

**MINUTES OF THE
COMMITTEE TO STUDY THE FUNDING OF HIGHER EDUCATION'S
FUNDING FORMULA SUBCOMMITTEE
(Senate Bill 374 of the 2011 Legislative Session)
June 20, 2012**

The Committee to Study the Funding of Higher Education's Funding Formula Subcommittee (Senate Bill 374 of the 2011 Legislative Session) held its first meeting of the 2011-12 Interim on June 20, 2012, in room 4412, Grant Sawyer State Office Building, Las Vegas, Nevada. The meeting was videoconferenced to room 2135, Legislative Building, 401 South Carson Street, Carson City, Nevada and Berg Hall Conference Room, Great Basin College, 1500 College Parkway, Elko, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Steven Horsford, Chairman
Michael Gordon
Kevin Page

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblywoman Debbie Smith
Heidi Gansert

COMMITTEE MEMBERS PRESENT IN ELKO:

None

COMMITTEE MEMBERS ABSENT:

Hugh Anderson, Absent Excused

STAFF MEMBERS PRESENT IN LAS VEGAS:

Alex Haartz, Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Mike Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Patti Sullivan, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

- [Exhibit A](#) – Nevada System of Higher Education – Comparison of General Fund Support in FY 2012 Based on Proposed Funding Model
- [Exhibit B](#) – Nevada System of Higher Education – June 18, 2012, Response to Committee Questions
- [Exhibit C](#) – Nevada System of Higher Education – A New Model for Funding Higher Education in Nevada

[Exhibit D](#) – Nevada System of Higher Education – April 16, 2012, Responses to LCB and Committee Questions of the New Funding Model Proposed by NSHE (DISTRIBUTED BUT NOT DISCUSSED)

[Exhibit E](#) – SRI International – Analysis of States’ Use of Student Enrollments and Performance-Related Components (DISTRIBUTED BUT NOT DISCUSSED)

[Exhibit F](#) – Written testimony for the record regarding the funding formula and the teaching of science courses in community colleges provided by Deborah V. Harbour, Ph.D. (DISTRIBUTED BUT NOT DISCUSSED)

I. ROLL CALL.

Chairman Horsford called the meeting of the Committee to Study the Funding of Higher Education’s Funding Formula Subcommittee to order at 1:07 p.m. and the secretary called roll. All the members were present at the meeting, with attendance in Las Vegas and Carson City, except Mr. Anderson who was absent excused.

II. PUBLIC COMMENT.

Chairman Horsford asked for public comment from attendees in Las Vegas, Carson City, and Elko.

David Zeh, Chair, Faculty Senate, University of Nevada, Reno (UNR), stated that he would comment on the latest version (Version 16) of the new model for funding higher education from the Nevada System of Higher Education (NSHE), specifically with regard to the University of Nevada, Las Vegas (UNLV) and UNR. Mr. Zeh believed that the most recent version of the model, which included a 20 percent weight for research, was a step in the right direction. However, he was disappointed the new model did not include direct incentives for institutions to become more efficient at graduating students, which he believed was a disservice to the students and institutions of higher learning. Mr. Zeh noted that most people were aware that student loan debt has replaced auto loan and credit card debt as the top source of debt in the country. Currently, the total outstanding student loan debt was approximately \$870 billion and the average student loan debt was approximately \$23,000. He pointed out that the longer it took for a student to pursue a degree, the greater the debt accrued and there was a strong relationship between the years to completion and the amount of accumulated debt. Students that do not receive their degrees accrue a lot of debt without the considerable economic benefits of receiving a Bachelor of Arts (BA) or Bachelor of Science (BS) degree. Mr. Zeh argued that Nevada could not only reward institutions for the number of graduates, but also needed to incentivize the institutions to become more efficient at graduating students. Currently, 14 percent of students at UNR and UNLV complete their degrees in four years; the 6-year graduation rates were considerably better with approximately 40 percent at UNLV, and in the low 50 percent at UNR, but there was still room for considerable improvement relative to national standards.

Lastly, Mr. Zeh stressed that the 6-year graduation rate had to be included as a component in the alternative funding formula proposal in order to address the problem.

Chairman Horsford asked Mr. Zeh to elaborate on the 6-year graduation rate completion.

Mr. Zeh replied that currently there was a performance pool model that included approximately 60 percent for the number of graduates and 20 percent for research expenditures. He believed that some significant percentage, approximately 20 percent, should be included for graduation rates. He thought that UNR and UNLV had to improve graduation rates to make NSHE more competitive nationally.

Chairman Horsford asked Mr. Zeh how he envisioned that to work practically, as far as applying a graduation rate measure, since Nevada had a biennial Legislature and only funded the System every two years. Mr. Zeh believed the component for the 6-year graduation rates would have to be phased-in with an average over a couple of years, and working out the details would require more discussion.

Chairman Horsford thought there was some agreement among the committee members, particularly around the performance pool, which was an area with the most uncertainty regarding how the proposal would work. He noted the performance pool model to measure graduation rates was an area that would be addressed by the Committee to Study the Funding of Higher Education's Performance Pool, Economic and Workforce Development and Research Subcommittee. Chairwoman Horsford stated that he would ask the chairman of the subcommittee to reach out to Mr. Zeh to make sure his perspective and insight on the process was considered.

Mr. Page asked Mr. Zeh if he was aware of other states that utilized a 6-year graduation rate measure for purposes of measuring institution's performance. Mr. Zeh replied that the 6-year models were fairly new and were widely used by states and the federal government to measure performance. He was unsure of the particular universities that used the 6-year graduation rate measure, but believed it was something Nevada needed to do.

