

**COMMITTEE TO STUDY THE
FUNDING OF HIGHER EDUCATION
(SENATE BILL 374, 2011 LEGISLATURE)**



**Tuesday, November 29, 2011
9:00 a.m.**

**Grant Sawyer State Office Building
555 East Washington Avenue
Las Vegas, Nevada
Room 4401**

Videoconference to:

**Legislative Building
401 South Carson Street
Carson City, Nevada
Room 3137**

**Great Basin College
1500 College Parkway
Elko, Nevada
Berg Hall Conference Room**

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MEETING NOTICE AND AGENDA

Name of Organization: COMMITTEE TO STUDY THE FUNDING OF HIGHER EDUCATION (SENATE BILL 374, 2011 LEGISLATURE)

Date and Time of Meeting: November 29, 2011 – 9:00 a.m.

Place of Meeting: Grant Sawyer State Office Building
Room 4401
555 East Washington Avenue
Las Vegas, Nevada

Note: Some members of the committee may be attending the meeting and other persons may observe the meeting and provide testimony through a simultaneous videoconference conducted at the following locations:

Legislative Building
Room 3137
401 South Carson Street
Carson City, Nevada

Great Basin College
Berg Hall Conference Room
1500 College Parkway
Elko, Nevada

If you cannot attend the meeting, you can listen to or view it live over the Internet. The address for the Nevada Legislature website is <http://www.leg.state.nv.us>. Click on the link "Live Meetings – Listen or View."

Note: Please provide the secretary with electronic or written copies of testimony and visual presentations if you wish to have complete versions included as exhibits with the minutes.

AGENDA

Note: Items on this agenda may be taken in a different order than listed. Two or more agenda items may be combined for consideration. An item may be removed from this agenda or discussion relating to an item on this agenda may be delayed at any time.

I. ROLL CALL.

II. PUBLIC COMMENT.

(Because of time considerations, the period for public comment by each speaker may be limited, and speakers are urged to avoid repetition of comments made by previous speakers.)

III. OPENING REMARKS.

IV. REVIEW OF SENATE BILL 374 OF THE 2011 LEGISLATURE.

*For
Possible
Action*

V. DISCUSSION REGARDING A CONSULTANT(S) TO ASSIST THE COMMITTEE IN CONDUCTING THE STUDY:

- a. REVIEW OF REQUEST FOR PROPOSAL FOR A CONSULTANT(S).
- b. PROCEDURE FOR SELECTION PROCESS FOR A CONSULTANT(S).

*For
Possible
Action*

VI. DISCUSSION OF TIMELINE FOR CONDUCTING THE STUDY, INCLUDING ADOPTION OF COMMITTEE MEETING SCHEDULE.

*For
Possible
Action*

VII. REVIEW OF THE NEVADA SYSTEM OF HIGHER EDUCATION'S BUDGET AND FUNDING STRUCTURE, INCLUDING THE USE OF THE CURRENT FORMULA IN FUNDING THE SYSTEM'S STATE SUPPORTED OPERATING BUDGETS.

VIII. PUBLIC COMMENT.

(Because of time considerations, the period for public comment by each speaker may be limited, and speakers are urged to avoid repetition of comments made by previous speakers.)

IX. ADJOURNMENT.

Note: We are pleased to make reasonable accommodations for members of the public who are disabled and wish to attend the meeting. If special arrangements for the meeting are necessary, please notify the Fiscal Analysis Division of the Legislative Counsel Bureau, in writing, at the Legislative Building, 401 South Carson Street, Carson City, Nevada 89701-4747, or call the Fiscal Analysis Division at (775) 684-6821 as soon as possible.

Notice of this meeting was posted in the following Carson City, Nevada, locations: Blasdel Building, 209 East Musser Street; Capitol Press Corps, Basement, Capitol Building; City Hall, 201 North Carson Street; Legislative Building, 401 South Carson Street; and Nevada State Library, 100 Stewart Street. Notice of this meeting was faxed for posting to the following Las Vegas, Nevada, locations: Clark County Government Center, 500 South Grand Central Parkway; and Grant Sawyer State Office Building, 555 East Washington Avenue. Notice of this meeting was posted on the Internet through the Nevada Legislature's website at www.leg.state.nv.us.

SENATE BILL 374 OF THE 2011 LEGISLATURE

CHAPTER.....

AN ACT relating to higher education; creating the Committee to Study the Funding of Higher Education; prescribing the powers and duties of the Committee; making appropriations; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

This bill creates the Committee to Study the Funding of Higher Education, establishes the composition of the Committee and prescribes the powers and duties of the Committee. This bill further makes appropriations for the purposes of: (1) conducting a study of the funding of higher education; and (2) paying for the cost of the participation of the members of the Committee who are Legislators.

EXPLANATION – Matter in *bolded italics* is new; matter between brackets [omitted material] is material to be omitted.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. 1. The Committee to Study the Funding of Higher Education, consisting of 12 voting members and 4 nonvoting members, is hereby created.

2. The following persons shall serve as voting members of the Committee:

(a) Three members of the Senate, two of whom are appointed by the Majority Leader of the Senate and one of whom is appointed by the Minority Leader of the Senate;

(b) Three members of the Assembly, two of whom are appointed by the Speaker of the Assembly and one of whom is appointed by the Minority Leader of the Assembly;

(c) Three members of the Board of Regents of the University of Nevada, appointed by the Chair of that Board; and

(d) Three members appointed by the Governor.

3. The Governor shall appoint the following persons to serve as the nonvoting members of the Committee:

(a) One person who is employed in the Budget Division of the Department of Administration; and

(b) Three persons who are employed by the Nevada System of Higher Education.

4. The Chair of the Legislative Commission shall designate one of the members of the Committee as Chair of the Committee.

5. The Director of the Legislative Counsel Bureau shall provide the necessary professional staff and a secretary for the Committee.



6. For each day or portion of a day during which they attend a meeting of the Committee or are otherwise engaged in the business of the Committee:

(a) The voting members of the Committee who are Legislators are entitled to receive the compensation provided for a majority of the members of the Legislature during the first 60 days of the preceding regular session, plus the per diem allowance provided for state officers and employees generally and the travel expenses provided pursuant to NRS 218A.655.

(b) The voting members of the Committee who are members of the Board of Regents of the University of Nevada are entitled to receive travel expenses and a per diem allowance at the rates established in NRS 396.070.

(c) The voting members of the Committee appointed by the Governor are entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally.

Sec. 2. The Committee shall:

1. Compare the existing method of funding higher education in Nevada with the methods used in other states;

2. Determine 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;

3. Review the funding of remediation in the context of instructional delivery methods;

4. Consider the retention of resident registration fees and nonresident tuition outside of the state supported operating budget;

5. Consider funding in the context of completed courses in contrast to the current method of funding enrollments; and

6. Consider rewarding institutions within higher education for achieving defined goals for graduating students.

Sec. 3. The Committee may hold public hearings at such times and places as it deems necessary to afford the general public and representatives of governmental agencies and of organizations interested in higher education an opportunity to present relevant information and recommendations.

Sec. 4. The Committee may employ such educational and financial consultants as it deems necessary for this study.

Sec. 5. The Committee may accept and use all gifts and grants which it receives to further its work.

Sec. 6. There is hereby appropriated from the State General Fund to the Legislative Fund the sum of \$150,000 for the purpose of



conducting a study of the funding of higher education as provided in sections 1 to 5, inclusive, of this act.

Sec. 7. There is hereby appropriated from the State General Fund to the Legislative Fund the sum of \$18,064 for the purpose of the paying for the cost of the participation of the members of the Committee who are Legislators as provided in sections 1 to 5, inclusive, of this act.

Sec. 8. Any remaining balance of the appropriation made by section 6 or 7 of this act must not be committed for expenditure after June 30, 2013, by the entity to which the appropriation is made or any entity to which money from the appropriation is granted or otherwise transferred in any manner, and any portion of the appropriated money remaining must not be spent for any purpose after September 20, 2013, by either the entity to which the money was appropriated or the entity to which the money was subsequently granted or transferred, and must be reverted to the State General Fund on or before September 20, 2013.

