

**SPECIAL MEETING**  
**BOARD OF REGENTS**  
**NEVADA SYSTEM OF HIGHER EDUCATION**

Third Floor Rotunda  
Frank H. Rogers Science & Technology Building  
Desert Research Institute  
755 E. Flamingo Road, Las Vegas  
Friday, January 20, 2012, 9:00 a.m.

Video Conference Connection to:  
System Administration, Reno  
2601 Enterprise Road, Conference Room  
and  
Great Basin College, Elko  
1500 College Parkway, Berg Hall Conference Room

Members Present: Dr. Jason Geddes, Chair  
Mr. Kevin J. Page, Vice Chair  
Mr. Mark Alden  
Dr. Andrea Anderson  
Mr. Robert Blakely  
Mr. Cedric Crear  
Dr. Mark W. Doubrava  
Mr. Ron Knecht *{teleconference}*  
Mr. James Dean Leavitt  
Mr. Kevin C. Melcher  
Dr. Jack Lund Schofield  
Mr. Rick Trachok  
Mr. Michael B. Wixom

Others Present: Chancellor Daniel J. Klaich  
Vice Chancellor, Academic & Student Affairs, Jane Nichols  
Vice Chancellor, Finance, Mark Stevens  
Chief of Staff & Special Counsel to the Board, Scott Wasserman  
Executive Director of Government Relations, Renee Yackira  
President Michael D. Richards, CSN  
President Stephen G. Wells, DRI  
President Bart Patterson, NSC  
President Maria C. Sheehan, TMCC  
President Neal J. Smatresk, UNLV  
President Marc Johnson, UNR  
President Carol A. Lucey, WNC

Also present were faculty senate chairs Ms. Tracy Sherman, CSN; Dr. Dave Decker, DRI; Dr. Sarah Negrete, GBC; Dr. Robin Herlands, NSC; Ms. Mary Arbutina, NSHE; Dr. Gregory S. Brown, UNLV; and Mr. Jeffrey Downs, WNC. Student government leaders present included Ms. Aimee Riley, ASCSN President, CSN; Mr. Steve Gronstal; GRAD President, DRI; Mr. Alex Porter, SGA President, GBC; Ms. Sarah Saenz, CSUN President, UNLV; Mr. Michael J. Gordon, GPSA President, UNLV; Mr. Richard Corn, ASUN Vice President, UNR; Ms. Heather Dodson, ASWN President, WNC.

Chair Geddes called the meeting to order on Friday, January 20, 2012, at 9:01 a.m. with all members present except for Regent Blakely.

Regent Schofield led the pledge of allegiance.

1. Information Only - Public Comment (Agenda Item #1) – Ms. Jessica Jones, Student, CSN, addressed the Board in regard to how revenue from the 8 percent increase in tuition and fees should be delegated at CSN. Ms. Jones' ideas included implementation of a call back phone system, a re-entry program for students in need and expansion of the Disability Resource Center. Ms. Jones felt that although elimination or reduction of those types of services may offer an immediate solution to the budget crisis, it often exasperates the issues and leads to undereducated disabled persons who then deplete federal and state welfare programs. She felt that promoting education for disabled persons allows those individuals to become productive members of society.

Regent Crear noted that CSN's proposed spending plan includes a call back program.

Dr. Markie Blumer, Assistant Professor, UNLV, and member of the UNLV Faculty Senate's Fiscal Affairs Committee, addressed the Board regarding cuts in compensation. She felt that the reduction in compensation and benefits posed a challenge for the retention of excellent faculty as well as recruitment of new faculty. She stated that the restoration of competitive compensation in the new draft of the strategic plan was appreciated. Also appreciated was the Chancellor's effort to convene a compensation survey task force to guide him in building competitive compensation into the next biennial budget request. In support of those efforts, the UNLV Faculty Senate Fiscal Affairs Committee is working on surveying the UNLV academic and administrative faculty in order to better understand what the compensation priorities are in light of the prior reductions of base salary, benefits and the imposition of furlough. Dr. Blumer stated that the Committee looked forward to a time when the state of Nevada takes the appropriate actions to normalize staff compensation and reintroduces COLA (*Cost of Living Allowance*) and merit awards.

Ms. Aimee Riley, ASCSN President, CSN, asked whether students should address the Board during public comment or during the discussion of agenda item #3 (*2012-2013 Registration and Corresponding Fee Increases*). Chair Geddes indicated that students speaking as members of the general public should address the Board during public comment at that time and that student body leadership will be given the opportunity to address the Board during agenda item #3.

1. Information Only - Public Comment (Agenda Item #1) – (Cont'd.)

Mr. Jovonni Banks, CSN Student Senator, addressed the Board in regard to the fee increases and how the funds will be spent. Specifically, he requested that the additional fees be spent on increased student learning and incentive programs such as scholarships, sports, consistent advisement efforts and for improvements to My CSN website.

