

**FY16 Higher Education General Fund Appropriations
(in thousands)**

	FY14 Actual	FY15 OpBud	FY16 HED Revised Request (11/6/14)	
1 INSTRUCTION and GENERAL				1
Institutional Formula Allocation				
2 FY16 I&G Base Year				2
3 Prior Year I&G	\$572,336.9	\$583,006.6	\$608,900.4	3
4 Base Adjustment Rate	-1.4%	-4.0%	-8.2%	4
5 Base Adjustment Amount	(\$7,837.8)	(\$23,320.3)	(\$49,929.7)	5
6 FY16 Core Funding Level	\$564,499.1	\$559,686.3	\$558,970.7	6
7 <i>Operating Base Adjustment</i>	\$0.0	\$0.0	\$621.2	7
8 <i>Workload Outcomes (Course Completion & Student Services)</i>	\$10,530.7	\$12,857.2	\$15,527.1	8
9 <i>Statewide Outcomes Measures</i>				9
11 <i>All Certificates and Degrees</i>	\$4,900.6	\$12,847.2	\$16,769.1	11
12 <i>Workforce Certificates and Degrees</i>	\$1,269.3	\$5,160.9	\$8,384.5	12
13 <i>At-Risk Certificates and Degrees</i>	\$3,871.9	\$4,945.4	\$8,384.4	13
14 <i>Graduate Awards Differential</i>	\$226.5	\$0.0	\$0.0	14
15 Subtotal Statewide Outcomes Measures	\$10,268.3	\$22,953.5	\$33,538.0	15
16 <i>Mission-Differentiated Measures</i>				16
17 <i>Research Universities</i>		\$3,537.7	\$6,867.4	17
18 <i>Comprehensive Institutions</i>		\$519.3	\$1,517.7	18
19 <i>Community Colleges</i>		\$1,723.7	\$4,037.0	19
20 Subtotal Mission-Differentiated Measures	\$0.0	\$5,780.8	\$12,422.1	20
21 Total Outcomes Funding (1)	\$20,799.0	\$41,591.5	\$62,108.4	21
22 I&G Base Adjustments (Hold Harmless and Stop/Loss)		\$405.8	\$899.2	22
23 <i>Institutional Share (Change in Other State & Local Govt. Revenues)</i>	(\$2,291.5)	(\$380.4)	\$0.0	23
24 Total Formula Funding	\$583,006.6	\$601,303.2	\$621,978.3	24
25 UNM HSC INSTRUCTION AND GENERAL FUNDING	\$60,917.3	\$61,492.3	\$63,578.4	25
26 <i>Compensation and Other Adjustments</i>	(included above)	\$8,436.3	\$0.0	26
27 HIGHER EDUCATION Institution and UNM HSC I&G TOTAL	\$643,924.0	\$671,231.8	\$685,556.7	27
28 Dollar Change from Prior Year Operating Budget		\$27,307.9	\$14,324.9	28
29 Percent Change from Prior Year Operating Budget		4.2%	2.1%	29
30 OTHER CATEGORICAL				30
31 <i>Special Schools (I&G only)</i>	\$5,764.0	\$6,038.8	\$6,450.4	31
32 <i>Athletics</i>	\$12,719.1	\$14,244.2	\$13,532.0	32
33 <i>Public television</i>	\$3,350.7	\$3,465.1	\$3,465.1	33
34 <i>Healthcare Expansion (incl. nurse practioners, residencies, undergraduate nursing education)</i>	\$2,839.2	\$9,384.3	\$10,469.3	34
35 <i>Research and Public Service Projects</i>	\$92,688.2	\$97,470.4	\$101,003.2	35
36 <i>Compensation and Other Adjustments</i>	(included above)	\$1,488.7	\$0.0	36
37 OTHER CATEGORICAL SUBTOTAL	\$117,361.2	\$132,091.5	\$134,920.0	37
38 Dollar Change from Prior Year Operating Budget		\$14,730.3	\$2,828.5	38
39 Percent Change from Prior Year Operating Budget		12.6%	2.1%	39
40 TOTAL GAA SECTION 4 INSTITUTIONS FY15	\$761,285.2	\$803,323.3	\$820,476.7	40
41 HIGHER EDUCATION DEPARTMENT (revised 11/6/14)				41
42 <i>Higher Ed Dept. Op. Bud. + Flow Through</i>	\$12,766.7	\$11,925.9	\$12,322.9	42
43 <i>Higher Ed Student Aid</i>	\$21,976.6	\$23,357.4	\$28,035.4	43
44 HIGHER EDUCATION DEPARTMENT TOTAL	\$34,743.3	\$35,283.3	\$40,358.3	44
45 Dollar Change from Prior Year Operating Budget		\$540.0	\$5,075.0	45
46 Percent Change from Prior Year Operating Budget		1.6%	14.4%	46
50 TOTAL HIGHER EDUCATION FY15	\$796,028.5	\$838,606.6	\$860,835.0	50
51 Dollar Change from Prior Year Operating Budget		\$42,578.1	\$22,228.4	51
52 Percent Change from Prior Year Operating Budget		5.3%	2.7%	52



