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FISCAL IMPACT REPORT

SPONSOR Gonzales/Lundstrom/ **ORIGINAL DATE** 1/19/19
Salazar **LAST UPDATED** 3/01/19 **HB** 251/aHSEIC

SHORT TITLE Higher Education Coordinating Council **SB** _____

ANALYST Valenzuela/Fischer

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$50.0	\$50.0	\$100.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

FY20 LFC Appropriation Recommendation, Volume I, pages 32 – 37 & pages 100 – 104
 LFC Program Evaluation: *Higher Education Cost Drivers and Cost Savings*, October 2017
 LFC Program Evaluation: *Review of the Higher Education Funding Formula*, August 2018
New Mexico Higher Education Governance Report in Response to Senate Joint Memorial 8,
 2017 Legislative Session, October 26, 2018

Responses Received From

Higher Education Department (HED)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of the HSEIC Amendment

The House State Government, Elections & Indian Affairs Committee amendment to House Bill 251 changes the membership, term lengths, and appointment responsibilities for the higher education coordinating council.

Membership of Higher Education Coordinating Council
(as outlined in HB251/aHSEIC)

	Member	Status/Appointed by	Term in Years
1	Secretary of Higher Education	Chair, Ex-officio	
2	Secretary of Public Education	Ex-officio	
3	Secretary of Workforce Solutions	Ex-officio	
4	CEO of a Research University	CUP	Four
5	CEO of a Comprehensive University	CUP	Four
6	CEO of a Branch Community College	NMACC	Two
7	CEO of an Independent Community College	NMICC	Two
8	CFO of a Research University	CUP	Two
9	CFO of a Comprehensive University	CUP	Two
10	CFO of an Independent Community College	NMICC	Four
11	CEO of a Tribal College	Governor	Three
12	Public Expert in Education, Research, Business or Finance	Governor	Four
13	Public Expert in Education, Research, Business or Finance	Senate Pro Tem	Three
14	Public Expert in Education, Research, Business or Finance	Speaker of the House	Two
15	Student	Governor	Two

The amendment removes approval of certain duplicative higher education review functions from the state Board of Finance, and instead to HED including higher education capital projects, new graduate programs, and proposals for new campuses. As per Section 21-1-26.9 NMSA 1978, proposals for new campuses must additionally receive legislative approval.

The HB 251 amendments also make Independent Community Colleges exempt from state Board of Finance review of any sale, lease or trade of property lasting over five years or over \$25 thousand. Constitutional colleges and their branches are already exempt from this review, so this change should bring consistency in oversight among the colleges.

Synopsis of Original Bill

Statewide oversight of New Mexico’s \$3.5 billion higher education system is minimal, with colleges and universities operating almost completely independent of one another. This decentralization results in a duplication of higher education services among institutions and stifles opportunities for institutional collaboration to improve student outcomes.

Spawning from frustration with college and university decision making, the Legislature passed Senate Joint Memorial 8 in 2017, requiring HED to assess the multilayered-governance structures at the 31 public colleges and universities in New Mexico. HED issued its report in October 2018 calling for either restructuring the entire higher education system – requiring nine amendments to the New Mexico Constitution – or creating a coordinating oversight entity to address statewide policy and financial issues for higher education.

House Bill 251 is the result of the HED report. The bill creates a 15-member statewide coordinating council to support HED’s statewide higher education initiatives, focused on improving student outcomes. The council will be staffed by HED.

FISCAL IMPLICATIONS

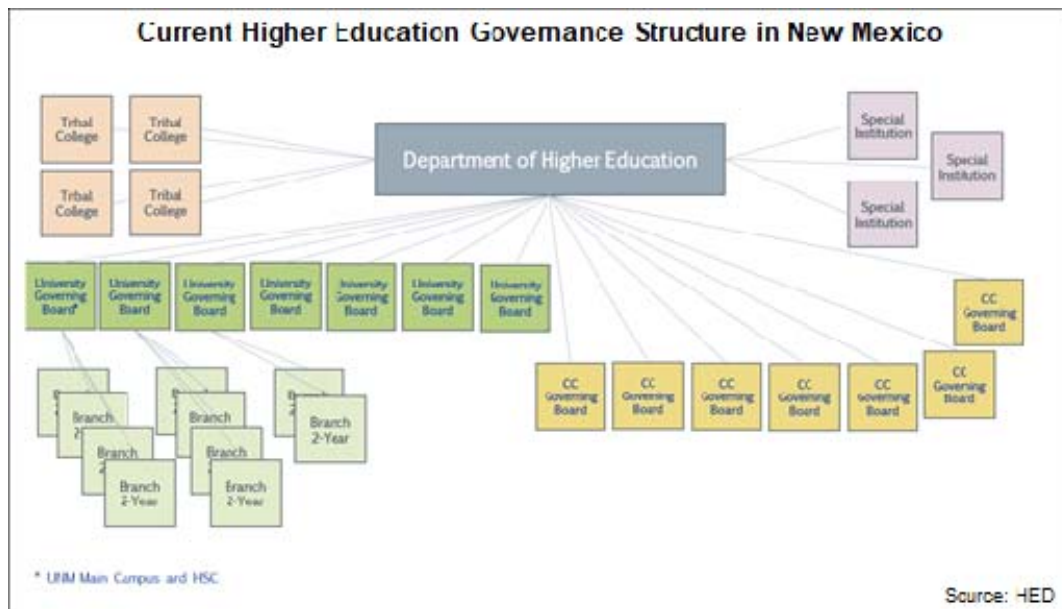
House Bill 251 does not make an appropriation, however, would have a minor impact on HED, which would be required to manage the logistics for the coordinating council including payment of per diem to public members. The estimated cost is \$50 thousand annually. The FY20 LFC appropriation recommendation includes a 6.7 percent increase to HED, which would be sufficient to take on the responsibility.

