



April 18, 2024

Higher Education Department Update

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Instruction and General Study

- In 2023, the Legislature appropriated \$200 thousand to the Higher Education Department to conduct a study of instruction and general base funding and research and public service projects.
- A request for proposals has been issued and a contractor to conduct the study has yet to be selected.

Tuition and Scholarship Programs

- A 2023 LFC evaluation found the state currently pays 53 percent of student tuition cost largely through the lottery and opportunity scholarships to undergraduate students.
- The lottery scholarship for first-time full-time direct-to-college students was established in 1996 and costs the state approximately \$70 million to fully fund. The scholarship receives annual revenue totaling \$45 million from lottery ticket sales. To address the gap between program revenues and expenses, the Legislature appropriated \$130 million beginning in FY23 to fully fund the lottery scholarship through FY28.
- The opportunity scholarship was created in 2023 to pay tuition and fees for returning students who do not hold a bachelor's degree and who are taking 6 or more credit hours per semester.
 - The year after creation, 4-year institutions increased tuition by 10.3 percent on average while 2-year institutions increased tuition by 3 percent.
 - In FY24, tuition increases were 1 percent for four-year institutions and 3.5 percent for 2-year institutions.
 - Official tuition rates have not yet been set for FY25, but NMSU and UNM have both held tuition flat for budget planning purposes. Official rates will be set in May.
- Enrollment increased for the first time in a decade the year after the opportunity scholarship was created and increased 6.5 percent through the first two years of the program but remains 19 percent lower than 2015 levels.

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- Demographic changes in the state will likely limit growth in enrollment in the future as the size of high school graduating classes shrinks, reflecting a falling birth rate.
 - The opportunity scholarship was initially estimated to cost approximately \$100 million and was funded with \$12 million in recurring revenue, \$63 million in nonrecurring appropriations, and \$24.5 million from existing fund balances.
 - Opportunity scholarship program costs are running approximately \$155 million in FY24 and \$162 million is anticipated in FY25.
 - The Legislature provided \$146 million in recurring appropriations to the program in FY24 and authorized an additional supplemental appropriation of \$10.6 million from the higher education trust fund.
 - For FY25, the Legislature held general fund appropriations for the opportunity scholarship flat but provided an additional \$16 million from higher education trust fund income.
 - The Higher Education Trust Fund was created by the Legislature in 2024 to provide a sustainable funding for the state’s scholarship programs.
 - The fund received a transfer of \$959 million from the tax stabilization reserve fund and is anticipated to generate approximately \$48 million for scholarship programs each year.
 - The ability of the trust fund to cover all costs of the existing scholarship programs is dependent on tuition and enrollment increases. LFC analysis shows that if total scholarship program costs (i.e. tuition and enrollment) increase at 1 percent per year, the fund will generate sufficient annual revenue to pay program costs through FY32. If program costs increase at a rate of 3.5 percent per year, trust fund revenue will be unable to cover the full amount of program costs by FY29.
 - The Higher Education Department has recognized the ability to cover the full costs of the scholarship programs is dependent on limiting tuition increases and has encouraged institutions to maintain flat tuition in the coming year.
 - A 2023 LFC evaluation of financial aid in higher education found that “increased investment in core higher education operations, particularly student supports, would have a higher estimated impact on college completion than further expanding state scholarships for undergraduates.”
 - The evaluation noted that “if New Mexico’s goal is to cover full tuition and fees for the long-term, the state and colleges must agree on predictable and sustainable tuition and fee increases. The state currently lacks a system for ensuring the predictability and sustainability of covering tuition and fee costs.”