

NEW MEXICO HIGHER EDUCATION BUDGET PROCESS & ISSUES

Presentation to UNM Post Session Budget & Legislative Process Conference - March 12, 2010

By Mr. Danny Earp, Director, New Mexico Independent Community Colleges

State Funding Process:

- Workload-based *Instruction & General* formula is sensitive to changes in enrollment & facilities – determines about 70% of state general fund support for higher education
- Incremental funding is provided for numerous line-items, including research, public service and intercollegiate athletic programs – totaling about 30% of state funding

Recent History of N.M. Higher Education Enrollment:

	<u>Headcount</u>	<u>Total SCH</u>
Fall 2006	128,576	1,163,806
Fall 2007	131,335	1,185,853
Fall 2008	139,438	1,236,786
Change '06-'08:	8.4%	6.3%
Fall 2009	149,455	1,354,707
Change '08-'09:	7.0%	<u>9.5%</u>

Note: The Fall '09 enrollment increase will significantly impact FY12 funding requirements.

Recent History of Recurring State Appropriations (dollars in millions):

	<u>Higher Ed.</u>	<u>Total G.F.</u>
FY 08	\$846.3	\$5,674.9
FY 09 - Original	\$884.8	\$6,026.8
<i>FY 09 - Revised</i>	\$862.8	\$5,862.6
<i>FY 10 - Original</i>	\$853.2	\$5,487.7
<i>FY 10 - Revised</i>	\$816.4	\$5,220.5
FY 11	\$788.0	\$5,353.9
Change FY09 to FY11:		
Dollars	(\$96.8)	(\$672.9)
Percent	-10.9%	-11.5%

Primary Sources of I&G Revenue for Higher Education Institutions:

	<u>Universities</u>	<u>Community Colleges</u>
General Fund	61.5%	53.6%
Tuition	27.7%	16.8%
Local Mil Levy	N/A	28.2%
Other	10.8%	1.4%

Building Higher Education Budgets for FY 11:

- Legislative approval of state appropriations was a critical first step:
 - General fund constitutes largest source of unrestricted revenue
 - Legislative action includes an *assumed* increase in tuition, which for FY 11 is:
 - 5 percent for universities
 - 9 percent for community colleges
 - FY 11 impact of I&G formula calculations and other appropriation changes varies dramatically across the state institutions:
 - Enrollment increases are not uniform
 - Tuition & mil levy revenues impact formula calculations & state appropriations.
 - See “Attachment #1” for more detailed information.

- Role of administrations and governing boards:
 - Importance of multi-year perspective
 - Expenditure requirements (often addressed in consultation with faculty/staff budget committees):
 - Impact of enrollment growth or decline
 - Changes in academic programs & services
 - Addition of new facilities
 - Impact of inflation, including insurance costs & utility rates
 - Legislative directives for FY 11 – Institutions must:
 - Prioritize budget reductions to achieve productivity savings from Institutional Support and Academic Support
 - Justify any circumstance in which the proportion of I&G expenditures devoted to Instruction is reduced from the prior fiscal year
 - Flexibility is provided for use of BR&R funds within I&G
 - Available revenues:
 - State appropriation
 - Tuition:
 - Legislative assumption & directives
 - Regional & national market comparisons
 - Impact of enrollment changes
 - Student input
 - Local mil levy (community colleges):
 - What was assumed in the legislative process?

- Collections can be volatile in some communities, especially oil & gas areas
 - Must find a balance of revenues and expenditures to best address institutional priorities
 - Will be difficult when enrollments are up and appropriations are down significantly
- By state statute & HED financial reporting rules, board-approved budgets must be submitted to HED by May 1.

Issues and Concerns for FY 11, FY 12 and beyond:

- According to some observers, the FY11 revenue estimate may be overly optimistic. It is certainly conceivable that state appropriations for FY11 will be reduced during the course of the coming year, as has occurred in each of the past two years.
- The state fiscal situation for FY12 will be exacerbated by the fact that at least a couple hundred million dollars of federal stimulus funding will need to be replaced.
- The FY12 situation in education will be further complicated by the fact that the temporary shift of 1.5% of ERB contributions to employees will expire on June 30, 2011 and an additional .075% contribution is scheduled to go into effect, raising the employer contributions from the current level of 10.9% to 13.15% (an increase of 2.25%.) New legislation will be required to modify or delay this dramatic increase.
- The poor economy is driving increasing numbers of New Mexicans to institutions of higher education, and particularly to community colleges, in the hopes of improving their competitiveness in the labor market. The resulting workload increases generated by the current higher education formula for FY12 will be enormous.....perhaps as much as \$50 million. Pressure is building to change the way in which the formula addresses these workload increases.

