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FISCAL IMPACT REPORT

ORIGINAL DATE 01/31/08

SPONSOR Saavedra LAST UPDATED 02/07/08 HB 468/aHAFC

SHORT TITLE Faculty Endowment Fund Name Change SB _____

ANALYST Williams

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

Relates to appropriation in the Senate-passed version of House Bill 2 which includes \$5.6 million for a non-recurring general fund appropriation to the faculty endowment fund, including \$600 thousand for the establishment of the Pamela Minzner professorship at the University of New Mexico School of Law.

SOURCES OF INFORMATION

LFC Files

Responses Received From
Higher Education Department (HED)

SUMMARY

Synopsis of HAFC Amendments

The House Appropriations and Finance Committee (HAFC) amendment #1 removes the language regarding making an appropriation as a technical change. HAFC amendment #2 strikes a portion of the existing statute relating to the appropriation enacted in 2007 legislation, then inserts a temporary provision that \$5 million appropriated from the general fund to the faculty endowment fund in the General Appropriation Act of 2008 (House Bill 2) is to be disbursed in fiscal year 2009 and subsequent years. Amendment #3 makes a technical change. Amendment #4 specifies that whatever the final amount of the appropriation in the General Appropriation Act of 2008 (House Bill 2) to the faculty endowment fund, the funding would be available for university and college draw-down based on the allocations specified in the 2007 legislation.

Synopsis of Original Bill

House Bill 468 changes the name of the faculty endowment fund to the higher education endowment fund. The bill expands the purpose of the fund to include scholarships for students.

FISCAL IMPLICATIONS

The bill does not contain an appropriation, and has no fiscal impact. The impact of the HAFC amendments is to authorize House Bill 2 appropriations from the general fund to the faculty endowment fund beginning in FY09. Further, the 2008 House Bill 2 appropriation to the faculty endowment fund would be available for draw down by public, post-secondary institutions proportionally according to the allocations specified in the 2007 legislation.

SIGNIFICANT ISSUES

HED notes during the 2007 session, changes were made to the existing statute along with an appropriation of \$12 million. The addition of the word “scholarship” resulted in differing opinions on whether scholarships would apply only to faculty or would also apply to students. The proposed legislation clearly expands the existing faculty endowment program to students.

The faculty endowment fund has traditionally been used as a mechanism to retain and recruit highly qualified faculty.

Note that the appropriation currently included in House Bill 2 is relatively small, compared to historical appropriations for this purpose. The attached draft from HED shows the current status of faculty endowment fund draw downs.

OTHER SUBSTANTIVE ISSUES

The state is ranked an “F” for student financial aid in the 2006 Measuring Up report of state higher education outcomes. This ranking is driven by the state’s reliance on the lottery scholarship program, a merit-based program, and under-reliance on need-based programs. As well, the state’s ranking on affordability influences the ranking. Current funding for all state student financial aid programs total \$72.3 million as included in the LFC budget recommendation in Volume II on page 358.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The HAFC amendments make reference to the General Appropriation Act of 2008 and appear to amend language in House Bill 2. The outcome is that the HAFC amendment would conflict with current scoring of the fiscal impact of the General Appropriation Act of 2008 (House Bill 2). The Department of Finance and Administration may harmonize this issue through the allotment process.

AW/mt:bb

**NEW MEXICO HIGHER EDUCATION DEPARTMENT
Faculty Endowment Summary - DRAFT**

Institution	Laws 2002	Laws 2003	Laws 2004	Status 2/7/08 Original Appropriation	Allocation "old" \$	Status 2/7/08 "Old" Allocation	Laws 2007	Status 2/7/08 2007 Appropriation	TOTAL
Four-Year Institutions:									
NM Institute of Mining & Technology	1,237,500	1,000,000		drawn	71,800	draw in progress	2,000,000	drawn	4,309,300
New Mexico State University	3,175,000	1,000,000		drawn	134,000	draw in progress	2,000,000	drawn	6,309,000
University of New Mexico	3,762,500	1,000,000		\$37.5K draw in progress	152,800	draw in progress	2,000,000	drawn	6,915,300
UNM Health Sciences Center	1,000,000			drawn	32,200	draw in progress	1,500,000	drawn	2,532,200
Eastern New Mexico University	275,000			drawn	8,800	draw in progress	500,000	drawn	783,800
New Mexico Highlands University	237,500			drawn	7,600	draw in progress	500,000	drawn	745,100
Northern NM College (4-Yr eff FY08)							500,000	draw in progress	500,000
Western New Mexico University	237,500			\$200K draw in progress	7,600	draw in progress	500,000	drawn	745,100
Subtotal Four-Years	9,925,000	3,000,000	0		414,800		9,500,000		22,839,800
Two-Year Institutions:									
ENMU - Roswell							175,000	draw in progress	175,000
ENMU - Ruidoso							50,000	draw pending	50,000
NMSU - Alamogordo							100,000		100,000
NMSU - Carlsbad							50,000		50,000
NMSU - Dona Ana							250,000		250,000
NMSU - Grants							50,000		50,000
UNM - Gallup							150,000		150,000
UNM - Los Alamos							50,000		50,000
UNM - Taos							50,000		50,000
UNM - Valencia							75,000		75,000
Central NM Community College							500,000		500,000
Clovis Community College							125,000	draw in progress	125,000
Luna Community College							75,000		75,000
Mesalands Community College							50,000	draw in progress	50,000
New Mexico Junior College							175,000	draw in progress	175,000
San Juan College							300,000	draw in progress	300,000
Santa Fe Community College	37,500						200,000		237,500
Subtotal Two-Years	37,500	0	0		0		2,425,000		2,462,500
Special School / Unallocated									
New Mexico Military Institute							75,000	draw in progress	75,000
Unallocated	37,500		55,000						
TOTAL	10,000,000	3,000,000	55,000		414,800		12,000,000		25,377,300
Unallocated 2002 + 2004					92,500				25,377,300
Cumulative interest income thru 6/30/07					322,300				
Available for allocation - approved Jan'08					414,800				