Chancellor's ad hoc Committee on Higher Education Funding

Nevada's Higher Education Funding Formula

November 14, 2023

Today's Presentation

- Overview of Nevada's Higher Education Funding Formula history

- Objectives and features of current formula

- Example formula calculation

Nevada's System of Higher Education Funding Formula History

- Nevada's current and prior higher education funding formulas have not been set in statute, but rather as budget policy approved by the legislature's money committees

- Prior funding protocols resulted from interim studies authorized by prior legislatures in 1975, 1985, 1999, and 2011

- The 2013 legislature adopted the current formula based on recommendations made by the interim committee authorized by the 2011 legislature

NSHE Funding Formula History (continued)

- SB374 (2011) Charge:
    - Considered whether the other methods would be appropriate and useful in Nevada, whereby different missions of universities, state college, colleges, and research institutes are appropriately considered in the funding of public higher education in Nevada
    - Reviewed the funding of remediation in the context of instructional delivery methods
    - Considered the retention of resident registration fees and non-resident tuition outside of the state-supported operating budget
    - Considered funding in the context of completed courses in contrast with funding enrollment
    - Considered rewarding institutions within higher education for achieving defined goals for graduating students

Objectives of the Current Formula

- The current funding formula is a 'distribution' formula – determines how to allocate base funding. Does not establish a 'required' level of base funding

- Formula is outcomes driven using completed weighted student credit hours with a portion of allocated funding tied to performance metrics

- Equitably distribute funding for the seven instructional appropriations. Does not allocate funds to the 'non-formula' appropriations which include the professional schools, System Administration, UNR & UNLV Intercollegiate Athletics, business centers, and other statewide programs

Features of Current Formula: Overview

The structure of the funding formula budget can be described under three parts:

- Base, Maintenance, and Enhancements

- Formula distribution based on Weighted Student Credit Hours (WSCH)

- Performance Pool

Base, Maintenance & Enhancement

- The funding formula begins with the Base, Maintenance, and Enhancement approach consistent with the calculation used by all state agencies

- For NSHE, the Maintenance decision units include inflation adjustments, fringe adjustments, small institution factor, research operating & maintenance, and caseload adjustments

- Enhancement decision units are additional funding recommendations, which may be institution specific

Formula Distribution: WSCH

- The base formula is allocated primarily by **completed** student credit hours for Nevada resident students only – excludes credit hours for non-resident students and excludes credit hours receiving 'F' grades resulting for non-attendance

- Credit hours are **weighted by discipline** cluster in an expanded matrix that is cost informed

- Upper-division and graduate courses were given an additional weighting to support the research missions of UNR and UNLV

WSCH: Career and Technical Education

- During the 2017 legislative session, the Legislature approved the Regents' and the Governor's recommendation to increase the WSCH weighting for Career and Technical Education (CTE) courses within the Trades/Tech Cluster at the community colleges which includes construction trades, mechanical repair technologies/technicians, precision production, and transportation & materials moving

- Programs within this cluster are significantly more expensive to provide than those in other clusters and are similar to those found in upper division or graduate programs

WSCH: Base Year Allocation Historically

WSCH/Percent Distribution

Institution	2012		2014		2016		2018		2020		2022	
UNLV	886,813	**34.4%**	915,704	**35.5%**	1,009,083	**36.5%**	1,078,174	**36.2%**	1,115,625	**35.7%**	1,149,097	**37.9%**
UNR	619,941	**24.1%**	655,013	**25.4%**	721,836	**26.1%**	763,270	**25.6%**	783,516	**25.1%**	763,960	**25.2%**
NSU	92,826	**3.6%**	94,470	**3.7%**	101,857	**3.7%**	126,472	**4.2%**	157,417	**5.0%**	176,879	**5.8%**
CSN	626,677	**24.3%**	578,716	**22.5%**	580,102	**21.0%**	627,075	**21.1%**	663,630	**21.3%**	564,061	**18.6%**
TMCC	214,603	**8.3%**	198,251	**7.7%**	204,816	**7.4%**	218,966	**7.4%**	227,510	**7.3%**	204,001	**6.7%**
WNC	74,414	**2.9%**	72,151	**2.8%**	75,616	**2.7%**	86,284	**2.9%**	87,071	**2.8%**	89,534	**3.0%**
GBC	60,769	**2.4%**	62,209	**2.4%**	69,321	**2.5%**	76,324	**2.6%**	87,716	**2.8%**	81,614	**2.7%**
Total	**2,576,043**	**100%**	**2,576,514**	**100%**	**2,762,631**	**100%**	**2,976,565**	**100%**	**3,122,485**	**100%**	**3,029,145**	**100%**

