

**Higher education institutions (HEI) face numerous challenges from declining enrollment to changing student preferences. The significant decline in enrollments was exacerbated by the corona virus pandemic which forced many institutions to transition to online course delivery. The rapid changes in enrollment and the transition to online course delivery have left HEI's nationwide struggling to determine how to efficiently allocate and manage existing resources to meet student expectations and provide quality education.**

**AGENCY:** Higher Education Institutions

**DATE:** July 21, 2022

**PURPOSE OF HEARING:** Discussion of Higher Education Efficiency

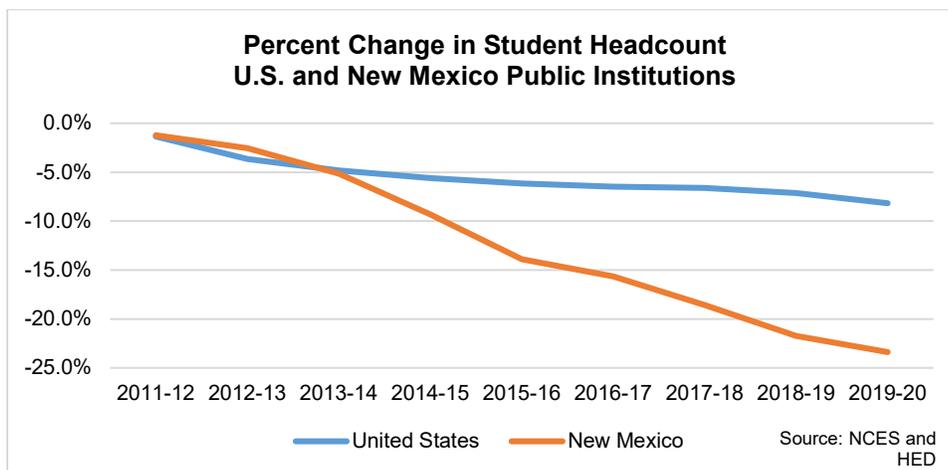
**WITNESSES:** Garnett Stokes, President, UNM; Joe May, Consultant, HCM Strategists

