Legislative Building, Room 4100
401 S. Carson Street
Carson City, Nevada
March 19, 2024

Video or Telephone Conference Connection from the Meeting Site to:
Grant Sawyer State Office Building, Room 4401
555 East Washington Avenue
Las Vegas, Nevada

Minutes are intended to note: (a) the date, time and place of the meeting; (b) those members of the public body who were present and those who were absent; and (c) the substance of all matters proposed, discussed and/or action was taken on. Minutes are not intended to be a verbatim report of a meeting. An audio recording of the meeting is available for inspection by any member of the public interested in a verbatim report of the meeting. These minutes are not final until approved by the Committee at its April 26, 2024 meeting.

Mr. Jason Geddes, Vice Chair
Regent Byron Brooks
Senator Carrie Buck
Mr. Glenn Christenson
Mr. Richard Combs
Regent Carol Del Carlo
Senator Marilyn Dondero-Loop

Assemblyman Ken Gray
Regent Stephanie Goodman
Assemblywoman Erica Mosca
Mr. Tony Sanchez
Ms. Yvette Williams

Non-Voting Members
Dr. Kyle Dalpe
Dr. Peter Reed
Ms. Lindsay Sessions
Ms. Suzanna Stankute
Ms. Amy Stephenson
Mr. Chris Viton
Ms. Stacy Wallace

Others Present: Crystal Abba, Committee Staff
Heidi Haartz, Committee Staff
Lynda King, Senior Associate General Counsel, NSHE
Dr. Amber Donelli, GBC Associate Vice President for FacuyndalE-0.01- (sso)1. .8 cc(e)1

Dr. Karin Hilgersom, TMCC President
Dr. Federico Zaragoza, CSN President

Chair Hardesty called the meeting to order at 9:32 a.m. with all members present, except Ms. Yvette Williams and Ms. Betsy Fretwell whose absence was excused.

Chair Hardesty announced that the Committee was joined in Las Vegas by the NSHE Senior Associate General Counsel Lynda King, who would ensure the Committee remained compliant with the Open Meeting Law.

Before hearing public comment, Chair Hardesty stated that there would be two opportunities for public comment during the meeting – at the start of and before the conclusion of the meeting. No action may be taken on a matter raised under these agenda items until the matter is included on an agenda as an item on which action may be taken.

Chair Hardesty also provided information on providing public comment in person or telephonically. Those wishing to provide public comment telephonically may do so by calling 888-475-4499. At the prompt, the meeting ID number, 87381403793, should be entered, followed by the pound sign. He also reminded callers that these instructions could also be found on the top of the meeting agenda.

1. Information Only-Public Comment

Kent Ervin, Nevada Faculty Alliance, shared that he had submitted written public comments to provide context for some of the presentations included on the agenda. He noted regarding self-supporting accounts, improving transparency and accountability would be important, and stated that many student fees have been established outside of the state-supported budgets.

Mr. Ervin then discussed the funding formula, stating that a good funding formula would provide for offering courses and student support without resorting to extra mandatory fees. A fair formula would take into account all cost measures, rather than using a single metric. That would add complexity, but NSHE institutions are complex. Mr. Ervin also stated that he looked forward to the recommendations from the presidents of Great Basin College (GBC), Truckee Meadows Community College (TMCC) and Western Nevada College (WNC).

Mr. Ervin stated that the Committee's job was not to favor a particular institution or category of institution, but rather to be fair and equitable in providing funding to support student achievement and the other missions of higher education.

Mr. Ervin shared this his written submission questioned the types of revenue included in the institutional comparisons per FTE by HCM Strategists, in agenda item number6. He observed that some revenues, such as research grants, do not support instruction, so including those in per student comparisons would not serve to develop a fair and equitable formula. He also stated that HCM Strategist is proposing outcome-based models with a percentage of the funding tied to outcomes. He recommended that since outcomes metrics are necessarily delayed, some by years, any funding tied to those metrics should be

Chair Hardesty asked the Committee to be mindful of the time parameters that had been established for each agenda item. While he did not want to restrict Committee members from asking questions or offering comments, he wanted to be sure all presenters had adequate time to make their presentations. He also informed the Committee that NSHE would use its host fund to provide lunch to the Committee members.

Chair Hardesty next provided an update on work that had been under way since the February meeting. Following the February meeting, the president

common themes were emerging and would likely guide the Committee as it developed recommendations.

Vice Chair Charlton stated the she recognized that as supporters and representatives of higher education, the Committee would continue to advocate for additional state support for higher

support. In addition, there are concerns around transparency, and NSHE is seeking to improve transparency.

Mr. Viton provided highlights related the distribution of resources through the System between state-supported activities and non-state activities. Referring to slide number 4 of his presentation, he indicated that 47 percent of the System's FY2023 revenues and expenses were in the state-supported operating budget. He noted that 47 percent is state-supported activity, not just state appropriations. As a result, within that 47 percent student fees are on the state-supported and non-state side.

He explained that within the state-supported accounts, 34 percent of that side of the pie is student fees. He explained that when you consider the state revenue sources, 31 percent is state appropriation, and 69 percent approximately non-state sources. But in terms of the state-supported operating budget in total, that includes the allocation to the state budget, 47 percent, or just less than half of the system's activities, are in the state-supported accounts.

He continued by explaining the different types of revenue sources that fall in the self-supporting account or non-state category. He noted there are activities that the Board [of Regents] defines as self-supporting that exclude certain types of activities, in particular, grants and the like. The term “self-supporting” has a narrow focus. It's not all non-state activity. In NSHE self-supporting accounts are categories such as student tuition and fees. Student tuition and fees is that portion of the registration fee that is not allocated to the state-supported operating budget. All other student fees, all of the other term and course fees that are approved through the Board of Regents for the campuses.

He noted that in addition to student fees, a large area of [non-state] activity is sales and service, which includes athletic programs, ticket sales, other event activities. Non-state activity also includes the facility and administration revenue, which is the administrative overhead that's allowed on federal awards, sponsored activity. The non-state category also includes investment income, and other revenues, for example, leases.

In regards to the use of self-supporting accounts it tends to include the uses that are also in the state-supported accounts, such as instruction, research, public service, academic support.

Mr. Viton provided information on certain Board policies covering self-supporting programs. He noted that as mentioned in public comment, the Board has a policy that only requires activities in excess of $250,000 to be in budgeted accounts. Further, he noted that requirement does not prevent the campuses from budgeting smaller accounts. Often campuses are budgeting in amounts lower than $250,000, but the $250,000 is the Board's policy threshold. [(s).R2 (n e)4Tw 1.03 0

threshold. And then scholarship funds, scholarship funds are managed through scholarship offices and generally forecast based on activities.

update or a business process configuration in our automated system to facilitate that control in an automated business process.

Regarding the questionable use of student fees, Board policies were updated for the use of student fees and requirements for programs with multiple funding sources addressing the concern in the audit. The audit noted the lack of clarity in Board policies regarding certain fees, and in certain programs the audit noted the campuses co-mingled student fees with other revenue sources. This raises the issues of being able to map or identify the specific expense or specific revenue that may have funded a particular expense within the program. He explained the campuses' approach on those co-mingled sources resulted when a program had insufficient student fees and had other revenues available, so the institution co-mingled funds with the understanding that the student fees were being fully expended. Board policies were adjusted to address those concerns and encourage campuses to not co-mingle those sources and separately account for them.

