**NEVADA SYSTEM OF HIGHER EDUCATION**
**ad hoc COMMITTEE ON HIGHER EDUCATION FUNDING**
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

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| **Others Present**: | Crystal Abba, Committee Staff<br>Heidi Haartz, Committee Staff<br>Lynda King, Senior Associate General Counsel, NSHE<br>Dr. Amber Donelli, GBC Associate Vice President for Faculty Success |

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).

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 education; however, the funding for this study was to review the current funding formula, which serves as the primary mechanism for allocating base funding to teaching institutions.

Vice Chair Charlton reminded that Committee that while NSHE's presidents shared their concerns for the funding formula, HCM Strategists had determined in its previous assessment that the funding formula was considered a type 4 or advanced formula. This designation was based on the framework of the formula, including its focus on student outputs in the form of course completions in the base formula and a clear focus on student completions in the performance pool, including outcomes for under-represented students, low-income students, and transfer students. She acknowledged there are concerns across the institutions about the formula, and the Committee has an opportunity to make recommendations on the distribution of those funds. While the Committee may develop recommendations that require additional investment in higher education, it is important to ensure that those investments are made through that distribution of state funds.

Vice Chair Charlton expressed her appreciation for the Governor and the legislature for their support of the review of the funding formula and the state appropriation that supports this external review process.

Vice Chair Charlton concluded stating that the presentation from HCM Strategists would include a thorough review of the current funding formula and lay a foundation for the Committee, as it begins discussing how current funding is distributed.

Chair Hardesty requested that presenters avoid the use of acronyms because the Committee members were not yet experts on the terminology or acronyms used in higher education funding.

Chair Hardesty then introduced the next agenda item, reminding the Committee that this presentation was previously included on the Committee's February meeting agenda. He added that this presentation was intended to provide an assessment of NSHE's current policies and practices, which would assist the Committee with developing recommendations for NSHE's self-supporting accounts.

### 3. Information Only -Self-Supporting Accounts: Overview of NSHE Practices and Protocols

NSHE Chief Financial Officer Chris Viton presented an overview of self-supporting accounts support. In addition, there are concerns around transparency, and NSHE is seeking to improve transparency.

Mr. Viton provided highlights related

threshold. And then scholarship funds, scholarship funds are managed through scholarship offices and generally forecast based on activities. As such, they are not budgeted through budgeting offices, but they are budgeted through the financial aid offices that manage those programs. Annually, the Board receives reports that include both new year budgets and prior year budget to actuals that are reviewed, including explanations of variances from the campuses.

Mr. Viton continued by highlighting the various reports that are produced, in addition to the comprehensive, self-supporting budget reports that look at the campuses and self-supporting activity in total. There are numerous reports that pull-out segments of the activity, and are focused on particular activities or particular fees. All of the reports that are actually prepared by the System and presented to the Regents over the course of the fiscal year include: Self-supporting Budget to Actual; Self-Supporting Annual Operating Budget, Summer Term Budget to Actual, Summer Term Annual Operating Budget, Quarterly Fiscal Exceptions Report, Annual OMB Compliance Audit, Annual Independent Financial Statement Audit, Semi-Annual Consultant Report, Annual Athletics Program Reports, Annual Student Fee Account Balance Report, Annual Technology Fee and iNtegrate Technology Fee Reports, Annual Tuition and Registration Fee Discounts Report, and Differential Program Fees Report.

Mr. Viton continued by noting that during the 2021 legislative session, Assembly Bill 416 required the legislative auditor to conduct performance audits of the Nevada System of Higher Education. The performance audits fell into three categories: the institutions' foundations and gift activity; capital construction projects at the two universities; and reserve and self-supporting accounts. The audits were conducted in the 2021-2022 interim and were presented in January 2023 to the legislative audit subcommittee. The audits focused on financial activity related to self-supporting and reserve accounts for fiscal years 2018 through 2021, and when necessary and available, they included activity through fiscal year 2022.

Mr. Viton provided a summary of the auditor's observations and included 13 recommendations to improve System policies, System-level oversight, and reporting templates. The auditor noted that the institutions appeared to make a concerted effort to utilize all their state appropriations before other types of funding were used. In addition, the auditor noted some activity that was managed between campuses. So as the system has attempted to implement some level of shared services within the system, that has resulted in some inter-campus activity. In some cases, this occurred with self-supporting programs, and others, it was utilizing state payments between campuses. The auditors highlighted some of that type of activity. The auditor also mentioned questionable use of certain Board approved fees and some instances of inaccurate or incomplete reporting and a lack of policy guidance in general.

