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FISCAL IMPACT REPORT

ORIGINAL DATE 02/18/09
 LAST UPDATED 03/10/09 HB 354/aHEC

SPONSOR Thomas

SHORT TITLE Create UNM Rio Rancho Campus SB _____

ANALYST Williams

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY10	FY11	FY12	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total			\$5.4 million to \$6.4 million --- beginning in FY12 (Formula Driven Instruction & General)		Recurring, grows over time	General Fund
			\$.01			State Capital Outlay Sources

(Parenthesis () Indicate Expenditure Decreases)

Note: The preliminary funding formula estimate of General Fund cost for the UNM West campus in Rio Rancho is conservatively \$5.4 million in the first year, FY 12, based on the enrollment for academic year 2009-2010 and the two-year funding formula lag. This cost would grow significantly over time. This estimate includes the small amount of physical plant and utilities funding estimated by HED at just \$266 thousand. This estimate is based on 750 students in the first year, with 700 undergraduate students split between traditional and non-traditional undergraduates. These resident students would be enrolled in upper division courses. Holding the level of students constant, the total General Fund cost for instruction and general would be over \$28 million for five years, even before considering increases in eligible square footage or growth in enrollment. For the UNM expectation of an increase of 300 students in the second year (discussed below), total general fund cost could increase by an additional \$2.4 million, for the first cohort alone.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

University of New Mexico (UNM)

Central New Mexico Community College (CNM)

SUMMARY

Synopsis of HEC Amendment

The House Education Committee amendment removes the authorization for separate operating and capital budget requests for the University of New Mexico Rio Rancho campus.

Synopsis of Original Bill

House Bill 354 authorizes the University of New Mexico to establish a Rio Rancho campus for its own use and to partner with other institutions. The bill also provides for separate operating and capital requests and priorities.

FISCAL IMPLICATIONS

The preliminary funding formula estimate of General Fund cost for the UNM West campus in Rio Rancho is conservatively \$5.4 million in the first year, FY 12, based on the enrollment for academic year 2009-2010 and the two-year funding formula lag. This cost would grow significantly over time. This estimate includes the small amount of physical plant and utilities funding estimated by HED at just \$266 thousand. This estimate is based on 750 students in the first year, with 700 undergraduate students split between traditional and non-traditional undergraduates. These resident students would be enrolled in upper division courses. Holding the level of students constant, the total General Fund cost for instruction and general would be over \$28 million for five years, even before considering increases in eligible square footage or growth in enrollment. For the UNM expectation of an increase of 300 students in the second year (discussed below), total general fund cost could increase by an additional \$2.4 million, for the first cohort alone. This estimate assumes UNM tuition rates, adjusted for the tuition credit assumed in House Bill 2, along with UNM fees.

The higher education funding formula provides funding for instruction, student services, administration and plant operations and maintenance, as well as funding for building renewal and replacement. The funding formula takes into account student credit hours, student head count, space utilization, etc. to calculate state support for the institutions of higher education. The financial impact to other New Mexico post-secondary institutions resulting from the proposed UNM Rio Rancho campus is unknown.

HED has not prepared an estimate of the full formula cost of the new campus. HED indicates the department does not have projected student credit hours for the UNM Rio Rancho campus with which to generate a formula funding cost scenario for the new campus. HED indicates if the agency prepared this analysis, then an assumption would have to be made about what portion of this enrollment is new and what portion is “transferred” from main campus.

Background

UNM notes the current 2008-2009 operating budget of approximately \$1.2 million is supported by university funds, primarily tuition and fees. The projected 2009-2010 operating budget of approximately \$1.8 million and the projected 2010-2011 operating budget of approximately \$2.4 million will also be substantially supported by tuition and fees, including additional revenue of the UNM Medical Group leasing of the Phase I building, and the reallocation of lease payments of approximately \$125 thousand per year from current leased space.

Phase I building construction will be initially financed via a partnership with the Sandia Foundation, but will be purchased by the University upon completion. The building is expected to open in early 2010.

According to UNM, all of the infrastructure costs (approximately \$860.0 thousand) and 50 percent of the cost of the Phase I building purchase (\$7.5 million) will be funded from the one quarter cent gross receipts tax approved by Rio Rancho voters in March 2008, with funds available for campus development for twenty years.

