

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

Nevada System of Higher Education, Main Boardroom
2601 Enterprise Road
July 25, 2024

Video or Telephone Conference Connection from the Meeting Site to:
Nevada System of Higher Education, Board Room
4300 S. Maryland Pkwy.
Las Vegas, Nevada

Minutes are intended to note: (a) the date, time and place of the meeting; (b) those members of the public body who were present and those who were absent; and (c) the substance of all matters proposed, discussed and/or action was taken on. While these Minutes contain verbatim excerpts of the meeting, they are not intended to be a complete verbatim report of a meeting. An audio recording of the meeting is available for inspection by any member of the public interested in a verbatim report of the meeting. These minutes were submitted to the Chair and Vice Chair for review in the absence of an additional meeting to approve the minutes.

Members Present: Justice James W. Hardesty (Ret.), Chair
Chancellor Patricia Charlton, Vice Chair
Regent Byron Brooks
Mr. Glenn Christenson
Mr. Richard Combs
Regent Carol Del Carlo
Senator Marilyn Dondero-Loop
Ms. Betsy Fretwell
Regent Stephanie Goodman
Assemblywoman Erica Mosca
Mr. Tony Sanchez
Dr. Kyle Dalpe
Dr. Peter Reed
Ms. Lindsay Sessions
Ms. Suzanna Stankute
Mr. Chris Viton
Ms. Stacy Wallace

Others Present: Crystal Abba, Committee Staff
Heidi Haartz, Committee Staff
Lynda King, Associate General Counsel, NSHE

Chairman Hardesty called the meeting to order at 9:30 a.m. with all members present except for Senator Carrie Buck, Assemblyman Ken Gray, Ms. Amy Stephenson and Ms. Yvette Williams.

1. Information Only – Public Comment

The Committee heard public comment from members of the public. Following is a verbatim transcript of the comments made during the public comment session.

Jim New: Good morning. I'm Jim New, President of The Nevada Faculty Alliance. First, I'd like to thank the Committee to work on this very complex issue. We at NFA are grateful that you gave us the opportunity to present our perspective and suggestions with you, and I'd like to acknowledge my NFA colleagues Kent Ervin and Stacy who worked long hours on that presentation.

The NFA strived to get input at each institution and provide accurate unbiased information. Our recommendations are made in good faith. As you know by now, we don't currently have a funding formula in our base budgets. Instead, it is a distribution formula that is applied generally after an allocation to NSHE has been essentially determined. A reformulation of that distribution without generating new funding, in other words, re-slicing the same pie without growing it, is not a solution. We may as well stick to the existing distribution model and avoid the disruption of moving to a new one.

We have submitted several recommendations, but I'd like to call your attention to one in particular. We urge this Committee to recommend that the legislature allocate COLA funding to NSHE at the same rate as all other state agencies. We were all elated when the legislature passed and did governor approved historic cost-of-living adjustments for state employees. The elation e overlap rated however when we realized how much NSHE Institutions would struggle to fund full COLA for faculty since they did not receive the same allocation as other agencies.

We spent the next several months rallying our campus communities to persuade administrators to support and the board of regents to adopt the same adjustments for NSHE professionals that all other state employees received, including our co-workers in the classified ranks. I'm starting my 27th year as a NSHE professional. During that time, we've gone through multiple budget crises. To the best of my knowledge, faculty were never told that they did not have to take as large of a pay reduction or as many cuts to benefits or the same number of furlough days as the other state employees. In times of posterity NSHE professionals sacrifice equally with them. In times of recovery, we deserve the same. But the lower funding of COLA at NSHE put faculty in a position of having to fight for our fair share, straining our relationships with administrators and regents. No other state employees had to do that, and we still settled for less. Please, do your best to correct that Chair Hardesty.

Chair Hardesty: Thank you, Mr. New, and on behalf of the Committee thanks and appreciation for your thorough input on repeated correspondence that we've seen and read and have appreciated very much. Thank you.

Kent Ervin: Kent Ervin, Nevada Faculty Alliance. Thank you for your service and dedication for improving higher education in Nevada, chair and members. We at NFA have done our best to -- we respectfully request that you consider and adopt

our suggested improvements to the recommendations that are in our written submissions. Details are important to avoid surprises during implementation. Nevada's colleges and universities are underfunded in total taking sums to lift up others is wrong and counterproductive. All new components of the funding formula should be contingent on new funding and/or harmless provisions, although only the legislature can appropriate funds, you as a committee are free to state that your recommendations are contingent on funding. Each recommendation today should also stipulate that future funding amounts should be adjusted for inflation. Getting to the details, the 40/40/20 greatly overcompensates the goals for wrap around services and provide meaningful NFA recommends 75% for weighted student credit hours, 20 percent for attributes and five% for OBF. OBF using the relative growth model should be limited to about five percent, more than that would lead to volatility in budgeting and np planning. New relative performance factors that are not correlated with absolute enrollment should be developed first, then permanent additions to the base budgets are needed to fund the relative growth model at 2.5 percent at the first biennium that level is a modest request. If the legislature does not appropriate new outcomes-based funding, then it means that it's not really a priority of the state.

The allocation to student head count should match or moderately exceed the eight percent of budgets that are spent now on student service more would lead to administrative bloat and incentivize having students taking single courses rather than completing programs. NFA recommends a 20% allocation to the student attributes component which still creates significant redistribution of funding from UNLV, UNR and WNC and they need to be held harmless. Please also recommend that the reported formula factors be audited. The formula should incentivize student success not creative accounting. Finally, the Committee should not doctor decisions to the chancellor and the presidents that will just cause political wrangling - take a vote and make a decision; that's your job. Thank you so much.

Elliot Parker: My name is Elliott Parker, I'm chair of the chair of the [Faculty Senate] for the University of Nevada, Reno. I've read the HCM proposal, and it does not seem based on the actual cost of educating students for either R1 universities the proposed seems unrelated to actual costs. Perhaps this is the cost of having a one-size-fits-all formula fitting round pegs in square holes is just as damaging as fitting square pegs in round holes. Why don't we actually study the costs of our institutions and those of our peer institutions? Why don't we have different metrics for different institutions? The 40/40/20 allocation recommended by the consultants if adopted would put NSHE in a position of representing to our state legislature that we think 40% of state funding should go to student services. I think that will be difficult to defend. If approved this new formula will give incentives to universities to be more like community colleges and encourage part-time over full-time. Even if you phase it in something our state should be proud of. Further the formula will motivate certain practices going forward that are inconsistent with what we've told the legislature and ourselves are the goals of our

institutions, our state and our students. I am sure we need a new formula, but I don't think this is it. While I'm not currently a member of the Nevada Faculty Alliance I do support the NFA's recommendations as a more reasonable alternative. Thank you for hearing me out and thank you for your service to the state.

Jinger Doe: Good morning my name is Jinger Doe, I'm a biology professor and a member of the Nevada Faculty Alliance. Thank you so much for your hard work, this is a difficult topic. My comments mostly revolve around section three with student characteristics being considered for general fund allocation. I am thankful that with section 3a it takes into account part-time students I know at Truckee Meadows we have -- so student head count does certainly help with that, as it would with most institutions i only looked up TMCC's. I am a little concerned about the number of at-risk groups of students being considered. Is there a significantly other at-risk groups who would require more wraparound including English learners as well as students who require disability resource center accommodations due to ADA and OCR. Regarding students in poverty, I know there's been discussion about Pell eligibility and that Pell eligibility is determined by FAFSA, so I concur that we need to identify other ways to identify these that are utilizing food pantries that are available on most campuses. I would also like to provide caution in 3b where it discusses predictors of college success and discussion of the ACT and SAT while we do know a hundred percent that higher ACT and SAT scores does correlate with readiness it also correlates with socioeconomic status and it could be detrimental to our lower socioeconomic students. Harvard recently published a paper that individuals in the lowest 20% of the income distribution less than one quarter of those students even take the SAT or ACT. I would also like to agree that the 40/40/20 allocation should be reconsidered and again I thank you very much for your time and thoughtful work on such difficult process.

Chair Hardesty: Thank you. Anyone else in Reno?

Rachelle Bassen: Rachelle, I am NFA Chapter President, and I would like to thank the Committee. Over the last year I know you've spent time figuring out a plan that involves a lot of different metrics. I would like to speak against the performance pool today because as we know historically the performance pool is more about trying to meet a baseline which almost all institutions have been doing already and then when something does happen like the pandemic in which it does impact the performance pool significantly, we ended up having to get backfilled funding to support those institutions because that type of circumstance was out of their control. And in general, it's not really feasible for the long-term stability of our institutional funding.

I would also like to speak up as a small institution, which WNC is considered, to please consider keeping the small institution factor. We serve a lot of rural areas and we are a small institution, but we still support, we still require a lot of services

that bigger institutions require but we also charge about half of the tuition and fees that larger institutions charge their students. So that small institution factor is really important for sustaining workforce development in our rural areas. Also, I would like to speak up against, to please consider increasing the pool of money for our institutions rather than considering a divvy of the pie slices and that will result in of course different winners and losers with the funding pot, but with inflation which we know has been out of control the past couple of years, that we really need to increase the amount of money being allocated rather than just trying to slice it different ways. Thank you so much for your time today.

Chair Hardesty: Anyone else who would like to offer public comment?

Ed Boog: That would be all in Reno.

Chair Hardesty: Is there any public comment in Las Vegas? Any public comment in Las Vegas? Seeing none, we will go to the phones and see if there's been any callers who would like to offer public comment.

New Speaker: There's no public comment at this time.

2. Approved - Minutes

The Committee recommended approval of the minutes from the May 30, 2024, meeting.

Mrs. Carol Delcarlo moved for approval of the minutes from the May 30, 2024, meeting. Senator Marilyn Dondero-Loop seconded. Motion carried.

3. Information Only – Opening Remarks

Chair Hardesty and Vice Chair Charlton provided opening remarks to the Committee. The following is a verbatim transcript of their remarks.

Chair Hardesty: Let's move onto agenda item three. As you can see from the agenda this is our final scheduled meeting for our work on this Committee. A couple of housekeeping things and then we'll get into some other comments. I'd like to begin with mentioning that NSHE has agreed to host lunch. So hopefully people have had a chance to fill out a lunch order and that'll be delivered around noon or so.

The next thing, I'd like to begin is by providing an update on some of the work that has occurred since the May meeting. I want to begin by thanking the NSHE staff that is working today to allow this meeting to occur. The IT personnel and staff within NSHE have been fabulous throughout this process. Quite frankly, I wish all of our meetings had occurred within the NSHE rooms. They are comfortable and the staff has been really excellent in coordinating them. Thank

you very much.

I also want to extend my appreciation and thanks to Crystal and Heidi who've done such a fabulous job staffing this effort. It goes unseen, but we would not be anywhere near where we are today in understanding these issues without their work and dedication. We have had a number of meetings and phone calls together, along with the Chancellor. It's been a wonderful experience for me to get to work with these ladies and see just how much of a contribution they make to the Nevada System of Higher Education. So, thank you both, really appreciate it.

Next, I'd like to thank HCM Strategists for their work and effort on our behalf. We have requested a number of things from you and really appreciate your deliverables. There may be reasonable people who have debates about what is presented and how it should be interpreted and how it should be used, but nevertheless you folks have done a fabulous job and have helped the Committee a great deal in our understanding of a number of issues. So, thank you very much.

We have all spent quite a bit of time working on this matter of the funding formula. And I don't know about the rest of the Committee, I'll just speak for myself, but for me, the charge of the Committee was to address and update a funding formula. Implied, in my view, in that task is the fact that there is sufficient money to allocate. My takeaway from these meetings and the work that has been done by staff is that that is not the case, and what has occurred at least from my point of view is that we are asked to develop a formula that guides the legislature but also guides the institutions on how we allocate our funds. I was very pleased to see as this effort went forward that members of the Committee identified the importance of adequacy and equity in funding. So, my view is that the state needs to develop an overall approach to how we address our college and community college education. We need a set of goals, objectives, and then fund to those objectives and goals. That's my view. I'm hopeful that today one of the first things we will recognize is the importance of addressing the continued process of studying the equity and adequacy of the funding for our institutions.

I want to be responsive to the speakers who've spoken at various times, including today, about that, but we have to be mindful that our charge as a committee was to develop a funding formula, not to address all of the intricacies associated with how the money gets allocated by the legislature. But it is obvious that the Committee needs to recognize that some of the decisions we're being asked to address in our debate and our votes on these formulas are driven in part by what's left, what will people have left if that's all we do. And it seems to me we need to do more, as was suggested by some of the speakers in encouraging a further study beyond this point about the adequacy and equity of funding. I look forward to that discussion as part of our effort today. This was not a charge to HCM directly, but I do appreciate their reaching out and gathering some information for us.

I also want to thank the members of the Committee. It has been an honor and a

privilege to get to know all of you better, to work with some of you that I've worked with for many, many years and to look at the enthusiasm and energy that exists among this group. The horsepower of intellect has been impressive, and I've had a front seat to watch all of this, which has been fascinating. And finally, I'd like to thank the Chancellor for initiating this effort. She's a tremendous leader. We owe her a great deal of gratitude for her effort in carrying this forward. Thank you, Chancellor, for all of your work in getting this accomplished thus far.

So, with that, there's an overview of today's meeting I'd like to share with you. First of all, HCM Strategists and [indiscernible] have met with the business officers to discuss the recommendations and will consider during our work session today. So, we'll have input from the business officers for each of the institutions as we talk about what is going to occur. The business officers also had an opportunity to discuss the recommendations, and they saw the recommendations that are being considered today. HCM Strategists has updated their working version of the model in consultation with Chris. Thank you, Chris, for all of your work on this. I was telling him before the meeting that he's been here just about a year, but this is in dog years. So, we're really seven years into the mission. This will allow us to see the impact on our recommendations live as we debate them. So, we'll be able to see what kinds of impacts we can see from the adjustments that we raise and consider when we get to that point.

Our staff has also prepared this work session document. Very impressive. The document includes recommendations we discussed during our May meeting, and as you'll recall from the May meeting we vetted a number of topics. Not all of them made the cut. They were left on the floor for a variety of reasons. So, the ones that we assumed would be the parties would have most interest in and the Committee would have most interest in were included in this work session document and others were delayed and some were delayed because we just didn't have statistics with which to adequately debate them. It didn't mean they aren't great ideas and important suggestions; it just means we need to collect more data to understand them.

We received a memo from the Nevada Faculty Alliance from my request for feedback from the faculty. I think they did a thorough job. I really appreciate their input and their suggestions and their comments. Today's meeting includes two key areas, HCM Strategists will present an overview of the balanced approach including best practices and growing trends and will again review the basic components that make up the balanced approach framework. This is to remind everyone that the basic components and how they will allocate the general fund appropriation.

Our staff will then lead us through the work session document before we begin our debates and discussion of each point. And then following today's meeting, our staff will update a draft of the final report that will reflect the recommendations we make today. The report will then be transmitted to the Chancellor. As we have

discussed before, the chancellor will submit the report to the board of regents and the governor to determine how best to advance and ultimately through the legislative process. Before I ask the Vice Chair for opening remarks, I just wanted to clarify something that Mr. Christenson that's an area that I wanted to discuss with the Committee as we get to the end of the meeting. There might be an edit or two in a document like this. So, I would like to find out a way to facilitate how the edit might need to be addressed, if it can be addressed. So those are the kinds of questions Ms. King that I have for you when we get to that point. But all of the Committee's members names are on the report, and so it seems to me that you should see as best we can what we're doing before we deliver it, if we can.

Now, that puts a tremendous amount of pressure on Ms. Abba and Ms. Haartz, so I don't know if the turnaround is going to work very well, but I want to explore this when we get to the end of the meeting. Okay?

So, with all that said, Vice Chair, please proceed.

Vice Chair Charlton: Good morning for the record Patty Charlton Interim Chancellor. I want to thank you all of you for being here today. I recognize it's been a short 10 months, but here we are. I want to first start by thanking everyone again for your participation and all of your hard work, in particular I'd like to thank the chair and chairman Hardesty you have done an absolutely phenomenal job in guiding the Committee and you have been very diligent in giving the institutions and stakeholders within NSHE every opportunity possible to participate in this process. From the president's presentation to the submission of written recommendations to hearing from faculty as well as students, thank you so much.

In any process like this, it is important that the institution voices are heard, and no one can dispute the number of opportunities that you provided. So again, thank you Mr. Chairman. In addition, I want to thank HCM for your hard work. This has been very difficult work, and the formula is not easy for all people to understand. I appreciate the breadth of experience that you have brought to the table and your expertise and recommendations that have helped lead us where I believe we have reasonable recommendations for the Committee to consider today. Between the institutional advocacy and the best practices recommended by HCM, I believe the Committee has thoroughly studied the formula issues and is prepared to take all the information collected and recommend thoughtful formula revisions today.

During our work session today, the Committee will take final action on a set of recommendations that will be included in the final report that will ultimately be transmitted to the Board of Regents, to the governor as well as to the state legislature adhering to the original deadline, the final report will be delivered to all parties on August the 31st which is not very long away. We have discussed on several occasions the challenges of coming forward with formula

recommendation when the process for developing the board's biennial budget is also running in parallel to this Committee's work and as such I'm grateful that all the recommendations that are presented today are presented as cost neutral so as not to compete with the existing enhancement request that each of our institutions have brought forward and the board will consider in just a few short weeks. And as I've said before, those numbers in excess of over \$200 million so this is very thoughtful work.

On August 23rd the Board will consider NSHE's budget proposal for the 2026-2028 biennium which will include the allocation. Depending on what comes out of today's meeting the recommendation will be considered as enhancement request essentially bringing this work to full reality. Throughout the process the Committee has discussed the importance of continuing the momentum of this work and the recommendations. I agree and I have already begun to schedule these meetings with the presidents, and we will begin advancing recommendations that are approved here today. We are prepared to move forward from recommendations to actions quickly and thoughtfully.

Mr. Chairman, that concludes my remarks.

4. Information Only - Review of the “Balanced Approach” Formula Framework

Representatives from HCM Strategists presented an overview of the “Balanced Approach” formula framework whereby state appropriations may be allocated based on four components: 1) Operations and Maintenance/Core Costs; 2) Weighted Student Credit Hours (WSCH); 3) Student Characteristics; and 4) progression and outcomes. Following is a verbatim transcript of the overview provided and corresponding Committee discussion:

Chair Hardesty: Thank you, Chancellor, so we'll get started then on agenda item number four. I thought it would be very helpful to once again call on our staff to lead us through the balanced approach framework and the work session and we'll lead on. So Crystal, Heidi?

Crystal Abba: For the record Crystal Abba, Committee staff. Just to give everyone a broad overview of how the mechanics of today will work, because I know, as the Chairman indicated and as the Chancellor indicated, this has been an incredibly fast process and you're dealing with a subject that is technical and complex, at best. So, we have been extremely deliberate in the way certain things have been set up so that we can have maximum flexibility today. Let me just very quickly go through the expectations for the day in terms of who you're going to hear from and why and where that flexibility exists.

First of all, when I'm done talking you're going to hear from HCM [Strategists] and the purpose of HCM's item is as we came out of the May 30th meeting, we want to make sure since it feels like a lifetime since May 30th and many of you have circumnavigated the globe it's intended to be a primer and a refresher. If

you go back to the Committee's website, on that website there are literally hundreds of slides that HCM has presented, which is really the compilation of the data collection of this work. But today they're distilling it down into the key parts and Will and Nate [will present] the balanced approach in terms of the 40/40/20. So once we get through the HCM presentation, they're showing you those basic blocks, what's in the block, what it looks like, what the rationale for the block was, giving you all of that background and hopefully addressing other concerns that we may have heard between today and when we last met.

Once we get through that presentation, as we go through the work session, Heidi and I will be sitting over there, and we'll guide you through each item. With each item, we will often be calling on the Chancellor's Office so we can provide whatever feedback was received by the Business Officers. And HCM, obviously is the subject matter expert, and will have the opportunity to provide additional information as you ask questions.

A quick reminder: there are basic components in this and decisions that you will make, such as the small institution factor price, the small institution factor threshold, and weighted student credit hours three-year weighted average versus the current method. Those are what I consider your basic components and decisions that you will make in the beginning of the work session. Then we will take a break so that HCM can push those items into their model and as we get to where the rubber meets the road in the 40/40/20, we will actually project on the screens the [HCM] model. And HCM has done a great job in terms of color coding so you're going to see your prior decisions color-coded and in that model.

Now you're saying well, wait a second what if we change our mind what if we make a decision and go back, you're going to be able to manipulate that, but if you change the recommendation, we'll of course have to rescind the prior motion and then make a second motion. But I think for the basic issues being the small institution factor the way this is crafted we want to make those decisions first because it's a funnel it's coming to the rubber hitting the road at the bottom of the funnel. There'll be a brief break so that HCM can put all of that into the model. We do have some technical challenges in this room. They will be projecting on the screen, but it's going to be via Zoom.

I beg your patience in this process. We're doing the best we can to do this dance between the Committee staff and the consultants, and you're going to be dealing with a lot of complex issues. So, this is going to be a slow and very deliberate process as we walk you through that. And the good news is it's only 10 o'clock and we've got the room for the full day, but we plan on being done a lot sooner. So, with that, Mr. Chairman thank you for the opportunity to provide that overview of the process we will follow today.

Chair Hardesty: I will just add a footnote. I know that the desire has been to establish a formula that would go on for a considerable period of time potentially.

I don't think it necessarily means we can't propose a temporary formula in order to continue other studies and gain other information that would influence or inform the content of the formula going forward. So, I throw that out there for consideration and we'll debate that more as we get closer.

So, let's begin, then, with the work session and let's begin with HCM's presentation and overview. Are you ready, Ms. Snyder? Okay.

Martha Snyder: [indiscernible]

Rick Combs: Mr. Chairman, we're not hearing the presentation up in northern Nevada.

Chair Hardesty: Thank you, Mr. Combs. We're checking her mic.

Martha Snyder: Well, thank you again for having us present today. As the Chair has noted, we are going to walk through pretty much what we walked through last time, just as a re-grounding of the framework that we are building off from in terms of what you'll see reflected in the funding model. As Crystal just walked through, there are some kind of micro decision points or components that certainly still need to be decided in terms of options within the broader context of the funding formula. But then the bigger considerations around the 40/40/20 breakdown. So, this is really just a re-grounding again of what is in the funding formula, the approach that we are putting forward and some of that context for why we think this reflects much of the input that has been provided throughout this process.

So, this is the high-level as has been noted a balanced approach. This is definitely a best practice and a growing trend that we are seeing states adopt. Certainly, states are adopting this because they are struggling with or navigating many of the issues that have been provided throughout this process. It reflects as is broken down here some support for core costs of an institution, some enrollment components that are oftentimes a combination of FTE or full-time equivalence head count or credit hours with adjustments for certain characteristics to reflect the additional supports that certain students need on the front end of their educational journey. It also reflects some student progression and outcomes aligned to the state's need for increased completion and attainment with adjustments again for increasing student success for underserved populations and certainly some reflection of high demand, high-value credentials. And finally, some mission differentiation. This component is oftentimes embedded within other components rather than a separate or distinct component, but for visual purposes here we have it as one of those components.

Speaking specifically to the formula that's being put forward, in Nevada taking that comprehensive approach. Again, the 40/40/20 and we'll get into this is just a starting point, but just in terms of how each of these components reflects the input

that we have received throughout this process, the O&M and core costs in the small institution factor again a decision that will be made today, but the recommendations for maintaining and in fact increasing the small institution factor. Also, within that O&M and core costs is the [small institution factor] SIF and research O&M adjustments, which reflect mission differentiation within that component of the funding model. Within the enrollment component is certainly the head count and part-time reflection.

We received much feedback on the need to ensure that there is some enrollment-based component that accounts student enrollment that's not currently captured in the FTE equivalent and a head count component would address that. That is also addressed or adjusted for student characteristics, again to reflect much of the feedback that we heard around not just having an enrollment component but reflecting that there are certain students that require additional supports or for whom the costs are higher. A maintaining of the enrollment-based course weighting component of the funding formula, some additional potential adjustments to that in terms of a potential three-year average, again another decision that this Committee will make. And the continuation of the weighted student credit hour research premium.

