

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 FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/07

SPONSOR Saavedra LAST UPDATED _____ HB 292

SHORT TITLE Faculty Endowment Fund Distributions SB _____

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	See Narrative		General Fund
	See Narrative		Faculty Endowment Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	See Narrative			Faculty Endowment Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB 260

Relates to SB 645

Relates to LFC budget recommendation of \$25 million in non-recurring in FY07 to the faculty endowment fund.

Relates to Executive budget recommendation of \$12 million in nonrecurring in FY08 to the faculty endowment fund

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Bill 292 changes the nature and distribution of the faculty endowment program.

First, under the provisions of this bill, four-year public higher education institutions would be able to utilize appropriations made to the faculty endowment fund. In contrast, under current law, appropriations to the endowment fund must be kept as an endowment by the institution, once certain management and private match criteria are met. These institutions must then invest the funds and may utilize only interest earnings to support faculty chairs, professorships and faculty endowment programs.

Second, the bill authorizes the Governor to identify priority areas of interest for recruitment and retention of faculty at public, four-year institutions. The bill specifies the name of each type of chair as follows:

- Governor's chair in _____
- Governor's professorship in _____
- Governor's distinguished faculty member in _____

Third, the bill requires private matching funds as follows:

- At least \$500.0 thousand for Governor's chair
- At least \$125.0 thousand for Governor's professorship
- At least \$50.0 thousand for Governor's distinguished faculty member

FISCAL IMPLICATIONS

The bill does not contain an appropriation.

SIGNIFICANT ISSUES

Under current law, the three research institutions and the UNM School of Medicine are eligible to participate in the endowed chair program, while six of the state's universities are eligible to participate in endowed professorships and endowed faculty development programs. Half of the disbursements are to be for endowed chairs, 35 percent are designated for endowed professorships and 15 percent are for endowed faculty development programs.

According to Volume II of the LFC budget recommendation: "The committee recommends consideration of nonrecurring funding of up to \$25 million for endowed chairs at the state's four-year and two-year postsecondary institutions. The endowed-chair funding achieves several legislative objectives. The funding provides a mechanism for partnering with noninstitutional funding organizations, attracting, retaining, and creating incentives for enhanced student learning, scholarship, and research as well as supporting the multi-faceted missions of the state's institutions.

The surplus of nonrecurring general fund monies provides an opportunity to invest in this initiative because the distributions from the endowment are used for operating purposes of the endowed faculty positions.

Expansion of the program to two-year institutions will require changes to 21-1-27.1 NMSA 1978 to reward enhanced student learning activities of faculty at those institutions.”

According to the Executive Budget in Brief “*Path to Progress, Expanding Opportunity*”, January 2007: the executive proposal is to “retain and attract high-caliber faculty to the State’s higher education institutions by creating endowed chairs, particularly in specialized, high-need fields. Institutions must provide matching funds from private sources, which helps engage the private sector and alumni.”

OTHER SUBSTANTIVE ISSUES

In determining prior-year institutional draw downs from the faculty endowment fund, the HED has required the university to provide a letter signed by the chair of the board of regents, the president, and the chief financial officer declaring:

- 1) that an endowment account has been established for receipt both of the monies from the Fund and the non-governmental matching monies;
- 2) which kind of endowment is being established (i.e., a chair, professorship, or faculty development program);
- 3) administration of the Fund meets the requirements of Section 21-1-38 NMSA 1978; and
- 4) identification of the source of the non-governmental monies and their permanent commitment to the endowment.

Faculty endowment funds at institutions are contributing to strong bond ratings for those institutions.

TECHNICAL ISSUES

The legislature may wish to consider a time limit for qualifying institutions to be able to drawdown the funding.

The legislature may wish to consider requiring reporting to LFC and the Department of Finance and Administration on disbursements to each institution, the amount of matching funds and their source and the purpose of the endowments.

ALTERNATIVES

House Bill 338/Senate Bill 240 from 2006 legislative session.

POSSIBLE QUESTIONS

1. What is the most effective level of private contribution match to maximize non-state matching funds, while enabling effective participation in the faculty endowment program by various institutions?

AW/nt