



NEVADA FACULTY ALLIANCE

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Date: June 24, 2024
To: NSHE Ad Hoc Committee on Higher Education Funding
Judge James Hardesty, Chair
Interim Chancellor Patty Charlton, Vice Chair
Copy: Chief Financial Officer Chris Viton
HCM Strategists
From: Nevada Faculty Alliance, Kent Ervin, Director of Government Relations
Subject: Recommendations for NSHE Funding

At the May 30th meeting of the NSHE Ad Hoc Committee on Higher Education Funding, Chair Hardesty requested faculty feedback on the formula funding proposals presented by HCM Strategists. The Nevada Faculty Alliance has reached out to our faculty constituents for input and we are attaching our detailed recommendations on the formula provisions and implementation. These are offered as good-faith proposals that largely follow the discussion of the Committee on May 30th.

We reiterate that a new formula that merely redistributes existing funding, taking away from some institutions to help others, will be a failure. The Committee's recommendations for any new formula components should be contingent upon on full funding. The implementation should be phased in over two or more biennial budgets and institutions should be held harmless during that time.

We would be happy to discuss these recommendations with any of you. Thank you for your consideration.

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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. The NFA works to empower our members to be wholly engaged in our mission to help students succeed.

Recommendations to the NSHE Ad Hoc Committee on Higher Education Funding

Submitted by the Nevada Faculty Alliance, 6/24/2024

At the May 30th meeting of the NSHE Ad Hoc Committee on Higher Education Funding, Chair Hardesty asked faculty for our responses to the [recommendations from HCM Strategists](#), the Committee's consultants. After reaching out to faculty members at each of the seven colleges and universities for feedback, the Nevada Faculty Alliance recommends the following changes to the formula funding mechanism. We have tailored these recommendations to be largely consistent with the Committee discussion on May 30th.

A. Student Enrollment Component

1) Implement the headcount and unweighted student credit hour components at a percentage between 7.5% and 12.5% of funding in the first biennium and between 15% and 25% thereafter (rather than 40% as proposed by HCM). As recommended by HCM, unduplicated resident headcounts and full-time-equivalent (FTE) resident enrollments are equally weighted in the student enrollment component. FTE should be calculated as they are currently, using unweighted resident student credit hours at 30 credits/year for undergraduates, 24 credits/year for masters students, and 18 credits per year for doctoral students.

In the absence of a full analysis of the costs to provide wrap-around student services for diverse groups of students at an equitable level, the percentage allocation to the student enrollment component is a judgment call. We believe the 40% allocation initially suggested by HCM is much too large. [Current expenditures on Student Services, which are correlated with headcounts, represent about 8% of the combined budgets of the seven institutions](#). That should be the baseline for funding by per-student enrollment. Our suggested range of 15% to 25% allocated to this component would represent substantial redistributions compared with the current Weighted Student Credit Hour formula. That means that new funding is needed to keep some institutions and their students from being harmed.

2) Count underrepresented minority (URM) students and Pell Grant recipients with a 1.5 multiplier (resulting in a 2.25 multiplier for a URM student with Pell), rather than double and triple counting as proposed by HCM. A 1.5 multiplier is sufficient to double (or more) the advisor-to-student ratio for the at-risk students. Within the next several years, develop ways to count and include underserved and at-risk students beyond URM and Pell and analyze actual costs to provide services to them.

3) For caseload adjustments in future biennia, adjust the per-headcount dollar value for inflation over the past two years using the Higher Education Price Index.

B. Outcomes-Based Funding

- 1) Eliminate the current Performance Pool as a 20% carve-out of base funding that has to be earned back for later allocation.
- 2) Implement Outcomes-Based Funding using the Relative Growth Model as recommended by HCM, except with a percentage of funding of 2.5% in the first biennium and 5% in the second biennium and thereafter (rather than 20% as proposed by HCM).
- 3) For the biennial budget, calculate relative growth by comparing the count year to the year two years prior to the count year. The Outcomes-Based Funding must be part of the regular budget closing, not held back and allocated later, so that budget planning can occur.
- 4) During the first year of the next biennium, review and revise the performance metrics so that none are directly correlated with absolute enrollment or graduation numbers. Performance metrics should reward student success and institutional efficiency, not overall enrollment which is already included in the formula through headcounts and student credit hours. College access for certain at-risk students (initially URM and Pell students) will be included in the student enrollment component; success outcomes for underserved and underrepresented students should be measured relative to the population of the targeted groups. Because graduate rates are lagging indicators, measures of semester completion or progress toward a degree or certificate should be considered.
- 5) Performance metrics should include the percentage of courses taught by full-time instructors, faculty-to-student ratios, and advisor-to-student ratios,

