HCM Strategists

Nevada System of Higher Education

Ad Hoc Committee on Higher Education Funding

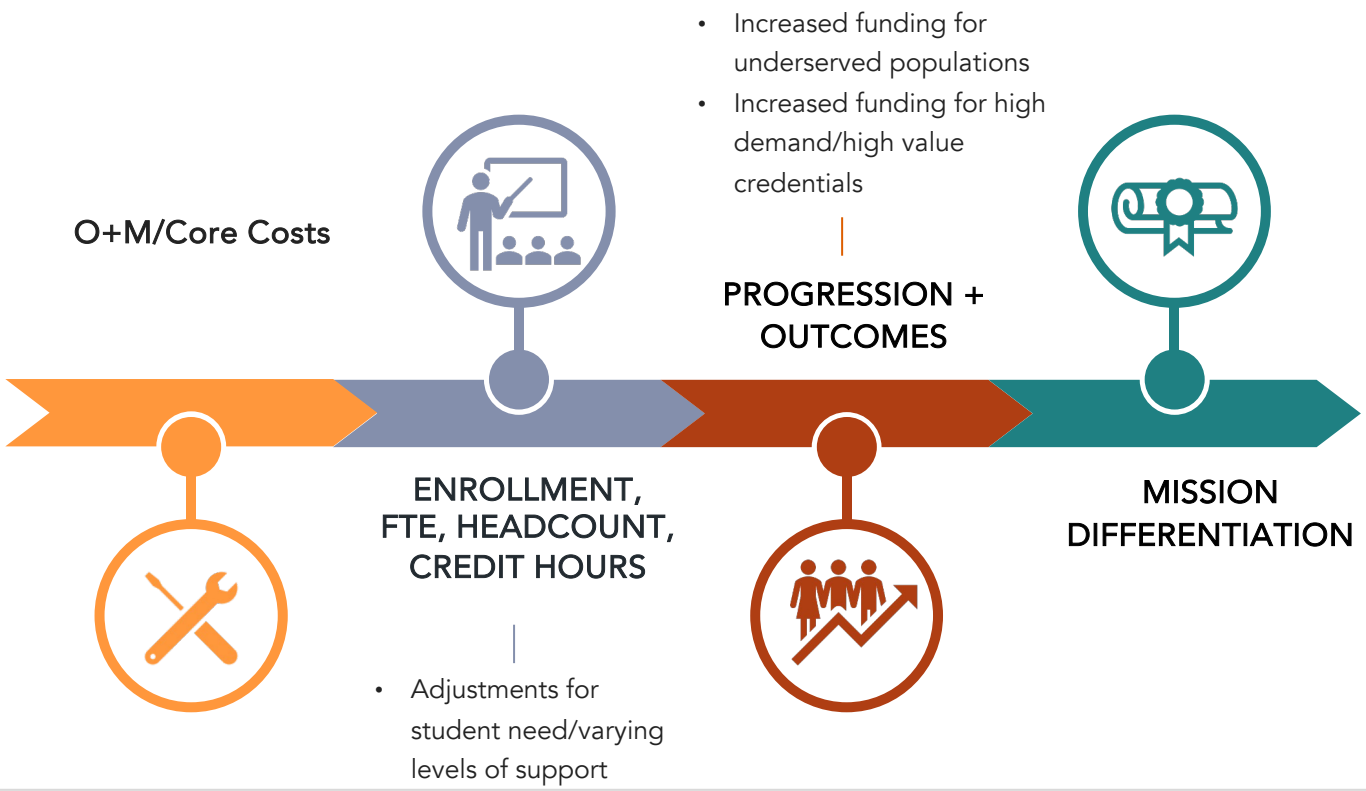
July 25, 2024

REVISED

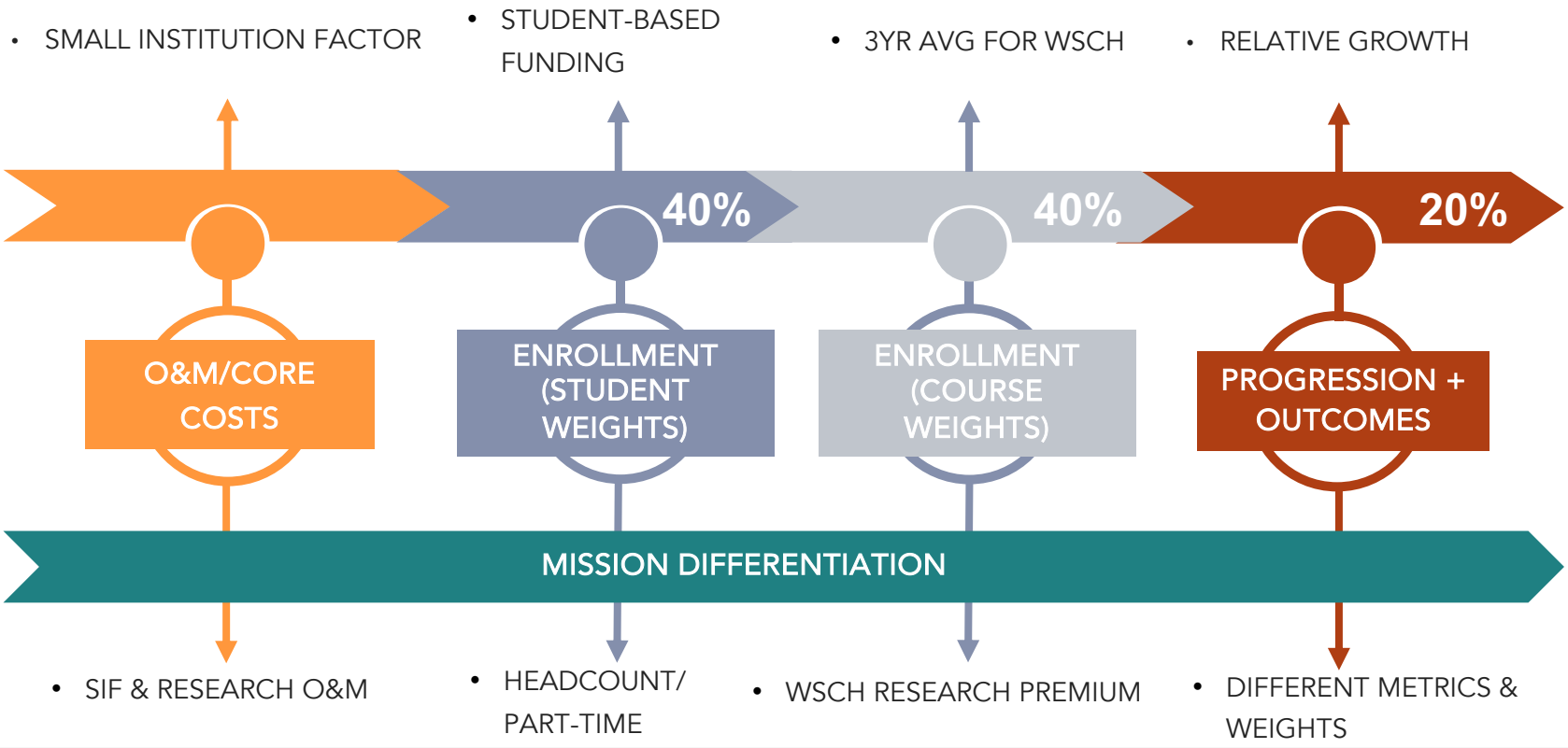
HCM STRATEGISTS

Review of the Funding Formula Framework

A Balanced Approach: A Best Practice and Growing Trend

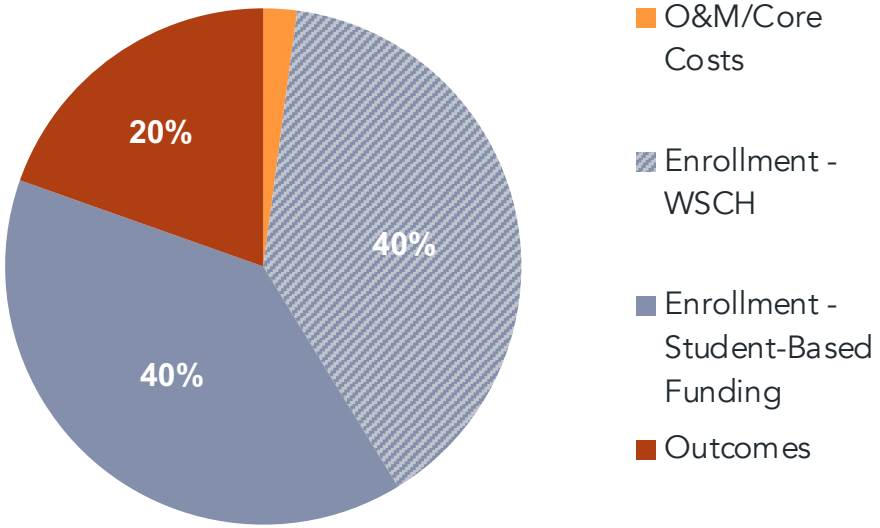


Recommendations for Nevada Within Each Component

