

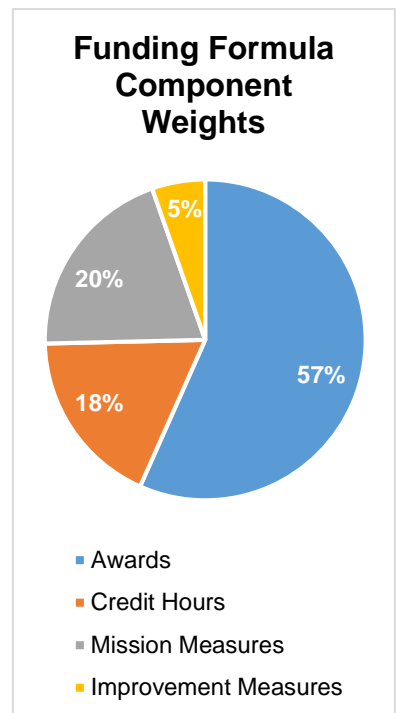
July 19, 2023

Informational Hearing on the Higher Education Funding Formula

Prepared By: Connor Jorgensen, LFC Analyst

Background

- The current higher education funding formula is a base-plus budget model meaning that it protects the prior year institutional base funding and only allocates “new money”.
 - This model provides financial stability and predictability to institutions.
 - However, base-plus funding can create inequities among institutions.
- The funding formula is outcomes based using 12 measures to direct additional funding. Measures used include total awards granted and other mission-specific measures such as research conducted, and number of students being retained to certain benchmarks.
 - Prior to 2013, the formula was an inputs-based model which emphasized measures of total enrollment and campus square footage.
- The formula policy attempts to address inequities by growing the budgets of higher-performing institutions at a faster rate than lower-performing institutions.
- The higher education funding formula is established in statute Section 21-2-5.1 NMSA 1978. Unlike the public education funding formula, the components of the formula and their weights are not specified in statute.
 - This gives greater flexibility to make alterations to the formula.
 - Changes to the funding formula are discussed annually by members of a funding formula work group.
- The funding formula work group consists of members from the Higher Education Department (HED), Department of Finance and Administration (DFA), Legislative Finance Committee



(LFC), Council of University Presidents (CUP), Independent Community Colleges (ICC), and Association of Community Colleges (ACC).

- The technical group meets several times beginning in August to discuss changes to the formula. Changes to the formula include:
 - Changing weights of existing measures;
 - Addition or deletion of measures;
 - Changing methodology definitions and thresholds.
- The Legislature is not bound by the recommendations of the work group and has broad authority to make alterations to the formula unilaterally.
- The funding formula used to contain a redistribution component which would remove funding from lower-performing institutions and redistribute it to higher performing institutions. This practice was discontinued.

Higher Education Funding Formula Components and Methodology

	Component	Component Weight, FY24	Calculation Methodology
1	Total Awards	28.85%	Distributes funding to each institution based on their proportional share of the 3-year average of total awards. A maximum of one award per student per year is counted. Academic progress certificates are not counted. Additional weights are applied to awards based on level (from certificates to PhDs). The award is then classified into a tier to reflect the cost of instruction. Tier 1: less-costly awards in humanities, business, and liberal arts; Tier 2: sciences; Tier 3: engineering and health sciences.
2	STEMHW Awards	10.56%	Same methodology as used for total awards, but only counts the number of students with an academic award, degree, or certificate in a science, technology, engineering, mathematics, health, or workforce field using a 3-year average.
3	At-Risk Student Awards	17.25%	Same methodology as used for total awards, but only counts the number of students who are considered financially at risk who received an academic award. "Financially at-risk" is defined as a student whose expected family contribution (EFC) is less than or equal to \$7,200 based on FAFSA data. The EFC is based on family income, assets, and dependents and reflects the ability of a family to pay for college. The lower the EFC, the more financially at-risk a family is. Families with an income under \$29,000 automatically receive a \$0 EFC.
4	End-of-Course Student credit Hours	17.98%	Distributes funding to each institution based on the share of end-of-course student credit hours completed over the past three years. Credit hours are weighted to reflect lower, upper, and graduate levels as well as tiers 1-3 used in the awards calculations. Additionally, a support services per credit hour adjustment is applied. Student withdrawals are not counted.
5	Research Mission Measure	11.06%	Distributes funding to research institutions based on a set distribution that is not tied to research expenditures. Under the distribution, 11% of new money is directed to research institutions and distributed 25% to NM Tech and 37.5% each to NMSU and UNM.
6	Momentum Points 30 Mission Measure	2.80%	Distributes funding to comprehensive and community colleges when students achieve 30 credit hours for the first time. The distribution percentage is based on the institution's average contribution over the past 9 years. This incentive measure is applicable only to comprehensive universities and community colleges. The measure is designed to reward institutions for increasing student retention.
7	Momentum Points 60 Mission Measure	3.14%	Distributes funding to comprehensive colleges when students achieve 60 credit hours for the first time. The distribution percentage is based on the institution's average contribution since spring, 2017. The measure is designed to reward institutions for increasing student retention.