Regarding the concern of the lack of inconsistency in reporting and some reporting errors, the policies were adjusted to add reporting requirements around fees that did not have reporting requirements. Similar to previously noted reports, new reports were added that will be provided in the current reporting cycle to provide a summary of the fiscal year activity within certain categories. Further, policies were modified to provide clarification around certain types of reporting and more emphasis was placed as the System has been working through the first round of new reports ensuring the system office can take a more active role in reviewing and validating the campus provided information as the reports are assembled.

Concluding his presentation, Mr. Viton noted that following the audit, the System is continuing to provide oversight and transparency and accountability for self-supporting account reporting and for all reporting across the System.

Mr. Glenn Christenson asked if Mr. Viton had an opportunity to review the letter the Committee received from the Nevada Faculty Alliance. He noted the letter stated that "although reporting of self-supporting accounts is being improved by NSHE in response to the legislative audits, there remains a lack of full transparency. That means that thousands of accounts aren't being reported to the institutions -- from the institutions to the Board of Regents." Further, the letter noted that "state-supported operating budgets and reported self-supporting accounts with NSHE's audit of financial statements indicates that $375 million is missing from the reports to the Regents." Mr. Christenson concluded by asking to what extent should the Committee be thinking about some of the issues raised by the NFA and asked if Mr. Viton agreed with the characterization.

Mr. Viton indicated he spoke with Mr. Ervin and that he and Mr. Ervin have had a few conversations. Further, Mr. Viton explained that he intends to update and make continuous improvements on the self-supporting reporting to ensure that NSHE is addressing the concerns that there's unbudgeted accounts that aren't included in the reports. He plans to work with Mr. Ervin and reconcile those differences. He noted that taking a look at the information presented this morning that the System sponsored program activity, the research grants maybe, are likely the most significant portion of that $375 million noted in Mr. Ervin’s letter. He explained that the System has approximately $350 million in research and grant activity in FY2023, which is

that period they were looking at there. He noted those are sponsored activity excluded from the System's self-reporting and other reports.

Vice Chair Patricia Charlson provide a point of also clarification for Mr. Christenson, noting that in addition to other reporting that the Board of Regents receives on an annual basis, there is a sponsored projects report that goes to the Board's Academic, Research and Student Affairs Committee.

Mr. Rick Combs asked if Mr. Viton could expand on indirect cost recovery revenues, including the magnitude of how much that amounts to in a year and what indirect cost recovery revenues are used for. How are those things funded originally and how is the indirect cost recovery revenue treated once it's received back?

Mr. Viton explained that the management of those funds happens at the campus level. Each campus has its own protocol for how the indirect cost recovery revenues are allocated back to the units that are generating the sponsored activity, and more specifically, how those funds are used on the campus. He noted the federal government approves the indirect cost rate through a study, analysis of the campus' actual cost that supports the overhead rate that's charged to the grants. Those revenues then represent the indirect costs that the grants are charged the direct cost of each award and the indirect costs are billable as a percentage of those direct costs. The distribution of those revenues and use of those revenues on the campus is determined by the campus. However, it is primarily used to support research infrastructure and is also used to provide start-up packages for hiring new researchers.

those assessed? As to indirect cost recovery, is there a formula that helps define and explain how those allocations are made for indirect cost recovery and what is the front-end load that is attempting to be recovered?

4. – Information Only - Institutional Mission And Funding Priorities

Chair Hardesty apologized to the community college presidents that were unable to share their presentations during the Committee's February meeting. He assured the presidents that the presentations were postponed because the Committee ran out of time during that meeting, and he did not intend to insult anyone or imply that the community colleges were not equally important as the other institutions. He reminded the Committee that the presidents of GBC, TMCC and WNC would be presenting on their institutional missions and how those missions drive their budget priorities. The presidents would also provide recommendations to improve the NSHE funding formula.

He also reminded the presidents that 20 to 25 minutes had been allocated for each presentation, plus an additional 5 minutes for questions. He also advised the Committee that the slide deck for GBC had been updated since the February meeting; however, the slide decks for TMCC and

programs. For example, the Mining Center of Excellence is a collective effort between GBC and the University of Nevada, Reno (UNR), aimed at advancing industry focused education within the mining sector. Dr. Donelli stated that through this partnership, GBC and UNR can combine their expertise and resources to offer comprehensive programs and hands-on training that addresses the evolving needs of the mining industry. She added that this collaboration strengthens educational offerings, fosters innovation, and drives economic growth in the region and beyond.

Dr. Donelli stated that GBC plays a vital role in providing skilled workforce for rural Nevada through a range of specialized programs tailored to meet the needs of local industries, such as diesel technology, electrical systems technology, industrial maintenance technology, instruments technology, and welding technology. Dr. Donelli provided examples of programs that meet workforce needs: GBC equips students with the technical expertise needed for various roles in industry, such as mining, manufacturing and transportation; the manufacturing machinist program provides training on precision manufacturing; the commercial drivers' license program addresses the critical need for qualified drivers in rural areas; and healthcare programs and teacher pathways for elementary and secondary education ensure a pipeline of qualified professionals to meet the healthcare and education needs of rural communities.

Dr. Donelli addressed the challenges of providing mental health resources, sharing that GBC utilized federal grant funding, through the Substance Abuse and Mental Health Services Administration (SAMHSA), to acquire and implement the BetterMynd program. GBC received a total of $131,906 through the grant and $46,000 from a community partner, Elko Federal Credit Union. This has allowed GBC to enhance its capacity to address mental health needs, by offering 24/7 access to mental health resources. BetterMynd went live in November. Since that time, 31 students accessed resources, demonstrating its immediate impact and importance. Additionally, GBC trained 230 students, employees and alumni on applying mental health first aid to the community and the college.

Dr. Donelli stated that one of GBC's primary concerns is recruitment and retention of qualified staff, particularly in programs where industry salaries surpass those of the community colleges. Additionally, GBC must proactively plan for increases in the utilities, noting that utility expenses for GBC exceed $240,000. Enhancing campus security is paramount, and GBC plans to implement a limited access measure through door control access; this will require an investment of approximately $150,000.

Dr. Donelli discussed the deferred maintenance needs for GBC, which include roof and HVAC system replacement, as well as college-wide ADA compliance upgrades. Last year, GBC was allocated $1.5 million for essential infrastructure enhancements. Dr. Donelli stated that the priority for capital improvement projects is creating a one-stop shop in Berg HDr. D(n)2Tj23.43 0 Td[(2 (350.00

Dr. Donelli stated that it is imperative to address the looming deadline regarding the development of the Pahrump campus. If GBC does not begin development by 2026, it will be lost. It is estimated that $2.3 million is needed to initiate planning and design for this property. Next, Dr. Donelli discussed GBC's recommendations for the funding formula. She indicated that an area consistently affected by the current formula is part-time students. Part-time students represent 68 to 71 percent of the student body. Despite this, the institution boasts a graduation rate of 48 percent, indicating a high level of persistence among part-time cohorts and effective retention efforts. Because both full-time and part-time students require the same equivalent support and resources, GBC would recommend incorporating a factor of 0.33 to 0.5 for each part-time student, reflecting their substantial presence and resources that they need.

