

**HOUSE APPROPRIATIONS & FINANCE CMT.
HIGHER EDUCATION SUBCMT.
Information Session on Funding Formula**

- The Laws of 2011 GAA required the Secretary of the Higher Education Department (HED) to submit revisions to the instruction and general expenditure funding formula by October 15, 2011.
- The LFC's interim hearings (June and November 2011) on the development of the funding formula revisions focused on transition from inputs-driven funding (based on student credit hour enrollment and institutional fixed costs) to outcomes-driven funding (based on completed credit hours and certificates and degrees produced).
- Since the GAA, the HED, Higher Education Funding Task Force (Task Force), institutions, DFA, LFC, and others met regularly to develop formula revisions that would do the following:
 1. **change direction of funding** – transition to funding outcomes and not inputs;
 2. **recognize student success** – fund student outcomes, like course completion and graduation;
 3. **reward institutional success** – fund institutions that succeed at their missions of research, general education, and workforce development;
 4. **provide stability and equity in funding institutions** – institutions should expect budget predictability and equitable distribution of state resources; and
 5. **identify additional priorities to direct future work** – the FY13 effort is a start, not the end, to set performance goals, data to measure progress, and develop the formula.
- The first phase of the new formula and the FY13 LFC and Executive budget recommendations based on this initial formula or formulas does not calculate or fund
 - (1) the costs for equipment replacement and renewal, building replacement and renewal, operations and maintenance costs of instructional and general (I&G) education square footage on HED's inventory master list, or utilities costs for I&G square footage;
 - (2) tuition credits or tuition waivers; or
 - (3) completes data collection and use of student head count to determine costs associated with academic support or student services.
- Institutions generally support the formula revisions and have committed to develop outcome measures for research, comprehensive, and community colleges need to be developed for FY14. But, all institutions oppose a budget

recommendation that results in institutional funding below FY12 general fund levels, particularly after 4 years of declining state general fund appropriations.

- The Executive's FY13 recommendation for I&G funding cuts 6.2 percent, or \$32 million, from the FY12 general fund I&G level of \$520.5 million and reallocates \$32 million based on outcomes-based formula components. The Executive recommendation
 - results in overall flat I&G funding for FY13,
 - maintains the FY12 sector ratios of I&G funding (69 percent for research/comprehensive universities and 31 percent for two-year institutions),
 - reduces formula funding for 16 institutions from their FY12 general fund I&G levels and increases funding for 8 institutions over prior year level.

- The LFC's FY13 recommendation increases I&G funding by 5.3 percent or \$27.3 million. The LFC allocated I&G funding by maintaining the FY12 general fund I&G level and funding outcomes-based formula components with approximately \$25 million in new funding and reallocating \$2.9 million of general fund support formerly for the performance enhancement funding for nursing. All institutions receive increased I&G funding under the LFC's recommendation.

- The LFC recommended legislative language be included in the General Appropriation Act of 2012 again requiring the Higher Education Department to submit formula revisions by October 15, 2012 and requiring the revisions address institutional, mission-specific outcome measures and provide a policy for integrating state appropriations, tuition, and financial aid policies in support of statewide outcome measures (increasing award production, increasing workforce awards, and awards earned by at-risk students).

For more analysis of the funding formula, the Higher Education Department's request and the LFC recommendation, please see

- LFC Policy and Performance Analysis (Volume 1), pp. 20-23.
- LFC Appropriation Recommendation (Volume 2), pp. 322-324 (narrative) and pp. 315-321 (institutional tables).
- LFC Supplemental Tables and Graphs (Volume 3), pp. 43-49.

Higher Education General Fund Appropriations for FY13
(in thousands)

