

**NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.**

**Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.**

## FISCAL IMPACT REPORT

SPONSOR: Ruiz DATE TYPED: 03/12/01 HB HJM 58  
 SHORT TITLE: Study Higher Education Privatization Proposals SB \_\_\_\_\_  
 ANALYST: Burch

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		**	**		

(Parenthesis ( ) Indicate Expenditure Decreases)

\*\* Please see Fiscal Implications section of this report.

### SOURCES OF INFORMATION

LFC Files  
 General Services Department  
 Commission on Higher Education  
 New Mexico State University

(NOTE: The Department of Finance and Administration did not provide an analysis.)

### SUMMARY

#### Synopsis of Bill

House Joint Memorial 58 requests higher education institutions to perform a cost-benefit analysis before considering privatization of activities. The following should be considered in the evaluation:

- whether the one-time and annual recurring savings are substantial enough to warrant privatization;
- potential market for the activity;
- strengths and weaknesses of governmental and private sector services and client protection mechanisms;
- effect of possible reduced service delivery to New Mexico citizens;
- effect on unemployment in an area and the state;
- effect on local governments and existing contracting; and
- other pertinent fiscal and socioeconomic factors.

The joint memorial further requests:

## House Joint Memorial 58 -- Page 2

- the State Budget Division, the management and contracts bureau of the Department of Finance and Administration and the purchasing division of the General Services Department to evaluate public higher education privatization proposals to ensure the state agency's authority, responsibility or policymaking functions are not being delegated; and
- that state agencies provide copies of their cost-benefit analyses to the LFC for review before taking action to privatize and activity.

### **FISCAL ADMINISTRATIVE IMPLICATIONS**

The Commission on Higher Education reports that "There would be a fiscal impact to the institutions. In order to implement all of the components of the suggested cost-benefit analysis, costs associated with additional research would be incurred."

The General Services Department GSD reports that since both 2- and 4-year schools are exempt from procurement through them, there may be little applicability of this proposal to the purchasing division; GSD says it does not have the staff resources to perform the evaluations of higher education privatization proposals.

New Mexico State University reports that it already does thorough cost-benefit analyses before considering privatization, so no additional costs would be incurred by the university; however, the fiscal implications of the proposed multiple layers of the process could be significant.

### **OTHER SUBSTANTIVE ISSUES**

New Mexico State University raised the following issue:

"The NM Constitution gives the Board of Regents the authority and responsibility for "control and management" of the institution. A wide range of existing statutes provide specific reporting and approval processes by which state agencies, such as CHE, DFA, GSD, Board of Finance, and the State Auditor, as well as the LFC, exercise regulatory and oversight responsibilities with regard to higher education. The somewhat undefined review or approval processes suggested by this memorial would conflict with the constitutional authority of the Regents and with existing statutes/regulations regarding higher education and its relationships with the state."

DKB/njw