REPORT OF THE

Ad Hoc Committee on Higher Education Funding

August 2024

Report of the

AD HOC COMMITTEE ON HIGHER EDUCATION FUNDING

Assembly Bill 493 – 2023 Session

Voting Members

Justice James W. Hardesty (Ret.), Chair
Chancellor Patricia Charlton, Vice Chair
Regent Byron Brooks
Senator Carrie Buck
Mr. Glenn Christenson
Mr. Richard Combs
Regent Carol Del Carlo
Senator Marilyn Dondero-Loop
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Mr. Tony Sanchez
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Dr. Kyle Dalpe
Dr. Peter Reed
Ms. Lindsay Sessions
Ms. Suzanna Stankute
Ms. Amy Stephenson
Mr. Chris Viton
Ms. Stacy Wallace

Staff

Ms. Crystal Abba, Committee Staff
Ms. Heidi Haartz, Committee Staff
Ms. Lynda King, Senior Associate General Counsel

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Introduction

This report is submitted to the Chancellor in compliance with the charge of the ad hoc Committee on Higher Education Funding. The study commenced as a result of the enactment of Assembly Bill 493 (Chapter 311, *Statutes of Nevada 2023*), which appropriated $2 million from the State General Fund to the Nevada System of Higher Education (NSHE) for an interim study of the funding formula used to allocate state funding to the teaching institutions. Approximately $500,000 of the appropriation was expended on the study; the remaining $1.5 million will revert to the State General Fund.

The Chancellor established the Committee pursuant to authority granted under Board of Regents' policy, *Title 2, Chapter 1, Section 1.4.11*. The Committee consists of 14 voting members and 7 non-voting members with representation determined by the Chancellor and appointed by various entities.

Voting Members (14)	
Representation	**Member**
Three members nominated by the Board of Regents	Regent Byron Brooks Regent Carol DelCarlo Regent Stephanie Goodman
Four Members nominated by the Governor who have relevant experience or demonstrated ability in higher education, economics, and public finance; one of whom will agree to be the Committee Chair	Justice James W. Hardesty (Ret.), Chair Glenn Christenson Richard Combs Betsy Fretwell
One Member of the Senate nominated by the Majority Leader of the Nevada Senate	Senator Marilyn Dondero-Loop
One Member of the Senate nominated by the Minority Leader of the Nevada Senate	Senator Carrie Buck
One Member of the Assembly nominated by the Speaker of the Nevada Assembly	Assemblywoman Erica Mosca
One Member of the Assembly nominated by the Minority Leader of the Nevada Assembly	Assemblyman Ken Gray
The Chancellor, who will also serve as vice chair	Chancellor Patricia Charlton, Vice Chair
Two members nominated by the Chancellor with expertise in student advocacy work and diversity, equity and inclusion	Yvette Williams Tony Sanchez

Non-Voting Members (7)	
Representation	**Member**
Governor's Finance Office	Amy Stephenson, Director
Counsel of Presidents, represented by one NSHE President	Dr. Kyle Dalpe, WNC
NSHE Business Officers Council, one of whom must be the NSHE Chief Financial Officer (CFO)	Lindsay Sessions, Desert Research Institute (DRI) [1] Chris Viton, CFO, NSHE
NSHE Faculty Senate Chairs	Dr. Peter Reed, UNR
NSHE Classified Council	Stacy Wallace, NSC

[1] Interim NSHE CFO at the time the Committee was appointed

To guide the Committee's review of the NSHE funding formula and the general administration of self-supporting account activity, the Chancellor established the following charge for the Committee:

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

The Committee's work was supported by HCM Strategists, a consultant selected through a formal Request for Proposal, to evaluate the NSHE funding formula and self-supporting account endeavors. The Committee received six reports from the consultant, including a review of self-supporting accounts and a review of the current formula relative to other state funding formulas. Foundational work of the consultant included a presentation on its typology of student success funding models across the nation, *Driving Better Outcomes: Fiscal Year 2020 State Status & Typology Update*. The consultant's analysis of the NSHE funding formula included a comparison of funding policies in other states and formula metrics, including metrics intended to provide incentives for underrepresented students to succeed. In addition, HCM conducted interviews with 31 stakeholders. The interviews provided perspective on the goals and priorities for higher education in Nevada and to further evaluate how the current funding structure aligns to the goals of the State and the System, in an effort to identify potential areas for improvement.

In addition, the Committee heard reports from each of the seven NSHE teaching institutions on their respective institutional mission, how institutional mission guides budget-priorities, how the current funding formula impacts the ability of institutions to fulfill their mission, and recommendations for improving the allocation of state funds through the NSHE funding formula. This resulted in the compilation of 102 institution-specific recommendations, including but not limited to, the base funding formula; the performance pool; physical space, maintenance, and capital improvements; tax increases; salaries and cost of living adjustments; and non-formula budget accounts. The Committee reviewed the institution-specific recommendations and determined that several of the recommendations were not related directly to the NSHE funding formula and many pertained to the need for additional investments in higher education.

Further, a committee web site was established to archive each meeting agenda and reference materials. In addition, the web site includes reference materials available to both Committee members and the public that provide historical information on the current funding formula, including the Legislative Counsel Bureau Bulletin No. 13-08, documenting the establishment of the current formula; summary papers on the history of the funding formula and performance pool; and all written responses to Committee requests for information.

Meetings of the Committee

The Committee met seven times over the course of nine months and utilized a work plan to ensure that the Committee received broad input from stakeholders, including the institutions, and analysis from the consultant to evaluate the NSHE funding formula. The following table summarizes the topics and discussion covered at each meeting, including a hyperlink to the meeting agenda and reference materials.

Date/Time	Agenda Items/Work Plan
November 14, 2023	▪ Overview of Committee work (charge, work plan, Open Meeting Law, consultant selection process) ▪ Overview of current NSHE funding formula
February 12, 2024	▪ Overview of the NSHE Performance Pool ▪ Overview of the DRI funding formula ▪ Institution presentations on mission and funding priorities (UNLV, UNR, NSU, and CSN) ▪ Consultant's initial presentation providing an overview of the scope of work and presentation of its typology of student success funding models currently in place across the nation

Date/Time	Agenda Items/Work Plan
March 19, 2024	▪ Continuation of institution presentations on mission and funding priorities (GBC, TMCC, and WNC) ▪ Consultant's review of self-supporting accounts and practices in other states ▪ Consultant's initial evaluation of NSHE funding formula
April 26, 2024	▪ Consultant's continued evaluation of the NSHE funding formula, including review of institution-specific recommendations for the NSHE funding formula ▪ Overview of the state-directed budget building process ▪ Overview of student perspective of the NSHE funding formula, including recommendations for revision ▪ Committee Work Session: Committee adopted a recommendation on self-supporting accounts
May 30, 2024	▪ Work Session planning: review of the process for identifying recommendation for consideration at the July 25, 2024, Committee Work Session ▪ Consultant's presentation and review of its initial recommendations for Committee feedback ▪ Overview of faculty perspectives of the NSHE funding formula, including recommendations for revision
July 25, 2024	▪ Final consultant presentation and review of its recommendations for revising the NSHE funding formula ▪ Committee Work Session: Committee adopted recommendations for the NSHE funding formula and additional evaluation and review for the funding formula and its components

The meetings that occurred between November 2023 and April 2024 were video conferenced between the Grant Sawyer State Office Building, Las Vegas, and the Legislative Building, Carson City. As a result of on-going construction at certain legislative sites, the Committee's final meetings, in May and July 2024, were video conferenced between NSHE System Administration, Las Vegas and System Administration, Reno. All meetings included the opportunity for the public to provide comment or testimony in writing, in person, and telephonically.

NSHE Self-Supporting Accounts

During the 2021 Session of the Nevada State Legislature, Assembly Bill 416 (Chapter 467, *Statutes of Nevada 2021*) was enacted requiring the Legislative Auditor to conduct a performance audit during the 2021-2023 biennium of NSHE, including any related foundations, institutions or agencies, for fiscal years 2018-2019 through 2021-2022, and any additional fiscal years the Legislative Auditor deemed necessary to audit. The Legislature indicated that the audit must include an examination and analysis of: (a) the sources and uses of money privately donated to the System and each school within the System, including adherence to the terms and agreements of donations; (b) capital projects at the University of Nevada, Reno and the University of Nevada, Las Vegas; and (c) the reserve accounts and self-supporting budget accounts in the System. In accordance with Assembly Bill 416, the Legislative Auditor conducted two audits: one of self-supporting and reserve accounts (LA24-03) and a second of capital construction projects (LA24-04). The audit report for self-supporting (or non-state) and reserve accounts was issued in January 2023 and generally identified inadequate controls and transparency in three primary areas: use of student fees, self-supporting accounts, and reserve accounts. NSHE accepted the thirteen audit recommendations and in September 2023, the Board of Regents adopted various policy revisions to address the audit recommendations completing NSHE's audit response commitment.

Self-supporting accounts are established for specific activities and programs approved by the Board of Regents. Self-supporting accounts typically generate revenue through the sale of goods or the provision of services, student fees, investment income and indirect cost recovery. Self-supporting accounts do not include State General Fund appropriations. For example, collecting fees for parking that are then used to pay outstanding bonds is considered a self-supporting endeavor. Across NSHE there are more than 5,800 individual self-supporting accounts, with account balances ranging from less than ten dollars to several million dollars.

For Fiscal Year (FY) 2023, state supported accounts made up 47 percent of all NSHE funding, while non-state supported accounts made up 53 percent. State support (contained in the state-supported operating budget (SSOB) includes General Fund appropriations, student registration fees allocated to the SSOB, and non-resident tuition. Non-state accounts include various revenue sources, including a portion of registration fees allocated to non-state accounts (e.g. capital improvement, general improvement, activities and programs), other student fees, student housing and dining, athletic ticket sales, grants and sponsored programs, gifts, endowment income, and investment income. Not all non-state accounts are self-supporting.

The following table provides the institutional breakdown for state and non-state account revenues corresponding to the Systemwide percentages (47 percent state supported and 53 percent non-state supported) for FY 2023.

FY 2023 Distribution of All Funding Activity		
	State-Supported	Non-State Supported
Systemwide*	47%	53%
UNLV	46%	54%
UNR	39%	61%
NSU	58%	42%
CSN	69%	31%
GBC	77%	23%
TMCC	63%	37%
WNC	64%	36%

*Includes all funding received by NSHE
Source: GASB audited financial statements and state-supported operating budgets

The percentages provided above are based on all funding activities for each institution. Therefore, state-funded activities related to professional schools, statewide programs, Cooperative Extension, and capacity enhancements are included. The non-state funded percentages include activities related to federal grants, auxiliary activities, student fees, investment income, and other miscellaneous revenues.

Currently, Board policy requires self-supporting accounts exceeding $250,000 of projected annual expenditure activity, excluding transfers between accounts, be budgeted. Revenues generated through grants and contracts, capital projects, endowments, student fees, and scholarship funds are excluded from this requirement. The budget reports include fiscal year budgets and end of year budget-to-actual comparisons (including variance narratives). The Board policies adopted concerning self-supporting accounts and reporting requirements were intended to offer clarity by providing definitions and strengthening reporting standards. Regular and consistent reporting to the Board increases transparency and provides additional accountability by establishing documentation standards and requiring compliance with state and federal regulations.

As a result of its review, HCM Strategists did not recommend any specific changes to NSHE reporting requirements for self-supporting accounts or the use of self-supporting funds. However, HCM did recommend that NSHE may benefit from establishing a matrix, similar to that used by the City University of New York, (CUNY), which denotes self-supporting account funding sources and permissible uses. Creating a tool similar to the CUNY matrix ensures that institutions and external entities are aware of how certain revenues may be utilized, improving transparency and ensuring accountability for the use of self-supporting funds. HCM's observations and recommendation regarding NSHE's self-supporting account endeavors are outlined in a memorandum to the Committee dated April 15, 2024, that is included in **APPENDIX A**.

NSHE Funding Formula

The current NSHE funding formula was established in budget policy and based on recommendations developed as a result of the interim legislative study conducted in 2011 under the enactment of Senate Bill 374 (Chapter 375, *Statutes of Nevada 2011*).

The current NSHE funding formula includes four components:

1. Weighted Student Credit Hours (WSCH) are the basis for distributing General Fund appropriations;
2. Small Institution Factor (SIF) funding assists Great Basin College (GBC) and Western Nevada College (WNC) with fixed administrative costs;
3. Research Space Operations and Maintenance (O&M) Funding for the University of Nevada, Las Vegas (UNLV) and the University of Nevada, Reno (UNR); and
4. Performance funding set-asides for each teaching institution.

The methodology includes biennial funding adjustments for caseload changes (increases or decreases in WSCH) and institution-specific adjustments (small institution funding and research operations and maintenance funding). Additionally, the funding formula includes the methodology used to distribute State General Fund appropriations (less institution-specific allocations) to each of NSHE's teaching institutions based on the uniform WSCH value for each fiscal year. The WSCH methodology was developed to equitably distribute General Fund appropriations across all teaching institutions. The WSCH value is an output of the funding formula; it does not determine changes to the amount of General Fund appropriations approved by the Legislature.

Included in **APPENDIX B** is a summary of the mechanics and history of the NSHE funding formula. It covers the history and utilization of the funding formula from 2013 through 2025.

NSHE Performance Pool

In 2013, the Nevada State Legislature approved the adoption of a performance funding pool for the teaching institutions of the Nevada System of Higher Education. The adoption of the NSHE Performance Pool also resulted from the legislative study established in 2011 through the enactment of Senate Bill 374 (Chapter 375, *Statutes of Nevada 2011*). The Committee to Study the Funding of Higher Education (established in SB 374) was charged with considering methods for rewarding institutions for graduating students, which ultimately led to the creation of the NSHE Performance Pool.

The Performance Pool includes performance measures, signaling the importance of achieving outcomes in key areas that contribute to the strategic goals of the Board of Regents and the needs of the State, such as graduating more students. The Performance Pool is funded through a 20 percent carve-out that is set aside from the base funding. The

carve-out funds can be "earned back" by each institution based on its performance during the prior year.

Included in **APPENDIX C** is a summary of the history of the establishment of the NSHE Performance Pool, including institutional performance related to the established metrics, the setting of performance targets biennially, and other general background information.

Institutional Recommendations for Higher Education Funding Formula

During the study, the Committee sought the direct participation and input of the teaching institutions. The February 12 and March 19, 2024, meetings included the opportunity for each institution to present an overview of their respective institutional mission, how institutional mission guides the institution's budget priorities, how the current funding formula impacts the ability of the institution to fulfill its mission, and recommendations for improving the allocation of state funds under the current funding formula.

In addition to the institutional presentations, the Committee requested written recommendations from each institution in the form of proposed solutions for the funding formula and NSHE Performance Pool. The Committee specifically requested recommendations that addressed the following areas mentioned in the institutional presentations:

- Student Attributes/Characteristics – Many of the institutions indicated that each institution and its student population is unique. In response, the Committee asked for specific student attributes that should be considered in the formula allocation methodology.
- Student Support Services – Several institutions recommended that student support services be considered in the funding formula. As such, the Committee asked that the institutions address how the formula could be adjusted to recognize the need for appropriate funding for student support services. Additionally, the Committee asked for input on how the need for (or use of) student support services could be measured, so that support services could be appropriately considered in the funding distribution methodology.
- Performance Pool – The institutions expressed concern regarding the Performance Pool, particularly related to the carve-out of funds from the base and the requirement to "earn back" those funds. As such, the Committee requested a description of what should replace the Performance Pool and recommendations to revise or add to the current Performance Pool metrics.
- Innovation/Capacity Building – The Committee requested recommendations for capturing innovation and/or capacity building efforts - either in the funding formula or as a direct appropriation, similar to the capacity building projects previously approved by the state legislature. This request was made in response to concerns expressed by the institutions that the current formula does not recognize and reward innovation.

The resulting written recommendations from the institutions are included in **APPENDIX D**, along with a summary table that attempts to identify areas of commonality across the institutional recommendations.

Committee Consultant's Principal Findings and Recommendations

In its analysis, HCM Strategists noted that the current funding formula is generally working as designed but could be improved. They suggested a number of improvements that centered on what came to be referred to as the "Balanced Approach."

The Balanced Approach to the allocation of state funding recognizes the need to allocate funding on a variety of factors, including the WSCH, the primary driver in the current funding formula allocation methodology. HCM Strategists noted that a balanced approach that considers enrollment factors and outcomes is a best practice and growing trend in higher education. The Balanced Approach utilizes the following three components for the allocation of state funding, after Small Institution Factor (SIF) funding and research operations and maintenance (O&M) for core costs are subtracted as pre-formula adjustments:

- Enrollment in the form of WSCH;
- Enrollment based on student attributes and characteristics; and
- Outcomes measured by performance metrics.

This approach contrasts with the current funding formula, which allocates 100 percent of state funding based on WSCH after the pre-formula adjustments for SIF funding and research O&M.

Further, the Balanced Approach recommended by the consultant eliminates the current Performance Pool and instead utilizes performance outcomes as a component in the allocation. Utilizing an outcomes-based component in the overall allocation eliminates the setting of arbitrary point targets, which is the practice under the current Performance Pool, and eliminates the "earning back" of funding previously allocated, incentivizing continuous improvement.

The final report of HCM Strategists, *Assessment and Recommendations for the Nevada System of Higher Education Funding Formula*, is included in **APPENDIX E**.

II. Assembly Bill 493 of the 82nd Session of the Nevada Legislature (2023)

Assembly Bill No. 493–Committee on Ways and Means

CHAPTER 311

AN ACT making an appropriation to the Nevada System of Higher Education for an interim study of the funding formula for the System; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. 1. There is hereby appropriated from the State General Fund to the Nevada System of Higher Education the sum of $2,000,000 for the System Administration budget account for an interim study of the funding formula for the System.

2. The Nevada System of Higher Education shall submit a report of the results of the study, including any recommendations for legislation, to the Director of the Legislative Counsel Bureau for transmission to the 83rd Session of the Nevada Legislature.

3. Any remaining balance of the appropriation made by subsection 1 must not be committed for expenditure after June 30, 2025, by the entity to which the appropriation is made or any entity to which money from the appropriation is granted or otherwise transferred in any manner, and any portion of the appropriated money remaining must not be spent for any purpose after September 19, 2025, by either the entity to which the money was appropriated or the entity to which the money was subsequently granted or transferred, and must be reverted to the State General Fund on or before September 19, 2025.

Sec. 2. This act becomes effective upon passage and approval.

III. Recommendations of the ad hoc Committee on Higher Education Funding

At its meeting on April 26, 2024, the Committee adopted a recommendation pertaining to self-supporting accounts. At its final meeting on July 25, 2024, the Committee adopted eleven recommendations related to the funding formula and further study and review of the funding formula and related matters. All adopted recommendations were unanimously approved by the Committee members present.

All recommendations adopted by the Committee are cost neutral, as the Committee understood its charge was to recommend revisions to the allocation methodology with no additional state funding. As such, many of the recommendations adopted by the Committee result in the shifting of funds among the institutions. This reallocation approach will result in increases for some institutions and decreases for others.

Throughout its deliberations the Committee expressed its concerns with reallocating existing funds and acknowledged that many of its recommendations could be implemented with new funding, if additional funds were to become available in the future.

Recommendations Pertaining to Self-Supporting Accounts

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

Creating a formal categorization or matrix of self-supporting accounts, including funding sources and permissible activity, will help to ensure that institutions do not inappropriately use self-supporting account funds. Additionally, formal categorization will serve as a reference tool when discussing self-supporting accounts and activities with the Governor's Finance Office, Legislative Counsel Bureau, and state legislators.

Recommendations Pertaining to the Higher Education Funding Formula

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

The SIF funding is subtracted from the General Fund appropriation before the formula allocation methodology is applied. The SIF is considered a "core cost" that provides support for the basic operations of Great Basin College and Western Nevada College, the smallest of the NSHE institutions. The current SIF is $30 per WSCH and is applied to the gap between the institution's WSCH and 100,000 WSCH. Once the total WSCH for the small institution reaches 100,000, the small institution is no longer eligible for the funding provided under the SIF adjustment. The $30 per WSCH amount has not been increased since the formula's inception in 2013. In addition, at its inception, the total SIF funding

amount was not to exceed $1.5 million for each institution. The recommendation adopted by the Committee is intended to be cost neutral to implement and funded by shifting funding to GBC and WNC from the other institutions.

2. **<u>Increase SIF Cap to 125,000 WSCH</u>. Increase the WSCH cap from 100,000 WSCH to 125,000 WSCH.**

Under the current funding formula, GBC and WNC will receive SIF until the institution generates 100,000 WSCH. For example, if the institution's year of measure WSCH is 90,000 WSCH, the SIF-eligible WSCH is 10,000 WSCH (100,000 minus 90,000). The Committee recommended increasing the cap from 100,000 to 125,000 WSCH resulting in an increase of the SIF-eligible WSCH. In the example, 35,000 WSCH (125,000 minus 90,000) would be eligible for the SIF adjustment. The recommendation adopted by the Committee is intended to be cost neutral to implement and funded by shifting funding to GBC and WNC from the other institutions.

3. **<u>Greater of 3-Year Average or Prior Year</u>. 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.**

Creating two options for the WSCH count for each year of measure (the greater of the 3-year average or the institution's prior year) is responsive to the individual experiences of each institution. The three-year WSCH average benefits institutions experiencing declining enrollment, because reductions in funding would be more gradual. The institution's prior year WSCH option benefits institutions experiencing increasing enrollment, because funding would be reflective of increases in enrollment. The recommendation adopted by the Committee is intended to be cost neutral to implement by shifting funding among the other institutions.

4. **<u>Outcomes-Based Funding (OBF) Component</u>. Eliminate the current NSHE Performance Pool and replace it with an Outcomes-Based Funding component in the funding allocation methodology, allocating the funds based on a relative growth calculation.**

The recommended OBF component would be based on a relative growth calculation, whereby each institution would receive a portion of the State General Fund allocation based on its annual improvement on the currently established (performance pool) metrics relative to that of the other institutions. This recommended best practice incentivizes continuous improvement and eliminates the earning back of carve-out funds, which has been identified as problematic by stakeholders. Further, this approach eliminates the use of arbitrary targets, set to ensure that institutions can achieve the targets and avoid a loss in funding. This recommendation can be implemented without causing large swings in funding in the first year and supports mission differentiation across institutions. The

recommendation approved by the Committee is intended to be cost neutral to implement by shifting funding among the institutions.

5. **<u>Use Student Attributes as a Component in Funding Allocation Methodology</u>. 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**

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

   <u>Phase-In Methodology</u>. 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.

Through the approval of a single recommendation, the Committee recommended adding student attributes to the distribution methodology, established percentages for each of the three drivers of the Balance Approach framework, and recommended implementation of the Committee's funding formula recommendations using a phase-in approach.

Including student attributes is recommended as a best practice and the data for the identified attributes are readily available at the System-level for all teaching institutions. Fifty percent of the funding provided through the student attributes component is allocated based on each institution's share of headcount and fifty percent is based on each institution's share of credit hours. The inclusion of headcount accounts for the enrollment of all students, including part-time students. Additionally, underrepresented minority students and Pell recipients will be weighted equal to one. A single student could be counted up to three times – once in the total student headcount and credit hours, once in the under-represented minority student headcount and credit hours (if applicable), and once in the Pell eligible headcount and credit hours (if applicable).

The Committee recommended that 75 percent of the State General Fund appropriation be allocated based on the existing WSCH methodology. In addition, the Committee recommended that 10 percent of state funding be allocated based on student attributes and 15 percent allocated through outcomes-based performance, resulting from each institution's relative growth using the current Performance Pool metrics (included in APPENDIX C). In approving the recommended percentages, the Committee affirmed its support of the existing WSCH and outcomes-based components of the current NSHE

funding distribution methodology, while adding student attributes in alignment with the Balance Approach. The Committee viewed this percentage distribution as a starting point as it is expected to be adjusted over time with further review.

Finally, the Committee recommended implementing the revised funding formula using a phase-in approach, limiting the initial reduction of funds so that no institution will have a reduction greater than 3 percent in the first year of implementation.

Recommendations Pertaining to Further Study of Higher Education Funding Formula

1. **<u>Further Review of the Small Institution Factor (SIF) Funding</u>. 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.**

Changing the SIF calculation from WSCH to headcount will require establishing a value per headcount and threshold level for the purpose of the calculation, which the Committee did not have sufficient time or data to establish. As such, the Committee recommended that in the future the Chancellor's Office consider using headcount, rather than WSCH, for the SIF calculation because the core costs of a small institution are tied to the number of students enrolled not the number of WSCH completed.

2. **<u>Further Review of Summer School Student Credit Hours</u>. 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.**

Currently, summer school courses - other than nursing programs, science-based prerequisites for nursing, and teacher education - have not been eligible for State General Fund support. Due to the state's limited support for summer school, institutions often limit summer course offerings. Further, student fee revenue generated through summer for courses that are not state supported are included in self-supporting budget accounts, allowing for flexibility in the expenditure of this revenue by each institution. HCM Strategists indicated that Nevada is the only state they are aware of that does not include summer school credits in a formula allocation.

Based on the Committee's recommendation, the review of summer school student credit hours may include determining: 1) the impact of summer school enrollment on student completions; 2) the financial ramifications of shifting summer school student fee revenue from self-supporting accounts to the state supported operating budgets; and 3) the administrative concerns related to increasing summer school offerings when many faculty are not currently contracted to work during the summer term due to their 9-month employment contracts.

3. **<u>Future Student Characteristic to Consider: Academic Preparation</u>. 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).**

Through this recommendation, the Committee acknowledges that it may be appropriate to expand the student attributes (within the Balanced Approach) to include student characteristics related to the academic preparation. While there are data elements available to measure academic preparation, including but not limited to, high school grade point average, ACT/SAT scores, and enrollment in corequisite courses, it is unclear if this data is uniformly and consistently collected across all NSHE institutions. Therefore, it is recommended that this data element be further vetted through Institutional Research Offices to ensure the consistent availability of data across all institutions.

4. **<u>Future Student Characteristic to Consider: Students in Poverty</u>. 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).**

This recommendation acknowledges there is a need for further review of student characteristics related to students in poverty that may be considered for inclusion in the student characteristic component of the Balanced Approach allocation at some future date. Currently, Pell status is a proxy for low-income students; however, Pell eligibility is contingent on a student's completion of the Free Application for Federal Student Aid (FAFSA). Further, Pell eligibility is based on a number of factors other than income level (e.g., family size, expenses, etc.). There are other measures of poverty, including income level, that are not consistently collected for all students. As such, it is recommended that a data element be identified for this purpose.

5. **<u>Review Committee</u>. 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.**

The Committee expressed concern that reviewing the funding formula every decade is not in the best interest of the System or a best practice. As such, the Committee recommended a more frequent review process and noted that the Chancellor's Office may wish to consult with the Governor and State Legislature in establishing the membership of the committee. Ideally, the review committee will be made up of subject matter experts in higher education and funding, as well as stakeholders.

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

Committee members and stakeholders that participated in the study of the NSHE funding formula expressed concern that Nevada's postsecondary institutions are underfunded, resulting in inadequate and sometimes inequitable funding that has not kept pace with the needs of students or institutions. Additionally, Committee members expressed the need for a study to be undertaken to determine adequate and equitable funding levels for NSHE's teaching institutions. The intent of the recommended study is to validate the equity of the formula revisions adopted by the Committee and to further inform and improve the state's funding formula for higher education. This recommendation is intended to demonstrate an on-going commitment to establish and maintain adequate and equitable funding for NSHE institutions.

APPENDIX A

Consultant's Review of Self-Supporting Accounts

Memorandum

TO: Chair James Hardesty
Vice-Chair Chancellor Patty Charlton
Ad Hoc Committee on Higher Education Funding
Nevada System of Higher Education
2601 Enterprise Road
Reno, Nevada 89512-1666

FROM: Nate Johnson, Senior Affiliate, HCM Strategists

DATE: April 15, 2024

SUBJECT: HCM Strategists Review of Self-Supporting Accounts

Dear Chair Hardesty and Vice-Chair Chancellor Charlton:
As part of its contract to advise the Nevada System of Higher Education (NSHE) System Administration Office on potential higher education funding formulas, HCM Strategists also engaged to review NSHE's policies on self-supporting accounts. This review was to consider Legislative Audit report LA24-03, the system's response to that audit, and other states' practices.

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

What are Self-Supporting Accounts?

Self-supporting accounts in the Nevada System of Higher Education (NSHE) are funding categories that exist outside of the state-appropriated or grant-funded accounts and are characterized by having a specific revenue source and expenditure purpose. These accounts are a Nevada-specific classification grounded in state law and practice and do not include auxiliaries such as housing, sponsored research, or fees with specific legal restrictions. They are used internally by institutions to manage budgets for specific purposes and can range from small amounts to several million dollars. The accounts encompass a variety of programs, including those related to student fees such as summer session fees, assessment fees, library fines, as well as other revenue sources like clinical/patient care, ticket sales for events, facilities rental, and faculty start-up packages.

What problems did the Legislative Audit find with self-supporting accounts?

The LA-24-03 performance audit, mandated by Assembly Bill 416 (Chapter 467, Statutes of Nevada 2021), focused on self-supporting and reserve accounts for fiscal years 2018 to 2021. While there was no finding of fraud or diversion of funds for purposes other than support of NSHE institutions and students, the audit criticized the level of oversight and variations in internal control systems across NSHE institutions, leading to potentially inappropriate financial activities. This was attributed to the Board of Regents providing institutions with operational latitude, but with often vague or insufficient policies and guidelines. The audit found instances of expenditures being moved to state-supported accounts without ensuring consistency in activity type, state funds not being reverted according to state law, and uses of student fees that may not have been consistent with Board policies. Additionally, institutions sometimes commingled restricted and unrestricted revenues, and reports to the Board sometimes lacked useful, accurate, or complete information.

How did NSHE respond to the audit?

The audit included 13 findings requiring a response from NSHE and NSHE accepted all of those findings. The audit recommended several actions to improve accountability and appropriate use of self-supporting funds, which NSHE accepted. The policy revisions adopted at the September 28, 2023, Board of Regents meeting to the *Board of Regents Handbook* and to the *NSHE Policy and Procedures Manual* appear to have satisfied the requirement that NSHE provide specific policy language in response to the audit by October 10, 2023.

The policy revisions addressed the audit recommendations by providing clarity, additional controls, and increased oversight. This includes defining reporting standards, increasing transparency through regular reporting to the Board, enhancing documentation standards, and ensuring compliance with state and federal regulations.

Seven of the 13 recommendations (1-3, 5, 7, 11, and 13) concerned transparency and controls related to transfer of funds among state-supported and self-supporting accounts. The new board policies define the transactions of concern and require consistent documentation and review,

consistent with the intended use of those funds. NSHE also committed to initiating the report on fund transfers centrally, and sending to campuses for review, rather than the other way around. The first such report is expected in December 2024 (for fiscal year 2023-24).
Another four recommendations (4, 6, 8 and 12) specifically addressed student fee revenue. Here, too, the revised board policies clarify fee definitions and add reporting requirements. These changes will also be reflected in reports starting December 2024 (for fiscal year 2023-24).
Two of the recommendations (9 and 10) were related to clarification of reserve and contingency accounts. The revised Board policies clarify these definitions and require institutions to clearly label accounts as contingency or reserve. The new templates and reports required for this will be developed in consultation with institutions and are not expected to be completed this year.

Our review of the audit, NSHE's response, and the policy changes adopted indicate that the response to concerns about self-supporting accounts was appropriate and is on track.

How Does Nevada Compare to Other States?

Nevada's system of "self-supporting accounts" is unique, and there is no exact parallel in other states. While higher education systems and institutions have similar functions across the United States, the language states use to describe and account for those functions differs. The term "self-supporting accounts" as used in Nevada is specific to Nevada policy and practice. These accounts cross over many of the standard revenue and expenditure categories and reflect the state's policy and philosophy as to how taxpayer-supported, student-supported, and externally supported budgets should be separated and reported.

We reviewed a range of policies and reports in systems like Nevada's that include a range of institutions, from community colleges to research universities, and that have direct governing responsibilities for those institutions (i.e. no institutional boards of trustees). These include the Hawai'i Board of Regents, the Georgia Board of Regents, and both the State University of New York (SUNY) and the City University of New York (CUNY). Each of these systems has policies and reports related to different budget categories and accounts, and while many of the specific categories are similar (e.g. "library fines"), none of them has a grouping exactly like Nevada's "self-supporting accounts."

These states/systems, like Nevada, had policies and budget reports grounded in their own priorities and traditions, and these appeared no more or less appropriate to their goals. There was nothing outstanding about their policy approaches that we would recommend for Nevada at this time, especially given the policy and reporting changes already in process in response to the legislative audit. If an issue related to a specific fee or account arose in one of these states (e.g. transportation fees or indirect research revenue), we would advise them to look at Nevada's policies as a peer system, just as we would advise Nevada to do with them.

In terms of communication, as noted in our March 19 presentation, we pointed out an easy-to-follow matrix of sources and uses employed by the City University of New York (see attached). A

tool like this, substituting Nevada's funding categories for CUNY's, would be a helpful way to communicate about the policies and practices already in place.
We have no other recommendations based on other state practices and find that NSHE has already addressed the key concerns of the legislative audit. Thank you for the opportunity to engage with you on this project.

Please let us know if you have any follow-up questions or concerns.

APPENDIX B

NSHE Funding Formula

NSHE Funding Formula 2013-2025

The funding formula methodology used by the Nevada State Legislature to determine and distribute state General Fund appropriations to Nevada System of Higher Education's (NSHE) seven teaching institutions was adopted by the 2013 Legislature. The funding formula was established in budget policy, not in statute, and based on recommendations developed as a result of the interim legislative study established in 2011 through the enactment of Senate Bill 374 (Chapter 375, *Statutes of Nevada 2011*). The funding formula, including the funding distribution methodology and performance funding, continues to be established in budget policy and reviewed and updated, as necessary, during each legislative session.

The information summarized in this document originated in source documents found on the Nevada Legislature's website, including but not limited to the biennial Appropriations Reports (2013-2023 Legislative Sessions), as well as minutes, exhibits, and audio recordings of various money committee meetings.

The NSHE funding formula includes four components:

1. Weighted Student Credit Hours (WSCH) are the basis for distributing General Fund appropriations;
2. Small Institution Funding assists Great Basin College (GBC) and Western Nevada College (WNC) with fixed administrative costs;
3. Research Space Operations and Maintenance (O&M) Funding for the University of Nevada, Las Vegas (UNLV) and the University of Nevada, Reno (UNR); and
4. Performance funding set-asides for each teaching institution.

The methodology includes biennial funding adjustments for caseload changes (increases or decreases in WSCH) and institution specific adjustments (small institution funding and research operations and maintenance funding). Additionally, the funding formula includes the methodology used to distribute General Fund appropriations (less institution-specific allocations) to each of NSHE's teaching institutions based on the uniform WSCH value for each fiscal year (FY). The WSCH methodology was developed to equitably distribute General Fund appropriations across all teaching institutions. The WSCH value is an output of the funding formula; it does not determine changes to the amount of General Fund appropriations approved by the Legislature.

Available General Fund Appropriations

As a general process, before funding is allocated to the teaching institutions, funding is requested by NSHE, recommended by the Governor, and approved by the Legislature.

Consistent with all State agencies, General Fund appropriations for NSHE's teaching institutions are based on the traditional base, maintenance and enhancement budget methodology:

- Base: The amount of General Fund appropriation approved during the current biennium serves as the baseline for the next biennium.

- Maintenance: The base amount is adjusted to reflect increases or decreases in anticipated expenditures during the next biennium. Maintenance decision units also accommodate for inflationary adjustments and fringe benefit adjustments, which are consistent for all State agencies. Additionally, NSHE maintenance decision units include

caseload adjustments, small institution funding, and research operating and maintenance funding.

- Enhancements: These requests seek additional funding for new projects intended to be implemented during the upcoming biennium and may be institution specific.

Beginning with the implementation of the current NSHE funding formula methodology in FY 2014, the Legislature's policy has been that projected non-General Fund revenues do not offset the amount of General Fund appropriations appropriated for the teaching institutions. (In the previous funding formula, General Fund appropriations were offset by projected non-General Fund revenues.)