HED discusses the physical plant and utility portion of the funding formula cost of \$266 thousand is based on UNM correspondence that the plans contain 40,000 square feet of instruction and general space to be used by UNM. UNM states this funding will be requested for FY11 for the first-full year of operation of the Phase I building.

UNM plans to seek all remaining components of the higher education instruction and general formula funding for FY12, based on academic year 2010-2011 enrollments. Note this request would deviate from the two-year lag for typical funding formula enrollment calculations.

UNM West enrollment was 477 students on a head count basis in Fall 2006 and 573 students in Spring 2008. A decline to 469 students was evident in Fall 2008, the first semester of offering almost exclusively upper division and graduate classes as part of the MOA with CNM.

UNM projects Spring 2010 headcount enrollment of 750 to 800 students, and approximately 1,000 students in Fall 2010.

UNM discusses the need to request capital funding over the next 5 to 7 years to support further campus expansion.

SIGNIFICANT ISSUES

Currently, HED has statutory authority to define requirements for the submission of institutional operating budget and capital outlay requests. The amendment provides clarification that the higher education funding formula is not to be calculated separately, but instead funding for the Rio Rancho campus would be included in the existing instruction and general appropriation of the institution operating in Rio Rancho.

HED discusses 21-1-26.9 requires the Department to review any proposal for the establishment of a new public, postsecondary educational institution or campus and submit its recommendation to the Legislature. UNM submitted its proposal after this bill was introduced, and HED is considering the document. Scheduled construction is expected to begin within weeks.

UNM notes the proposed 220 acre site is owned by the university. The University currently has operations at UNM-West, within the community of Rio Rancho, but would relocate those operations to a new campus site at the Rio Rancho City Center. The new site is being developed in partnership with the City of Rio Rancho, Sandoval County, Central New Mexico Community College (CNM), the Rio Rancho School District and the proposed UNM Sandoval County Regional Medical Center. Future partnerships may include New Mexico State University and others for nonduplicated educational programming.

PERFORMANCE IMPLICATIONS

The new campus would need to develop performance measures as required by the Accountability in Government Act.

ADMINISTRATIVE IMPLICATIONS CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HED notes the Department may require additional staff to review and improve additional operating and capital improvement requests.

TECHNICAL ISSUES

HED discusses UNM did not follow requirements under 21-1-26.9 NMSA 1978, prior to introduction of this legislation.

OTHER SUBSTANTIVE ISSUES

The Rio Rancho campus would allow students to attend Central New Mexico College for the first two years of a Bachelor's degree, and then transfer to UNM for the final two years.

In August 2007, UNM and CNM approved a joint Memorandum of Agreement to enhance cooperation between the two institutions. According to UNM, the intent is to “provide “west-side” residents pursuing higher education a seamless transition between CNM and UNM-West.... In the agreement, both institutions commit to coordinate student services and instructional programming. Each institution also agreed to support the other's proposed campus development in Rio Rancho, with the two institutions sharing space if necessary until separate campus facilities have been completed.”

In November 2007 voters in Rio Rancho approved a measure to enter the CNM taxing district. CNM committed to construct a new campus instructional site with local bond funding. CNM has requested funding for a second instructional facility to house various instructional programs.

CNM and UNM jointly established a comprehensive facilities master plan for the Rio Rancho area. CNM has been pursuing an initiative to achieve LEED Silver certification at the site. CNM is scheduled to occupy the first building on its Rio Rancho campus in Fall 2010. The UNM-West master plan will be completed in February 2009. The UNM-West master plan is a 30-year plan to accommodate 12,000 students, and the site can support a much larger campus build out.

UNM views the proposed Phase I building as “incubator” for future partnerships and program migration from Main Campus.

Potential academic programs to be offered include Business Management, Computer Science, Engineering, Education and Health Sciences, particularly nursing. Programs offered through UNM Continuing Education and Extended University are being considered. By 2010, UNM will identify at least three new undergraduate programs to be offered, which will probably include American Studies and Sociology, with a major in Criminology. As well, UNM will identify at least one non-duplicative program to be offered by NMSU. Finally, by 2012, UNM will identify at least three additional new programs for the UNM-West campus.