**PREPARED BY:** Connor Jorgensen, Principal Analyst

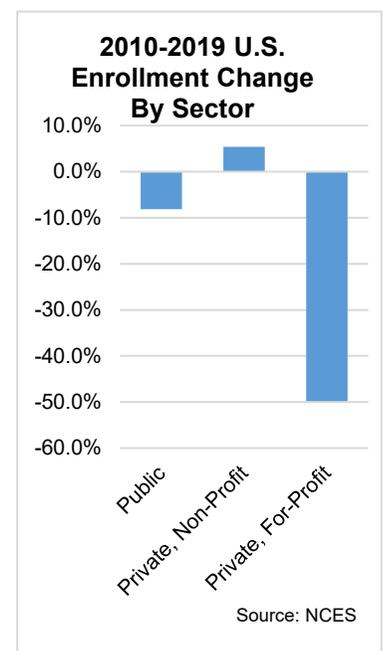
**EXPECTED OUTCOME:** Informational

## Enrollment and Funding History

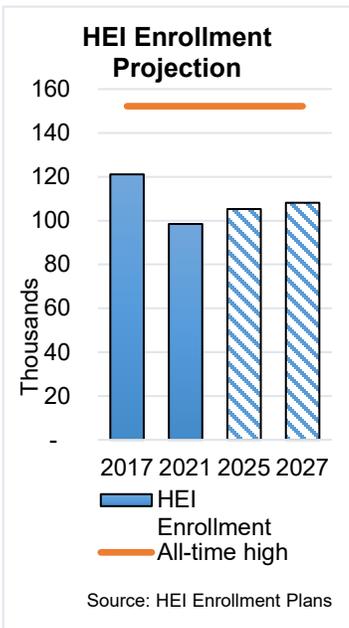
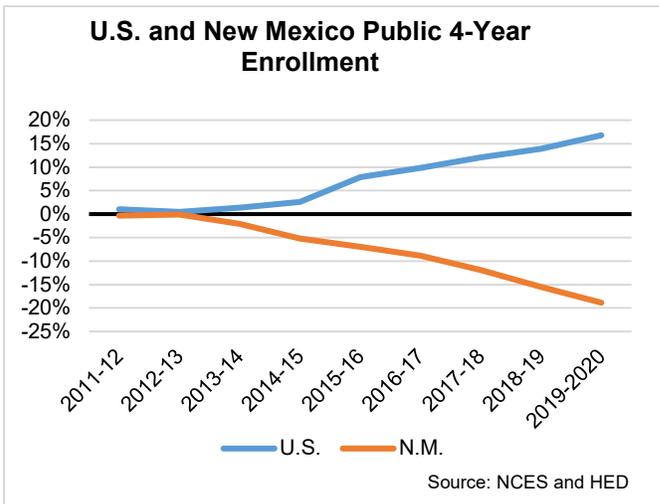
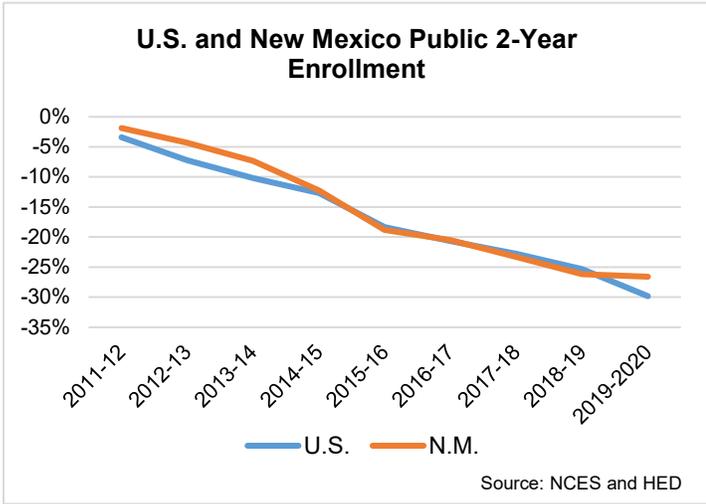
Enrollment at higher education institutions (HEI) nationwide has fallen over the past decade. The declines in New Mexico roughly matched the national trend from 2011 to 2015, but from 2016 to 2019, declines in New Mexico far outpaced the national average resulting in New Mexico enrollment losses being nearly three times higher than the national average. While New Mexico experienced low population growth over the past decade, the state continues to graduate a higher proportion of high school students and high school senior classes are expect to continue growing in size through 2025. After 2025, class sizes will shrink each year for the foreseeable future.



The overall loss in enrollment obscures significant differences between institutions and sectors. Nationally, private HEIs experienced enrollment increases of 5 percent over the last decade while public HEIs lost 8.2 percent of enrollment and private for-profit HEIs lost nearly half of students.



The difference between public two-year and four-year HEIs is also significant. Nationally, data indicate that two-year institutions lost nearly 30 percent of enrollment, similar to the loss of 27 percent experienced by New Mexico institutions. However, four-year institutions experienced enrollment *growth* of 17 percent over the past decade while New Mexico four-year institutions *lost* 19 percent of enrollment.

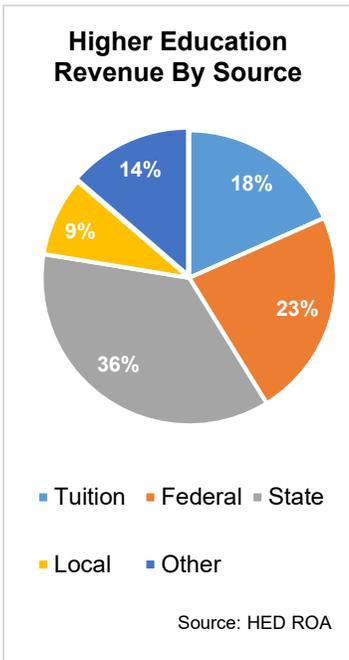


Recognizing the enrollment challenges, the Legislature required all New Mexico HEIs funded through the formula to submit enrollment management plans in order to receive their full FY23 budget allocation. The plans were to include projections of enrollment for the fall 2025 and fall 2027 semesters. Based on the projections submitted, HEIs anticipate an increase of 7.2 percent on average by FY25, and a 10 percent increase by fall 2027. Even if each HEI reached the projected target, the total HEI enrollment would be 44 thousand less than the all-time highs experienced by each HEI.

The expectations for enrollment increases vary significantly by institution. For example, Southeastern New Mexico College anticipates a 59 percent increase in enrollments between FY21 and FY25 while Central New Mexico College (CNM) anticipates a 2.2 percent decrease (see Appendix A).

### Higher Education Funding

New Mexico’s public HEIs, excluding UNM Health Sciences Center (UNM-HSC), received \$2.2 billion in revenues in FY21 from a number of different sources. The state, through appropriations, contracts, and grants, provides the largest share of revenue. Additionally, a significant portion of tuition revenue is paid from state-supported scholarships like the Legislative Lottery Scholarship. About \$600 million of the \$2.2 billion funds were restricted, meaning their uses were limited to specific purposes, while \$1.6 billion were unrestricted. In FY21, research institutions received 60 percent of total funding, comprehensive colleges received 11 percent, branch colleges received 8 percent, and independent community colleges received 21 percent.