Chairman Horsford asked Alex Haartz, Program Analyst, Legislative Counsel Bureau to follow-up with SRI International on the states that used a 6-year graduation rate measure for purposes of measuring performance. He believed that the lessons learned from those states would help the subcommittee obtain a better understanding of how the 6-year graduation rate in the measures for performance was used in other states.

Mike Richards, President, College of Southern Nevada (CSN), stated that his comments had to do with the alternative funding formula proposal provided by Chancellor Klaich and many presidents of the colleges in Nevada. He believed the funding formula proposal strengthened NSHE institutions and would keep them viable, which needed to be a major objective of the revision. He noted the funding formula proposal differentiates mission through its weighting and the matrix, and begins to address the

nagging equity funding problems at CSN in meaningful ways. He believed there was broad recognition of CSN's equity problem, both by the Board of Regents and the Legislature, and he hoped that the alternative funding formula proposal would further mitigate that problem. Mr. Richards wanted to highlight two points during his presentation – the first addressed student grades. He thought the subcommittee should think of two columns of grades – one column for certificates and degrees, which were usually C grades and above, and one column for course completion, A through F grades. Typically, D and F grades were not acceptable in major occupational fields for an associate's degree in Nevada's institutions, whether an Associate of Science or Associate of Applied Science degree. However, for course completions, the F grade or better was allowed under federal regulations and it needed to be allowed for faculty, and students should have the opportunity to fail. He noted that in many cases, the D and F grade triggered interventions and constraints for students that needed to be in place to help them. He believed that two sets of grades were one way to think about the grade issue – success in a program were A through C grades, and success in course completion were A through F grades.

Moving to his second point, Mr. Richards stated that it was tempting to think that they could fully fund research under the guise of economic development, which he cautioned was a trap. Undoubtedly, research was important to the state, but so was a trained workforce and people of all ages needed to be trained with job competencies and educated with basic skills, which he believed was critical for Nevada's future. He urged the subcommittee to balance access and research with a balanced funding formula. He believed the Chancellor's funding formula proposal was a step in the right direction and he endorsed the alternative proposal.

Responding to a question from Senator Horsford regarding the federal regulation he referenced, Mr. Richards said that there were a number of citations, for example, the Veterans' Administration (VA) awarded a number of benefits related to education for veterans'. He noted that benefits related to education usually had some standards on grades, which triggered certain constraints that the institution had to meet. For instance, there was a standard of academic progress for students, which included Free Application for Federal Student Aid (FAFSA) stipulations, which put the onus on the institution to help students make satisfactory academic progress. For CSN, if a student was at-risk of getting a D or F grade in a course class an "alert system" was needed to help those students with supplemental instruction or tutoring. On the program side, the A to C grade needed to be reinforced because it did not make sense for a student to go through a program with a C and D grade and expect to be proficient in that field.

Senator Horsford asked Mr. Richards to provide staff with the federal references. He thought Mr. Richards point was under the FAFSA. For example, because FAFSA provided funding to students, and the funding went to the institution regardless of whether the student passed the course, was a reason the state should consider the same approach.

Mr. Richards stated that he would submit the federal reference to staff. He believed it would be helpful if the institutions only had one set of regulations to comply with.

Senator Horsford believed the subcommittee needed to be aware of the federal regulations, not to say the state did not need standards above those regulations. He said it was an interesting angle on the topic, and the subcommittee would have to make a policy recommendation on the issue of the pass and fail grades. Senator Horsford asked Mr. Richards his recommendations and specific proposals for the funding formula. He believed there would be a research pool, which would be addressed in another subcommittee. He asked Mr. Richards if his point was the need for an emphasis on community colleges and the ability to compete for workforce training funding because that was the mission of CSN and community colleges could get funded out of that pool.

Mr. Richards replied that consideration was needed in the funding formula for research and workforce training, which he believed the current funding formula was adequate to address. The knowledge fund that the state has established provided another opportunity to fund research more fully in the state. In addition, he argued that colleges needed access to some of the knowledge funding to help with workforce training and innovations in that area. He added that there were multiple sources of funds to address the state goals and purposes.

Senator Horsford said that he was aware that the Subcommittee to Study the Funding of Higher Education's Community College Funding would focus on the Hispanic Serving Institution (HSI) designation issue. He questioned how those funds would potentially help support the formula discussion.

Mr. Richards replied that usually HSI's compete for federal funding along with a specific program that was submitted for federal consideration. Typically, the grants were relatively small – approximately \$500,000 to \$700,000. The grants supplement the budgets of institutions and were usually targeted to specific programs and purposes. He said the hope over time was to qualify for the grants and to apply for the grants as a supplement to programming for all students at CSN.

Senator Horsford said that at a previous meeting, Mr. Richards referenced a community college pool of funding that was not related to the HSI designation.

Mr. Richards replied that the President Obama administration set-up the Community College and Career Training Grant (C3TG) program, which were community college career training grants. He said that the administration at the federal level injected a lot of funding into the grants and currently there were two rounds of the grants. The grants provided the opportunity to provide program-specific supplemental funding to help students at the institutions. Currently, there was one in place at CSN.

Senator Horsford asked if the C3TG at CSN were part of the community college collaborative. He asked Mr. Richards to explain how much Nevada actually received,

how much funding was distributed to each institution, and how the funding was used. Senator Horsford believed there was more funding at the federal level for higher education and the state needed to know how to position the community colleges to compete for the funding.

Mr. Richards stated that Chancellor Klaich could provide a broader system-wide perspective on the funding. He noted that CSN received \$1.0 million to help the college in program-specific areas in health sciences, and has recently filed for a second round of funding.