2. Approved - Handbook Revision, Discrimination and Sexual Harassment Complaint Procedure (Agenda Item #6) – The Board of Regents approved amendments to the Board of Regents Policy Against Discrimination and Sexual Harassment; Complaint Procedure (*Handbook Title 4, Chapter 8, Section 13*) which brought the policies into compliance with the Office of Civil Rights' April 4, 2011, "Dear Colleague" letter, recent Nevada legislation prohibiting discrimination based on gender identity or gender expression, and federal legislation prohibiting discrimination based on genetic information (*Revised Ref. BOR-6 for agenda items #6 and #7 on file in the Board office*).

Ms. Brooke Nielsen, Interim Chief Counsel, NSHE, explained the revised amendments as indicated in the revised referenced briefing paper on file in the Board office.

Regent Alden moved approval of amendment to the Board of Regents Policy against Discrimination and Sexual Harassment; Complaint Procedure (*Title 4, Chapter 8, Section 13*). Regent Wixom seconded. Motion carried. Regent Blakely was absent.

3. Information Only - Code Revision, Sexual Harassment (Agenda Item #7) - Interim Chief Counsel Brooke Nielsen presented for information a proposed amendment to the Code provisions governing sexual harassment (*Title 2, Ch. 6, Sec. 6.2.5*) which will bring the Code into compliance with the Office of Civil Rights' April 4, 2011, "Dear Colleague" letter, recent Nevada legislation prohibiting discrimination based on gender identity or gender expression, and federal legislation prohibiting discrimination based on genetic information. This was the first hearing at which this Code revision was being requested and presented for information only. Final action will be requested at the March 2012 meeting of the Board (*Ref. BOR-6 for agenda items #6 and #7 on file in the Board office*).

4. Approved - Strategic Directions for the Future of Higher Education (Agenda Item #2) - The Board approved various initiatives defined under strategic direction of the Board of Regents, including increasing student achievement, retention and success (Initiative #1); increasing transparency, accountability and performance (Initiative #2); continuous review and revision of programs to support innovation and responsiveness (Initiative #3); and assuring access and affordability of public higher education (Initiative #4) (*See Attachment A, Ref. BOR-2*).

Chancellor Daniel J. Klaich summarized the process that has occurred in developing the various initiatives, including input received from the Board, as well as strategic directions

4. Approved - Strategic Directions for the Future of Higher Education (Agenda Item #2) – (Cont'd.)

and priorities of the legislature and the Governor. With the assistance of the Director of Government Relations, Ms. Renee Yackira and Vice Chancellor Stevens, the System has spoken with many legislators and members of the Governor's staff. Those conversations have led him to believe that the System is on a similar path as the legislature and with the State's executive office.

With that in mind, Chancellor Klaich stated that System staff has tried to distill those conversations down into broad themes that the Board is focused on, which include:

Initiative #1: Increasing student achievement, retention and success;

Initiative #2: Increasing transparency, accountability and performance;

Initiative #3: Continuous review and revision of programs to support innovation and responsiveness; and

Initiative #4: Assuring access and affordability of public higher education.

Chancellor Klaich stated that the document was a road map for System staff and a skeleton of the System's basic communications plan that will tell the story of higher education and why higher education is responsive to the needs of the state of Nevada. In addition, the document will communicate the goals of the Board of Regents and how those goals apply at each of the institutions. Chancellor Klaich emphasized that the document is not an attempt to tell the Board that it cannot address other issues. It is only a reflection of where the highest level of focus will occur.

Chair Geddes added that this project was not to replace the System's master plan but to consolidate and provide clarity of what issues are receiving focus.

Chair Geddes expected that other recommendations and initiatives such as the ten recommendations made by the Community College Task Force will also be vetted through the campuses and brought before the Board for policy revision or implementation. Chancellor Klaich stated that was correct.

Regent Page moved approval of various initiatives defined under strategic direction of the Board of Regents, including increasing student achievement, retention and success (Initiative #1); increasing transparency, accountability and performance (Initiative #2); continuous review and revision of programs to support innovation and responsiveness (Initiative #3); and assuring access and affordability of public higher education (Initiative #4) (See Attachment A, Ref. BOR-2). Regent Crear seconded.

Regent Trachok commended the Chancellor and System staff for the work placed into the document. In regard to Initiative #2 (*increasing transparency, accountability and performance*), Regent Trachok particularly applauded adoption of the Complete College America goals

4. Approved - Strategic Directions for the Future of Higher Education (Agenda Item #2) – (Cont'd.)

that address the funding formula. Although he appreciated the focus on programs and degrees, he asked the Chancellor if there would be the ability to test performance of students to measure critical thinking and learning progress in order to ensure that a degree has meaning.

