



## Higher Education Institutions

Higher education institutions report completion and retention data in the fall and spring each year in time for inclusion in the first and third quarter reports, respectively. For other report cards throughout the year, LFC staff assemble key performance indicators to illustrate the current status and trends within higher education. For the second quarter performance report card, staff compile composite financial index (CFI) scores from the Higher Education Department (HED) to illustrate financial indicators throughout the higher education system. Scores for branch campus community colleges are incorporated into their main campus counterpart. Scores rely on audited financial information and tend to be delayed by a fiscal year or more, but the scores provide a picture of fiscal health important to accreditation decisions.

According to HED, institutions accredited through the Higher Learning Commission (HLC) are required to submit annual data worksheets based upon audited financial statements that include a CFI score, which is a combination of four core financial ratios benchmarked to the short- and long-term fiscal health of institutions. According to HED, performance of the CFI score is evaluated on a scale of -4 to 10. The rubric and actions taken by HLC for the scores is explained in greater detail in the sidebar on page 2, but a score of 3 is considered to be the threshold for institutional financial health. A score below 1 requires additional action by the institution.

**Research Institutions.** New Mexico Institute of Mining and Technology (NM Tech) is the only research institution to maintain a CFI above the 3 threshold necessary to be considered in good financial health over the last five years. The University of New Mexico (UNM) has improved its CFI since FY12 and FY13, while New Mexico State University (NMSU) dipped near a score that would require additional information to be submitted to HLC. However, NMSU's FY16 CFI has rebounded slightly.

### Core Ratios Calculated in CFI:

**Primary Reserve Ratio** – Indicates how long an institution could function with its expendable reserves without relying on additional net assets generated by operations. (Financial Sufficiency & Flexibility)

**Net Operating Revenues Ratio** – Indicates whether total operating activities resulted in a surplus or deficit therefore indicating whether an institution is living within available resources. (Operating Results)

**Return on Net Assets Ratio** – Determines whether an institution is financially better off than in previous years by measuring total economic return. (Asset Return and Performance)

**Viability Ratio** – Measures the availability of expendable net assets to cover debt should an institution need to settle its obligations as of the balance sheet date. (Debt Management)

Composite Financial Index Research Universities						
Institution	FY12	FY 13	FY14	FY15	FY16	Average
NM Tech	4.8	5.2	7.2	7	5.2	<b>5.9</b>
UNM	1.5	1.7	2.2	3.3	2.9	<b>2.3</b>
NMSU	1.7	2.1	2.5	1.1	1.8	<b>1.8</b>

Source: HED

**Comprehensive Institutions.** CFI scores at New Mexico's comprehensive institutions demonstrate significant variance, with some institutions dipping to a score of 0.0. According to New Mexico Highlands University (NMHU), the university received a letter of concern from HLC because its CFI was below a 1 over a two-year period. NMHU responded to HLC and reports it is working with the commission to ensure its CFI improves, including efforts to increase cash balances. NMHU's CFI score has subsequently improved for FY16 as the university works with HLC to come off of its accreditation probation status.



## PERFORMANCE REPORT CARD

Higher Education  
Second Quarter, Fiscal Year 2018

### CFI Score Rubric

Performance of the composite financial index score is evaluated on a scale of -4 to 10:

- A score from 1.1 to 10.0 requires no Higher Learning Commission follow up.
- A CFI score of 3 is considered to be the threshold for institutional financial health.
- A score from 0 to 1 requires institution to submit additional financial documentation to HLC.
- A score from -4 to -0.1 requires an HLC financial review in which the institution submits additional financial documents including audited financials, budgets, governing board meeting minutes, interim financial statements, and core financial ratios.

### Accreditation Status at Two New Mexico Institutions

Luna Community College, which is currently under a "show-cause" order by the Higher Learning Commission (HLC), submitted a report intending to provide evidence the college addressed issues leading to accreditation scrutiny in early February 2018. HLC peer reviewers will visit the college no later than March 2018, and the HLC Board of Trustees will determine whether the college has demonstrated compliance with accreditation criteria in June 2018.

New Mexico Highlands University, under probation by HLC, will also learn whether its probation status will be lifted at the June 2018 HLC meeting.

Composite Financial Index Comprehensive Institutions						
Institution	FY12	FY 13	FY14	FY 15	FY 16	Average
ENMU	2	2.7	4.4	3.9	2.5	<b>3.1</b>
WNMU	3.1	1.4	0.8	0.9	3.0	<b>1.8</b>
NNMC	2.2	2.8	4.2	1.2	4.3	<b>2.8</b>
NMHU	0	0.9	0.5	1.8	2.4	<b>1.1</b>

Source: HED

**Community Colleges.** Clovis Community College (CCC) has consistently maintained the highest CFI in the state, while Luna Community College (LCC) demonstrated the most significant year-over-year increase in CFI between FY15 and FY16. LCC has faced several adverse issues over the last two fiscal years leading to advanced fiscal monitoring, accreditation risks, and potential criminal investigations; however, the college has also maintained high fund balances, which amount to 33 percent of its annual expenditures. LCC had the highest proportion of fund balance among independent community colleges in FY17.

Composite Financial Index Community Colleges						
Institution	FY12	FY 13	FY14	FY 15	FY 16	Average
CCC	8.7	8.1	8.4	8.2	8.2	<b>8.3</b>
NMJC	5.4	5.6	5.9	5.9	4.4	<b>5.4</b>
MCC	4.4	5.8	5.7	4.4	3.4	<b>4.7</b>
LCC	0.9	3.5	3.4	3.3	7.4	<b>4.1</b>
SFCC	2.7	2.3	0.8	2.4	3.3	<b>2.3</b>
CNM	2.8	2.2	1.2	0.9	2.0	<b>1.8</b>
SJC	0.4	1.2	4.1	3.1	1.8	<b>2.1</b>

Source: HED

Although other financial factors impact an institution's ability to deliver instruction and graduate students, monitoring an institution's CFI helps to understand an institution's risk of losing accreditation or being placed on probation by an accrediting body.