



Central New Mexico Community College • Clovis Community College • Luna Community College • Mesalands Community College
New Mexico Junior College • Northern New Mexico College • San Juan College • Santa Fe Community College

November 18, 2010

Senator Tim Eichenberg, Chairman
Government Restructuring Task Force
Legislative Council Service
411 State Capitol
Santa Fe, New Mexico 97501

Dear Chairman Eichenberg:

I am providing the following information on behalf of the members of New Mexico Independent Community Colleges (NMICC) in response to requests made during the Government Restructuring Task Force meeting on November 11, 2010. Our understanding is that we were asked to provide guidance to the Task Force on how best to reduce state funding for higher education to fit within available general fund revenues. Upon consideration of this request, we believe it is necessary to distinguish between actions that can reasonably be taken for FY 2011-12 and issues that can be addressed over a longer time horizon.

FY 2011-12 Budget Cycle: NMICC strongly recommends that the legislative and executive branch budget agencies use the funding request submitted by the Higher Education Department on November 1, 2010 as the starting point for any necessary reductions to appropriations for higher education institutions and programs. In brief, the HED recommendation utilizes an average of the past two fiscal years' enrollments to determine the I&G formula expenditure and tuition credit levels. We believe this step is critical because it recognizes, albeit only on a reduced basis, that changes in enrollment significantly impact institutional operating costs. HED then applied an across-the-board "sanding" of just over 3% to the resulting appropriation levels for I&G and for all other higher education line items to achieve a total general fund recommendation that is flat at the *reduced* FY11 level. From this starting point, we recommend that the following strategies be employed if necessary to bring appropriations to a lower level:

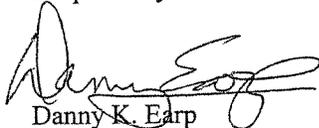
1. Across-the-board appropriation reductions. Based on the HED recommendation, each one-percent reduction in appropriations would generate savings of about \$7.62 million. Of this amount, approximately \$6.09 million would come from I&G appropriations (including UNM Medical School I&G) and \$1.53 million would be generated from all other institutions and programs.
2. Tuition credit increase. A *modest* increase in the tuition revenue credit could be an element of the FY12 funding strategy. Based on the HED recommendation, each one-percent increase in the tuition revenue credit would generate approximately \$2.69 million to offset state general fund appropriations. Of this total, approximately \$2.07 million would be generated at the universities and approximately \$.62 million at community colleges. NMICC cautions that one caveat must be kept in mind with regard to the potential use of a tuition revenue credit: Because the tuition revenue credit only impacts the I&G appropriations, care should be taken to ensure that this credit doesn't result in significant shifting of resources from the core I&G functions to other line-items. The overall impact of tuition credits and across-the-board percentage reductions needs to be considered together.
3. ERB and NMRHCA Contributions. Adopt legislation to continue the current allocation of employer and employee contributions to fund these two benefit programs. This will not generate savings but will avoid cost increases that will occur if legislation is not enacted.

FY 2012-13 and Future Years: NMICC supports the process that was recently endorsed by the I&G Steering Committee to undertake a complete reexamination of the state higher education funding model. Among the many topics that should be considered during this examination are the following:

1. Development of formula components that incentivize improved institutional performance and operating efficiency.
2. Analysis of New Mexico postsecondary education costs in comparison to similar institutions in other states.
3. Examination of all sources of revenue available or potentially available to support operations. For each type of institution, what revenues should be included in state funding calculations and in what proportion?
4. Review of state policy with regard to an appropriate "census date" for funding of instructional activity.
5. Review of state policy with regard to funding of on-line courses, especially those delivered to non-New Mexico residents.
6. Review of state policy with regard to funding of courses taken multiple times, courses taken as "audit/noncredit", dissertation hours, etc.
7. Review current state tuition policy and practices, including relative tuition levels by type of institution, whether tuition should be charged for all hours of enrollment, whether to benchmark tuition rates to New Mexico per capita income, the impact of tuition rates on the Legislative Lottery Scholarship Program, etc.
8. Review all tuition waivers to assess costs and benefits to the state.
9. Review the eligibility of various types of facilities for state funding through the I&G formula.
10. Review the formula methodology for funding of utility costs.

We anticipate that a reexamination of the scope suggested above will take at least one year of concerted effort, and can only be accomplished with the cooperation and assistance of all sectors of higher education and the executive and legislative branches of government. In the meantime, we recommend that the current funding formula be honored to the greatest extent possible. Any necessary appropriation reductions for FY12 should be made through the straight-forward mechanisms described above.

Respectfully submitted on behalf of New Mexico Independent Community Colleges,


Danny K. Earp
Director

Cc: NMICC Presidents