

LEVERAGING OUTCOMES-BASED FUNDING TO SUPPORT EQUITY	
<i>Series</i>	
1	<b>BACKGROUND: LEVERAGING OBF FOR EQUITY</b>
<i>Module</i>	
1.3	<b>NEW MEXICO STATE PROFILE</b>
<p><i>Module</i></p> <p><b>OVERVIEW</b></p> <p>New Mexico began work on an outcomes-based funding policy in 2011. A collaboration between the New Mexico Department of Higher Education, the Legislative Finance Committee, and institutional leaders, the revised Instruction and General (I&amp;G) Funding Formula incentivizes progression and completion, STEMH degrees and degrees earned by financially at-risk students. In FY2019, 6% of funding was tied to outcomes. New Mexico previously experimented with performance-based grants for higher education and has had mandated state-wide performance budgeting since 1999.</p>	<p><i>About This</i></p> <p><b>TOOLKIT</b></p> <p><b>THE OBF EQUITY TOOLKIT</b> provides practical lessons on how states, systems, and institutions work to address equity in the development and implementation of OBF policy. Broken into four Series focused on equity challenges in distinct phases of the OBF policy process, the Toolkit contains short, individual modules that consider specific topics and provide lessons learned and recommendations for policymakers and institutional leaders to consider. Content is derived from in-depth study of six states (Tennessee, Indiana, Ohio, New Mexico, Oregon, and Kentucky) and 13 institutions in them. See the Research Methods section of the Overview for more information.</p>

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## Quick facts about OBF in New Mexico

- New Mexico’s OBF policy was championed by Governor Susana Martinez. The formula is often developed through cross-agency collaboration. Each year the New Mexico Higher Education Department submits a formula-based budget request to the Department of Finance and Administration. The Legislative Finance Committee may also present a budget recommendation to the legislature. The legislature reviews both recommendations and has the authority to set the appropriations for institutions and adjust the funding formula.

- In 2011, the legislature required the Higher Education Department to revise the cost-based I&G formula so that a portion of the funding would be distributed according to an OBF formula through the General Appropriations Act of 2011.<sup>i</sup>
- Institutional leaders were involved in the development of the formula through workgroups. The Secretary of Higher Education convened a steering committee, comprised of institutional leaders to develop the formula, and a technical committee that included institutional researchers and finance staff tasked with testing formula options and running formula scenarios.<sup>ii</sup>
- New Mexico revises the formula through a formalized review process, as needed. When the formula is revised, the formula committee meets, makes recommendations to the state legislature, and the legislature votes. New Mexico changed the funding formula every year for the first five years of implementation, then held it constant for three.

### New Mexico State Context

**Statewide demographics:** 38% White – not Hispanic or Latino, 3% Black or African American, 11% American Indian and Alaska Native, 2% Asian, 0.2% Native Hawaiian and Other Pacific Islander, 3% Two or More Races, 49% Hispanic or Latino.<sup>iii</sup>

**Governance structure:** Decentralized in the two-year and four-year sectors. New Mexico’s research and comprehensive universities are each governed by a board of regents appointed by the Governor with consent of the Senate. Branch community colleges are governed primarily by the board of regents at the constitutionally created parent four-year institution, but each has a local advisory board that has some decision-making authority. The seven independent community colleges are governed by elected boards.<sup>iv</sup>

**Coordinating/governing agency for postsecondary:** The New Mexico Higher Education Department serves as a cabinet agency in the executive branch and was legislatively created to administer and enforce laws and to exercise some oversight functions. It is neither an official coordinating nor a governing agency.

### NEW MEXICO’S EQUITY CHALLENGE

**Large attainment gaps exist in New Mexico, which is a low-income state with an estimated 19.8% of its population living in poverty.<sup>v</sup>** While total credentialed attainment in 2016 equaled 45%, attainment varies across race and ethnicity.<sup>vi</sup>

**Table 1. The percent of New Mexico residents aged 25-64 with an associate degree, workforce-relevant certificate, or higher in 2016<sup>vii</sup>**

RACE AND ETHNICITY	CREDENTIAL ATTAINMENT
Asian and Pacific Islander	57%
White	50%
American Indian	19%
African American	40%
Hispanic	23%

**Policymakers and institutional leaders often discuss the state’s entire student body as an equity population.** One policymaker explained, “We’re a very poor state. We’re a majority minority. I think the challenges that our state institutions face are not unique to each institution, but really shared across the whole state.” Academic preparation for college and student resources are a challenge across the state, with New Mexico consistently ranking low in K-12 student achievement outcomes<sup>viii</sup> and child well-being.<sup>ix</sup>

**Policymakers and institutional leaders report that decisions about higher education funding and OBF policy are highly influenced by political motivations and not driven by a state plan focused on equity.** One institutional leader explained, “Political relationships are very important in the state, and they're responsible, in a lot of ways, for saving some institutions; they're responsible for punishing some institutions.” Another stated, “The four-year institutions definitely have more political sway and more ability to get legislation to support them within and outside the formula.”

