



# HCM Strategists

*Nevada System of Higher Education*

*Ad Hoc Committee on Higher  
Education Funding*

*February 12, 2024*



# Agenda

1

HCM Introduction

2

Supporting Nevada's Formula Review

3

National Perspective: State Funding Formula + Trends

4

Funding Formula Development Review Process

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# We are HCM Strategists

*Get to know your new strategic partner*

# About HCM

We are a woman-owned, impact-driven consulting firm with a 15-year track record of influence and innovation in education.

We exist to champion accessible, affordable, equitable, and student-centered education and work-based learning across all 50 states.

We believe in the transformative power of postsecondary education and career-competitive, lifelong learning to create opportunities for individuals to thrive while eliminating systemic inequities that make institutions more effective, accountable and impactful.

*“As innovation in the field continues to grow, HCM Strategists plays a leading role in ensuring the access to and impacts of those innovations are equitable.”*

*– Martha Snyder,  
Partner*

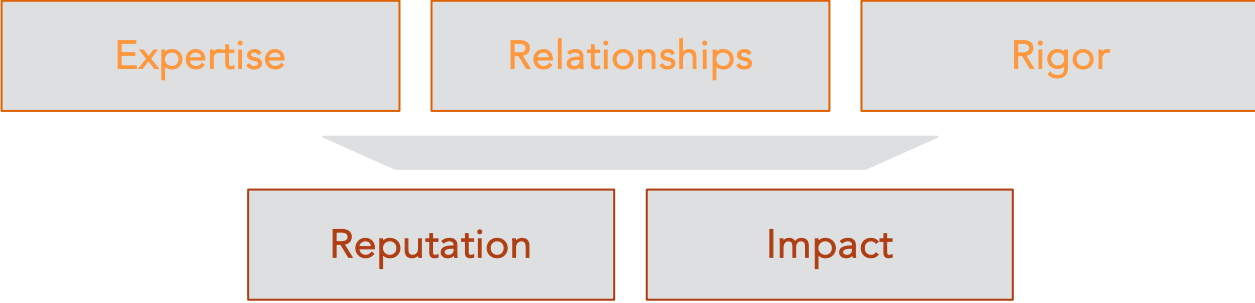
# Our Approach

We work at the intersection of public policy, systems change, institutional strategy, strategic finance, and career-connected learning.



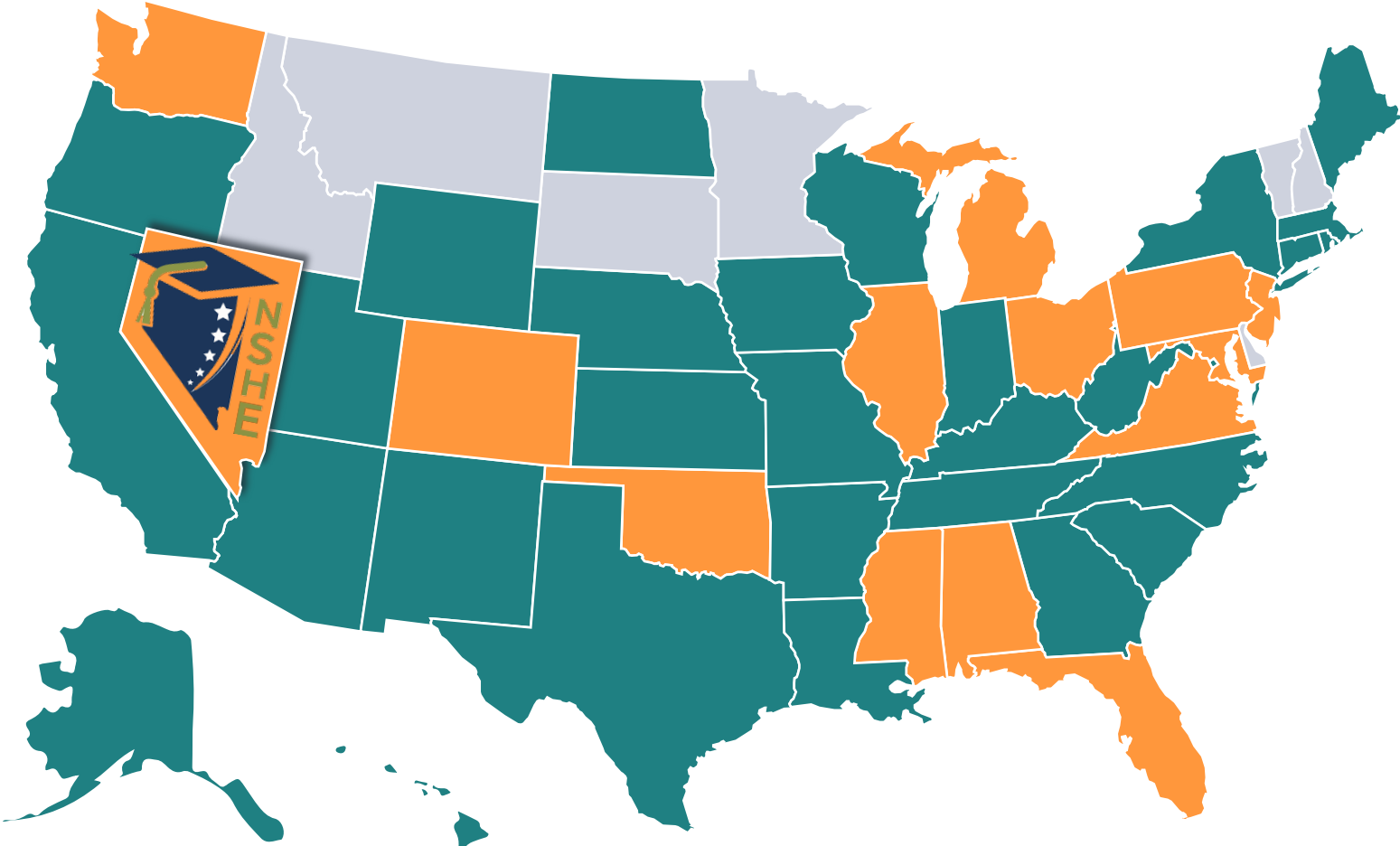
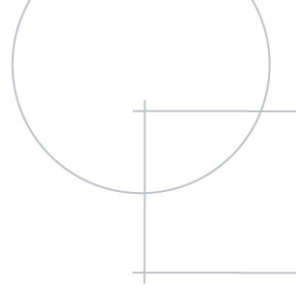
Explore our detailed [15-year timeline](#) to learn more.