Chancellor Klaich replied that is a difficult question and one that many of the faculty has also brought to his attention. Without rigor, quality and critical thinking, those increased numbers are largely meaningless. Chancellor Klaich indicated that there are methods by which those measurements can be made. It would be incumbent upon the Chancellor to rely upon the faculty's expertise to assist him in ensuring that the kind of rigor and assessment desired is embedded in every course. He imaged that the Board would want to hear in detail from staff and faculty to ensure that degrees of quality are being produced. He also called upon the faculty to participate in the process, as they must be convinced that the education being provided is meaningful.

Regent Knecht expressed his appreciation of the work done. He felt that the report seemed to be rooted in "business as usual." Secondly, he felt that the document was more for strategic management purposes and not strategic planning. Third, he felt that the System needed to focus on new programs, certificates and badges in various niches that are in addition to what is already being offered. Although references are made throughout the document that assumes that focus should be made, it was not clear or as explicit as he would like it to be. When considering online and distance learning, he felt that assistance should be provided to students that for reasons of availability could not register for needed course and to assist those students in finding alternative ways to access those classes in a timely manner, even if through another provider. He felt that the document did not include much in terms of cost management and disruptive innovation plus incremental improvement. He had hoped that those themes would have been the basis for focus and action plans.

Chair Geddes felt that as progress on the initiatives are brought back to the Board, the Regents will be asking how the System and how higher education could be improved.

Regent Melcher felt that the document presented was a good start and looked forward to further development of the initiatives and timelines.

Regent Crear expressed his appreciation in seeing diversity and the EDIC Council's recommendations as a separate item, as well as the Academic Health Center and a communication plan. He agreed with Regent Knecht that cost efficiencies always need to be considered.

Motion carried. Regent Knecht voted no. Regent Blakely was absent.

Regent Knecht explained that his dissenting vote was reflective of his desire that more progress be made on the document before he could support adoption.

5. Approved – Expenditure Plans of the 2012-2013 Registration Fee Increases (Agenda Item #3) The Board of Regents approved each institution's plan as presented for expenditure of the funds generated by the permanent registration fee increase of 8 percent for academic year 2012-13 for undergraduate students only, as approved by the Board at its December 2011 meeting (*Ref. BOR-3 on file in the Board office*).

Regent Blakely entered the meeting.

Chair Geddes appreciated that statements were made in each proposal that institutional administration had met with students and faculty.

Per the Board's mandate from the December 1-2, 2011, meeting, the institutional presidents and student body presidents reported on the communication process that had taken place at each institution to establish the detailed spending plans as presented to the Board that day.

Chair Geddes referred to UNLV's report and asked how "bottleneck classes" were identified (*page 1 of Ref. BOR-3*). President Smatresk related that due to the reduction in staffing, UNLV has identified a number of high demand classes for which it could no longer meet the demand. Using the available information systems, the provost is able to redistribute and place more resources in those high demand areas so that students can access critical courses.

Regent Page referred to Ms. Riley's statement during her report on the communication process that it was easier for students to transfer out-of-state than to UNLV. He had been under the impression that transfer between the institutions was going well and asked for further clarification on the issues. Chair Geddes noted that statement also and indicated that a full articulation report will be made at the March meeting.

President Smatresk explained that transfer itself is easy. The difficulty is in how credits are assigned. He related that both he and CSN President Richards share the same concern. When CSN is short-staffed on advisors, it is harder for students to have error free major pathways. By the same token, when students transfer to UNLV there are often large gaps and a large number of classes that simply have no applicability towards a degree. However, that problem is not unique to CSN and UNLV. The root of the issue lies in clear career and major pathways and in more advising resources. Both President Richards and President Smatresk have invested significantly in advising resources, although more is always needed.

Regent Wixom complimented the institutional presidents for their outreach to the students. He felt that communication is not universal across the country and that many problems associated with student fee increases are due to the arbitrary way in which those fees are imposed. Upon review of the reference materials, he was confident that this had been a positive and productive process that will reap long-term benefits in terms of credibility and trust.

5. Approved - Expenditure Plans of the 2012-2013 Registration Fee Increases (Agenda Item #3) – (Cont'd.)

Regent Melcher echoed the comments of Regent Wixom, adding that he was pleased with the process in terms of collaboration. He hoped that this type of process would become the culture for the campuses and with the Board.

Regent Anderson also expressed her appreciation for the process. She felt that each institution had investigated and found the areas of the most need for their students. She emphasized that most of the concerns that she has received were in regard to admissions and records. She cautioned that, as staff transition in and out of that department, it was important to bring in long-time employees that have the history and experience to appropriately train new staff.

