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FISCAL IMPACT REPORT

SPONSOR Beam DATE TYPED 02/11/05 HB 338

SHORT TITLE Higher Education Faculty Endowment Fund SB _____

ANALYST Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$9,000.0			Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	\$9,000.0		Non-recurring	Faculty Endowment Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Commission on Higher Education (CHE)

SUMMARY

Synopsis of Bill

House Bill 338 appropriates \$9 million from the general fund to the Commission on Higher Education for the faculty endowment fund for equal distribution to New Mexico State University, University of New Mexico and New Mexico Institute of Mining and Technology.

Significant Issues

CHE notes the Faculty Endowment Fund was originally established for New Mexico's six universities and New Mexico's school of medicine.

FISCAL IMPLICATIONS

The appropriation of \$9.0 million contained in this bill is a non-recurring expense to the general fund in FY06. Any unexpended or unencumbered balance remaining would **not** revert.

The Legislative Finance Committee budget recommendation includes \$9 million in FY05 non-recurring general fund special appropriations for the faculty endowment fund.

ADMINISTRATIVE IMPLICATIONS

CHE notes "To ...draw down the appropriate State funds, the university will need 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;
- 4) Identification of the source of the non-governmental monies and their permanent commitment to the endowment"

TECHNICAL ISSUES

The bill is silent on the type of endowment that would be eligible for receipt of monies from the fund. Further, a matching fund requirement is not specified; previous legislation specified differing matching requirements.

OTHER SUBSTANTIVE ISSUES

CHE notes:

"The General Appropriations Act (GAA) of 2002 allocated \$10 million to the CHE to implement the Faculty Endowment Fund established in Chapter 31 (Laws 2002).

Disbursements established were permanent chairs, professorships, and faculty development programs at New Mexico's six universities and the New Mexico school of medicine. Eight million dollars was made available for draw down in Fiscal Year 2003, with an additional \$2 million available in Fiscal Year 2004.

The statute, Chapter 31 (Laws 2002), required the university to match state monies "in the amount that is equal to or greater than the amount authorized by statute (i.e. at least a dollar-for-dollar amount) from non-governmental sources before June 30, 2005. Each total endowment must meet a *minimum* amount (50% from the State's Faculty Endowment Fund, and at least 50% coming from nongovernmental funds):

- 1) Endowed chairs--\$1,000,000 (\$500,000 Fund and \$500,000 Match)
- 2) Endowed professorships--\$400,000 (\$200,000 Fund and \$200,000 Match)
- 3) Endowed faculty development programs--\$75,000 (\$37,500 Fund and \$37,500 Match)

In conjunction with the \$2M available in Fiscal Year 2004 draw down, the GAA of 2003 allocated \$3 million to CHE to further implement the Fund through an additional three endowed chairs, one each to NMSU, NMIMT, and UNM. As in prior legislation, these chairs required match; however, statute established that a \$500,000 match be raised for each of these three additional endowed chairs."