Chancellor Klaich stated that he would provide a copy of the C3TG grant to the committee members. He indicated that the state received \$2.5 million, which was divided among the four community colleges. The lead institution on the Nevada Community College consortium was Truckee Meadows Community College (TMCC), although all four institutions participated. He would provide a copy of the grant to staff with the breakdown, as well as the summary of the how the funding was utilized.

Chairman Horsford asked if there was still going to be a lead institution from the community colleges, or were individual community colleges able to compete for the funding going forward.

Chancellor Klaich expected that to change and the System would respond flexibly to the strengths of the respective community colleges. He noted in the second round of funding he has had discussions with a number of the community college presidents, and in many cases they were participating with consortiums outside of Nevada. For example, he recalled that Western Nevada College (WNC) was part of a consortium that involved the National Association of Manufacturers, which was responsive to the manufacturing base in the Carson City/Carson Valley area. He believed Mr. Richards was part of another consortium of the National Retail Association of America, which played on the strengths of the community colleges and national partners to pull more funding from the grants to Nevada.

Senator Horsford said it was his understanding from information he reviewed that Nevada only received a base level of funding based on what the state would get regardless, and other states received a much larger share of the funding. He asked Chancellor Klaich if he knew why, if that was the case.

Chancellor Klaich replied that it was a competitive grant and every state was guaranteed \$2.5 million. States had the opportunity to form consortiums to gain up to \$28.0 million of the funding and he was unsure why the state did not qualify for the full amount. He said he would do his best to find out why Nevada only received \$2.5 million of the funding and provide the findings to staff.

Mr. Page stated that under federal regulations he wondered if an institution would be better off if a student withdrew from a course rather than receive the F grade.

Mr. Richards replied that he would have to look at the federal regulations on the best practices for institutions and students in the instance of an F grade and provide the findings to staff. He stated that the federal government provided an extensive explanation as to how grades were used and what constraints were then levied on students, which he would share with staff.

Dr. Charles Milne, Chair, Faculty Senate, CSN, submitted a written testimony in support of the funding formula proposal.

The following written testimony was received by Dr. Milne:

Mr. Chairman and members of the subcommittee, thank you for the opportunity for faculty to address you on the funding formula. I represent more than 500 faculty at CSN who teach the largest number of students among the NSHE institutions. I will make two points of support for the funding proposal you are considering, and raise an additional issue that we encourage the committee to consider.

First, the faculty support the funding formula developed by the Chancellor to fund institutions based on the course completions rather than by enrollment. I am a biologist, and biologists teach natural selection. If you place survival or reproductive requirements on a population of a species, the population will change over time. The same holds true for systems, such as NSHE institutions. If selection or funding pressures are put on institutions, then they will respond by making adjustments to maximize funding. The selection pressure of funding based on enrollment will maximize enrollment. We support using course completions for the basis of funding. This will maximize course completions and improve the teaching of students. This will affect more than what happens in the classroom, and will impact, for example, student services. Natural selection has, often, unintended consequences, as we see in our current funding formula that maximizes student enrollment often at the expense of student success.

Faculty know that not every student will succeed in a course. We have all surely had a course or worked on some project with halfhearted effort. We completed it, but it was a failure. Students must be given a chance to fail as they complete the course. A D- or above is a passing grade, and an F is a failing grade on the material. They did not achieve the learning outcomes, but tried. We strongly ask that the F be retained as representing a course completion. Not accepting an earned F in a course as a completion will lead to grade inflation and/or raising entrance requirements for courses so that fewer will be given an F. Neither of these outcomes are acceptable, especially at an institution with open access in its mission.

Second, the faculty of CSN also support the performance pool component of the proposed funding formula. A staggering number of students are not succeeding in many ways at every NSHE institution, CSN included. This performance pool metric will improve, over time, student success in many ways at all NSHE institutions, again by natural selection. CSN was accepted as an Achieving the Dream institution to improve student success, and we are the only Nevada institution so recognized. This is a data-driven program that creates a climate of identifying student success roadblocks and implementing strategies to correct or remove those roadblocks. We have a long way to go in this program, but clearly see the need and benefit of a performance pool metric that rewards student success in areas such as graduation rates, retention, progression from remedial courses to credit courses, etc.

We believe that the funds for the performance pool should be taken from new funds, and not those generated by the course completions. The funds for course completions is what is needed to teach the students. Those institutions which do an excellent job in student success, without sacrificing quality or rigor, should be rewarded and those not doing so well will be encouraged to improve. Don't first give each institution a cut and then ask them to earn back the funds to teach their students.

Our final point is to ask the committee to seriously consider an institution-specific metric to be included in the performance pool component of the funding formula. This would be some key performance metric related to the institution's mission and/or efforts to increase performance, such as fall-to-fall persistence, or success rates of math remediation students enrolling in or succeeding in credit-bearing math courses. There are literally dozens of performance metrics. Forcing an institution to choose a new institution-specific metric every 3 years, for instance, would encourage each institution to focus every 3 years on a new key measure of performance and seek ways to improve. It would also prevent an institution from 'camping' on one measure that they do well on at the expense of overall performance. Finally, this changing performance metric will reduce 'gaming' the system by institutions to increase funding by improving performance on only these few measures, without improving their overall performance. The mathematics of adding this institution-specific component to the formula will be complex, but we believe the benefits outweigh the costs of this item.

The Faculty at CSN applaud the attempt by the Chancellor to propose a new funding formula and for this subcommittee to seriously consider it. This finally funds education based on what institutions do rather than the number of students in the seats and political considerations. The parade of studies on the underfunding of CSN will cease if the proposed funding formula is adopted, and all institutions will be funded on what they do, be it

teaching and/or research, and in an equitable manner with rewards for doing it well. Please adopt the funding formula as presented.