Mr. Viton explained that the System accepted all of the audit’s recommendations and took steps to implement changes to Board policies and System procedures to address the recommendations raised by the auditors. In particular, the concern regarding the system's protocols around management of state funds and the utilization as a priority over other sources. There was a concern about the System's expense transfer policy and noted, in particular, timing around the end of the fiscal year. He explained that policy was amended and the Board added a requirement for transfers from non-state activity to state activity to be reviewed by a designee of the institutional business officer prior to completion. Further, the system has been working on an

that period they were looking at there. He noted those are sponsored activity excluded from the System's self-reporting and other reports. However, it is included in the annual financial statement that is subject to audit. As such, the Board does receive a comprehensive external certified audit, referred to as the single audit, that covers the research and sponsored award activity.

Mr. Christenson noted that looking at the number of reports, it looks fairly extensive.

Assemblywoman Erica Mosca asked if the split between state and non-state accounts [noted on slide number 4] is typical.

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.

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 Committee7 (fo)e (c)-6 sti 1 the Co0i  (r)3 (e)4 ((i)-2 (t.-2 (m)-Co)-4 (

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 graduation, academic support, and revenue generation, benefiting both students and the institution.

With respect to the Performance Pool, Dr. Donelli indicated that GBC would recommend removing the Performance Pool carve-out and make it part of the base funding. GBC would also recommend implementing a three-year rolling average of weighted student credit hours. This would smooth the financial impact to GCB.

Dr. Donelli provided an additional recommendation for deferred maintenance and capital improvement projects. She recommended establishing a separate revenue stream to support ongoing deferred maintenance and capital improvement projects, because it is essential for ensuring the long-term viability, safety, and functionality of the institution's infrastructure.

Lastly, Dr. Donelli discussed the financial impact of fee waivers, specifically the Native American waivers. She stated that last year, GBC had 11 students utilize the waiver. Since that time, the financial aid office has been tuveiiy, 128 0 Td[(lity (e)6 ()-10 t)-2 (he)vcomsce h vion f(pr)3 (nTc -0.00

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, ubeiei. Bl (i)a (e)4 na,xt3l(d)-4 (en)-4 (t)Mo(t)Mo(t)otih.002 Tiyhp3 (s)-t

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, except Ms. Betsy Fretwell.

<u>TMCC Presentation</u>

Dr. Karin Hilgersom, TMCC President, shared that she had served at TMCC u (d pr)3 (ovi(d m)-2 (a(t)-2 (u e (l)-

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.g (m s)1 (t)2 ( H)4 (i1s)1 ()2 (iM)Tj[(o[ (t)2 ( H)4 (idh)-14 (eal)-6 )4 (qui)-2 (va)4 (l)-2 (e)-6 (nc)4-0

Dr. Hilgersom stated that TMCC is not funded appropriately for nursing programs, based on the course taxonomy. She said she believed that a factor of two is applied to nursing programs, while there are certain graduate programs that have a factor of five or six. She stated that TMCC subsidizes this program through other programs because the state funding does not fully support expensive health careers, such as nursing.

Dr. Hilgersom indicated that TMCC shares the same challenges as other community colleges with respect to providing support services to students, both full time and part time. She continued, stating that sustaining and creating new workforce programs is vital to Nevada's economic prosperity. TMCC received about $18 million from grants this year, and it's those grants that support innovation. This reliance on grants creates instability for the institution.

Dr. Hilgersom provided recommendations to improve the funding formula. Establish a fair base that assumes necessary support staff and is quasi-performance based, not completely performance based, and provides a greater factor for part-time students. This will eliminate budget volatility, eliminate hypercompetition, and incentivize partnership. Consider a formula that supports readiness for all Nevadans. Utilize a three-year rolling average of credit count for Nevada's two-year colleges. While this could hurt institutions in some years, it would provide the benefit of less volatile funding over time. Eliminate the Performance Pool. It is not do much for anyone. Dr. Hilgersom also recommended that noncredit workforce training be included in the funding formula because it is such a large part of the community college mission.

Regent Stephanie Goodman stated that it would be important for the Committee to consider what success means for community colleges. Many

Vice Chair Charlton asked Dr. Hilgersom to provide an estimate of the funding gap for nursing programs, acknowledging that while the cost is high, some state support is given at the two to one ratio and differential program fees have been added to offsets these courses. Dr. Hilgersom responded that the recommendation would be to increase the factor to 4. She added that the funding does not account for the costs associated with hiring a nursing faculty member and keeping that salary competitive with those working in the field. Dr. Hilgersom then stated that if an analysis was done, it may indicate that the factor needs to be increased to six at some point. She added that the course taxonomy has not been updated, other than when it was updated for logistics, transportation technology, advanced manufacturing, construction trades.

