



# Higher Education Funding

Recognizing the importance of higher education to individuals and families, the economy, and overall quality of life, New Mexico dedicates about 11 percent of general fund revenues to support 24 colleges and universities. New Mexico typically ranks high among the states in state funding for higher education. However, New Mexico lags the nation on the number of college students who earn degrees and the share of the adult population with postsecondary education.

## Formula Funding

While state funding for higher education is allocated through a funding formula, the formula is not defined in statute or rule. Representatives from the executive and legislative branches and higher education institution meet each year to propose changes to funding formula measures and weights.

The funds distributed through the formula support instruction and general (I&G) purposes—the day-to-day operations. Athletics, housing, and new building construction are funded separately.

The funding formula is a base-plus model, meaning the prior-year base budget is preserved and only “new money” is allocated through the formula. The goal of the funding formula is to reward higher-performing institutions without losing financial stability. However, the base-plus model may lead to funding inequities because the base appropriation is not reduced, even in the face of significant enrollment declines. This dynamic can provide institutions with steeper-than-average enrollment declines with higher per-student funding.

The funding formula allocates new money using 12 measures that focus on the number of degrees awarded, credit hours delivered, student retention, and research conducted. For FY24, 95 percent of the distribution was based on an institution’s share of the state total of a component—for example, the number of credit hours offered at the institution compared with credit hours offered statewide—while 5 percent was based on institutional performance as measured by the increase in the number of degrees or student credit hours relative to past performance.

The three categories of performance measures used in the formula are:

- **Total certificates and degrees awarded.** This measure provides additional weight based on degree level as well for awards made to at-risk students and awards in the STEM and healthcare fields. The measure includes incentives for growth in the number of degrees awarded

- **Student credit hours delivered.** This measure provides base funding for credit hours delivered and allows institutions to qualify for additional funding if they deliver more credits hours in the current year than they did in the previous year or during the previous five-year average.
- **Mission-specific measures.** These measures include student retention for two-year and comprehensive institutions and research output for the three research universities.

## Research and Public Service Projects

The state also uses the general fund to support programs and projects attached to colleges and universities but funded outside the formula in the General Appropriation Act. This includes statewide agencies like the Office of the Medical Investigator, the Bureau of Mine Safety, and agriculture agencies and services like medical residencies and wellness programs in rural areas.

## Capital Outlay

The state supports construction and equipment for colleges through special appropriations in the General Appropriation Act and other annual capital legislation. In even-numbered years, higher education projects are included in legislation authorizing the sale of general obligation revenue bonds if approved by voters during the November general election. In odd-numbered years, if funded, higher education projects are included in legislation that authorizes the issuance of severance tax bonds, with bond sale revenues going to support an itemized list of capital projects.

### For More Information:

- State statutes concerning colleges and universities are in Chapter 13.
- A 2018 LFC report on the formula is available here: [https://www.nmlegis.gov/Entity/LFC/Documents/Program\\_Evaluation\\_Reports/Review%20of%20the%20Higher%20Education%20Funding%20Formula%20-%20August%202018.pdf](https://www.nmlegis.gov/Entity/LFC/Documents/Program_Evaluation_Reports/Review%20of%20the%20Higher%20Education%20Funding%20Formula%20-%20August%202018.pdf)
- A 2023 LFC report on the financial aid is available here: [https://www.nmlegis.gov/Entity/LFC/Documents/Program\\_Evaluation\\_Reports/Program%20Evaluation%20Higher%20Education%20Financial%20Aid.pdf](https://www.nmlegis.gov/Entity/LFC/Documents/Program_Evaluation_Reports/Program%20Evaluation%20Higher%20Education%20Financial%20Aid.pdf)
- The Higher Education Department website is [hed.state.nm.us](http://hed.state.nm.us).
- National statistics about colleges are at [completecollege.org](http://completecollege.org) and [nces.ed.gov](http://nces.ed.gov).