



NEW MEXICO  
LEGISLATIVE  
FINANCE  
COMMITTEE

Program  
Evaluation  
Unit

Program Evaluation: Higher Education Cost  
Drivers and Cost Savings  
October 24, 2017

Report #17-02

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October 24, 2017

Dr. Barbra Damron, Cabinet Secretary  
Higher Education Department  
2044 Galisteo Street, Suite 4  
Santa Fe, NM 87505-2100

Dear Secretary Damron:

On behalf of the Legislative Finance Committee, I am pleased to transmit the evaluation, *Higher Education Cost Drivers and Cost Savings*. The evaluation reviewed cost drivers in New Mexico higher education, efforts to improve efficiency by higher education institutions, and assessed duplication in academic programming.

This report will be presented to the Legislative Finance Committee on October 24, 2017. An exit conference to discuss the contents of the report was conducted with the Higher Education Department on October 20, 2017. The Committee would like a plan to address the recommendations within this report within 30 days from the date of the hearing.

I believe this report addresses issues the Committee asked us to review and hope your department and New Mexico's institutions of higher education will benefit from our efforts. We very much appreciate the cooperation and assistance we received from you and your staff.

Sincerely,

A handwritten signature in cursive script that reads "David Abbey".

David Abbey, Director

Cc: Representative Patricia Lundstrom, Chairwoman, Legislative Finance Committee  
Senator John Arthur Smith, Vice-Chairman, Legislative Finance Committee  
Ms. Duffy Rodriguez, Secretary Designate, Department of Finance and Administration  
Mr. Keith Gardner, Chief of Staff, Office of the Governor  
Mr. Marc Saavedra, Executive Director, Council of University Presidents  
Mr. Clayton Abbey, Executive Director, New Mexico Independent Community Colleges  
Mr. Ty Trujillo, Executive Director, New Mexico Association of Community Colleges  
Mr. Timothy Keller, State Auditor  
Mr. Hector Balderas, Attorney General

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## **New Mexico's institutions of higher education must improve efficiency to keep college affordable**

New Mexico's 24 public colleges and universities (higher education institutions or HEIs) offer broad access to postsecondary education at some of the lowest tuition rates in the nation. HEIs are able to provide this low-cost education because, compared with other states, New Mexico dedicates the largest proportion of its annual appropriations to HEIs. New Mexico students risk losing these low-cost college opportunities, however, as HEIs grapple with declining revenues from falling enrollment and slow growth in state support. With the highest poverty rate in the nation, even small tuition increases will threaten many New Mexican's ability to afford a college education.

This evaluation reviewed cost drivers in New Mexico higher education. Other objectives were to investigate HEI efforts to improve efficiency as well as to assess duplication in academic programming. The evaluation found that HEIs overprojected enrollment and planned for programs and space assuming significantly more students than actually enrolled. Though some HEIs have subsequently taken steps to "right size" their institutions, some HEIs have actually become less efficient and are spending excessive amounts on executive management and overhead with little resulting improvement in academic outcomes. The evaluation also found that four HEI governing boards oversee 78 percent of all state-based HEI expenditures. As a result, these four bodies are responsible for driving efficiencies for almost the entire state system. Three of those boards oversee branch systems where neither expected efficiencies nor improved educational outcomes have materialized.

The evaluation concludes the discrepancies in higher education efficiency are the result of a lack of structure and incentives for statewide change. The New Mexico Higher Education Department (HED) has provided good leadership in tightening academic programming; but the department often has neither the funding nor the authority to guide the business decisions of the 14 HEI governing boards. Perhaps more importantly, the New Mexico higher education funding formula does not specifically reward or consider efficiencies when allocating annual state appropriations, and current performance-funding levels are too low, and metrics are at risk for abuse.

This evaluation recommends the Legislature, HED, and HEIs work together on solutions to remedy inconsistencies and inefficiencies in higher education statewide. In particular, the Legislature should consider directing HEIs to develop shared strategies and goals for financial efficiency in higher education delivery. Further, the Legislature should consider holding HEIs accountable for progress toward those goals through Accountability in Government Act measures, as well as through a revised funding formula that provides meaningful rewards to high-performing, highly efficient HEIs.

## KEY FINDINGS AND RECOMMENDATIONS



Most college and university (higher education institutions or HEIs) revenue comes from two sources: state-appropriated unrestricted funding for instruction and general purposes, called I&G, (\$687.1 million in FY16) and tuition and fees (\$388.3 million in FY16).

Those sources of revenue are beginning to shrink because (1) state appropriations have declined and will likely not keep up with inflation over the coming years, and (2) poor retention rates and a shrinking pipeline of students have contributed to enrollment (and tuition revenue) declines.

***HEI I&G spending was \$1.14 billion in FY16, a \$253 million (28 percent) increase from FY07***

Though overall revenues and expenditures have increased for the New Mexico higher education system over the last 10 years, state support for higher education has not kept pace with increases in expenditures. Since FY07, growth in spending on I&G at New Mexico's 24 HEIs outpaced inflation to a collective \$1.14 billion in FY16. With falling state appropriations and enrollment levels, HEIs must downsize and become more efficient. Without these curbs on spending, institutions could raise tuition and fees in the coming years, threatening college affordability.

Cost of higher education remains a concern because decreasing state support generally leads to increased tuition. Though New Mexico boasts some of the most affordable in-state tuition in the country, it also has the highest default rate on federal student loans. As such, HEIs have little room to raise tuition without drastically affecting college affordability.

How HEIs either cut or increase costs within their institutions matters because some expenditures more directly affect student success than others. In particular, research has tied spending on instruction, academic support, and student services to greater student success. Among all institutions, well over half of expenditures are dedicated to instruction, though spending on instruction varies widely – with research institutions prioritizing spending in the classroom.

Spending on institutional support and executive management consistently grew between FY07 and FY16, and at some schools, growth far exceeded inflation. Expenditures per student (FTE) for institutional support was the fastest growing category over the same period, growing 28.6 percent, a \$47.4 million increase. Spending on executive management alone increased by \$11.9 million over those 10 years. In particular, Western New Mexico University and Northern New Mexico College spent nearly twice the national benchmarks on administration, indicating they are overspending on their institution's executives and administrative operations and not enough on providing instruction for their students.

***To meet attainment goals and maintain affordability, institutions must improve performance and efficiency***

The Higher Education Department (HED) has established a broad goal for increasing the number of New Mexicans earning postsecondary credentials and has implemented many reforms despite the challenges of doing so in a decentralized higher education governance system. However, HED is still working to finalize a statewide strategic plan to reach that attainment goal.

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With no shared plan and few incentives to work towards the attainment goal within constrained budgets, HEI performance on attainment remains poor.

For some HEIs, enrollment expansion and subsequent decline has resulted in excess capacity. For example, as enrollment has dropped, so too has the number of credit hours institutions are delivering – resulting in small and inefficiently sized classes. Institutional square footage per full-time student increased by an average of 38 percent since 2009 due to declining enrollment and increasing available space.

Though some cost-containment measures are underway, institutions have yet to pursue various additional opportunities. For example, existing main and branch campus systems at the University of New Mexico, Eastern New Mexico University, and New Mexico State University do not realize efficiencies from centralizing business and administration functions at the main campus. Instead, the amount of overhead charges branch campuses pay annually to their main campus has increased for all systems over the last 10 years, with little clarity about the change in services the branches are receiving.

Finally, current fiscal operations of some HEIs are placing institutional accreditations and students at risk. More than half of New Mexico’s HEIs are not meeting a benchmark indicating financial health. HED placed Luna Community College, Northern New Mexico College and the University of New Mexico in an “enhanced fiscal oversight” program due to various concerns about fiscal mismanagement. Perhaps most concerning: Students at Central New Mexico Community College and New Mexico Junior College had loan default rates near or above 30 percent for at least two consecutive cohort years. Should these two institutions fail to keep their default rates below 30 percent, nearly 15 thousand students at the institutions risk losing access to approximately \$37.3 million in federal financial aid.

To address inefficient and irresponsible spending at schools, the Legislature could use Accountability in Government Act (AGA) measures to monitor efficiency and effectiveness. The current AGA measures for higher education center on outcomes but do not address efficiency. The Legislature should also consider coupling new AGA efficiency metrics with increased levels of performance funding in the appropriations process. This would push HEIs toward dual outcomes of efficiency and academic performance.

***Some HEIs proactively improve efficiencies but others struggle financially***



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## Key Recommendations

**The Legislature should consider:**

Increasing funding, staffing, or both to HED to administer current statute on program approval and review in the state.

**The Legislature and the Higher Education Department should consider:**

Funding branch campuses through main campus appropriations.

**The Higher Education Department, Higher Education Institutions, and Legislative Finance Committee should:**

Update system of performance measures aligned with funding formula and state policies on affordability and access, and efficiency.

**The Legislative Finance Committee and Higher Education Department should:**

Provide incentives either within the funding formula or externally for institutions improving performance but not gaining funding to obtain funding to pursue efficiency and cooperative activities.

**The Legislative Finance Committee, Higher Education Department, Department of Finance and Administration, and Higher Education Institutions should:**

Work on a framework to include efficiency measures in the AGA and updated outcome measures aligned with funding formula.

**The Higher Education Department and Higher Education Institutions should:**

Request statutory changes to facilitate shared purchasing and services and allow for mergers of colleges or functions within colleges where HEIs are seeking to combine operations.

**New Mexico Higher Education Institutions should:**

Form formal collaboratives and consortiums to work together on some cost-savings efforts, including group purchasing, shared space, and reduction of duplicate programs.

Work to maximize use of capital space as done successfully by NMSU and UNM with Ad Astra.

Identify capital excess capacity and consider closing or leasing underutilized space and using a facilities condition indexes in capital replacement and renovation recommendations.

**The Higher Education Department should:**

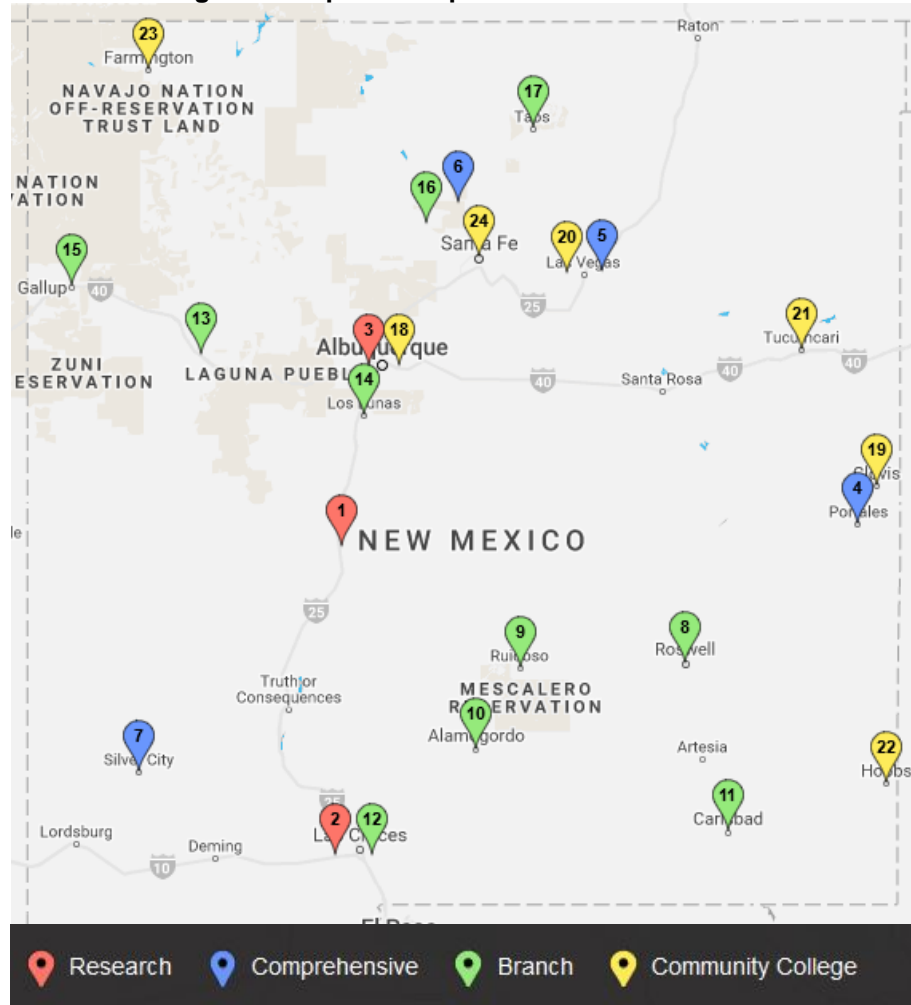
Exclude data from the funding formula for degree or certificate programs that lack proper accreditation or cannot ensure quality.



## Higher Education Location and Governance

New Mexico has 24 nontribal, public higher education institutions (HEIs) spread across the state serving approximately 131 thousand undergraduate students. These institutions fall into four categories: research oriented four-year schools, nonresearch oriented comprehensive four-year schools, branch community colleges associated with a four-year institution that award two-year degrees and certificates, and independent community colleges that also award two-year degrees and certificates but have no main campus institution. Including tribal and special institutions, New Mexico has 31 public HEIs, however, this evaluation focuses on the following 24 nonspecial and nontribal HEIs:

**Figure 1. Map of Nonspecial and Nontribal HEIs**



**Map Key**

1	New Mexico Institute of Mining and Technology
2	New Mexico State University
3	University of New Mexico
4	Eastern New Mexico University
5	New Mexico Highlands University
6	Northern New Mexico College
7	Western New Mexico University
8	ENMU-Roswell
9	ENMU-Ruidoso
10	NMSU-Alamogordo
11	NMSU-Carlsbad
12	NMSU-Doña Ana Community College
13	NMSU-Grants
14	UNM Valencia
15	UNM-Gallup
16	UNM-Los Alamos
17	UNM-Taos
18	Central New Mexico Community College
19	Clovis Community College
20	Luna Community College
21	Mesalands Community College
22	New Mexico Junior College
23	San Juan College
24	Santa Fe Community College

In addition to the 24 main and branch campus locations, many institutions provide instruction or even complete degree programs at a number of satellite locations. Combined, New Mexicans have approximately 77 physical points of access to higher education throughout the state.

The Higher Education Department (HED) provides statewide policy direction, leadership, and oversight to New Mexico colleges and universities in a number of areas including budget review and approval, review of select academic programs, and administration of state financial aid programs. However, each of the institutions has autonomous budget systems, and HED does not directly oversee spending.

### Organization of Higher Education in New Mexico

The state constitution authorizes 10 schools: the University of New Mexico, New Mexico State University, New Mexico Highlands University, Western New Mexico University, Eastern New Mexico University, New Mexico Institute of Mining and Technology, Northern New Mexico College, New Mexico Military Institute, New Mexico School for the Blind and Visually Impaired, and New Mexico School for the Deaf. Each of these schools is governed by a board of regents consisting of five members except the University of New Mexico which has seven members. Regents are all appointed by the governor subject to confirmation by the Senate.

**Table 1. Higher Education Institutions Established in the Constitution (nonspecial schools)**

Institution	Regents (appointed by Governor)		Degree level	Institution Type
	Qualified Electors	Student		
University of New Mexico	6	1	PhD	Research
New Mexico State University	4	1	PhD	Research
New Mexico Highlands University	4	1	Masters	Comprehensive
Western New Mexico University	4	1	Masters	Comprehensive
Eastern New Mexico University	4	1	Masters	Comprehensive
New Mexico Institute of Mining and Technology	4	1	PhD	Research
Northern New Mexico College	4	1	Bachelors	Comprehensive

Source: LFC Files, NM State Statute, NM Constitution

**The Branch Community College Act authorizes 10 branch community colleges.** The provisions of the Branch Community College Act (Section 21-14-1 NMSA 1978) enable four-year colleges and universities to establish two-year branch community colleges at the request of communities. Each branch campus has an advisory board, composed of either local school board members or a five-member elected branch campus board. The advisory board approves an annual budget for the branch for further consideration by the board of regents of the main campus institution. They also certify a vote- approved tax levy supporting the branch to their board of county commissioners. Approval, oversight, and ultimate responsibility for academic programs, tuition rates, and branch campus budgets, however, rest not with the advisory board, but instead with the main campus institution board of regents.

**Table 2. Branch Community Colleges**

Institution	Advisory Board	Degree Level
Eastern New Mexico University – Roswell	5	Associate
Eastern New Mexico University – Ruidoso	5	Associate
New Mexico State University – Alamogordo	5	Associate
New Mexico State University – Carlsbad	5	Associate
New Mexico State University – Dona Ana	6	Associate
New Mexico State University – Grants	5	Associate
University of New Mexico – Gallup	4	Associate
University of New Mexico – Los Alamos	5	Associate
University of New Mexico – Taos	5	Associate
University of New Mexico – Valencia	5	Associate

Source: LFC Files, NM State Statute

***New Mexico has seven independent community colleges established under the Community College Act.*** Each community college is located within a community college district composed of one or more school districts of the state (Section 21-13-1 NMSA 1978). Voters elect members to the governing boards from the school district or districts within the overall community college district. Community college board members must be twenty-one years of age, qualified electors, and residents of the community college district. The number of board members is dependent on the number of districts represented. The community college board has the authority to determine financial and educational policies of the community college as well as provide for the management of the community college.

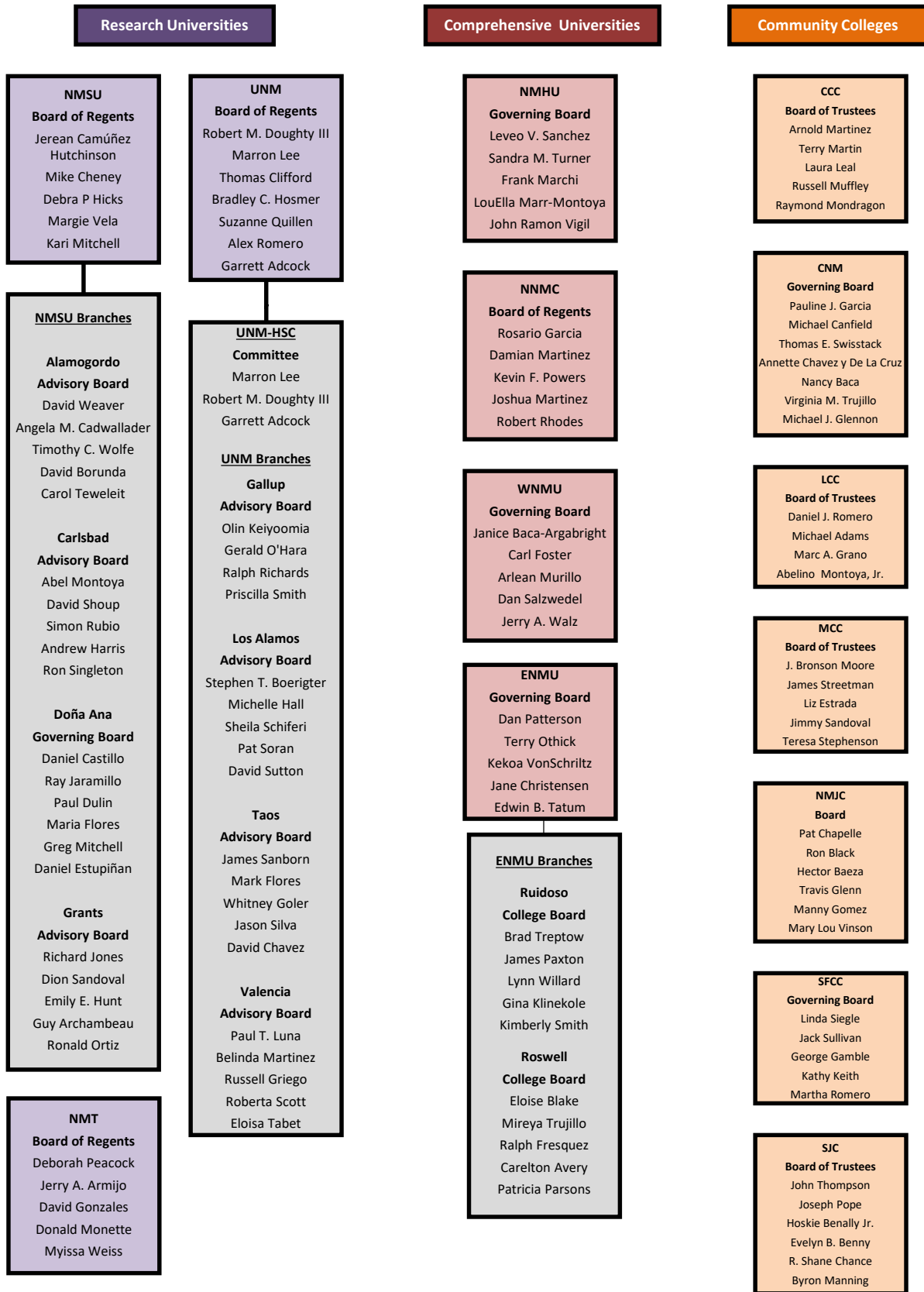
**Table 3. Independent Community Colleges**

Institution	Board Members (elected)	Degree Level
Clovis Community College	5	Associate
Central New Mexico Community College	7	Associate
Luna Community College	7	Associate
Mesalands Community College	5	Associate
New Mexico Junior College	7	Associate
San Juan College	7	Associate
Santa Fe Community College	5	Associate

Source: LFC Files, New Mexico State Statute

***New Mexico opened 11 community colleges and branch community colleges in the 14 years between 1956 and 1969.*** This expansion was consistent with an increase in higher education that occurred nationally during the post-World War II baby boom. In 1998, state law placed a limit on the growth of community colleges, branch campuses, or off-campus instructional centers by requiring legislative approval of any new college, campus, or instructional center. In 2000, the Learning Center Act was enacted with the purpose of improving access by enabling communities to establish learning centers. Learning centers are not stand-alone institutions; students represent the institutions from which they receive educational programs and services.

**Figure 2. Governing and Advisory Boards of New Mexico Colleges and Universities as of October 2017**




\*As listed on institutional websites, October 2017

**Accreditation.** Federal law influences the quality of higher education institutions through the approval of private accreditation agencies. Accrediting agencies are associations of regional or national scope that develop evaluation criteria and conduct peer evaluations. Congress requires a higher education institution be accredited by an agency recognized by the secretary to receive federal funds authorized under Title IV. The Higher Learning Commission (HLC) is the regional accrediting agency for all public postsecondary New Mexico schools.

**Individual institutions, rather than a consolidated system board, are the core of higher education governance in New Mexico.**

Though New Mexico higher education institutions rely heavily on state support, they function with relative autonomy. Unlike Georgia, Montana, and other states with centralized governing bodies that make or approve policy, programming, and budgetary decisions across multiple institutions, New Mexico largely scatters such authority among individual institutions.

**Table 4. Characteristics of the Montana, New Mexico, and Georgia Higher Education Systems**



	MONTANA	NEW MEXICO	GEORGIA
Four-year institutions	6	7	18
Two-year institutions	10	17	32
Fall 2015 enrollment	45,934	128,278	418,453
Two-year graduation rank	17 <sup>th</sup>	40 <sup>th</sup>	29 <sup>th</sup>
Four-year graduation rank	42 <sup>nd</sup>	47 <sup>th</sup>	46 <sup>th</sup>
Governing board(s)	1	14	2
Total board members	7	80	42

Source: IPEDS, US News, State Websites

Decentralizing governance maximizes institutional management flexibility in selecting leadership, developing and amending budgets, and altering academic programming. Institutions appreciate this flexibility, especially community colleges that might easily start new programs and sunset others in response to the demands of their local economy. However, such flexibility comes at a cost to the state, which has little ability to check decisions made outside of a statewide context or those that may jeopardize an institution’s financial health, accreditation, or academic quality.

Unfortunately, such situations have presented themselves recently at New Mexico institutions. Examples include embezzlement of public funds (NNMC<sup>i</sup>), unsustainable operational spending and waning institutional fund balances (NMHU<sup>ii</sup>), failed management of capital projects (NMSU-Doña Ana Hatch Center<sup>iii</sup>), growing student loan default rates, and collaboration that occurs only as a rare exception to largely siloed operations.

**Campus Expansion.** Controls are weak for preventing overcapacity and over-proliferation in higher education. The legislative and executive branches have recognized the danger of over-proliferation of campuses and attempted to put adequate controls in place. However, such controls are often voluntary, irrelevant, carry no penalties, or are in some cases ignored.

**Table 5. State Government Controls To Prevent Higher Education Institution Expansions**

Initiating Branch of Government	Type of Action	Effective Date	Expiration Date	Action
Legislative	Legislation	Jan 1998	None	Established law restricting creation of new branch campuses and centers except as approved by the legislature
Executive	Higher Ed Memo	April 2011	April 2013	No construction of new facilities

Sources: BOF, DFA, HED, LFC

For example, state law enacted in 1998 limits new branch community colleges or off-campus instructional centers to those created by the Legislature because, as stated in the legislation, the “proliferation of postsecondary educational institutions is not in the best interest of the state.” Nevertheless, NMHU opened a new campus in Rio Rancho in 1998, and NMSU established a new satellite center in Albuquerque in 1999.

When NMSU opened the Doña Ana Community College Hatch Center in 2012, it cited an Attorney General letter that stated the 1998 learning center law did not prohibit a community college from opening a satellite center within the same current taxing district.

## Higher Education Finance

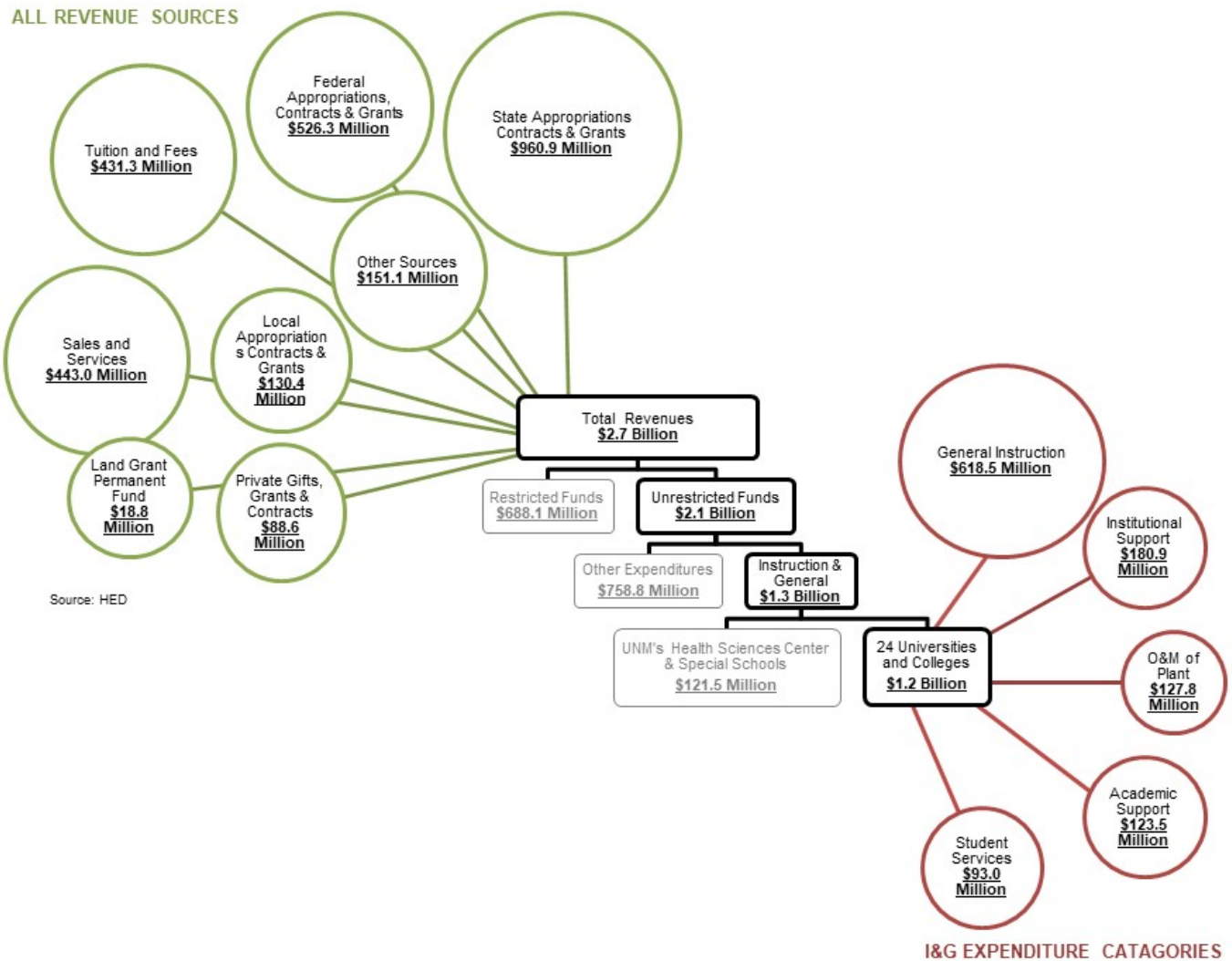
### Most higher education revenues come from state appropriations, and most expenditures are for instruction.