Dr. Donelli reminded the Committee that the Small Institution Factor has not been increased since 2013, and no longer reflects the cost associated with operating a small institution, especially an institution with four campuses across the state. GBC identified two options to adjust the Small Institution Factor. Option 1 would add a metric to the calculation for the Small Institution Factor to support the higher number of part-time students. Option 2 would adjust the $30 weighted student credit hour value.

Dr. Donelli stated that workforce development is a cornerstone of GBC's mission. In order to meet that mission, GBC recommends creating a funding multiplier of 4.0, based on a weighted student credit hour, for all CTE disciplines and supporting year-round funding. Additionally, GBC recommends summer classes, which would promote accessibility, flexibility, timely

responded that during the past year, GBC had applied for 18 or 19 grants and was awarded funding for 16 of the applications totaling approximately $11 million. The source of grant funding includes private donors, private charitable trusts, as well as grants through other state agencies, such as the Office of Energy, Office of Workforce Innovation (OWINN), and Governor's Office of Economic Development (GOED). GBC also received funding from the Nevada Department of Education to incentivize teacher pathways. Dr. Donelli confirmed that GBC is facing inflationary cost increases, similar to other institutions. She added that the costs incurred by GBC are impacted by having multiple campus locations throughout the state. She reported that the utility costs for the current year are in excess of $240,000.

Ms. Williams asked if GBC had prepared forecasts to predict the impact of future inflationary costs, specifically for utilities and for cost estimates for waivers. Dr. Donelli indicated that the Chief Financial Officer, Tony Asti, is new in his position but is in the process of analyzing utility expenses. Dr. Donelli added that waivers are unfunded mandates and the fiscal impact is considerable, especially as the number of waivers increase, as was the case with the Native American waiver. She believed the fiscal impact for the Native American waiver in the Fall totaled approximately $80,000. She anticipated an increase in the waivers in the Spring, which could result in an unfunded mandate totaling $180,000 for that waiver. She added that other waivers are available to GBC students, for example for veterans and foster care student waivers, but the fiscal impact is much less.

Vice Chair Charlton observed that the first slide in Dr. Donelli's presentation did not include the GCB mission that had been previously approved 6 (f)5 (is)1 (c)6 (a)6 (l imp)2 (a)6 r u ituel impa u[(co)-4 (-2 (o
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Ms. Suzanna Stankute asked how many nontraditional students, students over the age of 24, attend GBC. Dr. Donelli estimated that approximately 38 to 40 percent of the students at GBC are nontraditional students.

Chair Hardesty requested that Dr. Donelli follow up with the specific percentage of nontraditional students, then he asked if Dr. Donelli knew what percentage of GBC funding is state funding versus non-state funding. Dr. Donelli responded that she would confirm with her financial advisor to obtain accurate percentages.

Chair Hardesty asked if the funding for the BetterMynd program is included in the self-supporting budget account reports. Dr. Donelli stated that the program is funded through federal funding that came to NSHE through a SAMSHA grant. Each institution received an allocation based on the size of the institution, which resulted in GBC receiving $60,000. And the allocation increased to $131,000 when federal funding was not spent by other institutions. Then, GBC received additional funds for this project from the Elko Federal Credit Union. Dr. Donelli continued, stating that the downside to any program that is not state supported is that the funding is only available for a specific amount of time.

Chair Hardesty asked if Dr. Donelli could provide a breakdown for the deferred maintenance and capital projects, identifying which are state supported and which are not state supported. Dr. Donelli agreed to provide that information to the Committee.

The meeting recessed at 11:03 a.m. and reconvened at 11:15 a.m. with all members present,

or a certificate. Those certificates average 24 credits; they are short term opportunities. Thirty-two percent of TMCC students are not degree-seeking. For example, they plan to take three classes in business, after which, they open up their business knowing they have learned how to mitigate the risk of running a business. Dr. Hilgersom stated this is a student success; however, the funding formula will only account for the credits completed by these students.

Dr. Hilgersom stated that as a comprehensive community college, the top priorities are supporting transfer students, workforce development, developmental education, professional, technical and health careers, high school equivalency and English as a second language. To accomplish this, TMCC must simultaneously grow and maintain its infrastructure, facilities, deferred maintenance, and investment in public safety. TMCC must also maintain state of the art IT systems, including cybersecurity and network integrity. Dr. Hilgersom stated that the cost of cybersecurity and network integrity is increasing dramatically. During the past 5 years, the cost of cybersecurity insurance has increased by at least 30 percent.

Dr. Hilgersom shared her assessment of the current funding formula for higher education. She stated that the current funding formula implies that students at a predominantly two-year college, such as TMCC, should be treated the same as first- and second-year students attending universities. This is a major flaw in the formula. Many of two-year college students desire to enter technical fields or health career fields, which are often expensive to provide. The current course taxonomy gives lucrative weights to upper division and graduate school credits that two-year colleges do not offer in significant numbers.

Dr. Hilgersom also stated that the funding formula disincentivized helping students be ready for university transfer, which is a very different dynamic compared to other states. The current course taxonomy puts too much emphasis on course completion, to the detriment of a stable base that allows presidents to plan. She indicated that in Washington state a stable base funding amount was provided, which allowed colleges to plan. Then, there were performance-based measures that were in excess of the base. Colleges did not want to lose that new money, so it served as an incentive to help people become college or career ready, and it incentivized innovative teaching practices, which lead to improved completion rates.

Dr. Hilgersom provided statistics about TMCC students. TMCC serves traditional students and Pell eligible students at an affordable price point. Many students attend part-time because they have jobs and families. The average credit load is eight. Many of our students earned less than a 3.0 GPA in high school. Many students are from under-represented groups who may require high school equivalency and/or ESL. Some students need remediation in English, math, and reading for college success. TMCC has students who attend high school and are taking advantage of dual enrollment programs.

Dr. Hilgersom stated that when enrollments dip, universities adjust their GPA levers, granting more students admission. Community colleges to not have that option because they are open access institutions – all students are welcome. When universities lower GPA levers, it potentially takes students away from community colleges.

WNC

experiencing its highest enrollment in more than 12 years. Dr. Dalpe stated that while the formula will reflect this increase in enrollment growth in the next biennium, he is not sure he will need that extra funding then, but he does need it now to support the increased number of students attending WNC.

Dr. Dalpe provided additional statistics on the students attending WNC: Seventy percent attend part-

the Performance Pool could make it subject to adjustment when the state is facing troubling times, but that could serve to protect base funding.

Concerning the Small Institution Factor, Dr. Dalpe indicated he would like to have something included that recognizes the minimum infrastructure. The Small Institution Factor should be based more on head count than weighted student credit hours. Weighted student credit hours are not reflective of the other programs offered by community colleges and the students seeking support services. Ultimately, he is recommending that the Small Institution Factor consider head count, based possibly a 3,000 tier and a 5,000 tier.

