



## NEVADA FACULTY ALLIANCE

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Date: March 18, 2024

To: Ad Hoc Committee on Higher Education Funding

From: Kent Ervin, Nevada Faculty Alliance

Subject: Public comment for meeting on 3/19/2024

The Nevada Faculty Alliance is the independent statewide association of professional employees at NSHE. We work to empower our members to be fully engaged in our mission to help students succeed.

Thank you for your service and work on the important task of improving the funding for public higher education in Nevada. For the benefit of committee members, we wish to provide some clarifying information and context about the presentations in today's agenda.

### **Agenda items 3 & 5. Self-Supporting Accounts**

Although reporting of self-supporting accounts is being improved by NSHE in response to the legislative audits, there remains a lack of full transparency. In particular, the policy threshold of \$250,000 per individual internal account for budgeting or reporting means that thousands of accounts are not reported by the institutions to the Board of Regents. Even the aggregate totals by institution, revenue type, and expenditure function are not being reported for those accounts below \$250,000. Grant and endowment accounts are also excluded from the reports. For FY2023, a comparison of the total amounts reported for the State-Supported Operating Budgets and the reported Self-Supporting accounts with the NSHE audited financial statements indicates that about \$375 million is missing from the reports to the Regents. It is difficult to discern from the public reports, but likely about \$100 million of that is from student fees of various kinds. To provide a complete picture of the funding of the NSHE system and institutions, full transparency in reporting should be required, including aggregate totals for smaller accounts by category. To avoid incentivizing the assessment of mandatory student fees for coursework or instructional and student support outside of the regular state-supported operating budget, the committee should consider bringing all such student fees into the funding formula.

### **Agenda item 4. Presidents' Recommendations for Improvements in the Funding Formula**

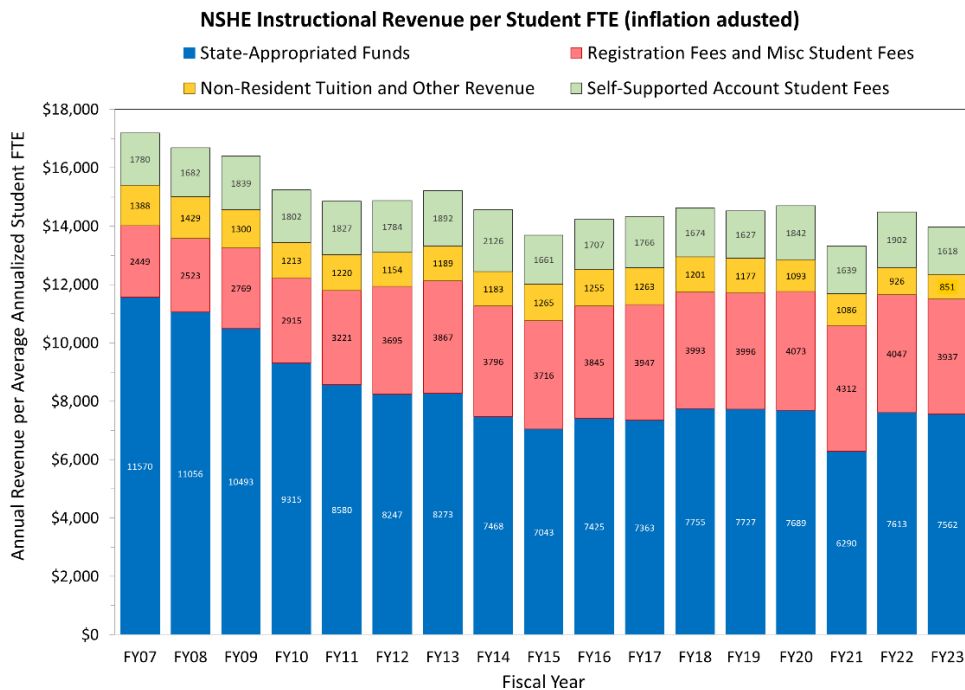
In February, Chair Hardesty asked each President to provide recommendations for improvements to the funding formula. The presentations from GBC, TMCC, and WNC do so. We look forward to a public review of the recommendations from the other institutions.

Naturally, each institution has an incentive to propose metrics to their institution’s benefit. The committee’s job is not to favor a particular institution or category of institutions, but rather to be fair and equitable in providing funding to support student achievement and other missions of higher education. Some costs track with headcount (such as advising and other student support services), some costs track with credit hours (e.g., instructor salaries, classroom space and technology), and some costs are mostly independent of student numbers (e.g., human resources, accounting, utilities). A fair formula should take into account these various factors, rather than use a single funding metric.

