

Memorandum

Re: 2024 HB2 HAFC/committee substitute: General Appropriation Act Highlights

Date: February 4, 2024

From: UNM Government Relations

This memo is focused on state budgetary issues for the 2024 State Legislative Session and is intended to be an update to the January 22, 2024 report by the UNM Government Relations Team entitled “**Legislative and Executive Budgetary Recommendations.**” For reference, that report may be found [here](#). Much of the discussion and analysis below simply highlights *new information* contained in the House of Representatives’ drafting of the first iteration of the state budget (i.e., General Appropriation Act, also known as House Bill 2), specifically in regard to those earlier, competing legislative and executive budget recommendations.

Also included in this memo is an update on UNM capital projects requests in relation to two legislative vehicles, the General Obligation (GO) Bond bill and also the state’s annual capital outlay (appropriations) bill.

UNM is also tracking a wide range of other, non-budgetary bills with an eye towards UNM community impacts.

Primary data sources for this memo include:

- [House Bill 2 HAFC/committee substitute](#)
- The [FY25 Executive Budget Recommendation](#);
- The Legislative Finance Committee (LFC) [Policy and Performance Analysis \(Volume 1\)](#), [Appropriation Recommendations \(Volume 2\)](#), and [Supplemental Charts and Graphs \(Volume 3\)](#)
- [Legislative and Budgetary Recommendations](#) for FY25 as summarized and analyzed by UNM Government Relations
- New Mexico Council of University Presidents (CUP) member communications

Session Update: General Higher Education Funding Issues

- This year, consistent with recent years, **the House Appropriations and Finance Committee (“HAFC”) formally adopted most of the budget recommendations developed by the interim Legislative Finance Committee** as applicable to higher education institutions , favoring those recommendations over the Governor/Department of Finance and Administration’s (“DFA’s”) version of the preliminary budget recs. It should be noted that the topline appropriation recommendations for higher education institutions showed very little variance between Legislative and Executive recommendations for FY25, with some important differing details noted in this report.

- In terms of the appropriations process, a big change this year in the state budgeting process is the move by appropriators and Higher Education Department (“HED”) agency officials to push for the **“roll-up” of many Research and Public Service Project (“RPSP”)** line items at UNM and other higher education institutions, folding those into the University’s Instruction and General (I&G) line which is a broad budget category intended to support the day-to-day operations at higher education institutions in New Mexico. This change was motivated by legislators raising concerns about a statewide proliferation of RPSPs that they authorized and funded in recent years, causing administrative challenges for state budgeteers and fiscal policy analysts. UNM has by far the largest number of RPSPs currently on the books.
 - HED recommended that small-dollar (e.g., < \$200k/year) RPSPs and also RPSPs that essentially perform an I&G-type function, such as **classroom instruction** and **student support**, should be rolled into I&G.
 - By the same standard, **external service oriented RPSPs**, such as those related to health care and public service **were generally recommended to not be rolled into I&G.**
 - UNM had 23 RPSPs (inclusive of all our campuses) that HED and LFC recommended to be “rolled up” into UNM’s I&G budget line for FY25, totaling \$4,819,500 in “rolled up” RPSPs now being folded into UNM’s new I&G line. 45 UNM RPSP lines were not rolled up.

More background information regarding the basic types of of state higher education funding may be found [here](#) in this LFC “Finance Facts” brief from August, 2023.

Topline budget breakdowns in HAFC Preliminary Budget ([House Bill 2 HAFC Committee Sub](#)):

- **Section 4 of the General Appropriation Act**, also known as HB2, provides for recurring funding, including **I&G, RPSPS** (rolled up, or not) and **Categorical Funds** (e.g., Athletics, Educational TV, and other targeted statewide initiatives) for all state higher education institutions. The House’s version of the General Appropriation Act (HB2) includes (*in thousands*):
 - \$450,725.8, an increase of \$17,249.2, representing a **4.0% increase** over the final adjusted FY24 operating budget, for ***all UNM campuses*** combined, including (*in thousands*):
 - \$298,603.0, an increase of \$8,814.5 (**3.0%**) for UNM Central Campus
 - \$152,122.8, an increase of \$8,434.7 (**5.9%**) increase for UNM HSC
 - UNM **branch campus increases ranging from 2.1 to 2.4%**
 - The HAFC proposed budget number above includes the LFC recommendation for **targeted (statewide) increases** of \$7.0 million for targeted faculty compensation and \$3.0 million for student support services that were part of the budget justification that LFC provided in their initial budget recs. These additional statewide sums are distributed by formula and are already incorporated into the I&G line in House Bill 2 (as proposed) at each of the individual higher education institutions across the state.
 - Recurring funding for University **Athletics** across the state remains currently flat in the House’s version of the HB2 (\$8.3587 million), however the House typically defers to the Senate to add Athletics money in the budget for the institutions with Athletics programs

across the state, and CUP is also supporting those ongoing conversations on Athletics funding with the Senate Finance Committee.

