

This rule was filed as 5 NMAC 3.5.

**TITLE 5            POST-SECONDARY EDUCATION**  
**CHAPTER 3       POST-SECONDARY EDUCATION INSTITUTION FINANCES**  
**PART 5           OPERATING BUDGETS - FUNDING RECOMMENDATIONS**

**5.3.5.1            ISSUING AGENCY:** State of New Mexico Commission on Higher Education, 1068 Cerrillos Road, Santa Fe, New Mexico 87501-4295, (505) 827-7383.  
[12/31/98; Recompiled 10/31/01]

**5.3.5.2            SCOPE:** Provisions of 5 NMAC 3.3 [now 5.3.5 NMAC] apply to all state public post secondary institutions in the state of New Mexico.  
[12/31/98; Recompiled 10/31/01]

**5.3.5.3            STATUTORY AUTHORITY:** Section 21-1-26 NMSA 1978.  
[12/31/98; Recompiled 10/31/01]

**5.3.5.4            DURATION:** Permanent.  
[12/31/98; Recompiled 10/31/01]

**5.3.5.5            EFFECTIVE DATE:** December 31, 1998, unless a different date is cited at the end of a section or paragraph.  
[12/31/98; Recompiled 10/31/01]  
[Compiler's note: The words *or paragraph*, above, are no longer applicable. Later dates are now cited only at the end of sections, in the history notes appearing in brackets.]

**5.3.5.6            OBJECTIVE:** The objective of 5 NMAC 3.3 [now 5.3.5 NMAC] is to establish a policy for the development of funding recommendations for institutional operating budgets, which includes provisions for the use of funding formulas; procedures for research, public service, and other special projects; and procedures for non-formula institutions.  
[12/31/98; Recompiled 10/31/01]

**5.3.5.7            DEFINITIONS:**

- A. "Base contribution methodology" means that inflationary and compensation adjustments to expenditures are made according to the proportion of state general fund appropriations to total revenues.
  - B. "Commission" means the New Mexico commission on higher education.
  - C. "Off-campus credits" are student credit hours earned from courses offered that do not meet the definitions of on-campus credits but are offered for regular academic credit and are applicable to an approved degree or certification program, taught by regular faculty or equivalent and delivered via extended learning instruction. Off-campus credits are reported in separate extended services data files to generate funding and include additional data fields to indicate the delivery location(s) of the instruction.
  - D. "On-campus credits" are student credit hours earned from courses that are offered within the geographical boundaries of the campus for academic credit and for which regular main campus tuition is charged.
- [12/31/98; Recompiled 10/31/01]

**5.3.5.8            GENERAL PRINCIPLES:**

- A. In an effort to maintain equitable funding among institutions, present a reasonable and appropriate funding package to the executive and the legislature, and serve their intended purpose as an analytical and unbiased screen for legislative proposals, the following principles are adopted:
  - (1) The commission will consider only those institutional requests which have been approved by their governing boards.
  - (2) Any institutional request requiring action by the commission, along with supporting information, must be in the commission's office thirty (30) days prior to the meeting at which the proposal will be considered. After consideration of any unique circumstances (e.g., nature of commission responsibility, prior commission action on similar proposals, and funding sources), the executive director may waive this requirement.

(3) The commission will not support legislative proposals for funding to higher education institutions which were not reviewed and approved by the commission in the development of its funding recommendations.

B. Appropriations for instruction and general (I and G) purposes are determined through comprehensive funding formulas, which are developed and reviewed annually by commission staff with the cooperation of institutional representatives. When necessary, proposed formula revisions will be adopted by the commission.

[9/21/84, 12/31/98; Recompiled 10/31/01]

#### **5.3.5.9 WORKLOAD BASE FOR CALCULATING THE I AND G FORMULA:**

A. For four-year institutions, the instructional portion of the I and G formula will generally be calculated using an average of the three previous academic years unrestricted student credit hours. Each year, the average will roll forward, drop the earliest years data, and add the most recent years actuals.

B. For two-year institutions, the instructional portion of the I and G formula is calculated on the most recent academic years unrestricted student credit hours. Adjustments may be made when dictated by anticipated enrollment growth in relation to size of instructional budget.

C. For both four-year and two-year institutions, the general portion of the I and G formula is calculated on the most recent academic year's workload factors.

[9/21/84, 12/31/98; Recompiled 10/31/01]

#### **5.3.5.10 INSTRUCTION AND GENERAL - FORMULA INSTITUTIONS:**

A. Appropriate expenditure levels will be calculated taking into consideration such factors as compensation levels, the effect of inflation on nonsalary items, and the differential costs attributable to levels of instruction and fields of study at institutions of varying sizes.

B. The commission will, as a part of its regular legislative recommendation process, review the revenue credit assumptions contained in the prior general fund appropriation, and use these assumptions as a basis for making recommendations when taking credit against formula expenditure levels.

C. Revenue from other non-general fund sources will be projected and credit will be taken against expenditure levels on the basis of guidelines developed annually by the commission.

D. Formula transfers for state scholarships, building renewal and replacement, and equipment replacement will be added to formula expenditures. An amount equal to these formula transfers will be required as a transfer to the appropriate budget exhibits.

E. Revenue required by statute from district ad valorem taxes will be projected and will be credited against the formula expenditure level in support of the I and G budget for institutions maintaining local taxing districts.

