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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 124

SHORT TITLE: Higher Ed. Major Projects Fund

SPONSOR: Campos

LAST ORIGINAL
UPDATE: _____ **DATE:** 1/23/26 **ANALYST:** Jorgensen/Carswell

APPROPRIATION* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
	See Fiscal Implications	Nonrecurring	

*Amounts reflect most recent analysis of this legislation.

Relates to appropriations in the General Appropriation Act that are contingent on enactment of Senate Bill 124

Sources of Information

LFC Files

SUMMARY

Synopsis of Senate Bill 124

Senate Bill 124 (SB124) 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.

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.

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 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.

While the bill itself does not contain an appropriation, the LFC recommendation for the General Appropriation Act (GAA) of 2026 contains a \$300 million general fund transfer to capitalize the fund created by SB124, of which \$150 million is appropriated for a new School of Medicine at the University of New Mexico (UNM). The fund transfer and the appropriation to UNM in the GAA are 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.

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. Construction costs have risen steeply over the last several years and have far outpaced modest annual increases to GOB capacity. From 2022 to 2024, requests for new construction projects from higher education institutions increased by 81 percent on a per square foot basis. GOB capacity rose only 12 percent over the same period. 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.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to the LFC recommendation 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.

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.

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