And then finally is an integration of the outcomes component within the actual broader comprehensive funding model, versus a carve-out of the weighted student credit hour that is then earned back. Perhaps the biggest adjustment of the funding model in terms of its core components is no longer a performance pool but an integration of outcomes within this broader framework of a funding model. We recommend a relative growth approach and certainly there are different metrics and weights that are applied within the progression and outcomes that reflect the differentiation component of this funding model.

This just shows kind of the differentiation between the current allocation as has been noted, the current allocation on my right of the screen is currently nearly a hundred percent, a small amount for O&M core costs but nearly a hundred percent driven by weighted student credit hours with a 20% carve-out for the performance pool which is earned back if institutions meet their set targets. Our recommended allocation as noted here, again, we currently have it divided 40/40/20 between the weighted student credit hours, the enrollment-based funding and outcomes with the O&M core costs a small carve-out that would happen on the front end of that allocation. In terms of the actual breakdown of that recommended allocation, core costs and O&M are about 2.1 percent of the funding model. The enrollment-based the student-based funding is 39.2%, the weighted student credit hour would be 39.2% as well and the outcomes would be 19.6%.

In terms of the why 40/40/20, we want to be emphasized as has been emphasized many times, this is truly a starting point for discussion. The Committee will consider different allocations, and this will be something, as Crystal noted, that

you will see projected on the screen. So, we can break down and model out different combinations of the components of the funding model. There is certainly wide variation among other states and therefore no one answer. For Nevada, the goal is to address the state's priorities and the feedback that was received about the current formula, and this includes certainly some reflection of increased access, especially for those underserved populations and the increased attention to students need greater level of support which is reflected in that first 40%. The student-centered enrollment component. Just a quick reminder they allocate funds they do not require or encourage funding in specific ways. So, there is no expectation that how institutions receive their funding specifically drives how they spend their funding. And current Nevada spending on certain activities is not an appropriate benchmark and Nate will provide a little more insight into that. As the feedback indicated that current levels weren't sufficient.

Chair Hardesty: Ms. Snyder, may I interrupt your presentation at this point? One of the key discussion points for today's meeting is this balanced approach and how one goes about selecting these percentages. From all that I've read and what I've been able to discern and compared to the next slide, which identifies various approaches by the states, this seems to be a bit arbitrary. From my standpoint as a judge, I look to evidence. What are the rational reasons, fact-finding basis on which I make adjustments to these percentages based on their particular outcomes and impact. And I struggle to see that here. One of the things I was hoping you might share is, if this Committee were called upon to make findings, for example, to adjust percentages, what findings would they make? Short-term and long-term. Do you understand my question and could you respond.

Martha Snyder: I will start, and I will look to Nate who will be presenting, I think can provide some insight into this.

Yes, so the 40/40/20 is arbitrary in a sense. The reason for that is that a lot of the data on higher education spending and funding is not particularly consistent, nor is it necessarily informative of what it truly costs to support students, to provide instruction, and to get the outcomes that are necessary that you're trying to achieve here. So, the 40/40/20 is relatively arbitrary in terms of a starting point for discussion. Some of that is truly based on a lack of strong data around the actual costs of educating students and providing the student supports and the instruction necessary for the outcomes you're trying to achieve.

Chair Hardesty: Before you go on, would an adequacy and equity study help inform the decision-making for the selection of those allocations?

Martha Snyder: It would certainly get you closer, yes. It would help inform a less arbitrary approach.

I'll just pause here. I won't spend much time on this because I do want to get to what Nate will present which will shed some light on my reply to that question.

This does show that there is great variation in terms of how states approach this comprehensive funding model in terms of the breakdown across different components within each state. They vary both within the amount going to each component in terms of emphasis on outcomes in the state of Texas at the community colleges, Oregon perhaps the most balanced of the formulas that are put up here, but also in the percent of revenue that is coming from the state. So just kind of consideration and context for all of that. I'll turn it over to Nate to walk through some of the data around the categories of institutional expenses.

Chair Hardesty: Before you do that, I want to invite questions from Committee members as a result of the chair's questions. Are there any comments? Yes Mr. Christenson.

Glenn Christenson: It makes sense to me the balanced approach student attributes, performance, but I really struggle with what those percentages ought to be. I don't eat and breathe higher education every day, this is more of a business environment, I'd probably have a more informed way to think about it, but if the seven presidents were sitting here and said we like this percentage, this percentage I'd feel really good about that. Our state's different than those other states and I'm really struggling with the right thing to do if we're going to take a vote on what we think it is, I don't know. I don't know what it ought to be. And while I'm here, could you help me -- we keep talking about adequacy and equity funding. I understand adequacy. I'm not sure I understand equity. I think in the last meeting, Senator Mosca brought it up, but I don't know if there was intended to be some distinction there, I just don't know what equity means.

Chair Hardesty: I think we'll have that discussion when we get to that agenda item what is equity being applied to? Are we talking about diversity related issues? Are we talking about equity between institutions. So, I think some clarity to that will need to be made.

Yes, Ms. Fretwell.

Ms. Fretwell: Thank you Mr. Chair, Betsy Fretwell. We may have discussed this, but I don't remember it. When we look at the chart and do comparisons by state, do we also know any of the details about the performance criteria after these formulas were changed? Meaning, did their graduation rates improve, did their ongoing to college rates improve, did career attainment improve? When you're benchmarking, you're usually benchmarking against that and I think you all have identified these as practices. So, it may be a little bit preliminary information, but if HCM could take a moment and say why these are best practices and if we know what those outcomes were or deliverables were by these funding formula changes, that might help address Mr. Christenson's questions. I don't mean to put you guys on the spot, but I think it'll be helpful for us to know why they are best practices and to what end, because that might actually help us figure out which ones are the ones that are most reflective of where we want to go in Nevada as a part of this.

Thank you, Mr. Chair.

Chair Hardesty: Any other committee members that have any questions based on the chair's questions? Chancellor?

Chancellor Charlton: For the record Patty Charlton. I just wanted to add to the point one of the areas that we had talked about earlier I know as we're looking at these different proportions, I want to bring back to the Committee that one of the recommendations that we've talked about is that we don't lock this in place permanently and I think you had made that point, but rather as a part of our report this will be an ongoing process that includes making adjustments and not waiting 10 years to do that. So perhaps it's every two years or every four years we have that opportunity to revisit. So, I just wanted to add that I don't want us to lose sight that that's something we've already discussed as a committee, that we will continue to look at this and maybe it's every other biennium but at least giving an opportunity to be functional but to not lock it in place and to bring that back. And I appreciate all the work that the business officers have done, and they've been rolling their sleeves up with vice chancellor Viton as well as HCM.

Chair Hardesty: So, I think as we go forward, we will get some input from Mr. Viton's and the presidents' view on some of this and I think the chancellor and I are saying the same thing. I'm looking at the formula as kind of I call it temporary but short-term and subject to review, subject to review. And I think it is an ongoing process. I would also like to address Ms. Fretwell's comment about outcomes because in the same area where equity is potentially ambiguous, so is outcomes. The thing that I've struggled with is understanding what are the State's goals and objectives for the outcomes we're trying to achieve. Has that been defined or was it, who did it and under what circumstances? So, when we talk about a study and I think this is critical to the process going forward about adequacy, I'll just call that adequacy for now, but it's really intended to inform how you adjust these percentages and by understanding what the outcomes are that the state seeks to achieve. And I think that's part of those studies.

Glenn Christenson: Glenn Christenson for the record. I couldn't agree with you more and I would've thought that maybe the state and NSHE who've come up with their own goals and objectives didn't come to us and say okay these are the things that we really want to accomplish and then how do we use the funding formula to accomplish those things to make sure they get done and incentivize them to get them done. That's not necessarily the way we've approached that.

Chair Hardesty: And I do think in fairness the focus was initially on well, is the current formula operating, let's update it and as you begin to work through that, you realize especially when you shift away from the performance pool -- I don't know how the rest of the Committee members feel, but the one aspect of the existing formula that seems to be universally rejected by almost every input we get is the performance pool. Okay, so now we look at outcomes which I think

makes sense, but in those outcomes we need guidance from the educators and the professionals themselves as well as the legislators and others who make policy decisions in order to inform what the formula needs to look like and whether the formula is producing the outcomes, to Ms. Fretwell's very point.

So, Nate, we invite you to participate in this conversation. Oh, I'm sorry, yes Mr. Brooks. Excuse me, Nate.

Regent Brooks: Byron Brooks for the record. I at least want to participate in some of the conversation pertaining to best practices and what may or may not be the opinions of various presidents at universities. I think what you may find is that based on the size of the institution and the effect that a funding formula would have on that institution. You would have varying answers for what may be the best practice approach. It's difficult when we take a look at higher education, not only under the current funding formula but under the current budgets that are being set to support financially higher education throughout the state of Nevada. So, there's certainly lots of considerations when we take a look at what are the best ways of implementing policy to make sure that our institutions are successful, which means that our students are having the best experience they can have on a campus and they're receiving an award as they go through their studies. There's really not a one-size-fits-all, but it seems that that is oftentimes an approach in taking a look at how to implement a piece of policy because the institutions are looking at what they would consider fairness or equitable to them. So that one institution wouldn't be benefiting too greatly or under another institution. So, it does get a little complex and I hope that that this leads to what does this look like in terms of best practices and where do we go and it seems to me like this Committee has gone to the consulting group to seek what are some of the best ways that we can move higher education forward in the state of Nevada. We've sat here for less than an hour and already my concern, chair, is that we're starting to talk about additional studies and while I think there could be some ways of implementing some of the recommendations that are being brought forward today, there's certainly value in monitoring what that looks like over a length of time so that there is action to what we're doing, but at the same time monitoring and assessing as we move along. So that changes are being made, because the way things sit right now there is a more effective way to get things done, which I think is why we're here. So, thank you for the latitude and time for the comments, Chair. Appreciate it.

Chair Hardesty: Of course. I think the concern I have is in making decisions about the formula, you can see some very drastic impacts on some institutions versus other institutions. So, if one adopts a formula intended to be short-term over a longer period of time, it could have really drastic outcomes and negative outcomes for some and maybe not fully beneficial for those who would receive more. So, this is my concern, I think we have to take that into consideration.

Nate Johnson: Thank you, this is Nate Johnson for the record and your question,

chair, about wanting findings and data I think is exactly the right one. Unfortunately, it's one that's often not addressed in the context of state support for institutions. My experience has been that with financial aid which is about 15% of state investment, there are all kinds of studies and we can give you really good data about you invest another thousand dollars per student or a million dollars in a state, you're likely to get this many more degrees or this many more enrollments, but for the 85% of funding that goes to institutions there's a lot less research about what leads to particular outcomes for students or for institutions. So, there is some and we do know in general that more funding for institutions at least up to a certain point does tend to produce more affordability for students, more graduates, more enrollments. There's a point at which that tapers off and we don't know exactly what that is, but there's no Princeton in Nevada. So, none of the institutions is so generously funded that additional support wouldn't probably given the resources to have better resources.

So, one reason for the balanced approach -- and again, 40/40/20 may not be the right numbers. We wanted a starting point that would be a significant enough departure from current practice to make this exercise worthwhile, but we also didn't think regardless of which numbers you choose, up or down from those, we don't think there's any risk of any institution ending up overfunded out of this process. So, what we were going for with the balanced approach wasn't geared so much toward outcomes as to our understanding of some of the pain points in the state in terms of what the business models of the institutions were and where the pain points are. So if you think about what the different ways you can serve students or work as an institution might be and how the funding sources relate to those, you could have an institution that focuses on high-cost programs that the state needs or that the institution wants to serve and you need weighted student credit hours for that because some programs cost much more than others. So, a small number of students in very expensive programs. That's one thing you can do. You might have more broad-based programs that serve a lot of full-time students and then you just need credit hour funding, FTE funding and that could come through either state funding or tuition which is essentially FTE funding of another sort. You could have an institution that serves a lot of part-time students and for them maybe their weighted student credit hours or the credit hours aren't going to do them that much good because a lot of their costs are associated with maintaining 50,000 email addresses for students taking three credits each or something like that, advising all those students. You could have yet another institution that wants to focus on transfer or graduating students and they say oh, we're going to bring students in who've had most of their credits somewhere else and we're going to try to get them to last 30 credits they need to get a degree. And for them, the outcomes funding is going to be the part that makes that kind of a business sustainable.

So again, we're really thinking of this as not so much what are the outcomes, but what kinds of funding sources and levers do you need so that institutions pursuing their mission in different ways can do that in a financially sustainable way. And

again, 40/40/20 may not be the right numbers, but based on what we heard from the very different kinds of institutions in the state and the other people that we talked to, we thought that this was a point that would produce some movement in the direction where there seemed to be some gaps in that base and what institutions might need to pursue their missions without deviating too far from the state's current practice and the funding levers that are already -- institutions are already relying on.

Chair Hardesty: So let me direct you to the next slide that raised this issue for me, and particularly as it relates to the selection of the percentage applied to outcomes in Nevada. If the next slide, Texas for two-year institutions looks like roughly 90% appears to be dedicated to outcomes. Oregon for two years looks like it's less than 10% dedicated to outcomes. Now they're both I assume community colleges but vastly different. So, what are the outcomes that the two states are trying to achieve and fund to? We haven't defined that here at least as near as I can tell. And then when you look at the four years, in Oregon for example, which I thought was an interesting approach, outcomes represent a pretty substantial percentage there. Well, what are the outcomes and how did that state go about defining those outcomes, so they could fund to that? Here, what I'm concerned about just from pure math, is the more you weight outcomes in our state which are undefined, the more you deplete the resources for an underfunded institutions in other areas and we're doing that at the expense of undefined outcomes. That's my concern.

So, I raise this debate not to be critical of anybody, just that the reality is what you just said, nobody's going to walk out of here with more money than they had when they walked in, but at the end of the day what could actually occur is we make a selection. Everybody wants outcomes and I fully support we should fund to outcomes, but if they're not defined, then I'm not sure how we set that. And it looks like in two states and in separate types of institutions they did it differently, and I don't understand the underlying rationale for those decisions to have been made. That's one area.

The second area that concerns me is whether it appears we should be looking at formulas that apply to community colleges differently than the formula that applies to universities. I'm not sure. I don't know that I fully understand what is the best approach there either. Do you have any comment on that, Nate or Ms. Snyder?

Nate Johnson: Well, I do and then I'll turn it over to Martha. I think in terms of having separate formulas and Nevada is a sufficiently small state with a small number of institutions that having multiple formulas is a lot of formula for a small number of institutions. And while the institutions are quite different in their missions, the place at which they overlap really is on the delivery of instruction and advising to students and then for some of the other things where their missions are different, like graduate education, research, there are other sources of

funding such as tuition, sponsored research, revenues from patients, things like that that are not coming from the state that are supporting those differences in the mission. So, the state's investment exists in an area where you can choose to fund those things if you want, but you can also choose to focus on the overlapping areas of the seven institutions' mission with the state investment and then rely more on the other sources of funding for the differential parts of the missions. Martha, do you want to address the other part of the question.

Martha Snyder: I think in terms of just the outcomes that you're trying to achieve, I think I understand what you're saying in terms of you feel like it's not defined. I will say when I walked in, I noticed the little banner at the front door that articulates some very clear strategic priorities of access, success, workforce alignment. Sorry I don't have them all memorized it was a quick glance, but I do think that that is an orientation point for the state and I think very similar to the goals and objectives that are articulated in the states that are listed here.

All of these states have very clear strategic goals or similar strategic goals of providing access to students and particularly those students that are underserved when you look at the funding model that is reflected in the change to enrollment adjusted for student characteristics. The states have goals around supporting outcomes and that is degree completion most clearly, and again with an articulated goal of closing gaps and who achieves those outcomes and that is reflected in the outcomes portion of the funding formula with adjustments for student characteristics. And then there are goals around high-demand, high-field things which are oftentimes reflected in the instructional costs and the differentiated instructional costs provided to different programs.

And again, that is reflected in the weighted student credit hours aspect of the funding model. So, I don't know if that's a sufficient answer. I know the state does not have a big goal, it does not currently have a unified strategic plan necessarily, but I think those goals that are reflected at the front door of the NSHE office are also reflected in the funding formula that is being put forward.

Will Carroll: Will Carroll the record. I think also in some of our past presentations we've reflected on the metrics and noted that they align with best practices in terms of a strong emphasis on completion, completions by underserved populations and some of those progression metrics to recognize progress toward completion. So, I think our assessment was that the metrics that are currently used for the performance pool are strong metrics and a strong package to be used when designed in a separate way as the balanced framework would do so. So, I just wanted to reiterate that point.

Peter Reed: Mr. Chair this is Peter Reed. I have a question if it's okay. Hi, this is Peter Reed. I first want to say that I appreciate the responsiveness of this proposed model to the general consensus across the committee that we eliminate the performance pool. And my question is, if you can just describe kind of the

operational difference between the performance pool and the use of the outcomes component in the base model [a] and then [b], just give some thought as to whether or not it would be possible to include the outcomes component on top of the base funding as a true incentive, and then dedicate the base funding really to the weighted student credit hours and the student characteristics. Thank you.

Will Carroll: Will Carroll for the record. The structural difference between the performance pool as is currently in the proposed outcomes based funding really is intended -- the recommendation is intended to address some of the concerns about the fact that one, institutions funded difficult for budgeting purposes and also serves as a little bit of a challenge to have this need to earn dollars twice, they earn back, but it's also very clearly not an incentive to increase outcomes above a certain point. Once you hit the target you get the same amount of funding no matter how high above that target you go. The outcomes-based funding is a separate component of the funding formula using the relative growth model would change that dynamic. It then measures how well your institution improves over its own baseline relative to other institutions. So that creates that incentive to continue to knock it out of the park as far as you can in order to get those additional dollars. I think there are some concerns about stability of that and some of our analysis last time indicated that weighted student credit hours and enrollment are somewhat nearly as unpredictable in one year as outcomes are. So, I think across the different components here there's not a lot of variation in terms of which ones are most difficult to budget for. Am I missing a part of your question?

Peter Reed: Yeah, the add-on.

Will Carroll: Yes. So generally, our professional recommendation not to have performance funding be something that is only funded with new money. There are years in which no new money is available and as the chancellor indicated with all the enhancement requests in the future, there's not likely to be new funding or at least for an outcomes-based portion and to maintain the incentives for institutions to focus on student success in every year regardless of funding levels, it's important to bake outcome based on the main components of the formula.

Chair Hardesty: Thank you. Do you want to continue, Ms. Snyder or were there any other questions or comments from committee members.

Nate Johnson: We already looked at the other slide this one shows for context for this part of the discussion the mix of core expenditures across the country for public institutions, which are the kinds of things in the bracket there that are typically funded out of tuition and state and local funding. So, you have instruction -- and all of these things have some component that could be related to weighted student credit hours or unweighted credit hours or head count, but instruction would tend to be more on the weighted student credit hours or student credit hour side whether that's paid out of state funds or tuition. Student services

would be more things like advising and would probably be more head count related. Students would be entitled to access the services regardless of whether they're part-time or full-time. Academic supports things like libraries would have a mix of both that would also include technology and different kinds of subscriptions and licenses. Some are structured with head count, some with FTE. I'm sure they don't use Nevada's version of weighted FTE, but they have different ways of quantifying the size of the institution for a license. Institutional support is things like the president's salary, general counsel, institutional research, and that is related to all of the different other cost drivers of the institution. Some of that could be paid out of research, indirect costs for institutions that have that, but mostly that is also going to be paid for out of either tuition or state and local funding. So just a sense of the things that we're thinking about paying for with these different drivers in the formula.

Will Carroll: I think this chart, this is national data. Maybe it's one of the best anchors we have in terms of thinking about the 40/40/20 split in terms of that instruction versus those other costs that are bracketed there. It's almost a 50-50 balance so that was a little bit some of the basis for the 40/40 having equal weights going into our recommendation. Again, as Martha noted current spending is also not necessarily the right spending levels. So, some of the decision about the 40/40/20 is a response to what you've seen with your current funding formula and there was a clear emphasis on needing more funding for the students as they're enrolled before they complete their courses providing the different services based on their varying needs.

So, I'm going to take time now to walk through each of the different components that the work session will delve into. Just there's a little bit of re-grounding in what it is that you all are going to discuss today. We'll start with the small institution factor and we'll be looking at proposals to increase the amount of the SIF factor as well as the threshold and we'll touch on each of these sort of what this proposal is addressing based on stakeholder input and we heard loud and clear from folks that SIF has not kept up with -- and that smaller colleges phase higher costs due to their small size which is a deliberate strategy that they use as well. On student-based funding, this would add a component to the formula allocating funding based on head count and FTE. That would be an even split between head count and FTE and there would be weights for students underrepresented minorities and Pell students. This was developed in response to the need to reflect costs associated with students needing additional supports and part-time students and also the notion that the weighted student credit hour does not provide funding for students who enroll but drop out, but there's still plenty of costs that come along with that.

One thing I want to –

Rick Combs: Mr. Chairman?

Chair Hardesty: Yes Mr. Combs.

Rick Combs: I'm sorry I know it's a re-grounding, but could you help refresh my memory? What was the basis for the 50% head count and the 50% credit hour and what's the difference between the two of them? I mean, what are we trying to address with each of them individually that couldn't be addressed with just using one of them as opposed to overcomplicating this?

Will Carroll: Very fair question and I think it speaks a little bit to -- somewhat trying to match this -- so it's trying a little bit to find the right balance in terms of what the cost drivers and the necessary supports to provide for different students as they walk through some of these different institutional academic and student service costs are based on just a student regardless of how often they enroll -- or how intensely they enroll in courses and some of them are a little bit scaled on full-time versus part-time. So, it's a little like 40/40/20 to discuss the pros and cons, but it is really the FTE trying to get at those costs that are sort of linear costs and marginal costs versus the fixed costs that every student needs to be provided whether they're full-time or part-time.

So, the student-based funding also includes weights for Pell and underrepresented minority enrollment and in the proposal under consideration in the work session document a Pell student receives a weighted of one, underrepresented minority student receives a weighted one so a low-income minority student would count as three in the formula. Those numbers are also up for discussion about what is the right weight to assign. There's not great empirical evidence at this point to pinpoint exact weights for these students. We can look at other state funding formulas and we can also look at a little bit of research that has been done to this point. So, the first reference point is this quote from a study of funding formulas finding that outcomes-based funding suggests that the equity provisions such as these types of weights can help reduce declines in the enrollment of minoritized students which can sometimes occur with an OBF formula, but there's evidence that these provisions may not be large enough to counteract some of the formulas. I think a lot of states have similar weights to what Nevada has right now with about .4 in completion rates. This research is making the case that that sort of size is not large enough in order to make sure that the institutions have the right incentives to enroll and focus their efforts in completing these students.

I think another reference point is this study one rigorous study that has been done was on Texas community colleges researchers estimated the cost of producing a successful outcome for a variety of different student characteristics and you can see in this table here that the base costs to produce completion was \$4500 for a student with no other characteristics, but that for an English learner it was 1.2 times that cost all the way up to an adult student where it was 2.6 times the cost to produce a successful outcome. They did not look at underrepresented minority students here. They did look at low-income which was 1.3 times the cost to produce the successful outcome. So again at least one reference point for helping guide these decisions, but this is also Texas-specific or using Texas data.

So, moving onto the enrollment, the course weights, the committee will consider changes to the calculation of the weighted student credit hours. There are options for a three-year average. There's also options for using a weighted three-year average that would weight the most recent year more heavily or the higher of an institution's prior year enrollment weighted student credit hours or the three-year average, whichever's higher for that institution. And this addresses the input that's current counting every other year creates a lag time and does not smooth out and can lead to bumps in the count over time.

Finally, on relative growth the outcomes-based funding the proposal is to eliminate the performance pool, creating a separate 20% of the total funding being allocated for outcomes through a relative growth model which measures institutions performance improvement over their own baseline performance. We've heard time and time again; performance pool should be eliminated.

It no longer would require institutions to earn back the money they've already earned through weighted student credit hour, and it does create a little bit more of an incentive to continue to improve outcomes over, you know, beyond a target level. Finally, I want to touch on implementation, and sort of phase in and we talked a little bit about this but I want to get a little bit more specific about what some of those options are as this will be another topic you consider in the work session. So, you know, moving to a new funding formula is certainly a revenue-neutral environment, creates shifts in funding, there are winners and losers, but that impact can be managed.