Sec. 9. The Committee shall submit to the Legislative Commission a report of its findings and recommendations for legislation before the commencement of the 77th Session of the Nevada Legislature.

Sec. 10. This act becomes effective on July 1, 2011.



**DISCUSSION REGARDING A CONSULTANT(S) TO ASSIST
THE COMMITTEE IN CONDUCTING THE STUDY:**

- a) Review of Request for Proposal for a Consultant(s)
- b) Procedure for Selection Process for a Consultant(s)

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LEGISLATIVE COUNSEL BUREAU

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M E M O R A N D U M

DATE: November 30, 2011

TO: Prospective Consultants

FROM: Alex Haartz, Program Analyst
Fiscal Analysis Division

SUBJECT: **Request for Proposals for a Consultant(s) to Assist in a Study of the Funding of Higher Education in Nevada**

Senate Bill 374, as enacted by the 2011 Legislature, created the Committee to Study the Funding of Higher Education in Nevada to examine certain funding issues related to the Nevada System of Higher Education, the state's system of public universities, state college, community colleges, professional schools and a research institution. In conducting the study, the Committee is required to:

1. Compare the existing method of funding higher education in Nevada with the methods used in other states;
2. Determine 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;
3. Review the funding of remediation in the context of instructional delivery methods;
4. Consider the retention of resident registration fees and non-resident tuition outside of the state supported operating budget;
5. Consider funding in the context of completed courses in contrast to the current method of funding enrollments;
6. Consider rewarding institutions within higher education for achieving defined goals for graduating students; and
7. Submit to the Legislative Commission a report of its findings and recommendations for legislation before the commencement of the 77th Session of the Nevada Legislature in February 2013.

Pursuant to Section 4 of Senate Bill 374 (Attachment A), the Committee is requesting proposals from consultants to assist the Committee in conducting the study. The resultant contract(s) will be effective from approximately **January 16, 2012**, through **August 31, 2012**, with the deliverables contained within the Scope of Work primarily completed by June 30, 2012.

The Request for Proposal is attached. All proposals (one original and six copies) must be received by 5:00 p.m. PST, on **Friday, December 30, 2011**. **No allowance will be made for late submission unless postmarked on or before December 24, 2011, and received prior to award.**

All questions pertaining to the Request for Proposal must be made in writing to Alex Haartz ahaartz@lcb.state.nv.us. Questions will be accepted until 5:00 p.m. PST, on **December 15, 2011**. To the extent possible, responses to all vendor questions will be posted publicly by 5:00 p.m., PST, on or by **December 22, 2011**, on the legislative website at <http://www.leg.state.nv.us/App/rfp/A/Default.aspx>.

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DRAFT

**REQUEST FOR PROPOSALS FOR A CONSULTANT(S) TO ASSIST IN THE STUDY
OF THE FUNDING OF HIGHER EDUCATION IN NEVADA**

Release Date: November 30, 2011

Closing Date: December 30, 2011 Time: 5:00 p.m. PST

For additional information, please contact:

Alex Haartz, Program Analyst, Fiscal Analysis Division
Legislative Counsel Bureau, 401 South Carson Street, Carson City, NV 89701-4747
Telephone: (775) 684-6821 Email: ahaartz@lcb.state.nv.us

Firm Name: _____

Address: _____

City: _____ State: _____ Zip Code: _____

Telephone: (____) _____ Federal Tax ID #: _____

Signed: _____ Date: _____

Print Name and Title: _____

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I. GENERAL INFORMATION

The Legislative Counsel Bureau (LCB) is the nonpartisan, centralized agency serving both houses and all members of the Nevada Legislature. The Fiscal Analysis Division of the LCB provides the Legislature with independent reviews and analyses of budgetary and fiscal matters.

The Nevada System of Higher Education (NSHE) is governed by a 13-member Board of Regents. The System comprises the Chancellor's Office; the University of Nevada, Reno (UNR); the University of Nevada, Las Vegas (UNLV); Nevada State College at Henderson (NSC); the College of Southern Nevada (CSN); Great Basin College (GBC); Truckee Meadows Community College (TMCC); and Western Nevada College (WNC). The NSHE also includes three professional schools and a research institute: the University of Nevada School of Medicine (UNSOM), UNLV Law School, UNLV Dental School, and the Desert Research Institute (DRI). The state supported instructional operating budgets for the NSHE's seven teaching institutions are largely funded (65.3 percent in FY 2012) with state General Fund appropriations, which have historically been calculated and distributed through student enrollment driven funding formula(s). The current higher education funding formula has been used by the Nevada Legislature in arriving at final funding levels for the NSHE since FY 2002. The funding formula has been used principally to ensure the equitable distribution of available funding among the NSHE's formula budgets.

The amounts of funding appropriated by the Legislature for the state supported operating budgets of the professional schools and the Desert Research Institute are primarily determined through the Base plus incremental budget process. Additionally, effective FY 2012 (July 2011 – June 2012) there are four, non-formula operating budgets in which state General Fund monies have been appropriated: NSHE System Administration, System Computing, Special Projects, and the State Perkins-National Direct Student Loans. The state support for these budgets has traditionally been determined through Nevada's Base plus incremental budget process.

The higher education funding formula was last reviewed and revised by the 2001 Legislature as a result of the 1999 Legislature's approval of Senate Bill 443 which created the Committee to Study the Funding of Higher Education in Nevada. The study was conducted during the 1999-2000 Interim period. An electronic copy of the Committee's report can be obtained at <http://www.leg.state.nv.us/Division/Research/Publications/InterimReports/2001/Bulletin01-04.pdf>

A subsequent study to evaluate public higher education programs in Nevada was undertaken during the 2003-2004 Interim as a result of the 2003 Legislature's passage of Assembly Bill 203 which created the Committee to Evaluate Higher Education Programs in Nevada. An electronic copy of the Committee's report can be obtained at <http://www.leg.state.nv.us/Division/Research/Publications/InterimReports/2005/Bulletin05-03.pdf>

Actions of the 2011 Legislature

After reviewing the budgetary impacts which would result from utilization of the funding formula, the 2011 Legislature suspended the use of the funding formula for the calculation and distribution of state General Fund appropriations to the NSHE state supported instructional operating budgets for the 2011-13 biennium. As a result, the \$472.4 million in General Fund monies approved by the 2011 Legislature for higher education in each year of the 2011-13 biennium was distributed to each NSHE state supported operating budget based upon the proportionate share each budget received in FY 2011 and as recommended in The Executive Budget.

The 2011 Legislature approved total funding for the NSHE's state supported operating budgets of slightly more than \$700 million in each year of the 2011-13 biennium. In addition to the \$472.4 million in annual state General Fund appropriations, the 2011 Legislature authorized annual student per-credit hour registration fee revenues of approximately \$172.0 million, non-resident tuition revenues of approximately \$48.0 million and miscellaneous student fee revenues of \$2.7 million. The student-derived revenues represent nearly all of the non-state revenues authorized by the 2011 Legislature for the NSHE state supported operating budgets in each year of the 2011-13 biennium.

A related action approved by the 2011 Legislature's money committees was the consolidation and elimination of ten (10) of the NSHE's non-formula, state supported operating budgets. These non-formula budgets were primarily consolidated into the formula-driven, instructional budgets of the University of Nevada, Reno and the University of Nevada, Las Vegas. An electronic summary of the NSHE's legislatively approved, state supported operating budgets for the 2011-13 biennium can be obtained at: http://www.leg.state.nv.us/Division/fiscal/FISBU210/BASN210_2011-13/020_EDUCATION_SUMMARY.pdf (pages 75 through 143).

