

BOARD OF REGENTS BRIEFING PAPER

Funding Formula Study Recommendations and 2025-27 Biennial NSHE State Operating Budget Request

BACKGROUND & POLICY CONTEXT OF ISSUE

Pursuant to authority granted under Board of Regents' policy, Title 2, Chapter 1, Section 1.4.11, the Chancellor established the ad hoc Committee on Higher Education Funding for the purpose of studying the NSHE Funding Formula. The study commenced as a result of the enactment of Assembly Bill 493 (Chapter 311, *Statutes of Nevada 2023*), which appropriated funds for the purpose of a funding formula study. The Chancellor provided the Committee with the following charge:

1. Evaluate models for higher education funding that are used in other states to support institutions similar to NSHE institutions and compare those models to the current funding model used in Nevada, including allocation methodology and institutional costs for the delivery of instruction.
2. Determine whether other funding allocation methods would be appropriate for NSHE, whereby different missions of research universities, state universities, and community colleges are appropriately considered.
3. Review and make recommendations regarding the method(s) used by other states in the use and reporting of revenue and expenses outside of a state-supported operating budget.

As a result of study, the Committee adopted the following recommendation related to self-supporting accounts, the NSHE funding formula, and other related matters:

1. Self-Supporting Accounts. Urge the Chancellor's Office to establish a matrix for self-supporting account categories that clearly indicates the permissible use(s) of self-supporting account funds based on current Board policies and procedures.
2. Small Institution Factor (SIF) Inflationary Adjustment. Increase the SIF from \$30 to \$40 per WSCH and continue to adjust for inflation in future years using the Higher Education Price Index (HEPI), effective July 1, 2026.
3. Increase SIF Cap to 125,000 WSCH. Increase the WSCH cap from 100,000 WSCH to 125,000 WSCH.
4. Greater of 3-Year Average or Prior Year. Base each institution's WSCH count for each year of measure on a 3-year average or the prior year, whichever is greater. Use the same caseload growth process for the second year of the biennium, also using the same WSCH methodology as the first fiscal year of the biennium.
5. Outcomes-Based Funding Component. Eliminate the current NSHE Performance Pool and replace it with an Outcomes-Based Funding component in the funding allocation methodology, allocating the funds based on a relative growth calculation.
6. Use Student Attributes as a Component in Funding Allocation Methodology. Allocate a portion of the General Fund appropriation based on the following student characteristics: 1) total student term headcount enrollments and credit hours (including non-resident students), 2) under-represented minority student headcount enrollments and credit hours, and 3) Pell eligible student headcount enrollments and credit hours; AND

75%-10%-15% Balanced Approach Component Mix. After SIF and research O&M are subtracted from the total General Fund appropriation, allocate the remaining General Fund appropriation as follows: 75% based on course weighted enrollments (WSCH); 10% based on student characteristics (described above); and 15% based on progression and outcomes (referred to as outcomes-based funding or OBF); AND

Phase-In Methodology. Any institution that faces a reduction larger than 3% in the initial run of the formula would be brought up to the 3% level by proportionally reducing the allocations to other institutions in the first year of implementation.

7. Further Review of the Small Institution Factor (SIF) Funding. Recommend and request the Chancellor's Office to review the SIF calculation using headcount, rather than WSCH, and determine if an alternative calculation based on headcount should be utilized.
8. Further Review of Summer School Student Credit Hours. Urge the Chancellor's Office to review the budgetary and administrative implications of further expansion of state support for summer school course offerings, beyond nursing and teacher education.
9. Future Student Characteristic to Consider: Academic Preparation. Urge the Chancellor's Office to begin efforts to determine the data elements appropriate to identify students who are not prepared for the rigors of college-level coursework to be used as an attribute in the student-based component of the funding allocation methodology. The determination of such data elements should be done in consultation with campus-level Institutional Research Offices to ensure the consistent availability of data or the consistent collection of such data elements going forward. It is recommended that this effort commence in sufficient time that such data can be available for use in the formula allocation for FY2028 and FY2029 (or the 2027 Session).
10. Future Student Characteristic to Consider: Students in Poverty. Urge the Chancellor's Office to begin efforts to determine the data elements appropriate to identify students who are in poverty to be used as an attribute in the student-based component of the funding allocation methodology. The determination of such data elements should be done in consultation with campus-level Institutional Research Offices to ensure the consistent availability of data or the consistent collection of such data elements going forward. It is recommended that this effort commence in sufficient time that such data can be available for use in the formula allocation for FY2028 and FY2029 (or the 2027 Session).
11. Review Committee. Urge the Chancellor's Office to create a formula review committee that convenes every two biennia to evaluate and propose any necessary changes to the funding formula allocation methodology.
12. Funding Adequacy and Equity Study. Recommend the Chancellor's Office to immediately pursue a study of funding adequacy and equity as soon as practical.

Additional information related to each recommendation can be found in the final report of the Committee that can be accessed [here](#).

As a result of the Committee's work, the Governor's Finance Office requested that the NSHE funding formula be run with the revisions recommended for the purpose of submitting the 2025-27 Agency Request.

SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED

The Board is requested to:

1. Accept the recommendations related to revising the NSHE funding formula allocation (recommendations 2-6 above); and
2. Approve the resulting allocation of state funds to the teaching institutions and the additional item for special consideration to the System's priorities for the purpose of the 2025-27 State Operating Budget Request.

IMPETUS (WHY NOW?)

These recommendations and the resulting funding formula allocation are the result of the work of the Chancellor’s ad hoc Committee on Higher Education Funding, which commenced as a result of the enactment of Assembly Bill 493 (Chapter 311, *Statutes of Nevada 2023*), which appropriated funds for the purpose of a funding formula study.

CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:

- Access (Increase participation in post-secondary education)
- Success (Increase student success)
- Close the Achievement Gap (Close the achievement gap among underserved student populations)
- Workforce (Collaboratively address the challenges of the workforce and industry education needs of Nevada)
- Research (Co-develop solutions to the critical issues facing 21st century Nevada and raise the overall research profile)
- Coordination, Accountability, and Transparency (Ensure system coordination, accountability, and transparency)
- Not Applicable to NSHE Strategic Plan Goals

INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL

The NSHE operating budget is necessary to support all of the strategic goals that have been approved by the Board of Regents as the budget provides the fiscal resources to pursue the goals.

BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION

The revisions recommended by the ad hoc Committee on Higher Education Funding that relate to the NSHE funding formula align with best practices and growing trends in higher education finance across the nation. The revisions further recognize that each institution serves a unique student population through the inclusion of allocation provisions based on student attributes. Finally, the revised formula recognizes outcomes that support the Board’s strategic goals through the includes of the Outcomes-Based allocation component.

POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION

None have been brought forward.

ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED

None have been brought forward.

RECOMMENDATION FROM THE CHANCELLOR’S OFFICE

The Chancellor’s Office supports the recommendations of the ad hoc Committee on Higher Education Funding and further supports submitting the 2025-27 biennial Agency Request using the revised funding formula.

COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title # _____ Chapter # _____ Section # _____
- Amends Current Board Policy: Title # _____ Chapter # _____ Section # _____
 - Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
 - Other: _____
- Fiscal Impact: Yes No

Explain: *The NSHE State Supported Operating Budget is the primary source of funding for all NSHE institutions, and Board review and approval is required before final submission of the Agency Request to the Governor’s Finance Office*

FINDINGS AND RECOMMENDATIONS

Chancellor's ad hoc Committee on Higher Education Funding and 2025-2027 Revised Formula Allocations

September 6, 2024



Committee Charge

The Chancellor's ad hoc Committee on Higher Education Funding shall:

1. Evaluate models for higher education funding that are used in other states to support institutions similar to NSHE institutions and compare those models to the current funding model used in Nevada, including allocation methodology and institutional costs for the delivery of instruction.
2. Determine whether other funding allocation methods would be appropriate for NSHE, whereby different missions of research universities, state universities, and community colleges are appropriately considered.
3. Review and make recommendations regarding the method(s) used by other states in the use and reporting of revenue and expenses outside of a state-supported operating budget.



Committee Membership

14 Voting Members

Representation	Members
Three members nominated by the Board of Regents	Byron Brooks Stephanie Goodman Carol DelCarlo
Four Members nominated by the Governor, one of whom will agree to be the Committee Chair, who have relevant experience or demonstrated ability in higher education, economics, and public finance	Jim Hardesty (Chair) Rick Combs Glenn Christenson Betsy Fretwell
One Member of the Senate nominated by the Majority Leader of the Nevada Senate	Senator Marilyn Dondero-Loop
One Member of the Senate nominated by the Minority Leader of the Nevada Senate	Senator Carrie Buck
One Member of the Assembly nominated by the Speaker of the Nevada Assembly	Assemblywoman Erica Mosca
One Member of the Assembly nominated by the Minority Leader of the Nevada Assembly	Assemblyman Ken Gray
The Chancellor, who shall serve as vice chair	Patricia Charlton (Vice Chair)
Two members to be nominated by the Chancellor with expertise in student advocacy work and diversity, equity and inclusion.	Yvette Williams Tony Sanchez, NV Energy



Committee Membership

7 Non-voting Members

Representation	Identified Members
Governor's Finance Office	Amy Stephenson, Director, GFO
One NSHE President	Kyle Dalpe, WNC
NSHE Business Officers Council, one of whom must be the Vice Chancellor for Finance and Budget	Lindsay Session, BO, DRI Chris Viton, CFO, NSHE
NSHE Faculty Senate Chairs	Peter Reed, UNR
NSHE Classified Council	Stacy Wallace, NSC
A current student or recent graduate nominated by the Nevada Student Alliance	Suzanna Stankute, WNC



