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## FISCAL IMPACT REPORT

**SPONSOR** Ingle **ORIGINAL DATE** 2/8/2020  
**LAST UPDATED** \_\_\_\_\_ **HB** \_\_\_\_\_  
**SHORT TITLE** Higher Ed Equitable Per-Student Funding **SB** 241  
**ANALYST** Valenzuela

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
	\$8,367.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act for Higher Education Institutions

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Eastern New Mexico University (ENMU)  
 Western New Mexico University (WNMU)  
 New Mexico Higher Education Department (HED)

### SUMMARY

#### Synopsis of Bill

Senate Bill 241 appropriates \$8.4 million from the general fund to ENMU (\$7,985.0) and to WNMU (\$382.0) for instruction and general operations (I&G) funding. There is no effective date of this bill. It is assumed the effective date is 90 days following adjournment of the Legislature.

### FISCAL IMPLICATIONS

The appropriation of \$8.4 million contained in this bill is a recurring expense to the general fund. For the higher education performance funding formula, the bill provides an out-of-formula adjustments to two of New Mexico's four open admission universities, commonly referred to as the four-year comprehensive universities. According to ENMU, the purpose of SB241 is to equalize state funding per student among the comprehensive universities in New Mexico. The bill does not address other revenue sources that support I&G at comprehensive universities, such as tuition and fee revenues.

**Higher Education I&G Funding Formula.** The Legislature appropriated almost \$1 billion in funding support to support education, targeting \$700 million for instruction. New Mexico introduced the use one of the first performance-based funding formula in the country in 2013. Since this time, several institutions have communicated concerns about equity.

Senate Bill 241 seeks to address inequities perceived by both ENMU and WNMU about the shares of state funding received compared with the two other comprehensive universities in the state: Northern New Mexico College (NNMC) in Española and New Mexico Highlands University (NMHU) in Las Vegas. ENMU and WNMU argue the I&G funding formula does not reward them appropriately compared with similar institutions. Attachment A shows the appropriations to each of the institutions based on the most current performance data from academic year 2018 – 2019. The SB241 appropriation will increase the state general fund support by

	<u>GAA (House Version)</u>	<u>With SB241</u>
At ENMU	\$ 29,163,700	\$ 37,148,700
At WNMU	\$ 18,408,500	\$ 18,790,500
At NNMC	\$ 10,403,200	no change
At NMHU	\$ 28,998,800	no change

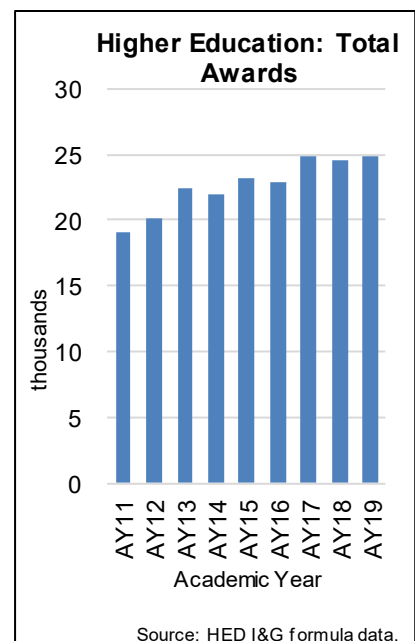
ENMU and WNMU assert that its appropriations – when shown as a per-student FTE -- are below the two other comprehensive universities, suggesting this difference reflects the inequity:

	<u>GAA (House Version)</u>	<u>With SB241</u>
At ENMU	\$ 7,468/student FTE	\$ 9,513/student FTE
At WNMU	\$ 9,255/student FTE	\$ 9,447/student FTE
At NNMC	\$ 12,939/student FTE	no change
At NMHU	\$ 12,340/student FTE	no change