We certainly recommend a phase-in towards a new formula using any one of these tools on the right to reduce the volatility and the numbers that you see in the work session document that you'll see on the dynamic model that we bring up are not the ones that institutions would experience in any given year, presuming you implement some of these phase-in mechanisms, right?

So, I think it's important when we're looking at the table to keep that in mind.

And also, ideally, funding will increase for institutions, you know, legislature in Nevada has provided strong increases over the past decade to NSHE, not as much as is perhaps necessary, but the more new funding comes into the system, it will also help mitigate some of the impact of that change. Stop loss or stop gain is one example here you can put into place a policy where institutions can lose no more than x% of their allocation compared to last year.

You can say that they will receive no less than they did in fy25, for example, or no less than 95% of what they received in fy25, or you can just phase in once you've settled on the right breakdown of that three components, the 40/40/20, you can slowly move towards that from the current distribution so that it phases in over time.

I just want to be clear that these can be done in a cost neutral way as well.

You certainly can have enhancement requests that pay for the whole thing, but you can run a formula in a way that runs the formula, finds the institution that would benefit from a stop/loss, say it's UNR, a 10% cut, that would be set to 3%, right? Say it's a 3% stop loss, and then you'd sort of redistribute funding to the other institutions proportionally to backfill UNR to make sure that they get that stop loss. So, it can be done in a revenue neutral way, same with the hold harmless, it just redistributes some of the funding from other institutions in order to enact has hold harmless or stop loss. I think that is it.

In the deck we provided we had some examples of the spending categories in the graph that Nate showed in terms of institutional spending but I don't think -- that's more of a reference than anything we need to dig into right now.

With that, we'll take any questions or hand it over to Crystal and Heidi.

Chair Hardesty: Any questions for the HCM folks?

Yes? Regent Del Carlo.

Regent Del Carlo: Thank you, Chair Hardesty. I found it difficult on the material that we got that showed just the percentages and there was no figures. The very first one there was a figure showing, but all the way through -- if I go reading through that, this one is minus 10%, this is up 6%. When there's no dollars attached to that, I can't even calculate, what does it mean, so I really struggled with that. I don't know why where he didn't get real figures.

Crystal Abba: Mr. Chairman, would you like to me respond to that?

Chair Hardesty: Crystal.

Crystal Abba: None of these are real, period. We can use as an example a prior fiscal year's but going into the next biennium, it's a different size pie, so I think to your point on the numbers, it does give a degree of magnitude but the truer degree of magnitude in terms of mathematical perspective really is the percent. When we get to that point in the work session, everything will be projected, and you'll be able to see those dollar values. You're going to see that.

Regent Del Carlo: So, Crystal, we're going to see that today?

Crystal Abba: Yes.

Regent Del Carlo: Okay. That would be very helpful. Wherever you are.

Chair Hardesty: Any other questions for HCM -- I was going to take a short

break, all right?

Peter Reed: Mr. Chair, I have one question. This is Peter Reed. I do have one quick question for HCM.

I'm just curious, we had discussed -- you, Mr. Chair, had offered the possibility that there could be kind of an interim solution leading into a longer-term solution, and a recent slide there was discussion of phasing in the 40/40/20 to be able to reduce the impact of that. And if we're still having discussion about, you know, what the right mix of that is, 40/40/20 or some other distribution and also if it's an interim approach, I just question the sense in phasing it in. So, I just want to hear some thoughts from HCM on that point.

Will Carroll: Will Carroll for the record. But I think it would be important for the committee and board of regents to enact a funding formula, sort of assuming no further action, just from the standpoint of if nothing does occur in four, six years, that the funding formula can continue to work on its own. The funding formula should not be designed in a way that it sort of creates a crisis in four years or six years or something if a secondary formula does not come along, I think would be our recommendation. I don't know if I put that particularly well but...

Chair Hardesty: Chancellor?

Chancellor Charlton: For the record, Patty Charlton, I'm not a fan of an interim formula, but rather a continued review and consideration and evaluation. I guess I would look to you, Dr. Reed, as you're a professor and you teach and then you do assessment and then you make adjustments to that, so I would still add that we've had that conversation, I strongly support an ongoing review of whatever formula comes out of this, but that we do that on a regular and systematic basis to ensure that we are meeting the needs of the institutions. That's just my opinion.

Martha Snyder: A quick response for that. That's absolutely best practice, it is not a 10-year long process, it's every three to five years, the standard practice that the formula is being reviewed. Obviously, any unintended consequences or unintended impacts are addressed more immediately, but there is a standard three to five-year review process of the funding formula to address and continue to -- that's good policy making, period, is, you know, adopt, implement, review, revise.

Peter Reed: Yeah, thank you, this is Peter again. I appreciate those responses. And I guess the heart of my question is more about, if there's a recommendation to phase in to get to the 40/40/20, that presupposes that the 40/40/20 split is the model that we're going to be moving towards and I think we need to kind of reserve that until the committee has the opportunity to really determine what that split is going to be. Thank you.

Chair Hardesty: Okay. Then we'll take a break. It is currently 11:10, so let's return

at 11:20, if that's okay. All right?

The meeting recessed at 11:10 a.m. and reconvened at 11:22 a.m. with all members present except Senator Buck, Assemblyman Gray, Ms. Williams, and Ms. Stephenson.

Continuation of the verbatim transcript.

Chair Hardesty: I can't see their -- see them in the screen yet. Mr. Combs? There you are, okay. Okay. There you go. I would have called the meeting to order sooner, but I lost track of where our -- where our staff was, and they moved seats. Yeah. But, you know, you have to be flexible working with these two, that's for sure.

So, Ms. Abba, thank you very much.

If you would please proceed with our work session agenda item no. 5.

5. Approved – Work Session Recommendations

Crystal Abba: Mr. Chairman, for the record, Crystal Abba and with me is Heidi Haartz.

In front of you is a work session document that was included with the reference material for this agenda item. I'd like to take just a brief moment to explain to the committee how the work session document will be used in terms of crafting the final report. In doing so, I have to take us back to the committee's original charge and how the work of this committee differs from prior formula studies.

Historically, the funding formula has always been considered a legislative formula because it was adopted by the legislature through an interim study committee, and typically the protocol followed by the Legislative Council Bureau on any type of interim study, at the end of that study, they issue a bulletin, and that bulletin is -- I'm going to use the word benign, for lack of a better term, but it is a benign representation of the work of the committee and the recommendations adopted by the committee.

If you look at the bulletin from the previous funding formula study, it essentially had like a grid, and in that grid it said, okay, here's all the meetings, and at each meeting, this is what was discussed and it literally hyperlinks back to some of those discussions in terms of whether there was a slide presentation or a document or something of that nature. So that representation of the Committee's work is intended to be a summary only. It is not intended to be an advocacy tool or anything of that nature, other than very specifically representing what grounds did the Committee cover in terms of the collection of data and information and how it combed through that information.

We are following a protocol that the legislature typically uses in terms of the use of this work session document, so in the work session document, we provide background history on each item. We may provide a cost analysis or something of that nature. And as I said, we're going to get to the real numbers as we go through this. But the bold language, that's what you're voting on. The bold language says, urge the chancellor to do this because it's the Chancellor's committee and you are advising her by urging her to do something. That language, if you make a motion to adopt the recommendation as written in 1a, 5a, whatever item you're on, or if you want to make a revision to that language, you can say, we move to adopt 1a with this revision, and then you note that revision because in the final report, we represent that exactly as you have adopted it.

So, it takes all of the interpretation and subjectivity out of it from a staff standpoint, which is essentially again the protocol that is followed by the state legislature.

So, under normal circumstances, those reports don't go back to the committee because it is considered a benign process. And I provide that information to you at this point is that as the committee goes through it, the language in the bold faced font, if you want to tweak a word, tell us what word you want to tweak because all of that would get represented in the report in that manner. With that, I think we can begin, Mr. Chairman.

As I indicated before, there has been a lot that has happened between today and May 30th, including several conversations, several meetings with the consultants and the business officers. With your permission, Mr. Chairman, I would like to ask CFO Viton to provide a summary of the input that he received from the business officers and as you know, throughout this process, I think the chairman deserves a fair amount of credit in that he made very clear from the beginning of this process that the institution's input would be important, and as such, you had several opportunities to hear from the presidents, you also got written recommendations from the presidents.

We assume that the business officers are talking to their presidents and back and forth. And so as those recommendations came through, there is an assumption that the business officers were going through this process with us, but independently following the May 30th meeting, CFO Viton and HCM met with the business officers to review the model and to discuss many of the issues that you've discussed today. Mr. Chairman, if you don't mind, I would like Mr. Viton to indicate that information for the record.

Chair Hardesty: Yes, I would, but I would like to begin with this because I don't want to assume something, members of the regents who are here, the legislators who are here probably know this, but others of us may not, and that is who are the business officers? Who do they report to and what is their role? And I would appreciate it, Mr. Viton, if you'd make a record of that, please.

Chris Viton: Chris Viton, NSHE CFO for the record. The business officers are the CFO of each institution, so for the teaching institutions, the CFOs for those institutions and they report to their campus presidents. We do meet on a regular basis, as the System CFO, we have a business officers council and so we have regular recurring meetings. We actually meet twice a month before the quarterly meetings, we meet in person at each of the quarterly meetings and spend about half a day together there.

As Crystal mentioned, since the May meeting, we took the opportunity using several of those regular recurring meetings to talk about the HCM recommendations at some length in a couple of the meetings and we dedicated one meeting entirely to meeting with the HCM consultants. We appreciated the opportunity to have them join us and have the business officer to engage directly with them, having had the opportunity to review the calculations and spreadsheets that they prepared. And that meeting with HCM, you know, did provide some follow-up that I think improved the spreadsheet that HCM is using today for your consideration.

Chair Hardesty: If I could, Committee, I asked that the business officers be part of the number crunching process, and that's what Chris is relaying to you. Is there a reaction, interaction and suggestions as a result of that process? And Chris, thanks for being involved. I'm going to have to ask you again, sir, to speak up. And speak louder so that Reno can hear you, also.

Chris Viton: Will do.

Chair Hardesty: Until you get to the part where you say, well, we're going to ignore the business officers, do we want to, but, no, if you would, thank you, and I know -- I just want the Committee to have a sense of the process. There has been a lot of number crunching and a lot of exchanges, and their input has been shared with Chris to filter through to us. There's a lot more -- it's a lot more efficient to do that than have seven business officers standing up here and giving you their input. If you would, Chris.

Chris Viton: Headcount, FTE and accountability and outcomes-based funding in the funding formula. However, in regard to the percentage allocations as you've heard some discussion earlier today, they, too, would like to see the allocations of the weighted student credit hours, headcount, FTE, based on a -- they'd like to be able to connect that to data, data-driven rationale.

In light of that concern, the business officers do strongly support the recommendation to the Chancellor's Office to pursue an adequacy and equity study so that the allocation methodology that may be advanced by the committee today has an opportunity to be validated by that work and, again, as also incorporated in your recommendations, the idea that there's a structured, ongoing

opportunity to review the formula on a more periodic basis than has been the case in the past, having the opportunity to have that work incorporated in that process as well.

The business officers do support the recommendation for the chancellors to consult with the presidents to determine a phase-in approach and they appreciate that as part of the process as well, understanding that changes would occur as a result of revision to the formula, so having an opportunity to help address how to transition and move that forward.

And then regarding the outcomes-based funding, I think their feedback, they appreciate the difference between the performance pool as it exists today, and the outcomes-based relative growth model as proposed by the consultants. One concern that remains in that regard is just the performance metrics still being tied very closely to enrollment, so they would like the opportunity to have further discussion on those, but they do understand that that is easily incorporated in the process as part of the ongoing review of the formulas contemplated by the recommendation to make that a formal recommendation as well. And so that would conclude the feedback.

Chair Hardesty: As to the last point, rather than reinventing the wheel at this point, did you discuss with them using the existing matrix that formed the basis for the performance but rather than using it there, we apply it to the outcome?

Chris Viton: That was actually the conversation. It was understanding that there is interest in revisiting it, I think it's helpful to maintain the current metrics for the implementation because we're familiar with them already, because we're collecting them already, and -- but having the opportunity to revisit it as part of the ongoing process.

Chair Hardesty: Just for the record, again, we know that all of the institutions by the large for the last decade have been meeting these metrics, so we've got something to work with going forward, and there's stability in that decision making process, it seems to me. Do you agree?

Chris Viton: Yes, and again the difference between the current approach and the proposed approach, transitioning from having a target to having relative performance, I think that addresses some of the concerns. So having the -- using the existing metrics allows the familiarity of those metrics and the efforts that are already in place to track them and work toward them while converting from a target-driven performance objective to a relative growth performance -- basically competing over your own prior performance.

Chancellor Charlton: Patty Charlton. I think that's a wonderful recommendation with a vision that we could do that work with the institutional research business

officers, business officers, and provide that through and for approval with the presidents, approval or recommendation and then to the board as well.

Chair Hardesty: As well, I think there was some concerns when we talked about the outcome measurement, that it would create competition between the institutions by using existing metrics seems to reduce the risk of that; would you agree?

Chris Viton: I think from the standpoint that you're using the existing metrics and folks are familiar with them and they can more easily understand how the transition would impact the campuses; I think it's very helpful in that regard. The relative growth approach is having the campuses compete for the performance allocations, but it's relative. So, it's not -- unlike the current environment where if an institution is experiencing declining enrollment, it automatically transitions into risk in their performance funding in the relative growth model, that is not the same scenario because the -- there is -- it's not directly -- the performance measurements being relative allow for declines to still result in performance allocations, and it's -- because it's relative. So, you don't know the outcome, so I don't know that it eliminates competition. Competition would still be an element, but I think it's softened or at least it has less of an impact.

Chair Hardesty: One other question, Chris, we're not there yet, but I wanted to get their input on the three-year average versus the two-year average. That's an agenda item, we're going to talk about that. Did you get their feedback on their preference or calculations using the three-year?

Chris Viton: We did discuss that, and I don't have a -- I don't know that we reached a formalized a recommendation on the averaging, you know, I know that some are in attendance, and we could invite their thoughts on it.

You know, I think that the -- you know, as HCM presents them today, you can see that, just like any other element of the formula, how you think it may work cannot always be how it does work, depending on how the results come out across all the institutions. So even in the scenario where you're using the higher of the three-year average or the year-over-year count, that won't necessarily automatically result in all campuses' allocations acting the same way when you run it through the formula, because the at the end of the day, all of these methods do still use the proportional distribution of those numbers among the campuses that are changing each cycle every time you measure them. So, there isn't a way to choose one of them and have it result in all campuses always having growth in their allocation at the same rate. It's always -- there's always some risk that one of these will result in up and down as it gets worked through the formula, I do think. I'll stop there.

Chair Hardesty: Go ahead.

Chris Viton: I appreciated the option coming forward to include the three-year average or the higher of, because I do think that that helped address the concern or the difference between the three-year average, which necessarily smooths the outcome of the calculation, but it has a negative impact on the campuses that may be having growing enrollment and that would be an unintended consequence, I think, of that discussion.

I don't think folks introduced the discussion of averaging thinking that it would result in a decline in their allocation. It was more focused on the softening for campuses who experienced a decline. So, I do think that among those options, the higher of, I think, seems to address more.

Chair Hardesty: Higher of the three?

Chris Viton: Higher of the current count or the three-year average, I think is the way it's proposed there.

Chair Hardesty: So there are business officers here, maybe you can huddle up during the break and get more specific direction from them, if they're in a position to comment about that, or presidents who may attend.

Okay? Any questions based on the chair's questions? Regent Del Carlo?

Regent Del Carlo: Thank you, Chair Hardesty. I just think this is a really important ingredient here because we've said before, there's a lot of states where the enrollments are declining. Prior to COVID we were going gangbusters, enrollments were really going up. We dipped of course during COVID but we're back on the way back up and we've said before, Nevada is the state that is growing. People are coming here. I know that demographic cliff is coming but we have so many untapped students and such a great need for skills above a high school diploma that I don't see us having those problems. So, to me, we cannot penalize our institutions that are growing because they're all growing. Thank you.

Chair Hardesty: I did get -- I don't know if we circulated this enrollment schedule.

So, you get a -- for the record, what I'm talking about is, our staff provided headcount, student weighted credit hour enrollment numbers that stretch from 2013 to the present, so it shows those trends. But to the uninitiated, you're not really entirely clear what this means or how it translates, so I really wanted to get the business officers' assessment of the three-year weighting or highest of the three preference. Mr. Christenson?

Glenn Christenson: Glenn Christenson for the record. Did the business officers see the relative growth piece of the balanced approach as more stable than what currently exists, even though they generally hit their targets?

Chris Viton: Chris Viton. I think the answer to that is yes, it's more stable, primarily because it's determined as part of the allocation formula up front, so one of the concerns with the current approach is that it's -- the campuses allocations are determined and the performance funding is carved out and they don't know with certainty, even though for the most part they've achieved their targets, it's subject to them achieving the target. In this case they would understand what their campus allocation is when the budgets are determined as part of the initial calculation of the allocations. It's not a delayed adjustment to their budget. It's known at the time.

Glenn Christenson: I would think so. And then secondarily, did the business officers opine on each of the nine recommendations?

Chris Viton: The business officers had a draft of the work session document available to review and discuss. I think we covered several of them in their response in terms of the some of the things that are less around the calculations and more about the continuation and opportunity to be part of the process, the ongoing review of the formula. I think most of their time was spent discussing the rationale around the 40/40/20, tossing around different perspectives on that, and I don't think the -- you know, you did not hear a recommendation from them on that because there are different perspectives on it. But they did, again, support the adequacy and equity work, particularly as they are feeling the best solution to allow for that work to inform the outcome of any recommendation that's adopted today, understanding that with that adequacy and equity work, the opportunity for the presidents to work with the chancellor on a transition plan and implementation and the commitment to the ongoing review of the formula, that that concern gets addressed that way.

Chair Hardesty: Any other questions for Mr. Viton? Yes, sir?

Regent Brooks: Thank you, Chair. Based on the current formula and the conversations you've had with the business officers, was there conversation about particular parts of the current funding formula that drives the most competition between the institutions?

Chris Viton: I have to say I don't think we really discussed the -- I don't know that we were really focused on the competition aspect. I think the campuses clearly understand there's competition, the variables drive that. I mean, to the extent you're talking about a distribution formula that uses variables to determine the allocation, any variable we choose will result in the competition over those variables, so we didn't -- we did not heavily discuss the current formula. We discussed the proposals that are in the work session for your consideration today.

Regent Brooks: Thank you. Is it possible that weighted student credit hours drive competition?

Chris Viton: I would have to say weighted student credit hours drive competition for enrollment. Because the -- the allocation is based on credit hours, credit hours will -- campuses will want to increase their credit hours. They understand that having more weighted student credit hours would put them in a best position to receive a higher allocation.

Again, going back to the unknown, increasing your own weighted student credit hours doesn't guarantee a direct correlation to an increase in funding in the current model because it remains undetermined what everyone else's weighted student credit hours will be until you complete the measurement point, and you have the full new count to see where the campuses fell in terms of their proportions.

So, I think there was -- earlier in some of the materials we shared what that distribution looks like over time, and so you see that there's some variability from cycle to cycle, but there have not been significant variations in terms of where -- how that's affected the overall distribution proportionally.

Regent Brooks: I appreciate that. The last follow-up to that, when we take a look at enrollment, right? And particularly on one of the graphs that we have where it's student weighted credit hours, that would also include dual enrollment, is that fair to say?

Chris Viton: That is correct.

Regent Brooks: So the process of dual enrollment in itself becomes competitive amongst the institutions, I think would be something fair to lay out as well.

Chris Viton: As all the credit hours factor into the formula, certainly it's in a campus' interest to have as many credit hours included in the formula as they can.

Regent Brooks: I appreciate that, chair. I don't have any other questions.

Chair Hardesty: Any other questions for Mr. Viton? All right. So, let's move on then to the first recommendation for the committee's consideration. Would you introduce that, Crystal, and then we'll discuss it.

Crystal Abba: Thank you, Mr. Chairman, Crystal Abba. Beginning with recommendation number one, a funding adequacy and equity study, a couple of things that I want to cover on this, including the question that member Christenson raised in regards to is this about equity for students and/or institutions, and it's both.

So, one thing to keep in mind, as we crafted this work session document in the original version of this, this agenda item was listed last. And in many of the conversations, just based on the back and forth between the chairman and the CFO, you can see there is a fair amount of consternation as we move forward

because any change that you make, it's going to affect the dollar allocation to institutions and that always makes people nervous.

Part of the reason this is positioned at the beginning of the work session document, and forgive my use of this phrase, but it takes a little bit of sting out of what you're going to do after this, which is make recommendations that will mean you have to make Sophie's choice, because all of these items mean there will be winners and losers because we're cutting up a pie, we're not making a bigger pie, we're cutting up a pie. We spent a lot of time at the beginning of the study talking about how we need a bigger pie, we don't have one. We're cutting up the pie.

What this [recommendation] does, it gives the Chancellor's Office an opportunity to begin immediately the work of, to some extent, validating your recommendations. And you'll notice in the language that you would adopt, and you may choose to amend it, of course, but it indicates that the study would begin as soon as practical. And I believe that the chancellor's office is prepared to issue an RFP almost immediately, so before the end of August.

In addition, the concept here is that that study would be completed before the funds expire in terms of their use because, remember, all of the work of this committee is funded through a legislative appropriation that was made during the 2023 session, and will expire on June 30th, 2025, which is why all this work was - - why we have our hard deadline of August 31st, so that we can make sure our recommendations are considered by the chancellor and the board as they move forward with their biennial budget request that will go into the 2025 session.

To the matter of adequacy and equity, if you look, there's a statement here and I'm going to read it into the record. "Committee members and stakeholders that participated in the study of the NSHE funding formula express concern that Nevada's post-secondary institutions are underfunded, resulting in inadequate and sometimes inequitable funding that has not kept pace with the needs of the students or the institutions." Let's talk first about the institutions.

You'll recall at the very first meeting, and I actually have the 2022 numbers here, but the Committee received information based on data that's compiled by SHEEO of what are the educational appropriations per FTE, and from that, the stark difference between appropriations per FTE for the two-year institutions versus the four-year institutions, and again this is FY22 data. But for the two-year institutions, they -- at that time about 3,000 below the national average. So that's almost 30%. It was 29.8%. The four-year institutions were above the national average by 2.4%.

The current funding formula is very generous when it comes to the universities in particular, and you will remember, you asked that question at the meeting, why is this? Is this a north/south thing. No, it's not. It's a matter of the mix of programs

and that's because right now what drives that allocation primarily is the weighted student credit hours.

So, the purpose of that portion of this is to allow continued study to make sure that your recommendations, as you start to change how you cut the pie, that it makes sense from an equity standpoint, because what it will mean, and you'll see it throughout this document, is shifting money from the universities to the community colleges in some cases.

As for the student piece, you heard a great deal of testimony in terms of, well, first there's this issue where the two-year institutions, their educational appropriations per FTE are below the national average but the challenge that many of our smaller community colleges, the diversity of the students and their needs, and making sure there is appropriate funding to make sure services are appropriate to support those students. This goes to the second 40%, that student component and to your question is that the right percent, this will give the chancellor's office the opportunity to study further that number based on whatever you may recommend under agenda item no. 7, but remember, and we'll get into this in more detail as we go through the work session document, that have those -- as you pick those percentages, it's a policy lever to tell the institution, this is where we're trying to incentivize you, so it incentivizes the institution to enroll more of those under-represented students.

We only had 10 months, you're all rushed, and we've done a great deal of work, but ideally, we need more time. We don't have more time. So, this allows you to - I'm not going to say kick the can down the road because that's not what it is, but it allows further validation of the work that the Committee has started.

Now, one final point before the chairman wishes to take a motion, what this study does not do. You'll notice we did not use the term cost study. You heard in many presentations from HCM, they don't recommend a cost study. There were actually three occasions during our meetings where they elaborated on why that is not recommended. This is not intended to be a cost study. It is intended to be an adequacy study to get to the issues that you have raised which is given what the state goals are, what's the right dollar amount. Where do we want to be, who do we want to be when we grow up, how much money do we need. And then are we allocating those funds appropriately knowing that the state always has limited resources.

