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FISCAL IMPACT REPORT

SPONSOR Larranaga **ORIGINAL DATE** 01/24/14
LAST UPDATED 02/13/14 **HB** 79/aHEC/aHAFC

SHORT TITLE Higher Ed. Endowment Fund Distribution & Uses **SB** _____

ANALYST Armstrong

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

- Higher Education Department (HED)
- University of New Mexico Foundation (UNMF)
- New Mexico State University (NMSU)
- New Mexico Institute of Mining and Technology (NMIMT)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment removed the bill's appropriation. House Bill 2, 3, 4, 5, & 6/HAFC includes \$4 million for the HEEF.

Synopsis of HEC Amendment

The House Education Committee amendment to House Bill 79 allows the secretaries of the Higher Education, Economic Development, and Finance and Administration Departments to appoint designees to the committee that would make awards based on the merits of competitive proposals in light of the governor's initiatives, rather than requiring them to sit on the committee themselves.

Synopsis of Original Bill

House Bill 79 appropriates \$7.5 million to the Higher Education Endowment Fund (HEEF or “the fund”) and amends the fund’s delivery methodology. Currently, the fund distributes monies to state post-secondary educational institutions based on a legislatively crafted formula, Section 21-1-27.1(E) NMSA 1978. Under HB 79, a committee – composed of the secretaries of the Higher Education, Economic Development, and Finance and Administration Departments – would make awards based on the merits of competitive proposals in light of the governor’s initiatives. The bill provides that the governor’s initiatives include, but are not limited to: research and development; technology transfer; science, technology, engineering, and mathematics; health; education; water; and agriculture. HB 79 also prohibits HEEF awards being used to provide student scholarships or blanket salary increases for an institution’s professors or staff. The bill adds researchers as an appropriate use of HEEF awards.

FISCAL IMPLICATIONS

The appropriation of \$7.5 million contained in this bill is a nonrecurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY15 shall not revert to the General Fund.

The UNM Foundation asserts that experience demonstrates that state endowment matching programs are a great incentive for donors to fund endowments and act as a multiplier.

SIGNIFICANT ISSUES

According to NMSU analysis, endowment funds strengthen the health of universities and increase their ability to impact the lives and production of its faculty, staff and students. Endowment funds are invested in perpetuity, thus the earnings are available for the life of the institution. Matching funds for endowment awards increase the impact by increasing the size of the principal that is invested and the resulting increased earnings.

HB 79 requires a requesting institution to notify HED that it has received, or has a written agreement to receive, matching funds equal to at least 50 percent of the requested amount from non-governmental sources before it may receive the award. Currently, only the largest institutions, i.e. UNM’s main campus and its Health Sciences Center, NMSU, and NMIMT, are required to secure matching funds at this rate. Comprehensive institutions, e.g. Eastern New Mexico University, and community colleges are currently required to receive matching funds equal to 40 percent and 30 percent of their distributions, respectively. 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.

ADMINISTRATIVE IMPLICATIONS

According to HED analysis, HB 79 includes new functions or assignments to the department which indicate an increase in administrative costs that are not covered by an additional appropriation.

Higher Education Endowment Fund (HEEF), 21-1-27.1 NMSA 1978

(in thousands)

Institution	Current Law			HB 79**
	Share by Law (21-1-27.1 E)	Maximum Amount Available to Institution under Current Law	Matching Amount Required to Receive HEEF Disbursement	Matching Amount Required under HB 79
HB 79	\$7,500.0			
UNM Main	18.0%	\$1,350.0	50% of disbursement	50% of disbursement
NMSU	16.0%	\$1,200.0	50% of disbursement	50% of disbursement
NM Tech	16.0%	\$1,200.0	50% of disbursement	50% of disbursement
UNM HSC	12.0%	\$900.0	50% of disbursement	50% of disbursement
<i>Comprehensive Institutions - 18% of total</i>				
ENMU	4.5%	\$337.5	40% of disbursement	50% of disbursement
NMHU	4.5%	\$337.5	40% of disbursement	50% of disbursement
NNMC	4.5%	\$337.5	40% of disbursement	50% of disbursement
WNMU	4.5%	\$337.5	40% of disbursement	50% of disbursement
<i>All Community Colleges - 20% of total *</i>				
ENMU Roswell	1.1%	\$83.3	30% of disbursement	50% of disbursement
ENMU Ruidoso	1.1%	\$83.3	30% of disbursement	50% of disbursement
NMSU Alamogordo	1.1%	\$83.3	30% of disbursement	50% of disbursement
NMSU Carlsbad	1.1%	\$83.3	30% of disbursement	50% of disbursement
NMSU Dona Ana	1.1%	\$83.3	30% of disbursement	50% of disbursement
NMSU Grants	1.1%	\$83.3	30% of disbursement	50% of disbursement
UNM Gallup	1.1%	\$83.3	30% of disbursement	50% of disbursement
UNM Los Alamos	1.1%	\$83.3	30% of disbursement	50% of disbursement
UNM Taos	1.1%	\$83.3	30% of disbursement	50% of disbursement
UNM Valencia	1.1%	\$83.3	30% of disbursement	50% of disbursement
CNM	1.1%	\$83.3	30% of disbursement	50% of disbursement
CCC	1.1%	\$83.3	30% of disbursement	50% of disbursement
LCC	1.1%	\$83.3	30% of disbursement	50% of disbursement
MCC	1.1%	\$83.3	30% of disbursement	50% of disbursement
NMJC	1.1%	\$83.3	30% of disbursement	50% of disbursement
SJC	1.1%	\$83.3	30% of disbursement	50% of disbursement
SFCC	1.1%	\$83.3	30% of disbursement	50% of disbursement
NMMI	1.1%	\$83.3	30% of disbursement	50% of disbursement

