

Presenter: Curt Porter, Chair Higher Education Funding Task Force; Dr. Viola Florez, Secretary, Higher Education Department; Hipolito "Paul" Aguilar, Principal Analyst, LFC

ISSUES FOR HEARING

Higher Education Funding Formula

- **The funding formula in its present condition is not aligned with many of the state's policy goals for higher education.**
- **Funding factors built into the formula when revenues were increasing are causing inequities to occur now that revenues are dropping.**
- **A significant problem with the way changes to the formula are made is that institutional decision makers are not involved in formulating recommendations, and changes to recommendations are made after the fact based primarily on how changes affect individual institutions, not on what is best for the whole system.**
- **Although a number of fairness and equity concerns with the funding formula have been raised, little effort is made to address serious core issues.**
- **The funding task force spent the interim focused on developing recommendations to move from an enrollment band to a three year rolling average to fund enrollment growth, to change the way the tuition revenue credit is applied, and other small technical issues.**

Specific Concerns Raised but not Addressed.

- **Funding inputs and ignoring outcomes (\$43.6 million annually).**
 - **The funding formula should consider all completion factors, but initially course completion should be considered**
- **Fully funding enrollment without considering the marginal cost of educating additional students (\$61.4 million in FY12).**
 - **In FY12, enrollment growth accounts for 96.3 percent of total workload growth.**
- **The formula has too many cost variables that take up a significant amount of time to collect data and calculate to distribute relatively little money.**

- **The Tuition Credit percentage is applied to institutions with very different costs for tuition. The amount credited against the general fund allocation for institutions with higher tuition rates is causing a long-term shift in the percentage of general fund appropriations that go to the different institutions.**
- **Two-year institutions have the option of imposing a mill levy that can be used to some extent as discretionary funding to offset the effect of the tuition credit.**
- **Many students graduate with many more credit hours than is needed for graduation.**
 - **No limit exists as to how many credit hours a student can accumulate.**
 - **No limit exists on the number of times a student can retake a class.**
- **To increase enrollment and therefore funding, institutions are expanding the number and scope of programs irrespective of service area or mission and are stumbling over each other.**
 - **NMSU & Highlands offer the same social work degree program in Albuquerque in buildings located next to each other.**
 - **NMSU is offering public health and education courses in Albuquerque that competes with UNM.**
 - **Tech is offering engineering courses across the street from UNM.**
 - **Dona Ana Community College has eight facilities in Dona Ana County alone.**
 - **Santa Fe Community College is building an education center for four-year institutions to offer courses but will keep the square footage funding.**
- **Currently there are 14 tuition waivers where institutions waive out-of-state tuition for students. These programs cost the general fund about \$60 million annually with another \$10 million in waivers coming on-line in the next couple of years.**
- **In order to address these issues, the Legislature may wish to consider formally establishing a funding taskforce that will develop a new funding formula and report to the Legislature rather than to the institutions or HED.**