Committee Work

Meeting	Agenda
November 14, 2023	<ul style="list-style-type: none">▪ Overview of Committee work (charge, workplan, Open Meeting Law, consultant selection process)▪ Overview of current NSHE funding formula
February 12, 2024	<ul style="list-style-type: none">▪ Overview of the NSHE Performance Pool▪ Overview of the Desert Research Institute funding formula▪ Institution presentations on mission and funding priorities (UNLV, UNR, NSU, and CSN)▪ Consultant’s initial presentation providing an overview of the scope of work and presentation of its typology of student focused funding models currently in place across the nation
March 19, 2024	<ul style="list-style-type: none">▪ Continuation of institution presentations on mission and funding priorities (GBC, TMCC, and WNC)▪ Consultant’s review of self-supporting accounts and practices in other states▪ Consultant’s initial evaluation of NSHE funding formula



Committee Work (cont')

Meeting	Agenda
April 26, 2024	<ul style="list-style-type: none">▪ Consultant's continued evaluation of the NSHE funding formula, including review of institution-specific recommendations for the NSHE funding formula▪ Overview of the state-directed budget building process▪ Overview of student perspective of the NSHE funding formula, including recommendations for revision▪ Committee Work Session: Committee adopted a recommendation on self-supporting accounts
May 30, 2024	<ul style="list-style-type: none">▪ Work Session planning: review of the process for identifying recommendation for consideration at the 7/25/24 Committee Work Session▪ Consultant's continued evaluation of the NSHE funding formula▪ Overview of faculty perspectives of the NSHE funding formula, including recommendations for revision
July 25, 2024	<ul style="list-style-type: none">▪ Final consultant presentation reviewing its recommendations for revising the NSHE funding formula▪ Committee Work Session: Committee adopted recommendations on the NSHE funding formula and recommended next steps for additional evaluation and review for the funding formula



Committee Report and Web Site

- Committee Web Site created
 - ✓ Archive of all agendas and reference materials
 - ✓ Background materials: summary paper of base formula and performance pool, LCB Bulletin 13-08, etc.

- Final Report of the Committee submitted to the Governor's Office, Legislative Counsel Bureau, and Board of Regents



Critical Elements of the Process

▪ External Subject Matter Experts

- HCM Strategists – selected through a formal RFP process
- Evaluated the current formula
- Policy and formula comparisons with other states
- Formula revisions recommended
- Reviewed self-supporting accounts

▪ Institutional Participation

- Institutional presentations over two meetings
- Written recommendations
- Meetings with Council of Presidents
- Meetings with Business Officers

▪ Other input

- Faculty and student representatives



Consultant's Review and Recommendations

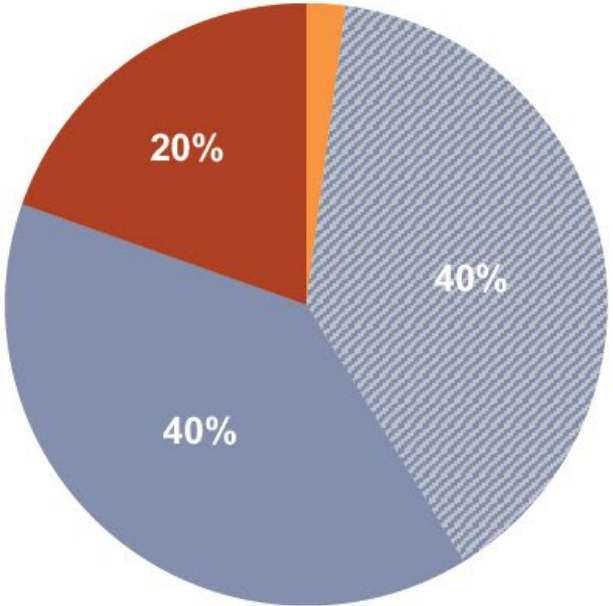
HCM Strategists:

- Current funding allocation methodology model is generally working as designed but could be improved
- To improve the equity of the model and have a more student-centered allocation methodology, include **student attributes**:
 - Headcount (enrollment factor) to account for part-time students
 - Pell recipients
 - Under-represented minorities
- Performance pool metrics are adequate, but structure and application could be improved:
 - Eliminate Performance Pool and replace with outcomes-based funding component in the overall allocation
 - Utilize a relative growth calculation, which supports continuous improvement



