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FISCAL IMPACT REPORT

ORIGINAL DATE 2/10/06

SPONSOR Nava LAST UPDATED _____ HB _____

SHORT TITLE Study Uniform College Tuition Rate SJM 69

ANALYST Earp

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total			Substantial	Substantial	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Higher Education Department (HED)

SUMMARY

Synopsis of Senate Joint Memorial 69

Senate Joint Memorial 69 requests the Higher Education Department (HED), in conjunction with the state public institutions of higher education, to study the potential benefits and feasibility of charging nonresident and resident college students a uniform tuition rate. The department is directed to report its findings to the Legislative Education Study Committee (LESC) during the 2006 interim.

FISCAL IMPLICATIONS

While the proposed study would, in itself, have no significant fiscal impact, it is noted that implementation of a uniform tuition rate (if established at or near current resident student rates) would have a substantial impact on the state general fund in future years. This impact would result from two primary causes:

1. There would be an immediate loss of tuition revenue collected from currently-enrolled students who are paying non-resident tuition rates. Tuition revenue is an offset against the state general fund appropriation in the New Mexico higher education funding formula, so the reduced tuition revenue would be replaced by increased state general fund appropriations. For example, included in the fiscal year 2007 formula calculations for the

New Mexico universities is approximately \$13.5 million in non-resident tuition revenue. This revenue would drop by roughly three-fourths if these students were assessed tuition at resident rates, resulting in an increased general fund obligation of about \$10 million. (Non-resident rates at most of the universities are about four times the resident rate.)

2. There would be a significant financial incentive for additional non-resident students to enroll in New Mexico institutions of higher education. At current resident tuition rates, tuition revenue constitutes roughly 20 to 25 percent of the average I&G expenditure level per student. The state general fund is the only other variable revenue source in the higher education funding formula; therefore, the general fund would assume approximately 75 to 80% of the cost of educating all the additional non-resident students who are attracted to attend the New Mexico institutions.

SIGNIFICANT ISSUES

In addition to the potential fiscal implications identified above, this joint memorial raises a number of important public policy issues which could be addressed during the course of developing the report:

- What impact would increasing numbers of non-resident students at our public colleges and universities have on the quality of our institutions? On the economy of the local communities?
- What responsibility does/should the state have to financially support the post-secondary education of students from outside the state's borders?
- What portion of the cost of post-secondary education should be paid by the direct beneficiaries (students) versus the general public (taxpayers) of the state? Should this portion be different for resident and non-resident students?
- What impact could a uniform tuition rate have on the long-term capacity of the state higher education system?
- What incentives should the state put in place for institutions to grow? Should the state have the responsibility to increase capacity beyond the level required to support the enrollment of state residents?
- How should the potential economic development impacts of higher education institutions be factored into the public policy decisions relating to appropriate resident and non-resident tuition charges?
- What authority should the governing boards of the individual institutions retain with regard to establishing tuition rates?

ADMINISTRATIVE IMPLICATIONS

HED would be responsible for consulting with the higher education institutions regarding the proposed study and developing the report. The proposed study would require significant staff effort during the 2006 interim.

OTHER SUBSTANTIVE ISSUES

HED reports that SJM69 potentially encroaches upon the statutory and constitutional authority of the respective boards of regents at New Mexico's public higher education institutions. Section 21-1-2 NMSA 1978 authorizes the boards of regents at the state's educational institutions to establish and charge matriculation and tuition fees; while Section 21-1-3 gives a clear definition for "resident student" in New Mexico. Further, Article XII, Section 13 of the New Mexico Constitution established the control and management of each institution by a board of regents.

DKE/nt