Senate Bill 374 of 2011 Legislative Session

Pursuant to Senate Bill 374 of the 2011 Legislative Session, a committee comprised of twelve (12) appointed voting members and four (4) appointed, non-voting members is required to:

1. Compare the existing method of funding higher education in Nevada with the methods used in other states;
2. Determine 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;
3. Review the funding of remediation in the context of instructional delivery methods;
4. Consider the retention of resident registration fees and non-resident tuition outside of the state supported operating budget;
5. Consider funding in the context of completed courses in contrast to the current method of funding enrollments;

6. Consider rewarding institutions within higher education for achieving defined goals for graduating students; and
7. Submit to the Legislative Commission a report of its findings and recommendations for legislation before the commencement of the 77th Session of the Nevada Legislature in February 2013.

II. SCOPE OF WORK

1. Inventories and Analyses of States' Methodologies to Fund Higher Education

The consultant shall provide the Committee with a list of states that presently fund higher education through the use of funding formulas as well as a list of states that presently do not use a funding formula. The consultant will provide specific, detailed information on the formula and non-formula (e.g. Base plus incremental) methodologies currently used to fund higher education for each respective state. In addition to the inventories, the consultant will provide the Committee with a written narrative analysis, including an executive summary, of the funding methodology information for each state. The written analysis shall also include information on the specific higher education funding policy goals associated with each state's funding methodology.

- A. For each state that does not utilize a formula to fund public higher education, the inventory and analysis must provide detailed information on the key, determinative factors and considerations and the budgetary mechanism utilized in determining the level of appropriated and authorized funding for higher education in that state. The funding analysis should be both general and specific for each institution or institution type (community college, four-year institution, research university and research institution) in particular if the utilized funding methodology differentiates between institution types.

The consultant will provide the Committee with the inventory and written analysis of non-formula states on or before April 19, 2012.

- B. For those states which utilize a funding formula, the inventory and analysis must identify and explain the determinative factors and components of each state's formula, overall and by specific budgetary functional area: instruction, research, public service, academic support, student services, institutional support, operations and maintenance of physical plant and scholarships. The inventory created for the formula states must include, without limitation, information and an analysis of the cost areas listed beginning on the next page, B.(1) through B (11), and identify differences in how funding is derived in the formula components for the aforementioned functional areas relative to whether the institution is a community college, four-year institution, research university or research institution.

To assist the Committee in understanding the primary differences between Nevada's and other states' funding formulas, in addition to the written

analysis to be prepared, the consultant will also provide the Committee with a matrix, table or other summary level format which identifies the primary formula components utilized by Nevada and the most common formula components utilized by other states. The information provided should be organized by the budgetary functional areas previously identified.

Identification of Best Practices: In the delineation of each state's formula components, the written analysis prepared by the consultant shall identify those formula components or characteristics which the consultant considers to be a "best practice" for purposes of a public higher education funding formula.

The consultant will provide the Committee with the inventory, written analysis, summary level and best practices information for formula states on or before April 19, 2012.

For states which utilize a funding formula, the inventory and written analysis prepared by the consultant shall include, but not be limited to, the following cost areas:

Cost Areas

- 1) Explain how funding is determined for instruction and related areas, such as faculty and instructional support staff, including descriptions of:
 - a) Student to academic faculty ratios;
 - b) Instructional support staff to academic faculty ratios;
 - c) Factors accounting for program and academic discipline differences;
 - d) Factors accounting for level of instruction (lower division, upper division, masters, doctoral) differences;
 - e) How remedial instruction and distance education courses are defined and provided and addressed by the funding formula; and
 - f) Letters of appointment, teaching assistant and graduate assistant funding determinations.

For each state which utilizes student to faculty ratios, the inventory and analysis shall list the ratio utilized by each state's formula. The analysis shall also include the methods used and or requirements followed to determine the proportion of faculty positions funded at less than full-time. Additionally, for each state, the report will also contain information on the proportion of classes taught by part-time faculty at institutions and indicate whether there are goals or standards established for such proportions as part of a state's funding formula.

- 2) Explain how funding is determined for salaries, including descriptions of:
 - a) How budgeted salaries for new faculty and classified positions are determined;

- b) How budgeted salaries for existing faculty and classified positions are determined on an ongoing basis;
 - c) How merit awards are calculated; and
 - d) How equity pay adjustments are calculated.
- 3) Explain how funding is determined for technology, including descriptions of:
- a) How academic (instruction, research and public service) computing needs are funded;
 - b) How administrative computing needs are funded; and
 - c) How technology costs for distance education and off-campus instruction is funded.
- 4) Explain how funding is determined for facilities, including descriptions of:
- a) How the age of a facility is incorporated in formula funding for facilities;
 - b) How the academic programs and levels of discipline conducted in a facility are accounted for in the formula;
 - c) How the formula accounts for space utilized for research activities rather than instruction;
 - d) Whether the number of students using a facility influences the funding for the operation and maintenance of a facility;
 - e) How the hours of use of a facility influences funding for the operation and maintenance of a facility;
 - f) How the formula accounts for grounds maintenance; and
 - g) How the requirements of the Americans with Disabilities Act and other federal mandates are incorporated into formula funding.
- 5) Explain how funding is determined for equipment, including descriptions of:
- a) The funding of new instructional/academic and office equipment in the formula;
 - b) The funding of replacement instructional/academic and office equipment in the formula; and
 - c) The funding for the maintenance of equipment.
- 6) Explain how funding is determined for libraries, including descriptions of:
- a) How the funding of print materials (books, periodicals, monographs and other materials) is determined;
 - b) How the funding for electronic materials (books, periodicals, monographs and other materials) is determined;
 - c) How library automation is funded by the formula;
 - d) The manner by which the need for library facilities is determined; and

- e) How the funding formula incorporates the sharing of materials, both print and electronic between academic institutions.

In addressing items 6(b) and 6(c), if applicable, the analysis should comment on the impact of technological innovation on the funding for library support and the provision of library services.

- 7) Explain how funding is determined for academic support, including descriptions of:
 - a) Academic administration including administrative faculty staffing ratios and administrative support staff ratios;
 - b) Academic operations; and
 - c) Audiovisual services.
- 8) Explain how funding is determined for student services, including a description of:
 - a) Admissions;
 - b) Bursar's office;
 - c) Financial aid offices;
 - d) Student counseling services;
 - e) Student health services;
 - f) Career planning services;
 - g) Learning resource and tutorial centers; and
 - h) Students with special needs, such as disabled, veteran, minority and non-traditional students.
- 9) Explain how funding is determined for institutional support, including descriptions of:
 - a) Alumni affairs and directed services;
 - b) Campus policing and security;
 - c) Budget and Financial Administration office;
 - d) Purchasing;
 - e) Public and governmental relations;
 - f) Offices of the President and Vice President(s);
 - g) Human resources;
 - h) Development activities;
 - i) Controller's Office; and
 - j) Any other activities with the primary purpose of providing operational support for the daily functioning of the institution.
- 10) Explain how funding is determined for the following areas:
 - a) Public service;
 - b) Scholarships;
 - c) Athletics;
 - d) Workforce development;
 - e) Hazardous material management or related issues;
 - f) Multi-campus operations; and
 - g) Childcare.

- 11) Research, including a description of the methodology used to fund:
 - a) Activities which support the commercialization/transfer of research efforts; and
 - b) Activities which promote a state's economic development.

2. Analysis and Report on States' Inclusion of Performance Related Components in Higher Education Funding Formulas

The consultant shall provide an analysis and report on states' use of performance criteria as a component of states' funding formulas. The analysis and report should describe the performance criteria, explain how it is applied in the funding formula in each state and identify the relative strengths and weaknesses of each identified performance criteria.

The consultant will provide the Committee with the analysis and report on states' use of performance related formula components on or before February 22, 2012.

