

The Base Strikes Back: Examples of States Aiming to Enhance Their Foundational Funding

Elizabeth Bentley-Smith, Louisiana Board of Regents

Artemio Cardenas, NCHEMS

Mark Chisholm, New Mexico Department of Higher Education

Sarah Pingel, NCHEMS

August 13th, 2025

About NCHEMS



The National Center for Higher Education Management Systems (NCHEMS) partners with institution, system, government, and community leaders to effectively use evidence to improve strategic decision-making in postsecondary education.



Vision: We envision a future in which postsecondary education expands opportunities for all, strengthens communities, and advances the public good.

Agenda

- Welcome and Introductions
- Higher Education Challenges and State Funding Models
- State Examples
 - Louisiana
 - Mississippi
 - New Mexico
- Q&A and Discussion

Louisiana

LA Board of Regents Authority

Constitutional – Article 8, Section 5(D)(4)

(4) To formulate and make timely revision of a master plan for postsecondary education. As a minimum, the plan shall include a formula for equitable distribution of funds to the institutions of postsecondary education.

Statutory – R.S. 17:3129.2(B)(1)-(3)

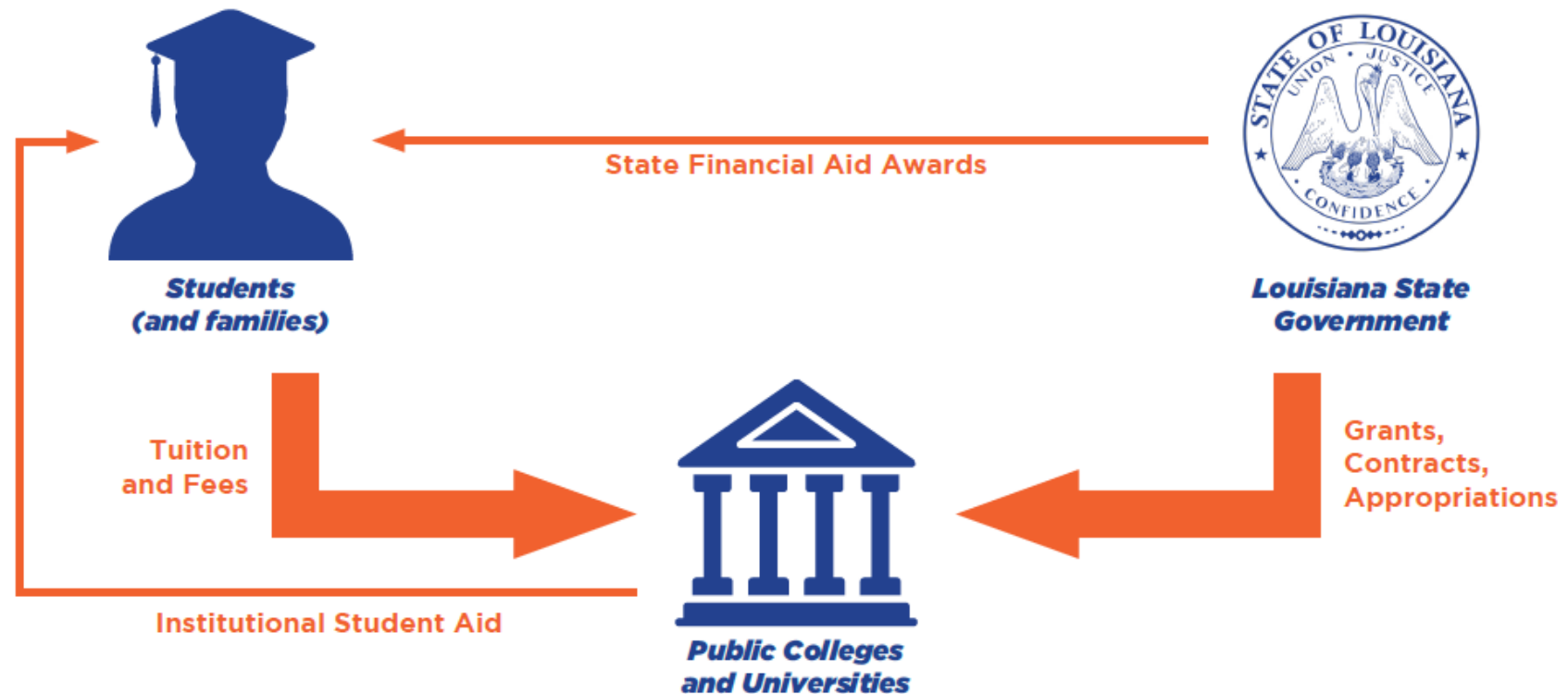
The commissioner of higher education and the president of each public postsecondary education system shall jointly and collaboratively:

