

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)).

## FISCAL IMPACT REPORT

ORIGINAL DATE 02/07/21

SPONSOR Brown/Townsend LAST UPDATED 03/17/21 HB 212

SHORT TITLE Remake NMSU Carlsbad as Community College SB \_\_\_\_\_

ANALYST Valenzuela

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$2,500.0	\$2,500.0	\$5,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act of 2021

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Office of the Attorney General (NMAG)  
New Mexico State University (NMSU)  
Higher Education Department (HED)

### SUMMARY

#### Synopsis of Bill

House Bill 212 (HB212) would reorganize New Mexico State University's Carlsbad branch campus as an independent community college called Southeast New Mexico College (SNMC).

The governing board will be elected through a regular local election from five election districts within the Carlsbad Municipal School District. The bill states taxes levied for payments on bonds of NMSU-Carlsbad and for operating, maintaining and providing facilities shall continue in effect until dissolution pursuant to statute. Finally, assets and contractual obligations will transfer to the new entity, except for the Carlsbad Environmental Monitoring and Research Center.

The effective date of this bill is July 1, 2021 for section 1 and April 1, 2022 for Section 2

### FISCAL IMPLICATIONS

HB212 does not contain an appropriation but could have a fiscal impact on the state general fund. The Legislature appropriates \$4.2 million from the general fund to NMSU Carlsbad for general instruction and operation and more than \$300 thousand for a nursing and manufacturing

program. The impact on the general fund could be mitigated from the local property tax revenues.

Local Community Financial Support. Branch campuses are required to impose a minimum of 1 mill levy to property owners for operations. Independent community colleges on the other hand are required to impose 2 mills as a minimum. Carlsbad provides strong support for the branch campus by imposing 3 mills. The LFC has reported extensively on the funding imbalances among branch campuses and community colleges, particularly given that many of the branch campuses are heavily reliant on state appropriations. For instance, ENMU Roswell imposes the minimum local property tax required by statute, generating \$1.1 million in property taxes.

On the other hand, Carlsbad imposes 3 mills, which generates significant property tax revenue. In FY20, the community generated \$14 million. The community college has budgeted \$9.8 million for its FY21 operating budget. The college has built an unrestricted cash balance of more than \$30 million, which can be used to offset increased operating or capital costs.

Increased Costs of Instruction. As an independent community college, Southeast New Mexico College must fund its financial and administrative systems, which are services it currently receives from its parent institution, New Mexico State University. Comparing some of these costs at three independent community colleges with the existing costs at NMSU Carlsbad provides insight to additional costs to be absorbed by Southeast New Mexico College.

<u>Institutions/Expense Categories</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Costs</u>	<u>Physical Plant</u>	<u>Total</u>
New Mexico Junior College (Hobbs):	2,039,627	1,839,102	4,175,879	3,495,674	<b>11,550,282</b>
Clovis Community College:	1,251,302	1,545,866	2,693,426	1,621,253	<b>7,111,847</b>
NMSU Carlsbad:	768,227	1,024,944	1,944,111	1,107,093	<b>4,844,375</b>
San Juan College (Farmington):	4,351,323	4,826,173	7,403,386	5,836,743	<b>22,417,625</b>

These comparisons provide a perspective of the expense differential between independent community colleges and branch campuses. NMSU Carlsbad is a much smaller campus than those shown above; NMSU Carlsbad (846 student FTEs) occupies 142 thousand square feet of instructional space compared with Clovis Community College (1,461 student FTEs), which occupies 311 thousand square feet.

## **SIGNIFICANT ISSUES**

Transfer of Property Tax Revenue. A central question in HB212 surrounds the tax imposition on property owners in the Carlsbad college district. Voters approved a tax levy for a branch community college campus, as opposed to an independent community college.

According to the College District Tax Act, the imposition of local property taxes is to the benefit of the college district, which is physically the same as the school districts from which it was created. However, the college mission will be different. An alternative could be a requirement that a legal analysis be completed prior to nullifying the operating agreement with the NMSU Board of Regents.

Operating Agreement. NMSU Carlsbad must terminate its agreement with the NMSU Board of

**House Bill 212 – Page 3**

Regents. According to the office of the Attorney General, the agreement can be terminated with six months notice, or mutual agreement and must be approved by HED.

MFV/al/rl