In our 15-year history, three pillars of our approach have enabled HCM Strategists to develop a national reputation and have a significant impact on life-changing public policy. Those have been our investments in deep content expertise, a national network of relationships, and an expectation for quality and rigor.




We apply this approach in everything we do.

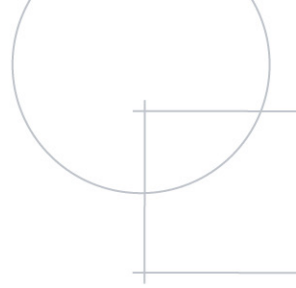
# We bring 15+ Years of State Impact & Proven Results in Change Management



HCM has worked in **43 states** and our team is currently working within **14 states** facilitating consultive change processes with higher education stakeholders.

-  Current State Facilitation Work for HCM
-  Previous State Facilitation Work

# Our Strategic Finance and Strategic Planning Expertise Spans Numerous Systems, States & Organizations





# Supporting Nevada's Formula Review

*HCM Project Team + Scope of Work + State Funding  
Formula Overview*



# Your HCM Project Team



**Martha Snyder**

*Partner*

- Project lead
- Content oversight and point of contact for NSHE.



**Will Carroll**

*Director of Policy & Strategic Finance*

- Lead content and policy specialist
- Formula analysis and modeling



**Nate Johnson**

*Senior Affiliate*

- Advice and counsel
- Lead for evaluation and self-supporting accounts



**Katie Lynne Morton**

*Director of Project Management & Client Relations*

- Project Manager



**Brenae Smith**

*Associate Director*

- Content support
- Research and overall project support

# Scope of Work

1

Evaluating Other  
Funding Models

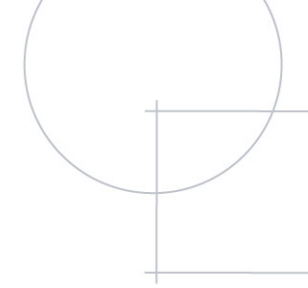
2

Assessment of  
Nevada's Current  
Funding Formula

3

Evaluation of  
Practices &  
Protocols for Self-  
Supporting Accounts

Presentation and Summary of  
Findings and Recommendations to  
the Committee



# Activities Supporting Scope

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## 1. Evaluating Other Funding Models

Review of common higher education finance structures

Trends + assessment of best practices

Matrix comparing Nevada with comparison/leading states

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## 2. Assessment of Nevada's Current Funding Formula

Review of funding model history/resource documents

Funding trends and impacts

Stakeholder interviews

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## 3. Evaluation of Practices & Protocols for Self-Supporting Accounts

Matrix of main policy-relevant characteristics of each revenue and expense

Analysis of other states' reporting and policy requirements for the categories

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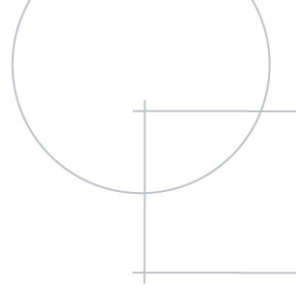


# State Funding Formula Overview

# Types of State Funding Allocation Models

Funding Approach	Description	Pros	Cons
<b>Base +</b>	Allocation based on prior levels of funding Adjusted based on estimated costs, institutional priorities or across the board	Institutional fiscal stability	Inequities in institutional funding often disadvantage institutions serving high # of low-income and students of color  Not responsive to changes in enrollment/other changing conditions or state priorities
<b>Enrollment</b>	# of students enrolled (FTE most common) Often limited to in-state students	Directs resources to where the students are	Shifts in enrollment limit stability Limits incentive for student success/timely completion (particularly when combined with tuition)  FTE funding disadvantages institutions with large part-time populations

# Types of State Funding Allocation Models



Funding Approach	Description	Pros	Cons
<b>Weighted Enrollment</b>	<p>Provides additional weights for enrolling students with certain characteristics (e.g., low-income, underrepresented minority) or enrolled in certain programs, disciplines, or levels (CTE, health, graduate).</p>	<p>Creates incentives to enroll priority populations, and provides the additional resources needed to help them succeed.</p> <p>Weights for certain courses accounts for programs that historically have cost more to deliver.</p>	<p>Similar to pure enrollment-driven formula: Creates fiscal challenges for schools with sudden enrollment drops</p> <p>Does not incent colleges to help students persist and complete.</p>
<b>Outcomes-Based Funding</b>	<p>Allocation is based on a school's performance on a set of metrics. States use a variety of different formulas to determine the allocation, including a school's proportion of total outcomes, achievement of individual school targets, and relative growth.</p> <p>Can include both student progression/success and workforce-aligned metrics</p>	<p>OBF aligns state investment with state priorities.</p> <p>Creates incentive for institutions to focus on student success.</p> <p>First type of funding models to consider student characteristics.</p>	<p>If not adjusted/weighted for different student needs, OBF can create incentives for colleges to reduce access for students who are less likely to succeed.</p> <p>Institutions also need an adequate level of funding in order to achieve success on the metrics, which not all may have.</p>

# Combinations Used in States



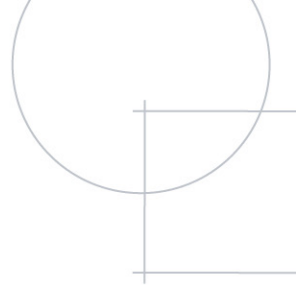
Several states use a combination of approaches that balance various considerations of stability, access and outcomes.



Increasingly these approaches are adjusted to reflect student needs, including adjustments to minimum “base” funding, weighted enrollment funding and outcomes adjusted for student characteristics.



Several states supplement other mission-specific aspects to institutions outside of the funding formula, such as medical schools and research.