- (1) Review the postsecondary education funding formula and develop a comprehensive outcomes-based funding formula that ensures the equitable allocation of state funds to public postsecondary educational institutions, appropriately considers costs, places significant emphasis on student and institutional outcomes, and aligns with the state's economic development and workforce needs.
- (2) Consult with and solicit meaningful feedback and guidance from institutional presidents, chancellors, faculty, chief academic officers, chief financial officers, students, and business and civic leaders.
- (3) Make recommendations for any changes needed in the Master Plan for Postsecondary Education and the Louisiana Granting Resources and Autonomy for Diplomas Act as provided in R.S. 17:3139, et seq., to support and facilitate implementation of the outcomes-based funding formula.



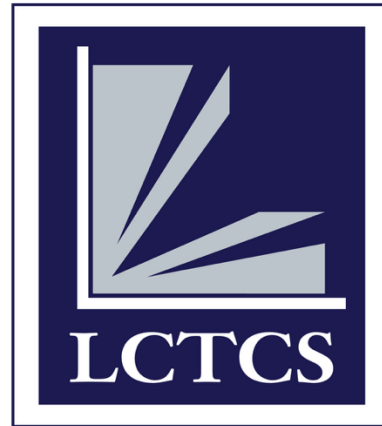
Louisiana Higher Education Funding

FUNDING SOURCES FOR PUBLIC HIGHER EDUCATION INSTITUTIONS



Funding Formula Review Process

Workgroup was a collaborative process with all systems represented



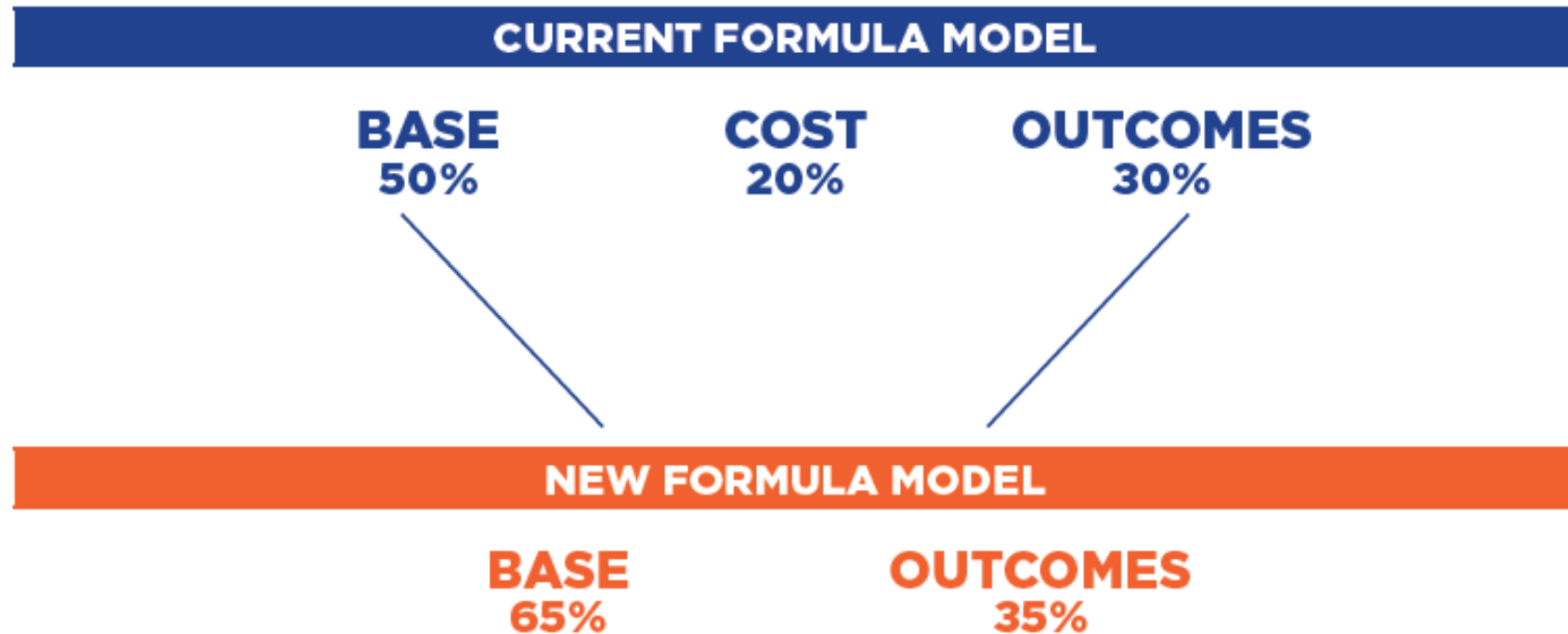
Funding Formula Challenges

An agreed-upon design for a funding allocation model presents a three-fold challenge:

- 1) State dollars for higher education, including formula funding, is estimated to be underfunded by \$750 million.
- 2) Incentives aligned with performance must be applied and measured for institutions within each sector while accounting for differing roles, scopes, and missions.
- 3) The model must reward performance appropriately to increase student and institutional success across all institutions while also protecting institutions against drastic and rapid changes in funding levels.



