

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

FISCAL IMPACT REPORT

BILL NUMBER: House Bill 8/aHAFC

SHORT TITLE: Higher Ed. Major Projects Fund

SPONSOR: Gonzales/ Hochman-Vigil/ Small

LAST ORIGINAL
UPDATE: 2/5/26 **DATE:** 1/31/26 **ANALYST:** Jorgensen/Carswell

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	See Fiscal Impact	See Fiscal Impact	See Fiscal Impact			Higher Education Major Projects Fund
Total	See Fiscal Impact	See Fiscal Impact	See Fiscal Impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to HAFCS 2 &3, House Bill 248, Senate Bill 124

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Council of University Presidents

Higher Education Department

Independent Community Colleges

New Mexico State University

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee struck a transfer of \$300 million contained in Section 2 of the bill as this amount and transfer authorization is included in the House Appropriations and Finance Committee Substitute for House Bill 2 & 3 (HAFCS 2 &3) as passed by the House.

Synopsis of Original Bill

House Bill 8 (HB8) creates the higher education major projects fund to be administered by the Higher Education Department (HED) to support instruction and general (I&G) expenses as well as athletics and student housing and student life projects. The bill requires institutions to provide

matching funds from non-state sources for design and construction.

To support projects eligible for funding through HB8, the bill transfers \$300 million from the general fund to the higher education major projects fund in FY27. Section 3 specifies the initial priorities for expenditures from the higher education major projects fund, subject to appropriation by the Legislature. The priorities include up to \$150 million for the new School of Medicine at the University of New Mexico, up to \$50 million for a new interdisciplinary building at New Mexico State University, and up to \$100 million for student life and housing projects statewide.

Eligible projects to be funded are construction and design for I&G and research projects at four-year institutions costing over \$50 million, athletics projects costing over \$50 million at institutions that compete in Division 1 sports in the NCAA, and student housing and student life projects at four-year, two-year, and tribal colleges with no minimum cost. The bill requires a 25 percent institutional match for project design for I&G projects at four-year institutions and 10 percent for construction for I&G projects. For athletics projects, institutions must provide a 50 percent match for design and construction. For student housing and student life projects, the bill requires both four-year and two-year institutions to provide a 50 percent match for project design and requires two-year institutions to provide a 50 percent match and four-year institutions to provide a 20 percent match for construction. HED may recommend the Legislature waive matching requirements should the department find the institution does not have sufficient funds available. The bill requires institutions to complete 50 percent design prior to receiving funding for construction.

			Match	
Institution	Project Type	Threshold	Design	Construction
4-year	I&G	Over \$50M	25%	10%
	Athletics*	Over \$50M	50%	50%
	Student Life/Housing	None	50%	20%
2-year	Student Life/Housing	None	50%	50%

*for Division 1 programs only

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The bill lists priorities for projects to be supported by the higher education major projects fund including \$150 million for the University of New Mexico medical school, \$50 million for a multidisciplinary building at New Mexico State University, and \$100 million for student life and housing projects statewide, as reflected in the appropriations table. These priorities are funded through transfers made to the higher education major capital projects fund in the General Appropriation Act (GAA).

The HAFCS 2 & 3 as passed by the House includes a transfer of \$300 million to the higher education major capital projects fund as well as an appropriation from the higher education

major projects fund of \$150 million for a new School of Medicine at UNM. The appropriation to UNM in HAFCS 2 & 3 is contingent on enactment of this bill. The 2026 LFC capital outlay framework includes additional appropriations that, in combination with the \$150 million appropriation contingent on enactment of this bill, would complete funding for the UNM medical school.

The bill creates a statutory framework for a fund to support major capital projects at higher education institutions as well as athletics and student housing and student life projects, which are not currently eligible for funding through the statewide higher education capital outlay process.

SIGNIFICANT ISSUES

I&G projects for higher education institutions are currently funded through the statewide capital outlay process. Historically, funding for major new construction has been appropriated every other year, when general obligation bonds (GOB) are available. General obligation bonds, which must be approved by voters in a general election, are the only dedicated source of state funding for higher education capital projects. While institutions receive capital outlay in non-GOB years, they must compete for those funds with state agencies and typically receive smaller appropriations. Additionally, auxiliary projects, including student housing and amenities, are not eligible for statewide capital outlay.