New Mexico Higher Education Instruction and General (I&G) Funding Formula:

Presentation to the Legislative Education Study Committee, November 18, 2014



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Legislative Finance Committee

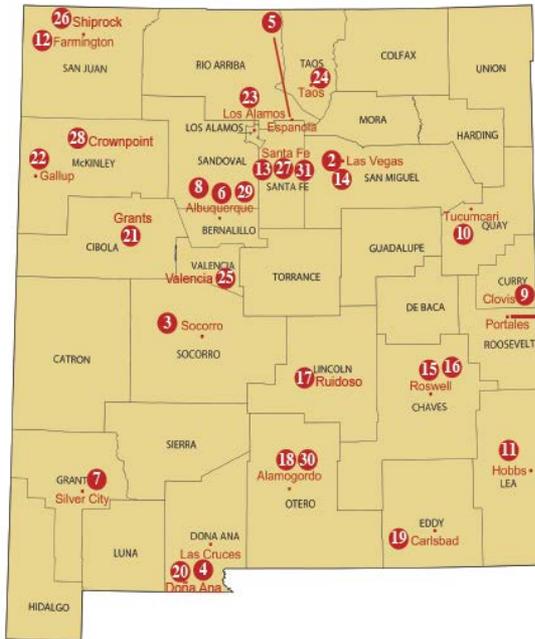
Overview

- ▶ Higher Education Institutions (slides 3-5)
- ▶ Finance: Revenues and Expenditures (slides 6-8)
- ▶ Instruction and General (I&G) Funding Formula (slides 9-16)
 - ▶ National Movement Towards Outcome Funding
 - ▶ New Mexico's I&G Funding Formula
 - ▶ Goals and Objectives
 - ▶ Components
- ▶ State Appropriations: Request and Recommendations (slides 17-20)

Higher Education Institutions

- ▶ 25 public institutions of higher education: 3 research, 4 comprehensive, and 18 two-year colleges.

STATE-FUNDED COLLEGES, UNIVERSITIES, TRIBAL COLLEGES & SPECIAL SCHOOLS IN NEW MEXICO



FOUR-YEAR PUBLIC COLLEGES & UNIVERSITIES:

- 1 - Eastern New Mexico University, Portales (1934)
- 2 - New Mexico Highlands University, Las Vegas (1893)
- 3 - New Mexico Institute of Mining and Technology, Socorro (1889)
- 4 - New Mexico State University, Las Cruces (1888)
- 5 - Northern New Mexico College, Española (1909)
- 6 - University of New Mexico, Albuquerque (1889)
- 7 - Western New Mexico University, Silver City (1893)

TWO-YEAR BRANCH COMMUNITY COLLEGES:

- 16 - ENMU-Roswell (1958)
- 17 - ENMU-Ruidoso (1958)
- 18 - NMSU-Alamogordo (1959)
- 19 - NMSU-Carlsbad (1950)
- 20 - NMSU-Doña Ana (1973)
- 21 - NMSU-Grants (1968)
- 22 - UNM-Gallup (1968)
- 23 - UNM-Los Alamos (1956)
- 24 - UNM-Taos (1923)
- 25 - UNM-Valencia (1978)