Between FY12 and FY21, changes in total funding varied significantly among institutions with research institutions experiencing virtually no change, comprehensive colleges experiencing an 11 percent increase, branches, a 0.5 percent reduction, and independent community colleges a 17 percent increase. Much of this variation is due to the mix of total revenue received by each institution. For example, community colleges receive local funds through mill levy proceeds which experienced a 58.7 percent increase over this time. Four-year schools do not receive local funding but receive a larger share of federal funds which fell by 8.7 percent.

**HEI Change in I&G Revenue by Source**  
FY12-FY21

Revenue Source	FY12	FY21	% Change
Tuition	\$ 380,706,330	401,438,353	5.4%
Federal	\$ 544,166,566	500,058,895	-8.1%
State	\$ 699,025,479	795,845,253	13.9%
Local	\$ 120,883,070	191,815,718	58.7%
Other	\$ 352,938,313	298,726,145	-15.4%
<b>Total</b>	<b>\$ 2,097,719,758</b>	<b>2,187,884,364</b>	<b>4.3%</b>

Source: ROA

Total I&G revenue for New Mexico HEIs, excluding UNM-HSC, increased by 4.3 percent from FY12 to FY21, though state revenue increased by 14 percent. However, this was offset by losses in federal and other revenue (including private gifts and sales/services), and slow growth in tuition revenue. Because the inflation rate was higher than HEI budget growth for this period, purchasing power of I&G appropriations fell. The Federal Reserve reported inflation of 21.2 percent so that the \$2.1 billion FY12 I&G revenue would have needed to be increased to \$2.5 billion to maintain purchasing power. The actual FY21 revenue of \$2.2 billion was a reduction of \$353.5 million, or 14 percent from FY12, adjusted for inflation.

Despite falling student enrollment and growing appropriations, the cost per award fell between FY16 and FY21. The fall was driven by cost per award reductions at 2-year community colleges that more than offset increases in research and branch colleges.

**General Fund I&G Cost Per Award by Institution Type**  
FY16-FY21

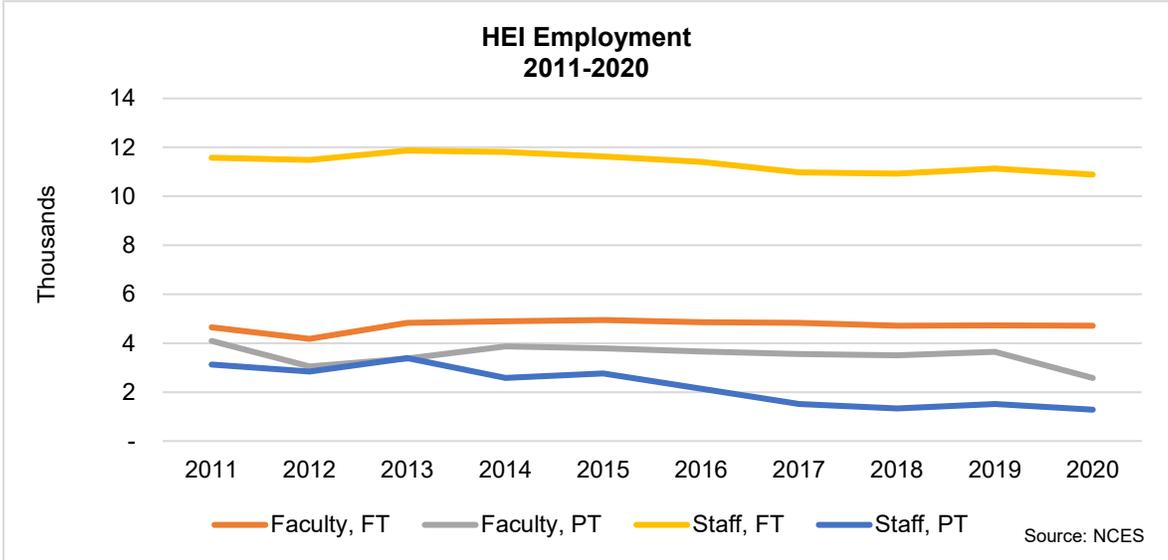
	FY16 Awards	FY21 Awards	FY16 GF I&G	FY21 GF I&G	FY16 Cost per Award	FY21 Cost per Award	% Change
Research	9,212	8,698	334,254,100	327,622,500	36,285	37,666	4%
Comprehensive	2,664	2,811	83,271,400	83,720,400	31,258	29,783	-5%
Branch	2,976	2,319	72,718,700	69,646,900	24,435	30,033	23%
2-Year	8,033	8,986	117,645,600	114,904,200	14,645	12,787	-13%
Total	22,885	22,814	607,889,800	595,894,000	26,563	26,120	-2%

Source: HED Data

The overall trend in cost per award varied significantly by institution. For example, the cost to produce a degree at Luna Community College increased from \$39.8 thousand in FY16 to \$64.7 thousand in FY21. Conversely, the cost to produce an award at Northern New Mexico College fell from \$72.7 thousand in FY16 to \$50 thousand in FY21 (see Appendix B). The change in cost was mostly driven by changes in awards granted.