Dr. Dalpe stated that there is nothing in the current funding formula for summer funding, with the exception of nursing. WNC can run operations all year, but they don't due to the absence of state funding for the summer. Summer funding would allow WNC to maximize its facilities and keep (n)2 0 Tw 14 0 Td.42 0 Td( )Tj0. ed

insight helped WNC staff determine if additional academic advising was needed or if course schedules needed to be less traditional to better accommodate student schedules. Dr. Dalpe stated that he could not provide an exact number for how many students dropped out or what that may be costing the institution. He could specifically address the loss of funding attributed to withdrawals, which represents a loss approximately $540,000. Dr. Dalpe continued, discussing student needs and strategies used by WNC to meet those needs. Donor funding supports the scholarship fund that helps students get into classes, take the classes, but, more importantly, finish their education, whether it's one class, two classes, 30 credit certificates, or 60 credit degrees. Scholarships help students compete program without incurring a lot of debt. Dr. Dalpe then addressed non-state support for WNC, noting that all institutions have funding from the Pennington Foundation. Additionally, WNC has received funding from the Redfield Foundation, private organizations, the Governor's Office of Economic Development. WNC recently paired money from GOED with money from Tesla, the Pennington Foundation and Wells Fargo. Funds were used to build a mobile classroom, which was about a $900,000 project, which can be used to deploy a mobile manufacturing classroom into rural spaces and at the prison and high schools. Dr. Dalpe confirmed that WNC does collaborate with area mines. He also stated that some contributions result from access to space, which is the case with Naval Air Station Fallon, which provides classroom space to allow on-site training programs. Dr. Dalpe states that WNC has a robust Latino leadership academy, which was one of the three pillars of its under representative group reach out that was provided through a state appropriation and has since ended. WNC is 31 percent Hispanic Latino, which puts it on the threshold for a Hispanic Serving Institution (HSI). WNC is a Hispanic serving institution and a minority serving institution. Forty-four percent of WNC students are students of color. In order to drill down iyeadlhP-4 a-pi]TJ7 Tc 0 Tw 11.32 0 Td( )Tj-0.004 .

Assemblyman Gray asked how WNC's large service area impacted costs compared to other

Mr. Johnson noted that the agenda item is intended to provide an outside perspective on self-supporting accounts, first noting that not every state has a category that called "self-supporting" accounts. Generally, these are the accounts within the state-supported budget that have a specific revenue source and expenditure purpose but that are not part of the core general revenue and expenditure fund. It's a specific classification that is grounded in Nevada state law and practice, and there's some overlap with what other states do, but it is a very Nevada-oriented category.

The category does not include some things that in kind of the common English language sense of the word would be considered self-supported like auxiliaries, dormitories and housing, sponsored research, which is supported through operating funds usually from the federal government, sometimes from other places. Further, the self-supporting category does not include fees that have specific legal restrictions attached to them in Nevada law or NSHE Board policy. These accounts are used internally by institutions to manage budgets for specific purposes. The legislative audit noted there are several thousand accounts across the institutions and across years that were reviewed in the audit.

Mr. Johnson noted that in fiscal year 2022, there were 5,808 programs that were listed as self-supporting accounts. And these items range from accounts that were under $10 to several million dollars. There is a new board policy concerning scrutinizing only those that come over a certain threshold [$250,000], which makes sense with that scale of the number of accounts and the variations in size.

Mr. Johnson noted that he looked at the database from fiscal year 2022 of self-supporting accounts and also the non-self-supporting accounts. There were 20,000 in total of which 5,800 or so were in the category that were subject to the legislative audit. Some of them are student fee-related like the summer session revenues and that are not included in the funding formula. There are fees for certain kinds of educational assessments. There are a couple of categories for library fines. Others have different revenue sources that aren't related to students, and these vary widely from clinical patient care revenues that are used to fund medical school faculty as well as some other faculty in areas where the faculty are practitioners as well as professor, which is common for medical school faculty. Further, it can include things like ticket sales. For example, if there is a performance, art exhibit, or academic conference, an account can be set up for that type of activity. Mr. Johnson explained that facilities rental and faculty start-up packages is another area of self-supporting activity that is common. A chemistry professor may receive a certain amount of money that they can spend over a given period of time, which might be several years, and they have discretion over how they can use that to set up their lab, travel to conferences, things like that.

Mr. Johnson noted that the legislative audit had no findings of fraud or use of funds that were contrary to state or student interests. The findings related to not being able to track the way all the funds were used or transferred across accounts. He also noted cases where funds being used from one account were designated to a different purpose. There were 13 audit recommendations, and for the purpose of his presentation, Mr. Johnson grouped the recommendations into categories. The findings that related to transfers among state-supported and self-supporting

accounts were 1 to 3, 5, 7, 11 and 13. The policies adopted by the Board addressed these recommendations. NSHE clarified which are the transactions of concern, and documentation practices, and Mr. Viton previously presented some of the changes related to this. These changes will make it easier to see that the funds are being used consistent with the intent of the legislature. The new reporting process does require a new report on fund transfers, and that is supposed to be initiated at the central level for campus review.

Mr. Johnson noted that audit recommendations 4, 6, 8 and 12 were specifically about student fees. He explained that is an area where the Board might have different kinds of strategic concerns as well as just fiscal or compliance concerns, and it's worth thinking about those as a separate category. The Board has revised policies that are making the fee definitions more consistent with additional reporting requirements. Lastly, recommendations 9 and 10 were about reserve and contingency accounts to clarify which ones were being used as reserve accounts.

Mr. Johnson noted his initial observations on the reporting aspect is that there are a lot of different functions included in the self-supporting accounts category. Accounts can be grouped differently for the purpose of either having different kinds of strategic and policy discussions or different kinds of reports. NSHE can change or redivide reports as you see fit.

He noted that there are other important non-appropriated funds that are of interest, sponsored research, auxiliaries, for example, and those may be another area that can be grouped differently. Mr. Johnson questioned whether the Board, the legislature and the public as well as the institutions themselves have adequate insight into the accounts and how they're being used. And you certainly have an interest in that. He noted that transparency doesn't always mean just being able to see every transaction. Seeing every transaction is often not useful or clear.

Mr. Johnson explained that it is important to think not just about the compliance and transparency aspect, but about whether institutions have the flexibility that they need to manage their accounts in the best interests of students, the institutions and the state. He noted that sometimes there can be a cost in terms of regulation, compliance, having a lot of reporting, having a lot of different fund categories.

Referring to the strategic context of different budgets for different purposes, Mr. Johnson noted that formula funding runs under $500 million a year, typically. That is clearly where there is the most direct control and interest as it is expected to function as a core source of funding for the institutions, but it's only a subset of the overall state appropriation. The legislature and the Board have some interest in monitoring and ensuring that that the state appropriation [$639 million] (outside of the funding formula) is driving the kinds of institutional outcomes and processes that are desired. The state operating budget, which includes the self-supporting accounts as well as other activity is another $400 million or so of funds that are not appropriated by the legislature, but where there are policy interests in affordability in the interests of your students not having excessive fees that are being used for the things that they're supposed to be used for. Finally, total reported revenue is approximately $2.2 billion in fiscal year 2022. That includes activity that is not in the state operating budget, like the sponsored research and the auxiliary budgets and other things.