Regent Crear requested clarification of the difference between general improvement fees and special course fees. Chancellor Klaich replied that there are special course fees that are basically consumables which does not include faculty time. When those special course fees come to the Board every December, faculty salaries will not be included in those fees. However, with respect to general fee increases that are voted upon from time to time such as these, there is no limitation on how those fees are used other than the plans presented to the Board for approval. He acknowledged that the proposed spending plans before the Board that day do include plans to hire faculty and emphasized that is not a restriction. When the proposed plans were first presented to him, there were some line items that dealt with overall enhancements or supplements to general faculty benefits. He had encouraged the presidents to remove those items and to target funds in those areas that would enhance the student experience.

Regent Crear asked if the fee increases were providing additional staff and faculty instead of supplementing the current faculty and staff. Chancellor Klaich stated that was correct.

Regent Crear asked what the baseline for the fees was and what the incremental enhancements were. President Smatresk replied that for UNLV, all of the new positions are incremental to build upon high demand areas. Chair Geddes noted that all the institutional presidents concurred with President Smatresk.

Chair Geddes asked President Smatresk to bring back to the Board a report on what courses were identified as the “bottleneck courses.”

Regent Trachok referred to Page 3 of Ref. BOR-3 and asked President Smatresk if the \$1.5 M in Student Services is for additional personnel or support of existing services. President Smatresk indicated that support does not always mean the hiring of additional personnel. He pointed out that for library support the funds will be used to maintain periodical databases. He explained that the cost of periodicals, despite the recession, has inflated at a rate of 15 percent per year. If that line item budget was not increased, UNLV would lose 15 percent of the periodicals which were critical for graduate and undergraduate research. All other line items are for additional staff in critical support roles which are the best indicator of student success and support.

Regent Leavitt left the meeting.

5. Approved - Expenditure Plans of the 2012-2013 Registration Fee Increases (Agenda Item #3) – (Cont'd.)

Regent Trachok referred to Page 6 of Ref. BOR-3, and asked President Johnson to confirm if the \$930,000 listed for Teaching Faculty Positions – High Student Demand Departments would be distributed only after proposals are solicited from the different departments to determine where those funds should be expended. President Johnson confirmed that was accurate, adding that the \$587,915 also indicated on Page 7 of Ref. BOR-3 would be distributed the same way. The request for proposals has already gone out to the campus.

Regent Trachok referred to Page 7 of Ref. BOR-3, and asked what the \$280,000 for Career Development Center under Student Services would be going to. President Johnson explained that Center had assisted students with finding employment and internship opportunities. However, in the FY 2010 budget reductions, that particular Center had been closed but could now be reestablished with some staff positions and operating support.

Regent Tachok referred to Page 7 of BOR-3, and asked if the Director of Institutional Analysis was being rehired. President Johnson stated that was correct, adding that the Director is also a statistician. The Office of Institutional Analysis has three staff members that take care of all databases on campus. That Office has also reached out to the high schools and has formed an agreement to receive student transcripts in order to drill down on student success. With such a high focus being placed on limited resources for increased graduation, he felt it was important to hire the statistician back to continue that level of analysis on interventions that will help students succeed and graduate.

Regent Leavitt entered the meeting.

Regent Trachok referred to Page 10 of BOR-3, and asked President Richards what the \$645,924 budgeted for Math Resource Center would be used for. President Richards related that CSN has an academic bottleneck occurring within its math curriculum and in preparing students for transfer to other institutions. The proposed spending plan will create a Math Resource Center on all three CSN campuses that will include full-time tutoring and is being done in conjunction with improvements to the math curriculum.

Regent Trachok asked how many new positions will be created in that area. President Richards replied that there were 12 FTE's involved with the Math Resource Center.

Regent Trachok referred to Page 14 of Ref. BOR-3, and asked President Sheehan what faculty hires were being anticipated under "Assure students with approved Ed Plans have courses available within time sequence." President Sheehan replied that TMCC has looked at high demand course areas and has established a goal to provide the courses needed to allow students to successfully complete degrees and certificates. The \$240,000 budgeted for that item will hire 13 tenure-track faculty positions, the majority of which will be in the areas of math, English and reading.



5. Approved - Expenditure Plans of the 2012-2013 Registration Fee Increases (Agenda Item #3) – (Cont'd.)

Regent Trachok again referred to Page 14 of Ref. BOR-3, and asked President Sheehan to elaborate on the line item “Provide retention services for first-time, full-time degree seekers: advising, recruiting, testing and assessment staff” for \$196,000. President Sheehan related that those will be support staff, recruiters and retention specialists. TMCC had received a grant that allowed tracking of increased retention. From the results of that tracking, TMCC will be able to institutionalize best practices.