# Examples of State Combinations

State	Base +	Enrollment	Weighted Enrollment - Cost	Weighted Enrollment - Student	OBF	OBF Equity
LA <i>Both sectors</i>	✓		✓ (Student credit hour + discipline weights)	✓ (Applied to institutions with higher than average URM enrollment)	✓ (progression, completion and workforce)	✓ (adult, Pell, URM)
TX <i>2-year</i>			✓ (contact hours weighted by discipline)	✓ (Pell, academic unprepared, adult)	✓ (dual credit, transfer, credentials, high-demand premium)	✓



# Examples of State Allocation Formula Combinations

State	Base +	Enrollment	Weighted Enrollment - Cost	Weighted Enrollment - Student	OBF	OBF Equity
MN <i>Both Sectors</i>	✓	✓ (FTE + Headcount)		✓ (Pell + First Generation)	✓ (Persistence + Completion)	✓ (Students of Color)
NV <i>Both sectors</i>			✓ (Completed credit hours weighted by discipline + level)		✓ (degrees, research, transfer, efficiency, high-demand areas)	✓ (Underrepresented Minorities, Pell completions)

# Recent Trends in State Funding Formulas



## ADEQUACY

Determining the basic level of resources required to achieve the outcomes desired.



## WORKFORCE

Increased focus on value. Enrollment components prioritizing enrollment in courses/programs with workforce demand or value. OBF components prioritizing completion of credentials of value.



## EQUITY

Recognizing current gaps in outcomes and different cost required to achieve the desired outcomes by population or program, and accounting for those difference in allocating resources.



***INTERPLAY BETWEEN EQUITY AND ADEQUACY***  
***Need to provide sufficient resources in exchange for accountability for outcomes. Illinois and Texas provide examples of these approaches.***



# Closer Look at Outcomes-Based Funding

*National Context*

# Outcomes-Based Funding (OBF) in the Broader Context

OBF is a common component of state funding for postsecondary education.

Aligns operating funds with state goals.

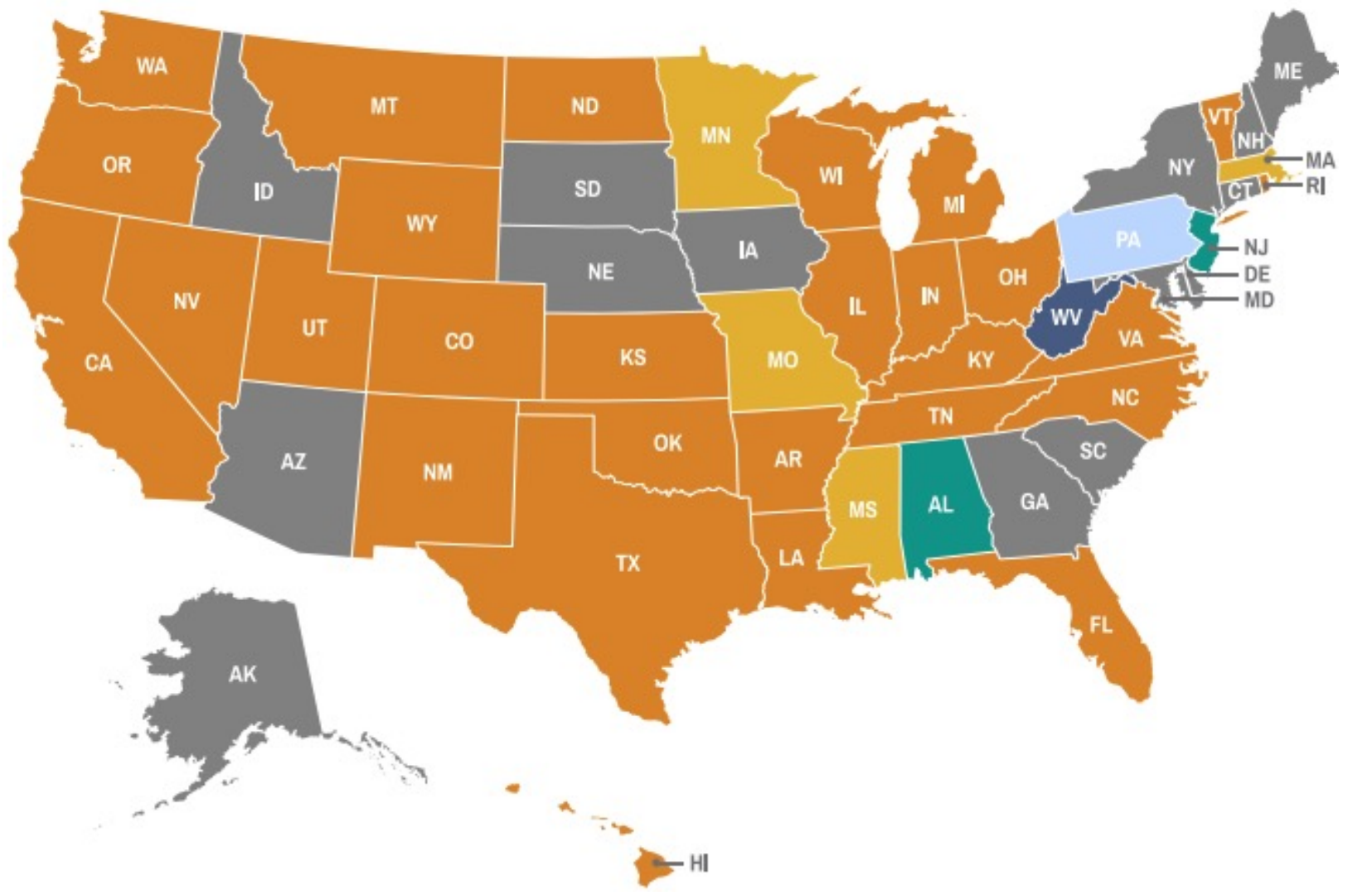
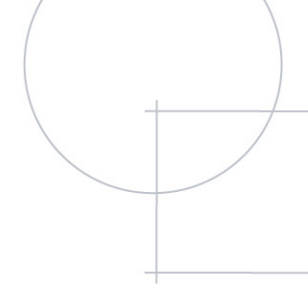
Overall attainment

Student success measures

Target populations

States have incorporated and developed OBF in response to different circumstances.

