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FISCAL IMPACT REPORT

SPONSOR Martinez ORIGINAL DATE 2/18/19
LAST UPDATED _____ HB _____

SHORT TITLE Shared Service Projects in Community Colleges SB 594

ANALYST Valenzuela

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$14,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

FY20 LFC Appropriation Recommendation did not recommend funding for the project in SB594.

FY20 Executive Appropriation Recommendation (amended) did not support funding for the project in SB594

Responses Received From

New Mexico Independent Community Colleges

SUMMARY

Synopsis of Bill

Senate Bill 594 appropriates \$14 million from the general fund to the Higher Education Department for the purpose of purchasing, installing, and implementing an enterprise resource planning (ERP) system for independent community colleges in New Mexico. ERP computer systems include financial, administrative (such as human resources), and back office processing.

FISCAL IMPLICATIONS

The total ERP project is estimated to cost \$28 million. The independent community colleges submitted a special appropriations request for \$20 million from the general fund for this project. The LFC appropriation recommendation did not support the request.

ERP implementation is complex. Fundamental to the success of implementation is a strong unanimous commitment from the participants as demonstrated by financial commitments and resource commitments, which are binding on the parties. Among the independent community colleges, two colleges have indicated they will not transition to this system.

<u>Institution</u>	<u>Transition to New System</u>
CNM	Yes
NM Junior College	No
Luna CC	Yes
Mesalands CC	Yes
NM Military Institute	No
San Juan College	Yes
Santa Fe CC	Yes

Financially, those colleges, who plan to participate, will contribute a share of funding to support the state appropriation, as shown below, compared with the share of students attending the each college.

College	HeadCount Enrollment	% of Total HeadCount Enrollment	Financial Contribution By College	% of Match by College
Clovis CC	3,426	7.9%	\$300,000	3.1%
CNM	24,480	56.3%	\$6,500,000	67.4%
Luna CC	1,375	3.2%	\$400,000	4.1%
Mesalands CC	1,005	2.3%	\$200,000	2.1%
San Juan College	7,363	16.9%	\$750,000	7.8%
SFCC	5,844	13.4%	\$1,500,000	15.5%
Total	43,493	100%	\$ 9,650,000	100%

Both the Clovis Community College and the San Juan Community College are contributing less than half of the funding compared with their share of enrollment. The limited financial commitment of these colleges could be a concern to the development of the project, putting a substantial reliance on the state funds, eliminating the benefit of collaboration and shared services.

Currently, there is not a binding agreement among the participating institutions to follow through on commitments if the bill is enacted.

The appropriation of \$14 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 shall revert to the general fund.

MFV/al/gb