With that, Mr. Chairman, the recommendation before the Committee is articulated specifically in 1a, if you would like to make revisions, please state those clearly on the record. I am happy to take a roll call vote, or you can just do an up and down. It is at your discretion.

Chair Hardesty: Regent Brooks? Did you want to make a comment?

Regent Brooks: Regent Brooks for the record. I was going to make a motion to approve recommendation 1a, the funding adequacy and equity study, as written.

Chair Hardesty: Would you accept a modification to the wording in the first line?

Regent Brooks: What would you like in there?

Chair Hardesty: Would you accept my modification to the wording in the first line.

Regent Brooks: I'm asking, what would that modification be.

Chair Hardesty: Instead of the word urge, I'd use the word "recommend him, and instead of the word to pursue, I would recommend, urge the chancellor's office to immediately pursue a study funding.

Regent Brooks: Was the first word recommend, and what was the other word?

Chair Hardesty: to immediately pursue. To immediately pursue a study.

Regent Brooks: I would take that as a friendly amendment, yes. To restate the motion, it would be a motion to approve recommendation 1a, the funding adequacy and equity study with the word recommend the chancellor's office to immediately pursue as part of the language.

Chair Hardesty: Thank you, regent. Is there a second?

Assemblywoman Mosca: For the record, I had wanted to add to this. So, I think, you know, for me, I think this has been a great use of time. This is where I think we've all seen we should have probably started here but if this is what this time has gotten us to this place, then I think it was worth the time.

I have had many, many meetings over the past week, and thank you, chancellor, and everyone who has taken my call or met with me, and I had suggested that we could stop here at this recommendation only and it was really relayed that that's not an option. So, I wanted to put that on the record. And I at least want to add then here somewhere about data analysis systems and collections, so when we look at outcomes, I had asked the question, can we at least look at job placement, for example, because I know in Nevada that is a goal that folks have.

What are we doing when it comes to jobs, and the answer was, we cannot measure that. So, I hope somehow in here we add something around data analysis systems and collection because I think that will help us get to the point of adequacy, equity and then how are we even measuring those things.

Crystal Abba: Mr. Chairman, if I may. I would like to remind the Committee that the original charge of the Committee included governance. And because the way the bill, Assembly Bill 493 is crafted, it says very specifically these funds are appropriated for a funding formula study. So those are the two words, funding formula. And from that, we received a legal opinion from the Legislative Counsel Bureau that we could not include the matter of governance. At this point in time, with all due respect to Ms. Mosca, it is unclear whether or not that would be permissible to utilize those funds as such. That said, the chancellor's office can obviously pursue a study of that nature independently from this, understanding the importance of making sure that data systems are adequate. But I think we have to bear in mind the limitations of the appropriation that very specifically uses the term funding formula, and as you indicated, Mr. Chairman, I think we talked about this on the record, that prior to the development of the work session, the System Office contacted LCB to ask, "could we use the funds that are left over for this study as crafted?" and the answer was yes.

Chair Hardesty: So let me circle back to the Assemblywoman's question. I believe 3c. covers your question in terms of data. We have urged -- if that recommendation were approved and it could be edited to include other data points, but my purpose in adding 3c was to address a number of areas where data points are not currently being collected or being collected by all institutions. So, would that be acceptable Assemblywoman?

Assemblywoman Mosca: Yes, I think as it's put on the record now the importance of data systems data collection, and if you, Chancellor, and Chair, that it's included in that, then I think it is.

Chair Hardesty: I'm going to make a note here that when we get to 3c, I'll give you an opportunity to make a motion, if you want to make a motion, on that subject. In the meantime, do I take your comments to be a second of Regent Brooks' motion?

Assemblywoman Mosca: I'll second that motion.

Chair Hardesty: Alright. Okay.

Rick Combs: Chairman, on the motion --

Chair Hardesty: Yes, Mr. Combs?

Rick Combs: Yes. Mr. Chairman, if the motion is going to include any reference to AB493 and the deadline for spending the money, I'm going to have to be a no on the motion. I do not think based on what I'm hearing, this is an appropriate use of the money from the AB493 appropriation, and I believe there's probably been either a misunderstanding or a miscommunication, if anyone thinks that the

Legislative Counsel Bureau would wholeheartedly support spending this money on an adequacy study given the language of the bill.

Chair Hardesty: Yes, Ms. King.

Lynda King: Lynda King for the record. The motion does not incorporate any reference to the bill and does not reference that any such study, if it were to take place at this time, as being approved with those funds. I believe that NSHE would have to go to the LCB and get clarification that funds could be used for that.

Chair Hardesty: The motion says when the authorization for expending funds appropriated under Assembly Bill 493 expires, it does not say you'll use those funds. It's simply pegging –

Rick Combs: What is the purpose of the reference to the bill then?

Chair Hardesty: We can remove that if it's acceptable to the regent, but I think the way it's worded, it's not drawing on the funds from the bill; it's simply talking about the expiration date.

Rick Combs: Mr. Chairman, unless the reference to the bill is because there's a plan to use the money for that purpose, I don't know that the reference is needed, so I'll leave it up to the motion maker and the seconder as to whether or not they want to keep that language in there. Just wanted to let you know my concerns. Thank you.

Glenn Christenson: Glenn Christenson for the record. Is there sufficient time by June 25th to conduct a study?

Crystal Abba: Mr. Chairman, for the record, that's the intent of the Chancellor's Office to begin it immediately so any RFP would make clear that the work needs to be done by June 30th of 2025. That said, Mr. Chairman, I apologize if we can go back to this issue of the funding to the point of Mr. Combs, that is why that date is indicated in there, because it is the intent to utilize the existing funding appropriation. And again, perhaps Mr. Viton can get on the record his conversation with the counsel bureau in regards to the use of those funds for that type of study.

Mr. Viton: Thank you.

I did have a conversation regarding the proposed use and, again, it was in the context as I offered on the feedback from the business officers, that the desire to pursue the adequacy and equity work would be to inform the outcome of the funding allocations and to help support any adjustments that would be proposed accordingly. So having the opportunity to complete the adequacy and equity work so that it can represent the data informed -- the type of data that the business

officers were concerned about driving a rationale for the allocations. So, it's not -- it's specifically to help with supporting the decisions made today as a furtherance of the work and recommendations coming from the committee. So, it is absolutely part of the funding allocation concern that that work is proposed and why we thought that it would be appropriate under the bill. I would offer as well, I did take the opportunity to go back and listen to the assembly committee meeting where the bill was heard, and I know that the -- you know, in that discussion, in that presentation, former interim chancellor or acting chancellor Erquiaga did share as part of that presentation the potential of having adequacy and equity as a consideration in looking at the funding formula. So, there was funding formula and there was governance, and the adequacy and equity discussion was directly tied to the funding formula conversation there.

I do appreciate that we would want this to be done and pursued in a manner that is consistent with the intention of the legislation and I would certainly work to make sure that that was the case or we wouldn't use -- we wouldn't be able to use that funding. I certainly understand it has to conform with the intent of that appropriation.

Glenn Christenson: Glenn Christenson for the record. You had some introduction to this particular recommendation. What this committee is signing up for is the recommendation itself, because we're not going to get a chance to see the introduction. Right?

We're not going to get a chance to look at the report before it goes. That was my understanding of your comment earlier.

Crystal Abba: I'm going to recall for the Committee, the work session presentation we did on self-supporting accounts, remember that? It was the same thing. You had all this background and then you had the bold focused language. That background was not disputed so that background will go in the report that way. Same thing on this. If there's no objections, something similar will be in there but primarily we're focusing on the bold faced language.

Betsy Fretwell: If I may, Mr. Chairman. I think the issue is that we're endorsing that there be a study through this motion, but we're never going to see the outcome of the study. And its impact potentially, the information's impact on what we may approve today. That's -- it's a bit of a, you know, cart before the horse moment because we're taking the existing pie, as Crystal said, potentially making add [indiscernible] to that, and then there's going to be new information that comes in through this chancellor's additional research that then informs that pie and may also -- may have made us make a different recommendation, frankly.

Maybe not. Maybe not. But the point is, we don't have the information so therefore we don't know, and so we're going with what we know today.

I'll say one thing. I support the motion, and I support using the AB493 money. I think it would be a tragedy if the LCB did not support that, frankly, because that is essential to what we're trying to accomplish in this committee, in my opinion.

I did want to make one comment to Ms. Mosca's data issue. We should be focused on system outcomes, period. I don't care what kind of data you've got today, we need better data about who we're graduating, what they're doing, who we're attracting, how long it takes them to finish a degree, and whether or not they finish a degree. I mean, five or 10k [indiscernible] that tell us whether or not the system is working, and how well these institutions are working within that system. We don't have that. It wasn't even a part of the conversation about best practices, and I know the answer was not the answer, because we do not have that. At the end of the day somebody needs to take that up.

That's my challenge for Regent Del Carlo and Regent Brooks and Regent Goodman, because it's your job to define that stuff so that we know whether or not this funding formula works. I know we're not here to do that today, I know Patty's about to give me the collar, but I will say it is critically important that we get that and that we have the data systems to support it so that we can make more informed decisions as a system. And then that makes my time as an individual private citizen more valuable in these conversations because I have better data to work with. I'm going to drop it at this point but I do think that that's critical.

Chair Hardesty: I have a suggestion.

Chancellor Charlton: For the record, I just want to reassure all of this body that the Board is in the process of updating all of their outcomes and metrics at this time. So they are working on that.

We've got institutional research in the room as well because they know what access to systems that we have and they can help lead that effort, and so as we talked at one of our meetings, one of the most important pieces is that we have to be able to have data that we can validate and that we can ensure is accurate and is something that we can also boast confidence, and that's exactly what you're looking for.

I want to let you know that is a work that is in process and is scheduled to be completed no later than December of this year.

Chair Hardesty: Senator, did you want to make a comment?

Senator Dondero-Loop: So I know we bounced around a lot of ideas about the motion, which we started with. Would it maybe make sense to that last line, make it say completed no later than June 30th, 2025, and change the "when" to "with" the authorization for spending funds, just period, and take out that last line reference?

I don't know if that would make sense to those at this table, but I think if we take out the reference to the bill so there's no question about what we are using, you know, how that is written legislatively and Mr. Combs, you might be able to guide me on this a little bit. You certainly have looked at bills in your day. Would that make sense, and would that solve some of this problem? Notwithstanding what Ms. Fretwell just said and yes, I agree with you. I always say with public money comes public accountability, and I think it's just a -- I have a hard time as a legislator, but also as a teacher, it's just not that hard of a concept, but it seems to be a little more difficult. Mr. Combs might be able to weigh in there. I don't know.

Rick Combs: Mr. Chairman, with your permission.

Chair Hardesty: Of course.

Rick Combs: I think if you just stop it after "as soon as practical", if that's what you did, then you wouldn't be referencing the bill, you wouldn't be referencing the time deadline. There's no sense then that you're recommending anything that might not be authorized under the terms of the bill if then the system office gets the go-ahead from legal department or LCB fiscal or whomever, they're going to seek input from on that decision, they could certainly still use the AB493 money for that purpose.

It's just I've gotta tell you in my experience as a former assembly fiscal analyst, we didn't like it when we gave money to a particular body and told them what to use it for and then they had some left over and they decided to use it for something else, too. And that's what this is sounding an awful lot like. It's also for an interim study. If you're going to be studying still when session's in, that kind of is another thing that you would weigh when you were considering this, it's like, no, this was for a recommendation to the Legislature, and if it's not going to be done until June of 2025, well, it's not going to be the 2025 Legislature, they'll have already adjourned. That's the reasons for my concern and I think just stopping it at that "as soon as practical" would be just fine.

Chair Hardesty: So -- go ahead. Senator?

Senator Dondero-Loop: The microphone seems to be the problem today. Mr. Combs, I just have a clarifying question for you, sir. So as soon as practical, but what if it went to, I don't know, July 15th of 2025? Do we need to have an end date there or is that not necessary?

Rick Combs: I think if you changed it -- the motion based on my comments and left it at practical, that would really be -- the System would be able to factor in a lot of components, like what funding are they going to use and when is that available, how long is the study going to take, I mean, some of the stuff in the

work session documents seems to suggest that completing it by June of 2025 might not really be all that possible and would be rushed, anyway.

So, I don't think -- I wouldn't be concerned about that.

Chair Hardesty: So I don't want to -- yes, Ms. King.

Ms. King: Thank you. Lynda King for the record. You have a motion and a second, you've opened for discussion, so you don't have an opportunity for amendments at this time. You would have to make your motion maker do a withdrawal and have a new motion or go to a vote.

Chair Hardesty: I'll get to that process, but I want to give everybody an opportunity to comment about a couple of other suggestions, and so I have an additional one to make before we go that route. I'd like to turn everybody's attention to 9a. To avoid any ambiguity whatsoever about the purpose of the study and what it's intended to do or support, we have said in 9a that the Chancellor's Office create a formula review committee. The purpose of the study in 1 is to support and validate and implement this recommendation and formula, if we adopt it.

What I'd like to do is consider combining the two so that there's just no doubt that we're not only recommending an adequacy and equity study, but it's going to be used to help support and review the formula we've adopted on an ongoing basis. So, if that's something that folks are open to, and the maker of the motion and the second are open to, then what I'm suggesting is that we consider withdrawing the existing motion and rewrite the motion along the lines that we were talking about.

Now, if people want to keep those separate, we still can do that, but that's one way that I think cements the fact that the purpose of the resorting to the available funding is directed to the available -- or to the purposes under which this committee was formed and a review committee would continue.

Chancellor Charlton: Chair, for the record, I'd like to disagree respectfully and to keep them separate because this is this ongoing continuous improvement and evaluation piece that will ensure that we are not sitting here once every 10 years, reviewing the formula, but I do respect what you're saying, is let's do the adequacy -- I a hundred percent support the funding adequacy and equity study, as we've discussed it, and recognize that perhaps that first review is not into biennium that it may be something sooner.

I would actually like to leave it as a separate item and as we get to 9, perhaps change that language, that we can be more responsive to data and information as we have it.

Chair Hardesty: So following Ms. King's direction, Mr. Brooks, would you like to have a vote on the current motion, or would you like to modify or withdraw and make a new motion?

Regent Brooks: Regent Brooks for the record. Chair, I appreciate all of the comments and the considerations that are being made for this motion. I think there is -- as the Interim Chancellor mentioned there's a separation on some things and this is really a guiding recommendation to support lots of other things that we're going to have to do as a committee, and those recommendations will then come to the board, which is going to support some considerations and conversations for work that has to get done. And so because of the various phases that we have to be in to get to a goal, I think it's a -- I think it makes sense from the way that I'm reviewing this to keep the motion as it is stated with the -- again, including those recommendations that you had suggested, chair, so as the motion was -- as I offered that motion, I'd be comfortable keeping it.

Chair Hardesty: The way you made it.

Regent Brooks: Yes, sir.

Chair Hardesty: Alright. And second, I assume is --

Assemblywoman Mosca: I will remove my second only for if it doesn't work with the legislature.

Chair Hardesty: So, if -- just to be clear -- I think we can move forward to a vote.

Well, the second has withdrawn her second as it was originally made. So, she can do that. So, it dies for lack of a second unless there is a second for the way it's currently worded. Yes?

The way it's currently worded is the way it's written here with the addition I had suggested, which is recommend the chancellor's office to immediately pursue.

Regent Del Carlo: Thank you, Chair Hardesty, I'm not an expert in parliamentary procedure. So, if this dies as Regent Brooks said it, for lack of a second, does the whole thing die or can we go back and someone make a motion that's got different.

Chair Hardesty: Absolutely.

Regent Del Carlo: I want to make sure because I don't want this thing to die.

Chair Hardesty: No. Anybody can make a motion. It's just this motion dies unless there is a second for Regent Brooks' motion. So, the chair declares that that motion dies. Is there a motion, Senator?

Senator Dondero-Loop: Thank you, Mr. Chair. I'd like to move to motion that we recommend the chancellor's office to immediately pursue a study of funding adequacy and equity as soon as practical.

Chair Hardesty: Regent Del Carlo.

Regent Del Carlo: Yes, I'd like to second the motion.

Chair Hardesty: Is there any discussion on that motion?

Regent Brooks: Yes, chair, I -- I'm going to direct my question to you, Crystal Abba, because I didn't draft this up, obviously.

What was the intent in this recommendation, the way that it was worded in terms of the importance of the language that's presented before us and does altering any of the language have an effect on the other work that we've got to get done?

Crystal Abba: For the record, Crystal Abba.

So, the way the language was originally written, it was intended that they would utilize the funds appropriated by the legislature for the study. My interpretation of this new motion that would end the sentence at "as practical", is, it recommends to the Chancellor to pursue an adequacy and equity study as soon as practical with no mention to the authorization, which means, I assume that there will be follow-up discussions with the Legislative Counsel Bureau because they're watching very closely today and they may be come back and say, wow, we have a different understanding this or no, you're good to go. So, it will depend on the Chancellor's conversation following this recommendation what then happens. I think that's the challenge with where we're at.

Regent Del Carlo: Mr. Chairman?

Chair Hardesty: Yes, Regent Del Carlo.

Regent Del Carlo: Thank you, Chair Hardesty. To you, Crystal, just to make sure, you guys have not received approval from LCB, correct, to use whatever the -- of the \$2 million, whatever is done for this, to go forward with this adequacy and equity study?

Crystal Abba: For the record, I have not had a conversation with the Legislative Counsel Bureau. CFO Viton had a conversation, which he represented that they did not feel -- Chris?

Christ Viton: Chris Viton. My conversation was very specific to the manner in which I framed it with the business officer's recommendation, so it was focused

on looking at the adequacy and equity as a matter of informing the allocations that are determined, the allocation percentages and the opportunity to then adjust them. I do believe that it would be absolutely appropriate to revisit that discussion based on today's conversation, as they are watching the meeting and understanding that, if our intent or if the manner in which we're planning to use or pursue the adequacy and equity study would not be appropriate under the legislation, we would not be able to use the appropriation, however, I would certainly be looking to work to structure it so that we could agree that it was eligible. That would be my -- I don't think -- you know, our conversation was based on the interaction I had with the business officers and the recommendation to pursue it in that manner. I don't think -- they have not had an opportunity to understand the discussion today and be able to weigh in on whether, based on this discussion, they would have concerns or not.

Chair Hardesty: Senator?

Senator Dondero-Loop: I would -- I agree and the unintended consequences if you will would be to move forward with the end of this particular -- this particular motion. If we stop it as soon as practical, then we sort of leave that unintended consequence out of there and I'm not a lawyer and I'm not an LCB person, but we do happen to have somebody on this committee who might be able to weigh in. Mr. Combs, even though he's not working for the LCB, he has spent a lot of time there and so I always feel like when you do motions or laws, if you will, you want to make sure you don't have unintended consequences that happen down the road that you have to go back and fix.

Chair Hardesty: Any other comments on the motion?

Ms. Fretwell: Had we had this conversation back in the fall, the funding for this study that we're talking about right now would've been included in the scope of work with these people over here at the table. And I think that needs to be very clear to the LCB people who are watching because this information had we asked the right questions at that time to include this adequacy study in order to help us figure out a funding formula, it would've been authorized.

So, I have a tremendous amount of respect for Mr. Combs and I know he's been around the block a long time at the LCB, but we should not use this as an excuse. This is about the mission of this committee to get this job done right, and even though this information may be coming in late into the process, it will still be informative to the legislature, who will have to make the decision based on the board of regents' recommendation and/or legislative recommendation that comes forth from one of their members most likely. And I think this is critical information to have prior to a final decision that our legislators will ultimately be making and our governor will ultimately decide to support a bill on it. They're gonna have the exact same questions we're having today. So, we need the answers before there's a remedy or we could be sitting here in three years looking at the

same stuff. So, I would advocate the use of these funds they're directly related, there's legislative history that supports it, we asked the wrong question, we should've asked a different one in September when we first convened and now we're asking it now because we're smarter about it. I think we should try to get the use of funds for this purpose.

Regent Brooks: Mr. Chair.

Chair Hardesty: Regent Brooks.

Regent Brooks: Thank you, Chair. Regardless of which direction we move in as a committee particularly when it comes to expenditures, when it comes back to the board, I'm fairly confident that the conversation of how something will be paid for will be a topic of conversation. So, I just wanted to just offer that as -- it would be fantastic to be able to get as much work as we possibly can, but we still have another phase of implementation and that's moving this to the board where there'll be more robust conversation and there'll be more recommendations following maneuvering, we can figure out some of the language. Thank you, Chair.

Chair Hardesty: Are there any comments by the members of the committee?

Tony Sanchez: Tony Sanchez for the record, shame on me going back to our first meeting when you set forth your opening comments, Mr. Chairman, about how they should be examining the adequacy as well as equity and I embrace Ms. Fretwell's expanded understanding and agree. It is my hope that the LCB does sanction this subsequently going forward. I find it very, very difficult to recommend changes that nearly shift funds between institutions, and I agree with Assemblywoman Mosca in her original comments that we should start and end with this first question and not go any further until we have that full study. I know that's not practical and not gonna happen today, but I have a very difficult time making any type of recommendations not having the adequacy and equity aspects included and it is my hope that LCB does find that remaining funds from that legislation are eligible to be used for the subsequent study.

Chair Hardesty: Thank you. Dr. Reed did you have a comment?

Peter Reed: I wanted to make a comment about Ms. Fretwell's comment we're putting the cart before the horse, and I want to reiterate this. I think the results of this adequacy study are critical input for this committee in developing its recommendations about a funding model and while this may not be a popular comment I just want to put on the record it seems to me that given the looming deadline of wanting to have the recommendations to the legislative session, it's not impossible that we could move forward in an expedited manner with the adequacy study, get the results of that, table this committee's approval of any new funding model for that information, reconvene in early 2025 and get the information to the regents for a special meeting so they can take it to the

legislature. Because this is hamstringing this committee in being able to make sophisticated recommendations on what the funding model should look like and not have this cost study we discussed the need for this data throughout this process. So now to have it come after the recommendations are approved for what the model should look like, it just seems backwards. So possibly there's a way to expedite the process, get this information to the committee and move forward in a common-sense approach to having all the details.

Chancellor Charlton: For the record Patty Charlton. I would disagree with Dr. Reed on that point. One is, we have legislation that charged us to do certain things. We cannot bring that back, I mean, we cannot not meet the deadline that is required to submit the report. This adequacy and equity study is very important. I want us to point back again to the bill and the language that was included in the bill related to the funding formula. We recognize and I think all of us have wrapped our arms around the challenges that our presidents, our business officers, our students and even our regents who deal with this every day have said that we just don't have sufficient funding within the System. The bill that was passed did not say that this was to increase the overall funding, and that was clear in the charge. We recognize and we would like to pursue this expeditiously. So, the language -- I appreciate the language as it was written to demonstrate that to the Legislature, to the Governor, and I'm grateful that we have our legislators that are here, we have our board members that are here to participate, and I actually greatly appreciate all of the passion and the commitment that all of you have shown. But I would disagree, I do not think you kick this down the road. I think we need to move this forward and I hope that the Legislative Counsel Bureau will see that this is an important component of the overall funding and what we need to do to move forward. We do need to have a report that is prepared and submitted by August 31st, which is what we started with. And so, I have already communicated with the presidents, we will be hitting the ground, we are ready to go, and that is based on the fact that this is interrelated and with the guidance that we've received preliminarily. I'm just going say to this, as well as the business officers, NFA, faculty senate, students will also support this as well.

Chair Hardesty: I'm going to call a vote of the Committee and by roll call, please Ms. Abba.

Crystal Abba: And Mr. Chairman I'll repeat the motion for the record as stated by member Dondero-Loop. The recommendation is recommend the chancellor's office to immediately pursue a study of funding adequacy and equity as soon as practical, period. The motion by Ms. Dondero-Loop and a second by Regent Del Carlo. Roll call vote.

....

The Committee considered for approval a recommendation urging the Chancellor's Office to pursue an adequacy and equity study.

Senator Marilyn Dondero-Loop moved for approval of a recommendation to “Recommend the Chancellor’s Office to immediately pursue a study of funding adequacy and equity as soon as practical.” Regent Carol Del Carlo seconded. Motion carried. (Roll Call vote with all members present voting in support of the motion.)