Vice Chair Charlton asked if increasing the taxonomy for nursing to four or five or six, would that result in changes to the differential fees and registration fees for students? Dr. Hilgersom indicated that it would not, the increase in the taxonomy would only allow the program to keep pace with the costs.

Ms. Stankute asked if TMCC tracks students after they graduate or after they take courses and if Dr. Hilgersom had recommendations for students who might not have graduated with a degree or a certificate but who have taken classes. Dr. Hilgersom said TMCC tracks its students to the extent their databases allow. For example, information is available through the National Clearinghouse on transfer students. There have also been positive changes with the Department of Labor and local workforce boards, which is why they try to partner with them. However, TMCC cannot track students who fall outside of those databases. In the past, TMCC tried to contact students who fell outside of those databases, but it was not an easy task, and it required a tremendous amount of staff time.

Chair Hardesty then asked for supplemental information from Dr. Hilgersom, asking her to please provide recommendations about what should be changed to eliminate disincentives for college readiness; provide more specific examples of the impact on TMCC when universities wave GPA entrance requirements; and provide the percentage of state and non-state funding for TMCC. Chair Hardesty then asked all of the presidents, to please provide examples of the fiscal impact of using a three-year rolling average and how those amounts compare the actual funding received. Lastly, the Chair asked Dr. Hilgersom to please expand on your statement that NSHE is behind other states in funding dual enrollment, specifically how would you recommend funding be assured. Dr. Hilgersom indicated she could address the Chair's third question – 72 percent of TMCC's funding is state funding and the remaining 28 percent is non-state funded. She noted that those percentages did not account for grants. Dr. Hilgersom then suggested the Chair consider posing many of these questions to the consultants or the System office due to the complexity of the questions. Then, she indicated she and her team would do their best to prepare responses.

Chair Hardesty indicated that part of the reason for his request is that while staff are attempting to generate responses to his questions, there have been number of areas suggested by the presidents for which system level data does not exist. If you don't have data either, then sharing that is helpful. Dr. Hilgersom asked if the Chair would be comfortable excluding the pandemic years from the three-year rolling average analysis, because those years were an anomaly and could skew the results. Chair Hardesty indicated he would agree to that.

WNC Presentation

Dr. Kyle Dalpe, President of Western Nevada College (WNC) and a member of the Committee began his presentation. He began by sharing that he had been in higher education for almost 30 years, 20 of which at NSHE. He also introduced Coral Lopez, the Chief Financial Officer at WNC.

Dr. Dalpe called the Committee's attention to the large service are for WNC. Then, he indicated that the challenges facing WNC are very similar to those faced by other community colleges, specifically the mission-specific funding elements. Other concerns include: noncredit classes, Small Institution for WNC and GBC, being a small school in a large and rural area and not having the economy of scale to functionally drive the formula.

From his slides, Dr. Dalpe indicated that the more education someone has, the more money they will make over the course of their lifetime. That is the sell for people contemplating becoming students. Additionally, as you gain more education, you become less likely to be displaced by an economic downturn, which is not uncommon in Nevada. Data from the National Skills Coalition shows that 51 percent of the jobs in Nevada will require more than high school but less than a bachelor's degree.

Dr. Dalpe stated that WNC will be updating its mission statement in 2025; however, the current mission statement was provided in the slide deck. The mission aligns with community colleges across the county as it emphasizes liberal arts and transfer, workforce development, developmental education, continuing ed, and community service.

Next, Dr. Dalpe addressed how institutional mission and objectives guide budget priorities. Community colleges serve everyone. Community colleges do not select students, students select community colleges. For that reason, community colleges must commit to supporting students and college preparedness. Dr. Dalpe stated that advancement is done outside of state funding. Grant writing, fundraising, gifts, and scholarships contribute to the advancement of the institution and its students. Dr. Dalpe stressed that these funds are not used to plug holes when there's not enough state funding. And in fact, donors want assurance that their contributions will not be used for that purpose.

