

**UNM's Response to LFC Report - August 9, 2010**

**Legislative Finance Committee Report**  
***Higher Education in New Mexico: Phase I***  
***New Mexico State University - University of New Mexico***

**University of New Mexico's Response**

**August 9, 2010**

The University of New Mexico would like to begin by thanking the Legislative Finance Committee (LFC) for the extraordinary time, talent, and thoughtfulness invested in researching and developing its Phase I report on higher education in our state. UNM is pleased to be included in this phase, and even more so to be invited to provide this response to the findings.

We have organized our response into four sections, beginning with the issue raised in the report related to special appropriations (RPSPs). We then provide general comments on the data contained in the report, followed by our response to several topics that we believe to be key to the success of our university, as well as to higher education in the state. Our response ends with a look toward the future.

As we begin, we would like to set the context for UNM's overall response. The Task Force we convened to review the findings in the report came to a collective conclusion: *If most of the recommendations in the report were implemented, we would have a better performing system of higher education in New Mexico.*

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**1. UNM's Response to a Key Issue: Special Appropriations (RPSPs)**

The University of New Mexico has gone to great lengths to create a comprehensive plan in the evaluation of special project appropriations. With the inception of the first "Junior Bill" there was no comprehensive or centralized legislative process or ownership of Research and Public Service Projects at the University. Since then, we have worked to create a more centralized approach through continuous communication and collaboration between the Office of Government Relations, budget offices for main campus and Health Sciences Center, the Provost and Academic Affairs financial division, and branch campus executive directors. Criteria have been created to evaluate special projects for their goals, outcomes and performance measures, and for dividing RPSP's into the categories of student success, academic/faculty scholarship, research, statewide services, economic development, legislator initiatives, and "pass throughs". In 2009 a Special Project Task force was created in which the Deans prioritized their Colleges' special projects in the manner of how the program serves the college, university mission, and the role of the university to its community and the services it provides statewide.

As research was being conducted during the LFC evaluation process, it was discovered that UNM had ending balances for several FY 2006 to FY 2008 non-recurring special project appropriations that, per statute, should have reverted back to the State General Fund. The University's possible reversion amount for main campus is \$292,749. The University recognizes that this is an oversight on our part and will work with the Department of Finance Administration to find a quick resolution for the main campus and Health

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Sciences Center reversions. For FY 2009, the University has already reverted back to the state \$19,163, and will return an additional amount of approximately \$36,000 for FY 2010 projects. UNM's centralized and collaborative approach to our overall plan for a more comprehensive evaluation of special projects has already paid off and will continue to do so as we further strengthen our evaluation and reporting procedures.

### **2. General Comments on Data and Peer Group Comparisons**

In general, UNM agrees with the data presented in the report. However, we feel it is important to note that there is no singular set of peer institutions that meets all data comparison needs for any university. UNM often uses a list of 16 flagship institutions that was developed about 20 years ago (often referred to as our CHE Peers). These institutions conduct research that is very similar to that of UNM, recruit similar faculty, and have a similar range of professional and doctoral programs. They do not, however, have a student body similar to UNM. UNM is a moderately selective institution with a minority majority enrollment. Our CHE Peers are mostly highly selective non-urban universities and consequently have higher graduation rates. For setting benchmark goals for our retention and graduation rates, UNM has been using public, moderately selective, large institutions that participate in the Center for Institutional Data Exchange and Analysis (CSRDE) system. This does not provide us a list of specific institutions, but it does provide a comparison value for public institutions with an entering freshman profile of ACT scores between 21.0 and 22.4 (average for UNM is 22.0) with a total enrollment greater than 18,000.