New Mexico’s public higher education institutions received \$2.7 billion in revenues in FY16 from a number of different sources. The state, through appropriations, contracts, and grants, provides the largest share of revenue to fund HED and the 24 HEIs. About \$688.1 million of the \$2.7 billion funds were *restricted*, meaning their uses were limited to specific purposes such as particular building projects or student loans. In contrast, an individual institution has full control over the use of its unrestricted funds.

**Sixty-two percent of unrestricted funding comes from state appropriations**

**The majority (62 percent in FY16) of HEIs’ unrestricted funds come from the state through a formula for instruction and general purposes (I&G).** I&G is the name of a budget cost center at each institution for formula funds, as well as several additional sources of revenue, and will be the focus of much of this report, along with tuition. The \$758.8 million in other expenditures not allocated to I&G includes research and public service projects (RPSPs, e.g., the Department of Agriculture at NMSU), auxiliary enterprises (e.g., UNM’s golf courses), athletics, and research.

**Figure 3. New Mexico Higher Education Institution Revenues and Expenditures, FY16**



Note: Revenue figures do not include UNMH clinical revenues, some of which are accounted for in indirect cost transfers to supplement academic functions.

Although broadly called “formula funds,” only a small portion of state I&G funds are based on a formula measuring performance inputs such as credit hours completed and performance outcomes such as degree production. I&G funds are subsequently used by HEIs to pay for the costs of instruction, academic support, student services, institutional support and operation & maintenance of plant.

Research has tied spending on instruction, academic support, and student services to improved student outcomes.<sup>iv</sup> Institutional support includes funds allocated to executive management and administration of a school and is best described as the overhead of an institution. Though HED keeps relatively prescriptive budgeting and accounting rules for what type of costs should be attributed to each I&G category, each HEI can transfer money out of I&G to different accounts including into endowments, to prepay on debt principal, or to construct new buildings.

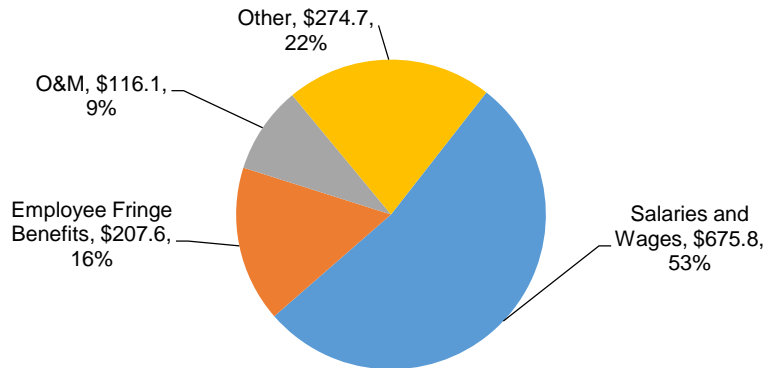


**Figure 4. Examples of I&G Expenditure Categories and Subcategories, FY16**

General Instruction \$618.5 Million	Academic Support \$123.5 Million	Student Services \$93.0 Million	Institutional Support \$180.9 Million	Operation & Maintenance of Plant \$127.8 Million
<ul style="list-style-type: none"> <li>Academic Instruction</li> <li>Occupational and Vocational Instruction</li> <li>Special Session Instruction</li> <li>Community Education</li> </ul>	<ul style="list-style-type: none"> <li>Libraries</li> <li>Museums</li> <li>Audio-Visual Services</li> <li>Academic Administration and Personnel</li> <li>Course and Curriculum Development</li> </ul>	<ul style="list-style-type: none"> <li>Supplementary Educational Services</li> <li>Counseling and Career Guidance</li> <li>Financial Aid Administration</li> <li>Student Admissions and Records</li> </ul>	<ul style="list-style-type: none"> <li>Executive Management</li> <li>Fiscal Operations</li> <li>General Administrative Services</li> <li>Community Relations</li> </ul>	<ul style="list-style-type: none"> <li>Physical Plant Administration</li> <li>Building Maintenance</li> <li>Custodial Service</li> <li>Utilities</li> <li>Landscaping and Grounds Care</li> </ul>

Most spending across I&G expenditure categories supports personnel through salaries and wages and employee fringe benefits. These two categories make up 69 percent of all I&G spending.

**Chart 1. Expenditures Across I&G Categories (General Instruction, Institutional Support, Academic Support, Student Services, O&M)**

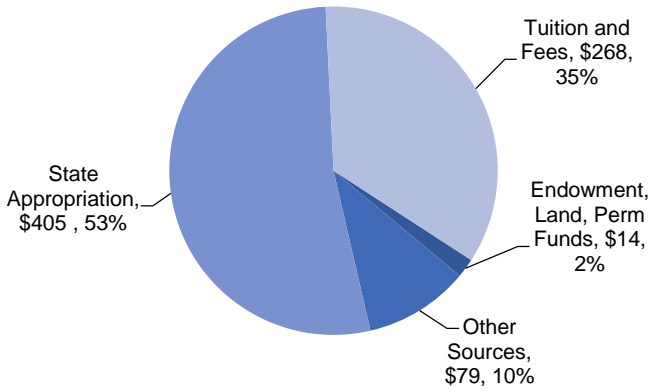


Source: 2015 IPEDS

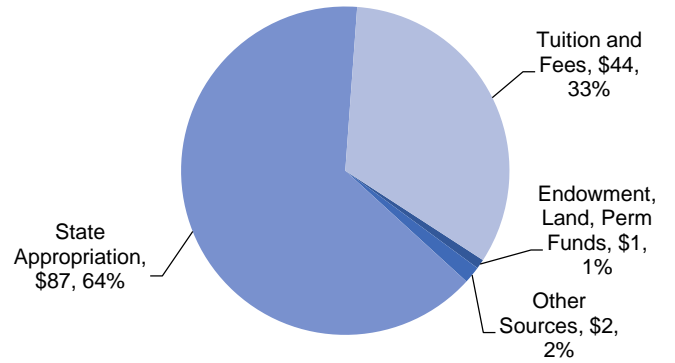
**State appropriations make up over half of revenues at most schools with the exception of independent community colleges that rely heavily on local appropriations.** Depending on the sector of the school, state appropriations make up 42 percent (independent community colleges) to 64 percent (comprehensive universities) of unrestricted I&G revenue. The ability to use local property tax revenues results in the ability of independent community colleges and branch community colleges to rely on local revenue to support delivery of instruction.

**Chart 2. All Sources of Unrestricted I&G Revenues, FY16**  
(in millions)

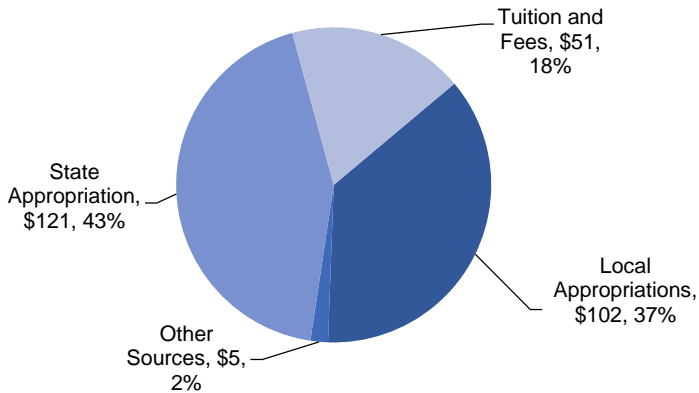
**Research Universities**  
(\$766.2 million)



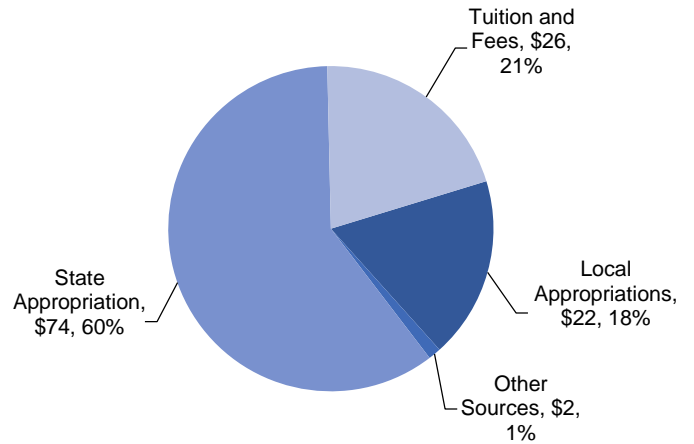
**Comprehensive Universities**  
(\$134.6 million)



**Independent Community Colleges**  
(\$279.2 million)



**Branch Community Colleges**  
(\$123.9 million)



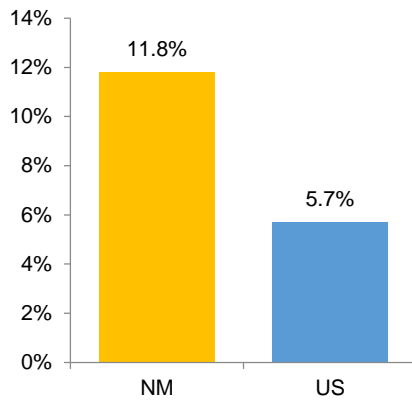
Source: ROAs

**New Mexico spends the highest proportion of taxpayer dollars on higher education in the nation, yet is the poorest state in the nation.**

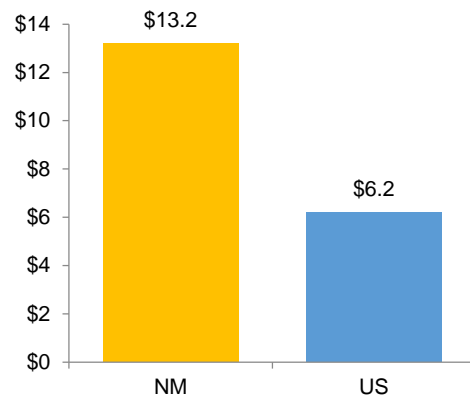
**New Mexico allocates nearly 14 percent of annual general fund spending to higher education**

In FY16, the Legislature appropriated \$848.5 million in recurring general fund revenues for HED, and all institutions. According to the U. S. Census Bureau, New Mexico has the highest poverty rate in the nation, with over 20 percent of the population living below the poverty line, compared with a national average of 14.7 percent. Despite this challenge, New Mexico spends a higher proportion of total personal income and a higher percentage of tax revenues on higher education than any other state in the nation. New Mexico spends \$13.20 of every \$1,000 of personal income on higher education, and allocates 11.8 percent of tax revenues to higher education, more than double the national average of 5.7 percent<sup>v</sup>.

**Chart 3. Percent of Tax Revenues Allocated to Higher Education (FY14)**



**Chart 4. Higher Education Support Per \$1,000 of Personal Income (FY15)**



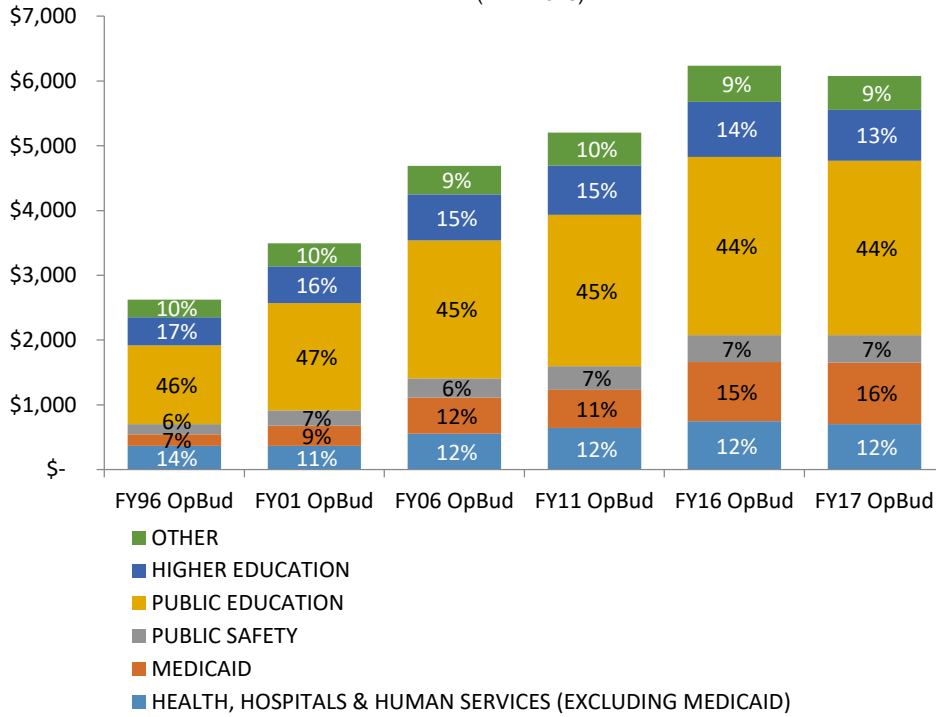
Source: SHEEO State Higher Education Finance 2016

**Report of Actuals (ROAs):** Each year every HEI is required to report the results of its previous year's operations to HED. The report, called the *Report of Actuals*, compares the institution's original and revised annual budgets with its actual revenue streams and expenditures.

Although overall revenues and expenditures have increased for the New Mexico higher education system over the last 10 years, state support for higher education has not kept pace with increases in expenditures. According to the *Reports of Actuals*, state appropriations accounted for \$638.3 million in FY07 and increased to \$687.1 million in FY16, or 7.6 percent. Despite a lack of rapid growth, New Mexico continues to rank high in the nation for state support of higher education. This is likely because other states have also restricted growth on higher education spending.

The higher education share of general fund appropriations has declined in recent years due to competition from other state-funded programs. In FY96, higher education funding accounted for 17 percent of appropriations, by FY17 the share was 13 percent.

**Chart 5. General Fund Appropriations by Category  
FY96 through FY17**  
(in millions)



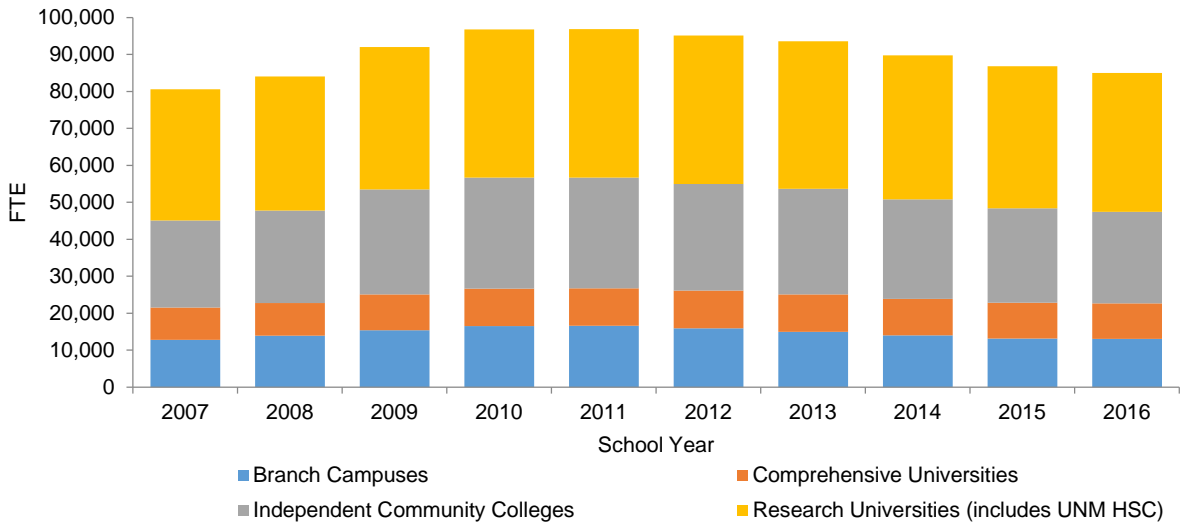
Source: LFC Files

## Enrollment

**Enrollment continues to decline since reaching a peak in 2011.**

Most of New Mexico colleges and universities saw enrollment growth through 2011. However, due to a falling number of young people in the state and an improving economy, colleges and universities have struggled to maintain enrollment levels. Since 2011, statewide enrollment has been declining.

**Chart 6. NM Enrollment (FTE) by Sector  
2007 through 2016**



Source: HED

Note: FTE is calculated by dividing the total number of SCH (i.e. 15 for undergraduate and 12 for graduate).

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This drop in enrollment has affected colleges and universities – most obviously, fewer students results in less tuition revenue, as well as a decrease in the portion of state appropriations institutions receive for degrees awarded and student credit hours completed. But perhaps more importantly, as enrollment has fallen, institutions have needed to adjust expenditures in staffing, infrastructure, and general operations. As this report outlines, some institutions have been better than others, and many opportunities exist to “right-size” higher education for a smaller college population.



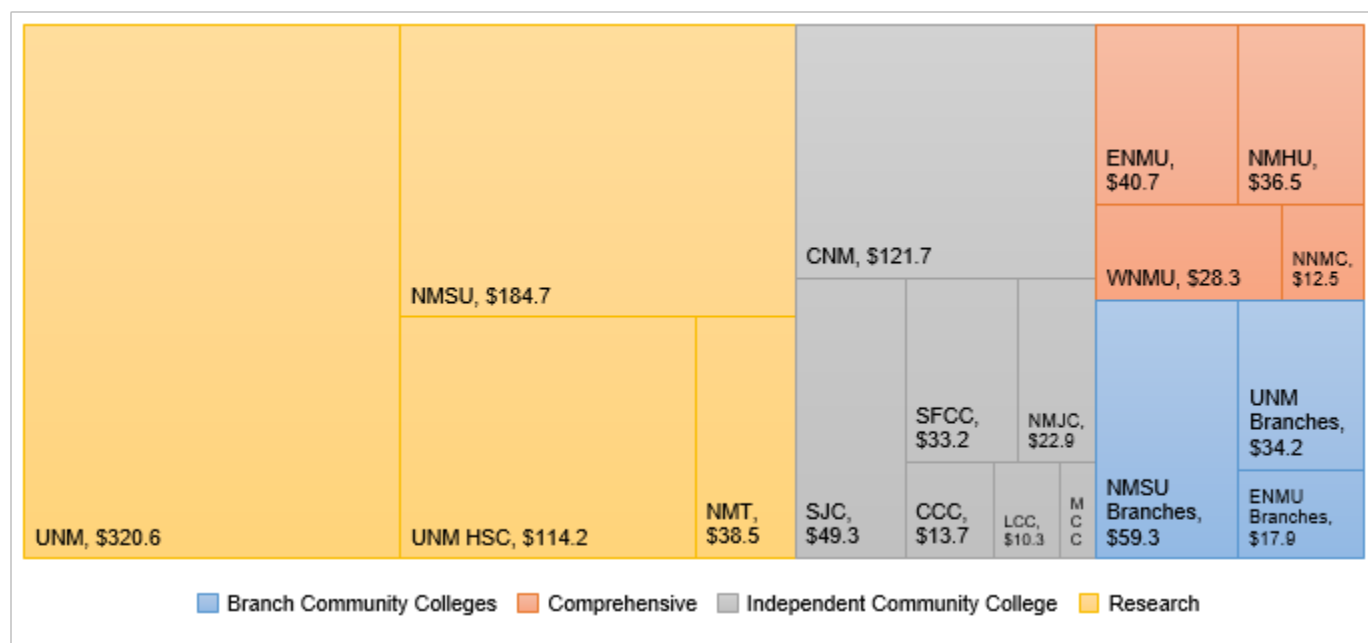
## HEI I&G spending was \$1.14 billion in FY16, a \$253 million (28 percent) increase from FY07

### New Mexico's research universities and independent community colleges make up the bulk of spending on I&G.

Of the \$1.14 billion spent at New Mexico HEIs in FY16, 58 percent was spent by research universities, 22 percent by independent community colleges, 10 percent by comprehensive universities, and 10 percent by branch campuses.

**Four governing boards oversee almost 80 percent of higher education spending.** Four governing boards in New Mexico, University of New Mexico (UNM), New Mexico State University (NMSU), Central New Mexico Community College (CNM) and Eastern New Mexico University (ENMU), oversee four main campuses along with 10 branch campuses (CNM does not have a separate branch campus). These four boards oversee 78 percent of I&G expenditures across the state equaling about \$891 million in spending. These four boards also contain 79 percent of HEI employees in the state (17,532 employees of the 22,186 statewide). As a result, these four governing bodies are responsible for driving efficiencies or inefficiencies for almost the entire higher education system in New Mexico.

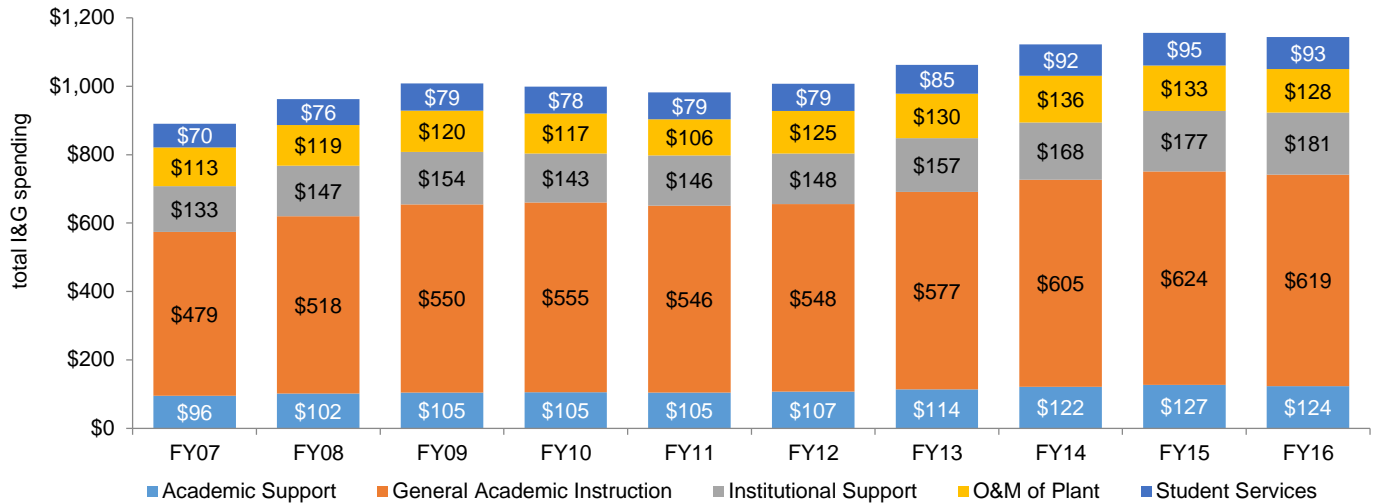
**Figure 5. Unrestricted I&G Expenditures**  
(in millions)



Source: HED  
Note: MCC=\$5.4 million

**The higher education system spends well over half of funding on academic instruction.** The majority of HEI expenditures fall in the general academic instruction category that includes expenditures for formally organized and separately budgeted instructional activities. In FY16, HEI spending on academic instruction accounted for over half (54 percent) of total I&G spending. However, the percent of expenditures dedicated to academic instruction varies widely by institution from a low of 36 percent at Northern New Mexico College (NNMC) to a high of 63 percent at UNM Health Sciences Center (HSC).

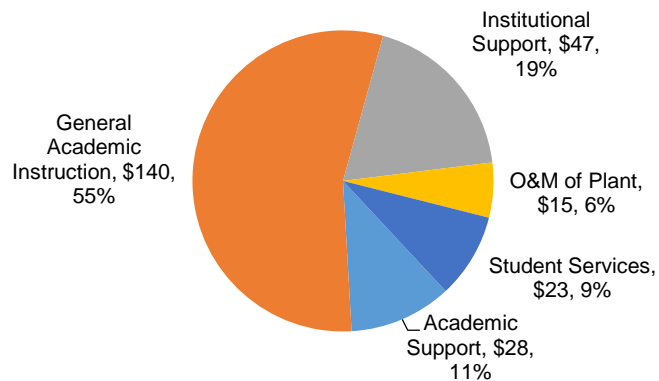
**Chart 7. NM Higher Education Unrestricted I&G Expenditures, FY07 to FY16**  
(in millions)



Source: ROAs

**Higher education increased spending by \$253 million since FY07 with 55 percent of the increase going toward instruction.** Although most increased spending between FY07 and FY16 occurred in the academic instruction category, institutional support saw the largest percentage increase compared with FY07. Increases included \$140 million (55 percent) for academic instruction, \$47 million (19 percent) for institutional support, \$28 million (11 percent) for academic support, \$23 million (9 percent) for student services, and \$15 million (6 percent) for operation and maintenance of plant (O&M).

**Chart 8. Breakdown of \$253 Million Increase Between FY07 and FY16**



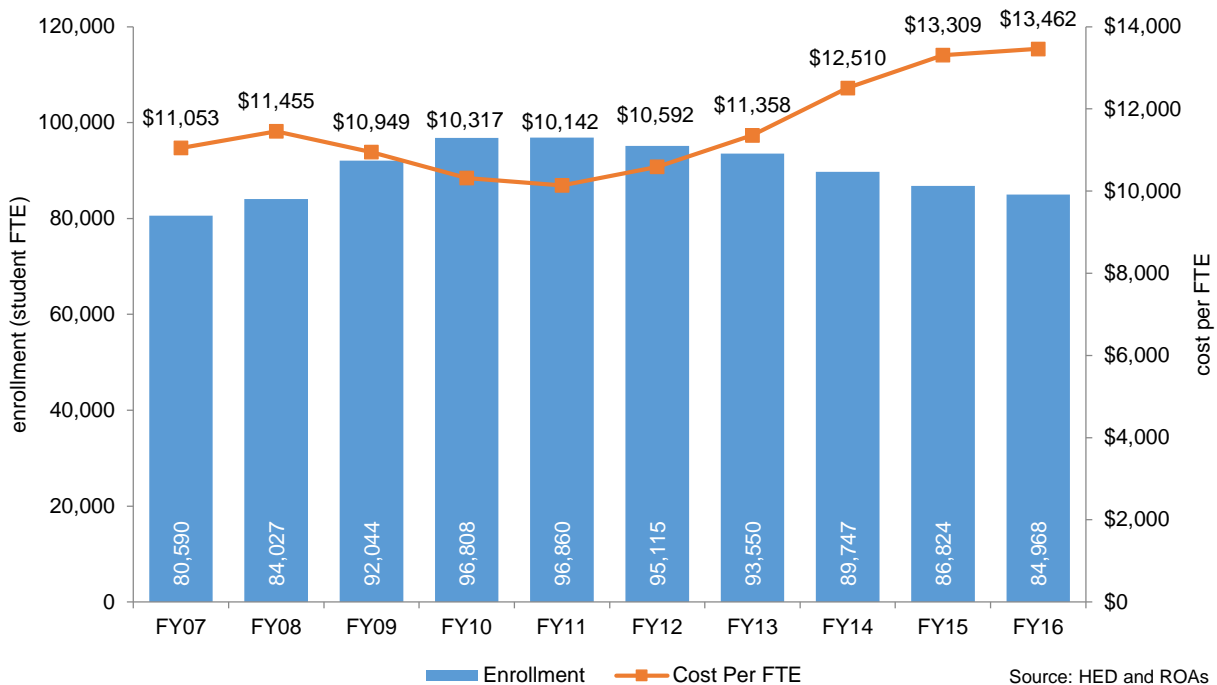
Source: FY16 ROAs

**Increases in absolute spending also drove growth in cost per student.**

After a rapid increase in enrollment through 2010, enrollment has declined. As enrollment decreases, spending per student FTE tends to stay level or increase at most institutions, a function of both increased spending and an inability to reduce capacity as quickly as enrollment, resulting in increased cost per student.