TWO-YEAR COMMUNITY COLLEGES:

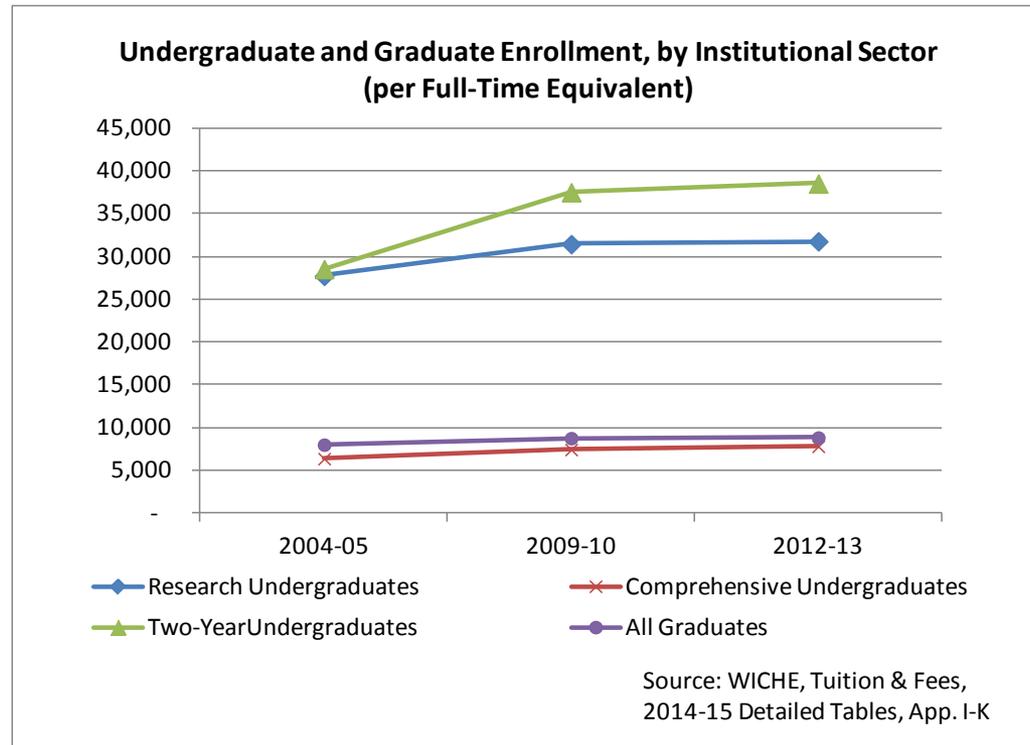
- 8 - Central New Mexico Community College, Albuquerque (1965)
- 9 - Clovis Community College, Clovis (1961)
- 10 - Mesalands Community College, Tucumcari (1979)
- 11 - New Mexico Junior College, Hobbs (1966)
- 12 - San Juan College, Farmington (1956)
- 13 - Santa Fe Community College, Santa Fe (1983)
- 14 - Luna Community College, Las Vegas (1969)
- 15 - New Mexico Military Institute, Roswell (1945)

TRIBAL COLLEGES:

- 26 - Diné College, Shiprock (1968)
- 27 - Institute of American Indian Arts, Santa Fe (1962)
- 28 - Navajo Technical College, Crownpoint (1979)
- 29 - Southwestern Indian Polytechnic Institute, Albuquerque (1971)

Higher Education Enrollment Trends

- ▶ In 2012-13, nearly 87,000 FTE were enrolled. Enrollment grew by 17,000 FTE, or 23 percent, between 2004-05 and 2012-13. Institutions report lower enrollments for the 2013-14 and 2014-15 academic years.



Higher Education: Performance

- ▶ **Since 2010-11, most institutions have**
 - ▶ Increased the number of degrees earned annually,
 - ▶ Increased the number of certificates awarded annually, and
 - ▶ Raised fall-to-fall and fall-to spring retention rates.
- ▶ **At LFC hearings during the last two interim sessions, institutions report**
 - ▶ Changing graduation requirements and course scheduling and removing program barriers to quicken completion,
 - ▶ Changing remedial education delivery so students complete college-level courses sooner, and
 - ▶ Adding intrusive academic counseling, mandatory tutoring and skills-based programming, and learning cohorts.