After referencing author Malcolm Gladwell's books and presentations in which he discusses the capitalization rate, which is what economists use to determine how wel (ol)-2 (l)-2 (e)-2 (i)( w)2 (T[*(l)-2 (lC-2 (h

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 things going. Funding is also needed for noncredit courses. Businesses are wanting people who can do certain skills, regardless of whether that training generates academic credits. Lastly, dual enrollment and waivers present a financial challenge. Much of the enrollment increase at WNC is attributed to dual enrollment. Because dual enrollment is discounted, WNC is not
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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

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 [illegible] 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

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 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 about revenue, resources, planning and collaboration.

Mr. Combs indicated he sees the potential for getting heavily involved in this topic area which may send the Committee down a “rabbit hole” that would be time-consuming and would also get into issues that are probably more appropriately handled by the Board of Regents. However, earlier in the meeting, under agenda item #3, the Committee requested follow-up information on both the question of the registration fee revenue being partially in state-supported accounts as opposed to non-state-supported accounts and then also having to do with the cost recovery revenue. That information could still be useful to the Committee because it's at a much broader level. Further, concerning the legislative audit, Mr. Combs noted that he is glad the Board of Regents accepted all the recommendations, but one of the things that audit found was that there was some money that should have reverted to the general fund in the year that did not revert because of the practices at the time. He further noted that the amount of registration fees that goes to the non-state-supported accounts and how that is determined should be reviewed by the Committee as it related to the funding formula. He explained that may be the appropriate level of detail for the Committee and he would not recommend getting in to any deeper level of detail.

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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 includem(E)-3 ( (4)Mse-2 (e)4 (d, P)-4 otha-0.004 Tc 0.004 Tw (r)3 ( c)4 (1n (y)-

Mr. Carroll

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 i important to the state as the funder and weight based on those. Weights tend to be most useful where you have something specific that you want to do – weights then denote priority or importance. For example, if you want more nurses, you can do a cost analysis that will help you work out what it would cost to grow a nursing program, to increase enrollments in that. Or if you want more Bachelor's degrees in general or if you want more engineers, but any specific question is going to allow you to take into account all the other available revenues for that, the considerations of supply and demand and class size going forward and come up with something more accurate than if you try to analyze all the costs for all the programs at once.

Ms. Snyder then continued the presentation, indicating that we're going to get into some of the principles of a strong post-secondary finance system, some of which are relevant to the charge of the Committee. The first two principles are overarching and not focused on the particular metrics or mechanics of a funding formula, but establishing principles and a broader vision for higher education that can guide funding decisions as well as other policy priorities. The two principles include: 1.) clearly established goals and objectives for higher education that are commonly understood across stakeholders; and 2) adequate level of resources required to deliver quality education. These often include goals around attainment, closing gaps in access and outcomes for different student groups, and then certainly increasingly aligning to and supporting the state's workforce and economic needs, as well as enhancing institutional missions. States are using these goals increasingly not only to guide the particular elements of a funding formula, which is the primary focus of this committee, but also to inform some level of state commitment to funding higher education.

Ms. Snyder explained that Nevada falls short on these two framing principles, and while the state had an attainment goal, it expired in 2020 and we know the new higher education specific goal and strategic plan have not been fully formalized, though certainly there are principles advanced by the governor. She noted that through its interviews, HCM is asking for perspective on what the priorities are for higher education, but obviously it's not the same as kind of a broader, more cohesive process. Additionally, the current funding model is most of all an allocation model, so it does inform the request but ultimately is used to allocate whatever resources are appropriated, not defining necessarily a specific level of funding.

Ms. Snyder noted that while these concepts have been raised in several interviews, it's important to note the scope of this work is really focused on the funding formula itself, how to allocate state resources, and will not appropriately address these issues given the time that we have and certainly the framing of this particular committee.

She continued noting that the next two principles are more relevant to the charge of the Committee, really looking at addressing the components or mechanics and the metrics of a funding formula that can be used to inform the allocation of state funding. First and foremost is a funding system that includes a minimum level of funding support or fixed cost to support fixed costs, oftentimes the state approaches are some sort of guaranteed minimum for operations and maintenance (O&M), and sometimes this is adjusted for the size of the school. The Committee heard issues around the current way that Nevada includes this kind of minimum support, primarily through the small institution factor, based on the student credit hours, to ensure a minimum level of funding. There's also the research, O&M adjustment for the R1 institutions, 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 discuc1 ( be)4 (ed94 -1.)4 (ga)4 (i)-2g (nt)-ng mnc6.pt: (ed94 -1.)4 (ga4( )Tj-0.004 c -0.002 Tw [

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

Ms. Snyder continued comparing state funding formulas, specifically HCM selected states that have one formula for all of its institutions: Louisiana, Minnesota, New Mexico, and Colorado. She noted Louisiana includes an adjustment for square footage. Minnesota has some sort of facilities, operations and maintenance adjustments. New Mexico and Colorado don't consider operations and maintenance. Across these states, enrollment, the student credit hour is a pretty common feature. FTE and headcount are used in Minnesota as well as Colorado. Similar to Nevada, student-centered weights are considered in Louisiana, Minnesota and Colorado. Mission is a commonly reflected or commonly incorporated feature of each of these funding models, done in a variety of different ways.