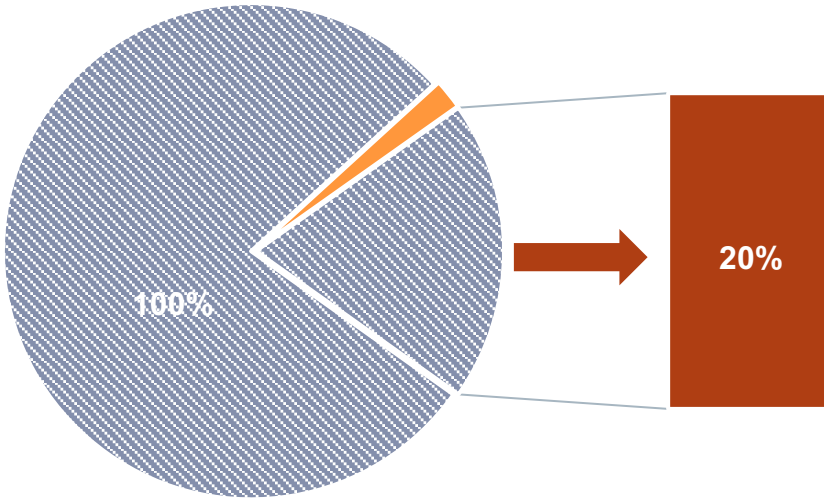


HCM Recommendations for Nevada Within Each Component

Recommended Allocation



Current Allocation



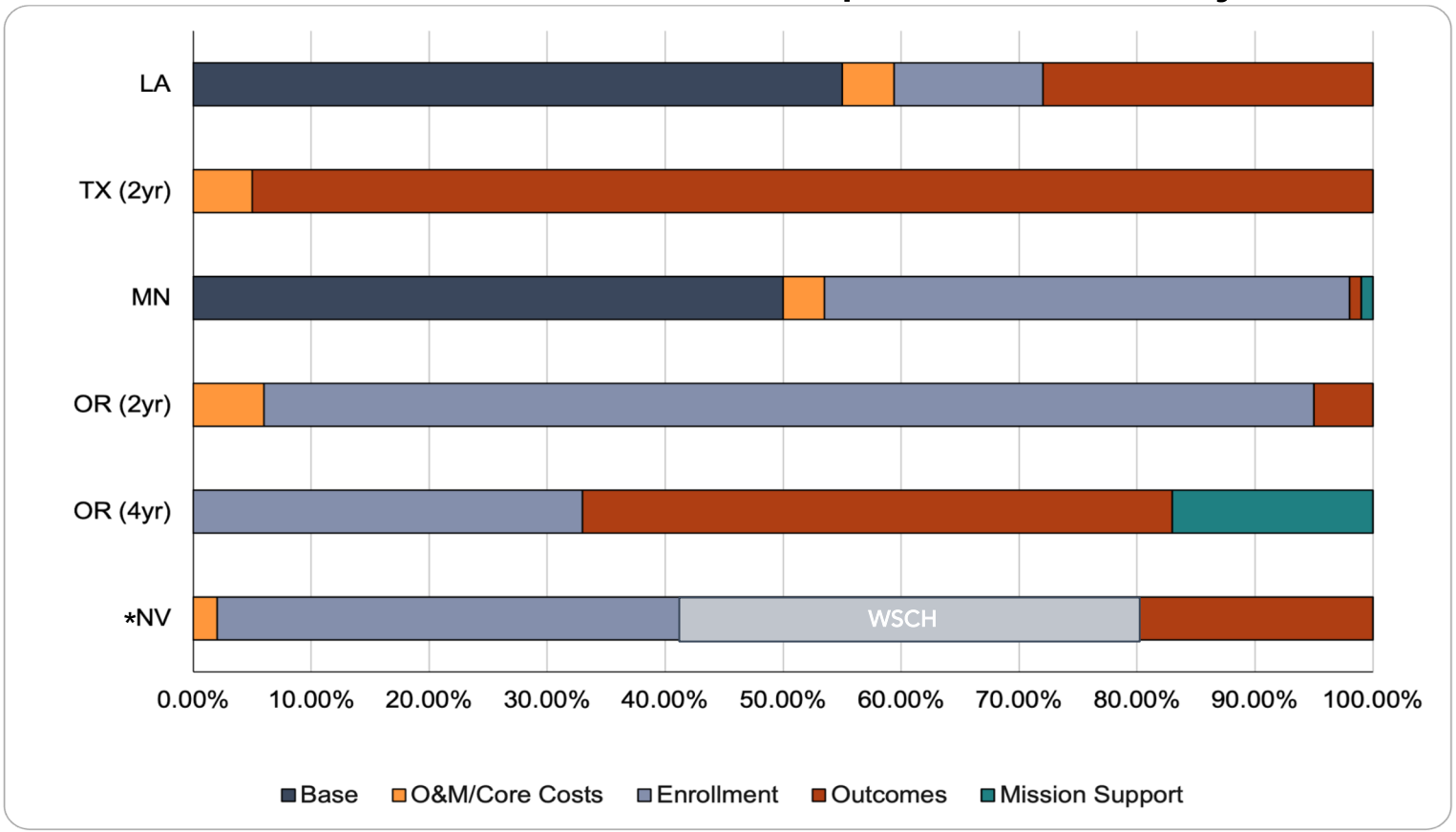
Why 40%-40%-20%

- **This split is a starting point for discussion. The committee will also consider different allocations.**
- There is wide variation among other states; **there's no one answer**