- IMPLEMENTING
  - DEVELOPED-NOT IMPLEMENTING
  - DEVELOPING
  - IMPLEMENTING AND DEVELOPING
  - DEVELOPED-NOT IMPLEMENTING AND DEVELOPING
- Information collected as of March 2020*



# Outcomes-based Funding in States: FY 2020

# OBF Typology

- State funding systems vary significantly in design, focus and sophistication.
- HCM Strategists has developed a typology for Outcomes-Based Funding ranging from Type I (Rudimentary) to Type IV (Advanced).

## Type IV

- Aligned with completion/attainment goals and related priorities
- Recurring/Base funding
- High level of state funding (25% or greater)
- Differentiates by institutional mission
- Total degree/credential completion included
- Outcomes for underrepresented students prioritized
- Formula driven/incentives continuous improvement
- Sustained for two or more consecutive fiscal years

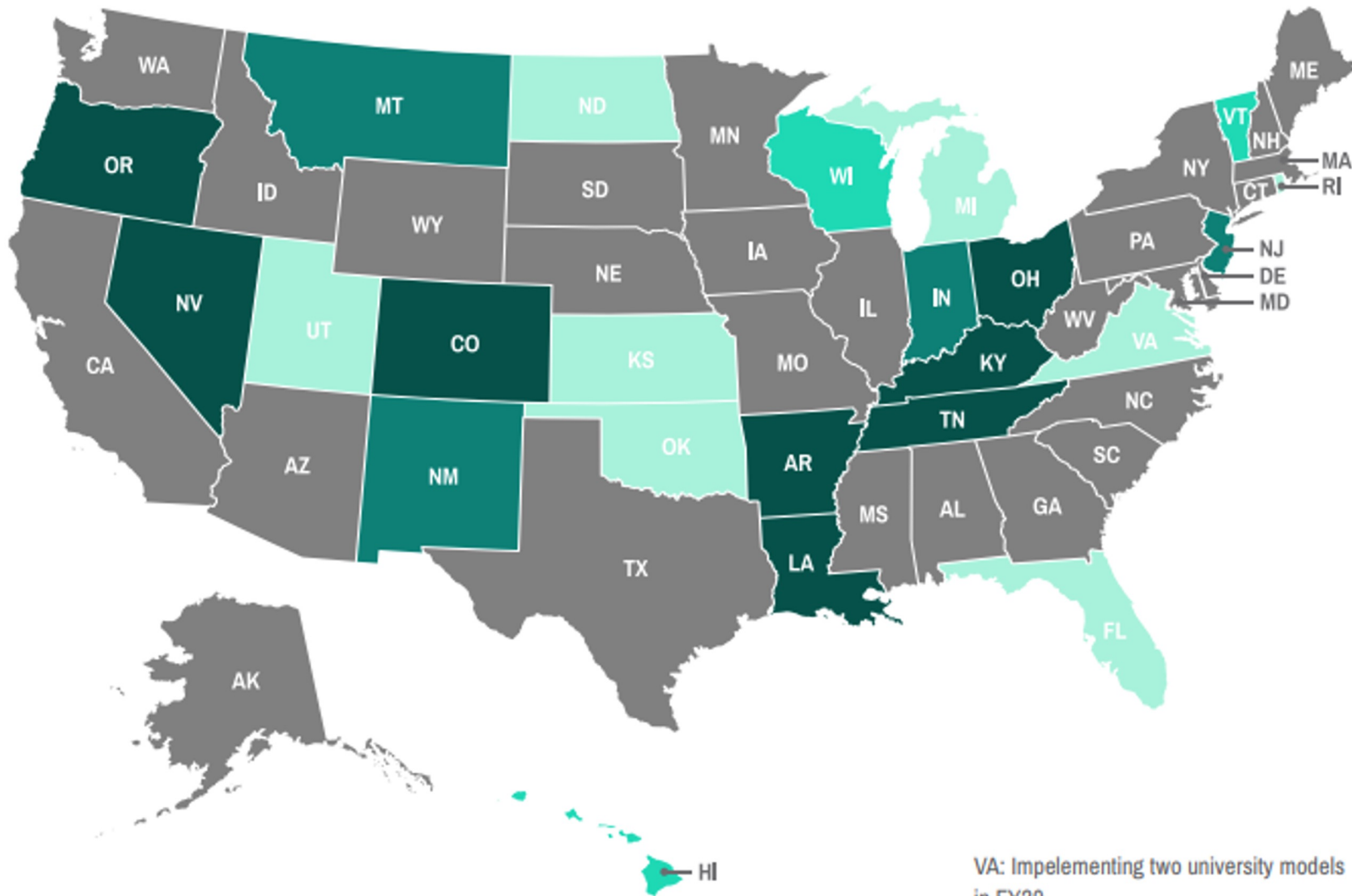
TYPE I (RUDIMENTARY)

TYPE II

Information collected as of March 2020

TYPE III

TYPE IV (ADVANCED)