Continuation of the verbatim transcript:

Chair Hardesty: Okay. It is 20 to 1:00 we will - so, we'll move to item number two, Ms. Abba.

Heidi Haartz: Thank you for the record, Heidi Haartz. I'm going take the second set of recommendations all of which pertain to the small institution factor [SIF]. There are really two decision points for this committee this afternoon specific to the small institution factor and both address concerns that were identified as HCM met with institutional representatives, as well as those familiar with the current funding formula and its structure. As you recall, the small institution factor was initially established at \$30 per weighted student credit hour for the gap between the number of weight student credit hours at Great Basin College and Western Nevada College and a hundred weighted student credit hours. The recommendation for your consideration is to increase the small institution funding from \$30 per weighted student credit hour to \$40 and then to continue to adjust for inflation in the future using the higher education price index or HEPI. The work session document includes for you a table that shows what the financial impact would be for both Great Basin College and Western Nevada College if the fall institution factor amount was increased from \$30 to \$40 per weighted student credit hour for the gap between their current weighted student credit hour and 100 weighted student credit hours. I will note as a sidebar the next two recommendations will look at adjusting the threshold.

So, the first one is the dollar value. There's been a lot of questions asked during committee meetings about how the initial \$30 per weighted student credit hour value was set and based on information presented in the last study report, it appears that \$1.5 million was made available for the small institution funding for each, Western Nevada College and Great Basin College. The weighted student credit hour was set based on a gap of 50,000 weighted student credit hours. At the time that this was adopted, the 2012 weighted student credit hour value for Great Basin College totaled 60,769 and the weighted student credit hours generated at Western Nevada College totaled 74,414. So, when this was adopted, both institutions were already above 50,000 weighted student credit hours but had a distance to go before they got to 100,000.

So, are there questions about the recommendation before you dive into the discussion regarding the recommendation and your approval process?

Rick Combs: Mr. Chair?

Chair Hardesty: Mr. Combs and then I'll ask dr. –

Mr. Combs: Thank you. On the \$10 increase currently is that in line then with the higher education price index change since 2013 when this was implemented at first and then also what year would you begin applying the inflation factor going forward?

Crystal Abba: For the record Crystal Abba and then I'll direct to HCM. This estimate came directly from the May 30th presentation. It was slide 15 from the HCM presentation. It is based on HEPI [Higher Education Price Index] since 2013 and Will, if you'd like to elaborate on applying it forward.

Will Carroll: We applied the \$30 from time of enactment in that first allocation of funding and I think the concept of the recommendation is to continue to inflate that every fiscal year there on out. I guess starting with FY26, using the most recent index to inflate it.

Rick Combs: Thank you.

Chair Hardesty: Yes Dr. Dalpe.

Kyle Dalpe: Kyle Dalpe for the record. A quick procedural question. Is it the charge of the Committee to pick one of these four or multiple of these four or all of them? Is it a, b, c or d?

Chair Hardesty: It could be a combination, but I don't think you pick them all because they'd be in conflict.

Crystal Abba: Mr. Chairman I think if we handle these discreetly if there's an appetite for 2a. Item 2b and c are mutually exclusive so you will choose one or the other or pick a different number that you want and then 2d is a separate item. So, we'll handle them discretely so right now we're focusing on 2a.

Chair Hardesty: So, if we get to the end of it we could still choose –

Crystal Abba: Yes.

Chair Hardesty: But it's not in lieu of –

Crystal Abba: Correct.

Suzanna Stankute: Mr. Chair?

Chair Hardesty: Yes.

Suzanna Stankute: Suzanna Stankute for the record. I had a quick question for Dr. Dalpe. I hope this is the appropriate time to ask this question -- about 2a and the perspective from a small institution president about if 2a and the other options, if they are the opinion of a small institution president on those options.

Chancellor Charlton: If you don't mind, if I could just inject also. President Donnelly is in Great Basin at this time. I think it would be appropriate to hear from both of the small institutions.

Kyle Dalpe: President Donnelly and I did chat through this a little bit so hopefully we've got our notes straight. The inflationary adjustment of \$30, \$30 to \$40 will help because it is extra money it has never been adjusted in 10 years and it's \$30 per credit as you heard is designed to offset the gap between wherever the school is and the hundred thousand weighted student credit hours. We would appreciate the index so that we don't find ourselves 10 years from now not having an inflationary adjustment on that, because \$40 in 10 or 15 years may be something looking back how did that number come. So, the inflationary piece, we do support that adjustment.

Specific to my institution WNC, and GBC, I think have been the only two schools that have ever been in the category of a small institution factor. We are still what I consider a very small institution. We cover a large geographic territory; we do not have a large number of students. However, this year, which is not noted in these documents, because this is using data from one year back -- I'm sorry, immediate last fiscal year, fy24, our weighted student credit hours are one hundred 3,000. So, we do not currently qualify for this weighted student credit hour, but we are very much a small institution. I also support this. In getting to Ms. Stankute, I would support the increase of the levels because that would help us fill the gap on our administrative costs. And the reason we have grown so significantly on the weighted student credit hours is because we've had to respond to our community which we have a number of CT programs that drive the formula at a 4.0 that kicks our weighted student credit hours up, but it's still a small number of students who need it and most are part-time and we're struggling with that right now. Looking forward to the next 5 to 6 years an increase to the threshold -- the 30 to \$40 would help both institutions however many we qualify depending on that gap immediately would help GBC as well. The final one on 2d I do think there is some credibility to defining institutional size based on head count, but that does require another set of metrics or study pieces that would be nice to be able to do, but I don't want to do that in lieu of the other adjustments and I'll speak for myself, and I'll let President Donnelly speak for GBC. We have momentum going right now. We are hitting our outcomes, we are hitting our access elements. One of the things -- going back to your performance pool you cannot have outcomes in any kind of metrics unless you have students coming through the door and that's the access piece and that's the piece that's extremely difficult to do in a large rural

area because we have to mobilize a minimum number of people over a large geographic area and that's what we do at a small institution.

So, there's a lot there and some of it answers the question and some of it's added value, but I'll pass it to my colleague at GBC.

Amber Donnelly: Thank you President Dalpe. For the record President Donnelly Great Basin College and I would just agree with everything he has said. We've had a chance to work together over this past week and really look at these numbers and the inflation, I a hundred percent agree with that. We don't want to be sitting in the same cycle five years from now and that \$10 increase to be not enough and we expect to see growth at Great Basin College this year for sure because of the different workforce programs we're pushing and the funding that's coming to us through state dollars or federal funding. So, I a hundred percent support the increase in that cap. We had looked at and kind of agreed to 2b that one 25,000 was where we thought we could equitably land together, but outside of that I also would be open to looking at 2b just a little bit further because we know we have a significant population of part-time students versus full-time. Thank you.

Chair Hardesty: Alright. Any other questions or comments about these items? Let's take up –

Peter Reed: Mr. Chair this is Peter Reed. Thank you very much. I do have a question. On recommendation 3a, I'm curious to know what an appropriate split between the FTE and the head count should be and what appropriate weights for Pell and underrepresented students are. I think it's currently a 50-50 split and I wonder what the impact of alternative divisions might be and maybe that's a question for the consultants. I'm not sure.

Chair Hardesty: Forgive me, we're on 2a, Dr. Reed. I'm not sure was your question on 3a related to 2a?

Peter Reed: I apologize. I'll hold that question. I'm skipping ahead. I thought we were making more progress.

Chair Hardesty: Let's just say you are, but let's focus on 2a. Is there a motion on 2a?

Yes, Regent Del Carlo.

Regent Del Carlo: Thank you, Chair Hardesty. I'll make a motion to increase the small institution factor from \$30 to \$40 per weighted student credit hour and continue to adjust the inflation in future years using the Higher Education Price Index, known as HEPI.

Chair Hardesty: I think there was a suggestion that that would begin July 1, 2026. Is that an acceptable addition?

Regent Del Carlo: effective July 1st, 2026.

Betsy Fretwell: Second.

Chair Hardesty: Any discussion on the motion?

Yes, Mr. Christenson.

Glenn Christenson: I have a question for the consultant. The NFA suggested a hundred thousand. Is that something you see very often? Is it something that you considered as this came forward?

Will Carroll: It's something we see in a handful of states, it's something that's actually a little higher, maybe it's 3 million per institution. But one thing -- I think there's a mix of states between some that provide an adjustment to make sure every institution gets at least that amount which is the way the small institution factor works or just provides that amount to every institution. So, I think in both approaches, you end up with the same outcome of ensuring that there's a bare minimum of O&M core costs funding, but we see states approach it both ways. I didn't know if the business officers considered that recommendation at all.

Chris Viton: The business officers didn't consider that recommendation. They did consider the ones in the work program, but they did not consider the NFA'S recommendation. So.

Chair Hardesty: All right any other questions or comments about the motion?

.....

The Committee considered for approval a recommendation for an inflationary adjustment to the small institution factor.

Regent Carol DelCarlo moved for approval of a recommendation to “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.” Ms. Betsy Fretwell seconded. The motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: It has been proposed that we discuss this cap. Are there any motions with respect to the cap? I'm going to suggest that in line with the president's comments, that we consider a motion under 2b. Regent Brooks?

Regent Brooks: Regent Brooks. I would make a motion to approve 2b the increase of the cap to 125,000 weighted student credit hour and as this recommendation is written.

Chair Hardesty: Is there a second? Regen Del Carlo.

....

The Committee considered for approval a recommendation to increase the SIF cap to 125,000 WSCH.

Regent Byron Brook moved to approve the recommendation to "Increase the WSCH cap from 100,000 WSCH to 125,000 WSCH." Regent Carol DelCarlo seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: I'll move then to 2d. Is there any motion on 2d?

Betsy Fretwell: I'll make a motion.

Chair Hardesty: Ms. Fretwell.

Betsy Fretwell: That we request further review of the SIF and we recommend the chancellor's office the review using head count and determine if an alternative calculation based on head count should be utilized.

Chair Hardesty: So, the difference from the language in the motion in the work session document is to change the word urge to "recommend and request." All right. Is there a second to the motion.

Regent Goodman: Second.

....

The Committee considered for approval a recommendation to further review the small institution factor.

Ms. Betsy Fretwell moved approval of a recommendation to "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." Regent Stephanie Goodman seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: That takes us then to item number three, if you'll introduce that, Ms. Abba or Ms. Haartz. I'm not sure which one has been assigned to which.

Crystal Abba: For the record Crystal Abba. If the Committee will please refer to the information provided on page four of the work session document item three, student characteristics. As we've discussed a great deal today, the Balanced Framework includes allocating General Fund appropriations based on three components: the weighted student credit hours, a student component, which is the enrollment component, and then the outcomes-based component. So, this relates to that second item, which is the enrollment student characteristics and essentially the recommendation is to allocate a portion of the General Fund appropriation based on the following student characteristics. So, you're deciding to use this data, which is the data that is currently available, allocate a portion of the General Fund appropriation based on the following student characteristics: total student term headcount enrollments and credit hours including non-resident students, underrepresented minority student enrollment and credit hours and three Pell eligible head count enrollment and credit hours. You will recall that you received the first version of the work session document, I think we sent it out on the 15th and then a few days later when we posted it, there was a minor revision in this document, and it was the inclusion of the parenthetical including non-resident students. So remember this is not funding all non-resident students because the current funding formula doesn't fund non-resident students. This simply says you're going consider all students in that mix. With that Mr. Chairman I would actually request that HCM have the opportunity to elaborate on the recommendation as they may see fit. Otherwise, we're happy to answer questions. And Ms. Haartz would like to add something.

Heidi Haartz: Heidi Haartz for the record. I just want to clarify for the Committee members that as Ms. Abba indicated, this is a way of redistributing the pie using a slightly different methodology. It does not mean that funding that is distributed using student characteristics must solely be spent on student support services. This is a distribution process, not a budget process that's being considered here. Thank you.

Chair Hardesty: Okay. Let me begin by asking whether you're in a position to make a motion now or whether you would like to have discussions of other items before we get into these motions. Regent Goodman?

Regent Goodman: I just have a comment. My issue here is we're talking about including non-resident students. I'm all about helping underrepresented students, but I'm all about helping underrepresented minority students here in Nevada so when we're talking about all students, I have an issue about making sure that our students in Nevada have a priority. So, if we're going to be doing that kind of -- if

we're going to be going after certain groups I think we need to make sure that these groups are here in Nevada.

Chair Hardesty: Any other comments? Chancellor?

Chancellor Charlton: For the record Patty Charlton. To that point I'd just like to make the comment that item one, which talks about the total student term head count, there is a component of the services that are provided such as the registrar, processing or even a transfer of a student that's coming out of state that's participating with any of our institutions that may not have gotten residency in Nevada just yet. I wanted to add that factor that we have students that are coming in and we are a very global state in what we do. So, I wouldn't want to have that lost, in that some students are termed a non-resident until they gain residency in the state of Nevada, but there is that registrar, those other kind of components for the student support services that may be associated. But I do hear what you're saying.

Chair Hardesty: Regent Del Carlo.

Regent Del Carlo: Thank you, Chair Hardesty. To that, I would ask HCM what a best practice is there, what you see in other states. Thank you. You may have told us, but I don't remember.

Nate Johnson: On the issue of residency in particular, that really is a matter of what your state priorities and goals are. So, there are some states that really want to encourage non-residents to come into the state for educational or workforce reasons or they see that as an important part of the institution mission. Others are more concerned with limiting their investment to resident students. So again, in terms of best practice, that's more a value and priority judgment for the state and something that an out-of-state consultant can tell you.

Chair Hardesty: Any other comments or questions? Yes, Mr. Christenson.

Glenn Christenson: I have a question. It says underrepresented minority students. Why can't it be underrepresented students period?

Martha Snyder: That's just a definition that's common and is consistent with what's currently in the performance pool which will be adopted within the outcomes portion of the formula as well, which is a reference to the definition of those particular students and how the data is being applied.

Glenn Christenson: So a white kid wouldn't be counted in this.

Martha Snyder: That would be correct.

Glenn Christenson: So why are we making that distinction?

Martha Snyder: Because there are significant gaps in access for minority and underrepresented students as compared to lower income white students.

Glenn Christenson: We have a majority minority school at least the institutions down here. My only point is why can't everybody have an opportunity?

Martha Snyder: Well, everybody is counted in the overall head count. There's an added weighting or increased weighting for students who are currently underrepresented within the state system currently defined as underrepresented minority students and Pell eligible students. So all students are captured in the overall head count and in the FTE calculation there's additional weighting and supports provided to schools that serve higher numbers of these priority populations or these particular populations. This is a policy discussion I would like to recuse myself from commenting further. Thank you.

Chair Hardesty: Regent Goodman.

Regent Goodman: I realize you don't want to comment further, but I have a question for Ms. Abba. We can adjust this item as we like.

Chair Hardesty: Of course you can.

Regent Goodman: We can remove the word minority.

Crystal Abba: Mr. Chairman if I could clarify so that the members understand. When you look at the way 3a is written you're allocating the 40% or wherever you land when you get to that item on three different components. So, number one is total student head count and credit hours. So, what that gets to is what the committee discussed at several meetings to make sure that you account for part-time students. So that basically helps the community colleges. In addition to that -- so there you're counting all students regardless of race or ethnic origin. So, number two is the underrepresented minority student which as Ms. Snyder indicated follows a specific definition, and there -- and remember, these components act as policy levers in terms of incentivizing the institution to enroll these students. So here you're sending a very clear message we want to make sure that that portion of the formula that is allocated based on this recognizes underrepresented minorities. And then the third part is the low-income student through the Pell status. So, the challenge with all of this when this recommendation was developed over the course of probably the last three meetings, was making sure that we had the data appropriate to come up with that number, but they're delineated in those three buckets to cover that kind of wide area. And I'll be quite candid with the Committee in terms of this portion of that balanced approach has the overall effect of shifting dollars towards the community colleges. So going back to that inequity issue and this is where again you're going to grind on this more when you get to the 40/40/20, but this says we

want that 40% to be based on this calculation. You can decide what the 40% is when you get to number seven. So I keep saying it's the 40%, but it may not end up being 40%. It cannot be any more confusing. If not, I will keep talking.

Chair Hardesty: Ms. Fretwell.

Peter Reed: Mr. Chair this is Peter Reed.

Chair Hardesty: Just a moment, I called on Ms. Fretwell. I will come back to you.

Betsy Fretwell: Betsy Fretwell. Crystal, a quick question so by including these three categories in the 40%, are they equally weighted? I can't remember how they impact the 40% or does it matter.

Crystal Abba: It doesn't impact the 40% it's only within the 40% this is how that - I'm going to butcher that so I'm going to defer to Will.

Will Carroll: So if the 40% translates to \$200 million, then that \$200 million pie, sub-pie, would be divided based on a share of this category of students.

Betsy Fretwell: So it's a portion within the 40, it doesn't drive –

Will Carroll: how that 40% is divided.

Crystal Abba: It won't impact the 40, the 40 won't change, it takes the 40 and says okay allocate based on these factors.

Chair Hardesty: Regent Goodman.

Regent Goodman: Regent Goodman for the record. I would just like to express where I stand on this. If we are going to include non-resident students and I think that we need to make sure that we take minority out of that. If we are not going to include non-resident students I believe that we should add minority. So, I understand these play with one another, but -- listen, if we put this on the record and then you're incentivizing universities to possibly go out there and community colleges and recruit students from other states that are minorities and we're not helping our own state. So, for me, it's one or the other. I'm just putting my two cents in. Thank you.

Chair Hardesty: Dr. Reed I skipped you after telling you I'd call you next and then we'll get to Assemblywoman Mosca.

Peter Reed: Thank you so much and I think this is the right time to ask this question now so I'm going to raise it again for item 3a. And there was a good comment made earlier about how the 40% isn't affected by the allocation within this bucket, but what I'm curious about is that allocation and that split between

FTE and head count and the weights that are being used for the Pell and the underrepresented. And I wonder if that information could be provided to the committee perhaps with some alternatives relative to different divisions within that bucket. I just think that would be helpful information. Thank you.

Will Carroll: Will Carroll for the record. I think referencing back to the presentation we started with the distribution between the costs that institutions face that are sort of driven by just the presence of any student regardless of whether they enroll part-time or full-time versus those costs related to the intensity of enrollment of full-time students. We don't have a precise data point on the split between those costs, but I think 50-50 is closer than the current hundred percent based on credit hour. So, we started with 50-50 assuming that costs are a little bit driven based on the fixed costs of every student attending and then 50% being driven by the enrollment intensity. The weights assigned to the low-income and underrepresented minority student I'd refer back to the slide that we had that showed some of the research that found that the equity rates in a lot of funding formulas are insufficient to create strong incentives and outcomes for those students. And the 40% weight in the current performance pool in Nevada for those students would be one alternative to consider, 40% weight instead of 100% weight I think that's a little more in line with the current practice and the research indicates that is probably not high enough.

Chair Hardesty: Anything further, Dr. Reed?

Peter Reed: Well, I think that is very helpful, thank you. Just one thing that keeps rattling in my mind is by segmenting out the portion into using a different set of metrics and a different set of weights to determine the distribution, you're essentially diluting the value of the weighted student credit hour side of this and basically obviously shifting this. So, I think it's important that we understand the equation that's going into actually creating that distribution across what is essentially a new set of weights on using the student characteristics on that side. So, thank you for that explanation.

Chair Hardesty: Assemblywoman Mosca.

Assemblywoman Mosca: Thank you, Chair, I appreciate this recommendation because I know at the beginning we talked about student attributes as well as head count. For me and I really want it on the record why we chose underrepresented minority and Pell eligible instead of first-generation college student as well as the items that were on the slide as Texas as an example. And I've had many conversations as to why, but I think it's important that it's on the record.

Crystal Abba: Mr. Chairman, for the record, responding to Ms. Mosca, it's an issue of the consistency of the data or having that data at the System Office, which will get to some of those items in 3b and c where they were specifically discussed at the May 30th meeting, but in general this is the data that's

consistently available. So, it's a good place to start. Far from perfect, but a good place to start.

Chancellor Charlton: For the record Patty Charlton. I just wanted to add to that point and I wanted to acknowledge Assemblywoman Mosca's passion in this area, but there is an issue again of data and being able to one, not just have the information available through our institutional research offices but also to be able to validate it and ensure that this is something -- right now for example first-generation is a self-disclosure there is no validation. So, we want to ensure and we can develop our systems. I that this is a precursor to as we get into our next action item. Thank you.

Chair Hardesty: Okay. Does anybody wish to make a motion as to whether the components of this portion of the funding formula would be approved as written or would you prefer to edit it? Yes, Regent Goodman.

Regent Goodman: I'd like to make the motion. I'd like it to read that we use student attribute methodology allocate based on the following student characteristics total student including non-resident students, underrepresented resident minority head count enrollments and credit hours and Pell eligible head count enrollments and credit hours.

Chair Hardesty: What was the language you added?

Regent Goodman: Resident minority instead of just minority.

Chair Hardesty: I'm sorry, could you repeat that?

Regent Goodman: Number two, it would be underrepresented resident minority.

Chair Hardesty: Got it. Did you get this motion, Heidi and Crystal? Just a moment.

Heidi Haartz: If we took notes quickly enough, we believe that your motion was to allocate a portion of the general fund appropriation based on the following student characteristics one total student term head count enrollments and credit hours including non-resident students, two underrepresented resident minority student and three Pell-eligible student head count enrollments and credit hours.

Chair Hardesty: Ms. Snyder, you had a clarifying question?

Martha Snyder: Just that the resident only applies to underrepresented minority not to the Pell-eligible. So, the resident only applies to underrepresented minority students, that same condition is not applied to Pell eligible students.

Crystal Abba: Do you want resident in both two and three or just in two? So, you've added the modifier to sub two, underrepresented. Ms. Snyder is asking do you want it to say Pell eligible resident student head count.

Regent Goodman: I think that's out of my purview to make that -- I'm just saying that the language in number two was rather vague, and I thought it needed a little bit more clarification.

Crystal Abba: Okay.

Chair Hardesty: Okay. Is there a second? Did you have a comment?

Well, let's see if there's a second for the motion first. Is there a second to the motion?

Regent Brooks: I'll second the motion.

Chair Hardesty: Mr. Sanchez.

Tony Sanchez: Thank you, Chair, Tony Sanchez for the record. I'm just trying to understand where it says UNR will see a 9.6% change. I'm not sure I understand what that number represents.

Chair Hardesty: So, what this is assuming is if you use the 40% calculation and we haven't run the numbers yet, but the edit that's been made to the proposed motion, but if you assume this and you assume the 40% then it would result in a 9.6 percent reduction in UNR's appropriation, a share of the appropriation as a result of this category.

Tony Sanchez: Okay I guess I assumed that. Is there a dollar number associated with these numbers?

Chair Hardesty: One of the things I'm going to ask is, we haven't voted on the percentage. This just defines the characteristic. I'm going to defer motions on the percentage because that's going to affect another deduction. But if you would prefer, we can defer action on this motion until we incorporate or resolve the percentages, but I think we're going to have to take the motion up as made.

Tony Sanchez: Thank you, Mr. Chairman, again I'm just trying to understand the fiscal impact to the institution's budgets depending on what percentage methodology we take. I'm completely unclear.

Chair Hardesty: Let's do this, Ms. Snyder -- I understand the graph on page four of the work session document to mean that if this is going to be the factor subject to the qualification that regent Goodman offered, and the committee also recommended a 40% assignment to this factor, which we have not done yet, there

would be a reduction or a change in the percentage of the funds allocated to UNR under this factor of almost 10 percent. Have I stated that correctly.

Will Carroll: One clarification, it is not just a reduction to this factor. It is a reduction to their overall allocation.

Chair Hardesty: This one change produces that result.

Will Carroll: Right.

Chair Hardesty: And similarly, UNLV would have a reduction of five percent.