  - For Nevada, the goal is to address the state's priorities and the feedback received about the current formula.
  - That includes increased access, especially for underrepresented populations, and increased attention to students who need greater levels of support.

REMINDER:

- The formula components allocate funds; they do not require or encourage spending funds in specific ways
- Current NV spending on certain activities is not an appropriate benchmark, as the feedback indicated current levels weren't sufficient.

The Size of Each Formula Component Varies By State



% of total ed revenue from state

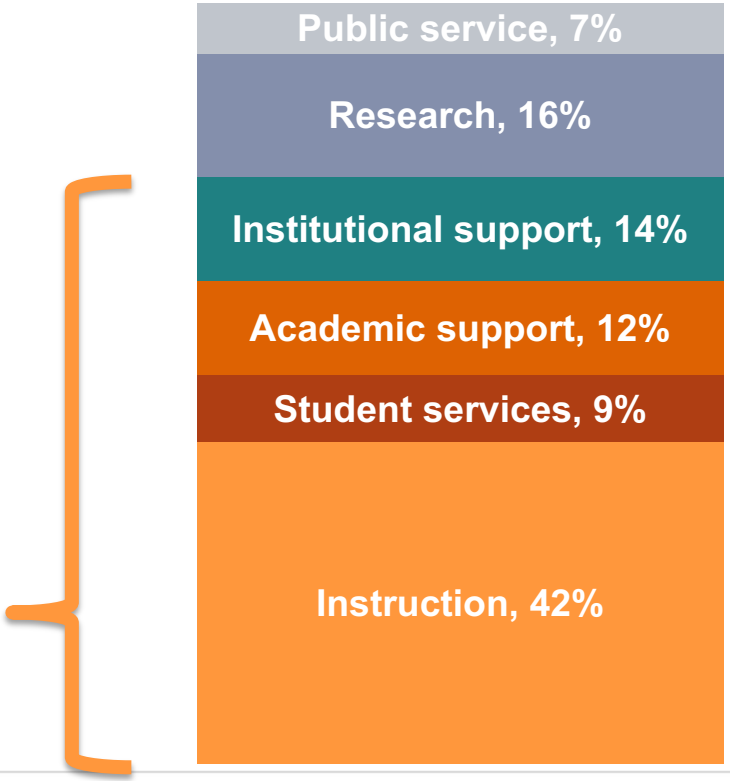
LA	52%
TX (2yr)	25%
MN	47%
OR (2yr)	50%
OR (4yr)	32%
*NV	73%

*HCM proposed structure as described throughout presentation

Both Headcount and Credit Hours Relate to Many Categories of Institutional Expense