C. Weighted Student Credit Hour (WSCH) Formula

- 1) With the above recommendations for the headcount and performance components, resident WSCHs will account for 85% to 90% of the formula in the first biennium and 70% to 80% thereafter, after carve-outs for research O&M and the small-institution funding.
- 2) For caseload adjustments, adjust the WSCH dollar value for inflation for the past two years using the Higher Education Price Index.
- 3) Implement a periodic process (about every four years) to review and adjust the weights to capture both curricular costs and the state's workforce needs.

D. Summer WSCH Funding

- 1) Although we believe in the principle that the state should fund summer courses, we concur with Chair Hardesty's suggestion to defer a recommendation on including summer courses in the WSCH formula for further study of the fiscal, managerial, and staffing/workload impacts.
- 2) Any inclusion of additional summer school courses in the WSCH or headcount formulas should be contingent on full funding as a budget enhancement. Summer courses could be phased in as funding becomes available, starting with core general education courses and career and technical education (CTE) courses.
- 3) Because most instructors have academic-year contracts within the state operating budget and because summer terms span state fiscal years, continued budget flexibility is needed to provide summer courses. Student registration fees paid for summer courses must remain in self-supporting budgets.

E. Small Institution Administrative Allocation

- 1) Eliminate the phase-out formula for the Small Institution Factor, which penalizes growth and the higher weights implemented for CTE courses, and eliminate its dependence on WSCHs. The recognized funding need at small institutions for fixed administrative costs does not depend on credit hours and applies to every institution.
- 2) Instead of the current Small-Institution Factor amount per WSCH, fund a flat \$700,000 for a minimal administrative staff allocation for each of the seven institutions, as a carve-out before distribution using credit hours and headcounts. The \$700K value is based on the calculation in the following table for one chief academic officer, one chief financial officer, and a human resources administrator, i.e., minimal administrative staffing that is not dependent on enrollment. We do not include Presidents because their salaries are directly set by the Board of Regents.

Position	Median on Salary Schedule
CC Executive	\$190,018
CC Executive	\$190,018
Admin Faculty D	\$125,940
Subtotal	\$505,976
Fringe @34%	\$172,032
Total	\$678,008

- 3) For future biennia, adjust this amount by the Cost-of-Living Adjustments for faculty.

4) Unless full new funding is provided (\$4.9 million less the current Small Institution Factor of \$866,000), implement only for GBC and WNC as the preexisting small institutions at an additional cost of about \$535,000.

F. Fee Waivers

- 1) Request new funding to fund fee waivers based on actual fee waivers for the average of the prior two years for:
 - a) All legislatively mandated fee waivers.
 - b) The NSHE-approved fee waivers for former foster youth and others.
 - c) Discounts for dual and concurrent registration fees for high school students.

Note that fee waivers are a form of state-supported financial aid; other state financial aid programs are not included in the funding formula.

- 2) Include appropriate inflation factors according to the NSHE predictable pricing program.
- 3) Because fee waiver demand may vary widely among institutions, in future biennia fund fee waivers based on the past two years of actual fee waivers over and above the formula distribution based on WSCHs and student enrollment. (Alternatively, fund through the Office of the State Treasurer on a reimbursement basis.)

F. General Implementation

- 1) Maintain a single formula for all seven institutions. No method has been proposed for dividing the institutions and their funding into groups with separate formulas. Using current funding levels would perpetuate existing disparities.
- 2) Phase in the new components of the formula over two biennia as indicated above.
- 3) Instead of a single count year, use the best of the past two full academic years for each institution. A three-year average increases the lag time between enrollments and funding, and still counts even and odd years differently with biennial budgeting. The best-of-two allows for single-year declines due to circumstances that cannot be controlled and allows for better planning.
- 4) For any institutions experiencing a loss of funding compared with FY2025 appropriations (after including [AB491](#) and [AB494](#) enrollment recovery and supplemental appropriations but not other one-shot funding), provide hold-harmless funding at 100%

for the first biennium and 50% for the second biennium. Apply the hold-harmless funding on the combined effect of formula changes, not separately for each component.