Mr. Johnson continued by noting that tuition and fees is the next part of the core budget revenues, followed by federal grants, a small amount of private and local grants, the sales and services, and auxiliaries such as housing and dormitories. The main expenditure categories include instruction, student services, research, public service, academic support, institutional support and auxiliaries.

He noted that he took an initial look at some of the states that have a structure similar to Nevada for some ideas of things that you could look into further. There are not many states like Nevada that have both a coordinating function for all institutions, two-year and four-year, as well as a governing function. None of Nevada's neighboring states have a board structure like Nevada. The closest examples are Hawaii, which is smaller, and Georgia, which is bigger, and New York, which is divided in two but each one of them does kind of have that structure, so the City University of New York. These are the Boards that are responsible for both system level, community college, university alignment as well as individual institution governance.

Mr. Johnson noted that everyone has policies related to the use of restricted funds. Sometimes they're about a specific fund, sometimes they're about a category of funds. He explained that Hawaii has a clear quarterly expenditures and transfers report. The City University of New York has a matrix. This kind of matrix is useful, just in terms of showing what sources of funds can be used to pay for what kinds of expenses and what can't.

Mr. Johnson continued, providing information on student fees. He explained that Nevada is low both on tuition and fees, both in terms of the number of fees, which is average, but the amount for tuition and fees is lower than average across the country. Georgia has more fees than Nevada, but in terms of practices to consider, Georgia did eliminate one fee last year. Hawaii has the simplest and lowest fees. He noted that it is worth asking whether Nevada has any fees that could be eliminated or combined, both for simplicity-sake and for making the bills to students more transparent.

When considering average fees and average tuition across states, Mr. Johnson noted there's not really any standard in terms of how institutions balance tuition and fees. There are some institutions, Massachusetts used to be worse than it is now, it used to have almost all fees and no tuition, which made policy discussions confusing when you talked about tuition increases and they'd say, well, we haven't raised tuition for years, but they're highest of course on the average fees.

Mr. Johnson concluded his presentation with a review of Hawaii Community College tuition and fees where there is a per credit tuition fee and then there is a small student activity and student government fee only. Finally, he noted, there are a couple of the directions that the Committee could go with analysis of self-supporting accounts, student fees, but he wanted to understand from the Committee what they thought would be helpful in terms of looking at other states' practices or which kinds of accounts and fees are of most interest.

Chairman Hardesty requested a list of all fees charged to students. Mr. Viton noted that the Board has a published list in the NSHE Procedure and Guidelines Manual of all the fees that can be summarized for the Committee's use.

Chairman Hardesty explained that in September the Board of Regents responded to the audit and indicated that they would follow the recommendations contained in the audit. That was after the Committee was charged with its responsibility. He noted that at the time that the Committee was formed, there might have been an idea that there needed to be some input from the Committee that would help assist the regents in how to address the audit and/or perhaps some of these other areas that Mr. Johnson is talking about. He stated that many of the issues appear to be issues that the Board should be debating rather than the Committee because they are policy questions. He then asked the Committee if there is a need to do any more on the topic of self-supporting accounts.

In response to the comments of the chairman, Vice Chair Charlton noted that the System appreciated the legislative audit and the recommendations that came forward. She explained that in working with the Board, NSHE made some significant improvements in NSHE policies and as the System moves forward with the additional reporting requirements this will be demonstrated. She then asked Mr. Johnson if there are any specific recommendations that he saw in his analysis of how other states may be reporting the revenues and expenditures specific from those self-supporting accounts that this Committee needs to consider as a recommendation.

Mr. Johnson noted that his only recommendation would be that NSHE group the accounts in more substantive ways than self-supporting accounts so that you can think about them in separate categories, whether that's along the lines of what is in that City University of New York matrix where they show which funds can be used for which purposes, or some of the other states.

Mr. Christenson indicated that he agreed with the Chairman's recommendation and further suggested that in the Committee's final report it consider some of these other things but the Committee's is well defined. He did not see getting into this area as part of the Committee's charge.

Chairman Hardesty asked Mr. Christenson if he would support an idea that the Committee look at these topics and we pass it along to the Board.

Mr. Christenson indicated he agreed with that approach.

Mr. Kyle Dalpe indicated that the Committee is looking at the funding formula, which is the state funding piece and self-supporting accounts is non-state funding. He indicated that this issue can be handled at the campus level, noting a Board policy on the approval of fees that are , $50 or less. Fees over $50 go to the Board of Regents once a year. He explained that it requires considerable planning to implement or change a fee because we do vet it at the campus through our college councils, through our governance groups. He noted WNC, and any other institution, would never put forward a fee without talking to students, faculty and staff. We use the shared governance process. By the time it a fee reaches the Board of Regents it has been vetted and we feel good about it for the non-state fees.

Dr. Dalpe noted that the fee discussion has a lot to do with offsetting or supporting activities because there's not enough on the revenue side. In the overall discussion of funding, revenue

Mr. Johnson said he noted that as a proportion of the total funding, not as in absolute terms, so on a per student basis he's not sure, but as a proportion of your institutions' total budgets, it is higher. As such Nevada has proportionally high funding form the state and as low tuition and fees.

Regent Carol DelCarlo noted that in the November/December 2023 trustee magazine that is published by the Association of Governing Boards is an article on governing and hiring for "system-ness" and it also talks

Mr. Carroll noted that in Nevada, the main driver of cost that is represented in the funding formula is the cost of instruction and particularly the student credit hour. And it's mostly a measure of the cost of instruction, the weights accounting for variation in that costs by different program and different level, but when the formula is built around one primary cost driver that allocation should be reviewed in how it affects other fair and equitable characteristics of matters like student needs, student characteristics, low income, adult, under-represented minority, and of course the FTE versus headcount question which has been mentioned by the presidents on several times. Mr. Carroll explained that HCM pulled data to look at how the funding is allocated along those lines as another cost driver that institutions face.

Using national level data from the Integrated Postsecondary Education Data System, Mr. Carroll presented revenue per FTE (full-time equivalent). He noted that it is based on total revenue received by the institutions and includes state appropriations and grants, tuitional and fees, federal grants, private/local grants, gifts, sales and services, and auxiliaries. He noted it is not an exact much for spending pursuant but it is a good proxy. Not all of the revenue is spent directly on students, especially at the R1 institutions. Some of it is spent on research activities, but it illustrates the range and total resources available for institutions to spend. Mr. Carroll noted there is variation in the state appropriations and grants per FTE, and there's much larger variation in the tuition and fees that is available to institutions, particularly between UNR and UNLV.