- Major differences between HB2 H AFC committee sub adopted January 29, 2024 and the LFC recommendations released earlier in January 2024 are as follows:
 - HB2 H AFC/cs included an additional \$2.0 million for graduate assistant salaries within the I&G budget for distribution statewide (recurring)
 - HB2 H AFC/cs included an additional \$636k to HED to be split between \$500k for New Mexico Department of Agriculture programs and \$136.1k for tribal dual credit programs (recurring)
 - HB2 H AFC/cs included an additional \$10.6 million for the Opportunity Scholarship as requested by the Executive (non-recurring)
 - An increase of \$15 million to HED from the Technology Enhancement Fund (TEF) on top of the \$10m from the General Fund recommended by the LFC Framework earlier in January, 2024, with spending defined as consistent with TEF statues and further restricted to “new research projects directly related to economic development” (non-recurring)
 - Several high-priority Health Sciences requests formally presented in December, 2023 were not reflected in HB2 H AFC/cs, but they remain under active consideration with interested parties on the Senate Finance Committee:
 - \$46 million for School of Medicine clinical faculty compensation increases (recurring)
 - \$5.7 million to sustain earlier state investments in faculty growth at the College of Population Health as the College makes strides towards becoming a fully accredited School of Public Health (recurring)
 - \$3.4 million for graduate medical education Residents and Fellows (recurring)
 - Also seeking additional funding in the Senate Finance Committee is CHECS (i.e., New Mexico Consortium for Higher Education Computing / Communication Services, a statewide professional affinity group). Conversations on this topic and also regarding funding for campus public safety are ongoing with internal and external stakeholders. \$7 million has been requested for CHECS from the Senate Finance Committee.
 - The New Mexico Bioscience Authority (an entity for which UNM Health Sciences serves as fiscal agent) received a recommended increase of \$19,100 (new FY25 appropriation of \$316,500, up from \$297,400), as part of its RPSP (recurring) line item.

Employee Compensation Updates:

- HB2 H AFC/cs adopted the LFC compensation recommendation for a 4% compensation increase, broken down generally as follows, but with some important language details added:
 - 2% cost-of-living (COLA) adjustment
 - 2% other adjustments

- 0.42% increase to cover employee benefits
- To achieve the above topline compensation increase targets, HAFc/cs Section 8, related to compensation appropriations, included the following language details along with these actual appropriation amounts:
 - *Forty-three million eight hundred thirty-seven thousand nine hundred dollars (\$43,837,900) is appropriated from the general fund to the department of finance and administration for fiscal year 2025 to pay all costs attributable to the general fund of providing a salary increase of two percent to employees in budgeted positions who have completed their probationary period subject to satisfactory job performance, for inflation and health care premium costs. The personnel board shall consider adjustment pursuant to this subsection prior to approving salary schedules for fiscal year 2025. The salary increases shall be effective the first full pay period after July 1, 2024, and distributed as follows (...):*
 - *twenty-one million eighty-seven thousand dollars (\$21,087,000) to the higher education department for nonstudent faculty and staff of two-year and four-year public postsecondary educational institutions;*
 - *Forty-three million eight hundred thirty-seven thousand nine hundred dollars (\$43,837,900) is appropriated from the general fund to the department of finance and administration for fiscal year 2025 to pay all costs attributable to the general fund of providing a salary increase to employees in budgeted positions who have completed their probationary period subject to satisfactory job performance. This appropriation includes sufficient funding to provide all affected employees an hourly salary of at least fifteen dollars (\$15.00). Police officers of the department of public safety shall be exempt from the requirement to complete their probationary period. For employees in the classified service, this appropriation includes sufficient funds for state agencies to complete salary adjustments pursuant to a pay plan approved by the state personnel director. No later than ten days following the enactment of this 2024 act, the department of finance and administration shall notify all agencies and the state personnel office of allocations pursuant to this subsection. Each state agency with employees in the classified service shall submit to the state personnel director a fiscal year 2025 salary adjustment plan. For employees in the classified service, a salary increase pursuant to this subsection shall be effective the first full pay period following approval of the state agency's salary adjustment plan but no earlier than the first full pay period after July 1, 2024. For employees not in the classified service, the salary increases shall be effective the first full pay period after July 1, 2024. The appropriation shall be distributed as follows (...):*
 - *twenty-one million eighty-seven thousand dollars (\$21,087,000) to the higher education department for nonstudent faculty and staff of two-year and four-year public postsecondary educational institutions;*
 - *Nine million three hundred seventy thousand one hundred dollars (\$9,370,100) is appropriated from the general fund to the department of finance and administration for fiscal year 2025 for the general fund share of cost increases in excess of nine and two tenths percent for medical insurance premiums paid by employers on behalf of state employees, two-year and four-year public postsecondary educational institutions, the*

