



NEW MEXICO  
LEGISLATIVE  
FINANCE  
COMMITTEE

Program  
Evaluation  
Unit

Higher Education Financial Aid –  
Opportunity and Lottery Scholarships

August 22, 2023

Report #23-03

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August 22, 2023

Stephanie Rodriguez, Cabinet Secretary  
New Mexico Higher Education Department  
2044 Galisteo Street, Suite 4  
Santa Fe, NM 87505-2100

Dear Secretary Rodriguez:

The Legislative Finance Committee (LFC) is pleased to transmit the evaluation, *Higher Education Financial Aid*. The program evaluation examined the impacts of state financial aid on higher education enrollment, student outcomes, workforce development, and the financial and administrative practices of higher education institutions. An exit conference was held with you and your staff on August 3, 2023 to discuss the contents of the report.

The report will be presented to the LFC on August 22, 2023. LFC would like plans to address the recommendations within this report from the Higher Education Department within 30 days of the hearing.

I believe this report addresses issues the LFC asked us to review and hope the department and state higher education institutions will benefit from our efforts. We very much appreciate the cooperation and assistance we received from you and your staff.

Sincerely,

Charles Sallee, Director

Cc: Senator George K. Muñoz, Chair, Legislative Finance Committee  
Representative Nathan Small, Vice-Chair, Legislative Finance Committee  
Daniel Schlegel, Chief of Staff, Office of the Governor  
Teresa Casados, Chief Operations Officer, Office of the Governor  
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Dr. Vanessa K. Hawker, Director, New Mexico Independent Community Colleges  
Dr. Monica Torres, President, New Mexico Association of Community Colleges





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## State Scholarships Have Expanded College Access, but Low Outcomes and Long-Term Tuition Coverage Remain Challenges

Educational attainment contributes to increased economic growth, employment, earnings, and health outcomes. New Mexico has a long history of covering college students' tuition costs, first with the lottery scholarship and now with the opportunity scholarship along with it. These scholarships have increased college-going, access, and enrollment in state colleges, but New Mexico still grapples with low college readiness and outcomes.

Although New Mexico is successfully getting students to the door in terms of college access, New Mexico could focus on getting more students through the door in terms of graduating from college. Research finds higher education funding and financial aid grants boost college outcomes, but New Mexico higher education institutions (HEIs) are performing below expected benchmarks given funding levels. The state's remediation, retention, and graduation rates also signal a need to focus on college readiness and student success.

Increased investment in core higher education operations, particularly student supports, would have a higher estimated impact on college completion than further expanding state scholarships for undergraduates.

In addition, state financial aid can increase the likelihood college students will stay in the state after graduation but this effect diminishes over time. Although a majority of New Mexico college graduates stay in the state after graduation, more college graduates leave New Mexico than out-of-state graduates come into the state.

The recent expansion of the opportunity and lottery scholarships shifts a majority of tuition costs from students and parents onto the state. This fiscal year, state financial aid is budgeted to equal 53 percent of all tuition and fee revenue at New Mexico HEIs.

If New Mexico's goal is to cover full tuition and fees for the long-term, the state and colleges must agree on predictable and sustainable tuition and fee increases. The state currently lacks a system for ensuring the predictability and sustainability of covering tuition and fee costs. When the lottery scholarship first started, lottery ticket sales could cover full-tuition scholarships. Over time, the tuition cost of lottery scholarships grew at a faster rate than scholarship recipients or inflation. Lottery scholarship costs have outpaced lottery revenue since 2009, prompting the Legislature to periodically shore up lottery scholarships with other funding sources.

Last fiscal year, opportunity scholarship costs were 45 percent (or \$42 million) higher than initial projections because of unanticipated costs. New Mexico tuition and fees have increased at comparatively high rates in recent years while fund balances and transfers out of instruction and general (I&G) funds have grown. The state Higher Education Department (HED) has rules requiring HEIs to enter into tuition agreements with the department before receiving opportunity scholarship funds, yet these tuition agreements are still not in place.

New Mexico college students are also leaving at least \$27 million in federal financial aid each year unclaimed by not completing the Free Application for Federal Student Aid (FAFSA). Other states have significantly boosted their FAFSA completion rates by requiring FAFSA completion either in high school or college.

### **Evaluation Objectives:**

- *Examine the impact of state financial aid programs on higher education enrollment, student outcomes, performance goals, and workforce development; and*
- *Study how state financial aid programs have impacted the financial and administrative practices of higher education institutions.*

## Key Findings

New Mexico has expanded higher education access with financial aid but grapples with low college readiness and outcomes.

The state lacks a system for ensuring the predictability and sustainability of covering tuition and fee costs.

## Key Recommendations

The Legislature should consider:

- Prioritizing higher education funding increases for core instruction and general operations in upcoming fiscal years rather than further expanding undergraduate financial aid;
- Amending state laws to make HEI eligibility for receiving lottery and opportunity scholarship funds contingent on having tuition and fee growth rates (paid for by lottery and opportunity scholarships) below maximum growth rates set by HED, the state Department of Finance and Administration, and LFC;
- Amending Section 21-1-2(C) NMSA 1978 to remove limitations on institutional scholarships and require HEIs to pay for the first semester tuition and fees of lottery and opportunity scholarship students;
- Requiring HEIs to incorporate retention and graduation improvement goals and strategies within their enrollment management plans; and
- Requiring completion of the FAFSA or an alternative income verification to be eligible for lottery and opportunity scholarships.

HED and HEIs should:

- Monitor and report on the performance of student support initiatives and scale up successful programs.

HED should:

- Implement memoranda of understanding (MOUs) with HEIs regarding tuition and fees as required by the department's regulations;
- Create rules and MOUs setting allowable tuition and fee growth rates over multi-year cycles in order for HEIs to be eligible to receive opportunity and lottery scholarship funds; and
- Monitor I&G fund transfers and fund balances as HEIs consider future tuition and fee increases to support I&G operations.





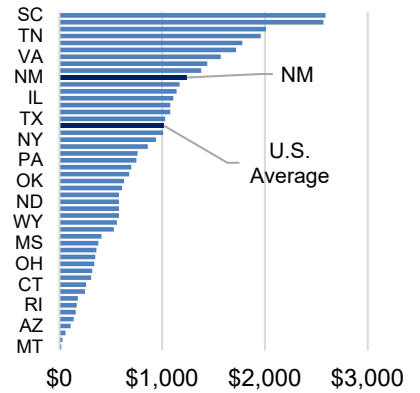
# BACKGROUND



## New Mexico provides the most accessible state financial aid support in the U.S. and will cover the majority of tuition and fees.

Educational attainment contributes to increased economic growth, employment, earnings, and health outcomes.<sup>i,iii,iii</sup> Financial aid increases college access by helping students cover tuition, fees, and other costs of attendance, such as books, housing, and meals. New Mexico has a long history of providing state financial aid to cover college tuition costs. The Legislature began supporting traditional full-time college students with the lottery scholarship in 1997. For FY23, the Legislature established the opportunity scholarship in state law to support both full-time and part-time college students. After the Opportunity Scholarship Act was passed, enrollment at state HEIs increased by 4 percent. New Mexico provides the most accessible financial aid in the nation and has shifted a majority of tuition costs from students and parents to the state. In the current fiscal year, state financial aid equates to 53 percent of all expected tuition and fee revenue.

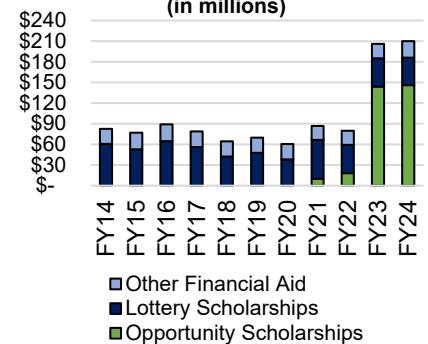
**Chart 1. State Financial Aid Grants per Undergraduate Student, FY21**



Source: LFC analysis of CollegeBoard data

**Even before the opportunity scholarship, New Mexico provided more financial aid to college students than the national average.** According to a report from College Board, an education nonprofit, New Mexico provided the 10<sup>th</sup> highest amount of state financial aid per undergraduate student in the nation in FY21.<sup>iv</sup> Similarly, the U.S. National Science Foundation (NSF) ranks states based on financial aid per college undergraduate (state indicator S-27). According to NSF, New Mexico provided the eighth highest amount of state financial aid support to undergraduates in FY20. These data indicate New Mexico provided a relatively high amount of state financial aid compared to other states even before recent expansions of state scholarship programs.

**Chart 2. State Financial Aid Funding (in millions)**

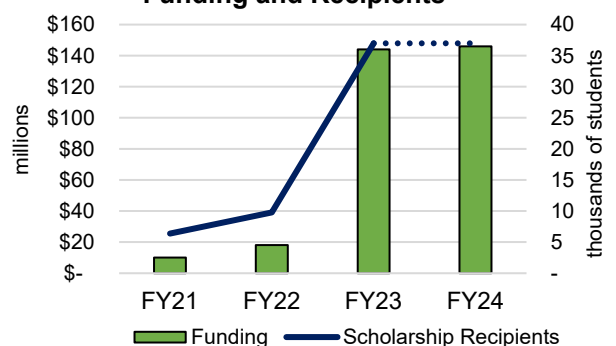


Note: Does not include a one-time \$130 million appropriation in FY23 to bolster the lottery scholarship fund for multiple years.

Source: LFC files

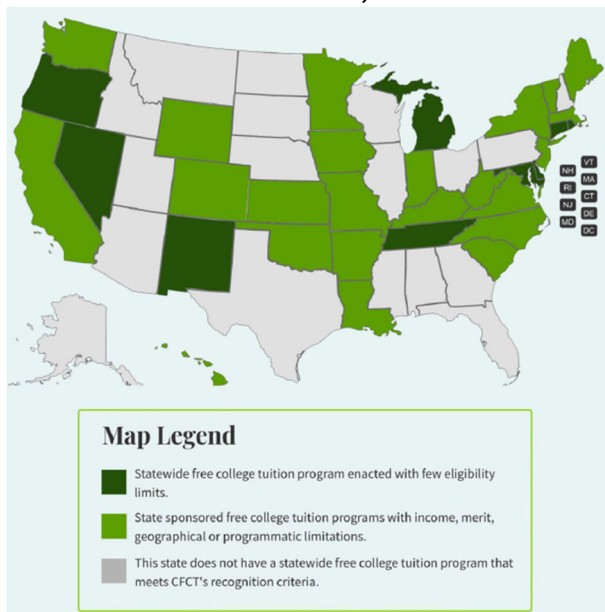
**The first year of the current opportunity scholarship was FY23.** Although different versions of the opportunity scholarship have been in the state budget since FY21, the current opportunity scholarship was set into state law in 2022 for FY23. The opportunity scholarship’s eligibility requirements and funding changed each year from FY21 through FY23. After the governor initially proposed the opportunity scholarship, the Legislature included \$10 million in the FY21 budget to support full-time community college students who completed the free application for federal student aid (FAFSA) or other income verification form. The Legislature later included \$18 million in the FY22 state budget for opportunity scholarships to support full-time students at community colleges and four-year colleges. In 2022, the Legislature passed the Opportunity Scholarship Act and appropriated \$144 million (including a supplemental appropriation) in opportunity scholarships to support both traditional college students and nontraditional part-time students in FY23. For the current fiscal year (FY24), the Legislature appropriated \$146 million for opportunity scholarships.

**Chart 3. Opportunity Scholarship Funding and Recipients**



Source: LFC analysis of HED data

**Figure 1. Free College Tuition in the United States, 2022**

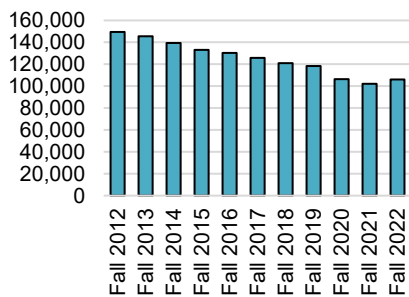


Source: Campaign for Free College Tuition

**New Mexico has the most accessible, universal, and generous free college tuition program in the nation.** As of 2022, 32 states in the nation had some type of free college tuition program, with a third of those programs enacted over the past five years. Although these programs differ from each other in their design and eligibility requirements, New Mexico’s financial aid support stands out as particularly accessible. New Mexico’s opportunity scholarship program has been described as “the nation’s most comprehensive and universal free college tuition program” by the Campaign for Free College Tuition, a higher education nonprofit organization.<sup>v</sup>

New Mexico has relatively few eligibility limits for free college tuition and fees. Additionally, New Mexico is one of only a few states (including California and Oregon) that covers tuition and fees regardless of whether a student receives federal Pell grants. Most other states cover tuition and fees on a “last-dollar” basis, meaning students only receive

**Chart 4. Student Headcount Enrolled at New Mexico HEIs**

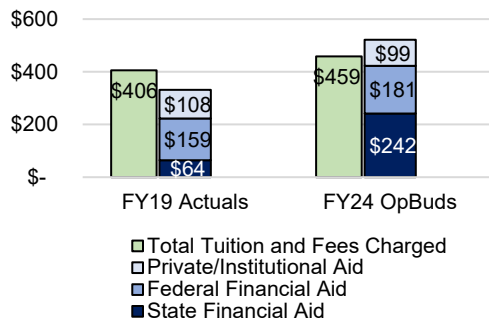


Note: Only includes state-funded nonspecial HEIs.  
Source: LFC analysis of HED data

financial aid for tuition after exhausting federal Pell grant dollars for low-income students. A 2020 LFC brief on financial aid found “last-dollar” free tuition programs are regressive and direct state financial aid dollars away from students with the greatest financial need.<sup>vi</sup>

**New Mexico higher education enrollment experienced an uptick after the enactment of the opportunity scholarship.** New Mexico higher education has experienced continuous enrollment declines for several years. In the fall 2022 semester, student enrollment at New Mexico HEIs increased for the first time in a decade. From fall 2021 to fall 2022, student headcount increased by 4 percent (or 3,991 students) statewide, by 2 percent (or 728 students) at research universities, by 5 percent (or 590 students) at comprehensive colleges, by 6 percent (or 1,023 students) at branch community colleges, and 5 percent (or 1,650 students) at independent community colleges. The state Higher Education Department (HED) has launched a recruitment campaign called “Reach Higher.” HED launched reachhighernm.com to help assist prospective students learn about state scholarship programs, explore schools, and help with applications.<sup>vii</sup> Currently the site provides information on the opportunity and lottery scholarships but no information regarding other financial aid opportunities.

**Chart 5. Financial Aid Compared to Tuition and Fees Charged at New Mexico HEIs (in millions)**



Note: Chart does not include student loans.  
Source: LFC analysis of FY19 NASSGAP data and FY24 HEI OpBuds

**State financial aid now equates to 53 percent of total tuition and fee revenue at New Mexico HEIs; five years ago state financial aid equaled 16 percent of total tuition and fee revenue.** New Mexico’s HEIs collectively charge over \$400 million in tuition and fees each year to undergraduate and graduate students. New Mexico HEIs spent \$64 million in state financial aid in FY19, which equated to 16 percent of total tuition and fees that year. At the time, the largest state financial aid program was the lottery scholarship with \$46 million in scholarship spending in

FY19. Since then, the state has increased its funding for financial aid programs and taken on a greater share of tuition and fee costs. According to operating budgets for FY24, HEIs are anticipating \$242 million in state financial aid spending (including \$152 million in opportunity scholarships and \$67 million in lottery scholarships), which equates to 53 percent of expected tuition and fee revenue at New Mexico HEIs.

Additionally, total non-loan financial aid from state, federal, and other sources is budgeted to exceed total tuition and fee charges in FY24. However, this does not mean that all tuition and fee costs will be covered in New Mexico because financial aid grants are not equally targeted to every student. Some students will receive more financial aid than their tuition and fee costs (which can be used to cover other costs of attendance) while other students will receive less financial aid than their tuition and fee costs.

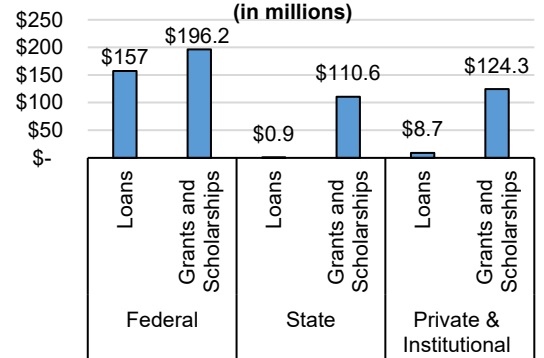
**New Mexico college students rely less on student loans than the national average but have higher loan default rates.**

Students at New Mexico HEIs receive at least half a billion dollars in financial aid from state, federal, and other sources. College students attending New Mexico HEIs received \$597.8 million in FY22, according to data from the National Association of State Student Grant and Aid Programs (NASSGAP). This \$597.8 million in financial aid came from federal sources (59 percent), private and institutional sources (22 percent), and state sources (19 percent). Grants and scholarships made up the majority of this financial aid (\$431 million or 72 percent), whereas the rest of the financial aid came from student loans (\$167 million or 28 percent). Federal loans were the largest single source of student financial aid in New Mexico (\$157 million or 26 percent), while federal Pell grants for low-income students were the second largest source of financial aid in the state (\$127 million or 21 percent).

**New Mexico college students depend more on state financial aid (rather than loans or institutional aid) than the average U.S. college student.** According to data from College Board, college students across the nation received roughly \$247 billion in financial aid in FY22. Roughly 5 percent of total United States financial aid (or \$13 billion) came from state governments. In New Mexico, 19 percent of total financial aid (or \$111 million) came from state funding in the same year. Federal Pell grants for low-income students made up a greater proportion of total aid in New Mexico than nationally. Private aid, institutional aid, and federal loans made up smaller proportions of total financial aid in New Mexico than in the United States nationwide.

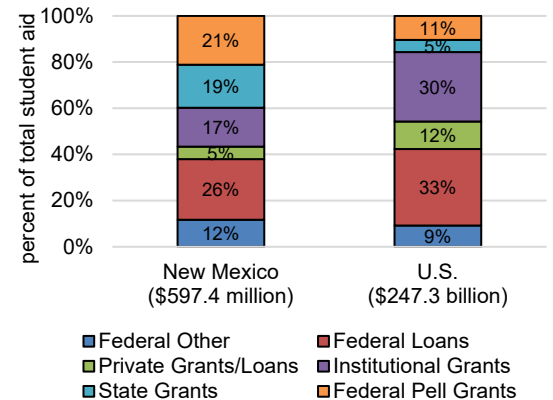
**New Mexico college graduates consistently have one of the lowest average amounts of student debt in the nation.** According to data from the Institute for College Access and Success, a higher education nonprofit, 45 percent of New Mexico undergraduate college students from the class of 2020 had college debt after graduation. The same report also found New Mexico graduates had the second lowest average amount of student debt (\$20.9 thousand) after Utah graduates (\$18.3

**Chart 6. Student Financial Aid in New Mexico, FY22**  
Total = \$597.8 million



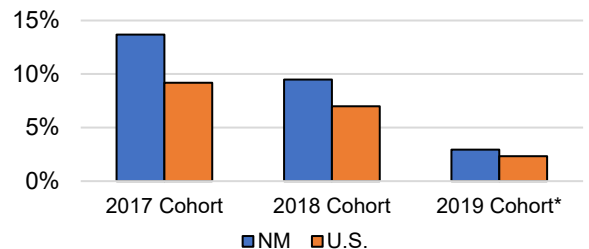
Source: LFC analysis of NASSGAP data

**Chart 7. College Financial Aid in New Mexico and the U.S. in FY22**



Source: LFC analysis of NASSGAP and CollegeBoard data

**Chart 8. Percent of Borrowers who Defaulted on Federal Student Loans Within Three Years has Decreased**



\*Federal student loan repayments were suspended in March 2020 and are currently set to resume by September 2023.

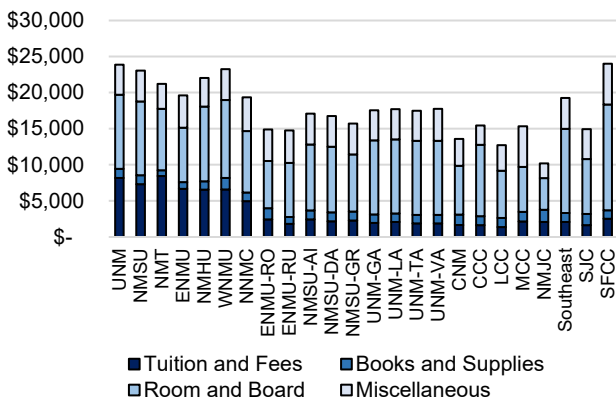
Source: LFC staff analysis of USDE data

thousand).<sup>viii</sup> New Mexico has consistently had one of the lowest average student debt amounts in the country since 2012.