Senator Horsford thanked Dr. Milne for his testimony. He appreciated that last recommendation and he would ask SRI to evaluate the recommendation to include institution-specific measures in the performance pool.

Senator Horsford asked Chancellor Klaich how many classes the system was funded for non-completion classes. He said It seemed the subcommittee was focusing on an outlier issue, and when they talked about \$1.0 billion of state support to the System, he wondered how much of that was really the non-completion of classes.

Chancellor Klaich referred to the handout, Formula Committee Meeting Information Requests from May 23, 2012, ([Exhibit B](#)), which broke down the number of weighted student credit hours and percentages for each type of grade designation, such as incompletes, withdrawals and failures that comprise the other than grades A through D category.

Chancellor Klaich commented that the numbers were significant and Dr. Richards made some persuasive arguments for why what might not be successful completions should be included in the formula. However, he asked the committee to consider if it was fair to just sweep these out of the formula in its entirety and what impact that would have. He suggested that the impact fell disproportionately on the access institutions – the community colleges and Nevada State College that were charged with ensuring the low-income, at-risk, and disproportionate populations of color had access to higher education. Sweeping F grades out of those institutions would shift a tremendous amount of money in the formula proposal to the two universities and away from the access institutions – the community colleges, which he thought was something they did not want to do for the critical, at-risk populations in Nevada. He said that UNR and UNLV were great institutions and had the first choice of students. As a general population, the students who come to the two universities met higher admission standards, were better prepared and had higher grade point averages. Therefore, to say that they were surprised and the access institutions were going to be penalized because more of their students do not successfully complete courses seemed to be very unfair to those institutions and the critical populations they serve by shifting approximately \$4.0 million away from those institutions under NSHE's proposal to the two universities.

Chairman Horsford referenced the handout from Chancellor Klaich dated June 18, 2012 ([Exhibit B](#)) and asked if there was essentially \$25.0 million of funding out of the nearly \$1.0 billion that the state provided in support.

Mr. Haartz asked Chancellor Klaich if the 190,494 credit hours listed in the column identified as failures [Exhibit B](#) was multiplied by the \$132,056 price that has been presented as part of the proposal, equaled approximately \$25.25 million, which was the reference Chairman Horsford noted.

Chancellor Klaich stated that it was not so much the money but where the money was distributed and the disproportionate impact it had on colleges.

Chairman Horsford stated that between 12 percent and 15 percent of that was in the state college and the two larger community colleges, which were the access institutions for the System, and the two universities were approximately the same at 4 percent. He said that the state was moving to a new funding formula for a reason, and the System could not carry some of the flaws from the old system into the new system without approaching things differently. Chairman Horsford asked why the \$25.0 million was not put in a pool and institutions would not automatically receive the funding unless they intervened with the at-risk students and provided demonstrated student success to get the student to complete the course in order to earn the payment, rather than automatically getting the funding regardless of what intervention strategy the institution or the System had.

Chancellor Klaich stated that the System had to serve the at-risk population and this concept was brought up in the full committee, and as a result of the discussions, the performance pool was amended between the last version and the current version to specifically have a metric that dealt with at-risk populations.

Chairman Horsford asked what the recommendation was in the System's performance metric that gets to that and what would happen to institutions if they did not get the \$25.0 million unless they met certain performance benchmarks.

Chancellor Klaich stated that the last version contained the addition of a performance metric specifically related to at-risk populations.

Chairman Horsford stated that he needed empirical data because access institutions served more than just at-risk students; he was not talking about an at-risk indicator in the performance pool. He wanted to know about the non-completion students and whether the system in those institutions receive automatic funding for the non-completion students, regardless if the students were at-risk or not. Chairman Horsford stressed that this pool of funding went to those intuitions regardless of whether the student completed the course under the current system. However, under the current proposal, there was an indicator for at-risk students under the performance pool. Chairman Horsford asked what other metric was under the performance pool for all students.

Chancellor Klaich stated that the number metric in every institution in the performance pool was completion, which included completion of a baccalaureate degree, master's degree, doctorate degree, certificate of value or associates degree, and completion was the number one metric that was over weighted above every other metric. He said that NSHE came to the committee in the first place and said that Nevada needed more educated people to help diversify the economy in accordance with all the reports that have come out of the Legislature and the Governor's Office.

Chairman Horsford stated that it was his understanding that the indicators NSHE currently used in the performance pool were year-over-year improvements in course and degree completion and based on what SRI was recommending. However, it does not entirely address the pool of students who were taking classes the System was being paid for, and there was not a direct nexus in every case.

Chancellor Klaich stated that he would hate the performance and funding of higher education discussion to end up being the guise for further budget cuts on a system that has already taken a 30 percent cut over the last four years.

Chairman Horsford expressed that he was trying to identify \$25.0 million of funding the System currently received in FY 2011-12 for non-completion students. He said there was a policy discussion about whether to include course completion in the funding formula, which was a policy decision of the Governor and Legislature on what to input in support of the Board of Regents. Chairman Horsford stated that he has heard from committee members that there was not much comfort to continue to fund non-completion students. He said that the Faculty Senate and other stakeholders have expressed the need for consideration for the work done to serve those students and he was trying to identify options so the committee could move a recommendation forward with consensus. Chairman Horsford was trying to ignite discussion on different options and one option was the idea to set aside 7 percent of the total amount of funding for course completion. The students enrolled in those classes would be served by the institutions and the System received funding when students completed the courses.