Regent Trachok moved approval of each institution’s plan for expenditure of the funds generated by the permanent registration fee increase of 8 percent for academic year 2012-13 for undergraduate students as approved by the Board at its December 2011 meeting. Regent Wixom seconded.

Regent Alden indicated that he would like to see the average 15 percent for student aid increased to 18 or 20 percent if possible.

Motion carried.

6. Approved - Student Registration Fee Distribution, 2012-2013 (Agenda Item #4) – The Board of Regents approved distribution of the permanent registration fee increase of 8 percent for academic year 2012-13 for undergraduate students as approved at the December 2011 Board meeting that will modify the allocation of student registration fees between the state-supported operating budget and amounts retained by the institutions (*PGM, Chapter 7, Section 15*). A portion of this increase will be distributed to the State Supported Operating Budget consistent with the 2010 Letter of Intent and the remainder is in the campus retained (*non-state*) portion of the budget to fund student access (*need-based financial aid*), and other institutional expenditures (*Ref. BOR-4 on file in the Board office*).

Vice Chancellor of Finance Mark Stevens reported that the proposed distribution is consistent with the campus expenditure plans as approved in the previous agenda item. The proposed distribution fully complies with the 2010 Letter of Intent concerning allocation of registration fees between state-supported operating budgets and amounts retained by the institutions.

The revenues generated from the fee increase will be allocated to three different areas. A portion is allocated to the state-supported operating budget of each institution based on the provisions included in the 2010 Letter of Intent. The balance of the fees will be retained in each institution’s self-supporting budget in two different areas. The first is that a total of 15 percent of the registration fee increase is allocated to student financial aid. The second is that the balance of the student fee increase is allocated to the general improvement category. One hundred percent of the funds generated by the fee increase will be utilized at the institution where it is generated.

6. Approved - Student Registration Fee Distribution, 2012-2013 (Agenda Item #4) – (Cont'd.)

Regent Alden moved approval of the distribution of the permanent registration fee increase of 8 percent for academic year 2012-13 for undergraduate students as approved at the December 2011 Board meeting that will modify the allocation of student registration fees between the state-supported operating budget and amounts retained by the institutions (*PGM, Chapter 7, Section 15*). Regent Wixom seconded. Motion carried.

7. Action Taken - Report on the Committee to Study the Funding of Higher Education (Agenda Item #5)- The Board of Regents accepted Chancellor Daniel J. Klaich's report on the progress of the Legislature's Interim Committee to Study the Funding of Higher Education. The presentation included an overview of an alternate funding formula model that was presented to the Committee by the Chancellor at its January 11, 2012, meeting (*Ref. BOR-5 on file in the Board office*).

Chancellor Klaich related that the membership of the Interim Committee includes Regents Geddes, Page and Wixom, as well as three members of the Senate and three members of the Assembly, three appointees of the Governor, and four non-voting members that broadly represent the community appointed by the Governor.

In accordance with its business, the Interim Committee submitted a request for proposal for consulting services to achieve the directions of SB374. That request was adopted at the Committee's first meeting. One response was received and that was from MGT America. He was concerned that there was not a broader response from the RFP and discussions arose with various contacts from which he came to the conclusion that tinkering with the edges of the formula would not get the System where it needed to be. He determined to make a proposal to the Interim Committee for substantial and wholesale changes to the formula which raised questions.

Chancellor Klaich explained that since the adjournment of the last legislative session, and through the various goals and priority planning process, that many things came into focus including the inefficiencies of the current formula model in the context of the Board's priorities. The current formula does not meet the state's goal of more graduates. The current formula does not address reasonable progress toward degree and graduation. The current formula does not assist in mission differentiation. The current formula does not encourage entrepreneurial behavior.

Chancellor Klaich stated that those issues, combined with the difficulty of understanding the formula and with the pervasive perception that the formula was skewed to hold up or hold back different institutions, he determined that the current formula was not worth saving. He asked the Interim Committee not to accept the single RFP and asked that the System be allowed to present something that would address all of the issues based on the following principles:

7. Action Taken - Report on the Committee to Study the Funding of Higher – (Cont'd.)
1. Should promote conversations between NSHE and the State about mutual goals and needs of the State;
  2. Should reward goal attainment, not just provide for the distribution of state resources;
  3. Must address broader state and higher education financing policy, including the role of the state and the students in adequately funding higher education;
  4. Must recognize and reinforce mission differentiation;
  5. Should provide incentives for institutions to be entrepreneurial and well-managed; and
  6. Should be simple, transparent and easy to understand.