### Staffing

The reduction in enrollments led HEIs to significantly reduce staff. Between 2011 and 2020, New Mexico HEIs shed nearly 4 thousand faculty and staff positions. The reduction in HEI employment was focused on part-time faculty and staff, which fell by 37 percent and 59 percent respectively. Full-time faculty positions increased by 1.5 percent while full-time staff positions fell by 5.9 percent.



Though the number of full-time faculty remained nearly unchanged over the past decade while enrollment fell, federal data show that New Mexico institutions have a higher average faculty-to-student ratio than the national average. Additionally, according to a chronicle of higher education analysis of U.S. Department of Education data for the 2015-2016 academic year, all but two four-year New Mexico higher education institutions had lower levels of managers than the national median. However, UNM ranked 60<sup>th</sup> out of 931 institutions for number of managers while New Mexico Tech ranked 92<sup>nd</sup>.

**Faculty to Student Ratio, 2018**

	New Mexico	U.S. Avg.
2 year	19.3	18.4
4 year	14.3	14.2

Source: NCES

In 2017, the LFC conducted an analysis on cost drivers in higher education and noted that expenditures per FTE for institutional support was the fastest growing category from FY07 to FY16, growing 28.6 percent, a \$47.4 million increase. In 2017, 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. 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. 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.

The LFC updated the data to reflect 2021 actual expenditures and found the ratio of administration to instruction remained relatively stable between 2016 and 2021. Additionally, WNMU and NNMC had significantly reduced their expenditures on administration, but remained well over the national benchmarks.

### Administration to Instruction Ratio for Select Higher Education Institutions

	FY16 Actuals			FY21 Actuals			National Benchmark
	Administration	Instruction	Ratio	Administration	Instruction	Ratio	
UNM	\$42,772,244	\$223,812,216	19.1%	\$41,820,755	\$207,610,493	20.1%	17%
NMSU	\$22,435,463	\$130,785,201	17.2%	\$22,799,435	\$124,162,914	18.4%	20%
NMIMT	\$7,593,062	\$22,214,628	34.2%	\$ 8,380,268	\$23,209,541	36.1%	34%
<b>Research</b>	<b>\$72,800,769</b>	<b>\$376,812,045</b>	<b>19.3%</b>	<b>\$70,374,814</b>	<b>\$354,982,948</b>	<b>19.8%</b>	
ENMU	\$6,680,899	\$25,725,629	26.0%	\$6,594,712	\$25,864,091	25.5%	24%
NMHU	\$6,525,605	\$21,840,227	29.9%	\$6,351,327	\$21,658,745	29.3%	24%
NNMC	\$4,203,527	\$5,497,667	76.5%	\$4,187,816	\$7,202,318	58.1%	39%
WNMU	\$7,454,144	\$16,162,313	46.1%	\$6,609,852	\$17,077,299	38.7%	28%
<b>Comprehensive</b>	<b>\$24,864,175</b>	<b>\$69,225,836</b>	<b>35.9%</b>	<b>\$23,743,707</b>	<b>\$71,802,453</b>	<b>33.1%</b>	
CNM	\$19,357,990	\$69,241,743	28.0%	\$21,438,714	\$73,130,478	29.3%	N/A
NMSU-DA	\$5,068,834	\$24,620,911	20.6%	\$5,304,066	\$24,303,721	21.8%	N/A
SJC	\$6,570,862	\$32,367,461	20.3%	\$7,275,336	\$29,055,835	25.0%	N/A
SFCC	\$6,244,500	\$19,293,014	32.4%	\$5,982,502	\$16,662,005	35.9%	N/A
<b>2-Year</b>	<b>\$37,242,186</b>	<b>\$145,523,129</b>	<b>25.6%</b>	<b>\$40,000,618</b>	<b>\$143,152,039</b>	<b>27.9%</b>	<b>N/A</b>

Source: ACTA and HED Data

Despite the slow pace of I&G funding increases, HEIs were able to increase institutional unrestricted I&G fund balances by \$111.3 million, or 70 percent, between FY16 and FY21. Institutional fund balances average 26.2 percent of unrestricted I&G funding (see Appendix C).