Chancellor Klaich stated that he could see that happening and the idea was consistent with the comments Chairman Horsford made in the prior committee meetings. He said it was clearly an open decision with respect to the performance pool. The Chair of the Faculty Senate referred to it in his comments on how to fund the performance pool and Mr. Stephen, SRI, referred to the idea in his closing comments at the last meeting of the full committee – was it carve out or new money and what other states have expressed. Certainly, the discussion was critical and the question was where that money came from, how it was earned, and how the state of Nevada wanted to utilize it. Chancellor Klaich noted that he was on the same page as Chairman Horsford and tried to be consistent on the issue. The state paid the System to graduate students and graduation was complete to the students goals, whether the goal was to move into the workforce as an apprentice, welder, or as a Ph.D. in Physics, which was the goal of the System. Chancellor Klaich stressed that he did not consider higher education as an indoor sport, which would be too expensive for students and for the taxpayers of Nevada.

Mr. Page asked Dr. Milne the difference between course completion and enrollment if F grades were counted.

Dr. Milne replied that as far as he understood, a person enrolled in a course was what was funded in the previous formula. The proposal would fund course completions – a

student in a class on the first day and present in class to take the final exam was a course completer. The student may not have succeeded in learning all of the objectives to pass the course, but was considered a course completer because they were present for every test, lab, and quiz, and participated in class.

Mr. Page asked if a student would receive an F grade and incomplete if they never showed up for an enrolled class.

Dr. Milne replied the student would get an F grade, but those students received F grades for never participating in class. He was talking about the larger proportion of students that received F grades and completed the entire course. He stated that more than 10 percent of students in anatomy and physics classes, which were the classes he taught, were students who completed the course and took every test, but the student failed because it was a tough subject.

Chancellor Klaich interjected that there was an F/N grade and the VA that Dr. Richards referred to earlier in the meeting makes the exact distinction that Mr. Page referred to of the student who has been through the entire course, attended classes, and completed the course work but failed, as opposed to a student who signed up for the class and went to class for approximately three weeks and then just disappeared. This student was not a completer and gets an F grade for not attending and the VA made that distinction very clear.

Mrs. Gansert said there were two pieces of the funding – the performance and the base, and she thought the confusion was over the base. From a policy standpoint, she believed it was hard to pay for a class that a student failed, so she understood Chairman Horsford's point about making sure services were provided so students could complete the course with a higher grade than an F. In addition, she thought there was probably concerns about grade inflation if the F grade was eliminated. Her thought was that the committee consultant, SRI, could provide some ideas of best practices in other states to help resolve the issue. She said from a policy standpoint it was hard to say an F grade was a course completion. She appreciated the distinction offered by Chancellor Klaich of the student attending a class and not coming out with a better grade than an F versus the student who walked away from a class.

Chairman Horsford said that he would ask SRI for ideas and insight on what worked in other states and whether it would work in Nevada.

Mr. Gordon asked if there was a correlation between institutions with higher student withdrawals and less F grades. He asked if students would take a course for three weeks and then realize the course was too hard and withdraw so they get a refund on their tuition and then enroll in a different course rather than get the F grade. He asked if that was related to student services and if would be tougher for students to withdraw at institutions with less student services when they realized they would not successfully complete the course and get stuck in a course and receive the F grade.

Chancellor Klaich replied that he did not know the answer to Mr. Gordon's question, but would provide the findings to the committee. Although the issues addressed at the meeting could not be addressed in the funding formula, the benefits of the discussions of the committee were that the issues brought up offered takeaways for critical policies that would enhance performance. Currently, all Nevada's institutions had their own guidelines for student withdrawals – when a student could withdraw, at what date, and some of it related to getting a refund, which did not make sense. If the System's guideline was to graduate people and get them through the classes, and the System would value and pay for that, then there should be consistent policies within the institutions. Chancellor Klaich reiterated that he would get the answer to Mr. Gordon's question, but on a broader point, Mr. Gordon brought out the need to have policies for the Board of Regents to ensure policies were in place to encourage performance, whether those were in terms of class attendance, fees or quality assessment, which had to fit into the overall discussion of the committee.

Dr. Milne commented on the students that completed a course as far as attendance but received an F grade. In the anatomy and physics courses he taught at CSN, if a student was struggling early on there was an early alert system and students were advised of tutoring and other services offered on campus. He stated he had office hours and all his lectures were podcast and students could get the podcasts a few hours after class. He noted that staff already offered services to help every student succeed.

Alan Balboni, CSN, stated that he came to CSN over 30 years ago from the University of Massachusetts at Boston, as an academic administrator, but most of his time at CSN was as a professor of political science. In addition, he served as Chair of the Faculty Senate three different times. He appreciated the opportunity to speak and said his remarks would be brief because he was aware the committee's time was important. Mr. Balboni was pleased to have the opportunity to speak in support of Chancellor Klaich, President Richards, and Faculty Senate Chair Milne and the emphasis on being an access institution. He said that President Richards made reference to the nagging problem of the underfunding of CSN, and from his years at CSN, he was aware of the persistent problem and knew that the Legislature and Board of Regents have taken steps to address those problems, which he appreciated. In addition, he appreciated that the committee and others were looking at a more equitable funding program, which he knew was complex and difficult. In regard to CSN being an access institution, he stated that CSN has been underfunded in the support area for a long time, particularly in regard to what might be defined as counselors and advisors. He noted that CSN desperately needed more funding, but was also aware that other institutions needed more as well. As an access institution, CSN primarily served a disproportionate amount of students of all ages whose parents did not go to college. The students were not sure how to proceed, how many classes to take, if they should work part-time or full-time, and needed even more assistance. Mr. Balboni asked the committee when they were deliberating on the funding formula to keep in mind that more support staff was needed, along with tutors and counselors. As someone who has been in the classroom for many years, he echoed the eloquent

