department, the Economic Development Department and the Department of Finance and Administration to assign designees to the committee that approves the awards.**

**Original Bill Summary:**

HB 79 amends provisions in higher education law affecting the Higher Education Endowment Fund (HEEF) to:

- require that a public postsecondary institution shall not receive an award from the HEEF until the institution has received or will receive matching funds pursuant to a written gift agreement from other-than-governmental sources in an amount equal to at least 50 percent of the requested award;
- remove language allowing for awards from the fund to be used for scholarships for students;
- prohibit usage of the fund to provide “blanket” salary increases to professors or staff of a public postsecondary institution, but allow for targeted salary increases that are part of an approved proposal; and
- change the delivery method of awards, specifying that:
  - awards shall be used to address one or more of the Governor’s initiatives, including but not limited to:
    - research and development;
    - technology transfer;
    - science, technology, engineering, and mathematics;
    - health;
    - education;
    - water; and
    - agriculture; and

- income from the HEEF is to be disbursed to public postsecondary institutions based on the merits of the proposals to further the Governor’s initiatives and approved by a committee comprising the secretaries of higher education, economic development, and finance and administration.

Finally, HB 79 is subject to House Executive Message #4.

**Original Fiscal Impact:**

\$7.5 million is appropriated from the General Fund to the HEEF for expenditure in FY 15 and subsequent fiscal years to carry out the purposes of the HEEF. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the General Fund.

**Fiscal Issues:**

The HEEF has been inactive in recent years. The *General Appropriation Act of 2013* allocated \$20.0 million to the HEEF “to replenish” the fund; however, the Governor vetoed that appropriation. In December 2013, the Higher Education Department reported to the *Albuquerque Journal* that the HEEF had a fund balance of \$83,000.

**Substantive Issues:**

The University of New Mexico Foundation reports that state endowment matching programs are effective in encouraging donors to fund endowments. According to New Mexico State University (NMSU), postsecondary institutions have received matching endowment funds through the Legislature since 1984. Since that time, NMSU has received over \$11.5 million in matching endowment funds that, with the original gifts, have grown to over \$32.0 million.

Legislative Finance Committee (LFC) staff point out that currently only the largest institutions are required to secure matching funds equal to at least 50 percent, whereas some of the smaller institutions such as Eastern New Mexico University and community colleges are currently required to receive matching funds equal to 40 or 30 percent, respectively. The fiscal impact report from LFC states that, “coupling this higher hurdle for matching funds with the bill’s repeal of the distribution formula in favor of a competitive award process may allow some institutions to receive a disproportionate share of available funds.”

**Background:**

Created in 2002, the Faculty Endowment Fund has been amended several times, most notably in 2008 when legislation changed the name of the fund to the Higher Education Endowment Fund.

**Committee Referrals:**

HEC/HAFC/SEC/SFC

**Related Bills:**

CS/HB 36a *Tech Research Investment & Administration*  
HB 145 *Lottery Scholarship Changes*  
HM 19 *“NM STEM Education Week in the House”*  
SB 8a *Resident Tuition for Some Undergrad Students*

SB 60 *Higher Ed Equity Investment in Development*  
SB 99 *Investment in Tech Research Collaborative*  
SB 141 *Limit Lottery Scholarship Tuition Increases*  
SB 146 *Lottery Tuition Rates & Definitions*  
\*SB 150 *Lottery Scholarship Solvency*  
SJM 13 *Study Branch Community College Statutes*