### **3. Response to Key Topics**

#### **A. Student Success**

- **Admission Standards**

UNM agrees that raising admission standards is important to improving the retention and graduation rates of our students, and UNM's own disaggregated graduation data further supports this. As noted in the Report, we have already taken steps to raise standards. UNM believes that attracting academically talented students enriches the student experience and raises the expectations, standards and work ethic of the entire student population. In fact, the number of national scholars at UNM has doubled in each of the past two years, from 14 admitted in 2007, to 77 in 2009, and we have a predicted enrollment of 135 for the fall 2010 semester (enough for UNM to be accepted by the National Merit Foundation as a Sponsoring Institution for the first time ever). We have also developed a two-tier approach to our admissions process that presents students who do not meet our minimum admissions criteria with the option to participate in our enrollment pathway program (Gateway) at branch campuses and state community colleges where their academic needs will be better met until they are ready to transition to UNM. We believe that admitting applicants to UNM whose ACT/SAT scores indicate remedial needs does not provide a good value for students and the state through the use of the Lottery Scholarship. Increased standards will inspire a greater number of applications from academically talented students, from

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both in and out of state. We also agree with the observation that neighboring states where high school enrollments are growing will be a good source of well-prepared students for New Mexico's colleges and universities. At UNM, we are already experiencing this first-hand, as our out-of-state student population on our Albuquerque campus grew 2.4% for the 2008/09 school year, and 6.5% in 2009/10. Finally, we know that students who choose to reside in New Mexico after graduation will contribute to our economic development, perhaps helping to drive a higher wage economy.

- **Graduation Rates**

UNM agrees that an educated citizenry contributes greatly to the prosperity of any state. We know that New Mexico lags behind the rest of the country in educational attainment. Furthermore, the longer it takes a student to attain her or his degree, the more costly that degree becomes. We are clearly aware that UNM's graduation rates lag behind those of many of our peer institutions and require improvement. We have either developed or are in the process of developing several initiatives to address this important issue. These include improving admission standards, increasing the recruitment of academically talented students from New Mexico and nationally, and providing higher quality, student friendly enrollment services. We have also consolidated advisement staff, policy, and space to better serve our students, and expanded the mission and organization of UNM's "Graduation Project" to help students finish in a timely manner. (Phase I of this effort will be called "GP 2012," with the explicit goal of raising UNM's six-year graduation rate from its current level of 42.7%, to 46% for the cohort of students who entered UNM in the Fall of 2005, and 50% for the 2006 cohort.) UNM's degree audit system was recently upgraded to help students monitor their progress toward graduation, and ten new advisor positions were added over the past year. Additionally, ensuring that courses are available to keep students on track is one of the keys to success. We believe that a change in the funding formula and other policies to support higher admission standards and degree completion would further aid our efforts to improve student outcomes.

- **Academic Program Review**

UNM agrees with the recommendation that academic and support programs should be regularly reviewed to ensure continued effectiveness, efficiency, and relevance. Doing just that is a key element on the University's FY11 Work Plan, and these efforts are already under way. The Provost convened a working group in late spring to develop principles that will guide UNM's evaluation of academic programs, based on performance and significance to UNM's core mission.

- **Faculty Work Load**

UNM agrees that ensuring consistency and transparency of faculty teaching and workloads is important. The complexity of faculty work at a flagship research institution cannot be understated, as faculty are engaged in activities ranging from teaching, mentoring, and research, to public service, professional associations, and economic development and technology transfer. UNM has, however, made some progress on reporting and clarifying faculty workload. Though the process remains very labor intensive and we will continue to pursue ways to do this work more efficiently and transparently to ensure accurate and timely progress reports.

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- **Lottery Scholarships**

The Lottery Scholarship has been a key to improving access to higher education for all New Mexicans. We concur with the Higher Education Department when it described the Legislative Lottery Scholarship Program as "One of the most effective policy tools for providing access to quality post secondary education to students throughout New Mexico." We are also aware that during these challenging fiscal times a review of this program is in order. As changes are considered, however, we encourage the Legislature to continue to ensure that adequate enrollment pathways exist for all students at the colleges and universities that best suit their academic interests and qualifications. We would also encourage exploration of a system of tiered requirements and benefits, depending on the type of institution in which a student enrolls.