Next, using Nevada's funding formula data and the student credit hours and the FTE and the headcount numbers provided by the state, the analysis looked at how funding per resident FTE breaks down by institution. Referring to slide number7, using Nevada residents, FTE and headcount, indicating the variation by institution. Further, the variation increases when consider it by headcount and not just FTE. For FTE, the lowest funded institution, Nevada State College, at $5800 per FTE, and the highest funded, UNR, at a little over $10,000 per FTE. The highest funded school per FTE receives 75 percent more funding than the lowest. When considering headcount, UNR's $7500 in state funding per headcount is 280 percent larger than CSN's $2,600 per headcount figure. Mr. Carroll explained that FTE and headcount are both important drivers of cost at an institution. FTE does a good job of representing the instructional load for an institution and the faculty, but there are fixed costs with every student, so those part-time students as represented by headcount have lots of costs that come regardless of how many courses they take.

Mr. Carroll continued explaining that HCM also looked at certain student characteristics, including adult, under-represented minority, low income using that national data considering institutional revenues per FTE by student population. The data is not saying that the state is providing a certain amount of dollars for every under-represented minority student or non-under-represented minority student, rather it indicates what is the average revenue at institutions that the typical Pell student attends, what is the average revenue at an institution that typical under-represented minority attends, so you can see the access that they have or the sort of additional supports that they receive, how that distributional impact varies by student characteristic. He explained that non-under-represented minority students have a little bit higher state appropriations and grants than under-represented minority students, and Pell students have a slightly higher state appropriations and grants revenue than non-Pell students.

Mr. Carroll, referring to slide number 9, indicated that the funding provided through the funding formula using the same breakdown by student type indicates that the typical under-represented minority student is attending an institution that receives $3400 in state funding formula revenue on average, the typical non-under-represented minority student receives -- attends an institution that receives $3600 in state funding formula revenue. Pell students attend institutions receiving more in funding formula revenue than non-Pell students. He noted the gap between the adult and non-adult as striking. He noted that this is in some part a reflection of attendance patterns, that adults are more likely to attend community colleges, more likely to be part-time, and so funding formula sort of reflects some of that. It is important context to think about what the distributional impact is of a formula that is pretty much entirely based on that weighted student credit hour; it can help inform discussions about things like what is needed to close attainment gaps and workforce gaps in the state and what are also some. The Committee has heard conversation about weighting for student characteristics and enrollment and part-time as different recommendations that have surfaced. This data provides context for some of those discussions.

The presentation continued with Mr. Johnson providing background on cost studies used to inform the weighted student credit hour calculation in the Nevada formula as well as elsewhere. Mr. Johnson noted that he has been working on cost studies in one form or another for the last 25 years at the state level, at institution level, and as a consultant in a variety of states. The first cost study conducted was in 1910. He noted the methodology for cost studies has not changed that much since that time. That cost study was done by an automotive engineer who was brought in by the Carnegie Foundation and he looked at physics departments initially. Before that point there was no standard way of talking about quantities and costs of instruction in higher education.

The goal was to quantify the amounts of instruction. From that came the idea of the credit hour in relation to faculty time, compensation and indirect costs. This method became more common and more popular with the availability of mainframe computing in the 1970s and organizations like NCHEMS and MGT of America helped states create programs that would evaluate all of their programs by these common measures of costs and credit hours.

Mr. Johnson noted that cost studies typically differentiate by level, lower, upper, graduate, and by discipline, like physics and business. These differences can be translated as weights, as in the case of Texas. Weights are determined by using one discipline or an average as the baseline and then saying another discipline is two times that or three times that or half that amount.

cost of higher education has declined. It is more important to be able to account for these kinds of variations if you're paying 100 percent of all those variations as opposed to when the state is a minority funder, as it has become the case in a lot of states.

Mr. Johnson continued, noting that there are a number of practical limitations to cost studies, as well as conceptual limitations. Cost studies are not well suited to complicated, large, modern universities, as they are to simpler institutions. He noted that it is difficult in a large research university to sort out the relationships among the different disciplines, to sort out the differences between your research and your instructional costs because it is often faculty doing both at the same time, and graduate and undergraduate is also hard to sort out if you have graduate students who are teaching undergraduate students who are both kind of students and instructors at the same time. Those all tend to be confounding practical limitations to doing cost studies. In addition, discipline boundaries have been changing rapidly. Interdisciplinary work is becoming more common, so the whole idea of what is biology or what is history separated from other things is not the same as it used to be – making cost studies difficult.

Mr. Johnson noted that the conceptual limitations which may be more important are that the [illegible]

that can be considered both in operations and maintenance adjustment as well as a reflection of mission.

Ms. Snyder noted the next principle: a funding system that is responsive to changes in the system in both enrollments and outcomes, funding based on a combination of enrollments and outcomes. Increasingly states are shifting from FTE only to include and reflect considerations for headcount. The current Nevada funding model is heavily based on weighted student credit hours, these are tied to enrollment, and the construct of the outcomes-based funding or the performance pool is overall not responsive to changes, again, as has been noted, there are certain institutions that achieve above a hundred percent of their [performance pool] targets, and the funding model does not take those factors into consideration.

Other principles include a funding system that aligns with the state's current needs for a more educated and trained workforce. This is more frequently reflected in some measure of the outcomes that are considered in funding models, having a priority for specific in demand degrees or certificates. Data can be a limiting factor for much more direct workforce metrics. States are trying to get targeted on job placement metrics, run of investment, but data oftentimes is a limiting factor there. The Nevada model currently includes the economic development degrees as a metric within the performance pool, perhaps checking the box at least as a component of the performance pool, and then a funding system that accounts for differing student needs; again, this has been a discussion across the last two meetings.

Increasingly states are integrating adequacy and enrollment components in their funding models to reflect the conversation the Committee is having - the reflection that these students require upfront supports that should be accounted for as students are entering institutions. Nevada does not include any sort of adjustment for student need on the front end of its funding model, particularly in the weighted student credit hours, though it does include completions by under-represented minority and Pell students in the performance pool.

Ms. Snyder summarized that states are increasingly using a combination of funding formulas that balance various considerations of access and outcomes and economic needs. Increasingly these approaches are being adjusted to reflect needs, including some soft adjustment either to the base or enrollment -- weighted enrollment as well as on the outcome side and then certainly states are supplementing certain mission-specific aspects. There are ways states are doing that within the funding formula but certain aspects of that are oftentimes considered outside of the funding formula such as medical schools and research. This is an illustration of breaking best practice or a growing trend, how states are taking this more balanced approach, core costs, operations and maintenance, sometimes there are adjustments within those components to reflect school size, to reflect different types of students being enrolled. Certainly, adjustments for students on both enrollment, headcount and FTE, progression and outcome metrics and then some level of mission differentiation. Breaking down each of the components of Nevada's current funding model, looking at the core costs, we consider this as partially included. There are pre-formula adjustments as they are referred to in the funding formula itself. This includes the small institution factor set aside to account for efficiencies of scale related to fixed costs. This has not been revisited in terms of that $30 per weighted student credit hour for each weighted student credit hour below 100,000 weighted student credit hours. This does ensure a minimum funding

level of $3 million per college when you do the math but, again, it has been something that has not been considered or revisited.