8	Dual Credit Mission Measure	3.00%	Distributes funding to comprehensive and community colleges in proportion to the number of end-of-course credit hours delivered based on a 3-year average. Weighted to reflect institution tuition.
9	End-of-Course Student Credit Hours Improvement	1.02%	To qualify for funding, institutions must deliver more student credit hours in the most recent three years than the prior 3 year period OR over the most recent 5-year period. For example, for FY24, an institution needed to deliver more student credit hours in the FY20-FY22 period than they provided in the FY19-FY21 period OR had to improve in the FY20-FY22 period relative to FY18-FY22 to qualify. All sectors are eligible for this funding.
10	Total Award Improvement	2.15%	To qualify for funding, institutions must grant more total awards in the most recent three years than the prior 3 year period OR over the most recent 5-year period. For example, an institution needed to grant more awards in the FY20-FY22 period than they provided in the FY19-FY21 period OR had to improve in the FY20-FY22 period relative to FY18-FY22 to qualify. All sectors are eligible for this funding.
11	STEMHW Award Improvement	0.94%	To qualify for funding, institutions must grant more STEMHW awards in the most recent three years than the prior 3 year period OR over the most recent 5-year period. For example, an institution needed to grant more STEMHW awards in the FY20-FY22 period than they provided in the FY19-FY21 period OR had to improve in the FY20-FY22 period relative to FY18-FY22 to qualify. All sectors are eligible for this funding.
12	At-Risk Student Improvement	1.25%	To qualify for funding, institutions must grant more awards to at-risk students in the most recent three years than the prior 3 year period OR over the most recent 5-year period. For example, an institution needed to grant more awards to at-risk students in the FY20-FY22 period than they provided in the FY19-FY21 period OR had to improve in the FY20-FY22 period relative to FY18-FY22 to qualify. All sectors are eligible for this funding.

Note:

Tier funding context: a tier 2 science degree is worth 44% more than a humanities/liberal arts degree in the formula while a tier 3 engineering/healthcare degree is worth 100% more than a tier 1 award.

At-risk funding context: a family of 4 with a household income of \$74,363 (the average NM household income) would have an expected family contribution of \$5,700.

Detail of Each Higher Education Institution's Proportion of Funding Formula Component Award