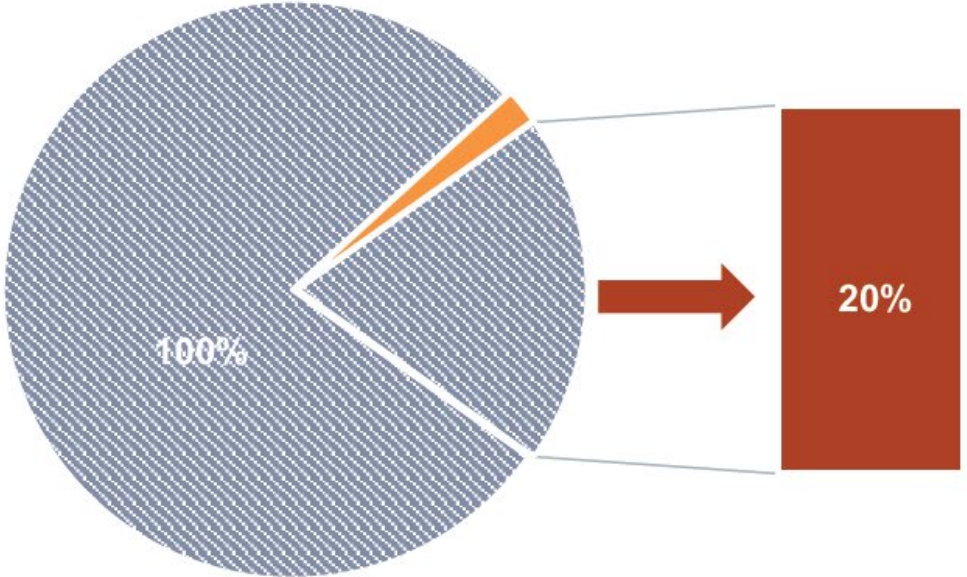
Consultant's Review and Recommendations

Recommended Allocation



- O&M/Core Costs
- Enrollment - WSCH
- Enrollment - Student-Based Funding
- Outcomes

Current Allocation



Consultant's Review and Recommendations

HCM Strategists:

- Small Institution Factor – adjustments to value and threshold recommended
- 3-Year Average for WSCH recommended in response to concerns expressed by stakeholders
- Final report with analysis and recommendations included in the Committee's final report



Institutional Participation

Institutional Input

- Overview of each institution's respective Board-approved mission
- How institutional mission guides budget priorities
- How the current funding formula impacts the ability of the institution to fulfill its mission
- Recommendations for improving the allocation of state funds under the current NSHE Funding Formula
- Submission of written recommendations



Results of Institutional Participation

102 Institutional Recommendations

- ✓ Base Formula
- ✓ Small Institution Factor (SIF) Funding
- ✓ Eliminate Performance Pool
- ✓ Fund Fee Waivers
- ✓ Cost Study
- ✓ Inflationary adjustments to the Base
- ✓ Space, Maintenance, and Capital Improvements
- ✓ Tax Increase – Modified Business Tax
- ✓ Salaries and COLA

Common Themes

- Calls for increased state investment in higher education
- Desire for a funding formula allocation that recognizes each institution serves a unique student population
- Clear need to review funding formula on a more regular basis



Committee Recommendations

Recommendations in three general areas

1. Self-Supporting accounts
2. Funding formula allocation methodology
3. Further study of the funding formula and related matters



Self-Supporting Accounts

Findings of the Consultant – HCM Strategists:

“Our review finds that NSHE’s current policies, including the policy changes adopted at the September 2023 Board of Regents meeting, are responsive to the concerns articulated in the audit and consistent with practices in other states. No additional reporting requirements or policies are immediately needed, and focus should be on following through on the commitments already made to improve internal processes and reports. If time and staff capacity permits, NSHE should consider creating a matrix of funding sources and uses along the lines of the model from the City University of New York indicated in our March 19 presentation.”



Self-Supporting Account Recommendation

Urge the Chancellor's Office to establish a matrix for self-supporting account categories that clearly indicates the permissible use(s) of self-supporting account funds based on current Board policies and procedures.



Funding Formula Recommendations*

- **Small Institution Factor (SIF) Inflationary Adjustment.** Increase the SIF from \$30 to \$40 per WSCH and continue to adjust for inflation in future years using the Higher Education Price Index (HEPI), effective July 1, 2026.
- **Increase SIF Cap to 125,000 WSCH.** Increase the WSCH cap from 100,000 WSCH to 125,000 WSCH.



Funding Formula Recommendations* (cont')

- **Greater of 3-Year Average or Prior Year.** Base each institution's WSCH count for each year of measure on a 3-year average or the prior year, whichever is greater. Use the same caseload growth process for the second year of the biennium, also using the same WSCH methodology as the first fiscal year of the biennium.
- **Outcomes-Based Funding (OBF) Component.** Eliminate the current NSHE Performance Pool and replace it with an Outcomes-Based Funding component in the funding allocation methodology, allocating the funds based on a relative growth calculation.



Funding Formula Recommendations* (cont')

Use Student Attributes as a Component in Funding Allocation Methodology. Allocate a portion of the General Fund appropriation based on the following student characteristics: 1) total student term headcount enrollments and credit hours (including non-resident students), 2) under-represented minority student headcount enrollments and credit hours, and 3) Pell eligible student headcount enrollments and credit hours; AND

75%-10%-15% Balanced Approach Component Mix. After SIF and research O&M are subtracted from the total General Fund appropriation, allocate the remaining General Fund appropriation as follows: 75% based on course weighted enrollments (WSCH); 10% based on student characteristics (described above); and 15% based on progression and outcomes (referred to as outcomes-based funding or OBF); AND

Phase-In Methodology. Any institution that faces a reduction larger than 3% in the initial run of the formula would be brought up to the 3% level by proportionally reducing the allocations to other institutions in the first year of implementation.



Recommendations for Further Study

Further Review of the Small Institution Factor. Recommend and request the Chancellor's Office to review the SIF calculation using headcount, rather than WSCH, and determine if an alternative calculation based on headcount should be utilized.