Ms. Snyder continued, noting that the research operations and maintenance set-aside, could be considered a mission-specific adjustment but is also an operations and maintenance set-aside that supports the cost for research space at UNLV and UNR specifically and has a calculation of funding research that generates about $180 to $310 per FTE. Looking at enrollment, this is included or at least partially included in the student weighted credit hour completions. This is considered at least as a partial enrollment factor. It does include only Nevada resident students and I do know that the -- there was some discussion in the last meeting about, you know, whether or not this provides a disincentive for enrolling out-of-state students. Ms. Snyder explained that state revenue is not the only source of funding or the only source of incentives for enrolling out-of-state students and oftentimes as in the case in Nevada, out of state tuition is higher and certainly provides its own incentive.

She noted that the limitation of directing state support only to in-state residents is actually a very common practice across states, and while there could be desires for a state to support the enrollment of out of state students, if done, we would recommend some consideration of higher tuition that these students pay be factored into that consideration.

The weighted student enrollment, the current funding formula includes adjustment for cost based on discipline and academic level. This supports institutions with higher costs and higher-level disciplines and program mix. These cost adjustments may or may not be aligned to state, economic and workforce needs. They reflect historical costs not necessarily strategically derived based on what the state needs from its economy or workforce. The cost for adjustments for disciplines and academic level are institution centered cost adjustments, but certainly there are also student-centered costs that we consider to be absent from the current funding approach and, again, has been a frequent theme of many of the presentations you've already heard. The colleges that serve higher numbers and proportions of students from underserved backgrounds have higher costs associated with the supports needed to retain and graduate these students and is the rationale for considering these factors. Ms. Snyder explained that there are a couple of ways that these factors can be addressed. It could be included either in the weighted student credit hour adjustment or considered a mission aspect or a mission adjustment.

Ms. Snyder continued noting that there's a few components intended to address mission including the earlier referenced O&M adjustments for research, the mission related to student credit hour weightings that favor institutions with Master's and Doctoral programs, as well as specific components of the performance pool that include specific metrics or specific adjustments or specific weightings across those metrics. She explained that it could be argued or could be considered to include some other mission metrics that maybe are better addressed through already discussed areas, so rather than specifically adding mission differentiation in terms of additional metrics, perhaps accounting for the enrollment of part-time students, including summer enrollments and adjustments to account for the cost of supporting needs from underserved programs, which certainly are central to the mission of all institutions but particularly community colleges and NSU.

Mr. Carroll indicated that he would spend most of the rest of the time for the presentation digging into outcomes-based funding and the performance pool in particular in three phases. The first is looking through HCM's typology of outcomes-based funding formulas, what are the principles of equality in an outcomes-based funding model, and we'll look at Nevada and some of the comparison states and how they stack up to those principles. The second phase will review Nevada's metrics in particular that are in the performance pool and whether they align with state priorities and lead to an equitable and fair allocation of funds and also how they compare to the other comparison states and the metrics they use and the ways that they weight them. The final phase will consider whether the structure, the way that the performance pool operates incentivizes performance.

Mr. Carroll referenced the HCM typology, which was published in 2020, which evaluated Nevada in 2019. In that evaluation, HCM's typology considered the weighted student credit hour portion of the formula as part of the outcomes-based funding formula. For today's discussion, he differentiated that from talking about just the performance pool itself because it does change a little bit of the assessment. In that initial evaluation, Nevada was considered a Type IV or the highest level of outcomes-based funding formula. When considering just the performance pool, two things change in this chart - one is the funding level.

He explained that the funding level for the assessment of the typology, the threshold for a high level of funding was 25 percent, as we know the performance pool is a 20 percent carve-out from the allocation so that would be more in the moderate range. And the second thing that would change would be the formula driven or target recapture. A formula driven approach to an outcomes-based funding essentially means that -- it works in the way that the weighted student credit hour does now, which is that there's a formula to allocate the dollars out that all institutions are competing for or factored into. The target recapture approach is much more like how the institution-specific performance pools work in Nolitond thing that would

The economic development degrees make up 20 percent, aligning with that priority. Finally, transfer makes up 5 to 10 percent of the metrics depending on the institution. It seemed to be a big priority but is a somewhat small portion of the performance pool. Economic development degrees may be something that the Committee wants to emphasize more so that percentage could be discussed.

Next, HCM looked at the way the metrics are used to ensure equitable and fair allocation. For this aspect of the analysis, HCM looked at making sure that the metrics promote the success of traditionally underrepresented students. Mr. Carroll noted that this is an important thing to do given the possibility of perverse incentives, that research has found without good equity weights, performance-based funding can create. The 40 percent weight for degrees earned by underrepresented minorities certainly does that on the outcomes side. Martha alluded to the fact that there's not anything on the front end for the enrollment of those students, but it does do so on the outcomes-based or performance pool side.

Mr. Carroll explained that total degrees and certificates completed is the most common metric used in outcomes-based funding formulas. The other common ones are weights for priority

systems and their departments of labor or federal datasets. Data availability is the issue. Typically, most states are using a more common approach that we see in those comparison states, which are weights for degrees in those high-demand, high-wage fields. There are two ways states do this. One is like a data-driven approach that you have a workforce board in a state that's identified areas of workforce demand and areas of high-wage jobs. Another is how Nevada has approached the economic demand degrees, which are STEM and health and a couple state priority areas. And these weights -- some states use separate metrics for this. Some states use weights assigned to their credential production. Nevada is pretty much right in the ballpark of that 20 percent for those economic development degrees awarded.

Next, Mr. Carroll addressed the matter of priority population weights in outcomes-based funding models. He noted this is a very common practice in outcomes-based funding models. Over three quarters of models use a metric or weight to support the success of underrepresented student populations. Most of the time that weight is assigned to the completion of a degree. There are a couple of comparison states that assign the weight to retention as well. And the most common populations that are assigned these weights are Pell students, underrepresented minority, adults, academically prepared, and a couple states that use veterans as well in their weighting. The weights range from 5 to 50 percent. Again, Nevada is on the higher end of that scale with a 40 percent weight for Pell students and underrepresented minorities.

Mr. Carroll moved on to the third phase of discussing the extent to which Nevada's structure of its performance pools effectively incentivizes outcomes. The HCM typology for outcomes-based funding emphasizes three principles for this. First. it should be recurring and not just used

institutional presentations. It appears to be more a source of frustration than any particular effective carrot or stick for institutional behavior. Third, it is structured so institutions do not get anything additional for that additional degree produced above their target.

Finally, the performance pool targets aren't re-baselined. Nevada's in an exceptional position in that its enrollment growth over the past decade prevented this from becoming an issue. But had any Nevada institutions experienced some declines in enrollment over the past decade that we've seen in many other states, that lower baseline of students, while the expected production of outcomes continues to increase, could create this sort of death spiral where an institution misses its targets because its enrollment dropped. Therefore, the institution has less revenue to be able to invest in students and to improve those outcomes or recruit, retain, and graduate students.

Mr. Carroll then moved on to possible alternative ways that Nevada could structure its performance pool to address some of the issues previously discussed.

having institutional performance pools, but maybe a smaller pol of funding that would be able to be used to allocate for institutions that do go above 100 percent on their metrics.