Finance: Total Institutional Revenues and Expenditures

- ▶ Institutional restricted and unrestricted revenues and expenditures are budgeted as follows
 - ▶ Instruction and general (I&G) purposes
 - ▶ Student financial aid
 - ▶ Auxiliary enterprises
 - ▶ Athletics
 - ▶ Capital outlay
 - ▶ Renewals and replacements
 - ▶ Retirement of indebtedness
 - ▶ And other categories

Finance: Instruction and General (I&G) Revenues and Expenditures

▶ Revenues include

- ▶ State appropriations
- ▶ Federal funds
- ▶ Tuition and fees
- ▶ Mill levies
- ▶ Other funds

▶ Expenditures include

- ▶ Instruction
- ▶ Academic support
- ▶ Student support
- ▶ Institutional support
- ▶ Operation and maintenance

Finance: I&G Unrestricted Revenues

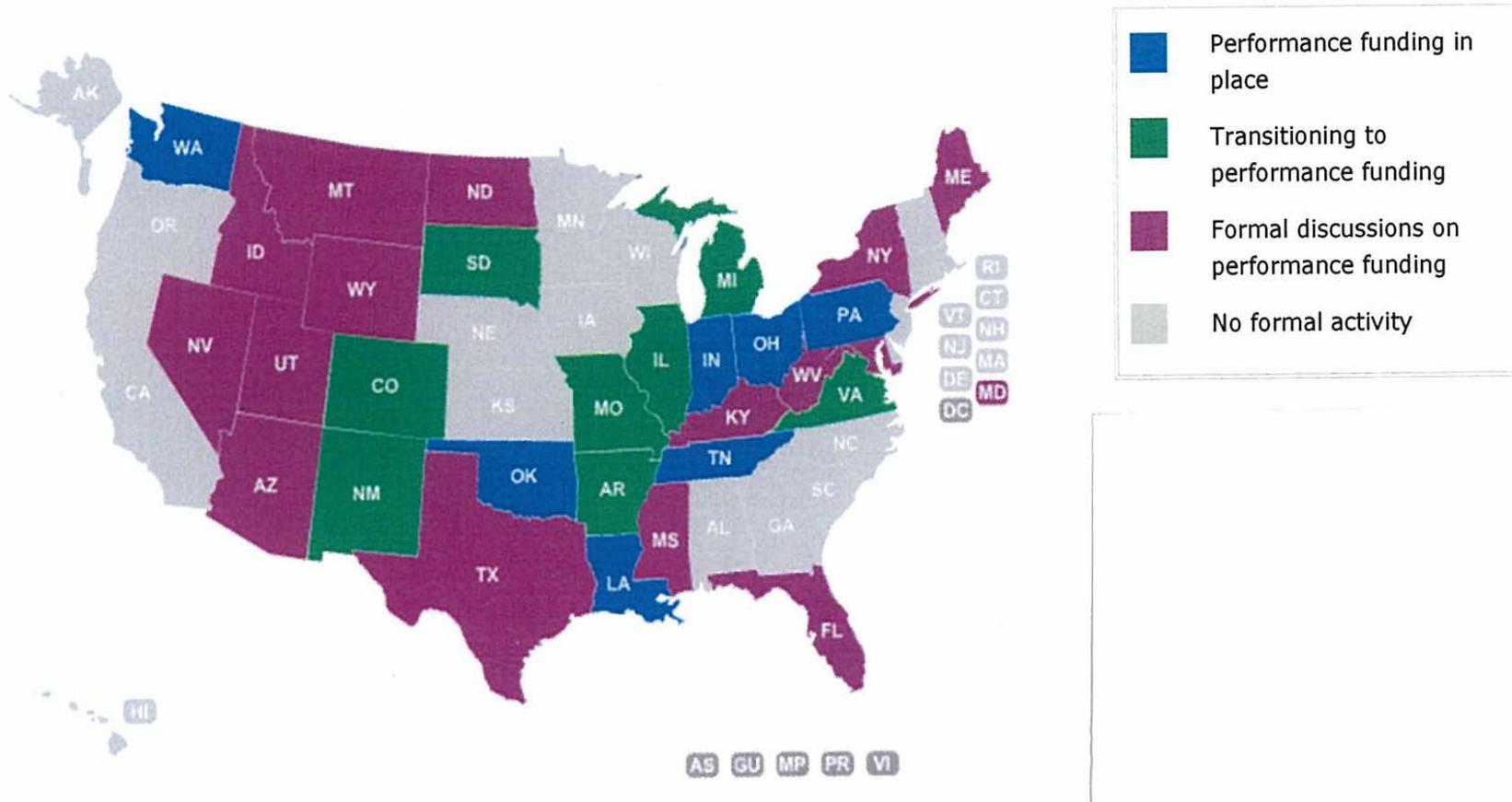
- ▶ Each institutional sector differs in its mix of unrestricted I&G sources.