Further Review of Summer School Student Credit Hours. Urge the Chancellor's Office to review the budgetary and administrative implications of further expansion of state support for summer school course offerings, beyond nursing and teacher education.



Recommendations for Further Study (cont')

Future Student Characteristic to Consider: Academic Preparation. Urge the Chancellor's Office to begin efforts to determine the data elements appropriate to identify students who are not prepared for the rigors of college-level coursework to be used as an attribute in the student-based component of the funding allocation methodology. The determination of such data elements should be done in consultation with campus-level Institutional Research Offices to ensure the consistent availability of data or the consistent collection of such data elements going forward. It is recommended that this effort commence in sufficient time that such data can be available for use in the formula allocation for FY2028 and FY2029 (or the 2027 Session).



Recommendations for Further Study (cont')

Future Student Characteristic to Consider: Students in Poverty. Urge the Chancellor's Office to begin efforts to determine the data elements appropriate to identify students who are in poverty to be used as an attribute in the student-based component of the funding allocation methodology. The determination of such data elements should be done in consultation with campus-level Institutional Research Offices to ensure the consistent availability of data or the consistent collection of such data elements going forward. It is recommended that this effort commence in sufficient time that such data can be available for use in the formula allocation for FY2028 and FY2029 (or the 2027 Session).



Recommendations for Further Study (cont')

Review Committee. Urge the Chancellor's Office to create a formula review committee that convenes every two biennia to evaluate and propose any necessary changes to the funding formula allocation methodology.

Funding Adequacy and Equity Study. Recommend the Chancellor's Office to immediately pursue a study of funding adequacy and equity as soon as practical.



2025-27 State Appropriation Allocations Under Revised Formula



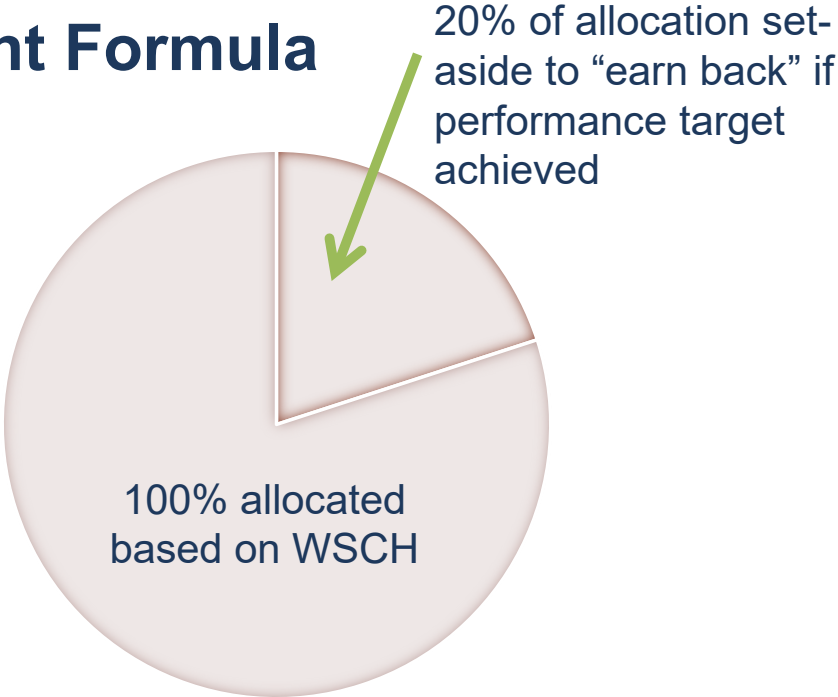
Formula Committee Recommendations

- Increase Small Institution Factor Threshold from 100,000 WSCH to 125,000 WSCH and increase per WSCH amount from \$30 to \$40 + HEPI beginning FY26
- Allocate adjusted base funds using additional criteria rather than 100 % WSCH:
 - 75% allocated using WSCH
 - 10% allocated using student headcount and credit hours for all students, Pell eligible students, and under-represented minorities (as categorized by IPEDS)
 - 15% allocated using relative performance (outcome-based funding) replacing current Performance Pool “earn-back”

