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FISCAL IMPACT REPORT

ORIGINAL DATE 02/09/13

SPONSOR Munoz LAST UPDATED _____ HB _____

SHORT TITLE Education Trust Board Membership SB 332

ANALYST Hartzler-Toon

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	NFI	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$1.0	\$1.0	\$2.0	Recurring	Education Trust Board Funds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Bill 332 (SB 332) increases the number of governor's appointees to the Education Trust Board (ETB) from one to two appointees. The ETB would increase membership from four to five members.

FISCAL IMPLICATIONS

This bill does not impact the state's revenues, though there will be a slight administrative cost of adding a fifth board member. The ETB's operations, including board costs, are paid with account fees and non-state revenues.

SIGNIFICANT ISSUES

The ETB is currently governed by a four-person board, chaired by the secretary of the Higher Education Department (HED) with members appointed by the governor, the Speaker of the House, and the President Pro Tem of the Senate. The ETB had a fifth board member, representing the State Investment Council, but this board position was eliminated under Laws 2011, Chapter 51. As noted in the LFC's FY13 Appropriation Recommendation (volume II, p. 307), board members have noted the benefits of having an odd-number of board members, both in obtaining a quorum for conducting business and in voting.

In 1997, the ETB was created pursuant to the Education Trust Act. (Section 21-21k-1 through 21-21k-7 NMSA 1978) The ETB administers the education trust fund, which includes all funds received pursuant to college investment agreements as a part of the state's qualified tuition program that is authorized by Internal Revenue Code Section 529. The ETB authorizes rules and regulations governing the college savings plans, protects the integrity of the trust, and ensures the proper use of tax benefits.

As of December 31, 2012, the ETB manages over \$2 billion in gross assets in two college savings plans: the Education Plan and Scholar'sEdge. The Education Plan has 28,356 accounts and \$376 million in investments. The Scholar'sEdge has 175,322 accounts and \$1.6 billion in investments. Most of these accounts are held by non-New Mexico residents.

In recent years, the ETB has provides \$500 thousand for the ETB Pathways Scholarship Program administered by the HED. These scholarship funds assist students who have financial need and demonstrate academic success. For FY14, the LFC recommendation proposed the ETB's funding be used to support the State Student Incentive Grant Program, the state's largest need-based grant program.

PERFORMANCE IMPLICATIONS

Adding another board member to the ETB may improve ways the board conducts daily business and may improve performance of the trust fund.

ADMINISTRATIVE IMPLICATIONS

The bill adds another member appointed by the governor. The governor would be required to make this appointment.

RELATIONSHIP

SB 332 relates to SB 119, a bill transferring administration of the Education Trust Act from the ETB to the State Investment Council.

THT/svb