**New Mexico has higher default rates on student loans and higher poverty rates than most other states.** The U.S. Department of Education longitudinally tracks cohorts of borrowers who begin repaying their federal student loans and calculates the percentage who default within three years. Over the past three years of published data, New Mexico has been among the states with the top 10 highest default rates in the nation (fourth, sixth, and ninth, respectively). New Mexico’s relatively high student loan default rate may be partially explained by a poverty rate higher than most other states. According to data from the U.S. Census Bureau, New Mexico had the third highest percentage of people living in poverty (18.4 percent) in the nation, after Louisiana (19.6 percent) and Mississippi (19.4 percent). National data from

the Federal Reserve Board of Governors indicate student loan default rates are higher for nongraduates than graduates.<sup>ix</sup>

**Chart 9. Tuition and Fees are not the Largest Part of Total Cost of Attendance at New Mexico HEIs, FY21**

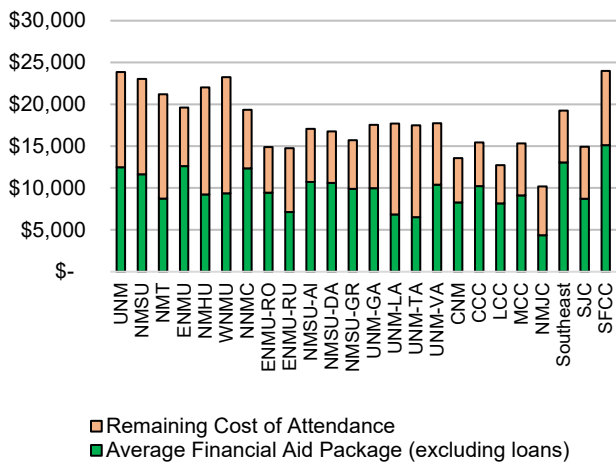


**The total cost of attending college is more than tuition and fees and these costs are covered more by financial aid grants than loans.**

Tuition and fees are the most direct and visible costs of attending college, but there are various other costs of attendance (such as books, room and board, transportation, and dependent care). Financial aid grants help New Mexico undergraduate students cover more of these costs than student loans. Research links student loans to lower long-term financial health.

Note: Undergraduate, in-state costs of attendance.  
Source: LFC analysis of U.S. College Navigator data

**Chart 10. On Average, Nonloan Financial Aid Packages Cover 37 to 68 Percent of Costs of Attendance, FY21**



**Tuition and fees make up less than half of the total cost of attendance at each of New Mexico’s HEIs.** Tuition and fees ranged from a high of 40 percent of the total cost of attendance (New Mexico Institute of Mining and Technology) to a low of 10 percent of the total cost of attendance (Santa Fe Community College). Room and board costs were the highest cost driver for students.

**Financial aid grants and scholarships, rather than loans, cover over half of costs of attendance for New Mexico undergraduates.** Each college student receives a unique financial aid package depending on the student’s family income, academic performance, and eligibility for different grants. Financial aid offices at HEIs help students compile these unique packages of financial aid for students. In FY21, average financial aid packages for undergraduates (excluding loans) covered between 37 to 68 percent of costs of attendance at state HEIs. Across all HEIs, the average annual financial aid package (excluding student loans) amounted to \$9,783. By contrast, average financial aid loan amounts covered between 20 to 47 percent of total costs of

Note: Undergraduate, in-state costs of attendance.  
Source: LFC analysis of U.S. College Navigator data



attendance.<sup>1</sup> New Mexico undergraduate students borrowed an average of \$5,451 in federal loans in the same year. Additionally, a college student working 10 hours per week for 50 weeks at the state’s minimum wage of \$12 per hour would also earn \$6,000 per year.

**Research is inconclusive on the impact of student loans on college student performance, but indicate student loans reduce long-term financial health.** Research is mixed about the impact of student loans on college outcomes with different studies finding student loan debt to have negative effects, positive effects, or no effects on college completion.<sup>x</sup> However, research studies have associated student debt with lower long-term asset accumulation, house purchasing, home equity, net worth, and retirement savings.<sup>xi</sup>

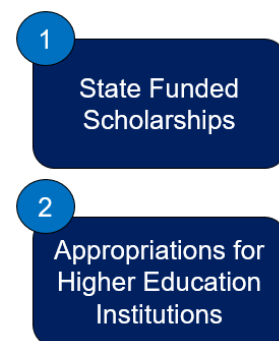
**New Mexico provides generous support to higher education compared to other states, which helps keep tuition rates nationally low.**

The state funds daily higher education operations in two primary ways: (1) state funded financial aid for students and (2) appropriations for HEIs. New Mexico provides generous state appropriations to higher education with state funding supporting nearly half of HEIs’ core instruction and general (I&G) operations. Additionally, New Mexico provides the fourth highest state and local appropriations per college student in the nation. Research studies have found state funding for higher education operations helps keep tuition rates low by making HEIs less reliant on tuition revenue. New Mexico’s tuition rates are among the lowest in the nation for state-funded HEIs.

**State funding supports nearly half of core instruction and general (I&G) operations at New Mexico HEIs.** I&G expenditures include core higher education functions such as instruction, student services, and building operations but do not include other functions such as research, athletics, or public service projects. The Legislature provides state appropriations to support the I&G operations of New Mexico HEIs. In FY22, New Mexico HEIs received over \$1.5 billion in total unrestricted (discretionary) I&G revenues overall, with 48 percent (or \$729 million) coming from state sources.

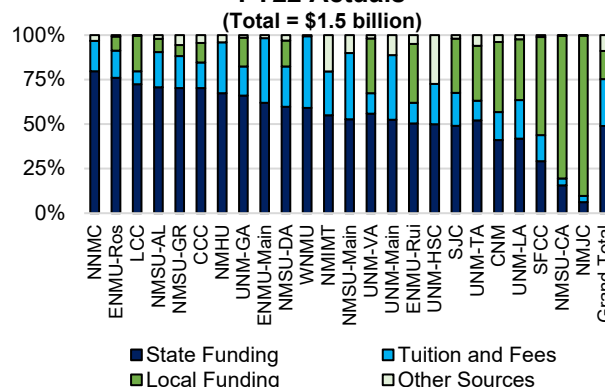
Reliance on state funding varies significantly among HEIs. Across different HEIs, state funding as a proportion of total unrestricted I&G revenue ranges from a high of 80 percent at Northern New Mexico College to a low of 6 percent at New Mexico Junior College. In FY22, I&G revenue was nearly 50 percent of overall higher education revenue on average. State funding still comprised the largest source (36 percent) of total higher education revenue. Based on these data, state appropriations support a greater share of core I&G operations and total higher education operations than other revenue sources.

**Figure 2. Types of State Funding for Higher Education**



Source: LFC

**Chart 11. Higher Education Instruction & General Revenue by Source, FY22 Actuals**

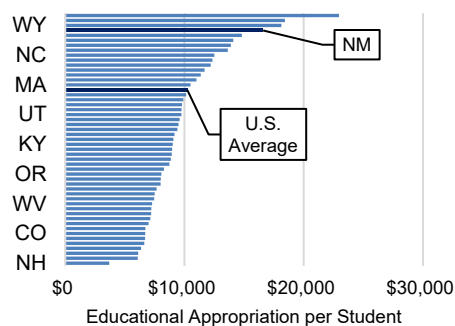


Source: LFC analysis of HEI financial reports of actuals data (Exhibit 2)

<sup>1</sup> Nationally, graduate students are more reliant on loans than undergraduate students. In FY21, federal loans were 65 percent of all U.S. financial aid for graduate students and 25 percent of national financial aid for undergraduate students.



**Chart 12. New Mexico had the Fourth Highest Appropriations per College Student in the U.S. in FY22**



Source: SHEEO FY22 State of Higher Education Finance Report, p.44

**New Mexico provides higher state and local appropriations per college student than all other states, except Illinois, Alaska, and Wyoming.** According to the latest available finance report from the State Higher Education Executive Officers Association (SHEEO), New Mexico dedicated \$16.6 thousand in state and local appropriations per student in FY22, the fourth highest amount in the country behind Illinois (\$22.9 thousand), Alaska (\$18.4 thousand), and Wyoming (\$18.1 thousand). New Mexico educational appropriations per student were 62 percent higher than the U.S. average of \$10.2 thousand per student.<sup>xii</sup> Similar data from SHEEO finds New Mexico dedicated a higher percentage of its lottery and tax revenues to higher education (10.4 percent) than the U.S. average (5.7 percent) and all other states except Wyoming (13.8 percent) in FY20.<sup>xiii</sup>

**Research finds tuition and fees increase by 11 cents to 44 cents for every \$1 decrease in state funding per college student.**

Researchers have observed a relationship between state funding for higher education operations and the tuition rates HEIs charge students. Specifically, studies have analyzed how tuition and fees have changed after recessions and budget cuts. For example, research from the Federal Reserve Bank of Boston (using national data from 1987 to 2012) found HEIs raised tuition and fees by 11 cents to 44 cents per student in response to every \$1 decrease in state funding per student. Increases in tuition and fees for out-of-state students tended to increase at a faster rate (32 cents to 44 cents per student) than for in-state students (11 cents to 16 cents per student) for every \$1 decrease in state funding per student.<sup>xiv</sup> In New Mexico, statewide average tuition and fees increased in FY19 by 4 percent after state I&G funding decreased by 6 percent (\$35 million) in FY18. However, decreases in state appropriations are not the main cause of tuition increases. For example, the two largest increases in New Mexico’s statewide average tuition and fees in the past decade occurred in FY23 (an 8 percent increase) after the passage of the Opportunity Scholarship Act (Section 21-21R-1 NMSA 1978) and in FY16 (a 9 percent increase) as state higher education funding increased.

**New Mexico’s tuition and fees are among the lowest in the country.**

According to 2022 data from College Board, New Mexico community colleges have the second lowest average tuition and fees in the nation (behind California community colleges), and New Mexico universities have the tenth lowest in the nation compared to other state funded HEIs in academic year 2022-23 (AY23). These data suggest the state’s investments in higher education have helped keep tuition and fees at New Mexico HEIs relatively low compared to state-funded HEIs in other states.



## New Mexico has Expanded Higher Education Access With Financial Aid but Grapples With Low College Readiness and Outcomes

Financial aid increases college access by helping students cover tuition, fees, and other costs of attendance, such as books, housing, and meals. Research indicates financial aid can increase the likelihood of a student persisting through college and graduating. New Mexico’s financial aid funding has contributed to increased college-going and in-state enrollment. However, the state’s number of students completing college are below levels expected based on funding levels and research benchmarks.

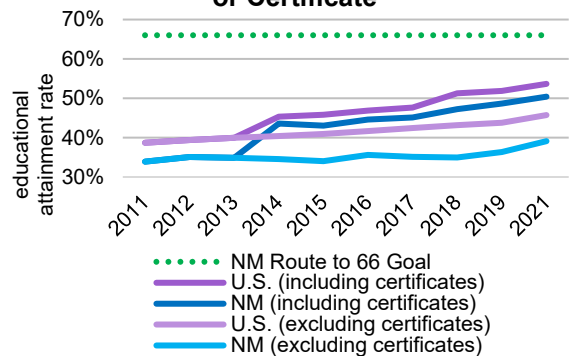
After the lottery scholarship was first enacted, college-going rates increased but graduation rates initially fell as some students struggled in college. Currently, nearly one in three New Mexico college freshmen requires remediation. Retention rates have also fallen in recent years. New Mexico’s performance in college readiness, retention, and graduation ranks below most other states. As New Mexico expands college access through free tuition and fees, the state and HEIs will need to ensure students have supports to succeed in higher education. Increased investment in core higher education operations has a higher estimated direct impact on college completion than further expansions of undergraduate financial aid. Although a majority of the state’s college graduates stay in the state after graduation, more college graduates leave New Mexico than out-of-state graduates come to live in the state.

### New Mexico college attainment has increased over the past decade but still lags behind most other states.

Over the past decade, New Mexico has enacted reforms to increase college attainment and college completion. In 2011, the Legislature directed HED to revise its I&G funding formula to incentivize degree completion. The funding formula was changed and has been performance-based since 2012. In 2016, New Mexico set a long-term “Route to 66” college attainment goal for 66 percent of the state’s 25-64 year old population to attain a college degree or certificate by the year 2030 (Executive Order 2016-37). According to the Lumina Foundation, New Mexico’s educational attainment rate has increased over the past decade. However, the state’s college attainment rate remains lower than most other states, ranking 39<sup>th</sup> in the nation (42<sup>nd</sup> in the nation if college certificates are excluded). New Mexico’s growth exceeded the national average, including certificates, but lagged the nation when excluding certificates.

According to U.S. Census data, New Mexico would need to graduate (and retain) an additional 390 thousand college graduates for 66 percent of the population to have an associate’s degree or higher. In 2021, 38 percent of the state’s population over age 25 (or 554 thousand people) had a high school education or less.

**Chart 13. Percent of Population (age 25-64) with a College Degree or Certificate**



Notes: New Mexico's performance-based formula was completed in 2012. College certificates were added to the attainment rate methodology in 2013.

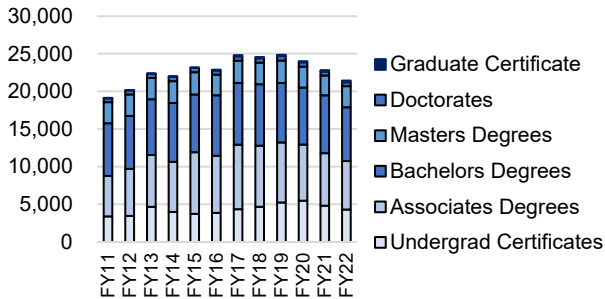
Source: LFC analysis of Lumina Foundation data

**Annual college completions in New Mexico have grown since 2011, particularly in certificate and associate's degree programs.** New Mexico college completions increased by 12 percent (or 2,309 graduates) from 19.1 thousand graduates in FY11 to 21.4 thousand graduates in FY22. This trend has primarily been driven by a 27 percent growth in undergraduate certificates and a 20 percent growth in associate's degrees. Over the same timeframe, bachelor's degree completions increased by 2 percent, master's degree completions remained the same, and doctoral degree completions increased by

3 percent. According to federal Integrated Postsecondary Education Data Systems (IPEDS) data for FY21 (the latest available), the largest percent of New Mexico certificates (41 percent) and associate's degrees (33 percent) awarded were in general studies.

These trends are similar to those in the 2018 LFC program evaluation, *Review of the Higher Education Funding Formula*, which found most growth in credential production came from lower-level certificates and associate's degrees in general studies.<sup>xv</sup> The 2018 evaluation recommended the I&G formula be revised to better incentivize the acquisition of higher degrees and jobs.

**Chart 14. New Mexico College Completions by Credential Type**



Source: LFC analysis of I&G funding formula data

**The number of students completing degrees and certificates has been below expected levels based on funding and research benchmarks.**

**Research finds higher education funding and financial aid grants boost college outcomes, but New Mexico is performing below expected benchmarks**

Research studies have found higher education funding (whether in the form of student financial aid or state I&G appropriations) positively impacts college outcomes and completion. As financial aid grants and state I&G appropriations per student have both grown in recent years, the number of students completing their degree and certificate programs has been below expected levels based on funding and research benchmarks. The gap between expected and actual credential completion in New Mexico, given growing funding levels, signals a need to improve college readiness, student support services, and college completion.

**Funding for higher education (either as student financial aid or state I&G appropriations) positively impacts college outcomes and completion.** In 2021, the State Higher Education Executive Officers Association (SHEEO), a higher education policy organization, reviewed 177 studies on the impacts of state funding on higher education.<sup>xvi</sup> SHEEO researchers concluded there is “clear evidence that increased financial investments – specifically, increased state general operating [appropriations] and student financial aid – are directly tied to student success in higher education.” Specifically, the research indicates state appropriations for HEI operations tend to keep tuition down, increase enrollment, and increase college completion. Similarly, state funding for financial aid grants increases in-state college enrollment and college completion. Several research studies have also consistently found financial aid grants reduce students’ reliance on student loans.<sup>xvii</sup>

**Research finds an additional \$1,000 in financial aid per student corresponds with a 2.5 percent increase in college completion; New Mexico has performed below this benchmark.**<sup>xviii</sup> SHEEO recently used this benchmark to calculate how the United States could expect to graduate an additional 20.5 thousand undergraduates per year with an additional \$1,000 in financial aid grants per student. LFC staff used this benchmark to estimate the expected degree and certificate completions at New Mexico HEIs given changes in financial aid grants per full-time equivalent student.

As financial aid grants per student have grown over the past five years in New Mexico, fewer students are completing their undergraduate programs than would be expected. If New Mexico credential completions had followed expected levels given financial aid funding, an additional 3,487 students would have completed their degree or certificate programs over the past five years.

**A 10 percent increase in state funding per student corresponds with increased bachelor's degrees (4.6 percent), associate's degrees, and certificates (14.6 percent); New Mexico underperformed this benchmark.**<sup>xix</sup> SHEEO used this research benchmark to estimate the United States could expect to graduate an additional 292 thousand undergraduates with increased state appropriations. LFC staff used this research to estimate the expected degree and certificate completions at New Mexico HEIs given changes in I&G appropriations per full-time equivalent student. As I&G appropriations per student have grown over the past five years in New Mexico, fewer students are completing their undergraduate programs than would be expected.

If New Mexico credential completions had followed expected levels given I&G appropriations, an additional 11,566 students would have completed their degree or certificate programs over the past five years. Although some of this underperformance is likely attributable to the Covid-19 pandemic, these gaps between expected and actual credential completions in New Mexico signals a need to improve college readiness, student support services, and college completion going forward.

**Table 1. New Mexico Undergraduate Credential Completions are Below Expected Levels given Financial Aid Grants per Student**

Fiscal Year	Financial Aid Grants per Student	Expected Credential Completions	Actual Undergrad Credential Completions	Difference (Actual below Expected)
FY18	\$ 3,885	20,937	20,937	-
FY19	\$ 4,223	21,041	21,123	82
FY20	\$ 4,462	21,205	20,504	(701)
FY21	\$ 4,625	20,568	19,472	(1,096)
FY22	\$ 5,345	19,647	17,875	(1,772)
<b>Total</b>		<b>103,398</b>	<b>99,911</b>	<b>(3,487)</b>

Note: Benchmark for expected credential completions comes from the research of Nguyen et al (2019). Students are measured as full-time equivalent students.

Source: LFC analysis of HED I&G funding formula data, SHEEO data, HEI reports of actuals, and IPEDS data

**Table 2. New Mexico Undergraduate Credential Completions are Below Expected Levels given State Appropriations per Student**

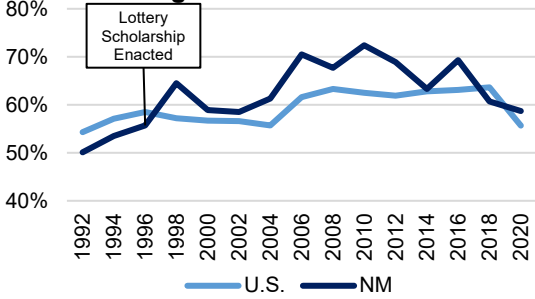
Fiscal Year	State I&G Appropriations per Student	Expected Credential Completions	Actual Undergrad Credential Completions	Difference (Actual below Expected)
FY18	\$ 6,351	20,937	20,937	-
FY19	\$ 6,884	21,123	21,123	-
FY20	\$ 7,486	22,832	20,504	(2,328)
FY21	\$ 7,950	23,717	19,472	(4,245)
FY22	\$ 8,751	22,868	17,875	(4,993)
<b>Total</b>		<b>111,477</b>	<b>99,911</b>	<b>(11,566)</b>

Note: Benchmark for expected credential completions comes from the research of Deming & Walters (2018). Students are measured as full-time equivalent students.

Source: LFC analysis of HED I&G funding formula data, SHEEO data, and IPEDS data

**The lottery scholarship increased in-state enrollment, but initially lowered outcomes as some students were unprepared for college.**

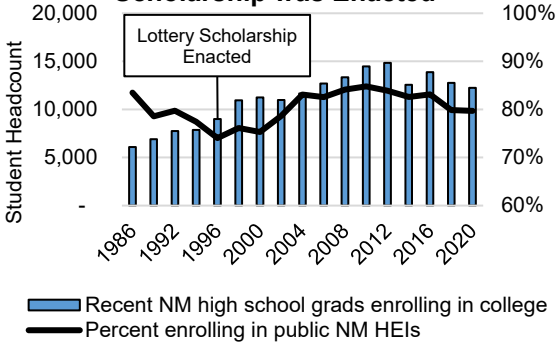
**Chart 15. College-Going Rate of High School Graduates**



Note: College-going rate is defined as enrolling in college anywhere in the nation within one year of graduation from high school.