From FY07 to FY16, the overall cost per student (FTE) in the state climbed from \$11,053 to \$13,462 per year (calculated as unrestricted I&G expenditures divided by FTE). This amounted a 21.8 percent increase that slightly outpaces even the most aggressive inflation index. See Appendix B for charts showing expenditure changes between FY07 and FY16 at individual HEIs.

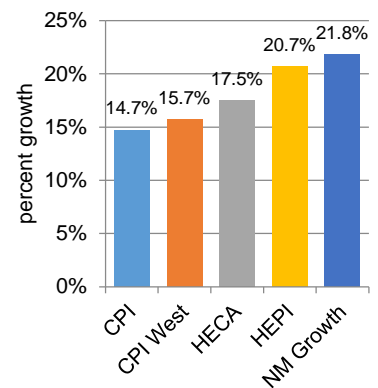
**Chart 9. New Mexico HEI Enrollment and Cost Per FTE FY07 to FY16**



Source: HED and ROAs

Spending at HEIs outpaced inflation between FY07 and FY16. The total increase in spending of \$253 million was a 28 percent increase, almost double the consumer price index (CPI) for the same period. Inflation indices vary in magnitude of growth between 2007, ranging from 14.7 percent in the CPI to 20.7 percent in the Higher Education Price Index. However, some institutions grew spending by as much as 69 percent (NMSU-Carlsbad) and only one institution reducing spending over the same period (ENMU-Roswell by 16 percent). Most of the growth in absolute spending was at the institutions with larger budgets. Four HEIs made up 67 percent of the \$253 million increase; over the 10-year period UNM main campus grew spending by 29.7 percent or \$73 million, NMSU main campus grew spending by 23.7 percent or \$35 million, and UNM HSC grew spending by 36 percent or \$30.5 million.

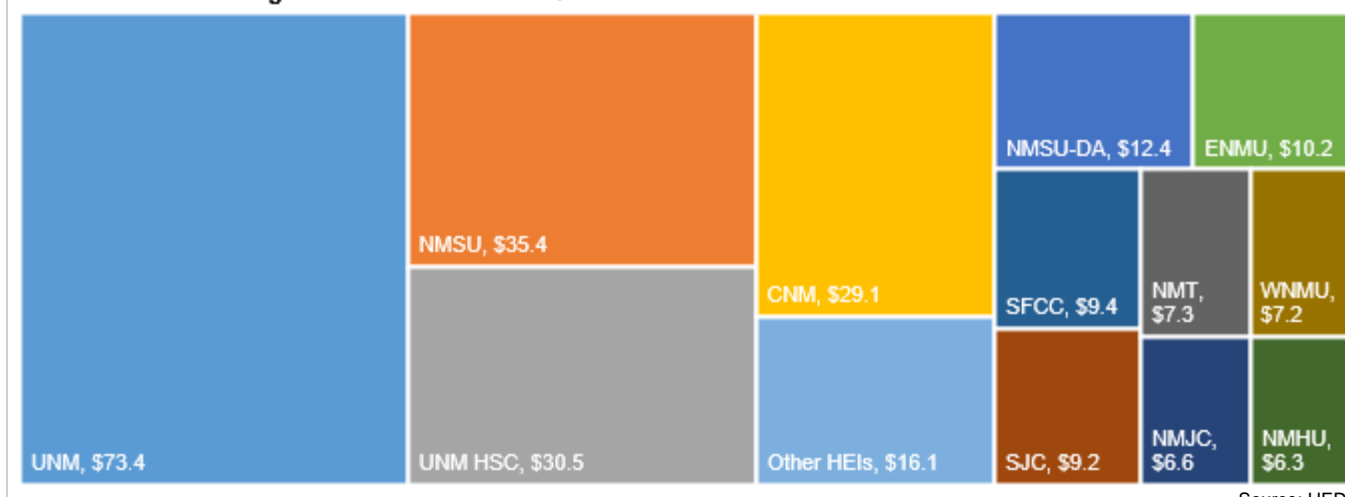
**Chart 10. Inflation and NM Higher Ed Expenditure Growth 2007 to 2016**



Source: Commonfund, BLS, ROAs



**Figure 6. Distribution of \$253 Million Growth Between FY07 and FY16**



Source: HED

**Despite spending increases, New Mexico remains a low-college-cost state overall, but some institutions lack efficient spending and lag behind peers on outcomes.**

**Table 6. I&G Cost Per FTE by State**

State	Cost Per FTE Rank
<b>10 Highest Cost States</b>	
CT	1
DC	2
VT	3
AK	4
HI	5
WY	6
ND	7
MD	8
NY	9
MI	10
<b>10 Lowest Cost States</b>	
RI	42
<b>NM</b>	<b>43</b>
ID	44
MS	45
UT	46
PA	47
MO	48
LA	49
GA	50
FL	51
<b>US Average</b>	<b>\$15,726</b>

Source: IPEDS  
 Note: Cost per FTE from IPEDS 2015 I&G expenditures

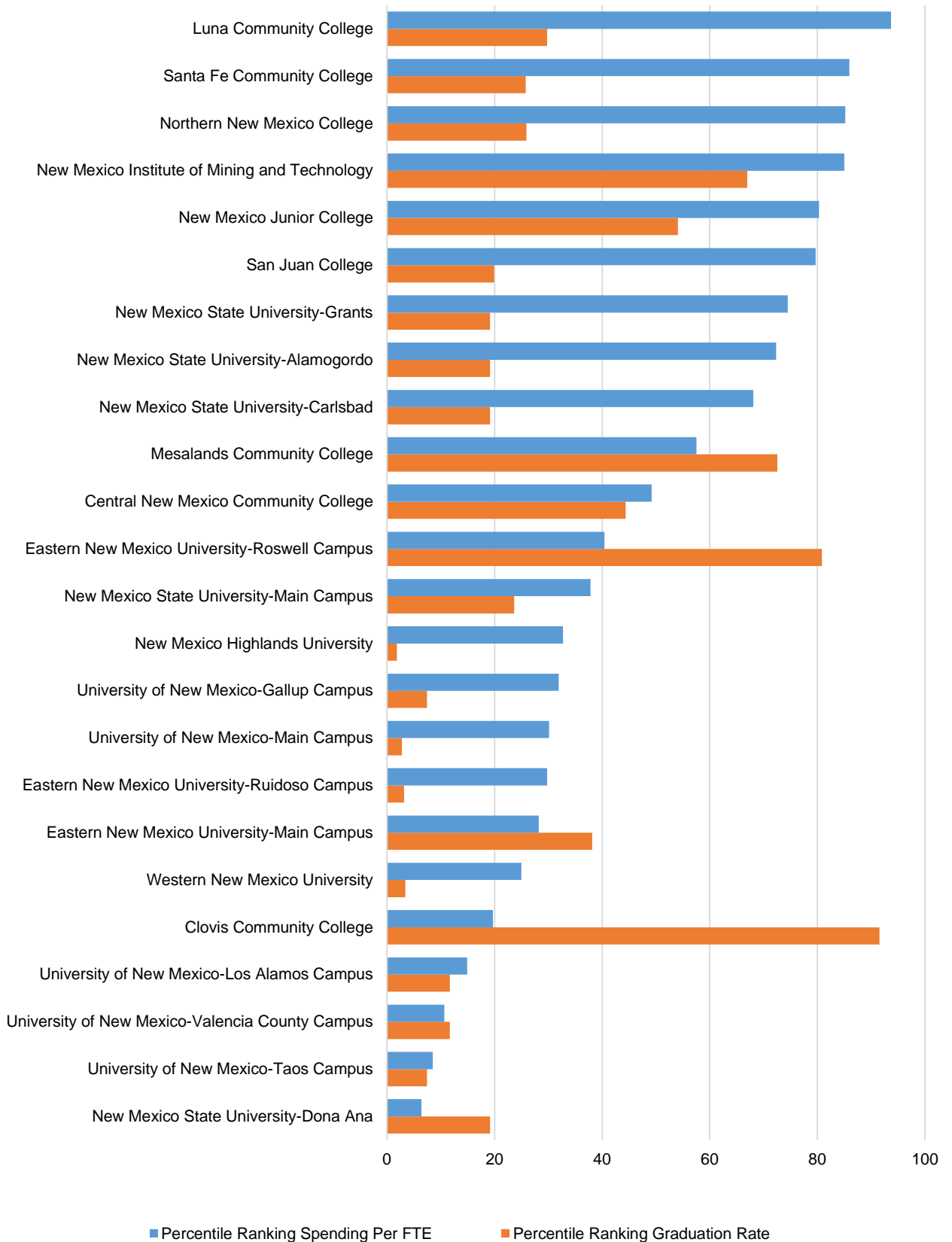
When weighted for FTE, New Mexico HEIs tend to spend less per student than most other schools in the country. Nationally, higher education institutions spent \$15,728 per student in FY15, whereas New Mexico HEIs spent just over \$13 thousand per student the same year.

The average New Mexico school ranks in the 47<sup>th</sup> percentile in spending per FTE across all I&G categories, according to 2015 IPEDS data. These rankings are within institutional Carnegie classifications that categorize schools based on institution type, area of focus, and size. However, several institutions are spending more than their peers and seeing worse results on measures such as graduation rates. For example, Luna Community College (LCC) is spending more per student than 94 percent of its peer institutions, but graduation rates are only better than 30 percent of peer institutions. On the opposite end of the spectrum, ENMU-Roswell and Clovis Community College (CCC) spend far less than their peers, yet they are seeing graduation rates surpassing most other schools in their Carnegie categories.

While New Mexico schools tend to spend less per FTE in other states, HEI expenditures per FTE have increased by large proportions in some cases, in one case by more than 100 percent. Branch campuses, independent community colleges, and a comprehensive college are included in the top 5 percent increases in spending per FTE in the state. NMSU-Alamogordo increased spending per FTE by 116 percent between FY07 and FY16, while other institutions were able to limit growth or even reduce spending per FTE between FY07 and FY16.

Ideally, institutions should regularly benchmark costs with peers as part of the appropriations and budget process to flag over- and underspending within spending center functions.

**Chart 11. National Percentile Rankings in I&G Spending Per FTE and Graduation Rates (2015)**



Source: IPEDS 2015

**Table 7. HEI Expenditures Per Student (FTE) Differences FY07 to FY16**

HEI	Total Percent Difference FY07 to FY16
NMSU-A	116.5%
ENMU-RU	88.5%
MCC	76.8%
NNMC	63.4%
NMJC	42.6%
NMSU-C	42.5%
LCC	39.2%
NMSU-G	38.6%
NMSU	32.2%
NMSU-DA	31.5%
UNM-V	24.8%
CNM	23.6%
NMHU	16.7%
SJC	16.6%
UNM-G	16.2%
UNM	16.0%
WNMU	13.2%
CCC	11.3%
SFCC	9.9%
UNM-T	5.5%
ENMU-RO	5.1%
ENMU	2.1%
NMT	0.8%
UNM-LA	-28.9%

Source: ROAs and HED

Additionally, Powell, Gilleland, and Pearson (2012) suggest optimal spending levels per FTE maximize both effectiveness and efficiency<sup>vi</sup>. The study provides benchmarks for categories of spending per student for three categories found to be significantly related to both efficiency and outcomes, instruction, academic support, and student services. This is another method HEIs could consider. See Appendix C for more details on optimal spending levels.

**HEI Expenditures per FTE have increased by large proportions in some cases.** As previously mentioned, growth in HEI spending per FTE slightly outpaced inflation from FY07 to FY16. However, some HEIs increased spending per FTE by significantly more, in one case by more than 100 percent. Branch campuses, independent community colleges and a comprehensive institution are included in the top five percent increases in spending per FTE in the state. NMSU-Alamogordo increased spending per FTE by 116 percent between FY07 and FY16. Other institutions were able to limit growth or even reduce spending per FTE between FY07 and FY16.

**HEIs have not allocated spending changes among the five I&G cost centers proportionally.**

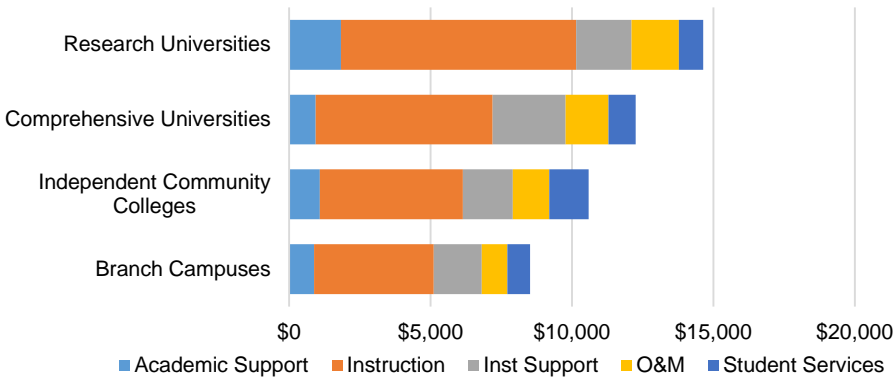
How institutions either cut or increase costs within their institution matters as some cost centers more directly affect student success than others. Research has tied institutional expenditures to students’ academic efforts to improved outcomes, particularly spending on instruction, academic support and student services (Powell, Gilleland, & Pearson, 2012; Webber, Ehrenberg, 2010)<sup>vii</sup>. IPEDS data from 2015 for all two-year and four-year public institutions also show relatively strong correlations between spending on instruction and academic support with the graduation rate and full-time retention rate.

Therefore, while it seems reasonable to commend institutions such as Eastern New Mexico University (ENMU) for keeping their growth in expenditures below levels of inflation, the way in which the university has achieved those cuts demands further scrutiny. Between FY07 and FY16, ENMU grew its expenditures on instruction by \$152 per FTE student but it also increased spending on institutional support by \$245 per FTE.

**Spending on instruction varies widely with research institutions prioritizing spending in the classroom.**

Research institutions in New Mexico tend to spend more per student on instruction and academic support than other sectors in New Mexico. New Mexico Institute of Mining and Technology (NMT), NMSU and UNM spent \$10,040, \$8,738, and \$7,964 per student in FY16 respectively, the most of all HEIs in New Mexico. NMSU is the only research school where growth in spending per student outpaced inflation between FY07 and FY16 (12.6 percent). However, the growth was limited to categories connected to improved outcomes - academic support (27.8 percent growth) and instruction (19.6 percent growth).

**Chart 12. Spending Per Student (FTE) By Sector, FY16**



Source: ROAs and HED

NNMC, however, increased spending on instruction by \$1,060 per student between FY07 and FY16 while transitioning to a four-year college. Since 2011 NNMC has suspended 49 programs. NNMC suspended some programs due to low enrollment, however, other programs such as radiologic technology, auto body repair, jazz studies, auto technology, music, massage therapy, and integrative health studies had relatively high enrollment (more than 15 students and up to 37 students) during the year of suspension. NNMC noted that some of these programs were high cost but had no additional information on why these programs were suspended because the administration has had almost complete turnover since 2011.

Two branch campuses have seen significant growth in academic administration staff. NMSU-Alamogordo experienced an enrollment decrease of 37 percent between 2007 and 2016 but increased academic support spending per FTE increased by 205 percent (\$1,306 per student) due in part to more than doubling staff in academic administration. Additionally, course and curriculum development spending went from \$3,800 in FY07 to \$301 thousand in FY16 for testing center costs and distance learning costs. Similarly, ENMU-Ruidoso had a 17.7 percent drop in enrollment between FY07 and FY16 but quadrupled the number of staff in academic administration, increasing total spending in this category from \$79 thousand to \$217 thousand over the same period. For more details about branch campus spending, see Appendix D.

**Spending on institutional support and executive management functions consistently grew, and at some schools, growth far exceeds inflation.**

Expenditures per FTE for institutional support was the fastest growing category from FY07 to FY16, growing 28.6 percent, a \$47.4 million increase. The American Council of Trustees and Alumni assessed 1,200 four-year colleges to determine median ratio benchmarks for spending on instruction versus institutional administration in July 2017.<sup>viii</sup> The benchmarks are tailored to an institution’s size and Carnegie classification. Most of New Mexico’s four-year institutions fall fairly close to their associated benchmark, spending between 17 cents and 34 cents on academic administration for every dollar they spend on instruction. However, WNMU and NNMC had proportional spending on administration, close to double, their national benchmark, indicating they are overspending on their institution’s executives and administrative operations and not enough on providing instruction for their students.

NNMC's institutional support spending per FTE grew at a much higher rate than any other category, increasing 160 percent between FY07 and FY16. When institutional support spending is benchmarked to national data, NNMC is outspending all peer institutions in institutional support per FTE. NNMC's ROAs (exhibit 13) shows the number of staff grew between FY07 and FY16 in the institutional support category by 14.8 FTE, a 58 percent increase. Some of the increase is explained by transferring positions, such as provost, from the academic support category to institutional support. However, academic support also grew by 71 percent over the same period. Perhaps more concerning, the total amount spent on institutional support FTE over the same period grew by just over \$3 million, a 264 percent increase from FY07. NNMC saw a 36 percent decrease in enrollment between FY07 and FY16.

**Table 8. Ratio of Expenditures on Administration and Instruction for Four-Year Institutions in New Mexico, FY16**

Institution	Spending on Administration	Spending on Instruction	Ratio Administration/ Instruction	National Benchmark Ratio
NMSU	\$22,435,463	\$130,785,201	0.17	0.20
UNM	\$42,772,244	\$223,812,216	0.19	0.17
ENMU	\$6,680,899	\$25,725,629	0.26	0.24
NMHU	\$6,525,605	\$21,840,227	0.30	0.24
NMT	\$7,593,062	\$22,214,628	0.34	0.34
WNMU	\$7,454,144	\$16,162,313	0.46	0.28
NNMC	\$4,203,527	\$5,497,667	0.76	0.39

Source: ACTA, HED

Although WNMU also saw declines in spending per student FTE over the 10-year period, much of this decline came in spending on instruction, a category linked to improved student outcomes. While spending on instruction declined by 16 percent over the 10-year period, spending on institutional support grew by 68 percent. WNMU almost doubled staff and spending on executive management over a 10-year period, growing from 12.8 staff FTE at \$1 million in FY07 to 23.8 staff FTE and \$1.9 million in FY16.

Looking to two-year institutions, LCC remains near or above the 90<sup>th</sup> percentile on all I&G spending categories with the highest of these being institutional support where LCC ranks in the 95<sup>th</sup> percentile when compared to peer institutions. Similarly, Mesalands Community College (MCC) increased spending in multiple categories, with institutional support spending growing the most at 119 percent. That growth included a \$68 thousand increase in spending for the board of trustees, a \$61 thousand increase in the business office, and a new \$119 thousand Wind Energy Director position. Part of the MCC increase is public relations expenditures moving from the academic support category. However, academic support also saw a 102 percent increase, growing from 6.3 staff FTE to 7.8 staff FTE and salaries increasing from \$262 thousand to \$559 thousand. Over the same 10-year period MCC enrollment dropped by 12.7 percent.

**Spending on executive management alone increased by \$11.9 million over the last 10 years.** Executive management includes expenditures for all central activities concerned with management and long-range planning for the entire institution, including presidents, chief executive officers, and governing board costs. Independent community colleges have kept costs of executive management down, whereas all other types of higher education institutions have seen growth that outpaces inflation. The most aggressive inflation index would assume cost increases of 20.7 percent during this period. However, research universities increased 36 percent, comprehensives 42 percent, and branches 41 percent.

Growth in salaries outpaces growth in number of employees, and some of these differences are driven by increases in pay for top executives. Institution leadership positions seeing the largest pay increases over the 10-year period (FY07 to FY16) include New Mexico Junior College (NMJC) (89 percent increase for the president), UNM HSC (58 percent increase to the chancellor/dean), and WNMU (43 percent increase for the president).

**Table 9. New Mexico Higher Education Institution Executive Management Expenditures**

Institution Type	FY07 Expenditures	FY16 Expenditures	Expenditures Difference	Expenditures Percent Growth
Research Universities	\$18,564,942	\$25,208,683	\$6,643,741	35.8%
Comprehensive Universities	\$5,252,932	\$7,472,254	\$2,219,322	42.2%
Independent Community Colleges	\$18,157,708	\$19,878,379	\$1,720,671	9.5%
Branch Community Colleges	\$3,078,569	\$4,347,761	\$1,269,192	41.2%
<b>Total</b>	<b>\$45,054,151</b>	<b>\$56,907,077</b>	<b>\$11,852,926</b>	<b>26.3%</b>

Source: FY07 and FY16 ROAs

**Despite a large facility footprint, per-student spending on operation and maintenance of plant remained relatively flat.**

Between FY07 and FY16, expenditures on operation and maintenance of plant (O&M) per student was the slowest growing cost center. Despite some schools having large facility footprints and too much capital capacity for enrollment levels, schools were able to keep O&M spending relatively flat. Statewide, O&M spending per FTE increased by \$104, or 7.4 percent, an increase of \$14.9 million.

A best practice: UNM and NMSU both use the software Ad Astra to maximize utilization of existing capital space. UNM saw a 4 percent decrease in spending per FTE on O&M over the 10-year period, about \$55 per FTE student. However, other schools did see increased O&M spending over the 10-year period. There is a high correlation between space expansion or retraction (as measured by square footage per FTE) and spending patterns on O&M as measured by spending per FTE. Schools that increased square footage per FTE tended to see increased spending on O&M as well. For example, ENMU-Ruidoso experienced the largest growth in square footage per FTE since 2009, moving from 76 square feet per FTE in 2009 to 179 square feet per FTE in 2015. Accordingly, their O&M spending increased by 232 percent between FY07 and FY16 (from \$238 per FTE to \$791 per FTE), also the largest percent increase in the state.

**According to FY17 financial statements, UNM, NMSU, and NNMC continue to subsidize their athletics program with I&G revenue.**

UNM, NMSU, and NNMC all recently transferred money from I&G for athletics program expenditures. LFC criticized this practice at UNM and NMSU in a 2010 evaluation and staff recommended the schools curb this practice. The evaluation also found that NMSU’s athletics program had a negative fund balance of \$9.5 million in FY09 but that the university had a plan to eliminate the negative balance by FY18. FY17 financials show the negative fund balance is smaller, but still stands at \$5.7 million.

UNM’s I&G subsidy to their athletics program is slightly smaller than NMSU’s - \$161 thousand from I&G into athletics in FY16, up from \$150 thousand in FY11 and zero dollars in FY17. However, the FY17 negative fund

**Table 10. Transfers from I&G to Athletics**  
(in millions)

	FY07	FY11	FY16
UNM	-	\$0.15	\$0.16
NMSU	\$2.00	\$3.70	\$4.20
NNMC	-	\$0.27	\$0.28

Source: ROAs

balance for athletics at UNM is still \$4.7 million. This deficit must be covered with other university funds, including I&G. NNMC transferred \$270 thousand and \$280 thousand in FY11 and FY16, respectively.

**The New Mexico higher education system increased I&G unrestricted fund balances by 87 percent, or \$81 million, since 2007.**

HED advises HEIs to keep ending fund balances of at least 3 percent of I&G and total unrestricted expenditures. The department does not cap the maximum amount of funds an institution can carry from one year to the next, though department guidance does recommend greater than 3 percent for institutions that experience unpredictable fluctuations in mil levy and land and permanent fund revenue. HED also recommends that HEIs keep higher fund balances during periods of uncertain economic conditions.

Some HEIs struggle to reach the 3 percent minimum fund balance each year. For example, NNMC had a negative fund balance of \$651 thousand in FY15. However, without maximum limits for fund balances, some HEIs have significantly grown the amount of funding they carry over from year to year. In FY07, HEIs had \$93.3 million in unrestricted fund balances, and by FY16 the figure had grown to \$174.3 million, an \$81 million increase. Collectively, institutions have retained balances large enough to cover 15 percent of expenditures in FY16. See Appendix E for more information.

A recent audit of the University of Wisconsin revealed a fund balance over \$1 billion.<sup>ix</sup> In response, the Legislature required the Board of Regents to develop a methodology for calculating balances and a proposal of limits on those balances. It is possible that large fund balances could offset decreased state support to avoid raises in tuition. The University of Wisconsin system has had a freeze in tuition for five straight years.

**Table 11. HEI Unrestricted I&G Fund Balance FY07 to FY16**

HEI	FY07	FY16	Difference	Percent Difference	Total Unrestricted I&G Expenditures	Balance Percent of Expenditures (3% Target)
CCC	\$1,682,629	\$4,284,222	\$2,601,593	154.60%	\$13,685,877	31.30%
CNM	\$16,006,062	\$19,816,002	\$3,809,940	23.80%	\$121,684,527	16.28%
ENMU	\$1,690,921	\$1,546,887	(\$144,034)	-8.50%	\$40,722,428	3.80%
ENMU-RO	\$1,146,060	\$2,681,217	\$1,535,157	134.00%	\$14,729,081	18.20%
ENMU-RU	\$593,546	\$721,237	\$127,691	21.50%	\$3,205,820	22.50%
LCC	\$2,990,473	\$3,557,275	\$566,802	19.00%	\$10,254,099	34.69%
MCC	\$1,007,919	\$1,932,200	\$924,281	91.70%	\$5,436,629	35.54%
NMHU	\$2,950,988	\$2,654,008	(\$296,980)	-10.10%	\$36,475,577	7.28%
NMJC	\$6,147,285	\$3,883,100	(\$2,264,185)	-36.80%	\$22,879,169	16.97%
NMSU	\$9,375,830	\$19,443,507	\$10,067,677	107.40%	\$184,676,824	10.53%
NMSU-A	\$701,200	\$1,575,937	\$874,737	124.70%	\$10,509,394	15.00%
NMSU-C	\$685,030	\$2,789,988	\$2,104,958	307.30%	\$9,222,665	30.25%
NMSU-DA	\$2,922,094	\$6,087,195	\$3,165,101	108.30%	\$35,686,212	17.06%
NMSU-G	\$3,513,049	\$1,240,367	(\$2,272,682)	-64.70%	\$3,845,321	32.26%
NMT	\$1,202,952	\$9,480,924	\$8,277,972	688.10%	\$38,468,464	24.65%
NNMC	\$1,344,707	\$1,361,784	\$17,077	1.30%	\$12,508,648	10.89%
SFCC	\$1,447,285	\$1,582,997	\$135,712	9.40%	\$33,197,630	4.77%
SJC	\$10,108,747	\$13,328,818	\$3,220,071	31.90%	\$49,257,804	27.06%
UNM	\$13,837,166	\$32,028,573	\$18,191,407	131.50%	\$320,636,305	9.99%
UNM-G	\$2,101,490	\$6,150,894	\$4,049,404	192.70%	\$15,098,767	40.74%
UNM HSC	\$3,017,881	\$5,414,637	\$2,396,756	79.40%	\$114,213,430	4.74%
UNM-LA	\$254,207	\$419,466	\$165,259	65.00%	\$3,497,111	11.99%
UNM-T	\$89,070	\$3,874,824	\$3,785,754	4250.30%	\$6,830,362	56.73%
UNM-V	\$1,096,543	\$3,160,524	\$2,063,981	188.20%	\$8,821,196	35.83%
WNMU	\$635,022	\$10,681,844	\$10,046,822	1582.10%	\$28,265,393	37.79%
<b>Total</b>	<b>\$93,321,080</b>	<b>\$174,280,815</b>	<b>\$80,959,735</b>	<b>86.80%</b>	<b>\$1,143,808,733</b>	<b>15.24%</b>

Source: ROAs

Note: Institutional fund balances reported here are limited to unrestricted I&G fund balances. Figures do not include other institutional balances such as capital outlay or balances at special schools. Total institutional balances are reported by LFC in Volume 3 as \$981.3 million for 2016, of which 37 percent, or \$361.2 million is UNM's capital outlay balance.

