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# Revised Higher Education Funding Formula

Legislative Finance Committee, June 17, 2011

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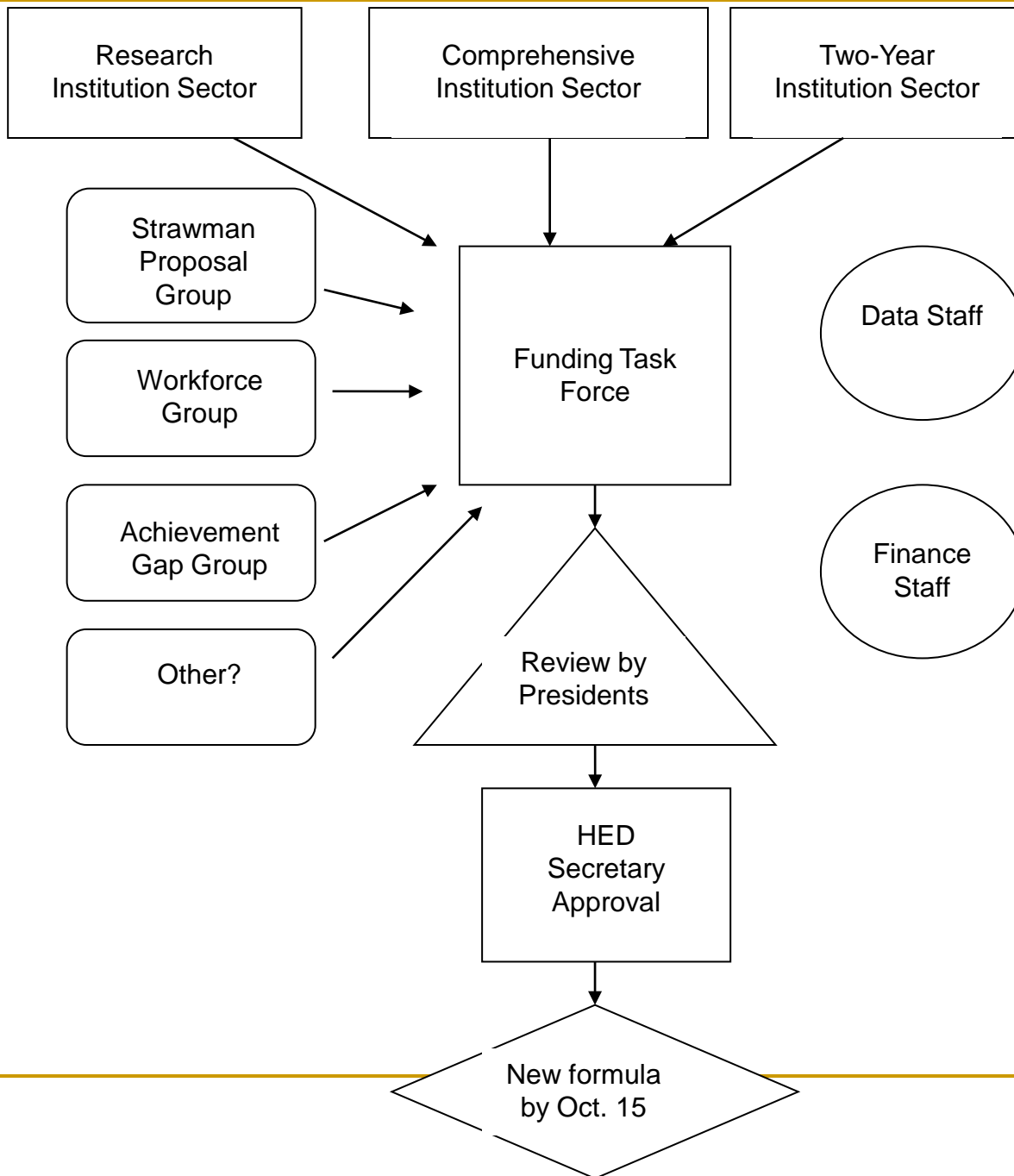
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# Process flow for development of new funding formula





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# Participants in the Process

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# Strawman Proposal Group

- Recommended by Funding Task Force 5-11-11
- Membership: LFC staff, DFA staff, HED staff, Council of University Presidents staff, representatives of research and comprehensive 4-year colleges, NM Independent Community Colleges staff, representative of independent 2-year colleges, NM Association of Community Colleges staff, representative of branch campuses
- Task: Developed strawman proposal for general structure of new funding formula. Approved by Funding Task Force June 8, 2011.

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# System Sectors

- SECTORS

- Research Universities
- Comprehensive Universities
- Independent and Branch Two-Year Colleges

- TASKS

- Recommend outcome measures for each system by June 24, 2011 Funding Task Force Meeting
- Work with HED/finance staff to develop cost factors; outcome data

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# Other Concentration Groups

## ■ **Workforce Group**

- Membership: Representatives of private industry, national laboratories, Economic Development Department; Department of Workforce Solutions; economic development-related non-profit organizations; Funding Task Force, NMSU, CNM
- Tasks: Focus on workforce development, projections and strategies to achieve workforce targets.