F. Revenue from federal and other grants for instructional and general programs will be counted as available for support of the I and G budget when these programs have been recognized in expenditure calculations. Grants from such sources for instructional programs not recognized in expenditure calculations will not be counted as available for support of the I and G budget.

G. After taking into account revenue available directly for minor capital outlay, transfers from I and G will be allowed in support of minor capital outlay expenditures.

[9/21/84, 12/31/98; Recompiled 10/31/01]

**5.3.5.11 INSTRUCTION AND GENERAL - NON-FORMULA INSTITUTIONS:** The recommended appropriation for these institutions will be determined by taking the calculated justified expenditures, adding the beginning balance, adding net transfers from I and G, subtracting ending balance, and subtracting income available for support of the I and G budget from sources other than appropriation.

[9/21/84, 12/31/98; Recompiled 10/31/01]

#### **5.3.5.12 RESEARCH, PUBLIC SERVICE, AND OTHER SPECIAL PROJECTS:**

A. Line item appropriations will be recommended where appropriate for research, public service and certain other activities. In general, calculations of these recommendations will be based on justified expenditures to maintain a desirable level of program activity, minus income other than appropriations. Proposed expansion of programs or initiation of new programs will be evaluated on the basis of specific written justification. New programs, if recommended by the commission, will be submitted as separate line item appropriations requests.

B. The commission on higher education must determine when it is appropriate to recommend the expansion of existing research, public service and other special projects and the establishment of new ones. New projects should be established to meet identified statewide needs upon a finding that one of the state's higher education institutions can most effectively meet the need. Proposed expansion must also be intended to meet identified statewide needs effectively and efficiently. All possible sources of funding should be explored before a request for state funding is made.

C. Once established, research, public service and other special projects should be subject to periodic review to determine the ongoing need for the project and the effectiveness of the project in meeting the need. Likewise, the relationship of each project to the institutional and, when appropriate, statewide priority needs should be periodically established.

D. Existing Projects:

(1) The budget of each project shall be separately identified and reported on forms provided by the commission.

(2) Each project shall be subject to a review by the commission at least once every four years. This review shall include a hearing before the commission. The hearing shall include a presentation by an institutional representative on the activities of the project, and a presentation by the commission staff of the staff findings of the review of the project. On the basis of the hearing, the commission shall decide whether or not to recommend an ongoing state appropriation for the project.

(3) Projects that receive significant revenues from sources other than the state general fund shall be evaluated using the base contribution methodology. The state contribution is considered "seed" money to encourage the continuation of the project. However, specific projects may be evaluated using an alternative method where more appropriate.

E. New projects or requests to expand existing projects:

(1) All requests for new or expanded projects shall be submitted to the commission by September 15. Each request shall include a description of the project or expansion, a statement of the need for the project or expansion, a description of alternative funding sources which were considered and a proposed budget. Each new project or expansion request should also state whether the project is to be ongoing or for a specified period of time.

(2) All new project and expansion requests from an institution shall be reported in priority order by the institution.

(3) All new projects and expansion requests will be reported to the commission for review. commission staff will prepare a summary report of the requests for consideration by the commission's finance committee. The finance committee will prepare a list of recommended projects in priority order and will report its findings to the full commission.

(4) The commission will recommend individual projects to the legislature and the executive in priority order as a part of the commissions overall funding recommendations for higher education.

[9/21/84, 6/28/85, 12/31/98; Recompiled 10/31/01]

**5.3.5.13 PROCEDURES FOR THE DEVELOPMENT OF THE COMPLETE INSTITUTIONAL FUNDING RECOMMENDATIONS:** The following procedures and policies will be used by the commission in arriving at recommendations as to the amounts of appropriations to be made to support state-funded activities, including both I and G and other, at each institution.

A. Early in the fall, the commission will schedule a hearing on matters relating to legislative funding requests. The commission will instruct the staff regarding certain criteria and factors, such as salary increases, impact of inflation, etc., to be used in staff calculations.

B. After being approved by the governing boards, legislative funding requests will be submitted to the office of the commission. These requests may include proposed formula revisions as well as research, public service, or other special project requests. The commission's staff will review the requests with appropriate officials of the institutions.

C. The commission's staff will analyze the institutional requests and will prepare preliminary staff calculations for each institution, incorporating the criteria and factors as instructed by the commission, and will distribute these calculations together with supporting information to the commission members and to each of the institutions.

D. The commission will hold hearings at which representatives of each institution will support their requests and present their reactions to the preliminary staff calculations. At the conclusion of the hearings, the

commission will instruct the staff as to further calculations and adjustments to be made in preparation for subsequent meetings.

E. The commission will meet to adopt final funding recommendations.

F. The staff will transmit the commission's recommendations to the governor and consult with the governor regarding incorporation of the commission's recommendations in the executive budget.

G. The staff will transmit the commission's recommendations to the appropriate legislative committees to explain the recommended appropriations and assist the committees in their review of the recommendations.

[9/21/84, 12/31/98; Recompiled 10/31/01]

#### **HISTORY OF 5.3.5 NMAC:**

Pre-NMAC History: The material in this Part was derived from that previously filed with the State Records Center and Archives under:

BEF Rule 310, Funding Requests , 2/26/85.

BEF Rule 330, Operating Budgets - Funding Recommendations, 2/27/85.

BEF 340, Operating Budgets - Research and Public Service Projects, 2/27/85.

BEF 340, Operating Budgets - Research and Public Service Projects, 7/3/85.

History of Repealed Material: [RESERVED]