**The Legislature has an opportunity to use AGA to monitor efficiency and effectiveness.** The current AGA measures for higher education center on outcomes but do not address efficiency. Some efficiency measures used for this report could potentially be AGA measures for individual higher education institutions. For example, the ratio of expenditures on administration and instruction shows several institutions have high levels of overhead for New Mexico and high levels for the nation. New Mexico HEIs could also measure and target optimal funding levels per FTE referenced in the Powell et al. study or build a similar model for community colleges.



### Financial efficiency metrics that are part of HEI performance funding formulas in other states:

**Missouri two-year institutions:** Chosen by each institution. Measures include the number of credit hours completed per \$100,000 of state appropriations, education and general expenditures per credit hour completed, and instructional expense per credit hour. **Missouri four-year institutions** choose one: The percent of total education and general expenditures expended on the core mission (instruction, research, and public service), or; Increase in educational revenue (state appropriations plus net tuition revenue) per full-time equivalent student at or below the increase in the consumer price index.

**Maine:** Number of degrees awarded per \$100,000 of net tuition and fee revenues and state education and general appropriations scaled by matriculated FTE.

**Michigan:** National comparisons to Carnegie peers on institutional support as a percentage of core expenditures.

**Minnesota:** 5 percent of base funding is reserved to the University of Minnesota System until they either decrease administrative costs by \$15 million or achieve at least three of the system's other four goals.

**Mississippi:** Number of degrees awarded per \$100,000 in revenue.

**Pennsylvania** (optional metric): Administrative expenditures as a percent of educational costs, faculty productivity, and employee productivity.

**Utah:** Cost per degree.

**Virginia:** Degrees per FTE faculty, Degrees per FTE students.

**Wisconsin:** Participation in statewide or regional collaboration or efficiency initiatives.

## Recommendations

The Higher Education Department, higher education institutions, and Legislative Finance Committee should:

- Update the system of performance measures aligned with the funding formula and state policies on affordability, access, and efficiency.
- Require Higher Education Institutions to request specific annual and long-term targets for performance.

The Legislative Finance Committee, Higher Education Department, Department of Finance and Administration, and Higher Education Institutions should work on a framework to include efficiency measures in the AGA and update outcome measures aligned with funding formula.

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## To meet attainment goals and maintain affordability, institutions must improve performance and efficiency

**New Mexico has established a broad postsecondary attainment goal and has implemented many reforms despite a decentralized governance system.**

In December 2016, Governor Martinez enacted Executive Order 2016-037 establishing New Mexico's long-term "Route to 66" goal for 66 percent of the state's 25-64 year-old population to have attained some form of postsecondary credential by the year 2030<sup>x</sup>. To compare: the state's estimated postsecondary attainment rate in 2014 was 43.6 percent. The executive order also tasks the HED cabinet secretary with chairing a higher education statewide strategic planning committee and developing a strategic plan for improving statewide higher education coordination and increasing educational attainment.

The state and its higher education institutions have been, or are in the process of implementing reforms aimed at improving educational attainment for students. These include:

- The state moving toward funding based on performance.
- Institutions reducing excessive degree credit requirements.
- Remediation reform.
- The governor signing an executive order forming statewide goals for educational attainment.
- Legislation passed to strengthen articulation.
- HED developing statewide degree mapping analytics to build statewide meta-majors.
- HED developing a lower division general education course transfer curriculum to guarantee transfer of completed core courses between HEIs.
- HEIs increasing degree production, likely due to adopting many of the common policies listed above.

**New Mexico higher education has existed without a state plan for decades, and HED should be commended for its recent efforts.**

HEDs efforts to develop a statewide strategic plan will help provide necessary direction to the higher education system to meet New Mexico's attainment goals. Currently, colleges and universities have little incentive to specialize in select academic areas in response to state or regional needs. However, the strategic plan should help guide HEIs in determining access, affordability standards, priorities for workforce development, and preferred strategies for meeting the Route to 66 attainment goal.

Despite some progress, system performance remains poor and undercuts the financial health of students and institutions. Until the plan is developed, institutions are left only to respond to incentives that affect their revenues – increasing enrollment for tuition and getting the most out of the state funding formula by producing degrees and delivering credit hours. As a result, HEIs now offer as many academic programs as possible to attract as much general enrollment as possible. In turn, HEIs are often competing for students in small regions, creating program duplication and inefficiently small programs.



PERCENT OF ADULTS AGES 25 TO 64 WITH A POSTSECONDARY CREDENTIAL

***HED trifecta of articulation reforms: common course numbering, general education curriculum reform, and state-wide meta-majors***

For example:

- The number of programs at NMHU has increased over the last 10 years while enrollment has remained relatively flat.
- NMHU Rio Rancho Center and UNM West offer duplicate programs targeting the same small community of students, potentially driving up higher education costs.
- Both NMSU and NMHU offer masters of social work degrees in Albuquerque.
- Within several regions of New Mexico, two or more institutions offer multiple, duplicate associate degrees. In one case four different institutions offer associate’s degrees in business management within a one hour drive of Santa Fe. See more in Appendix F.

Also, state-level controls to ensure non-duplication among bachelor’s degree programs are not used. Statute requires new baccalaureate, graduate, and professional degree programs offered after July 2005 to undergo a “timely and thorough consultation with and review by the [higher education] department.” However, LFC staff found no evidence of thorough consultation and review of new baccalaureate degree programs by HED. HED staff confirmed such reviews do not occur and cited lack of resources as the reason.

As a result, some universities have seen low growth for baccalaureate degree programs whereas others have seen exponential growth. For example, UNM has two fewer bachelor’s degrees offered in the 2017-2018 catalog than they did in the 2009-2010 catalog. In contrast, NNMC offered one baccalaureate degree in 2004 and has grown to 14 baccalaureate degree programs.

**Table 12. Enrollment (FTE) Change**  
(fall 2006 to fall 2016)

Institution	Enrollment Gain (Loss)	Percent Change
NNMC	(351)	-31%
NMSU-A	(309)	-28%
ENMU-RO	(538)	-26%
LCC	(163)	-20%
NMSU-G	(66)	-15%
ENMU-RU	(39)	-11%
SJC	(248)	-6%
CCC	(85)	-5%
NMSU	(660)	-5%
NMJC	(26)	-2%
UNM-G	8	0%
NMHU	68	3%
CNM	1,096	9%
MCC	34	9%
UNM	2,184	11%
UNM-V	112	12%
UNM-LA	47	13%
NMSU-C	137	18%
NMT	338	23%
NMSU DA	994	25%
WNMU	449	25%
SFCC	513	26%
ENMU	883	29%
UNM-T	210	35%

Source: HED

**For some schools in New Mexico, enrollment expansion and subsequent declines have resulted in excess capacity.**

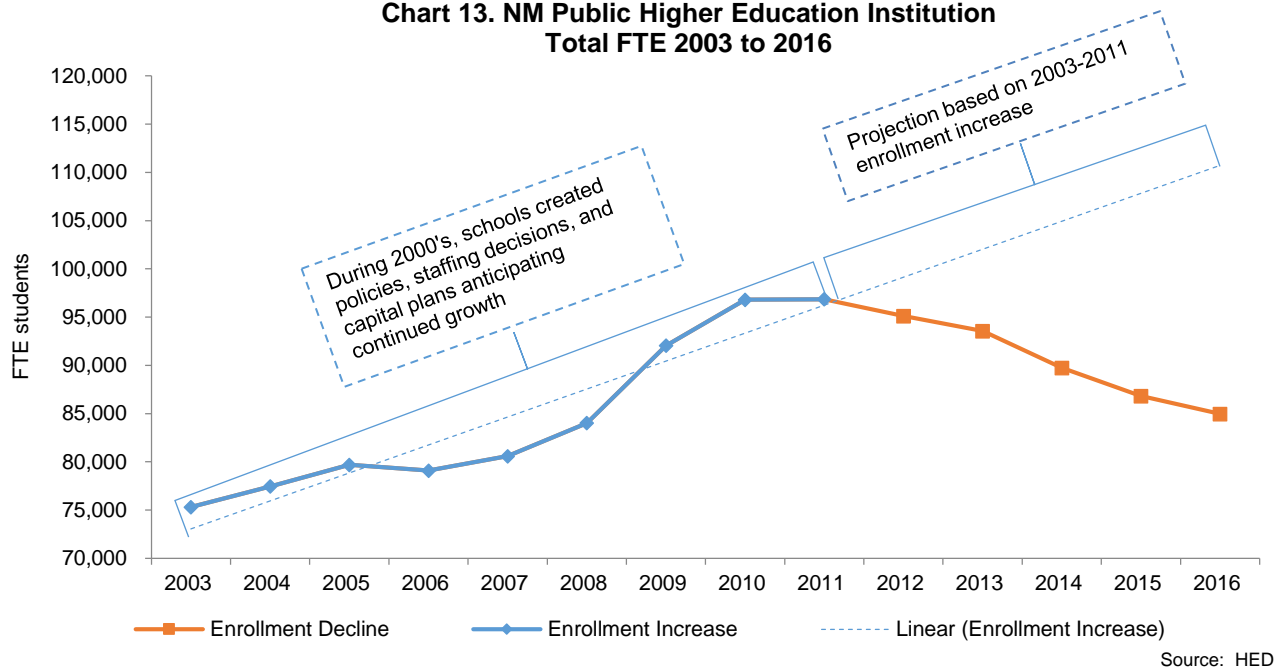
Enrollment levels at most of New Mexico’s HEIs have been stabilizing or declining since 2010. As a result, many schools have more space to maintain with fewer students to utilize space or are offering courses that have low enrollment.

**Poor retention rates and a shrinking pipeline of students have contributed to enrollment declines.** In the late 2000’s, the New Mexico higher education system was experiencing a period of sustained growth. Increased numbers of high school graduates combined with the great recession further pushed enrollment higher during the mid to late 2000’s both nationally and in New Mexico. Between 2003 and 2011, there was a 29 percent increase in enrollment in the state. During this same period, many schools cited this growth in institutional planning documents and noted expected sustained growth over the next five to 10 years. However, this projected continued growth did not materialize. One exception was that compared with FY12, New Mexico’s public higher education institutions delivered 60,254 more credit hours to dual credit students in FY16. However, these gains did not totally offset losses from declining overall enrollment. Many schools anticipated continued enrollment growth through the foreseeable future, according to their master plans. In preparation for this growth, schools adopted some planning strategies, including:

- Planing new facilities.
- Planing new infrastructure.
- Growing academic programs.
- Developing new or expanded satellite sites to absorb growth.

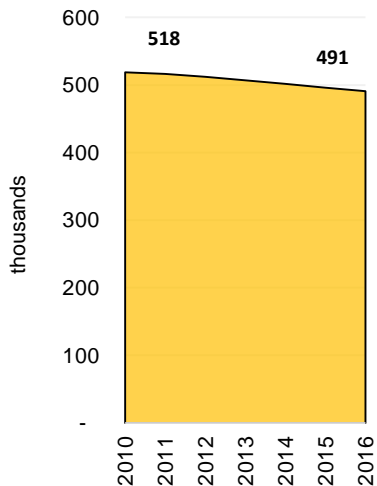
Starting in 2012, statewide enrollment started to decline. Some schools lost more students than others, but overall New Mexico experienced a 12 percent drop in enrollment between 2011 and 2016. This corresponded with a 5.4 percent drop in the New Mexico population under 18 from 2010 to 2016. Most institutions that made projections of rapid growth in the mid- to late-2000's did not see those projections come to fruition.

**Chart 13. NM Public Higher Education Institution  
Total FTE 2003 to 2016**



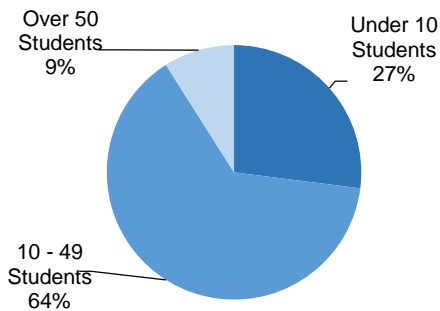
UNM and NMSU over-projected enrollment by thousands of students in previous master plans. In their 2006-2016 master plan, NMSU projected enrollment increasing to 25 thousand students by the end of the planning period (2016.) In its 2009 master plan UNM projected enrollment increasing to 35 thousand students by 2018. From UNM's 2009 master plan, "this anticipated growth underpins the demand for new facilities, from housing to hospital expansion to new classrooms." Enrollment did not reach these levels; instead, it fell short by thousands of students and has continued to decline in recent years. The pipeline for traditional college students coming out of high school and enrolling in college is shrinking. The New Mexico population under 18 has been shrinking, moving from 518 thousand in 2010 to 491 thousand in 2016. Additionally, the number of 18-19-year-olds has declined from a high in 2010 at 61 thousand to 55 thousand in 2016. Demographic data would be useful for anticipating enrollment levels. For example, there is a strong correlation between high school freshmen and higher education student FTE six years later in New Mexico. There are multiple factors effecting higher education enrollment, but institutions can track freshmen enrollment in high schools in their geographic area as one method to predict future enrollment trends for realistic planning and budgeting purposes.

**Chart 14. New Mexico Population Under 18**



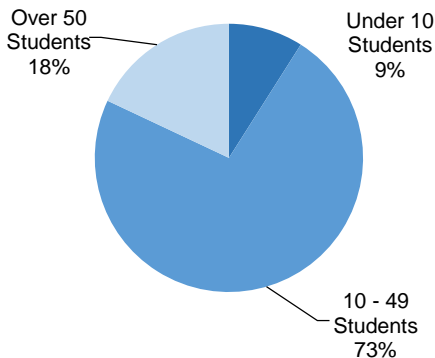
Source: US Census Bureau

**Chart 15. Average Class Size NM Research Institutions, FY17**



Source: The Common Data Set

**Chart 16. Average Class Size Peer Institutions, FY17**



Source: The Common Data Set

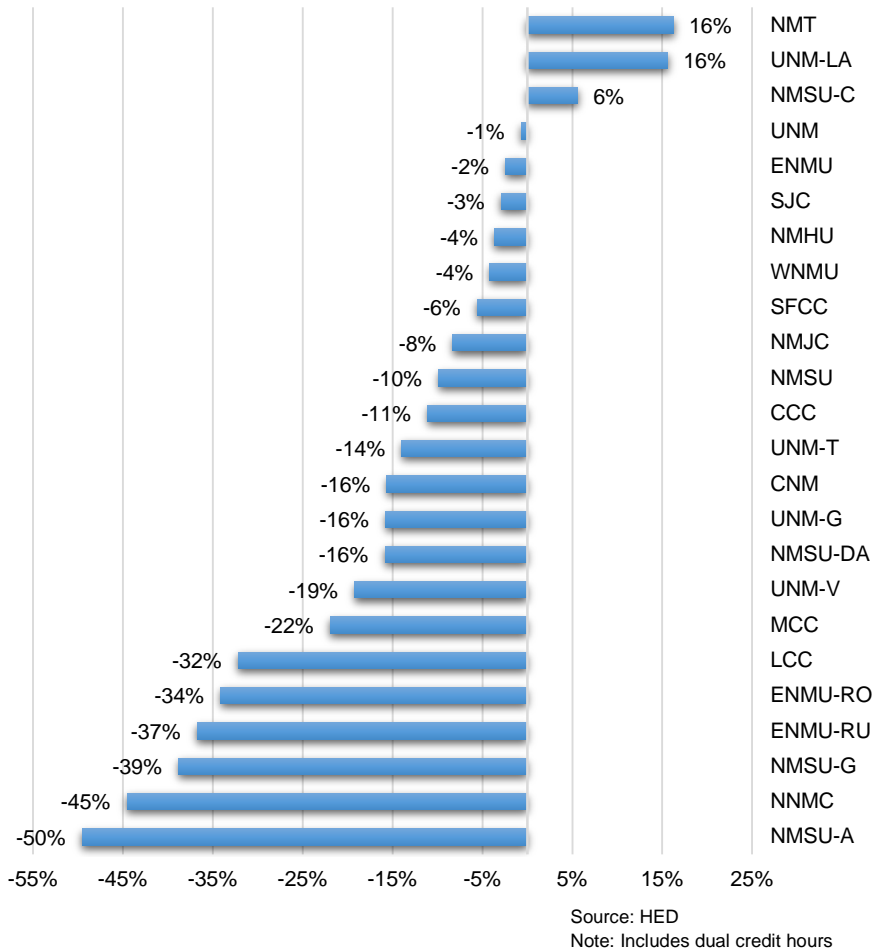
**Focusing attention on improving retention rates should bolster enrollment, tuition revenue and save on recruitment costs.** Several four-year HEIs indicated they are planning to, or already are actively recruiting out-of-state or international students to combat declining in-state enrollment. This strategy is logical, as HEIs are increasingly dependent on tuition revenues for annual financial support. However, New Mexico HEIs could also benefit from more tuition revenues if they were able to increase retention rates and keep in-state students enrolled. In FY16, first-year retention rates ranged from 79.7 percent at UNM to 52.7 percent and NMHU. If all four-year institutions were able to increase their first-year retention rates to 85 percent, they would collectively retain 4,600 (12 percent) more students and, importantly, the tuition from those students into at least one additional year. Further, about one-third of adults in New Mexico have attained “some college” but no four-year degree. With low and declining enrollment from new traditional students and a declining population under 18 (see Chart 14), institutions could pursue new opportunities to engage with the “some college” population to increase degree completion rates.

**Some institutions continue to project growth in coming years despite projections from other organizations to the contrary.** According to reports from the Western Interstate Commission for Higher Education (WICHE) and Sightlines (a higher education management consulting company), overall enrollment is likely to remain flat or experience a greater decline in the coming years. Some institutions have recognized the need to target certain sectors of their student population for enrollment growth and maximize effectiveness and efficiency. However, in some cases, the enrollment projections and goals remain unrealistic. NMHU has set a goal of 4,500 on-campus students by 2020, a 144 percent increase over current levels. Meanwhile, according to the U.S. Census Bureau, the population in San Miguel County has declined by 5.6 percent since 2010, with the population under 18 decreasing by 10 percent over the same period. The decrease in prospective students along with the increase of off-campus course options makes this goal highly unlikely. Similarly, NNMC set a goal of 1,400 students by fall 2022, a 24 percent increase, while the under 18 population in Rio Arriba County has declined 2 percent since 2010. Nonetheless, NNMC is betting strengthening partnerships with local high schools and ramping up recruitment strategies will allow the college to reach its enrollment goals. Still, other institutions do not offer enrollment projections in their strategic planning or master planning documents.

**As enrollment has dropped, so too has the number of credit hours institutions are delivering, resulting in small and inefficient class sizes.** This demonstrates a significant change in workloads at some institutions. Not only are institutions delivering fewer credit hours, but many of the classes delivered at the largest universities are small in size. On average, New Mexico’s research institutions distribute students into small class sections (sizes less than 10) three times as often as their peers. These very small classes drive up instructional costs.

It is possible small section sizes may be beneficial to student learning outcomes. However, outcomes at UNM and NMSU continue to lag behind peer institutions with graduation rates ranking in the 3<sup>rd</sup> and 24<sup>th</sup> percentile of peer institutions based on Carnegie classifications. These institutions should consider evaluating the benefits compared to the cost of not aligning section size distribution with peer institutions. Even minor shifts toward class sizes that more closely mirror peer institutions could lead to significant savings that could be redirected toward other resources to improve outcomes for students.

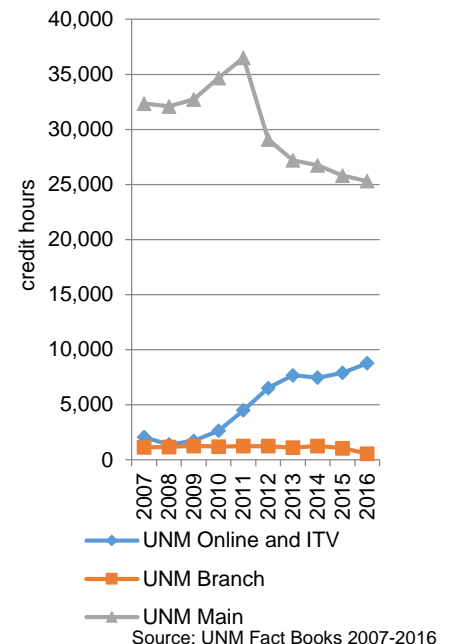
**Chart 17. Change in Total Undergraduate Student Credit Hours Delivered, FY12 to FY16**



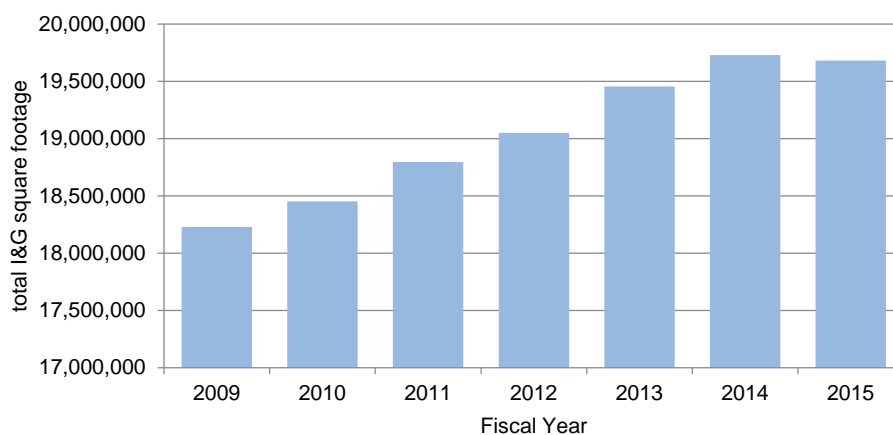
**The increase in online course instruction makes institutions more inefficient as increasing amounts of classroom space goes unused.** Some HEIs indicated advancement in software for online courses is eliminating the need for as much center-based education. UNM and WNMU both cited the implementation of online software from Zoom Technologies as a significant factor in shifting class-taking from physical centers to online. UNM and WNMU cited online technical innovation as factors for pulling out of numerous physical locations including UNM-Taos, HEC in Santa Fe, WNMU-Gallup, and WNMU-Lordsburg. The percent of courses offered online ranges among institutions to about half at some NMSU branches to none at NNMC. See Appendix G for details on online course load at each institution. While WNMU has been able to cease operations at two of its learning centers, other institutions are instead left with already-built instructional space and declining numbers of students to occupy those classrooms.

**Institutional square footage per full-time student increased by an average of 38 percent since 2009 due to declining enrollment and increasing available space.** Since 2009, the amount of square footage grew at most institutions while enrollment declined. Available I&G square footage grew by 1.45 million square feet between 2009 and 2015, with UNM, NMSU-DA, and CNM making up much of the growth. See Appendix H for more details.

**Chart 18. UNM System Credit Hours Taken By Location**



**Chart 19. I&G Statewide Square Footage**



Source: Self reported data to HED

**Some schools have recognized previously projected growth rates were out of reach and are adjusting accordingly.** In their most recent strategic plan, NMHU recognized that their development framework from their 2010 strategic plan to create a campus environment to attract, house, and retain a student body of 4,000 on-campus students in Las Vegas did not happen; according to their 2017 master plan, NMHU currently has 1,846 on-campus students. In their most recent master plan, NMSU also called their 2006 master plan unrealistic, further saying that population demographics did not support such an increase.



*\$2.6 million NMSU-DA center in Hatch, NM*

Further, some higher education institutions are recognizing where they have excess capacity and are closing learning centers. However, the resources used for the expansion of these so-called “twigs” and centers will be difficult to recover. For example, the NMSU-DA center in Hatch closed at the end of spring 2017 due to low enrollment. The NMSU-DA center was constructed for \$2.6 million in 2012 and was appraised in 2016 for potential sale or lease to Hatch Valley Public Schools at half of the cost of construction at \$1.3 million. The projected cost savings for the Hatch center is \$85 thousand a year.

Some institutions utilize software and professional services to optimize space utilization and to determine whether to close, demolish, or add square footage. UNM and NMSU have used Ad Astra Information Systems to better align faculty and space with the goal of maximizing use of classroom space. NMHU has undergone efforts to optimize space utilization, however, according to recent space utilization reports, many classrooms and buildings go largely unused at the main campus and their centers. Some institutions, including NMSU, use facility condition indices to help in capital planning, a best practice that other schools should also consider. NMSU reports having a surplus of 150,000 gross square feet (GSF) and has employed a rule of no new net square footage. NMSU reports to have eliminated 160,000 GSF to date.

Other institutions, however, continue plans to operate with larger than necessary footprints despite evidence of declining space needs. One example, NNMC is attempting to reutilize its El Rito campus after closing it due to a drop in enrollment to about 800 in 2016 from a high of almost 1400 in 2010. NNMC also offered three courses at the Santa Fe Higher Education Center, despite three other institutions abandoning course offerings at the Center due to low enrollment. More on the NNMC El Rito Campus, as well as the Santa Fe Higher Education Center can be found in Appendix I.

**“Available data from a Peer Space Benchmarking Study completed in 2017 indicate that NMSU has a surplus of approximately 150,000 gross square feet”**

**-NMSU Master Plan**

**Existing main and branch campus systems do not operate as cohesive organizations.**

UNM, NMSU, and ENMU are the main institutions of consolidated governance systems – each with at least two branch community college campuses under their purview. The three systems accounted for \$730.9 million of HEI spending in FY16 or 69 percent of all spending and 63 percent of all students in the New Mexico higher education system. In these systems, the board of regents at each four-year main institution oversees the business operations of the branches and has full oversight and approval authority over academic programming. In practice, however, the branches operate with different levels of autonomy – some with their own academic administration, lobbyists, and financial staff. This autonomy is bolstered by state law requiring HED make appropriation requests for branches separate from their main institutions.

Currently, HED is working through a strategic review of main and branch campus system governance. As a part of that review, the state may want to rethink its statutory requirements of branch campus operations. For example, allowing the branches to offer locally needed four-year degrees from main campus institutions may improve academic coordination of the branch and main campus academic administrations. Further, HED is examining whether separate appropriations to branch campuses should continue or if there are options to fund branch campuses through main campus instead.

**Branch campuses pay administrative overhead to their main campuses, and this amount has increased over the last 10 years.** At all institutions, branch community colleges pay administrative overhead back to their main campus in an amount based on a percentage of overall I&G spending at those branches. As such, as expenditures go up, so do the payments back to the main campus, regardless of enrollment levels or the back office service needs of the branch. For example, NMSU reports they charge their branches a 4 percent fee for overhead, up from 2.6 percent paid in 2007. NMSU-DA paid \$205 thousand in “main campus overhead” in FY07. In FY16 NMSU-DA paid \$1.5 million to the main campus for the same purpose. All four NMSU branches experienced growth in their institutional support expenditures that outpaced inflation between FY07 and FY16. NMSU reported increases came as they provided more services to community colleges. Other branches have similar payments listed in their ROAs to main campuses, albeit on smaller scales.

By providing an administrative fee to a centralized, larger campus, branches should be able to benefit from economies of scale for at least some back-office resources such as financial management. However, seven branches have institutional support expenditures that are in the top 50th percentile or above compared to other similarly sized two-year institutions. In other words, despite the affiliation with a larger campus, these seven colleges still spend more on non-academic functions than most other similar-sized colleges.

**Eastern New Mexico University has increased overhead charged to the Roswell branch campus by over 35 percent in the last 10 years.** The increase in overhead coincides with a 21 percent drop in enrollment over the same period. In FY07, ENMU-Roswell paid approximately \$159 thousand for overhead to ENMU main campus. In FY16, the amount charged to ENMU-Roswell had increased to \$215 thousand. ENMU-Roswell indicates no memorandum of understanding, invoice, or other record of services rendered

**Despite the affiliation with a larger campus, seven of New Mexico’s branch colleges still spend more on non-academic functions than most other similar-sized HEIs**

**Table 13. Branch Campuses with High Institutional Support Expenses per FTE**

Branch	Percentile Rank of Expenditures for Institutional Support*
NMSU-Carlsbad	50
UNM-Los Alamos	52
NMSU-Alamogordo	57
ENMU- Roswell	61
NMSU-Grants	63
UNM-Taos	65
ENMU-Ruidoso	80

\*Based on peer institutions within the same Carnegie classification

Source: IPEDS



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has been made available to them. ENMU main campus reported the Portales campus provides administrative support to coordinate federal financial aid administration, internal audit functions and Banner hosting and technical support.