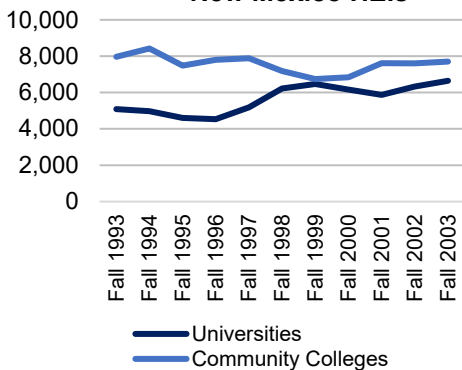
Source: LFC analysis of NCHEMS and IPEDS data

**Chart 16. More New Mexico High School Graduates Attended NM Public HEIs After the Lottery Scholarship was Enacted**



Source: LFC analysis of IPEDS data

**Chart 17. Number of First-Time Students Starting at New Mexico HEIs**



Source: LFC staff analysis of IPEDS data

The lottery scholarship boosted high school college-going rates and enrollment at state colleges. However, student outcomes initially dropped after the lottery scholarship was enacted because some new students were unprepared for college. Research has found the lottery scholarship improved the graduation rates of academically prepared low-income students (by removing financial barriers) but did not increase the graduation rates of either higher income students or underprepared low-income students.

**New Mexico’s college-going rates have been consistently above, or equal to, the national average since the late 1990s.** The percent of high school graduates going to college in New Mexico first increased above the national average in 1998 after the Legislature enacted the Legislative Lottery Tuition Scholarship Act in 1996 (Section 21-21N-1 NMSA 1978). According to data from the National Center for Higher Education Management Systems (NCHEMS), a nonprofit research organization, New Mexico’s high school college-going rates have consistently remained above the national average since the original enactment of the state lottery scholarship.

**The proportion of New Mexico high school graduates enrolling in the state for college increased after the lottery scholarship was enacted.** When the lottery scholarship was first enacted in state law in 1996, 74 percent of recent New Mexico high school graduates enrolled in a state-funded New Mexico HEI that fall semester. After the lottery scholarship started in 1997, the proportion of New Mexico high school graduates enrolling in New Mexico public HEIs increased. Since 2002, the percent of recent New Mexico high school graduates enrolling in New Mexico HEIs has been between 80 percent to 85 percent. These data suggest the lottery scholarship encouraged New Mexico students to stay in the state for college.

**After the New Mexico lottery scholarship was enacted, first-time enrollment shifted from community colleges to universities.** The Legislature created the New Mexico lottery and the lottery tuition fund in 1995. During the following session, the Legislature defined the lottery scholarship’s eligibility requirements and determined how scholarship funds would be administered by the Commission of Higher Education, now the Higher Education Department (HED), and the state’s HEIs (Section 21-21N-1 NMSA 1978). The New Mexico lottery scholarship officially began in 1997. The number of first-time students at state universities increased by 37 percent in the first two years from 4,500 students in fall 1996 to 6,200 students in fall 1998. At the same time, first-time students entering community colleges decreased by 8 percent from 7,800 students in fall 1996 to 7,200 students in fall 1998.

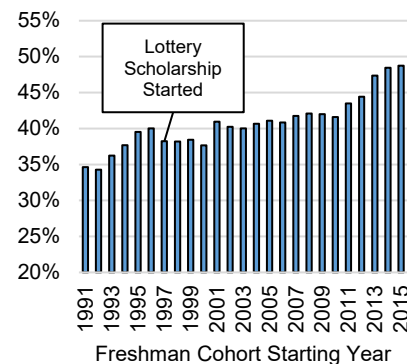


**Graduation rates at state universities decreased for the first few student cohorts who received the lottery scholarship.** Of the bachelor’s degree seeking freshmen who started at New Mexico universities in 1996, 42 percent would graduate within six years. Of the freshmen starting in 1997, only 38 percent would graduate within six years. From 1997 through 2000, the first few student cohorts to receive the lottery scholarship had lower six-year graduation rates than the 1996 cohort. These data suggest the initial student cohorts receiving the lottery scholarship may not have had enough college preparation or student supports.

**Research has found the lottery scholarship increased the graduation rates of academically prepared low-income students, but negatively impacted academically unprepared students.** A research study published in 2020 examined the impacts of the lottery scholarship on University of New Mexico (UNM) freshman cohorts from 1995 through 1999.<sup>xx</sup> By comparing the outcomes of student cohorts before and after the lottery scholarship was enacted, the study found the lottery scholarship had a significant positive impact on the graduation rates of academically prepared (as measured by high school GPA) low-income students but a negative impact on academically underprepared low-income students. The study also found incoming students at UNM had lower high school GPAs, lower ACT scores, and required more remediation after the lottery scholarship was introduced. The study notes the lottery scholarship may have induced underprepared students who would have otherwise enrolled at a community college to enroll at UNM. Although these findings are limited to the lottery scholarship’s initial impacts, they can provide insight into the potential impacts of recent financial aid expansions. To encourage less academically prepared students to start at community colleges, state research universities could consider raising admissions requirements while bolstering existing transfer programs with partner community colleges.<sup>2</sup> Other research indicates high school GPA requirements or increased college GPA requirements for state financial aid eligibility can have the unintended consequence of reducing the number of science, technology, engineering, and math (STEM) majors.<sup>xxi</sup>

**Research found the lottery scholarship did not significantly impact the graduation rates of students with higher family incomes.** The same study found the lottery scholarship had no statistically significant impact on the graduation rates of students with family incomes above \$40 thousand. The study notes a family income cap would “target spending toward those students who seem most responsive to the [lottery scholarship]” (p.187). The Legislature could consider amending state law to allow for HED to determine a ceiling of eligibility for the opportunity and lottery scholarships based on family income (e.g., annual household incomes over \$250 thousand).

**Chart 18. Six-Year Graduation Rate of Student Cohorts at New Mexico Universities**



Note: NNMC data were included starting in 2005 when the college began offering bachelor’s degrees.

Source: LFC staff analysis of IPEDS data

**Table 3. Estimated Impacts of the New Mexico Lottery Scholarship on Different Student Populations**

Student Population	Impact of Lottery Scholarship on Graduation
Academically Prepared, Low-Income Students	10% more likely to graduate after lottery scholarship enacted
Academically Unprepared Low-Income Students	Did not improve likelihood of graduation, but increased enrollment. Graduation rate decreased 11.6% after lottery scholarship enacted.
Higher-Income Students (Family Income over \$40 thousand)	No change in likelihood of graduation after lottery scholarship enacted

Notes: Estimated impacts based on comparisons of UNM freshman cohorts from 1995 through 1999. A lack of academic preparation was defined as a below average high school GPA

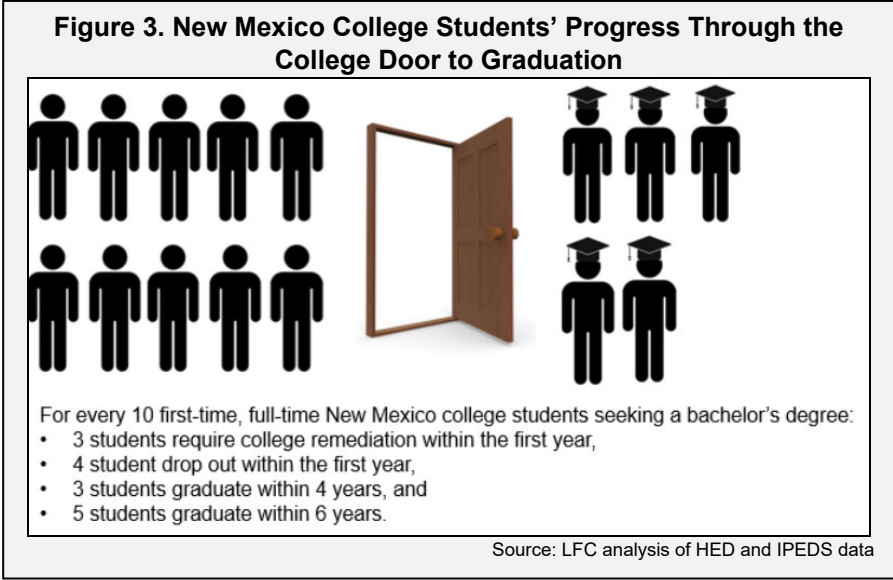
Source: LFC review of the research of Erwin & Binder (2020).

<sup>2</sup> In fall 2021, UNM main campus accepted 97 percent of first-time, degree seeking applicants whereas the average for U.S. public colleges was 78 percent, according to IPEDS data and the National Association for College Admission Counseling. New Mexico State University (NMSU) had an acceptance rate of 57 percent. UNM and NMSU both have programs (UNM Gateway and Aggie Pathways) allowing academically unprepared students to initially start at partner community colleges and transfer to the main campus. New Mexico Institute of Mining and Technology (NMT) had an applicant acceptance rate of 97 percent in fall 2021 but requires standardized test scores for admission whereas UNM and NMSU do not.

**The state’s remediation, retention, and graduation rates signal a need to focus on college readiness and student success.**

After the lottery scholarship was enacted, the first few cohorts of students had lower outcomes before graduation rates and outcomes recovered. Although it

is too early to see the impacts of the opportunity scholarship on student outcomes, New Mexico’s college remediation, retention, and graduation rates indicate a need for the state and HEIs to improve college readiness and success. Roughly one out of every three New Mexico high school graduates enrolling in state HEIs requires remediation. Retention rates for first-time students statewide recently decreased to their lowest levels since 2012. At the same time, college retention rates and graduation rates in New Mexico also have consistently ranked below most other states. These data suggest students are struggling in college and, without adequate interventions, less



likely to graduate. As the state invests in scholarships, college access, and enrollment, the state and HEIs will need to work on helping students succeed with college-level coursework.

**Nearly one out of every three New Mexico high school graduates enrolling in state colleges needs remediation.** In academic year 2021-22 (AY22), 31 percent of incoming college freshmen at state HEIs, coming from a New Mexico high school, needed some type of remedial course in math, reading, or writing. These data indicate many incoming freshmen are enrolling at New Mexico HEIs without adequate preparation for college coursework. There is not a standardized college remediation rate annually reported in the United States, but federal data reported in 2016 (the latest analysis) indicates 19 percent of undergraduate first-year students took a remedial class that year. In 2018, the state First Judicial District Court cited college remediation rates as partial evidence of insufficient public education preparation in its findings of fact within the *Martinez-Yazzie* education sufficiency lawsuit against the state. Previous LFC reports have noted the need for improved program implementation at local school districts and oversight from the Public Education Department to improve public education outcomes.<sup>3,xxii</sup>

**In 2022, only 28 percent of New Mexico SAT test-takers met college and career readiness benchmarks in both reading and math, ranking 47 out of 50 states.**

**A smaller percentage of New Mexico high school graduates meet SAT college and career readiness benchmarks than most other states.** In 2019, PED selected the SAT and the pre-SAT (PSAT) as the state’s official high school assessments because of the tests’ alignment with state standards. The SAT and the PSAT identify students who score above certain grade-level benchmarks as being “college and career ready” in reading or math, meaning

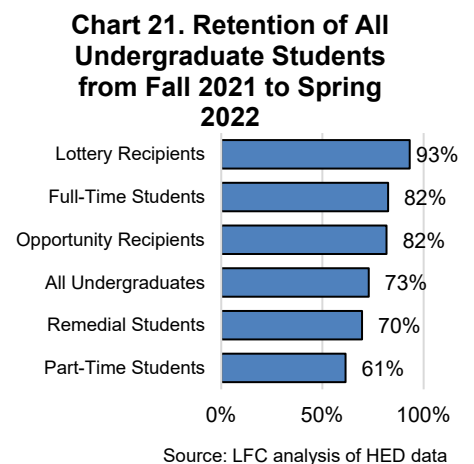
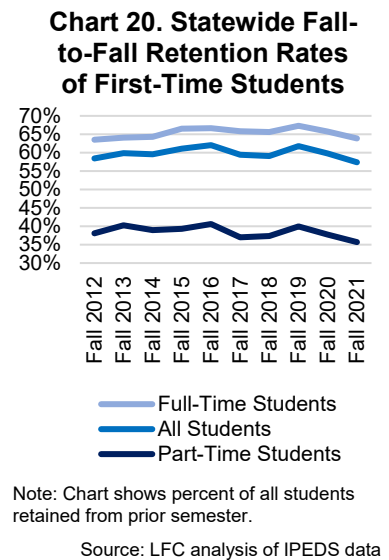
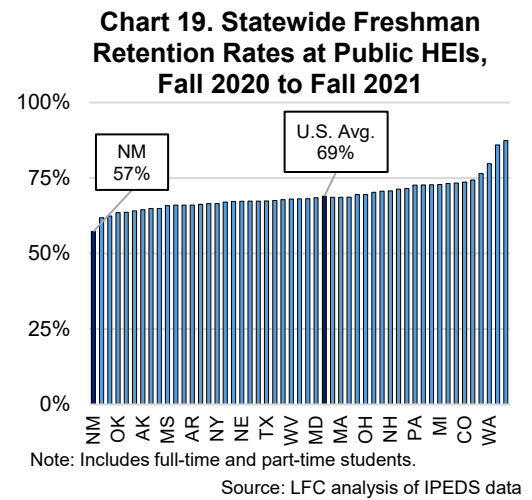
<sup>3</sup> A 2022 LFC report found New Mexico has invested more than \$1 billion additional dollars into public education since the *Martinez-Yazzie* ruling, while cash balances at school districts and charter schools have increased and outcomes have not significantly improved.

a student has at least a 75 percent chance of earning a C in a college-level course. Of the roughly 8,900 New Mexico SAT test-takers who graduated from high school in 2022, only 28 percent met college and career readiness benchmarks in both reading and math.<sup>xxiii</sup> The national average was 43 percent in 2022 and New Mexico ranked 47<sup>th</sup> out of 50 states. Of the 24 states with SAT-participation rates greater than or equal to New Mexico’s SAT-participation rate (45 percent), New Mexico’s college and career readiness in reading and math ranked 23<sup>rd</sup> out of 24 states (only exceeding West Virginia).

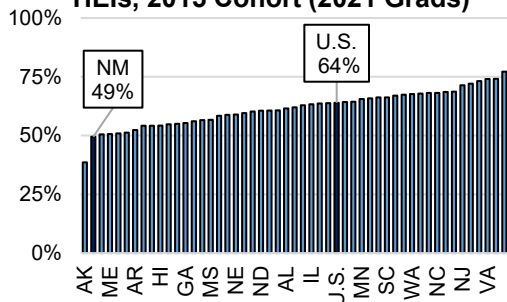
**New Mexico has consistently had among the lowest freshman retention rates of states.** Of the roughly 14 thousand first-time college students who enrolled in New Mexico public HEIs in the fall 2020 semester, 57 percent (or about 8,000 students) returned in fall 2021. U.S. average retention rate of first-time college students from fall 2020 to fall 2021 was 69 percent. New Mexico’s statewide college freshmen retention rate has ranged from 62 percent to 57 percent since 2016 but has consistently ranked 50<sup>th</sup> among states over that timeframe. Maine ranked 49<sup>th</sup> with a retention rate of 62 percent from fall 2020 to fall 2021.

**New Mexico full-time and part-time retention rates recently decreased to their lowest levels since 2012.** It is too early to see the impacts of the opportunity scholarship on graduation rates or degree completion since the opportunity scholarship was enacted into state law and expanded in FY23. However, fall-to-fall retention rates are a leading indicator of college performance. Federal data show New Mexico’s 2021 student retention rates, both for full-time and part-time students, fell to their lowest levels since 2012. Poor retention rates can indicate students are struggling and not likely to graduate in a timely fashion. To monitor the performance and financial outcomes of the opportunity scholarship, HED reports it will produce an annual report on the Opportunity Scholarship, as required by state law, starting in FY25 when the first year of complete program data is available.

**Part-time students and students taking remedial courses had lower retention rates from fall 2021 to spring 2022 than other students.** LFC staff analyzed the retention rates of New Mexico undergraduate students from fall 2021 to spring 2022 using student-level data from HED. Of all undergraduate students attending state colleges in fall 2021, 73 percent later enrolled for the spring 2022 semester. Full-time students, lottery recipients, and opportunity scholarship recipients had higher retention rates than the average for all undergraduates. Students who took a remedial class in fall 2021 and part-time students had lower retention rates. Research has found encouraging students to attend college full-time boosts outcomes.<sup>xxiv</sup> However, this is not always feasible for all students. According to the Lumina Foundation, 40 percent of U.S. college students work full-time and 24 percent have children or other dependents.<sup>xxv</sup> Initiatives connecting part-time students with other students and campus resources increased part-time retention rates at Bunker Hill Community College by 7 percent.<sup>xxvi</sup>



**Chart 22. Six-Year Graduation Rates for Bachelor's Degree-Seeking Students at Public HEIs, 2015 Cohort (2021 Grads)**



Note: Freshmen cohort of 2015 at public HEIs who graduated by 2021.

Note: LFC analysis of U.S. IPEDS data

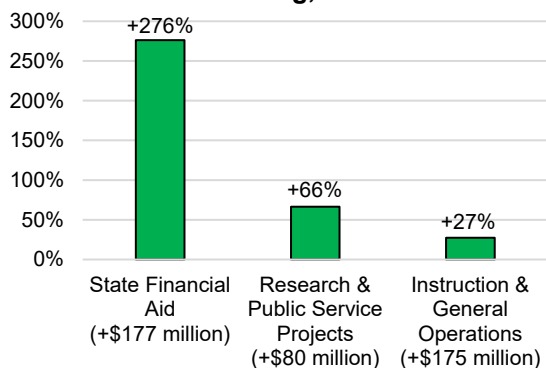
**New Mexico's graduation rates rank below most other states in the nation.** In 2015, around 6,700 college freshman started at a New Mexico public HEI seeking a bachelor's degree. After six years, 49 percent of these college students (or 3,300 students) graduated by 2021. New Mexico's six-year college graduation rate for this student cohort was well below the national graduation rate of 64 percent and ranked 49<sup>th</sup> out of all states (with the exception of Alaska). New Mexico's six-year graduation rates for bachelor's-degree-seeking students at public universities has ranked either 48<sup>th</sup> or 49<sup>th</sup> in the United States for the past five cohorts. New Mexico's statewide four-year graduation rate is similarly low compared to other states, ranking 48<sup>th</sup> in the United States in 2021.

At New Mexico community colleges, 31 percent of credential-seeking freshmen from 2018 graduated (or transferred to another school) by 2021. New Mexico's three-year graduation rate for community college students was below the national graduation rate of 46 percent. New Mexico's community college three-year graduation rate has ranked among the three lowest graduation rates over the past five cohorts. For low income Pell grant recipients, New Mexico's six-year graduation rate (41 percent) for a bachelor's degree ranked 44<sup>th</sup> nationally and three-year graduation rate (23 percent) for an associate's degree or certificate ranked 39<sup>th</sup> nationally in 2021.

**Increased funding for core I&G operations, particularly student supports, has a higher estimated impact on college completion than additional financial aid.**

The Legislature has grown state funding for financial aid at a significantly faster rate than funding for core I&G operations. Although financial aid increases college access, reduces the amount of time students need to work while in school, and decreases long-term debt, state funding for core I&G operations has a greater direct impact on student outcomes than financial aid.<sup>xxvii</sup> SHEEO estimates increased funding for core higher education operations (including instruction and student supports) has a greater impact on student outcomes than increased funding for financial aid. LFC staff estimate an additional \$75 million in I&G funding would have 6.8 times more impact on college completion than the same increase to financial aid. The Legislature should prioritize future funding increases for core I&G operations rather than expanded financial aid to boost outcomes, increase student support services, and help keep tuition low.

**Chart 23. Growth in State Higher Education Funding, FY19 to FY24**



Source: LFC files

**State funding for financial aid has grown at a significantly faster rate than funding for core I&G operations in recent years.** From FY19 to FY24, state funding for New Mexico HEIs increased by \$432 million (or 52 percent) from \$827 million in FY19 to \$1.3 billion in this fiscal year, FY24. State funding for financial aid increased by 276 percent (or \$177 million) over this timeframe, which is a larger increase than the funding increases for either research and public service projects or core I&G operations.



**Increased funding for core I&G operations is estimated to have a greater impact on student outcomes than increased funding for financial aid.** In 2021, SHEEO used research benchmarks to compare how additional state funding for HEI operations or for financial aid would impact national student outcomes. On the one hand, SHEEO estimated that an additional \$1,000 per student for higher education operations would increase national college completion by 292 thousand undergraduate credentials. On the other hand, SHEEO estimated an additional \$1,000 per student for financial aid would increase national college completion by 20.5 thousand undergraduate credentials. Based on its findings, SHEEO concluded states are not likely to see significant gains in their college completion numbers without increased investment in HEI operations and student learning environments. Additionally, SHEEO recommended, “because state appropriations serve to support the entire mission of institutions... and directly impact student access and success, support for state financial aid programs should not come at the expense of general operating support.”<sup>xxviii</sup>

LFC staff replicated SHEEO’s methodology using New Mexico data to compare the impact of an additional \$1,000 per student in financial aid (scenario 1) with an additional \$1,000 per student in state I&G funding (scenario 2), or roughly \$72.7 million total. LFC staff found increased investment in I&G operations would yield 6.8 times the impact in terms of additional graduates and return on investment than the same amount added to financial aid. To boost outcomes, increase student support services, and help keep tuition low, the Legislature should consider prioritizing higher education funding increases for core I&G operations in upcoming fiscal years rather than further expanding undergraduate financial aid.