Crystal Abba: Mr. Chairman I had a quick sidebar with Ms. Goodman and I think it's important to have that same conversation with the full committee. So if you don't mind, I just want to make sure that the Committee understands what the addition of that one word means in terms of the data and the incentives -- because remember this is a policy lever. You're trying to incentivize the institutions and we're saying we recognize you've got a lot of part-time students so we want to make sure that's considered in the funding formula. We recognize you have a lot of low-income, we recognize that you have a lot of minority students. So remember I've got three buckets: one all students that's accounting for part-time, two, minority students, and three low-income Pell eligible students. So right now, bucket number one it's all students, residents and non-residents. With your addition bucket number two is resident students only and bucket number three, which is the low-income Pell eligible is all students. So, with all due respect you will have an inconsistency there. It's a policy issue. You've got resident and non-resident in one, resident only in two and resident and non-resident in three. So, it's a little weird, it's a little quirky and in the future when they say why did you do this, we will say Ms. Goodman put it in there.

Chair Hardesty: Regent Brooks?

Regent Brooks: Thank you, Chair. I certainly appreciate the spirit of my colleague Regent Goodman in what she was hoping to accomplish with rephrasing some of this and I certainly appreciate Crystal Abba's input in terms of what it looks like from a data collection perspective and because of that I'm going to withdraw the second on the initial motion by Regent Goodman.

Chair Hardesty: All Right. So is there another second for Regent Goodman's motion.

Regent Goodman: May I restate the motion?

Chair Hardesty: Sure.

Regent Goodman: I would like to restate the motion, but I'm going to be difficult again. This time I'd like to read it through as before, except take it up to two, and then I would like it to say underrepresented student head count, but then we'll remove the word minority. It needs to be equitable in some way, that's my motion.

Chair Hardesty: Well, the motion that was made dies so she's making a new motion. So, the new motion reads as written here, as I understand it, with the exception in subparagraph two the word minority is stricken. Is that correct?

Crystal Abba: We don't have the word resident. So that solves the problem of now I have bucket one, two and three it's all students. The challenge is that when you say underrepresented student, we have no data definition for that. So I'm not -- now, remember what you're doing on these pillars is going to dictate what the model looks like when we get to number seven. We talked about before small institution factor, weighted student credit hours and the student component, you're making those three decisions he's over there, you can't tell, but he's got all this worked out and when you make a change like that we've got to be able to identify those students now because you're bringing it down. Now we have unrepresented students, and I don't know what that means. We don't have a recognized data definition.

Chair Hardesty: Let me offer this because I think Mr. Sanchez has a very good point, and I want to follow up on what his question is. It's hard to make this decision in isolation of the whole formula. Is that a fair characterization, Tony?

So, I want to go backwards. The threshold question is whether the Committee supports a balanced approach, then the next question is within the Balanced Approach, what are the contents of the Balanced Approach? And then you begin to define those and then you get to the percentages of the Balanced Approach that you're going to apply. Is that a fair characterization, Ms. Snyder, Nate do you agree?

Okay. So I think instead of -- the problem that if I understand it correctly that HCM has in giving calculations to us, is that they're operating on defined terms for which there is data. And so, there is data for the defined term underrepresented minority. There is no data for "underrepresented student." We don't know what that means. So, you're not able to make a calculation using that. And it is a very good point that's a policy determination, but if the System isn't maintaining data for that, then I don't know how we would include two under any circumstances. Because a, one wishes for policy reasons not to have it in there, and b, we don't have data for the alternative. So, you just wouldn't even include it in the calculation at all. Do you follow me?

But to Mr. Sanchez's point, I keep calling him Tony because we're buds, but anyway to Mr. Sanchez's point, where is all of this leading? I think you have to work back, because if this component is going to produce a 10% reduction or a

seven percent or a five percent reduction in an institution's allocation and people find that unacceptable, they're not going to vote for this. So, I think we have to change this around, and I think we need to go to the end result and work backwards a bit is what I'm thinking.

So, I want to explore this with HCM. We heard from the faculty alliance; we've heard from other resources even in the work session document. With the defined term data what does this look like when we change the percentages now? So instead of saying 40/40/20, what happens when it's 75/20/5 or some other alternative? What are the impacts on the institution? And this gets back to the point that Ms. Fretwell made earlier, why the study is so critical to making these assessments. I'd like to join her in making a record for LCB to be aware of it. We would be making adjustments or be making decisions -- I would be making -- I won't speak for all of you -- I would be making different decisions if I had better information about what the equity and adequacy is and what percentages to attach. Because if I'm going to have to live with this formula, I don't want an institution to take a hit as great as some of these numbers are showing. Now, I don't know Mr. Sanchez if that is consistent with what your concern is, but that's what I'm trying to articulate for the rest of the committee. I want to explore the idea of working backwards to see what this looks like.

Tony Sanchez: Yes, it is, 100%.

Betsy Fretwell: Chair if I could -- just a suggestion. Maybe there's a way for the guardrails as we move forward, because given the conversation that we're having right now we're trying to decide on a policy basis whether or not we want to incentivize institutions on head count, maybe underrepresented minority and Pell.

Chair Hardesty: Yes.

Ms. Fretwell: So, looking at these numbers, there would be potentially a pretty significant percentage change to some institutions, to their detriment, and to other institutions to their benefit. Having worked on formula changes at the local government level more times than I'd like to admit, one of the things that you can do is you can phase them in or you can put guardrails on it and say no change can be more than five percent. You still have the percentage change so it could say if we decided 40% and we agreed on the three characteristics, that UNR would have a 9.6 percent impact, but you cap it at five at implementation. So, you're mitigating risk, but you still record the 9.6, and over time it catches up. That may be a little complicated for today, but I think the question before us on number three is whether or not we think these three categories ought to be incentivized and if the answer is yes, then we say yes. If we say the answer is no, then we say the answer is no and then we pick one or two and then we move on and then at the very end we're going to see those big levers, the 40/40/20 or 75/20, whatever, and then we can measure that. But it would seem to me we need to make a decision on these three categories first, because otherwise we're going to dilute the policy by

the outcome of the money and I thought that's what we were trying to avoid. I thought we were trying to come up with the right kind of formula regardless of size of the pot, whether it gets enhanced by the legislature, whether or not some of these deficits that you guys have experienced get addressed, so that we're getting the formula right first and if we need to put guardrails on so that you're not devastating an institution then you put the guardrails on by some other means, but you don't dilute the formula to avoid the impact if this is what you're really trying to achieve. Maybe I've gone on too long, I apologize.

Chair Hardesty: I get your point, but I think the concern is that by voting for this in the abstract without knowing the rest of the story, it's difficult to have that vote.

Betsy Fretwell: Let's say for instance, we get to the very end and we have we're figuring out whether the 40 should be 60, we're going to be able to see in this model what happens. But if we don't have the answers to these questions, then we don't have a model.

Chair Hardesty: I get it.

Chancellor Charlton: Patty Charlton for the record. I just want to add to Ms. Fretwell's point. One of the things that, as we started, we needed to at least have some of these decisions at least preliminarily made so that HCM can run the model in real-time. We can always, as Ms. Abba said, we can always go back and reopen this item if it doesn't seem like it is making sense as we get into the final decisions about things such as percentages for the different categories. I do want to add on this specific point though, if we just call this an underrepresented student, I don't know what that means, I don't even know if that has been defined in that regard. So, in that case, if we remove the minority, we may just have to remove item number 2 from that consideration if we -- I'm just saying, if it becomes removing minority and we had talked about defining that as resident, but if we just say an underrepresented student headcount enrollment and credit hours, if underrepresented is not defined then what does that mean? So, we either clarify that closer, but underrepresented is not defined and I don't know if that's data that we're collecting. Can I ask you, Crystal?

Crystal Abba: For the record Crystal Abba. You're correct.

Chair Hardesty: That's what I said before, if there's no data for "underrepresented student," then it comes out.

Crystal Abba: Mr. Chairman if I may to Ms. Fretwell's point, to be candid she's spot on. I mean, she's absolutely spot on in terms of once you have these pillars established of the small institution factor, the student component and the weighted student credit hours, again it's when we get to number seven. I'm going to jump ahead here and I apologize and I don't want to muddy the waters, but if you drive down that 40% that right now is allocated to that you're going to see those dollars

shift back to those institutions that have the negative. It's going to shift back to the universities. So maybe the answer isn't 40/40/20. Maybe the answer is 60/20/20. Whatever - something that adds up to a hundred where it's less than 40 in the second bucket. So that's what that looks like. I understand your standpoint from an equity lens from trying to keep this level and focused on the residents of the state but remember this particular component in particular benefits the community colleges, because if you look at each of those buckets where are those students predominantly right now. Look at CSN, 21.5 percent. So, I think that's the challenge. And with that, I would defer to HCM if they had any additional commentary to add to that.

Will Carroll: Will Carroll for the record. I think one other point I want to make, policy levers both create the incentive for institutions to enroll students that have greater weights, but they also provide resources for institutions that already enroll those students and where costs are needed to provide more supports for those students. So, it's sort of I think to the point about the institutions that are seeing increases in this current version of it, without those resources right now if this is the right policy, they should be receiving to support those students that they currently enroll.

Rick Combs: Mr. Chairman? Rick Combs up north. I just want to make sure I'm following. I get that the 40/40/20 levers are down the road, but for this particular item we're also dealing with some decisions that we don't necessarily have the data for, I believe. I heard earlier in the meeting that the 50-50 split between student credit hours and head count, there doesn't really seem to be any concrete reason why 50-50 was chosen. I'm not sure I totally understand how we came to the factor for the other two components is one. Maybe it shouldn't be one, maybe it should be something else, but we don't seem to have the data for that either. So, I guess asking the committee to vote on this, I think you either have to be comfortable as a committee member that the policy decision is so right that you want to vote for it, even though you don't know necessarily whether the 50-50's right, whether the one on each component is right, or you're not going to be comfortable voting for it. Unless someone can tell me yeah, we chose 50-50 for these exact reasons and here's the impact the 50-50 has on how much UNR and UNLV lose and here's how much impact that has on what CSN gains, this really is kind of a guessing game that we're being asked to play here. That's the way I feel anyway.

Chair Hardesty: I'll let Kyle go ahead.

Kyle Dalpe: Thank you Mr. Chair. Kyle Dalpe for the record.

Having been in the System more than 20 years now and having served as the President for a few years now, I'm sensing the creative stress in the room on the funding formula. This is something we live and breathe every day trying to figure out what policy decisions are going to take a different piece of pie and push it to

somewhere else. And I'm looking at the Committee members around the room and I agree with all of you, and I have no answers at the end of this statement. I was just about to bounce out of my chair, I haven't even taken a bite out of sandwich yet. I want to note it is a stressful discussion because we're trying to figure out the formula, I do represent Western Nevada College obviously as President, but in this seat I represent all of the institutions and I would prefer that there is no negative in any of the columns. I don't think we'll do that, but if we go into an exercise where we're putting a spreadsheet up and looking at the percentages, we're all going to be like make those three buckets. So, to Ms. Fretwell's comment define the three buckets and then we're going to be manipulating those percentages to cut the losses, which is Mr. Sanchez's comment. That's probably where we're going to end up going. That's the overall frustration with everybody in my seat and the CFO's all the way down, and again the adequacy piece that we decided first will be the one that hopefully comes and backs this up. There has got to be something that says the people in the positive need that, the people in the negative don't need to go negative, they probably need something as well. Interestingly enough WNC which is the second smallest institution in the system by weighted student credit hours and head count loses in almost all these scenarios and I'm looking at it the 3.3% for me is roughly \$2 million, that's a chunk. Well, it's up there. It's hard breaking to watch this. I feel the frustration in the room. I appreciate the discussion though because this is one of those ones where we're going to say the carts before the horse many times before we get to whatever time this ends today. So Mr. Chair, thank you. Just some comments, but I wanted everyone to know that we are looking out for all of the institutions as we do this.

Chair Hardesty: Crystal, you wanted to make a comment now and take a break for 15 minutes.

Crystal Abba: For the record Crystal Abba. Back to the earlier point about the data issue, I just want to clarify that for this particular item, 3a we have all of the data. So that's why he's been able to build the model where we're at. So, for bucket one, two and three we've got all the data, he's got it in his model. But the issue of the 50-50, that being -- you can pick other percents, you can manipulate the percent if you want, but 50-50 is actually a reasonable place to start because when you look at the matter of part-time students you've got all these bodies, but what determines part-time status is the FTE. So, they work together. So that's why as a place to start it was 50-50. Thank you.

Chair Hardesty: Maybe HCM can respond to Mr. Combs observation or question? Because he makes a good point, what is the basis for a 50-50 split or what should the committee be considering in adjusting it? I mean, we can adjust it in the computer, we can recalculate it. We're trying to determine how it should be adjusted for policy reasons.

Nate Johnson: Nate Johnson for the record. We don't have a magic number for you. So, the 50-50 was, again, a starting point for discussion, a matter of professional judgment, and then looking at the feedback we received from the institutions about where their pain points were. And then an understanding of what the cost drivers in Nevada are in context. So, the 50-50 split is also in the context of what do you decide about the 40/40/20 split because those things affect one another and what [indiscernible] is within the 40%, is it just head count, do you leave the underrepresented minorities in or out. Each one of these things has an effect on the other. I guess the one principle that I think was consistent in our thinking about this is that the percentages should drive an amount of money that is meaningful enough to make a difference for the institutions, as opposed to being just a token exercise but not so much money that they completely undermine the other priorities of the state and the other ways that institutions are funded.

So, there's a balancing act there that -- in our experience I can speak for Will and Martha on this too, there's certainly other kinds of data we could bring to you, or you could get from an adequacy study that would be useful for you. At the end of that process, you will still have a lot of questions and there'll be tables showing institutions gaining or losing based on that study, and there will be people who don't think that the numbers were adequate, and this is regardless of which consultant does it, which numbers are justified, there'll be additional questions. So, at some point -- and I don't know whether you're there right now or not, but when decisions are made, they're always with imperfect and inadequate information.

I guess the question would be not whether any one of these given splits is exactly the right number but is it directionally better than the status quo which in many ways is equally arbitrary and unjustified based on empirical data as well.

Chair Hardesty: So your recommendation is to consider a 50-50 split on this item and then it would be subject to subsequent review if the committee chose to go down that road. But in making that subsequent review, I'm trying to figure out what it is that the Committee is looking at, what kind of data points are they considering in order to adjust it. I don't know that we've given much guidance there or received it.

At the moment the discussion leads me to believe that item 1 and 3 would be items that would be part of this factor, but it isn't a done deal until we run some numbers on it is the way I perceive the discussion. With that said, we've been going at it for a while. Let's take 15 minutes and we'll come back and see if there's any motions to be made.

The meeting recessed and reconvened with all members present except for Senator Carrie Buck, Assemblyman Ken Gray, Ms. Amy Stephenson and Ms. Yvette Williams.

Chair Hardesty: I know there's a lot of discussions going on but let's call it back to order, if we can.

Rick Combs: When you're ready.

Chair Hardesty: I'm not sure we have all the members yet. Rick, do you have everybody up in Reno yet?

Rick Combs: Members are here, Mr. Chairman.

Chair Hardesty: Pardon me?

Rick Combs: Yes, we're all here, Mr. Chairman. We're all here.

Chair Hardesty: All right. Let's reconvene the meeting. All members are present.

I'd like to see if there is a motion on 3a at all. Chancellor?

Chancellor Charlton: For the record Patty Charlton. I'd like to make a revision to the language and I'd like to it to read as follows:

That 3a would be to allocate a portion of the general fund appropriation based on the following student characteristic for resident students only: 1) total student term headcount enrollments and credit hours, 2) underrepresented minority student headcount enrollments and credit hours, and 3) Pell eligible student headcount enrollments and credit hours.

So, this removes the reference to any non-resident students but maintains under number two, based on our former conversation, includes the underrepresented minority students.

Chair Hardesty: Is there a second to the motion?

Regent Goodman: I'll second that motion.

Chair Hardesty: Regent Goodman has seconded the motion. Is there a discussion on the motion?

Yes, Regent Del Carlo?

Regent Del Carlo: Thank you, Chair Hardesty. I have to say when I first heard you give the original motion, I thought, gosh, I thought you liked all students, but then the more I got to thinking about it, I think you're right because we don't even fund our own students, your own Nevadans adequately, so why are we worried about out-of-state students, although please come to Nevada, it's great, but I think you were totally right and I think that motion addresses that and hopefully, with

our legislative members of this committee, that it's opened their eyes, too, because we are so underfunded in this state.

I think that's why we're having -- we're struggling here, because how are you going to take away 10% from an institution that's R1, trying to stay R1, yet at the same time I heard Vice President McCoy on the radio the other day, saying the board set 351 -- 350 students to one for advising. They're at 675. These are the students that need it the most. It's almost double. And yet we're trying to get students out. How are you going to do that if you don't advise them properly? I just want to say that because this is not going to end here. We still have a lot of work to do in this state. So, thank you for bringing that up.

Chair Hardesty: Any other comments?

Yes, Mr. Sanchez?

Tony Sanchez: Thank you, Mr. Chairman. Again, I struggle with this one but as I mentioned earlier, because of the inadequacy of our current state of funding, once again we're recommending changes that are merely shifting funds between institutions, which I think is fundamentally the wrong methodology to undertake.

As we move forward and I understand depending on what happens with this particular item, moving to the other percentages, it will impact these budgets, but I just feel like I'm at a disadvantage not understanding the budget ramifications and making these decisions. I mean, it's as simple as UNLV is one of the top three most diverse universities in the country, which I'm proud of, I was a Pell student back in the 80s at UNLV, and --

Chair Hardesty: I didn't know that.

Tony Sanchez: Under this criteria, they're going to get a 5% reduction. That could be related to a percentage of part-time or full-time students and other factors. I just -- I am unqualified to make a decision on this one and I'm going to be abstaining.

Chair Hardesty: I think one of the things that we should raise, it seems to me that people's support of this is still subject to the ultimate question, and so I would urge the maker of the motion to say that, subject to the application of the formula, I would support this, because I want to make it clear that we can return to this topic for that purpose.

Ms. King? Did you have a comment?

Lynda King: It's fine to do that but it's not necessary to be able to revisit the matter on a motion to reconsider.

Chair Hardesty: Well, people may be feeling that their vote commits them to it and they can't return to it, so I would assume that we would have a vote to reopen it. So that's why I want to do it now. Is that acceptable?

Crystal Abba: As we explained in the beginning of the meeting, when we get to that agenda item where we look at the 40/40/20, the Committee can continue to manipulate those, and if they land in a different place, our plan all along was to have a motion for reconsideration and go back to that prior item. So, Ms. King is correct, you don't need it in the language to do so.

Lynda King: I understand you're putting the contingency in now.

Tony Sanchez: Mr. Chairman, that -- I'm comfortable moving forward with that understanding.

Chair Hardesty: With that understanding, I'll call for a vote of the committee.

....

The Committee considered for approval a recommendation concerning the use of student attributes as a component in the funding allocation methodology.

Chancellor Patricia Charlton moved for approval of a recommendation to "Allocate a portion of the general fund appropriation based on the following student characteristic for resident students only: 1) total student term headcount enrollments and credit hours, 2) underrepresented minority student headcount enrollments and credit hours, and 3) Pell eligible student headcount enrollments and credit hours." Regent Stephanie Goodman seconded. Motion carried. Mr. Richard Combs voted no.

Continuation of the verbatim transcript:

Chair Hardesty: Let's move on to academic preparation. Item 3b.

Crystal Abba: Item 3b and 3c are similar in that they contemplate further study of data elements that could be included in this component, this factor of the balanced approach going forward, once the data is appropriately identified.

So, first of all, on the matter of academic preparation, you will recall from the matrix that we created on the president's list and that section on the student characteristics, there were many characteristics that related to academic preparation.

The challenge was they easily weren't consistently collected by the institution or if they were collected, it was only for certain students, it wasn't for all students. And there also is the ongoing debate as you heard under public comment of what is the best measure of that academic preparation.

Item 3b urges 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 of the student-based component in the funding allocation methodology. Determination of such data elements should be in consultation with campus level institution 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 for such data so that such data can be collected for use in the formula allocation for the fy28 and fy29 or the 2027 Session. What this does, it's an indication to the chancellor's office that you're not entirely happy with 3a and you want other factors to be considered going forward, but in order to get there, you've got to be able to identify consistently and agree to a data element that measures academic preparation.

Chair Hardesty: Does someone wish to make a motion? Regent Del Carlo?

Regent Del Carlo: I'd like to make a motion; do you want me to read the whole thing as it's written.

Chair Hardesty: That's plenty good for me.

Regent Del Carlo: Thank you.

Chair Hardesty: Is there a second to the motion?

Regent Brooks: Regent Brooks, I'll second the motion.

Chair Hardesty: Thank you.

The Committee considered for approval a recommendation on data elements related to academic preparation of students.

Regent Carol DelCarlo moved approval of a recommendation to "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).” Regent Byron Brooks seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: 3c.

Crystal Abba: 3c is a similar issue concerning the need to look for additional data. Right now in 3a, you have the Pell eligible student criteria so any student who completes the FAFSA and is determined to be eligible for a Pell award would be included in that count, but there may be other measures and that was the conversation that the committee had at its May 30 meeting, so this urges 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 elements should be in consultation with the campus level institutional research offices to ensure consistent data or collection of elements going forward. It is recommended that this effort commence in sufficient time to be able to used in FY28 or 29, or the 2027 session.

Chair Hardesty: Is there a motion? Yes. Assemblywoman Mosca.

Assemblywoman Mosca: I’ll make a motion as written.

Chair Hardesty: Thank you.

Is there a second?

Mr. Sanchez seconds.

....

The Committee considered for approval a recommendation on data elements related to students in poverty.

Assemblywoman Erica Mosca moved approval of a recommendation to “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).” Mr. Tony Sanchez seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: 4a

Heidi Haartz: Heidi Haartz for the record. Recommendation 4a pertains to summer school student credit hours. As we have discussed previously, additional work may be necessary before summer school is recommended for inclusion in the funding formula budget, so the recommendation for your consideration is to 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.

Chair Hardesty: Is there a motion?

Chancellor Charlton: For the record Patty Charlton, I move to approve recommendation 4a.

Chair Hardesty: Is there a second?

Regent Brooks: Regent Brooks, I’ll second it.

The Committee considered for approval a recommendation for further review of summer school student credit hours.

Chancellor Patricia Charlton moved approval of a recommendation to “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.” Regent Byron Brooks seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: Let's move on to 5a.

Crystal Abba: Number five, the three-year average for waited student credit hours. The way the current funding formula works going into the legislative session we used and refer to it as the year of measure, that's the most recent year for which a full year's worth of data is available. So, for the formula calculations for the current biennium it was based on the academic year 2021-22 student credit hours. It is practice in most states to use a three-year weighted average, in so many of the committee meetings up to this point, we saw the impact plus and minus of a three-year weighted average. It was recommended by HCM as a starting point we go three-year weighted average but begin as the Committee saw, that there are winners and losers. As to all of these there are winners and losers.

Other options were recommended. I want to point out that items 5a, 5b and 5c are mutually exclusive. So, you pick one.

So 5a is your standard three-year weighted average. And what this essentially does is, it smooths out some aberrations in the data, but it also means that there can be a lag in an enrollment trend and of course if an institution is suddenly on an uptick, it actually can have negative ramifications for an institution whose enrollment is increasing.

The second option, which is delineated as 5b is the greater of the three-year average or prior year. I want to point out that on this one, it's done on a basis for each institution individually, not for the system overall. So, for example, if you have a university where the three-year average is greater than the prior year, it would go with the three-year average. If you have another institution where the prior year was greater than the three-year average, they'd use the prior year. So, there would be some level of inconsistency in that.

And then 5c would be the weighting the most recent -- the last two years of the -- so the prior year -- stop for a minute. So 5c is, base the count for each year of measure using a weight where you're weighting the more recent years higher. For the immediately preceding year, a 50% weight. And two years prior to that would each get a 25% weight. But, again, the most recent year gets weighted heavier. So, again, these are mutually exclusive.

Pick one.

Chair Hardesty: Based on the input from the business managers, I'd move to approve 5b. Regent Del Carlo?

Regent Del Carlo: I'd like to second that motion.

....

The Committee considered for approval a recommendation concerning the determination of WSCH for use in the funding formula allocation.

Chair Hardesty moved to approve a recommendation to “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.” Regent Carol DelCarlo seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: Item no. 6a, please.