Funding Formula Model











Mission Driven – 2-year/4-year Institutions
28 total Institutions



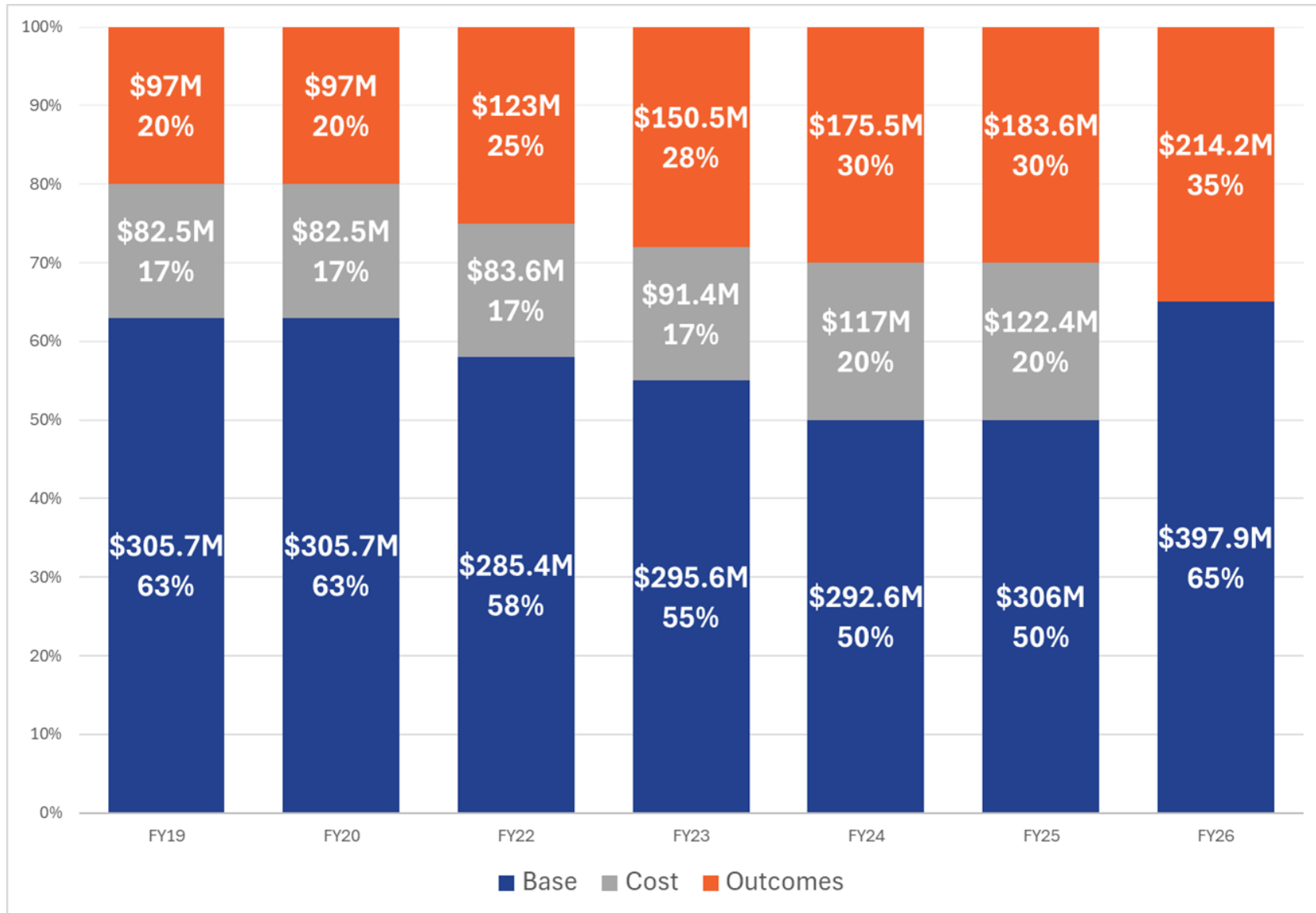
Funding Formula Model

Where Did the Cost Metrics Go?

COST	BASE	OUTCOMES
Operations and Maintenance		
Buildings and Facilities Cost		
Support Services		
Course Offerings		
Degree Levels of Students		
Weighted Credit Hours		
Average FTE		
SREB Institutional Level		



Funding Formula Allocations



Mississippi

Mississippi Institutions of Higher Learning (MS IHL)