***Branch campuses should centralize more functions and positions at main campus.*** For example, some branch campuses have high-salary dean positions that are responsible for setting curriculums and academic programs. NMSU and UNM have recently advertised to fill such dean positions at NMSU-Dona Ana and UNM-Gallup. If main campus deans were responsible for these functions system wide it could further ensure similar offerings at branch campuses and seamless transitions in 2+2 programs. In another example, institutional research offices have the function of researching HEIs to inform decision-making and planning. However, NMSU and UNM house institutional research offices in their main campuses and have separate institutional research offices and positions at branch campuses as well.

**The state cannot afford to continue funding for underperformance or hold inefficiency harmless.**

New Mexico's mechanism for calculating I&G appropriations is based on the desire to see improved outcomes, primarily degree awards, and a portion of annual I&G funding is allocated based on certain performance criteria. In FY17, due to a lack of "new money" added to I&G funding, and to mitigate severe cuts for some institutions, total performance funding was limited to 2 percent of I&G appropriations, while FY16 performance funding was 6.5 percent.

***The state should increase the portion of annual appropriations based on performance.*** The current atmosphere in higher education funding also calls for phasing out "soft landings," such as a hold-harmless and stop-loss measures meant to prevent certain institutions from suffering a significant funding loss in a single year. Because the formula has been in place for about six fiscal years, and because institutions have had time to prepare for potential losses, these soft landings are no longer necessary, especially because they require new money in the formula, which is difficult to come by in the current revenue environment. See Appendix J for scenario outcomes of running the current (FY18) funding formula with 20 and 50 percent of funding based on performance.

***The state will need to closely monitor degree production to prevent formula gaming by institutions.*** As the state moves to increase the portion of formula funds based on degree production, so too will HED need to take steps to ensure institutions do not become degree mills for the sake of generating state funding. Without such review, there is a risk the funding formula will reward scale of degree production at the cost of degree quality.

Tennessee and Florida include performance metrics related to job placement and income post-degree in their funding formula to discourage institutions from awarding degrees or certificates that do not improve a student's eventual employment prospect. New Mexico should also monitor other outcome data through the Accountability in Government Act to ensure students get jobs, higher wages, and that employers are satisfied with the educational levels of new hires. The state could also monitor licensure passage rates as a quality measure.

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***The state also needs to monitor formula issues to ensure current performance incentives are working properly.*** For example, year-over-year certificate and degree awards at CNM jumped 60 percent, according to data used to calculate the higher education funding formula. The increase is almost entirely attributable to CNM’s new certificate program in which students receive a “general studies” certificate or a “health, wellness, and public safety” certificate after the student completes about 30-35 core curriculum general education credit hours. However, HED is working on updating core curriculum requests.

Due to the increase in awards, preliminary funding formula runs show CNM might receive a relatively large increase in I&G appropriations in FY19 and might be one of only a few community colleges to receive any increase in funding at all, depending on how much money is appropriated and how much is set aside for performance. HED could provide a useful function in reviewing the quality and value of degree and certificate programs for inclusion in the funding formula.

***For FY18, Tennessee will allocate 83 percent of state higher education funding based on outcomes.*** In 2010, Tennessee passed legislation to change their funding methodology to higher education and became the first state to base most of its state appropriations to HEIs based on outcomes rather than on past or current enrollment. The remainder is a reimbursement to institutions for “fixed costs” (e.g., utilities, building maintenance and rent) is a set proportion of annual performance funding, excluding any quality assurance funding. See Appendix K for a more detailed comparison of Tennessee and New Mexico’s higher education funding formulas.

***Increased performance requirements at higher education institutions, even if resulting in consolidation or loss of accreditation, are in line with national trends.*** The Council of Regional Accrediting Commissions has recently included the consideration of graduation rates into their institutional accreditation criteria. Four-year and two-year institutions with graduation rates below 25 percent and 15 percent, respectively, will have to demonstrate efforts to improve those rates as part of their accreditation process. The University System of Georgia began a streamlining process to reduce costs and improve performance in 2011 that has consolidated 14 institutions into seven and is still ongoing. The consolidations have created an estimated \$24 million in savings, and statewide graduation rates are increasing at the same time according to *Inside Higher Ed*. Complete College America notes how the state’s second largest institution, Georgia State University, has increased graduation rates by more than 20 percentage points over the last 10 years.

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## Recommendations

The Higher Education Department and HEIs should request statutory changes to:

- Facilitate shared purchasing and services.
- Allow for mergers of colleges or functions within colleges where HEIs are seeking to combine operations.

The Legislature and the Higher Education Department should consider funding branch campuses through main campus appropriations.

The Legislature should consider increased funding, staffing, or both to HED to administer current statute on program approval and review in the state.

New Mexico universities with branches should operate as systems, consolidating back-office functions to the extent possible.

New Mexico universities with branches should formalize service agreements provided to branches for overhead charges through a memorandum of understanding or other legal means.

More New Mexico higher education institutions should form formal collaborations and consortiums to collaborate on some cost savings efforts including purchasing, shared usage of space, and reduction of duplication of programs.

Higher education institutions should work to maximize use of capital space as done successfully by NMSU and UNM with Ad Astra.

Higher education institutions should identify capital excess capacity and consider closing or leasing underutilized space and using a facilities condition indexing in capital replacement and renovation recommendations.

Higher education institutions should use facility condition indexes in capital replacement and renovation recommendations.

## Some higher education institutions proactively improve efficiencies but others struggle financially

**Even with recent reductions, New Mexico schools rely more heavily on state support than institutions in most other states.**

In recent years New Mexico has moved the focus of funding higher education to outcomes-based funding. Each year a portion of I&G funding is based on outcomes. However, cost of higher education remains a concern as there is a relationship between decreasing state support and increased tuition. A recent study by Webber (2017) suggests that for every \$1,000 drop in per-student state support the average student pays \$257 more in tuition and fees<sup>xi</sup>. Significant increases in tuition are unpopular, and affordability can affect a student's decision on attending college. Additionally, increases in tuition can increase revenue but can also impact college access and enrollment. Hemelt and Marcotte (2011) found every \$100 increase in tuition and fees led to a decline in enrollment of about 0.25 percent at four-year institutions across the country and that the impact was even larger at research universities.<sup>xii</sup>

Some New Mexico schools also shared concern about raising tuition and NNMC cited increases in tuition over the last 10 years as one of the driving factors behind their declining enrollment. Looking at their tuition increases and enrollment declines, evidence seems to support such a concern.

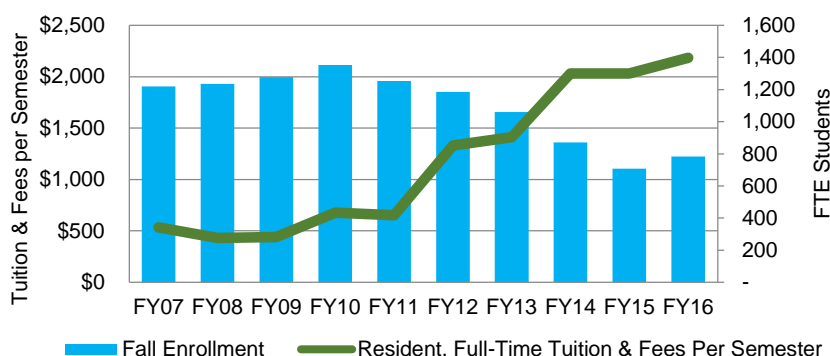
**While data show New Mexico HEIs are some of the most affordable, New Mexico also has the highest poverty rate in the nation**

**Table 14. Cost per Credit Hour for In-State Students at Public Institutions**

New Mexico	\$113
Arizona	\$165
Nevada	\$170
Texas	\$170
Oklahoma	\$201
Utah	\$219
Colorado	\$233
<b>U.S. Average</b>	<b>\$230</b>

Source: U.S. Department of Education

**Chart 20. Enrollment, Tuition & Fees at NNMC**



Source: NNMC, LFC Files

Nationally, in 2016 47 percent of total higher education revenue is the students share from tuition payments, with the remaining revenue largely from state and local support. In New Mexico, only 31 percent of higher education revenue is from tuition with the remaining 69 percent mostly from state and local support (note: Some schools do not have local support for revenue as an option). Over the last 10 years, cuts in state support helped balance the revenue split in New Mexico to more closely mirror national proportions. For example, in 2007 over 87 percent of revenue came from state and local support. However, New Mexico still ranks high for state support nationally. Only California and Wyoming have a lower percentage of higher education revenue made up from tuition. These revenue mixes change significantly depending on the type of institution. Research institutions rely on the state for over 50 percent of revenues and independents, with local property levies, rely on the state for 42 percent, on average.

**Higher Education appropriations could grow as much as 3 percent a year between FY19 and FY21 – but not enough to keep ahead of inflation**

**Flat or declining state appropriations will likely not keep pace with base inflation, let alone new investments to drive academic success.**

According to the most recent general fund consensus revenue estimate, growth in revenue over the next five years will range between 2 percent and 4 percent. The LFC’s general fund recurring appropriation outlook anticipates some areas of state government will grow more quickly than others (e.g., Medicaid 4.5 percent). LFC staff anticipates higher education appropriations could grow as much as 3 percent a year between FY19 and FY21. Four inflation indices (HEPI, CPI, CPI West, and HECA) have inflation rates that ranged from zero to 5.6 percent over the last 10 years. It is likely that even a 3 percent increase to higher education will not keep pace with inflation should levels rise above 3 percent. Given the August revenue estimates only project growth in available revenue of \$25 million, these estimates may be overly optimistic.

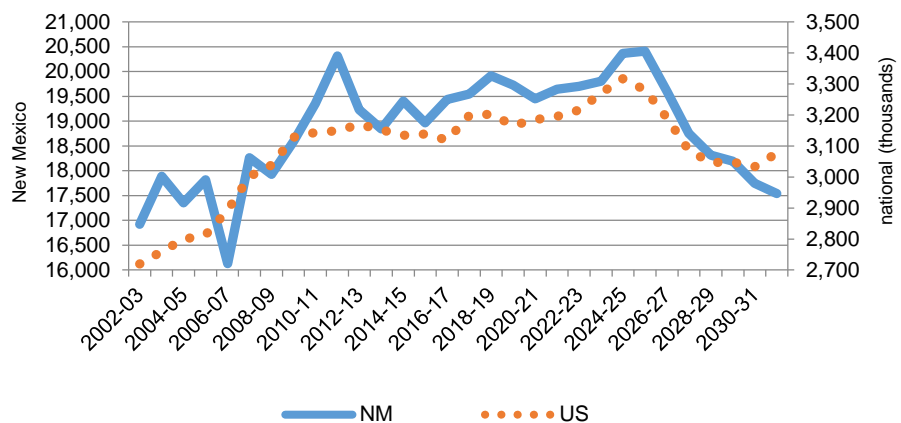
**In 2014, there were 25,985 births to New Mexico resident mothers, translating to a birth rate of 12.4 births per 1,000 population, a record low for New Mexico**

- NM Selected Health Statistics Annual Report-DOH

The pool of prospective in-state students is projected to decline dramatically over the long-term, and increased enrollment from traditional sources likely cannot supplement the decreases in state support. The other main revenue source for schools is tuition-generated revenue. However, enrollment remains flat or continues to decrease for most New Mexico schools, and there is significant risk such a trend will continue in the long-term. In 2016, WICHE released projected high school graduates through 2032 based on census data. Projections for both the United States and New Mexico show the number of high school graduates rising through the mid-2020’s, then dropping significantly below current levels through 2032. The main reason provided for the current flattening and subsequent decline of high school graduates is consistent declines in the number of white public school students - nationally projected to decrease by 17 percent between 2013 and 2032. Not only has the number of children under 18 dropped by 10 percent since 2010, but also the most recent birth rate data of 12.4 per 1,000 births in 2014 was an all-time low for the state. Additionally, the shrinking number of prospective students is more likely low-income and first-generation, potentially being less well prepared for success in college. Such students would have fewer financial resources to pay for college, less ability to pay tuition and more need for financial aid. It is also unclear how waning support of the lottery scholarship will impact enrollment. In theory, it will lead to a decline in enrollment, but the magnitude of such a decline remains to be seen.

**Projections for New Mexico show the number of high school graduates dropping significantly below current levels by 2032**

**Chart 21. Public High School Graduates 2003 to 2011 (Actual) and 2012 to 2032 (Projected)**



Source: WICHE Knocking at the college door (2016)

**New Mexico boasts some of the most affordable in-state tuitions in the country, however also has the highest poverty rate and high student loan default rates.**

In-state tuition in New Mexico is the most affordable in the United States according to U.S. Department of Education data. On average, the cost per credit hour at state institutions for residents of New Mexico is \$113. California ranked second most affordable at \$120 per credit hour and Wyoming third at \$122 per credit hour. Vermont has the highest cost per credit hour at \$466. The cost per credit hour in New Mexico is \$117 less expensive than the national average of \$230 per credit hour.

This analysis suggests New Mexico residents could save substantially by attending college in state at a public university. New Mexico residents choosing to attend college in surrounding states could potentially pay thousands of dollars more assuming 120 credits to graduate. For example, a student choosing to attend a public school in Colorado versus a public school in New Mexico would pay over \$14 thousand more to graduate from a four-year program. A New Mexico resident would pay close to \$7,000 more in Texas, and over \$6,000 more in Arizona. The potential savings would likely be higher because many states have higher rates for out-of-state students and these numbers reflect the cost per credit for in-state students.

***New Mexico has the highest default rate on federal student loans in the nation.*** While data show New Mexico HEIs are some of the most affordable, New Mexico also has the second highest poverty rate in the country. In federal FY16, 44,148 students at New Mexico HEIs received federal student loans. According to the U.S. Department of Education, the FY13 New Mexico cohort (most recent available) defaulted on their federal student loans at a rate of 18.9 percent, a full 7.6 percent higher than the national rate of 11.3 percent. All New Mexico HEIs have default rates higher than the national average except for NMT. At five institutions (SJC, NNMC, SFCC, CNM, and LCC) default rates for the 2013 cohort are higher than their graduation rate. For example, CNM’s 2013 cohort had a default rate of 27.7 percent with a 3-year completion rate of 10.6 percent.

To discourage student loan default, federal law provides for sanctions against HEIs in which three consecutive cohorts exhibit default rates above 30 percent. Specifically, these institutions lose direct loan and Pell Grant program eligibility for the remainder of the fiscal year in which the institution was notified and the following two fiscal years.

More than half of the college class of 2015 graduated with debt. According to a study by the Institute for College Access & Success, the statewide average debt level for New Mexico’s class of 2015 was \$20,193. For more details, see Appendix L. With the lowest cost per credit hour in the United States, New Mexico should be at or near the top of states with the lowest debt; however, despite the relatively low cost of tuition, many New Mexico students are graduating with debt. While New Mexico students may graduate with relatively low debt compared to other states, more than half (58 percent) of the class of 2015 graduated with debt.

***At five institutions loan default rates for the 2013 cohort are higher than their graduation rate***

**Table 15. Federal Student Loan Default Rates**  
(FY13 Cohort)  
N= 4,280

HEI	Default Rate
CNM	27.70%
LCC	25.30%
NNMC	24.60%
SFCC	24.40%
NMJC	22.80%
CCC	20.90%
SJC	20.60%
WNMU	20.10%
NMSU	19.60%
ENMU	17.30%
NMHU	13.30%
UNM	12.60%
NMT	5.30%
<b>National Default Rate</b>	<b>11.30%</b>

Note: HEIs include branch campuses  
Source: U.S. Department of Education

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**Though New Mexico has low college tuition, 58 percent of New Mexico students still graduate with debt**

**New Mexico students save over \$8,400 by earning their first 60 credits of a 120-credit degree at a two-year public institution versus a four-year public institution.** According to U.S. Department of Education data, the average savings in the United States is over \$11 thousand. The amount of savings in New Mexico is relatively less because, as previously mentioned, in-state tuition in New Mexico is the most affordable in the nation. New Mexico students attending community colleges who are paying for college credits with student loans realize even greater savings as they are borrowing less and accruing less interest.

New Mexico students hoping to save money by attending two-year institutions may not realize as much savings if all their credits do not transfer to the four-year institution. The Higher Education Department is establishing uniform class numbering to make articulation easier and to comply with state law requiring the department establish and maintain a comprehensive statewide plan to provide for the articulation of educational programs and facilitate the transfer of students between institutions (Section 21-1B-3 NMSA).

**Institutions have implemented cost savings measures but continued efforts are needed.**

As most New Mexico colleges and universities have been grappling with decreasing revenues from both declining enrollment and state appropriations, many institutions have made at least some effort to reduce overhead costs and to make their institutional operations more efficient. However, efforts at efficiency and realized cost savings have not been equal among institutions nor have they occurred as part of an intentional statewide effort, as performance funding is not explicitly linked to the operational efficiency of campuses. Rather, cost savings measures have occurred at HEIs as a result of institutional leadership, available resources, opportunity, and reductions in state appropriations.

Most institutions have been able, via regular program review, to downsize or eliminate underperforming academic program areas. This is often more easily done than downsizing non-instructional areas of the institution because academic departments often have adjunct or contract faculty which eliminate the need for layoffs or downsizing via attrition and program reviews occur semi-regularly as part of an institution's accreditation process.

However, in 2014 the American Institutes for Research's Delta Cost Project found "faculty salaries were not the leading cause of rising college tuitions at institutions across the nation during the past decade. Increased benefits costs, non-faculty positions added elsewhere on campus, declines in state and institutional subsidies, and other factors all played a role."<sup>xiii</sup> Equally important are measures institutions have taken to make their non-instructional operations more efficient. The following is a list of examples of cost containment institutions made within the last five years:

- **Most institutions have taken at least some steps to hold and review vacancies.** As labor is the largest cost category at most institutions, efforts that seek to slow the growth of labor costs are attractive. For example, NMT has moved some vacant positions from "restricted" to "unrestricted" funding sources before re-hiring.

- ***In September 2015, NMSU contracted a staffing study conducted by Deloitte.*** The report found the university was not over-staffed but was poorly organized, and the university needed to address the level of support staff, fragmentation, levels of management, and span of control. The 10-week, \$618 thousand study identified five areas for streamlining such as reducing, consolidating, or eliminating managerial positions with fewer than three direct reports, improving the highly fractionalized procurement process, and making technology improvements that would enable more efficient processing, which overall could save \$53 million over seven years.
- ***UNM reached nearly \$450 thousand in recurring savings after a 2016 AON Risk Solutions evaluation recommended position elimination.*** In September 2016, UNM submitted a strategic finance scope project from the human resources department conducted by AON. The project focuses on administrative costs and positions at the university. Some recommendations include integration of leadership and organizational alignment across the main campus and HSC to push forward “One UNM” and a five-step process using a defined system-wide strategic governance council. Also, the administrative team should be standardized and potentially reduced over time with stronger automation, standardization, and demand management.
- ***A decrease in lectures per week and one fewer teaching assistant yielded a 49 percent cost reduction in one class at UNM.*** A UNM faculty member participating in the National Center for Academic Transformation Roadmap to Redesign program made two changes to a psychology course and was able to reduce the cost of the class from \$161 thousand to \$82 thousand.
- ***NMSU and UNM use Ad Astra software to evaluate space utilization.*** Building services use the software to compare actual usage with maximum usage with the goal of maximizing use of classroom space. NMSU officials indicated summer utilization remains a challenge as opening the campus and classrooms up for summer programming has liability issues with the supervision of attendees who might be under 18.
- ***Group purchasing of Microsoft and Adobe products have saved institutions 35 to 85 percent.*** Since 1980, the New Mexico Council for Higher Education Computing/Communication Services (CHECs) has been convening chief information officers of New Mexico’s higher education institutions with the goal of improving the information technology business services provided at state schools. Through this collaboration, CIOs have been able to save money through aggregated demand for bandwidth, databases, and software licenses. CHECs has also worked as a centralized entity to provide training for Banner across institutions. In the future, the CHECs group would like to explore increased coordination through additional large volume purchasing agreements of software and equipment as well as sharing specialized personnel.
- ***San Juan College (SJC) and NMSU both used performance contracting to finance energy efficiency projects.*** NMSU in 2015 and SJC in 2016 negotiated contracts with separate energy service companies for costly upgrades to outdated physical plant equipment on their campuses.
- ***WNMU closed two underused learning centers.*** In 2016, WNMU operated four learning centers in Lordsburg, Truth or Consequences,

***If implemented, NMSU will save \$53 million over seven years from streamlining staff roles***

***By ceasing to fund three learning centers, WNMU will realize nearly \$600 thousand in annual savings***



Gallup, and Deming. Due to steady declines in face-to-face enrollment, the university decided to cease operations at the Gallup and Deming centers and the city of Truth or Consequences took over operational expenses for its center. WNMU had the ability to quickly shut down those operations because the communities owned the building and WNMU only provided staffing and instructional equipment. This partnership model allowed WNMU to both expand quickly into communities that requested their services as well as efficiently end those services when enrollment dropped without having to sell or repurpose a building. By ceasing to fund the three learning centers, the university reports it will realize nearly \$600 thousand in annual savings.

***Institutions may be changing their enterprise resource planning software, but have yet to exploit opportunities for collective licensing and support of current systems software.*** Banner is a popular enterprise resource planning (ERP) system offered by the software company Ellucian. Eleven New Mexico HEIs, including all four-year institutions and their branches, currently use Banner. HEIs individually license Banner and could likely cut costs if institutions instead collaboratively purchased them. However, there is an unwillingness to collectively purchase licenses by some HEIs, as it would likely mean tailored add-ons would be lost or modified and even slight changes can be disruptive and costly. However, rising licensing costs and maintenance, as well as dissatisfaction with the ability of the software to meet the evolving needs of HEIs and students, is pushing institutions to reconsider their continued use of the system.

**Table 16. Annual Costs Associated with Banner at CNM**

Annual Software Licensing Costs	\$610 thousand
Necessary Support Software	\$656 thousand
Related Consulting Services	\$7 thousand
Dedicated IT Staff	\$698 thousand
Hardware, Maintenance and Server Costs	\$112 thousand
<b>Total</b>	<b>\$2.1 million</b>

Source: CNM

**What is ERP software?** Enterprise resource planning (ERP) is an industry term for a coordinated system of software that supports the business functions of higher education institutions. For example, ERP software is commonly used for data and analytics for human resources, institutional accounting and financial systems, as well as for enrollment management and academic tracking. Basic ERP software is required for the day-to-day functioning of an HEI, both to support the business functions of the institutions, but also to allow the institutions to fulfill regulatory tracking and reporting requirements. Most ERP systems are highly customizable, and institutions can purchase additional software add-ons that allow the system to incorporate additional functions like marketing, communications, procurement, sales, and plant management.

Moreover, in 2016, Ellucian announced that after Dec. 31, 2018, they would no longer provide maintenance support for Banner's version 8. Moving ahead, institutions must either purchase an upgraded version of the software or “lose the ability to receive regulatory updates, releases and product enhancements, patches or updates of any kind, and enhancement requests.”

At least one institution, CNM, is formally assessing moving to a different enterprise resource planning (ERP) system. In summer 2017, the college hired Info-Tech Research Group, a research and advisory firm, to assess CNM’s changing ERP needs as well as the ability of those needs to be met by Banner. Specifically, the institution will be looking to see if Workday or another a cloud-based ERP software option might be a better and more affordable option for the institution. The assessment should be completed by the end of 2017.

No matter the specific brand of ERP system institutions use, it is likely the cost of licensing and maintaining that software will be lower if institutions purchase it collectively. Multi-institutional groups such as the New Mexico Council for Higher Education Computing/Communication Services (CHECs) will be key to ensure that any movement away from (or reinvestment in) ERP systems moving ahead best leverages economies of scale through collaborative purchasing.

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**Though some cost containment measures are underway, institutions have yet to pursue various additional opportunities.**

Opportunities for multi-institution collaborations remain. In February 2017, the TIAA-CREF Institute released a report on *Expanding Alliance Strategies in Higher Education*. A key takeaway from the report: “Achieving long-term HEI competitiveness and sustainability will require a proactive consideration of more assertive and intentional forms of collaboration and alliance — building upon the successes of geography-based consortia but avoiding complications and limitations of institutional mergers.<sup>xiv</sup>”

Except for the New Mexico Council for Higher Education Computing/Communication Services (CHECs) example, the defining characteristic of each of the efforts listed above is that they occurred within individual institutions. Further, many institutions have not reduced non-instructional spending in response to falling enrollment and revenue. As such, there are ample opportunities for better collaboration and perhaps a consolidation of functions between institutions.

Collaborations between institutions for procurement to reach volume discounts are an obvious option, and the CHECs group is making some headway for IT in that way. Still, there are other opportunities for collaboration and resource sharing that New Mexico institutions have yet to pursue:

- Sharing of high-specialization and high-salary employees (e.g., in cybersecurity, labor and market research, public relations, and enrollment management.)
- Shared administrative “back-office” resources (e.g., payroll, accounting and financial departments, endowment management, legal counsel, HR, and library services.)
- Sharing courses, faculty, or academic departments in regions with overlapping geographies or where online courses can be leveraged.
- Sharing co-curricular offerings and student services (e.g., student clubs and organizations, advising, arts and cultural programs, athletics, and recreation opportunities.)

***The National Association of College and University Business Officers (NACUBO) keeps a list of cost-cutting strategies.*** Beyond collaborations NACUBO maintain a list of more than 70 unique cost-cutting strategies on their website (at <https://tinyurl.com/22m4ecj>). All strategies are worth consideration, but a few examples New Mexico institutions could implement include:

- Suspend or close all undergraduate minors; graduate and undergraduate special-emphasis programs; nonprofessional masters and doctoral programs that are not signature programs or not ranked among the top 50 in the nation.
- Implement four-day week with extended daily hours for summer, and operate only required buildings on Fridays (dining halls, residence halls, health center, and etcetera).
- Budget for zero new positions, zero departmental budget increases.
- Lease prime ground-floor spaces in campus buildings to retailers, professional firms, independent nonprofit organizations, and other revenue providers.
- Fill office, buildings-and-grounds, and custodial staff positions with student workers who will earn tuition credits.

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**Cost containment measures New Mexico institutions could pursue or expand upon.**

**Use of eAdvising software at Georgia State University led to a 5 and 6 percent increase in retention and graduation rates**

**New advising tools increase retention, graduation rates.** The University Innovation Alliance, a group of 11 national research institutions, have been leaders of innovation in harnessing and sharing successes in predictive analytics to increase student retention and success. For example, in 2013 Georgia State University used modeling software to signal student “red flags” such as when they sign up for a class outside their major or if they score below a certain threshold in a core class. These red flags prompt students to meet with advisors to remedy the red-flag situation before it escalates into a student dropping out. Since its implementation, Georgia State’s retention rate is up 5 percent, graduation rates up 6 percent<sup>xv</sup> and Georgia taxpayers saved approximately \$5 million.<sup>xvi</sup>

Another Alliance institution, Arizona State University, has been utilizing a similar eAdvising system since 2008 with the express goal of helping students identify a major that suits their skills faster than they would have through exploratory course taking. Students at ASU now have a 12 point increase in four-year graduation rates and the university has realized approximately \$14 million in advising and instructional cost savings.<sup>xvii</sup>

**Responsibility Centered Management incentivizes student outcomes and accountable departmental budgeting methods**

**Responsibility Centered Management.** Dr. Richard Vedder of the Center for College Affordability and Productivity at Ohio University advocates for a system of financial incentives for academic leaders who are able to cut costs while increasing academic quality and outcomes, writing “If a dean cuts his/her college’s instructional costs while learning outcomes improve, he/she should get a hefty bonus... If the incentives are there, educational leaders will use innovations, such as massive open online courses (MOOCs) and other electronic technologies, to reduce costs while maintaining or improving quality.”