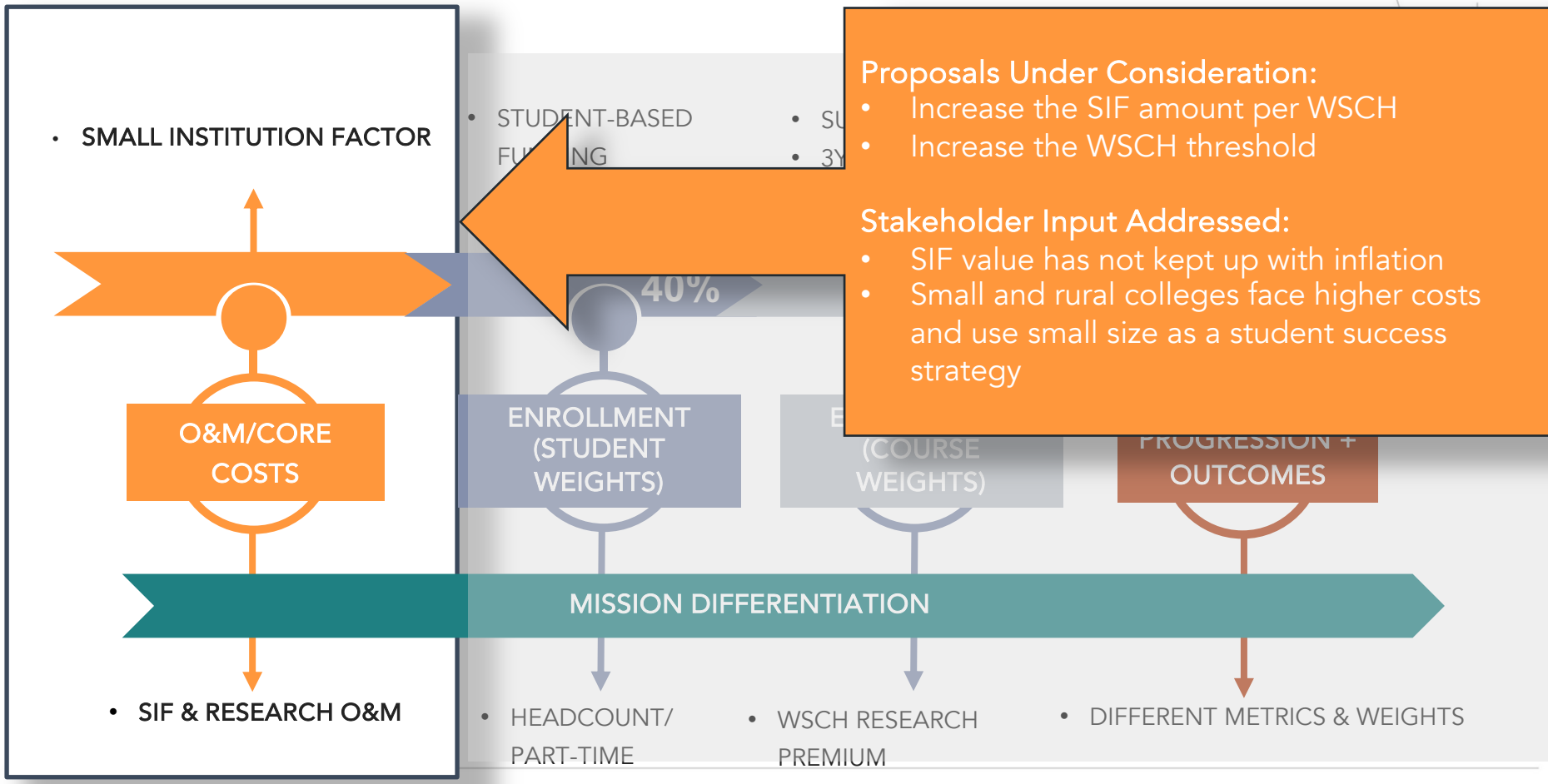
Instruction costs are driven mostly by credit hours/WSCH, while other costs could reflect mix of headcount, credit hours, other size factors. Tuition and fee revenue is driven primarily by weighted or unweighted credit hours.