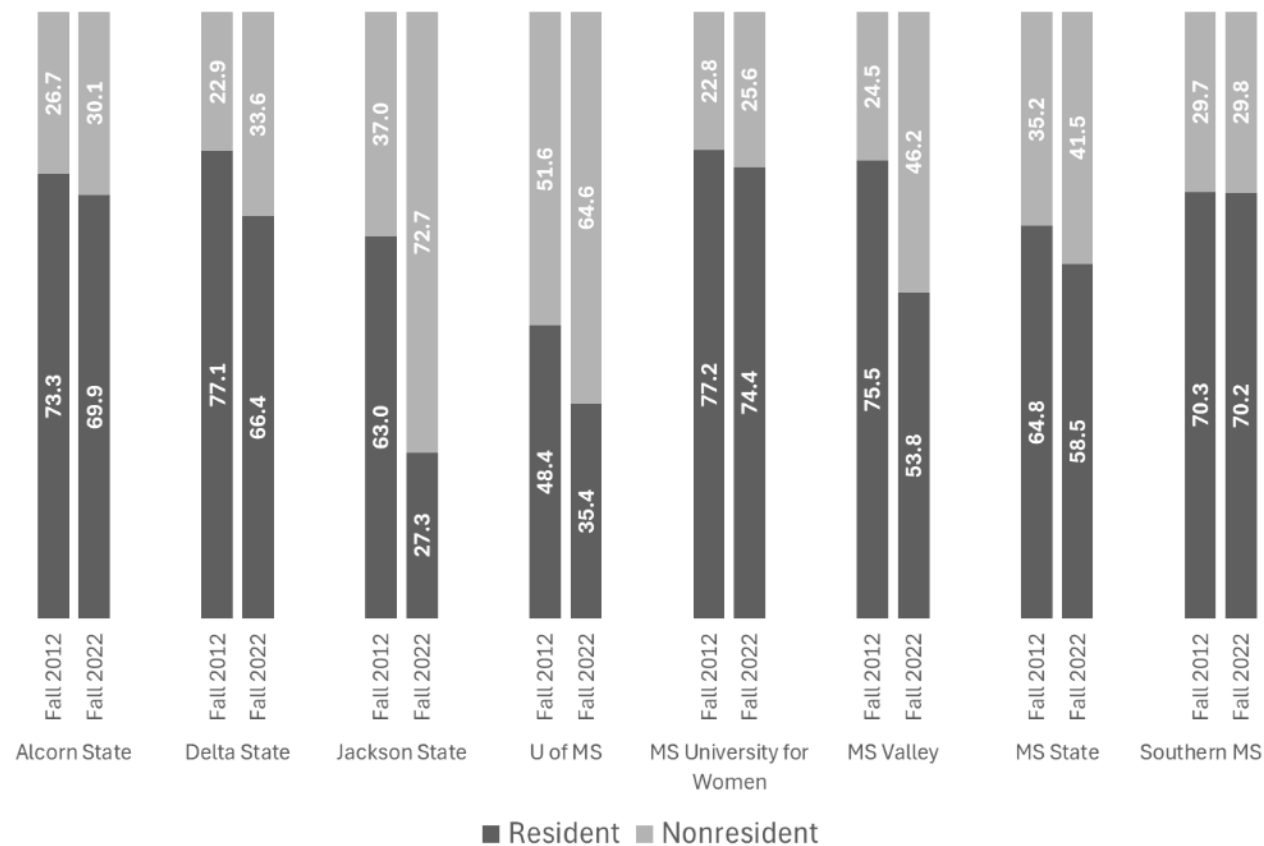


Funding Model Review

- Mississippi's Institutions of Higher Learning
- Background
 - State funding is awarded through a Base+ method
 - In 2012 NCHEMS recommended a funding model revision
- Challenges
 - Demographic changes
 - Institutional inequities
 - Increasing enrollment of non-resident students