New Mexico military institute, New Mexico school for the blind and visually impaired and New Mexico school for the deaf. Any unexpended balances remaining at the end of fiscal year 2025 shall revert to the appropriate fund.

NMGRO (and a compare/contrast analysis to the historical “Junior bill” process):

- This year, the Legislature announced a new process during the 2nd week of the legislative session for legislators’ constituent requests for one-time (nonrecurring) program funds that don’t also qualify as capital projects. In recent decades, a similarly purposed process has been referred to as the “Junior (Appropriations) Bill.” This year, appropriators developed a new process deemed “**NMGRO**.” It shares both similarities and differences compared to the historical Junior Bill process:
 - NMGRO still mimics “Junior” as follows:
 - House members and Senate members are allocated a specific sum of money that they can be used to support preferred (non-capital) projects and programs that are important to individual legislators and their districts. The allocations this year were \$800k per Senator and \$600 per House member.
 - NMGRO requests were specifically encouraged for budget lines such as RPSP projects, in part because those types of projects have benefitted from Junior Bill budget allocations in the past.
 - NMGRO requests, like was the case with Junior Bill requests, are a mix of projects UNM proposed for additional funding, but also overlaid with much “legislator prerogative” whereby legislators can propose ideas of their own and ask UNM to support those.
 - NMGRO differs from “Junior” in other respects:
 - House and Senate individual members had their total number of projects requests severely capped: only 3 NMGRO project requests were allowable for House members, and 4 requests were allowable for Senate members. House members were not permitted to submit requests for any project of less than \$160k, and Senators had a minimum of \$200k.
 - NMGRO requests have a two-year performance period, as opposed to just one year as was the case with Junior Bill requests.
 - For *local government* NMGRO requests (not UNM), all those requests are required to be vetted and managed by local Councils of Governments (COGs).
 - Future funding of NMGRO requests is contingent on competitive performance, at least to some degree. All funded NMGRO projects are considered one-time funding until they are reviewed 2 years from now. Appropriators are pointing to a new “Government Accountability Trust Fund” and “Government Accountability Program Fund” as a likely source of limited funding for NMGRO projects to be renewed (or not) in the future.
- Practical implications of the new NMGRO process and current status:

- Appropriators have indicated they plan to incorporate the hundreds of new NMGRO requests being compiled this session (encompassing the 3 or 4 projects per legislator) into a new portion of HB2. In previous years, Junior was always a stand-alone bill.
- According to earlier Senate Finance staff testimony, House and Senate are each expected to have NMGRO requests in the \$30-\$35 million range (total, for each chamber).
- To answer the call for NMGRO proposals, UNM proposed a short list of high-priority RPSP projects for legislators' consideration.
- Senate- and House-approved NMGRO requests will be released in the coming week.

House Bill 308 (2024): General Obligation Bond Projects

In even-numbered years (i.e., those with short sessions), the New Mexico Legislature packages up a General Obligation (“GO Bond”) bill covering three areas of major capital outlay and related infrastructure requests: higher education facilities, public library acquisitions, and senior services-related facilities. The bill must be passed by the legislature, signed (or otherwise vetoed) by the Governor, and then placed on the statewide General Obligation ballot as part of the general election the following November.

[HB 308](#) (Rep. Lente) as introduced is this session’s legislative vehicle for providing funding amounts and language for the November 2024, GO Bond questions. These GO Bond requests all started their long arc of state consideration back in July with annual “summer hearings” hosted by the HED capital committee, including staff from DFA and LFC.

GO Bond capacity does not fluctuate as a direct result of changes in oil and gas revenues; this is because GO bond revenues are supported by property taxes, not extraction taxes. This year, the GO Bond bill authorizes a total of \$230,258,400 of GO Bond capacity for higher education projects for the November election, an increase of approximately \$14.3 million, or 6.7%, over the 2022 GO Bond bill.