Next, Mr. Carroll responded to the Committee's request to look at other states that use these institution-specific pools. We identified two. Nevada's approach with institution-specific pools is uncommon. North Carolina UNC System recently implemented a new approach where they have stretch goals that are individualized for each institution across all five metrics in their formula. If an institution meets its stretch goal, your student credit hour gets weighted by an additional 3 percent. So, in a little bit of a way it's the reverse of the way the Nevada formula works. They would then add that factor onto the weighted student credit hour after meeting these metrics. But this approach does not necessarily provide any reward for going above and beyond that stretch goal.

In Montana, the institutions' pools provi (nt)6 (d)-8.1 (pt)62(a)6 (liz)6 (e)6 (d)2 (f)5 (o)2 (o Tc 0.004 Tw 26.72
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supporting innovation, what do you mean by innovation, and what would the goal of that funding be.

Mr. Carroll explained that the presentation started by looking at the defining priorities and goals. A State goal or priority to align the metrics in your funding formulas is important. Determining what it is the state is trying to achieve with this funding formula is a key step. We talked about enrollment being a key piece of a balanced funding formula approach. Nevada does not have something that's focused on the enrollment side. It's got the completion of a course, but could certainly consider looking at something like an FTE or headcount -- and/or headcount enrollment-based portion of a funding formula with weights by student characteristic.

In the outcomes-based funding metrics, Nevada's metrics are pretty solid, pretty common, pretty standard. They check all the right boxes in terms of the metrics that are in the formula. You could consider things like transfer and progression as something to dig into further, but HCM did not feel like that was something in dire need of addressing. But the implementation, that sort of institution-specific pool, would be something that we think would make sense to look at moving away from and moving towards one of those four recommendations on that particular issue.

Mr. Carroll concluded by thanking the Committee and asking if there are any questions.

Chairman Hardest noted that one of the things that the Committee from the presidents was the need for different student attributes and how those would be measured. He asked if that was part of HCM's consideration and study.

Ms. Snyder asked if the Chairman was referring to institutional and/or student attributes.

Chairman Hardesty said it was both – student and institutional attributes.

Ms. Snyder indicated yes, it is in many ways part of HCM's analysis, particularly the student attribute piece. HCM is also looking at ensuring that the formula supports the particular institutional missions.

Chairman Hardesty noted that he believes Nevada's approach to budgeting is backwards and creates a problem for the presidents. For NSHE to plan based on history rather than forecasting and looking forward is of concern. He asked if HCM is considering that or do they have suggestions in that area.

Mr. Carroll responded by noting that something that has been discussed is the use of a three-year rolling average for weighted student credit hours. He noted that is a pretty common approach in a lot of funding formulas. Certainly, something the Committee can weigh as part of the recommendations. Further, he noted that

Ms. Snyder noted that perhaps considering within the O&M aspect, some of the considerations that have been mentioned previously looking at some small school or enhancing the small institution adjustment or reviewing that and making sure that's considering the very costs associated with being a small school and particularly a small geographically broad institution. Also potentially including student attributes within the consideration of O&M. She noted that provides stability, but the variability or dynamic nature of enrollments, weighted student credit and patio2.05]TJ36-1.15 T ( )]TJ0.002 Tc T337 but -2 (cb (s)-1 -

a look at those. For example, when combining the Tier 1 research institutions he noted that on an FTE basis UNR is getting roughly 12 percent more. On a headcount basis it looked more like 23- 24 percent more. Looking at an average of the Great Basin and Western Nevada and

specifically for inflation-based costs, then, of course, if an institution has an unavoidable utility increase, it has to pay that, and it may have to leave faculty lines unfilled or there's some other place where that money has to come from or they have to raise tuition, if they have the discretion to do that. If they have a collective bargaining agreement with a COLA adjustment that they've committed to in that, then they have to fund that before they fund things that they have more discretion over.

Chairman Hardesty posed a question to Mr. Combs based on his experience in the state legislature. He noted state agencies get roll-ups for those kinds of costs. Is that not the case here?

Mr. Combs indicated things like utilities, for instance, have been brought up a number of times where there's been a significant increase in utility costs in the state, and obviously there's nothing in the NSHE budget necessarily to address that. NSHE is not all that different from every other state agency in that regard. It might be something that you'd want to consider on a more global basis in terms of talking to the legislature or the governor's office. They're the first ones responsible for putting it in the budget. But if you address it for the state as a whole, not just asking for it for NSHE, treating NSHE like every other state agency would in that regard, may be more effective. It would be in maintenance decision unit, there would be an inflation factor applied. It may or may not address everything, but it would hit NSHE the same way it would hit every other state agency in that same regard.

Dr. Dalpe noted that the performance pool as part of our state appropriation. We earn that off weighted student credit hours. The 20 percent needs to go away. But that 20 percent funding has to stay in the base, because we live and breathe on the total funding we earn the one time.

Mr. Carroll responded that HCM's view of a best practice for having any performance-based funding built into a formula is it has to be guaranteed from year to year, and if additional funding is not available it would have to come out of the set aside before the weighted student credit hour allocation in order be guaranteed from year to year.

Dr. Dalpe added that he recognizes that we're not talking about new funding, but either way that 20 percent gets carved out would be a hardship on our top-line budgets.

Mr. Combs noted on the performance pool issue, the new funding idea that's been thrown around a little bit, it seems to me that the one comparative state that you provide us that does that outside of the normal funding is Oklahoma. Is that the minority of the states do it that way? And I noticed they only carved out 2 percent. I'm thinking that makes a little bit of sense because if you're doing it outside of your base funding, you sure don't want to set it up so that you achieve those metrics, you get part of that 2 percent, and then the next year, you don't get part of that 2 percent, then you can't use that 2 percent for ongoing costs like creating new programs or expanding existing programs because that funding is not ongoing. If you made it 20 percent or 15 percent, that would just grow exponentially year to year, and then you increase the chances that the legislature is not going to have the funds to fund that going forward as well. Is that most states have done something different than what Oklahoma has done?

Ms. Snyder indicated that is correct. A lot of that comes from previous performance-based funding models that were funded outside the base funding allocation. They went away in difficult times. Perhaps a way of looking at itis considering adding or incorporating the metrics. That way the base is actually calculated and incorporates not just weigh2 (ous)-1 (n4tt)e

educational institutions, there's pretty close parity between the two comprehensive universities on the one hand and the four community colleges on the other. He indicated that it would be helpful to have more education on how the state-adjusted base budgets are created through the state budgeting process, which is before the redistribution per the formula.

Mr. Ervin stated that his understanding is that weighted student credit hour hours are not used to calculate the total base budget. It's a distribution formula after the budget is set, not a funding formula. That needs to be understood unless the goal is to change that process. And that would also need to be understood.

Mr. Ervin concluded, stating that one of NFA's missions is to advocate for shared governance. He would recommend that the consultants contact the Faculty Senate leaders at each campus, since there's only one faculty representative on the Committee, and a faculty presentation does not appear to be scheduled.

After confirming that there was no additional public comment in Carson City, Las Vegas, or telephonically, Chair Hardesty closed public comment and adjourned the meeting at 4:14 p.m.