3. Analysis and Report on States' Use of Student Enrollments as a Basis for Higher Education Formula Funding

The consultant shall provide an analysis of states' use of full-time equivalent student (SFTE) enrollments as a "driver" of a higher education funding formula. In addition, the analysis shall also include information on states' use of completed courses (student credit hours) as the basis of a higher education funding formula in lieu of SFTE enrollments. The report shall include the definitions of "a full-time equivalent student" and "completed course" used by states and discuss the relative strengths and weaknesses of utilizing each as the primary driver of formula funding.

The consultant will provide the Committee with the analysis and report on states' primary drivers on or before February 22, 2012.

4. Analysis and Report on States' Higher Education General Fund and Other Revenue Allocation Percentages

The consultant shall provide to the Committee a report on the percentages of state general fund appropriation and other revenues allocated to public higher education in each state. The report shall include information on the amount of local support or other governmental support provided to public institutions of higher education in each state. The report shall cover the five-year period of State Fiscal Year (July 1 – June 30) 2007 through State Fiscal Year 2011.

The consultant will provide the Committee with the analysis and report on states' general fund allocation percentages on or before February 22, 2012.

5. Analysis and Report on State's Budgeting Practices Pertaining to Student-Derived Revenues

The consultant shall provide the Committee with a report on the current budgeting practices of each (all) state(s) detailing whether student-derived revenues, such as student per-credit hour registration fees, non-resident tuition and miscellaneous student fees are budgeted through the legislative process in conjunction with state general fund appropriations or are excluded from the calculation of public funding of higher education in a particular state. In the event that a state has changed its budgeting practice within the past two fiscal years with respect to student-derived revenues, the consultant shall note and explain the change.

For those states where student-derived revenues are budgeted by the Legislature in conjunction with state general fund appropriations, the report shall identify:

- A. Whether general fund appropriations are adjusted to account for the projected and or realized student-derived revenues.
- B. Whether the student-derived revenues are transferred to the state's general fund as part of the budgeting process or whether the revenues are retained at a system or institution level.

For those states where student-derived revenues are not budgeted in conjunction with state general fund appropriations, the report shall identify each state and note how the revenues are accounted for or recognized in the budgeting process.

The consultant will provide the Committee with the analysis and report on states' budgeting of student-derived revenues on or before April 19, 2012.

6. Attendance at Meetings of the Committee

As part of the Scope of Work, the consultant must be prepared to attend at least six (6) meetings of the Committee to Study the Funding of Higher Education in Nevada and to present and answer questions pertaining to each of the identified deliverables. The cost of attending Committee meetings must be included as part of the proposal's budget as no additional funding will be made available for consultant travel costs.

Staff from the LCB and the NSHE institutions will be available to assist the consultant in the gathering of Nevada-specific information and data needed to complete the Scope of Work. However, the amount of time and resources necessary to assist the consultant should not interfere with the daily workload or require overtime by the staff of the LCB or the NSHE. Proposals should include

an anticipated schedule for LCB and NSHE staff and resources necessary to assist the consultant in completing the project.

III. PROPOSAL PREPARATION AND SUBMISSION

Proposals shall be prepared in accordance with this Request for Proposal and include this document and photocopies thereof with original signatures on each. **ONE ORIGINAL AND SIX COPIES** are required to be submitted on or before **5:00 p.m. PST, on December 30, 2011. No allowance will be made for late submission unless postmarked on or before December 24, 2011, and received prior to award.** Consultants who do not submit the required number of copies may be disqualified.

Please submit the proposal and six copies to:

Alex Haartz, Program Analyst
Fiscal Analysis Division
Legislative Counsel Bureau
401 South Carson Street
Carson City, Nevada 89701-4747

The consultant's company name shall appear on each page of the proposal. The person signing the proposal must initial any erasures, cross-outs, alterations, or other changes.

The person signing the proposal must be authorized to commit the consultant and conduct negotiations or discussions if requested and/or required.

Proposals that are incomplete, appear unrealistic in terms of technical commitments, demonstrate a lack of technical competence, or are indicative of a failure to comprehend the complexity and risk of a contract may be rejected.

The LCB reserves the right to reject any or all proposals, to waive any informalities and/or minor irregularities, and to make the award in the best interest of the Nevada Legislature, with or without further discussion or negotiations.

The LCB assumes no liability for any cost incurred by consultants in the preparation, delivery, or any subsequent meetings relative to responses to the Request for Proposal, or any costs incurred by consultants for travel and other expenses if an oral presentation is requested in the evaluation of proposals.

Proposals may be modified by the consultant at any time, in written form, prior to the closing date at 5:00 p.m. PST, on December 30, 2011. One original and six copies are required for each modification submitted.

Proposals may be withdrawn at any time, by written notice to the LCB. Proposals or modifications received after the closing date of 5:00 p.m. PST, on

December 30, 2011, will not be considered **unless postmarked on or before December 24, 2011, and received prior to award.**

Responses to this Request for Proposal will be the primary source of information used in the evaluation process. Therefore, consultants are requested and advised to be as complete as possible in the initial response. However, the LCB may 1) contact any consultant to clarify any response, 2) contact any current users of a consultant's services, 3) solicit information from any available source concerning any aspect of the proposal, and 4) seek and review any other information it deems pertinent to the evaluation process.

Modification to proposals submitted, or withdrawals thereof, made via facsimile, are permissible as long as the received facsimile(s) are followed by the required original and six copies and are received within the required timeframes. **Submission of the consultant's original response via facsimile will be not accepted.**

IV. USE OF SUBCONTRACTORS

If necessary due to the specific skills or tasks required to complete the Scope of Work in this Request for Proposal, the consultant may subcontract with one or more individuals or groups to perform those specific tasks or duties. If a consultant intends to subcontract for services to perform any portion of the Scope of Work, the proposal submitted to the LCB must include the name of the individual or group with which the consultant intends to subcontract, the portion of the Scope of Work for which the subcontractor is to be utilized, the qualifications and prior experience of the subcontractor relative to the specified tasks or duties, and the costs required for the subcontractor to perform these duties.

V. OPENING PROCEDURES

Proposals shall be opened by LCB staff in a manner that avoids, to the extent possible, disclosure of the contents to competing consultants. A register of consultants containing the names of all respondents shall be prepared and retained in the offices of the Fiscal Analysis Division of the LCB. This register shall be opened for public disclosure five (5) business days following the closing date of the proposal.

VI. EVALUATION OF PROPOSALS

The Committee to Study the Funding of Higher Education in Nevada will evaluate the proposals but reserves the right to delegate the review of proposals to a Subcommittee or to staff of the LCB. Proposals will be evaluated on all factors, including, but not limited to:

1. Responsiveness of proposal to the Request for Proposal.
2. Functional and technical merits of proposal.
 - A. Qualifications of consultant.
 - B. Qualifications of assigned staff.

- C. Prior experience.
 - D. Project work plan and timeline to complete the specific components of the scope of work.
 - E. Understanding of technical requirements.
 - F. Understanding of Nevada's higher education funding methodology.
3. Use of subcontractor (if applicable).
- A. Scope of work to be completed by subcontractor.
 - B. Qualifications of subcontractor to complete the specified scope of work.
 - C. Prior experience of the subcontractor related to the specified scope of work.
 - D. Project work plan and timeline for the subcontractor to complete the specified scope of work.
 - E. Understanding of the technical requirements of the specified scope of work to be completed by the subcontractor.
 - F. Itemized cost associated with the services provided by the subcontractor.
4. Proposed method to accomplish the scope of work.
5. Itemized cost associated with the specific components of the scope of work.
6. An oral presentation by the consultant may be requested.

(The order listed above is not necessarily an indication of the relative importance of these factors.)

VII. PUBLICITY

No announcement concerning the awarding of the contract as a result of the Request for Proposal can be made by the successful consultant without the prior written approval of the LCB. Additionally, the successful consultant shall not use in its external advertising, marketing programs or other promotional efforts, any data, pictures, or other representations of the state of Nevada, the Nevada Legislature or the LCB, except on the specific advance written authorization by the LCB.

