

LFC Requester:

Connor Jorgenson

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 02/28/2025

Check all that apply:

Bill Number: HB449

Original Correction

Amendment Substitute

**Agency Name
and Code**

Council of University Presidents
993

Number:

Sponsor: Derrick J. Lente

Short Higher Education Major

Title: Projects Fund

Person Writing Marc Saavedra

Phone: 505-426-4674 **Email** Msaav@nmcup.us

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

HB 449 creates the “higher education major projects fund” as a non-reverting fund administered by the Higher Education Department (HED). The fund can be used for “qualifying major capital outlay projects at educational institutions”. The eligible uses of the fund (Subsection B) are the following:

- Major capital projects for instruction and general (I&G) and research purposes, meaning projects costing fifty million dollars (\$50,000,000) or more, at four-year educational institutions; and
- Student housing and student life (SHSL) projects at both four- and two- year educational institutions.

HB 449 sets criteria that each eligible major capital outlay project must meet before they receive any appropriations from the fund (Subsection C). For the design phase funding, an educational institution will be required to provide at least a 25% match from sources other than the state for major I&G and research purposes and for a SHSL capital outlay project, an educational institution has to provide at least a 50% match from sources other than the state. For construction phase funding, an educational institution must provide at least a 10% match from sources other than the state for major I &G and research purposes. For SHSL projects, a 50% match is expected from a two-year educational institution and a 20% match is expected from a four-year institution.

The bill further requires that any SHSL capital outlay projects adhere to space and design standards adopted by HED. If a SHSL project exceeds the HED adopted standards, any associated costs will not be covered by the state.

HB 449 does provide for a waiver of the match requirements set out in the bill, if HED determines that an educational institution cannot reasonably afford the required match with institutional reserves, bonds or other sources available to the educational institution. Waivers will be subject to the ratification and approval of the legislature prior to a waiver being granted.

The bill stipulates that money shall not be appropriated from the fund for any construction phase funding until at least 50% of the design phase is complete and design documents are submitted to HED and the Legislative Finance Committee (LFC). Additionally, educational institutions require documentation to HED and LFC showing historic on-campus student populations and the expected number of on-campus students to be served by a new facility and compliance documentation for the new facility with existing institutional space standards and policies.

FISCAL IMPLICATIONS

The bill creates a non-reverting fund in the state treasury, to be administered by the Higher Education Department (Department), that consists of appropriations, income from investment of the fund, gifts, grants, donations and other money credited to the fund. The fund is subject to appropriation by the legislature for qualifying major capital projects at educational institutions. The bill does not contain an appropriation.

The bill creates the foundation in funding Instruction & General and research projects costing \$50 million or more, student life projects, and housing projects. Currently, student life and student housing projects are not recommended through the capital outlay process. Housing and student life projects can assist with student recruitment and retention efforts.

Financing of 4-year institution facilities from external revenue sources, excluding state capital outlay and general obligation bonds, is limited. Generally, non-state external revenue sources for 4-year institutions to finance facilities include private donations and student fees. Student fees are generally used to support capital improvement bonds and the amount available to an institution is dependent on its debt capacity, which is likely low for most institutions. The creation of Opportunity Scholarship has helped increase enrollment at higher education institutions statewide while institutions strive to keep tuition and fees low to keep the scholarship viable.

The 4-yr institutions believe this type of state investment is needed to improve the underlying academic (instruction and general) and research infrastructure at higher education institutions. A smaller match may be more appropriate for institutions and institutions will need to work with the state to identify other non-state revenue sources (for example other than student fees) to meet their matching requirements.

Institutions will benefit from the ability to apply for matching funds for both student housing and student life improvements. These projects are ordinarily funded using student fees, which are often used to support capital improvement bonds. By providing a state match, this will ultimately reduce the burden on students to pay for student housing and student life improvements.

SIGNIFICANT ISSUES

The bill does supports on-campus housing expansion, addressing growing student enrollment and the increasing need for affordable, accessible student housing. This initiative could improve student retention and success, as on-campus housing has been linked to higher engagement and academic performance.

Additionally, HB 449 is a critical step in addressing housing insecurity among students in New Mexico. According to the 2023 Statewide Basic Needs Survey conducted by the University of New Mexico's Basic Needs Project, 66% of undergraduate students in New Mexico experience some form of basic needs insecurity, including housing instability. By providing a dedicated funding source for student housing projects, this bill directly contributes to reducing housing insecurity, enabling more students to focus on their academic success without the added burden of finding affording and suitable housing.

The requirement for design and space standards ensures efficient use of state funds and prevents cost overruns. However, institutions must carefully plan long-term maintenance and operational costs associated with expanded housing facilities.

PERFORMANCE IMPLICATIONS

HB 449 enables educational institutions to expand housing capacity, which directly contributes to student success metrics, including improved retention rates and graduation rates. The bill also

allows for better long-term infrastructure planning by offering a dedicated funding source rather than relying on ad-hoc capital requests.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

Clarification could be developed to indicate whether public private partnerships for housing development qualify for matching funds under HB 449.

Section C(2) that specifies the matching criteria for construction phase funding needs to be clarified. Section C(2) specifies that the educational institution shall provide at least 10 percent match from sources other than the state for major instructional and general research purposes and for student housing and student life projects. Then subsections states (a) at least fifty percent match from sources other than the state for two-year educational institutions and (b) at least a twenty percent match from sources other than the state for four-year educational institutions.

OTHER SUBSTANTIVE ISSUES

Some institutions may struggle to meet the required match percentages, even with waiver provisions. Additional clarity on criteria for waiver approval may be beneficial.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS

Allow public-private partnerships (P3s) to qualify for state matching funds.

Eliminate the requirement of waivers being subject to ratification and approval of the legislature prior to the waiver being granted in Section 1.E. The current Capital Outlay Committee includes membership of staff of the Legislative Finance Committee and would be able to provide feedback on the decisions regarding a request for a waiver by an HEI.