remarks of Chancellor Klaich, President Richards and Faculty Senate Chair Milne that the F grade had to stand as a completion grade. With the proper funding, there were people that could help students with the F grade to find out if the grade was because the student was working too much, or not prepared for the course, if there was another course the student should have taken first, and if the student attended the tutoring center. He noted that an F grade was not the end of the world and some students that received an F grade would retake the course and pass. The F grade was a form of completion and those students certainly needed assistance, which should be taken into account in the funding formula. Speaking frankly, Mr. Balboni said that if the F grade was not included in the funding formula they would be talking about the problem of grade inflation in future years.

Concluding, Mr. Balboni stated that part of the discussion was what constitutes completion, which he was aware was a national trend and legitimate. However, he hoped that there was maximum flexibility in the funding formula for access institutions and for certificates of value because over the years many people attended college who by traditional standards do not complete college, but got a great deal out of attending school. For example, Mr. Balboni stated that his wife came with him to Nevada after their children were grown and decided to be a teacher. She attended a program at UNLV and received her Master of Education (M.Ed.) degree. When she started teaching she found that most of her students were English as a Second Language (ESL) students so she took a Spanish course at the community college to better communicate with the students and parents; however, she was probably listed somewhere as a non-completer even though the Spanish course helped her be a more effective teacher in a school where most of the students were ESL. Offering another example, Mr. Balboni noted that at one point in his career he wanted to study European politics and government in greater depth with a particular interest in Italy, so he took three courses in Italian at the community college. He did not receive a degree so somewhere he was probably listed as drop-out or non-completer, but he achieved what he wanted and developed a reading capacity in Italian. He added that his younger daughter, who is working as a Deputy Attorney General, went to the community college for a year after high school, then went to UNLV to get her law degree, but once again she was probably listed as a non-completer even though she benefited greatly from the community college. Mr. Balboni stated that the empirical data was crucial and he asked the committee to give some thought to flexibility in the funding formula to access institutions.

Chairman Horsford stated that Mr. Balboni raised a good point and the examples he provided were continuing education courses. He wondered if students in continuing education courses were treated in the same way as a students taking classes for an associate or bachelor degree. He said that there were continuing education courses at the community colleges and universities for teachers, professional development, and business professionals and he wondered if those classes were treated in the same manner as classes that went toward an associates, bachelors or graduate degree completion.

Chancellor Klaich responded that in the base portion of the formula the answer to Chairman Horsford's question was yes. However, only courses that ultimately lead to degrees would be counted for that credit in the performance portion of the funding formula.

Chairman Horsford asked if discussion was needed about the issue because he did not know whether it was the state's obligation at this point to fund student's personal interests when the state was cutting essential degree programs that were desperately needed for a trained and educated workforce. He asked for empirical data on the number of students in continuing education classes or information on students who took a single course but were not enrolled in a degree program, either at the community college, state college or university level.

Chancellor Klaich replied that he would do the best to provide that information to staff.

Chairman Horsford asked Mr. Gordon if it he was correct that most of the cuts at the institutional level were in student services, such as tutoring. Therefore, if they were talking about the need, particularly in the access institutions, to provide that support to students but those were the things that have been cut, is that opposite of what needs to happen in order for students to complete a course.

Mr. Gordon agreed with Chairman Horsford and said the need for advisors was huge. In addition, the remedial courses and when they were offered was a problem. He noted that the non-traditional students at the access institutions may be working to pay for education at the time the tutoring center was open or when the professors had office hours and even though those services were available, they may not suit the student population, especially at the access institution levels.

Mr. Page stated that was why they wanted that to be allocated to student services the last time there was a tuition increase, because they were concerned about the cut backs and students services was one of the easiest and first place to cut services, which was a serious problem.

Chancellor Klaich stated that they had to be careful about generalizations because as the committee may recall there were six rounds of cuts over a four and one-half year period. He noted that some cuts were easier for the Legislature and the more difficult cuts were addressed in a Special Session. He stated as a general proposition, the presidents of the institutions did their best to protect the classrooms, which resulted in overcutting in administration, back office, and student services, but the intent was to protect the classroom. He said as Mr. Page indicated, which was discussed before the Board of Regents took action, it was solely for the purpose of the critical need for student services that the Board of Regents took the unusual step at the last tuition increase and went to the student government leaders throughout the system to work with the expenditure of those funds, not to replace, but for new services to enhance the student perspective.

Chairman Horsford said he heard from students that if the Writing Center, Math Center, or Tutoring Center were not open, or the hours were reduced, there would be not help for the student that needed support to complete their classes. Therefore, as much as he appreciated the comments of the faculty and the work they were doing in classrooms to get the students where they needed to be, success would not be achieved if the wraparound support was not there. He was aware the cuts were tough, but unfortunately it had to be balanced otherwise what was left would not work.

Chancellor Klaich stated that at every committee meeting Chairman Horsford raised the issue of adequacy, which the System stayed away from discussing in the committee. The cuts have had an impact and the System cannot serve more with less and still be expected to continually improve results. The faculty and staff were working harder, but there was a point where that does not work anymore, which he believed was the case that Chairman Horsford made.

Mr. Gordon stated in support of Chancellor Klaich, at the December 2011 Board of Regents meeting, the Regents instructed the presidents of each institution to work with the student leaders to identify critical issues on campuses where the students wanted to see those support services.