**The Legislature recently required plans for improving college enrollment; the state could require these plans to include goals and strategies for improving retention and graduation.** According to Harvard Business School, setting performance goals that are achievable, measurable, and tap into peoples’ intrinsic motivations are key practices for promoting great performance.<sup>xxix</sup> In FY23 and FY24, the state has required HEIs to prepare enrollment management plans with quantifiable performance goals to increase enrollment. To help address the state’s college outcomes, the Legislature should consider requiring HEIs to incorporate retention and graduation improvement goals and strategies within their enrollment management plans.

**Research suggests financial aid can help mitigate, but cannot solve, the outmigration of college graduates.**

Whether a college graduate chooses to stay in New Mexico after graduation depends on many factors, such as the state’s overall economy, quality of life, and the graduate’s employment opportunities. Research evidence suggests

**Table 4. Estimated Impacts of an Additional \$1,000 per Student in Financial Aid or I&G Funding**

Category	FY22 Actuals	Scenario 1: Additional \$1,000 per Student in Financial Aid Funding	Scenario 2: Additional \$1,000 per Student in I&G Funding
Additional State Investment		\$ 72,692,000	\$ 72,692,000
Number of Undergraduate Credential Completers	17,875	18,322	20,751
Additional Graduates		447	2,876
Increased 10-Year Earnings for Additional Graduates		\$ 76,291,096	\$490,963,254
Return on Investment for each additional \$1		\$ 1.0	\$ 6.8

Note: Return on investment was calculated as the average increase in median earnings for U.S. undergraduate credential completers (\$20.2 thousand) multiplied by 10 years and then multiplied by the number of additional undergraduate credential completers and then multiplied by 76 percent to reflect the percent of graduates staying in state. The product of these numbers was then divided by the initial additional state investment. Students were measured as full-time equivalents to match SHEEO’s methodology.

Source: LFC analysis of HED, IPEDS, SHEEO, and U.S. Bureau of Labor Statistics data



state financial aid can slightly increase the likelihood of college graduates staying in-state after graduation, but this effect diminishes over time. Research also indicates that, although a majority of New Mexico college graduates stay after graduating, more college graduates leave New Mexico than out-of-state graduates come into the state.

**State financial aid programs can increase the likelihood of college students remaining in the state but this effect diminishes over time.**

Research studies have found state financial aid programs (such as New Mexico’s lottery scholarship) increase the likelihood of a college student initially remaining in their home state after college by 1 percent to 4 percent.<sup>xxx, xxxi, xxxii</sup> However, research has also found evidence college educated adults are less likely to stay in their home state as more time passes after college.<sup>xxxiii</sup> New Mexico working age population trends appear to align with this research. According to U.S. Census data, New Mexico’s population age 25 to 44 years with a college degree increased by 23 percent from 2010 to 2020 while the state’s population age 45 to 64 years with a college degree decreased by 8 percent over the same timeframe.

**The state continues to make investments in financial aid toward targeted workforce fields.**

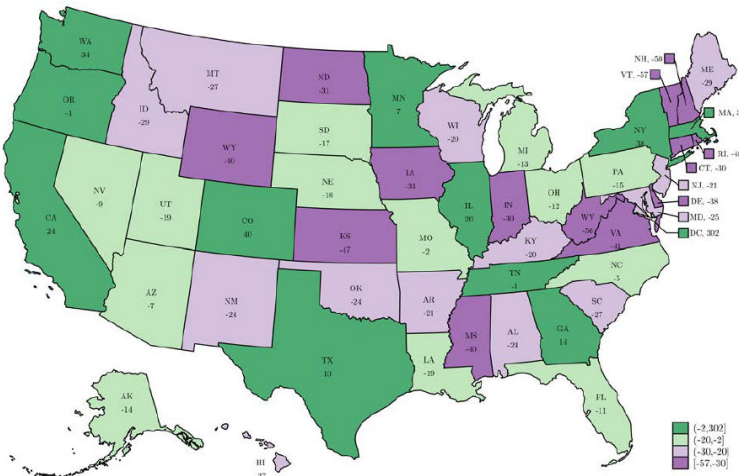
Multiple LFC evaluations have noted gaps between the state’s workforce needs and supply of college graduates in relevant fields. These reports include reviews of STEM employment, nursing and public health related fields, public education, and post Covid-19 workforce development.<sup>xxxiv, xxxv, xxxvi</sup> Additionally, the state Economic Development Department’s 20-year strategic plan highlights a “misalignment between higher education and industry” in New Mexico (p.2).<sup>xxxvii</sup> To help address such misalignment, the Legislature has appropriated targeted financial aid funding for social workers (\$20 million in endowment funds), nursing and other healthcare professionals (\$15.6 million), teachers (\$10.5 million), and STEM graduate students (\$10 million) in FY24. Additionally, the state has recently

invested in a longitudinal data system with a pooled dataset from multiple education and workforce agencies to better track workforce needs. HED should leverage this resource with the state Economic Development Department, Workforce Solutions Department, and HEIs to better align higher education with the state’s workforce needs.

**New Mexico is a net exporter of college graduates, even though a majority of its college graduates stay in state.**

A recent paper from the National Bureau of Economic Research (NBER) compared federal degree completion data with LinkedIn alumni counts to study the migration patterns of college graduates.<sup>xxxviii</sup> Based on its data, roughly 76 percent of New Mexico bachelor’s degree graduates from 2010 to 2018 remained in the state as of 2021, higher than the national average of 67 percent.<sup>4, xxxix</sup>

**Figure 4. Net Importers (Green) and Exporters (Purple) of College Graduates from Four-Year Colleges**



Source: Conzelmann et al (2022). “Grads on the Go: Measuring College-Specific Labor Markets for Graduates.” National Bureau of Economic Research Working Paper 30088. p.38

<sup>4</sup> For the 2016 LFC program evaluation *STEM Degree Production and Employment Outcomes*, LFC received a dataset from HED and the state workforce solutions department tracking the employment outcomes of academic year 2013-14 (AY14) college graduates one year after

Despite a majority of New Mexico college graduates staying in-state, more college graduates leave New Mexico than come into the state.

The NBER paper did not study reasons why some states export college graduates while other states (such as Texas and Colorado) import college graduates. The 2021 LFC report *Policy Spotlight: State Population Trends* found New Mexico ranked in the bottom 20 percent of states on a number of quality of life factors (e.g., health, public safety, education, socioeconomics), which likely contributes to population outmigration.<sup>x1</sup>

### **The State is Developing a New Mexico Longitudinal Data System to Better Connect Education and Workforce Data**

Since December 2020, state agencies have been working on a longitudinal data system to connect datasets from the Early Childhood Education and Care Department, the Public Education Department, the Division of Vocational Rehabilitation, the Workforce Solutions Department, and HED. The project is intended to allow the state to better analyze educational and workforce outcomes (such as college-going rates and the employment outcomes of college graduates). The state has dedicated \$8 million to the project so far from state and federal funding sources. The project is currently anticipated to be completed by July 2024. New Mexico's longitudinal data system, Research Informing Success in Education (RISE NM), is still under development. According to the project website, some initial data was expected to be available on the RISE NM website in June 2023. HED should ensure successful completion of the New Mexico Longitudinal Data System project to improve the state's capacity to analyze long-term educational and employment outcomes.

## **Recommendations**

The Legislature should consider:

- Prioritizing higher education funding increases for core instruction and general operations in upcoming fiscal years rather than further expanding undergraduate financial aid;
- Requiring HEIs to incorporate retention and graduation improvement goals and strategies within their enrollment management plans; and
- Amending state law to allow for HED to determine a ceiling of eligibility for the opportunity and lottery scholarships based on family income (e.g., annual household incomes over \$250 thousand).

HED and HEIs should:

- Monitor and report on the effectiveness of student support initiatives and scale up successful programs.

New Mexico research universities could consider:

- Raising admissions requirements while bolstering existing transfer programs with partner community colleges.

HED should:

- Ensure successful completion of the New Mexico longitudinal data system project to improve the state's capacity to analyze long-term educational and employment outcomes; and
- Leverage the New Mexico longitudinal data system with the state Economic Development Department, Workforce Solutions Department, and HEIs to better align higher education with the state's workforce needs.

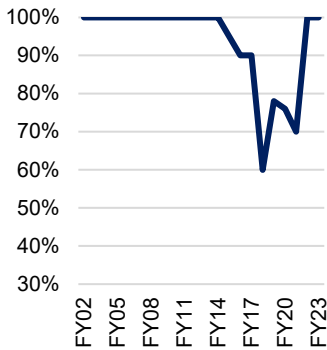
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graduation. Based on this dataset, 66 percent of AY14 college graduates were found to be working in New Mexico one year after graduation. This does not include students who may have pursued additional higher education within the state. LFC staff requested but did not receive a similar dataset for this program evaluation.

# The State Lacks a System for Ensuring the Predictability and Sustainability of Covering Tuition and Fee Costs

When the lottery scholarship first began in 1997, lottery ticket sales covered full-tuition scholarships for eligible students. However, the tuition cost of lottery scholarships grew at a faster rate than either scholarship participation or inflation. Lottery scholarship costs have outpaced lottery revenue since 2009, prompting the Legislature to periodically reduce tuition coverage, change the scholarships, and shore up the program with other funding sources.

**Chart 24. Percent of Tuition Covered by Lottery Scholarships**



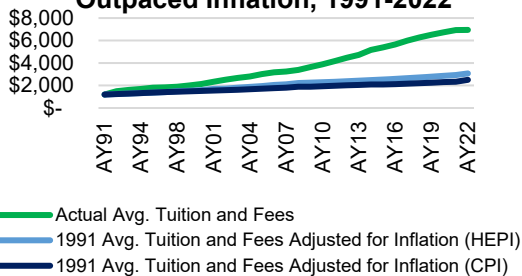
Source: LFC analysis of HED and New Mexico Lottery Authority data

If New Mexico’s goal is to cover full tuition and fees for the long-term, it will become important for the state and HEIs to agree on predictable and sustainable tuition and fee increases. Opportunity scholarship costs were 45 percent higher than initial projections last fiscal year because of unanticipated enrollment, tuition increases, and coverage of students’ first “bridge” semester before the lottery scholarship. Additionally, New Mexico tuition and fees have increased at comparatively high rates while institutional fund balances and transfers out of I&G have grown. At the same time, HED has not implemented required tuition and fee agreements with HEIs to set predictable, agreed upon tuition and fee increases.

## After tuition cost increases, lottery revenue alone could no longer sustain lottery scholarships covering full tuition costs.

Over the past two decades, tuition costs for the lottery scholarship increased by \$37.4 million (or 176 percent) from \$21.3 million in FY03 to \$58.7 million in FY22. Over the same timeframe, the number of lottery scholarship recipients increased by 592 recipients (or 3 percent), from 20.1 thousand recipients in FY03 to 20.7 thousand recipients in FY22.<sup>5</sup> The cost of lottery scholarships grew primarily because of tuition increases rather than growth in the number of scholarship recipients.

**Chart 25. Growth in Average Annual In-State Tuition and Fees at New Mexico Four-Year HEIs Outpaced Inflation, 1991-2022**



Note: Data for 1995 was missing.  
Source: LFC analysis of IPEDS, HEPI, and CPI data

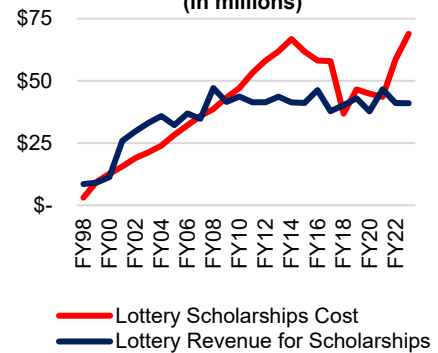
## Growth in the average annual tuition and fees at New Mexico’s four-year HEIs has more than tripled inflation growth since 1991.

In academic year 1990-91 (AY91), the average annual tuition and fees for in-state undergraduate students at New Mexico’s four-year HEIs was \$1,198 and grew to \$6,952 in AY22. Using data from the U.S. Integrated Postsecondary Education Data System (IPEDS), LFC staff adjusted the 1991 tuition and fees by two measures of inflation to see to what extent inflation drove tuition and fee increases at New Mexico four-year HEIs. Specifically, LFC staff adjusted the 1991 average annual in-state tuition and fees over time by the higher education price index (HEPI), a measure of inflation for goods and services regularly purchased by colleges and universities, and the consumer price index (CPI). The actual growth in average tuition and fees more than tripled the growth in tuition and fees from inflation as measured by both the HEPI and the CPI. These data indicate inflation has not been the primary driver of tuition and fee growth at New Mexico’s four-year HEIs.

<sup>5</sup> Even when the number of lottery scholarship recipients peaked in FY13, tuition growth from FY03 to FY13 (191 percent) exceeded growth in scholarship recipients (60 percent).

**The cost of lottery scholarships has outpaced annual lottery revenue since 2009 because of tuition costs increases.** Over the past two decades, the New Mexico Lottery Authority has transferred an average of \$40 million to the lottery tuition fund each year. From 1997 through 2008, proceeds from lottery ticket sales covered the cost of full tuition for eligible students. Lottery scholarship costs expanded over time as the number of scholarship recipients and tuition increased. Since 2009, the cost of covering full tuition for lottery scholarship students has exceeded annual lottery revenues. For several years, fund balances in the lottery tuition fund helped cover the full tuition costs of lottery scholarship students. However, by FY14, lottery revenues and fund balances could no longer cover the full tuition costs of eligible students.

**Chart 26. Lottery Scholarship Revenue and Costs**  
(in millions)



Note: Lottery revenue excludes supplemental funding.

Source: LFC analysis of HED and NMLA data

**After full tuition costs exceeded annual lottery revenue, the Legislature supplemented and reformed the lottery scholarship to cover 100 percent of tuition until FY27.** After tuition costs increased beyond what lottery proceeds alone could sustain, the Legislature responded in two ways. First, the Legislature supplemented the lottery scholarship with other revenue.<sup>6</sup> Second, the Legislature decoupled the lottery scholarship from tuition. Once equal to 100 percent of tuition costs, the value of a lottery scholarship is now based on where a student attends school: \$1,500 per semester at a research university, \$1,050 per semester at a comprehensive university, or \$380 per semester at a community college. Scholarship amounts can be higher or lower depending on how much money is available in the lottery tuition fund. In 2022, the Legislature appropriated \$130 million of federal funds from the American Rescue Plan Act to bolster the lottery tuition fund. Between this large infusion of cash and continuing revenue from lottery sales, the fund is expected to cover 100 percent of tuition for lottery scholarship students through FY27.

**Opportunity scholarship costs significantly exceeded initial projections, mainly by becoming a “bridge” scholarship for lottery students.**

Opportunity scholarship costs exceeded initial projections last year by 45 percent because of higher than anticipated costs. The largest unanticipated cost of the opportunity scholarship was covering the first semester tuition of future lottery students. State law and HED rules encourage HEIs to provide institutional scholarships before providing lottery and opportunity scholarship funds, but state law also limits the amount of institutional scholarships HEIs can provide. To increase overall financial aid, the Legislature should consider amending state law to remove limitations on, and clarify the role of, institutional scholarships. In the current fiscal year, HEIs are budgeting 8 percent (\$9.1 million) less in institutional and private financial aid than five years ago.

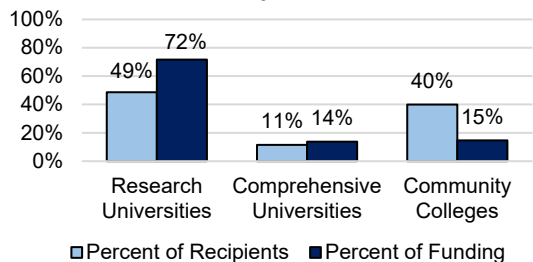
<sup>6</sup> From FY14 through FY23, the Legislature provided \$5.3 million from the tobacco settlement fund, \$34.4 million from liquor excise tax distributions, and \$158 million in special appropriations from the state general fund to supplement lottery revenue and support lottery scholarships.

**During the 2023 legislative session, the Legislature provided HED with a \$45 million supplemental appropriation to cover unanticipated cost increases.**

**In FY23, opportunity scholarship costs exceeded initial projections by 45 percent (or \$42 million), signaling a need for improved cost forecasting.**

At the beginning of FY23, HED and LFC staff projected the opportunity scholarship would cost approximately \$94 million. Initial projections assumed a \$75 million appropriation and a \$24 million scholarship fund balance would cover this cost. However, estimated opportunity scholarship costs for FY23 increased to \$136 million, which exceeded initial projections by 45 percent (or \$42 million). Opportunity scholarship costs exceeded initial projections because of higher than predicted tuition and fee increases, enrollment growth, and the use of opportunity scholarship funds to pay for the first semester of future lottery scholarship students. During the 2023 legislative session, the Legislature provided the Higher Education Department (HED) with a \$45 million supplemental appropriation to cover these unanticipated cost increases.

**Chart 27. Distribution of Opportunity Scholarship Funding and Recipients, Fall 2022**



Source: LFC analysis of HED data

**The largest unanticipated cost of the opportunity scholarship was covering the first semester tuition of future lottery students.**

College students can receive the opportunity scholarship in their first semester but must wait until their second semester before receiving the lottery scholarship. In FY23, HEIs used opportunity scholarship funds to cover the first semester tuition and fees of students on track to receive the lottery scholarship in their second semester. This practice increased the cost of opportunity scholarships by an estimated \$19 million in FY23 and directed additional opportunity scholarship funds to traditional lottery scholarship recipients. In fall 2022, less than half of opportunity scholarship recipients received 72 percent of the opportunity scholarship funding in the fall 2022 semester.

**State law is ambiguous about how much HEIs are expected to provide in institutional scholarships to cover the first “bridge” semester of lottery-track students.**

State law allows HEIs to create their own institutional scholarships to help residents pay for tuition and fees. Under this law, HEIs have created institutional “bridge” scholarships to help lottery-track students pay for some of their first semester tuition. However, statutory language conflicts on whether such institutional scholarships were intended to fully cover bridge semester tuition.<sup>7</sup>

On the one hand, the law says such institutional scholarships “shall be granted to the full extent of available funds before lottery tuition scholarships are granted” (Section 21-1-2(C) NMSA 1978). Similarly, HED rules say that institutional aid cannot be supplanted by opportunity scholarships in students’ first semester (Section 5.7.37.10(F) NMAC). On the other hand, state law limits the number of such institutional scholarships to a maximum of 3 percent of the preceding fall semester’s enrollment.<sup>8</sup> Although HED is amending its rules to emphasize that opportunity scholarships cannot be used to replace institutional scholarships, state law still limits institutional scholarships and

<sup>7</sup> HEIs can create “bridge” scholarships under Section 21-1-2(C) NMSA 1978 but “bridge” scholarships are not the only kind of institutional scholarship authorized under that section of law.

<sup>8</sup> Sometimes institutional scholarships (including bridge scholarships) authorized under Section 21-1-2(C) NMSA 1978 are referred to as “3 percent” scholarships because the law says the number of scholarships granted pursuant to Section 21-2-2(C) NMSA 1978 cannot exceed 3 percent of the preceding fall semester enrollment in each institution.



does not require institutional scholarships to cover the first semester costs of lottery and opportunity scholarship students. The Legislature should consider amending Section 21-1-2(C) NMSA 1978 to remove limitations on institutional scholarships and require HEIs to pay for the first semester tuition and fees of lottery and opportunity scholarship students.

***Institutional and private financial aid is budgeted to decrease with the expansion of state financial aid.*** According to higher education operating budgets, HEIs are collectively budgeting \$99 million in institutional and private financial aid for the current fiscal year. This includes bridge scholarships, other institutional scholarships, and private scholarships. According to HED data submitted to the National Association of State Student Grant and Aid Programs (NASSGAP), New Mexico HEIs provided \$108 million in institutional and private financial aid in FY19. Based on these data, HEIs are expecting to provide 8 percent (or \$9.1 million) less in institutional and private financial aid than five years ago, while state financial aid is anticipated to increase by 276 percent (or \$177 million).