Weighted Student Credit Hours

Weighted Student Credit Hours are based on the course taxonomy initially approved by the 2013 Legislature. The assigned weights reflect general cost-informed differences in the delivery of instruction (e.g. the cost of delivering a science course is greater than a liberal arts course, generally). Credit hours earned by students who are Nevada residents are weighted by discipline cluster and academic level developed by the National Center for Higher Education Management Systems (NCHEMS) and modified by the 2011-2012 Committee to Study the Funding of Higher Education. The taxonomy has been approved by each subsequent Legislature – with one modification. The 2017 Legislature approved an increase to the weighting for Career and Technical Education credit hours at the community colleges, effective in the Fall semester of 2017. Otherwise, the weights assigned to the discipline clusters have been unchanged since the formula's initial implementation in FY 2014.

Weighted Student Credit Hours for non-resident students are excluded from the funding formula methodology, because non-resident tuition is collected from non-resident students. The combination of non-resident tuition and per course registration fees are intended to fund 100 percent of the cost of instruction by an institution.

The 2013 Legislature determined that all WSCH, including "F" grades, would be used for the distribution of funding during the 2013-2015 biennium. However, beginning with the 2015-2017 biennium, WSCH would exclude all "F" grades for non-attendance/effort.

The table below displays the number of WSCH earned by institution. The WSCH for FY 2012 and FY 2016 demonstrate the number of credit hours earned prior to and following the revisions to the WSCH taxonomy approved by the Legislature.

	FY 2012 WSCH Including All "F Grades" (Leg. Approved)	FY 2012 WSCH Excluding "F Grades" for Non-Attendance/Effort	FY 2014 WSCH*	FY 2016 WSCH*	FY 2016 WSCH* Including CTE Adjustment	FY 2018 WSCH**	FY 2020 WSCH**	FY 2022 WSCH**
UNLV	886,813	872,181	915,704	1,009,083	1,009,083	1,078,174	1,115,625	1,149,097
UNR	619,941	612,130	655,013	721,836	721,836	763,270	783,516	763,960
CSN	626,677	586,695	578,716	580,102	618,582	627,075	663,630	564,061
GBC	60,769	59,134	62,209	69,321	83,883	76,324	87,716	81,614
TMCC	214,603	201,083	198,251	204,816	220,784	218,966	227,510	204,001
WNC	74,414	69,964	72,151	75,616	83,842	86,284	87,071	89,534
NSC	92,826	89,326	94,470	101,857	101,857	126,472	157,417	176,879
TOTAL WSCH	**2,576,043**	**2,490,513**	**2,576,514**	**2,762,631**	**2,839,867**	**2,976,565**	**3,122,485**	**3,029,146**

*WSCH exclude F Grades for Non-attendance/effort

**WSCH exclude F Grades for Non-attendance/effort and the Increased CTE adjustment

WSCH Caseload Adjustments

Each biennial budget includes adjustments to the General Fund appropriation for the seven teaching institutions based on changes in the number of WSCH earned by Nevada resident

students, excluding “F” grades for non-attendance/effort. First, the change in the WSCH earned during the two preceding even numbered fiscal years is calculated. Then, the result is multiplied by the WSCH value approved during the current (odd numbered) fiscal year. For example, the caseload adjustment for the 2023-2025 biennium (FY 2024 and FY 2025) is based on the difference in total WSCH earned in FY 2020 and FY 2022 multiplied by the WSCH value for FY 2021.

The table below demonstrates the increase in General Fund appropriation based on the increase in WSCH for the 2021-2023 biennium.

Increase in WSCH Caseload Adjustment Legislatively Approved WSCH Caseload Adjustment for 2021-2023 Biennium					
	FY 2018 WSCH	FY 2020 WSCH	WSCH Growth[1]	FY 2021 WSCH Value	FY 2022 & FY 2023 Caseload Adjustment
Total	2,976,565	3,122,485	145,918	$164.61	$24,019,562

[1] Amount included in the 2021 Appropriations Report, which notes totals may not sum due to rounding

Conversely, the table below demonstrates the decrease in General Fund appropriation based on a decrease in WSCH for the 2023-2025 biennium. This is the first biennium in which NSHE experienced a reduction in total WSCH and, therefore, a reduction in funding for the caseload adjustment.

Decrease in WSCH Caseload Adjustment Legislatively Approved WSCH Caseload Adjustment for 2023-2025 Biennium					
	FY 2020 WSCH	FY 2022 WSCH	WSCH Growth	FY 2023 WSCH Value	FY 2024 & FY 2025 Caseload Adjustment
Total	3,122,485	3,029,145	(93,340)	$166.90	($15,578,063)

This process was initially established with the policy adopted by the 2015 Legislature and has been continued by subsequent legislatures.

Pre-Formula Appropriations: Small Institution Funding

All institutions have certain fixed administrative costs, and these fixed costs are generally a greater percentage of variable (enrollment-based) revenues at smaller institutions than at larger institutions due to economies of scale. The NSHE funding formula recognizes this funding gap by providing additional General Fund appropriations to small institutions, specifically, GBC and WNC.

This allocation is intended to decrease over time, from a maximum of $1.5 million per fiscal year per institution to $0.0, as the number of WSCH increases to 100,000 (for each institution). The 100,000 WSCH threshold was anticipated to be the point at which the institutions would generate sufficient enrollment-based revenues to support their fixed administrative costs.

Small Institution Funding is determined by the actual number of WSCH greater than 50,000 but less than 100,000. Then, the $30 WSCH value is applied to the difference between the actual WSCH earned and 100,000 WSCH, with a maximum $1.5 million available per institution per fiscal year. As the WSCH for an institution approaches 100,000, the level of Small Institution Funding decreases. The $30 WSCH value for Small Institution Funding has not been adjusted since the implementation of the NSHE funding formula in FY 2014. The Small Institution Funding amount is the same in each year of a biennium.

The table below demonstrates the process for calculating the Small Institution Funding for GBC and WNC for the 2023-2025 biennium.

Small Institution Funding: 2023-2025 Biennium based on $30 WSCH value				
	FY 2022 WSCH	Number of WSCH less than 100,000	WSCH Value $30	FY 2024 and FY 2025
GBC	81,614	18,386	$30	$ 551,580
WNC	89,534	10,466	$30	$ 313,980

The table below summarizes the investment made at GBC and WNC as a result of the Small Institution Funding allocation. With very few exceptions, the amount of funding for each institution has decreased since FY 2014. This decrease is the result of increases in the WSCH totals.

Small Institution Funding Allocation of General Fund Appropiations						
	FY 2014 and FY 2015	FY 2016 and FY 2017	FY 2018 and FY 2019	FY 2020 and FY 2021	FY 2022 and FY 2023	FY 2024 and FY 2025
GBC	$ 1,176,930	$ 1,133,730	$ 920,370	$ 710,280	$ 368,520	$ 551,580
WNC	$ 767,580	$ 835,470	$ 734,520	$ 411,480	$ 387,885	$ 313,980
TOTAL	**$ 1,944,510**	**$ 1,969,200**	**$ 1,654,890**	**$ 1,121,760**	**$ 756,405**	**$ 865,560**

The total amount of the Small Institution Funding appropriation is the same for each year of the biennium.

Pre-Formula Appropriations: Research Space Operations and Maintenance Funding

Similar to the Small Institution Funding for GBC and WNC, research space O&M funding addresses the cost for research space at UNLV and UNR that is not associated with WSCH. Research O&M funding is determined by identifying the square footage of dedicated research space at each university and the associated research expenditures.

At the time the current funding formula was adopted (2013), UNLV and UNR utilized their own, institution specific methodologies for determining the research O&M costs. However, in response to direction from the 2021 Legislature, the universities developed a uniform methodology for the identification of research space to ensure a consistent application of calculated funding needed for these designated areas.

The table below summarizes the General Fund appropriation for research O&M for each fiscal year, since the formula was implemented. While research O&M funding is generally the same amount in each year of the biennium, separate amounts were appropriated to UNR in each year of the 2019-2021 biennium due to a new building coming on line in FY 2021.

University Research Space Operation and Maintenance (O&M) Allocation of General Fund Appropriations							
	FY 2014 and FY 2015[1]	FY 2016 and FY 2017[2]	FY 2018 and FY 2019[3]	FY 2020[4]	FY 2021[4]	FY 2022 and FY 2023	FY 2024 and FY 2025[5]
UNLV	$ 4,944,173	$5,008,199	$5,621,935	$4,151,084	$4,151,084	$ 4,563,433	$ 4,493,978
UNR	$ 3,582,891	$4,102,076	$3,831,987	$5,147,775	$5,404,243	$ 5,696,206	$ 5,575,112
TOTAL	**$ 8,527,064**	**$9,110,275**	**$9,453,922**	**$9,298,859**	**$9,555,327**	**$10,259,639**	**$10,069,090**

[1] 2013 Legislature approved an additional $1.73 million for UNLV in each fiscal year of the biennium as a post-formula adjustment by redistributing formula funding from CSN ($1.2 million) and NSC ($566,616); funding is outside of the square footage calculation and approved for the purpose of growing research at the university

[2] 2015 Legislature approved UNLV continuing to receive $1.7 million in each fiscal year by redistributing formula funding from CSN and NSC

[3] 2017 Legislature approved three adjustments that impacted Research O&M funding: Governor's recommended budget for UNR's Research O&M, which omitted a portion of the rate per square foot calculation after NSHE confirmed that UNR was prepared to absorb the shortfall in the 2017-2019 biennium; UNLV's total research space decreased when duplicate reporting of space was corrected; continuation of funding for UNLV totaling $1.7 million in each fiscal year by redistributing formula funding from CSN and NSC

[4] 2019 Legislature approved a $1.7 million reduction in funding at UNLV in each year of the biennium, eliminating the redistribution of formula funding from CSN and NSC; the Legislature approved increased funding for UNR to correct an error in the rate per square foot from the 2017-2019 biennium and an increase in square footage in FY 2021 due to the addition of the Pennington Engineering Building

[5] Decrease in funding at UNLV is the result of decreases in dedicated research space in FY 2022 and the per square foot cost of O&M

Other Pre-Formula Appropriations

Pre-Formula appropriations are allocated to a specific teaching institution for a specific purpose; the funding is not distributed based on the WSCH value for that fiscal year.

The 2013 Legislature approved General Fund appropriations totaling $5.7 million for GBC and $4.6 million for WNC over the 2013-2015 biennium to mitigate the effect of the funding formula implementation on each institution; this was a one-time appropriation.

The 2015 Legislature approved General Fund appropriations totaling $3.0 million for GBC and $2.0 million for WNC over the 2015-2017 biennium to mitigate the effect of the funding formula; this was a one-time appropriation.

The 2017 Legislature approved an increase to the weighting for Career and Technical Education credit hours at the community colleges totaling $9.2 million in FY 2018 and $12.2 million in FY 2019. The increased funding supported faculty costs, curriculum development, expansion of course offerings, and equipment to support CTE programs. The increased General Fund appropriations were a pre-formula allocation during the 2017-2019 biennium. In subsequent biennia, this increased weighting was incorporated in the course taxonomy used to determine WSCH.

The 2017 Legislature also approved General Fund appropriations totaling $9.7 million in FY 2019 to build capacity within the teaching institutions and support workforce growth and development, based on a four-year plan provided by each institution. This one-time funding was excluded from the calculation of the WSCH value.

The 2019 Legislature approved General Fund appropriations totaling $18.25 million for the 2019-2021 biennium to build capacity at the community colleges and NSC to support workforce growth and development. Additionally, the 2021 Legislature approved General Fund appropriations totaling $20.2 million for the 2021-2023 biennium to continue the capacity building at the community colleges and NSC to support workforce growth and development.

This was authorized as one-time funding, on the basis that the funding approved for program development would result in the generation of new WSCH once the programs were implemented and the new WSCH would add ongoing funding through the caseload adjustment process.

The 2023 Legislature approved General Fund appropriations totaling $20 million for the 2023-2025 biennium to increase the number of Graduate Assistant positions and the Graduate Assistant stipend amounts for UNR and UNLV. Increasing the number of Graduate Assistants allows the universities to enhance their research mission, maintain their Carnegie R1 status, and be competitive in attracting the best students nationally. Increasing the stipend amount represented a cost of living adjustment.

Additionally, the 2023 Legislature approved General Fund appropriations totaling approximately $1.0 million in each year of the 2023-2025 biennium for summer school teacher education courses to improve the teacher pipeline. Based on traditional budget policy, summer school courses, other than Nursing programs and science-based prerequisites for Nursing, have not been supported with General Fund appropriations. This decision by the 2023 Legislature establishes a policy to continue support for Nursing programs and expand state support for summer school to include teacher preparation courses.

The 2023 Legislature approved funding for a two-grade salary increase for specific University Police positions, this increased the base funding for UNLV, UNR, CSN, and WNC.

Additional Appropriations: Distributed through the NSHE Funding Formula

The 2017 Legislature approved two budget amendments that added General Fund revenue to the base budgets, resulting in the funds being distributed through the funding formula. The NSC budget was increased by $584,319 in FY 2018 and $584,320 in FY 2019 for debt service payments for the lease purchase agreement approved to finance construction of the Nursing Sciences and Education Building and the Student Activities and Administration Building. Additionally, the UNLV budget was increased by $500,000 in FY 2018 and FY 2019 for graduate assistants.

Distribution Methodology: Weighted Student Credit Hours

General Fund appropriations for NSHE's seven teaching institutions are distributed to each institution using the WSCH value calculated for that biennium. The WSCH value is calculated by subtracting pre-formula adjustments (including funding for small institutions, research space O&M, and institution-specific enhancements) from the total General Fund appropriations, then dividing that amount by the total number of WSCH completed in the applicable fiscal year. The WSCH value is the output of a calculation used to uniformly distribute available funds to each institution; the WSCH value is not based on a predetermined amount or to generate funding increases from year to year.

The following is an example of the WSCH value calculation and distribution based on FY 2020 General Fund appropriations:

FY 2020 Legislatively Approved (formula) General Fund Appropriation		$498,707,401
Less: Small Institution Funding		($1,121,760)
Less: Research O&M		($9,298,859)
Subtotal		**$488,286,791**
Divided by FY 2018 WSCH		2,976,565
FY 2020 Legislatively Approved WSCH Value		**$164.04**
Allocation by Institution		
UNLV: 1,078,174 WSCH x $164.04		$176,867,672
UNR: 763,270 WSCH x $164.04		$125,209,649
CSN: 627,075 WSCH x $164.04		$102,867,415
GBC: 76,324 WSCH x $164.04		$12,520,473
TMCC: 218,966 WSCH x $164.04		$35,919,997
WNC: 86,284 WSCH x $164.04		$14,154,348
NSC:126,472 WSCH x $164.04		$20,746,937
	Subtotal:	**$488,286,791**

The WSCH value has increased from $137.69 in FY 2014 to $166.90 in FY 2023. With one exception (in FY 2019), the WSCH value has increased each fiscal year since this funding formula methodology was implemented in FY 2014.

WSCH Value by Fiscal Year (based on the General Fund appropriation less pre-formula adjustments)									
FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
$137.69	$141.50	$152.61	$153.55	$156.01	$153.18	$164.04	$164.61	$166.24	$166.90

A WSCH value was not calculated for the 2023-2025 biennium, because the 2023 Legislature approved the suspension of the distribution component of the NSHE funding formula and allocated General Fund appropriations to each of the instructional institutions using the traditional base, maintenance, and enhancement decision unit model. According to the 2023 Appropriations Report, suspending the distribution component of the funding formula methodology resulted in no net change to the General Fund appropriation to each teaching institution.

Performance Funding Pool Set-Aside

The NSHE funding formula methodology includes a system of performance funding, funded by setting aside a percentage of the General Fund revenue appropriated to NSHE's seven teaching institutions. The percentage of the set-aside began at 5 percent in FY 2015 and increased 5 percent per fiscal year until the percentage reached 20 percent, beginning in FY 2018.

Each institution can earn back its set-aside by achieving performance criteria approved by the Board of Regents and the state legislature. Performance criteria are based on performance metrics and point targets (refer to summary paper on the NSHE Performance Pool). NSHE teaching institutions participated in the selection and modification of performance metrics and targets, the majority of which are based on the number of certificates and degrees granted. The focus on certificate and degree completion is intended to signal the primary importance of graduating students; this focus is reinforced by the addition to other metrics related to research and transfers.

The performance funding earned by an institution for a fiscal year is based on its actual performance during the academic year two years prior to the fiscal year in which the funds are appropriated. For example, FY 2025 performance pool funding for each institution is earned based on the performance of the institution in academic year (AY) 2023. This process allows

the performance funding to be made available to institutions at the beginning of the fiscal year in which the funds will be expended.

The table below demonstrates the correlation between the academic year, for which metrics are measured, and the fiscal year, in which funding are earned.

Distribution Year (Funding Year)	Year of Measure (Performance Year)
FY 2015	2012-13 (AY 2013)
FY 2016	2013-14 (AY 2014)
…	
FY 2025	2022-23 (AY 2023)
FY 2026	2023-24 (AY 2024)

Institutions do not "compete" against each other for performance pool funding. Rather, each institution's performance is based on a year-over-year comparison of its attainment of the metrics. Additionally, teaching institutions have a two-year period to earn the performance pool set-aside for a specific fiscal year. If an institution does not earn 100 percent of its set-aside amount in the current fiscal year, it can earn the remaining amount in the next fiscal year by exceeding its performance metrics in the second year.

To date, each institution has earned its performance pool set aside within the two-year period. While it has not occurred to date, the current funding formula policy is that any unearned performance funds remaining at the end of a two-year period will be reallocated to support statewide, need-based financial aid at all seven teaching institutions.

Summary of Modifications to the Distribution Methodology

The Legislature established the NSHE funding formula and distribution methodology in policy, not in statute. This allows each Legislature to review the policy biennially and to either reaffirm its commitment to the existing policy or include modifications.

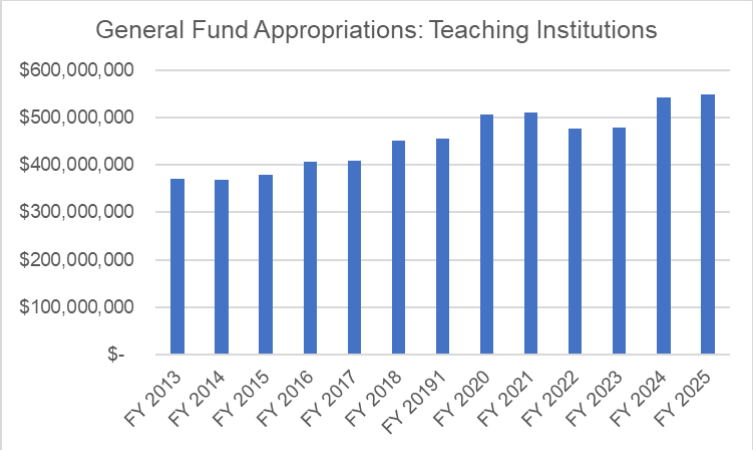
Since being approved by the 2013 Legislature, the policy guiding the NSHE funding formula methodology experienced the following modifications:

The 2017 Legislature approved an increase to the weighting for Career and Technical Education credit hours at the community colleges of 1.5 points in FY 2018 and 2.0 points in FY 2019; the increased weighting was effective with the academic year beginning September 2017 and included in the FY 2018 WSCH.

The 2023 Legislature approved the suspension of the funding distribution component of the NSHE funding formula and the utilization of the traditional base, maintenance, and enhancement decision unit model for the allocation of General Fund appropriations to each instructional institution. This resulted in no net change to the total General Fund appropriations to the seven teaching institutions.

General Fund Appropriations for NSHE Instructional (Formula) Budgets: FY 2014 – FY 2025

Since the inception of the funding formula, General Fund appropriations have generally increase.

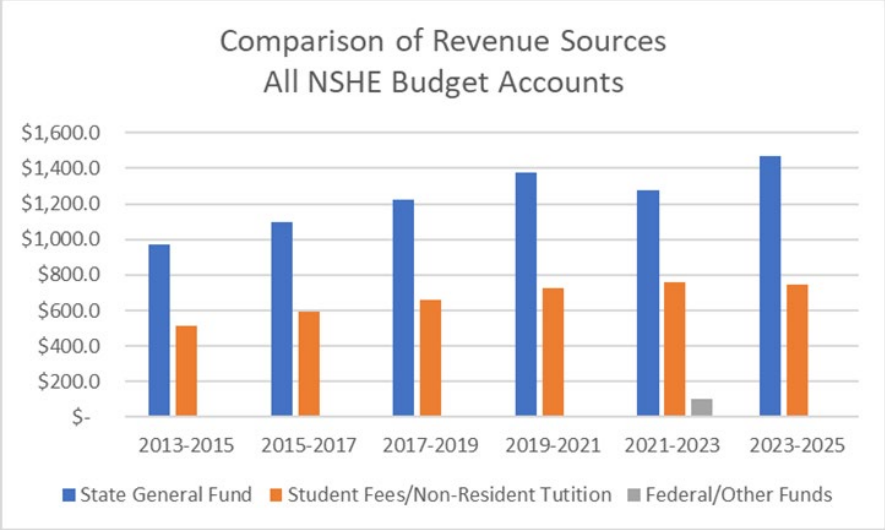


The table and chart below compare General Fund appropriations for all NSHE budget accounts teaching institutions, professional schools, and non-formula accounts) with the legislatively authorized revenues for student fees, non-resident tuition, as well as federal and other funds.

Comparison of Revenue Sources for All NSHE Budgets												
Funding Source	**2013-2015 Legislature Approved (Millions)**	**% of Funding by Source**	**2015-2017 Legislature Approved (Millions)**	**% of Funding by Source**	**2017-2019 Legislature Approved (Millions)**	**% of Funding by Source**	**2019-2021 Legislature Approved (Millions)**	**% of Funding by Source**	**2021-2023 Legislature Approved (Millions)***	**% of Funding by Source**	**2023-2025 Legislature Approved (Millions)**	**% of Funding by Source**
State General Fund[1, 2]	$ 971.3	64.9%	$ 1,094.7	64.3%	$ 1,224.3	64.5%	$ 1,379.6	65.2%	$ 1,279.2	59.6%	$ 1,467.7	65.9%
Student Fees/Non-Resident Tutition	$ 514.1	34.4%	$ 595.9	35.0%	$ 661.9	34.9%	$ 726.1	34.3%	$ 761.2	35.5%	$ 747.9	33.6%
Federal/Other Funds	$ 10.8	0.7%	$ 10.9	0.6%	$ 11.2	0.6%	$ 10.5	0.5%	$ 104.5	4.9%	$ 12.9	0.6%
Total	**$ 1,496.2**	**100.0%**	**$ 1,701.5**	**100%**	**$ 1,897.4**	**100%**	**$ 2,116.2**	**100.0%**	**$ 2,144.9**	**100.0%**	**$ 2,228.5**	**100.0%**
GF increase from Previous Biennium	$ 26.5	2.8%	$ 123.4	12.7%	$ 129.6	11.8%	$ 155.3	12.7%	$ (100.4)	-7.3%	$ 188.6	14.7%

[1] Includes General Fund operating appropriations

[2] Does not include General Fund appropriations allocated to the Board of Examiners for Cost of Living Raises, when approved by the Legislature



Conclusions

The current NSHE funding formula, initially approved by the 2013 Legislature, calculates and distributes the General Fund appropriations to NSHE's seven teaching institutions. With the approval of the current funding formula,

- the basis for funding became the number of weighted student hours (excluding F grades for non-attendance) earned by students who are Nevada residents;
- additional funding, known as Small Institution Funding, was added for GBC and WNC to assist with fixed, administrative costs until such time as each institution reached 100,000 WSCH;

- additional Research Space O&M funding was added for UNLV and UNR for the operational and maintenance costs for research space that is not otherwise supported by the attainment of WSCH; and
- performance metrics were established, focused on output and outcome measures, such as certificate and degree completion, and tied to the retention of performance pool funding.

Additionally, the 2013 Legislature determined that projected non-General Fund revenues (generated primarily through student fees) would not be used to offset the General Fund appropriations to the teaching institutions. This policy has been reaffirmed by each subsequent Legislature.

The funding formula allows for additional General Fund appropriations to be made to teaching institutions outside the distribution methodology for institution-specific programs or activities. Examples of this targeted investment include the first biennium of capacity building projects related to workforce development and summer school funding for teacher education programs.

The funding formula was established in budget policy, not in statute. This allows for biennial review and, if needed revision, of the funding formula and distribution methodologies. Since the implementation of the funding formula in FY 2014, the Legislature has made very few modifications to the policy that prescribes the funding formula. Most notably, the 2017 Legislature approved an increase to the weighting for Career and Technical Education credit hours at the community colleges.

Overall, General Fund appropriations for NSHE's teaching institutions have increased by approximately $180 million during the implementation of the current funding formula. Funding increases can be attributed to increases in total WSCH, inflationary adjustments for salaries and benefits, and expansion of research space O&M. With the exception of the current biennium, Small Institution funding has decreased, as intended, each biennium because WSCH have increased. And, each of the teaching institutions has earned its performance pool funding by meeting or exceeding its metrics either during the year of performance or in the next year.

The 2023 Legislature appropriated $2.0 to NSHE to complete an interim study of the funding formula. This will allow NSHE, through the ad hoc Committee on Higher Education Funding formed by the Chancellor, to determine if the current funding formula continues to meet the needs of NSHE's teaching institutions, communities and students. Additionally, the 2023 Legislature approved the suspension of the funding distribution component of the NSHE funding formula for the 2023-2025 biennium and utilized the traditional base, maintenance, and enhancement decision unit model for the allocation of General Fund appropriations to each instructional institution. According to the 2023 Appropriations Report, this resulted in no net change to the total General Fund appropriations to the seven teaching institutions.

The suspension of the formula by the 2023 Legislature is in alignment with the policy decision made by the 2011 Legislature, when it approved the most recent interim study of the NSHE funding formula.

The ad hoc Committee on Higher Education Funding will finalize its recommendations regarding the funding formula for NSHE's teaching institutions, as well as recommendations regarding the uses and reporting of revenues and expenditures in the non-State (or Self-Supporting) accounts, by August 2024. The Chancellor will then transmit the Committee's recommendations to the Board of Regents, the Governor, and the Legislative Counsel Bureau.

APPENDIX C

NSHE Performance Pool

NSHE Performance Pool 2013-2025

The purpose of this summary is to provide a history of the establishment of the Nevada System of Higher Education (NSHE) Performance Pool, including institutional performance related to the established metrics, the setting of performance targets biennially, and other general background. This information has been pulled from historical NSHE publications on the subject and updated to reflect recent performance data and outcomes.

Background and Context on the Establishment of the NSHE Performance Pool

In 2013, the Nevada State Legislature approved the adoption of a performance funding pool for the teaching institutions of the Nevada System of Higher Education (NSHE). The adoption of the NSHE Performance Pool resulted from a legislative study established in 2011 through the enactment of Senate Bill 374 (Chapter 375, *Statutes of Nevada 2011*). The Committee to Study the Funding of Higher Education was charged with considering methods for rewarding institutions for graduating students, which ultimately resulted in the NSHE Performance Pool.

At the time the Performance Pool was originally developed, demand across the country was growing for output/outcome measures in higher education, partially in response to fiscal challenges faced by states following the Great Recession. Numerous states had established outcome measures for some or all funding decisions with additional states moving in that direction.[1] The development of the NSHE Performance Pool was a collaborative process with broad representation from the Chancellor's Office, Regents, legislators, Presidents, private industry, and representatives from the Governor's Office. Representatives provided input on the metrics/outcomes to include and the prioritization of the metrics. The work was largely guided with support from the National Governors Association (NGA) as NSHE received a grant for technical assistance through an NGA's Policy Academy on Strengthening Postsecondary Accountability Systems.

Throughout the funding formula study, it was understood that there would be no additional state funding appropriated to NSHE institutions through the Performance Pool. It is important to understand that the funding formula study was conducted as the State was beginning to recover from the Great Recession, and therefore, new funding was not available to reward institutions for outstanding performance. As a result, the NSHE Performance Pool was based on a carve-out of state funds over an initial 4-year implementation period. The carve-out from base state funding was 5 percent in the first year of implementation (FY2015), 10 percent in the second year (FY 2016), 15 percent in the third year (FY2017), and 20 percent in the fourth year (FY2018) and going forward. The carve-out amount is set aside from the base funding and depending on the institutions' performance in a prior year they can "earn back" the set aside funds. Many of the subsequent decision points related to the development and implementation of the Performance Pool were driven by the limitation of performance funds as a carve-out of the base. Further, there have been numerous conversations with the Board of Regents and state legislature regarding the funding for the Performance Pool as institutions have called for "new funding" to reward performance in lieu of having to "earn back" set aside funds. However, despite these calls for new funding, the Performance Pool remains a mechanism that is funded through a base funding carve-out as originally designed.

[1] In 2012, the following states used or were in the process of implementing some form of performance-based funding: Arkansas, Colorado, Florida, Hawaii, Illinois, Indiana, Kansas, Louisiana, Maryland, Montana, New Mexico, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas and Washington. The following states were considering performance-based funding in 2012: Connecticut, Arizona, Georgia, Idaho, Kentucky, Massachusetts, Mississippi, New York, Nevada, North Dakota, Oregon, Michigan, Virginia, and West Virginia.

The original development of the Performance Pool was guided by three basic principles: accountability, performance, and collaboration. Accountability was critical to ensure that objective measurements were used for tracking institutional progress towards the achievement of goals supporting the State. Better performance meant establishing metrics focused on efficient instructional delivery, including awards per 100 full-time enrollment (FTE) and gateway course completions. Finally, collaboration was a fundamental principal to ensure that metrics recognized and signaled the importance of institutions working together to give students the option of transfer between NSHE institutions. Key to this was ensuring that the model reflected the state's priorities through the recognition of certificates, degrees and transfer of completed coursework; workforce needs through the alignment with economic development goals; access for at-risk students (low-income and minority); emphasis on research for the universities; and efficiency of degree productivity (measured by completions per 100 FTE).

Performance Pool Metrics as Originally Implemented

Institutions compete against themselves in separate institutional pools. Early versions of the Performance Pool that were considered, but never adopted, were based on three funding pools whereby institutions would compete against institutions in the same tier (e.g. university, state college, and community college pool). However, because of the disparity between institution size and capacity and a wide range in historical institution performance under certain metrics, it was ultimately decided that institutions would compete against themselves in individual pools. This means that the 20 percent funding carve-out is from each institution's base budget and earned back by the institution based on its own performance. There is no pooling of funds across institutions.

The metrics were selected to be consistent across institutional tiers. Each metric is defined in terms of what performance is measured and the data source. Following is an example of the metrics selected for a university, in this case University of Nevada, Las Vegas (UNLV), as originally developed:

`		2011-12 Baseline (Actual)		2012-13 Target
UNLV (2% Target)	Weights	Points	Weighted Pts.	Weighted Pts.
Bachelor's Degrees	30%	3,670	1,101.0	
At-Risk Bachelor's Graduates (Minority + Pell-Eligible x .4)	"	912	273.7	
Master's and Doctoral Degrees	10%	1,370	137.0	
At-Risk Master's and Doctoral Graduates (Minority + Pell-Eligible x .4)	"	185	18.5	
Sponsored/External Research Expenditures in $100,000's	15%	426.4	64.0	
Transfer Students w/a transferable associate's degree	5%	1,628	81.4	
Efficiency - Awards per 100 FTE	20%	27.2	5.4	
Economic Development (STEM and Allied Health) Graduates	20%	879	175.8	
Economic Development (business and management) Graduates	"	1,504	300.8	
TOTAL WEIGHTED POINTS	100%	--	2,157.6	2,200.8

Following is an example of the metrics originally adopted for a community college, in this case Western Nevada College (WNC):

`		2011-12 Baseline (Actual)		2012-13 Target
WNC (2% Target)	Weights	Points	Weighted Pts.	Weighted Pts.
1 to 2 Year Certificate	10%	30	3.0	
At-Risk Certificate Recipients (Minority + Pell-Eligible x .4)	"	8	0.8	
Associate's and Bachelor's Degrees	30%	465	139.5	
At-Risk Associate's and Bachelor's Graduates (Minority + Pell-Eligible x	"	114	34.1	
Transfer Students w/24 credits or associate's degree	10%	213	21.3	
Efficiency - Awards per 100 FTE	20%	21.0	4.2	
Gateway Course Completers	10%	1,549	154.9	
Economic Development (STEM and Allied Health) Graduates	20%	122	24.4	
Economic Development (construction trades) Graduates	"	9	1.8	
TOTAL WEIGHTED POINTS	100%	--	383.9	391.6

An institution's performance was originally based on seven metrics (two of which had sub-metrics for under-served populations). The majority of the metrics were based on the number of students graduating, including metrics for graduating students from defined populations (underserved populations, STEM, allied health, etc.). In addition, each institution was allowed to select one field that supported economic development. In the examples provided, UNLV selected Business and Management, while WNC selected construction trades.

In the original development of the Performance Pool, a weight (percent) was applied to each metric. The individual weights for the metrics were intended to signify importance or priority of the metrics. The weighting mechanism was based on a practice that was utilized in Tennessee under its outcomes-based formula and was further considered a best practice at the time. From the application of the weights, the Performance Pool sends a clear signal that the top priority is graduating students. In addition, increasing sponsored project activity, transfer and articulation, and general efficiency are encouraged.

A summary table is included in **Appendix A**, indicating the metrics and outcomes for the first two years of the Performance Pool, as well as the definitions for each metric as originally adopted. Following the initial two years of implementation, the Performance Pool was reviewed and revised.

Revised Metrics (Year 3 and beyond)

In 2014, following the initial two years of the Performance Pool implementation, a technical working group was established to review and recommend revisions. From that work, the metrics were revised. The original Performance Pool (years 1 and 2) included the data for certificates of *at least* 30 credits that are traditionally reported by the community colleges to the Integrated Postsecondary Education Data System (IPEDS) maintained by the National Center for Education Statistics (the primary data source for awards utilized by the Performance Pool). Following the original development of the Performance Pool, the Board of Regents established policies and procedures for recognizing certificates that are *less than* 30 credits (skills certificates) and provide training necessary for a state, national or industry certification or license. These types of programs are often developed in concert with local employers who approach community colleges to request assistance in developing an immediate training or credentialing for current and prospective employees and clearly aligned with the economic development efforts of the State and NSHE.

As such, the working group recommended, and the Board of Regents and state legislature ultimately agreed, to the inclusion of the skills certificates in the Performance Pool metrics for the community colleges. In an effort to maintain the original structure of the Performance Pool and not add additional metrics for the community colleges, the skills certificate metric was substituted for the institutionally selected economic development metric (utilized in years 1 and 2). Further, the skills certificates were also included in the counts for the existing STEM and Allied Health award measures. While other technical revisions to the metric definitions were made, the overall structure and metrics have been consistent since the third year of the Performance Pool and remain unchanged today.

A summary table is included in **Appendix B**, indicating the metrics and outcomes used since the third year of the Performance Pool implementation.

Point Targets as Originally Developed

For each institution an aggregate point target is established, a reflection that the institution is competing against itself and not against other institutions. Achieving the point target then provides that the institution will receive its base funding set-aside. In the previous example, the university must achieve weighted points of 2,200.8 (up from the baseline of 2,157.6 weighted points) to receive 100 percent of the funds carved out from its base funding (5 percent in FY2015).

Institutions earn the performance funds for any given fiscal year based on performance in a prior academic year. For all existing data outcomes the data for any given academic year (AY) is available in late November of the following year. The following table indicates the performance year of measure and the respective fiscal year when the earned performance pool funds are distributed.

Year of Measure (Performance Year)	Distribution Year (Funding Year)
2012-13 (AY2013)	FY2015 (Year 1)
2013-14 (AY2014)	FY2016 (Year 2)
. . . .	
2022-23(AY2023)	FY2025 (Year 11)
2023-24(AY2024)	FY2026 (Year 12)

The performance year of measure is prior to the distribution year to ensure that institutions know in advance of the fiscal year the amount of performance funds that will be available for expenditure. Metrics and point targets are reviewed and approved by the Board of Regents at the end of every two-year performance cycle and by the state legislature during the legislative process. This mechanism of using the prior year's performance ensures that the institution will know in advance of the fiscal year if any funds are unearned so the institution will have adequate time to adjust their budget accordingly.

Carry-Forward Performance and Distribution of Unearned Funds

During the development of the Performance Pool, there was considerable concern expressed about the impact of an institution not meeting its performance target, given the institution would then lose base funding dollars needed for general operation. As such, the Performance Pool provided that institutions that do not earn 100 percent of their performance funds in the first year of the performance cycle will be given the opportunity to earn back those funds in the second year of the cycle. For example, if an institution does not meet its point targets in any given year, the unearned performance funds carry forward to the next year, when the institution could earn those funds back if it over performs in following year. In other words, the institution would have to exceed its target for the next year to earn what it did not earn in the prior year. In the event that there are unearned performance funds at the end of the second year of the performance cycle, the unearned funds are distributed to <u>all</u> institutions for need-based financial aid.