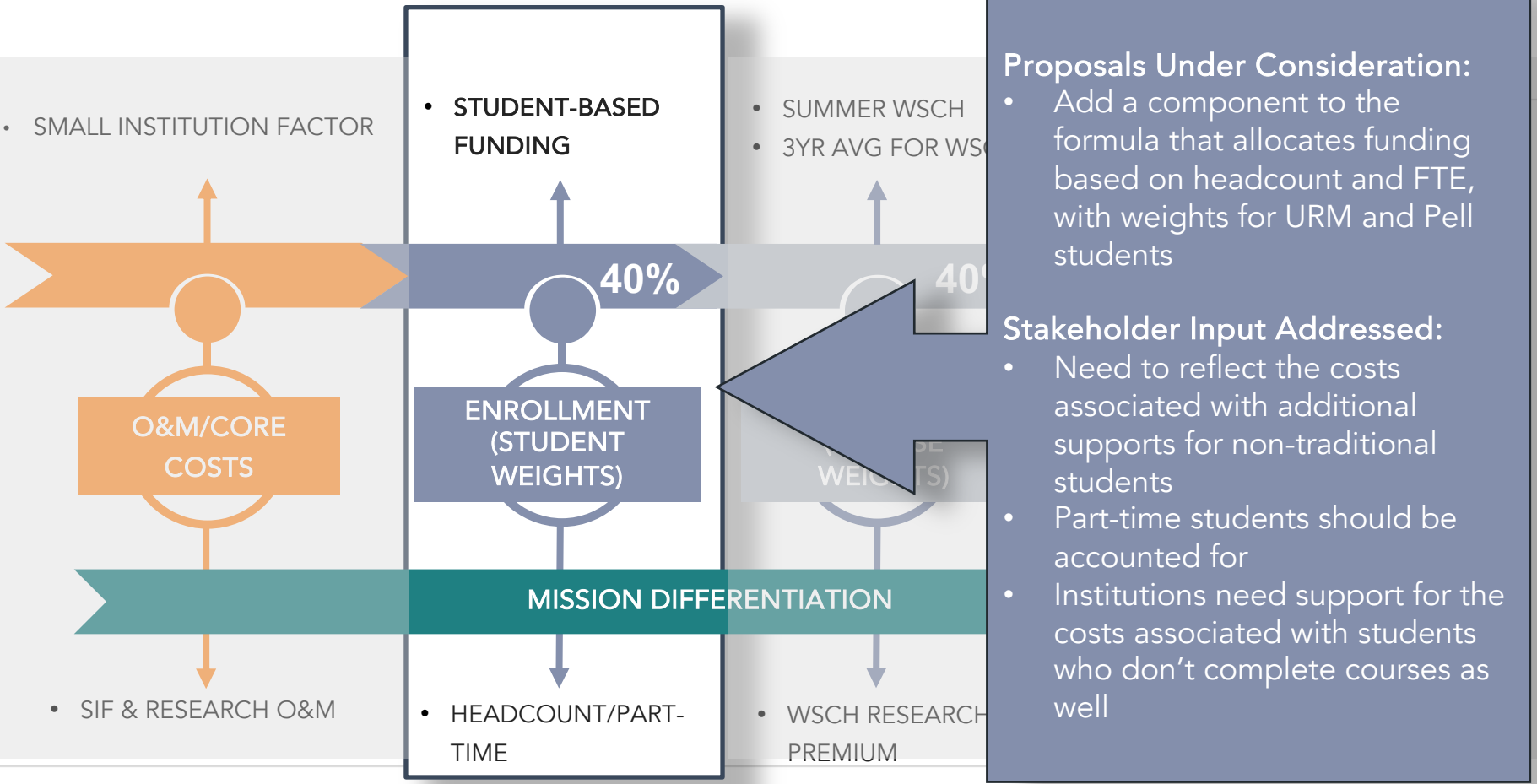
Average share of core functions normally funded by tuition and state and local funding, U.S. public institutions FY 2022.



IPEDS Finance 2022, All Public Institutions

See slide 15 for examples of the costs included in these functional expense categories


• SMALL INSTITUTION FACTOR
• STUDENT-BASED
FU NG
• SU
• 3Y
40%
O&M/CORE COSTS
ENROLLMENT (STUDENT WEIGHTS)
(COURSE WEIGHTS)
OUTCOMES
MISSION DIFFERENTIATION
• SIF & RESEARCH O&M
• HEADCOUNT/ PART-TIME
• WSCH RESEARCH PREMIUM
• DIFFERENT METRICS & WEIGHTS
Proposals Under Consideration:
• Increase the SIF amount per WSCH
• Increase the WSCH threshold
Stakeholder Input Addressed:
• SIF value has not kept up with inflation
• Small and rural colleges face higher costs and use small size as a student success strategy



Proposals Under Consideration:

- Add a component to the formula that allocates funding based on headcount and FTE, with weights for URM and Pell students

Stakeholder Input Addressed:

- Need to reflect the costs associated with additional supports for non-traditional students
- Part-time students should be accounted for
- Institutions need support for the costs associated with students who don't complete courses as well

Weights for Pell and URM enrollment

"Research on PBF systems suggests that equity provisions can help reduce declines in the enrollment of minoritized students, but there is also some evidence that these provisions may not be large enough to counteract other incentives to enroll students from historically advantaged groups." - Kelchen et al., 2023

- The work session proposal weights Pell and URM enrollment equal to 1. A low-income, underrepresented minority student would count as 3 in the formula.
- Another point of reference: The performance pool metric weights a Pell or URM completion at 0.4.

Texas Community Colleges

Researchers estimated the costs needed to produce a "successful outcome" based on student characteristics.