Heidi Haartz: Heidi Haartz for the record. 6a is focused on the outcomes-based funding component. If this outcomes-based component is adopted, it would eliminate the performance pool as it exists, insomuch funding would not be allocated to institutions, and the y would have to earn it back based on performance metrics. As part of the balanced approach framework, the funding that would be distributed through this portion of the funding formula would be distributed to institutions based on their relative growth on the performance metrics that are currently in place as was discussed earlier this morning in the HCM presentation. Certainly, adopting this recommendation does not limit or preclude NSHE from revisiting the performance metrics in the future.

Chair Hardesty: Do you have something else to add?

Heidi Haartz: I think I’m good. Thank you.

Chair Hardesty: Okay.

Mr. Sanchez, do you have a motion?

Chair Hardesty: Thank you.

Is there a second?

Senator?

Okay.

Is there further discussion on this matter?

Rick Combs: Up north we didn't hear the motion, Mr. Chair.

Chair Hardesty: I’m sorry. Mr. Sanchez voted to approve 6a as written.

Rick Combs: Thank you.

Chair Hardesty: And that was the second by the senator.

Do we have a question?

Kyle Dalpe: I have a question. I know I'm nonvoting. I'm curious, does that limit it to the percentage, there's no overshooting and getting extra? Whatever percentage we use is that third bucket. That's all. Just curious.

Chair Hardesty: yes.

.....

The Committee considered for approval a recommendation for an outcomes-based component to the funding formula allocation.

Mr. Tony Sanchez moved approval of a recommendation to “Eliminate the current NSHE Performance Pool and replace it with an Outcomes-Based Funding (OBF) component in the funding allocation methodology, allocating the funds based on a relative growth calculation.” Senator Marilyn Dondero-Loop seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: Let's move on to item no. 7.

Crystal Abba: Mr. Chairman, this is where the rubber hits the road, if you don't mind, we would like to give HCM an opportunity to make sure their model is in order and we'll come back in five minutes, and we will project with the components that the Committee has chosen now and we'll start with the 40/40/20. We will show you the percent allocation and the dollar amount, and you can pick what you want your percents to be.

Chair Hardesty: I'm so excited.

Crystal Abba: Me, too.
[laughter]

Chair Hardesty: That's fine. We'll be in recess for about five minutes, approximately.

[recess]

Chair Hardesty: Let's reconvene. I don't think we have everybody here yet. Rick, we're waiting for a couple of people to come into the room. I think we're ready to go. HCM.

Will Carroll: Will Carroll for the record. I'm going to share the screen with the model. It will -- I know I need to zoom in a little bit. I will do that. But as we're going through this, please feel free to speak up about -- you need me to slow down or zoom into anything. I'm going to try to sort of walk through what we've gone on the screen and connect it to the decisions that you all have made so far today.

So, starting on the left side here, the orange box recommends the O&M representing the small institution factor and research O&M. You have voted to set value at \$40 and set threshold at 125. Student-based funding, we've updated so that this is only counting resident students. And using the same 50/50 headcount FTE split and the one weight for Pell students and minority students.

On weighted student credit hour, we reflect the vote you placed approving the higher of the three or the prior year average, and the outcomes-based funding the final component. That leads to a total formula allocation across the components and reflecting FY25 allocations, institutions got enhancement through the appropriation for graduate student stipends as well as summer school. We've added those in at the end to reflect the actual appropriation the institutions would have gotten in FY25 under this type of formula.

That leads to -- let me make that a little bit bigger. This is the sort of impact box that we're going to look at for the different options. He'll zoom in a touch more.

So, under the current, we have 40/40/20 in here, which reflects the first option in the work session. You can see the new state share of the total state funding, you can see the dollar impact and you can see the percent change -- the change in the share of the state funding and the change in the state allocation.

So, this change in state allocation is the percent change that you've seen in all of the documents -- all of the tables that you've seen so far throughout the work session documents.

So, these numbers, I think, are bigger than the ones that you had seen before in terms of the cuts to the universities and some of the increases to the community colleges. The resident/non-resident factor is the driving cause there.

The universities enroll more out-of-state students and are receiving a smaller portion of the student-based funding component by taking out the non-resident students.

I'm going to now just look through the impact table for the different distribution options that are in the work session document. On the 40/40/20, you've got these - this is the 40/40/20, ranging from 14.7% cut to UNR to a 28.6% increase to CSN.

At this point I need to stop and remind everybody of a couple things. This is based on data that we had for FY25. We heard from President Dalpe that weighted student credit hours at his institution for example have changed a lot since that data. That's going to be true for every institution.

So, we don't have -- in the next year when this formula would be implemented, they will still be updated, so this is just based on what we had at the time to work with, so these numbers will definitely be different when fully implemented.

And the other thing is that these would be phased in as we've talked about, that is an agenda item or action item for later in the work session, but these would not be a one-year impact on any institution, the intent is to phase it in so an institution doesn't feel the full change in one year. 40/40/20.

Next option in the work session document is a 45/45/10, reducing the amount going to outcomes-based funding and splitting that still equally between student-based funding and weighted student credit hours.

I'm going to zoom out a little bit so you can see the comparison to the first option.

So, 45/45/10 ends up sort of with larger cuts to the universities, larger increases to the community colleges and NSU.

The reason for that, just to give you a sense of when you change one lever, what the general impact is going to be, the student-based funding is the portion that has the biggest impact on shifting funds from community colleges towards the university. So, this puts more funding into --

Rick Combs: We're picking up some background noise. I think maybe some folks need to mute their microphone. Thank you.

Will Carroll: Thanks. So in the near term, at least, the outcomes-based funding, by using the relative growth model, distributes funding pretty similarly to how weighted student credit hour is distributed. So, the impact of going from that 40/40/20 to the 45/45/10 is really sort of moving more towards the student-based funding, and that's why the universities see a larger decrease under that model.

Now, this is a 40/50/10 which further distributes more funding into student-based funding, less on the weighted student credit hour, and you can see that that continues to sort of lean towards that direction, so there's -- going further down the -- the emphasis on the student-based funding.

And then this one, the flip side where 60% is through the weighted student credit hour, 20% through student-based funding, and 20% for outcomes-based funding, you can see the range here is now from 8.2% reduction to UNR up to a 15.4% increase for CSN.

Again, something that would be phased in over time, not immediately enacted in one year. So, we can -- I will turn it back over to Heidi and Crystal to sort of work through the work session document, but we do have the ability to change those percent distributions and see a real-time change.

[inaudible]

This is 70% weighted student credit hour -- excuse me, 75% weighted student credit hour, 20% student-based funding and 5% outcomes-based funding.

[inaudible]

Crystal Abba: Mr. Chairman, perhaps a general observation to help the committee digest this, so, as you -- the model that he just ran at the 75/20/25, because you're driving up the weighted student credit hour portion, that helps maintain the status quo, you see what happens is it drives down the reductions to the universities.

So, to the extent that you want to continue to maintain the status quo, you drive up bucket one, drive down bucket two, and in this case, they also considerably drive down bucket three, which is the replacement of the performance pool. It will have the opposite effect if you drive up bucket two.

You'll see the universities -- if you inverted that and did 20/75/5, you'd see a whole bunch of money shift to the community colleges and away from the universities because it basically takes what you see in the --

New speaker: [inaudible]

Crystal Abba: Exactly. Now you know and you can see from this the significant impact -- because if you compare the percentages that Will showed for the three models in the work session, those percent changes don't match what's in the work session document because you removed the non-residents and it made a significant -- it pushed money towards the community colleges for all of this.

Rick Combs: Mr. Chairman, if you're looking for someone to start the conversation, I'm happy to serve in that role. Okay.

I think when we started this process, kind of the way I looked at it was that it had been over 10 years since the last time, and in the last time, really, kind of what we did was go into the weighted student credit hour is, we emphasized the

importance of not just putting students in a chair but trying to get those students to earn their certificate, earn their associate's degree, earn their bachelor's degree, and to do it where possible at a rate of, you know, trying to graduate college, university students in four years or around four years, and trying to make that happen more quickly, putting the emphasis on that.

And I think the reason for that was, at the time, there were studies that were showing that if a student languishes too long at any school without a degree, their chances for getting one tend to fall off, too.

So, I think the Legislature and NSHE at the time made a really good decision to go to weighted student credit hours. I think what we found, also, that that impacted maybe the community colleges more than we'd anticipated because a lot of their programs aren't necessarily degree programs, and as well, they have a lot more of the part-time working students that maybe there are administrative costs.

I think what we're looking at here is along the right track, but I would advise getting too far away from weighted student credit hours, and I'm not saying that just because of the impact that it's having on these numbers for the universities, but more just from a policy standpoint that I still think, as a system, it makes sense to keep the focus on the students actually achieving what it is that you're bringing them into the institution for in the first place, which is trying to give them something that will help them better themselves when ultimately they decide to leave.

And so, I'm saying all that just from the standpoint that I -- I probably wouldn't support anything that moved more than 20% to the new components that we're adding to the formula. Anything below that would probably -- that or lower would probably be acceptable to me.

And I know what you're probably thinking is, wait, you're the one that voted no on item 3a so why are you even talking, but on 3a, I just didn't feel comfortable that I knew why we had landed at the 50/50 and then the factor of one on the other two parts of that part of the formula. But to me, the lower percentage you make that, the new components, the lower percentage you make that, the easier it is for me to stomach going forward.

So, again, just as a starting point for the discussion, that's kind of how I see the world and I know there are others that will see it a lot differently, but I just wanted to put that out there.

Chair Hardesty: How does that translate to a percentage, Rick?

Rick Combs: Well, as I said, I probably am not going to support anything that takes the student-based funding higher than 20% to start out with, and when I say to start out with, I just mean that if -- from my standpoint, the weighted student

credit hour was a good move, but maybe it had some impacts that we didn't anticipate. I don't want to go so far in the other direction away from student credit hours that we have those same impacts -- you know, unintended impacts in the other areas.

I think the best place to start might be at 20% student-based funding or lower. I'm a fan of the outcome-based funding, quite frankly. I know I'm in the minority there, so I would keep that at the 20% and then I'd have the weighted student credit hour at 60%. That's just, again -- it doesn't mean that's the only thing I would support, though, but that's kind of where I see the world. Thank you.

Chair Hardesty: Yes.

Betsy Fretwell: I kind of agree -- this is Betsy. I kind of agree with Rick on that. I think it gives us a good starting place. I think one of the challenges is, do you want to have some phased-in implementation? Not necessarily if we go with the 70/10/20 I think is what Rick was just saying, right? So, the weighted -- the traditional measure, the weighted student credit hours would be at 70, the outcome-based would be 20, and then the student-based would be 10%, is that what you're saying, Rick?

Rick Combs: I was saying the 60/20/20 but that doesn't mean I would oppose a 70/20/10, either.

Betsy Fretwell: What does the 60/20/20 look like again? So, for the legislature to hold everybody harmless, they'd have to invest another \$22 million. Which is about 5% of the overall budget? For the System? Right? Did I do the math right? About 5%. That seems immensely affordable, frankly.

Chris Viton: 5% of the formula appropriation as opposed to all appropriations.

Betsy Fretwell: Thanks, Chris. So 60/20/20 moves the needle, probably could be manageable and not to speak for any legislators in the room, but might be manageable in the budget as well to hold people harmless.

Chair Hardesty: Yes?

Regent Goodman: Stephanie Goodman for the record. I want to emphasize my support for what was just said. I think that I also would really like to see maybe the 60/20/20, and the 75/25, next to each other, if we could just see those and give it a look. Thank you.

Martha Snyder: For the record, just to clarify, 5% for outcomes is where the 5% would be? Okay.

Chair Hardesty: One actually increases the hold harmless by \$22 million. In my world, hold harmless is a whole lot different approach and meaning. In your world, hold harmless sounds to me like, trust me. So I'm a President of a university, an R1 university, and I just lost \$11 million and I'm supposed to trust the Legislature to backfill that? Yeah, ain't happening. I don't think that's going to be the case. And then you say phase it in. A year at a time? Really? When we're dealing with biennium budgets? That doesn't make sense to me, either. So, I just don't know.

Regent Brooks: Regent Brooks for the record. I wanted to make a quick observation. In taking a look at how these percentages are broken down, right? If we recognize very early on that there absolutely is competition driven with institutions based on weighted student credit hours, there's a shift in the percentage of what this looks like and really the competition becomes with, what are the outcomes of the institutions, and if outcomes are student experience, student success and awards, then from where I sit, I would rather have institutions compete against -- for the success of students than for the success of an enrollment, and so I'm wondering if there might be, you know, even maybe a different way of looking at some of the numbers because the 60/20/20 seems -- I think it seems pretty good but what can we do to drive outcomes and maybe we start taking a look at playing with the percentages to where outcomes becomes part of the priority because that's student success.

Chair Hardesty: Right.

Chancellor Charlton: And I think to Regent Brooks' point is that's actually where the last formula was, is that's where the weighted student credit hour and where everything was in that bucket because it was based on success and completion of a course, for example, or at least the earned F, we're going to called it the earned F.

To that point, I wonder -- this might seem a little radical, what an 80 and a 15 in the students and the 5% or either an 80/10/10 or an 80/15/5 or something like that might look like, because it drives success in the particular point of completion of courses and that's really where students are supposed to be, is getting enrolled, getting through, and it does weigh into that. Just a concept.

Heidi Haartz: You threw out three combinations of numbers. For the benefit of HCM, could you choose one combination of numbers that they could then model. You can still ask for others.

Chancellor Charlton: 18, 15, and five. I'm sorry, 80 for WSCH, 15 for student attributes, and 5% for outcomes-based funding.

Kyle Dalpe: Mr. Chair, while he's hacking away at that, while everyone's not looking at him, they can look at me, to piggyback on what the chancellor said, the

weighted student credit hour measure in and of itself has that performance piece to get students to the end of the semester. The previous formula had you getting funded at eight weeks whether they finish or not, to the point that was made about the part-time students or the students in the community colleges, the W's are not funded. So, if a student withdraws from a class, even if it's at the 13th out of the 16th week, we do not get funding for that right now. That number is higher at community colleges due to the nature of the students. So, by putting a -- skewing the funding toward the weighted student credit hours, that allows us to have resources to retain those students and bring that W rate down so that they do complete, and once they complete that step rather than withdrawing, they can step themselves into a degree or certificate.

Peter Reed: Mr. Chair, this is Peter Reed. If I can, I'd like to make a couple points and maybe ask a question. First off, the idea that the legislature would make the R1 institutions whole is a great idea; I don't know what the viability of that idea is and maybe the legislators on this committee could share some insights and their prognosis as to that as a possibility. But if that's not the case, then essentially this is a model designed to shift funding from the R1 institutions to the community colleges. And I am all in favor of increasing funding for the community colleges, and as I said in the beginning, I was hopeful that this process would result in a model that demonstrates the intent to invest in higher education in this state by increasing funding across the board.

Someone asked the question earlier about the impact of these level of cuts on the R1 institutions, and I can tell you what that impact will be, is that it will harm students. You're talking about fewer courses available to the students, fewer programs available to the students, at this level probably also cuts in student advising, student services, and possibly even the elimination of colleges and schools within the universities.

These are draconian cuts, to shift funding away from the R1 institutions to the community colleges, and if that's the result of this funding formula, you know, then we're harming the quality of education in this state rather than helping it. And I think we need to garner the fortitude to make the ask for a significant meaningful investment in the state so that funding can increase across the board rather than shifting it from one institution to another, which has a direct impact of harming the students in this state.
Thank you.

Chair Hardesty: Yes?

Kyle Dalpe: I have a high-level comment looking at this because if I were one of the presidents that were looking at the negative numbers there, I would immediately say, which I have done under the current formula, where do I need to chase the enrollment to balance the budget. I think the discussion comes back to something that was said by the committee members earlier about what -- almost

need to be looking at the percentages in addition to the impact but the percentages, how much percentage do we want to put in the enrollment weighted student credit hours, how much in the student characteristics and how much in the performance. Because five years, 10 years out, the universities are going to be changing enrollment strategies, enrollment management strategies to make up those numbers, and that's the defining course that we would be saying is, if you're not going to get it under scenario (a), you're going in to get it under (b), and then all of sudden it shifts to we've got to spend more time on headcount or more time to weighted student credit hours or more time on outcomes, if I'm not misreading that.

I don't think there are any of the university presidents in the room and I don't want to speak for them. But from an enrollment strategy if you tell me it's going to be these indicators, I'm going to make sure we get at least all of those to balance the budget but if it becomes these I'm going to go over there, and that strategy piece is the piece we're defining with those percentages. We don't want anyone to be a loser but down the road it will balance itself out because those institutions will go after those.

From that stand, I think this is opposite what Regent Brooks -- you are welcome to correct me -- I'm thinking more on the last bucket. I actually, because I'm not a fan of the performance pool would prefer that 5% there because I think -- it's something there to call it good but not I'm going to have to live and breathe if I don't get it, but the other ones seemed pretty good to have more on the credit side, whether that's a 60 and 25 or 80 and 15, but the 5% in the last column works because that outcome piece we can get to, but to get there, we've got to build up our funding with the other two buckets.

Betsy Fretwell: Mr. Chair? Betsy Fretwell for the record.

I just pulled up the Economic Forum Report from the end of last session and put things in perspective. So, at the end of '22, there was a 21.6% increase in state fund funding revenue, and then at the end of 23 it went up by 5%. The projection was .1% in 2024 and .27 in 25. But when you look at those numbers, you know, it's about a \$160 million in additional funds. So, when we talk about, you know, trying to hold harmless, if you picked this or any of the other formulas, you're looking at somewhere between 15 and \$25 million to make UNLV and UNR good, out of what is estimated right now at \$160 million by the state's own projections.

I don't think that's a very significant -- I mean, I know it's difficult, presidents need money, everybody else needs money, healthcare needs money, but the point is that, based on the state's own projections from two years ago, they'll have the money to make that up. If this is a priority.

Chair Hardesty: Yes, Regent Goodman.

Regent Goodman: Thank you. I also -- I guess it's a little bit of a soapbox, but when we talk about those increases that Ms. Fretwell is talking about and this increase of funding for our state, a lot of those people that will be benefiting from this at the community colleges are the individuals who may very well be working in the service industry, handling those events, or their parents are working in those spaces, handling those events, and, for me, it makes sense for them to see some benefit from all of that.

We keep hearing how Super Bowl brings all this money here. F1 brings all this money here. When we talk about those kinds of increases, those events have a lot to do with it, and the people that work those events should benefit somehow from that. And I think that making sure that we are speaking to our students and -- that are down here and getting them into school, into higher education, I think it should be a priority, and I actually -- I like the 80/15/5.

Chancellor Charlton: A question for Vice Chancellor Viton, this is a per fiscal year amount, so this would be double over the biennium, correct.

Chris Viton: That's correct.

Chancellor Charlton: So we're actually, under this one, just under -- it's actually more like 36 million, correct?

Chris Viton: 36.

Chair Hardesty: Senator?

Senator Dondero-Loop: I guess all I would say is, it sounds like a lot of money when you look at an amount, but it starts going really fast, and when you're talking about K-12, you're not funding like early childhood, you're not funding K-12, you're not funding those things at a higher rate, then you get to higher ed where everybody doesn't go.

Everybody goes to K-12. Everybody should be going to Pre-K, we should have more slots. So, you know, it would be great if we could say everybody went to higher ed, but everybody doesn't, and we live in a state that doesn't always value higher ed, right?

Those are all the important realities of where we are. I don't want anybody to take -- I don't want to see our R1s losing that amount of money and just the assumption from this group specifically that, oh, yeah, the legislature will cover it, because, I mean, like my mother and dad didn't pay my bills, either, so that's kind of what this is like, asking your mom and dad to pay your bills, and if you go to mom and dad and they don't have the 25 million to pay your bills, it's going to be a problem.

So, I don't think we can assume that. I don't see that we would ever have another downturn but guess what, we didn't know that was going to happen when we had the recession, didn't know we were having the pandemic, didn't know, didn't know, didn't know. I just don't know that I right now feel comfortable with anything that's an assumption and taking money from our R1s at that magnitude and assuming that the state can pay for it because we might not, and like I said, if we aren't paying for early childhood and we aren't paying for K-12, and those types of things, it's for naught.

Chair Hardesty: Regent Del Carlo?

Regent Del Carlo: Thank you, Chair Hardesty. And I agree with you, Peter Reed over there, but I do want to say, I think at the second meeting we attended, I remember HCM Strategies, I'm not sure which one of you said it, but you did say it, that if we wanted to get more money from the legislature, we'd have to raise our tuition. And that really stuck with me. Somebody said it. I wrote it down. Somebody said it. We'd have to raise our tuition.

And so I'm thinking, I just think it would be criminal to hurt the R1 institutions because that does come up every three years, constantly seeking that, and I'm -- we had to, as a board, because we weren't funded at the proper 80% for COLA, this board had to, it was a very difficult decision but we had to do it, we raised tuition 5% even though we had had a subcommittee that we agreed to have a predictable pricing model, and that was based on HEPI, and Crystal Abba helped us. In the past we were just pulling a figure out of the sky with no data, but we do know that our tuition is low, it's below the average, it's one of the lowest, I think there was a slide on this, so I would ask the question, to make up -- say we go with this, if we have to make up \$36 million, what kind of tuition increase would that \$36 million be so our R1 institutions aren't impacted? That would be my question.

Let me just finish. Because we all know that there's only two ways out of this. We either raise tuition or we get more funding, and we've been told ad nauseam there's no more funding, the only other way we can go is to raise tuition, as much as I hate to say those words to my fellow colleagues. Thank you.

Regent Brooks: Regent Brooks for the record.

I think the problem that we ran into as a board is the same problem that exists right now, and that's when the COLA increases were made to the universities and institutions across the state, board members knew that there were going to be substantial cuts, freezes and other things that happened with these institutions, and reluctantly the board voted unanimously on those, not because it was the board's decision to do so but because every single president in the meeting said, yes, please do this. That's what we did.

The fact of the matter is that even when that was done, it was done that the presidents had an expectation that they would go back to the legislative bodies and somehow miraculously they would be able to get more funds allocated for their institutions.

And so, when we're taking a look at how we can divide things up, I think it was very clear from the very beginning that not all institutions would be winners if we're changing the funding formula without having more allocated funds from the state make up some of the differences. And it seems like we're almost at this impasse where if we can't have both, if we can't have a restructured percentage and an increase of funds from the state, then what is the least amount of damage, if you will, from a financial perspective, that's done to the institutions particularly the two R1 institutions?

Again, I think -- I don't think anybody working in the committee believe that we get out of here clean, and I mean, while that might be a great hope that the board would have, this isn't going to be favorable to everybody, but something has to be done because what is currently outlined in terms of funding formula isn't working. And that's part of the problem.

And so, it's either we recognize that not all institutions are going to come out of this the way we'd like them to or there's an increase -- and/or there's an increase of funding from the state. Either way, we have to figure something out.

Again, I appreciate the comments about tuition and certainly that could be a consideration. I can tell you from just me personally speaking for myself, that would not be an option for me in any type of -- right now as we sit here, that would be a tough one because those are very, very difficult conversations to have, particularly with students, and the only thing that I've seen from the board is the last time we did any type of increase, it was with the approval of student bodies that were coming in and offering comments, saying, hey, we recognize that we have to get things done differently, go ahead and increase our fees x amount percent.

Chair Hardesty: I have a question for HCM.

We made a significant adjustment in one when we took the nonresidents out. How would these numbers change if they were put back in? Especially since that impacts the universities.

Martha Snyder: Will can work on putting those back in, but the numbers in your packet are the ones that do include that first recommendation. So, we don't have this particular breakdown of 80 whatever it is right now, but it would certainly shift more resources -- removing nonresidents shifts resources away from UNLV

and UNR to the other institutions because those two institutions serve proportionately more nonresident students.

Chancellor Charlton: Please bring it back up to the top so we can see it. We don't actually have the dollar amounts in our packet, we only have percentages, but I think he's got up there 60/20/20, so at least we could compare the percentages and then while he's working on –

Will Carroll: I've updated so this is now 80, 15, five, with all students, residents and nonresidents.

New speaker: [inaudible]

Martha Snyder: This is reflective of the way the wording is originally provided in your packet, so it includes non-resident students, the under-represented minority students and the Pell eligible students.