* Per statute, the HED can create a distribution formula for the 20% of funding designated for the community colleges. The model above assumes even distribution among all institutions.

** HB 79 repeals the existing distribution formula and replaces it with a competitive process under which no institution is guaranteed a share of the HEEF.

HB 79 Attachment 2

Higher Education Endowment Fund Distributions, Matching Funds Generated, and Purposes of Funds

(in thousands)

Institution	Higher Education Endowment Funds (HEEFs) Received	Private and Other Matching Funds Generated	Total Funding	Balance as of Report Date	Purposes
UNM Main & UNM HSC	\$16,915.6	\$35,577.5	\$52,493.1	\$52,757.9	faculty positions, faculty study, fellowships
NMSU	\$11,534.0	\$11,584.8	\$23,118.8	\$32,000.0	endowed academic chairs, professorships, endowed student scholarships (including scholarships at branch campuses), graduate fellowships
NM Tech	\$3,000.0	\$1,500.0	\$4,500.0	<i>not available</i>	
ENMU	\$908.8	\$533.8	\$1,442.6	<i>not available</i>	faculty endowment, faculty development, academic scholarships
NMHU*	\$625.0	\$250.0	\$875.0	<i>not available</i>	
NNMC	\$500.0	\$200.0	\$700.0	<i>not available</i>	faculty salaries, infrastructure needs, labs and equipment
WNMU*	\$625.0	\$250.0	\$875.0	<i>not available</i>	faculty endowment, faculty development, scholarships
ENMU Roswell*	\$210.0	\$63.0	\$273.0	<i>not available</i>	
ENMU Ruidoso	\$60.0	\$20.0	\$80.0	<i>not available</i>	student scholarships
NMSU Alamogordo*	\$70.0	\$21.0	\$91.0	<i>not available</i>	
NMSU Carlsbad	\$60.0	\$18.0	\$78.0	<i>not available</i>	student scholarships
NMSU Dona Ana	\$300.0	\$90.0	\$390.0	<i>not available</i>	student scholarships
NMSU Grants*	\$60.0	\$18.0	\$78.0	<i>not available</i>	
UNM Gallup*	\$30.0	\$9.0	\$39.0	<i>not available</i>	
UNM Los Alamos*	\$10.0	\$3.0	\$13.0	<i>not available</i>	
UNM Taos*	\$60.0	\$18.0	\$78.0	<i>not available</i>	
UNM Valencia	\$90.0	\$27.0	\$117.0	<i>not available</i>	faculty endowment fund
CNM	\$600.0	\$180.0	\$780.0	\$790.6	endowment for nursing program faculty
CCC	\$150.0	\$132.5	\$282.5	\$284.2	faculty development
LCC	\$0.0	\$0.0	\$0.0	\$0.0	
MCC	\$65.0	\$19.5	\$84.5	\$95.6	faculty endowment fund
NMJC	\$210.0	\$64.5	\$274.5	<i>not available</i>	endowed student scholarships
SJC*	\$360.0	\$108.0	\$468.0	<i>not available</i>	
SFCC	\$0.0	\$0.0	\$0.0	\$0.0	
NMMI	\$15.0	\$100.0	\$115.0	<i>not available</i>	student scholarships
Totals	\$36,458.4	\$50,787.6	\$87,246.0		

* HEEF distribution from file report. LFC staff assumed minimum matching requirement generated, though institution could have provided more