### Institutional Fund Balances By Institution Type FY16-FY21

	I&G Balance		% Change	FY21 I&G Expenditures	% of Expenditures
	FY16	FY21			
Research	60,953,004	93,174,678	53%	517,058,051	18.0%
Comprehensive	16,244,523	28,730,541	77%	120,325,405	23.9%
Branch	28,701,649	44,524,305	55%	106,259,950	41.9%
2-Year	48,384,614	93,694,991	94%	250,756,074	37.4%
<b>Total</b>	<b>154,283,790</b>	<b>260,124,515</b>	<b>69%</b>	<b>994,399,480</b>	<b>26.2%</b>

Source: ROA

Higher education institutions are required to submit budgets that separate I&G spending by category. The broad categories are: instruction, academic support, student services, institutional support (administration), and operations and maintenance of facilities. Analysis of unrestricted I&G budgets of HEIs shows that between FY16 and FY21, spending on administration continued to grow at the fastest rate, 1.4 percent, followed by student services spending at 1 percent. All other spending categories experienced declines over this period, and average spending fell 2.9 percent.

## Managing Efficiency

In order to manage efficiently, HEIs must determine if declines in student populations are lasting or if there are opportunities to regain all or a portion of lost enrollment. Projections of HEIs do not anticipate significant growth in enrollment making it likely that slow revenue growth will continue. Moving forward, HEIs will be challenged to create efficiencies in their delivery of high-quality education and student supports. While HEIs expect that tuition-free college will help them increase enrollment, the anticipated increase is modest at 10.5 percent by fall 2027.

### Change in I&G Spending by Activity FY16-FY21

Instruction	-3.6%
Academic Support	-3.9%
Student Support	1.0%
Administration	1.4%
Facility Operations	-7.3%
<b>Total</b>	<b>-2.9%</b>

Source: ROA

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Even if the target is met, New Mexico HEIs will still have over 40 thousand fewer students than they did at their peak enrollment. Current enrollment trends and the projected increases suggest that HEIs should view lower enrollment as a trend for the foreseeable future and direct resources accordingly.

### **Course Subscription and Delivery.**

The covid pandemic pushed HEIs to begin online delivery of courses, accelerating the trend of increased virtual learning opportunities. While data on the extent to which New Mexico HEIs are expanding online offerings remain scarce, institutions are expanding online offerings. For example, Eastern New Mexico University reported the number of undergraduate students attending exclusively online courses increased from 37.6 percent in fall 2017 to 51 percent in fall 2021. Similarly, Dona Ana Community College reports that 70 percent of credits were delivered online in fall 2021, up from 22 percent in fall 2019. Online delivery is projected to decline to 59 percent in fall 2022, but will remain well above historic averages.

Staffing levels have fallen, but the decline has not kept pace with the decline in enrollments leaving excess capacity in many courses offered. For example, at Central New Mexico Community College (CNM), the number of filled course seats fell by 25 percent while the total number of instructors fell by 10 percent between 2017 and 2021 resulting in a higher number of under-filled courses being offered. CNM estimates the annual cost of delivering the undersubscribed courses to be approximately \$1 million.

The combination of under-filled courses and the availability of online options was discussed in the LFC brief in October 2020. The brief noted that some college courses in the New Mexico common course numbering system are aligned across all (or nearly all) 24 state HEIs, such as College Algebra or English Composition I. Inter-institutional online course sharing could be a way for HEIs to share instructional services and increase course access to college students. As a small-scale hypothetical example, if each state HEI offered only three online College Algebra course sections per year (one for each semester), online course sharing could potentially save HEIs \$120 thousand per year while still serving the same total number of students and increasing class sizes by 5 students.

Online course delivery offers an opportunity to increase course subscription by broadening the student base. However, HEIs will face challenges in training faculty and in meeting the technological requirements of virtual learning. Additionally, many students, particularly those with the greatest need for academic support, benefit from direct access to faculty. This may limit class sizes and require the option for face-to-face instruction.

### **Facility Needs.**

Falling enrollment and increasing online course delivery reduced the need for physical space. However, between 2006 and 2020, the gross square footage dedicated to instruction and general purposes increased from 18.3 million square feet to 21.6 million square feet, or 17.5 percent. Though the funding formula once included awards for building renewal and replacement based on the square footage of HEI campuses, direct funding for this purpose was removed when the formula changed from an output- to an outcome based model. The change removed some of the incentive to expand campus footprints, but did not provide incentive for HEIs to reduce the existing facility footprint.

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Recognizing the reduced needs for physical space, the Higher Education Department created capital outlay funding guidelines disallowing net increases in square footage on HEI campuses. For example, if an institution were to request a new facility, the HED guidelines would require demolition of other facilities to accommodate the new one.

Moving forward, HEIs will need to intensify master planning efforts to ensure they have needed facilities while reducing the campus footprint to reflect student enrollment. Many institutions have recognized the reduced need for physical space and are planning accordingly. For example, UNM is in the process of creating an inventory of all physical space and documenting programmatic needs. Though planning is ongoing, UNM has a stated goal of reducing space by 300 thousand square feet, or 5 percent of I&G space, over the next 5 years. While this is a positive step, it remains to be seen what the budgetary impact of the reduction will be.