# Outcomes-based Funding by Type, FY 2020: 4-year Sector

VA: Impelementing two university models in FY20

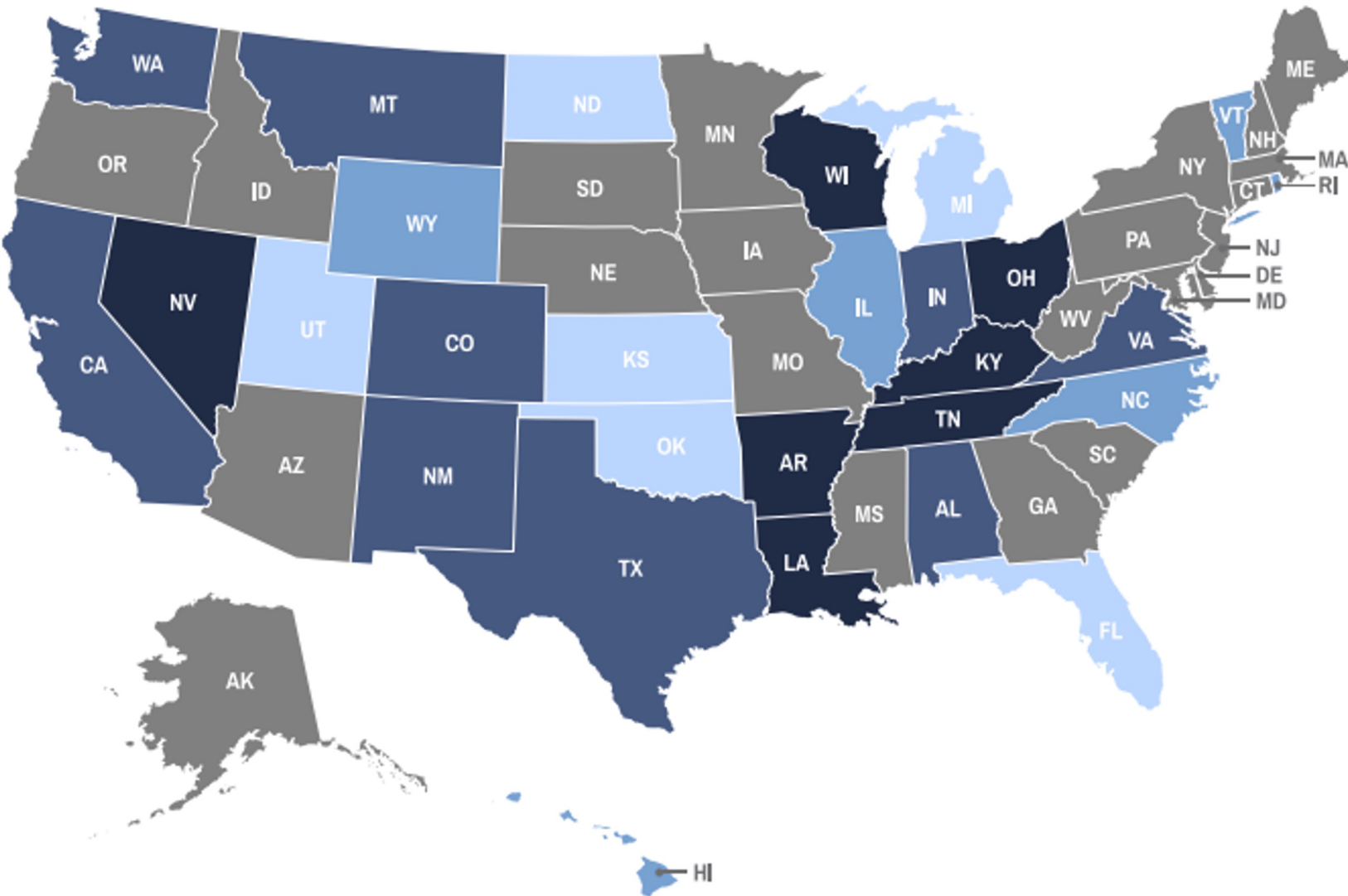
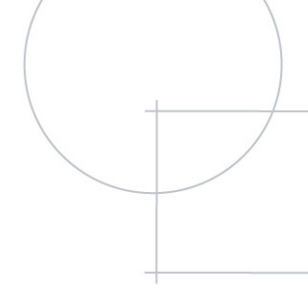
TYPE I (RUDIMENTARY)

TYPE II

Information collected as of March 2020

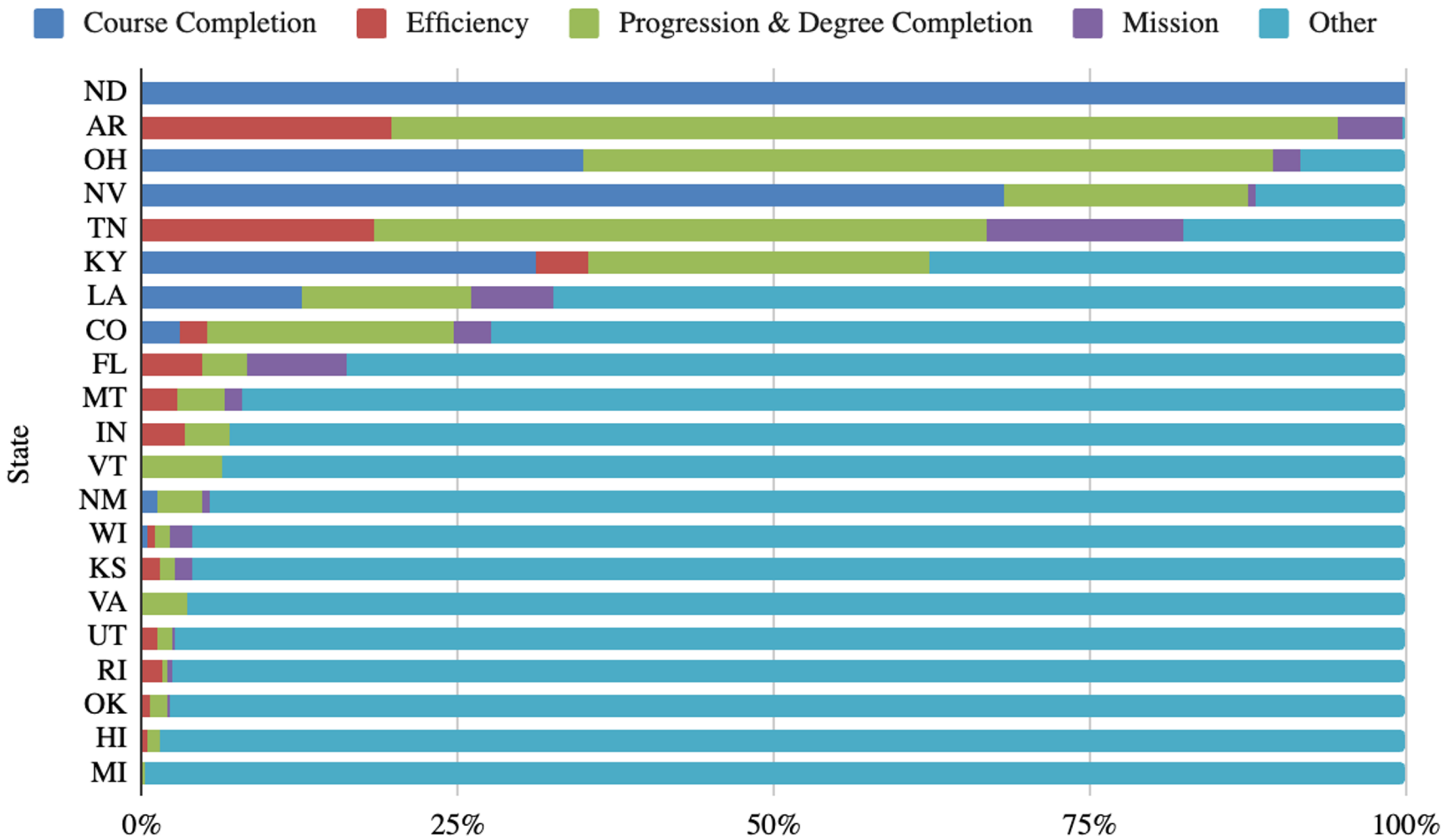
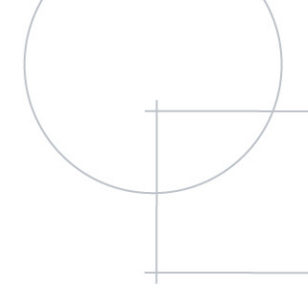
TYPE III