VIII. LIABILITY INSURANCE

1. During the term of the agreement, the successful consultant shall maintain comprehensive public liability and property damage insurance coverage of not less than \$1,000,000 in a form and with an insurer or insurers acceptable to the LCB. The policy shall be a combined single limit, bodily injury and property damage, against liability arising out of the services of the successful consultant, its officers, employees, subcontractors and agents, on the project. The successful contractor agrees to name the state of Nevada, the Nevada Legislature, its officers, employees and agents as additional insured's on the policy. The successful consultant may comply with the requirements of this section by endorsement to any blanket policy of insurance carried by the

successful consultant provided that the blanket policy meets the requirements of this section. The cost to provide the liability insurance required by this section must be stated separately in the response to this Request for Proposal.

2. Evidence of the policy or policies required by paragraph 1 must be furnished to the LCB at the time of the signing of the agreement and thereafter from time to time as reasonably requested by the LCB. Such evidence must show that the policy or policies shall not be modified or terminated without at least 30 days prior, written notice to the LCB.

IX. INDEMNIFICATION

1. The successful consultant agrees to hold harmless, indemnify and defend the state of Nevada, the Nevada Legislature and their officers, employees and authorized agents against any claim, action, loss, damage, injury, liability, cost and expense of any kind or nature arising from the consultant's breach of the representations, warranties or obligations under the agreement or from the consultant's negligent acts or omissions in performing the agreement.
2. In any claim against the state of Nevada or the Nevada Legislature, their officers, employees and authorized agents by any employee, any subcontractor of the successful consultant, or any person directly or indirectly employed by any of them, or any person for whose acts any of them may be liable, this indemnification shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for the successful consultant or any subcontractor under workers' compensation acts, disability benefits acts, or other employee benefit acts.
3. The remedy provided by the indemnification set forth in this section is in addition to, and not in lieu of, any other remedy. This indemnification must not be diminished or limited in any way to the total limit of insurance required by the agreement or otherwise available to the successful consultant.

X. TERMINATION

1. The LCB may at any time, for its convenience and without cause, terminate all or part of the agreement. To terminate the agreement pursuant to this paragraph, the LCB must deliver a notice of termination without cause. Termination of the agreement pursuant to this paragraph shall be within the sole discretion of the LCB and shall become effective upon receipt by the contractor of the notice of termination without cause. The LCB's liability to the contractor with respect to termination without cause is limited to the reasonable costs incurred by the contractor before the effective date of the termination, but not to exceed the maximum fixed fee for the agreement. If requested, the contractor shall substantiate any cost submitted for payment with proof satisfactory to the LCB. This paragraph does not apply to termination for cause.

2. The contractor is in default of the agreement and the LCB may terminate the agreement for cause if the LCB determines any one of the following:
 - A. The quality of the work performed by the contractor is unacceptable;
 - B. The contractor fails to comply with the terms of the agreement to the satisfaction of the LCB;
 - C. The project is more than 30 days behind schedule;
 - D. The contractor has breached the agreement in any other respect; or
 - E. The contractor has sought, or been forced to seek, protection under the Federal Bankruptcy Act.
3. The LCB is in default of the agreement if, at any time, the LCB materially breaches any term of the agreement.
4. To terminate the agreement for cause, the non-defaulting party shall send to the defaulting party a notice of default. Termination shall become effective ten (10) days after the defaulting party receives the notice of default unless during those ten (10) days the defaulting party cures the default.
5. If the LCB terminates the agreement for cause, the LCB is not liable for any costs incurred by the contractor and the LCB may procure the services from other sources and hold the contractor liable for any excess cost occasioned thereby.

XI. PAYMENT

The terms of payment will be negotiated at the time the contract is prepared; however, 10 percent of the contracted price will be withheld until all of the terms of the contract have been met to the satisfaction of the LCB and shall be paid within 30 days after the successful consultant has completed all of the services and responsibilities set forth in the agreement between the parties.

XII. NO ASSIGNMENT, TRANSFER OR DELEGATION

The successful consultant shall not subcontract, assign, transfer or delegate, or otherwise dispose of any rights, obligations or duties under the contract without the prior written consent of the LCB.

XIII. INDEPENDENT CONTRACTOR

The parties agree that the successful consultant is an independent contractor and is not a state employee and there will be no:

1. Withholding of personal income taxes by the state of Nevada;
2. Industrial insurance coverage funded by the state of Nevada;

3. Participation in group insurance plans which may be available to employees of the state of Nevada;
4. Participation or contribution by either the independent contractor or the state of Nevada to the Public Employees' Retirement System;
5. Accumulation of vacation leave or sick leave; or
6. Unemployment compensation coverage provided by the state of Nevada.

XIV. CONFIDENTIALITY OF INFORMATION

The successful consultant must agree to maintain the confidentiality of any information, records, and data obtained for the purpose of performing its duties under the contract. The successful consultant must further agree not to use such information for any purpose other than its performance under the contract and that it will require its employees and subcontractors to comply with the confidentiality requirements of this section.

XV. STATE OWNERSHIP

All work performed and all reports, materials, work products and deliverables prepared for the LCB and the Committee to Study the Funding of Higher Education in Nevada pursuant to the contract are the property of the state of Nevada and all title and interest therein shall vest in the LCB and shall be deemed to be a work made for hire and made in the course of the services rendered hereunder. To the extent that title to any such reports, materials, work products and deliverables may not, by operation of law, vest in the LCB or such reports, materials, work products and deliverables may not be considered works made for hire, all rights, title, and interest therein must be irrevocably assigned to the LCB. All such reports, materials, work products and deliverables shall belong exclusively to the LCB, with the LCB having the right to obtain and to hold in its own name copyrights, registrations or such other protection as may be appropriate to the subject matter, and any extensions and renewals thereof.

The successful consultant shall agree not to use, willingly allow, or cause to have such reports, materials and work products used for any purpose other than the performance of its obligations under the contract without the prior written consent of the LCB.

Further, the successful consultant shall agree to give to the LCB and any person designated by the LCB, reasonable assistance, at the expense of the state of Nevada, required to protect the rights defined in this section. Unless otherwise requested by the LCB, upon the completion of the services to be performed, the successful consultant shall immediately turn over to the LCB all reports, materials, work products and deliverables developed pursuant to the contract.

XVI. PROJECT RECORDS

The consultant must agree that the books, records, documents and accounting procedures and practices of the consultant relevant to the agreement are subject to inspection, examination, audit and copying by a person designated by the LCB, at reasonable times and with reasonable notice. The LCB may request at any time, and the consultant shall provide, any such documentation in a form acceptable to the LCB at a location determined by the LCB.

The successful consultant must further agree to preserve and make available any books, records and documents relevant to the performance of the contract for a period of three (3) years after the date of final payment under the contract. If the contract is completely or partially terminated, the books, records and documents relating to the work terminated shall be preserved and made available for a period of three (3) years after the date of any resulting final settlement.

XVII. COMPLIANCE WITH LAWS

The successful vendor shall comply with all applicable federal, state, county, and local laws, ordinances, regulations, and codes in the performance of its duties under the contract.

XVIII. REQUEST FOR PROPOSAL APPLICATION

INSTRUCTIONS: Thoroughly complete all information requested starting as follows (1 through 6). Provide any additional information regarding your company that would be helpful in evaluating your proposal. **Please submit ONE ORIGINAL AND SIX COPIES with your proposal.**

Completed applications must be submitted to the Fiscal Analysis Division of the LCB by **5:00 p.m. PST, on December 30, 2011**. **No allowance will be made for late submission unless postmarked on or before December 24, 2011, and received prior to award.**

QUESTIONS: All questions pertaining to this Request for Proposal must be made in writing to Alex Haartz at ahaartz@lcb.state.nv.us. Questions will be accepted until **5:00 p.m. PST, on December 15, 2011**. **To the extent possible, responses to all vendor questions will be posted publicly on the legislative website at <http://www.leg.state.nv.us/App/rfp/A/Default.aspx> by 5:00 p.m. PST, on or before December 22, 2011.**

1. CONSULTANT SUMMARY INFORMATION

- A. FIRM NAME
- B. ADDRESS
- C. TELEPHONE
- D. CONTACT PERSON
- E. FEDERAL TAX ID #

2. DESCRIPTION OF COMPANY

Describe your company, including organizational structure, age, location of offices, experience, financial stability, and qualifications of key personnel assigned to the project.