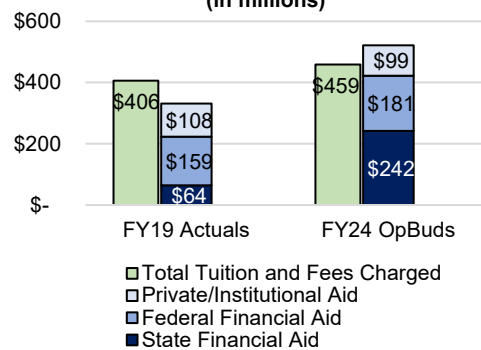
**New Mexico tuition and fees (while low) have grown at a faster rate than national and regional averages, while fund balances and transfers out of I&G have grown.**

Tuition and fees in New Mexico have recently grown faster than any other western state. The majority of New Mexico HEIs raised tuition and fees last fiscal year, ranging from increases of \$3 per semester to \$1,097 per semester. As HEIs raised tuition and fees to support core I&G operations, fund balances have more than doubled compared to a decade ago, with most fund balance growth occurring since FY18. At the same time, HEIs increased transfers out of I&G funds at a faster rate than increases in other I&G spending categories, such as instruction and student supports. While some transfers out of I&G funds are mandatory, the majority of fund transfers in FY22 were nonmandatory and went toward buildings and equipment. As the state covers more tuition and fee costs and increases I&G support, the state should also monitor institutional fund balances and transfers.

***New Mexico’s average tuition and fees cost has consistently been a lower amount than the national average but has experienced faster growth than the national average since 1991.*** In AY91, the average annual tuition and fees for undergraduate students at New Mexico four-year HEIs was \$1,198. Since then, the average tuition and fees cost grew by 480 percent (or \$5,754) to \$6,952 in AY22. Nationally, the average annual tuition and fees cost for public four-year HEIs grew by 183 percent (or \$6,940) from \$3,800 in AY91 to \$10,740 in AY22, according to College Board data. New Mexico’s average tuition and fees cost has consistently been a lower amount than the national average but has experienced faster growth than the national average since 1991.

***New Mexico had the fastest undergraduate tuition growth rates of any state in the western region.*** According to the Western Interstate Commission of Higher Education (WICHE), New Mexico had higher average tuition and fee growth at universities than all 15 other states in the region.<sup>xli</sup> Over the past five years, New Mexico’s average annual undergraduate tuition and fees cost at public four-year HEIs grew by 34 percent (or \$2,384), while the regional

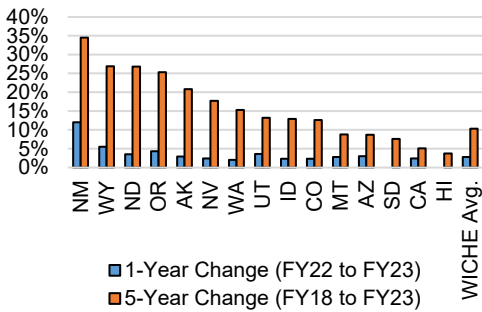
**Chart 28. Financial Aid Compared to Tuition and Fees Charged at New Mexico HEIs (in millions)**



Note: Chart does not include student loans.

Source: LFC analysis of FY19 NASSGAP data and FY24 HEI OpBuds

**Chart 29. Percent Change in Average Annual Undergraduate Tuition and Fees at Public Four-Year HEIs in Western Region States**



Note: Average undergraduate tuition and fees were weighted based on enrollment.

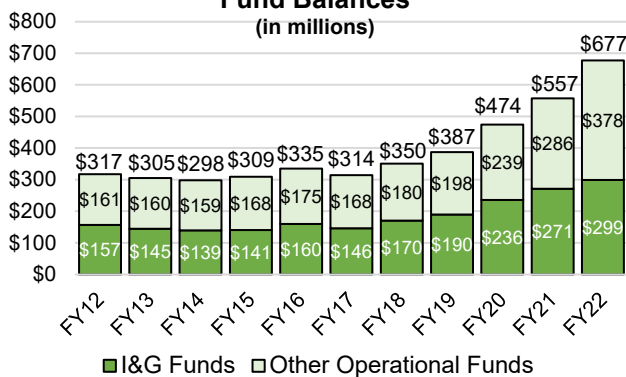
Source: WICHE Tuition and Fees in Public Higher Education in the West 2022-23 Report, p.8

average undergraduate annual tuition and fees cost grew by 10 percent (or \$964). Over the past year, New Mexico’s growth in average annual university tuition and fees (12 percent) exceeded the growth experienced in other states on average within the region (3 percent). The average tuition and fees growth for New Mexico’s community colleges from FY22 to FY23 (5 percent or \$101) exceeded the growth rate for all other states and the regional average (1.2 percent or \$28). However, over the past five years, New Mexico community college average tuition and fee growth was not the highest among WICHE states (6<sup>th</sup> highest of 15 states).

**The majority of New Mexico HEIs raised tuition and fees last year, ranging from \$3 per semester to \$1,097 per semester.** From FY22 to FY23, 15 out of 24 state HEIs (or 63 percent) increased in-district undergraduate tuition and fees. These tuition and fee increases from FY22 to FY23 ranged from \$3 per semester (or 1 percent) at Luna Community College (LCC) to \$1,097 per semester (or 30 percent) at Western New Mexico University (WNMU). The statewide average tuition and fees grew by \$131 per semester (or 8 percent) in FY23, the largest dollar increase in the past decade. Research has found HEIs in other states have raised tuition after the creation of free tuition promise programs.<sup>xlii, xliii</sup>

**Some HEIs rolled textbook costs into student fees to be covered by the opportunity scholarship.** In March 2022, WNMU raised fees for in-state undergraduate students by 35 percent (\$31 per credit hour) from \$89 per credit hour in FY22 to \$120 per credit hour in FY23. This increase was primarily from a new optional textbook fee of \$25 per credit hour (or \$375 per full-time semester). Similarly, the NMSU Doña Ana branch campus (NMSU-DA) started a new \$24 per credit hour textbook fee in the fall 2022 semester. WNMU and NMSU-DA both use the Follett Access system to provide students with access to textbooks through fees. Although this approach can lead to reduced textbook prices through bulk purchasing, this approach also unexpectedly shifted textbook costs to the opportunity scholarship. To increase the consistency and predictability of opportunity scholarship costs, HED should update its regulations (Section 5.7.37.7(E) NMAC) to clarify whether textbooks, meal plans, or other costs of attendance are eligible for opportunity scholarship funding as student fees.

**Chart 30. New Mexico Higher Education End-of-Year Operational Fund Balances (in millions)**



Notes: Data for MCC in FY22 is missing due to reporting delays.

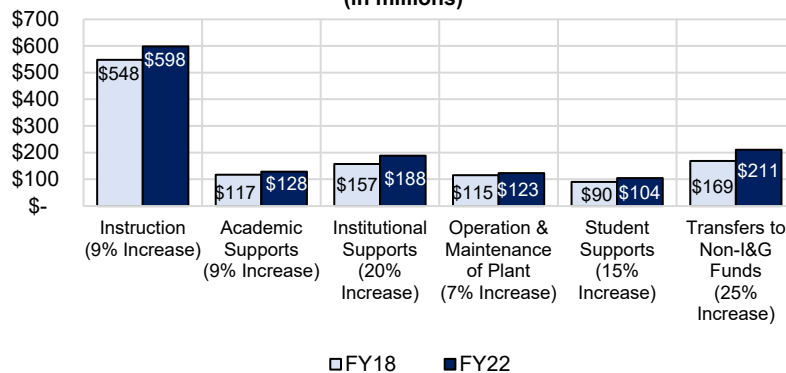
Source: LFC analysis of HEI reports of actuals data (exhibit 1)

**Higher education fund balances have more than doubled over the past decade with most growth occurring in recent years.** According to the latest available financial reports of actuals submitted to HED, HEI unrestricted fund balances reached a peak of \$677 million in FY22. Over the past decade, unrestricted operational fund balances at state HEIs, not including tribal or special schools, grew by 113 percent (or \$360 million) from \$309 million at the end of FY12 to \$677 million at the end of FY22. Forty percent to 50 percent of higher education fund balances are in I&G funds each year, which indicates some available resources for I&G operations end up unspent. Most of the growth in unspent fund balances occurred since FY18.

**Higher education I&G spending, particularly on instruction and student supports, impacts student outcomes, but transfers out of I&G has grown at a faster rate.**

The way HEIs spend their money impacts college performance. Research studies have found spending on instruction and student services in particular boost student outcomes.<sup>xliv,xlv</sup> However, recent spending growth at New Mexico HEIs has not been concentrated in these spending categories. Over the past five years, total I&G spending at New Mexico HEIs grew by \$157 million (or 13 percent) from \$1.2 billion in FY18 to \$1.4 billion in FY22 (latest actual figures available). Over this timeframe, transfers of I&G money to other non-I&G funds grew more than any other I&G spending category in percentage growth (25 percent). Sometimes HEIs are required to transfer money from I&G funds to other funds. For example, HEIs are required to transfer general funds appropriated for building renewal and replacement to specific building funds. However, HEIs can also voluntarily choose to transfer additional money from I&G funds to other funds.

**Chart 31. New Mexico Higher Education I&G Spending by Spending Category, FY18 to FY22 (in millions)**

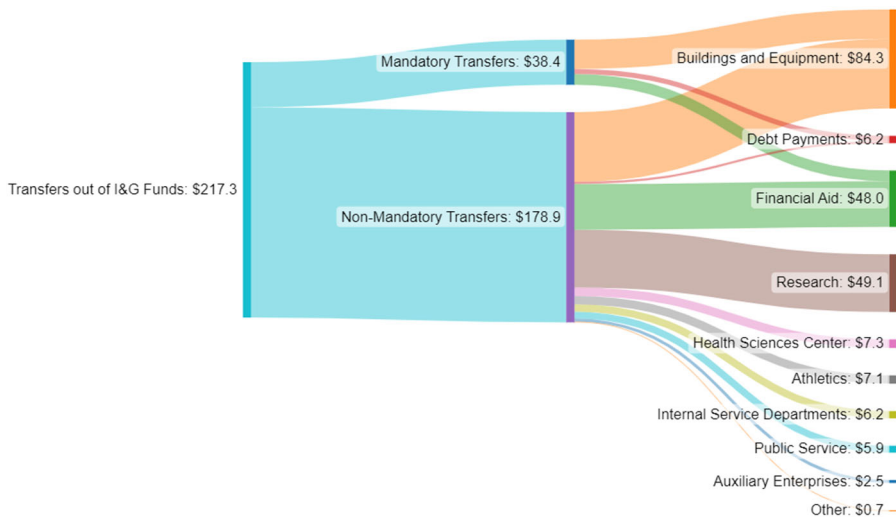


Notes: Mesalands Community College's (MCC) FY22 actual expenses were unavailable. This chart excludes an outlier one-time \$81 million transfer from New Mexico Junior College's (NMJC) I&G funds to capital outlay in FY22.

Source: LFC analysis of HED reports of actuals

Of the money HEIs transferred out of I&G funds in FY22, the largest proportion was dedicated toward building and equipment funds. In FY22, HEIs transferred \$217 million from I&G funds to other funds.<sup>9</sup> Of this \$217 million in transfers out of I&G, 18 percent (or \$38.4 million) were mandatory transfers, while 82 percent (\$178.9 million) were non-mandatory transfers. Of the total money transferred out of I&G funds, the largest proportion (40 percent or \$84.3 million) went to funds for buildings and equipment. These transfers help supplement other funds HEIs receive through the capital outlay process. HED should monitor I&G fund transfers and fund balances as HEIs consider future tuition and fee increases to support I&G operations.

**Figure 5. Money Transferred out of Instruction and General (I&G) Funds were Mostly Non-mandatory and Went to Buildings and Equipment, FY22 (Flow of Funding is from Left to Right)**



Notes: In FY22, HEIs transferred \$6.4 million into I&G funds from other funds so net transfers out of I&G funds were \$210.9 million. This figure excludes a one-time outlier \$81 million transfer of NMJC's I&G toward capital outlay funded through local appropriations. This figure excludes the UNM Health Science Center's budget but includes transfers to the center from UNM main campus. FY22 financial data for MCC was unavailable at the time of analysis.

Source: LFC analysis of HED financial reports of actuals (exhibit 1A and 2)

<sup>9</sup> This total excludes an outlier I&G transfer of \$81 million at New Mexico Junior College (NMJC) for capital outlay funded through local appropriations. In FY22, HEIs transferred \$6.4 million into I&G funds from other funds so net transfers out of I&G funds were \$210.9 million

**HED has not implemented required tuition agreements with HEIs to set predictable, agreed-upon tuition increases.**

When the opportunity scholarship was proposed to the Legislature, HED reported HEIs would be required to enter into agreements with the department limiting tuition and fee increases. HED regulations also require HEIs to enter into tuition agreements before becoming eligible to receive opportunity scholarship funds.<sup>10</sup> HED and HEIs have not entered into any tuition agreements. State law also provides HED with approval authority over HEI operating budgets, which could be used to enforce tuition agreements. As HED and HEIs enter into tuition agreements going forward, they could learn from the examples of other states. Fourteen other states have enacted some limitations on tuition or fee growth. Additionally, Arizona replaced annual tuition setting with setting allowable tuition growth rates over multiple years.

**When the opportunity scholarship was proposed to the Legislature, HED reported HEIs would be required to enter into agreements limiting tuition and fee increases.**

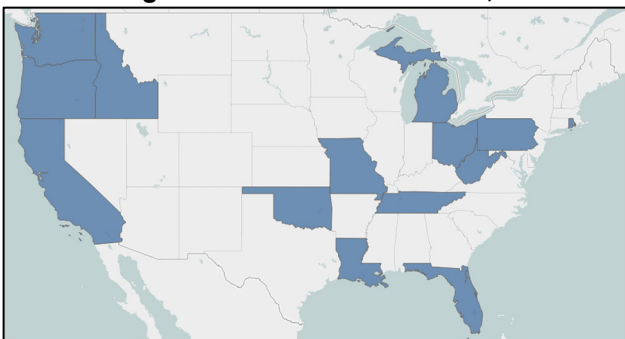
**HED rules require tuition agreements before HEIs can receive opportunity scholarship funds, yet this has not occurred.** The Opportunity Scholarship Act directs HED to set requirements for memoranda of understanding (MOUs) for HEIs to be eligible for opportunity scholarship funding (Section 21-21R-8(A)(3) NMSA 1978). HED rules require HEIs have current MOUs with the department that define the maximum tuition and fees amounts that can be covered by the opportunity scholarship. (NMAC 5.7.37.11(B)(1)). Despite these requirements, HED and HEIs have not yet entered into any tuition agreement MOUs as of summer 2023. HED should implement MOUs with HEIs as required by the department’s regulations.

**State law provides HED with the authority to approve HEI operating budgets, which could be used to enforce tuition agreements.** State law authorizes HED to “receive, adjust and approve the budgets” of public HEIs before those budgets are sent to the state Department of Finance and Administration (DFA) for approval (Section 21-1-26(A)(2) NMSA 1978). However, HED budget reviews are limited to numerical accuracy and compliance with its financial reporting manual (NMAC 5.3.4.9). DFA documentation indicates its budget reviews are similarly focused on technical accuracy. HED should use the operating budget approval process and the opportunity scholarship MOU process to review and approve HEI tuition and

fee increases. Alternatively, the Legislature should consider amending state laws to make HEI eligibility for receiving lottery and opportunity scholarship funds contingent on having tuition and fee growth rates (paid for by lottery and opportunity scholarships) below maximum growth rates set by HED, DFA, and LFC.

**Nearly all states delegate tuition-setting authority to college boards of regents, but 14 states have enacted restrictions to tuition or fee increases.** College boards of regents have broad tuition-setting authority in nearly all states, with the exceptions of Florida (where the Legislature sets tuition and fee rates) and California (where the Legislature sets community college fee rates). According to a 2020 review from the Education

**Figure 6. Fourteen States Have Restrictions on College Tuition or Fee Increases, 2020**



Source: LFC review of Education Commission of the States information

<sup>10</sup> Although Section 21-1-4 NMSA 1978 of state law delegates tuition setting authority to the independent governing boards of New Mexico HEIs, this provision does not prohibit the state from setting eligibility criteria for independent entities to receive state funding.



Commission of the States, a policy research organization, the majority of states (36 states) do not impose restrictions on how much HEIs can charge for, or increase, tuition and fees. However, 14 states impose some type of restriction on tuition and fee increases. These 14 states vary in their approaches to restricting tuition increases. For example, Michigan prohibits HEIs from receiving performance funding if tuition grows by more than 4.4 percent or \$587, whichever is greater. Tennessee requires its higher education commission to annually set required tuition and fee ranges for undergraduate in-state students that HEIs must follow.<sup>xlvi</sup> Research has identified linking tuition to financial aid and providing incentives to limit tuition as effective policy strategies to limit tuition increases. The same research cautions states against setting tuition caps too high above rates of inflation or the higher education price index because HEIs will increase tuition up to the limit.<sup>xlvii</sup>

**Case Study: The Arizona Board of Regents replaced annual tuition setting with setting allowable tuition growth rates over six-year cycles, a practice SHEEO recommends.** SHEEO recommends states should take a multiyear, transparent approach to setting tuition rather than the traditional approach of changing tuition annually. Although the academic research on tuition setting policies is currently limited, SHEEO recommends multiyear tuition setting as a presumed best practice to allow for better long-term planning by HEIs, students, and families.<sup>xlviii</sup> In February 2023, the Arizona Board of Regents (the governing body of Arizona’s public university systems) adopted a multiyear tuition and fees setting policy. Under the new policy, the Arizona Board of Regents approves maximum growth rates for tuition, academic fees, and meal and housing plans for six-year cycles that can be revised every four years. HED should create rules and MOUs setting allowable tuition and fee growth rates over multi-year cycles in order for HEIs to be eligible to receive opportunity and lottery scholarship funds.

**Case Study: The Legislature Limited New Mexico College Tuition (but not fee) Growth in FY13.**

In 2012, the Legislature included language in the FY13 state budget which would decrease the I&G funding of any HEI raising tuition rates above 5 percent by the incremental amount of tuition revenue generated above 5 percent tuition rate growth. As a result of this requirement, undergraduate in-district tuition increased by an average of 3 percent from FY12 to FY13, but fees increased by 10 percent. The Legislature did not include similar language restricting tuition growth in subsequent state budgets.

Sources: General Appropriation Act of 2012. LFC budget recommendation documents for FY13 and FY14 (volumes II and III). LFC 2023 Post-Session Review.

**New Mexico is Leaving at Least \$27 Million in Federal Financial Aid Unclaimed Each Year**

Originally created in 1972, federal Pell grants are the largest source of financial aid for U.S. college students outside of loans. Pell grants not only help low-income students address the various costs of attending college, but research has associated Pell grants with increased degree completion and later earnings.<sup>xlix</sup> The New Mexico opportunity and lottery scholarships were designed to cover tuition and fees before students use their Pell grants, allowing students to cover more of their educational costs. However, New Mexico college students are losing out on at least \$27 million each year from not completing the Free Application for Federal Student Aid (FAFSA). New Mexico has one of the lowest FAFSA completion rates in the nation. Other states have significantly boosted their FAFSA completion rates by requiring FAFSA completion either in high school or college.

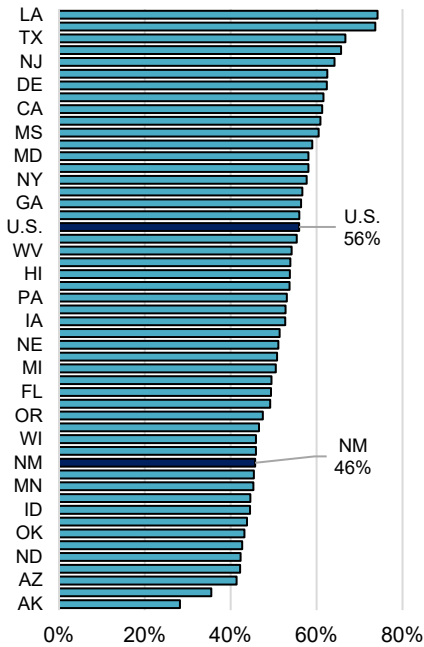
**New Mexico has one of the lowest completion rates of the Free Application for Federal Student Aid (FAFSA) in the nation, annually foregoing an estimated \$27 million in Pell grants alone.** Students must fill out the FAFSA to be eligible for federal financial aid (such as Pell grants for low-income students), federal student loans, and even some state financial aid (such as student incentive grants for low-income students). New Mexico high school seniors complete the FAFSA at a low rate compared to most other states and the national average. According to an analysis from Data Insight Partners, 46 percent of New Mexico high school seniors completed the FAFSA from

**New Mexico high school seniors complete the FAFSA at a low rate compared to most other states and the national average.**



**Chart 32. High School Senior FAFSA Completion Rates by U.S. State**

(October 2022 through June 9, 2023)



Source: LFC analysis of Data Insight Partners data

October 2022 through June 9, 2023, for the AY24 FAFSA application cycle (the application cycle closed June 30, 2023). The U.S. average FAFSA completion rate was 56 percent. New Mexico’s high school FAFSA completion rate over this timeframe ranked 38<sup>th</sup> in the nation. By not completing the FAFSA, students are leaving available financial aid on the table. The maximum federal Pell grant in AY24 is \$7,394 for the year. A 2023 report from the National College Attainment Network, a national nonprofit, estimated the high school class of 2022 nationally left \$3.6 billion in Pell grant funding unclaimed, with \$27 million in Pell grants left unclaimed in New Mexico.<sup>1</sup> Of New Mexico’s FAFSA applicants from the high school class of 2022, 56 percent were eligible for federal Pell grants.