### **B. Economic Development**

- **Research**

UNM recognizes that its research mission as New Mexico's flagship university, and the only Carnegie designated "very high research activity" university in the State, is important to the overall economic development of New Mexico. We agree that formalized research goals that help to inform strategic investments should be clearly articulated. UNM already has measurable, quantifiable goals for research, and uses several metrics to measure outcomes. (One example is our tracking of the number and dollar amount of active research awards.) We agree that more could be done to articulate the benefits of faculty research and to communicate those benefits to the community. Additionally, UNM currently prioritizes strategic investments in research, a practice that has fostered several areas of research excellence, such as nano- and materials-science, ecology and climate change, and emerging energy technology. We agree that greater coordination of these efforts with other entities in the states would be beneficial.

- **A Major Employer in New Mexico**

UNM takes its role as a major employer in New Mexico very seriously, recognizing the importance of this to the health of the State's economy. The University employs over twenty thousand New Mexicans. With hospitals, research operations, academic activities, arts venues, and our own utility generating plants, we are in essence a small city. While the severity of the economic situation has caused us to implement a "pause and hold" policy on hiring, the University has not to-date resorted to wide-scale institutional layoffs, furloughs, or wage cuts.

### **C. Budget Processes, Efficiencies, and Cost Savings Initiatives**

- **Impact of the Economic Meltdown**

UNM has sustained 12.22%, or approximately \$26.0M of funding reductions over the last two years. The vast majority of reductions have occurred in Institutional Support (Administration) and reduced allocations to non-core entities, including Alumni Relations, Development, and Athletics. For

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example, the Report points out that UNM reduced Institutional Support from \$48 million in FY 2009 to \$41 million in FY2011, while at the same time increasing instructional support by approximately \$7 million, during a time of serious budget reductions. Throughout this period, we have striven to protect our academic mission, quality of programs, and our workforce. However, with each new rescission or reduction, continuing to do so becomes ever more difficult.

- **Time to Degree Completion**

One of the consequences of students' taking longer – five, six, or even more years – to earn their degrees is the added expense to students and their families. UNM agrees that targeting a four-year completion time would greatly increase the affordability of higher education to our citizens. Several strategies to expedite students' time to degree completion have been successfully implemented in other states, including increasing the expected number of hours per semester from 12 to 15, encouraging or requiring students to take a certain number of credit hours through online courses, and shifting the institution's cultural expectation toward the four year completion target.

- **Energy Program**

The University of New Mexico is actively engaged in an energy conservation program in partnership with Energy Education, Inc. Over a two-year period, UNM has had a positive, net cost avoidance of \$3.85M to help manage utility costs across all campuses. We are confident that continuing this program will result in additional benefits.

- **President's Strategic Advisory Team**

In February of 2010, the President's Strategic Advisory Team (PSAT) was formed to identify cost containment and revenue generation opportunities that would help to balance the new, reduced budget requirements. This 20-member team of faculty, staff, students, and administrators identified \$6 million in reduction opportunities as they learned and worked together over a period of five weeks. The success of PSAT is notable, demonstrating that a diverse group of committed individuals can come together, and, in a very short period of time, produce meaningful results. UNM will continue the work of this team, with an eye toward expanding this model to other endeavors.

- **Information Technology**

We believe that sound, cost-effective information technology is in many ways foundational to improving significant aspects of higher education in New Mexico. One of the key opportunities identified by the President's Strategic Advisory Team relates to improving UNM's information technology systems and services, from both the cost and service perspectives. To address this opportunity the President's Work Plan for FY11 includes a "Rapid Redesign" of UNM's information technology processes, tools, and infrastructure to improve efficiency and productivity, while minimizing expenditures.

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- **Responsibility Center Management (RCM)**

We recognize that UNM must change from current incremental (base-plus) budget model to an incentive based model. UNM has already taken steps to learn more about Responsibility Center Management (RCM). Two information sessions that included the Executive Cabinet, Deans, Department Chairs, and members of the President's Strategic Advisory team have already attended presentations by Dr. Robert Kvakik of the University of Minnesota. We will evaluate RCM along with other incentive-based models to maximize revenues, improve effectiveness, and gain further efficiencies over the expenditures of the University.

### **D. Funding Policy**

- **Formula Funding**

We support the idea that the formula for funding higher education in New Mexico needs to evolve to a system that rewards performance measures such as retention and graduation, in addition to the current formula that only rewards growth in enrollment. We believe consideration should be given to including elements that reflect mission differentiation, such as research and graduate education. We also encourage the full funding of the formula as it relates to utilities, operations, and maintenance, and building renewal and replacement.