This model, called responsibility centered management or RCM, can be shaped to not only employ personal financial incentives but also increased funding and space allocations for whole departments. Iowa State, Ohio, Minnesota, Rutgers, Texas Tech, Florida, New Hampshire, and the University of Virginia (among others) all incorporate some form of RCM in their campus budgeting process.<sup>xviii</sup>

**Reducing the time faculty invest in course management and transferring some of those tasks to technology-assisted activities are key cost-reduction strategies**

**Competency-based education (CBE) model may present opportunities for New Mexico students to spend less on tuition costs by shortening time to degree.** CBE is one of the most important topics for higher education in 2017 and is based on awarding credit for demonstrated student competencies rather than seat time. CBE awards credit when a student has mastered a particular set of content and skills. CBE has been a successful model in the for-profit industry mainly focused towards adult students, but universities like Michigan and Purdue with solid online programs have begun seeing benefits to CBE. CNM has a 15-month CBE model fast-track associate of applied science degree in business administration designed for working professionals. Evening and online classes are offered in seven-week blocks: two blocks per term and one seven to 12-week summer block.

**Increasing course redesign through NCAT participation.** The National Center for Academic Transformation (NCAT) works with individual college professors and colleges to redesign courses to increase cost savings, course-

completion rates, and improve retention. NCAT reports reducing the time faculty members and other instructional personnel invest in the course and transferring some of these tasks to technology-assisted activities are key cost-reduction strategies. A NCAT program funded by the Pew Charitable Trusts revealed the following specific cost-saving strategies<sup>xix</sup>:

**Table 17. Cost Saving Strategies at Universities Nationwide**

Online Course Management System	<ul style="list-style-type: none"> <li>• Software enables faculty members to monitor student progress and performance, track time-on-task, and intervene on an individualized basis.</li> <li>• Communicates automatically with students about the class, exam performance or encourage greater participation online.</li> </ul>
Online Automated Assessment of Exercises, Quizzes, and Tests	<ul style="list-style-type: none"> <li>• Standardized formats increase the level of student feedback.</li> <li>• Offload rote activities from faculty and other instructional personnel leaving them more time to facilitate and monitor individual students.</li> </ul>
Online Tutorials	<ul style="list-style-type: none"> <li>• Instructional software eliminates lecture time previously used to introduce content, make class announcements, and review homework.</li> </ul>
Shared Resources	<ul style="list-style-type: none"> <li>• Reduces faculty workload by decreasing time spent developing and revising course material and preparing for classes.</li> <li>• Reduces duplication of effort.</li> </ul>
Staffing Substitutions	<ul style="list-style-type: none"> <li>• Support system comprising various kinds of personnel to fulfill student needs.</li> </ul>
Consolidation of Sections and Courses	<ul style="list-style-type: none"> <li>• Reduces the number of faculty teaching a course.</li> </ul>
Reduction of Space Requirements	<ul style="list-style-type: none"> <li>• Online courses reduce the need to meet face-to-face and thus classroom space.</li> </ul>

Source: NCAT

**Student employment.** Utilizing student workers for various low-level campus jobs can save institutions money and give students direct work experience. For example, the University of Colorado reduced its annual labor costs by \$317 thousand by switching to more student workers at their Boulder campus in 2015.<sup>xx</sup>

**Optimizing class time, space utilization.** In 2015-16, more than 20 percent of FTE students took online courses at New Mexico HEIs. However, compared to face-to-face courses, online courses often require additional IT staff support, the courses also allow fewer faculty to teach more students. As such, increasing the number and size of online courses is a potential avenue whereby institutions can keep faculty numbers low, better utilize physical classroom space, and lower instructional costs.

Unfortunately, online courses may be outside of the reach of some students in New Mexico. The 2016 national Campus Computing Study found 33 percent of Chief Information Officers (CIOs) at public four-year universities and 62 percent of CIOs at community colleges thought that campus efforts at “going digital” were impeded because not all students have access to notebook computers or tablets.<sup>xxi</sup> That said, providing online or hybrid online-and in-person versions of courses to students that can take them should be a priority for institutions moving ahead.

Beyond online courses, campuses could study the cost savings potential of moving to a three-semester or four-quarter academic calendar to better utilize campus buildings year-round. Again from the Center for College Affordability and Productivity: “If a school moves from two to three semesters (or three to

***The University of Colorado reduced its annual labor costs by \$317 thousand by switching to more student workers at their Boulder campus***

**“If a school moves from two to three semesters, professors can be offered the option to teach year-round for some percentage increment of pay. Done properly, this would lower instructional costs per class and optimize utilization of capital facilities.”**

**-Center for College Affordability and Productivity**

**Florida incorporates metrics such as the percent of graduates employed or continuing their education and the median wages of graduates in their performance-based funding model for higher education**

four quarters), professors can be offered the option to teach year-round for some percentage increment of pay (still getting four to six weeks of vacation a year). Done properly, this would lower instructional costs per class and optimize utilization of capital facilities.<sup>xxii</sup>

Finally, all New Mexico HEIs would benefit from better measurement and data to optimize classroom utilization as mentioned previously. New Mexico State University uses a software system, Ad Astra, to aid administrators in scheduling. However, most other universities are relying on less sophisticated tools to measure room and building utilization. As such, they are likely not realizing energy and maintenance cost savings that occur under more efficient space utilization schemes.

**Affinity groups share innovations in cost savings.** The Gates Foundation coordinates a group of 31 colleges, universities, and systems to exchange ideas that have worked to lower costs and improve success rates. The group, called the Frontier Set, has been sharing ideas, mostly focused on increasing student retention.<sup>xxiii</sup> A smaller but similar consortium, the University Innovation Alliance, has brought 11 research universities together to share ways to cut costs as well.<sup>xxiv</sup> No New Mexico higher education institutions are currently a part of either group.

**Adopting paperless practices.** In 2011, Yale set a goal of reducing its campus’s paper consumption, and \$2 million printing budget, by 25 percent.<sup>xxv</sup> In the first year of those efforts:

- The student employment office realized annual savings of \$100 thousand by adopting an electronic process to replace paper time sheets.
- The School of Medicine saved \$92 thousand when the practice of printing paper course packets was replaced with iPads.
- Finance and Business Operations saved roughly \$60 thousand when it discontinued printing and mailing hard copies of its annual report and instead published it online.

**Increasing oversight.** In 2014, the Florida Board of Governors approved a new performance-based funding model that included measures beyond more typical metrics of degree completion time and rate. Instead, the Board also included metrics such as affordability, the percent of Bachelor’s graduates employed (earning \$25 thousand +) or continuing their education, and the median wages of Bachelor’s graduates. Four years later, the Board reports year-over-year gains in six of eight metrics.

**Consolidation of schools is a difficult option and does not guarantee improved efficiency or student outcomes.**

In response to high expenditures and low student outcomes, some states have taken steps to consolidate governance, oversight, and even some institutions. For example, Connecticut implemented a plan in 2011 to consolidate governance of their public universities with the goal of combatting low degree attainment and rising tuition costs. Since the restructuring, two community colleges within the system ranked as top institutions in the nation for educating and graduating low-income students.<sup>xxvi</sup>

Most notably, the University of Georgia system consolidated 14 colleges and universities between FY12 and FY15 finding initial savings in administrative costs ranging from 3 percent to 4.5 percent. Sites were not eliminated and there was limited reduction in faculty at each merged institution. Consolidation has allowed institutions with separate administrative budgets and structures to pool their resources, streamline functions, and become more efficient. The merged institutions now share common infrastructures, such as human resources, purchasing and contracting, facilities, and finance and accounting. According to the board of regents, one of the most challenging aspects of consolidation was the expectation to reduce costs and expand academic programs to multiple campuses to serve a growing student population. Additional challenges included:

- Merging two divergent institutional missions and cultures without alienating students in both communities.
- Keeping clear the lines of authority while navigating enterprise-wide realignment.
- Defining a new consolidated brand respecting a unique position in the marketplace.
- Keeping tuition affordable while meeting the needs of the university.
- Building and growing in a challenging economic environment.
- Leveraging opportunities to expand both a national and international footprint in an increasingly global economy.
- Managing communications, both internal and external.

The result has been modest annual savings to the state, but significant increases in graduation rates among consolidated schools.<sup>xxvii</sup>

**Further, consolidation of Georgia State University and Perimeter College redirected \$6.5 million to academic programs.** A reduction of 107 administrative and non-academic positions led to funding for 30 academic advisers and 48 additional staff in admissions, financial aid, and student success programs. Savings from further reductions of seven academic deans and 24 department chair positions and the number of colleges and other major academic units from 16 to 10 were returned to instruction. New admissions policies saw an 8 percent increase in the 2016 freshman class. Graduation rates have increased 11.9 percent since the consolidation.

At Kennesaw State University, 102 administrative and non-academic positions were eliminated, with savings of \$5.6 million in state funds and \$1.7 million in non-state funds. Middle Georgia State College (MGSC) (consolidation of three colleges at six campuses) garnered a one-time savings of \$2.1 million and redirection to academic priorities as shown in Table 18.

### Current fiscal operations of some HEIs are placing institutions and students at risk.

Causes for adverse student outcomes vary and are sometimes within the control of an institution and sometimes beyond the control of an institution. Extreme poverty, declining state support coupled with inadequate revenue generation in other areas, inadequate operations of governing boards, and criminal activity are some of the themes leading to adverse outcomes for New Mexico students and HEIs.

- **Two of the state's colleges may lose access to federal student loan monies due to high default rates.** CNM and NMJC demonstrated default rates near or above the 30 percent threshold for

**Georgia consolidated 14 colleges creating small amounts of savings in administrative costs, but were also able to redirect costs to academic programs**

**Table 18. Middle Georgia State College Consolidation FY13 to FY14**

Elimination of Duplicate Positions	\$1,156,254
Realignment of Academic Programs	\$285,000
Redirects	\$181,054
Strategic Personnel Decisions	\$510,800
Savings on IT	\$14,700
Savings on Dues	\$10,000
<b>Total</b>	<b>\$2,157,808</b>

Source: Middle Georgia State College

at least two consecutive cohort years. Should these two institutions fail to keep their default rates below 30 percent, nearly 15 thousand students at the institutions risk losing access to approximately \$37.3 million in federal financial aid.

- **More than half of HEIs are not meeting a benchmark indicating financial health.** According to HED, performance of the Composite Financial Index (CFI) score is evaluated on a scale of -4 to 10. A score of 3 is considered to be the threshold for institutional financial health while a score from 0 to 1.0 requires an institution to submit additional financial documentation to HLC. A score below 1 requires additional action by the institution. Eight of 15 institutions for which CFI scores are available have averaged below a 3 over the last six years with several institutions scoring a 1 or below. See Appendix M for more details.
- **In September of 2016, Moody's placed four Universities under review for downgrade.** UNM, NMT, NMSU, and NMMI were all placed under review for downgrade. In June of 2017, NMSU's bond rating was lowered for the second time in as many years.
- **HED placed UNM on an enhanced fiscal oversight program due to financial issues in their athletics program.** UNM is also currently under investigation by the Attorney General and Office of the State Auditor related to financial issues in their athletics department. Additionally, UNM's accrediting body HLC has asked for an update on the audit and cited information received from HED and the media as raising concerns regarding UNM's financial oversight and concerns regarding compliance with criteria for accreditation.
- **In August 2016, the HLC placed NMHU on probation.** According to the HLC, NMHU was placed on probation due to some concerns relating to institutional support, assessment of student learning, student retention and completion rates, governance, and institutional planning. Loss of accreditation would lead to the inability to use Title IV student loan funding at that institution. Historically, HEIs losing accreditation has led to closure of that institution.
- **HED placed Luna Community College under enhanced fiscal oversight. LCC was also put under special monitoring by their accrediting agency due to concerns with nepotism, misrepresentation, potential violations of institutional policy and state law.** The HLC also stated intentions to impose a public designation on LCC of Financial Distress reflecting a status of an institution having serious financial issues or an institution having been placed on financial monitoring by a government agency.
- **NNMC ended FY15 with negative reserves.** In FY15 NNMC ended the year with negative reserves before building them up to \$1.3 million in FY16. Accrediting agencies also consider reserves in their review of higher education institutions. For example, the Higher Learning Commission cited financial resource concerns including reserves as one of the issues leading to NMHU's current probationary status.
- **HED placed NNMC under an Enhanced Fiscal Oversight Program due to concerns around a late audit report and potential employee fraud/embezzlement.** The designation largely stems from findings in NNMC's 2016 audit that included 37 findings of serious deficiencies and areas of noncompliance. Additionally, in October of 2015, HED released a special audit on NNMC capital projects detailing some procurement code violations.

**HED's special audit of LCC concluded there were six valid concerns that required corrective action including:**

- Presidential Search and Hiring;
- Perception of Nepotism/Favoritism
- Appearance of Employee Misrepresentation;
- Fiscal Health Status;
- Open Meetings Act Compliance; and,
- Integrity of Inventory.

LCC offered their view on the HED audit in a HLC self-study:

*"Local media coverage of the school has been negative and spearheaded by a disenfranchised few. It is the policy of the Higher Education Department to act upon complaints which follow a process set forth by their own design. Having said this, HED's processes do not include anonymous/slanderous complaints to be brought before an institution. It requires the complainant to complete a complaint form, identify themselves, state the problem, indicate whether the institution has been notified and had opportunity to resolve the problem, and a follow-up report about the outcome. None of these basic courtesies/processes were afforded Luna Community College."*

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## Recommendations

The Legislative Finance Committee and Higher Education Department should consider providing incentives either within the funding formula or externally for institutions improving performance but not gaining funding to obtain funding to pursue efficiency and cooperative activities.

The Higher Education Department should exclude data from the funding formula for degree or certificate programs that lack proper accreditation or cannot ensure quality.





## NEW MEXICO HIGHER EDUCATION DEPARTMENT

SUSANA MARTINEZ  
GOVERNOR



DR. BARBARA DAMRON  
CABINET SECRETARY

October 23, 2017

Mr. Charles Sallee, Deputy Director for Program Evaluation  
Legislative Finance Committee  
125 Don Gaspar  
Santa Fe, NM 87501

Dear Deputy Director Sallee,

I have reviewed the Legislative Finance Committee's (LFC) recent Program Evaluation Report, *Higher Education Cost Drivers and Cost Savings*, in draft form.

We agree with many of the themes and findings of the report, including the need for the higher education institutions to be more efficient and the need for increased emphasis on performance based funding.

We appreciate the emphasis on the 24 institutions in this report, but want to point out that the Higher Education Department's (HED) initiatives include working with all 31 institutions. The higher education system in New Mexico is currently comprised of 21 governing boards and 10 advisory boards. This includes HED oversight of 3 research universities, 4 comprehensive universities, 7 independent community colleges, 10 branch community colleges, 4 tribal colleges, and 3 special schools, including a military institute.

The report suggests that HED provides oversight for degree production, in general. We point out that we do this at the graduate level, and continuously work to improve this process. HED approaches every initiative through the lens of quality courses and quality credentials. We will continue to provide appropriate oversight of awards, and will impose quality standards on bachelors and other post-secondary credentials as authority and resources permit.

In regard to the performance funding formula, we would remind the Legislature that "soft landings" have already been phased out, and HED does not support future use of these adjustments. As we continue to work on the higher education funding formula, it is imperative that we continue focusing on funding performance outcomes and our interactions with national experts suggest that base plus models are not sufficient to move a state's performance outcomes in a meaningful way.

### *Statewide Policy Initiatives*

The New Mexico Higher Education Department has made significant progress in creating cohesion throughout the 31 higher education institutions (HEIs) in New Mexico. The long-term statewide goals are to increase 2-year and 4-year graduation rates, improve state-wide articulation and transfer, and improve remedial education outcomes. These initiatives create efficiencies and cost-savings for students and the

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State. Common Course Numbering (CCN) creates a statewide higher education system that will ease credit transfer and articulation amongst New Mexico's HEIs. Over 10,000 courses have been included in the common course numbering alignment, with faculty from 79 disciplines ensuring the high quality of the courses. Additionally, meta-majors ensure that students take courses that will ultimately count as degree requirements for their major while still allowing them to explore their options. Furthermore, the general education core curriculum will decrease the number of required credit hours and will build on the five skills that are critical for success in academia and the professional world. Common course numbering, meta-major and general education reforms were codified in law in 2017 through SB103 during the legislative session.

Other policy initiatives include the HED establishment of task forces to study statewide alternative remediation. Initial results show the benefits of alternative remediation models such as co-requisite remediation. HED will continue to communicate recommendations for scaling up new remediation models across the state. Additionally, HED is working on installing rigor and quality in alignment with Higher Learning Commission (HLC) standards for dual credit courses. Moreover, an upcoming HED initiative is focused on a statewide policy for Advanced Placement (AP) credit with a goal of transparency for students regarding where and how their AP course credit articulates.

#### *Statewide Strategic Planning*

In the fall of 2016, Governor Martinez established the goal of having 66 percent of working-age New Mexicans have a degree or post-high school credential by 2030. The attainment goal has been named the "Route to 66". To kick-start this initiative, HED hosted the first of several strategic planning meetings, later renamed the New Mexico Statewide Higher Education Master-plan committee (NM SHEM), to work on the challenges facing New Mexico's HEIs.

The first issue considered by the committee is the structure of governance of the NM higher education system. HED was asked to study this topic by the Governor, and ultimately by the legislators after the passage of Senate Joint Memorial 8 during the 2017 regular session. The committee has organized itself into three subcommittees which are governance, financial implications, and analysis of statutes and constitutional changes that may be required for reorganization. These subcommittees are examining multiple models of higher education and recommendations will be made to the executive and legislature in December 2017.

#### *Closing Comments*

There are indications that some HEIs are improving efficiencies and identifying cost savings. In addition to the recommendations in this report, HEIs must start diversifying their funding sources through philanthropy, endowment fund growth, additional federal funding, and expanded technology transfer. We as a State must undertake initiatives that support student success, including improved 2-year and 4-year graduation rates and an increased number of quality credentials awarded.

It is the purview of the legislative and executive branches of government to look at our higher education system for the greater good of the State and not just for each individual institution. Institutional representatives and lobbyists wield significant influence in New Mexico, but it is important to remember that it is their job to advocate for their individual institution or sector. Decisions that drive progress toward efficiencies and cost-savings have to be made at the State-wide level. This is more difficult in our decentralized system.

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Working collaboratively, the higher education institutions, the legislature, and the executive can create a world-class higher education system that will benefit New Mexican students, and the economy, for generations to come.

Sincerely,

A handwritten signature in black ink that reads "Barbara L. Damron". The signature is written in a cursive style with a large initial 'B'.

Barbara Damron, PhD, RN, FAAN  
Cabinet Secretary  
Higher Education Department

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Subject: Correspondence from President Winograd

October 27, 2017

Dear Members of the Legislative Finance Committee,

For the past twenty-two years, I have watched the Legislative Finance Committee (LFC) work hard to support and encourage higher education in New Mexico. I always appreciate your thoughtfulness and wisdom and your ability to balance the varied needs of New Mexico. I understand that higher education is under intense scrutiny both in New Mexico and throughout the country. The program evaluation presented to the Committee is full of important information and I am working with my Governing Board and staff to think about ways we can be positive and helpful as the discussions about higher education efficiencies continues over the new few months.

I do need to address two issues: 1) The Program Evaluation for Higher Education Cost Drivers and Cost Savings report asserted that increases in graduation numbers are made to game the funding formula. That statement underestimates the impact of graduation on economic development and undermines our efforts to use certificates and degrees to increase retention, graduation and transfer to a four-year university. 2) I would like to suggest we look at student enrollment in a broader fashion. Throughout LFC's evaluation the topic of enrollment continued to dominate the discussion. The report only focused on traditional credit hour students. I believe it is important to understand how higher education across the country and here in New Mexico is changing, and how our focus on a broader, more inclusive population of students is impacting economic development in New Mexico.

#### **Increases in Numbers Receiving Certificates and Degrees:**

CNM has paid close attention over the years to the legislators call for better outputs – not just more inputs. As a result, our faculty and staff at CNM focus on graduating students. We have a long way to go but our first-time, full-time graduation rate has increased from 6% in 2007 to a projected 24% for the current year. And, although we are now close to the average graduation rate for urban community colleges, our goal is to exceed our peers over the next five years.

The changes we made over the last ten years have resulted in national recognition for CNM. In the 2014-15 academic year, CNM was #1 in the country for certificates and associates degrees awarded to Native American students and Hispanic students and #2 in the country overall. Since CNM is not close to being the largest community college in the country, the recognition is impressive.

The graduation increases were intentional and focused. They were in response to the charge established by the Legislature to graduate more students, focused on the incentives created in the formula, and dedicated to central New Mexico's strong emphasis on economic development. Our economic development professionals stressed the importance of the data about the number of citizens with high school diplomas, higher education certifications, associate degrees and Bachelor degrees. The most recent examples were CNM's role in the Facebook recruitment process and the current application that was developed to recruit Amazon to New Mexico. One of New Mexico's most significant challenges is the perceptions about the readiness of the workforce and our completion data continues to strengthen the application.

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CNM has also been working hard with Mission: Graduate, a Central New Mexico Business/Education partnership focused on increasing the number of citizens with a higher education certificate or a degree. The focus of that group is 60,000 new higher education certificates and degrees by 2020. Their goal recognizes that the most significant factor for recruiting and maintaining business and industry is the number of individuals with higher education credentials. By collaborating with the University of New Mexico, Albuquerque Public Schools, Rio Rancho Public Schools, University of New Mexico-Valencia, and Southwestern Indian Polytechnic Institute, Albuquerque and Mission: Graduate were designated as a Talent Hub by the Lumina Foundation and received a \$6 million grant to support its work.

I believe LFC members and staff agree that improved graduation numbers help New Mexico's economy. Therefore, I think we need to figure out how to have a more productive and positive conversation about the impact of college and university decisions on the funding formula. The assertion that we are focused on gaming the formula and the use of the term "degree mills" diminishes the significance of the local and national evidence based approach, and local economic and workforce requirement data used by the college, and our Governing Board for degree approval. Student success is complex, especially when dealing with students who require clear pathways, intentional milestones and easier transitions. CNM, like other higher education institutions, are working hard to improve in these areas. Because our state's economic health depends on improving the educational levels of New Mexicans. I hope we can find a way to address how individual institutional decisions impact the funding formula while continuing to recognize the broader range of issues many of our colleges are attempting to address in our communities, and with our peer colleges throughout the country.

Nationally, a number of organizations and foundations have come to understand the value of pathways, milestones and recognition and have started providing research and data about these efforts. Students who enjoy a clear picture of their future, know exactly what they would like to do, and do not question their ability to reach their educational goal, do not need nudges along the way. And yes, that group of students often wonder why we are recognizing that achievement. However, students failed by education throughout their lives not only appreciate, but require the recognition that they are moving forward. It often gives them just enough encouragement and confidence to move to the next step. Often, these milestones provide them an opportunity to apply for higher level position for work.

Nationally, research shows that retention improves when students receive milestones and these results are the same at CNM. Nationally, data suggest that a student who receives a certificate is more likely to get an associate's degree and a student with an associate's degree is more likely to get a bachelor's degree. We believe our success will result in higher transfer rates to four-year institutions and higher bachelor's degree numbers from students who started at CNM.

CNM started the college's Navigation Pilot two years ago and institutionalized many initiatives after reviewing data that showed our approaches were resulting in more students returning to CNM. Our goal of higher term-to-term retention and on-time graduation has been well served by providing students with recognitions and clear guidance about next steps. CNM's own data suggest that these decisions have benefited the students.

#### **A Broader Definition of Enrollment:**

New Mexico has one of the largest populations of young adults in the country who are neither in school nor working. It is important that we provide opportunities for these young adults to develop skills to enter the workforce. Sometimes enrolling in classroom or on-line credit courses is not the answer. Non-

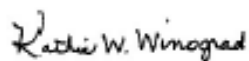
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credit educational opportunities like coding and cyber boot camps or Commercial Driver's License (CDL) are more appropriate paths to the workforce. Separately, CNM's Fuse Makerspace has accommodated hundreds of individuals wanting to learn how to use large, expensive and high-tech equipment not often available to the general public. Currently, there are twelve small businesses that run their business through Fuse. Our partnership with a regional utility partner to train linemen will serve the entire state's desperate need for a trained workforce. Other short-term trainings and hands-on experiences provide opportunities for "higher" learning and I believe these will increase as all of us in higher education try to respond to the demand for a workforce, especially in the middle skill jobs like plumbers, welders, auto repair, etc.

CNM has served more than 10,000 "students" through these innovative, creative educational avenues. These individuals do not receive federal financial aid and mostly pursue these alternative options to higher education on their own accords and often in spite of state support. However, our data shows a high success rate and living wages for those entering jobs, especially out of our boot camps. This important shift in higher education is important to understand as we consider the role and responsibility of our campuses in the future.

Thank you for allowing me to add to the already full discussion about New Mexico's higher education. CNM's Governing Board and administration are committed to helping our state move forward to create the kind of higher education system New Mexico deserves.

Sincerely,



Katharine Winograd  
President, CNM

Cc: Dr. Barbara Damron, Secretary, Higher Education Department  
David Abbey, Director, Legislative Finance Committee  
Pauline J. Garcia, Chair, CNM Governing Board Member  
Thomas E. Swisstack, Vice Chair, CNM Governing Board Member  
Virginia M. Trujillo, Secretary, CNM Governing Board Member  
Michael Glennon, CNM Governing Board Member  
Nancy Baca, CNM Governing Board Member  
Annette Chavez y De La Cruz, CNM Governing Board Member  
Michael Canfield, CNM Governing Board Member



October 12, 2017

**VIA EMAIL**

david.abbey@nmlegis.gov

David Abbey, Director  
Legislative Finance Committee  
325 Don Gaspar, Suite 101  
Santa Fe, New Mexico 87501

Dear Director Abbey:

The purpose of this letter is to address the concern that Northern New Mexico College (NNMC) ranked within the ninety-fifth percentile in the Carnegie Classification (Basic) in the Instruction & General (I & G) category institutional support expenditures per FTE. The measure pertains to the fiscal year ending June 30, 2015.

As a result of review of the data for the 2015 fiscal year and in consultation with other colleges and universities, we determined that sub-awards to grantees of Title III (namely UNM Los Alamos, UNM Taos, and Santa Fe Community College) were coded entirely to institutional support. This allocation was coded based on the fact that the then-vice president of advancement oversaw those grant programs. It is clear that these amounts should have been coded based upon the *manner* in which the funds were used rather than the individual responsible for overseeing them. Simply stated, these sub-awards were charged entirely to institutional support rather than accurately charged to *instruction* which was the primary use of the funds at all three sub-recipient entities' locations. *The amount reported originally overstated the institutional support costs (before the allocation of O & M) by approximately \$1,121,000 or 27%.*

Not only do we now know that the FY15 institutional support costs were overstated, the unaudited FY17 figures are lower, demonstrating that NNMC is making strides toward more efficient resource utilization. For example, the President's Office expenditures have been decreased by approximately 25% since FY15. In addition, the position of vice president of advancement has been eliminated. These two reductions alone amount to \$500,000 in additional savings between FY15 and FY17.

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P.O. Box 160 | El Rito, NM 87530 | Ph: 575 581.4100 | Fax: 575 581.4140 | [www.nnmc.edu](http://www.nnmc.edu)  
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David Abbey, Director

October 12, 2017

Page 2 of 2

If you have any questions, or we can provide any additional information, please contact my office anytime at (505) 747-2140. Thanks for your attention.

Respectfully,



Richard J. Bailey, Jr., PhD

President

Charles Sallee, Deputy Director for Program Evaluation

Dr. Jon Courtney, Program Evaluator Manager

Travis Dulany, Fiscal Analyst I, Higher Education

Miceala Fischer, Program Evaluator

Nathan Eckberg, Program Evaluator II

Ricky Bejarano, NNMC Vice President for Finance & Administration

Alexandra Williams, NNMC Senior Financial Analyst



October 27, 2017

Dear Director Abbey,

Thank you for the opportunity to respond to the Program Evaluation: Higher Education Cost Drivers and Cost Savings Report. From my reading of the report it is obvious that your staff put a great amount of time and effort into the report and they should be commended. It is equally obvious from my institution's point of view that the data used was indeed actual data that our institution submitted, but was data that at times was not clearly understood by the analysts. This is not to imply that they lacked knowledge, but rather lacked understanding.

A clear example of this is that within the report it is noted that "Western New Mexico University... spent nearly twice the national benchmarks on administration, indicating they are over spending on their institution's executives and administrative operations and not enough on providing instruction for their students." What is left out is an understanding of the data used to make such a bold statement.