Count year 2012 for biennial budgets FY14-15

WSCH: Base Year Comparison 2012-2022

Institution	2012		2022		WSCH Change	WSCH % Change	Alloc. % Change
UNLV	886,813	**34.4%**	1,149,097	**37.9%**	262,284	**29.6%**	**3.5%**
UNR	619,941	**24.1%**	763,960	**25.2%**	144,019	**23.2%**	**1.2%**
NSU	92,826	**3.6%**	176,879	**5.8%**	84,053	**90.5%**	**2.2%**
CSN	626,677	**24.3%**	564,061	**18.6%**	(62,617)	**(10.0%)**	**(5.7%)**
TMCC	214,603	**8.3%**	204,001	**6.7%**	(10,602)	**(4.9%)**	**(1.6%)**
WNC	74,414	**2.9%**	89,534	**3.0%**	15,120	**20.3%**	**0.1%**
GBC	60,769	**2.4%**	81,614	**2.7%**	20,845	**34.3%**	**0.3%**
Total	2,576,043	**100%**	3,029,145	**100%**	453,102	**17.6%**	

WSCH: Calculation of WSCH Value

- Each biennial budgeting process yields a calculated value of a completed resident student Weighted Student Credit Hour

- Calculated value is a derived value determined by the NSHE base budget pool divided (after pre-formula set-asides) by the NSHE-wide WSCH for resident student completed credit hours

- Although the derived WSCH value is used to determine the applicable caseload growth maintenance adjustment as part of the base budget development, it is not otherwise used to determine or generate budget allocation

WSCH: Calculation Example – FY20

FY20 Leg. Approved Formula Appropriation	$ 498,707,410
Less: Small Institution Factor	(1,121,760)
Less: Research O&M	(9,298,859)
Adjusted General Fund Appropriation	$ 488,286,791
Divided by FY18 WSCH	2,976,565
= FY20 Leg Approved WSCH Value	$ 164.04

WSCH: Historical WSCH Value

Fiscal Year Appropriation	FY2014	FY2015	FY2016	FY2017	FY2018
Base Year for WSCH	FY2012	FY2012	FY2014	FY2014	FY2016
Available General Funds (Millions)	$354.7	$364.5	$393.2	$395.6	$430.7
Total WSCHs	2,576,043	2,576,043	2,576,514	2,576,514	2,762,631
Derived WSCH Value	$137.69	$141.50	$152.61	$153.55	$155.90
Increase (Decrease) %		2.8%	7.8%	0.6%	1.5%

Fiscal Year Appropriation	FY2019	FY2020	FY2021	FY2022	FY2023
Base Year for WSCH	FY2016	FY2018	FY2018	FY2020	FY2020
Available General Funds (Millions)	$423.2	$488.3	$490.0	$519.1	$521.1
Total WSCHs	2,762,631	2,976,565	2,976,565	3,122,485	3,122,485
Derived WSCH Value	$153.18	$164.04	$164.61	$166.24	$166.90
Increase (Decrease) %	(1.7%)	7.1%	0.3%	1.0%	0.4%

Note: available general funds excludes pre-formula set-asides

Performance Pool: Overview

- Institution's performance is measured based on seven metrics against the intuition's baseline – institutions compete against themselves only for performance funding

- The Performance Pool is based on a 20% carve-out of each institution's base state funding

- The Performance Pool carve-out is set aside to be 'earned back' by each institution based on their performance against the established metrics

Performance Pool: Metrics

Performance metrics utilized are consistent among the institution classifications (UNR and UNLV, NSU, and community colleges):

- Degrees/certificates awarded which includes sub-metrics for underserved populations

- Transfer students

- Efficiency - awards conferred per 100 student FTE

- Awards conferred in economic development interest areas including STEM, allied health, business and management, and skills certificates

Performance Pool: Results

Performance Pool results since adoption of current formula:

Institution	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
UNLV	101.3%	97.8%	102.2%	100.9%	102.2%	104.1%	103.7%	105.2%	121.7%	116.2%
UNR	106.5%	107.0%	112.6%	120.9%	123.0%	130.0%	131.8%	131.2%	117.6%	114.9%
NSU	101.5%	116.9%	122.2%	129.2%	130.7%	177.2%	189.5%	215.4%	158.9%	168.4%
CSN	108.9%	112.2%	109.7%	111.4%	112.3%	112.8%	115.6%	112.3%	108.9%	108.9%
TMCC	99.2%	107.0%	117.5%	122.4%	118.7%	119.6%	117.7%	120.2%	120.4%	111.3%
WNC	108.5%	107.6%	110.2%	109.2%	106.1%	107.4%	109.3%	128.1%	119.4%	112.6%
GBC	97.6%	107.7%	122.7%	130.9%	126.0%	127.9%	127.8%	127.1%	122.2%	113.0%

Features of Current Formula: Set-Asides

Before the base state appropriation is allocated to the institutions through the WSCH formula, two set-asides are allocated

- The small institution factor (SIF) which recognizes the disproportionate cost of administration & infrastructure for the rural service areas and smaller populations of GBC and WNC
- The research operation & maintenance (O&M) adjustment supports the dedicated research space at UNR and UNLV that does not otherwise generate student credit hours

Pre-Formula Set-Aside: Small Institution Factor (SIF)

Small institution set-aside is calculated as $30 per WSCH gap from actual to 100,000 WSCH.

- For example, for 2022 base year GBC had 81,614 WSCH SIF set aside: (100,000 – 81,614) X $30 = $551,580

- Note that increasing weights of CTE courses beginning FY18 reduced small institution factor set-asides to the extent higher weight CTE courses increased WSCH

Pre-Formula Set-Aside: SIF History

Base Year WSCH	FY12	FY14	FY16	FY18	FY20	FY22
Funds FY	FY14 & FY15	FY16 & FY17	FY18 & FY19	FY20 & FY21	FY22 & FY23	FY24 & FY25
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

Pre-Formula Set-Aside: Research O&M

Research O&M funding is determined by identifying dedicated research space square footage at each university. The value per square foot is institution specific based on base budget O&M expenditures.

- The 2021-23 biennium set-aside for UNR was based on O&M cost per square foot of $11.00 and 518,072 square feet of dedicated research space

- The 2021-23 biennium set-aside for UNLV was based on O&M cost per square foot of $11.41 and 399,789 square feet of dedicated research space

Pre-Formula Set-Aside: Research O&M History

Base Year O&M cost per sq. ft	FY12	FY14	FY16	FY18	FY20	FY22
Funds FY	FY14 & FY15	FY16 & FY17	FY18 & FY19	FY20 & FY21	FY22 & FY23	FY24 & FY25
UNR	$3,582,891	$4,102,076	$3,831,987	$5,404,243	$5,696,206	$5,575,112
UNLV	$4,944,173	$5,008,199	$5,621,935	$4,151,084	$4,563,433	$4,493,978
Total	$8,527,064	$9,110,275	$9,453,922	$9,555,327	$10,259,639	$10,069,090

Budgeting Student Derived Revenues

- Student derived revenues are not used to offset the amount of General Fund appropriations that would otherwise be allocated through the formula

- Student derived revenues are retained and expended by the institution where fees are generated

- The Board of Regents sets registration fee and non-resident tuition rates. Student fee revenues are included in the state operating budget for transparency and based on budget policy decisions adopted by prior Legislatures rather than being a component of the funding formula or a statutory requirement

Formula Calculation Example: Adjusted Base

	Base	Maint.	Enhance.	Adjusted Base
Institution A	$ 5,000,000	$ 500,000	$2,000,000	$ 7,500,000
Institution B	$ 3,000,000	$ 300,000	$1,250,000	$ 4,550,000
Institution C	$ 2,000,000	$ 200,000	$ 750,000	$ 2,950,000
Total	**$10,000,000**	**$1,000,000**	**$4,000,000**	**$15,000,000**

Formula Calculation Example: WSCH Value

Total Available General Fund	**$**	**15,000,000**
Pre-formula allocation A	$	(2,000,000)
Pre-formula allocation B	$	(1,000,000)
Total Available for allocation	**$**	**12,000,000**
Total WSCH		80,000
WSCH Value	**$**	**150.00**

Formula Calculation Example: Allocated Appropriation

	WSCH	Allocated General Fund	Pre-Formula Allocation	Formula Allocated Appropriation
Institution A	40,000	$ 6,000,000	$1,000,000	$ 7,000,000
Institution B	25,000	$ 3,750,000	$1,500,000	$ 5,250,000
Institution C	15,000	$ 2,250,000	$ 500,000	$ 2,750,000
Total	**80,000**	**$12,000,000**	**$3,000,000**	**$15,000,000**

Questions?

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