FY24 Funding distributed by each Performance-Outcomes Measure	FY24 New Money distributed by each Institutional Improvement Measure
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Institution	Total Awards Funding	STEMHW Awards Funding	At-Risk Student Awards Funding	EOC SCH Funding	Research Mission Measure Funding	MP30 Mission Measure Funding	MP60 Mission Measure Funding	Dual Credit Mission Measure Funding	EOC SCH Improvement Funding	Total Award Improvement Funding	STEMHW Award Improvement Funding	At-Risk Student Improvement Funding	Total
Grand Total	28.85%	10.56%	17.25%	17.98%	11.06%	2.80%	3.14%	3.00%	1.02%	2.15%	0.94%	1.25%	100.0%
University of New Mexico	31.98%	12.17%	19.92%	16.47%	12.55%	0.00%	0.00%	0.00%	0.00%	3.44%	1.33%	2.14%	100.00%
University of New Mexico-Gallup	25.28%	8.00%	22.27%	26.45%	0.00%	10.50%	0.00%	1.11%	2.80%	2.72%	0.87%	0.00%	100.00%
University of New Mexico-Los Alamos	24.19%	10.56%	7.22%	24.67%	0.00%	13.53%	0.00%	18.67%	0.00%	0.00%	1.15%	0.00%	100.00%
University of New Mexico-Taos	21.13%	9.14%	16.61%	18.70%	0.00%	9.22%	0.00%	19.96%	1.98%	2.27%	1.00%	0.00%	100.00%
University of New Mexico-Valencia	18.61%	7.11%	13.81%	20.60%	0.00%	13.91%	0.00%	25.95%	0.00%	0.00%	0.00%	0.00%	100.00%
Subtotal UNM and Branches	31.47%	11.97%	19.76%	16.81%	11.90%	0.81%	0.00%	0.75%	0.08%	3.34%	1.29%	2.03%	100.00%
New Mexico State University	27.72%	10.92%	16.81%	17.76%	18.94%	0.00%	0.00%	0.00%	1.88%	2.98%	1.19%	1.80%	100.00%
New Mexico State University-Alamogordo	24.29%	9.18%	15.26%	23.68%	0.00%	13.40%	0.00%	10.58%	0.00%	2.61%	1.00%	0.00%	100.00%
New Mexico State University-Dona Ana	24.71%	6.97%	15.50%	23.41%	0.00%	14.23%	0.00%	9.30%	2.47%	2.65%	0.76%	0.00%	100.00%
New Mexico State University-Grants	18.91%	5.09%	17.52%	22.87%	0.00%	12.56%	0.00%	18.58%	0.00%	2.03%	0.55%	1.88%	100.00%
Subtotal NMSU and Branches	27.24%	10.38%	16.64%	18.56%	16.25%	2.00%	0.00%	1.41%	1.91%	2.93%	1.13%	1.56%	100.00%
Eastern New Mexico University	26.87%	6.42%	16.51%	17.08%	0.00%	1.90%	20.77%	3.29%	1.81%	2.89%	0.70%	1.77%	100.00%
Eastern New Mexico University-Roswell	26.39%	10.33%	12.02%	24.15%	0.00%	10.25%	0.00%	16.86%	0.00%	0.00%	0.00%	0.00%	100.00%
Eastern New Mexico University-Ruidoso	19.64%	4.32%	8.85%	26.18%	0.00%	10.06%	0.00%	27.24%	2.77%	0.00%	0.00%	0.95%	100.00%
Subtotal ENMU and Branches	26.64%	6.83%	15.79%	18.14%	0.00%	3.09%	17.80%	5.48%	1.61%	2.48%	0.60%	1.54%	100.00%
NM Institute of Mining and Technology	17.68%	11.44%	7.84%	11.93%	51.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
New Mexico Highlands University	29.98%	11.19%	22.59%	20.82%	0.00%	1.36%	13.49%	0.58%	0.00%	0.00%	0.00%	0.00%	100.00%
Northern New Mexico College	15.69%	6.45%	13.24%	11.36%	0.00%	3.01%	29.45%	15.79%	1.20%	1.69%	0.70%	1.42%	100.00%
Western New Mexico University	22.00%	3.77%	15.92%	19.94%	0.00%	2.59%	22.17%	11.10%	2.11%	0.00%	0.41%	0.00%	100.00%
Subtotal non-branch Universities	22.11%	9.02%	14.60%	16.41%	18.97%	1.31%	12.12%	4.38%	0.63%	0.16%	0.17%	0.14%	100.00%
Central New Mexico Community College	35.75%	10.61%	16.56%	18.45%	0.00%	9.49%	0.00%	6.03%	1.95%	0.00%	1.16%	0.00%	100.00%
Clovis Community College	28.48%	13.11%	20.54%	19.59%	0.00%	8.16%	0.00%	10.12%	0.00%	0.00%	0.00%	0.00%	100.00%
Luna Community College	23.13%	10.69%	17.30%	25.85%	0.00%	12.44%	0.00%	7.58%	0.00%	0.00%	1.16%	1.86%	100.00%
Mesalands Community College	34.68%	20.21%	5.14%	15.38%	0.00%	3.94%	0.00%	14.72%	0.00%	3.73%	2.20%	0.00%	100.00%
New Mexico Junior College	27.00%	3.91%	11.69%	28.60%	0.00%	17.93%	0.00%	7.42%	3.02%	0.00%	0.43%	0.00%	100.00%
San Juan College	28.16%	12.57%	17.30%	23.83%	0.00%	7.50%	0.00%	8.12%	2.52%	0.00%	0.00%	0.00%	100.00%
Santa Fe Community College	29.44%	12.06%	12.65%	26.17%	0.00%	9.77%	0.00%	9.92%	0.00%	0.00%	0.00%	0.00%	100.00%
Southeast New Mexico College	21.92%	3.33%	8.18%	28.22%	0.00%	14.01%	0.00%	21.98%	0.00%	2.36%	0.00%	0.00%	100.00%
Ind. Community College Total	32.60%	10.92%	15.97%	20.70%	0.00%	9.53%	0.00%	7.61%	1.70%	0.15%	0.78%	0.03%	100.00%