There have only been four instances when institutions have not met performance targets in the defined performance year. In the early years of the Performance Pool when this occurred, the institutions exceeded their respective performance targets in the next year and received the unearned funds in the following year. As such, to date there has been no case in which unearned funds were distributed for financial aid. For AY2013, Truckee Meadows Community College (TMCC) achieved 99.2 percent of its point target and Great Basin College (GBC) achieved 97.6 percent of its point target. In both cases, the institutions exceeded point targets in the next year and earned the unearned funds from the prior year. This also occurred for UNLV in AY2014, when it achieved 97.8 percent of its point target, but also exceeded its point target in the next year earning back the unearned funds. More recently for AY2023, College of Southern Nevada (CSN) did not achieve its performance target for FY2025 funding. It achieved 98.8 percent of the point target established for AY2023. It will have the opportunity to earn the 1.2 percent of its base funding carve-out depending on its performance in AY2024.

The following table denotes the percent of the point targets achieved since the inception of the NSHE Performance Pool:

Points Achieved as a Percent of Established Performance Point Targets											
PP Year	1	2	3	4	5	6	7	8	9	10	11
Performance Year	AY13	AY14	AY15	AY16	AY17	AY18	AY19	AY20	AY21	AY22	AY23
Funding Year	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
UNLV	101.3%	97.8%	102.2%	100.9%	102.2%	104.1%	103.7%	105.2%	121.7%	116.2%	116.9%
UNR	106.5%	107.0%	112.6%	120.9%	123.0%	130.0%	131.8%	131.2%	117.6%	114.9%	109.0%
NSU	101.5%	116.9%	122.2%	129.2%	130.7%	177.2%	189.5%	215.4%	158.9%	168.4%	165.0%
CSN	108.9%	112.2%	109.7%	111.4%	112.3%	112.8%	115.6%	112.3%	108.9%	108.9%	98.8%
GBC	97.6%	107.7%	122.7%	130.9%	126.0%	127.9%	127.8%	127.1%	122.2%	113.0%	114.7%
TMCC	99.2%	107.0%	117.5%	122.4%	118.7%	119.6%	117.7%	120.2%	120.4%	111.3%	120.0%
WNC	108.5%	107.6%	110.2%	109.2%	106.1%	107.4%	109.3%	128.1%	119.4%	112.6%	114.6%

Outcomes Measured

The development of the NSHE Performance Pool marked a new era in higher education in Nevada whereby regents and legislators sent a clear message that achieving certain performance outcomes was expected as a condition of receiving state funding. Looking back over the eleven-year period that the Performance Pool has been in place, it is apparent that institutional performance has improved, particularly as it relates to graduating more students. The following tables provide a review of one performance metric that indicates growth in associate's and bachelor's degrees since the inception of the Performance Pool.

Bachelor's Degrees Conferred (4-Year Institutions)			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
UNLV	3,670	4,719	28.6%
UNR	2,603	3,623	39.2%
NSU	270	849	214.4%

Associate's and Bachelor's Degrees Conferred (2-Year Institutions)			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
CSN	2,112	3,293	55.9%
GBC	321	437	36.1%
TMCC	1,035	1,211	17.0%
WNC	465	528	13.5%

In addition to the desire of policy makers to send a clear message regarding the importance of graduating students in general, additional emphasis was placed on graduating at-risk students. The following tables note the growth in associate's and bachelor's degrees conferred to minority and low-income students (denoted by Pell eligibility) since the inception of the Performance Pool.

Bachelor's Degrees Conferred to Minority and Pell-Eligible Students (4-Year Institutions)			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
UNLV	933	3,899	317.9%
UNR	398	2,171	445.5%
NSU	73	695	852.1%

Associate's and Bachelor's Degrees Conferred to Minority and Pell-Eligible Students (2-Year Institutions)			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
CSN	492	2,594	427.2%
GBC	67	280	317.9%
TMCC	248	829	234.3%
WNC	114	312	173.7%

Some may believe that this growth should be attributed to the overall growth in the system at-large. While this is certainly a factor, the purpose of the Performance Pool is to signal to the institutions the importance of achieving certain basic metrics through the graduating of students and at-risk students, in particular. While growth in these areas may have occurred absent the Performance Pool, the emphasis of the public dialogue linking performance to state funding clearly supported these efforts.

In addition, research is another area of extreme growth since the inception of the Performance Pool. The following table notes the growth in sponsored research expenditures, which is a measure of research activity at the institution.

Sponsored/External Research Expenditures (in $100,000's)			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
UNLV	$426.4	$914.3	114.2%
UNR	$888.3	$1,662.2	87.1%

During this period, both UNLV and UNR achieved the status of the "very high research activity" threshold determined through the Carnegie Classification of higher education institutions. This is a matter of great significance to both universities allowing them the distinction of being considered nationally as research institutions at the highest activity level.

There are any number of ways that the performance pool metrics can be reviewed, but in most cases it is clear that during the period since the inception of the NSHE Performance Pool, the system and its institutions have been focused on achieving the desired outcomes of graduating more students, increasing research activities, seamless transfer, and efficiency – all measured in the Performance Pool outcomes.

Conclusion

The NSHE Performance Pool was developed adhering to the guiding principles of accountability, performance, and collaboration. From the onset, the Performance Pool aimed to establish performance measures signaling the importance of achieving outcomes in key areas contributing to the goals of the Board and the needs of the State. The primary focus was on increasing the number of students graduating with degrees and certificates. In addition, the Performance Pool established as a clear priority the graduation of students from underserved and at-risk populations, among other metrics measuring efficiency, research expenditures, and transfers between two- and four-year institutions.

The funding from a carve-out of state funds continues to be a point of debate. Many of the decisions made during the development and implementation of the Performance Pool were driven by the limitations of a carve-out in an effort to ensure that institutions would not be in the difficult situation of losing up to 20 percent of their base funding. It is reasonable to assume that had the Performance Pool been funded with new money, the performance targets would have been different. Despite this, a review of the Performance Pool metrics indicates a strong upward trend in the graduating of students, particularly those students from underserved and at-risk populations, and substantial increases in research and sponsored program activity. The Performance Pool alone is not accountable for these outcomes, but it has, since its inception, successfully sent the message to NSHE institutions that performance matters.

NSHE PERFORMANCE POOL - YEAR 1 AND YEAR 2 OUTCOMES

			Year 1		Year 2	
Performance Year		2011-12 Baseline	2012-13 Actual/Target		2013-14 Actual/Target	
Funding Year			FY2015 (5% carveout)		FY2016 (10% carveout)	
UNLV (2% Target)	Weights	Points	Weighted Pts.	Points	Weighted Pts.	Points	Weighted Pts.
Bachelor's Degrees	30%	3,670	1,101.0	3,859	1,157.1	3,777	1,133.1
At-Risk Bachelor's Graduates (Minority x .4)	"	622	186.5	647	194.0	646	193.7
At-Risk Bachelor's Graduates (Pell-Eligible x .4)		311	93.2	323	96.9	314	94.1
Master's and Doctoral Degrees	10%	1,370	137.0	1,166	116.6	1,052	105.2
At-Risk Master's and Doctoral Graduates (Minority x .4)	"	135	13.5	140	14.0	118	11.8
At-Risk Master's and Doctoral Graduates (Pell-Eligible x .4)		98	9.8	95	9.5	91	9.1
Sponsored/External Research Expenditures in $100,000's	15%	426.4	64.0	437.3	65.6	474.9	71.2
Transfer Students w/a transferable associate's degree	5%	1,628	81.4	1,727	86.4	1,915	95.8
Efficiency - Awards per 100 FTE	20%	27.2	5.4	27.2	5.4	25.0	5.0
Economic Development (STEM and Allied Health) Graduates	20%	879	175.8	852	170.4	947	189.4
Economic Development (business and management) Graduates	"	1,504	300.8	1,587	317.4	1,491	298.2
TOTAL WEIGHTED POINTS - ACTUAL	100%	--	2,168.4	--	2,233.2	--	2,206.6
TOTAL WEIGHTED POINTS - TARGET		--	--	--	2,205.4	--	2,256.0
Percent of Target Achieved					**101.3%**		**97.8%**

UNLV's adjusted 2014-15 target is 2,324.3. It must over perform by 49.4 weighted points in 2014-15 in order to earn back the 2.2 percent of funding not earned in 2013-14.

UNR (2% Target)	Weights	Points	Weighted Pts.	Points	Weighted Pts.	Points	Weighted Pts.
Bachelor's Degrees*	30%	2,603	780.9	2,759	827.7	2,743	822.9
At-Risk Bachelor's Graduates (Minority x .4)	"	248	74.5	256	76.8	308	92.5
At-Risk Bachelor's Graduates (Pell-Eligible x .4)		150	45.0	257	77.0	313	94.0
Master's and Doctoral Degrees*	10%	774	77.4	790	79.0	730	73.0
At-Risk Master's and Doctoral Graduates (Minority x .4)	"	45	4.5	50	5.0	54	5.4
At-Risk Master's and Doctoral Graduates (Pell-Eligible x .4)		48	4.8	69	6.9	48	4.8
Sponsored/External Research Expenditures in $100,000's	15%	888.3	133.2	1,017.3	152.6	911.9	136.8
Transfer Students w/a transferable associate's degree	5%	1,260	63.0	1,234	61.7	1,483	74.2
Efficiency - Awards per 100 FTE*	20%	24.9	5.0	25.9	5.2	24.0	4.8
Economic Development (STEM and Allied Health) Graduates	20%	1,133	226.6	1,217	243.4	1,315	263.0
Economic Development (psychology) Graduates	"	165	33	189.0	37.8	205	41
TOTAL WEIGHTED POINTS - ACTUAL	100%	--	1,447.9	--	1,573.2	--	1,612.3
TOTAL WEIGHTED POINTS - TARGET		--	--	--	1,476.9	--	1,506.4
Percent of Target Achieved					**106.5%**		**107.0%**

NSHE PERFORMANCE POOL - YEAR 1 AND YEAR 2 OUTCOMES

Performance Year		2011-12 Baseline		Year 1 2012-13 Actual/Target		Year 2 2013-14 Actual/Target	
Funding Year				FY2015 (5% carveout)		FY2016 (10% carveout)	
NSC (4% Target)	Weights	Points	Weighted Pts.	Points	Weighted Pts.	Points	Weighted Pts.
Bachelor's Degrees	50%	270	135.0	303	151.5	361	180.5
At-Risk Bachelor's Graduates (Minority x .4)	"	46	22.8	47	23.4	65	32.6
At-Risk Bachelor's Graduates (Pell-Eligible x .4)		27	13.4	22	11.2	31	15.6
Gateway Course Completers	5%	802	40.1	709	35.5	764	38.2
Transfer Students w/a transferable associate's degree	5%	331	16.6	336	16.8	403	20.2
Efficiency - Awards per 100 FTE	20%	13.1	2.6	14.4	2.9	16.6	3.3
Economic Development (STEM and Allied Health) Graduates	20%	119	23.8	134	26.8	159	31.8
Economic Development (business and management) Graduates	"	31	6.2	35	7.0	36	7.2
TOTAL WEIGHTED POINTS - ACTUAL	100%	--	260.5	--	275.0	--	329.4
TOTAL WEIGHTED POINTS - TARGET		--	--	--	270.9	--	281.7
Percent of Target Achieved					**101.5%**		**116.9%**
CSN (2% Target)	Weights	Points	Weighted Pts.	Points	Weighted Pts.	Points	Weighted Pts.
1 to 2 Year Certificate	10%	236	23.6	235	23.5	238	23.8
At-Risk Certificate Recipients (Minority x .4)	"	43	4.3	44	4.4	47	4.7
At-Risk Certificate Recipients (Pell-Eligible x .4)		12	1.2	24	2.4	18	1.8
Associate's and Bachelor's Degrees	30%	2,112	633.6	2,506	751.8	2,645	793.5
At-Risk Associate's and Bachelor's Graduates (Minority x .4)	"	382	114.7	468	140.4	499	149.6
At-Risk Associate's and Bachelor's Graduates (Pell-Eligible x .4)		110	32.9	250	75.0	261	78.2
Transfer Students w/24 credits or associate's degree	10%	2,876	287.6	3,254	325.4	3,376	337.6
Efficiency - Awards per 100 FTE	20%	11.7	2.3	14.3	2.9	15.5	3.1
Gateway Course Completers	10%	12,236	1,223.6	12,604	1,260.4	13,254	1,325.4
Economic Development (STEM and Allied Health) Graduates	20%	736	147.2	780	156.0	878	175.6
Economic Development (business and management) Graduates	"	454	90.8	520	104.0	486	97.2
TOTAL WEIGHTED POINTS - ACTUAL	100%	--	2,561.9	--	2,846.2	--	2,990.5
TOTAL WEIGHTED POINTS - TARGET		--	--	--	2,613.1	--	2,665.4
Percent of Target Achieved					**108.9%**		**112.2%**

NSHE PERFORMANCE POOL - YEAR 1 AND YEAR 2 OUTCOMES

				Year 1		Year 2	
Performance Year		2011-12 Baseline		2012-13 Actual/Target		2013-14 Actual/Target	
Funding Year				FY2015 (5% carveout)		FY2016 (10% carveout)	
GBC (2% Target)	Weights	Points	Weighted Pts.	Points	Weighted Pts.	Points	Weighted Pts.
1 to 2 Year Certificate	10%	107	10.7	135	13.5	200	20.0
At-Risk Certificate Recipients (Minority x .4)	"	13	1.3	14	1.4	23	2.3
At-Risk Certificate Recipients (Pell-Eligible x .4)		10	1.0	11	1.1	23	2.3
Associate's and Bachelor's Degrees	30%	321	96.3	285	85.5	328	98.4
At-Risk Associate's and Bachelor's Graduates (Minority x .4)	"	24	7.2	21	6.4	28	8.5
At-Risk Associate's and Bachelor's Graduates (Pell-Eligible x .4)		43	12.8	33	9.8	45	13.6
Transfer Students w/24 credits or associate's degree	10%	48	4.8	63	6.3	70	7.0
Efficiency - Awards per 100 FTE	20%	24.6	4.9	25.3	5.1	30.7	6.1
Gateway Course Completers	10%	1,065	106.5	1,215	121.5	1,156	115.6
Economic Development (STEM and Allied Health) Graduates	20%	174	34.8	138	27.6	194	38.8
Economic Development (mechanic and repair technologies) Graduates	"	39	7.8	44	8.8	52	10.4
TOTAL WEIGHTED POINTS - ACTUAL	100%	--	288.2	--	287.0	--	323.0
TOTAL WEIGHTED POINTS - TARGET		--	--	--	293.9	--	299.8
Percent of Target Achieved					**97.6%**		**107.7%**

GBC's adjusted Year 2 target is 306.7. It over performed in 2013-14 exceeding the 6.9 weighted points necessary to earn back the 2.4 percent of funding not earned in 2012-13.

TMCC (2% Target)	Weights	Points	Weighted Pts.	Points	Weighted Pts.	Points	Weighted Pts.
1 to 2 Year Certificate*	10%	51	5.1	70	7.0	93	9.3
At-Risk Certificate Recipients (Minority x .4)*	"	6	0.6	8	0.8	11	1.1
At-Risk Certificate Recipients (Pell-Eligible x .4)*		15	1.5	10	1.0	29	2.9
Associate's Degrees	30%	1,035	310.5	950	285.0	1,191	357.3
At-Risk Associate's Graduates (Minority x .4)	"	118	35.5	106	31.8	153	45.8
At-Risk Associate's Graduates (Pell-Eligible x .4)		130	39.1	132	39.7	182	54.5
Transfer Students w/24 credits or associate's degree	10%	989	98.9	1,281	128.1	1,067	106.7
Efficiency - Awards per 100 FTE*	20%	17.1	3.4	16.1	3.2	23.0	4.6
Gateway Course Completers	10%	4,230	423.0	4,350	435.0	4,207	420.7
Economic Development (STEM and Allied Health) Graduates	20%	273	54.6	248	49.6	394	78.8
Economic Development (precision production) Graduates	"	5	1.0	18	3.6	9	1.8
TOTAL WEIGHTED POINTS - ACTUAL	100%	--	973.3	--	984.8	--	1,083.5
TOTAL WEIGHTED POINTS - TARGET		--	--	--	992.7	--	1,012.6
Percent of Target Achieved					**99.2%**		**107.0%**

*revised 10/11/13 - certificate of general studies removed from base - targets adjusted accordingly

TMCC's adjusted Year 2 target is 1,020.5. It over performed in 2013-14 exceeding the 7.9 weighted points necessary to earn back the 1 percent of funding not earned in 2012-13.

NSHE PERFORMANCE POOL - YEAR 1 AND YEAR 2 OUTCOMES

			Year 1		Year 2	
Performance Year		**2011-12 Baseline**	**2012-13 Actual/Target**		**2013-14 Actual/Target**	
Funding Year			**FY2015 (5% carveout)**		**FY2016 (10% carveout)**	
WNC (2% Target)	Weights	Points	Points	Weighted Pts.	Points	Weighted Pts.
1 to 2 Year Certificate	10%	30	20	2.0	33	3.3
At-Risk Certificate Recipients (Minority x .4)	"	3	2	0.2	4	0.4
At-Risk Certificate Recipients (Pell-Eligible x .4)		4	2	0.2	8	0.8
Associate's and Bachelor's Degrees	30%	465	502	150.6	531	159.3
At-Risk Associate's and Bachelor's Graduates (Minority x .4)	"	39	41	12.4	44	13.3
At-Risk Associate's and Bachelor's Graduates (Pell-Eligible x .4)		75	73	21.8	98	29.5
Transfer Students w/24 credits or associate's degree	10%	213	354	35.4	263	26.3
Efficiency - Awards per 100 FTE	20%	21.0	23.3	4.7	26.2	5.2
Gateway Course Completers	10%	1,549	1,684	168.4	1,632	163.2
Economic Development (STEM and Allied Health) Graduates	20%	122	138	27.6	127	25.4
Economic Development (construction trades) Graduates	"	9	9	1.8	16	3.2
TOTAL WEIGHTED POINTS - ACTUAL	100%	--	--	425.1	--	429.9
TOTAL WEIGHTED POINTS - TARGET		--	--	391.6	--	399.5
Percent of Target Achieved				**108.5%**		**107.6%**

APPENDIX A

Metric/Outcome	Performance Pool Data Definitions (Year 1 and Year 2)
1 to 2 year Certificate	The total number of certificates requiring 30 or more credit hours granted during an academic year. Students earning multiple certificates in an academic year will have each earned certificate count as a separate outcome. An additional weight of .4 per certificate awarded to a minority or Pell eligible student is applied. (Source: IPEDS and institutional data to identify low income graduates)
Associate's Degrees	The total number of associate's degrees conferred during an academic year. Students earning multiple degrees in an academic year will have each earned degree count as a separate outcome. An additional weight of .4 per associate's degree awarded to a minority or Pell eligible student is applied. (Source: IPEDS and institutional data to identify low income graduates)
Bachelor's Degrees	The total number of bachelor's degrees conferred during an academic year. Students earning multiple degrees in an academic year will have each earned degree count as a separate outcome. An additional weight of .4 per bachelor's degree awarded to a minority or Pell eligible student is applied. (Source: IPEDS and institutional data to identify low income graduates)
Master's Degrees	The total number of master's degrees conferred during an academic year. Students earning multiple degrees in an academic year will have each earned degree count as a separate outcome. An additional weight of .4 per master's degree awarded to a minority student is applied. (Source: IPEDS and institutional data to identify low income graduates)
Doctoral Degrees	The total number of doctoral degrees conferred during an academic year. First-professional degrees (medical, dental, law) are not included. Students earning multiple degrees in an academic year will have each earned degree count as a separate outcome. An additional weight of .4 per doctoral degree awarded to a minority student is applied. (Source: IPEDS and institutional data to identify low income graduates)
Transfer Students w/a Transferable Associate's Degree	Total number of students transferred to a 4-year institution with a transferable associate's degree from an NSHE community college. (Source: NSHE Data Warehouse)
Transfer Students w/24 credits or Associate's Degree	The total number of students who enrolled at a four -year institution during the fall or spring semester of a given reporting year who had earned at least 24 credits or a transferable associate's degree at a community college prior to the reporting year. Students are excluded if they are co-enrolled at a 4-year institution and a 2-year institution during the term in which they otherwise would have been included as a transfer student. (Excludes courses from the 24 credit count if the grades are AU, AD, NR, ND, X, I, F, U, W.) (Source: NSHE Data Warehouse)
Efficiency - Awards per 100 FTE	The number of bachelor's, master's and doctoral awards per 100 FTE at 4-year institutions and the number of certificates, associate's and bachelor's (where applicable) per 100 FTE at the 2-year institutions. (Source: IPEDS and Official FTE)
Sponsored/External Research Expenditures	The total amount expended on sponsored programs/projects of research and other scholarly activities for the fiscal year. This amount includes federal, federal pass-through, State of Nevada, other state and local government, private for-profit, private non-profit. Other scholarly activity includes the instructional, public service, student services, and "other" functional grant categories, including workforce development. The figures exclude the scholarship/fellowship category. (Source: Sponsored Projects)
Gateway Course Completers	The total number of students (unduplicated) who successfully completed a college-level English or mathematics course (grad C- and above) in the reporting year. (Source: NSHE Data Warehouse)
Economic Development - STEM and Allied Health Graduates	Total number of certificates, associate's, bachelor's, master's, or doctoral degrees awarded (first professional awards are excluded) in an academic year based on CIP codes for STEM and health professionals as identified by NCHEMS for the NGA metrics. (CIPs: 4 - architecture and related services; 11 - computer and information sciences and support services; 14 - engineering; 15 - engineering technologies/technicians; 26 - biological and biomedical sciences; 27 - mathematics and statistics; 40 - physical sciences; 41 - science technologies/technicians; and 51 - health professions and related clinical sciences) (Source: IPEDS)
Economic Development - Institution Selected Discipline	Total number of certificates, associate's, bachelor's, master's, or doctoral degrees awarded (first professional awards are excluded) in an academic year based on CIP code selected by the institution which aligns with the state's economic development plan. (UNLV- 52 Business, Management, and Related Support Services; UNR- 42 Psychology; NSC- 52 Business, Management, and Related Support Services; CSN- 52 Business, Management, and Related Support Services; GBC - 47 Mechanic and Repair Technologies/Technician; TMCC- 48 Precision Production; WNC- 46 Construction Trades.) (Source: IPEDS)

				YEAR 3 AND 4 TARGETS				YEAR 5 AND 6 TARGETS				YEAR 7 AND 8 TARGETS				YEAR 9 AND 10 TARGETS				YEAR 11 AND 12 TARGETS			
Funding Year				*2016-17*		*2017-18*		*2018-19*		*2019-20*		*2020-21*		*2021-22*		*2022-23*		*2023-24*		*2024-25*		*2025-26*	
				YEAR 3		**YEAR 4**		**YEAR 5**		**YEAR 6**		**YEAR 7**		**YEAR 8**		**YEAR 9**		**YEAR 10**		**YEAR 11**		**YEAR 12**	
Measure Year		**2012-13 Baseline**		**2014-15**		**2015-16**		**2016-17**		**2017-18**		**2018-19**		**2019-20**		**2020-21**		**2021-22**		**2022-23**		**2023-24**	
				Target & Actual		**Target & Actual**		**Target & Actual**		**Target & Actual**		**Target & Actual**		**Target & Actual**		**Target & Actual**		**Target & Actual**		**Target & Actual**		**Target**	
UNLV	Factors	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.
Bachelor's Degrees	0.30	3,857	1,157.1	3,832	1,149.6	3,892	1,167.6	4,053	1,215.9	4,163	1,248.9	4,270	1,281.0	4,353	1,305.9	4,823	1,446.9	4,690	1,407.0	4,719	1,415.7		
Minority Bachelor's Graduates (IPEDS) (Outcomes*.4)	0.30	1,616.0	193.9	1,914	229.7	1,909	229.1	2,191	262.9	2,404	288.5	2,509	301.1	2,716	325.9	3,054	366.5	2,995	359.4	3,274	392.9		
Pell-Eligible (non-Minority) Bachelor's Graduates (Outcomes*.4)	0.30	801.0	96.1	992	119.0	952	114.2	861	103.3	699	83.9	681	81.7	641	76.9	698	83.8	743	89.2	625	75.0		
Master's & Doctoral Degrees	0.10	1,166	116.6	1,195	119.5	1,205	120.5	1,223	122.3	1,216	121.6	1,238	123.8	1,317	131.7	1,310	131.0	1,222	122.2	1,477	147.7		
Minority Master's and Doctoral Graduates (IPEDS) (Outcomes*.4)	0.10	350	14.0	367	14.7	418	16.7	451	18.0	461	18.4	490	19.6	543	21.7	593	23.7	577	23.1	740	29.6		
Pell-Eligible (non-Minority) Master's and Doctoral Graduates (Outcomes*.4)	0.10	182	7.3	217	8.7	240	9.6	191	7.6	185	7.4	201	8.0	399	16.0	352	14.1	388	15.5	96	3.8		
Sponsored/External Research Expenditures in $100,000's	0.15	437.3	65.6	486.8	73.0	483.0	72.5	521.8	78.3	636.3	95.4	555.2	83.3	578.6	86.8	912.0	136.8	814.1	122.1	914.3	137.1		
Transfer Students w/a transferable associate's degree	0.05	1,727	86.4	2,290	114.5	2,325	116.3	2,485	124.3	2,703	135.2	2,795	139.8	2,850	142.5	2,824	141.2	3,031	151.6	3,079	154.0		
Efficiency - Awards per 100 FTE	0.20	27.5	5.5	25.1	5.0	24.2	4.8	24.4	4.9	24.2	4.8	24.9	5.0	25.1	5.0	26.8	5.4	26.3	5.3	27.8	5.6		
Economic Development (STEM and Allied Health) Graduates	0.20	852	170.4	958	191.6	1,096	219.2	1089	217.8	1246	249.2	1182	236.4	1338	267.6	1511	302.2	1552	310.4	1606	321.2		
Economic Development (business and management) Graduates	0.20	1,587	317.4	1,496	299.2	1,356	271.2	1,315	263.0	1,304	260.8	1,373	274.6	1,313	262.6	1,432	286.4	1,278	255.6	1,270	254.0		
TOTAL WEIGHTED POINTS - ACTUAL	--	--		2,230.3	--		2,324.5	--		2,341.7	--		2,418.3	--		2,514.1	--		2,554.2	--		2,642.6	--		2,937.9		2,861.3	--		2,936.6	--	
TOTAL WEIGHTED POINTS - TARGET	--	--	--	--	**2,274.9**	--	**2,320.4**	--	**2,366.8**	--	**2,414.1**	--	**2,462.4**	--	**2,511.6**	--	**2,414.1**	--	**2,462.4**	--	**2,511.6**	--	**2,561.9**
					102.2%		**100.9%**		**102.2%**		**104.1%**		**103.7%**		**105.2%**		**121.7%**		**116.2%**		**116.9%**		
UNR	Factors	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.
Bachelor's Degrees	0.30	2,744	823.2	3,178	953.4	3,372	1,011.6	3,587	1,076.1	3,758	1,127.4	3,936	1,180.8	3,908	1,172.4	3,960	1,188.0	3,804	1,141.2	3,623	1,086.9		
Minority Bachelor's Graduates (IPEDS) (Outcomes*.4)	0.30	640	76.8	963	115.6	1,142	137.0	1,225	147.0	1,412	169.4	1,495	179.4	1,556	186.7	1,668	200.2	1,577	189.2	1,541	184.9		
Pell-Eligible (non-Minority) Bachelor's Graduates (Outcomes*.4)	0.30	642	77.0	764	91.7	882	105.8	832	99.8	770	92.4	819	98.3	713	85.6	646	77.5	731	87.7	630	75.6		
Master's & Doctoral Degrees	0.10	732	73.2	731	73.1	791	79.1	749	74.9	898	89.8	849	84.9	1,002	100.2	1,030	103.0	1,129	112.9	1,275	127.5		
Minority Master's and Doctoral Graduates (IPEDS) (Outcomes*.4)	0.10	126.0	5.0	155	6.2	157	6.3	152	6.1	206	8.2	203	8.1	276	11.0	316	12.6	356	14.2	442	17.7		
Pell-Eligible (non-Minority) Master's and Doctoral Graduates (Outcomes*.4)	0.10	173.0	6.9	117	4.7	103	4.1	115	4.6	161	6.4	161	6.4	145	5.8	174	7.0	206	8.2	147	5.9		
Sponsored/External Research Expenditures in $100,000's	0.15	1,017.3	152.6	839.4	125.9	895.1	134.3	940.3	141.0	997.9	149.7	1,053.5	158.0	1,201.1	180.2	1,478.5	221.8	1,734.3	260.1	1,662.2	249.3		
Transfer Students w/a transferable associate's degree	0.05	1,234	61.7	1,619	81.0	1,742	87.1	1,801	90.1	1,779	89.0	1,732	86.6	1,816	90.8	1,925	96.3	1,940	97.0	1,817	90.9		
Efficiency - Awards per 100 FTE	0.20	27.2	5.4	25.7	5.1	24.9	5.0	26.1	5.2	27.1	5.4	28.1	5.6	29.3	5.9	31.2	6.2	31.1	6.2	31.3	6.3		
Economic Development (STEM and Allied Health) Graduates	0.20	1,176	235.2	1,396	279.2	1,674	334.8	1,716	343.2	2,015	403.0	2,028	405.6	2,016	403.2	2,145	429.0	2,089	417.8	2,079	415.8		
Economic Development (psychology) Graduates	0.20	189	37.8	251	50.2	257	51.4	205	41.0	238.0	47.6	244	48.8	282	56.4	260	52.0	249	49.8	239	47.8		
TOTAL WEIGHTED POINTS - ACTUAL	--	--		1,554.9	--		1,786.0	--		1,956.5	--		2,029.0	--		2,188.4	--		2,262.6	--		2,298.1			2,393.5		2,384.5	--		2,308.5	--	
TOTAL WEIGHTED POINTS - TARGET	--	--	--	--	**1,586.0**	--	**1,617.8**	--	**1,650.1**	--	**1,683.1**	--	**1,716.8**	--	**1,751.1**	--	**2,035.2**	--	**2,075.9**	--	**2,117.4**	--	**2,159.8**
					112.6%		**120.9%**		**123.0%**		**130.0%**		**131.8%**		**131.2%**		**117.6%**		**114.9%**		**109.0%**		
NSC	Factors	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.
Bachelor's Degrees	0.50	303	151.5	375	187.5	410	205.0	408	204.0	567	283.5	597	298.5	686	343.0	761	380.5	845	422.5	849	424.5		
Minority Bachelor's Graduates (IPEDS) (Outcomes*.4)	0.50	117	23.4	168	33.6	167	33.4	187	37.4	283	56.6	324	64.8	388	77.6	458	91.6	502	100.4	545	109.0		
Pell-Eligible (non-Minority) Bachelor's Graduates (Outcomes*.4)	0.50	56	11.2	101	20.2	126	25.2	119	23.8	157	31.4	152	30.4	142	28.4	153	30.6	175	35.0	150	30.0		
Gateway Course Completers	0.05	709	35.5	801	40.1	985	49.3	1,161	58.1	1,565	78.3	1,832	91.6	2,263	113.2	3,313	165.7	3,114	155.7	3,183	159.2		
Transfer Students w/a transferable associate's degree	0.05	336	16.8	421	21.1	464	23.2	507	25.4	572	28.6	661	33.1	747	37.4	828	41.4	853	42.7	827	41.4		
Efficiency - Awards per 100 FTE	0.20	15.4	3.1	17.5	3.5	19.1	3.8	18.0	3.6	21.9	4.4	21.3	4.3	23.3	4.7	25.4	5.1	29.1	5.8	31.3	6.3		
Economic Development (STEM and Allied Health) Graduates	0.20	134	26.8	175	35.0	164	32.8	178	35.6	275	55.0	320	64.0	386	77.2	413	82.6	514	102.8	480	96.0		
Economic Development (business and management) Graduates	0.20	35	7.0	45	9.0	59	11.8	45	9.0	55	11.0	60	12.0	63	12.6	68	13.6	58	11.6	50	10.0		
TOTAL WEIGHTED POINTS - ACTUAL	--	--		275.2	--		349.9	--		384.5	--		396.8	--		548.7	--		598.6	--		694.0			811.0		876.5	--		876.3	--	
TOTAL WEIGHTED POINTS - TARGET	--	--	--	--	**286.2**	--	**297.7**	--	**303.6**	--	**309.7**	--	**315.9**	--	**322.2**	--	**510.3**	--	**520.5**	--	**530.9**	--	**541.6**
					122.2%		**129.2%**		**130.7%**		**177.2%**		**189.5%**		**215.4%**		**158.9%**		**168.4%**		**165.0%**		
CSN	Factors	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.
1 to 2 Year Certificate	0.10	235	23.5	231	23.1	220	22.0	202	20.2	193	19.3	155	15.5	141	14.1	161	16.1	145	14.5	161	16.1		
Minority Certificate Recipients (IPEDS) (Outcomes*.4)	0.10	111.0	4.4	107	4.3	104	4.2	104	4.2	114	4.6	84	3.4	75	3.0	100	4.0	89	3.6	117	4.7		
Pell-Eligible (non-Minority) Certificate Recipients (Outcomes*.4)	0.10	61	2.4	51	2.0	54	2.2	22	0.9	26	1.0	23	0.9	22	0.9	28	1.1	27	1.1	17	0.7		
Associate and Bachelor's Degrees	0.30	2,506	751.8	2,865	859.5	3,025	907.5	3,559	1,067.7	3,377	1,013.1	3,539	1,061.7	3,410	1,023.0	3,448	1,034.4	3,965	1,189.5	3,293	987.9		
Minority Associate and Bachelor's Graduates (IPEDS) (Outcomes*.4)	0.30	1,170	140.4	1,420	170.4	1,603	192.4	1,995	239.4	1,902	228.2	2,045	245.4	2,001	240.1	2,104	252.5	2,527	303.2	2,106	252.7		
Pell-Eligible (non-Minority) Associate and Bachelor's Graduates (Outcomes*.4)	0.30	625	75.0	646	77.5	695	83.4	551	66.1	728	87.4	753	90.4	658	79.0	619	74.3	629	75.5	488	58.6		
Transfer Students	0.10	3,254	325.4	3,417	341.7	4,189	418.9	3,731	373.1	4,250	425.0	3,978	397.8	4,199	419.9	4,046	404.6	4,221	422.1	3,999	399.9		
Efficiency - Awards per 100 FTE	0.20	24.4	4.9	27.0	5.4	29.2	5.8	30.9	6.2	30.4	6.1	31.2	6.2	29.5	5.9	29.7	5.9	34.8	7.0	30.4	6.1		
Gateway Course Completers	0.10	12,604	1,260.4	14,568	1,456.8	14,581	1,458.1	15,000	1,500.0	15,489	1,548.9	16,456	1,645.6	16,323	1,632.3	17,076	1,707.6	15,344	1,534.4	15,234	1,523.4		
Economic Development (STEM and Allied Health) Graduates	0.20	2,380	476.0	2,573	514.6	2,491	498.2	2,311	462.2	2,422	484.4	2,625	525.0	2,579	515.8	2,156	431.2	2,241	448.2	2,154	430.8		
Economic Development: Skills Certificates	0.20	1,489	297.8	1,534	306.8	1,518	303.6	1,332	266.4	1,428	285.6	1,499	299.8	1,586	317.2	1,116	223.2	1,197	239.4	1,219	243.8		
TOTAL WEIGHTED POINTS - ACTUAL	--	--		3,362.1	--		3,762.1	--		3,896.2	--		4,006.3	--		4,103.6	--		4,291.7	--		4,251.2			4,154.9		4,238.4	--		3,924.6	--	
TOTAL WEIGHTED POINTS - TARGET	--	--	--	--	**3,429.3**	--	**3,497.9**	--	**3,567.8**	--	**3,639.2**	--	**3,712.0**	--	**3,786.2**	--	**3,816.3**	--	**3,892.6**	--	**3,970.5**	--	**4,049.9**
					109.7%		**111.4%**		**112.3%**		**112.8%**		**115.6%**		**112.3%**		**108.9%**		**108.9%**		**98.8%****		

***CSN's adjusted 2023-24 target is 4,095.8. It must over perform by 45.9 weighted points in 2023-24 to earn back the 1.2 percent of funding not earned in 2022-23.*