HB 308 (as introduced) contains 6 GO Bond requests for UNM totaling \$94.5 million, an increase of \$5.3 million, or a 5.9%, over the 2022 GO Bond bill that contained \$89.2 million in UNM GO Bond requests. Where these line items in HB 308 happen to deviate from the LFC Framework recommendations issued by LFC earlier in January 2024, the variance is noted in italics below.

- \$35 million** to plan, design, construct, renovate and equip facilities and infrastructure at the college of pharmacy at the university of New Mexico in Albuquerque in Bernalillo county;
- \$52 million** to plan, design, construct, furnish and equip a new humanities and social science facility, including abatement and demolition of existing facilities, at the university of New Mexico in Albuquerque in Bernalillo county; (*decrease of \$3.0 million*);
- \$1 million** to plan, design, construct, renovate and equip facilities and infrastructure at the Los Alamos branch campus of the university of New Mexico in Los Alamos county;
- \$4 million** to plan, design, renovate, construct, furnish and equip improvements to Gurley hall at the Gallup branch campus of the university of New Mexico in McKinley county; (*increase of \$3.0 million*);
- \$1.5 million** to plan, design, construct, furnish and equip a science and space education center at the Taos branch campus of the university of New Mexico in Taos county; and

- f) **\$1 million** to plan, design, construct, renovate, repair and equip facilities at the Valencia branch campus of the university of New Mexico in Valencia county;

Many of the UNM project requests above, as well as some others not included in the GO Bond package but that were nonetheless recommended for *General Fund* (not GO Bond) capital outlay funding per the LFC Framework earlier in January, await confirmation that they will receive those recommended General Fund allocations in the Capital Outlay projects bill. The 2024 Capital Outlay projects bill will be [SB 275](#) (Sen. Rodriguez). Details of the bill, including a list of funded projects, have not yet been released. More information is below.

Senate Bill 275 Prospecting: Individual/Discretionary Capital Outlay Requests

- For the bill pertaining to individual legislators' capital outlay allocations, UNM submitted 43 individual/discretionary capital outlay requests to the state system for legislators to review and select from. Legislators were provided guidance from UNM Government Relations, UNM Institutional Support Services, and also from many of the campus units who proposed each of those requests.
- As a reminder, this is a discretionary process for legislators and the Governor that is focused heavily on districts that are directly relevant to UNM Albuquerque and branch campuses because the legislature publishes reports on how each legislator spent their individual allocation of capital outlay funds. UNM's statewide footprint helps in this regard, but capital project allocations in this bill tend to revolve around Albuquerque metro-area legislative districts and those of our branch campuses.
- Appropriators and their staffs are still working to compile a list of adopted/sponsored projects and final capital outlay appropriations as of today. Details have not yet been released.

Specials, Supplementals and Deficiencies: Updates on Select Non-Recurring Budget Requests

Section 5 of HB2 HAFc/cs contains one-time "non-recurring" appropriations, also known as "Special Appropriations" or simply "Specials." Based on actions by the House Appropriations and Finance Committee, in which HAFc aligned closely with the prior LFC recommendations for FY25 (see, for reference, UNM's [Legislative and Executive Budgetary Recommendations](#) document), below are some highlights of those "Specials" affecting UNM and the Higher Education Department *that differed from the prior LFC recommendations* and also some others not previously reported.

- A \$1.5 million appropriation previously recommended for NMSU to support a partnership to execute youth outreach programs for an osteopathic medical school has been redirected to the Higher Education Department.
- An increase of \$15 million to HED from the Technology Enhancement Fund (TEF) on top of the \$10m from the General Fund recommended by the LFC Framework, with spending defined in HB2 HAFc/cs as consistent with existing TEF statues and further restricted to "new research projects directly related to economic development."