3. COMPANY OWNERS

If not a publicly held company, provide a complete list of owners and officers of company.

4. PROJECT WORK PLAN AND TIMELINE

The proposed work plan must include a detailed plan and time schedule identifying the work activities that must occur, responsibilities of the consultant and the final products that will be produced.

5. COST – INCLUDING ITEMIZATION OF SCOPE OF WORK COMPONENTS

The cost proposal must include an itemization of the cost associated with Sections 1 through 5 of the Scope of Work.

6. CURRENT REFERENCES FOR THE LEGISLATIVE COUNSEL BUREAU

List a minimum of four (4) references, including the name of a contact person, name of company, address, and telephone number who the LCB may contact. References which can speak to prior work engagements with similar scopes of work and higher education are preferable.

CHAPTER.....

AN ACT relating to higher education; creating the Committee to Study the Funding of Higher Education; prescribing the powers and duties of the Committee; making appropriations; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

This bill creates the Committee to Study the Funding of Higher Education, establishes the composition of the Committee and prescribes the powers and duties of the Committee. This bill further makes appropriations for the purposes of: (1) conducting a study of the funding of higher education; and (2) paying for the cost of the participation of the members of the Committee who are Legislators.

EXPLANATION - Matter in *bolded italics* is new; matter between brackets ~~(omitted material)~~ is material to be omitted.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. 1. The Committee to Study the Funding of Higher Education, consisting of 12 voting members and 4 nonvoting members, is hereby created.

2. The following persons shall serve as voting members of the Committee:

(a) Three members of the Senate, two of whom are appointed by the Majority Leader of the Senate and one of whom is appointed by the Minority Leader of the Senate;

(b) Three members of the Assembly, two of whom are appointed by the Speaker of the Assembly and one of whom is appointed by the Minority Leader of the Assembly;

(c) Three members of the Board of Regents of the University of Nevada, appointed by the Chair of that Board; and

(d) Three members appointed by the Governor.

3. The Governor shall appoint the following persons to serve as the nonvoting members of the Committee:

(a) One person who is employed in the Budget Division of the Department of Administration; and

(b) Three persons who are employed by the Nevada System of Higher Education.

4. The Chair of the Legislative Commission shall designate one of the members of the Committee as Chair of the Committee.

5. The Director of the Legislative Counsel Bureau shall provide the necessary professional staff and a secretary for the Committee.



6. For each day or portion of a day during which they attend a meeting of the Committee or are otherwise engaged in the business of the Committee:

(a) The voting members of the Committee who are Legislators are entitled to receive the compensation provided for a majority of the members of the Legislature during the first 60 days of the preceding regular session, plus the per diem allowance provided for state officers and employees generally and the travel expenses provided pursuant to NRS 218A.655.

(b) The voting members of the Committee who are members of the Board of Regents of the University of Nevada are entitled to receive travel expenses and a per diem allowance at the rates established in NRS 396.070.

(c) The voting members of the Committee appointed by the Governor are entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally.

Sec. 2. The Committee shall:

1. Compare the existing method of funding higher education in Nevada with the methods used in other states;

2. Determine 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;

3. Review the funding of remediation in the context of instructional delivery methods;

4. Consider the retention of resident registration fees and nonresident tuition outside of the state supported operating budget;

5. Consider funding in the context of completed courses in contrast to the current method of funding enrollments; and

6. Consider rewarding institutions within higher education for achieving defined goals for graduating students.

Sec. 3. The Committee may hold public hearings at such times and places as it deems necessary to afford the general public and representatives of governmental agencies and of organizations interested in higher education an opportunity to present relevant information and recommendations.

Sec. 4. The Committee may employ such educational and financial consultants as it deems necessary for this study.

Sec. 5. The Committee may accept and use all gifts and grants which it receives to further its work.

Sec. 6. There is hereby appropriated from the State General Fund to the Legislative Fund the sum of \$150,000 for the purpose of



conducting a study of the funding of higher education as provided in sections 1 to 5, inclusive, of this act.

Sec. 7. There is hereby appropriated from the State General Fund to the Legislative Fund the sum of \$18,064 for the purpose of the paying for the cost of the participation of the members of the Committee who are Legislators as provided in sections 1 to 5, inclusive, of this act.

Sec. 8. Any remaining balance of the appropriation made by section 6 or 7 of this act must not be committed for expenditure after June 30, 2013, by the entity to which the appropriation is made or any entity to which money from the appropriation is granted or otherwise transferred in any manner, and any portion of the appropriated money remaining must not be spent for any purpose after September 20, 2013, by either the entity to which the money was appropriated or the entity to which the money was subsequently granted or transferred, and must be reverted to the State General Fund on or before September 20, 2013.

Sec. 9. The Committee shall submit to the Legislative Commission a report of its findings and recommendations for legislation before the commencement of the 77th Session of the Nevada Legislature.

Sec. 10. This act becomes effective on July 1, 2011.



**DISCUSSION OF TIMELINE FOR CONDUCTING THE STUDY,
INCLUDING ADOPTION OF COMMITTEE MEETING SCHEDULE**

**Committee to Study the Funding of Higher Education
(Pursuant to Senate Bill 374 of the 2011 Legislature)**

Possible Committee Work Timeline
(Agenda Item VI)

	DATE	ACTION/ACTIVITY
1.	Tuesday, November 29, 2011	First meeting of the Committee to Study the Funding of Higher Education.
2.	November 30, 2011	Request for proposal released.
3.	December 30, 2011	Vendor responses to the request for proposal due to the Fiscal Analysis Division.
4.	January 9, 2012	Vendor response evaluation completed.
5.	Wednesday, January 11, 2012	Second Committee meeting: Select consultant and authorize staff to negotiate contract for Director of the Legislative Counsel Bureau to sign. Provide direction to staff.
6.	February 22, 2012	First contract deliverables due: Analysis and reports on use of performance criteria, use of student FTEs versus completed courses, states' allocations of general fund monies and other revenues to fund public higher education.
7.	Wednesday, February 29, 2012	Third Committee meeting: Receive and review consultant reports. Provide direction to staff and consultant.
8.	April 19, 2012	Second contract deliverables due: Inventories, narrative analysis and reports on formula and non-formula states and report on states' budgeting of student derived revenues.
9.	Wednesday, April 25, 2012	Fourth Committee meeting: Receive and review consultant's reports. Review consultant's formula findings and recommendations. Provide direction to staff and the consultant.
10.	Wednesday, May 23, 2012	Fifth Committee meeting: Formulate possible funding formula recommendations, possible bill draft requests (BDRs) for 2013 Session. Provide direction to staff and consultant.
11.	Wednesday, June 27, 2012	Sixth and Final Committee meeting: Review and approve funding formula recommendations and possible BDRs.

2011-2012

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**REVIEW OF THE NEVADA SYSTEM OF HIGHER EDUCATION'S
BUDGET AND FUNDING STRUCTURE, INCLUDING THE USE
OF THE CURRENT FORMULA IN FUNDING THE SYSTEM'S
STATE SUPPORTED OPERATING BUDGETS**

Committee to Study the Funding of Higher Education
(Pursuant to Senate Bill 374 of the 2011 Legislature)
November 29, 2011

Nevada System of Higher Education Funding Formula Overview

1. Introduction

The Nevada System of Higher Education's (NSHE) state supported operating budgets are part of The Executive Budget and are reviewed and approved by the Legislature each legislative session. These budgets contain the General Fund appropriations approved by each Legislature as well as varying percentages (64.0 to 78.0 percent) of student registration fees, 100 percent of non-resident student tuition revenues, and miscellaneous student fees. Limited federal grant funds are also included in the state supported operating budgets. As a result of budget consolidations approved by the 2011 Legislature, effective July 1, 2011, the number of state supported operating budgets has been reduced from 25 to 15 (excluding WICHE).