**Changes to federal law will simplify the FAFSA and expand eligibility for Pell grants in July 2024, resulting in more New Mexico students potentially eligible for Pell grants.** In 2021 and 2022, Congress enacted the FAFSA Simplification Act and some technical changes to the Act. As of July 2024, the number of questions on the application will decrease by two-thirds, from 108 questions to 36 questions, and the application language will be made easier to understand. The Act will change eligibility thresholds for Pell grants based on a family's adjusted gross income, family size, and the federal poverty levels.<sup>11</sup> In March 2023, SHEEO estimated 43 percent of students currently ineligible for Pell grants will become eligible for some Pell grant funding from expanded eligibility.<sup>11</sup> As the eligibility for Pell grants expands, more New Mexico students could potentially benefit from federal financial aid if they complete the FAFSA.

**Other states have successfully increased FAFSA completion and reduced unclaimed federal financial aid by requiring FAFSA completion.** Some states have required FAFSA completion for either high school graduation (Louisiana, Texas, and Illinois) or eligibility for state financial aid programs (Tennessee and Utah). According to the National Conference of State Legislatures, states have seen increased FAFSA completion through both policy approaches.<sup>12</sup> For example, Louisiana’s FAFSA completion rate increased from 51 percent in 2017-18 to 76 percent in 2021 since adding the FAFSA completion requirement. Similarly, Tennessee has ranked either first or second in the nation in FAFSA completion since requiring the FAFSA for its Tennessee Promise Scholarship. The Legislature should consider requiring completion of the FAFSA or an alternative income verification to be eligible for lottery and opportunity scholarships.<sup>12</sup>

<sup>11</sup> In academic year 2024-2025, the index used to estimate student financial need in the FAFSA will be changed from the Expected Family Contribution (EFC) to the Student Aid Index (SAI). The change is meant to remove the implication that the Expected Family Contribution (EFC) represents what student families are expected to pay for college costs.

<sup>12</sup> The state could allow some students to opt out of the FAFSA completion requirement under special circumstances and still receive state financial aid. For example, the state could exempt undocumented students from a FAFSA completion requirement because federal law excludes undocumented students from federal financial aid. New Mexico law prohibits higher education institutions from denying admission or state financial aid to students based on their immigration status (Section 21-1-4.6 NMSA 1978).

## Recommendations

The Legislature should consider:

- Amending state laws to make HEI eligibility for receiving lottery and opportunity scholarship funds contingent on having tuition and fee growth rates (paid for by lottery and opportunity scholarships) below maximum growth rates set by HED, DFA, and LFC;
- Amending Section 21-1-2(C) NMSA 1978 to remove limitations on institutional scholarships and require HEIs to pay for the first semester tuition and fees of lottery and opportunity scholarship students; and
- Requiring completion of the FAFSA or an alternative income verification to be eligible for lottery and opportunity scholarships.

HED should:

- Implement MOUs with HEIs regarding tuition and fees as required by the department's regulations;
- Create rules and MOUs setting allowable tuition and fee growth rates over multi-year cycles in order for HEIs to be eligible to receive opportunity and lottery scholarship funds;
- Monitor I&G fund transfers and fund balances as HEIs consider future tuition and fee increases to support I&G operations;
- Update its regulations (NMAC 5.7.37.7(E)) to clarify whether textbooks, meal plans, or other costs of attendance are eligible for opportunity scholarship funding as student fees; and
- Use the operating budget approval process and the opportunity scholarship MOU processes to review and approve HEI tuition and fee increases.



**NEW MEXICO  
HIGHER EDUCATION  
DEPARTMENT**



*Fostering Student Success from Cradle to Career*

*Michelle Lujan Grisham, Governor  
Stephanie M. Rodriguez, Cabinet Secretary  
Patricia Trujillo, Deputy Secretary*

Legislative Finance Committee  
325 Don Gaspar Avenue, Suite 101  
Santa Fe, NM 87501

August 18, 2023

Dear Honorable Chairs, Members of the Legislative Finance Committee, Director Charles Sallee, Deputy Director Jon Courtney, and Program Evaluator Clayton Lobaugh:

The New Mexico Higher Education Department appreciates the opportunity to respond to the Legislative Finance Committee's program evaluation titled "Higher Education Financial Aid: Opportunity and Lottery Scholarships" published in August 2023. We thank the evaluation team for their communication and coordination with our agency and New Mexico's public higher education institutions on this program evaluation, which we hope will support continued efforts to improve college access and outcomes for New Mexicans.

New Mexico was the first state in the nation to establish a tuition promise program with the Lottery Scholarship in 1996 and has since become a national leader in college access and enrollment growth following the passage of the Opportunity Scholarship Act in 2022. Under the leadership of Governor Michelle Lujan Grisham and with the bipartisan support of the Legislature, both the Opportunity and Lottery Scholarships are fully funded, and more New Mexicans are benefitting from tuition-free college now than at any time in state history.

Our response to the report adds context to the information contained within the program evaluation and expands the conversation beyond a singular financial lens. We look forward to continued collaboration with the Legislature to sustain the momentous progress and investments New Mexico has made in higher education.

***Finding #1: New Mexico has expanded higher education access with financial aid but grapples with low college readiness and outcomes.***

New Mexico has dramatically increased college-going rates following passage of the Opportunity Scholarship Act, experiencing the second-highest enrollment growth of any state in the fall of 2022 at four percent and another six percent increase was achieved this past spring. Over 36,000 New Mexicans are currently benefitting from the Opportunity Scholarship and over 11,000 students are receiving the Lottery Scholarship.

As the New Mexico Higher Education Department continues to expand college access and affordability through its 24 financial aid programs – scholarships, loan repayment programs, and loan-for-service programs – the agency acknowledges the ongoing need to increase and adjust supports for first-generation, low-income, and other historically underserved students to ensure that they reach graduation

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day. For this reason, we worked with the Legislature to secure over \$5.5 million for student support services in Fiscal Year (FY) 2024.

As this report includes analyses of student outcomes data, we remind the committee that the state does not yet have outcomes data for any cohort impacted by the 2022 passage of the Opportunity Scholarship Act. All data used to assess college readiness and outcomes is from prior cohorts and cannot be used to accurately assess what impact the Opportunity Scholarship has had on student outcomes at this point in time. Based upon available outcomes data for Lottery Scholarship recipients, we suspect that Opportunity Scholarship recipients will demonstrate improved retention rates to non-scholarship peers. Six-year cohort graduation data for Lottery Scholarship recipients currently demonstrates that Lottery Scholarship recipients graduate at a rate of 65 percent on average compared to 35 percent for non-Lottery Scholarship recipients.

Per statute, the New Mexico Higher Education Department will provide a comprehensive annual report on the Opportunity Scholarship, as it already does for the Lottery Scholarship, starting in FY25 when data for the first Opportunity Scholarship cohort is available.

The New Mexico Common Course Numbering Project is also progressing, which aims to break down academic barriers to degree and certificate completion and ease transfer. The project is adding more courses, such as computer science and engineering, and work has started to include courses in the trades. The New Mexico Higher Education Department is also working with higher education institutions to ensure that their catalogs are consistent with the state's Common Course Matrix.

New Mexico has invested state funding into RISE NM – New Mexico's Longitudinal Data System, linking outcomes data across early childhood, K-12, higher education, and the workforce. This is a partnership amongst the New Mexico Early Childhood Education and Care Department, New Mexico Public Education Department, New Mexico Higher Education Department, New Mexico Department of Workforce Solutions, and New Mexico Department of Vocational Rehabilitation and the first phase will launch at end of this month. Once completed, RISE NM will allow the State of New Mexico and policymakers to use data to observe trends, and see what programs work and where to invest state funding.

The New Mexico Higher Education Department has also dedicated over \$2 million across 22 college campuses to basic needs initiatives benefitting college students in food security and mental and behavioral health. Given that New Mexico serves a significant number of high-need students, these interventions aim to address non-academic barriers to college completion and academic success.

Reducing remediation rates continues to be a priority of New Mexico Higher Education Department and we have made progress since 2019. The agency is supporting a creative initiative that is addressing





remedial coursework is a partnership with Central New Mexico Community College, San Juan College, Northern New Mexico College, and Western New Mexico University in coordination with the University of New Mexico's Project ECHO and Complete College America, a national post-secondary education organization. This co-requisite model requires a student to enroll in a remedial course simultaneously with a required course, such as math, reading, or writing. According to research by *Inside Higher Ed*, implementing this simultaneous model yields higher pass rates than traditional remedial courses. Co-requisite courses are one type of program being piloted at the higher education level to address underpreparedness, yet NMHED acknowledges that coordination and collaboration with a full-time staff member at our agency would benefit building bridges between our agency and PED.

College readiness of high school graduates is primarily the responsibility of the New Mexico Public Education Department through the College and Career Readiness Bureau and New Mexico's local education agencies (school districts and charter schools); however, we acknowledge the importance of collaboration with all state education agencies to ensure students are transitioning successfully through our systems. Providing a full-time staff member at the New Mexico Higher Education Department dedicated to college and career readiness initiatives would be welcomed and it will ensure there are no gaps in student pathways from K-12 to higher education.

***Finding #2: The state lacks a system for ensuring the predictability and sustainability of covering tuition and fee costs.***

Like many states, New Mexico faces a degree of unpredictability regarding tuition and fees at public higher education institutions, but we are faced with a unique factor that impacts decisions in this area. New Mexico lacks a centralized higher education governing board; therefore, tuition and fee rates are set by the 16 independent boards of regents and trustees governing New Mexico's 25 public, non-tribal higher education institutions. Because of this, the New Mexico Higher Education Department lacks the statutory and constitutional authority to control tuition and fee rates because the regents of constitutional schools have plenary control over the higher education institution they serve.

The New Mexico Higher Education Department is finalizing the memoranda of understanding (MOU) pursuant to the Opportunity Scholarship Act prior to the start of the fall semester that both satisfies the requirements of the statute and is agreeable to partnering higher education institutions. The agency will continue to work with all higher education institutions receiving state scholarship funding to achieve sustainability and predictability of tuition and fees for the benefit of students and the sustainability of state scholarship programs.





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### **Legislative Finance Committee's Key Recommendations**

#### **The Legislature should consider:**

- *Prioritizing higher education funding increases for core instruction and general operations in upcoming fiscal years rather than further expanding undergraduate financial aid;*
- *Amending state laws to make higher education institution eligibility for receiving lottery and opportunity scholarship funds contingent on having tuition and fee growth rates (paid for by lottery and opportunity scholarships) below maximum growth rates set by the New Mexico Higher Education Department, New Mexico Department of Finance and Administration, and Legislative Finance Committee;*
- *Amending Section 21-1-2(C) NMSA 1978 to remove limitations on institutional scholarships and require higher education institutions to pay for the first semester tuition and fees of lottery and opportunity scholarship students;*
- *Requiring higher education institutions to incorporate retention and graduation improvement goals and strategies within their enrollment management plans; and*
- *Requiring completion of the Free Application for Federal Student Aid (FAFSA) or an alternative income verification to be eligible for lottery and opportunity scholarships.*

### **New Mexico Higher Education Department Response**

The recommendation presents a false dilemma between further investment in student financial aid and investing in Instruction and General (I&G) funding, the state's higher education funding formula. We support increases to I&G funding that can benefit students when dedicated to targeted areas such as support services and basic need wraparound services. However, we also support continued expansion of state financial aid programs to keep up with student need and college access. Both types of supports – student and institutional – are critical to graduation and moving credentialed New Mexicans into the workforce. The state is currently experiencing an influx of financial resources and should consider using these to bolster higher education on both the fronts of institutional funding and financial aid programs. While New Mexico Higher Education Department and the Legislative Finance Committee have established more accurate projections for the Opportunity and Lottery Scholarships last legislative session and moving forward, continued increases in student enrollment, imminent changes to federal need-based financial aid, and other factors could result in a need to reevaluate program funding needs in the future.

As previously noted, the New Mexico Higher Education Department lacks the statutory and constitutional authority to control tuition and fee rates. However, the Opportunity Scholarship Act requires the agency to enter into memoranda of understanding (MOU) with higher education institutions as a condition of receiving Opportunity Scholarship funding. The agency initially developed MOUs pursuant to statute, but colleges and universities raised concerns about the language and statutory authority of the agency resulting in significant delays.



Per Opportunity Scholarship rules, higher education institutions are directed to apply bridge scholarship funds prior to applying the Opportunity Scholarship for first semester, Lottery-track students. However, NMSA 21-2-2(C) as written places limitations on the number of scholarships colleges and universities can award from “three percent” funds and how those scholarships are to be awarded. Higher education institutions also have the option and are encouraged to offer scholarships via their foundations, as well as private, non-profit, and community partners.

The New Mexico Higher Education Department already requires higher education institutions to incorporate retention and graduation improvement goals and strategies within their strategic enrollment management plans. Within these plans, colleges and universities must address the following:

- Institutional assessment of enrollment, retention, and completion;
- Strategies for enrollment, recruitment, retention, and success;
- Student enrollment, recruitment, and marketing;
- Student retention, support, and success;
- Performance monitoring; and
- Updated institutional data and analysis from the previous plan.

In partnership with the New Mexico Educational Assistance Foundation, the agency encourages Free Application for Federal Student Aid (FAFSA) completion for the benefit of students but requiring income verification for scholarship eligibility presents unique concerns. The median family income in New Mexico in 2021 was \$54,020. Under current federal guidelines, students from families earning between \$30,000-\$60,000 (or less) are eligible for Pell grants and 45 percent of New Mexico full-time undergraduate students received Pell grants in 2022. FAFSA completion by New Mexico high school seniors is also increasing. The number of FAFSA applications submitted for the 2023-2024 application year is up by 6.3 percent compared to the same time last year.

Imminent changes to the FAFSA, transitioning from the existing Estimated Family Contribution (EFC) to the new Student Aid Index (SAI) will change how need-based aid is calculated based on family income. This change is estimated to result in fewer moderate-income students being eligible for need-based financial aid. Adding income verification as a condition of eligibility for state scholarships imposes additional process barriers that would disproportionately impact low- and moderate-income students, and presents an especially concerning barrier for undocumented students and students with undocumented parents and guardians. Undocumented students often face roadblocks when paying for college due to their ineligibility for federal financial aid, such as Pell Grants or student loans. It is often daunting for students to self-identify as undocumented, with or without additional financial barriers. Restricting access to undocumented students will impact higher education equity throughout the state in addition to degree completion and career prospects for Deferred Action for Childhood Arrivals (DACA) and undocumented students.





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***The New Mexico Higher Education Department and higher education institutions should:***

- *Monitor and report on the performance of student support initiatives and scale up successful programs.*

**New Mexico Higher Education Department Response**

Regardless of enrollment growth or decline over a five-year period, the New Mexico Higher Education Department will request that formula-funded higher education institutions submit their annual strategic enrollment management plans in partnership with the New Mexico Department of Finance and Administration and the Legislative Finance Committee (House Bill 2). Additionally, the agency will continue to ask higher education institutions to report on the effectiveness and success of their student support services and provide updates to their published goals and performance measures.

***The New Mexico Higher Education Department should:***

- *Implement memoranda of understanding (MOUs) with higher education institutions regarding tuition and fees as required by the New Mexico Higher Education Department's regulations;*
- *Create rules and MOUs setting allowable tuition and fee growth rates over multi-year cycles for higher education institutions to be eligible to receive opportunity and lottery scholarship funds; and*
- *Monitor Instruction and General (I&G) fund transfers and fund balances as higher education institutions consider future tuition and fee increases to support I&G operations.*

**New Mexico Higher Education Department Response**

As previously noted, the New Mexico Higher Education Department is finalizing the memoranda of understanding (MOU) pursuant to the Opportunity Scholarship Act prior to the start of the fall semester that both satisfies the requirements of the statute and is agreeable to partnering higher education institutions. There are, however, questions about the agency's legal authority to control tuition and fees because the regents of constitutional schools have plenary control over the higher education institution they serve.

Additionally, while the New Mexico Higher Education Department would ideally monitor Instruction and General (I&G) fund transfers and balances on a regular basis for all higher education institutions, the agency has limited full-time staff in the Institutional Finance Division to perform this level of oversight for higher education institutions not under an Enhanced Fiscal Oversight Program (EFOP).



## Closing

New Mexico is leading the nation in developing higher education policies that consider the needs and real costs of college for students in the state. Increased enrollment trends across New Mexico demonstrate that traditional, non-traditional, and returning adult learners are entering college and university classrooms in higher numbers and seeking out credentials that will improve economic mobility, provide pathways to family-sustaining incomes, and strengthen overall community wealth.

With your partnership, the New Mexico Higher Education Department will continue to emphasize the whole student experience by supporting financial access to college, student success services, and student basic needs initiatives. By addressing the true costs of college and cultivating a sense of belonging, New Mexico's students will access college, persist, and graduate with high-need certificates, associate, and bachelor's degrees. Graduates will be poised to enter the workforce trained and ready to be a part of the state's economic prosperity, and this not only positively impacts individuals, but it also impacts the well-being of New Mexico's public health.

Thank you for your attention to the New Mexico Higher Education Department's response and we look forward to working with the Executive and Legislature on being thought partners to develop policies that support all New Mexicans.

Sincerely,

A handwritten signature in black ink that reads "Stephanie M. Rodriguez". The signature is fluid and cursive.

Stephanie M. Rodriguez  
Cabinet Secretary

A handwritten signature in black ink that reads "Patricia Trujillo". The signature is fluid and cursive.

Dr. Patricia Trujillo  
Deputy Secretary



## Appendix A: Evaluation Scope and Methodology

### Evaluation Objectives.

- Examine the impact of state financial aid programs on higher education enrollment, student outcomes, performance goals; and workforce development; and
- Study how state financial aid programs have impacted the financial and administrative practices of higher education institutions.

### Scope and Methodology.

- Reviewed academic and policy research on financial aid, state appropriations for higher education operations, student loan debt, college retention and graduation, educational attainment, and the post-graduation migration patterns of college graduates;
- Analyzed retention, graduation, financial aid, and finance data from:
  - the U.S. Integrated Postsecondary Education Data System (IPEDS);
  - Higher Education Department (HED) reports and files;
  - the National Association of State Student Grant & Aid Programs (NASSGAP);
  - HEI financial reports of actuals and operating budgets submitted to HED;
  - HED instruction and general (I&G) funding formula files;
  - State Higher Education Executive Officers Association (SHEEO) reports;
  - the New Mexico Lottery Authority;
  - LFC archived files; and
  - Other sources referenced in this report.
- Examined applicable laws, administrative rules, policies, and HEI board of regent meeting minutes;
- Interviewed 15 higher education presidents, financial aid directors, and state higher education officials.

### Evaluation Team.

Clayton Lobaugh, Project Lead, Program Evaluator  
John Campbell, Program Evaluator

**Authority for Evaluation.** LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

**Exit Conferences.** The contents of this report were discussed with Stephanie Rodriguez, HED Cabinet Secretary, Dr. Patricia Trujillo, HED Deputy Cabinet Secretary, Heather Romero, HED Interim Financial Aid Director, Mark Chisholm, HED Academic Affairs & Policy Director, and Scott Groginsky, Office of the Governor Education Policy Advisor on August 3, 2023.

**Report Distribution.** This report is intended for the information of the Office of the Governor, Department of Finance and Administration, Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Jon Courtney, Ph.D.  
Deputy Director for Program Evaluation



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## Appendix B: New Mexico Higher Education Institution Abbreviations

New Mexico has 24 state-funded higher education institutions (HEIs) across the state serving 106 thousand students in fall 2022. These HEIs fall into four categories: research focused four-year colleges, nonresearch focused comprehensive four-year colleges, branch community colleges associated with a four-year institution that award two-year associate's degrees and certificates, and independent community colleges that also award two-year degrees and certificates but have no main campus institution. Including tribal institutions and institutions with special missions (such as the school for the deaf), New Mexico has 31 public HEIs. However, this program evaluation focuses on the impacts of financial aid at the 24 nontribal and nonspecial public HEIs. Each HEI has its own governing board and HED provides general oversight over the higher education system.