TYPE IV (ADVANCED)



# Outcomes-based Funding by Type, FY 2020: 2-year Sector





# FY 2020: Funding by Common Metrics

Course Completion,  
Efficiency, Progression &  
Degree Completion, Mission,  
and Other

# Common OBF Metrics: Most Aligned with Attainment & Equity

Degrees/Certificates



Workforce



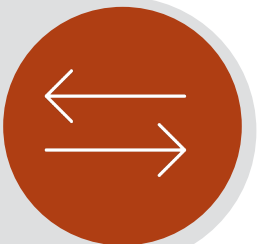
Progression



Efficiency



Transfer



Priority Funding

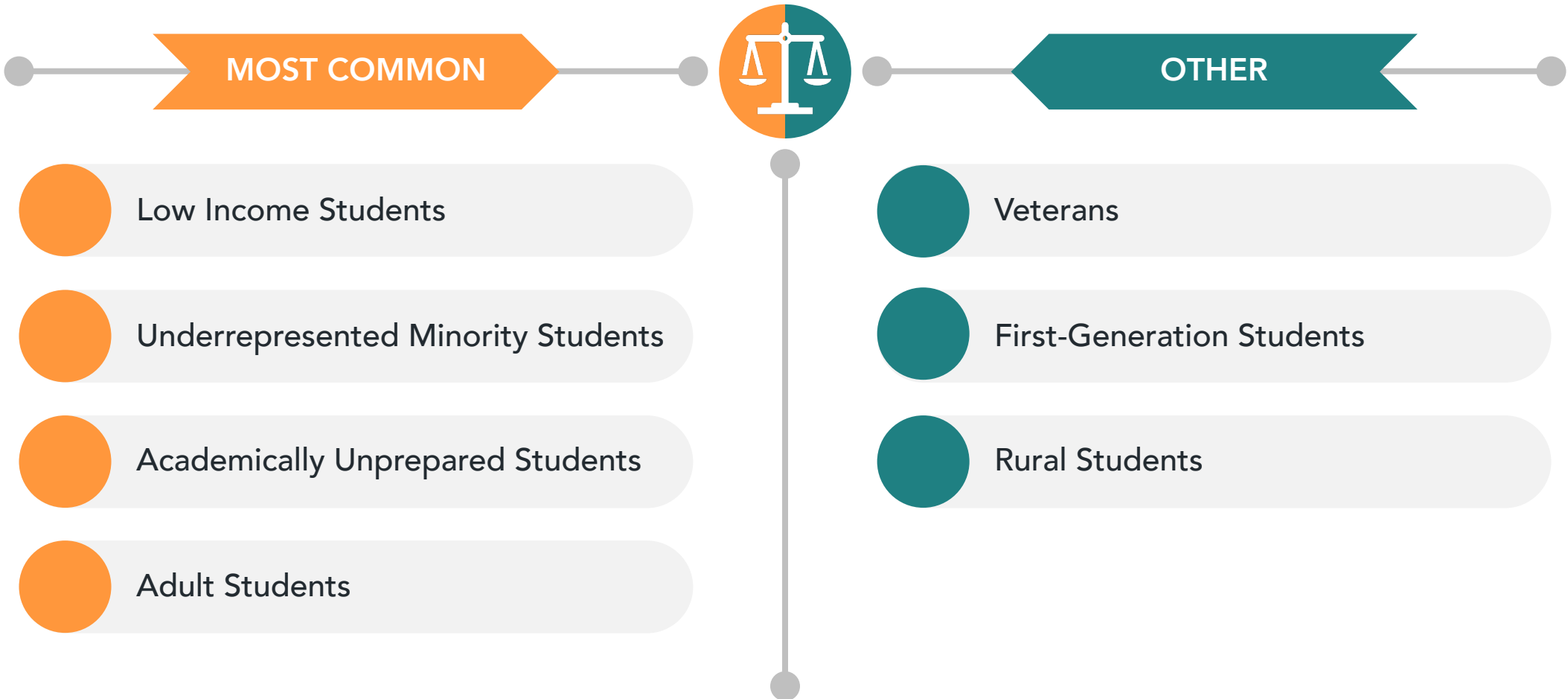
- Underrepresented students
- High-demand degrees



# Comparison of OBF Metrics (Selected States)

	Progression	Completion	Transfer	Workforce	Efficiency	High Demand Field	Research/ Public Service
Kentucky	✓	✓			✓		
Louisiana	✓	✓	✓	✓		✓	✓
Ohio	✓	✓	✓			✓	
Tennessee	✓	✓	✓	✓	✓	✓	✓
Nevada	✓ (Gateway Course Completion)	✓	✓		✓	✓	✓

# Priority Populations: To Promote Equity in Access & Success



# Comparison of OBF Metrics (Selected States)

	Low-Income	Underrepresented Minority	Adult	Academically Underprepared
Kentucky	✓	✓		
Louisiana	✓	✓	✓	
Ohio	✓	✓	✓	✓
Tennessee	✓		✓	✓
Nevada	✓	✓		