			YEAR 3 AND 4 TARGETS				YEAR 5 AND 6 TARGETS				YEAR 7 AND 8 TARGETS				YEAR 9 AND 10 TARGETS				YEAR 11 AND 12 TARGETS			
Funding Year			2016-17		2017-18		2018-19		2019-20		2020-21		2021-22		2022-23		2023-24		2024-25		2025-26	
Measure Year		2012-13 Baseline	YEAR 3 2014-15 Target & Actual		YEAR 4 2015-16 Target & Actual		YEAR 5 2016-17 Target & Actual		YEAR 6 2017-18 Target & Actual		YEAR 7 2018-19 Target & Actual		YEAR 8 2019-20 Target & Actual		YEAR 9 2020-21 Target & Actual		YEAR 10 2021-22 Target & Actual		YEAR 11 2022-23 Target & Actual		YEAR 12 2023-24 Target	
GBC	Factors	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.
1 to 2 Year Certificate	0.10	135	13.5	182	18.2	202	20.2	200	20.0	164	16.4	174	17.4	187	18.7	173	17.3	192	19.2	170	17.0		
Minority Certificate Recipients (IPEDS) (Outcomes*.4)	0.10	36	1.4	52	2.1	49	2.0	80	3.2	61	2.4	67	2.7	69	2.8	75	3.0	77	3.1	63	2.5		
Pell-Eligible (non-Minority) Certificate Recipients (Outcomes*.4)	0.10	27	1.1	47	1.9	57	2.3	38	1.5	38	1.5	36	1.4	23	0.9	32	1.3	34	1.4	33	1.3		
Associate and Bachelor's Degrees	0.30	285	85.5	348	104.4	384	115.2	371	111.3	369	110.7	390	117.0	432	129.6	447	134.1	439	131.7	437	131.1		
Minority Associate and Bachelor's Graduates (IPEDS) (Outcomes*.4)	0.30	53	6.4	77	9.2	96	11.5	106	12.7	116	13.9	119	14.3	137	16.4	164	19.7	141	16.9	150	18.0		
Pell-Eligible (non-Minority) Associate and Bachelor's Graduates (Outcomes*.4)	0.30	82	9.8	128	15.4	130	15.6	116	13.9	103	12.4	132	15.8	112	13.4	134	16.1	144	17.3	130	15.6		
Transfer Students	0.10	63	6.3	82	8.2	79	7.9	84	8.4	85	8.5	96	9.6	83	8.3	95	9.5	92	9.2	103	10.3		
Efficiency - Awards per 100 FTE	0.20	39.6	7.9	52.4	10.5	62.1	12.4	56.7	11.3	58.7	11.7	54.1	10.8	53.0	10.6	43.1	8.6	44.0	8.8	59.7	11.9		
Gateway Course Completers	0.10	1,215	121.5	1,403	140.3	1,345	134.5	1,373	137.3	1,442	144.2	1,611	161.1	1,599	159.9	2,090	209.0	1,847	184.7	1,681	168.1		
Economic Development (STEM and Allied Health) Graduates	0.20	400	80.0	511	102.2	629	125.8	589	117.8	617	123.4	586	117.2	585	117.0	581	116.2	557	111.4	642	128.4		
Economic Development: Skills Certificates	0.20	171	34.2	238	47.6	266	53.2	270	54.0	319	63.8	257	51.4	242	48.4	218	43.6	210	42.0	304	60.8		
TOTAL WEIGHTED POINTS - ACTUAL	--	--	367.6	--	459.9	--	500.6	--	491.5	--	509.0	--	518.8	--	526.1		578.4		545.6		565.1	--	
TOTAL WEIGHTED POINTS - TARGET	--	--	--	--	**375.0**	--	**382.5**	--	**390.1**	--	**397.9**	--	**405.9**	--	**414.0**	--	**473.4**	--	**482.8**	--	**492.5**	--	**502.3**
					122.7%		**130.9%**		**126.0%**		**127.9%**		**127.8%**		**127.1%**		**122.2%**		**113.0%**		**114.7%**		
TMCC	Factors	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.
1 to 2 Year Certificate	0.10	70	7.0	116	11.6	120	12.0	146	14.6	139	13.9	121	12.1	106	10.6	103	10.3	175	17.5	154	15.4		
Minority Certificate Recipients (IPEDS) (Outcomes*.4)	0.10	20	0.8	39	1.6	36	1.4	56	2.2	56	2.2	43	1.7	44	1.8	44	1.8	71	2.8	91	3.6		
Pell-Eligible (non-Minority) Certificate Recipients (Outcomes*.4)	0.10	25	1.0	53	2.1	45	1.8	49	2.0	44	1.8	28	1.1	24	1.0	23	0.9	36	1.4	24	1.0		
Associate and Bachelor's Degrees[1]	0.30	950	285.0	1,174	352.2	1,333	399.9	1,265	379.5	1,386	415.8	1,352	405.6	1,501	450.3	1,530	459.0	1,435	430.5	1,211	363.3		
Minority Associate and Bachelor's Graduates (IPEDS) (Outcomes*.4)	0.30	265	31.8	404	48.5	482	57.8	465	55.8	521	62.5	522	62.6	629	75.5	680	81.6	650	78.0	586	70.3		
Pell-Eligible (non-Minority) Associate and Bachelor's Graduates (Outcomes*.4)	0.30	331	39.7	422	50.6	447	53.6	425	51.0	435	52.2	385	46.2	398	47.8	384	46.1	316	37.9	243	29.2		
Transfer Students	0.10	1,281	128.1	1,256	125.6	1,264	126.4	1,250	125.0	1,174	117.4	1,201	120.1	1,149	114.9	1,232	123.2	1,185	118.5	1,079	107.9		
Efficiency - Awards per 100 FTE*	0.20	27.7	5.5	43.0	8.6	46.5	9.3	49.8	10.0	53.7	10.7	54.6	10.9	55.9	11.2	64.9	13.0	67.9	13.6	76.4	15.3		
Gateway Course Completers	0.10	4,350	435.0	3,993	399.3	4,102	410.2	3,908	390.8	3,915	391.5	3,966	396.6	4,320	432.0	4,991	499.1	4,068	406.8	4,204	420.4		
Economic Development (STEM and Allied Health) Graduates	0.20	871	174.2	1,376	275.2	1,477	295.4	1,530	306.0	1,599	319.8	1,643	328.6	1,634	326.8	1,661	332.2	1,734	346.8	2,315	463.0		
Economic Development: Skills Certificates	0.20	534	106.8	904	180.8	899	179.8	965	193.0	923	184.6	964	192.8	864	172.8	969	193.8	1,033	206.6	1,685	337.0		
TOTAL WEIGHTED POINTS - ACTUAL	--	--	1,215.0	--	1,456.1	--	1,547.7	--	1,529.9	--	1,572.5	--	1,578.4	--	1,644.5		1,760.9		1,660.5	--	1,826.4	--	
TOTAL WEIGHTED POINTS - TARGET	--	--	--	--	**1,239.3**	--	**1,264.0**	--	**1,289.3**	--	**1,315.1**	--	**1,341.4**	--	**1,368.2**	--	**1,462.4**	--	**1,491.6**	--	**1,521.5**	--	**1,551.9**
					117.5%		**122.4%**		**118.7%**		**119.6%**		**117.7%**		**120.2%**		**120.4%**		**111.3%**		**120.0%**		
WNC	Factors	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.	Outcomes/ Points	Weighted Pts.
1 to 2 Year Certificate	0.10	20	2.0	36	3.6	30	3.0	32	3.2	24	2.4	17	1.7	33	3.3	16	1.6	30	3.0	16	1.6		
Minority Certificate Recipients (IPEDS) (Outcomes*.4)	0.10	4	0.2	9	0.4	3	0.1	6	0.2	6	0.2	5	0.2	12	0.5	6	0.2	16	0.6	6	0.2		
Pell-Eligible (non-Minority) Certificate Recipients (Outcomes*.4)	0.10	6	0.2	19	0.8	18	0.7	14	0.6	8	0.3	6	0.2	13	0.5	6	0.2	9	0.4	2	0.1		
Associate and Bachelor's Degrees	0.30	502	150.6	520	156.0	542	162.6	546	163.8	527	158.1	612	183.6	646	193.8	636	190.8	574	172.2	528	158.4		
Minority Associate and Bachelor's Graduates (IPEDS) (Outcomes*.4)	0.30	103	12.4	125	15.0	144	17.3	148	17.8	169	20.3	225	27.0	226	27.1	230	27.6	214	25.7	191	22.9		
Pell-Eligible (non-Minority) Associate and Bachelor's Graduates (Outcomes*.4)	0.30	182	21.8	238	28.6	224	26.9	208	25.0	172	20.6	170	20.4	190	22.8	155	18.6	146	17.5	121	14.5		
Transfer Students	0.10	354	35.4	347	34.7	364	36.4	367	36.7	381	38.1	388	38.8	395	39.5	414	41.4	413	41.3	355	35.5		
Efficiency - Awards per 100 FTE	0.20	38.7	7.7	46.0	9.2	47.6	9.5	50.4	10.1	49.4	9.9	63.4	12.7	71.8	14.4	63.6	12.7	62.4	12.5	62.3	12.5		
Gateway Course Completers	0.10	1,684	168.4	1,944	194.4	1,750	175.0	1,847	184.7	1,884	188.4	1,550	155.0	1,847	184.7	1,942	194.2	1,832	183.2	1,988	198.8		
Economic Development (STEM and Allied Health) Graduates	0.20	404	80.8	472	94.4	510	102.0	472	94.4	542	108.4	607	121.4	813	162.6	611	122.2	617	123.4	722	144.4		
Economic Development: Skills Certificates	0.20	293	58.6	340	68.0	388	77.6	348	69.6	394	78.8	443	88.6	636	127.2	429	85.8	445	89.0	529	105.8		
TOTAL WEIGHTED POINTS - ACTUAL	--	--	538.1	--	605.0	--	611.1	--	606.0	--	625.6	--	649.6	--	776.4		695.4		668.8	--	694.7	--	
TOTAL WEIGHTED POINTS - TARGET	--	--	--	--	**548.9**	--	**559.9**	--	**571.1**	--	**582.5**	--	**594.2**	--	**606.0**	--	**582.5**	--	**594.2**	--	**606.0**	--	**618.2**
					110.2%		**109.2%**		**106.1%**		**107.4%**		**109.3%**		**128.1%**		**119.4%**		**112.6%**		**114.6%**		

*A two percent increase has been applied to the prior year target for all institutions.

[1]Bachelor's Degrees included in TMCC outcomes beginning with Year 9.

Outcome	Performance Pool Data Definitions (Year 3 through Year 11)
1 to 2 year Certificate	The total number of certificates requiring 30 or more credit hours granted during an academic year. Students earning multiple certificates in an academic year will have each earned certificate count as a separate outcome. General Studies certificates are excluded for TMCC and General Education certificates are excluded for GBC. (Source: preliminary IPEDS reporting)
Associate's Degrees	The total number of associate degrees conferred during an academic year. Students earning multiple degrees in an academic year will have each earned degree count as a separate outcome. (Source: preliminary IPEDS reporting)
Bachelor's Degrees	The total number of bachelor's degrees conferred during an academic year. Students earning multiple degrees in an academic year will have each earned degree count as a separate outcome. (Source: preliminary IPEDS reporting)
Master's Degrees	The total number of master's degrees conferred during an academic year. Students earning multiple degrees in an academic year will have each earned degree count as a separate outcome. (Source: preliminary IPEDS reporting)
Doctoral Degrees	The total number of doctoral degrees conferred during an academic year. First-professional degrees (medical, dental, law) are not included. Students earning multiple degrees in an academic year will have each earned degree count as a separate outcome. (Source: preliminary IPEDS reporting)
Awards to Minority Students	An additional weight of .4 is applied for each degree or certificate awarded to a minority student. Minority categories include all categories EXCEPT white, unknown, and non-resident alien. General Studies certificates excluded. (Source: preliminary IPEDS reporting)
Awards to Pell-Eligible Students	An additional weight of .4 is applied for each degree or certificate awarded to non-minority Pell eligible student (minority and Pell-eligible awards are mutually exclusive and awards to minority students are captured in the minority awards so are excluded from the Pell-eligible awards). General Studies certificates excluded. (Source: Data submitted by institutions identifying students who were included in the awards reported to IPEDS [preliminary reports] and were Pell-eligible at any point during their academic career)
Transfer Students w/a Transferable Associate's Degree	Total number of students transferred to a 4-year institution with a transferable associate's degree from an NSHE community college. (Source: NSHE Data Warehouse)
Transfer Students w/24 credits or Associate's Degree	The total number of students who enrolled at a four -year institution during the fall or spring semester of a given reporting year who had earned at least 24 credits or a transferable associate's degree at a community college prior to the reporting year. Students are excluded if they are co-enrolled at a 4-year institution and a 2-year institution during the term in which they otherwise would have been included as a transfer student. (Excludes courses from the 24 credit count if the grades are AU, AD, NR, ND, X, I, F, U, W.) (Source: NSHE Data Warehouse)
Efficiency - Awards per 100 FTE	The number of bachelor's, master's and doctoral awards per 100 FTE (for degree-seeking students only) at 4-year institutions and the number of certificates (including skills certificates), associate's and bachelor's (where applicable) per 100 FTE (for degree-seeking students only) at the 2-year institutions. (Source: preliminary IPEDS reporting and Official FTE [less non-degree seeking students])
Sponsored/External Research Expenditures	The total amount expended on sponsored programs/projects of research and other scholarly activities for the fiscal year. This amount includes federal, federal pass-through, State of Nevada, other state and local government, private for-profit, private non-profit. Other scholarly activity includes the instructional, public service, student services, and "other" functional grant categories, including workforce development. The figures exclude the scholarship/fellowship category. (Source: NSHE Sponsored Programs Office)
Gateway Course Completers	The total number of students (unduplicated) who successfully completed a college-level English or mathematics course (grade C- and above) in the reporting year (fall and spring only). (Source: NSHE Data Warehouse)
Economic Development - STEM and Allied Health Graduates	Total number of certificates (including skills certificates), associate's, bachelor's, master's, or doctoral degrees awarded (first professional awards are excluded) in an academic year based on CIP codes for STEM and health professionals as identified by NCHEMS for the NGA metrics. (CIPs: 4 - architecture and related services; 11 - computer and information sciences and support services; 14 - engineering; 15 - engineering technologies/technicians; 26 - biological and biomedical sciences; 27 - mathematics and statistics; 40 - physical sciences; 41 - science technologies/technicians; 51 - health professions and related clinical sciences; 46 - construction trades; 47 - mechanic repair technologies/technicians; 48 - precision production; and 49 - transportation and materials moving) (Source: preliminary IPEDS reporting)

Outcome	Performance Pool Data Definitions (Year 3 through Year 11)
Economic Development - Institution Selected Discipline (4-Year Institutions only)	Total number of bachelor's, master's, or doctoral degrees awarded (first professional awards are excluded) in an academic year based on CIP code selected by the institution which aligns with the state's economic development plan. (UNLV- 52 Business, Management, and Related Support Services; UNR- 42 Psychology; NSC- 52 Business, Management, and Related Support Services) (Source: preliminary IPEDS reporting)
Econonic Development - Skills Certificates (Community Colleges only)	Certificates identified in APIS that provide preparation necessary to take state, national and/or industry recognized certification or licensing examinations. (Source: preliminary IPEDS reporting)

APPENDIX D

Institutional Recommendations

ad hoc COMMITTEE ON HIGHER EDUCATION FUNDING
Summary of Institutional Recommendations

Rec # for Reference	Recommendation	Recommending Institution							Data Availability and Definition or Other Notes	
		UNLV	UNR	NSU	CSN	GBC	TMCC	WNC	Current Data Element Maintained by System Administration (Yes or No)	If yes, data definition and source
BASE FUNDING FORMULA										
Student Attributes - to be used as weighting factors in base formula calculations										
1	Part-Time Students GBC: additional weighting of .33 - .5 for each part-time student CSN/WNC: headcount consideration to capture part-time enrollment	x			x	x	x	x	yes	may be defined based on credit load or with headcount
2	College Readiness - Remedial Support [enrolled in remedial support course]							x	yes	students enrolled in corequisite math and/or English courses
3	College Readiness - Academically unprepared		x						requires further definition to determine data availability	
4	College Readiness - Student College Readiness for mathematics - ACT math score less than 22	x			x				yes for recent h.s. grads only	SLDS -ACT math score for recent high school grads
5	College Readiness -Student College Readiness for English - ACT English score less than 18	x			x				yes for recent h.s. grads only	SLDS - ACT English score for recent high school grads
6	College Readiness -High School GPA - below 3.0	x							yes for institutions receiving h.s. transcripts only (primarily universities and NSU)	Community colleges open access institutions do not require students to submit GPA; therefore h.s. GPA is not available systemwide
7	College Readiness - Student enrolled in adult basic education and/or high school equivalency program				x				no	
8	Student Support Services utilized by the student (as a student attribute) - no specific services defined			x				x	requires further definition to determine data availability - currently, the only student service where System Admin collects data is for student registered with an institutional disability resource center or equivalent office	
9	Work Study Participation			x					yes	included in financial aid data collection
10	Full-Time employment status			x					no	
11	Entry Levels - no point of entry specifically defined							x	requires further definition to determine data availability	
12	Pell Grant Status (low income students) NSU: recommended removing metrics for Pell grant status from the Performance Pool and including in base as a student attribute	x	x	x	x				yes	recipient of Pell grant (currently included in Performance Pool metrics)
13	Dual/concurrent enrollment		x	x	x				yes	student enrolled in dual and/or concurrent courses

ad hoc COMMITTEE ON HIGHER EDUCATION FUNDING
Summary of Institutional Recommendations

Rec # for Reference	Recommendation	Recommending Institution							Data Availability and Definition or Other Notes	
		UNLV	UNR	NSU	CSN	GBC	TMCC	WNC	Current Data Element Maintained by System Administration (Yes or No)	If yes, data definition and source
14	First-Generation student	x	x	x					no	not consistently collected by all institutions
15	Under-represented minority students NSU: recommended removing metrics related to underrepresented students from the Performance Pool and including in the bases as a student attribute		x	x	x				yes	race/ethnic categories
16	Student from low-performing high school	x							requires further definition to determine data availability	
17	Distance from campus - geographic location (e.g. zip code) and high school			x					yes	zip code and high school available
18	Program discipline - type of program student is enrolled in				x				yes	CIP code (classification of instructional programs)
19	Age (Adult Students) 25+ years old				x				yes	age calculated based on stored birthdate
20	"Risk Ratio" multiplier for WSCH based on risk factors so that institutions with higher risk students receive larger increment in funding UNLV: See UNLV proposal for example of "risk ratio"	x							requires further review to determine data availability	
Other Base Formula recommendations including recommendations for Funding Formula Enhancements/Increased Funding										
21	New Funding (Enhancement Request): Provide state funding for all summer school courses Cost Estimate (per year): UNLV $22.5 million UNR $ 8.3 million NSU $ 2.2 million CSN $ 11.7 million GBC $ 550.9k TMCC $2.4 million WNC $480.1k TOTAL: $48.2 million			x	x	x		x	Currently, summer school courses in Nursing, science-based nursing prerequisites, and teacher preparation receive state funding Cost estimate for all other summer courses to receive state funding - based on Summer 2023 WSCH and FY2023 price/WSCH ($166.90)	
22	Factor into the formula allocation the rate of increase in degrees produced			x					Currently, the Performance Pool includes total awards conferred	

ad hoc COMMITTEE ON HIGHER EDUCATION FUNDING
Summary of Institutional Recommendations

Rec # for Reference	Recommendation	Recommending Institution							Data Availability and Definition or Other Notes	
		UNLV	UNR	NSU	CSN	GBC	TMCC	WNC	Current Data Element Maintained by System Administration (Yes or No)	If yes, data definition and source
23	New Fundng (Enhancement Request): Include W's (withdrawals) in the WSCH Cost Estimate (per year): UNLV $ 6.3 million UNR $ 4.1 million NSU $ 1.1 million CSN $6.1 million GBC $ .97 million TMCC $ 2.5 million WNC $ .57 million TOTAL: $21.7 MILLION							x	Currently, W's, Incompletes, and F's for non-attendance are excluded from WSCH Cost estimate for Ws to receive state funding - based on 2021-22 weighted Ws and FY2023 price/WSCH ($166.90)	
24	New Funding (Enhancement Request): Fund non-credit courses				x			x	no	
25	New Funding (Enhancement Request): Increase the weight for CTE courses [Tech and Trades discipline cluster] to 4.0 The CTE or Tech/Trades cluster includes all courses in construction trades, mechanic repair technologies, precision production, and transportation & materials moving - all are currently weighted in the formula at 4.0 or higher (4.5 for upper division).				x	x	x		All CTE courses are currently weighted at 4.0 or 4.5 in the current funding formula. In 2017, the legislature approved an increase to the weights for CTE credit hours from 2.0 to 4.0 for lower division courses and 2.5 to 4.5 for upper division.	
26	Fund non-resident and international students	x							Institutions retain non-resident tuition in lieu of receiving state support. 2024-25 non-resident tuition rates for full-time students: Universities: $18,142/year NSU: $15,068/year Comm Colleges: $8,666/year	
27	Input driven formula supplementation that includes financial support for headcount and student attributes and to attain 350:1 student-to-advisor ratio				x					
Increase Small Institution Funding (GBC and WNC only)										
28	Small Institution Factor - consider headcount (p/t students implications) in factor calculation					x		x		
29	Small Institution Factor - increase the current $30 WSCH GBC: Increase small institution factor by an inflationary adjustment Cost Estimate (per year): adjusting the current SIF $30 per WSCH to $38.71 (adjusting by HEPI factor from 2015 through 2023) will result the following increases over the FY2025 SIF adjustments: GBC: $160,142 WNC: $ 91,159 TOTAL: $251,301					x		x	This recommendation could potentially come out of existing funding which would result in a decrease in the price per WSCH or it could be additional funds specific to this carve out.	

ad hoc COMMITTEE ON HIGHER EDUCATION FUNDING
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30	Small Institution Factor - increase the WSCH threshold to 150,000 WSCH Cost Estimate (per year): Increasing the credit threshold to 150,000 at the current $30 per credit will cost $3.0 million and up to $4.1 million if the increase in credit threshold is combined with a cummulative HEPI adjustment to $38.71 per credit							x	Currently, once an institutions' WSCH exceed 100,000 WSCH they are no longer eligible for the Small Institution Factor This recommendation could potentially come out of existing funding which would result in a decrease in the price per WSCH or it could be additional funds specific to this carve out.	
Review of Weights Assigned to Student Credit Hours (SCH)										
31	Maintenance Request: Review weights of high cost programs like Nursing			x						
32	Maintenance Request: Review weights used in base formula	x		x					Currently, assigned weights by discipline cluster were established in the 2012 formula study. Weights for the CTE [Tech and Trades Cluster] were adjusted in 2017	
Create Incentives for Transfers, Completions, and Other										
33	New Funding (Enhancement Request): Transfer Scholarships - award $2,500 to community college graduates who transfer to 4-year institution						x		The state currently funds the Millennium Scholarship, Silver State Opportunity Grant, and Promise Program, which accounted for $44.2 million in FY2022-23. Additional state dollars are allocated to the financial aid outside of these formal programs in the institution's state-supported operating budgets.	
34	New Funding (Enhancement Request): $500 to both the 2-year and 4-year institution for every student that transfers from 2-year to 4-year institution						x			
35	New Funding (Enhancement Request): Reward the successful transfer and completion of community college and university students	x							more specific information is needed, including how institutions would be rewarded	
36	Direct funding toward comprehensive programs that engage [high school] students throughout the year, including summer initiatives	x								
37	New Funding (Enhancement Request): Incentivize industry apprenticeships through funding support for participating firms						x			
38	New Funding (Enhancement Request): Provide funding rewards for colleges that deliver completed internships						x			
39	New Funding (Enhancement Request): Reward institution for the value brought to the communities through research, economic development, and workforce	x								
40	Funding should shift towards institutions who have shown more success with producing degrees over time with extra funding allocated for 4-year degree completion			x						

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Fee Waivers and Capacity Building - add and/or restore funding										
41	New Funding (Enhancement Request): Fund fee waivers Cost Estimate based on 2022-23 actual costs: $4.1 million annually	x	x					x	Currently, the state provides partial funding for fee waivers for certain Native American students - AB150 (2023 Session) appropriated $457,449 for both FY24 and FY25 fee waivers for Native American students	
42	New Funding (Enhancement Request): Fund discounted fees for dual/concurrent enrollment [established by NSHE]		x					x	The Board of Regents established discounted fees for dual/concurrent enrollment in an effort to ensure consistent pricing across the System - not a legislatively mandated discount	
43	New Funding (Enhancement Request): Restore capacity funding to 2021 levels NSU: for 4-5 year plans in areas of high demand workforce need or areas designated by the GOED			x						
44	New Funding (Enhancement Request): Increase overall funding to allow for institutional innovation and capacity building (noting that "one-time funding, which has been used in the past, does not allow for the long-term efforts required to innovate and build capacity	x								
45	New Funding (Enhancement Request): Ensure institutions have sufficient resources to build capacity and drive innovation, funding per FTE benchmarks by institution type with reference to national averages	x								
Student Services and related supports										
46	New Funding (Enhancement Request): Address the cost of student support services via "risk profile" - applying extra weights to institutions with higher risk profiles	x								
47	Do not base funding for support services on utilization alone; funding should consider needs of expanding university			x						
48	New Funding (Enhancement Request): Provide funding for student support services using per student in 1,000 student headcount increments							x		
49	New Funding (Enhancement Request): Provide funding for supplemental instruction (e.g. tutoring and peer-learning for math)						x			
50	New Funding (Enhancement Request): Provide funding for early intervention programs - identifying at-risk students and offering personalized support						x			
51	New Funding (Enhancement Request): Provide funding for math anxiety workshops - provide students with strategies to manage anxiety and build confidence in math skills						x			
52	New Funding (Enhancement Request): Provide funding target for data-driven decision making - support colleges in collecting and analyzing data						x			

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53	New Funding (Enhancement Request): Provide funding target for dedicated advising - designated advisors specializing in part-time students						x			
54	New Funding (Enhancement Request): Provide funding target for enhanced counseling services for part-time students - expanded counseling hours and flexible appointment options						x			
55	New Funding (Enhancement Request): Provide funding target for targeted support groups for part-time students (e.g. veterans or student-parents)						x			
56	New Funding (Enhancement Request): Provide funding target for flexible learning resources - targeted online and hybrid learning options to accommodate diverse schedules and working hours						x			
57	New Funding (Enhancement Request): Provide funding targets for financial aid assistance - workshops and individual consultation to help p/t students navigate financial aid options						x			
58	New Funding (Enhancement Request): Provide funding to attain a 350:1 student-to-advisor ratio based on headcount				x				In 2019, the Board of Regents adopted a policy indicating that "by academic year 2023-24 all institutions shall maintain a student-to-advisor ratio of no greater than 350:1." (*Title 4, Chapter 14, Section 23*)	
Cost Study										
59	Conduct cost study based on cost of delivery compared to peer institutions by Institution type	x								
60	Conduct a comprehensive cost study		x							
61	Reassess the 10% research factor for the universities - should be reassessed based on actual costs	x								
Tailored Funding Models Based on Institution Type										
62	Establish a separate funding formula for community colleges							x		
63	Establish tailored funding model for institution type that accounts for research infrastructure, faculty support, graduate education, and specialized programs		x							
64	To maintain Carnegie R1 status, methodically direct state resources based total research funding, total research expenditures, and research personnel AND earmark specific allocations for the upkeep and advancement of research infrastructure and equipment		x							
Caseload Growth										
65	Fund caseload growth			x				x	Every biennium the legislature considers caseload growth on a 2-year lag (e.g. the legislative budget for FY2024 included a caseload adjustment based on FY2022 growth)	
66	Utilize a 3-year rolling average of WSCH to allocate funding					x	x			

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67	Similar to K-12, project student growth AND implement an annual "true-up" mechanism		x						True-up mechanism utilized by K-12 requires that funds be returned when projections are not met.	
Inflationary Adjustments to the Base										
68	New Fundng (Enhancement Request): Index the price per WSCH to HEPI (inflation factor) Cost Estimate (per year): $20.2 million based on 2021-22 WSCH and increase the FY2023 price per WSCH ($166.90) by the 2023 HEPI of 4.0% or $6.68		x	x					This adjustment would be similar to the inflationary adjustment in the K-12 pupil-centered funding plan.	
69	New Funding (Enhancement Request): Include inflation adjustments, including for utility increases	x								
PERFORMANCE POOL (PP)										
General PP recommendations										
70	Eliminate the Performance Pool funding carve-out and replace with new money	x	x	x	x	x	x	x		
71	Target new money for PP to expand successful programs and seed new initiatives		x							
72	Target new money for PP to provide incentive funding for faculty, postdoctoral researchers, and staff		x							
73	Performance oversight should be the responsibility of institutional leadership	x								
PP Metrics Recommended										
74	Graduation Rates NSU and WNC: Graduation Rates by ethnicity		x	x	x		x	x	yes	IPEDS definition: 150% time to degree for first-time, full-time students
75	First-Year Retention Rates		x		x				yes	Not available for all students in IPEDS, System Admin can calculate year-to-year and/or semester-to-semester
76	Persistence Rates				x				yes	Not available for all students in IPEDS, System Admin can calculate year-to-year and/or semester-to-semester
77	Credit Momentum				x				yes	requires definition on credit thresholds or momentum points for credits completed at NSHE institution only
78	Research Funding per Faculty		x						no	
79	Time to Degree for Graduate Programs		x						no	

ad hoc COMMITTEE ON HIGHER EDUCATION FUNDING
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80	Awards conferred			x					yes	currently included in PP metrics
81	Transfer students			x					yes	currently included in PP metrics
82	Economic Development degrees			x					yes	currently included in PP metrics based on institution identified programs
83	Completion/Awards conferred by ethnicity							x	yes	NSHE data dashboard
84	Enrollment by ethnicity			x				x	yes	NSHE data dashboard
85	Graduates in high-cost/in-demand fields			x					yes	high-cost/in-demand fields need to be identified
86	Headcount enrollment						x		yes	NSHE data dashboard
87	Job placement						x		no	
88	Apprenticeships						x		requires further definition to determine data availability	
89	Internships						x		requires further definition to determine data availability	
90	Student Performance						x		requires further definition to determine data availability	
91	Gateway math completion rates (increase the index weight by a factor of 2)						x		yes	needs to be defined in terms of limit for completion (e.g. within first year of enrollment)
92	Align PP performance metrics to institutional performance (See examples provided from states including IL, IN, MA, MO, OH, TN, TX, and WI from pages 4-6 of CSN recommendations)				x					
93	Remove Pell status and ethnicity from the Performance Pool and include in the weights for the base formula			x						
SPACE, MAINTENANCE, AND CAPITAL IMPROVEMENTS - Unrelated to Funding Formula										
94	New Funding (Enhancement Request): Allow institutions to evaluate space needs and request immediate funding as space is added	x								
95	Fund leased space	x								
96	Multi-year capital project funding commitments [from the state]						x			
97	Establish a separate revenue stream to support ongoing maintenance and capital improvement projects - revenue source not specified					x				
TAX INCREASE - Unrelated to Funding Formula										
98	Modified Business Tax - support NSHE via modified business tax to enhance higher education funding			x						

ad hoc COMMITTEE ON HIGHER EDUCATION FUNDING
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99	Legislation to enable the board of county commissioners of each county housing an NSHE institution to levy additional taxes to fund capital projects, deferred maintenance, and campus infrastructure enhancements	x	x							
SALARIES AND COLA - Unrelated to Funding Formula										
100	Adequately fund COLA - guarantee full state funding for any COLA salary adjustments or other mandated salary increases		x							
101	New Funding (Enhancement Request): Provide market-driven salaries in difficult to recruit areas like nursing, engineering, and computer programming						x			
NON-FORMULA BUDGET ACCOUNTS - Unrelated to Funding Formula										
102	New Funding (Enhancement Request): Provide support for Business Center South's support for an expanding campus and athletics programs	x								

UNLV

Funding Formula Considerations
Submitted by the University of Nevada, Las Vegas
March 6, 2024

Recommendations requested by Chairman Hardesty for revising the NSHE funding formula, including the Performance Pool

As indicated during the vendor presentation, Nevada has a weighted enrollment formula based on cost (completed student credit hours weighted by discipline level). Many of you indicated that each institution and its student population is unique. Should the committee consider an enrollment-weighted formula based on student attributes? And if so, what specific student attributes would be most appropriate for your institution?

- We have identified the following factors that are associated with lower likelihood of persistence and graduation:
    - Graduated from low-performing high school
    - Pell status (receiving Pell)
    - First-generation (no parent has earned a bachelor's degree or higher)
    - Low core High School GPA (below 3.0)
    - Low Math ACT component score (below 22)
    - Low English ACT component score (below 18)
    - Below 15 credit hours enrolled
- The profile of the incoming class on these risk factors could be determined at the census point, which could then be used as a multiplier for the weighted student credit hour (WSCH) count, such that schools with higher-risk students receive a larger increment in funding. For example, dividing the total number of risk factors by the number of students will yield an average risk-per-student ratio ranging from 0 to 7. This "risk ratio" could form a risk weighting factor for each institution. For example, the risk ratio for the fall 2024 degree-seeking first-time, full-time (FTFT) student cohort was 2.47.
- Additionally, the cost of delivery should be assessed by comparing that of peer institutions. Separating out the average cost for Carnegie R1 universities, state, and community colleges would assist in understanding the cost differentials of our different institutions and funding accordingly. UNLV has higher costs for facilities, student support, and academics due to high research activity. Faculty contracts should also be considered differently and funded appropriately. In particular, research-intensive faculty members at R1 institutions command higher salaries in the national marketplace and teach fewer classes due to research responsibilities. Salary offers must align with the market to remain competitive and recruit top faculty.

If you recommend the inclusion of student attributes, your student attributes should be presented in the form of a data definition that could be used to identify student groups in the funding formula. For example, part-time students are defined as students who complete/enroll in fewer than 12 credit hours per semester. Also, provide recommendations for data sources, in addition to the data definitions.

Student Support Services – If you recommended that student support services be considered in the funding formula, how can the formula be adjusted to recognize the need for appropriate funding for student support services? How should the need for (or use of) student support services be measured so that such services can be appropriately considered in the funding distribution methodology?

- Addressing the costs of student support services via the student risk profile described above is preferable. By applying extra weighting to populations with higher risk profiles, we can allocate the necessary funds for the additional support services these higher-risk students require.
- The formula should also consider and reward the successful transfer and completion of community college and university students. Building strong relationships with our peer institutions to serve all students in the state with the best education possible for the career pathway benefits all.
- Building a strong pipeline between Clark County's K-12 students and UNLV is an important way to increase our pool of college-ready students. To achieve this, funding should be directed towards comprehensive programs that engage students throughout the year, including summer initiatives. These programs would offer young students a taste of university life, encouraging their interest in higher education from an early age. This approach differs from our dual enrollment initiatives because it targets everyone, even those who have not yet decided to attend college. This inclusive strategy aims to inspire and prepare a more diverse and larger pool of future college students.

Performance Pool – Provide your recommendations for revising the NSHE Performance Pool. If you recommend its elimination, please provide a detailed description of what should replace it. Further, if you recommend new metrics for the Performance Pool, please provide a data definition and source of data for each new metric.

- The performance pool should be eliminated because performance outcomes are heavily influenced by macro-societal forces outside the control of the institutions (e.g., population growth, economic conditions, national college attendance rates, etc.). The current structure of the performance pool effectively acts as a punitive measure, potentially trapping struggling institutions in a detrimental cycle due to external and internal factors. Instead, performance oversight should be the responsibility of institutional leadership through an accountability framework. Echoing the principle that "there are no bad teams, only bad leaders," we believe that institutions failing to achieve desired student outcomes should consider leadership changes.

Innovation/Capacity Building – Provide your recommendations for capturing innovative and/or capacity building efforts - either in the funding formula or as a direct appropriation, similar to the capacity building projects previously approved by the state legislature. Any recommendations should include specific data definitions and data sources. The timing of data availability should also be a consideration and noted in any recommendations.

- It is preferable to increase overall funding to allow for institutional innovation and capacity building than to offer targeted funding (e.g., bring funding up to national averages per FTE by institution type, which all NSHE institutions are currently well short of). One-time funding, which has been used in the past, does not allow for the long-term efforts required to innovate and build capacity. Targeted funding also increases compliance and reporting costs.
- To ensure institutions have sufficient resources to build capacity and drive innovation, funding per FTE benchmarks by institution type should be established with reference to national averages, including both state support and net registration fee revenue. Currently, Nevada institutions of higher education sit near the bottom of the nation in net funding per FTE.
- Tax Increment – We urge the committee to recommend to the Nevada Legislature the passage of legislation enabling the board of county commissioners in each county housing an NSHE institution to levy additional taxes. These funds would be dedicated to financing capital projects, deferred maintenance, and critical campus infrastructure enhancements, including technology infrastructure. This approach is modeled after the successful implementation of Assembly Bill 46 during the 2013 Session of the State Legislature, which facilitated similar funding mechanisms for K-12 capital projects.