- A \$5 million non-recurring appropriation for the Teacher Loan Repayment Fund at HED was moved into Section 4 (recurring appropriations).
- \$10.6 million from the Higher Education Trust Fund and Higher Education Program Fund to address shortfalls within the Opportunity Scholarship Program.
- An earlier Executive recommendation (\$100 million) and LFC recommendation (\$20 million) to DFA “to provide matching assistance to local entities for matching local and federal funds” received a \$50 million line item in Section 5 of HB2 H AFC/cs (contingent on passage of legislation).
- HB2 H AFC/cs also included \$58 million “for matching funds for local infrastructure projects,” consistent with earlier LFC recommendations. These funds would target local government infrastructure grants.
- An appropriation of \$2.5 million to the Energy, Minerals and Natural Resources Department for the geothermal projects development fund (contingent on passage of legislation).
- An appropriation of \$2.5 million to the Energy, Minerals and Natural Resources Department for the geothermal projects revolving loan fund (contingent on passage of legislation).
- \$58 million from the General Fund to the Health Care Authority Department “for Medicaid physical health and behavioral health service expansion.”
- \$80 million from the General Fund to the Health Care Authority Department “to defray operating losses for rural regional hospitals, health clinics, providers and federally qualified health centers that are increasing access to primary care, maternal and child health and behavioral health services through new and expanded services in medically underserved areas.”
- \$15 million from the General Fund to the Public Education Department for a summer reading intervention program for students based in the science of reading.
- \$10 million from the General Fund to the Public Education Department for the recruitment and retention of educator fellow positions.
- \$2.5 million from the Public Education Reform Fund to the Public Education Department to train secondary educators in evidence-based reading instructions.
- \$6.0 million from the General Fund to the Public Education Department for the implementation of special education initiatives by PED, including providing technical assistance and implementing a statewide individualized educational program process.

Other Funds, Fund Transfers, and the Government Accountability Trust Fund

Section 10 of HB2 H AFC/cs includes the following:

- \$512.2 million for the Government Accountability Trust Fund (contingent on passage of legislation). The Government Accountability Trust Fund is a new
- \$325.8 million for the Government Accountability Program Fund (contingent on passage of legislation)

The new Government Accountability Trust Fund is envisioned by LFC to be a source for funding long-term pilot projects with nonrecurring revenue. The appropriations offer a chance to invest in new ideas while emphasizing the need for these new programs to incorporate evidence-based practices and

continuous performance monitoring and improvements. Investments from this fund include programs for child wellbeing, to support public education, and for workforce development.

Section 9 of HB2 HAFC/cs includes several appropriations from the new Government Accountability Program Fund, contingent on the enactment of legislation to create that new fund.

- \$60 million total (spread out over three annual appropriations of \$20 million each, FY25-FY27) to the Public Education Department for educator clinical practice programs.
- \$60 million total (spread out over three annual appropriations of \$20 million each, FY25-FY27) *for New Mexico community colleges and regional universities to pay up to the full cost of student tuition and fees for workforce training courses not eligible for other state financial aid and that result in an industry-recognized credential or endorsement. This funding may also be used to subsidize costs of students involved in apprenticeships or internships and for program development. Higher education institutions shall submit an implementation plan to the higher education department prior to receipt of funding and include identification of the types of certificates or credentials offered and the employers and industries eligible for internship and apprenticeship support. The higher education department shall distribute this funding to higher education institutions based on their proportional share of instruction and general funding no later than August 1st of each year.* This appropriation was trimmed by \$20 million compared to the previous LFC recommendations, scaling the appropriation from 4 years down to 3 years.

Other Fund Transfers:

- **Tobacco Settlement**
 - All line items previously funded by the Tobacco Settlement Program Fund have been moved to UNM Health Sciences I&G and also RPSP lines (5 program lines and one I&G sub-account line). There is no net change to the funding of these line items for FY25.
- **Opioid Settlement**
 - UNM Health Sciences is recommended in HB2 HAFC/cs to continue to receive level funding of \$800k for Project ECHO for hepatitis community health outcomes and \$1.0 million for the Children’s Psychiatric Hospital (both are treated as continuing RPSPs)
- **Higher Education Financial Aid Endowment Fund**
 - As previously reported in UNM’s FY25 [Legislative and Budgetary Recommendations](#) analysis, appropriators in both the House and Senate are proposing a new policy change that would create a new interest-earning fund called the **Higher Education Financial Aid Endowment Fund**. The fund would endow financial support for students in higher education, proposing to distribute 5 percent of the end-of-year balance in the fund per year. The revenue generated would be sufficient to cover forecast cost increases related to the Opportunity Scholarship and also provided “backfill” nonrecurring appropriations for the Lottery Scholarship when that current one-time funding is projected to run out in several years. Both HAFC and the Senate Finance Committee (SFC) have now officially voted in support of making this new fund part of the state’s overall higher education funding framework in the 2024 General Appropriations Act. The fund requires a transfer from the Tax Stabilization Reserve to the new Higher Education Financial Aid Endowment Fund of \$959 million.