Ms. Snyder noted that HCM selected the states that were used for comparison by looking for comparable attributes to Nevada, including low tuition, low state funding per student. By selecting these comparison states, Nevada is actually number 33 in state total funding per FTE. Each of these states that are selected are within that range, with the exception of New Mexico, which has a higher overall state funding per FTE. HCM also ensure that there's kind of a low student share of total costs. And that there's one formula for both the four-year and two-year sectors or at least many of the states that we use as comparison do have only one formula that directs resources to both four-year and two-year sectors. And then, importantly, states that have seen enrollment growth over the past decade.

Chairman Hardesty inquired if there are states that separate the formula between four-year and two-year institutions and what is HCM's view about considering that approach here.

Regent Stephanie Goodman left the meeting at 2:16 p.m.

Ms. Snyder responded by indicating that there are states that have separate four-year and two-year formulas. Most of those states have a much higher and much more significant number of institutions than Nevada has. That is one factor. She noted there are other ways to address mission differentiation and consideration within the existing funding formula without separating it out into two separate funding formulas and many of the recommendations that have been put forward can be done without the need for two separate funding formulas in Nevada. She further explained that one of the states that have separate funding formulas have very different governance systems and have a significant higher number of institutions than what Nevada has.

Chairman Hardesty responded noting his desire to "footnote" the comparisons of states that use different funding formulas for two-year versus four-year institutions based on what he senses are areas of inquiry about attributes that the Committee would consider.

Ms. Snyder continued noting that for the selected states, they note that one of most consistent factors is one funding formula for both sectors. She noted that Montana also has one formula. She noted she will correct the slide: Montana, Oklahoma, Louisiana, New Mexico, Colorado, and Arkansas – one funding formula for 2-year and 4-year sectors.

Ms. Snyder turned the presentation over to Mr. Carroll to discuss the performance pool.

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 Nevada now in that each institution has its own pool of funds that it is competing for and its performance on that does not impact the other institutions' ability to receive their funds from their performance pool. Those are the two reason why the funding level for Oklahoma ‘s their outcomes-based funding formula is low because they've been cutting higher education more often in the past years than they have been increasing it and as a result have been putting very little put into performance-based funding. In the most recent year Oklahoma’s outcomes-based funding was about 2%. Most of the rest of the states in this group are in that 5 to 10 percent range. There are a couple all the way up at 50%, 90%, even 100% that they allocate through their outcomes-based formula.

The next metric is whether the outcomes-based funding model in each state reflects a

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 thetional, t8.2(t)-2 ( st)-2 (wTt)-2 (e)4 (d si)-2 t nm -2 (i)-

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

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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 weighted student credit hours adjusted for student characteristics or student attributes but also incorporates the outcomes that are currently carved out within the performance pool. It's more of a formula that incorporates every element rather than carving out specific pieces of it to fund outcomes from what is currently being calculated as institution’s base. It's more of a formula allocation that considers additional factors beyond the existing weighted student credit hours but as a way of also incorporating the outcomes that are currently reflected in the performance pool.

Vice Chair Charleton indicated her confusion on the recommendation where we move away from institution-specific pools. So, you're saying to put all those in the base, which may cause an increased risk if it's all the base funding is determined on that. Putting outcome factors within the base formula we will effectively move away from institution-specific pools where at least the institutions right now aren't competing with each other; they compete with themselves. Is it correct to say that everything is put into that mix with all of those different measures -- is that what you're saying?

Ms. Snyder indicated yes. That's the way that states are increasingly approaching this. And, yes, it does enhance or potentially enhance competition. But it's a way of distributing state resources across a variety of factors that each institution can share in. There are tradeoffs regardless of the allocation or the allocation approach that's being used. But, yes, that is effectively one of the considerations or one of the possible considerations is a formula that actually incorporates the outcomes within it for allocating resources across institutions and can build in different adjustments to minimize any disruption in current funding.

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aside time on the May agenda to discuss those concerns and possible recommendations,
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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 eac2 (e)4ts(A-r)-1 (s)-5 ( at)-4 (r)