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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/21

SPONSOR Kernan LAST UPDATED _____ HB _____

SHORT TITLE Independent Carlsbad Community College SB 236

ANALYST Valenzuela

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$2,500.0	\$2,500.0	\$7,500.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB212
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

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

SUMMARY

Synopsis of Bill

Senate Bill 236 (SB236) 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

SB236 does not contain an appropriation but would have a substantial fiscal impact. 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.

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	11,550,282
Clovis Community College:	1,251,302	1,545,866	2,693,426	1,621,253	7,111,847
NMSU Carlsbad:	768,227	1,024,944	1,944,111	1,107,093	4,844,375
San Juan College (Farmington):	4,351,323	4,826,173	7,403,386	5,836,743	22,417,625

These comparisons provide a perspective of the expense differential between independent community colleges and branch campuses.

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 yet NMSU Carlsbad generates more than \$14 million annually from local property taxes.

SIGNIFICANT ISSUES

Transfer of Property Tax Revenue. A central question in SB236 surrounds the tax imposition on property owners in the NMSU Carlsbad college district. Voters approved a tax levy for a branch campus of NMSU, 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 Regents. According to the Office of the Attorney General, the agreement can be terminate with six months notice, or mutual agreement and must be approved by HED.

MFV/al