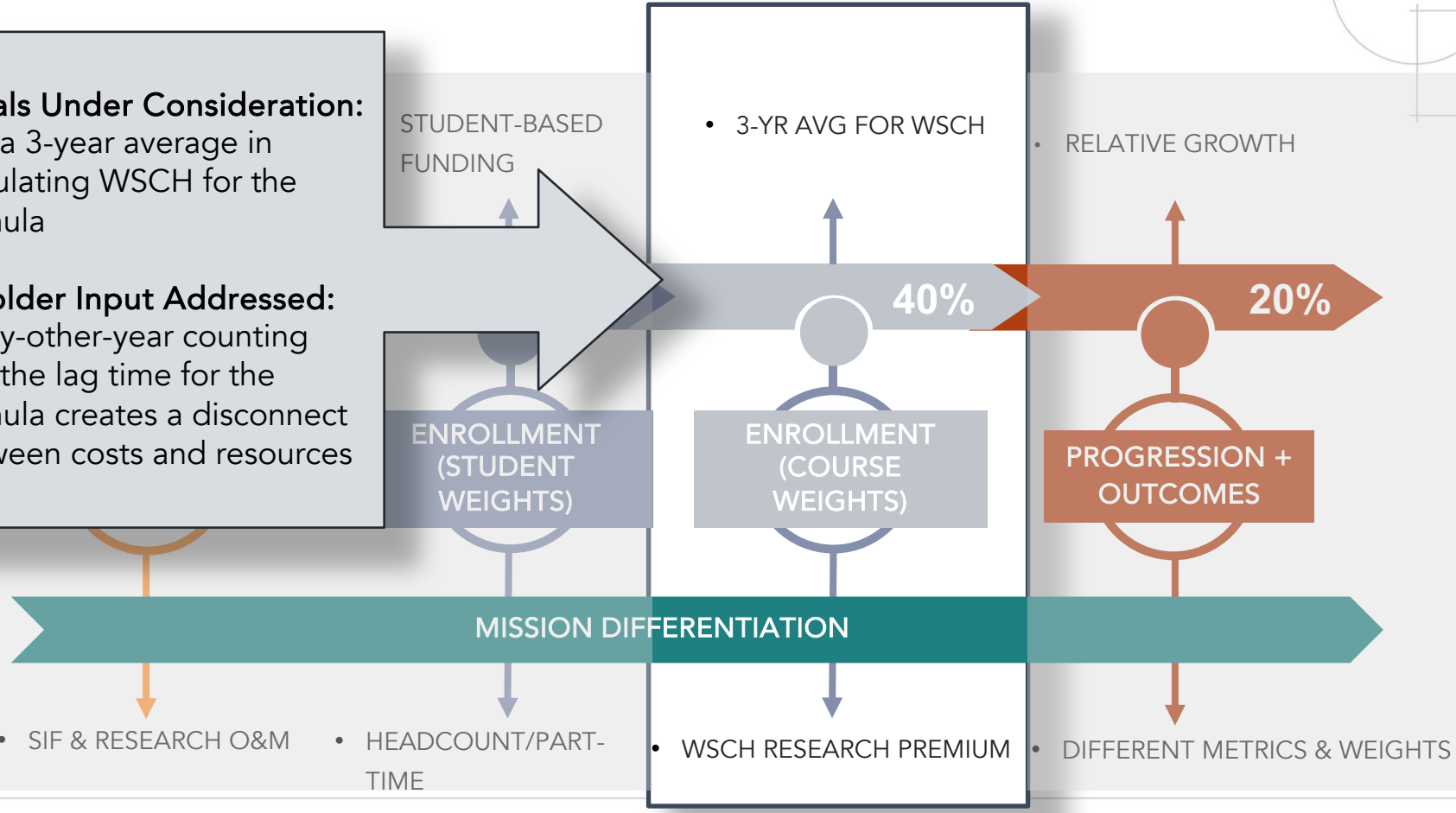
Adult:	$11,458 (2.6x)
First-Gen:	$11,296 (2.5x)
Low-income:	$5,943 (1.3x)
English Learner:	$5,398 (1.2x)
Base:	$4,536

Proposals Under Consideration:

- Use a 3-year average in calculating WSCH for the formula

Stakeholder Input Addressed:

- Every-other-year counting and the lag time for the formula creates a disconnect between costs and resources