SIGNIFICANT ISSUES

Released in October 2018, HED submitted its report on governance after two years of in-depth work throughout the state, having invited stakeholders from throughout the state to participate. HED brought in nationally recognized experts to address key policy areas of higher education governance. These experts discussed best practices crucial to an effective state higher education system focused on improving student outcomes: (1) statewide policy leadership, (2) statewide coordination/implementation of cross-sector initiatives, (3) state service agency administration, and (4) system and institutional governance. HED, in its report, addressed the current system, and the constraints to provide the statewide leadership:

“ . . . without mechanisms to incentivize institutions to achieve statewide goals or to discourage institutions from implementing initiatives that are not consistent with statewide goals, the only way NMHED can drive change is through persuasion, consensus building, or the pursuit of statutory mandates.” *HED Governance Report*

Corralling 31 public colleges or universities with 77 points of access throughout the state, 21 Boards of Regents (appointed by the Governor or Congressionally appointed at Tribal Colleges) and 10 local advisory boards is challenging, when HED has little authority to compel participation or compliance.



In its report, HED states:

“Despite this significant state financial investment, there is a lack of a cohesive, independent voice that advocates on behalf of the state, and ultimately, the students of New Mexico.”

DFA stated that the sections of the bill that transfer approval authority for new graduate programs and capital expenditures from the state Board of Finance (BOF) to HED decrease scrutiny over college and university decisions as well as the Governor’s authority over institutions of higher education.

Governor-appointed boards of regents control the public, nonspecial, and nontribal colleges established in the New Mexico State Constitution. These boards have direct hiring and firing power over three of the four college and university CEOs members of HB251’s coordinating council (locally-elected school board members govern the independent community colleges.) Under HB251, the Governor directly appoints the CEO of a tribal college, a public expert, and a student member to the council. The coordinating council also has three, Governor appointed cabinet secretaries as members, including the secretary of HED who acts as the council chair.

PERFORMANCE IMPLICATIONS

Comparing student outcomes among state institutions, there is wide variation in performance in student retention rates, graduation rates, and the number and types of degrees conferred. When comparing state institutions to regional peers, New Mexico lags in performance.

Oregon, Florida, Virginia and an estimated 18 additional states have boards, commissions or committees that coordinate plans and policies across higher education institutions without directly managing them. New Mexico has no such coordinating body, and a 2017 LFC evaluation found that this lack of coordination comes at a cost to the state, which has little ability to check decisions made at the individual post-secondary institutions, outside of a statewide context. Some examples of these costs included

- duplicative academic offerings across institutions,
- a lack of differentiation or specialization among institutions,
- unproductive competition among institutions for students and funding, and
- missed opportunities for collaboration among institutions.

The purpose of the higher education coordinating council created by HB251 will be to mitigate these costs by providing a regular, public forum for institutional coordination and monitoring of higher education outcomes.

OTHER SUBSTANTIVE ISSUES

Higher education is changing, driven in part by changing employer demands, changing student demographics, and diminishing financial support from state and federal governments.

In some cases, employers are bypassing colleges and universities altogether to work directly to provide on-the-job specific training. The more common outlet for employers is to design curriculum and form partnerships with colleges to carry out the training. In New Mexico, non-

degree, non-credit workforce training programs have increased substantially in the past five years at community colleges. The result has been declining enrollments in colleges and universities, increasing competition among out-of-state universities for New Mexico's college-bound students. Several out-of-state institutions are effectively matching the cost of attendance through the use of scholarships to attract New Mexico students. Enrollments within the state are down 17 percent since 2011, the peak year for postsecondary enrollment. During the same time, tuition and fees have increased by 11 percent.

Traditional student populations (18 to 24 years old) are decreasing and non-traditional adult learners are increasing, which has hastened the need to shift the educational environment to online with more student support offered after traditional business hours. Many non-traditional students work full-time and require convenient times for class and study. HED's in its report summarizes the need for enactment of HB251:

“While some have argued for a continuation of the status quo, this is only an acceptable choice if you are comfortable with New Mexico's current student outcomes and the return on investment the state is receiving from its funding of higher education. We cannot continue to operate in the same manner and expect different results. If New Mexico wants better student outcomes, wiser use of state funds, and a unified voice that advocates for the state we must all work together to make a change.”

ADMINISTRATIVE IMPLICATIONS

DFA stated that if HB251 were enacted, then rules regarding capital expenditures by state educational institutions (2.70.4 NMAC) and graduate programs (5.5.40 NMAC) would need to be revoked through a rulemaking procedure.

MFV/MF/gb/sb/al