In conversations with LFC staff as well as the report itself, it was identified that WNMU had increased executive management over ten years from 12.8 FTE to 25.41 FTE. The LFC staff took the information directly from the financial statements that WNMU had submitted over the years. The LFC staff had knowledge as in the FTE numbers, but lacked understanding as to what those FTE numbers meant. It turns out that under the guidelines of how FTE are reported and in which category, WNMU has been reporting **any** FTE that is paid via the fund organization associated with the president's office or any of the vice presidents' offices as part of the Executive Management FTE so that the salaries match the fund org and thus the FTE. This means that such positions as web developer, photographer, administrative assistant, scholarship coordinator, secretaries, various entry level coordinators and even a student worker among others are part of that FTE. Clearly these positions are not what I or you or anyone else would consider executive management. In fact if we followed the definition of executive management to mean those individuals whose decision making authority spans the organization, we would have only 5.5 FTE. And since the data was from fy16, we have even continued our elimination of high level positions such as we no longer have a Dean of Arts and Science. In fairness to the LFC staff, they simply took the FTE totals that we had submitted and compared them without seeking to understand them. Interestingly, WNMU was asked about this particular item during an interview with the LFC staff. We noted that the higher FTE number was most likely inflated because we created a marketing team. But because we didn't want to create an additional executive position of Vice President of Marketing, the team was placed in the President's office budget. Somehow, that explanation did not discount the finding of the analyst who was comparing raw numbers of FTE.

The same was true in terms of ratios used for national benchmarks. WNMU places our instructional technology in the administration portion of the budget. By way of example, another state university does not as that university charges back departments and thus considers it in the "Exhibit and Other" category. Therefore, when comparing institutions both at the state level and at the national level, WNMU's administration is inflated by \$1.5 million of Instructional Technology. Meanwhile, the

Transforming the Future Together

Western New Mexico University | P.O. Box 680 Silver City, NM 88062 | Phone 575-538-6238 | Fax 575-538-6364 | [www.wnmu.edu](http://www.wnmu.edu)

denominator of the ratio is equally undermined in that WNMU receives \$8 million less than another New Mexico university of similar size. Simple math suggests that when the numerator is over inflated and the denominator is underfunded, you will get what appears to be a larger ratio than similar universities within the state and the nation.

Finally, when using ratios, economies of scale can create misleading conclusions. For example, if I told you that WNMU had a decline of half of our female enrollment in the welding class, such information might be cause for alarm until you found out that last year we had two females enrolled and one graduated. Similarly, if our university reported a president's salary of \$300,000 for an enrollment of 3,000 students and another institution reported the same president's salary for an enrollment of 30,000 students such would imply that Western was spending ten times as much per student as the other university. Economies of scale become meaningful the smaller the institution when examining ratios.

It is troubling that on performance as based upon the funding formula, WNMU has been one of the top performers and by extrapolation, one of the most efficient, yet in the report WNMU is portrayed as not spending enough on instruction. For example, according to the report, WNMU teaches only 414 FTE less than Highlands, yet receive \$8.2 million less in funding. Per FTE, WNMU gets \$1,116 less, but when examining performance in terms of the funding formula, performs better than many of the other universities. Is this not a good outcome for New Mexico to be spending \$8 million less at our university and achieving great results for a similar output of FTE?

In conclusion the report should not be discounted in its entirety simply because I or anybody else can take a snippet of the report and provide an explanation very different from the conclusion. Our state needs a critical examination of higher education. At WNMU we welcome feedback in our effort to constantly improve the quality of education we offer our students. In my analysis of the report what I found to be consistent was that your staff had an incredible challenge of understanding what each university's numbers meant. As I interviewed other university personnel around the state in addition to my own, I quickly gained the insight that how each university defines the numbers that it reports are not the same. Though HED has a guidebook, it appears that many universities, as well as LFC staff, have different interpretations of what the data submitted mean or how it is compiled. That makes comparisons across institutions nearly impossible to ascertain. To that end, we are preparing a report that responds to the LFC report and clarifies the data that WNMU has provided. Thank you for allowing us the opportunity to respond and for the hard work that your staff put into the report.



Joe Shepard, Ph.D  
President

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## Appendix A: Evaluation Scope and Methodology

### **Evaluation Objectives.**

- Identify cost drivers in public institutions of higher education in New Mexico.
- Identify best practices for cost containment and opportunities for potential efficiencies in New Mexico and nationally.
- Analyze how institutions have dealt with recent budget reductions and changes in revenue along with potential impact on affordability.

### **Scope and Methodology.**

- Interviewed HED staff.
- Visited and interviewed staff at New Mexico higher education institutions.
- Visited and interviewed other stakeholders, including students, higher education administrators in other states, and other national experts.
- Reviewed state and federal laws, regulations, and policies.
- Reviewed relevant performance measures, administrative data, and related documents.
- Reviewed existing research on higher education cost drivers, cost savings, and best practices.
- Reviewed national best practices.
- Reviewed and analyzed fiscal data from HED, IPEDS, HEIs, and other national entities.

### **Evaluation Team.**

Dr. Jon Courtney, Program Evaluation Manager/Project Lead  
Nathan Eckberg, Program Evaluator  
Micaela Fischer, Program Evaluator  
Dr. Madelyn Serna Marmol, Program Evaluator (now with Albuquerque Public Schools)  
Dr. Travis McIntyre, Program Evaluator  
Dupuy Bateman, Contractor

**Authority for Evaluation.** LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

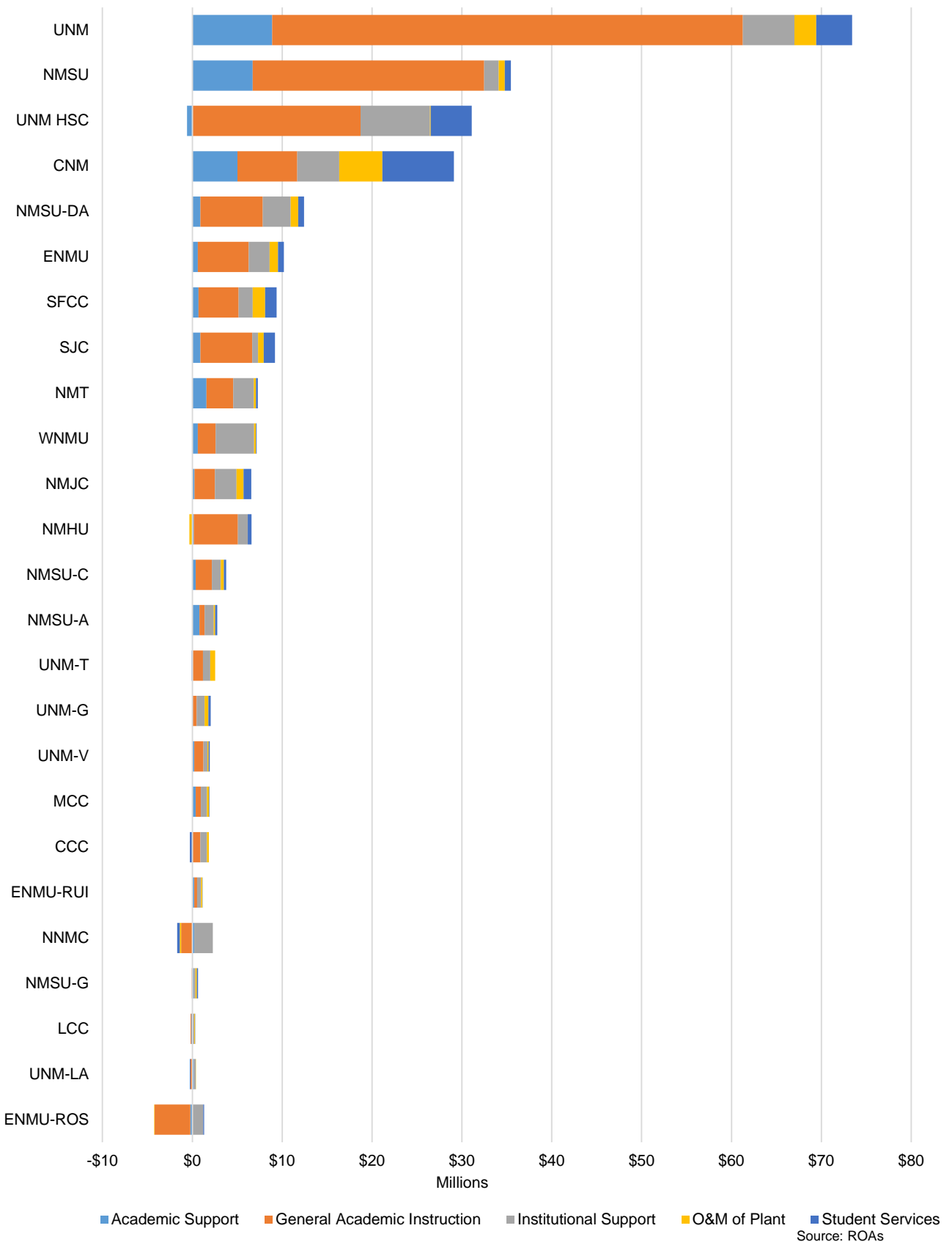
**Exit Conferences.** The contents of this report were discussed with the Higher Education Department Secretary and her staff on October 20, 2017. Additionally, portions of the report were shared with HEIs for purposes of confirming accuracy.

**Report Distribution.** This report is intended for the information of the Office of the Governor, the Higher Education Department, the Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

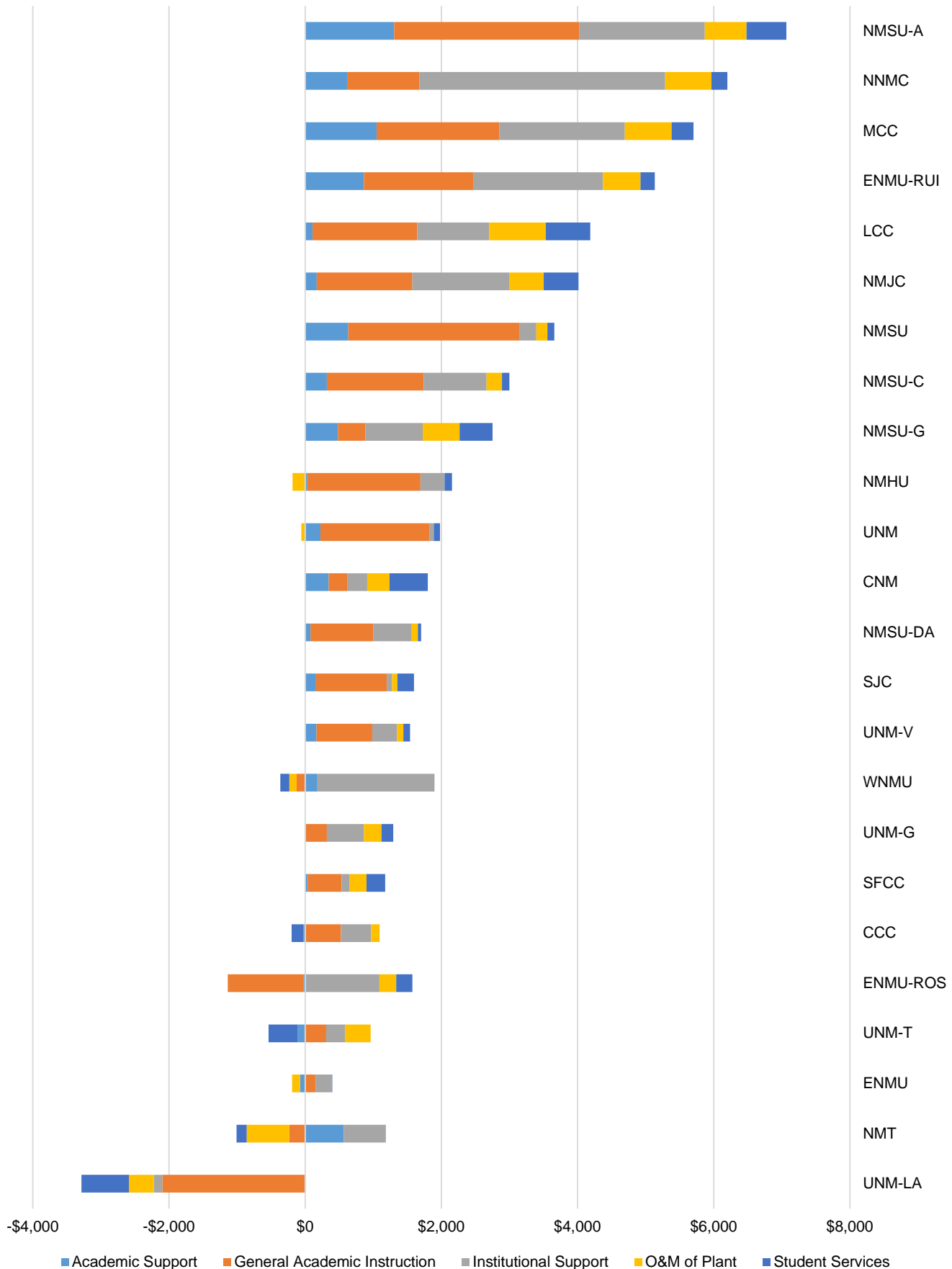
Charles Sallee  
Deputy Director for Program Evaluation

# Appendix B: Changes in Expenditures at HEIs FY07 to FY16

## Expenditure Changes FY07 to FY16



### Expenditure per FTE Changes FY07 to FY16



## Appendix C: Optimal Spending Levels

*Schools should aim for optimal spending levels to ensure effectiveness and efficiency.* According to research by Powell, Gilleland, and Pearson (2012), there is an ideal range for spending per FTE in categories of instruction, academic support, and student services for schools to be both effective and efficient. Using data for four-year institutions, the researchers concluded that schools could be both effective and efficient by concentrating on expenditures reaching optimal levels in these categories. Increasing expenditures above optimal levels can increase effectiveness but decrease efficiency. Similarly, decreased spending below optimal levels can increase efficiency but decrease effectiveness. Optimal spending levels for four-year institutions are below. Based on FY15 IPEDS data, no 4-year New Mexico institution is reaching optimal spending levels per FTE. Some NM HEIs are likely overspending in some categories, leading to lost efficiency, and underspending in others, leading to lost effectiveness. No 4-year New Mexico institutions are reaching optimal spending levels for all three categories.

**Optimal Spending Per FTE and FY15 Spending Levels  
for NM Four-Year Institutions**  
(2015 dollars)

Institution	Instruction	Academic Support	Student Services
<b>Optimal Spending</b>	<b>\$7,480</b>	<b>\$1,739</b>	<b>\$2,448</b>
ENMU	\$7,025	\$1,587	\$2,422
NMHU	\$7,371	\$1,058	\$1,761
NMSU	\$10,229	\$1,903	\$1,322
NMT	\$9,914	\$1,098	\$1,029
NNMC	\$9,981	\$1,615	\$3,261
UNM*	\$12,376	\$2,150	\$1,253
WNMU	\$7,884	\$1,021	\$1,141

Note: Figures reported in Powell et al. study were in 2004 dollars, figures have been adjusted to reflect 2015 dollars using HECA inflation index.

\*UNM includes UNM HSC as IPEDS data does not distinguish between the two schools. Main campus expenditures are generally lower than UNM HSC.

Source: Powell, Gilleland, & Pearson (2012), IPEDS

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## Appendix D: Branch Campus Spending Details

**NMSU-Alamogordo** experienced an enrollment decrease of 37 percent between 2007 and 2016 but increased spending per FTE student in each category of I&G. Academic support spending per FTE student increased by 205 percent due in part to more than doubling employees and expenditures in academic administration. Additionally, course and curriculum development spending went from \$3,800 in FY07 to \$301 thousand in FY16 for testing center costs, and distance learning costs. Spending on institutional support also increased by 150 percent or \$1 million, with an increase of \$202 thousand in spending on executive management, an increase of \$299 thousand on general administration and logistical services, and an increase of \$32 thousand in public relations. Moreover, institutional support expenditures at NMSU- Alamogordo have grown to the point that one out of every five state dollars allocated to the college is spent to support its administration.

**NMSU-Carlsbad**, while still expending more dollars per student than inflation over FY07 to FY16, has tended to perform better than NMSU-Alamogordo. Carlsbad had total expenditures per student in FY16 that was \$1.2 million less than at Alamogordo. Almost all of the \$1.2 million difference was in academic support (NMSU-Carlsbad does not have any academic administration-related personnel on campus compared to Alamogordo's 10 FTE employees) and institutional support (NMSU-Carlsbad has approximately 6 FTE staff less in its executive and business offices than does Alamogordo.) Nevertheless, the growth of expenditures on institutional support per student at Carlsbad was still 67 percent more than inflation.

**NMSU- Doña Ana** has more than five times the number of FTE students than any other NMSU branch, and expenditures per student at NMSU-DA are some of the lowest among their peer institutions. In most categories, NMSU-Doña Ana has stayed within 10 percent of expected expenditures over FY07 to FY16. However, expenditures at the college for one category, institutional support, were over \$3 million more in FY16 than they were in FY07 – an 88 percent growth over inflation. Included in this \$3 million difference is \$1.3 million increase in the amount of overhead the college pays to the NMSU main campus, a \$556 thousand line for uncollectible accounts, and a \$461 thousand increase in professional salaries (for 11.75 more FTEs) in the executive.

**NMSU-Grants** served 389 FTE students and had expenditure growth 18% over inflation between FY07 and FY16. The largest portion of that growth was a result of a \$135 thousand increase in executive management and fiscal operations, as well as a \$145 increase in the amount the branch campus paid to the main NMSU campus between FY07 and FY16. Though relatively small, at least some of that growth has come at the cost of expenditures on instruction which have lagged behind inflation by 4 percent (\$77 thousand) over the same time span.

**ENMU-Ruidoso** had a 17.7 drop in enrollment between 2007 and 2016 (to 293 FTE students in FY16) but quadrupled the number of employees in academic administration, increasing spending from \$79 thousand to \$217 thousand over the same period. The branch campus also increased its spending on institutional support by \$444 thousand over the same period – at least half of which can be attributed to the addition of a \$264 thousand community relations division with 6 FTE staff. Institutional spending has grown so much at ENMU-Ruidoso that in FY16, it spent 65 cents in institutional support for every dollar it spent on instruction and academic support – the highest ratio in the state.

**ENMU-Roswell** has been more successful than ENMU-Ruidoso in keeping overall expenditures down. However, they have done so primarily by keeping their expenditures per student on instruction and academic support between 21 and 33 percent lower than expected. Between FY07 and FY16, ENMU-Roswell cut over half of their instructional FTE, while their enrollment dropped by only 20 percent. However, compared to peer institutions, the college still has relatively low (14<sup>th</sup> percentile) student to faculty ratio. As such, it is likely that ENMU-Roswell is undertaking a “right-sizing” of its faculty rather than indiscriminately cutting instructional costs.

**UNM-Valencia** had enrollment in FY16 that was quite close to FY07 (1106 and 1173 FTEs, respectively) and was able to keep its expenditures per student between 12 percent over and 5 percent under expected growth during that period. The institutions still spent over \$1 million more on instruction and \$454 thousand more on institutional support in FY16 than it did in FY07.

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**UNM-Taos** enrollment has grown by 49 percent between FY07 and FY16 (from 556 to 829 FTE) and expenditures on instruction and institutional support was 6 and 4 percent less than would have been expected over that time. The college's expenditures for operation & maintenance of plant grew 19 percent more than expected (\$566 thousand) while expenditures per student for academic support and student services were 30 percent and 48 percent lower than would be expected, respectively. For student services, the institution spent \$56 thousand less on counseling and career guidance for 273 more FTE students in FY16 than they did in FY17. The institution also spent \$227 thousand less on student admissions and records in FY16 than in FY07 and \$163 thousand less on financial aid over the same time. It may be, however, that some of those admissions and financial aid operations were centralized at the main UNM campus over that time.

**UNM-Gallup**, like UNM-Valencia, had enrollment levels in FY16 that were quite close to FY07 levels (1632 and 1639 FTEs, respectively) yet spending on institutional support per FTE at the college outpaced inflation by 25 percent and was nearly twice that of increases in funding for instruction. The lion's share of growth in spending on institutional support (\$628 thousand of \$884 thousand) came from a reported "Charge Inst. Support" which may be a payment to UNM's main campus.

**UNM-Los Alamos** was the only branch campus that kept its expenditures per student lower than inflation in all categories between FY07 and FY16. Unlike many of the other branch campuses, however, it may be that UNM-Los Alamos has cut too far in expenditures per student on instruction. The college was in the 7<sup>th</sup> percentile for spending on instruction compared to peer institutions. So too with expenditures on student services - accounting for inflation, the college spent 54 percent less per student on student services in FY16 than they did in FY07.



## Appendix E: HEI Unrestricted Fund Balances (FY16)

### FY16 Unrestricted Fund Balances in NM Higher Ed Institutions

Row Labels	Beginning Balance	Ending Balance	Difference
CCC	\$3,671,209	\$4,284,222	\$613,013
CNM	\$13,454,068	\$19,816,002	\$6,361,934
ENMU	\$1,928,225	\$2,681,217	\$752,992
ENMU-P	\$1,742,129	\$1,546,887	(\$195,242)
ENMU-R	\$1,129,116	\$721,237	(\$407,879)
LCC	\$3,248,418	\$3,557,275	\$308,857
MCC	\$2,233,998	\$1,932,200	(\$301,798)
NMHU	\$0	\$2,654,008	\$2,654,008
NMIMT	\$8,227,193	\$9,480,924	\$1,253,731
NMJC	\$3,097,226	\$3,883,100	\$785,874
NMMI	\$6,181,286	\$6,735,030	\$553,744
NMSBVI	\$1,265,724	\$3,227,858	\$1,962,134
NMSD	\$3,840,894	\$4,619,500	\$778,606
NMSU	\$19,568,920	\$19,443,507	(\$125,413)
NMSU-A	\$2,762,884	\$1,575,937	(\$1,186,947)
NMSU-C	\$1,895,826	\$2,789,988	\$894,162
NMSU-DA	\$6,035,374	\$6,087,195	\$51,821
NMSU-G	\$1,173,582	\$1,240,367	\$66,785
NNMC	-\$117,486	\$1,361,784	\$1,479,270
SFCC	\$1,072,752	\$1,582,997	\$510,245
SJC	\$12,111,696	\$13,328,818	\$1,217,122
UNM	\$32,010,398	\$32,028,573	\$18,175
UNM-G	\$6,601,447	\$6,150,894	(\$450,553)
UNM HSC	\$5,594,765	\$5,414,637	(\$180,128)
UNM-LA	\$274,702	\$419,466	\$144,764
UNMT	\$3,884,554	\$3,874,824	(\$9,730)
UNM-V	\$2,099,245	\$3,160,524	\$1,061,279
WNMU	\$3,902,388	\$10,681,844	\$6,779,456
Grand Total	\$148,890,533	\$174,280,815	\$25,390,282

Source: Reports of Actuals

## Appendix F: Duplication in Associates Degrees

### Associate Degrees Awarded in Duplicate Programs, AY15-16 Santa Fe Region

	LCC	NMHU	NNMC	SFCC	UNM-LA	Total
Mathematics, General	3		1			4
Automobile/Automotive Mechanics Technology			4	1		5
Environmental Science			6		1	7
Biology/Biological Sciences, General	3		1	4		8
Physical Sciences				6	2	8
Cinematography and Film/Video Production	2		1	7		10
Computer and Information Sciences, General	5			5	2	12
Liberal Arts and Sciences/Liberal Studies	2				13	15
Engineering, General	1	1			14	16
Social Work			4	17		21
Early Childhood Education and Teaching	10		1	12		23
Criminal Justice/Safety Studies	8		7	10		25
Accounting	3			33	2	38
Nursing Registered	15		2	31		48
General Studies	44		1	13	5	63
Business Administration and Management, General	10		14	53	7	84

Source: HED

### Albuquerque Region

	CNM	UNM-V	Total
Art/Art Studies, General	9	1	10
Early Childhood Education and Teaching	62	7	69
Computer and Information Sciences, General	84	2	86
Nursing Registered	106	16	122
Business Administration and Management, General	163	15	178
Liberal Arts and Sciences/Liberal Studies	485	13	498
General Studies	903	47	950

Source: HED

### Clovis Region

	CCC	ENMU	Total
Psychology, General	3	4	7
Liberal Arts and Sciences/Liberal Studies	58	145	203

Source: HED

### Alamogordo Region

	NMSU-A	ENMU-RU	Total
Fine/Studio Arts, General	4	2	6
Education, General	9	1	10
Criminal Justice/Safety Studies	8	4	12
General Studies	65	9	74

Source: HED

### Hobbs Region

	NMSU-C	NMJC	Total
Early Childhood Education and Teaching	3	2	5
Nursing Registered	14	14	28
Business/Commerce, General	9	21	30
General Studies	39	167	206

Source: HED

### Gallup Region

	UNM-G	NMSU-G	Total
Criminal Justice/Safety Studies	2	2	4
Education, General	4	2	6
Automobile/Automotive Mechanics Technology	7	3	10
Early Childhood Education and Teaching	14	1	15
General Studies	9	26	35

Source: HED

## Appendix G: Online Courses

**Both the number of students and number of credit hours taken online has increased, whereas face-to-face instruction has declined.** School administrators interviewed attributed the increase in online courses to new technology introduced a few years ago. Data from individual schools seem to support this idea. For example, between 2007 and 2016, the number of credit hours at UNM taken online or ITV have increased by 441 percent whereas the number of credit hours taken at main campus and branch campuses has decreased by 13 percent and 52 percent respectively.

**Online Courses as a Percent of all Courses,  
Academic Year 2015-16**

Institution	Courses Online	Credit Hours Online
NMSU Alamogordo	41%	56%
NMSU Grants	49%	53%
ENMU	40%	49%
WNMU	38%	46%
UNM	12%	44%
CCC	34%	42%
NMSU-Carlsbad	29%	35%
ENMU-Ruidoso	42%	35%
UNM-Valencia	27%	34%
NMJC	35%	34%
SJC	20%	30%
CNM	29%	28%
NMSU-Doña Ana	25%	24%
NMHU	17%	23%
NMSU	19%	21%
MCC	15%	18%
LCC	13%	17%
SFCC	14%	16%
UNM-Gallup	5%	15%
UNM-Taos	6%	10%
ENMU-Roswell	5%	4%
UNM-Los Alamos	28%	4%
NMT	8%	2%
NNMC	0%	0%

Source: HED

## Appendix H: Higher Education Institution Square Footage per Full-Time Enrollment (FTE) and Space Utilization

### Higher Education Institution Square Footage per Full-Time Enrollment (FTE)

Higher Education Institution	2009	2010	2011	2012	2013	2014	2015	Percent Change
NMT	610	599	581	549	526	638	541	-11%
NMSU	215	212	216	219	232	245	249	16%
UNM	254	246	254	251	250	248	257	1%
ENMU	245	208	199	192	215	213	214	-13%
NMHU	289	262	263	273	274	286	263	-9%
NNMC	316	281	303	320	358	437	538	70%
WNUMU	261	247	250	254	246	246	252	-4%
ENMU-RO	220	193	187	199	257	288	341	55%
ENMU-RU	76	74	74	75	86	95	179	136%
NMSU-AL	116	112	121	140	172	204	265	129%
NMSU-CA	148	155	172	170	181	190	192	30%
NMSU-DA	76	79	74	96	98	106	110	45%
NMSU-GR	173	153	181	216	227	268	311	80%
UNM-GA	165	154	177	187	197	213	182	11%
UNM-LA	228	201	219	248	214	201	186	-19%
UNM-TA	57	51	77	66	75	108	120	111%
UNM-VA	114	126	117	123	134	140	150	31%
CNM	84	91	92	101	111	122	128	52%
CCC	170	178	185	207	219	225	232	37%
LCC	347	300	310	383	413	467	499	44%
MCC	158	186	244	183	282	335	305	93%
NMJC	236	231	217	263	259	252	260	10%
SJC	174	161	157	165	166	176	200	15%
SFCC	224	225	220	221	212	227	248	11%
<b>Average</b>	<b>207</b>	<b>197</b>	<b>204</b>	<b>212</b>	<b>225</b>	<b>247</b>	<b>259</b>	<b>38%</b>

Source: HED

### Space Utilization for New Mexico Higher Education Institutions

Higher Education Institution	2009	2010	2011	2012	2013	2014	2015
NMIMT	915,302	929,237	929,237	929,237	929,237	1,151,030	983,272
NMSU	3,095,310	3,096,744	3,104,859	3,092,191	3,153,328	3,198,759	3,171,137
UNM (includes HSC)	5,771,435	5,906,840	6,145,836	6,113,026	6,131,019	6,002,377	6,150,211
ENMU	858,742	782,755	790,947	790,847	870,177	878,777	878,777
NMHU	779,008	720,271	729,455	751,975	751,975	751,975	698,838
NNMC	403,497	380,064	380,064	380,064	380,064	380,064	380,064
WNUMU	575,492	551,100	546,053	546,053	545,830	545,830	545,930
ENMU-RO	498,062	448,131	448,131	448,131	517,468	517,468	517,468
ENMU-RU	36,000	37,393	37,393	37,393	37,393	37,393	54,882
NMSU-AL	190,976	199,409	210,386	222,354	222,675	221,207	237,244
NMSU-CA	142,314	142,314	142,314	160,254	160,254	164,004	171,004
NMSU-DA	380,537	443,515	433,515	532,366	532,366	552,430	545,984
NMSU-GR	120,070	108,067	118,169	120,292	120,292	118,169	120,292
UNM-GA	307,824	303,528	333,821	341,025	341,709	340,253	299,101
UNM-LA	77,946	74,656	75,802	75,487	77,712	76,488	76,488
UNM-T	44,997	44,682	67,583	64,800	72,549	103,227	103,226
UNM-V	154,172	183,048	179,818	178,276	178,276	178,276	178,876
CNM	1,272,990	1,483,356	1,483,356	1,567,156	1,732,047	1,766,298	1,756,703
CCC	311,561	325,443	325,443	348,599	348,599	348,599	348,599
LCC	316,394	314,023	314,023	353,924	353,924	353,924	353,924
MCC	113,535	119,133	145,518	119,133	119,133	143,115	143,115
NMJC	444,343	444,745	427,475	427,643	427,643	428,561	428,561
SJC	833,438	772,510	790,762	815,104	815,104	815,104	880,086
SFCC	584,200	641,805	635,889	635,889	635,889	657,825	657,825
<b>TOTAL</b>	<b>18,228,145</b>	<b>18,452,769</b>	<b>18,795,849</b>	<b>19,051,219</b>	<b>19,454,663</b>	<b>19,731,153</b>	<b>19,681,607</b>

**Note:** Change in the I&G Square Footage can be attributed to different factors such as construction of a new building or demolition of existing buildings.