Chancellor Klaich stated that setting aside the critical functions of the research institutions and missions, the basic function of higher education is to teach. With that in mind, a measurement was determined based on how many student credit hours are completed. A dollar value was assigned to producing those weighted student credit hours. The resulting number creates a base funding model that is determined by course completion. The new formula will also require a compact or agreement between the State (*in the form of appropriations*) and the students (*in the form of tuition and fees*) that each assumes a reasonable portion of the total funding for higher education in Nevada. An adjustment will be made for the research mission of the universities and the economy of scale variations of the smaller and rural colleges.

Chancellor Klaich related that the entire model runs off a fundamental matrix, of which there was an example contained in the reference material (*Ref. BOR-5 on file in the Board office*). He indicated that the reference material provides an example of how weighted student credit hours (*WSCH*) will be assigned, but emphasized that the numbers were presented as an example only and to help generate thought on the types of factors that go into a matrix. Chancellor Klaich stated that is where policy decisions are made.

Chancellor Klaich explained that the cost matrix will reflect a number of things including the differing costs of providing courses, for example, between upper division and lower division courses or courses across disciplines. In other states' funding models such as Ohio, Illinois, and Texas, cost studies were conducted that reflect the cost of education delivery in those states. There is a relativity that is constant in those models that Nevada can borrow and reflect in its own model. Various costs can also be reflected of a social or policy decision of the Board, perhaps a greater weight for certain degrees, or for first generation students or for under-represented minority groups. There is also a performance pool associated with the new formula that considers each institution with goals and performance metrics that are defined and approved by the Board.

Chancellor Klaich stated that the work conducted thus far is an attempt to construct a formula that is fundamentally fair, that treats like institutions in the same manner, that addresses equity problems, identifies unknown equity problems and deals with them and moves them forward. He stated that this is not an adequacy study and that the formula will not deal with whether higher education is funded at an appropriate level. Although that is clearly a critical and fundamental discussion that needs to occur, it will not occur in the context of this particular project.

7. Action Taken - Report on the Committee to Study the Funding of Higher – (Cont'd.)

Chancellor Klaich reported that at the System's request, the Interim Committee decided not to accept the single RFP that it had received. The Interim Committee determined to take the proposal under consideration and vet it through the independent consulting process. Vice Chancellor Stevens and the Finance staff are working with the LCB Fiscal Division staff to revise the RFP to include that potential. The work left to be done includes fleshing out the details of performance funding and the metrics, and communication with the presidents, faculty senate chairs and student body leaders. A link for formula funding has been placed on the System's website.

Chancellor Klaich added that in addition to instruction formula, there also needs to be a way to fairly continue funding non-instructional lines such as the School of Medicine, the School of Dental Medicine, the Boyd School of Law and the Desert Research Institute. Those are areas that are not part of the core of the funding formula but are critical. The model presented will continue to be refined and will be brought back to the Board of Regents and the Interim Committee. It was his goal to have a proposed formula that can be incorporated into the 2013-2015 budget.

Regent Wixom stated that over the years, the Board has learned the law of unintended consequences. That has made him very cautious as it approaches significant changes in how the System conducts business. However, that caution sometimes impedes innovation and creativity. As he reviewed the proposal, he was cautious but felt that this was an extraordinary opportunity to think creatively. He clearly understands that there are many issues that still need to be vetted through the joint review process between the Board of Regents and the Interim Committee. He felt that this was a major step forward as a System and provides an opportunity for the System to look at itself in a new way, both creative and thoughtfully.

Regent Blakely stated that the existing formula was based on historical policy decisions. He did not want to throw out the past but felt that the ideas being brought forward over the last year have been exciting, particularly the initiative to increase the number of graduates. He felt that it was important not to place too much emphasis on the current formula but to move forward to the new plan.

Regent Alden left the meeting.

Regent Knecht felt that the proposed plan contained some good concepts but wanted to focus on some of the operational aspects. He understood that the variables and inputs to determine student credit hours would be measured and projected in real time. However, he asked if variable factors such as the price per student credit hour, economy of scale, research mission and the dollar amount for starting those endeavors would be determined as part of the Interim Committee's recommendations or by the System and this Board.

Chancellor Klaich stated that those factors would be determined as an integral part of the formula and he assumed would be part of the deliberations of the Interim Committee.

7. Action Taken - Report on the Committee to Study the Funding of Higher – (Cont'd.)

Regent Knecht asked what provisions would be available for updating those factors or would the weights be etched in stone. Chancellor Klaich felt that this was not a process that should be undertaken casually and would hope that the weighting of the metrics would be done with reference to significant and well understood factors that would stand the test of time. With respect to enhancement or changes of the formula, he felt that could be done on a biennial basis in discussion with the legislature and executive branch.

Regent Knecht noted that there is a continuing evolution of flexibility and change with real-time to reflect details and circumstances, this formula approach would produce a revenue requirement estimate which is essentially determining how many dollars are needed for each institution. He asked if the basic idea was to first determine the total revenue requirement. Chancellor Klaich stated that the answer to that question was no, adding that this is a model aimed at measuring work and, at least on an initial basis, trying to value or price that on a cost neutral basis.