**Agenda Item 6. Analysis of the NSHE Funding Formula**

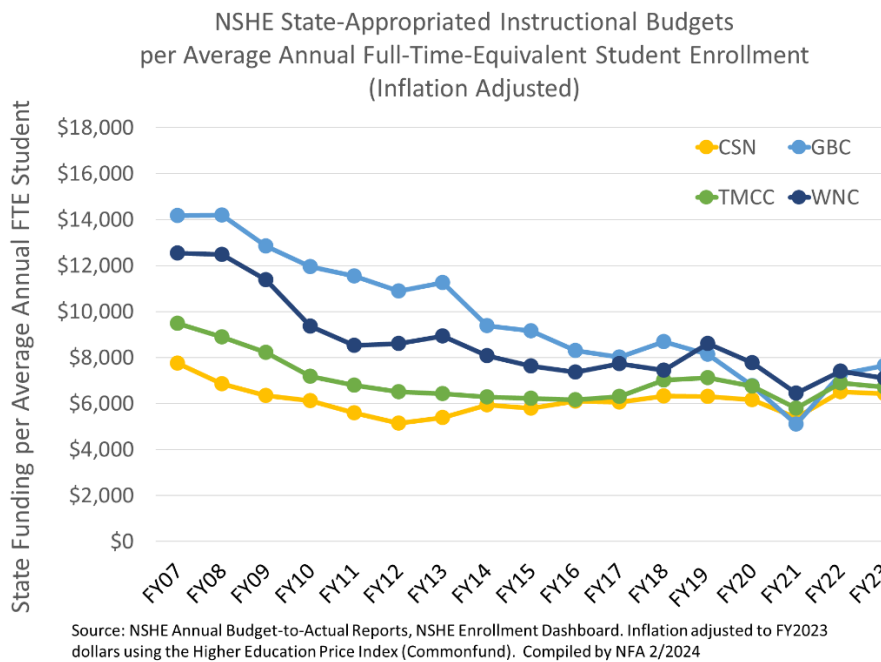
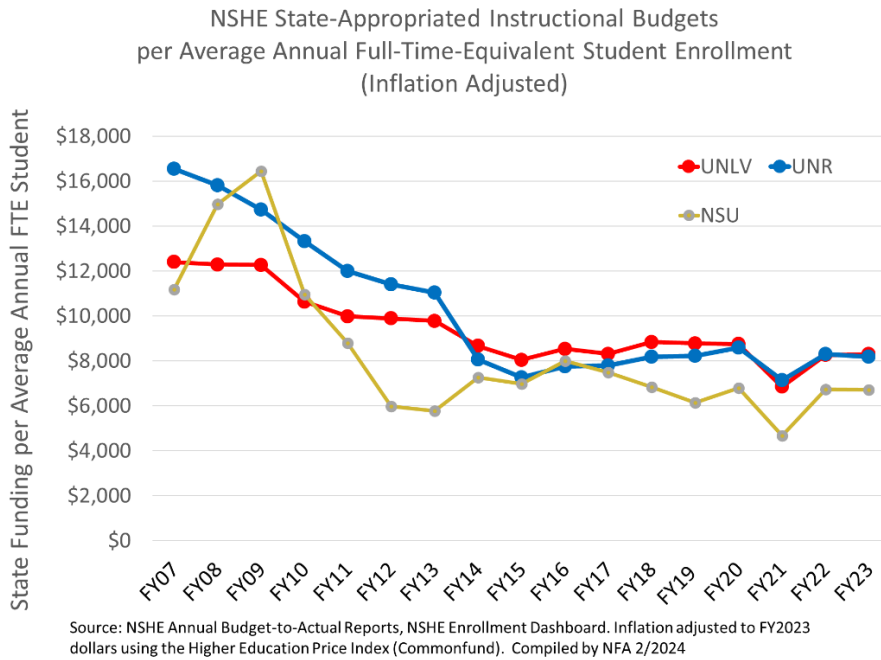
The chart on page 6 of HCM Strategists’ presentation, “Institutional Budgets per FTE by Revenue Category”, is interesting but very hard to interpret. For what year(s)? Do the student and state revenues include professional schools (which have different per-FTE-student costs than undergraduate and graduate programs) and non-instructional budgets (which have no relation to FTE)? Grants and Sales and Services also have no relation to student FTE except possibly for limited instructional grants. Combining all of these revenues on a per-FTE basis distorts the institutional comparisons. It’s apples and oranges.

