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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/26/09

SPONSOR Saavedra LAST UPDATED \_\_\_\_\_ HB 766

SHORT TITLE Higher Education Endowment Fund Distribution SB \_\_\_\_\_

ANALYST Varela/Williams

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)  
 Higher Education Department (HED)  
 New Mexico Independent Community Colleges (NMICC)

### SUMMARY

#### Synopsis of Bill

House Bill 766 amends Section 21-1-27.1 NMSA 1978 by changing the percentage distribution of future appropriations to the Higher Education Endowment Fund among the three public research universities (UNM, NMSU, NMIMT), the University of New Mexico Health Sciences Center, the four comprehensive four-year institutions, two-year colleges and the New Mexico Military Institute.

The bill changes the effective date(s) after which remaining funds, not drawn down by colleges and universities, are made available to other public, post-secondary institutions. Based on passage of Laws of 2007, Chapter 364, current law provides that any funds remaining in the higher education endowment fund may be matched by any public, post-secondary institution on July 1, 2010, consistent with HED rules. House Bill 766 authorizes a supplemental or "second round" allocation by other eligible institutions in the third year, after the first two fiscal years of the match cycle. Four-year institutions could apply for a new allocation of remaining undrawn funds of other four year- institutions; similar provisions apply to two-year institutions. HED is directed to determine reallocation to provide equity over time.

The bill provides for reversion to the General Fund of unmatched funds after the third year. The bill also requires annual reports by HED to the Legislative Finance Committee on amounts disbursed to institutions along with the amount and source of matching funds and endowment purpose.

**FISCAL IMPLICATIONS**

The bill contains an effective date of July 1, 2009 and is applicable to appropriations and distributions beginning fiscal year 2010. House Bill 766 does not contain an appropriation; however, it adds a reversion clause applicable to future general fund appropriations to the Higher Education Endowment Fund. Given the authorization of a process for third-year reallocations contained in this legislation, the amount of the reversion is expected to be small.

**SIGNIFICANT ISSUES**

According to HED, the Higher Education Endowment Fund (formerly Faculty Endowment Fund) is administered by HED for the purpose of providing opportunities to public postsecondary institutions to establish endowments. In order to qualify, institutions must raise non-governmental funds as a match for their share of general fund appropriations and interest earnings in the fund. Endowments can be established for chairs, lectureships, professorships, scholarships for students, graduate assistantships, and faculty development programs.

HED reports that the table below shows the percentage distribution of appropriations to the Higher Education Endowment Fund as enacted in the 2007 and 2008 legislative sessions and the proposed distribution per HB 766. Note that \$600 thousand appropriated to the University of New Mexico in Laws of 2008 for a Pamela Minzner Endowment is not included in this table to provide a better comparison. The appropriation for community colleges and the New Mexico Military Institute (NMMI) is allocated via a formula approved by HED.

	Laws 2007		Laws 2008		HB766
<b>Four-Year Institutions:</b>					
NMIMT	\$2,000	16.7%	\$1,000	20.0%	16.0%
NMSU	\$2,000	16.7%	\$1,000	20.0%	16.0%
UNM	\$2,000	16.7%	\$1,000	20.0%	18.0%
UNM HSC	\$1,500	12.5%	\$1,000	20.0%	12.0%
ENMU	\$500	4.2%	\$125	2.5%	4.5%
NMHU	\$500	4.2%	\$125	2.5%	4.5%
NNMC	\$500	4.2%	\$125	2.5%	4.5%
WNMU	\$500	4.2%	\$125	2.5%	4.5%
Subtotal 4-Year's	\$9,500	79.2%	\$4,500	90.0%	80.0%
<b>Community Colleges/NMMI:</b>	\$2,500	20.8%	\$500	10.0%	20.0%
<b>Total</b>	<b>\$12,000</b>	<b>100.0%</b>	<b>\$5,000</b>	<b>100.0%</b>	<b>100.0%</b>

Current law allows any institution to submit a request to HED to draw against unmatched balances after a given time period, meaning that if certain institutions have not drawn against their allocated portion, other institutions may share this portion, according to rules established by

HED

Section 2 of this bill allows the provisions of Section 1 of this act to apply to appropriations and distributions for fiscal year 2010 and subsequent fiscal years.

The bill also specifies required match funding ratios of at least 50 percent for research universities, 40 percent for regional comprehensive universities, and 30 percent for two-year colleges.

### **ADMINISTRATIVE IMPLICATIONS**

According to HED, the department administers the Higher Education Endowment Fund and this bill would not have a significant administrative impact on the department.

### **TECHNICAL ISSUES**

In this legislation, the use of the phrases “second round matching” and “supplemental matching” to refer to the process of institutions reapplying for unallocated funds are confusing, given that institutions are required to raise “match” funds to be eligible to draw down their allocations.

PV:AW/svb