Chef Thomas Rosenberger, Department Chair, Hospitality Management Department, CSN, stated that he has been with the university system in Nevada for 40 years and was one of the original students at CSN when it opened as Clark County Community College. He transferred 77 credits to UNLV and at that time the college only accepted 25 credits, so it took 175 credits to graduate with his bachelor's degree, and then he went on to get his master's degree. Mr. Rosenberger offered clarification on continuing education classes and in his area students could take three culinary classes while working full-time and come out of the program as a cook and make \$16.00 an hour. Students could take casino card dealing classes and work part-time and complete the classes, and if they get accepted and do their audition as a dealer, the students were making \$40,000 to \$50,000 a year. Offering another example, students could take two or three classes in hotel management and then get a good job and become a good taxpayer, citizen and voter. There were 40,000 students that were voters and there was a problem with classes being maligned because those students attended a community college. Mr. Rosenberger said he has gone through this for 40 years and has been on 15 different committees trying to deal with these problems. He said that a representative from the hotel management program provided an introduction to hospitality management at the last committee meeting and said their program was different from the hospitality program at CSN, but both programs required research papers and projects, and it was interesting that the only textbook was Elements of Style, which was how to write a research paper, which was a function of the English department, not part of the hotel management program. He said it was interesting to compare the two programs, which were maligned somehow and the programs were changed to make it more difficult for a student to transfer. In 1980, the president of the University of Michigan made a comment that classes had to be changed, programs had to be rearranged to make sure they could keep the unwashed hoards from the

community colleges out of their hallowed halls, which in Nevada was the same type attitude and it was 90 percent of the argument that they were presented with. The program at CSN was the only accredited hospitality management program in the state of Nevada – the program was rated in the top ten in the nation, but the classes were not good enough to be transferred over to the university, which he had an issue with. He said that CSN's culinary arts or food and beverage classes through the American Culinary Federation were very specific programs. However, the entire hospitality management program was being maligned by the university, but it was the only program that was accredited in the state even though there are four-year accreditation programs that the universities choose not to do because they do not meet the basic requirements of the national accreditation. Mr. Rosenberger said there was statics and backup data to show that a student who attends CSN and then transfers to UNLV was much more likely to graduate from UNLV than a student who started as a freshman at UNLV.

Chairman Horsford stated that the committee was aware of Mr. Rosenberger's concerns of the students that matriculate from CSN being more successful than the students that start out as a freshman and about the need for the whole system to work together. He stated that the Board of Regents had complete policy overview on some of the things Mr. Rosenberger discussed, and although it was not really the domain of the committee, the comments were welcomed and his testimony was appreciated.

Mr. Page asked Mr. Rosenberger if he has seen that change over the years and UNLV was more accommodating at accepting classes or has that situation changed at all.

Mr. Rosenberger said it did change for a while and there were a lot of meetings on the issue and things got better, but it has gone the other way. As an example, the hospitality/purchasing area, which was the core of any hospitality program in the nation, has been eliminated and replaced with a course in ethics. He noted the problem was the faculty at CSN reached the level of at least five to ten years of management experience in their area, some had a doctorate degree, although most had a master's degree, but they had that kind of experience, and at the university level they were pushing for the person with a doctorate degree who went to school for hospitality management but never worked in the field. That was not the program Jerry Vallen, Founding Dean of UNLV College of Hotel Administration started, but it was currently the problem with the program.

Robert O'Meara, Political Science Department, CSN, stated that he was in support of the previous testimony and wanted to focus on a couple items. Regarding the completions and the need for research in the state of Nevada and in the country, he believed that most people were in support of this and everyone wanted to work toward graduation for all students that aim toward graduation. In addition, at CSN and he thought he could speak for the community colleges throughout Nevada, the institutions did more than simply graduate students. As mentioned in previous testimony, colleges prepared students for transfer and students did not always pursue or receive degrees at CSN before transferring successfully to four-year colleges or universities throughout the

country, including UNLV. In addition, CSN needed to work with UNLV and there needed to be a partnership in education to help make smooth transitions to universities. Mr. O'Meara noted that he has worked closely with several students who were very successful and before finishing the last two or three classes for a degree, they were accepted into the university of their choice. The student then transferred to the university but was listed as incomplete. In addition, people were attending colleges for personal enrichment, not just enjoyment, but taking classes like English as Second Language to enhance their skills as a translator, so a degree was not necessary for that individual.

Chairman Horsford asked why ESL was not viewed as completion rather than being lumped in as an associate's degree, because it was a recognized credential that was in demand. He was aware there were apprenticeship programs that worked that way. He stated in his day job he ran the culinary academy and there were industry recognized credentials that were developed with employer partners input and they did not train for anything other than what was demanded for in the private sector based on their partnership agreement.

Mr. O'Meara replied that he was in the Political Science Department and could not speak for the English Department. He stated there was also another population, the non-traditional students who just took courses – they may have been in the work place, raising a family, laid-off from work, or working two to three part-time jobs and wanted to return to school to start a new career. However, after taking courses at CSN, even if under open enrollment and an undeclared major, the student often found something they liked and could complete the program with the help of the professors, staff, and various offices of support. Once the student realized they could complete the classes they developed more serious plans and some aspired to obtain degrees. However, some of the students would still continue to transfer. He reminded everyone that this was something of value in terms of education in the state of Nevada and it was not only about the completion of the degrees, whether a AA, BA or BS or the masters level, not only the completion of degrees, but the value of education itself. He was aware that the community colleges throughout Nevada were also engaged in this activity, so whether it was in the rural or urban communities, the colleges supported education and there was a need to bring in the non-traditional students and provide those students with the education they desired so they could expand into degrees, whether they attended UNR, UNLV, or the community college level.