FY14 Unrestricted I&G Revenues, by Source

	Research Universities	Comprehensive Universities & Colleges	Community Colleges
State Appropriation	51%	66%	47%
Tuition	37%	28%	16%
Fees	3%	4%	4%
Land Grant Permanent Fund	2%	1%	0
Indirect Cost	6%	1%	0%
Mill Levy	0	0	32%
Other	1%	0	1%
Total	100%	100%	100%

Source: Higher Education Institutions, FY14 Reports of Actuals (Unaudited, Unamended)

I&G Formula Funding: National Movement



Source: National Conference of State Legislatures (May 2014)

I&G Formula Funding: National Movement

- ▶ Transition to outcome funding reflects common metrics advocated for more than a decade by
 - ▶ National Governors' Association
 - ▶ National Conference of State Legislatures
 - ▶ Education Commission of the States
 - ▶ State Higher Education Executive Offices
 - ▶ National Center for Higher Education Management Systems
 - ▶ Regional Commissions: Western Interstate Commission for Higher Education, Southern Regional Education Board, Midwestern Higher Education Compact
 - ▶ Complete College America
 - ▶ Foundations: Lumina Foundation and Gates Foundation

I&G Formula Funding: Common Outcome Formula Components

- ▶ Common components for states with outcome funding formulas:
 - ▶ Degrees/certificates
 - ▶ For at-risk populations
 - ▶ Premiums for priority fields
 - ▶ Momentum Points
 - ▶ Student course credits completed (30 or 60 credits)
 - ▶ Completion of first college credit courses in English and math
 - ▶ Economic Development
 - ▶ Productivity
 - ▶ Degrees /\$100,--- of tuition and appropriations revenue
 - ▶ Degrees/100 FTE

Source: Dennis Jones, National Center for Higher Education Management Systems (Sept. 2014)

I&G Funding Formula: New Mexico's I&G Funding Formula

- ▶ Method: By statute, the Higher Education Department (HED) must develop a formula that may consider a number of factors, including operational costs, salaries and compensation, and institutional mission.
- ▶ Money: HED uses the formula as the basis for its appropriations request due November 1st. Historically, the Department of Finance and Administration (DFA) and Legislative Finance Committee (LFC) use the department's funding formula as the basis for their respective appropriations recommendations.

I&G Funding Formula: New Mexico's Goals and Objectives

- ▶ Over time, the Legislature and HED embraced the following goals and objectives:
 - ▶ Move from funding inputs to outcomes
 - ▶ Reward institutions for student success
 - ▶ Reward institutions for meeting statewide needs and respective institutional missions.
- ▶ To accomplish these goals, the I&G formula revision should
 - ▶ Provide institutional budget stability and predictability
 - ▶ Have clear measures and be transparent to policymakers, institutions, and the public.
- ▶ Where needed, additional refinements should occur to address unintended consequences.