Overall UNLV formula considerations

1. Implementing a weighting system that addresses the uniqueness of each institution.
    a. We have identified the following factors that are associated with lower likelihood of persistence and graduation:
        i. Graduated from low-performing high school
        ii. Pell status (receiving Pell)
        iii. First-generation (no parent has earned a bachelor's degree or higher)
        iv. Low core High School GPA (below 3.0)
        v. Low Math ACT component score (below 22)
        vi. Low English ACT component score (below 18)
        vii. Below 15 credit hours enrolled
    b. The profile of the incoming class on these risk factors could be determined at census, which could then be used as a multiplier for the WSCH count, such that schools with higher-risk students receive a larger increment in funding. For example, dividing the total number of risk factors by the number of students will yield an average risk-per-student ratio ranging from 0 to 7. This “risk ratio” could form a risk weighting factor for

each institution. For example, the risk ratio for the fall 2024 degree-seeking first-time, full-time (FTFT) student cohort was 2.47.

c. Weighting systems should be reviewed and enhanced to prevent cannibalization. For example, engineering programs have higher funding incentives, making them attractive offerings for state and community colleges. These programs are the most valuable to students when they include a robust research component that is only available at the university level. Therefore, programs at state and community colleges should be designed to complement, rather than compete with, those at universities. If we maintain a weight-by-discipline system, high-cost programs that are low weights, such as health care and business, should be reviewed and analyzed. Additionally, adding weights based on the institution's mission could be beneficial, acknowledging that universities often have lower teaching loads and faculty with higher salaries due to their research responsibilities. This would help align funding more closely with the actual needs and roles of different educational institutions. The current formula recognizes the research mission at UNLV and UNR by adding a 10% additional weighting factor applied to all upper-division undergraduate and graduate credit hours to account for research mission expenses. This 10% should be reassessed and based on an actual cost analysis of delivering programs at the university versus other institutions in the system.

2. Actual cost comparison between R1 universities, state colleges, and community colleges. The cost of delivery should be assessed by comparing that of peer institutions. Separating out the average cost for Carnegie R1 universities, state colleges, and community colleges would assist in understanding the cost differentials of our different institutions and funding accordingly. UNLV has higher costs for facilities, student support, and academics as a result of having high research activity. Faculty contracts should also be considered differently and funded appropriately. In particular, research-intensive faculty members at R1 institutions command higher salaries in the national marketplace and teach fewer classes due to research responsibilities. To remain competitive and recruit top faculty, salary offers must align with the market. The formula should support the missions of the different institutions.

3. Student Support Services

    a. We believe it is preferable to address the costs of student support services via the student risk profile described above. By applying extra weighting to populations with higher risk profiles, we can allocate the necessary funds for the additional support services these higher-risk students require.
    b. The formula should also consider and reward the successful transfer and completion of the community college and university students. Building strong relationships with our peer institutions to serve all students in the state with the best education possible for the career pathway benefits all.
    c. Building a strong pipeline between Clark County's K-12 students and UNLV is an important way to increase our pool of college-ready students. To achieve this, funding should be directed towards comprehensive programs that engage students throughout the year, including summer initiatives. These programs would offer young students a

taste of university life, encouraging their interest in higher education from an early age. This approach differs from our dual enrollment initiatives because it targets everyone, even those who have not yet decided to attend college. This inclusive strategy aims to inspire and prepare a more diverse and larger pool of future college students.

4. Inflation adjustments, including utility increases. From 2008-2021, inflation and adjusted state appropriations have caused a decline in financial support for UNLV. This has significant impacts. It's shifted some of the financial burden to our students. They've seen a 1.8% annual increase in tuition and fees. We have fewer financial resources for academic, research, and student support and growing pressure to improve student outcomes with a shrinking and uncertain resource base. It's diminished our ability to invest in new programs and make critical investments in existing programs and necessary technological improvements.

5. Strengthen the relationships between community colleges and universities by rewarding for successful transfers and completions. Also, assessing the relationships of K-12 connections and ensuring as many of those students are ready to enter and successfully complete at an NSHE institution.

6. Setting aside the performance pool as a separate entity reduces the base budget by 20%, effectively functioning as a penalty if specific metrics are unmet. This can lead to budget shortfalls, negatively impacting student access and success. While it's important to have performance metric targets, they should serve as an incentive for budget enhancement rather than a separate carve-out, which can be punitive in nature and counterproductive to the intended goals.

7. Funding for fee waivers to prevent student fee increases to support the waivers. This includes professional schools.

8. Consider the economic impact of the university on the communities it serves. Rewarding for the value brought to the communities through research, economic development, and workforce.

9. Allocating resources to support infrastructure more dynamically will help alleviate substantial financial burdens over the course of the year. A comprehensive understanding of the needs, encompassing deferred maintenance, capital improvement projects, ADA accommodations, varying utility costs, lease funding, capital projects, and technology to support research, is crucial to distributing limited resources effectively. By prioritizing these requirements, the allocation formula can shift from a "something for everyone" approach to one that focuses on the most pressing needs. For example, utility costs have increased by $5 million dollars over the last five years. As local municipalities approve rate increases, we don't have funding to keep up. Additionally, as ADA standards increase at the federal level, we lack funds for infrastructure improvements and student support resources to comply with these evolving standards. Staying in compliance with ADA requirements is crucial for maintaining our commitment to access, equity, and inclusion. UNLV is significantly below the square footage per student ratio of our R1 peers. To accommodate 40,000 students, UNLV would require more than a 50% increase in available space. We would like to have the ability to evaluate space needs and request

immediate funding as we add space. Leased spaces provide an alternative to building new structures to accommodate growth. At present, the state budget does not include funding for leases. Instead, institutions tend to construct intricate and costly infrastructure to meet their needs. However, leasing offers a "proof of concept" approach to asset acquisition, helping to ascertain the necessity of such infrastructure. Additionally, incorporating lease funding provides greater flexibility in adapting to changing requirements, as leases can be terminated more readily than divesting from owned assets.

10. The current funding formula does not provide financial benefits to the institution for the recruitment and completion of out-of-state and international students. Adjusting the formula to include funding for these students could demonstrate Nevada's potential to attract qualified and ambitious students seeking post-education opportunities, thereby cultivating a highly skilled and educated populace to meet the demand for advanced jobs. This approach not only builds a highly skilled and educated workforce to meet the demand for advanced jobs but also enhances the learning environment by bringing varied perspectives and experiences into classrooms, benefiting local students and the broader community. Approximately 70 percent of our graduates stay in Southern Nevada and continue to contribute to our local workforce in meaningful ways. This demonstrates that bringing the brightest minds to UNLV has long-term positive impacts on our city.

11. Other non-formula issues include Business Center South's support for an expanding campus and athletics programs that keep pace with student growth and the expansion of professional schools to meet the needs of the rapidly growing state population.

UNR

TO: James Hardesty, Chairman
ad hoc Committee on Higher Education Funding

FROM: Brian Sandoval, President
University of Nevada, Reno

DATE: March 6, 2024

RE: Recommendations for Revising the Nevada Higher Education Funding Formula

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Thank you for the opportunity to present our recommendations for revising the Nevada System of Higher Education (NSHE) funding formula, including adjustments to the Performance Pool. The ad hoc Committee on Higher Education Funding stands at a pivotal juncture, with the potential to fundamentally shift the course of higher education in Nevada—and, by extension, the state's future for generations.

Following the state's recent unprecedented investments in K-12 education, this committee now has a unique chance to propose transformative changes to higher education funding. Such changes would not only parallel those made in K-12 but could also amplify their impact by ensuring a seamless educational pipeline from primary through higher education.

The University of Nevada, Reno, has a clear vision: to offer unparalleled access to affordable higher education, thereby equipping the workforce and leaders of tomorrow and acting as a beacon of innovation to address both local and global challenges. We are on the path to realizing this vision, yet with a substantial increase in state funding, we could accelerate our progress significantly.

We urge the consideration of a revised funding model that reflects the ambitious trajectory we envision for higher education in Nevada. Such an investment will not only transform the University of Nevada, Reno, but also serve as a cornerstone for the state's future prosperity.

I also want to extend my gratitude and recognition to the Faculty Senate, Staff Employees' Council, Associated Students of the University of Nevada, and the Graduate Student Association for their invaluable input and collaborative efforts in developing these critical recommendations for the funding formula.

Below are ten recommended adjustments to the funding formula for the Nevada System of Higher Education (NSHE):

1. Funding Needs Considering Student Demographics:

The current funding model, which primarily focuses on student credit hours, inadvertently overlooks the nuanced needs and challenges encountered by a significant portion of our student body. This includes first-generation students, underrepresented minorities, low-income individuals, and those who may be academically underprepared. Such an approach, while straightforward, fails to capture the full spectrum of support required to ensure every student has an equal opportunity to succeed.

To address this oversight, we propose a revision to the funding formula that more accurately reflects the diversity of our student population and their varied needs. Specifically, we recommend a model that incorporates additional weighting factors for traditionally underserved communities, including minority groups, low-income families, first-generation college students, and academically underprepared students. This adjusted formula would allocate resources more equitably, enabling targeted initiatives and investment in technology that directly address these students' specific barriers to success.

2. Cost Disparities between Institution Types:

The Nevada System of Higher Education (NSHE) encompasses a diverse array of institutions, including R1 universities, a state university, and community colleges, each with unique missions, operational demands, and resource requirements. Acknowledging and accommodating the cost differences inherent to these institution types is imperative to ensure equitable and effective allocation of state funding.

We propose conducting a comprehensive study aimed at analyzing these cost disparities in detail. This study should evaluate a range of factors that contribute to the operational costs of each institution, including but not limited to:

- **Average Faculty Salaries:** Reflecting the market demands and specialization levels required by different institution types.
- **Teaching Load:** Considering the balance between teaching responsibilities and research obligations, particularly at R1 universities where faculty often engage in extensive research activities.
- **Facility Age and Maintenance Costs:** Assessing the impact of infrastructure age on maintenance and upgrade needs, which can vary significantly across institutions.
- **Research Responsibilities:** Specifically recognizing the additional costs associated with supporting faculty research activities at R1 universities, including laboratory space, equipment, and research support services.
- **Operating Costs:** Including utilities, which can vary widely based on campus size, location, and energy efficiency of facilities.

Identifying and quantifying these cost differences is crucial for developing a funding model that accurately reflects each institution's mission, operational needs, and resource requirements. Such a model would ensure that state funding is allocated in a manner that provides adequate, mission-aligned support to each type of institution within the NSHE.

3. Adjusting Funding for Inflation:

The existing NSHE funding formula does not currently account for inflation, a gap that threatens the financial stability and academic excellence of these institutions. Without adjustments for inflation, the real value of state funding diminishes over time, jeopardizing our ability to provide high-quality education and research opportunities. Inflation particularly affects operational essentials, such as the maintenance of facilities and equipment, utilities, software licensing, library acquisitions, and general supplies and services.

To address this challenge, we recommend a revision to the funding formula that includes a mechanism for adjusting state allocations in line with inflation. Specifically, we recommend adopting the Higher Education Price Index (HEPI) as the benchmark for these adjustments. The HEPI is specifically designed to measure the inflation rate applicable to the higher education sector, making it a more accurate gauge than general consumer price indexes.

Incorporating HEPI into the funding model would ensure that state funding reflects the true cost increases faced by NSHE institutions. This approach aligns with the NSHE's existing policy of adjusting student registration and tuition fees according to HEPI, promoting a consistent and equitable strategy for managing inflation across multiple sources of funding.

4. Tailored Funding Models for Institution Types:

The current one-size-fits-all funding model within the NSHE does not effectively accommodate the diverse roles, missions, and needs of its institutions. This generalized approach overlooks the specific requirements of research-intensive universities, state colleges, and community colleges, each of which plays a unique role in our higher education ecosystem.

To rectify this, we propose the development of tailored funding models that more accurately reflect and support the distinctive missions of these institutions. Such models should account for and prioritize funding for:

- **Research Infrastructure:** Essential for R1 universities like the University of Nevada, Reno and UNLV, which are at the forefront of innovation and discovery.
- **Faculty Support:** Including competitive salaries to attract and retain top talent, as well as professional development resources.
- **Graduate Education:** Supporting graduate students through funding for stipends, housing, and support services is critical for research institutions, as these students are integral to research productivity and teaching..
- **Specialized Programs:** Recognition of programs that are unique or particularly strong within each institution, which may require additional resources to maintain their excellence.

The comprehensive cost study mentioned above would provide the critical data needed to inform the development of these differentiated funding models. By understanding the specific financial needs associated with each institution's mission and operational scope, resources can be allocated more effectively and equitably.

5. Strategies to Maintain Carnegie R1 Status:

Maintaining the prestigious Carnegie designation 'Research 1: Very High Spending and Doctorate Production' requires the University of Nevada, Reno, to demonstrate a significant commitment to research. This status not only highlights our extensive range of doctoral programs but also our substantial investment in research endeavors. To ensure UNR continues to excel in these areas, a recalibrated funding formula is essential—one that unequivocally prioritizes support for research funding and graduate education.

We recommend a funding model that methodically directs state resources based on several key indicators:

- **Total Research Funding:** This metric should reflect UNR's success in obtaining external research grants, underscoring our capability to attract significant research investments.
- **Total Research Expenditures:** By accounting for the breadth and depth of our research activities, this measure ensures resources are matched to the scale of our efforts.
- **Research Personnel:** Recognizing the value of our human capital, allocations should consider the number of faculty, postdoctoral researchers, graduate students, and other research staff who are pivotal to driving our research forward.

Moreover, the funding model must earmark specific allocations for the upkeep and advancement of our research infrastructure and equipment. This focused investment is vital not just for preserving our R1 status but also for catalyzing growth areas, such as our role as a regional hub for technology and innovation. For instance, enhancing our research capacity and personnel through state support will significantly strengthen initiatives like our bid for $75 million in federal funding to develop a technology and innovation hub.

The impact of this strategic investment transcends the university, delivering substantial benefits in terms of innovation, workforce development, and the creation of high-tech industries and jobs. By adjusting the funding formula to support these objectives, UNR will not only sustain its position as a leader in research excellence but also contribute more profoundly to Nevada's economic and social vitality.

6. Incentivizing Performance:

The current model, which necessitates earning back base-level funding, inadvertently positions essential funding as a recoverable rather than an earned additive benefit. This approach should be revised to promote additional funding opportunities that reward achievements and progress, thereby encouraging a culture of advancement rather than one of recovery.

In addition to the current metrics, we recommend the inclusion of metrics that reflect the goals of our institution:

- **Graduation Rates and First-Year Retention Rates:** These indicators will underscore our commitment to student success and persistence.
- **Research Funding per Faculty:** By measuring research grants and external funding attracted per faculty member, we highlight and incentivize research excellence and productivity.

- **Graduate Program Time to Degree:** Monitoring the average time to completion for graduate programs will ensure efficiency and support for graduate students' paths to degree attainment.

The additional performance-based funds should be strategically allocated to support a dual objective: expanding successful programs and seeding new initiatives in areas of strategic importance and identified need. Furthermore, a portion of these funds should be dedicated to providing incentive funding for faculty, postdoctoral researchers, and staff. For instance, establishing incentives for faculty who forge industry partnerships could serve as one model. Such incentives would not only reward current successes but also inspire continued excellence and innovation across all levels of the university.

7. Investment in Capital and Infrastructure:

There is an undeniable, critical need for substantial investment in capital and infrastructure at the University of Nevada, Reno, to address deferred maintenance and accommodate the increasing demand stemming from enrollment growth. A comprehensive study commissioned by the Nevada System of Higher Education (NSHE) in 2010, which examined buildings across all seven teaching institutions, revealed stark findings: the University of Nevada, Reno, required $55 million annually just to maintain its buildings in fair condition. When adjusted for inflation, this figure escalates to approximately $94.2 million per year, a calculation that does not even account for additional facilities due to enrollment growth.

Since 1985, the State of Nevada has allocated $15 million per biennium for deferred maintenance for all NSHE institutions, an amount that, when adjusted for inflation, equates to $26 million in today's dollars. Meanwhile, NSHE's enrollment has more than doubled since 1985, necessitating campus expansion to accommodate the increased demand for classroom and laboratory spaces.

To address these urgent needs, we recommend the establishment of a dedicated revenue source that not only keeps pace with enrollment growth but also adjusts with inflation rates. Specifically, we urge the committee to recommend to the Nevada Legislature the passage of legislation enabling the board of county commissioners in each county housing an NSHE institution to levy additional taxes. These funds would be dedicated to financing capital projects, deferred maintenance, and critical campus infrastructure enhancements, including technology infrastructure.

This approach is modeled after the successful implementation of Assembly Bill 46 during the 2013 Session of the State Legislature, which facilitated similar funding mechanisms for K-12 capital projects. As an example, a 1/8th percent increase in the sales tax in Washoe County is projected to generate approximately $14.6 million annually, using sales tax data from the Department of Taxation's Fiscal Year 2023 Annual Report. Such a measure would provide a sustainable and scalable funding solution to meet the pressing infrastructure challenges faced by the University of Nevada, Reno, thereby ensuring our ability to continue delivering high-quality education and research.

8. Funding for Fee Waivers:

At-risk populations often face significant barriers to accessing higher education, including financial constraints, lack of adequate support systems, and historical underrepresentation. Fee waivers are a critical tool in mitigating these barriers, enabling more equitable access to higher education by reducing the financial burden on students who are most in need.

However, while fee waivers serve as an essential mechanism for promoting inclusivity and diversity, their provision also necessitates a corresponding adjustment in the funding formula. This adjustment is vital to ensure that the waiver programs do not inadvertently compromise the quality or availability of essential student support services. Such services, including advising, mentorship, and counseling, are indispensable to the success of all students, particularly those from at-risk backgrounds who may benefit the most from these programs.

Currently, the University of Nevada, Reno offers fee waivers to several groups, including Native American students, families and members of the National Guard, Nevada foster youth, and students enrolled in concurrent or dual credit courses. To maintain and potentially expand these beneficial programs, it is recommended that the state's funding formula for the Nevada System of Higher Education include a weighted factor specifically designed to cover the costs associated with both current and future fee waiver programs.

Incorporating state funding equivalent to the fees waived would not only guarantee that the university remains financially capable of offering these waivers but also ensure that it continues to provide high-quality support services. Such an adjustment acknowledges the real costs of fostering an inclusive educational environment and reinforces the commitment to equity and success for all students.

9. Projected Student Growth:

The current funding model for the Nevada System of Higher Education relies on a biennial adjustment based on enrollment, measured every two years and applied retrospectively. Specifically, weighted student credit hours are evaluated every even year, comparing them to figures from the previous measurement year to determine funding for future periods based on enrollment growth or decline. However, this method introduces a lag in funding relative to actual enrollment growth. For instance, fiscal year 2024 serves as a measurement year, and its data will be used to adjust funding for fiscal years 2026 and 2027, creating a gap where institutions must preemptively cover the cost of instruction and support services.

This lag poses challenges, especially for institutions experiencing rapid enrollment growth, as it forces them to allocate resources in advance without immediate state support. Consequently, the institution's ability to sustain and enhance the quality of education and student services is compromised.
To address these challenges, we propose a shift to a forward-looking funding model, similar to K-12 and other state agencies, that anticipates student enrollment growth and adjusts funding accordingly in the same fiscal year the growth is projected. This approach would allow for immediate alignment of resources with needs, ensuring institutions are adequately equipped to handle enrollment increases without financial strain.

Moreover, to accommodate variations in actual versus projected enrollments, we recommend implementing an annual 'true-up' mechanism. This adjustment would correct for any discrepancies between projected and actual enrollment figures, ensuring that institutions are neither unduly penalized for overestimations nor unjustly rewarded for underperformance.

By adopting this revised funding formula, the state would not only provide a more responsive and equitable financial support system but also promote a more stable and predictable planning environment for higher education institutions. This proactive approach ensures that funding more accurately reflects current educational demands, enhancing the ability of institutions like the University of Nevada, Reno, to deliver high-quality education and support services.

10. Adequate State COLA Funding:

In the 2023 legislative session, a historic decision was made to implement cost-of-living adjustments (COLA) for state employees, including those within the Nevada System of Higher Education (NSHE). These adjustments, comprising a 12% increase for fiscal year 2024 and an 11% increase for fiscal year 2025, recognized the critical need to ensure that salaries kept pace with inflation and the rising cost of living. While these increases were both significant and well-deserved for NSHE's dedicated faculty and staff, the funding mechanism established by the Legislature, unfortunately, did not provide full coverage for these adjustments.

The Legislature's decision to allocate state funding based on each NSHE institution's proportionate share of state funding resulted in the University of Nevada, Reno, receiving only 60.53% of the necessary funds to cover these COLA increases. This shortfall has left the university facing a significant funding gap, necessitating difficult choices, including budget cuts and student fee increases, to manage the financial discrepancy.

To ensure that NSHE institutions can fully honor salary adjustments in the future without compromising their financial stability or shifting the burden onto students, we recommend the new model guaranteeing full state funding for any cost-of-living salary adjustments or other mandated salary increases. Such a change will not only uphold the Legislature's commitment to fairly compensating NSHE employees but also protect the financial integrity of institutions like the University of Nevada, Reno.

Implementing a funding formula that fully accommodates salary adjustments is essential for maintaining the quality of education and research that defines NSHE institutions. It ensures that our faculty and staff are adequately supported and that the institutions themselves remain competitive and attractive to top-tier talent.

Thank you for the opportunity to present our recommendations for revising the Nevada System of Higher Education (NSHE) funding formula. As we engage in this crucial dialogue, our goal is to collaborate closely with you, other members of the ad hoc Committee on Higher Education Funding, and the dedicated committee staff. Our collective vision is to refine the funding mechanism in a manner that not only meets the current needs of higher education in Nevada but also anticipates and supports its future growth and transformation.

NSU

NEVADA STATE UNIVERSITY

To: The Honorable James Hardesty, Chairman, Committee on Higher Education Funding
From: Dr. DeRionne Pollard, President, Nevada State University
Date: March 6, 2024
Subject: Response to Request for Higher Education Formula Recommendations

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Student Attributes

As indicated during the vendor presentation, Nevada has a weighted enrollment formula based on cost (completed student credit hours weighted by discipline level). Many of you indicated that each institution and its student population is unique. Should the committee consider an enrollment weighted formula based on student attributes? And if so, what specific student attributes would be most appropriate for your institution?

If you recommend inclusion of student attributes, your student attributes should be presented in the form of a data definition that could be used to identify student groups in the funding formula. For example, part-time students are defined as students that complete/enroll in less than 12 credit hours per semester. Also, provide recommendations for data sources, in addition to the data definitions.

The committee should consider a weighted enrollment formula based on student attributes in addition to student credit hours. The current formula effectively encourages enrollment in high demand areas and upper division courses through weighted student credit hours. However, adding weights from measurable student attributes, including Pell eligibility, dual/concurrent enrollment, first-generation, and inclusion in a racially marginalized group, would help ensure that funding is targeted at students who would benefit from it the most. Data on these attributes is currently collected (or could be collected) and reported/verified to NSHE Institutional Research or in IPEDS. In fact, two of these measures (Pell and Ethnicity) are already part of the performance pool. Our recommendation is to move those measures from the performance pool to formula funding with agreed upon weights. These attributes would need to be collected at a specific "snapshot" date by all institutions to ensure consistent reporting. Data definitions would need to be consistent across all institutions related to all attributes.

The formula should include full funding for all summer courses. This will allow all students – both full- and part-time – to have the opportunity to complete their educational goals faster. Graduates can then enter the workforce earlier. The overall funding/cost to the state per student would not significantly change; it would just be compressed into fewer years.

The budget formula should also incentivize degree attainment for institutions by factoring in the rate of increase of degrees produced. Initially, the formula should focus more heavily on promoting effective pathways to degree attainment, such as community colleges, dual credit, and transfer programs. As degree attainment increases, funding should shift towards institutions who have shown more success with producing degrees over time, with extra funding allocated for 4-year degree completion.

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Student Support Services

If you recommended that student support services be considered in the funding formula, how can the formula be adjusted to recognize the need for appropriate funding for student support services? How should the need for (or use of) student support services be measured so that such services can be appropriately considered in the funding distribution methodology?

The unique needs of Nevada State's students need to be better reflected in an updated funding formula. Our students tend to live in communities, such as North Las Vegas, that are geographically far from campus or attended high schools in historically disadvantaged areas. As such, geographic location (e.g., zip codes) and high school should be considered as part of the funding formula. Students unfamiliar with a college prep program and expectations need additional coaching and attention. Other factors that should be considered include student services utilization, work-study program participation, and full-time employment. Students working full-time supporting themselves or their families should be considered because these students require a different time schedule for services beyond the traditional 8:00 am-5:00 pm.

However, the funding formula should not base support services funding solely on the number of students utilizing that assistance as that would disproportionally benefit larger schools. For Nevada State, a small but growing school, the fixed cost to set up these services can be prohibitively expensive. As such, the funding formula must be flexible enough to factor in the needs of our expanding university.

Performance Pool

Provide your recommendations for revising the NSHE Performance Pool. If you recommend its elimination, please provide a detailed description of what should replace it. Further, if you recommend new metrics for the Performance Pool, please provide a data definition and source of data for each new metric.

The performance pool should be eliminated in its current form and redesigned to be a true "bonus" for performance and not a carve-out of the base budget if targets are not met. Targets should be revised and aligned with the NSHE goals, such as closing the achievement gap and producing degrees in areas of critical need for the state. For the former, this should include metrics for degrees conferred, transfer students, economic development degrees, and student enrollment to graduation rates based upon ethnicity. These metrics can be pulled and verified by NSHE Institutional Research and/or IPEDs. Targets should be reviewed with each biennial cycle to ensure that they are still appropriate for the institution and the State of Nevada and encourage self-competition, not with each other. Any unearned funds would remain with the state and would not be appropriated to the institution.

Another consideration would be providing a bonus for promoting diversity in high cost/in-demand fields. This might also be factored into the formula itself as part of the reward system for producing graduates in high demand areas.

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Innovation/Capacity Building

Provide your recommendations for capturing innovative and/or capacity building efforts - either in the funding formula or as a direct appropriation, similar to the capacity building projects previously approved by the state legislature. Any recommendations should include specific data definitions and data sources. The timing of data availability should also be a consideration and noted in any recommendations.

We should restore direct enhancement funding to NSHE institutions—and restore it to the 21 biennium enhancement funding. The enhancement requests for innovation/capacity building should be 4-5 year plans in sectors/areas of high demand workforce needs and/or areas designated by GOED as industry sectors for Nevada to grow in order to diversify the statewide economy. The funding should not be limited to programs that are short in nature; rather, it should have the flexibility to provide for all levels of academic degrees. The allows students the opportunities for advancement in the workforce and provides for a higher overall educated population in the state.

Tax Increment

UNR, please provide a detailed proposal for revenue sources to support infrastructure. The proposal should include recommended language for any statutory or similar revisions and revenue projections. If other institutions have similar recommendations intended to garner additional revenue for infrastructure, please submit them.

Support Higher Education via Modified Business Tax. Nevada is a growing state with low attainment in higher education and continued need for an educated workforce. Since employers benefit from an educated workforce, a percentage of the Modified Business Tax (MBT) revenue should be retained and redirected to enhance higher education funding. The MBT is currently assessed on all employers (other than financial institutions) subject to Unemployment Compensation in Nevada with gross wages above $50,000 in a calendar quarter. When first implemented in the 2003 special legislative session, the intention of the MBT was to be a temporary revenue generator, with a sunset planned for 2013. The MBT did not sunset and currently remains. The MBT is currently allocated to the State General Fund and is forecasted to have $742 Million in revenue for FY25. In the past, several reductions to the MBT have been discussed, per NRS 360.203. As recently as 7/1/23, the MBT was reduced by 1.17% because the amount collected in FY22 exceeded the forecast by the Economic Forum. Of note, the aforementioned paragraph only describes the MBT for general business. Financial institutions and mining also have separate similar excise taxes.

Note: The Modified Business Tax already tangentially supports education through its approval of the redirection of tax liability for support of the scholarship programs such as the Nevada Educational Choice Scholarship Program and 529 College Savings Plans.

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Any Other Recommendations

Please provide any other specific recommendations you may have to improve the NSHE funding formula.

(1) **Funding Caseload Growth.** Caseload growth should result in additional funding for institutions instead of triggering a redistribution.

(2) **Index Funding Formula to Higher Education Price Index.**

(3) **Review Weights of High Cost Programs Like Nursing**
If weights of high cost programs like nursing were higher, it may mitigate the need for high differential fees to continually increase, which decreases affordability and, in turn, deters students from taking that career path.

CSN

College of Southern Nevada-Funding Formula Recommendations
Ad Hoc Committee on Higher Education Funding
By Dr. Federico Zaragoza, President

Recommendation #1 – Nevada Move from Equality to Equity in Higher Education Funding Policy.

- Explicitly address economic inequalities.
- Ensure institutions that are under-resourced or serve students from low-income backgrounds have the financial resources they need.
- Explicitly address racial/ethnic inequalities.
- Ensure institutions serving students of color have the financial resources they need to overcome historic disparities.
- Maintain fidelity to equity goals. Ensure funds are linked to institutional actions that positively affect economic or racial/ethnic inequities.

The concepts of equity and equality in education are well rooted in American society. However, equality and equity are two very different ideas. From the lens of financial policy, Nevada has a funding formula that focus on equality, in that it treats its higher education institutionally equally, but not equitably. The funding model, as adopted, consists of two basic components – a base formula driven primarily by course completions, measured by Weighted Student Credit Hours (WSCH), and a performance pool driven by performance metrics that align with the goals of the State (NSHE, 2019). The Nevada higher education funding formula focus on "equal" outcome-based funding, but does not consider, nor does it provide resources to its higher education institutions to address the well documented special needs of "students from low-income backgrounds and students of color who are disproportionately enrolled in open-access institutions (community colleges)" (Hillman, et al. 2024, p.4).

CSN is an open access "community college". We welcome all students. At CSN, 73% of our students are part-time (fewer than 12 credits per semester), and we are a majority-Minority Serving Institution, and a Hispanic Serving Institution (HSI) with a diverse student body that includes 40% Hispanic, 10% African American, and 10% Asian students, reflecting the community we serve. Approximately, 70% of CSN students are minority students and many are from historically underserved low-income areas of the city. Many of our students are learning to be a part of a college-going culture; as a result, we know that our 30,000+ students require high-touch advising. We also know that they require assistance with student basic needs if we are to remove common barriers to success and completion: mental health counseling, transportation, food and housing security, and childcare. Additionally, small class sizes are a hallmark of community college success. The current formula, rewards course completers but does not provide resources to increase course completion rates for those students that require the most academic and related support.

Recommendation #2 – Allow for "input-driven formula supplementation that includes financial support for "headcount and student attributes" like, number of Pell-eligible students, underrepresented minority students, and type of program enrollments.

The committee should consider an enrollment weighted formula based on headcount and student attributes that account for individual student success variables including: "1.) discipline and 2.) student attributes. The WSCH approach to funding for "enrollment" based on discipline and the associated "cost" to deliver the instruction for that discipline is a good base. I would recommend that there be mechanism put into place for a biennial review of the weights associated with each discipline to ensure alignment is commensurate with instructional costs as well as to Nevada workforce development priorities.

The specific "student attributes" that would be most appropriate for the community colleges (CSN), would be the following:

- Student college readiness for mathematics
    - Metric and data definition: Percentage of FTIC students in fall and spring who are enrolled in co-requisite Mathematics
    - Data Source: NSHE Data Warehouse

- Student college readiness for English Composition
    - Metric and data definition: Percentage of FTIC students in fall and spring who are enrolled in co-requisite English
    - Data Source: NSHE Data Warehouse

- Student college readiness based on time since high school completion.
    - Metric and data definition: Percentage of FTIC students in fall and spring who are 25 years or older.
    - Data Source: NSHE Data Warehouse

- Student college readiness based on students are enrolled in non-credit adult basic education and/or HSE programs.
    - Metric and data definition: Number of students who enroll in and complete each year a non-college credit adult basic education and/or High School Equivalency Program
    - Data Source: Institution's Institutional Research

- Dual and Concurrent Enrollment Students (High school students enrolled in college courses while still in high school)
    - Metric and data definition: Unduplicated number of students who enroll in a dual credit or concurrent enrollment course offered through the community college in fall and spring.
    - Data Source: NSHE Data Warehouse

Recommendation #3 - Student Support Services – Allow for "input-driven formula supplementation to attain a 350-to-1 student-to-advisor ratio, consider <u>total headcount</u>. The formula is favors institutions with greater Full Time Equivalent populations, CSN has close to 70% part attending part time student that require comparable wrap around services as full time students. It would require twice as many part time students taking an average of six credits, to generate the same number of course completers as a single full-time student taking twelve credits.

Recommendation #4 - Increase WSCH in CTE programs that cost more to deliver than registration and fees collected – while CSN has implemented differential fees in some limited entry programs (i.e., nursing), increasing the WSCH multiplier across all CTE programs would bring the funding closer to cost of instructional delivery. Immediately increase CIP 51 Health Cluster to formula weight from 2 to 4. Currently, the only options for higher education institutions are to pass on the cost to students via differential fees or to subsidize programs from revenues of other instructional programs.

Recommendation #5– Include non-credit student course completers in funding formula by utilizing an approach like the state of Texas that aligns CEUs to Credit equivalency. The current formula does not account for non-credit courses. CSN serves approximately 10,000 non-credit students per year. With proper funding, CSN could increase enrollments and accelerate its non-credit program to high demand technical areas and convert more of the non-credit students to credit students.

R**ecommendation # 6 - NV should continue to have a "true" performance pool**. The performance pool should be ON TOP OF the base budget—not an "earn back." In other words, the base budget should be 100% formula driven based upon WSCH course completion and student attributes. The performance pool should incentivize institutions (carrot vs. stick) whereas there is an ADDITIONAL pool of monies associated with actual performance that is tied to metrics not too far from what is in the current funding formula for Nevada. The current Performance Pool is a misnomer – it is a carve-out – there is no incentive for performance. Also, it is set up with an expectation of increased enrollment growth rather than a consideration of continuous improvement – as an example, CSN has improved year over year in terms of percentage of students completing one or more credentials of value; yet, since the pandemic, enrollment has dropped significantly – fewer students have resulted in fewer awards, but the percentage of students earning awards has continued to increase. Under the current performance pool funding model, CSN will be penalized in this most recent window of time. If the legislature chooses to revise the performance pool funding structure, the legislature should consider funding that is not tied to an institution's base funding. Metrics to consider include based on percentage rather than raw numbers:

- Retention
- Persistence
- Completion/graduation
- Credit momentum.

R**ecommendation # 7 fund Summer School to accelerate time to completion**- One challenge that impacts credit momentum and completion is the legislature's funding fall and spring semesters ONLY – summer school is offered under a self-funded structure and falls to the students to cover the additional cost. There is little incentive for colleges to offer a robust, cyclical schedule in the summer that allows students to continue their course work year-round – in fact, CSN experiences a significant drop-off of fall-to-fall student enrollments (approx. 62% for FT and approx. 44% for PT).