## ■ **Achievement Gap Group**

- HED Achievement Gap Conference May 26, 2011
- Tasks: Identify strategies to improve preparedness for higher education esp. in science, technology, engineering and math.

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# Staff

- Data Staff include HED, UNM, CNM, and ENMU institutional researchers
- Fiscal Staff include HED, LFC, DFA and other finance staff from postsecondary institutions
- Tasks: Provide data and financial information to system sectors and concentration groups.



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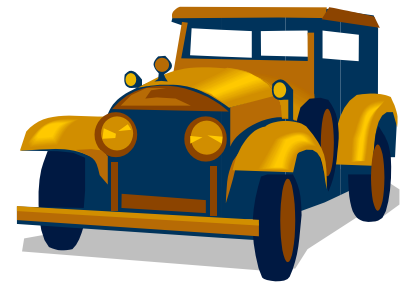
# Timeline

- **May** – Identified best practices from other states; conducted Achievement Gap Conference
- **June** – Developed strawman recommendation; sectors developing initial proposals for outcome measures; HED developing initial proposals for workforce and achievement gap measures; measures reviewed by FTF.
- **July** – Data staff reports on outcome data related to preliminary outcomes identified by system sectors. Finance staff reports on approaches to assign dollar values to identified outcomes. Additional subcommittees develop methodologies for costing other input or output factors (i.e. utilities group)
- **August** – Develop preliminary funding formulas
- **September** - Refinement of formulas; presentation to CUP, NMACC and NMICC presidents for endorsement and/or revision
- **October** – Finalize model and present to LFC and DFA

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# General Structure of New Higher Education Funding Formula –

- \* Model T version for FY13
- \* Enhanced in FY14 and beyond



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# Three formulas

- To reflect mission differentiation, separate formulas would be developed for:
  - Four-year research universities
  - Four-year comprehensive universities
  - Two-year colleges
- Formulas might be merged later into one formula if outcome measures are similar.
- This is consistent with treatment of mission differentiation in other states such as Ohio, Washington, Texas and Tennessee.

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# Base-Plus formula

- The new formulas would be run as a base-plus approach.
- This is consistent with past practice that each year's budget recommendation moved from the base of the prior year.
- The base would be FY12 appropriations, with consideration for adjusting utilities to actuals as well as possible approaches to address the structure of the FY12 budget reductions.
- It is intended that the legislature would use the formulas to calculate total workload and sand evenly if not enough funds available.

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# Continue to run old formula?

- HED would not continue to run the old formula; however, the new formula will contain some elements of the old formula.

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# General shape of the new formula

ELEMENTS OF OLD FORMULA		ELEMENTS OF NEW FORMULA
<b>Input Funding</b>		<b>Input Funding</b>
Student credit hour enrollment		
Student Services		Student Services (possibly rolled into student credit hour completion calculation)
Physical Plant Operations and Maintenance on flat rate per square foot		Physical Plant Operations and Maintenance on flat rate per square foot
Utilities calculated on per square foot basis		Utilities funded; approach TBD
<b>Outcome Funding</b>		<b>Outcome Funding</b>
		Student credit hour completion based on marginal cost
		Other outcomes identified by sectors
<b>Revenue Credits</b>		<b>Revenue Credits</b>
Land and Permanent Fund		Percentage allocation of total costs between state and institution-generated revenues. No calculation of waivers or credits.
Mil Levy		
Tuition - adjusted for waivers, dual credit		
<b>Other Formula Expenditures/Transfers</b>		<b>Other Formula Expenditures</b>
3% scholarship		ER&R, BR&R, 3% scholarship carried forward in base appropriation. No longer calculated separately in formula.
BR&R		
ER&R		
<b>Legislative Adjustments - Carried in and added to base</b>		<b>Legislative Adjustments - Carried in and added to base</b>
Compensation		Compensation
Insurance		Insurance
Library		Library
Other		Other

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# Funding Inputs in New Formula

- Student services would be included but may be merged into student credit hours.
- Physical plant operations and maintenance funded on per square foot basis as is current practice.
- Utilities would be funded; approach still under consideration.
- Funding inputs in formula is consistent with practices in Tennessee and Ohio.



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# Funding Outputs in New Formula

- Student credit hour matrix would be included but would reflect course completion rather than enrollment and would use marginal costs
- Other outcomes will be incorporated as identified by each sector, HED and Funding Task Force.

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# Revenue credits

- Total costs would be allocated in fixed percentages for each sector between state general fund support and institution-generated revenues
- Tuition, mil levy and permanent fund amounts would not be calculated separately in the formula
- This is consistent with Tennessee, where the formula provides for university-generated revenues to cover 45% of expenditures; college-generated revenues to cover 33%. Actual percentages used in NM to be determined yet.

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# Other formula expenditures

- ER&R, BR&R, 3% scholarship would be carried forward in the base appropriation
- These items would not be calculated and tracked in the new formula.

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# Legislative adjustments

As in the past, special legislative adjustments would be incorporated into the base such as:

- ❑ Compensation
- ❑ Retirement
- ❑ Insurance/risk adjustments
- ❑ Extra funding for library acquisitions
- ❑ Other