For more information, please contact:

Danny Earp, Director
 New Mexico Independent Community College
 Phone: 505.428.1883
 Email: Danny.Earp@sfcc.edu
 Web: www.sfcc.edu/nmicc

Higher Education General Fund Appropriations for FY 2010-11 Attachment #1

Institution	FY 10 Recurring GF (post solvency)	FY 2010-11 General Fund Appropriations (House Bill 2 - Special Legislative Session)				
		Section 4 Approps.	Est. 0.544% GF Reduction	Estimated FY 11 Total Approp.	Dollar Change	Percent Change
HED, including Financial Aid	43,556.6	40,566.3	(220.7)	40,345.6	(2,990.3)	-6.9%
UNM Main & Medical	287,545.2	278,601.7	(1,515.6)	277,086.1	(10,459.1)	-3.6%
NMSU Main	167,570.0	159,551.9	(868.0)	158,683.9	(8,886.1)	-5.3%
NMIMT	39,413.7	37,553.5	(204.3)	37,349.2	(2,064.5)	-5.2%
NMHU	31,167.3	29,267.3	(159.2)	29,108.1	(2,059.2)	-6.6%
WNMU	19,000.7	17,938.1	(97.6)	17,840.5	(1,160.2)	-6.1%
ENMU Main	30,090.8	28,399.2	(154.5)	28,244.7	(1,846.1)	-6.1%
NNMC	11,032.4	10,936.1	(59.5)	10,876.6	(155.8)	-1.4%
Total Four-Year	585,820.1	562,247.8	(3,058.6)	559,189.2	(26,630.9)	-4.5%
Sec. 10						
ENMU-Roswell	14,104.9	12,645.1	(68.8)	12,576.3	(1,528.6)	-10.8%
ENMU-Ruidoso	1,770.1	2,111.3	(11.5)	2,099.8	329.7	18.6%
NMSU-Alamogordo	6,979.2	7,222.1	(39.3)	7,182.8	203.6	2.9%
NMSU-Carlsbad	4,344.0	4,406.7	(24.0)	4,382.7	38.7	0.9%
NMSU-Dona Ana	19,749.3	20,223.5	(110.0)	20,113.5	364.2	1.8%
NMSU-Grants	3,199.0	3,455.6	(18.8)	3,436.8	237.8	7.4%
UNM-Gallup	9,508.4	8,864.0	(48.2)	8,815.8	(692.6)	-7.3%
UNM-Los Alamos	2,222.9	2,017.1	(11.0)	2,006.1	(216.8)	-9.8%
UNM-Taos	2,339.3	3,009.8	(16.4)	2,993.4	654.1	28.0%
UNM-Valencia	5,211.6	5,310.3	(28.9)	5,281.4	69.8	1.3%
Total Branch CC	69,428.7	69,265.5	(376.8)	68,888.7	(540.0)	-0.8%
Central NM Community College	47,084.1	49,726.1	(270.5)	49,455.6	2,371.5	5.0%
Clovis Community College	9,407.2	9,000.8	(49.0)	8,951.8	(455.4)	-4.8%
Luna Community College	8,596.4	8,065.5	(43.9)	8,021.6	(574.8)	-6.7%
Mesalands Community College	3,575.3	4,370.7	(23.8)	4,346.9	771.6	21.6%
New Mexico Junior College	7,566.6	6,571.7	(35.8)	6,535.9	(1,030.7)	-13.6%
San Juan College	21,438.0	22,649.2	(123.2)	22,526.0	1,088.0	5.1%
Santa Fe Community College	13,227.8	13,348.8	(72.6)	13,276.2	48.4	0.4%
Total Independent CC	110,895.4	113,732.8	(618.7)	113,114.1	2,218.7	2.0%
NM Military Institute	1,973.1	1,966.2	(10.7)	1,955.5	(17.6)	-0.9%
NM Sch for Blind & Vis Imp	745.1	727.8	(4.0)	723.8	(21.3)	-2.9%
NM Sch for Deaf	3,970.9	3,774.0	(20.5)	3,753.5	(217.4)	-5.5%
Total Special Schools	6,689.1	6,468.0	(35.2)	6,432.8	(256.3)	-3.8%
Grand Total Higher Educ.	816,389.9	792,280.4	(4,310.0)	787,970.4	(28,198.8)	-3.5%