R**ecommendation # 8 alignment of performance metrics to institutional performance. Some examples are provided below to be aligned with the mission of the Community Colleges in Nevada.**

- The two-year college mandatory measures include four major categories: ▪ Course completion ▪ Progression ▪ Credential completion ▪ At-risk students relative to enrollment At-risk students are considered a mandatory-compensatory category. Optional measures for two-year colleges include STEM credentials, high demand credentials, workforce training, transfer, adult credentials, minority credentials, and employment. (Source: Department of Higher Education performance funding website)

- Measures for two-year institutions: ▪ Degree and certificate completion ▪ Degree and certificate completion of "At Risk" students ▪ Transfer to a four-year institution ▪ Transfer to a community college ▪ Remedial and adult education advancement ▪ Momentum points ▪ Additional weight is provided for graduates who are low-income, adult, Hispanic, African American, majored in a STEM or health care field. (Source: Illinois - Public Act 97-320 Higher Education Performance Funding Steering Committee

- Metrics for two-year and four-year institutions include: ▪ Degree completion ▪ At-risk degree completion ▪ High impact degree completion ▪ Persistence ▪ Remediation success ▪ On-time graduation ▪ Institution selected measure (Source: Indiana - Indiana Commission for Higher Education performance funding website)

- Metrics for the community college formula include: ▪ Certificate completions ▪ Associate completions ▪ Transfers ▪ 30 credits achieved ▪ First full math and English courses completed ▪ Degrees and certificates per 100 FTE students ▪ Degrees and certificates awarded to Pell Grant recipients and in high demand fields are weighted more (Source: Massachusetts)

- Metrics for two-year institutions ▪ Three-year completion rate for first-time, full-time entering students (includes students who complete a certificate or degree of at least one year or longer, or successfully transfer to a 4-year institution). ▪ Percent of developmental students who successfully complete their last developmental English course then successfully complete their first college level English course. ▪ Percent of developmental students who successfully complete their last developmental math course then successfully complete their first college- level math course. ▪ Percent of career/technical graduates who pass required licensure/certification examination. (Source: Missouri - Missouri Department of Higher Education Performance Funding Model 2014 SB 492)

- Two-year colleges in Ohio are funded as follows: 50% course completions 25% Completion Milestones—defined as ▪ Associate degrees ▪ Certificates over 30 credit hours approved by the Board of Regents ▪ Students transferring to any four-year institution with at least 12 credit hours earned at that community college, state community college, or technical college 25% Success Points—defined as: ▪ Students earning their first 15 credit hours. ▪ Students earning their first 30 credit hours. ▪ Students earning at least one associate degree. ▪ Students completing their first developmental course. ▪ Students completing any developmental English in the previous year and attempting any college level English either in the remainder of the previous year on any term this year. ▪ Students completing any developmental Math in the previous year and attempting any college level Math either in the remainder of the previous year on any term this year. ▪ Students enrolling for the first time at a University System of Ohio campus or branch this year and have previously earned at least 15 college level credits at this community college. Additional weights are applied to students who are Pell Grant eligible, Native American, African American, or Hispanic, or are 25 years of age or older when they first enroll at a state institution of higher education. (Source: Ohio - main Ohio performance-based funding website Student Success Initiative 2014 HB 484)

- Community College Metrics ▪ Student accumulating: 12, 24, and 36 hours ▪ Dual enrolled students ▪ Associated degrees ▪ Graduates placed in jobs ▪ Remedial and development success ▪ Transfers out with 12 credit hours ▪ Workforce training (contact hours) ▪ Award per 100 FTEs (Source: Tennessee - 2010 Complete College Tennessee Act Tennessee Higher Education Commission Fiscal Affairs)

- For Community Colleges in Texas: Ten percent of formula funding is allocated based on points earned from a three-year average of student completion of the following metrics: ▪ Number of students who successfully complete developmental education in mathematics, reading, and writing ▪ Number of students who complete first college level course in mathematics, reading intensive, and writing intensive courses ▪ Number of students who successfully complete 15 credit hours ▪ Number of students who successfully complete 30 credit hours ▪ Number of students transferring to a General Academic Institution after successfully completing at least 15 semester credit hours ▪ Number of degrees and certificates awarded ◦ Additional points are awarded for degrees in STEM or Allied Health fields (Source: Texas - 2011 HB 9 2013 SB 1 – See Section 24 under Public Community/ Junior Colleges Student Success Points)

- ▪ Number of degrees and certificates awarded in high−demand fields ▪ Number of programs or courses with industry−validated curricula ▪ Transition of adult students from basic education to skills training ▪ Number of adults served by basic education courses, adult high school, or English language learning courses, courses that combine basic skills and occupational training as a means of expediting basic skills remediation, and the success rate of adults completing such courses ▪ Participation in dual enrollment programs ▪ Workforce training provided to businesses and individuals ▪ Participation in statewide or regional collaboration or efficiency initiatives ▪ Training or other services

provided to special populations or demographic groups that can be considered unique to the district (Source: Wisconsin - Funding site 2013 Wisconsin Act 20)

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GBC

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March 7, 2024

To: Chair Hardesty and ad hoc Committee on Higher Education Funding

Funding considerations for Great Basin College and recommendations to the funding formula.

Great Basin College (GBC) serves a diverse array of demographics across its expansive service area spanning 86,000 square miles. Quantifying the unique characteristics of each demographic group presents a challenge, making it impractical to accurately represent any single group effectively. Instead, we propose outlining key areas that would have the most significant impact on GBC with changes to the funding formula.

An area consistently affected by the current formula is our Part-Time student population:

- Part-Time students constitute approximately 68-71% of our overall student body.
- Despite this, our institution boasts a commendable graduation rate of 48%, indicating a high level of persistence among our Part-Time student cohort and effective retention efforts.
- It's worth noting that both Full-Time and Part-Time students require equivalent support resources.

Recommendation: we suggest incorporating a factor of 0.33-0.5 for each Part-Time student into the funding index, reflecting their substantial presence and the resources they necessitate.

By addressing the needs of our Part-Time student population through adjustments to the funding formula, we aim to ensure equitable support for all students and maintain our commitment to fostering academic success and retention across diverse demographic groups.

Small Institution Factor

The small institution factor has not been increased since 2013 and does not reflect the cost associate with running a small intuition. With the four campus locations throughout rural Nevada the increased cost of running multiple locations and the distance between each site is currently not reflected in the SIF. As a smaller institution we do not have the financial bandwidth to provide all required service to students but as a NSHE institution are required to. One way to measure this is looking at our part-time student that are part of the Fall 2023 headcount vs. the Fall WSCH as note below.

- Fall 2023 FTE: 1855
- Fall 2023 Headcount: 3049
- For each full-time student, we serve 2.1 part-time student.
- **Recommendations:**
    - **Option 1:** Add a second metric to calculation of the SIF that supports the high number of part time students.
    - **Option 2:** Adjust the $30/ WCHE for the annual CPI increase dating back to the year it was established.

Workforce Development

Workforce development is a cornerstone of our mission, as we understand the critical role that education plays in preparing individuals for success in today's rapidly evolving CTE job market. Whether students are pursuing a career in a technical field or seeking to further education in an academic discipline, GBC offers a wide range of programs and resources to help you achieve your goals.

- Equipment and Supplies: Many CTE programs require specialized equipment, tools, and materials to provide hands-on training. These can include machinery, computers, software, lab supplies, and safety gear. Purchasing and maintaining this equipment can be a significant expense for institutions.
- Facilities and Infrastructure: Some CTE programs may require dedicated facilities such as workshops, labs, or simulation centers. Renovating or constructing these facilities to meet industry standards can incur substantial costs.
- Faculty and Staff: Hiring qualified instructors with industry experience is essential for delivering high-quality CTE programs. Salaries, benefits, professional development, and ongoing training for faculty and staff contribute to the overall cost of program delivery.
- Certification and Accreditation: Obtaining program accreditation and industry certifications may require additional expenses, including application fees, assessment costs, and compliance with regulatory standards.
- Technology and Software: CTE programs often rely on technology and software applications relevant to specific industries. Investing in licenses, updates, and training for these tools is essential for keeping curriculum current and aligned with industry standards.
- Internships and Work-Based Learning: Providing opportunities for internships, apprenticeships, and work-based learning experiences may involve expenses related to coordination, supervision, and support services for students and employers.
- Marketing and Recruitment: Promoting CTE programs to prospective students and employers through marketing materials, outreach events, and recruitment efforts can incur costs associated with advertising, travel, and promotional materials.
- **Recommendation:** Create a Funding Multiplier 4.0 on based on WSCH in all CTE disciplines.

Year-Round Funding

During the summer 2023 GBC had 682 student that enrolled in college courses. The nursing

program is the only GBC program that is funded year-round.

Funding college summer school on par with traditional college semesters is important for several reasons:

- Accessibility: Many students rely on summer sessions to accelerate their academic progress, catch up on credits, or focus on challenging courses without the distraction of a full course load during the regular academic year. Funding summer school ensures that all students, regardless of financial status, have equitable access to these opportunities for academic advancement.
- Flexibility: Summer sessions provide flexibility for students to customize their academic schedules and pursue internships, work opportunities, or other summer activities. By funding summer school at the same level as traditional semesters, institutions can offer a wider range of courses and support services, allowing students to make the most of their summer break while staying on track towards their educational goals.
- Timely Graduation: For many students, taking courses during the summer can help them stay on track for timely graduation, reducing overall time to degree completion and potentially lowering overall educational costs. Funding summer school ensures that students have access to the courses they need to fulfill degree requirements and graduate on schedule.
- Academic Support: Summer sessions often provide additional academic support services, such as tutoring, advising, and mentoring, to help students succeed in their courses. By funding summer school at the same level as traditional semesters, institutions can maintain these valuable support services year-round, ensuring that students receive the assistance they need to excel academically.
- Revenue Generation: Funding summer school at the same level as traditional semesters can also be financially beneficial for institutions, as it allows them to generate additional revenue through tuition and fees. This revenue can be reinvested into academic programs, facilities, and student services, enhancing the overall quality of education and student experience.

Recommendation: Funding college summer classes like traditional college semester courses promotes accessibility, flexibility, timely graduation, academic support, and revenue generation, benefiting both students and institutions alike.

Performance Pool

- Remove the Performance Pool as a carve out and make it part of the base.
- Implement a 3-Year Rolling Average Funding model of the WSCH instead of a 2-year average. This will allow for any single year to create drastic financial impacts.

Separate Revenue Stream to Support Preferred Maintenance and Capital Improvement Projects

Establishing a separate revenue stream to support ongoing preferred maintenance and capital improvement projects is essential for ensuring the long-term sustainability and functionality of our institution's infrastructure. Here are several justifications for this approach:

- **Infrastructure Preservation:** Regular maintenance and capital improvement projects are necessary to address wear and tear, prevent deterioration, and extend the lifespan of our buildings, equipment, and utilities.
- **Cost Efficiency:** By allocating dedicated funds to ongoing maintenance and capital projects, we can address issues before they escalate, minimize disruptions to campus operations, and avoid costly emergency repairs.
- **Enhanced Safety and Security:** Maintaining a safe and secure campus environment is paramount to the well-being of our students, faculty, staff, and visitors. Investing in infrastructure improvements, such as upgrading fire safety systems, enhancing building security measures, and repairing structural deficiencies, ensures that our facilities meet regulatory standards and mitigate potential risks.
- **Preservation of Asset Value:** By proactively maintaining and upgrading our facilities, we protect and enhance their value over time, contributing to the overall financial health and reputation of the institution.
- **Improved Student Experience:** A well-maintained and modern campus enhances the overall student experience and contributes to student success.
- **Sustainability and Energy Efficiency**: By dedicating resources to sustainability-focused capital projects, we can minimize our carbon footprint, conserve natural resources, and demonstrate leadership in sustainability initiatives.

Recommendations: Establishing a separate revenue stream to support ongoing preferred maintenance and capital improvement projects is essential for ensuring the long-term viability, safety, and functionality of our institution's infrastructure. By prioritizing investment in infrastructure preservation, we demonstrate our commitment to providing a high-quality learning environment, enhancing campus safety and security, and positioning our institution for continued success in the future.

TMCC

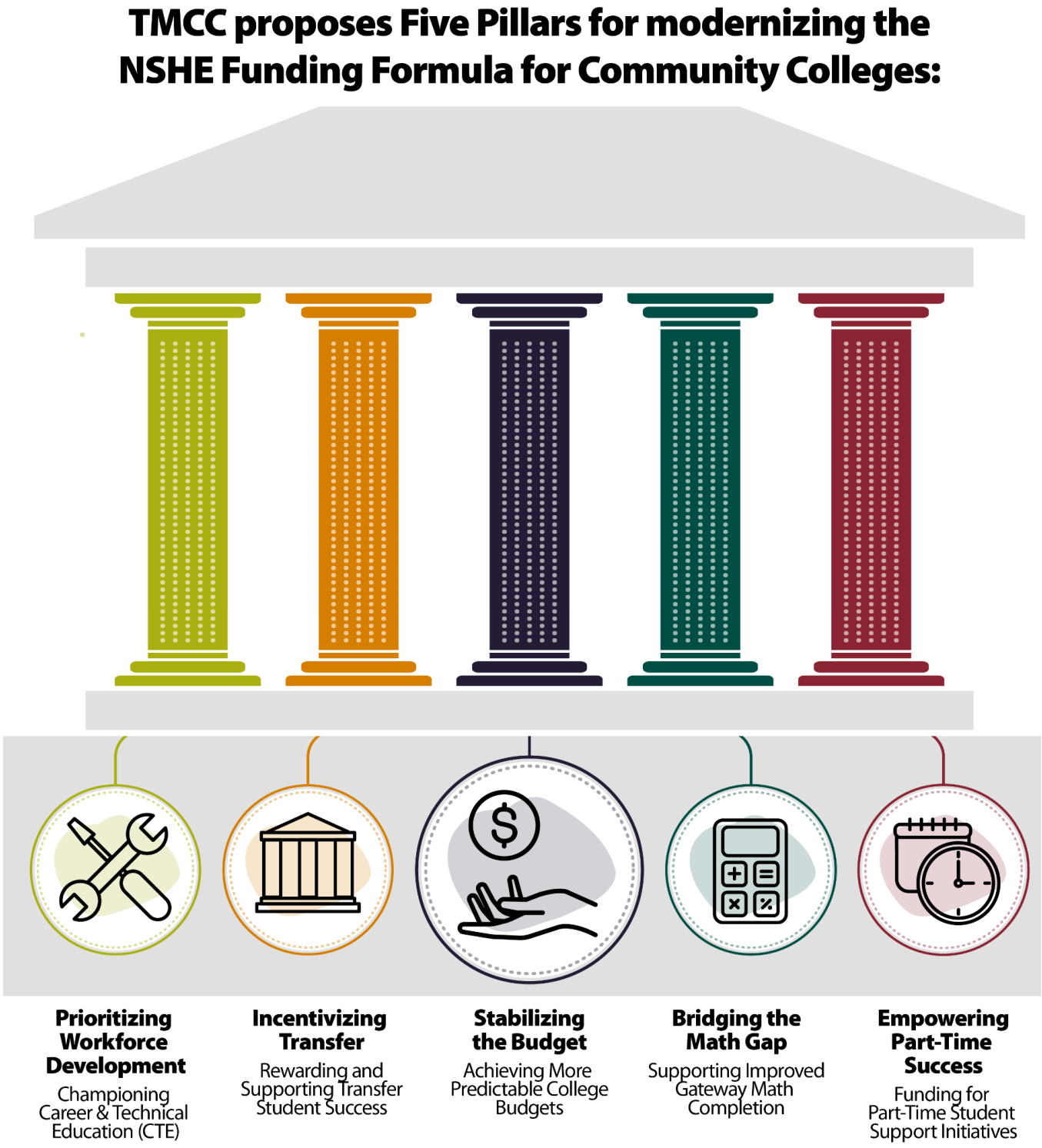
TMCC
Truckee Meadows Community College

NSHE Funding Formula Concept

FIVE PILLARS for Community College Funding

Truckee Meadows Community College

March, 2024



Pillar 1. Prioritizing Workforce Development: Championing Career & Technical Education (CTE)

Our nation faces critical skills gaps that hinder economic growth and individual opportunities. To address this challenge, this funding pillar prioritizes workforce development by championing Career & Technical Education (CTE) programs at NSHE colleges.

Funding Targets:

1. **4.0x Funding Multiplier:** Implement a funding multiplier of 4.0x on completed weighted student credit hours (WSCH) in all CTE disciplines, as CTE programs are considerably costlier to deliver than most General Education courses. This funding will enable NSHE colleges to better invest in CTE programs to attract qualified instructors, acquire vital equipment, expand course offerings, and support industry tours and work-based learning.
2. **Program Expansion:** The 4.0x funding multiplier will also enable colleges to develop and expand high-demand CTE programs that are aligned with local and regional workforce needs. This ensures that graduates possess the skills and knowledge eagerly sought by employers.
3. **Industry Collaboration:** Directly incentivizing industry apprenticeships through funding support for participating firms will strengthen partnerships between colleges and industry. This funding will cover employer costs for student registration in approved apprenticeship programs. Likewise, funding rewards for colleges that deliver completed internships will expand job placement opportunities for students and maximize their on-the-job learning opportunities.

Benefits:

- **Increased Graduate Employability:** CTE programs equip students with practical, in-demand skills and industry-recognized certifications, enhancing their job prospects and earning potential.
- **Reduced Skills Gap:** By increasing funding for CTE fields, colleges can more swiftly address the skills gap and better develop a qualified workforce to meet industry needs.
- **Economic Growth:** Expanding employers' ability to sponsor apprenticeships and to host student interns fosters work-based learning and more quickly develop skilled workers and graduates.

Summary:

Investing in CTE programs at NSHE colleges is a strategic approach to bridging the skills gap, preparing a future-ready workforce, and driving economic growth. Implementing a funding multiplier of 4.0x on completed WSCH in all CTE disciplines and directly incentivizing both apprenticeships and internships will boost the support for workforce development, benefiting students, employers, and our state as a whole.

Pillar 2. Incentivizing Transfer: Rewarding and Supporting Transfer Student Success

Encouraging seamless student transfer between two-year and four-year NSHE institutions is crucial for student success and strengthening our transfer pipeline. NSHE is fortunate to maintain robust transfer articulation agreements, but too few students matriculate or do so in a timely way. This funding pillar incentivizes the transfer of Associate degree graduates to NSHE universities.

Funding Targets:

1. **Transfer Scholarship:** Award a $2,500 transfer scholarship to each graduate from a two-year college who successfully transfers to a four-year NSHE university. This financial assistance will help to improve two-year college retention and completion, and alleviate the financial burden of obtaining a bachelor's degree.
2. **Institutional Support:** Allocate a shared $500 funding bridge to both the two- and four-year institution for every student who transfers successfully. This funding can be used to support initiatives such as enhanced recruitment efforts, dedicated transfer advisors, and streamlined transfer processes, ultimately facilitating a smoother transition for students.

Benefits:

- **Increased Associate Degree Completion:** The prospect of a transfer scholarship will help more Associate degree seekers to persist in their studies, retain to their final semester, and graduate.
- **Increased Transfer Rates:** The financial incentive of the scholarship and the additional institutional support can motivate more students to pursue four-year degrees, leading to higher transfer rates.
- **Improved Student Success:** The bridge funding for two- and four-year institutions will enhance the transfer student experience, leading to better academic outcomes and graduation rates.
- **Strengthened System Collaboration:** This funding pillar will foster and incentivize closer collaboration between two- and four-year institutions, promoting a more unified and efficient higher education landscape.

Summary:

By implementing this proposal, we can create a supportive environment that encourages and rewards successful transfers, ultimately benefiting students, institutions, and the state as a whole. This investment in our students' educational journeys will contribute to a more skilled and prepared workforce, driving economic growth and prosperity.

Pillar 3. Stabilizing the Budget: Achieving more Predictable College Budgets

Dramatic fluctuations in biennial state funding can create significant financial instability for colleges, hindering long-term planning, resource allocation, and overall institutional stability. This pillar supports a funding model that mitigates sharp swings in biennial state appropriations, promoting financial predictability and fostering long-term institutional stability.

Funding Targets:

- **3-Year Rolling Average Funding:** Allocate state funding based on a three-year rolling average of completed WSCH, thus smoothing out enrollment fluctuations and ensuring consistent funding levels. This will prevent sharp contractions in instructor ranks and enable program continuity.
- **Performance-Based Funding System:** Implement a performance-based funding system that rewards colleges for exceeding targets in areas like enrollment headcounts, apprenticeships, internships, job placement, student performance, and graduation rates.
- **Eliminate the Carve-Out:** The performance pool does not incentivize because it lacks the ability to fund performance above the 100% level.
- **Multi-Year Capital Project Funding Commitments:** Encourage multi-year funding commitments for special projects like capital construction, technology, and equipment needs, to give colleges greater financial certainty and enabling strategic planning for future initiatives.
- **Market-Driven Salaries:** Develop a responsive, market-driven salary structure to help NSHE colleges to attract and retain instructors in difficult-to-recruit areas like Nursing, Engineering, and Computer Programming.

Benefits:

- **Enhanced financial stability:** Predictable funding allows colleges to effectively manage temporary enrollment swings, invest in new programs, and sustain existing programs reliably.
- **Improved long-term planning:** Stable budgets enable colleges to develop and implement long-term strategic plans, fostering sustainable growth and program development.
- **Focus on academic excellence:** By minimizing financial uncertainty, colleges can concentrate on key academic priorities, such as improving student outcomes and overall institutional quality.

Summary:

Transitioning to a more predictable funding model is crucial for ensuring the long-term sustainability and success of colleges. This pillar supports a framework for achieving financial stability, enabling consistent delivery of workforce training and university transfer programs.

Pillar 4. Bridging the Math Gap: Supporting Improved Gateway Math Completion

Gateway Math (100-level) courses often serve as a major hurdle for students pursuing STEM fields and other quantitative disciplines. Low completion rates in these courses can hinder academic progress, cause students to drop out, and limit career opportunities. This pillar supports incentives for colleges to improve gateway Math completion rates through instructor development and student support initiatives.

Funding Targets:

- **Performance-Based Funding:** Allocate funding to colleges based on demonstrable improvement in gateway Math completion rates. This incentivizes colleges to develop and refine more effective strategies, including ongoing professional development for Math instructors. Increase the index weight by a factor of two.
- **Student Support Programs:** Offer funding for colleges to implement targeted support programs, such as:
    - **Supplemental instruction:** Provide additional tutoring and peer-learning opportunities for students struggling with Math concepts.
    - **Early intervention programs:** Identify at-risk students early and offer personalized support to address specific learning challenges.
    - **Math anxiety workshops:** Equip students with strategies to manage anxiety and build confidence in their math skills.
- **Data-driven decision-making:** Support colleges in collecting and analyzing data to track progress, identify areas for improvement, and refine their strategies over time.

Benefits:

By incentivizing colleges and providing them with resources to implement effective support programs, this program aims to achieve:

- **Increased gateway Math completion rates:** Improved student success in foundational Math courses opens doors to further STEM and quantitative studies.
- **Enhanced student confidence and motivation:** Targeted support programs to help students overcome challenges and build confidence in their Math abilities.
- **Reduced achievement gaps:** Providing additional support can help address equity concerns and ensure all students have the opportunity to succeed in Math.

Summary:

Investing in improved gateway Math completion rates is an investment in the future of STEM education and workforce development. This proposal offers a framework for collaboration between our legislature and NSHE institutions aimed at empowering students to achieve success and rewarding colleges that improve Math completion rates.

Pillar 5. Empowering Part-Time Success: Funding Proposal for Part-Time Student Support Initiatives

Part-time students represent a significant and growing demographic in higher education, and they often face more challenges than do full-time students -- chiefly added work and family obligations. However, these unique needs are often overlooked and under-supported, which leads to lower completion rates. This funding pillar aims to build a more comprehensive support system specifically designed for part-time students, enhancing their academic success and overall well-being.

Funding Targets:

- **Dedicated Advising:** Establish designated advisors specializing in the complexities of part-time student schedules, needs, and career goals. These advisors will provide personalized guidance on course selection, academic progress, and graduation planning, ensuring students stay on track. For each part time student add a factor of 0.33-.5 for the index.
- **Enhanced Counseling Services:** Offer expanded counseling hours and flexible appointment options to cater to part-time students' busy schedules. This will address challenges like time management, financial stress, and balancing work and school.
- **Targeted Support Groups:** Create support groups specifically for part-time students, such as Veterans or student-parents, to foster a sense of community and belonging. These groups can share experiences, offer peer-to-peer advice, and navigate common challenges together.
- **Flexible Learning Resources:** Develop targeted online and hybrid learning options to accommodate diverse schedules and working hours. This provides greater accessibility to educational materials and reduces time constraints faced by part-time students.
- **Financial Aid Assistance:** Offer workshops and individual consultations to help part-time students navigate financial aid options and maximize available resources. This can alleviate financial pressure and ensure access to necessary support.

Benefits:

Through these strategies, colleges can create a more inclusive and supportive environment for part-time students, leading to:

- **Increased graduation rates:** Improved academic support will equip students with the tools and resources needed to succeed.
- **Enhanced student satisfaction:** Addressing unique part-time student needs will foster a sense of belonging and improve overall student experience.
- **Strengthened institutional reputation:** Demonstrating commitment to part-time student success will attract a wider range of learners and enhance the college's reputation for active support.

Summary:

Investing in comprehensive support for part-time students is not just a workforce imperative, but also a strategic investment in the future of higher education. This pillar seeks to strengthen our support systems to aid part-time students and empower them to achieve their academic and career goals.

WNC

Western Nevada College

March 6, 2024

To: The Honorable James Hardesty
Chair, ad hoc Committee on Higher Education Funding
Nevada System of Higher Education

From: Dr. J. Kyle Dalpe
President
Western Nevada College

Per request, please find information and recommendations from Western Nevada College regarding the higher education funding formula research and discussion.

As indicated during the vendor presentation, Nevada has a weighted enrollment formula based on cost (completed student credit hours weighted by discipline level). Many of you indicated that each institution and its student population is unique. Should the committee consider an enrollment weighted formula based on student attributes? And if so, what specific student attributes would be most appropriate for your institution?

Mission Specific Funding

In light of the diverse missions and varied nature of higher education institutions, it's imperative to tailor funding formulas to address the specific needs of each type of institution. The current formula does not do this completely. Although there are some "carve outs" specific to institutional types - like the research carve out for universities - there are none specific to community college. To accommodate the specific needs of a community college like WNC, adjustments must be made to funding formulas to better align with the distinct elements inherent to community college missions and incorporate them into the funding criteria. This adjustment would involve revising the weighting or dollar amounts assigned to community colleges within the funding formula to accurately reflect their mission-specific requirements, or having a separate formula for community colleges.

Specific to the question "Should the committee consider an enrollment weighted formula based on student attributes?" the answer is yes. Because of the unique missions as presented by the presidents and the nature of higher education "institutional tiers," the formula should address the needs of each type (currently research, which is specific to universities for the most part, has a carve out for this mission element). More specifically, the formula should consider mission specific elements for community college.

Key factors to consider related to the community college mission and its students:

- Part-Time Students (enrolled in less than 12 credits per semester): Acknowledge the higher percentage of part-time students enrolled in community colleges (75% at WNC) and provide adequate funding to support their needs collegewide. Part-time students bring less revenue due to reduced course loads, but have the ability to access services at the same rate as full-time students.

    - Data source: Number of full- and part-time students enrolled
        - Here is a sample of enrollment levels for WNC students (fall 2023):
            - 0.5 - 5.9 Credits = 1690 students
            - 6-8.9 Credits = 723 students
            - 9-11.9 Credits = 502 students
            - 12-14.9 Credits = 756 Students
            - 15+ Credits = 568 Students

- Support Services: Ensure sufficient funding for essential student services and wrap-around programs that contribute to student success for all students (see above part-time student discussion as well).

- Entry Levels: Recognize the diverse entry points for students entering community colleges and college.

- Remedial Support: Ensure the remedial needs of students are addressed by allocating resources to support remedial education programs as community colleges do not have selective admission .

Student Support Services – If you recommended that student support services be considered in the funding formula, how can the formula be adjusted to recognize the need for appropriate funding for student support services? How should the need for (or use of) student support services be measured so that such services can be appropriately considered in the funding distribution methodology?

<u>Student Services Carveout</u>
Similar to the previous questions, part-time students can/may access student support services at the same rate as full-time students. However, these students are enrolled in less than 12 credits, meaning overall there is less revenue to help support services. Again, the economy of scale works against a community college but this is a community

college's mission. Former versions of the funding formula in Nevada contained an appropriation for student services per a determined headcount.

An option would be to provide funding per student in 1,000 student headcount increments using the IPEDS official enrollment data.

Performance Pool – Provide your recommendations for revising the NSHE Performance Pool. If you recommend its elimination, please provide a detailed description of what should replace it. Further, if you recommend new metrics for the Performance Pool, please provide a data definition and source of data for each new metric.

Eliminate the current "Performance Pool"
The current performance pool structure should be eliminated with the current funding being added to the base allocation. The current Performance Pool is an "earn twice" model and only offers incentive to get to 100% to ensure all state funding is achieved and 20% is not held back. For WNC, this represents about 14% of the state allocation. If this amount were held back any given year for not meeting the performance pool metrics, WNC would lose significant funding and likely not recover.

Going forward, there could be a true Performance Pool that includes metrics that align with the state's master plan to reward institutions that award credentials in career and technical programs that meet industry needs at the time, for example. So if 10% more credentials are awarded, an institution would get 10% more of a defined amount. Another option would be to provide a metric that supports closing the achievement gap such as enrollment and completion by underrepresented populations.

- Data source: defined NSHE performance drivers that match NSHE and State of Nevada master plans; student demographic information

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Innovation/Capacity Building – Provide your recommendations for capturing innovative and/or capacity building efforts - either in the funding formula or as a direct appropriation, similar to the capacity building projects previously approved by the state legislature. Any recommendations should include specific data definitions and data sources. The timing of data availability should also be a consideration and noted in any recommendations.

Small Institution Factor (SIF)
Continue the Small Institution Factor to support capacity building across the state's 15

rural counties. Use one or both of the following structures, in preference order:

- Develop a small institution factor that is based on headcount, not WSCH. The number of students served is a better indicator of an institution's size, not the credits enrolled by any amount of students.
    - Data source: headcount
- The SIF recognizes that all institutions require a certain administrative structure to operate. Using the current SIF in the formula funding process, WNC requests that the minimum threshold be increased to 150,000 WSCH. WNC is projected to be at about 105,000 WSCH for the FY2024 academic year, yet is still very much a small institution. In addition, the dollar amount per credit hour for this adjustment, currently at $30, should be increased from its 2013 value using inflationary or similar adjustments.
    - Data source: WSCH

<u>Summer School Funding</u>
Develop funding for Summer and Non Credit classes to maximize college operations to match 365/24/7 workforce needs. Currently, college's must ensure classes "pencil out" using registration fees only, resulting in a very minimal set of class offerings in the summer. To note, nursing and education classes are currently funded in the summer, demonstrating that there is a mechanism in place to accommodate this structure. By offering a robust summer schedule, students can keep their studies going and complete in a shorter time.

- Data source: number of WSCH of instruction during a defined summer term. For WNC, this would be approximately 2921 WSCH and $487,807

Any other recommendations – Please provide any other specific recommendations you may have to improve the NSHE funding formula.

<u>Funding for Withdrawals</u>
Currently, institutions are not funded for Withdrawals (Ws), which often happen toward the end of the semester. Students who opt for a W have still taken up a seat and used college resources for the semester, yet the institution gets no state funding. Due to the part-time nature of community college students, these institutions feel this impact more than other institutional types. The solution is to fund colleges for W grades.

- Data source: Number of WSCH in which a W is selected by the student.
- For example, 4% of all grades were Ws in the 2023-2024 academic year at WNC. This represents 3,236 WSC equalling $540,412.

Caseload Funding

Fund ALL higher education based on caseload rather than dividing a predetermined allocation amount by the caseload. This practice will fund higher education at an appropriate level.

- Data source: WSCH amount (if WSCH is to be continued) that is derived from institutional derived cost of instruction/services that adjusts with inflation.

Also, consider allocating funds for enrollment, in particular growth, in the semester in which that growth is attained to support immediate operational needs.

- Data source: College enrollment at end of semester

Fee Waivers

Support Fee Waivers/Dual Enrollment with a separate appropriation. Current, WNC is subsidizing $242,500 in waiver programs and $1,148,000 in dual enrollment program discounts in FY23 alone.

- Data source: Number of waivers by institution and the loss of registration fees associated with those waivers.
    - Fee waivers = credits waived x registration fee for institution

APPENDIX E

Assessment and Recommendations for the Nevada System of Higher Education Funding Formula, HCM Strategists

Assessment of and Recommendations for the
Nevada System of Higher Education Funding Formula

Report Contents

Section 1. Overview

In 2023, the Nevada System of Higher Education (NSHE) established the Ad Hoc Committee on Higher Education Funding (the committee). The committee was charged with evaluating the existing NSHE funding model and making recommendations for its improvement, with consideration of state goals and the diverse missions of various institutions. To support this endeavor, NSHE issued an RFP seeking expertise to assist the committee in exploring and advising on potential higher education funding formulas.

NSHE contracted with HCM Strategists (HCM) to support the committee's review of Nevada's funding formula. Specifically, HCM was tasked with:

- **Evaluating Funding Models**: Assessing higher education funding models used in other states to support institutions similar to those within NSHE and comparing those models to Nevada's current funding model.
- **Appropriateness of Other Methods**: Determining whether alternative funding allocation methods would be suitable for NSHE, considering the distinct missions of research universities, state universities, and community colleges.
- **Reviewing Reporting Methods**: Analyzing the methods used by other states for reporting and utilizing revenue and expenses outside of state-supported operating budgets.

HCM's approach and findings across these three areas are detailed throughout this report. Our work included significant input from stakeholders and feedback from committee members. The result of our efforts was a set of recommendations, which we continued to refine and

develop for the committee's consideration. This report outlines our analysis and recommendations, recognizing that not all were adopted by the committee.

Section 2. Conceptual Frameworks for Evaluating Funding Models

Regular review of funding models is an essential practice in the landscape of postsecondary educational policy. These reviews are critical for several reasons. First, they help ensure continued alignment with state priorities and objectives, which can evolve over time. By regularly assessing the funding model, policymakers can make necessary adjustments to maintain this alignment.

Additionally, these reviews provide an opportunity to identify and address unintended consequences that may have arisen since the last review. For example, certain aspects of the funding model might inadvertently disadvantage specific institutions or student populations. Regular reviews allow for the timely correction of these issues, ensuring that the funding model remains fair and effective.

It is also important to ensure that the funding model supports the varied needs of both students and institutions. Different institutions may serve different student demographics and have unique challenges and opportunities. A well-designed funding model should account for this diversity and provide adequate support where it is needed most.

While there is no universal standard for how frequently formula reviews should be conducted, most states have established a cycle of every 3-5 years. This interval strikes a balance between stability and responsiveness, allowing enough time for the impacts of previous adjustments to become clear while also ensuring that the model remains current and effective.

Importantly, comprehensive reviews should actively engage a diverse range of stakeholders. This includes representatives from institutions, state higher education leaders, and other policymakers. Engaging stakeholders ensures that multiple perspectives are considered, which can lead to more robust and broadly supported outcomes.

Finally, when conducting these reviews, it is important to consider how any changes to the funding model will impact the resource distribution across institutions. This is not a reason to avoid making changes to a funding model that enhance alignment to policy priorities. Rather, it is to understand the implications of changes and ways to phase in the impacts over time.

Principles of a strong postsecondary finance system

Ensuring higher education funding models align with state priorities and objectives is essential for the effective allocation of resources. HCM's work on postsecondary finance over the past 15 years has informed a set of core principles for creating a strong postsecondary finance system.

The first two principles are more broadly about articulating a vision for higher education that can guide the priorities and state role for funding higher education. These include:

- ***A funding system that is aligned to state goals and priorities.*** States often use their attainment goal and strategic priorities as a critical anchor for assessing, developing, and implementing funding models. Because these needs can shift over time, states also build in consistent reviews to ensure and strengthen alignment.
- ***A funding system that has defined an adequate level of resources required to deliver quality education.*** A few states have recently undertaken to determine sufficient or adequate spending levels to achieve desired outcomes and to articulate the state's role in funding, with consideration of other resources and their underlying incentives. These efforts are grounded in research that shows a clear connection between the level of resources invested and student outcomes. Specifically, research has consistently shown that increased funding in higher education is associated with higher graduation rates and degree attainment. Additionally, increased funding has a particularly significant impact on underrepresented student populations and under-resourced institutions. Increased investments to institutions such as community colleges and minority-serving institutions (MSIs) enhance their capacity to serve students effectively as they have increased ability to expand academic programs and increase student support services. Because these institutions typically enroll higher numbers of underserved student populations, such as low-income students, students of color, and first-generation students, increased investments are shown to lead to higher enrollment and completion rates among these student populations.

The second set of principles are centered on components of a funding formula that can be used to inform the level and/or allocation of state funding for higher education. While best if grounded in the first two principles, they can be implemented separately.

- ***A funding system that includes a minimum level of funding to support fixed costs.*** Examples include a guaranteed minimum amount to support operations and maintenance (O&M) or adjustments for the size of school.
- ***A funding system that is responsive to changes in the system on both enrollments and outcomes.*** Examples include funding based on a combination of enrollments and outcomes. Increasingly, states are shifting from FTE-only calculations of

enrollment to also including headcount.