Regent Knecht asked how the new formula would operationally lead to a new budget and in particular how it would lead to a budget that is a breakdown and conceived between state general funds and state other (*tuition and fees*), and self supporting activities. Chancellor Klaich stated that the new formula would work the same way it currently does. He stated that there was nothing in the new model that indicates the institutions and the Chancellor do not have the same responsibility to report back to the Board and display expenditures with complete transparency. There would be the same level of detail as currently required at whatever level the Board requires.

Regent Knecht questioned how the line item budgets would harmonize or interface with the new formula as the System puts together a budget to recommend to the legislature. Chancellor Klaich replied that the fundamental core of the proposal is to define a unit of work, a price for that unit of work and to measure the work done at the institutions and to allocate funding on that basis. He stated that was an allocation formula. After the allocation is made, the institutions have responsibility for the detailed expenditures which has to come before the Board of Regents and to the legislature within statutory deadlines.

Regent Knecht asked if the allocation formula gives constant allocations regardless of the total level of funding. Chancellor Klaich stated that the answer to that question must be no if there are different levels of funding.

Regent Knecht explained that he meant constant percentages of the total. Chancellor Klaich replied no. If the current formula was being used, the allocations could change but at this point the primary driver is enrollments. It was the prior policy decision of the Board, Governor and legislature that dollars follow students and allocations would change as enrollments change. With the proposed formula, the allocations could change in a few ways including changes in work load and/or via the performance pool. The performance pool will create a risk factor in the budgets in that performance is rewarded and not performing has certain reactions.

7. Action Taken - Report on the Committee to Study the Funding of Higher – (Cont'd.)

Regent Knecht indicated that he could not completely track the process and would consult further with the Chancellor and staff. He asked if the legislature would essentially be able to go in and say weighting factors on student credit hours, research mission, or economies of scale are wrong or would the legislature essentially still be looking at a line item total for each institution as is done under the current formula. For example, if the legislature had a surprising good year and there were additional funds to add to the appropriation, how would additional funds be treated under the new budget and funding system. Chancellor Klaich hoped that the process would be complete enough, and done with enough work and credibility, that type of questioning would not occur. He felt that there would be no point in constructing something new if it were going to be picked apart every other year. If the System constructs something that has equity, fairness and some internal consistency then he would expect additional funds to flow through the formula and be allocated in the manner of the formula to support the policy decisions embedded within it. He would not expect the legislature to substitute its judgment at that time for the policy decisions made by the Board, the Interim Committee and the Governor.

Regent Knecht felt that, in that regard, the legislature's role would more or less come down to looking at the total general fund revenue to be appropriate to the NSHE. Chancellor Klaich replied that adequacy of funding would be the major concern of the legislature. Adequacy aside, Regent Knecht felt that the legislature needed to consider that among other issues in order to create a balance. If he understood correctly, the basic decision to be made by the legislature is in determining what the System's total appropriation will be.

Chancellor Klaich replied yes, adding that is how it is done under the current formula and under the new formula but the new formula offered a better and smarter way of accomplishing it.

Regent Knecht felt that the explanations were helpful but would continue to work with the Chancellor and staff to improve his understanding of the proposed formula.

Regent Melcher felt that the new plan is much more sensible. However, he was concerned that the plan not be so simple that it misses the mark. He stated that he would also like to see an established schedule for review, particularly in the beginning, to catch any major issues before they become a problem. Regent Melcher also stated that of concern to him would be the performance pool and the goal of increasing the number of graduates. He understood the need for that goal but felt that there also needed to be an increase in the percentage of graduates. Chancellor Klaich agreed, adding that the System is working with the NGA on metrics that will drill down on some of those factors.

Regent Alden entered the meeting.

Regent Doubrava referred to the illustration on the bottom of Page 1 of Ref. BOR-5, and felt that "a" (*base funding*) plus "b" (*adjustment for economy of scale*) plus "c" (*performance pool*) equaled state appropriations, not state appropriations plus registration fees as indicated. Chancellor Klaich replied that the tuition and fees should be in addition to state appropriations. Although it could be confusing in that illustration, he explained

7. Action Taken - Report on the Committee to Study the Funding of Higher – (Cont'd.)

that there were concepts embedded with  $a+b+c$  that will need to be worked out within the current economic model. In a perfect world, policy changes could be made with new money that would protect institutions that have made decisions based on the status quo and not unfairly hurt them in the short term. However, that is not likely to be the situation and he could not make assumptions that the new formula will be implemented just with new dollars. There could be new dollars within the base funding while economy of scale and the performance pool could be adjustments.