GOB capacity is insufficient to meet demand to replace and repair higher education facilities. From 2022 to 2024, higher education institution capital project requests increased by 81 percent on a per square foot basis while GOB capacity rose only 12 percent. This has made it increasingly difficult to fully fund new construction in any single year. When the state's larger institutions pursue major projects, which may now surpass \$100 million in costs, it strains the state's ability to not only fund those projects but to fund smaller renovations, new construction and systems replacement projects at other institutions.

In the 2024 GOB cycle, for instance, UNM made a \$110 million request for a single project, which, if fully funded that year, would have consumed roughly half the dollars appropriated to all institutions in the GOB bill. Instead, the project was only partially funded and the institution sought additional funds in 2025, when dollars for higher education were more limited because GOB funds were not available. While GOB capacity rose more substantially in 2026, by roughly 30 percent over 2024, revenue increases continue to lag construction costs. The largest request for the 2026 cycle is \$540 million for a new medical school at UNM. The project is of critical importance to the state because it will support doubling enrollment in the medical school and the growth of the state's healthcare workforce. A project of this scale could not be funded in a single year through the traditional sources alone.

Though two-year institutions would not be eligible to pursue I&G projects through the new fund, this new funding source for major projects would relieve pressure on GOB funds, providing additional capacity for renovations and more minor new construction at all institutions. Additionally, the bill's framework for phasing design and construction funding would ensure projects are more fully developed and shovel-ready when institutions request construction funding. This would provide the Legislature with more transparency on cost drivers and reduce the need for supplemental appropriations over multiple years to complete projects.

Student life and housing projects have typically been funded through student fees, but growth in construction costs has reduced fees as an effective revenue source. Expansion of the Opportunity Scholarship compounded the problem by creating pressure on institutions to not raise tuition and fees. Additionally, higher education institutions have lost 26 percent of total enrollment since 2011, when enrollment peaked. Reduced student populations have limited higher education institutions' ability to raise funding necessary to maintain and improve on-campus facilities, which makes it more difficult to recruit and maintain an on-campus population. This bill would provide an opportunity to address these challenges.

Athletics projects are currently ineligible for funding through the GOB and severance tax bonds, and many large athletics facilities have significant maintenance needs that cannot be met with existing funds. The bill will allow large-scale projects to receive state funding but require eligible institutions to pay at least half the cost of these projects. To be eligible, Division 1 athletics programs must be in good standing with the NCAA. Further, institutions must have a six-year graduation rate of at least 65 percent or show that graduation rates for all students are higher in the most recent year than the average rate of the previous three years.

The variable matching requirements in the bill reflect the different revenue sources available to four-year and two-year institutions. Four-year institutions do not receive funding through local property taxes. Four-year institutions receive 55 percent of their revenue from state appropriations and 34 percent through tuition and fees. Two-year institutions receive the largest portion of their revenue, 46 percent, through local property taxes, 39 percent through state appropriations, and 12 percent through tuition and fees. The ability for the Legislature to waive match requirements provides flexibility but requires substantial due diligence by HED and the Legislature to determine an institution cannot afford its match.

The Council of University presidents notes:

The waiver process can serve as an important mechanism for clarifying the full range of resources that institutions either possess or lack for the purpose of meeting matching requirements. Through the review and evaluation steps involved in the waiver process, institutions will likely be required to provide detailed information about their available funds and financial constraints. This transparency helps stakeholders gain a better understanding of institutional capacities regarding matching funds.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to the HAFC substitute for the GAA, which includes a \$300 million general fund transfer to capitalize the fund created by the bill, of which \$150 million is appropriated to UNM for construction of a new School of Medicine. The transfer and appropriation are contingent on enactment of this bill.

Relates to appropriations in the LFC capital outlay framework, which would complete funding for the medical school in combination with the \$150 million included in the GAA.

Relates to Senate Bill 124, which partially duplicates HB8 but does not include the fund transfer nor the initial priorities for funding from the higher education major projects fund.

OTHER SUBSTANTIVE ISSUES

HED reports:

HED reviews a significant volume of capital requests each year that exceeds available funding capacity. Across the four most recent general obligation bond cycles between 2018 to 2025, HEIs submitted an average of approximately 61 capital requests totaling \$670.3 million, of which HED recommended 36 projects totaling \$240.7.

A similar pattern exists in non-general obligation bond years during the same timeframe where institutions submitted an average of 63 capital requests totaling \$374 million, of which HED recommended 38 projects totaling \$94 million.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The \$300 million transfer to the higher education major projects fund and the \$150 million appropriation for the UNM medical school would be invalidated. The medical school project would be short of funds to complete construction without the \$150 million appropriation in the General Appropriation Act.

CC/CJ/hg/sgs/ct/dw