Performance Funding for New Mexico Higher Education

Testimony Presented to:
New Mexico Legislative Finance Committee

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What you have before you is very good work.

Secretary Garcia describes it as a “Model –T”. I would prefer to think of it as New Mexico Higher Education Outcomes Based Funding 1.0. Either works, however. The Model T was a great breakthrough, serving a great purpose at the time and providing a sound basis from which to improve in the future. This new 1.0 approach to funding higher education in New Mexico does the same thing.

In my prior visit to your committee, I indicated that successful ventures into outcomes performance funding would need to reflect five design features. Most of these features are similarly reflected in a document on performance funding that will soon be released by the Complete College America Organization, authored by Dennis Jones, the President of the National Center for Higher Education Management Systems:

- First, to have effective performance funding, you have to have clear goals with unambiguous metrics of the outcomes expected. Absent clear goals and metrics, any level of performance can be claimed as success.
- Second, you must keep both the goal-setting and funding metrics simple and few, though not simplistic or too few to get the job done.
- Third, you must respect the multiple roles of institutions and in so doing promote the differentiation of missions between institutions, not mission creep toward homogeneity amongst institutions.
- Fourth, you must pay for performance toward the goals you have identified, and you must pay enough to incentivize change.
- Finally, you must integrate all of your finance policies – state appropriations, tuition, and financial aid – and you must implement new policies in a fashion that doesn’t cause chaos within your institutions.

What you have before you from Secretary Garcia and the funding formula task force addresses each of these design features.

Three very clear goals have been identified:
• Goal One: increase substantially the share of adults in New Mexico with a college degree, and to do so through enhanced degree production from your colleges and universities, not via New Mexico’s historic pattern of hiring its best educated talent from elsewhere.

• Goal Two: reduce the gap in achievement between Whites and Hispanics and between rich and poor in the state, so that all New Mexicans have a decent shot at the good life, if they are willing to prepare well and study hard.

• Goal Three: expect higher education to contribute, both through research and the development of skilled and talented individuals, to the State’s desired future economic viability and strength.

No ambiguity there; few goals, easily understood in lay terms, and easily measured. And the proposed formulas, which is true to these goals and measures, can be reasonably well-understood by folks who aren’t budget wonks. Incidentally, the third goal – tying the funding of higher education to success in supporting the desired economy – is quite unique in the current national efforts toward performance funding, and places New Mexico as a leader in this area.

By providing three different, but relevant and defensibly different formulas for the institutions that focus on three quite distinctly different missions – community colleges, baccalaureate focused universities, and research focused institutions – you also respect the varying missions of institutions and dissuade institutions from the vagaries of mission creep.

And, you pay for performance outcomes associated with the goals you have established. Frankly, if I were czar, I would be more aggressive than the percentage of funding in this version toward the desired performance outcomes. But I’m not czar, I’m not even a New Mexican, so I don’t have to live with the consequences of this. Those who pulled this plan together worked in a collegial way to come up with a proposal with which all could live, albeit some still a bit uncomfortably. I trust that the next future version, version 1.1 as promised by
Secretary Garcia will move more aggressively, because the framework in this version 1.0 provides that strong “Model T” frame on which to work. Furthermore, there is actually more here than initially meets the eye. Within the base-funding component, for example, funding has been shifted from initial enrollment to completed enrollment. That’s a significant step towards outcome based funding, because students who complete courses are more likely to complete their degrees. I also applaud the provisions that immediately start divvying up the funding based on performance, but that also initially protect institutions from substantial perturbations in funding by instituting a stop lose provision, but doing so only for a short period of time so that the institutions not currently measuring up on addressing the three goals get the message and change the way they do business in the future.

This proposal doesn’t actually do much about integrating all finance policies, but that wasn’t the charge you gave to the task force. I do believe that the foundation established by this proposal, however, lends itself well to future efforts to bring all finance policies – appropriations, tuition, and financial aid -- together.

In sum, with this proposal New Mexico is on its way to very sound public finance policy for higher education in the State, and, indeed, to national leadership in this arena. It has been a personal joy to be a part, albeit a mighty modest part, of this journey, and I thank you for that opportunity.