

NEW MEXICO  
HIGHER EDUCATION  
DEPARTMENT



*Fostering Student Success from Cradle to Career*

# NEW MEXICO'S HIGHER EDUCATION FUNDING FORMULA

**JUNE 22, 2021**

**PRESENTATION TO THE HIGHER EDUCATION  
SUBCOMMITTEE**

CABINET SECRETARY

**STEPHANIE M. RODRIGUEZ**



# **RUIDOSO, NM**

HIGHER EDUCATION  
SUBCOMMITTEE

**HIGHER EDUCATION FUNDING  
FORMULA**

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*THE FUNDING FORMULA  
KEY DISCUSSION POINTS  
WORKING GROUP*

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NEW MEXICO  
**HIGHER EDUCATION  
DEPARTMENT**

THE NEW MEXICO HIGHER EDUCATION DEPARTMENT IS COMMITTED TO A COMPREHENSIVE REVIEW OF THE CURRENT FUNDING FORMULA IN COLLABORATION WITH THE LEGISLATIVE FINANCE COMMITTEE AND NEW MEXICO'S PUBLIC HIGHER EDUCATION INSTITUTIONS.



**FY13:** First year for student-outcomes funding

**FY15:** Formula established; cost factors treated equally

**FY16 (1):** Separate cost factors for Awards, At-Risk, STEM-H incorporated for the different sectors

**FY16 (2):** A hold harmless plus and stop-loss component integrated

**FY17:** Continued hold harmless plus funded with non-recurring funding, and eliminated the stop-loss component

**FY20:** Formula consistent with FY19, but adjusted the percentage of funding to end of course student credit hours, awards, and at-risk

**FY21:** Consistent with some modifications, including an increase in awards and at-risk percentages, and new money for dual credit outside of the formula

**FY22:** Consistent with some modifications, including \$20 million restoration for the CARES Act swap and a hold harmless provision for schools with negative funding

