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FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/2006

SPONSOR Altamirano LAST UPDATED 2/13/2006 HB _____

SHORT TITLE Post-secondary School Faculty Endowments SB 240/aSFC

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 338

Relates to Appropriation in House Bill 2, Section 5 of \$20 million to the faculty endowment fund

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

Public Education Department (PED)

New Mexico Association of Community Colleges (NMACC)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment removes the appropriation from the bill. The amendment specifies that any amounts in the faculty endowment fund would be distributed on a pro-rata basis according to the distribution mechanisms included in Senate Bill 240, if the fund balance does not total \$50 million.

Synopsis of Original Bill

Senate Bill 240 appropriates \$50 million from the general fund to the faculty endowment fund for the purpose of funding faculty endowments as follows:

- \$8 million each for University of New Mexico, University of New Mexico School of Medicine, New Mexico State University and New Mexico Institute of Mining and Technology upon receipt of 40 percent matching funds;
- \$2 million each for New Mexico Highlands University, Eastern New Mexico University,

Western New Mexico University and Northern New Mexico State School, upon receipt of 30 percent matching funds;

- \$10 million total for New Mexico Military Institute, community colleges, branch community colleges and technical and vocational institutes, upon receipt of 30 percent matching funds. This funding is to be distributed according to distribution rules promulgated by HED. Each eligible institution must have an opportunity to receive an equitable share of the total amount to be distributed.

Eligible funding purposes include endowed chairs, lectureships, professorships, scholarships, graduate assistantships, faculty development programs and other purposes that enhance the quality of public education. Qualifying institutions would be able to drawdown the funding through July 1, 2009.

By July 1 of calendar year 2007, 2008 and 2009, HED would report to LFC on disbursements to each institution, the amount of matching funds and their source and the purpose of the endowments.

The bill also makes technical updates to statute for the creation of the Higher Education Department and repeals language that has, in effect, expired or is inconsistent with other provisions of the bill.

FISCAL IMPLICATIONS

The Senate Finance Committee amendment removed the appropriation from the bill, and essentially provides a pro-rata distribution mechanism for any amount that is included in Section 5 of House Bill 2 for the faculty endowment fund.

SIGNIFICANT ISSUES

The bill expands the concept of faculty endowments to all two-year colleges.

Note that under existing statute, the endowment concept authorizes interest income to be distributed to faculty for salary or associated academic activity expenses.

NMACC notes both four-year and two-year public, post-secondary institutional faculty salaries are, on average, about 90 percent of their institutional peers. NMACC also notes pressures on faculty recruitment and retention from the three-tier licensing structure for public school teachers.

ADMINISTRATIVE IMPLICATIONS

NMHED notes that for institutions: "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, lectureship, professorship, scholarship, graduate assistantship, 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."

TECHNICAL ISSUES

HED recommends the reference to Northern New Mexico State School be updated to reflect Laws 2005, Chapter 304 (Senate Bill 594) and Laws of 2005, Chapter 308 (House Bill 461).

NMACC recommends on page 3, line 13, change the word “public” to “higher.”

OTHER SUBSTANTIVE ISSUES

HED notes “the faculty endowment fund is legislative priority #13 out of 14 for the 2006 session... This fund is also part of Governor Richardson’s Making Schools Work initiative which NMHED has recommended.”

NMACC notes only San Juan College has currently established an endowed chair. Albuquerque TVI and Santa Fe Community College have endowment plans in place.

ALTERNATIVES

Historically, the non-state funding match for research universities has been higher than specified in this bill.

POSSIBLE QUESTIONS

1. What is the purpose of the initiative?
2. Does the purpose differ between four-year research, four-year comprehensive and two-year public, post-secondary institutions?
3. Does the bill sufficiently address these issues?

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