The following chart shows the trend since 2007 for state appropriations and student revenues for the instructional programs at the seven academic institutions, excluding professional schools, adjusted for inflation. From the Great Recession to about 2015, state funding per FTE decreased sharply and student fees increased. Those have been about stable with inflation since then. Non-resident tuition and self-supported student fee revenue have been flat or declining after inflation over the entire period.



Actual annual revenue for the seven NSHE formula-supported instructional budgets combined (CSN, GBC, NSC, TMCC, UNLV, UNR & WNC) per Average Annualized Student Full-Time Equivalent enrollment. Excludes the professional schools and statewide programs. State-appropriated amounts for FY2010, FY2022 and FY2023 include federal ARRA/ARPA funds. Self-funded amounts include student fees for summer school courses that are not included in the academic-year formula-funded FTE enrollments, and may include miscellaneous non-instructional fees. Sources: Annual NSHE Budget-to-Actual Reports, NSHE Financial Statements, and NSHE Enrollment Data Dashboard. Corrected to FY2023 dollars per the Higher Education Price Index (Commonfund). Analysis by NFA, updated 2/2024.

The two charts below compare state appropriations for the main instructional state operating budgets for the seven educational institutions, excluding professional schools, over the same time period on a per-FTE basis. These are the only funds to which the current NSHE formula apply. Like institutions are receiving about the same state funding per FTE, e.g. UNLV vs UNR and CSN, GBC, TMCC, and WNC. The main conclusion to draw from these charts is that the current formula did decrease gaps of state funding per student between various institutions, but did so by bringing all down to a lower common level.



Similarly, for the charts on page 7 of the HCM Strategists' presentation, it is unclear whether state funding for professional schools and non-instructional budgets are included. Comparisons are important, but they must be precise to provide apples-to-apples information. These issues could also affect the charts on pages 8-9 comparing funding for underrepresented minorities and Pell grant recipients to other students—institutional differences in revenues that are included could skew the comparisons.

NFA has used public annual budget-to-actual reports and reported average annualized student FTE (which excludes non-state-supported summer courses) from NSHE to compile these charts. NSHE has provided similar reports in the past and could be asked to provide official data.

On pages 34 and 35 of their presentation, HCM Strategists classifies the current NSHE funding formula as Type IV (Advanced). However, that may be inaccurate given how state budgets are developed for higher education in Nevada. The state budgeting process starts with standard base budgeting, often on a flat year-over-year basis. It is only at the end of that budget process that the resident Weighted Student Credit Hour formula is used to redistribute the budgeted funds among the seven main instructional budgets. That is, **the current formula is a distribution formula, not a funding formula.** The only place the WSCH numbers affect the total budget amount is in caseload maintenance changes to the base. But because of the redistribution mechanism, if one institution meets all performance metrics with flat enrollments while other institutions have rapidly growing enrollment, the funding for that institution could actually decrease on a per FTE basis. That is particularly true when the budget value per WSCH is not adjusted for inflation.

We look forward to continue to work with the committee through this process. Thank you.

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The [Nevada Faculty Alliance](#) is the independent statewide association of professional employees of the colleges and universities of the Nevada System of Higher Education. The NFA is affiliated with the [American Association of University Professors](#), which advocates for academic freedom, shared governance, and faculty rights, and the [American Federation of Teachers/AFL-CIO](#), representing over 300,000 higher education professionals nationwide.

A couple of points on the discussion today.

Regarding the questions about the charts on pages 5-7 of the HCM Strategists presentation: What is included in the numerators and denominators is important, and that's not clear. When we look at the main formula-funded budgets per student FTE for the seven educational institutions, there is pretty close parity between the two comprehensive universities and among the four community colleges. NSHE could provide accurate data.

It would be helpful for the committee and consultant to receive education on how the adjusted base budgets are created through the state budgeting process, before the re-distribution per the current NSHE formula. Our understanding is that WSCHs are **not** used to calculate the total base budget. It's a distribution formula after the budget is set, not a funding formula.

Finally, one of NFA's missions is advocating for shared governance. I recommend that the consultants interview faculty senate leaders at each campus, since there is only one faculty representative on this committee and no faculty presentation has been scheduled.

Thank you.

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