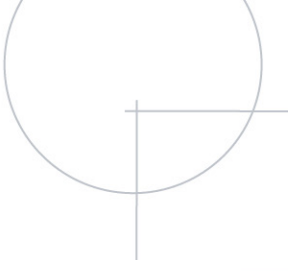
# OBF in Context of Other Funding

- Higher education is complicated business with many different stakeholders and financial drivers or incentives
  - States have somewhat comparable demands for higher education (instruction, research, public service)
  - But they differ more in how they meet them (public, private, 4-year, 2-year, many small institutions, a few large ones, specialized, comprehensive)
  - Context is important both for core funding (outcomes) and for determining role relative to other funds (self-sustaining accounts)
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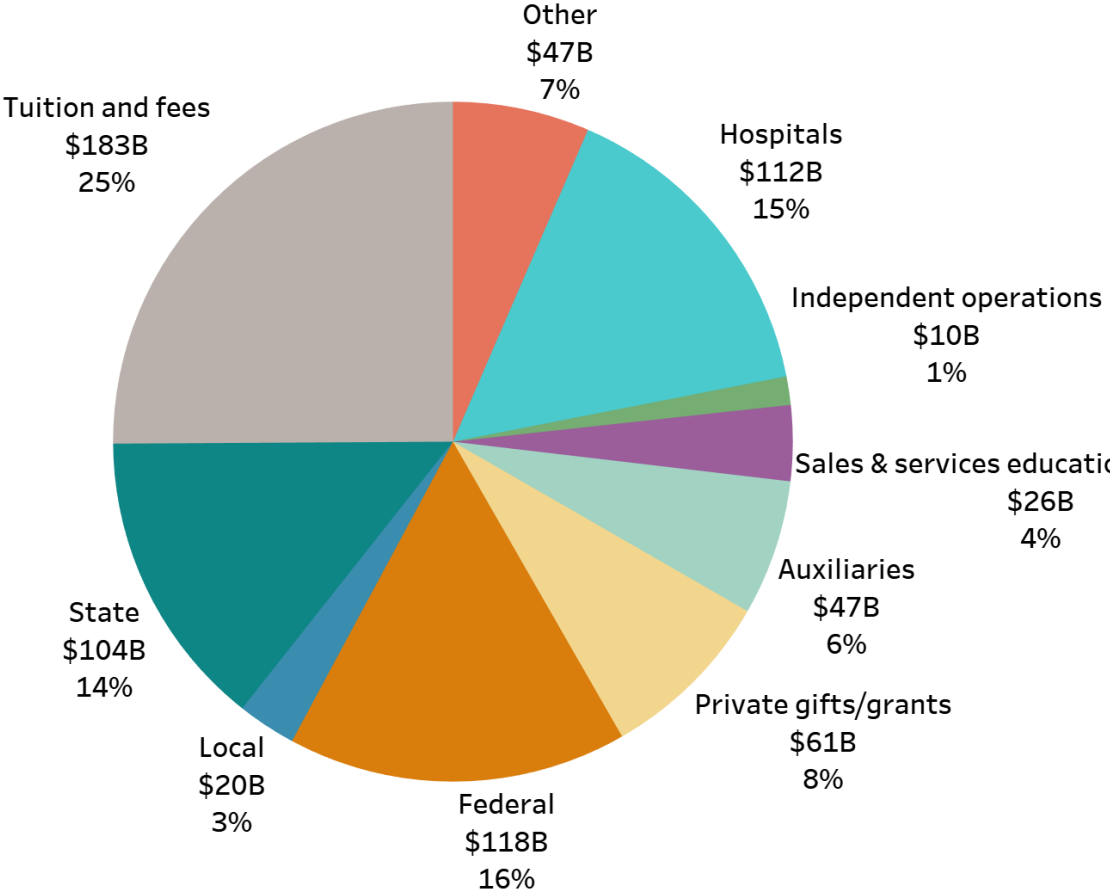