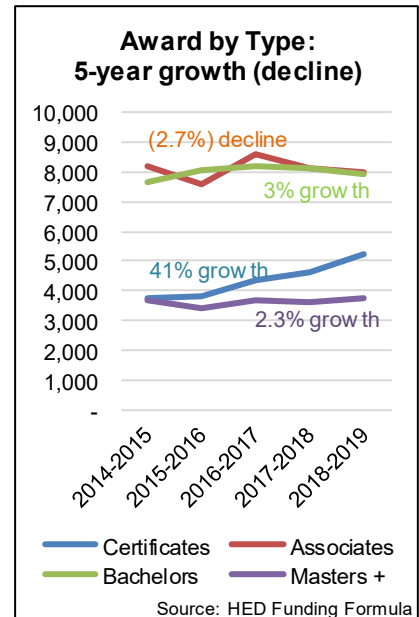
## SIGNIFICANT ISSUES

State funding to higher education institutions is allocated through an outcomes-based funding formula, designed to reward institutions for student success, e.g., graduates. In 2018, LFC completed an analysis of the funding formula, concluding the formula – through its performance metrics – is effective at increasing the number of awards (degrees or postsecondary credentials) to students. Since 2013, awards have increased by 22 percent when the formula went into effect.

Yet, several challenges confront higher education in New Mexico: Competition for students and faculty has intensified. High school graduates, despite increasing in numbers over the past five years, are not enrolling in New Mexico colleges and universities. New Mexico colleges lag out-of-state peers in student retention and graduation rates. Employers, who seek to employ New Mexico graduates, report difficulty in filling open positions because they cannot attract enough candidates.



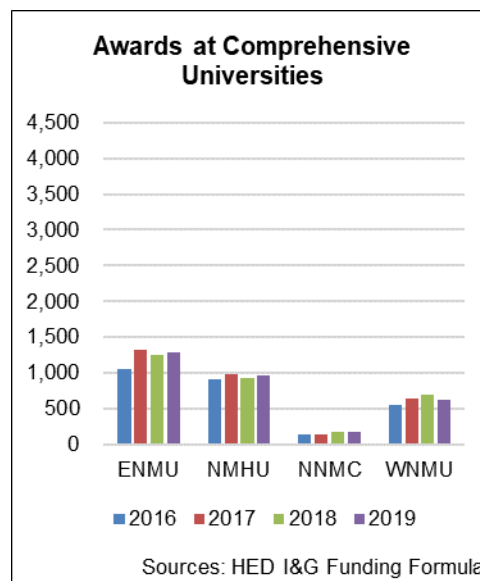
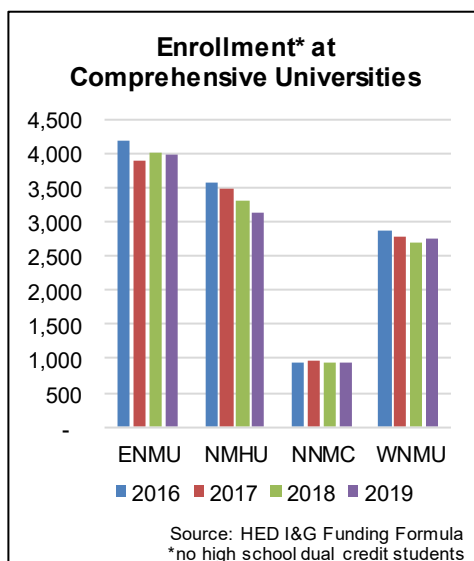
In its evaluation and with subsequent analysis, LFC has identified opportunities and challenges of the current formula to address these challenges: (1) Given the heavy weighting of degree completion in the formula, growth in subbaccalaureate certificates is outpacing traditional bachelors and masters degrees, an outcome that may incent institutions to invest fewer resources into graduate or Ph.D. programs because of the long-lead times for graduates (2) Allocation decisions are based on state general fund support rather than the total I&G revenue of institutions, such as tuition, fees, or local property tax revenue (two-year colleges), which may encourage a shift of financial responsibility to the state rather than the local or regional institution (3) Total enrollment is not factored into the formula – causing interpretation distortions – which undervalues new enrollment of New Mexico students into higher education (4) The market-share nature of the formula may not reward success at an institution that is improving its performance.