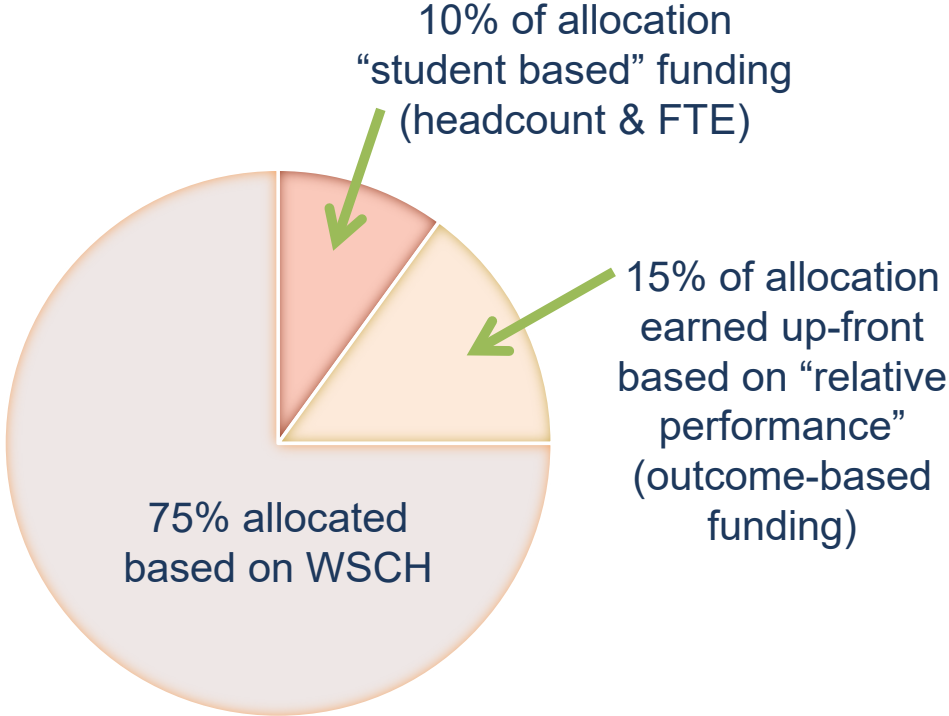


Formula Components

Current Formula



Recommended Formula



Direct Allocations (“carve-outs”)

The formula recommendations maintain the current direct allocations that address two institution-specific concerns:

Small Institution Factor: addresses the challenge for a small institution to fund fixed overhead costs on enrollment-based funding allocations

Research Facilities Operation & Maintenance (O&M): addresses the higher cost of dedicated research space for the two R1 research institutions.

The formula recommendations maintain both set-asides and include an adjustment to the Small Institution Factor



Small Institution Factor (SIF)

Current SIF calculated: $(100,000 - \text{actual WSCH}) \times \30

This calculation, including the \$30 value has not been updated since implementation in 2013.

Committee Recommendation: Increase SIF threshold from 100,000 to 125,000 WSCH and increase per-WSCH value from \$30 to \$40 + HEPI beginning FY26 (\$40 value derived by applying HEPI to \$30 rate since inception to FY25)



Increase Small Institution Factor

Increase threshold to 125,000 and per WSCH value from \$30 to \$40 + HEPI

	HEPI	Rate
FY25		\$40.00
FY26	2.70%	\$41.08
FY27	5.20%	\$43.22



FY26:	WSCH	Current	Proposed	Change
GBC	78,363	\$ 649,110	\$ 1,915,848	\$ 1,266,738
WNC	102,673	\$ -	\$ 917,193	\$ 917,193
Total		\$ 649,110	\$ 2,833,041	\$ 2,183,931

FY27:	WSCH	Current	Proposed	Change
GBC	78,363	\$ 649,110	\$ 2,015,651	\$ 1,366,541
WNC	102,673	\$ -	\$ 964,973	\$ 964,973
Total		\$ 649,110	\$ 2,980,624	\$ 2,331,514



Weighted Student Credit Hours (WSCH)

Current Formula: 100% of appropriation subject to allocation based on WSCH

Resident student course completions (excludes F-grades for non-attendance with attendance measured in alignment with Federal financial aid guidelines). Credit hours are weighted by cost-informed weights assigned to Classification of Instructional Programs (CIP) codes. Higher weights assigned to upper division, graduate and doctoral levels with 10% added weight for upper division and higher courses for the R1 institutions to recognize the higher cost of instruction at the R1 institutions.

Committee Recommendation: No change in WSCH definition but reduction from 100% to 75% of appropriation subject to allocation based on WSCH



WSCH Allocation

Reduce WSCH allocation from 100% to 75% in order to incorporate student based (headcount/credit hour) allocation (10% of total) and relative performance-based funding (15% of total) and use greater of 3-year average WSCH or most recent count year by institution

Institution	FY22WSCH	FY24WSCH	3 Year Average WSCH (FY22-FY24)	Greater of FY24 or 3-Year Average	Greater of FY24 or 3-Year Average %
UNLV	1,150,059	1,210,638	1,172,860	1,210,638	38.2%
UNR	764,757	763,647	761,950	763,647	24.1%
NSU	179,730	183,813	178,759	183,813	5.8%
CSN	565,222	592,720	579,847	593,871	18.7%
GBC	82,081	78,363	79,859	79,859	2.5%
TMCC	204,001	234,861	221,638	234,861	7.4%
WNC	89,534	102,673	96,267	102,673	3.2%
Total	3,035,382	3,166,714	3,091,179	3,168,210	100.0%



Student Based Funding

Committee Activity: All campuses recommended adjusting the formula to recognize that *allocating funds based only on WSCH does not adequately address student support services important for all students whether full or part-time*

Committee Recommendation: Allocate **10%** of appropriation subject to formula distribution based on student data. Consultant informed approach incorporates headcount and credit hours for **all students** (resident and nonresident students) in order to recognize headcount and part-time students. In addition to all students, student based data includes headcount and credit hours for **underrepresented minority** students and **Pell eligible** students