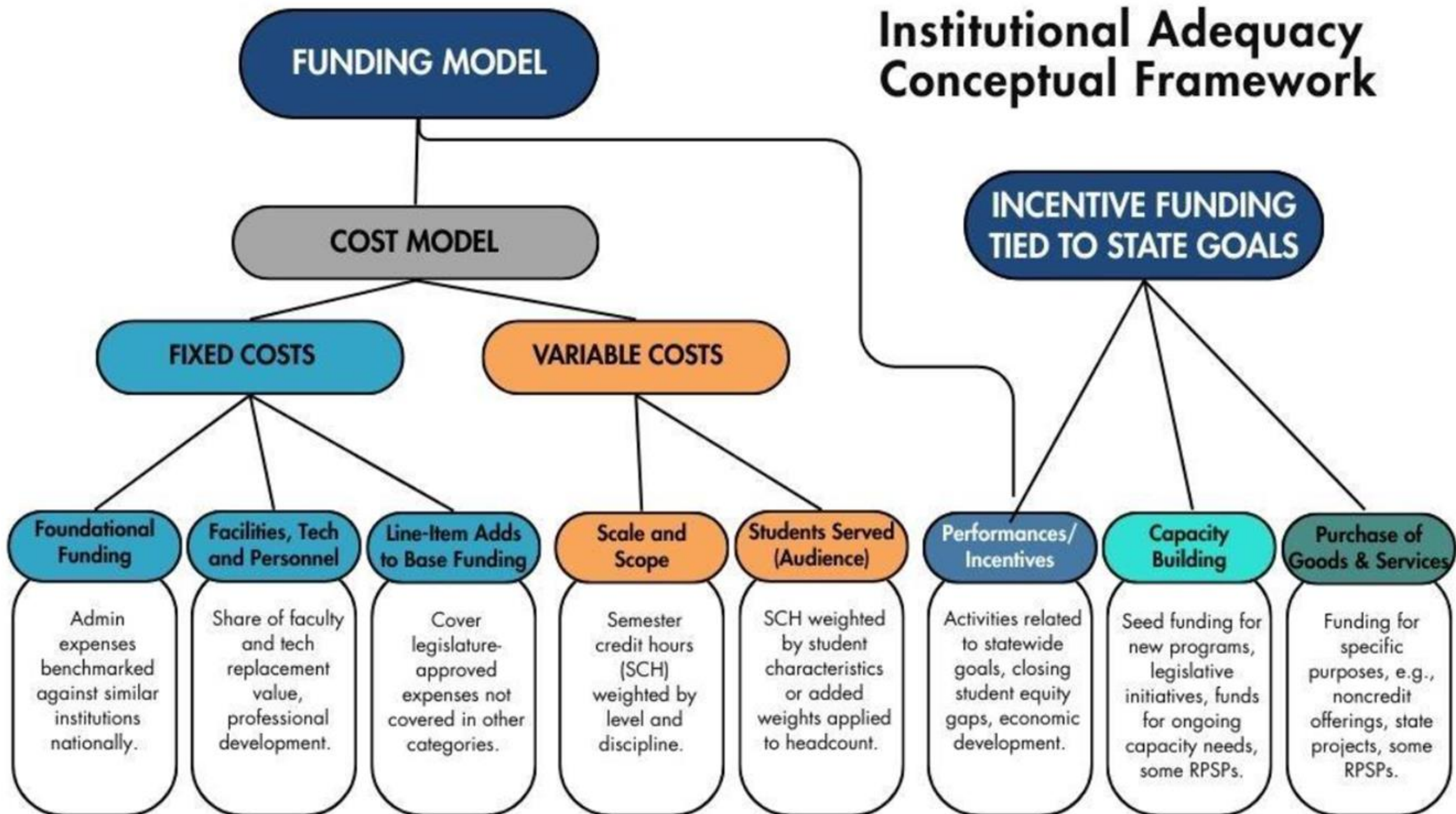
Increasing Reliance on Tuition Revenue

First-Time Undergraduate Enrollment by Residency Status



Source: NCES, IPEDS Fall 2012 and Fall 20122 Residency and Migration Enrollment Files.

Institutional Adequacy Conceptual Framework



Recommendations

- Increase the strategic focus on state funding
 - Foundational Funding
 - Facilities, Technology, and Personnel
 - Scale, Scope and Students Served
- Develop intentional policies around tuition revenue and institutional enrollment mix
- Support institutions as their enrollment trends shift

New Mexico

NEW MEXICO
HIGHER EDUCATION
DEPARTMENT



Fostering Student Success from Cradle to Career

New Mexico Funding Formula

SHEEO Policy Conference

08/13/2025

MARK P CHISHOLM
NMHED ACADEMIC AFFAIRS & POLICY DIRECTOR



HISTORY OF NEW MEXICO'S FUNDING FORMULA

- New Mexico has 24 higher education institutions that are funded through a funding formula developed by the Higher Education Department
 - 7 universities
 - 9 two-year branch campuses
 - 8 independent community colleges
- Starting in 1995, New Mexico's Funding Formula for higher education was based on inputs and ran, with few changes, up through 2012.
 - Funding was primarily based on student credit hours as of course census date
 - Weighted SCH were developed for course level and CIP Code Tiers
 - Over time, the tiers were reduced from over 10 to 3, resulting in a 3x3 SCH weighting matrix
 - A few other adjustments were included, such as total academic assignable square feet average and faculty salaries at peer institutions
 - The model calculated total dollars needed, and the legislature often balanced to that amount by assuming increases in tuition to generate the new dollars not provided by state appropriations