Source: HED

Table shows the weights of the 12 funding formula components in the grand total line and how much of each institution's funding formula allocation each component accounts for. For example, UNM main campus receives 31.8 percent of funding formula allocation based on total awards.

Analysis of 1% Across-the-Board (ATB) Increase Versus 1% Funding Formula Increase

Institution	FY23 Base Funding for FY24	1% Across-the-Board Increase	1% Funding Formula	Distribution of 1% Formula Increase	A.T.B vs. Formula \$ Diff.
Grand Total	\$717,050,000	\$7,170,500	\$7,170,500	1.0%	\$0
University of New Mexico	\$222,243,100	\$2,222,431	\$2,377,955	1.1%	\$155,524
University of New Mexico-Gallup	\$9,682,800	\$96,828	\$49,343	0.5%	-\$47,485
University of New Mexico-Los Alamos	\$2,121,200	\$21,212	\$15,736	0.7%	-\$5,476
University of New Mexico-Taos	\$4,265,400	\$42,654	\$26,120	0.6%	-\$16,534
University of New Mexico-Valencia	\$6,418,000	\$64,180	\$38,214	0.6%	-\$25,966
Subtotal UNM and Branches	\$244,730,500	\$2,447,305	\$2,507,368	1.0%	\$60,063
New Mexico State University	\$139,535,700	\$1,395,357	\$1,576,661	1.1%	\$181,304
New Mexico State University-Alamogordo	\$8,073,900	\$80,739	\$25,642	0.3%	-\$55,097
New Mexico State University-Dona Ana	\$26,244,200	\$262,442	\$215,531	0.8%	-\$46,911
New Mexico State University-Grants	\$3,953,200	\$39,532	\$14,796	0.4%	-\$24,736
Subtotal NMSU and Branches	\$177,807,000	\$1,778,070	\$1,832,629	1.0%	\$54,559
Eastern New Mexico University	\$36,273,400	\$362,734	\$476,058	1.3%	\$113,324
Eastern New Mexico University-Roswell	\$13,246,700	\$132,467	\$65,947	0.5%	-\$66,520
Eastern New Mexico University-Ruidoso	\$2,237,200	\$22,372	\$13,440	0.6%	-\$8,932
Subtotal ENMU and Branches	\$51,757,300	\$517,573	\$555,445	1.1%	\$37,872
NM Institute of Mining and Technology	\$32,904,900	\$329,049	\$388,943	1.2%	\$59,894
New Mexico Highlands University	\$32,697,500	\$326,975	\$304,335	0.9%	-\$22,640
Northern New Mexico College	\$11,333,700	\$113,337	\$98,513	0.9%	-\$14,824
Western New Mexico University	\$22,754,200	\$227,542	\$256,100	1.1%	\$28,558
Subtotal non-branch Universities	\$99,690,300	\$996,903	\$1,047,890	1.1%	\$50,987
Central New Mexico Community College	\$69,215,700	\$692,157	\$722,485	1.0%	\$30,328
Clovis Community College	\$11,072,400	\$110,724	\$82,437	0.7%	-\$28,287
Luna Community College	\$7,437,300	\$74,373	\$22,401	0.3%	-\$51,972
Mesalands Community College	\$4,570,100	\$45,701	\$29,224	0.6%	-\$16,477
New Mexico Junior College	\$6,632,100	\$66,321	\$55,435	0.8%	-\$10,886
San Juan College	\$27,395,400	\$273,954	\$195,449	0.7%	-\$78,505
Santa Fe Community College	\$12,075,400	\$120,754	\$86,166	0.7%	-\$34,588
Southeast New Mexico College	\$4,666,500	\$46,665	\$33,570	0.7%	-\$13,095
Independent Community College Total	\$143,064,900	\$1,430,649	\$1,227,168	0.9%	-\$203,481