	FY12 OpBud	FY13 LFC Recommendation	FY13 Executive Recommendation	LFC over/(under) Exec.
FY12 I&G Operating Base				
Institutional I&G	\$520,548.8			
UNM HSC	\$56,962.2	\$67,303.8	\$56,962.2	\$341.6
Total Institutional and UNM HSC I&G	\$577,511.0			
FY13 Institutional I&G Base Year (1)		\$520,548.8	\$520,548.8	\$0.0
Executive reduction to FY13 Base Year for outcome measures (6.1% FY12 I&G Base)		\$0.0	-\$32,511.2	\$32,511.2
Workload Outcome (Course Completion & Student Services)				
Research Institutions			\$5,940.1	
Comprehensive Institutions			\$2,390.0	
Two-Year Institutions			\$7,632.7	
Subtotal Workload Outcome		\$15,856.8	\$15,962.8	-\$106.0
Statewide Outcomes Measures				
Number of Certificates and Degrees (2009-10)				
Research Institutions			\$7,201.5	
Comprehensive Institutions			\$1,239.8	
Two-Year Institutions			\$2,086.8	
Subtotal Certificates and Degrees		\$6,123.2	\$10,528.1	-\$4,404.9
Workforce Certificates and Degrees (2009-10)				
Research Institutions			\$3,006.6	
Comprehensive Institutions			\$403.4	
Two-Year Institutions			\$781.8	
Subtotal Workforce Certificates and Degrees		\$5,583.6	\$4,191.8	\$1,391.8
At-Risk Certificates and Degrees (2009-10)				
Research Institutions			\$2,476.3	
Comprehensive Institutions			\$551.5	
Two-Year Institutions			\$947.2	
Subtotal At-Risk Certificates and Degrees		\$1,936.4	\$3,975.1	-\$2,038.7
SUBTOTAL OUTCOME-BASED FUNDING		\$29,500.0	\$34,657.8	-\$5,157.8
Institutional Share (formerly Formula Revenue Credit Adjustment)		-\$2,146.6	-\$2,146.6	\$0.0
Higher Education FY13 I&G	\$577,511.0	\$605,206.0	\$577,511.0	\$27,695.0
ERB Restoration, Laws 2011, Ch. 178, Sect. 16 (2)		\$11,533.7	\$11,533.7	\$0.0
HIGHER EDUCATION ADJUSTED FY13 I&G		\$616,739.7	\$589,044.7	\$27,695.0
Dollar Change from FY12 Operating Budget		\$39,228.7	\$11,533.7	\$27,695.0
Percent Change FY12 OpBud to FY13		6.8%	2.0%	4.8%
OTHER CATEGORICAL	\$103,235.1			
Special Schools				
N.M. School for the Blind and Visually Impaired		\$1,099.9	\$675.2	\$424.7
N.M. School for the Deaf		\$3,805.9	\$3,385.3	\$420.6
N.M. Military Institute		\$2,362.9	\$1,536.6	\$826.3
Subtotal		\$7,268.7	\$5,597.1	\$1,671.6
Athletics (incl. NMML)		\$11,865.1	\$11,865.1	\$0.0
Public television		\$2,991.4	\$2,991.4	\$0.0
Research and public service projects		\$82,867.4	\$82,781.5	\$85.9
OTHER CATEGORICAL SUBTOTAL	\$103,235.1	\$104,992.6	\$103,235.1	\$1,757.5
ERB Restoration, Laws 2011, Ch. 178, Sect. 16 (3)		\$1,942.6	\$1,952.2	-\$9.6
OTHER CATEGORICAL ADJUSTED FY13		\$106,935.2	\$105,187.3	\$1,747.9
Dollar Change from FY12 Operating Budget		\$3,700.1	\$1,952.2	\$1,747.9
Percent Change FY12 OpBud to FY13		3.6%	1.9%	1.7%
HIGHER EDUCATION	\$35,819.1			
Department Operating Budget + Flow Through (4)		\$9,990.0	\$13,958.2	-\$3,968.2
Student Financial Aid		\$21,876.6	\$21,884.6	-\$8.0
HIGHER EDUCATION DEPARTMENT TOTAL	\$35,819.1	\$31,866.6	\$35,842.8	-\$3,976.2
Dollar Change from FY12 Operating Budget		-\$3,952.5	\$23.7	-\$3,976.2
Percent Change FY12 OpBud to FY13		-11.0%	0.1%	-11.1%
TOTAL HIGHER EDUCATION FY13	\$716,565.2	\$755,541.5	\$730,074.8	\$25,466.7
Dollar Change from FY12 Operating Budget		\$38,976.3	\$13,509.6	\$25,466.7
Percent Change from FY12 Operating Budget		5.4%	1.9%	3.6%

Notes:

- (1) Neither LFC or the Executive included funding for operation/maintenance or a one-time utilities adjustment in the I&G formula.
- (2) Both the LFC and Executive recommendations include the ERB restoration pursuant to 2011 Laws, Ch. 178, Sect. 2 to institutional I&G.
- (3) Both the LFC and Executive recommendation included ERB restoration to program lines and the N.M. School for the Deaf's I&G.
- (4) Both the LFC and Executive recommendation included ERB restoration to the HED's operating budget.