**New Mexico’s OBF policy may disproportionately harm small institutions serving a high percentage of underserved students.** One policymaker explained, “The biggest [unintended] impact I've seen, from a state perspective, is the impact on the smaller community colleges which disproportionately serve the students that would fall under equity measures...The economies of scale come into play and the big institutions are running away with money and the small institutions are hurting. That's one of the things the state is going to have to struggle with when we look at the formula again and try to identify how we address those issues.” However, a recent review of the funding formula commissioned by the Legislative Finance Committee explains complicating factors that contribute to declining appropriations at small institutions, such as inequity in local funding at community colleges, and “right-sizing” an institution’s share of appropriations to the share of outcomes they produce.<sup>x</sup>

## OUTCOMES-BASED FUNDING FORMULA AND POLICY<sup>xi</sup>

**Figure 1. Timeline for adoption and implementation of OBF in New Mexico**

TIMELINE FOR ADOPTION AND IMPLEMENTATION OF OBF IN NEW MEXICO <sup>xii</sup>	
2011	<ul style="list-style-type: none"> <li>Policy is adopted through the General Appropriations Act of 2011</li> </ul>
2012	<ul style="list-style-type: none"> <li>Policy is implemented</li> </ul>
2013	<ul style="list-style-type: none"> <li>Mission-specific measures added</li> </ul>
2017	<ul style="list-style-type: none"> <li>Current policy is adopted</li> </ul>

### Current funding formula

For a detailed description of New Mexico’s OBF policy see [New Mexico Higher Education I&G Funding Formula: 2017 Technical Guide for the FY18 Budget Cycle](#).<sup>xiii</sup>

**Percent allocated through formula in FY19: 6%**

**Data and outcomes calculated:** Three-year rolling average.<sup>xiv</sup>

**Equity metrics:** Financially at-risk students (defined by EFC equal to or less than \$5,000).

**Table 3. Overview of FY2018 New Mexico OBF formula<sup>xv</sup>**

COMPONENTS OF FORMULA			TYPE OF METRIC	EQUITY METRIC
DIRECT MEASURES	TOTAL AWARDS	2 yr	Completion	
		4 yr C	Completion	
		4 yr R	Completion	
	STEMH AWARDS FUNDING	2 yr	Completion	
		4 yr C	Completion	
		4 yr R	Completion	
	FINANCIALLY AT-RISK AWARDS	2 yr	Completion	●
		4 yr C	Completion	●
		4 yr R	Completion	●
	END-OF-COURSE STUDENT CREDIT HOURS	2 yr	Milestone	
		4 yr C	Milestone	
		4 yr R	Milestone	
	RESEARCH MISSION	2 yr	NA	
		4 yr C	NA	
		4 yr R	Outside Dollars	
	DUAL CREDIT MISSION	2 yr	Milestone	
		4 yr C	Milestone	
		4 yr R	NA	
	CREDIT HOURS ACCUMULATED - 30	2 yr	Milestone	
		4 yr C	Milestone	
		4 yr R	NA	
CREDIT HOURS ACCUMULATED - 60	2 yr	NA		
	4 yr C	Milestone		
	4 yr R	NA		

4 yr C: Four-year comprehensive regional universities

4 yr R: Four-year research universities

<sup>i</sup> General Appropriations Act of 2011 (HB2) Laws 2011, Chapter 179, Section 4:J, p. 177, 11. 7-8. Accessed August 20, 2018. <http://www.sos.state.nm.us/uploads/files/Bills2011/SignedAndChapteredBills/HB2-3-4-5-6.pdf>.

<sup>ii</sup> New Mexico Higher Education Department. "New Mexico Higher Education I&G Funding Formula: 2017 Technical Guide for the FY18 Budget Cycle." Accessed August 20, 2018. <http://www.hed.state.nm.us/uploads/files/NM%20I%20%26%20G%20funding%20formula/New%20Mexico%20HED%20Funding%20Formula%20-%202017%20Technical%20Guide%20for%20FY18%20Budget%20Cycle.pdf>.

<sup>iii</sup> United States Census Bureau. "Quick Facts: New Mexico; United States." 2017. Accessed August 20, 2018. <https://www.census.gov/quickfacts/fact/table/nm,US/PST045217>.

<sup>iv</sup> New Mexico Higher Education Department. "New Mexico Higher Education Governance Structure: Study and Recommendations." 2017. Accessed October 23, 2018. [http://www.hed.state.nm.us/uploads/files/Policy%20and%20Programs/NMSHEM/NM%20SHEM%20Committee%20Report%20to%20Governor\\_Final.pdf](http://www.hed.state.nm.us/uploads/files/Policy%20and%20Programs/NMSHEM/NM%20SHEM%20Committee%20Report%20to%20Governor_Final.pdf)

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xii General Appropriations Act of 2011 (HB2) Laws 2011, Chapter 179, Section 4:J, p. 177, 11. 7-8. Accessed August 20, 2018.  
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