## FUNDING FORMULA HISTORY

*A history of the current student outcome-based formula in New Mexico*

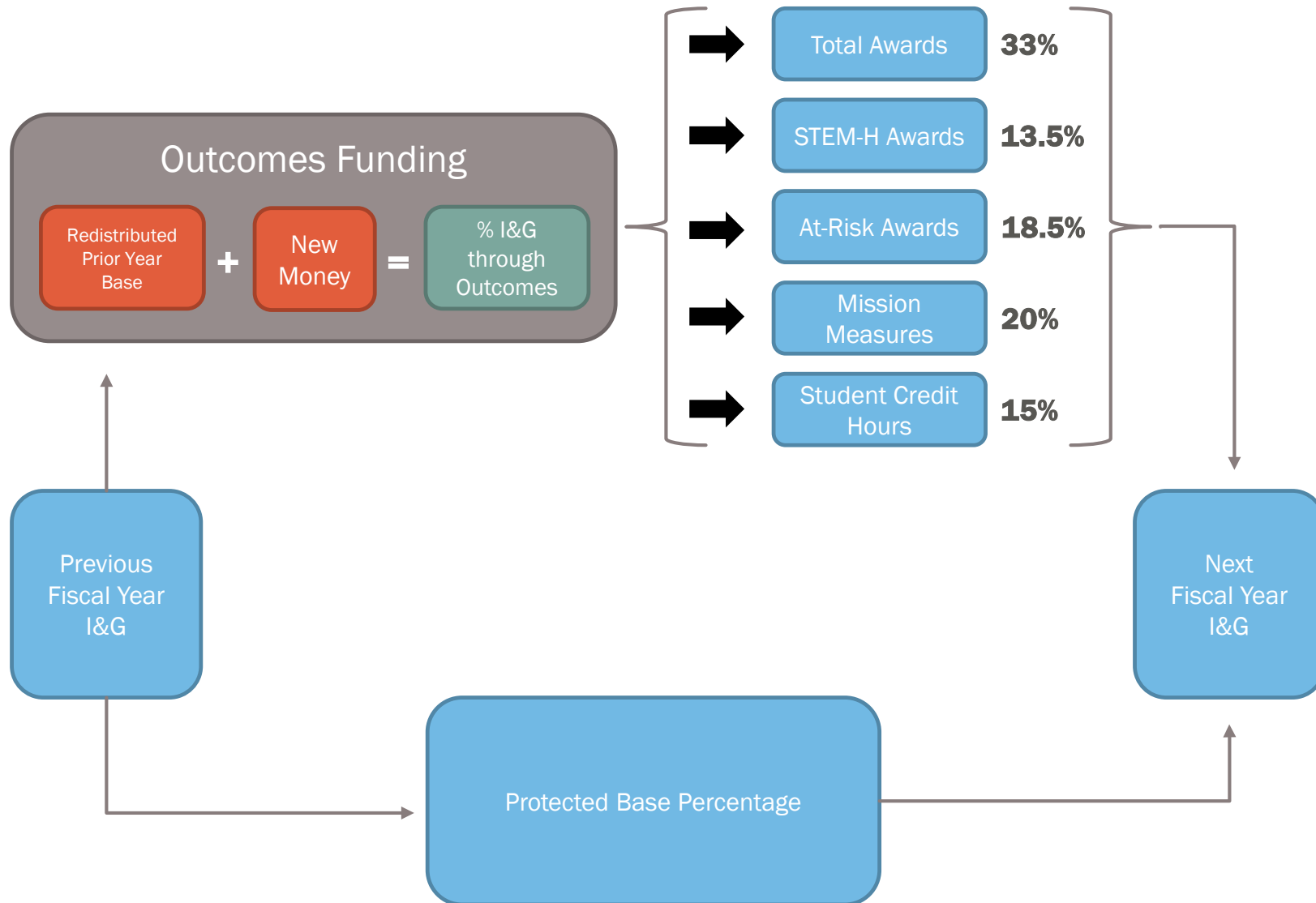


# FUNDING FORMULA

# STUDENT OUTCOME BASED-FORMULA

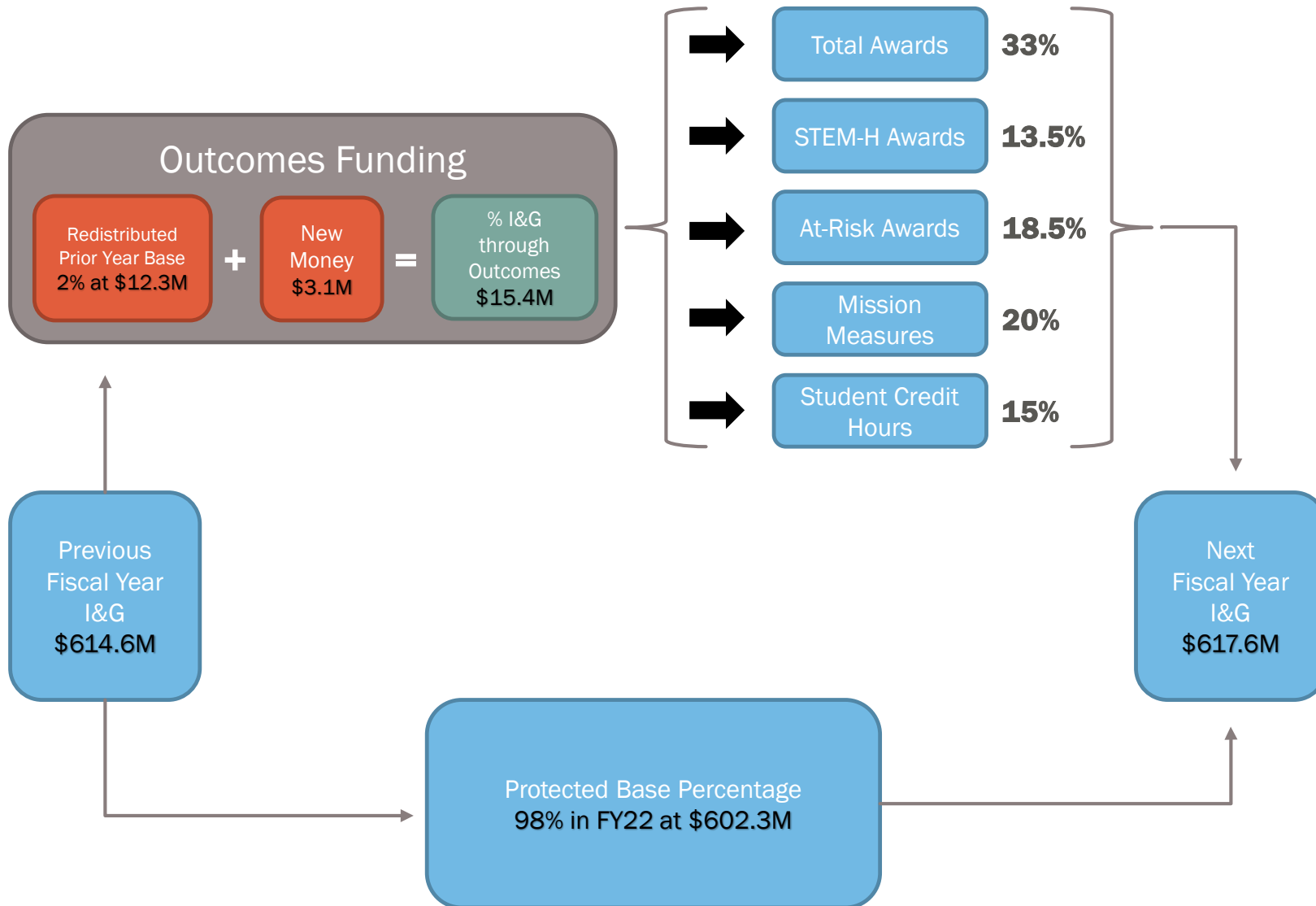
*The Instruction and General (I&G) funding formula is a model that is influenced by student-centered outcomes while considering individual sector missions and goals across New Mexico.*

*The current formula has been in place since FY16 with only minor changes occurring over consecutive years.*



# STUDENT OUTCOME BASED-FORMULA

*FY22 Funding Formula  
Distribution*



# END OF COURSE STUDENT CREDIT HOURS AWARDS MATRIX

*Each dollar of state support  
relative to each tier level*

## END OF COURSE STUDENT CREDIT HOURS

*Funding Formula Outcome Measure*

| TIER | Lower Division | Upper Division | Graduate Level |
|------|----------------|----------------|----------------|
| 1    | \$1.00         | \$2.20         | \$4.76         |
| 2    | \$1.49         | \$3.45         | \$6.55         |
| 3    | \$2.41         | \$3.96         | \$10.48        |





**BEST PRACTICE:**  
***MONITORING THE  
EFFICIENCY OF THE  
FUNDING FORMULA***

Since the current formula is relatively new, the New Mexico Higher Education Department must continue to monitor and review its efficiency and effectiveness over time. Since 2016, adjustments have been incorporated as needed and the agency is dedicated to comprehensive reviews of the funding formula every two to three years.

## **KEY TOPICS IDENTIFIED FOR DISCUSSION**

- Address redistribution of the base
- Evaluate workforce measures that support current state trends and needs
- Better define and support at-risk students
- Evaluate and simplify coding and weighting measures
- Examine dual credit distributions

**KEY TOPIC:**

**ADDRESS  
REDISTRIBUTION  
OF THE BASE**

**Address redistribution of the base**

- The current formula is designed to equalize funding among institutions based on student outcomes; however, base redistribution, combined with historical differences in funding per student, causes mathematical advantages and disadvantages among schools.
- Due to the diversity of New Mexico's public higher education institutions, the interim work must include examining better methods of rewarding performance gains and improved outcomes.