# Funding Formula Development Review Process

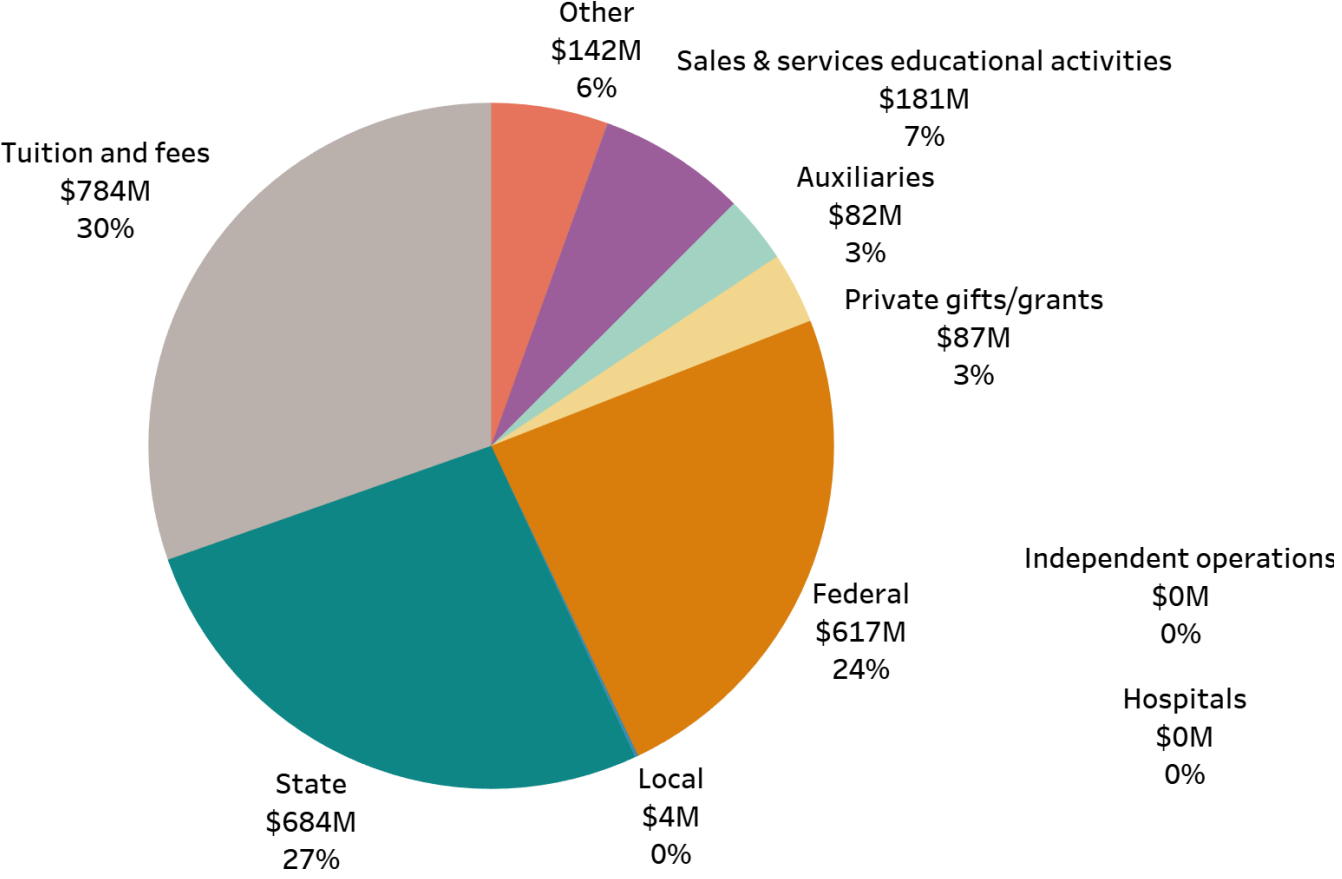
# Revenue Mix US and Nevada FY 2022



United States

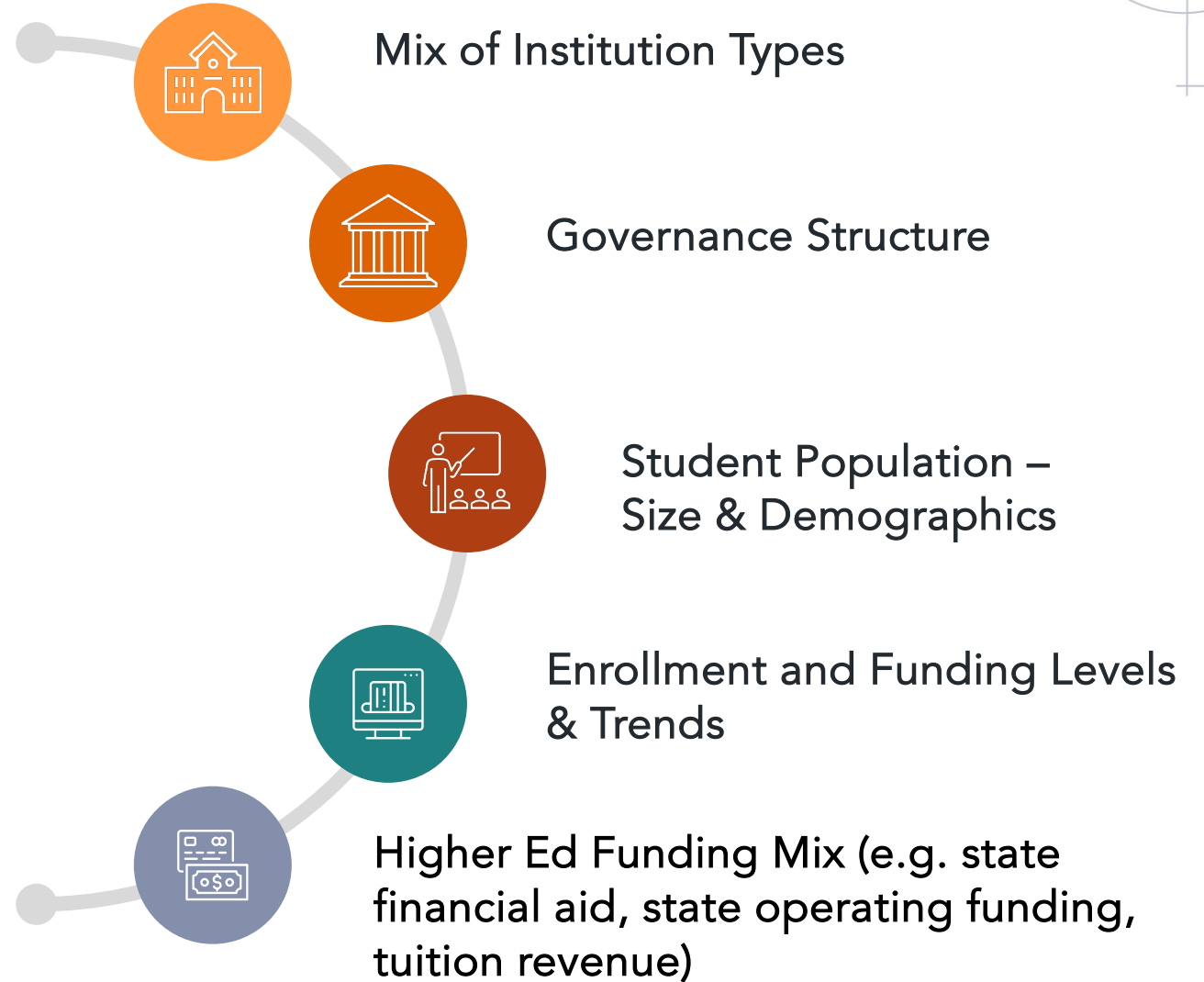


Nevada





# Criteria for Selecting Comparison States



# Formula Review Guidelines

01

## Assess the principles and priorities guiding the model

- How does the funding model align with state priorities and objectives for higher education?

02


## Avoid making drastic changes to funding models

- Drastic changes to funding models could add more uncertainty, while decreasing the focus on equity, quality, and student outcomes. Any changes should follow a thorough analysis of potential scenarios.

03

## Apply a student- and equity-centered lens

- Does the funding model appropriately reflect the varied needs of institutions and the students they serve?



# Thank You!

## Get in touch

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