The NSHE also has numerous self-supporting budgets, which are not part of The Executive Budget and are not reviewed by the Legislature. Per Board of Regents' policy, all NSHE self-supporting budgets exceeding \$25,000 in projected annual expenditure activity are required to be approved annually by the Board. Examples of revenues which support these accounts typically include sales of tickets and other items, fees for non-credit courses, special course fees and the remaining percentage of student registration fees. Revenues from federal and other grants, contracts, loans, endowments and scholarships are accounted for separately as well.

2. NSHE State Supported Operating Budgets

- ❖ Budget Development and Submission: For its state supported operating budgets, the NSHE is subject to the State Budget Act (NRS 353.150 to 353.246 inclusive). The NSHE's budget request follows The Executive Budget's Base, Maintenance, Enhancement format. Prior to the September 1 deadline by which agency's budget requests must be submitted, the Board of Regents reviews and approves each biennial request.
- ❖ Budget Structure:
 - Similar to Executive Branch agency budgets, revenue sources are broken out and reflected individually. However, in contrast to Executive Branch agency budgets that display expenditures by major categories, NSHE state supported operating budget expenditures are organized by "functional areas": instruction, research, public service, academic support, student services, institutional support, operation and maintenance (O&M) of physical plant and

scholarships. The functional detail is rolled into a single operating category when shown in The Executive Budget.

- Revenues and expenditures that comprise each NSHE state supported operating budget are not fund mapped. As a result, expenditures are not tied to a specific funding source such as General Fund appropriation or registration fees.

❖ Formula and Non-Formula Budgets:

- The NSHE's 15 state supported operating budgets are divided into "formula" and "non-formula" budgets. There are 7 formula budgets and 8 non-formula budgets.
- Revenue and expenditures approved for the formula budgets are primarily driven by formulas based upon student enrollments, the type of credit hours taken and the amount and type of building and grounds square footage. The formula budgets are the primary instructional budgets of the NSHE's teaching institutions: University of Nevada, Las Vegas (UNLV); University of Nevada, Reno (UNR); Nevada State College (NSC); College of Southern Nevada (CSN); Great Basin College (GBC); Truckee Meadows Community College (TMCC); Western Nevada College (WNC).
- The non-formula budgets are budgeted similar to traditional Executive Branch budgets using a Base plus incremental approach. The non-formula budgets are: System Administration, Special Projects, System Computing Services, National Direct Student Loans, DRI, School of Medicine, Law School and School of Dental Medicine. Certain formula components are also used in determining O&M and equipment funding needs for the non-formula budgets.

3. Higher Education Funding Formula

- ❖ 1999-2000 Interim Higher Education Funding Formula Study: Senate Bill 443 of the 1999 Legislature established an interim study committee to compare the previously existing (formula) method of funding higher education in Nevada with the methods used in other states, and to determine whether other methods would be appropriate and useful in Nevada. The primary purpose of the study was to develop formulas to ensure the equitable distribution of available funding, not to determine whether the NSHE was fully funded. Key issues included:
- The Committee recommended projecting biennium enrollments for UNLV, UNR, CSN, GBC, TMCC and WNC (excluding the professional schools) utilizing a 3-year weighted rolling average methodology. Weights of 50 percent (most recent year), 30 percent (next most recent) and 20 percent (third year) form the basis of the projection. Enrollments for NSC were projected based upon actual, unweighted enrollment growth due to the institution's newness.

- Areas of funding inequity between comparable NSHE institutions were identified and specific funding adjustments and policy changes were recommended. For example, the study recommended establishing a salary equity pool for UNLV as a strategy to eliminate an inequity in faculty salaries that existed between UNLV and UNR. Additionally, starting salaries were standardized for budgeting purposes.
 - A performance funding pool for institutions meeting specific outcomes such as graduation rates, freshman retention, grant funding and workforce development was recommended. The performance funding pool was never funded by the Legislature.
 - The current funding formula mathematically calculates only recommended expenditure levels. While the enrollments, comprised of resident and non-resident students and undergraduate and graduate students, form the basis for projecting available, student-derived revenues, the overall revenue levels budgeted in the state supported operating budgets are determined by legislative budget policy. In other words, the formula establishes calculated need, but the Legislature determines the percentage of the formula which will be funded based on available General Fund revenues and competing statewide needs.
- ❖ Main Formula Components: An expenditure level or level of “projected need” for each NSHE institution is arrived at through the aggregation of multiple formula components (factors) for each functional area. The primary drivers and factors of the funding formulas are:
- Student full-time equivalents (FTE) enrollments by program cost and level of discipline;
 - Student-faculty ratios;
 - Support staffing ratios;
 - O&M drivers such as staffing ratios for both maintained and improved square footages with facility age adjustments;
 - Adjustments which account for economies of scale; and
 - Adjustments which account for the rural nature of some NSHE institutions.
- ❖ Instructional Formula Component:
- The primary driver of the instructional formula component is student enrollments which are calculated as Student Full Time Equivalents (SFTE) based upon projected credit hours.
 - At the undergraduate level, 15 credit hours per semester or 30 credit hours per year equal 1.0 SFTE.
 - At the master’s and doctoral levels, 24 and 18 credit hours annually respectively equal 1.0 SFTE.

- The primary instructional formula factor is the student-to-faculty ratio. The ratio is stratified into four levels to take into account the differential cost of providing certain courses. Examples of the taxonomy used for the 2011-13 biennium are:
 - Clinical: Nursing, clinical laboratory services, speech pathology and physical therapy;
 - High cost: engineering, computer and information sciences, biological and biomedical sciences, hospitality management, construction & mechanical trades, physical sciences and allied health and medical;
 - Medium cost: applied mathematics and statistics, education, communication and journalism and psychology; and
 - Low cost: political science, sociology, social sciences, public administration, mathematics, foreign language, literature and liberal arts.
- Under the current formula, each program cost level creates a different student-to-faculty ratio, which is also differentiated by institutional level.

Current Student to Faculty Formula Ratios for UNR and UNLV				
Program Cost Level	Lower Division	Upper Division	Masters	Doctoral
Clinical	8:1	8:1	8:1	8:1
High Cost	18:1	13:1	10:1	8:1
Medium Cost	21:1	16:1	13:1	8:1
Low Cost	26:1	22:1	16:1	8:1

Current Student to Faculty Formula Ratios for Nevada State College			
Program Cost Level	Lower Division	Upper Division	Masters
Clinical	8:1	8:1	8:1
High Cost	18:1	15:1	12:1
Medium Cost	21:1	18:1	15:1
Low Cost	26:1	24:1	18:1

Current Student to Faculty Formula Ratios for TMCC, CSN, WNC and GBC							
Program Cost Level	TMCC	CSN		WNC		GBC	
		Lower Division	Upper Division	Lower Division	Upper Division	Lower Division	Upper Division
Clinical (Nursing only)	8:1	8:1	8:1	8:1	8:1	8:1	8:1
High Cost (includes all other clinical)	14:1	14:1	14:1	14:1	14:1	12:1	12:1
Medium Cost	21:1	21:1	16:1	21:1	16:1	21:1	16:1
Low Cost	26:1	26:1	25:1	26:1	25:1	23:1	22:1

- New faculty positions are established as full-time at the universities and NSC. At CSN, GBC, TMCC and WNC, new faculty positions are funded based upon a full-time/part-time ratio of 60:40.
- Another significant instructional formula factor is the ratio for support (classified) staff to professional instructional staff. The ratio is one classified staff FTE for every five instructional FTE. The 1:5 ratio is uniform across NSHE's three institutional levels. Additional factors of the instructional formula include operating cost allocations per staff, teaching and graduate assistants and technology and equipment replacement allocations.
- ❖ Academic Support Formula Component: The Academic Support functional area encompasses services that directly assist an institution's instructional and academic functions such as campus libraries, media services and the academic affairs infrastructure. The components' values differ between the four-year institutions and the community colleges.
 - The formula factors for this functional area include administrative staff to faculty ratios, library staffing levels tied to the number of library volumes, operating cost allocations per staff, as well as technology and equipment replacement allocations.
 - For UNLV, UNR and NSC, each institution's Vice President of Academic Affairs' Office includes two professional and one classified position at the base staffing level. The formula then provides for incremental increases in the number of professional and classified staff based upon the number of faculty FTE employed at each institution:

200 – 499 faculty FTE:	1 additional professional position and 1 additional classified position.
>500 faculty FTE:	2 additional professional positions and 2 additional classified positions.
 - Each School and College at UNLV, UNR and NSC also receives one professional and one classified position as base staffing with additional staffing on an incremental basis based upon number of faculty:

50-174 faculty FTE:	1 additional professional position and 1 additional classified position.
>175 faculty FTE:	2 additional professional positions and 2 additional classified positions.