**Note:** Data taken from HED Capital Project Summer Hearing Files and the FY12 I&G Master Spreadsheet

**Note:** Data is self-reported by HEIs to HED.

# Appendix I: Santa Fe Higher Education Center and NNMC El Rito Campus

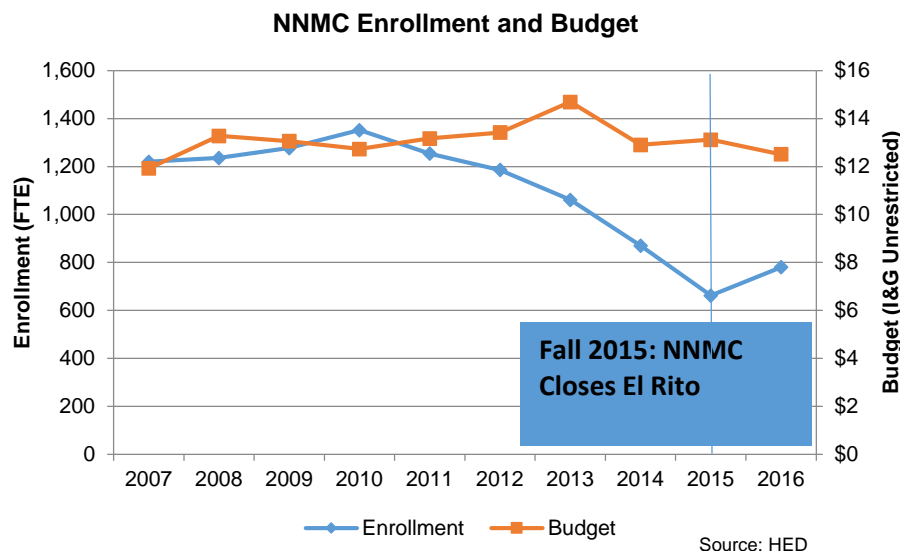
**The 34 thousand square foot Higher Education Center (HEC) has lost partners and courses offered have suffered from low enrollment.** The Santa Fe HEC is a partnership among numerous universities who offer courses and advising services at the center. The HEC was funded in part by Santa Fe residents, a \$35 million bond issue was passed in 2010 of which \$12 million was earmarked for the HEC. Participant schools pay a partnership fee for dedicated office space, classroom space, and promotional fees. Initially, the HEC had multiple schools involved with the HEC including UNM, NMSU, NMHU, and the Institute of American Indian Arts. Partners at the HEC conducted an average of 60.5 live classes per semester in fall 2016-spring 2017. The majority of the live classes were provided by NMHU.

In October of 2016, the SFCC Learning Center District Board offered an update of the HEC citing results of low enrollment with three of the four institutions:

- UNM would no longer offer face to face classes at HEC as they are shifting priorities emphasizing online options.
- NMSU would no longer offer face to face classes at HEC due to low enrollment
- IAIA courses were canceled due to low enrollment, and IAIA chose to formally leave the consortium
- Santa Fe University of Art and Design was discussed as a future partner, however, announced intent to close months later

Starting fall 2017 new partners are coming into HEC, NNMC and the Seattle Film Institute. NNMC reports they currently have three information technology students and two business students attending part time classes at HEC and that the college’s participation at HEC will be evaluated at the end of the fiscal year.

**NNMC continues to work toward reopening their El Rito campus.** The president of NNMC was recently quoted as saying “When I took the job as president of Northern New Mexico College in October 2016, one of the most important issues I heard from our community was that we had to find a way to bring life back to our El Rito campus.” In 2017, NNMC attempted to contract with an Arizona education organization to run an academic program for student-athletes on the El Rito campus. While the partnership model was promising, and would have generated substantial income for the College, NNMC had concerns with the company’s financials that ultimately led to the College’s decision not to move forward. NNMC is partnering with Kit Carson Electric Cooperative, Inc. and Guzman Renewable Energy to build a solar array on the NNMC campus in El Rito. The College reports that they will not incur any costs from the array project. The array will bring approximately \$200,000 in lease revenue to the college, and will lower electricity costs for the College and surrounding area. Although NNMC enrollment has dropped to about 800 FTE in 2016 from a high of almost 1,400 FTE in 2010. Since FY16 the College reports they have experienced a 9% growth in enrollment.



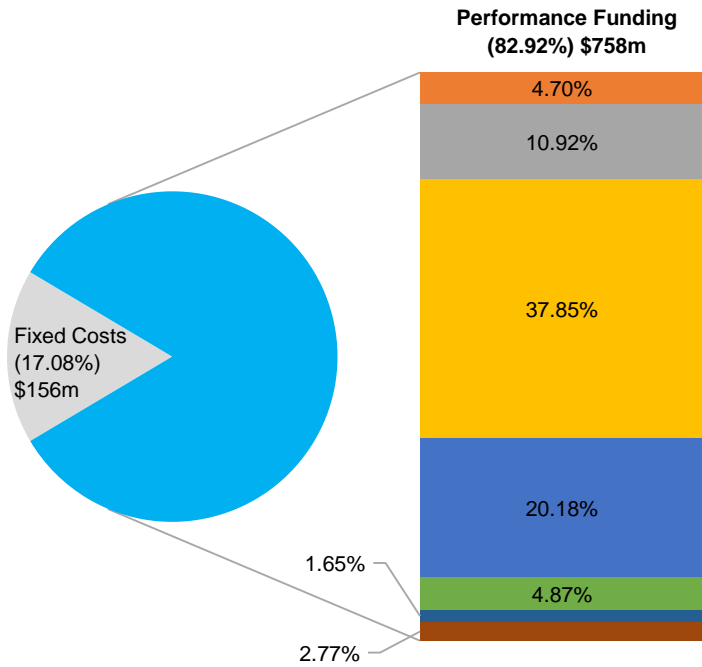
## Appendix J: Funding Formula Scenarios

Institution	FY18 I&G (2 Percent Performance )	Formula at 20 Percent Performance			Formula at 50 Percent Performance		
		I&G	Difference	Percent	I&G Total	Difference	Percent
Luna Community College	\$6,730,900	\$6,061,800	(\$669,100)	-10%	\$4,946,800	(\$1,784,100)	-27%
NMSU-Alamogordo	\$7,036,200	\$6,379,600	(\$656,600)	-9%	\$5,285,200	(\$1,751,000)	-25%
Mesalands Community College	\$3,864,200	\$3,510,500	(\$353,700)	-9%	\$2,921,100	(\$943,100)	-24%
UNM-Gallup	\$8,407,100	\$7,740,700	(\$666,400)	-8%	\$6,630,100	(\$1,777,000)	-21%
Northern New Mexico College	\$9,706,900	\$8,958,600	(\$748,300)	-8%	\$7,711,500	(\$1,995,400)	-21%
NMSU-Grants	\$3,320,100	\$3,086,900	(\$233,200)	-7%	\$2,698,200	(\$621,900)	-19%
UNM-Los Alamos	\$1,710,400	\$1,630,500	(\$79,900)	-5%	\$1,497,200	(\$213,200)	-12%
San Juan College	\$22,555,400	\$21,648,300	(\$907,100)	-4%	\$20,136,300	(\$2,419,100)	-11%
NMSU-Carlsbad	\$3,860,000	\$3,724,300	(\$135,700)	-4%	\$3,498,100	(\$361,900)	-9%
ENMU-Roswell	\$10,985,700	\$10,637,000	(\$348,700)	-3%	\$10,055,700	(\$930,000)	-8%
ENMU-Ruidoso	\$1,936,100	\$1,882,700	(\$53,400)	-3%	\$1,793,900	(\$142,200)	-7%
Clovis Community College	\$9,094,100	\$8,859,800	(\$234,300)	-3%	\$8,469,400	(\$624,700)	-7%
NMSU-Doña Ana	\$21,387,300	\$21,200,500	(\$186,800)	-1%	\$20,889,200	(\$498,100)	-2%
New Mexico State University	\$109,438,500	\$109,397,200	(\$41,300)	0%	\$109,328,500	(\$110,000)	0%
New Mexico Highlands University	\$26,046,100	\$26,123,600	\$77,500	0%	\$26,252,700	\$206,600	1%
UNM-Valencia	\$5,135,200	\$5,156,900	\$21,700	0%	\$5,192,900	\$57,700	1%
New Mexico Junior College	\$5,157,900	\$5,187,900	\$30,000	1%	\$5,237,900	\$80,000	2%
NMT	\$25,523,000	\$25,675,700	\$152,700	1%	\$25,930,200	\$407,200	2%
University of New Mexico	\$175,823,200	\$177,368,900	\$1,545,700	1%	\$179,945,200	\$4,122,000	2%
Eastern New Mexico University	\$25,603,100	\$26,093,000	\$489,900	2%	\$26,909,500	\$1,306,400	5%
Western New Mexico University	\$15,996,900	\$16,357,100	\$360,200	2%	\$16,957,500	\$960,600	6%
UNM-Taos	\$3,274,100	\$3,370,400	\$96,300	3%	\$3,530,900	\$256,800	8%
Santa Fe Community College	\$9,182,800	\$9,463,200	\$280,400	3%	\$9,930,500	\$747,700	8%
Central New Mexico Community College	\$52,815,800	\$55,075,800	\$2,260,000	4%	\$58,842,400	\$6,026,600	11%

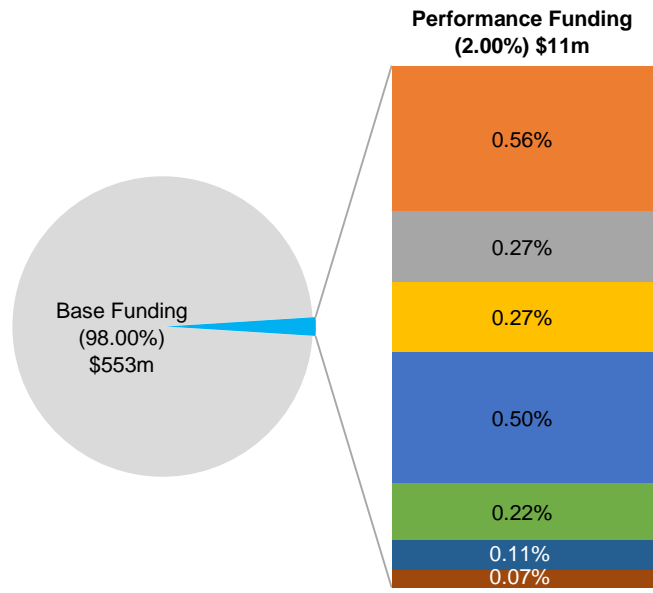
Source: HED

# Appendix K: Tennessee and New Mexico's Higher Education Performance Funding

**Tennessee Formula Funding, FY18**  
(recommendation)



**New Mexico Formula Funding, FY18**



- Quality Assurance Funding
- Credit Accumulation & Transfer
- Total Degrees and Certificates
- Graduation Rates
- Research
- Dual Credit
- Job Placement & Workforce Training

- Total Degrees and Certificates
- STEMH Degrees and Certificates
- Awards to Financially At-Risk Students
- Student Credit Hours Delivered
- Research
- Credit Accumulation
- Dual Credit

## Appendix L: Student Debt

**Student Average Debt by State and Proportion of Students with Debt, 2015**

Low-Debt States		Percent of Graduates with Debt	Rank
Utah	\$18,873	41%	50 (best)
New Mexico	\$20,193	58%	33
California	\$22,191	54%	42
Wyoming	\$22,683	46%	49
Florida	\$23,379	53%	43
Hawaii	\$23,456	50%	47
Nevada	\$23,462	47%	48
Arizona	\$23,780	56%	36
Washington	\$24,600	57%	34
Oklahoma	\$24,849	52%	44
High-Debt States			
New Hampshire	\$36,101	76%	1 (worst)
Pennsylvania	\$34,798	71%	3
Connecticut	\$34,773	64%	14
Delaware	\$33,849	65%	13
Rhode Island	\$32,920	64%	14
Minnesota	\$31,526	70%	5
Massachusetts	\$31,466	66%	8
District of Columbia	\$31,452	55%	40
South Carolina	\$30,564	60%	27
Ohio	\$30,239	66%	8

Source: The Institute for College Access and Success



## Appendix M: Composite Financial Index by Institution

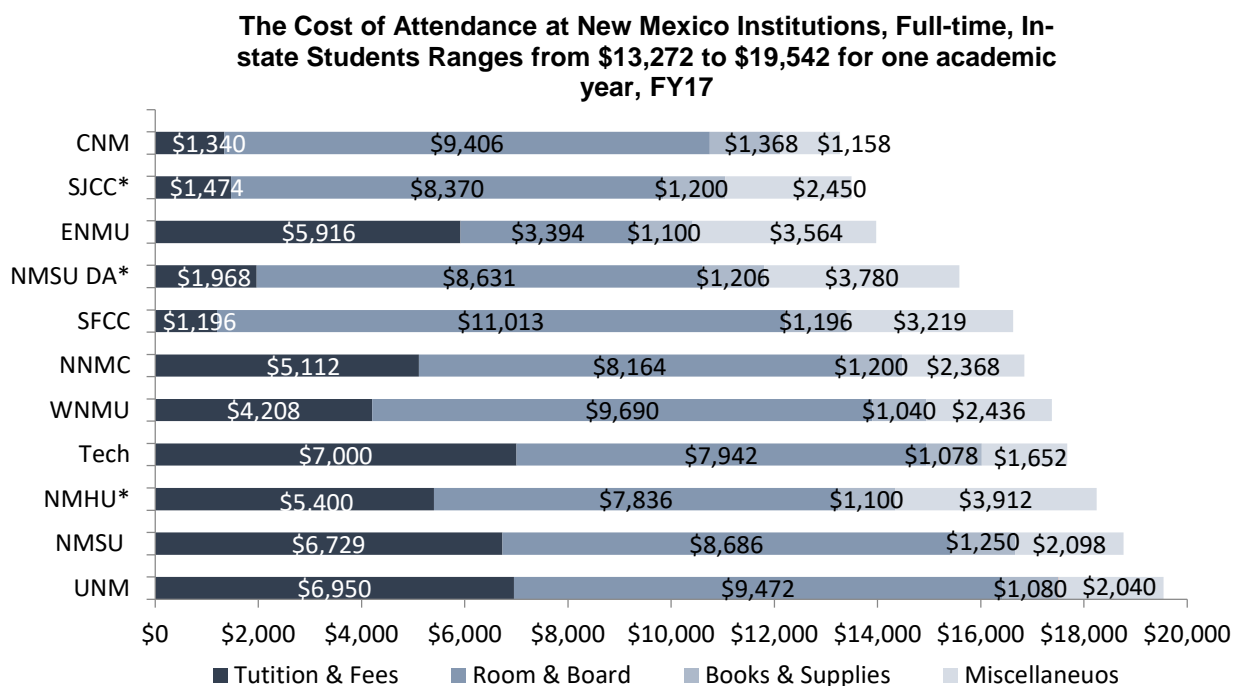
Composite Financial Index by Institution

Institution	FY11	FY12	FY13	FY14	FY15	FY16	AVERAGE
NMT	4.6	4.8	5.2	7.2	7.0	5.2	5.7
NMSU	2.6	1.7	2.1	2.6	1.1	1.8	2.0
UNM	3.2	1.5	1.7	2.2	3.3	2.9	2.5
ENMU	5.4	2.0	2.7	4.4	3.9	2.5	3.5
NMHU	1.0	0.0	1.0	1.0	1.8	2.4	1.2
NNMC	0.0	2.2	2.8	4.2	3.3	4.3	2.8
WNMU	4.9	3.1	1.4	1.4	1.0	3.0	2.5
CNM	3.4	2.8	2.2	1.2	1.0	2.0	2.1
CCC	8.6	8.7	8.1	8.4	8.2	8.2	8.4
LCC	7.1	1.0	3.5	3.4	5.4	7.4	4.6
MCC	6.6	4.4	5.8	5.7	4.4	3.4	5.1
NMJC	5.4	5.4	5.6	5.9	5.9	4.4	5.4
SJC	1.1	0.4	1.2	4.1	3.1	2.0	2.0
SFCC	3.3	2.7	2.3	1.0	2.4	3.3	2.5
NMMI	9.9	8.1	9.0	9.2	8.2	6.4	8.5
State Average	4.5	3.3	3.6	4.1	4.0	3.9	3.9

Source: HED

## Appendix N: Cost of Attendance

**The cost of attendance at New Mexico institutions varies, and the high cost of living in some communities impacts affordability.** The cost of attendance (COA) is the estimated total cost of attending a higher education institution as a full-time student. Each institution publishes its own estimated COA and includes tuition, fees, room and board whether or not the institution has on-campus housing, books and supplies, miscellaneous expenses, and transportation. Transportation is not considered in the calculations for the purposes of this evaluation as some institutions do not include it in their COA and because estimates vary widely. COA is the full cost of attendance and does not count financial aid, including the lottery scholarship.



Source: Institution's website or \*collegedata.com

The University of New Mexico has the highest COA at over \$19 thousand and Central New Mexico Community College reportedly has the lowest COA at \$13,272 per academic year. The cost of living in certain cities can dramatically increase the COA for an institution as is the situation for Santa Fe Community College (SFCC). SFCC has the lowest cost for tuition and fees at \$1,196 per academic year. However SFCC is not the most affordable because room and board for SFCC students are estimated to be the highest at just over \$11 thousand. This is estimated based on students not living at home and that estimate drops significantly for students living with their parents. Eastern New Mexico University has the lowest estimated room and board expenses because of the relatively low cost of living in Portales.

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## Appendix O: Glossary

**Carnegie Classification of Institutions of Higher Education (Carnegie Classification):** A framework created by the Carnegie Commission on Higher Education to classify colleges and universities in the U.S.

**Competency-based education (CBE):** CBE is based on awarding credit for demonstrated student competencies rather than seat time. CBE awards credit when a student has mastered a particular set of content and skills.

**Composite Financial Index Score (CFI):** The CFI score is a combination of four core financial ratios which the Higher Learning Commission utilizes as a benchmark to measure and monitor the short and long-term fiscal health of accredited institutions. Funding decreases, short-term borrowing patterns, and economic downturn have negative effects on CFI scores. A CFI score of 3.0 is considered to be the threshold for institutional financial health while a score from zero to 1.0 requires institution to submit additional financial documentation to HLC. A score from 1.1 to 10.0 requires no HLC follow up.

**The Consumer Price Index (CPI):** CPI is calculated and used by the U.S. Bureau of Labor Statistics and is based on the prices of goods paid by consumers. **CPI-West** is a regionally specific version of the consumer price index.

**Cost of Attendance (COA):** Each institution publishes its own estimated COA and includes tuition, fees, room and board whether or not the institution has on-campus housing, books and supplies, miscellaneous expenses, and transportation. Transportation is not considered in the calculations for the purposes of this evaluation as some institutions do not include it in their COA and because estimates vary widely. COA is the full cost of attendance and does not count financial aid, including the lottery scholarship.

**Enterprise Resource Planning software (ERP):** ERP is an industry term for a coordinated system of software that supports the business functions of higher education institutions. For example, ERP software is commonly used for data and analytics for human resources, institutional accounting and financial systems, as well as for enrollment management and academic tracking.

**Full Time Equivalent (FTE):** When talking about students FTE means “full-time equivalency” for the purposes of full-time enrolled students. If an institution has 10,000 (student) FTE it may have 8,000 full-time students and 4,000 half-time students. When talking about employees, FTE means “full-time equivalency” for the purposes of a work year. FTE is primarily used when talking about staffing and hiring. For example, if you need 1 FTE that means you need the equivalent of one full-time position.

**Higher Education Center (HEC):** Located in Santa Fe, HEC is a partnership among universities and Santa Fe Community College (SFCC). The partner universities at the HEC offer courses leading to baccalaureate and graduate degrees. SFCC District voters approved a \$35 million bond measure for the project in 2010.

**Higher Education Cost Adjustment (HECA):** HECA is designed by the nonprofit State Higher Education Executive Officers association. Its basis is two federally developed and maintained price indices—the Employment Cost Index and the Gross Domestic Product Implicit Price Deflator.

**Higher Education Institution (HEI):** New Mexico public colleges and Universities. Includes research and comprehensive four-year postsecondary institutions, and branch and independent two-year postsecondary institutions. New Mexico has 24 nontribal, public institutions of higher education spread across the state.

**Higher Learning Commission (HLC):** HLC is an independent corporation founded in 1895 as one of six regional institutional accreditors in the United States. HLC accredits degree-granting postsecondary educational institutions in the North Central region, which includes New Mexico and 18 other states.

**Higher Education Price Index (HEPI):** HEPI is designed by Commonfund – a nonprofit asset management firm. It is designed to track the main cost drivers in higher education and is based on annual costs of salaries, benefits, and supplies in higher education.

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**Institutions:**

**CCC-** Clovis Community College  
**CNM-** Central New Mexico Community College  
**ENMU-** Eastern New Mexico University  
    **ENMU-RO:** Eastern New Mexico University Roswell  
    **ENMU-RU:** Eastern New Mexico University Ruidoso  
**LCC-** Luna Community College  
**MCC-** Mesalands Community College  
**NMHU-** New Mexico Highlands University  
**NMJC-** New Mexico Junior College  
**NNMC-** Northern New Mexico College  
**NMSU-** New Mexico State University  
    **NMSU-A:** New Mexico State University Alamogordo  
    **NMSU-C:** New Mexico State University Carlsbad  
    **NMSU-DA:** New Mexico State University Doña Ana Community College  
    **NMSU-G:** New Mexico State University Grants  
**NMT-** New Mexico Institute of Mining and Technology  
**SFCC-** Santa Fe Community College  
**SJC-** San Juan College  
**UNM-** University of New Mexico  
    **UNM-G:** University of New Mexico Gallup  
    **UNM-LA:** University of New Mexico Los Alamos  
    **UNM-T:** University of New Mexico Taos  
    **UNM-V:** University of New Mexico Valencia  
    **UNM West:** University of New Mexico Rio Rancho  
**UNM HSC-** University of New Mexico Health Sciences Center  
**WNMU-** Western New Mexico University

**Instruction and General (I&G):** Fund functional classification including the following: Instruction, academic support, student services, institutional support, operation and maintenance of plant, student social and cultural development activities, research, public service, internal service departments, student aid grants and stipends, auxiliary enterprises, intercollegiate athletics, and independent operations. Further categorical breakdowns and subcategories include: faculty salaries, professional salaries, support staff salaries, GA/TA assistants, student salaries, federal work study salaries, state work study salaries, other salaries, supplies and expenses, travel, and equipment.

**Expenditure categories:**

**Academic Support-** The academic support category includes funds expended to provide support services for the institution's primary missions: instruction, research, and public service. Subcategories include: libraries, museums and galleries audio-visual services ancillary support, academic administration and personnel, development, and course and curriculum development.

**General Academic Instruction-** This subcategory includes expenditures for formally organized and/or separately budgeted instructional activities that are carried out during the academic year (as defined by the institution), associated with academic offerings, and offered for credit as part of a formal postsecondary education degree or certificate program. This subcategory does not include instructional offerings that are part of programs leading toward degrees or certificates at levels below the higher education level, such as adult basic education.

**Institutional Support-** The institutional support category includes expenditures for central executive-level activities concerned with management and long-range planning for the entire institution, such as the Governing Board, planning and programming, and legal services; fiscal operations, including the investment office; space management; employee personnel and records; logistical activities that provide

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procurement, storerooms, safety, security, printing, and transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fund raising.

**Operation and Maintenance of Plant (O&M)-** The operation and maintenance of plant category include all expenditures of current operating funds for the operation and maintenance of the physical plant, in all cases the net amount charged to auxiliary enterprises, hospitals, and independent operations. It includes all expenditures for operations established to provide services and maintenance related to grounds and facilities. Also included are utilities, fire protection, property insurance, and similar items.

**Student Services-** The student services category includes funds expended for offices of admissions and the registrar, and for activities with the primary purpose of contributing to students' emotional and physical well-being. It includes expenditures for counseling and career guidance (excluding informal academic counseling by the faculty), student aid administration, and student health service (if not operated as an essentially self-supporting activity).

**The Integrated Postsecondary Education Data System (IPEDS):** IPEDS is a system of interrelated surveys conducted annually by the U.S. Department of Education's National Center for Education Statistics (NCES). IPEDS gathers information from every college, university, and technical and vocational institution that participates in the federal student financial aid programs. The Higher Education Act of 1965, as amended, requires that institutions that participate in federal student aid programs report data on enrollments, program completions, graduation rates, faculty and staff, finances, institutional prices, and student financial aid.

**New Mexico Council for Higher Education Computing/Communication Services (CHECs):** Since 1980, CHECs has been convening chief information officers (CIO) of New Mexico's higher education institutions with the goal of improving the information technology business services provided at state schools. Through this collaboration, CIOs have been able to save money through aggregated demand for bandwidth, databases and software licenses.

**New Mexico Higher Education Department (HED):** A cabinet level department that provides leadership and oversight to New Mexico-based colleges and universities in a number of areas including budget review and approval, review of select academic programs, and administration of state financial aid programs. HED does not oversee individual spending within each of the institutions.

**Report of Actuals (ROAs):** Each year every HEI is required to report the results of its previous year's operations to HED. The report, called the *Report of Actuals* compares the institution's original and revised annual budget with its actual revenue streams and expenditures.

**Student Credit Hours (SCH):** Student Credit Hours are disaggregated by college and course prefix for each semester of the academic year. The academic year is presented in fall, spring, and summer semesters. A credit hour is a unit of measurement representing an hour (50 minutes) of instruction over a 15-week period in a semester. Typically, a three-semester credit hour course meets for three contact hours (three 50-minute sessions or two 75-minute sessions) per week.

## Appendix P: Citations

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