**UNM:** University of New Mexico – Main Campus

**UNM-GA:** University of New Mexico – Gallup Branch Community College

**UNM-LA:** University of New Mexico – Los Alamos Branch Community College

**UNM-TA:** University of New Mexico – Taos Branch Community College

**UNM-VA:** University of New Mexico – Valencia Branch Community College

**NMSU:** New Mexico State University – Main Campus

**NMSU-AL:** New Mexico State University – Alamogordo Branch Community College

**NMSU-CA:** New Mexico State University – Carlsbad Branch Community College (now Southeast New Mexico Community College)

**NMSU-DA:** New Mexico State University – Doña Ana Branch Community College

**NMSU-GR:** New Mexico State University – Grants Branch Community College

**NMT:** New Mexico Institute of Mining and Technology

**ENMU:** Eastern New Mexico University – Main Campus

**ENMU-RO:** Eastern New Mexico University – Roswell Branch Community College

**ENMU-RUI:** Eastern New Mexico University – Ruidoso Branch Community College

**NMHU:** New Mexico Highlands University

**NNMC:** Northern New Mexico College

**WNMU:** Western New Mexico University

**CCC:** Clovis Community College

**CNM:** Central New Mexico Community College

**LCC:** Luna Community College

**MCC:** Mesalands Community College

**NMJC:** New Mexico Junior College

**SENMC:** Southeast New Mexico Community College (previously NMSU – Carlsbad Branch)

**SJC:** San Juan Community College

**SFCC:** Santa Fe Community College

## Appendix C: Student Demographics in New Mexico Higher Education, Fall 2021

New Mexico HEIs serve a diverse range of student populations. However, U.S. Department of Education data indicate the average student attending New Mexico HEIs is female (61 percent of students), Hispanic (49 percent), between the ages of 18 to 29 years old (63 percent), and is enrolled in an undergraduate program (87 percent) on a part-time basis (53 percent). According to the Lumina Foundation, 40 percent of U.S. college students work full-time and 24 percent have children or other dependents.

**Student Demographics in New Mexico Higher Education, Fall 2021**

Student Characteristics		Percent of Headcount Enrollment
Gender	Male	39%
	Female	61%
Ethnicity	Hispanic	49%
	White	29%
	Native American	7%
	African American	3%
	Asian	2%
	Other Ethnicity	5%
	Not Reported	4%
Academic Level	Undergraduate	87%
	Graduate	13%
Attendance Status	Full-Time	47%
	Part-Time	53%
Age	Under 18	11%
	Age 18-21	37%
	Age 22-29	26%
	Age 30-39	14%
	Age 40-49	6%
	Age 50+	5%

Note: Data reflects students enrolled in Fall 2021 at state-funded, nonspecial mission, and nontribal New Mexico HEIs.

Source: LFC analysis of IPEDS data

## Appendix D: New Mexico Financial Aid Spending FY22 Actuals

New Mexico Financial Aid Spending, FY22 Actuals		
Category	Financial Aid Program	Amount
Federal Grants	Pell Grants	\$ 126,668,100
	Other Federal	\$ 58,691,643
	Supp. Educ'l Opportunity Grants (SEOG)	\$ 6,891,208
	Federal Work-Study	\$ 3,996,084
	<b>Subtotal</b>	<b>\$ 196,247,035</b>
Federal Loans	Stafford Unsubsidized	\$ 62,917,981
	Direct Unsubsidized	\$ 45,716,150
	Direct Subsidized	\$ 23,676,943
	Stafford Student Loan (SSL)	\$ 13,324,159
	Parent Loans for Undergraduates (PLUS)	\$ 7,237,399
	Direct PLUS	\$ 4,209,445
<b>Subtotal</b>	<b>\$ 157,082,077</b>	
State Grants and Scholarships	Lottery Success Scholarship	\$ 57,606,260
	New Mexico Opportunity Scholarship	\$ 17,050,120
	Athletic Scholarships	\$ 13,743,992
	Student Incentive Grant (SSIG)	\$ 8,208,262
	State Work-Study	\$ 4,260,078
	Teacher Preparation Affordability Scholarship	\$ 3,686,830
	College Affordability Grant	\$ 2,842,154
	Other State Aid (i.e. DVR)	\$ 1,722,197
	Lottery Disability	\$ 551,565
	Graduate Scholarships	\$ 395,861
	New Mexico Scholars	\$ 236,285
	Grow Your Own Teachers	\$ 155,507
	Legislative Endowment	\$ 106,556
	Child Care Grant	\$ 750
<b>Subtotal</b>	<b>\$ 110,566,417</b>	
State Loans	Medical Student Loan	\$ 400,000
	Nursing Loan	\$ 322,620
	Allied Health Loan	\$ 108,000
	Nurse Educator	\$ 16,250
	Teacher Loan for Service program	\$ 4,000
	<b>Subtotal</b>	<b>\$ 850,870</b>
Institutional and Private Grants and Scholarships	Other Institutionally Funded	\$ 89,802,468
	Private Grant/Gift	\$ 9,776,599
	Native American (Tribal Aid)	\$ 9,605,523
	3% Scholarship	\$ 7,097,510
	Competitive Scholarships	\$ 3,679,441
	Other Gift/Scholarship WITHIN NM	\$ 3,575,293
	Private Aid	\$ 390,385
	Grant/Gift Assistance from OTHER states	\$ 379,412
	<b>Subtotal</b>	<b>\$ 124,306,631</b>
Private Loans	<b>Subtotal</b>	<b>\$ 8,745,717</b>
<b>Grand Total</b>		<b>\$ 597,798,747</b>

Source: LFC analysis of NASSGAP data.

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## Appendix E: Higher Education Financial Definitions

**Current Funds:** Current Funds are funds of an HEI which are expendable for the purpose of performing the primary missions of the institution.

### **Instruction & General (I&G):**

**Instruction:** includes expenditures for all activities that are part of an institution's instruction program. Expenditures for academic, vocational, and technical instruction; remedial and tutorial instruction; community education; adult basic education; contract training; and regular, special, and extension sessions.

**Academic Support:** includes funds expended to provide support services for the institution's primary missions: instruction, research, and public service. It includes educational materials (libraries, museums, and galleries); audio-visual services and technology; academic administration and personnel development; and course and curriculum development.

**Student Services:** includes funds for offices of admissions and the registrar, and for activities with the primary purpose of contributing to students' well-being. It includes expenditures for supplementary educational services, counseling, career guidance, financial aid administration, and student health services.

**Institutional Support:** includes expenditures for central activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming, and legal services; and fiscal operations.

**Operation and Maintenance of Plant:** includes all expenditures for services and maintenance related to grounds and facilities. Also included are utilities, fire protection, property insurance, and similar items. It does not include expenditures made from the institutional plant fund accounts.

**I&G Transfers:** Mandatory transfers from I&G funds are transfers required to meet legal obligations such as bond indentures, lease purchase agreements, servicing fees, required matching funds, state appropriated building renewal and replacement funds, or transfers required by state law. Non-mandatory transfers from I&G are other transfers approved in the budget process.

**Student Social and Cultural Development Activities:** includes all funds expended for activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instruction program

**Research:** All funds expended for those activities intended to produce one or more research outcomes including the creation of knowledge, the reorganization of knowledge, and the application of knowledge.

**Public Service:** includes activities such as cooperative extension services, television and radio, conferences and seminars, general advisory services, health care and social services, consulting, and similar non-instructional services to particular sectors of the community

**Internal Service Departments:** includes activities which provide services mainly to internal institutional departments for a specific charge (activities such as computer centers, central stores, printing and duplicating centers, and motor pools).

**Student Aid Grants and Stipends:** includes all financial assistance provided to students in the form of outright grants, trainee stipends, and prizes, either awarded by and/or administered through the institution.

**Auxiliary Enterprises:** self-supporting entities that exist to furnish a service to students, faculty, or staff, and that charge a fee that is related to the cost of the service. Residence halls, food services, student stores, and bookstores.

**Intercollegiate Athletics:** All revenues generated either by individual sports or from general sources.

**Independent Operations:** includes activities that are separate from the primary mission of the institution, although they may indirectly contribute to the enhancement of these programs.

**Plant Funds:** Non-current funds for capital outlay projects, building and equipment renewals and replacements, and the retirement of bond debts.

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## Appendix F: Methodologies for Analyzing New Mexico Credential Completions using Research Benchmarks

Comparing Actual Credential Completions to Expected Credential Completions: In 2021, SHEEO used benchmarks from research studies to compare how additional state funding for HEI operations or for financial aid would impact national student outcomes.<sup>13</sup> LFC staff used the same research benchmarks to compare *actual* undergraduate credential completions at state funded New Mexico HEIs with *expected* undergraduate credential completions based on historical funding amounts

Estimating the Impact of Financial Aid Grants: Nguyen et al. (2019) found an additional \$1,000 in financial aid grants per student corresponds with a 2.5 percent increase in undergraduate credential completion.<sup>14</sup> SHEEO used this research benchmark to estimate an additional \$1,000 per student for higher education operations would increase national college completion by 20.5 thousand undergraduate credentials.

LFC staff pulled raw data on actual New Mexico undergraduate degree and certificate completions from HED's instruction and general (I&G) funding formula. LFC staff then calculated a statewide New Mexico financial aid grants per student amount for FY18 through FY22 using (1) the total amount of federal, state, local, or other grant aid data reported to the U.S. Integrated Postsecondary Education Data System (IPEDS), (2) the total amount of financial aid grants reported in exhibit 19 of FY22 financial reports of actuals, and (3) historical fall full-time equivalent student enrollment data from HED. Using FY18 as the baseline year, LFC staff compared actual undergraduate credential completions to the expected undergraduate credential completions based on the benchmark of an additional \$1,000 in financial aid grants per student corresponding with a 2.5 percent increase in undergraduate credential completions.

Estimating the Impact of State Appropriations for Higher Education Operations: Deming and Walters (2018) found a 10 percent increase in state funding for higher education operations corresponds with a 4.6 percent increase in bachelor's degree completions two years later and a 14.6 percent increase in associates degree and certificate completions two years later.<sup>15</sup> SHEEO used this research to estimate the U.S. could expect to graduate an additional 292 thousand undergraduates with an additional \$1,000 in state higher education funding per student.

LFC staff used raw data on actual New Mexico undergraduate degree and certificate completions from HED's I&G funding formula. LFC staff then calculated a New Mexico state I&G funding per student amount for FY18 through FY22 using (1) state I&G appropriations data, and (2) historical fall full-time equivalent student enrollment data from HED. Using FY18 as the baseline year, LFC staff compared actual undergraduate credential completions to expected undergraduate credential completions based on the benchmarks of a 10 percent increase in state funding for higher education operations corresponding with a 4.6 percent increase in bachelor's degree completions two years later and a 14.6 percent increase in associates degree and certificate completions two years later.

Comparing the Impacts of Additional Investment in Higher Education Operations or Financial Aid: As a baseline, LFC staff started with actual FY22 undergraduate credential completions, FY22 state I&G appropriations per fall 2021 full-time equivalent student enrollment, and FY22 financial aid grants per fall 2021 full-time equivalent student enrollment. LFC staff then used the research benchmarks described above to compare the impact of an additional \$1,000 in state I&G appropriations per student (roughly \$72.7 million in total) with the impact of an additional \$1,000 in financial aid grants per student (roughly \$72.7 million in total). The return on investment for these two different scenarios was calculated as the average increase in median earnings for U.S. undergraduate credential completers (i.e. \$20.2 thousand, according to data table 5.2 from the U.S. Bureau of Labor Statistics employment projections) multiplied by 10 years and then multiplied by the number of additional undergraduate credential completers and then multiplied by 76 percent to reflect the percent of graduates staying in state according to Conzelman et al (2022).<sup>16</sup> The product of these numbers was then divided by the initial additional state investment to calculate a return on investment for each \$1 invested in either additional financial aid grants or I&G funding.

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<sup>13</sup> Cummings, K., Laderman, S., Lee, J., Tandberg, D., & Weeden, D. (May 2021). "Investigating the Impacts of State Higher Education Appropriations and Financial Aid." State Higher Education Executive Officers Association.

<sup>14</sup> Nguyen, T.D., Kramer, J.W., Evans, B.J. (2019). "The Effects of Grant Aid on Student Persistence and Degree Attainment: A Systematic Review and Meta-Analysis of the Causal Evidence." *Review of Educational Research*, Vol. 89(6), p.831-874.

<sup>15</sup> Deming, D.J. & Walters, C.R. (2018). The Impact of State Budget Cuts on U.S. Postsecondary Attainment. Working Paper.

<sup>16</sup> Conzelman, J.G., Hemelt, B.H., Martin, S.M., Simon, A., Stange, K.M. (May 2022). "Grads on the Go: Measuring College Specific Labor Markets for Graduates." National Bureau of Economic Research Working Paper 30088.



# Appendix G: Opportunity Scholarship Requirements

## Opportunity Scholarship Requirements, FY21-FY24

Categories		FY21	FY22	FY23	FY24
Funding		\$ 10,000,000	\$ 18,000,000	\$ 144,000,000	\$ 146,000,000
Number of Recipients		6,380	9,769	36,622 (Fall 2022)	Data Unavailable.
Authorized by		General Appropriation Act Budget language	General Appropriation Act Budget language	Opportunity Scholarship Act (Section 21-21R-1 NMSA 1978) and HED Rules (Section 5.7.37 NMAC)	Opportunity Scholarship Act (Section 21-21R-1 NMSA 1978) and HED Rules (Section 5.7.37 NMAC)
Eligibility Requirements	Student Type	Credential-seeking	Degree-seeking	Credential-seeking	Credential-seeking
	Enrolled in	Two Year Programs	Two and Four Year Programs	Two and Four Year Programs	Two and Four Year Programs
	Attendance Status	Full Time	Full Time	Half-Time (at least 6 credit hours) or Full-Time (12 student credit hours at community colleges and 15 credit hours elsewhere)	Half-Time (at least 6 credit hours) or Full-Time (12 student credit hours at community colleges and 15 credit hours elsewhere)
	FAFSA or Income Verification Requirement?	Yes	Yes	No, but Encouraged	No, but Encouraged
	GPA Requirement	2.5+ GPA	None	2.5+ GPA	2.5+ GPA

Sources: LFC review of state law, rules, General Appropriation Acts, and HED data.

# Appendix H: Lottery Scholarship and Opportunity Scholarship Requirements

**Lottery Scholarship and Opportunity Scholarship Requirements**

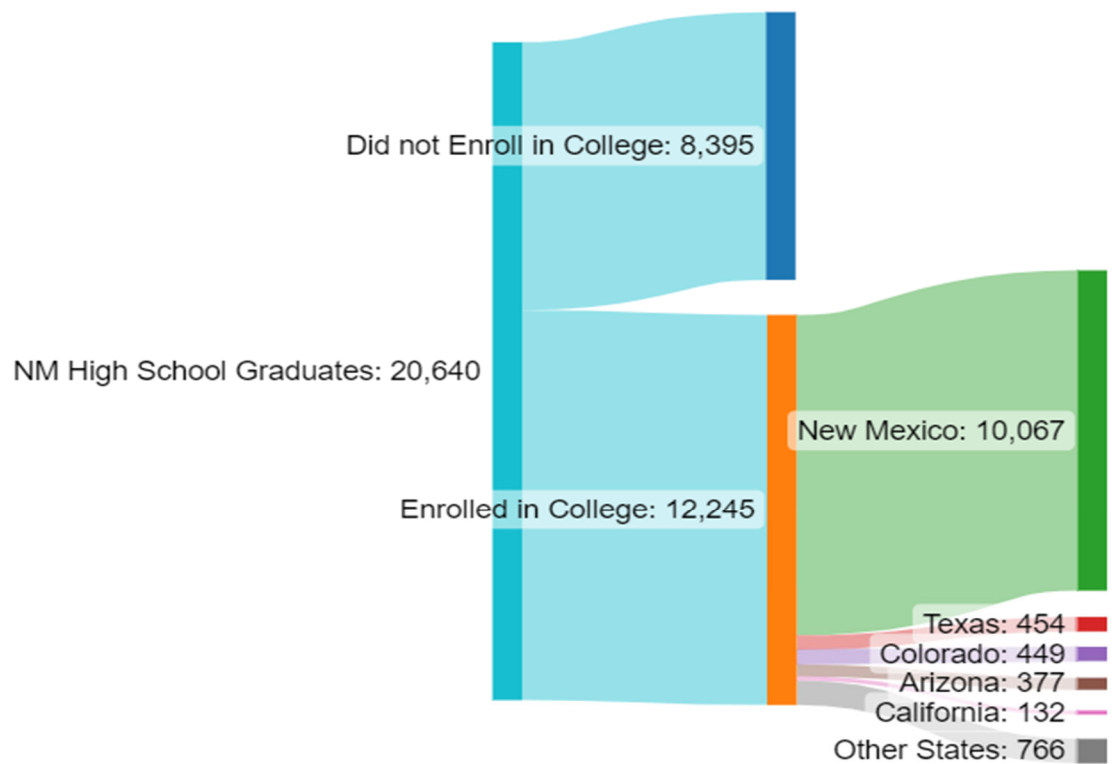
Categories		Lottery Scholarship	Opportunity Scholarship
Funds		Tuition Costs	Tuition and Fee Costs
First-Semester Eligible		No	Yes
Duration		The scholarship may be renewed at a four-year institution until the award recipient has received seven (7) semesters of scholarship awards or until the student graduates with a bachelor's degree, whichever is sooner. Students attending a community college are eligible for three (3) semesters of scholarship awards	The scholarship can be used for a maximum of 90 attempted credit hours for an associate's degree and a maximum of 160 attempted credit hours for a bachelor's degree. There is no limit on attempted credit hours for approved career training certificates.
Eligibility Requirements	Student Type	Degree-seeking	Credential-seeking
	Enrolled in	Two and Four Year Programs	Two and Four Year Programs
	Attendance Status	Full-Time (12 student credit hours at community colleges and 15 credit hours elsewhere)	Half-Time (at least 6 credit hours) or Full-Time (12 student credit hours at community colleges and 15 credit hours elsewhere)
	FAFSA or Income Verification Requirement?	None	None, but Encouraged
	GPA Requirement	2.5+ GPA	2.5+ GPA

Sources: LFC review of state law and rules.

## Appendix I: College-Going Patterns of New Mexico High School Graduates Fall 2020

**Most college-going high school graduates in New Mexico enroll at in-state colleges.** The Western Interstate Commission of Higher Education reports that roughly 20.6 thousand students graduated from New Mexico high schools in 2020. Data from the U.S. Integrated Postsecondary Education Data System (IPEDS) reports where recent high school graduates enroll in college within 12 months of graduation from high school. According to IPEDS data, about 12.3 thousand recent New Mexico high school graduates enrolled in colleges across the nation in fall 2020. The majority of these students (82 percent) enrolled in HEIs located in New Mexico, primarily in state-funded HEIs but also at some private or tribal HEIs as well. Of the 18 percent of New Mexico high school graduates who enrolled in out-of-state HEIs, students mostly went to HEIs in either Texas, Colorado, Arizona, or California.

**College-Going Patterns of New Mexico High School Graduates, Fall 2020**



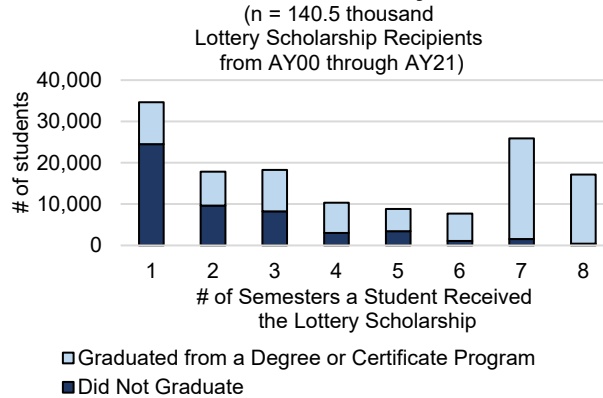
Note: Data includes private and tribal colleges.

Source: LFC analysis of WICHE and IPEDS data

## Appendix J: Lottery Scholarship Recipient Graduation

**Sixty-three percent of all lottery scholarship recipients since 2000 graduated college.** Students who receive the lottery scholarship for more semesters tend to graduate more, but other variables (such as GPA and full-time course taking) likely drive this correlation. Of the roughly 140.5 thousand students who received lottery scholarships from AY00 through AY21, 63 percent (88.7 thousand students) graduated college with a degree or certificate by AY21. According to HED’s 2022 lottery scholarship report, students who received the lottery scholarship for more semesters graduated at a higher rate than their peers did. For example, 86 percent of students who received the lottery scholarship for six or more semesters graduated. However, students who are unable to maintain eligibility for the lottery scholarship (either because of their GPA or needing to attend school part-time) are less likely to graduate college. Only 29 percent of students who lost the lottery scholarship after one semester ended up graduating college.

