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FISCAL IMPACT REPORT

SPONSOR Arnold-Jones **DATE TYPED** 10/08/05 **HB** 14

SHORT TITLE University Infrastructure Repair **SB** _____

ANALYST Williams

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$100,000.0	Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

No Responses Received

SUMMARY

Synopsis of Bill

House Bill 14 appropriates \$100 million from the general fund to the Higher Education Department for university infrastructure repair.

Significant Issues

Note that two-year colleges and branch campuses as well as special schools would not appear to be eligible. The methodology to distribute funds is not indicated.

PERFORMANCE IMPLICATIONS

The bill does not address performance accountability requirements and reporting for the funding.

FISCAL IMPLICATIONS

The appropriation of \$100 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY 07 would revert to the general fund. The bill includes an emergency clause; therefore the fiscal impact would occur in FY06.

OTHER SUBSTANTIVE ISSUES

Higher Education Department (HED) is required to submit a comprehensive funding request and priorities list for higher education, including five-year capital plan, to Legislature by November 1 of each year; secretary designee will utilize same process utilized by CHE in previous years for developing "significant need" list of projects for funding recommendations to the Legislature in 2006 utilizing FCI based on facility assessment. The facility assessment of 35 percent of the building area of each campus (5,900,000 square feet) indicated \$820.7 million was needed to restore all higher education facilities to good condition of which \$364.8 million was needed for the backlog of maintenance. An update of the analysis is in progress.

The Legislature typically funds more costly projects with GOB capacity; GF and STB funding have been limited in past years; other revenues sources include: university revenue bonds, local revenue bonds, federal funds, grants, foundations, cash balances, and BR&R and ER&R formulas; special schools cannot impose tax levy.

The higher education funding formula includes a transfer to plant funds to address facilities renewal and replacement (BR&R) needs. Building renewal & replacement formula (BR&R) currently generates only 40 percent of required funding for keeping facilities in good operating condition. When fully funded, BRR would provide an annual amount to each public, post-secondary institution of 3 percent of the replacement cost of eligible facilities. Legislation enacted in 2004 expanded the BR&R formula to the facilities of the agricultural research centers of NMSU. The calculation is made based on a fixed database of eligible facilities and has not changed over time. In FY05, BR&R funding at 40 percent provided \$15.7 million to higher education institutions and special schools.

AW/sb