5) For biennial base budget calculations, adjust the dollar values per WSCH and per headcount/FTE for inflation by the past two years of the Higher Education Price Index. That is, adjust the base budget for both inflation and caseload enrollment changes.

6) The proportion of revenue from the state versus from student fees and tuition has not been considered. The proportions should be fixed as part of the budgeting process to avoid needing student fee increases to cover shortfalls. Both state funding formulas and student fees and tuition should have inflation factors applied to maintain the level of services.

7) For full transparency and to promote trust between NSHE and the Legislature, all institutional reporting of formula factors (e.g., WSCHs and headcounts) should be audited regularly. The formula should incentivize services to students, not creative accounting.

G. Further Study and Review

1) Create an NSHE committee with broad-based faculty representation for regular review of the weights for WSCHs and enhancement factors for student headcounts.

2) Fund a follow-up study to determine the costs of providing adequate, high-quality, and equitable higher education serving Nevada's students of all socioeconomic backgrounds, demographics, and geographic areas.

H. Impact of Formula Recommendations

For reference, Table 1 shows the impact of adopting the full recommendations of HCM Strategists ([page 57](#)) in the absence of any new funding. We are unable to calculate precise effects using NFA's recommendations because of interactions among the various components, but we estimate the changes would be reduced by one-third to two-thirds assuming no new funding and depending on the percentage allocation to student enrollment in the formula. Table 2 summarizes the recommendations from NFA. To avoid harming some institutions while raising up others, **new components to the formula should be contingent on new funding and hold-harmless funding should be provided.**

Table 1: HCM Strategists Recommendations

FY25 Impact of the Complete Recommendations (40%-40%-20% plus other recommendations, all combined) on Total Formula Allocations

Institution	FY 2025 Total Allocation		FY 2025 Total Allocation - With All Recommendations		Change		
	\$	% of Total \$	\$	% of Total \$	\$	Change in % of Total \$	% Change in Allocation
UNLV	\$203,911,119	38.0%	\$193,372,605	36.0%	-\$10,538,514	-2.0%	-5.2%
UNR	\$138,154,676	25.7%	\$122,889,739	22.9%	-\$15,264,937	-2.8%	-11.0%
NSU	\$30,696,028	5.7%	\$31,184,718	5.8%	\$488,690	0.1%	1.6%
CSN	\$97,888,483	18.2%	\$120,996,300	22.5%	\$23,107,817	4.3%	23.6%
GBC	\$14,715,080	2.7%	\$15,067,722	2.8%	\$352,642	0.1%	2.4%
TMCC	\$35,402,848	6.6%	\$38,135,766	7.1%	\$2,732,918	0.5%	7.7%
WNC	\$15,851,936	3.0%	\$14,973,318	2.8%	-\$878,618	-0.2%	-5.5%
Total	\$536,620,170		\$536,620,170				

Note: The \$ change in this table does not match the sum of all individual recommendations changes due to interactions.

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Table 2: Summary of NFA Formula Recommendations

(percentages after small institution and research O&M allocations)

Formula factor	Current	HCM Strategists Recommendation (5/30/2024)	NFA Recommendation (First Biennium)	NFA Recommendation (Second Biennium)
Resident WSCH	100%	40%	85% to 90%	70% to 80%
Resident Headcount + FTE Enrollment	0%	40%	7.5% to 12.5%	15% to 25%
Outcomes Based Funding	20% Performance Pool carve-out	20%	2.5%	5%
Administrative Allocation	Small Institution Factor @\$30/WSCH, with phase-out	Small Institution Factor @\$40/WSCH, with phase-out	\$700,000 per institution, over and above the formula	
Summer School Courses	Certain nursing and teacher education courses included in WSCH	Include all summer courses in the formula, with or without funding.	Do not include additional summer courses in the formula without full funding per WSCH and headcount. Maintain summer student registration fees in self-supported budgets.	