Chancellor Klaich explained that the illustration on the top of Page 2 of Ref. BOR-5 could also be an area of confusion as it reflects the measurement of the unit of work and not the allocation of the dollars themselves. There is a lack of clarity because recommendations on every decision have not been made as yet.

Regent Doubrava clarified that if that equation were to stay, he would want to see how that works out. Chancellor Klaich replied that a critical step in the process is to show the Board the assumptions, the weighting, the metrics and how dollars are allocated.

Regent Blakely moved approval of acceptance of the report. Regent Doubrava seconded.

Regent Crear felt that the proposed plan looked good but wanted to have more in-depth and focused discussions on the plan's philosophy and the many factors involved. Chancellor Klaich agreed that the Board would have those discussions.

Chair Geddes asked that System staff provide information on the similar models adopted by other states.

Regent Trachok referred to the top of Page 2 of Ref. BOR-5, and asked, theoretically, if he understood the equation correctly,  $a+b+c$  equaled state appropriations plus tuition and fees. Chancellor Klaich stated that was correct.

Regent Trachok asked if the intention was that the tuition and fees would remain at the institutions to allow the presidents to become more entrepreneurial and to provide incentives to accomplish goals as they are determined by the Board. Chancellor Klaich stated that was correct.

Regent Trachok asked Chancellor Klaich what the response has been from his initial discussions with the presidents. Chancellor Klaich felt that Regent Doubrava's previous comment accurately characterized the response of the presidents that although the model appears to be significantly improved, the evidence will be in the numbers.

Regent Alden entered the meeting.

Regent Trachok asked if there was any other state following the same model that was presented that day. Chancellor Klaich could not say that the exact model was taken wholesale from any particular state, but there are many states that have used performance

7. Action Taken - Report on the Committee to Study the Funding of Higher – (Cont'd.)

funding and have done so for years. The System will borrow from the expertise of those states and will try to incorporate the best of those practices into the new formula.

Regent Trachok asked if the base funding portion of the formula was taken from other states such as Texas. Chancellor Klaich related that he has reviewed the Texas formula and although the cost-weighted matrix is at the core of that state's model, he was not ready to tell the Board to make all its decisions based on cost.

Regent Trachok asked what the timeline is for rolling out the various components of the formula and how the Board could help. Chancellor Klaich replied that by statute, budgets are required to be submitted to the Governor by September 1<sup>st</sup> of every even numbered year. Working backwards from that date, there are four and half months in which to finish the process.

Regent Trachok asked what the Board could do to help with that process. Chancellor Klaich asked that the Board continue to identify concerns and ask questions so that System staff can develop an appropriate planning document.

Regent Anderson was excited that for the first time, the funding formula will take into account the differing missions, cost of providing courses at the different institutions and will provide the institutions with incentives to graduate students.

Regent Wixom commented that when talking about entrepreneurial activities, the System has not focused on the use of out-of-state tuition dollars because those dollars had previously gone back into the state's general fund. He related that institutions in the west have been thinking very creatively on how to use those funds in new ways. He asked that the System consider what is occurring in other states when developing its plan for Nevada. Chancellor Klaich replied that is a fundamental proposition of the proposed model in that it incentivizes the institutions and modifies institutional behavior.

Regent Crear cautioned that when creating a more entrepreneurial system, there also needs to be discussion on what the ramifications will be when the defined metrics are not achieved. He felt that at times academia maintained a perception that although the goals may not be met, the funding should still be received. With the students being such a valuable commodity, he asked if that was leeway that this Board wanted to provide to the institutions and cautioned that entrepreneurialism should not be taken lightly.

Regent Knecht indicated that he could support the vote to accept the report only, and noted that further discussion will take place.

Motion carried.



8. Information Only - New Business (Agenda Item #8) – Regent Melcher requested that the Board discuss service areas at its next meeting in terms of strategic planning and the funding formula. He was very interested in seeing if all areas were served in an equitable manner, which institutions could best provide quality services in certain areas and how those services should be provided.

Regent Crear referred to a recent article in the Chronicle of Higher Education “*Conflicts Abound for College Chiefs on Corporate Boards*,” that raised questions regarding the compensation and appropriateness of college chiefs serving on one or several corporate boards while representing an institution as well. He asked that a policy be proposed at a future meeting to address those types of conflicts.

Chair Geddes related that Vice Chancellor Nichols would be retiring at the end of January and expressed gratitude to her on behalf of the entire Board.

9. Information Only - Public Comment (Agenda Item #9) – Ms. Riley related that the students have maintained a strong presence at the Committee to Study the Funding of Higher Education meetings and requested that the student body presidents be notified of future meetings.

Meeting adjourned at 11:59 a.m.

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*Approved by the Board of Regents at the April 20, 2012, meeting.*