Student Based Funding Institution Data

Credit Hours	All Students	Under-Represented Minority	Pell Eligible	Total	Pct
UNLV	2,349,283	959,082	865,135	4,173,500	35.4%
UNR	1,569,007	436,062	377,460	2,382,529	20.2%
NSU	380,475	198,455	133,610	712,540	6.0%
CSN	1,614,630	829,349	626,605	3,070,583	26.0%
GBC	184,810	61,824	55,358	301,992	2.6%
TMCC	513,689	199,562	126,835	840,086	7.1%
WNC	196,328	63,400	49,523	309,251	2.6%
Total	6,808,222	2,747,732	2,234,526	11,790,480	100.0%

Headcount	All Students	Under-Represented Minority	Pell Eligible	Total	Pct
UNLV	214,099	87,784	73,121	375,004	30.5%
UNR	143,686	40,092	29,597	213,375	17.4%
NSU	48,718	24,143	12,808	85,669	7.0%
CSN	205,534	104,660	68,783	378,977	30.8%
GBC	22,143	7,239	5,175	34,557	2.8%
TMCC	65,913	24,610	13,162	103,685	8.4%
WNC	24,886	7,634	5,089	37,609	3.1%
Total	724,979	296,162	207,735	1,228,876	100.0%

Explain Student Based Funding

	50/50 Weighted Average
UNLV	33.0%
UNR	18.8%
NSU	6.5%
CSN	28.4%
GBC	2.7%
TMCC	7.8%
WNC	2.8%
Total	100.0%



Outcome Based Funding (OBF): *Relative Performance*

Committee Activity: The Committee heard from all campuses concerns regarding the historical 20% performance pool set-aside that is subject to ‘earn-back’ but *performance metrics remain important measures for accountability*

Committee Recommendation: Replace performance pool carve-out/earn-back model with an up-front allocation from 15% of the appropriation allocated through the formula that is based on outcomes using a ‘relative growth’ model



Relative Performance Benefits

The recommendation to replace the Performance Pool with the allocation using a “Relative Growth” model retains an emphasis in the formula on outcomes while addressing the Campuses and Committee Members concerns as follows:

- *Relative growth model is not a ‘carve-out’* from already allocated funds no longer represents ‘earning the same dollar twice’ – first from WSCH and again based on performance/outcomes
- Relative growth model compares an institution’s year over year performance to itself and allocates the relative performance funds proportional to the campus’s relative performance against peers but *100% of performance funds are always allocated to the campuses*



Relative Performance Allocation Process

Institution	(a) Prior Year* OBF Portion	(b) Share of FY25 Perf. Pool	(c) 2021-2022 Weighted Points	(d) 2022-2023 Weighted Points	(e) Change in Points (d) / (c) -1	(f) Perf. Share Growth [1+(e)] x (b)	(g) FY26 Perf. Share [prorate (f) to 100%]
UNLV	\$ 42,367,281	38.6%	2,861.27	2,936.58	2.6%	39.6%	39.7%
UNR	28,341,186	25.8%	2,384.51	2,308.52	-3.2%	25.0%	25.1%
NSU	6,225,525	5.7%	876.48	876.27	0.0%	5.7%	5.7%
CSN	19,588,293	17.9%	4,238.42	3,924.61	-7.4%	16.5%	16.6%
GBC	2,954,517	2.7%	545.64	565.08	3.6%	2.8%	2.8%
TMCC	7,070,386	6.4%	1,660.49	1,826.37	10.0%	7.1%	7.1%
WNC	3,165,918	2.9%	668.78	694.73	3.9%	3.0%	3.0%
Total	\$109,713,106	100.0%				99.7%	100.0%

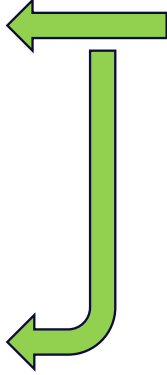
- Prior year OBF allocation is used within the calculation that determines the current year OBF allocation. For FY26 and FY27 biennial allocations this is the FY25 Performance Pool allocation that would have resulted if the formula allocated appropriations for FY25
- Weighted points are based on the same metrics used within the current performance pool but may be revised as part of the ongoing formula review process recommended by the Committee



Summary of Recommended Formula Allocations

Formula Budgets Adjusted Base	\$ 706,505,664
Small Institution Factor*	(2,833,041)
Research O&M	(12,347,374)
Balance for Formula Allocation	\$ 691,325,249
75% Weighted Student Credit Hours (WSCH)	\$ 518,493,937
10% Student Based (headcount/SCH)	69,132,525
15% Relative Performance (outcome based)	103,698,787
Total of Allocated Components	\$ 691,325,249