- The Academic Support component for UNLV, UNR and NSC also includes a library staffing factor based upon the number of library volumes with new positions added with a 40:60 staffing ratio of professional to classified:

0 – 500,000 volumes: 50 positions
For each additional 16,000 volumes: 1 position

- UNLV, UNR and NSC each receive an additional academic support funding adjustment to address academic advisement and assessment and technology. The adjustment is 9.5 percent of the instruction budget for UNLV and UNR and 6.5 percent for NSC.
- For CSN, GBC, TMCC and WNC, the formula factor for academic support infrastructure and services is calculated as a percentage of the institution's instructional area budget. CSN, TMCC and WNC are calculated at 22 percent of the instructional budget while GBC is calculated on a tiered approach: 30 percent of the first \$7.5 million budgeted and then 25 percent of any budgeted amount over \$7.5 million.

<u>Instructional Budget</u>	<u>CSN, WNC, TMCC</u>	<u>GBC</u>
First \$7,500,000	N/A	30.0%
Total Instructional Budget	22.0%	25% (over \$7.5 mill)

The factor adjustment for GBC ends when GBC's SFTE enrollments reach 3,000.

- ❖ Student Services Formula Component: The Student Services functional area includes recruitment, admissions, registration, academic counseling, career guidance, student aid and activities that primarily contribute to a student's development outside of formal instruction. Formula positions are calculated based upon the following factors: student headcount, SFTEs and the number of on-campus (resident) students:

- For UNLV and UNR:
 - The combined headcount and SFTE enrollment at or below 10,000 divided by 200;
 - plus
 - The combined headcount and SFTE enrollment above 10,000 divided by 350;
 - plus
 - The number of on-campus, resident students: divided by 100.
- For Nevada State College:
 - The combined headcount and SFTE enrollment at or below 10,000 divided by 275;
 - plus

- The combined headcount and SFTE enrollment above 10,000 divided by 375;
plus
The number of on-campus, resident students divided by 100.
- For CSN, TMCC and WNC:
The combined headcount and SFTE enrollment at or below 10,000 divided by 350;
plus
The combined headcount and SFTE enrollment above 10,000 divided by 400.
 - For GBC, to account for its rural nature and its offering of baccalaureate degrees:
The combined headcount and SFTE enrollment at or below 4,500 divided by 210;
plus
The combined headcount and SFTE enrollment between 4,501 to 10,000 divided by 275;
plus
The number of on-campus, resident students divided by 100.
 - For each institutional level, the formulas calculate the number of professional and classified FTE and their associated operating and equipment costs. New positions are distributed on a 60:40 professional to classified staffing ratio. A \$1,000 per student adjustment to account for the increased costs associated with supporting students with documented physical or developmental disabilities is also included in this formula component.
- ❖ Institutional Support Formula Component: The Institutional Support functional area includes executive level management such as the president's office, fiscal operations, logistics and planning, safety and security and institutional, community and alumni relations. The primary factor for determining the level of institutional support for each institution is based upon stratifying and applying differing percentages to each institution's total operating budget.
- For UNLV and UNR, the formula calculates the level of funding for this functional area as follows:

<u>Total Operating Budgets (less institutional support)</u>	<u>Applied Formula %</u>
1 st \$25 million	15%
2 nd \$25 million	10%
Over \$50 million	7.5%

- For Nevada State College, to reflect the college's lower costs relative to UNLV and UNR, the level of funding for this functional area is as follows:

<u>Total Operating Budgets</u> (less institutional support)	<u>Applied Formula %</u>
1 st \$20 million	15%
2 nd \$20 million	10%
Over \$40 million	7.5%

- For CSN, TMCC, GBC and WNC, the formula component adjusts for campus security and recognizes the rural nature of GBC and WNC.

<u>Total Operating Budgets</u> (less institutional support)	<u>CSN and TMCC</u>	<u>GBC and WNC</u>
1 st \$17.5 million	15%	17%
2 nd \$17.5 million	10%	10%
Over \$35 million	7.5%	7.5%

The adjustments GBC and WNC receive are removed and are funded at the same level as CSN and TMCC when the institutions each reach 3,000 SFTE.

- ❖ Operations and Maintenance (O&M) Formula Component: The O&M functional area includes custodial, building maintenance, grounds maintenance, supervisory activities and other costs such as property insurance. The two main factors which comprise this formula component are maintained square footage (including a modifier for space >25 years of age) and improved acreage. From these factors, custodial, buildings maintenance and professional/technical staffing and their associated operating and equipment replacement/new equipment costs are derived.

- No distinction is made for institutional levels. The Desert Research Institute, which is otherwise a non-formula budget, receives formula funding for this component.
- Full-time positions for custodial, buildings and grounds maintenance and utility services, hazardous materials, and administrative positions are calculated based upon a ratio of 1.0 FTE per 10,500 maintained square feet. Budgeted positions are allocated based upon following function ratios:

Custodial services:	3
Building maintenance and services:	3
Professional/technical services:	1

A 10 percent adjustment for building maintenance and services positions is provided for buildings (maintained square footage) 25 years or older.

- Full-time positions for grounds maintenance are calculated at a ratio of 1.0 FTE per 4.5 acres of improved land.
- Rental, utility costs and insurance are not included as a formula factor but are funded based upon projections of actual cost.
- By budget policy, previous legislatures have adopted the following O&M adjustments:
 - Athletic facilities at the community colleges are excluded from O&M funding.
 - Parking structures are calculated at 10 percent of the structure's square footage.

4. Changes in Use of the Funding Formula: 2009-11 Biennium, 2011-13 Biennium

❖ 2009-11 Biennium

- The funding formula was only used by the Legislature's money committees to distribute available funding. The formula was not used to assist in determining the total recommended General Fund appropriation level.
- Enrollments were not projected utilizing the 3-year weighted average methodology. Instead, enrollments were projected as flat to each institution's FY 2009 preliminary actual enrollment. As a result, student derived revenues were also budgeted as flat to FY 2009.
- The Legislature approved the NSHE's request to reallocate General Fund appropriations from non-formula budgets to UNLV, UNR, NSC and CSN formula budgets to provide hold-harmless and equity funding to those four institutions to mitigate the budget reductions they would otherwise have received. The allocation to NSC was considered one-time and was to be removed from NSC's 2011-13 base funding.

❖ 2011-13 Biennium

- The funding formula was not utilized to either calculate or distribute available funding. The available General Fund appropriations were distributed among the NSHE budgets proportionate to the amounts contained in the NSHE's FY 2011, 26th Special Session-adjusted budgets.
- Enrollments were not projected utilizing the 3-year weighted average methodology. Instead, enrollments were projected as flat to each institution's FY 2011 preliminary actual enrollment. As a result, student derived revenues were again budgeted as flat to FY 2011.