### PERFORMANCE IMPLICATIONS

Appropriations per student FTE do not fully reflect the full impact of allocations through the funding formula. For example, for 2019, with 36.8 percent of the enrollment, ENMU produced 42.4 percent of the awards in the sector. NMHU, with 29 percent of the enrollment produced 31.6 percent of the awards. Highlands produced a higher percentage of STEM awards, high-demand industries that are weighted greater in value in the funding formula.

2019	Share of Enrollment	Share of Awards
ENMU	36.8%	42.4%
NMHU	29.0%	31.6%
NNMC	8.7%	5.7%
WNMU	25.5%	20.3%



A deeper review of selected performance measures for the four-year comprehensive universities is shown in Attachment B.

MFV/sb/rl

**Attachment A. FY21 Higher Education I&G Funding Formula HAFC Recommendation**

Institution	Fall 2018 Enrollment	FY20 OPBUD	HAFC Recommendation				SB 241 Impacts			
	Student FTE		I&G Performance Funding	I&G Performance Funding	Change in I&G Funding	% Change in I&G Funding	State I&G per Support FTE	I&G Performance Funding	SB241 Adds	Total with SB241 Addes
<b>Grand Total</b>		<b>\$623,365,500</b>	<b>\$629,329,900</b>	<b>\$5,964,400</b>	<b>0.9%</b>		<b>\$629,283,700</b>	<b>8,367,000</b>	<b>637,650,700</b>	
New Mexico Institute of Mining and Technology	1,614	\$28,301,700	\$28,563,400	\$261,700	0.9%	\$ 17,697	\$28,563,400	-	28,563,400	\$ 17,697
New Mexico State University	11,910	\$120,020,600	\$120,894,800	\$874,200	0.7%	\$ 10,151	\$120,894,800	-	120,894,800	\$ 10,151
University of New Mexico	19,246	\$194,435,800	\$196,517,800	\$2,082,000	1.1%	\$ 10,211	\$196,517,800	-	196,517,800	\$ 10,211
<b>Research University Total</b>	<b>32,770</b>	<b>\$342,758,100</b>	<b>\$345,976,000</b>	<b>\$3,217,900</b>	<b>0.9%</b>	<b>\$ 10,558</b>	<b>\$345,976,000</b>	<b>-</b>	<b>345,976,000</b>	<b>\$ 10,558</b>
Eastern New Mexico University	3,905	\$28,730,900	\$29,163,700	\$432,800	1.5%	\$ 7,468	\$29,163,700	7,985,000	37,148,700	\$ 9,513
New Mexico Highlands University	2,350	\$28,669,100	\$28,998,800	\$329,700	1.2%	\$ 12,340	\$28,998,800	-	28,998,800	\$ 12,340
Northern New Mexico College	804	\$10,403,200	\$10,403,200	\$0	0.0%	\$ 12,939	\$10,403,200	-	10,403,200	\$ 12,939
Western New Mexico University	1,989	\$18,151,100	\$18,408,500	\$257,400	1.4%	\$ 9,255	\$18,408,500	382,000	18,790,500	\$ 9,447
<b>Comprehensive University Total</b>	<b>9,048</b>	<b>\$85,954,300</b>	<b>\$86,974,200</b>	<b>\$1,019,900</b>	<b>1.2%</b>	<b>\$ 9,613</b>	<b>\$86,974,200</b>	<b>8,367,000</b>	<b>95,341,200</b>	<b>\$ 10,537</b>
Eastern New Mexico University-Roswell	1,464	\$11,899,800	\$11,934,800	\$35,000	0.3%	\$ 8,152	\$11,934,800	-	11,934,800	\$ 8,152
Eastern New Mexico University-Ruidoso	288	\$2,106,400	\$2,107,400	\$1,000	0.0%	\$ 7,317	\$2,107,400	-	2,107,400	\$ 7,317