NEW OUTCOMES-BASED FORMULA STARTED IN 2013

- In 2013, New Mexico made a significant change to its formula for higher education, switching to an outcomes approach instead of input:
 - The new model was primarily based on certificates and degrees granted rather than on SCH input
 - SCH was still a component, but only for students still enrolled at the end of the semester
 - The output measures determined a percent distribution for each institution
 - All new money, and a percentage of each institution's base (usually around 2%), were distributed based on the outcome measure distribution
- The outcome measures in the new model were:
 - Total individuals receiving a credential (certificate or degree), weighted by Tier and Level
 - Total STEMHW awards (STEM plus Health plus areas of high workforce need in NM)
 - Total awards received by At-Risk individuals (as determined by Pell eligibility from EFC – now SAI)
 - Weighted end-of-semester SCH
 - Momentum Points (30 and 60 earned hours)
 - Dual Credit
 - External Research Revenue

PROBLEMS WITH THE NEW FORMULA

- The model was primarily base plus – new money was allocated based on the weighted formula measures
 - But the redistribution of a percentage of the base (shaving) led to inequities
 - The previous base was never evaluated to ensure it was appropriate for each institution
 - And the distribution of funding resulting from the new measures wasn't calibrated to distribute according to ideal base amounts
 - The result was that for some institutions, even when they were increasing their outcome measures, they'd always lose money – the money being redistributed wasn't balanced by the amount received
 - Conversely, other institutions would always gain – they'd get back more than was "shaved"
- Three years ago, the model was changed so that "shaving" of the base was no longer used.
- Instead, a portion of "new money" was retained and distributed based on each institution's performance against its own previous performance – institutions received that money only if they were improving