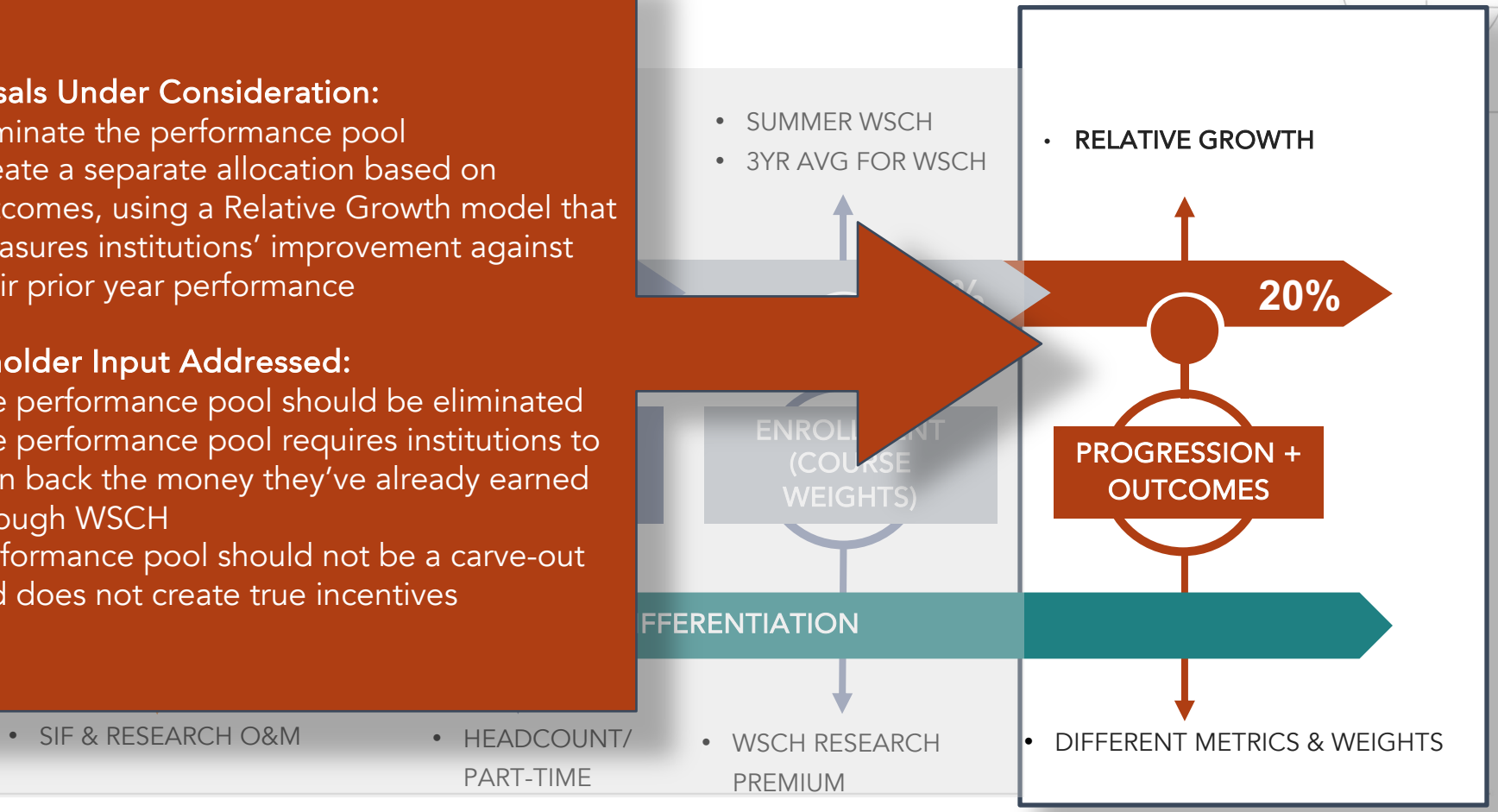


Proposals Under Consideration:

- Eliminate the performance pool
- Create a separate allocation based on outcomes, using a Relative Growth model that measures institutions' improvement against their prior year performance

Stakeholder Input Addressed:

- The performance pool should be eliminated
- The performance pool requires institutions to earn back the money they've already earned through WSCH
- Performance pool should not be a carve-out and does not create true incentives



Implementation Should be Phased In and Ensure Stability

- Improvements to the existing formula will shift funding across institutions in a revenue neutral environment, but **the impact can be managed**.
- The **phase-in** of a new formula can take place over time and include tools (hold harmless, stop loss) to **reduce the volatility** an institution experiences from year to year.
- The percent changes to funding levels in the work session document illustrate the scale of the impact but are not what institutions would experience.

Examples of Stability Mechanisms

- **Stop-loss or stop-gain** - Institutions can lose or gain no more than X% compared to the prior year.
- **Hold harmless** – Institutions cannot receive less than X% of their FY25 funding.
- **Phase-in** – Increase the percentage allocated by the new formula components each biennium until reaching 40%-40%-20%

Expense Category	Examples	Expense Category	Examples
Public Service	• Community Service • Cooperative extension • Public broadcasting	Academic Support	• Libraries and museums • Academic administration • Academic personnel development • Course and curriculum development
Research	• Institutes and research centers • Project research • Research Training & Sponsored Fellowships • Departmental Research	Student Services	• Student services administration • Social and cultural development • Counseling and career guidance • Student admissions, records, financial aid • Student health services • Student newspapers
Institutional Support	• Executive management • Fiscal operations • General administrative and logistical services • Administrative IT	Instruction	• General academic, developmental ed, and Voc/Tech instruction • Community education • Instructional IT

Thank You!

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