- **Tuition Policy (Moving from reliance on state funding to reliance on tuition)**

UNM understands the need to move from reliance on state funding to a greater reliance on tuition. However, this move is acceptable only if the current tuition credit policy is abolished.

- **Tuition Credit**

UNM strongly believes that the current tuition credit practice in our state is an undesirable policy, serving only to understate the real costs of other services and mandated state expenditures. Application of this policy has been particularly challenging for NMSU and UNM. The current policy also masks the true cost of attendance to students and their parents. Ending the use of the formula tuition credit policy would empower universities to think more critically about their tuition rates and to compare more authentically with their peer groups.

### **E. Governance**

- **Need for a True "System" of Higher Education in New Mexico**

UNM believes that serious consideration should be given to developing and implementing a true "system" approach to higher education that possibly could create the conditions for mitigating many of the educational challenges we face in New Mexico, as well as for more effectively leveraging our resources and capabilities to achieve sustainable success. A "system" of colleges and universities could identify and encourage appropriate entry points for students based on their aspirations and abilities, thereby aiding in retention and expediting time to graduation. As noted, New Mexico is already a national leader in funding higher education, and a "system" could better

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demonstrate to taxpayers that these funds are being well spent. Texas, Louisiana, California, and other states have successfully used such an approach, and some have adopted mission-differentiating funding formulas as a result. We believe that the strategic plan being developed through the Higher Education Department (HED) holds much promise, provided that all of the stakeholders are actively engaged, and the Legislature is willing to adopt and/or change policies to incentivize progress toward achieving the articulated goals.

- **The Role of the Higher Education Department**

As noted above, UNM believes that the Higher Education Department can facilitate the development of a "system" of higher education in New Mexico. UNM agrees that HED's mandate to develop a master plan for higher education, one that develops policy goals for improving cost-effective degree production without sacrificing education quality, will be a positive step and will also provide a springboard for much-needed changes to the funding formula - changes that recognize the differential roles and responsibilities of institutions in New Mexico. The issue of course and curriculum duplication could be effectively explored and addressed through the HED. The HED can help ensure statewide articulation agreements that are often ignored, despite the need identified in the LFC report. UNM believes the HED can work with institutions to identify consistent lists of peer institutions that make sense given an institution's size, student population, and research capacity. The HED can also take leadership statewide, working with the Department of Workforce Solutions, to track the employment rates of all graduates working in New Mexico.

#### **4. Looking Toward the Future**

As many of the findings in the LFC Report indicate, UNM is already implementing a number of the recommendations identified, and is either considering or on track to implement the others. However, in order to reach the full potential of New Mexico's Flagship University, we believe that the state must also make changes that will create the conditions for greater success. As we look to the future of higher education in our state, we believe that four key policy decisions would facilitate the breakthrough improvements that we are all seeking:

- Cease the formula tuition credit policy.
- Encourage institutions to evaluate admissions standards to ensure that students have the best opportunity to succeed at their chosen college or university.
- Support increases in tuition to relieve the funding burden from the State.
- Develop incentives to increase the number of out-of-state and international students coming to New Mexico.

We want to emphasize that many of the recommendations contained in the Report interconnect and therefore must be addressed together if the overall state of higher education in New Mexico is to significantly improve. The interrelationships among admissions standards, graduation rates, and tuition policies simply cannot be ignored.

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We also want to acknowledge that this LFC Report is only Phase I of an ongoing process of evaluating and improving higher education in New Mexico. Every institution in our State is unique, with no two having the exact same set of challenges or opinions on the best pathway forward. We are confident that the work being initiated today will be helpful to the next Administration in our ongoing common quest to develop a robust and enduring higher education system.

In closing, the University of New Mexico would like to thank the Legislative Finance Committee, and particularly the members of the Program Evaluation Team who worked so diligently to develop the report. As the process of data gathering and interviewing progressed, it became very clear that all involved have a strong commitment to improving higher education in New Mexico. We are grateful to have such committed partners along this journey.