Balance subject to re-allocation based on the three balanced approach components



* Assumes Committee's Small Institution Factor Recommendation is implemented



Summary Balanced Approach Percentages

Institution	WSCH Portion 75%	Student Based Portion 10%	Relative Performance Portion 15%	Weighted 100%
UNLV	38.21%	32.96%	39.74%	37.92%
UNR	24.10%	18.79%	25.08%	23.72%
NSU	5.80%	6.51%	5.69%	5.86%
CSN	18.71%	28.44%	16.58%	19.36%
GBC	2.52%	2.69%	2.80%	2.58%
TMCC	7.41%	7.78%	7.11%	7.40%
WNC	3.24%	2.84%	3.01%	3.17%
Total	100.00%	100.00%	100.00%	100.00%



Summary of Balanced Approach Allocations

Formula Budgets Adjusted Base	\$ 706,505,664
Small Institution Factor	(2,833,041)
Research O&M	(12,347,374)
Balance for Formula Allocation	\$ 691,325,249



Institution	WSCH 75%	Student Based 10%	Relative Performance 15%	Research O&M and SIF	Total New Formula
UNLV	\$198,127,134	\$ 22,783,736	\$ 41,213,464	\$ 5,470,298	\$ 267,594,632
UNR	124,974,840	12,986,771	26,006,311	6,877,076	170,844,998
NSU	30,081,865	4,498,689	5,899,260		40,479,813
CSN	97,001,688	19,662,058	17,191,563		133,855,309
GBC	13,069,310	1,857,383	2,900,118	1,915,848	19,742,660
TMCC	38,436,133	5,379,375	7,370,915		51,186,423
WNC	16,802,967	1,964,512	3,117,157	917,193	22,801,828
Total	\$518,493,935	\$ 69,132,525	\$103,698,787	\$15,180,415	\$ 706,505,664



Committee Recommendation: *Cap reductions at 3% for first biennium*

Institution	B-M-E Allocation Before Committee Recommends	Increase to Small Institution Factor	B-M-E Allocation	Difference B-M-E to New Formula	Committee Recommends Balanced Approach
UNLV	\$ 276,404,806		\$ 276,404,806	\$ (8,810,173)	\$ 267,594,632
UNR	180,970,138		180,970,138	(10,125,140)	170,844,998
NSU	36,031,397		36,031,397	4,448,416	40,479,813
CSN	124,254,423		124,254,423	9,600,887	133,855,309
GBC	17,002,557	1,266,738	18,269,295	1,473,365	19,742,660
TMCC	48,871,412		48,871,412	2,315,012	51,186,423
WNC	20,787,000	917,193	21,704,194	1,097,635	22,801,828
Total	\$ 704,321,733	\$ 2,183,931	\$ 706,505,664	\$ 0	\$ 706,505,664

\$21.1 million needed for each year of the biennium to fully fund the formula implementation



Comparison of Funding per FTE

	AY 23-24 Average Annual FTE	FY26 B-M-E State Appropriation per FTE	FY26 Formula State Appropriation per FTE	FY26 B-M-E All Revenues per FTE	FY26 Formula All Revenues per FTE
UNLV	23,361.8	\$11,832	\$11,454	\$19,058	\$18,681
UNR	16,502.3	\$10,966	\$10,353	\$18,224	\$17,611
NSU	4,080.7	\$8,830	\$9,920	\$12,591	\$13,681
CSN	15,964.2	\$7,783	\$8,385	\$10,869	\$11,471
GBC	1,874.7	\$9,745	\$10,531	\$12,687	\$13,473
TMCC	5,486.3	\$8,908	\$9,330	\$11,742	\$12,164
WNC	2,218.7	\$9,783	\$10,277	\$12,121	\$12,615
Total/Average	69,488.6	\$10,167	\$10,167	\$15,628	\$15,628



Chancellor's Office Recommendations

Implement the Committee's recommendations in the formula calculation beginning with the FY26 and FY27 biennial budgets:

1. Increase Small Institution Factor Threshold from 100,000 WSCH to 125,000 WSCH and increase per WSCH amount from \$30 to \$40 + HEPI beginning FY26
2. Allocate adjusted base funds using additional criteria rather than 100 % WSCH:
 - 75% allocated using WSCH
 - 10% allocated using student headcount and credit hours for all students, Pell eligible students, and under-represented minorities (as categorized by IPEDS)
 - 15% allocated using relative performance (outcome-based funding) replacing current Performance Pool "earn-back"



Chancellor's Office Recommendations (continued)

In addition to the Committee recommendations:

3. Add an Item for Special Consideration to System priorities to *fully-fund formula implementation (\$21.1 million/year)*

This Recommendation:

- Recognizes the importance of modifying the formula to address the concern that allocating funds based only on WSCH does not adequately address student support services important for all students whether full or part-time
- Recognizes the concerns expressed by Committee members regarding otherwise addressing the funding challenges at the two-year institutions and NSU by redirecting resources away from the R1 Institutions



Action of the Board of Regents

- Accepting the recommendations of the Chancellor's ad hoc Committee on Higher Education Funding related to revising the NSHE Funding Formula (*)
- For the purpose of the Agency Request that will be submitted to the Governor's Finance Office, approval of the 2025-2027 biennial allocation of state support using the formula recommendations recommended by the Chancellor's ad hoc Committee on Higher Education Funding