I&G Funding Formula: New Mexico's 6 Components

- ▶ **Prior Year I&G Base**
- ▶ **Adjustments to Prior Year Base**: reduction to prior-year base amount and adjustments for workload and base operating needs
- ▶ **Statewide Outcomes**: average of total award production over last three academic years (AY11-12, AY12-13, and AY13-14)
 - ▶ Total awards (certificates and degrees) produced
 - ▶ Science, technology, engineering, mathematics, and health awards produced
 - ▶ Awards earned by financially at-risk students
- ▶ **Mission-Specific Outcomes by Institutional Sector**
 - ▶ *Research*: percent of total grants and contracts generated
 - ▶ *Comprehensive*: bonus for every student who earns 30 and 60 completed credit hours and for completed dual credit hours.
 - ▶ *Community Colleges*: bonus for every student who earns 30 completed credit hours and for completed dual credit hours.
- ▶ **Adjustments for Improving Institutions**
 - ▶ Hold Harmless – for institutions that have increased award production over time
 - ▶ Stop/Loss – limits loss of funding for institutions that have failed to increase award production over time
- ▶ **Institutional Share**: state I&G appropriation adjustment to reflect increases or decreases in revenues institutions receive from Land Grant Permanent Fund and mandatory mill levy revenues.

I&G Funding Formula: Observations

- ▶ Fails to recognize economies of scale – institutions with large I&G bases are less affected by the formula mechanics than those with small I&G bases.
- ▶ Fails to sufficiently address improved institutional performance over time.
- ▶ Maintains “sector equity” for the fifth fiscal year in a row; funds do not flow freely between research, comprehensive, and community college sectors.

I&G Funding Formula: Proposed 2015 Interim Work Plan

- ▶ HED's funding formula steering committee proposed the following work plan to address observations:
 - ▶ develop a statewide productivity measure
 - ▶ develop separate institutional-specific measures to reward institutions for producing more teachers, social workers, or skilled workers
 - ▶ review dual credit funding
 - ▶ evaluate base operating costs and historical differences among institutions

State Appropriations: Steps to Building the I&G Request and Recommendation

1. Determine the percent of I&G formula funding to be based on outcomes.
2. Determine amount of “new money” to be added to I&G formula funding.
3. Calculate the percent of the prior year base amount to be reduced to achieve the percent identified in Step 1.
4. Add amounts of new money and reduced base amount (Step 3) to distribute through the I&G funding formula.
5. For institutions that do not perform sufficiently to maintain their prior year base amount, apply the hold harmless and stop/loss provisions.
6. Apply the institutional share credit to increase or decrease the state I&G appropriation.

HED's FY16 I&G Request

- ▶ 10 percent of I&G funding should be based on outcome measures
- ▶ 2 percent, or \$12.2 million, of “new money” should be added to the I&G formula.
- ▶ 8.2 percent, or \$49.9 million, must be taken from the FY15 I&G base to achieve the 10 percent goal.
- ▶ \$61.2 million would be distributed as follows:
 - ▶ \$0.6 million Base operating adjustment
 - ▶ \$15.5 million Workload
 - ▶ \$33.5 million Statewide measures
 - ▶ \$12.4 million Mission-specific measures
- ▶ Of the funding,
 - ▶ Hold harmless: 5 institutions that had increased performance over time would receive nearly \$805 thousand to maintain their FY15 I&G base levels, and
 - ▶ Stop/Loss: 3 institutions that did not increase performance over time would receive \$44 thousand, capping their reduction from their FY15 I&G base level at 1 percent.
- ▶ The department did not apply a credit for other state and local government revenues.

FY16 I&G Appropriations: Next Steps

- ▶ LFC will hold FY16 budget hearings on Tuesday, December 9th. The HED, institutions, special schools, UNM Health Sciences Center, and tribal colleges will present.
- ▶ LFC and Executive FY16 budget recommendations will be released in early January 2015.

Conclusion

- ▶ Working together, the Legislature, the Executive, and institutions have moved from simply addressing college access to ensuring access and college completion.
- ▶ Institutions have responded by making students college and career ready, removing barriers and adding aids to increase student success, and increasing program completions.
- ▶ The current I&G funding formula recognizes performance, but more work needs to be done to provide institutional budget stability and add measures to record student achievement, help local economies, and meet state priorities.
- ▶ Policymakers and LFC staff can now focus on Executive and institutional action plans to improve student and institutional outcomes.