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**KEY TOPIC:**

## **EVALUATE WORKFORCE MEASURES**

Evaluate workforce measures & consider state workforce needs

- The STEM-H measure that incentivizes science, technology, engineering, math and healthcare degrees is a current proxy for New Mexico's workforce needs.
- We can broaden the measure from STEM-H to a "STEM-H Plus Workforce" measure where additional degrees can be measured and included within the current measure, e.g., incentivizing teaching degrees and other high-demand fields.



**KEY TOPIC:**

**BETTER DEFINE  
AT-RISK**

**Better define and support at-risk students**

- “At-Risk Awards” identifies students based on Pell Grant eligibility and the student’s Expected Family Contribution (EFC).
- This does not fully capture at-risk student demographics in our public colleges and universities. Incorporating other risk factors into the definition, such as first-generation college students and other non-traditional students in the higher education system, should be a consideration.
  - Note: This will require enhanced data collection.

**KEY TOPIC:**  
**EVALUATE &  
SIMPLIFY  
MEASURES**

Evaluate and reconsider historical coding and weighting measures

- Weighting tables in the formula are based on historical costs of instructional delivery.
- These weights are only used for the student credit hour calculation within the formula and should be replaced with a simpler calculation methodology.



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**KEY TOPIC:**

## **EXAMINE DUAL CREDIT DISTRIBUTIONS**

Examine dual credit distributions within the formula

- The distribution of dual credit course completions in the formula does not sufficiently reimburse higher education institutions for the cost of delivery of dual credit instruction.
- An equitable mechanism for funding dual credit should be developed either within the funding formula or funded apart from the funding formula.



# WORKING GROUP



# GUIDING PRINCIPLES OF THE REVIEW PROCESS

1. Reflect the Executive and Legislative priorities for higher education
2. Reward student success while remaining focused on equity and attainability for all New Mexicans
3. Encourage attainment in high-demand and high-reward disciplines
4. Use clearly defined, currently available data
5. Maintain clarity, simplicity, and stability

## NEXT STEPS

*The New Mexico Higher Education Department is committed to a comprehensive review of the current funding formula in collaboration with the Legislative Finance Committee and New Mexico's public higher education institutions.*

- We will convene a targeted working group with partners from the State of New Mexico and the higher education associations to discuss the higher education formula.
- The State Higher Education Executive Officers Association, commonly referred to as SHEEO, will serve as an external facilitator with expertise in national trends of higher education funding and will assist the working group in guiding the discussion through a series of structured, meaningful conversations.
- There will be four (4) to five (5) virtual meetings that will be recorded and available for the public to view.
  - Note: Input will be collected from all stakeholders throughout the process.
- The New Mexico Higher Education Department will prepare and present its recommendations for improvements to the funding formula.

# WORKING GROUP MEMBERS

1. Secretary of Higher Education, State of New Mexico
2. Secretary of Finance and Administration, State of New Mexico
3. Director of the Legislative Finance Committee, New Mexico Legislature
4. Director of the New Mexico Council of University Presidents
5. President of the New Mexico Council of Presidents (Western New Mexico University)
6. Director of the New Mexico Independent Community Colleges
7. President of the New Mexico Independent Community Colleges (Santa Fe Community College)
8. Director of the New Mexico Association of Community Colleges
9. President of the New Mexico Association of Community Colleges (University of New Mexico – Los Alamos)

# THANK YOU

**Stephanie Rodriguez, MCRP**

*Cabinet Secretary*

[Stephanie.M.Rodriguez@state.nm.us](mailto:Stephanie.M.Rodriguez@state.nm.us)

**Harrison Rommel, Ph.D.**

*Director of Institutional Finance & Financial Aid*

[Harrison.Rommel@state.nm.us](mailto:Harrison.Rommel@state.nm.us)

**Mark Chisholm**

*Director of Academic Policy*

[Mark.Chisholm@state.nm.us](mailto:Mark.Chisholm@state.nm.us)

**Nicole Macias**

*Principal Analyst, DFA*

[Nicole.Macias@state.nm.us](mailto:Nicole.Macias@state.nm.us)

**@NMHigherEd**



*Photo courtesy of Central New Mexico Community College*