**Chart 16. Students Receiving the Lottery Scholarship for More Semesters Are More Likely to Graduate**



Source: HED 2022 Lottery Scholarship Report data.

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## Appendix K: Academic and Non-Academic Workforce Training Programs

**Roughly 15 thousand students at New Mexico community colleges participate in non-academic workforce training programs, which are ineligible for financial aid but can apply for federal Workforce Innovation and Opportunity Act (WIOA) funds.** HEIs offer workforce-training programs that either count toward academic credit (potentially leading toward a future degree or certificate) or do not count for academic credit (but may lead to industry recognized certification). Programs counting for academic credit have to meet accreditation requirements, require more classes, and take longer to complete. Non-academic programs provide shorter-term training, professional development, or workforce development opportunities. For-credit certificate and degree programs are eligible for federal and state financial aid, whereas non-credit programs are ineligible for federal and state financial aid. According to data from New Mexico community colleges, about 15 thousand students annually participate in non-credit workforce programs at state community colleges. Although non-credit training programs are ineligible for federal or state financial aid, employers sometimes pay students to participate in these training programs.

HEIs and other workforce training providers (such as companies) can also apply to the state Workforce Solutions Department (WSD) for their training programs to be eligible for federal Workforce Innovation and Opportunity Act (WIOA) funding. Workforce training programs that WSD approves to receive WIOA funds are called eligible training provider list (ETPL) programs. Participants in for-credit and non-credit ETPL programs can receive financial assistance from federal WIOA funds. New Mexico HEIs and businesses offer ETPL programs in various fields including welding, plumbing, information technology, commercial truck driving, automotive technology, business, and healthcare. A 2020 LFC report, *Workforce Development Post Covid-19 Pandemic*, found New Mexico had 571 ETPL programs (460 programs offered by HEIs) and recommended HEIs apply for more of their programs to become eligible for WIOA funds. As of July 2023, New Mexico had 589 ETPL programs in various fields with 431 programs offered by HEIs. According to performance measure data listed in LFC’s budget recommendation for FY24 (volume II, p.296), 6,125 people enrolled in ETPL programs in FY22. The difference between the number of people enrolled in non-academic workforce training programs (15 thousand people) and the number of people enrolled in ETPL programs (6,125 people) indicates more programs and people could receive federal WIOA funds for workforce development training.



## Appendix L: Undergraduate Full-Time In-District Tuition and Fees

Undergraduate Full-Time In-District Tuition and Fees per Semester

HEI	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1-Year Change	FY22 to FY23 Change	5-Year Change	10-Year Change					
UNM	\$ 3,224	\$ 3,332	\$ 3,475	\$ 3,573	\$ 3,661	\$ 3,778	\$ 4,481	\$ 4,614	\$ 5,440	\$ 5,563	2%	18%	47%	73%					
NMSU	\$ 3,287	\$ 3,365	\$ 3,365	\$ 3,561	\$ 3,684	\$ 3,905	\$ 4,022	\$ 4,022	\$ 4,204	\$ 4,229	1%	5%	8%	29%					
NMT	\$ 3,306	\$ 3,306	\$ 3,445	\$ 3,591	\$ 3,885	\$ 4,078	\$ 4,210	\$ 4,212	\$ 4,529	\$ 4,528	0%	8%	11%	37%					
ENMU	\$ 2,428	\$ 2,584	\$ 2,755	\$ 2,959	\$ 3,103	\$ 3,225	\$ 3,264	\$ 3,264	\$ 3,369	\$ 3,369	0%	3%	4%	39%					
NMHU	\$ 2,250	\$ 2,400	\$ 2,699	\$ 2,902	\$ 3,000	\$ 3,084	\$ 3,201	\$ 3,360	\$ 3,492	\$ 3,552	2%	4%	15%	58%					
NNMC	\$ 2,030	\$ 2,183	\$ 2,280	\$ 2,383	\$ 2,382	\$ 2,412	\$ 2,412	\$ 2,412	\$ 2,532	\$ 2,532	0%	5%	5%	25%					
WVNMU	\$ 2,673	\$ 3,209	\$ 3,322	\$ 3,033	\$ 3,412	\$ 3,547	\$ 3,698	\$ 3,689	\$ 4,786	\$ 4,917	3%	30%	39%	84%					
ENMU-RO	\$ 840	\$ 912	\$ 972	\$ 1,128	\$ 1,128	\$ 1,128	\$ 1,128	\$ 1,128	\$ 1,128	\$ 1,128	0%	0%	0%	34%					
ENMU-RU	\$ 518	\$ 542	\$ 566	\$ 590	\$ 590	\$ 650	\$ 686	\$ 686	\$ 686	\$ 1,010	47%	0%	55%	95%					
NMSU-AL	\$ 984	\$ 1,128	\$ 1,032	\$ 1,032	\$ 1,032	\$ 1,032	\$ 1,032	\$ 1,032	\$ 1,068	\$ 1,068	0%	3%	3%	9%					
NMSU-DA	\$ 804	\$ 1,020	\$ 1,020	\$ 864	\$ 888	\$ 888	\$ 888	\$ 888	\$ 921	\$ 921	0%	4%	4%	15%					
NMSU-GR	\$ 948	\$ 1,185	\$ 1,185	\$ 1,032	\$ 1,032	\$ 1,032	\$ 1,032	\$ 1,032	\$ 1,068	\$ 1,068	0%	3%	3%	13%					
UNM-GA	\$ 852	\$ 903	\$ 966	\$ 966	\$ 966	\$ 966	\$ 966	\$ 966	\$ 966	\$ 966	0%	0%	0%	13%					
UNM-LA	\$ 895	\$ 952	\$ 1,012	\$ 1,048	\$ 1,048	\$ 1,048	\$ 1,048	\$ 1,048	\$ 1,048	\$ 1,048	0%	0%	0%	17%					
UNM-TA	\$ 915	\$ 951	\$ 951	\$ 951	\$ 951	\$ 951	\$ 951	\$ 951	\$ 1,002	\$ 1,002	0%	5%	5%	10%					
UNM-VA	\$ 780	\$ 834	\$ 903	\$ 939	\$ 939	\$ 939	\$ 939	\$ 939	\$ 939	\$ 939	0%	0%	0%	20%					
CNM	\$ 688	\$ 700	\$ 736	\$ 789	\$ 813	\$ 825	\$ 825	\$ 842	\$ 929	\$ 967	4%	10%	17%	41%					
CCC	\$ 608	\$ 608	\$ 628	\$ 688	\$ 688	\$ 688	\$ 688	\$ 688	\$ 736	\$ 736	0%	7%	7%	21%					
LCC	\$ 443	\$ 443	\$ 481	\$ 481	\$ 484	\$ 481	\$ 505	\$ 562	\$ 565	\$ 601	6%	1%	25%	36%					
MCC	\$ 730	\$ 754	\$ 814	\$ 850	\$ 906	\$ 1,008	\$ 1,068	\$ 1,068	\$ 1,068	\$ 1,068	0%	0%	6%	46%					
NMJC	\$ 624	\$ 624	\$ 624	\$ 660	\$ 672	\$ 840	\$ 885	\$ 900	\$ 900	\$ 900	0%	0%	7%	44%					
SJC	\$ 647	\$ 875	\$ 875	\$ 737	\$ 920	\$ 920	\$ 965	\$ 965	\$ 1,025	\$ 1,045	2%	6%	14%	62%					
SFCC	\$ 532	\$ 747	\$ 847	\$ 734	\$ 878	\$ 878	\$ 892	\$ 1,073	\$ 1,073	\$ 1,073	0%	0%	22%	102%					
SENMC	\$ 530	\$ 680	\$ 680	\$ 638	\$ 638	\$ 638	\$ 638	\$ 588	\$ 588	\$ 588	0%	0%	-8%	11%					
Statewide Average	\$ 1,314	\$ 1,427	\$ 1,485	\$ 1,505	\$ 1,571	\$ 1,623	\$ 1,684	\$ 1,705	\$ 1,836	\$ 1,867	2%	8%	15%	42%					
Statewide Avg. Change from Prior Year	-	\$113	\$58	\$21	\$65	\$52	\$62	\$21	\$131	\$32	9%	4%	1%	4%	3%	4%	1%	8%	2%

Source: LFC analysis of IPEDS data, HED reports, LFC FY18 data, and FY24 operating budgets.

## Appendix M: Spending on Financial Aid Offices at HEIs

**Most financial aid offices at New Mexico HEIs are smaller than the national average and statewide spending on financial aid offices has remained flat over time.** In FY22, New Mexico HEIs spent \$8.4 million on financial aid offices. The average size of financial aid offices varied between research universities (\$1 million), comprehensive colleges (\$450 thousand), independent community colleges (\$411 thousand), and branch community colleges (\$152 thousand). The majority of this spending (91 percent) was on salaries for financial aid professionals (average salary \$56 thousand) and support staff (average salary \$45 thousand). According to the latest benchmarking study conducted by the National Association of Student Financial Aid Administrators (NASFAA) in 2019, the average college financial aid office has 12.5 FTE but varies based on the size and type of college.<sup>17</sup> All New Mexico HEIs have smaller financial aid offices than the national average with the exceptions of the three largest HEIs (UNM, NMSU, and CNM). In the past five years, average salaries for financial aid professional staff increased by 2 percent (\$1,342) and the average salaries for support staff (i.e., technical and clerical staff) increased by 44 percent (\$13.7 thousand). At the same time, HEIs decreased financial aid staff by 12 percent (22 FTE) from 185 full-time employees (FTE) in FY18 to 162 FTE in FY22. These data indicate financial aid offices at New Mexico HEIs operate relatively efficiently and have not expanded their expenses.

**Total New Mexico Higher Education Spending  
on Financial Aid Offices, FY18 to FY22**

Expenditure Category	FY18		FY22	
	FTE	Expense	FTE	Expense
Professional Salaries	80	\$ 4,403,043	80	\$ 4,543,737
Support Staff Salaries	91	\$ 2,854,685	79	\$ 3,578,105
Supplies & Expenses	-	\$ 1,377,890	-	\$ 696,895
Federal Work-study Salaries	8	\$ 137,380	1	\$ 19,477
State Work-study Salaries	6	\$ 93,097	2	\$ 77,966
Travel	-	\$ 79,310	-	\$ 27,955
<b>Grand Total</b>	<b>185</b>	<b>\$ 8,945,405</b>	<b>162</b>	<b>\$ 8,944,135</b>

Source: LFC analysis of HED financial reports of actuals, exhibit 12a.

<sup>17</sup> Disaggregated benchmarking data is only available for NASFAA members or non-member purchase (\$250).

# Appendix N: Accountability in Government Act, Higher Education FY23 Q3 Report Card



## PERFORMANCE REPORT CARD Higher Education Institutions Third Quarter, Fiscal Year 2023

### ACTION PLAN

Submitted by agency?	No
Timeline assigned?	No
Responsibility assigned?	No

### Higher Education Institutions

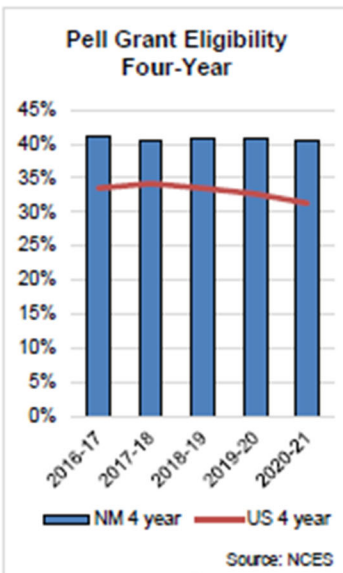
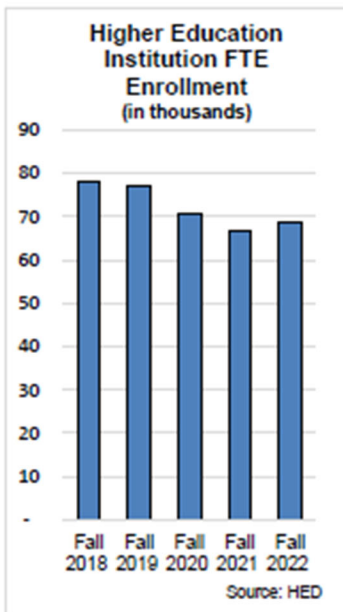
New Mexico higher education institutions (HEI) experienced their first enrollment increase in a decade in the fall 2022 semester. The increase affected nearly every institution and was likely driven by the creation of the opportunity scholarship. While an undoubtedly positive development, it is unclear how long-lasting the enrollment increase may be.

Further, it is likely that many of the new students entering New Mexico HEIs will require additional support to counter pandemic-related learning loss as well as behavioral health supports to address widespread mental health challenges faced by students. While these issues are well-known and national in nature, the state does not have a coordinated structure to address student needs and HEIs are challenged to develop support programs to counter a worrying trend of falling student retention.

### Students

New Mexico is the fourth poorest state in the nation, which leads to the state having a significantly higher proportion of students at four-year institutions receiving Pell grants than the national average. Numerous studies have shown that students receiving Pell grants are less likely than non-Pell grant recipients to graduate.

In addition to being poorer than their national peers, New Mexico students are less prepared for college success as measured by SAT scores. The SAT test includes benchmarks based on test scores which correlate to a 75 percent chance that a student earn at least a C their first course in algebra, statistics, precalculus, history, literature, social science or writing. The data show that New Mexico test-takers are less likely than their national peers to meet benchmarks.



Percent of Students Meeting SAT Benchmarks for Math and Language  
2022 Test Data

Race/Ethnicity	U.S.		N.M.	
	Meeting Both	Meeting Neither	Meeting Both	Meeting Neither
American Indian/Alaska Native	22%	54%	8%	71%
Asian	75%	11%	70%	11%
Black/African American	19%	54%	22%	42%
Hispanic/Latino	26%	47%	22%	52%
Native Hawaiian/Other Pacific Islander	24%	51%	N/A	N/A
White	53%	21%	51%	21%
Two or More Races	52%	22%	56%	21%
No Response	31%	49%	17%	58%

Source: The College Board

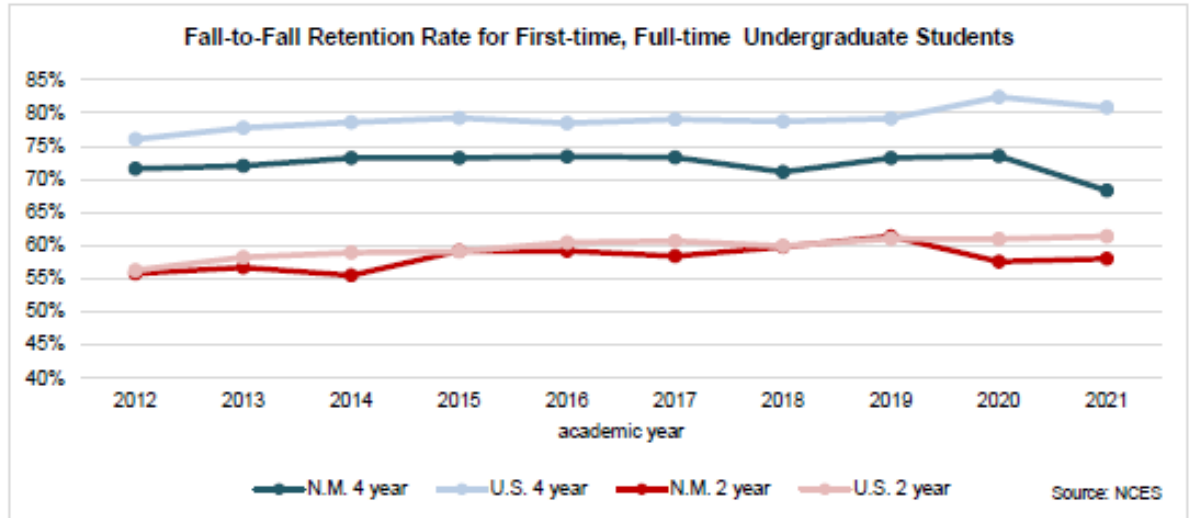
New Mexico high school graduation now requires all students to take the SAT. However, the requirement was waived due to the pandemic and only 42 percent of graduating seniors took the exam in 2022. Because only a minority of students took the SAT exam in 2022, there is a high likelihood that those who did take the test intend on going on to higher education making it likely the gap between New Mexico student performance and the national average will widen as more students take the SAT.



## PERFORMANCE REPORT CARD

Higher Education Institutions  
Third Quarter, Fiscal Year 2023

Lack of preparedness is likely leading to students at four-year institutions, both full-time and part-time, being much less likely to persist than their peers nationally. Data from the National Center for Education Statistics show a nationwide reduction in student retention, but the declines for New Mexico students were particularly acute. While retention for the U.S. on average fell by 1.6 percent, New Mexico's retention rate fell by 5.2 percent, reversing a multi-year trend of increasing retention rates and dropping retention to its lowest point in over a decade. It is likely that falling retention is pandemic related and this will be a passing trend.



Data show persistence of full-time students at New Mexico two-year colleges is slightly lower than the national average, but there was no appreciable widening of the gap in 2021.

### Affordability

Tuition at New Mexico colleges and universities is lower than for the western region on average, but it has grown at the fastest rate of all western states. According to the Western Interstate Commission on Higher Education (WICHE), New Mexico's average annual resident tuition and fees at four-year public institutions are \$8,100, 15.3 percent less than the regional average. However, tuition and fees in New Mexico increased 72 percent over the past 10 years, more than double the regional 10-year average growth of 29 percent.

#### Total Tuition and Fees at 4-Year and 2-Year Institutions in Selected States

State	4-Year			2-Year		
	2022-23	2012-13	10-Year Change	2022-23	2012-13	10-Year Change
Arizona	\$10,273	\$8,763	17.2%	\$2,579	\$2,242	15.1%
California	\$9,519	\$8,463	12.5%	\$1,380	\$1,380	0.0%
Colorado	\$11,025	\$7,583	45.4%	\$5,042	\$3,658	37.8%
Nevada	\$7,990	\$5,834	37.0%	\$3,778	\$2,700	39.9%
<b>New Mexico</b>	<b>\$8,100</b>	<b>\$4,708</b>	<b>72.0%</b>	<b>\$2,092</b>	<b>\$1,506</b>	<b>38.9%</b>
WICHE Average*	\$9,570	\$7,408	29.2%	\$3,083	\$2,499	23.4%

\*WICHE Average includes 18 states and territories

Source: WICHE



New Mexico two-year institutions also experienced higher-than-average tuition increases, but tuition is still 32 percent lower than neighboring states. Tuition at New Mexico two-year institutions is about 25 percent of the cost of tuition at four-year institutions, in-line with Arizona and significantly below that of Colorado and Nevada.

**Four-Year Institution Tuition and Fees**

Inst.	2022-23 Tuition/Fees	10-Year Change
ENMU	\$6,738	54.9%
NMHU	\$6,984	99.3%
NM Tech	\$9,058	54.2%
NMSU	\$8,408	39.2%
NNMC	\$5,064	79.1%
UNM	\$10,880	79.8%
WNMU	\$9,572	121.9%

Source: WICHE

While New Mexico tuition and fees are less than many other western states, these costs vary significantly by institution. The state, through the lottery and opportunity scholarships, pays the majority of student tuition and fee costs. This creates a dynamic where HEIs and their respective board of regents may have an incentive to increase tuition at a faster rate because they do not compete for enrollment on a price basis. While this dynamic allows institutions flexibility to match revenue to institutional need, it may increase state costs to fully fund scholarships.

### Opportunity Scholarship

The Legislature recognized the importance of higher education in economic development and overwhelmingly supported the creation of the Opportunity Scholarship to pay the portion of tuition and fees not covered by the existing lottery scholarship and other aid programs. The new scholarship will effectively result in tuition-free college for New Mexicans who do not already hold a bachelor's degree.

At the time of the creation of the scholarship program, the cost was estimated at approximately \$100 million per year. However, a combination of factors including use of the scholarship to pay the first semester of costs for students who will receive lottery scholarships in the second semester and higher than anticipated increases in tuition and enrollment resulted in an annual cost of \$146 million. The ability of the Opportunity Scholarship to deliver tuition free higher education is dependent on the Legislature's ability to fully fund the program. This will require the Higher Education Department to work with HEIs to deliver timely information on enrollment and tuition increases. Additionally, as the state takes an increasing financial stake in student subsidization, HEIs will be challenged to show that students receiving these subsidies are being supported on their way to successful completion of their studies.

Additionally, institutions should be mindful of the state's previous experience with rapid expansion of college subsidy programs. In the first year after creation of the Legislative Lottery Scholarship, graduation rates at state universities decreased from approximately 42 percent for the 1996 cohort to 38 percent for the 1997 cohort and graduation rates remained low for several years after lottery scholarship creation, suggesting initial student cohorts had less college preparation or student support than needed.

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## Appendix O: References

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