- ***A funding system that aligns with the state's current needs for a more educated and trained workforce.*** Several states with outcomes-based funding (OBF) models have priority for specific in-demand degrees or certificates. Data can be a limiting factor for more direct workforce metrics.
- ***A funding system that accounts for differing student needs.*** Typically this feature is found in states with OBF models, where priority is given to outcomes achieved by priority populations such as adults, low-income, or underrepresented minority students. States are increasingly integrating this principle into adequacy and enrollment components.

While not all states are in a position to do a comprehensive review of how they fund higher education, these principles can provide a framework for assessing current practices and highlighting where there may be gaps between how a state funds their postsecondary institutions and state goals.

Recent trends

Higher education funding continues to evolve as states respond to changing priorities, integrate lessons from policy and research, and strategically allocate limited state resources. Recent trends in funding formula reviews and developments reflect these dynamic changes.

First, some states are discussing the concept of adequacy—determining the basic level of resources required to achieve desired outcomes. Second, there is a growing effort to address student outcome gaps by incorporating or enhancing equity provisions in funding formulas. These provisions account for existing disparities in outcomes and the varying costs required to achieve desired outcomes for different populations or programs, thereby ensuring a fairer distribution of resources.

These two concepts—adequacy and equity—are interrelated. States recognize the necessity of providing sufficient resources in exchange for accountability in outcomes. As Baker & Levin (2022) noted, "Colleges that serve a less advantaged student population often have fewer institutional resources to achieve the outcomes for which additional funding is awarded." This underscores the need for targeted funding to support institutions serving underrepresented populations.

Additionally, states are increasingly emphasizing value in their resource allocation to institutions. This often involves prioritizing funding for programs with high workforce demand

or those that offer significant economic value. OBF models, which prioritize the completion of valuable credentials, are becoming more prevalent.

Adjustments to funding formulas increasingly reflect student needs, including modifications to minimum "base" funding, weighted enrollment funding, and outcomes adjusted for student characteristics. Several states also provide supplementary funding for mission-specific aspects, such as medical schools and research initiatives, as well as for operations and maintenance (O&M) to cover the costs of maintaining facilities and fixed institutional expenses.

The following table summarizes the various funding approaches with some reflection on the pros and cons of each. It is important to note that there is no neutral funding policy for a state to fall back on; each approach creates certain incentives around which institutions respond.

Funding Approach	**Description**	**Pros**	**Cons**
Base+	Allocation is an increase over the prior year's funding level; this increase may be based on estimates of increased costs, state or institutional priorities, or an across-the-board adjustment. Many states that use enrollment or outcomes-based funding do so on top of a base funding amount tied to prior year's allocation.	Provides stability in funding for colleges from year-to-year.	May not be responsive to shifts in enrollment. Increases may be related to political influence rather than student needs or outcomes. Protecting a large portion of prior years' appropriations carries forward any historical inequities in funding, which have disproportionately harmed students of color and low-income students.
Enrollment	Allocation is based on the number of students at each college, typically grounded in each school's share of the total enrollment. Most enrollment formulas use FTE rather than headcount. Some only consider certain populations, such as in-	Directs resources to where the students are. Recognizes the marginal cost associated with educating an additional student.	Schools that experience drops in enrollment cannot always reduce fixed and "sticky" costs quickly enough to weather the reduced state funding. The incentives of an enrollment model encourage schools to enroll as many students as feasible, without regard to

	state students.		their success. Funding based on FTE can disadvantage schools with large part-time populations, whose use of some services (e.g., advising, financial aid office) is likely to be the same as full-time students.
Weighted Enrollment	Allocation is based on the number of students, but with additional weights assigned to students with certain characteristics (e.g., low-income, adult) or enrolled in certain programs, disciplines, or levels (CTE, health, graduate).	Incentivizes colleges to enroll priority populations and provides the additional resources needed to help them succeed. Weights for certain courses accounts for programs that historically have cost more to deliver.	The drawbacks to weighted enrollment are the same as a pure enrollment-driven formula: it can create fiscal challenges for schools with sudden enrollment drops and does not incentivize colleges to help students persist and complete.
Outcomes-Based Funding - Progression and Completion Metrics	Allocation is based on a school's performance on a set of metrics. Common student-centered metrics include completion of credit milestones, gateway course completion, transfer, and degree completion.	OBF aligns state investment with state priorities. Research suggests mixed impacts, including modest negative and positive impacts on progression, credential attainment and equity. Research is more consistent regarding realignment of college practices and policies emphasizing student retention and completion, as well as their capacity to increase equity as policies continue to be	If the metrics are not designed properly, OBF can create incentives for colleges to reduce access for students who are less likely to succeed. Institutions also need an adequate level of funding in order to achieve success on the metrics, which not all may have.

		refined.	
Outcomes-Based Funding - Workforce Metrics	Examples of workforce and post-college metrics include job placement, degrees completed in specific fields, certifications, and wages of graduates.	Students and taxpayers are seeking return on their investment, which comes most clearly in the form of a good-paying job for graduates. Workforce metrics encourage colleges to focus not just on getting students through to completion, but on ensuring they have the training necessary to be successful in their careers.	Students' workforce outcomes are subject to many additional factors than what a school can influence. Some schools and states lack access to high-quality and reliable data to use for these metrics.

Outcomes-Based Funding: A Closer Look

Outcome-Based Funding (OBF) is a widely adopted component of state funding for postsecondary education, aligning operating funds with state goals such as overall attainment, student success measures, and target populations. States have developed and refined OBF models in response to varying circumstances and objectives. State funding systems vary significantly in design, focus, and sophistication.

HCM has developed a typology for Outcomes-Based Funding, ranging from Type I (Rudimentary) to Type IV (Advanced):

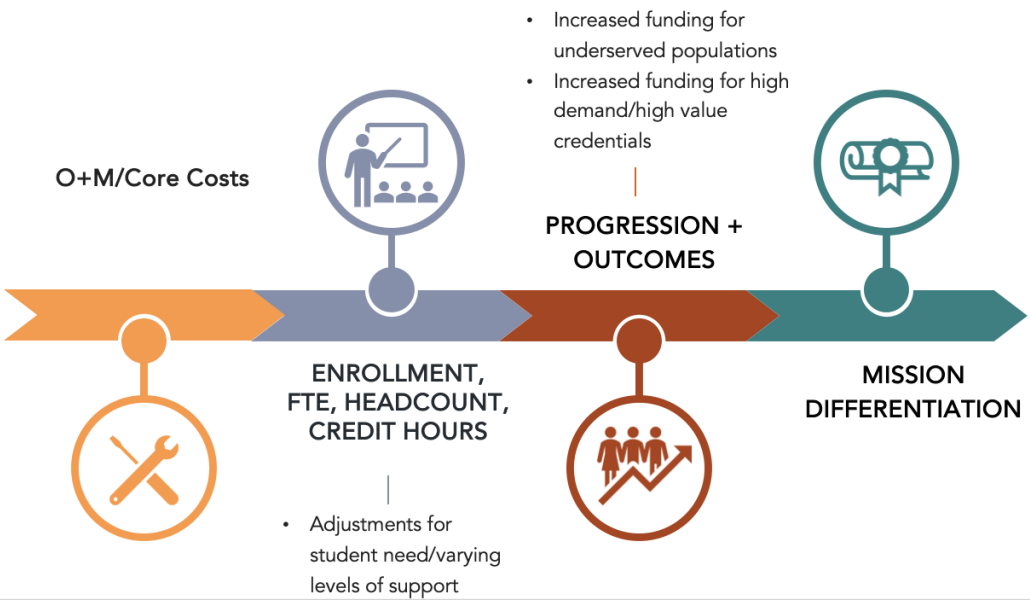
- **Type I Systems:** These are basic, often pilot efforts with minimal funding. They typically lack a focus on increasing success among underserved populations and weakly link finance policy with completion and attainment goals.
- **Type II and III Systems:** These represent increasing levels of development and adherence to promising practices, progressively incorporating more sophisticated mechanisms for linking funding to outcomes and supporting underserved populations.
- **Type IV Systems:** The most advanced, Type IV systems exhibit strong alignment

between state completion and attainment goals and finance policy. Key features include:

- Alignment with completion/attainment goals and related priorities.
- Recurring base funding with significant state investment (25% or greater).
- Differentiation by institutional mission.
- Inclusion of total degree/credential completion metrics.
- Prioritization of outcomes for underrepresented students.
- Formula-driven incentives for continuous improvement.
- Sustainability over multiple fiscal years.

Balanced Approach: A Best Practice and a Growing Trend

As states navigate the various tradeoffs of different funding approaches, they are increasingly embracing a more balanced approach that combines different allocation models. These more comprehensive funding allocation models can help overcome some of the shortcomings of each individual approach, foster a more effective funding strategy, provide more equitable support and align to various state goals.



Some key components of this balanced approach include:

- **O&M/Core Costs:** Reflects state support for the core operational costs of an institution, ensuring stability and the ability to maintain essential services and infrastructure.
- **Enrollment:** Often a combination of FTE, headcount, and/or credit hours with adjustments for student characteristics. This accounts for the additional supports provided to students from underserved backgrounds, ensuring that funding reflects the diverse needs of the student population.
- **Student Progression and Outcomes:** Aligns with state needs for increased completion and attainment rates. This component includes adjustments or increased funding for the success of underserved populations and prioritizes completion in areas of high demand and value to the state, promoting workforce readiness and economic development.
- **Mission Differentiation:** Often embedded within other components rather than being separate, this reflects the unique missions of different institutions. For example, research universities, community colleges, and technical schools may receive differentiated funding to support their specific roles and contributions to the state's educational landscape.

By adopting a balanced funding approach that integrates these key components, states can create a more equitable and effective system that meets diverse student needs and supports institutional missions while achieving broader state educational and workforce objectives.

Section 3. Analyzing Other States

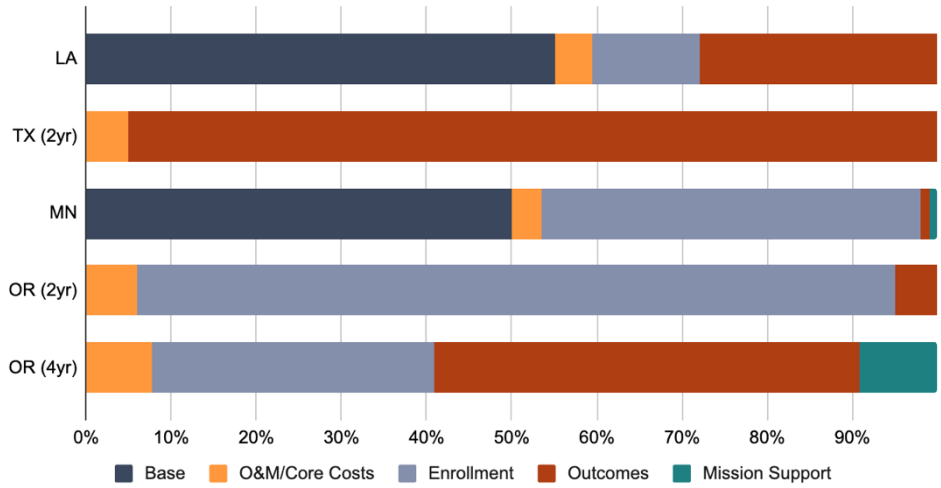
Most states use more than one approach in their funding formulas. Protecting or guaranteeing some base level of funding from the prior year appropriation is found more often than any other funding approach. An enrollment-based formula is very common within the two-year sector, with 70% of systems factoring it into their allocation. Only 40% of four-year systems have a formula component based on enrollment. Approximately 30% of systems are using some form of an OBF model.[1]

The following table illustrates examples of the way multiple components can come together in a state's funding formula. The table indicates the formula components used and examples of the metrics within each component. The graph below the table illustrates the share of funding

[1] Lingo et al., 2021. "The Landscape of State Funding Formulas for Public College and Universities," InformEd States, https://static1.squarespace.com/static/5d9f9fae6a122515ee074363/t/61bbb8eebd907c6e6accdb51/1639692527480/ISPaper_TheLandscapeofStateFundingFormulasforPublicColleges.pdf.

that is allocated by each component. These shares vary widely across states. There is no optimal mix of these shares; they are often the result of negotiations, historical practice, and state priorities.

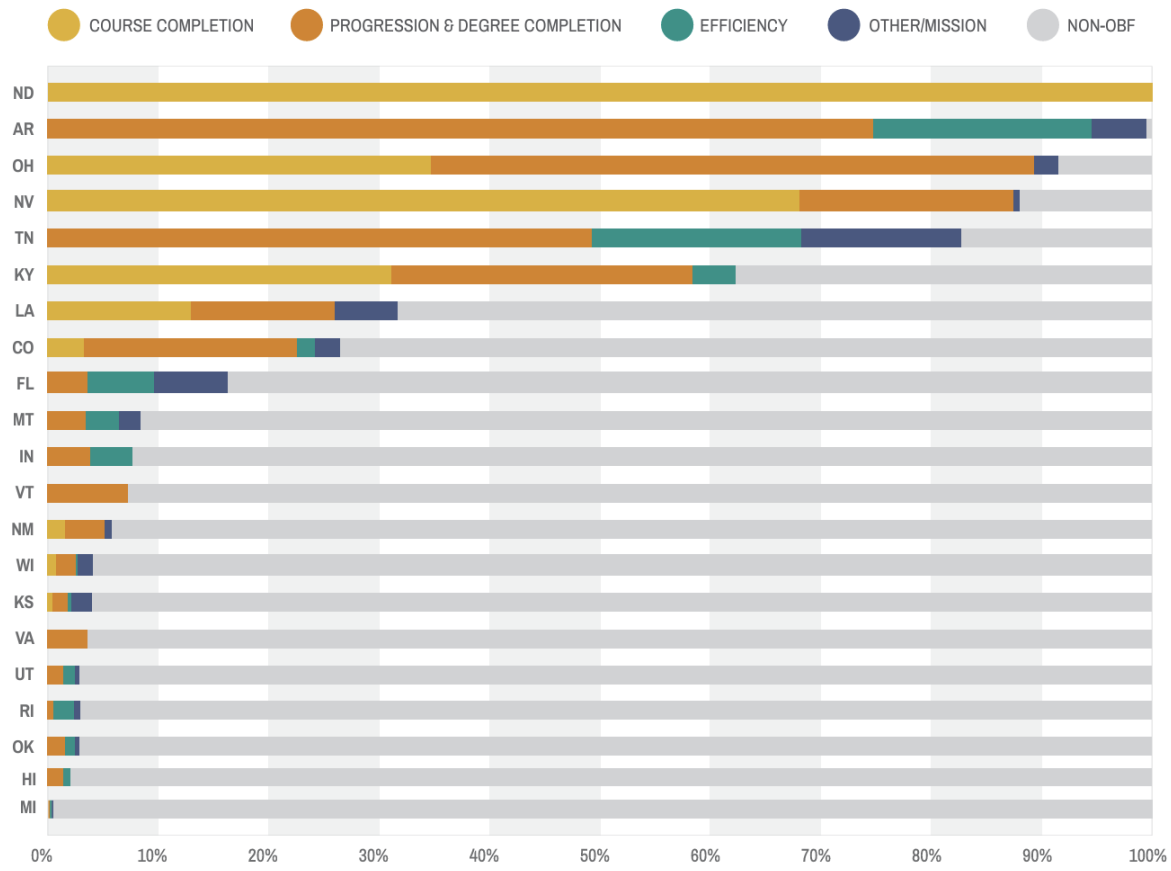
State	Base	O&M/ Core Costs	Enroll-ment	Weighted Enrollment - Cost	Weighted Enrollment - Student	Outcomes	Weighted Outcomes
LA ***Both sectors***	✓	✓ (Sq.ft for instruction & research)	✓ (Credit hours)	✓ (Credit hour + discipline weights)	✓ (Institutions with higher than average URM enrollment)	✓ (Progression, completion, and workforce)	✓ (Adult, Pell, URM)
TX ***2-year***		✓ (Basic allotment & small school factor)	✓ (FTE & contact hour)	✓ (Contact hours + discipline weights)	✓ (Pell, academic unprepared, adult)	✓ (Dual credit, transfer, credentials, high-demand)	✓ (Pell, academic unprepared, adult)
MN ***Both Sectors***	✓	✓ (Facilities, academic sq.ft)	✓ (FTE + Head-count)		✓ (Pell, first generation)	✓ (Persistence, completion)	✓ (Students of Color)
OR ***2yr***		✓ (Base payment, small school factor)	✓ (FTE + Head-count)	✓ (CTE courses)	✓ (Adults, low-income, URM)	✓ (Progression, completion, CTE)	✓ (Adults, low-income, URM)
OR ***4yr***		✓ (Base payment, regional access)	✓ (Credit hour)	✓ (Discipline and level weights)		✓ (Completion, high-demand areas)	✓ (Low-income, rural, veteran, URM)



Looking at OBF specifically, HCM identified 31 states that are currently implementing an OBF model in at least one sector. Thirty-one states are implementing OBF in the 2-year sector and 27 states are implementing it in the 4-year sector. Of the 2-year models, seven are Type IV in the HCM typology. Of the 4-year models, eight are Type IV.

The amount of funding allocated through OBF varies widely across states. Five states allocate more than 75% of its funding this way, while 12 allocated less than 10%. The most common metrics used in these funding models include degree/certificate completion, progression, transfer, workforce, efficiency, and weights for priority populations or programs. The most common priority populations include low-income, underrepresented minority, adult, and academically underprepared students. Priority programs typically are STEM and health.

CHART 1. SSF AS A PERCENTAGE OF FY 2020 STATE INSTITUTIONAL SUPPORT FOR STATES WITH OBF IN TWO-YEAR AND FOUR-YEAR SECTORS



Source: Driving Better Outcomes: Fiscal Year 2020 State Status & Typology Update, HCM Strategists

Comparison States

HCM identified a set of states to see how Nevada's formula compares to peers. To identify these comparison states, HCM sought alignment with characteristics of Nevada's system. These characteristics include geography (western state), low tuition, low state funding per student, low student share of total revenue, a single formula used for both the 4-year and 2-year sector, and enrollment growth over the past decade. No other state fits all of these characteristics. The comparison states were chosen to ensure all these characteristics were covered, and that selected states fit as many characteristics as possible. The final list of comparison states was Oklahoma, Oregon, Louisiana, Montana, New Mexico, Colorado, and Arkansas. The table below shows the alignment with the characteristics for each state.

State	Geography	Low Tuition	Low State Approps per FTE	Low Student Share	Low Enrollment Decline	One Funding Formula for Both Sectors
OK			X			X
OR	X		X			
LA		X	X	X	X	X
MT	X	X	X			
NM	X	X		X		X
CO	X		X		X	X
AR		X				X

HCM looked at the outcomes-based funding in these comparison states against OBF best practices and how the practices in these states compared with Nevada's current funding formula. The results of that analysis are seen in the table below. Note that for the purposes of this analysis, HCM evaluated Nevada's performance pool against the OBF typology. In the most recent published version of the typology, HCM categorized Nevada's formula as a Type IV. That version considered Nevada's Weighted Student Credit Hour (WSCH) formula as an OBF model, given that it measures completions of courses. However, the performance pool alone is only a Type III model, given some of the limitations which are outlined in Section 4 below.

	Linked to Attainment Goal	Base/ Recurring or New Funding	Formula Type	Funding Level
NV	Yes	Base/Recurring	Type III	Moderate (20%)
OK	Yes	New Funding	Type I	Low (2%)
OR - 2 yr	Yes	Base/Recurring	Type IV	Moderate (5%)
OR - 4 yr	Yes	Base/Recurring	Type III	High (50%)
LA	Yes	Base/Recurring	Type IV	High (32%)
MT	Yes	Base/Recurring	Type III	Moderate (8%)
NM	Yes	Base/Recurring	Type III	Moderate (5%)
CO	Yes	Base/Recurring	Type II	High (92%)
AR	Yes	Base/Recurring	Type IV	High (100%)

	Reflects Institutional Mission	Includes Total Degree/ Credential Completion	Under-represented Student Success Prioritized	Implementing for Two or More Years	Institutional Allocation Method
NV	Yes	Yes	Yes	Yes	Institution-Specific Pool
OK	No	Yes	Yes	Yes	Relative Growth
OR - 2 yr	Yes	Yes	Yes	Yes	Share of Outcomes
OR - 4 yr	Yes	Yes	Yes	No	Share of Outcomes
LA	Yes	Yes	Yes	Yes	Share of Outcomes
MT	Yes	Yes	Yes	Yes	Institution-Specific Pool
NM	Yes	Yes	Yes	Yes	Share of Outcomes
CO	No	Yes	Yes	Yes	Relative Growth
AR	Yes	Yes	Yes	Yes	Relative Growth

Definition of Terms

- *Linked to Attainment Goal*: The state or sector has completion/attainment goals and related priorities.
- *Base/Recurring*: Recurring dollars or base funding are at least a portion of the funding source for OBF.
- *Funding Level*: Amount allocated by OBF as a percentage of total state operating funding for the sector.
- *Reflects Institutional Mission*: Institutional mission is reflected through varied weights, scaling or metrics.
- *Includes Total Degree/Credential Completion*: A total, volume-based, degree/credential completion metric is included in the OBF.
- *Underrepresented Student Success Prioritized*: Outcomes for underrepresented students are prioritized through weights, scaling or metrics.
- *Share of Outcomes*: Institutions' share of the OBF allocation is based on their share of the total outcomes generated in the state or sector. Outcomes may be scaled and weighted.
- *Relative Growth*: Institutions' share of the OBF allocation is based on how much they improve over their own baseline relative to other institutions' improvement.
- *Institution-Specific Pool*: Institutions' OBF allocation is based on the extent to which they meet targets, often capped at a pre-established level specific to that institution.

The one area where Nevada stands out among the comparison states is in the Institutional Allocation Method. This refers to the calculation used to determine each institution's allocation. Share of Outcomes and Relative Growth approaches are the best practice because they create incentives for continuous improvement. In these models, institutions are rewarded, respectively, for producing a greater share of the total outcomes in the state or for having better outcomes over their own baseline relative to other institutions. In the Institution-Specific Pool approach, institutions receive a proportionate share of a pre-established pot of funds based on how close they come to achieving targets.

HCM then examined the OBF metrics used by the comparison states, those used in Nevada's performance pool, and national trends. Nevada's approach was fairly consistent with the comparison states, national trends, and best practices. Nevada gives less weight to progression metrics than most other states and more weight to completions.

Progression Metrics:

- **Nevada:** Metrics for 2-years includes gateway course completions (10% of the total), 4-year metrics includes transfer students with a transferable associate's degree (5%).
- **Comparison States:** Metrics include students earning 15 and 30 credits, retention rate, and gateway course completions. These metrics comprise 10%-30% of the OBF.
- **National:** Progression metrics appear in half of all 4-year OBF models and three-quarters of 2-year models.

Completion Metrics:

- **Nevada:** Metrics include degrees awarded (40% of the total), transfers to a 4-year (10%), and degrees per 100 FTE (20%).
- **Comparison States:** Metrics include degrees awarded, graduation rate, transfers to a 4-year, and on-time completion. These metrics comprise 35%-65% of the OBF.
- **National:** Completion metrics are used nearly universally.

Post-Completion Metrics:

- **Nevada:** Metrics include economic development degrees awarded (20% of the total).
- **Comparison States:** Metrics or weights are used for degrees in high-demand or high-wage fields and STEM+Health degrees. Weights range from 25-50%, while metrics comprise about 15% of the OBF.
- **National:** Workforce outcomes (e.g., earnings & job placement) are rarely used in the 4-year sector, but in about a quarter of 2-year models.

Priority Population Metrics & Weights:

- **Nevada:** The degree completion metrics include 40% weights for completions by Pell and URM students.
- **Comparison States:** Weights and metrics are used for completions and retention. Populations include Pell, URM, adults, academically underprepared, and veterans. Weights range from 5-50%, while metrics comprise about 15% of the OBF.
- **National:** Over three-quarters of OBF models include metrics or weights for priority populations.

Section 4. Assessment of Nevada's Funding Formula

To evaluate Nevada's current funding formula, HCM used a number of approaches. First, we assessed the formula's policy and structure against best practices described in the frameworks noted above. HCM also interviewed stakeholders to understand their perceptions of the strengths and weaknesses of the current funding formula. We also looked at how the formula allocates funds across institutions through a few different lenses to understand the impact on students' access to resources.

Stakeholder Feedback

As part of HCM's assessment of Nevada's current funding formula, we interviewed 31 stakeholders. Interviewees included all members of the committee, representatives from every

institution, and other policymakers including individuals involved in original formula development. The purpose of the interviews was to gain perspectives on goals and priorities for higher education, and to evaluate how the current funding structure aligns to goals and potential areas for improvement.

Overall, interviewees noted state priorities and shared goals for higher education are not clearly defined or elevated through a common agenda. Asked what they believed the primary goals to be, some common priorities mentioned were the creation of an education workforce, fostering and supporting a diverse economy, and increasing the number of individuals who earn degrees and certificates in high-demand or high-need fields (e.g., nursing, healthcare, teaching).

Overall, interviewees believe state support is not adequate. Asked to elaborate, they identified some shared perceptions. First, funding is not sufficient to support underserved populations. Second, low state funding has a negative impact on affordability for students. Third, funding is not provided for non-credit programs or summer courses, which are valuable elements of an institution's programs. Finally, funding is not sufficient to competitively recruit and retain faculty.

The interviews, as well as the presentations to the committee by Presidents, and the institutional recommendations submitted to the committee identified a number of other areas of concern and possible improvements to the current formula. These included:

- Student attributes: Feedback noted that the current funding model does not serve specific populations well, notably part-time students. There is a need to reflect the costs associated with the additional support/services for non-traditional students, such as: adult learners, rural, first generation, low income, academically underprepared, and underrepresented minority.

- Weighted Student Credit Hours (WSCH): Stakeholders felt the current weights do not accurately reflect the cost of delivering different programs. They noted that because the WSCH calculation does not capture all students (e.g., non-residents, students who withdraw, summer courses), it does not reflect the full cost of delivering the instructional programs. Some stakeholders also felt that the emphasis on credit hour and the higher weights given to upper level courses can perpetuate inequalities, disadvantaging community colleges and institutions that enroll more part-time

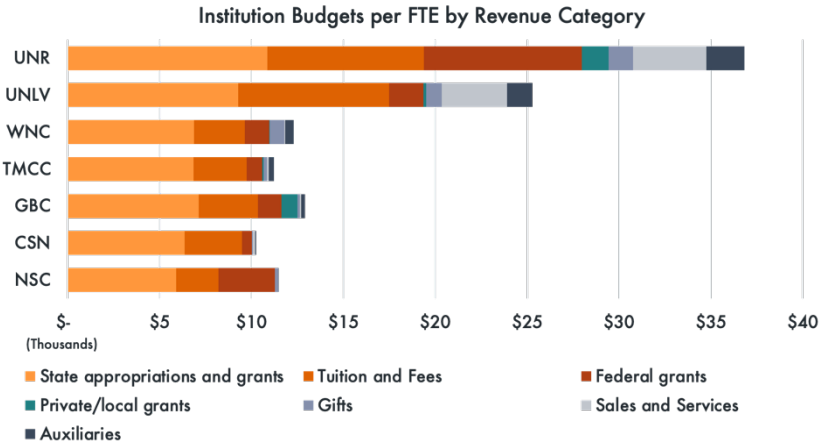
students. Finally, many individuals noted how the every-other-year counting for the formula can create a disconnect between costs and resources.

- Performance Pool: Institutions and other stakeholders expressed frustration with the structure of the performance pool, having to earn back funds that have already been allocated to their institution through the WSCH. Stakeholders felt that the performance pool should not be a carve-out of the WSCH allocation. They believe it does not create true incentives because there is no reward for exceeding targets. Many institutions felt that exceeding their targets should lead to additional funding.

Fiscal Analysis

Nevada's current formula focuses on one primary driver of cost: enrollment weighted by costs of the program and degree level. HCM conducted a few analyses to understand how that approach impacts the distribution of resources to institutions and whether that distribution provides equitable and fair funding based on institutional and student characteristics.

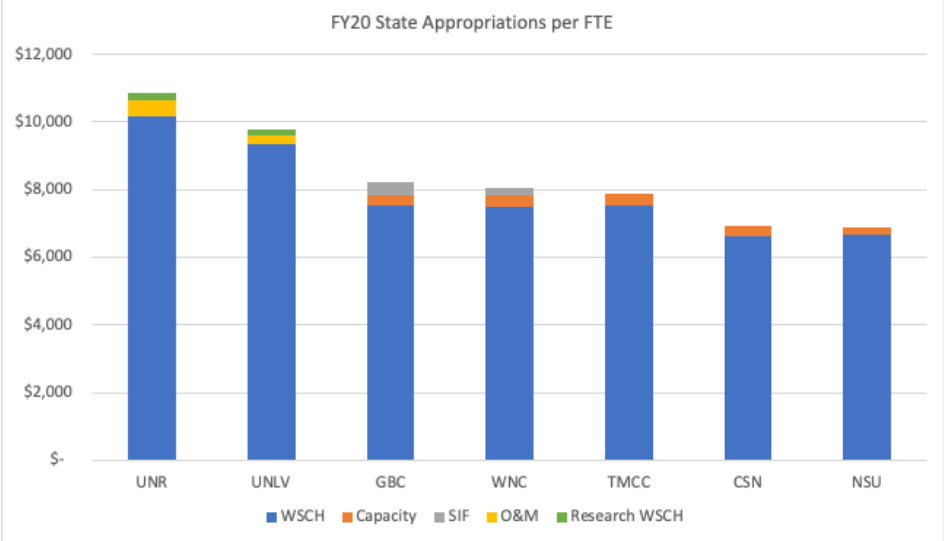
First, HCM looked at the total revenue per FTE to understand the difference in access to resources. As seen in the chart below, state appropriations vary slightly by institution. Tuition is a much larger source of revenue for UNR and UNLV than the other colleges.



Source: HCM calculations from Integrated Postsecondary Education Data System (IPEDS) Fiscal Year 2022 Finance Survey and 2021-22 12-Month Enrollment Survey.

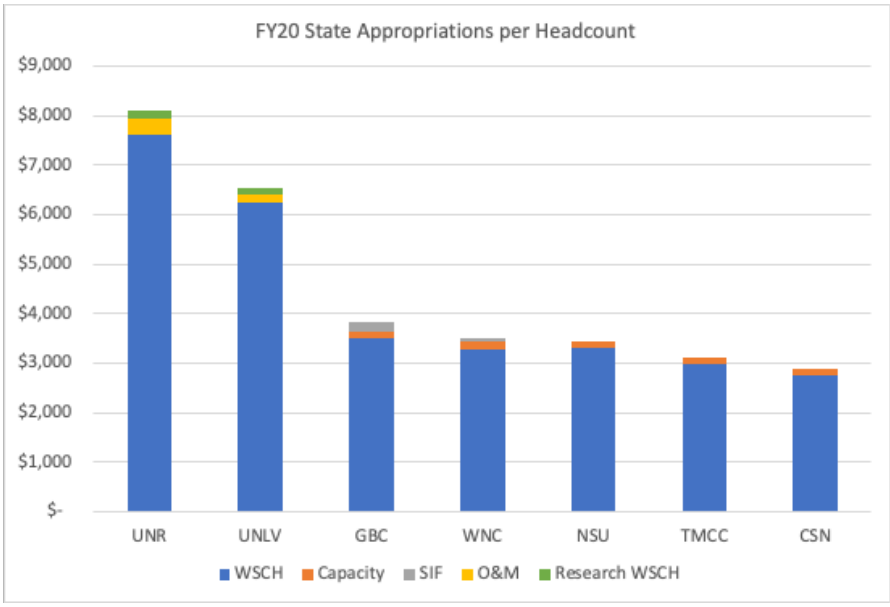
Next, HCM examined the state appropriations allocated through the funding formula on a per FTE and per headcount basis. The chart below shows that the high-research activity (R1) universities receive about 25% more funding per FTE than GBC, WNC, and TMCC, and about 40% more than CSN and NSU. This variation is driven primarily by program mix at institutions. The

non-WSCH portions of the formula (SIF, O&M) make relatively small adjustments to overall funding. The variation in the WSCH-based allocations does not inherently imply inequities; it reflects the different program mixes at those institutions, as intended by the WSCH design.



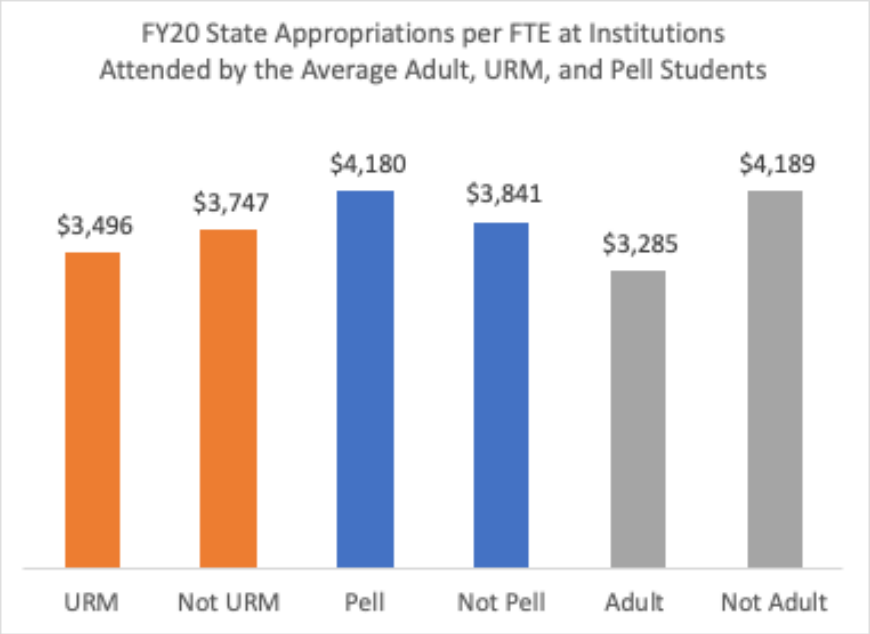
Data note: Appropriations are General Fund Appropriations.
FTE is based on the unweighted WSCH-eligible credit hours earned.

When looking at the state appropriations by headcount, the gaps become larger. Institutions with fewer full-time students and fewer upper-level or graduate courses receive much less per student. FTE and headcount are both drivers of an institution's costs and should be accounted for in some way. Factoring in headcount would help close some of these funding gaps.



Data note: Appropriations are General Fund Appropriations. Headcount is an unduplicated count of students who earned WSCH-eligible credits.

Finally, HCM evaluated the funding formula's distribution based on student characteristics. Allocating by WSCH can generate inequities in access to state funds when disaggregated by student characteristics, due to different attendance patterns. URM and adult students are more likely to attend community colleges, which have lower per FTE state appropriations. The R1 universities have the highest rates of Pell Grant recipients in Nevada. Community colleges typically enroll many low-income students but fewer of them file the FAFSA to receive a Pell Grant. It should not necessarily be the goal of a funding formula to eliminate these gaps, but the state must consider the impact given the higher cost of helping these students succeed.



Source: HCM calculations from Nevada General Fund appropriations and Integrated Postsecondary Education Data System (IPEDS) Fiscal Year 2020 Student Financial Aid Survey and 2020-21 12-Month Enrollment Survey.

Alignment with the Principles of a Strong Postsecondary Finance System

This table evaluates Nevada's current funding formula against the six principles of a strong postsecondary finance system described above. The state meets two of the principles (supporting fixed costs and aligning with needs for a more educated and trained workforce), partially meets two (responsive to changes and accounting for different student needs) and does not meet two (linked to clearly established goals and defining an adequate level of resources).

Principle	Nevada's Funding Formula
A funding system that is **linked to clearly established goals and objectives** for higher education	Nevada's previous attainment goal expired in 2020. A new higher education-specific goal and strategic plan have not been formalized.
A funding system that has defined **adequate level of resources required to deliver quality education**	Nevada does not define a goal or specific commitment of state funding. The funding formula is used to allocate resources, not define or inform a specific level of funding.
A funding system that includes a minimum level of funding **support fixed costs**	Nevada's Small Institution Factor helps ensure small institutions receive a minimum level of funding through the formula. Nevada also supports the additional operations and maintenance fixed costs of research through its Research O&M adjustment for the R1 universities.
A funding system that is **responsive to changes** in the system **on both enrollments and outcomes**	Nevada's WSCH are responsive to changes in enrollment, as they are based on credit hours. The formula is limited in how responsive it is to changes in outcomes. Each institution's performance pool is set by its WSCH, not by its outcomes. While declines in outcomes can put performance funding at risk, the fact that the targets are not reset each year means many institutions could have declines in outcomes without impacting their funding.
A funding system that **aligns with state's current needs for a more educated and trained workforce**	Nevada includes economic development degrees as a metric within the performance pool portion of the funding model.
A funding system that **accounts for differing student needs**	Nevada's WSCHs do not include adjustments for student needs. Completions by URM and Pell students are given additional weighting in the performance pool portion.

