

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill No: HB 766**

**49th Legislature, 1st Session, 2009**

**Short Title: Higher Education Endowment Fund Distribution**

**Sponsor(s): Representatives Henry “Kiki” Saavedra, Andrew J. Barreras and Others**

**Analyst: Eilani Gerstner**

**Date: February 26, 2009**

**Bill Summary:**

HB 766 amends Chapter 21, *State and Private Educational Institutions*, to, among other requirements, change (1) the distribution of appropriations to the Higher Education Endowment Fund among New Mexico public postsecondary institutions; and (2) the percent of matching funds required for each institution.

More specifically, HB 766 would require appropriations to the endowment fund to be disbursed to public postsecondary institutions proportionately, rather than in set dollar amounts, contingent upon those institutions receiving a percent of their allowed disbursement in matching funds from other-than-governmental sources as follows:

<b>Institution</b>	<b>Disbursement</b> (proportion of endowment fund appropriation)	<b>Required matching funds</b> (percent of each institution's disbursement)
University of New Mexico (UNM)	18 percent	50 percent
New Mexico State University (NMSU)	16 percent	50 percent
New Mexico Institute of Mining and Technology (NM Tech)	16 percent	50 percent
UNM Health Sciences Center	12 percent	50 percent
New Mexico Highlands University (NMHU)	4.5 percent*	40 percent
Eastern New Mexico University (ENMU)	4.5 percent*	40 percent
Western New Mexico University (WNMU)	4.5 percent*	40 percent
Northern New Mexico College (NNMC)	4.5 percent*	40 percent
<ul style="list-style-type: none"><li>• New Mexico Military Institute (NMMI)</li><li>• Independent community colleges</li><li>• Branch community colleges</li><li>• Technical and vocational institutes</li></ul>	20 percent**	30 percent each

\*HB 766 would require NMHU, ENMU, WNMU, and NNMC to each draw an equal share of 18 percent of each appropriation (18 percent / 4 institutions = 4.5 percent per institution).

\*\*HB 766 would require NMMI, independent and branch community colleges, and technical and vocational institutes to draw a share of 20 percent of each appropriation using a distribution formula approved by HED.

HB 766 would further provide that:

- distributions from the endowment fund be made over a three-year cycle, with unmatched funds reverting to the General Fund after the third year of the cycle;
- HED notify each institution of the amount it may match during the first two fiscal years of each three-year cycle;
- allocations not matched during the first two fiscal years of each cycle be made available to other institutions;
- four-year institutions may only apply for supplemental matches from unmatched funds of other four-year institutions, and likewise for two-year institutions;
- the Higher Education Department (HED) report annually to the Legislative Finance Committee (LFC) regarding disbursements from the endowment fund.

The provisions in HB 766 would take effect July 1, 2009.

**Fiscal Impact:**

HB 766 contains no appropriation; however, the provisions in the bill apply to appropriations and distributions for FY 10 and subsequent fiscal years. Unmatched funds revert to the General Fund after the third year of the three-year cycle.

\*CS/HB 2 et al., *General Appropriation Act of 2009*, does not include an appropriation to the endowment fund.

**Fiscal Issues:**

Since 2002, the Legislature has appropriated a total of \$30.6 million to the endowment fund as shown in the table below.

<b>Legislature</b>	<b>Appropriation</b>	<b>Bill Number</b>
2002	\$10.0 million	SB 1 (Laws of 2002 (EX. SESS.), Ch. 4)
2003	\$3.0 million	HB 756 (Laws of 2003, Ch. 379)
2007	\$12.0 million	HB 983 (Laws of 2007, Ch. 364, partial veto)
2008	\$5.6 million, including \$600,000 for a Pamela Minzner endowment at UNM	HB 2 (Laws of 2008, Ch. 3, partial veto)
<b>Total:</b>	<b>\$30.6 million</b>	

The following appropriations were vetoed by the Governor: \$6.0 million (2004), \$6.0 million (2005), and \$20.0 million (2006).

Current statute specifies the set dollar amount that each institution is eligible to receive according to the 2007 appropriation; however, these dollar amounts may vary depending upon the appropriation to the endowment fund. Such a situation occurred with the disbursement of the 2008 appropriation as shown in the table below. The provisions in HB 766 would appear to allow the Legislature to appropriate funds to the endowment fund in future years proportionately, without amending statute.

For a sense of how the proposed requirements in HB 766 compare with the disbursement of appropriations in recent years, the table below, provided by HED, compares (1) the

disbursements of the 2007 and 2008 appropriations (excluding the Pamela Minzner endowment); (2) the percent of the total appropriation allocated for each institution in those years; and (3) the required disbursement percentages proposed in HB 766.

Four-Year Institutions	Laws 2007		Laws 2008		HB 766
	<i>required disbursement*</i>	<i>percent</i>	<i>disbursement*</i>	<i>percent</i>	<i>required percent</i>
NMIMT	\$2,000	16.7%	\$1,000	20.0%	16.0%
NMSU	\$2,000	16.7%	\$1,000	20.0%	16.0%
UNM	\$2,000	16.7%	\$1,000	20.0%	18.0%
UNM Health Sciences Center	\$1,500	12.5%	\$1,000	20.0%	12.0%
ENMU	\$500	4.2%	\$125	2.5%	4.5%
NMHU	\$500	4.2%	\$125	2.5%	4.5%
NNMC	\$500	4.2%	\$125	2.5%	4.5%
WNMU	\$500	4.2%	\$125	2.5%	4.5%
<i>Subtotal – four-year institutions</i>	<i>\$9,500</i>	<i>79.2%</i>	<i>\$4,500</i>	<i>90.0%</i>	<i>80.0%</i>
Community Colleges/NMMI:	\$2,500	20.8%	\$500	10.0%	20.0%
<b>Totals</b>	<b>\$12,000</b>	<b>100.0%</b>	<b>\$5,000</b>	<b>100.0%</b>	<b>100.0%</b>

\*dollar amounts in thousands

Source: Higher Education Department

Under current law, sections not amended by HB 766 provide that:

- HED administers the endowment fund and approves disbursements from the fund to postsecondary institutions;
- endowments may include endowed chairs, lectureships, professorships, scholarships for students, graduate assistantships, and faculty development programs; and
- institutions may not receive disbursements from the fund until they receive matching funds for the endowment from other-than-governmental sources.

**Background:**

- In 2002, legislation was enacted to create the Faculty Endowment Fund in law to provide for endowments at four-year public postsecondary institutions.
- In 2007, the law was amended to include NMMI, two-year colleges, and vocational and technical institutes and to require HED to use a formula to allocate funding to these institutions.
- In 2008, the law was amended to change the name of the fund to the Higher Education Endowment Fund.

**Related Bill:**

HB 73a *College Affordability Endowment Distribution*