## Appendix A

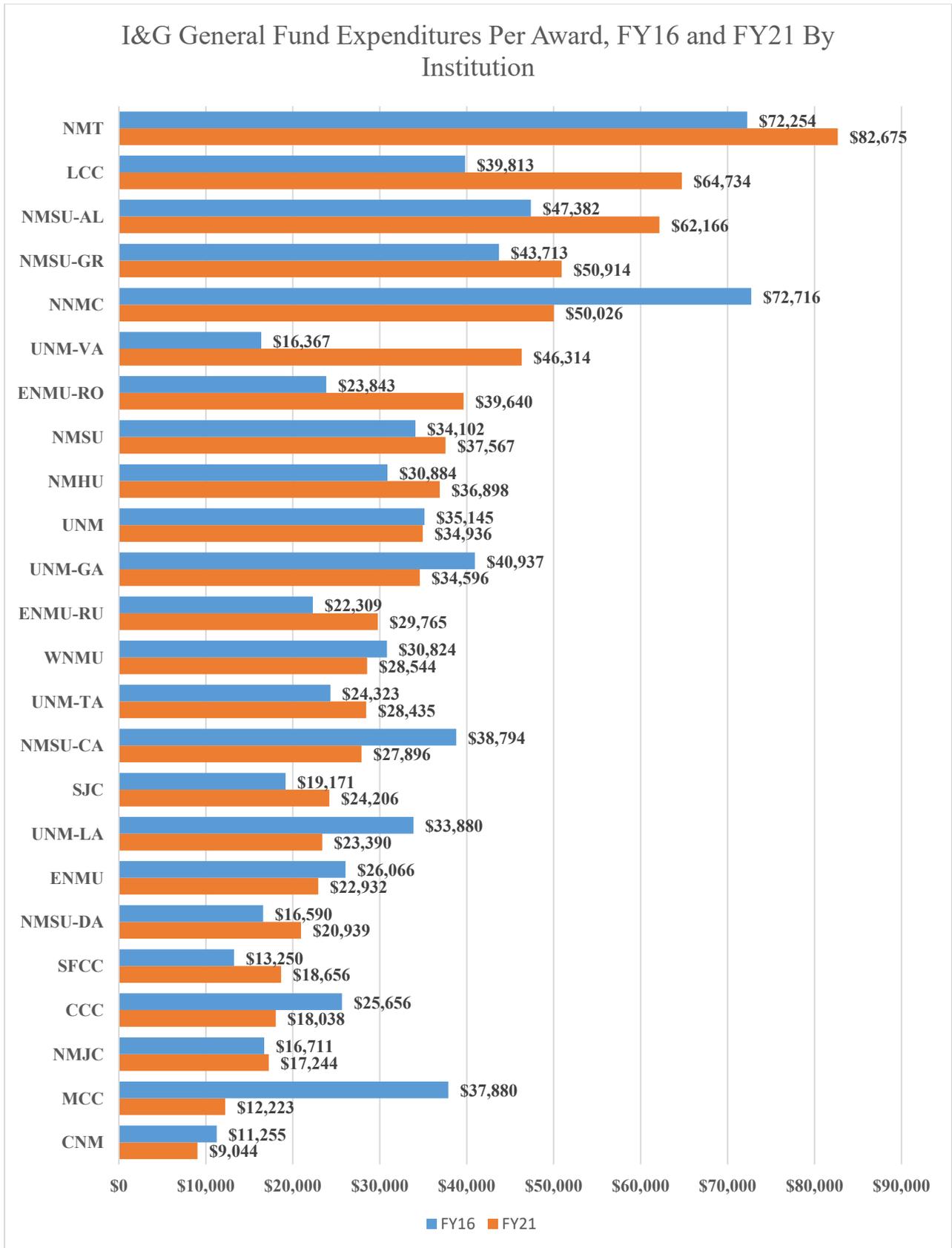
### New Mexico Higher Education Institution Enrollment Projections