Betsy Fretwell: Who is the third institution on the list?

Martha Snyder: NSU.

Betsy Fretwell: Okay. And if you had 100% in the student credit –

Martha Snyder: That would basically be the status quo.

Betsy Fretwell: Right.

Will Carroll: Yeah.

Betsy Fretwell: Correct. Thank you.

Martha Snyder: A hundred percent in the weighted student credit hour would effectively be the status quo of the current funding model.

Glenn Christenson: Except now we have relative growth, as opposed to the performance piece of it.

Will Carroll: By putting weighted student credit hour at 100%, it sort of reflects the current distribution even with the performance pool, assuming all institutions hit their targets, because those dollars are still based on the weighted student credit hour to start with.

Chancellor Charlton: So actually it would eliminate the relative growth technically, so it would just all be on weighted student credit hours, which is what we have today.

Will Carroll: You could do 80% weighted student credit hour, 20% OBF, and see, at least based on the most recent years, relative growth in outcomes, you could see the impact of that.

Chancellor Charlton: So that would just remove the student attribute piece, so 80, zero, and 20.

Chair Hardesty: Can you run that one?

Regent Goodman: Do these have to be even numbers? You're doing 80, 20, you're doing 60, 40. Why can't they be 63/23, whatever.

Will Carroll: Sure.

Regent Goodman: Start adjusting. Good.

Will Carroll: Could I also pose a thought exercise? I'm going to leave it at 80, 15, five because I think it's easier to think through this. We've been talking about the impact on the institutions that see cuts here. We've developed the framework here based on a lot of input that you all have flagged about the current formula and the needs of the institutions, so if those are sort of the right policies and you adopted this formula and you were managing it this way for, say, 10 years, and three consultants came in and said, we have a great new formula for you, 100% based on student weighted credit hour, you would see the inverse of all of these signs in terms of the percent change, right?

So, you'd be seeing if you were to shift from what we've designed as a little bit of the right policy to 100% based weighted student credit hour, you would see plus .37% at UNLV, another 4.7% to UNR, you would see a negative 11.4% to -- I think that's CSN.

So just like, the -- it's tough because when you're thinking about the status quo, that is what you're used to and that is what you measure changes against, but I do think that another way of thinking about it is that these -- this totals out to about 15 million, that these community colleges are currently underfunded by that amount, if the sort of structure of the 80, 15, five, is reflective of student needs, institutional needs, and state priorities.

Take a second to think about this with the inverse sign on these, what is the impact of the current formula and how might we want to change that.

Regent Brooks: If you're talking about impact based on percentages of how this is done -- Regent Brooks for the record. Just so we can take a look at it, can you run a 75, 10, 15, just so that we can see how that manipulates some of the gains and losses throughout the state?

Will Carroll: 75 weighted student credit hour, 10 student, 15. Okay. That is here.

Chair Hardesty: Nonresidents, Regent Brooks?

Regent Brooks: Yes. Regent Brooks for the record. The way that it would have been set had things not been -- because you're demonstrating to us the way this would have been set had we not manipulated -- I think it was 2a or 2b, is that correct?

Martha Snyder: Yes.

Regent Brooks: Okay. Yeah.

Betsy Fretwell: May I ask a quick question? So, these numbers have all students, not just residents, right?

Martha Snyder: That is correct.

Betsy Fretwell: And let me ask a clarifying question because we ratcheted up the weighted student credit hours on this. That benefits residents as well, right?

So I know it includes all of them but because we're ratcheting up that number, and we have a disproportionate share of our current attendees that are residents, it would benefit them more, meaning they're going to have, by pushing that number up in that first column, it will benefit residents more. I'm just worried if we stripped out -- if we make a change back to the original recommendation where it's all students, not just residents, I don't want our residents to feel adversely impacted to mitigate impacts on the larger institutions

It just recognizes that kind of a student is a student, right? But we are still benefiting our Nevada residents because we've got a higher student weighted credit hour category. Is that right?

Will Carroll: Correct.

Dr. Reed: This is Peter Reed. I agree with that completely.

One way to think about it, this funding goes to the institutions to hire the faculty to teach the courses and those courses are being taught to both in-state and out-of-state students, and there's a disproportionate impact, as has been noted, on the R1 institutions because they have a higher number of out-of-state students, but it's not like we're giving funding to support out of state students, no, we're just taking into account the full student body at these institutions and using that to fund the instructional budget. So, that's exactly right.

Martha Snyder: Sorry, I want to clarify, Martha Snyder for the record. Chris, I'll look for you as well as Heidi. The weighted student credit hour calculation is not changed from the current; that does not include -- that is resident only students. So the weighted student credit hour component of this funding model is carried over from the previous funding model and does not include resident students -- or nonresidents students.

The only consideration of non-resident students was in the student enrollment component as was in the student -- excuse me, put forward in the recommendations earlier today.

Chancellor Charlton: And for the record, Patty Charlton. Dr. Reed, that policy determination was made a long time ago by the legislature not to include funding for basically the instructional state-supported operating budget for non-resident students. That's been in -- Crystal -- I'm going to look at you, a long time that was made. So, it is not included in the WSCH and I don't see that changing.

Crystal Abba: And the reason for that, for the record, Crystal Abba, is that in the current funding formula, non-resident students are excluded because the institutions retain 100% of non-resident tuition.

That's why, for a resident student, you don't get -- you just get what the state gives you in terms of what's generated by the weighted student credit hours, you're not collecting non-resident tuition, so you think of the state kind of filling that hole that non-resident tuition would have otherwise filled to cover the total cost.

Betsy Fretwell: Can I ask Ms. King a question?

So, I voted on the prevailing side of the motion to make 2a be for residents only. Can I ask for reconsideration of that item?

Lynda King: Yes, you can move for reconsideration.

Betsy Fretwell: I would like to ask for reconsideration of that item.

Crystal Abba: Mr. Chairman, we can run those numbers. We can show you what those numbers look like and then you can make that decision. So, you see both before you -- before we go down the road of changing the motion, we can just run it for you and show you and then you'll know for sure, is that okay?

Lynda King: Thank you, Crystal.

Betsy Fretwell: I think I know what it's going to show. I may be wrong.

Martha Snyder: Just to try to pick up on some of the policy rationale between including non-resident students in the student component portion but not in the

weighted student credit hours, the weighted student credit hours rationale was just described by Crystal, institutions retain a hundred percent of non-resident tuition, which is typically fairly significantly higher than resident tuition. The other piece -- but while you would include it in the student attribute component is because those students also access other supports that are not reflected in instructional costs. So, there is certainly a policy rationale to including them in one but not in the other.

Peter Reed: I do have just one clarifying question because I do not know the answer to this. Would Nevada students who are dreamers be considered resident or non-resident? Or do we know?

Crystal Abba: For the record, Crystal Abba. It depends on the situation. What it is, it depends on the student -- if you're deemed a resident for tuition purposes. If you're paying resident tuition as a student, then you're being counted as a resident student.

Peter Reed: So U.S. resident status is not considered. It depends.

Chancellor Charlton: No, it's for, as Crystal said, for the purposes of the assessment of tuition, so if they went to a Nevada high school, they are resident. And so they matriculated in that form. There's a lot of different variables and that would be for a number of factors.

Peter Reed: Thank you.

Betsy Fretwell: So, Madam Chancellor, do you mind if I ask for reconsideration of your motion on the item that made it residents only? On item no. 2?

Chancellor Charlton: I'm thinking yes. The reason I'm saying that is because I didn't know if there were other iterations that we wanted to see and be able to compare and kind of rerun or if it's just the resident --

Betsy Fretwell: It makes such a huge impact on the two larger institutions, no matter which part of the model you're on, as far as the splits between 60/20/20, 75/10/5, whatever it is, it makes a big difference to the larger institutions.

And if we're trying to mitigate that based on what the Senator said, the ability for the Legislature to potentially help hold harmless those organizations or to the regents point of availability or potential for making up the difference in the tuition, we'll probably need to figure out a mitigation moment, and this is a way to mitigate it pretty significantly on the chart that's behind you, and it still is -- to Mr. Reed's point, it still accounts for the students that are actually in the classroom.

Peter Reed: I would just clarify one other thing as well. Maybe it's a question. Are WUE students considered resident or nonresidents, because I think it's a false assumption that the universities receive the full out of state tuition for out of state student in the Western University Exchange, and they receive a significant discount.

Crystal Abba: For the record, Crystal Abba. They are not being charged non-resident tuition, which is what determines whether or not they're included in the weighted student credit hours. A WUE student pays a WUE rate in addition to the base registration fee in lieu of non-resident tuition. So, yes, they are included.

Peter Reed: So the WUE students are included in the weighted student credit hours.

Crystal Abba: Because they are not paying non-resident tuition.

Peter Reed: Okay.

Will Carroll: One clarification on that is that in our modeling here of the student-based funding component, the data that we had was, we cannot distinguish between a WUE student or any other type of out of state student, so the -- if that were to be a policy choice, it would fall somewhere in between these two options displayed here, but we don't have the precise data to model exactly that.

Regent Brooks: President Dalpe, when you take a look at these, is there a distinction for you? If we were looking at -- I'm directing the question to you because there was certainly great input that you had provided for us in terms of what your perspective would be as a president, you know, and taking a look at what some of the structure would look like.

The 75, 10, 15, is that amenable just from your perspective in terms of what it looks like if we're looking at this through the lens of the state and not simply one institution?

Kyle Dalpe: Kyle Dalpe for the record. The 15 bucket still bothers me because it's mirroring the performance pool although the metrics behind that have changed. I do -- the middle number is the student characteristic, which is the one that will help us with the part-time help with the part-time students, but the 10 is really small. It's the 60 something five -- I can't remember now, I lost it. More on the weighted student credit hours would help institutions with part-time students which is not just the community colleges. I think we noted that UNLV has a pretty significant part-time range and then keeping that performance piece, outcomes-based whatever we're calling it, that seems workable to me. Again, if I were looking at that as those are the buckets and then at some point in the future it's going to balance itself now if we mitigate the losses. I was also going to ask, I think nine, looking ahead does that give us the flexibility to look at these

percentages down the road when there's a review committee. I feel like we're in a meeting right now where we've got to cut the blue wire or the red wire. I'm nervous about that. I walked in here this morning thinking maybe it would be better to keep everything the way it is because we know how to work that one, but that would totally push aside all the work we've done at defining these categories so I think to your question, the weighted student credit hour piece of the driver is important, the characteristic part is important, the third part splits within the resident and non-resident in the middle in that first one. I'm trying to get my brain around that, but I don't work in the space of out-of-state students very much. I think we've taken that out now, if I'm not mistaken. It might be coming back in, did I answer your question.

Crystal Abba: Mr. Chairman if I may respond to Regent Brooks question. I just want to point out for the Committee that from the standpoint of WNC, in particular, as a small institution as we were developing the work session document it was painful to see the number of scenarios that harmed the institution. However, when you drive up the OBF factor it benefits WNC. For example, when you go from 80/15/5 WNC's increase is 3.5 versus what you recommended, Mr. Brooks of 75/10/15, WNC increases to 4.8. So, increasing the OBF factor, that competition it's healthy given the current metrics you're doing well. Now whether that continues is a different thing, but I just want to make sure -- because I don't want someone saying something that actually harms their own institution. I apologize for that.

Regent Brooks: No, it's great, I appreciate that because it lends more to the conversation we're having. To your point all of this has to be reviewed and assessed right. Even if something is implemented as quickly as it can be we would still have to track it and make sure that it's working within the state the way that it's intended to. So, I appreciate your input.

Kyle Dalpe: Actually, if I could chime in, I hate to trip over myself, but I'm looking at it from the seven teaching institutions, they do have the weighted student credit hour, not to put mine behind. But looking at what's meaningful on those top levels, without even looking at the numbers sometimes, we do well on the outcomes. I still wish at the end of the day, if I'm doing 114% on anything we call a performance pool I could get 14% more, but that is not even going to happen in the new one, and that would be a true performance pool.

Chair Hardesty: Regent Del Carlo.

Regent Del Carlo: Thank you, Chair Hardesty. Regent Del Carlo for the record. Will, if you could put the recommendations next to what Regent Brooks suggested, he suggested 75/10/15 if you could put those side-by-side because they're very similar, very similar meaning the numbers, it bodes well for what we're trying to get to.

[inaudible background conversation]

I thought NFA wanted 85.

Chancellor Charlton: I was the 85. No, I was the 80/15/5.

Regent Del Carlo: It was 80/15/5. I thought that was NFA. Sorry, Patty.

Peter Reed: NFA was 75/25

Regent Del Carlo: Okay, let's go with what the Chancellor said versus the 75/10/15 side by side, please. Thank you.

Crystal Abba: Mr. Chairman, perhaps while Will is running those numbers, just a little background on the prior funding study and the discussion around what weighted student credit hours incentivizes versus what the OBF incentivizes because remember what you're doing when you decide those percentages you're telling the institution, this is what we think is important. Weighted student credit hours measures progression from semester to semester, did you finish your battery of courses for this semester. And if you did with the appropriate grade, you're going to get counted and the institution is going to get funded. That creates the incentive for the institution to make sure those kids make it through the semester, so they get credit for those courses. So, we're not giving funding based on seats but we're giving funding based on progression and performance in that academic year.

The performance piece of it, you're sending the message that graduating matters because you're measuring things like awards conferred, certificates conferred, things of that nature in addition to other factors like research and transfer students. There's an efficiency metric in there. So, for all of these, to Kyle's point earlier, which is the presidents are paying attention to where those percentages are at. So, if you dump everything in this bucket that's what the institutions are going to focus on. So just keep in mind to your point of the performance piece, when you reduce that absent anything else you're saying these are the things this important versus this important.

Martha Snyder: I think the numbers are up there. So, the top two are comparing same percentages but one is all students in the student-based component. So, the right side one from my vantage point is including residents only. So those are the same percentage breakdowns, when you go down the percentage breakdown change, but the columns are the same from above.

All students in SBF in the student-based funding portion. So, you'll see here actually the higher percentage for the outcomes-based funding actually has less of an impact on in all scenarios on the two research institutions. Part of that is the way the outcomes-based component is formulated which is that relative growth.

So, there's a stabilizing effect to that, you're comparing an institution's outcome and measuring relative growth over time.

Heidi Haartz: I would add as you are looking at this, keep in mind this is probably one of the most difficult recommendations of the day, because you're trying to balance good policy with fiscal impact. As you look at the percentages for each of the three areas keep in mind that the next decision would be a phased implementation approach. So, while you may set a target you still have the opportunity to recommend phased implementation, which could mitigate financial impacts.

Chair Hardesty: We've been having a free flow conversation here, but that's precisely what I wanted to comment about. The bottom of page 10, one of the phased ins coincidentally would indicate that any reduction larger than 3% would leave everything sort of the status quo. So coincidentally if you go with a 70/10/15, that is just about a 3% adjustment, there would be no adjustment to UNLV and the adjustment to UNR would be minimal. So, to bring this full circle, I'd like to encourage the committee to consider a 70/10/15 with a phased in as described in Item 8 on page 10 which says an institution that faces a reduction larger than 3% of the initial run of the formula would be brought up to 3% level by proportionately reducing the allocations to the other institutions and do that for year one only, and then you begin to start moving forward to the policy and it allows that implementation to take place. That's my suggestion.

Betsy Fretwell: So, do you need that as a motion?

Chair Hardesty: I don't think we have a motion pending on the floor, right Ms. King?

Betsy Fretwell: Well, you do have one.

Chair Hardesty: I think we have to circle back to Ms. Fretwell's motion about the non-residents in order for this to get accomplished. So, I'm going to look to Ms. Fretwell to make a motion.

Betsy Fretwell: You want me to restate my prior motion to reconsider the resident thing.

Chair Hardesty: Yes, ma'am.

Betsy Fretwell: So I will restate my motion which is to reconsider item 2

Crystal Abba: 3a

Betsy Fretwell: Thank you Crystal. To reconsider our decision to have residents only represented in the formula.

Chair Hardesty: Is there a second? Regent Del Carlo seconded.

Regent Goodman: I just want to put on the record I'm fine with this because by bringing that number down from the 40 down to a much lower number, it mitigates that cost. So, I just wanted to put on the record that -- even though I was the reason for that long discussion, I apologize. I feel good about this now that we've reduced that percentage.

Chair Hardesty: Well, you're probably like I am, I was persuaded actually, the argument about the resident versus non-resident has actually flipped for me to show that the residents benefit as a result of this change. So, I'm glad we went down this path, it's very helpful.

....

The Committee considered a motion to reconsider item 3a, use of student attributes as a component in the funding allocation methodology.

Ms. Betsy Fretwell moved to reconsider item 3a (Student Attributes). Regent Carol DelCarlo seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: Ms. Fretwell if you want to make a motion on the percentage and incorporate -- you can do whatever you want, but I was going to incorporate the language on the phase 8 on page 10, at the bottom of paragraph eight.

Ms. Fretwell: So my motion would be, if you guys can move back to the chart with the 70/10/15 all students, thank you. So, I would make a motion that we recommend a 75 weighted student credit hour, 10 student attributes, and 15% performance for all students for the recommended new formula. And that we also incorporate a 3% cap in change as identified in number eight in our work session document for the first year of implementation of the change of this formula.

Chair Hardesty: Is there a second?

Regent Brooks: And I'll second it.

Chair Hardesty: Thank you, Regent Brooks.

Crystal Abba: Mr. Chairman I just want to read it into the record so that when we go back to write the report, it's right.

And before I do that, I want to clarify that your motion on 3a did two things, so it was to reconsider and include non-resident. So that essentially means that the report will represent 3a as originally written in the work session document, it will no longer include the motion as previously adopted where the Chancellor added in the provision for residents only.

Betsy Fretwell: 3a as originally

Crystal Abba: So we've got that. So now the motion on the table with the motion and the second and I'm gonna read it as -- bear with me here, Mr. Chairman. After the SIF and research O&M are subtracted from the total general fund appropriation allocate the remaining appropriation as follows: 75% based on weighted student credit hours, 10% based on student characteristics as described in 3a, and 10% based on progression and outcomes referred to as the outcomes-based funding or the OBF described in 6a. So, we are at 75/10/15 and the cap portion of this is an institution that faces a reduction larger than 3% in the initial run of the formula will be brought up to the 3% level by proportionally reducing the allocations to the other institutions. Correct?

Ms. Fretwell: Yes.

Chair Hardesty: For the first year of implementation.

Crystal Abba: For the first year of implementation. Should I read it one more time Mr. Chairman.

Chair Hardesty: Yes, please.

Crystal Abba: After the SIF and research O&M are subtracted from the general allocation allocate the general appropriation as follows 75% based on weighted student credit hours, 10% based on student characteristics, and 10% based on progression and outcomes. An 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.

Chair Hardesty: Everything is good except for the percent.

Crystal Abba: The percent.

Chair Hardesty: You have to slip the 10 and the 15.

Crystal Abba: Let me do it again.

Betsy Fretwell: You may also want to read in the 3a, start from the very beginning.

Crystal Abba: 3a. No I get it, but we already covered that motion, but i'll include it in this.

Betsy Fretwell: We didn't vote on it. We didn't vote on 3a, we only voted to rescind the prior action. We haven't voted on 3a.

Chair Hardesty: That's right, that's correct.

Betsy Fretwell: Too many of these meetings.

Lynda King: Lynda King for the record. It appeared that you were taking a motion for reconsideration and a new motion all in one which is technically incorrect, but not to frustrate the business of the committee, it was fine. However, it appears now that wasn't the intent of the committee. So, you only voted on the motion for reconsideration. It's fine to combine 3a, the new motion, the motion on the percentages, and the motion on the cap.

Chair Hardesty: So, let's do that if that's acceptable to you.

Betsy Fretwell: I thought that's what I was doing. I'm totally fine with it, Mr. Chair.

Crystal Abba: You're gonna vote on 3a as written, you're gonna do it all at once. I'll say it again. So, recommendation 3a will read: allocate a portion of the general fund appropriation based on the following student characteristics, total student term head count enrollments and credit hours, parenthetical including non-resident students, two underrepresented minority student head count enrollments and credit hours and three Pell-eligible head count enrollments and credit hours. In addition, allocate using the balanced approach 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 enrollments, weighted course enrollments, 10% based on student characteristics as described in 3a, and 15% based on progression and outcomes referred to as the outcomes-based funding or OBF described in 6a. In addition, 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 allocations to other institutions in the first year of implementation.

Chair Hardesty: So moved.

Second?

Regent Del Carlo seconded.

Any discussion on the motion.

Rick Combs: Mr. Chairman I voted no on 3a earlier. I'm not gonna have that option now and I'm fine with it just to move things along. So I'll be voting yes on the combine motion.

Chair Hardesty: Thank you. Any other comments?

The Committee considered a recommendation concerning the use of student attribute, allocation of the formula components, and a phase in.

Ms. Betsy Fretwell moved to approve a recommendation to: "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 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; 10% based on student characteristics (described above); and 15% based on progression and outcomes (referred to as outcomes-based funding or OBF); and 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. Regent Carol Delcarlo seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: Okay in my view 8a is not necessary in light of the last vote, unless Crystal you can convince me otherwise. And if not, I'll ask you to turn to 9a.

Crystal Abba: I agree, 8a is no longer necessary for action. Number nine, the last item on your work session on page 11 urges the chancellor's office to create a formal review committee that convenes every biennia to evaluate and propose any necessary changes to the funding formula allocation methodology. The discussions the committee had at prior meetings was to ensure that you had subject matter experts on that committee going forward and that the formula would be reviewed on a regular basis.

Chair Hardesty: Is there a motion?

Chancellor Charlton: So moved to approve a formal review committee to convene every biennia to approve any necessary changes to the formula funding methodology.

Regent Goodman: Second.

Chair Hardesty: Regent Goodman seconded.

The Committee considered for approval a recommendation concerning future review of the NSHE funding formula.

Chancellor Patricia Charlton moved to approve a recommendation to “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.” Regent Stephanie Goodman seconded. Motion carried unanimously.

Continuation of the verbatim transcript:

Chair Hardesty: All right I believe that concludes the work of the work session unless I’ve missed something. Crystal?

Crystal Abba: No.

6. Information Only - Public Comment

Chair Hardesty: All right. Then let's turn to public comment.

Rick Combs: Mr. Chairman?

Chair Hardesty: Yes, I’m sorry.

Rick Combs: This is Rick Combs from up north. I just wanted to take a minute, I know we said thank you to Ms. Haartz and Ms. Abba on a number of occasions for their work on the committee. I just wanted to mention Toni Odom-McNeil who much like Michael Jordan, Ms. Haartz and Ms. Abba came out of retirement to come back and help out the committee and I know how much hard work that the secretaries and the support staff put into these kind of things and I just wanted to thank her for her efforts as well.

Chair Hardesty: I agree. We all join in that. Toni, thank you.

All right, we'll go to agenda item number nine, which is public comment. As to that item -- this is the second opportunity for public comment. It can be made in-person at either meeting location. Those wishing to provide public comment

telephonically may do so by calling 669-900-9128. At the prompt, please enter the meeting id number which is 91003784066 -- sorry I had raised a question at the beginning of the meeting with Ms. King about the report and editing the report. I wanted to get input from you about that and we have described the fact that the report would be prepared, but we needed to -- we can always circulate copies to members, but we won't be in a meeting where we can make adjustments.

Can the committee delegate to the chair the authority to make reasonable, as necessary, edits consistent with the actions taken in the motions?

Lynda King: Lynda King for the record. There's no agenda item for that. So legal opinion is that if the Committee were to take that action it would be a violation of the open meeting law.

Chair Hardesty: Okay, all right, back to public comment. I'd like to invite those who wish to make public comment in Reno to do so. Please begin your public comments by stating your name for the record, spell your last name and we'll limit public comment to three minutes. Anyone in Reno who would like to make public comment?

Rick Combs: There's no one coming to the podium.

Chair Hardesty: Anyone who'd like to make public comment in Las Vegas? Are there anyone on the phone who would like to participate and make public comment?

New speaker on phone line: There's no public comment at this time.

Chair Hardesty: all right. No public comment has been offered. The chair will therefore adjourn the meeting with my thanks and appreciation to all of you.

The meeting adjourned at 3:59 p.m.