Source: LFC Files

HEI Institutional Performance

Total Awards by Sector							
	FY18	FY19	FY20	FY21	FY22	1-Year Change	5-Year Change
Research	9,203	9,101	8,657	8,698	8,256	-5.1%	-10.3%
Comprehensive	3,047	3,047	2,844	2,811	2,881	2.5%	-5.4%
Branch	2,746	2,573	2,576	2,175	2,435	12.0%	-11.3%
Independent	9,582	10,177	9,936	9,131	7,869	-13.8%	-17.9%
Total	24,578	24,898	24,013	22,815	21,441	-6.0%	-12.8%
Two-Year Institutions	12,328	12,750	12,512	11,306	10,304	-8.9%	-16.4%
Four-Year Institutions	12,250	12,148	11,501	11,509	11,137	-3.2%	-9.1%
End-of-Course Student Credit Hours by Sector							
	FY18	FY19	FY20	FY21	FY22	1-Year Change	5-Year Change
Research	964,995	923,491	737,164	853,491	832,372	-2.50%	-13.70%
Comprehensive	266,335	256,261	247,052	239,485	228,132	-4.70%	-14.30%
Branch	352,141	338,839	302,358	269,824	256,738	-4.80%	-27.10%
Independent	711,338	680,151	650,183	556,537	521,328	-6.30%	-26.70%
Total	2,294,809	2,198,743	1,936,757	1,919,336	1,838,570	-4.20%	-19.90%
Two-Year Institutions	1,063,479	1,018,991	952,541	826,361	778,066	-5.80%	-26.80%
Four-Year Institutions	1,231,330	1,179,752	984,216	1,092,976	1,060,504	-3.00%	-13.90%
Full-Time Equivalent Enrollment							
	FY18	FY19	FY20	FY21	FY22	1-Year Change	5-Year Change
Research	35,027	33,193	32,626	31,928	31,045	-2.80%	-11.40%
Comprehensive	9,245	9,048	8,672	8,403	7,891	-6.10%	-14.60%
Branch	11,228	10,758	10,841	9,082	8,520	-6.20%	-24.10%
Independent	24,154	22,821	22,459	19,487	17,345	-11.00%	-28.20%
Total	79,654	75,820	74,598	68,900	64,801	-5.90%	-18.60%
Two-Year Institutions	35,382	33,579	33,300	28,569	25,865	-9.50%	-26.90%
Four-Year Institutions	44,272	42,241	41,298	40,331	38,936	-3.50%	-12.10%