Institution	Historic			Projection			
	All Time High	Fall 2017	Fall 2021	Fall 2025	% Change	Fall 2027	% Change
Central New Mexico Community College	31,237	24,480	18,586	18,168	-2.2%	19,137	3.0%
Clovis Community College	4,282	3,426	2,362	2,506	6.1%	2,581	9.3%
Eastern New Mexico University Ruidoso	1,184	638	666	735	10.4%	811	21.8%
Eastern New Mexico University-Main Campus	6,279	6,161	5,078	5,300	4.4%	5,500	8.3%
Eastern New Mexico University-Roswell Campus	4,322	2,682	1,628	1,675	2.9%	1,699	4.4%
Luna Community College	2,068	1,375	819		-100.0%		-100.0%
Mesalands Community College	1,240	1,005	745	1,984	166.3%		-100.0%
New Mexico Highlands University	3,809	3,363	2,677	3,025	13.0%	3,075	14.9%
New Mexico Institute of Mining and Technology	2,162	2,005	1,733	1,936	11.7%	2,099	21.1%
New Mexico Junior College	3,655	2,459	1,884	2,800	48.6%	3,200	69.9%
New Mexico State University-Alamogordo	3,939	1,729	957	1,200	25.4%	1,400	46.3%
New Mexico State University-Carlsbad	2,067	2,054	1,574	2,500	58.8%	2,715	72.5%
New Mexico State University-Dona Ana	9,900	7,951	6,465	7,276	12.5%	7,720	19.4%
New Mexico State University-Grants	1,587	1,042	726	817	12.5%	867	19.4%
New Mexico State University-Main Campus	18,528	14,445	13,938	14,468	3.8%	14,758	5.9%
Northern New Mexico College	2,180	1,115	1,135	1,304	14.9%	1,336	17.7%
San Juan College	11,579	7,363	5,846	6,324	8.2%	6,195	6.0%
Santa Fe Community College	6,586	5,844	4,027	4,148	3.0%	4,228	5.0%
University of New Mexico-Gallup Campus	3,027	2,221	2,090	2,174	4.0%	2,217	6.1%
University of New Mexico-Los Alamos Campus	1,097	958	903	994	10.1%	1,054	16.7%
University of New Mexico-Main Campus	29,285	26,561	21,772	22,806	4.7%	23,100	6.1%
University of New Mexico-Taos Campus	1,935	1,512	1,323	1,879	42.0%	1,049	-20.7%
University of New Mexico-Valencia County Campus	2,598	2,299	2,030	2,400	18.2%	2,400	18.2%
Western New Mexico University	3,560	3,088	3,100	3,821	23.3%	3,974	28.2%
<b>Total HEI Enrollment*</b>	<b>154,798</b>	<b>123,396</b>	<b>100,500</b>	<b>108,256</b>	<b>7.7%</b>	<b>111,115</b>	<b>10.6%</b>

\*Excluding Luna and Mesalands as no projection numbers had been received at time of publication

Source: HEI Enrollment Plans

**Appendix B**



Appendix C

Higher Education Institution Unrestricted I&G Balances  
FY16-FY21

HEI	FY16	FY21	Percent Difference	FY16 Total Unrestricted I&G Expenditures	FY21 Total Unrestricted I&G Expenditures	FY21 Balance Percent of Expenditures
CCC	\$4,284,222	\$5,401,731	26.1%	\$13,685,877	\$13,485,472	40.1%
CNM	\$19,816,002	\$49,641,671	150.5%	\$121,684,527	\$126,577,630	39.2%
ENMU	\$1,546,887	\$2,817,117	82.1%	\$40,722,428	\$40,173,204	7.0%
ENMU-RO	\$2,681,217	\$3,254,791	21.4%	\$14,729,081	\$15,063,609	21.6%
ENMU-RU	\$721,237	\$1,289,496	78.8%	\$3,205,820	\$3,210,407	40.2%
LCC	\$3,557,275	\$4,978,457	40.0%	\$10,254,099	\$9,404,358	52.9%
MCC	\$1,932,200	\$552,848	-71.4%	\$5,436,629	\$4,610,279	12.0%
NMHU	\$2,654,008	\$9,692,807	265.2%	\$36,475,577	\$36,532,767	26.5%
NMJC	\$3,883,100	\$2,747,496	-29.2%	\$22,879,169	\$20,374,966	13.5%
NMSU	\$19,443,507	\$19,995,187	2.8%	\$184,676,824	\$177,038,262	11.3%
NMSU-A	\$1,575,937	\$3,467,193	120.0%	\$10,509,394	\$8,328,964	41.6%
NMSU-C	\$2,789,988	\$7,121,887	155.3%	\$9,222,665	\$8,996,567	79.2%
NMSU-DA	\$6,087,195	\$6,998,506	15.0%	\$35,686,212	\$34,773,353	20.1%
NMSU-G	\$1,240,367	\$1,142,373	-7.9%	\$3,845,321	\$3,524,214	32.4%
NMT	\$9,480,924	\$11,053,197	16.6%	\$38,468,464	\$39,181,542	28.2%
NNMC	\$1,361,784	\$4,683,749	243.9%	\$12,508,648	\$14,189,094	33.0%
SFCC	\$1,582,997	\$8,170,572	416.1%	\$33,197,630	\$29,475,550	27.7%
SJC	\$13,328,818	\$22,202,216	66.6%	\$49,257,804	\$46,827,819	47.4%
UNM	\$32,028,573	\$62,126,294	94.0%	\$320,636,305	\$300,838,247	20.7%
UNM-G	\$6,150,894	\$8,227,480	33.8%	\$15,098,767	\$12,617,169	65.2%
UNM HSC	\$5,414,637	\$10,920,096	101.7%	\$114,213,430	\$115,253,839	9.5%
UNM-LA	\$419,466	\$2,637,562	528.8%	\$3,497,111	\$3,647,000	72.3%
UNM-T	\$3,874,824	\$5,462,952	41.0%	\$6,830,362	\$6,841,080	79.9%
UNM-V	\$3,160,524	\$4,922,066	55.7%	\$8,821,196	\$9,257,588	53.2%
WNMU	\$10,681,844	\$11,536,868	8.0%	\$28,265,393	\$29,430,340	39.2%
<b>Total</b>	<b>\$159,698,427</b>	<b>\$271,044,611</b>	<b>69.7%</b>	<b>\$1,143,808,733</b>	<b>\$1,109,653,319</b>	<b>24.4%</b>