New Mexico State University-Alamogordo	739	\$7,323,800	\$7,323,800	\$0	0.0%	\$ 9,910	\$7,323,800	-	7,323,800	\$ 9,910
New Mexico State University-Carlsbad	820	\$4,271,200	\$4,290,000	\$18,800	0.4%	\$ 5,232	\$4,290,000	-	4,290,000	\$ 5,232
New Mexico State University-Dona Ana	4,740	\$23,658,300	\$23,826,000	\$167,700	0.7%	\$ 5,027	\$23,826,000	-	23,826,000	\$ 5,027
New Mexico State University-Grants	383	\$3,526,100	\$3,526,100	\$0	0.0%	\$ 9,207	\$3,526,100	-	3,526,100	\$ 9,207
University of New Mexico-Gallup	1,329	\$8,884,700	\$8,884,700	\$0	0.0%	\$ 6,685	\$8,884,700	-	8,884,700	\$ 6,685
University of New Mexico-Los Alamos	344	\$1,887,600	\$1,905,900	\$18,300	1.0%	\$ 5,540	\$1,905,900	-	1,905,900	\$ 5,540
University of New Mexico-Taos	538	\$3,764,700	\$3,792,600	\$27,900	0.7%	\$ 7,049	\$3,792,600	-	3,792,600	\$ 7,049
University of New Mexico-Valencia	933	\$5,729,900	\$5,770,500	\$40,600	0.7%	\$ 6,185	\$5,770,500	-	5,770,500	\$ 6,185
Central New Mexico Community College	12,000	\$59,961,400	\$60,965,900	\$1,004,500	1.7%	\$ 5,080	\$60,965,900	-	60,965,900	\$ 5,080
Clovis Community College	1,509	\$9,837,300	\$9,893,600	\$56,300	0.6%	\$ 6,556	\$9,893,600	-	9,893,600	\$ 6,556
Luna Community College	513	\$7,012,900	\$7,012,900	\$0	0.0%	\$ 13,670	\$6,966,700	-	6,966,700	\$ 13,580
Mesalands Community College	413	\$4,081,000	\$4,085,000	\$4,000	0.1%	\$ 9,891	\$4,085,000	-	4,085,000	\$ 9,891
New Mexico Junior College	1,464	\$5,713,100	\$5,768,000	\$54,900	1.0%	\$ 3,940	\$5,768,000	-	5,768,000	\$ 3,940
San Juan College	3,873	\$24,573,000	\$24,736,600	\$163,600	0.7%	\$ 6,387	\$24,736,600	-	24,736,600	\$ 6,387
Santa Fe Community College	2,229	\$10,421,900	\$10,555,900	\$134,000	1.3%	\$ 4,736	\$10,555,900	-	10,555,900	\$ 4,736
<b>Community College Total</b>	<b>33,579</b>	<b>\$194,653,100</b>	<b>\$196,379,700</b>	<b>\$1,726,600</b>	<b>0.9%</b>	<b>\$ 5,848</b>	<b>\$196,333,500</b>	<b>-</b>	<b>196,333,500</b>	<b>\$ 5,848</b>

Source: FY21 Performance Data and LFC Analysis

**Attachment B. Select Performance Measures for Four-Year Comprehensive Universities**

**Student Enrollment (Headcount)**

	2016	2017	2018	2019
ENMU	6,279	6,230	6,161	6,133
NMHU	3,608	3,512	3,363	3,195
NNMC	1,082	1,126	1,115	1,098
WNMU	3,414	3,420	3,088	3,200

**Total Awards**

	2016	2017	2018	2019
ENMU	1,054	1,322	1,245	1,290
NMHU	908	989	932	963
NNMC	146	147	174	174
WNMU	550	649	691	617

**At-Risk Awards**

	2016	2017	2018	2019
ENMU	570	662	631	641
NMHU	592	665	645	608
NNMC	102	104	119	118
WNMU	343	393	407	379

**STEM Awards**

	2016	2017	2018	2019
ENMU	234	285	302	310
NMHU	382	390	393	399
NNMC	63	67	86	74
WNMU	175	278	130	100

**Completed Course Credit Hours**

	2016	2017	2018	2019
ENMU	115,773	112,005	112,929	107,581
NMHU	74,974	73,562	69,464	65,302
NNMC	20,681	21,777	22,143	22,183
WNMU	66,823	66,075	61,799	61,195