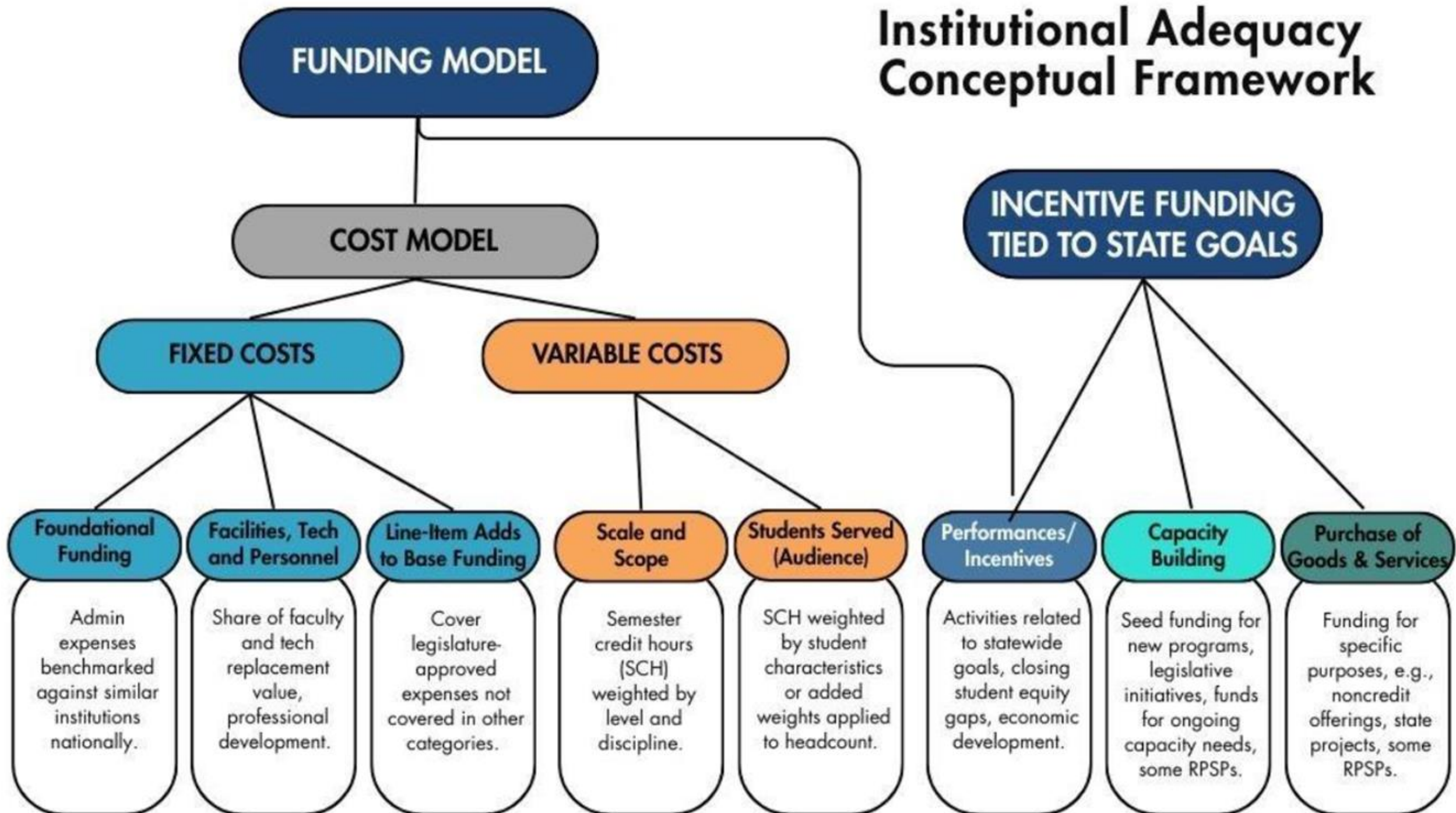
PROBLEMS WITH THE NEW FORMULA

- The change to comparing institutions against their own performance removed some of the inequities in the model, but there are still several issues:
 - The base for each institution will now never be decreased – it can only increase, and overall enrollment has decreased by about 25% since the new model was adopted – and we’ve still never established that the original base was what was needed to operate the institution
 - The SCH weightings are based on a cost study done back in 1994-95 and they haven’t been significantly updated or reviewed since then
 - The peer institutions have not been reviewed or updated for many years, and the original set of peers was based more on faculty salaries and degree offerings – not on the demographics of the students being served – they aren’t helpful in evaluating the impact of the model
- **Thus, the need for a study of the adequacy of institutional funding levels**

NCHEMS STUDY OF FUNDING ADEQUACY

- The legislature appropriated funds to the Higher Education Department to carry out a study of the adequacy of funding for institutions and if the current funding model was meeting those needs
- After an extensive RFP process, NCHEMS was chosen as the vendor to carry out the study
- The study has just been completed, so we don't yet have concrete changes to the current funding approach, but we now have:
 - New peer groups for each institution, based on student characteristics, size, location, and programs
 - Comparative data on SCH weights so that the NM weights can be re-evaluated and updated
 - A model that looks at fixed costs, and estimates the adequacy of funding for each institution based on comparable costs at peer institutions
 - A set of concrete recommendations for how the NM model can be modified to better serve the needs of students and of each institution

Institutional Adequacy Conceptual Framework



For more information about New Mexico's funding formula, go to:

<https://hed.nm.gov/resources-for-schools/institutional-finance/nmhed-funding-recommendation>

You can also contact

Mark Chisholm, at the NM Higher Education Department:

505-231-6754 / mark.chisholm@hed.nm.gov

Q&A and Discussion

Contact Information

- Elizabeth Bentley-Smith, Louisiana Board of Regents
 - Email: elizabeth.bentley-smith@laregents.edu
- Mark Chisholm, New Mexico Department of Higher Education
 - Email: mark.chisholm@hed.nm.gov
- Sarah Pingel, NCHEMS
 - Email: Sarah.Pingel@nchems.org
- Artemio Cardenas, NCHEMS
 - Email: Artemio.Cardenas@nchems.org