Alignment with Balanced Approach

The table below identifies which components of the Balanced Approach framework exist in Nevada's current funding formula. Nevada has every component except for a component that weights enrollment by student characteristics.

Balanced Approach Component	Nevada's Funding Formula
O&M/Core Costs	**Included** through the two pre-formula adjustments, SIF and Research O&M. The SIF accounts for efficiencies of scale related to fixed costs and ensures a minimum level of funding of $3 million per college. The Research O&M supports costs of operating and maintaining research space at UNLV and UNR.
Enrollment	**Included** through the WSCH, as student credit hour completions are heavily driven by enrollment.
Weighted Enrollment	**Partially included** through the WSCH, which adjusts for differences in programmatic costs based on discipline and degree level. But it does not include student weights that reflect differences in student need.
Outcomes	**Included** through the performance pool, through metrics for gateway courses (2-years), 2-year transfer (4-years), degrees completed, and economic development degrees completed.
Weighted Outcomes	**Included** through the 40% weight assigned to for completions by Pell and URM students.
Mission Differentiation	**Included** through the SIF, Research O&M, the programmatic weights in the WSCH (a 10% weight for graduate courses and a 4x weight for some CTE courses), the differentiated performance pool metrics based on sector, and the varying weights assigned to each metric.

Outcomes-Based Funding

The following table assesses the current funding formula against the best practices in HCM's typology for outcomes-based funding formulas. Considered on its own, the performance pool would be considered a Tier III OBF model, the second highest tier. One key factor preventing the performance pool from being a Tier IV is that the design of the performance pool does not incentivize continuous improvement.

HCM Typology Best Practice	Nevada's Funding Formula
OBF metrics should **advance state priorities**	**Partial**. Interviews indicated no defined set of priorities specific to higher education. However, the metrics are aligned with the priorities that stakeholders suggested should be state priorities.
OBF metrics should **prioritize underrepresented student success.**	**Yes**. The performance pool metrics include a 40% weight for completions by Pell and URM students.
OBF funding should **be recurring**, not just allocate new funding.	**Yes**. The performance pool is always 20% of an institution's annual allocation, regardless of the size of the total appropriation.
OBF funding should **be large enough** to influence behavior (>5%)	**Yes**. The performance pool allocates 20% of all funding.
OBF metrics should **reflect institutional mission.**	**Yes.** Each sector has specialized metrics while the common metrics across sectors have different weights.
OBF metrics should **include total credential completion.**	**Yes.** Completion metrics make up the majority of the weight assigned to all metrics.
OBF funding should **reward continuous improvement**, not cap rewards at a certain goal/threshold	**No.** The performance pool does not provide any additional funds to institutions for exceeding their target.

HCM identified four challenges with Nevada's performance pool. First, it limits the possible reward for an institution that is low enrollment and high success, by linking to institutions' WSCHs. Second, institutions feel frustration, not incentive, in having to "earn back" funding

already designated for their institution. Third, it does not reward institutions for exceeding 100% of targets. Finally, the targets are not re-baselined. Enrollment declines could drain funding needed for improvement. Missed targets leads to a loss of funding, which leads to fewer resources to reach ever-increasing targets.

Overall Assessment of Nevada's Current Funding Formula

HCM finds that the current funding formula has some strengths, is working as designed, but could be improved. Gaps in funding by FTE and headcount or student characteristics are primarily driven by the WSCH design and reflects the mix of programs at different institutions. In particular, improvements can be made to reflect costs associated with serving part-time students and underserved populations. This will improve the ability of the funding formula to help close attainment gaps and is a more accurate and student-centered depiction of the costs faced by institutions. Finally, the performance pool metrics are strong, but the structure and implementation can be improved to create incentives for continuous improvement.

Section 5. HCM Recommendation: Balanced Approach for Nevada

Based on the preceding analysis, HCM developed a comprehensive funding formula framework for the committee's consideration. This framework involved small changes to existing components of the funding formula, such as SIF and WSCH calculations. It also introduces a new enrollment component, or student-based funding, that recognizes varying student characteristics and enrollment patterns. It replaces the performance pool with an outcomes-based funding component that allocates a portion of the total appropriation, rather than being carved out of the WSCH portion. The recommendations are laid out individually below. Each recommendation includes a table illustrating the financial impact if the formula had been implemented with the respective policy change in place in Fiscal Year 2025. The final Balanced Approach impact tables illustrate the combined impact of the committee's decisions using two different distributions across the three components (student-based funding, WSCH, and outcomes-based funding).

In addition to recommending this framework, HCM also recommends that the state of Nevada take steps to more clearly define its priorities and goals. Clearly stated goals, such as an attainment goal, help identify the purpose of a funding formula and guide the selection of metrics that best fulfill that purpose. Nevada should develop specific goals and priorities for higher education, such as through a revamped strategic plan. Nevada should also better

define the state's funding commitment to higher education. These steps can provide the context for what is achievable and expected of the funding formula.

O&M/Core Costs (SIF)

Problem: The SIF factor has remained at $30 since the formula was established. Due to inflation, the value has diminished 75% over time. Stakeholders identified this factor as crucial to supporting the higher costs facing small and rural colleges, and to enabling them to maintain their small size as a student success strategy.

Recommendation: 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). The $40 value represents the value of the SIF factor had it been increased by inflation since the first year of the current formula, using the Higher Education Price Index.

Impact on FY25 Funding of a $40 SIF Factor				
Institution	Share of Total State Funding	$ Change	Change in Share of State Funding	Change in State Allocation
UNLV	38.6%	-$109,449	0.0%	-0.1%
UNR	25.8%	-$72,766	0.0%	-0.1%
NSU	5.7%	-$16,847	0.0%	-0.1%
CSN	17.8%	-$53,726	0.0%	-0.1%
GBC	2.7%	$176,086	0.0%	1.2%
TMCC	6.4%	-$19,431	0.0%	-0.1%
WNC	2.9%	$96,132	0.0%	0.6%

WSCH

HCM makes three recommendations related to Weighted Student Credit Hours. The first recommendation is related to the counting of summer credit hours. The second is related to

the calculation of WSCHs, specifically which years get included. Third is related to an assessment of the weights, specifically related to evaluating the costs of nursing programs.

Summer credit hours

Problem: The current formula does not include WSCH from summer courses other than nursing and teaching. This policy creates incentives that do not advance the state's or students' best interests, as described by some Presidents in their testimony to the committee. Despite the financial disincentives, Nevada institutions do offer a number of summer courses not supported with state funding. Counting all summer credits in the WSCH would reallocate less than 0.5% of any institution's funds.

Institution	% of All Summer WSCH Currently Uncounted	Uncounted Summer WSCH as % of each Institution's Total WSCH	Change in Share of WSCH if all Summer WSCH were Counted
UNLV	91%	9%	0.3%
UNR	92%	7%	-0.4%
NSU	47%	14%	0.0%
CSN	97%	10%	0.5%
GBC	85%	1%	-0.2%
TMCC	98%	5%	-0.2%
WNC	94%	3%	-0.1%
Total	89%	8%	0.0%

Currently, student fee revenue generated from non-state summer courses is considered 'self-supporting' revenue. This revenue is not part of the state-supported operating budget. On the other hand, the summer term fee revenue for nursing and teaching-eligible WSCHs are allocated to the state-supported operating budget. If Nevada counted all summer WSCHs in the formula, the fee revenue for nursing and teaching would be treated differently than the revenue from all other summer courses.

Recommendation: Include all WSCHs in the formula, regardless of term. Institutional decisions about when to offer a course should be informed by factors such as pedagogical judgment, institutional capacity, state need, and student demand, but not by the funding formula. Students want flexibility to take courses when it suits their schedule and to complete degrees quickly to enter the workforce. Research also points to the positive impact of funding students year-round. In 2017, the Federal Pell Grant was expanded to summer terms, enabling low-income students to take courses year-round. Students that took advantage of the Summer Pell Grant were: 29% more likely to enroll the next semester, 13% more likely to earn an associate degree within three years, 7% more likely to earn a bachelor's degree within six years and experience a 6% increase in wages.

HCM also recommends that NSHE develop a new policy on the treatment of student fee revenue. Similar to whether summer WSCHs are counted, the state's policy on whether student fees should be "self-supporting" or part of the state-supported operating budget should not be decided based on the timing of the course. The summer WSCHs can be counted in the formula until the new policy is developed. It is not necessary to change the treatment of the fee revenue at the same time.

Counting of WSCH

Problem: Every-other-year counting for the formula creates a disconnect between costs and resources. Institutions can experience one-year jumps or drops in enrollment on the non-count years which would not get factored into the formula. For example, GBC had more WSCHs in the non-count year of 2020-2021 than in either of the years of measure before or after. In this instance, the three-year average in 2021-2022 would have been 6% higher than the actual 2021-2022 WSCH count because it captures the one-time increase. On the other hand, WNC's WSCHs declined in the non-count year of 2020-2021, but then rebounded the following year. In this case, the three-year average would have produced a WSCH count almost 4% below the actual 2021-2022 level, because it would have captured that one-year drop.

Recommendation: Base the WSCH count for each year of measure on a 3-year average. Use the same caseload growth process the second year of the biennium, also based on the 3-year average figures.

This approach smooths out aberrations, but also means resources can lag behind an enrollment trend. Whether to use a 3-year average is a policy choice for the committee and the state. For institutions with declining enrollment, it provides a buffer against dropping tuition revenue. At growing institutions, state funding does not keep up with costs as much, though they do receive more in tuition revenue.

Nevada could also consider basing the count on the higher of an institution's 3-year average or the prior year. The "higher of" design can strike a middle ground. The formula would recognize the higher enrollment at growing institutions, while providing the buffer for the institutions with declining enrollment.

Impact on FY25 Funding of Using a 3-Year Average to Calculate WSCH				
Institution	Share of Total State Funding	$ Change	Change in Share of State Funding	Change in State Allocation
UNLV	37.8%	-$4,323,309	-0.8%	-2.0%
UNR	25.8%	-$282,482	-0.1%	-0.2%
NSU	5.3%	-$1,906,726	-0.3%	-6.1%
CSN	18.9%	$5,764,228	1.1%	5.9%
GBC	2.8%	$606,424	0.1%	4.1%
TMCC	6.6%	$930,395	0.2%	2.6%
WNC	2.7%	-$788,530	-0.1%	-5.0%

Assessing the Weights

Problem: Institutions and other stakeholders indicated that the current weights do not reflect the true cost of delivering certain programs. Nursing was cited most frequently as a program that is high-cost and high-demand in the state, and therefore in particular need of review. The weights used in the formula were established in 2011 when the formula was first enacted. Small updates have been made to certain courses since then.

Recommendation: We recommend that cost studies be linked to a specific goal a state, system or institution wishes to achieve. This could be something like increasing the number of nursing graduates, in which case a discipline-specific cost analysis would be helpful, or it could be a more general goal such as increasing the number of bachelor's degrees or enrolling more students from underrepresented groups or geographic areas, in which case a different type of cost analysis would be required. General cost studies that attempt to quantify the costs of all

disciplines and levels and are indirectly reflected in the "weighted" aspect of Nevada's "weighted student credit hour", are of declining value as postsecondary education has become more complex and interdisciplinary.

Cost studies based on academic discipline and level have been conducted in much the same form for more than a hundred years. They can provide some insight into the past cost of programs and be useful for internal accounting or cost allocation purposes, but those costs may or may not reflect what it will cost in the future to grow. For example, a program may be very expensive because it has low enrollment, but those costs could decline if more students enrolled and took up the additional capacity. Or a program might be relatively low-cost and operating at full capacity but growing it would require significant additional facilities or new hiring at a higher cost than the existing program. A narrow, future-looking cost study for a program like nursing can capture this information, but the typical broad-based cost studies across all disciplines generally do not.

Cost studies are especially problematic for research universities, where the costs of graduate and undergraduate education, research and sometimes clinical care are difficult to untangle. Graduate students may be costly to educate but they also provide low-cost instruction for undergraduate programs and research support for externally funded grants, neither of which is typically accounted for in cost studies. Clinical faculty, generally the most highly paid at an institution, treat patients, conduct research, and provide instruction, often simultaneously (at the bedside of a patient undergoing an experimental treatment, for example). This makes the cost of clinical disciplines even harder to understand. And with the accelerating pace of technological change disciplines emerge, evolve, merge and disappear as the frontier of knowledge changes, making retrospective analysis less useful. The number of assumptions it takes to overcome these issues can make a broad-based cost study less of an objective assessment of financial and academic reality than a work of advocacy for a certain position or goal.

The other risk of cost studies is reproducing historical inequities in compensation, since personnel are by far the biggest component of costs. The racial and gender composition of faculty and students across disciplines differs, and always looking backward to understand academic costs could unintentionally reproduce the priorities of a time when it was acceptable to base compensation and other investments on those characteristics as well.

Even if cost studies were perfectly accurate, moreover, knowing the cost of programs would not tell the state what they are "worth" in terms of state priorities. The fact that something is expensive does not mean it is worthwhile, nor are inexpensive programs necessarily less important to the goals of the system. Using discipline-based cost studies for the purposes of

state funding risks substituting accounting for strategy and diverting funds to the more costly programs rather than to the most important ones.

Our recommendations instead center around funding what the state has explicitly or implicitly agreed are priorities: enrolling and graduating students. We also recommend that any cost estimates or studies relate to a specific goal, whether that is producing more nurses or something else. Beyond that, institutions should have more flexibility to decide which programs they want to spend more money on without risking losing funding due to the "weight" factors in the current system.

Student-Based funding

Problem: The focus on WSCH in the current formula does not account for differences in student characteristics that correlate with additional costs to generate successful outcomes. Like many other states, Nevada has significant gaps in attainment by race and graduation rate by race and income, as seen in the table below. Funding is not currently allocated in a way that purposefully directs funds to provide the supports to these students to help close these gaps. The emphasis on credit hours also disadvantages institutions that serve a large number of part-time students. Although they enroll in fewer classes, these students require similar levels of many services such as advising, financial aid, career services, and information technology.

Student Characteristics (as defined by IPEDS)	Graduated within 150% of Normal Time	Difference from Average	Postsecondary Attainment Rate (among adults)	Difference from Average
All Students	**44%**		**35.5%**	
Black or African American	29%	-15%	30.3%	-5.2%
Hispanic or Latino	39%	-5%	20.4%	-15.1%
Native Hawaiian or Pacific Islander	22%	-22%	N/A	N/A
American Indian or AK Native	40%	-4%	19.6%	-15.9%
Total Underrepresented Minority (URM)	**37%**	**-7%**		
White	54%	10%		
Asian	49%	5%		
Pell	**35%**	**-9%**		
Non-Pell	49%	5%		

Recommendation: 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) underrepresented minority student headcount enrollments and credit hours, and 3) Pell eligible student headcount enrollments and credit hours.

The calculation would allocate half of the funds based on headcount and half on credit hours. Pell students and underrepresented minority students would be weighted as 1, such that a credit hour earned by a Pell student would be equal to 2, and a credit hour earned by a Pell student who is also an underrepresented minority student would be equal to 3. While the performance pool provides weights of 0.4 for Pell and URM, HCM recommended higher weights for the student-based funding component. This is based on research that suggests that these weights for underrepresented students are often not large enough in existing funding models.

Other student populations beyond Pell and URM were suggested by stakeholders and have gaps in outcomes that could warrant weighting in a funding formula. For some populations, such as first-generation and academically underprepared students, NSHE does not have consistent and quality data to use in a formula at this time.

Impact on FY25 Funding of Allocating 40% of Funds Through a Student-Based Funding Component

Institution	Share of Total State Funding	$ Change	Change in Share of State Funding	Change in State Allocation
UNLV	36.7%	-$10,521,782	-1.9%	-5.0%
UNR	23.4%	-$13,546,894	-2.5%	-9.6%
NSU	5.9%	$1,340,315	0.2%	4.3%
CSN	21.7%	$21,013,086	3.8%	21.5%
GBC	2.7%	$200,429	0.0%	1.4%
TMCC	6.8%	$2,040,369	0.4%	5.8%
WNC	2.8%	-$525,523	-0.1%	-3.3%

Outcomes-Based Funding/Performance Pool

Problem: HCM identified four challenges with the existing performance pool. First, it can limit the benefit to a high-performing institution. Because the pool is capped at 20% of an institution's WSCH, the potential reward for an institution is tied to its enrollment rather than its performance. A high-performing institution with a shrinking enrollment will lose out in this construction. Second, institutions feel frustration, not incentive, in having to "earn back" funding already designated for their institution. They indicated this can also make it difficult to budget, not knowing if they will receive the full amount or not. Third, an institution receives the same amount of funding whether it achieves 100%, 105%, or 150% of its target. There is no financial incentive, therefore, for continuous improvement. Finally, the targets are not rebaselined to incentivize continuous improvement. Institutions that have surpassed their targets in prior years can maintain flat performance for years without it impacting their performance allocation. On the other hand, institutions with enrollment declines can lose funding due to missing targets, which is needed to implement strategies to turn around performance. Meanwhile, the increasing targets get further out of reach.

Recommendation: Eliminate the current 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.

As seen above, Nevada's performance pool meets most of the criteria for a strong outcomes-based funding formula. The challenges identified are not due to the metrics but to the structure and the incentives it creates. To address these challenges, best practice suggests replacing the performance pool with a Share of Outcomes or Relative Growth calculation for each institution's OBF allocation. Under a Share of Outcomes approach, an institution's annual share of the total OBF funding is based on its share of the total outcomes produced. In Relative Growth, an institutions' share of the total OBF funding changes each year based on its annual improvement on its own metrics relative to that of the other institutions. A Relative Growth model adjusts the share of the total performance funding an institution gets based on how much it has changed from its own baseline. These approaches are used in 74% of 4-year OBF models and 87% of 2-year models. Neither approach involves setting targets for institutions.

HCM recommends that Nevada use a Relative Growth calculation rather than Share of Outcomes. Both of these approaches create incentives for continuous improvement. The larger an institution's improvement, the greater its share of funding. Relative Growth can be implemented immediately without causing large swings in funding in the first year. The Relative

Growth design also allows for institutions to maintain different metrics and weights to reflect their mission without the need for scaling or normalizing to make the outcomes comparable across institutions, as Share of Outcomes would require.

The calculation of Relative Growth is illustrated in the table below. It starts by calculating each institution's share of the total amount of funding allocated based on performance the prior year (Column B). It then calculates a percent change in total outcomes at each institution (C through E), based on its own metrics. It then applies that percent change to each institution's share of performance funding. Finally, the shares are scaled to equal 100%, resulting in a new share of performance funding that is applied to the total appropriation directed through the OBF component.

Example of the Relative Growth Distribution of the Performance Pool								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Institution	FY20 Performance Pool Funding	Share of FY20 Performance Pool $B = A_i / A_{TOT}$	2019-2020 Weighted Points	2020-2021 Weighted Points	Change in Points $E = D/C-1$	Performance Pool Share Growth $F = B*(1+E)$	FY21 Performance Pool Share $G = F_i / F_{TOT}$	FY21 Performance Pool Allocation $H = G *$ Total Pool Funding
CSN	$20,573,543	21.1%	4,251.2	4,154.9	-2.3%	20.6%	19.5%	$19,076,874
GBC	$2,504,094	2.6%	526.1	578.4	9.9%	2.8%	2.7%	$2,611,857
NSU	$4,149,387	4.3%	694.0	811.0	16.9%	5.0%	4.7%	$4,600,718
TMCC	$7,183,999	7.4%	1,644.5	1,760.9	7.1%	7.9%	7.4%	$7,298,115
UNLV	$35,373,534	36.2%	2,642.6	2,937.9	11.2%	40.3%	38.1%	$37,309,570
UNR	$24,990,636	25.6%	2,298.1	2,393.5	4.2%	26.7%	25.2%	$24,693,585
WNC	$2,830,870	2.9%	776.4	695.4	-10.4%	2.6%	2.5%	$2,405,593
Total	**$97,606,065**	100.0%				105.8%	100.0%	**$97,996,312**

To maintain the strengths of the current performance pool, funding for performance should be a set percentage of the total appropriation. The outcomes component should not be funded using new money only. To emphasize and incentivize student success consistently, outcomes should always be a factor in the allocation, not subject to whether the state increases funding. Furthermore, the percentage must be large enough to drive behavior, at least 5% but ideally closer to 25%.

Impact on FY25 Funding of Allocating 20% of Funds Through an Outcomes-Based Funding Component				
Institution	Share of Total State Funding	$ Change	Change in Share of State Funding	Change in State Allocation
UNLV	38.8%	$1,171,985	0.2%	0.6%
UNR	25.7%	-$766,152	-0.1%	-0.5%
NSU	5.7%	$17,087	0.0%	0.1%
CSN	17.6%	-$1,392,603	-0.3%	-1.4%
GBC	2.7%	$109,646	0.0%	0.7%
TMCC	6.6%	$729,866	0.1%	2.1%
WNC	2.9%	$130,171	0.0%	0.8%

Balanced Approach (40%/40%/20%)

Recommendation: After SIF and research O&M are subtracted from the total General Fund appropriation, allocate the remaining General Fund appropriation as follows: 40% based on WSCH; 40% based on a Student-Based Funding; and 20% based on an Outcomes-Based Funding component.

Under the current formula, institutions are funded based on their share of the total WSCHs. This creates competition between institutions for enrollment and incentivizes them to enroll students in programs with higher weights. By implementing a formula with three different funding calculations, institutions have a more diversified path to securing state funding and can emphasize the component that best aligns with their mission.

We can see that some institutions would have benefitted from different funding allocations in the past. The table below indicates that UNR, TMCC, NSU, and WNC would have benefitted from a formula that included an outcomes component as well as the WSCH component. These institutions may have increased their overall WSCH, but not as much as other institutions. But they improved their performance relative to other institutions. A formula with a WSCH

component and an OBF component would recognize both types of changes, both of which align with the state goals of greater access and attainment.

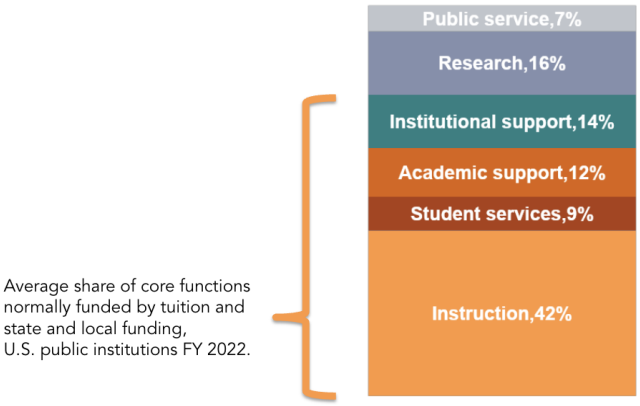
Change in Share of State Total WSCH and Performance Points - 2014 to 2022		
	WSCH	Performance Pool Points
UNLV	2.4%	0.4%
UNR	-0.2%	0.7%
NSU	2.2%	3.4%
CSN	-3.8%	-5.6%
GBC	0.3%	0.0%
TMCC	-1.0%	0.2%
WNC	0.2%	1.0%

HCM put forward a 40%/40%/20% split as a starting point for the committee's deliberation. This was based on our assessment based on input from interviews and understanding of stated goals that the state should prioritize students more in its funding approach (40%), while keeping an equal investment allocated more or less along current funding lines (40%), and replacing the performance pool system with another approach that recognized outcomes (20%). Such an allocation would create meaningful but not revolutionary change in institutional allocations. We understood, however, that this was a starting point for discussion and that the final result would emerge based on the committee's balancing of statewide and institutional priorities. All state formulas, in one way or another, come down to those balancing decisions.

The 20% for outcomes-based funding reflects the existing amount dedicated to outcomes through the performance pool. HCM recommended maintaining that level. As set out in HCM's Typology, a high level of funding that effectively influences institutional behavior would be 25% or greater. HCM did not perceive support among the committee or stakeholders to increase

the level of funding driven by performance, and therefore recommended maintaining current practice.

Dedicating 40% to the student-based funding component is intended to address three things. First, the headcount component of it addresses the concern about part-time students by allocating funding for each student regardless of how many credits they take. Second, it is a response to concerns raised that the current funding formula does not reflect the costs associated with additional supports for non-traditional students, including low-income, and underrepresented minority students. Third, by allocating based on headcount and FTE, it reflects both fixed costs associated with serving students and the variable costs associated with their enrollment intensity. Both headcount and credit hours relate to many categories of institutional expenses. Instruction costs are driven mostly by credit hours and WSCH, while other costs could reflect a mix of headcount, credit hours, and other size factors.



The table below indicates the impact of using a 40%/40%/20% allocation for the FY25 appropriation compared to the current funding formula. This version also incorporates the committee's decisions to 1) increase the SIF value to $40, 2) increase the SIF threshold to 125,000, and 3) calculate WSCH using the higher of an institution's prior year WSCH or the three-year average.

Impact of HCM's Proposed 40%/40%/20% Framework on FY25 Funding				
Institution	Share of Total State Funding	$ Change	Change in Share of State Funding	Change in State Allocation
UNLV	36.5%	-$11,862,100	-2.2%	-5.6%
UNR	23.0%	-$15,271,966	-2.8%	-10.8%
NSU	5.8%	$958,494	0.2%	3.1%
CSN	21.7%	$21,144,573	3.9%	21.6%
GBC	3.0%	$1,635,408	0.3%	11.1%
TMCC	7.0%	$2,883,485	0.5%	8.2%
WNC	3.0%	$512,105	0.1%	3.2%

The committee voted to use a 75%/10%/15% allocation, with 75% for WSCH, 10% for student-based funding, and 15% for outcomes-based funding. The impact of that allocation compared to the current funding formula is in table below.

Impact of Committee's Adopted 75%/10%/15% Framework on FY25 Funding				
Institution	Share of Total State Funding	$ Change	Change in Share of State Funding	Change in State Allocation
UNLV	37.6%	-$5,771,192	-1.1%	-2.7%
UNR	24.9%	-$5,354,017	-1.0%	-3.8%
NSU	5.6%	-$273,550	0.0%	-0.9%
CSN	19.2%	$7,581,403	1.4%	7.7%
GBC	3.0%	$1,637,373	0.3%	11.1%
TMCC	6.7%	$1,422,728	0.3%	4.0%
WNC	3.0%	$757,255	0.1%	4.8%

The difference in financial impact between HCM's recommendation and the committee's decision is primarily due to the difference in the share of funds going to the student-based funding allocation. That component of the funding formula creates the largest change from the current allocation. Generally, the community colleges receive a greater share of the student-based funding component than of the WSCH component, as seen in the table below. The OBF component does not create large shifts in funding due to the way the relative growth is calculated.

Institutions' Share of Allocation in Each Component			
Institution	Student-Based Funding	Weighted Student Credit Hour	Outcomes-Based Funding
UNLV	33%	37%	39%
UNR	19%	25%	24%
NSU	6%	6%	6%
CSN	29%	20%	17%
GBC	3%	3%	3%
TMCC	8%	7%	7%
WNC	3%	3%	3%

HCM notes that NSHE may wish to revisit the calculation of caseload growth under a balanced approach framework. Currently, the calculation uses WSCH trends to estimate the increase to the total funding level in the second year of each biennium. NSHE will need to consider whether to continue using that as the basis or to incorporate some aspect of the student-based funding metrics as well.

Mission Differentiation

Problem: Stakeholders suggested a need for multiple formulas, concerned that a single formula cannot appropriately account for or value the different missions and types of institutions.

Recommendation: HCM does not recommend any changes beyond those described above, a few of which do address mission differentiation. The increase to SIF provides greater support for small institutions and rural community colleges. The incorporation of headcount also supports institutions that serve more part-time students.

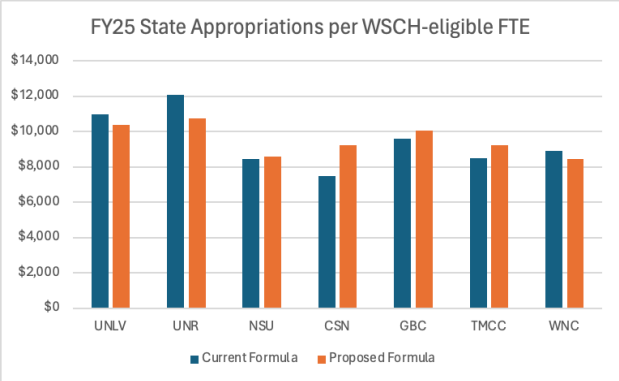
Under the recommended balanced approach, the formula would include a number of policies that differentiate mission. These include SIF and Research O&M set-asides, increased WSCH

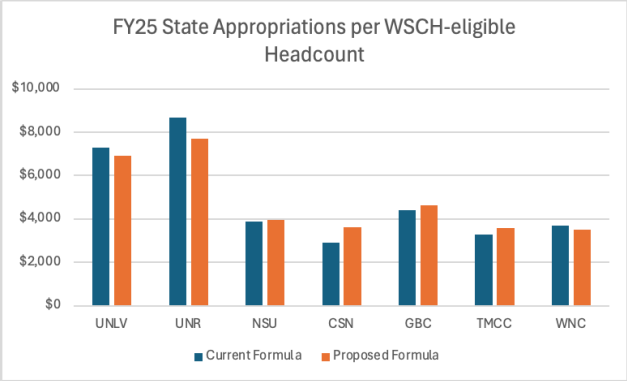
weights for upper level courses and CTE courses, and varied metrics and weights in the OBF that reflect institutional mission.

Creating separate funding formulas can create new equity concerns. Either the state must develop a rational formula for dividing the state appropriation between the two formulas or legislators decide how much to allocate between the two sectors. The former requires making decisions not much different from those required for a single formula. The latter can leave the allocation subject to political influence or other factors that do not always align with state interests. A number of states with more institutions than Nevada use a single formula to allocate funds across the four-year and two-year sectors, including Oklahoma, Colorado, Tennessee and Arkansas.

Summary of Impact & Implementation

The graphs below compare the per-FTE and per-headcount allocations of the current formula to HCM's recommendations. The recommendation would close gaps slightly.





As seen in tables above, the proposed improvements to the existing formula will shift funding between institutions if done in a revenue neutral environment. The changes to funding levels presented here illustrate the potential scale of the impact but are not what institutions would experience. The estimates herein are based on FY25 data, and newer data will reveal different distributions. The total funding level may also change, and an increase in overall funding would mitigate some of the impact. Finally, HCM recommends that the formula be phased-in over time to reduce the volatility an institution experiences from year to year. This phase-in can be accomplished through any of the following mechanisms:

- **Stop-loss or stop-gain:** Institutions can lose or gain no more than X% compared to the prior year.
- **Hold harmless:** Institutions cannot receive less than X% of their FY25 funding.

- **Phase-in:** Increase the percentage allocated by the new formula components each biennium until reaching 40%/40%/20%

Finally, HCM recommends that NSHE establish a formula review committee that convenes every two biennium or every five years to evaluate and propose any necessary changes to the formula. This committee can evaluate whether there are any unintended consequences, ensure metrics align with any changes to state policy or priorities, and make improvements based on new data as it becomes available.

Section 6. HCM Self-Supporting Accounts Recommendation

As part of its contract to advise the Nevada System of Higher Education (NSHE) System Administration Office on potential higher education funding formulas, HCM Strategists also engaged to review NSHE's policies on self-supporting accounts. This review was to consider Legislative Audit report LA24-03, the system's response to that audit, and other states' practices.

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

What are Self-Supporting Accounts?

Self-supporting accounts in the Nevada System of Higher Education (NSHE) are funding categories that exist outside of the state-appropriated or grant-funded accounts and are characterized by having a specific revenue source and expenditure purpose. These accounts are a Nevada-specific classification grounded in state law and practice and do not include auxiliaries such as housing, sponsored research, or fees with specific legal restrictions. They are used internally by institutions to manage budgets for specific purposes and can range from small amounts to several million dollars. The accounts encompass a variety of programs, including those related to student fees such as summer session fees, assessment fees, library fines, as well as other revenue sources like clinical/patient care, ticket sales for events, facilities rental, and faculty start-up packages.

What problems did the Legislative Audit find with self-supporting accounts?

The LA-24-03 performance audit, mandated by Assembly Bill 416 (Chapter 467, Statutes of Nevada 2021), focused on self-supporting and reserve accounts for fiscal years 2018 to 2021. While there was no finding of fraud or diversion of funds for purposes other than support of NSHE institutions and students, the audit criticized the level of oversight and variations in internal control systems across NSHE institutions, leading to potentially inappropriate financial activities. This was attributed to the Board of Regents providing institutions with operational latitude, but with often vague or insufficient policies and guidelines. The audit found instances of expenditures being moved to state-supported accounts without ensuring consistency in activity type, state funds not being reverted according to state law, and uses of student fees that may not have been consistent with Board policies. Additionally, institutions sometimes commingled restricted and unrestricted revenues, and reports to the Board sometimes lacked useful, accurate, or complete information.

How did NSHE respond to the audit?

The audit included 13 findings requiring a response from NSHE and NSHE accepted all of those findings. The audit recommended several actions to improve accountability and appropriate use of self-supporting funds, which NSHE accepted. The policy revisions adopted at the September 28, 2023, Board of Regents meeting to the *Board of Regents Handbook* and to the *NSHE Policy and Procedures Manual* appear to have satisfied the requirement that NSHE provide specific policy language in response to the audit by October 10, 2023.

The policy revisions addressed the audit recommendations by providing clarity, additional controls, and increased oversight. This includes defining reporting standards, increasing transparency through regular reporting to the Board, enhancing documentation standards, and ensuring compliance with state and federal regulations.

Seven of the 13 recommendations (1-3, 5, 7, 11, and 13) concerned transparency and controls related to transfer of funds among state-supported and self-supporting accounts. The new board policies define the transactions of concern and require consistent documentation and review, consistent with the intended use of those funds. NSHE also committed to initiating the report on fund transfers centrally, and sending to campuses for review, rather than the other way around. The first such report is expected in December 2024 (for fiscal year 2023-24).

Another four recommendations (4, 6, 8 and 12) specifically addressed student fee revenue. Here, too, the revised board policies clarify fee definitions and add reporting requirements.

These changes will also be reflected in reports starting December 2024 (for fiscal year 2023-24).

Two of the recommendations (9 and 10) were related to clarification of reserve and contingency accounts. The revised Board policies clarify these definitions and require institutions to clearly label accounts as contingency or reserve. The new templates and reports required for this will be developed in consultation with institutions and are not expected to be completed this year.

Our review of the audit, NSHE's response, and the policy changes adopted indicate that the response to concerns about self-supporting accounts was appropriate and is on track.

How Does Nevada Compare to Other States?

Nevada's system of "self-supporting accounts" is unique, and there is no exact parallel in other states. While higher education systems and institutions have similar functions across the United States, the language states use to describe and account for those functions differs. The term "self-supporting accounts" as used in Nevada is specific to Nevada policy and practice. These accounts cross over many of the standard revenue and expenditure categories and reflect the state's policy and philosophy as to how taxpayer-supported, student-supported, and externally supported budgets should be separated and reported.

We reviewed a range of policies and reports in systems like Nevada's that include a range of institutions, from community colleges to research universities, and that have direct governing responsibilities for those institutions (i.e. no institutional boards of trustees). These include the Hawai'i Board of Regents, the Georgia Board of Regents, and both the State University of New York (SUNY) and the City University of New York (CUNY). Each of these systems has policies and reports related to different budget categories and accounts, and while many of the specific categories are similar (e.g. "library fines"), none of them has a grouping exactly like Nevada's "self-supporting accounts."

These states/systems, like Nevada, had policies and budget reports grounded in their own priorities and traditions, and these appeared no more or less appropriate to their goals. There was nothing outstanding about their policy approaches that we would recommend for Nevada at this time, especially given the policy and reporting changes already in process in response to the legislative audit. If an issue related to a specific fee or account arose in one of these

states (e.g. transportation fees or indirect research revenue), we would advise them to look at Nevada's policies as a peer system, just as we would advise Nevada to do with them.

In terms of communication, as noted in our March 19, 2024 presentation, we pointed out an easy-to-follow matrix of sources and uses employed by the City University of New York. A tool like this, substituting Nevada's funding categories for CUNY's, would be a helpful way to communicate about the policies and practices already in place.

We have no other recommendations based on other state practices and find that NSHE has already addressed the key concerns of the legislative audit.