Source: Report of actual expenditures, I&G detail, budget exhibit 2.

# Education Dashboard



NEW MEXICO  
LEGISLATIVE  
FINANCE  
COMMITTEE

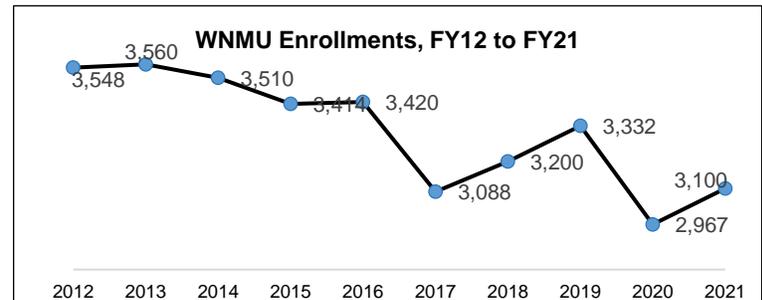
## Western New Mexico University WNMU



### Enrollment and Student Body Composition

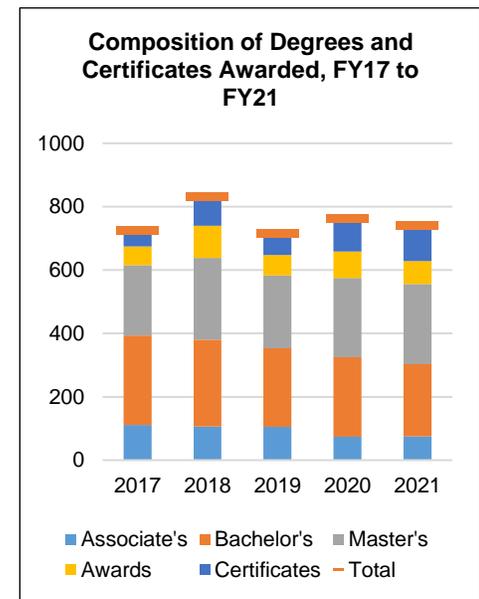
Enrollments peaked at 3,560 in FY13 and have since declined to 3,100 in FY21, a 12 percent decline.

The steepest decline in student population by age has been in students aged 17 to 19 years old, accounting for a loss of 348 students from FY12 to FY21. By ethnicity, the composition of the student body has not changed significantly from FY12 to FY21.



### Degrees and Certificates Awarded

Though the student population has decreased from FY17, the total number of degrees and certificates awarded each spring has increased slightly over the years and peaked in 2018. Data shows a 19 percent decrease in Bachelor's degrees awarded from FY17 to FY21, total certificates awarded has increased 120 percent. WNMU has also increased Master's degrees awarded by 13 percent.



FY16	FY18	FY21
Criminal Justice (42)	Social Work (35)	Social Work (174)
Interdisciplinary Studies (36)	Criminal Justice (30)	Interdisciplinary Studies (35)
Occupational Therapy (26)	Nursing (28)	Business Administration (17)

FY16	FY18	FY21
Clinical Social Work (77)	Social Work (129)	Social Work (27)
Interdisciplinary Studies (44)	Interdisciplinary Studies (40)	Criminal Justice (22)
Social Work (38)	Business Administration (21)	Nursing (20)

### Tuition and Fees

Tuition and fees have increased substantially from FY15 to FY22 by 38 percent for undergraduates and 53 percent for graduate students.

	FY15	FY17	FY19	FY21	FY22	FY15 to FY22
<b>Undergraduate Resident</b>	2,672.88	3,322.08	3,412.13	3,698.06	3,688.75	+ 38%
<b>Graduate Resident</b>	2,813.04	3,875.10	3,984.30	4,313.55	4,303.20	+ 53%

### Fund Balances

Fund balances have more than doubled from nearly \$4.3 million in FY17 to more than \$11.5 million in FY21.

FY17	FY18	FY19	FY20	FY21
\$4,293,089	\$4,666,687	\$6,710,810	\$7,961,604	\$11,536,868