Concluding his presentation, Mr. O'Meara said the need for the ability to obtain data on students was mentioned in the meeting and he believed the System needed to adequately find the funding for institutional research at every institution in Nevada. The question of how to define success as far as students completing courses – if students were not transferring or had undeclared majors, he wondered where these students were. He was aware that information was available and could be done with minimal or no cost, but would take manpower. He said another means to obtain information about student transfers was the national student clearinghouse website, studentclearinghouse.org. The clearinghouse had three tiers and reported on the

enrollment status of perspective, current, and former students at other institutions, so students success could be tracked even after they left an institution. He believed one tier cost ten cents per student and another was five cents for student. One tier provided a student tracker at no charge at each institution to verify student degrees and enrollment services and offered additional data reporting. Between the two sources of information, the answers may be available on what happened to students once they transferred either with a degree or without degree or a declared major. If a student took a classes at CSN and dropped the classes and was considered an incomplete, that student could still become a stellar student at a university, graduate and attend law school, but they would not know that unless there was data available.

Jim Matovina, Math Department Chair, CSN, said that he has seen more than his share of F grades in the 16 years he has been in the math department at CSN. Some of those students were completers and earned F grades, as well as the students that disappeared from class after a few weeks. He noted that approximately 8,000 to 10,000 placements tests were given every semester at CSN for incoming students. He said he had approximately 8,000 seats total in all his math classes, so if they looked at those 8,000 students who took a placement tests and then factored in the students who were already in the chain taking prerequisite classes, there were not enough seats for students in those classes. Mr. Matovina said it was similar problem in the biology classes as well, and biology classes were some of the first to fill at the college and many students could not get into the classes each semester, sometimes trying seven to eight times and classes were filled by the time they get to registration, and often those students just disappeared. He stated that he wished more classes could be offered although he understood funding and spaces were an issue, but the colleges were turning away many students that wanted to complete college simply because there was no place for them to go. He said it was not uncommon to see a three-hour wait at the testing center just to get on a computer to take a placement test, and then the student found out the classes were full. Mr. Matovina stated that the majority of the faculty he was spoken with in his department support Chancellor Klaich's proposed funding formula, and anything was an improvement over the imbalance the institutions had seen over the last 15 to 20 years. He asked the committee to keep his comments in mind and help CSN anyway they could; he believed the Chancellor's proposed funding formula was definitely a step in the right direction.

Chairman Horsford clarified that there was no increase in the proposed funding formula, but a shifting of funding based on what was currently in the system.

Mr. Matovina stated that CSN was aware that there was no increased proposed funding and that the previous formula shortchanged CSN, and the gap widened over the years and it would be a massive improvement if the gap stopped increasing. He was aware there was no extra funding and understood that if institutions were going to get a little more money that it had to come from some of the other institutions, which was a reality of the situation. Hopefully a balance could be found in the funding formula rather than the serious imbalance that was seen over the last 15 to 20 years.

There was no further public comment.

III. OPENING REMARKS.

Chairman Horsford said the committee would move to Agenda Item IV, although some of the topics were already covered in previous testimony. He stated he would ask Mr. Haartz to walk the committee through the items to see if there were any questions or items that the committee would like to discuss, either from committee staff, SRI or NSHE, so when there was the chance to debate the items discussed by the committee at the work session meeting, a consensus could be reached, and a recommendation would go forward to the 2013 Legislature with the background to support the topic. He said the committee was asking questions, taking stakeholders input, and receiving more empirical data to support the ultimate recommendation to the full committee. He noted the subcommittee had to start tackling some of the policy issues because there were only three meetings left to arrive at a consensus on the issues to recommend.

IV. DISCUSSION OF POLICY ISSUES FOR CONSIDERATION IN RECOMMENDING A HIGHER EDUCATION FUNDING FORMULA AND ANALYZING THE NEVADA SYSTEM OF HIGHER EDUCATION'S ALTERNATIVE FUNDING FORMULA PROPOSAL, INCLUDING BUT NOT LIMITED TO:

a. USE OF COMPLETED COURSES, SUCCESSFULLY COMPLETED COURSES, OR STUDENT ENROLLMENTS AS THE PRIMARY BASIS FOR DETERMINING FORMULA FUNDING.

Mr. Haartz stated that the committee has already discussed the policy issue with regard to successfully completing courses or the use of student enrollment and there was discussion about how to define and then apply that particular issue for use in a new funding formula model. He explained that a related issue from a policy standpoint that the subcommittee may wish to discuss and examine was a recommendation on the issue of how completions were calculated. Were completions calculated on a one-year basis. For example, the model presented by Chancellor Klaich was based upon a flat FY 2012 enrollment, and the current funding formula, although not being used, used a three-year weighted average approach to smooth out some of the differences that occurred in institutions on a year-to-year basis. Therefore, from a policy standpoint the subcommittee may wish to discuss the basis for the funding formula, whether it was successfully completed courses or some other metric, was it on a one-year basis that potentially had fluctuations on a year-to-year basis or does the subcommittee wish to use something that was a weighted average over a multiple year period. The subcommittee may wish to ask Chancellor Klaich and NSHE for their position on the basis for the funding formula and what type of modeling might be done to show the impacts on completed courses or successfully completed courses, from one year, which they have seen, to three-year and how that changed the distribution of General Fund appropriations among the institutions. He noted that was the one policy issue that the subcommittee started to discuss but never really explored on the use of completed courses, successfully completed courses and student enrollments.

Chairman Horsford asked for questions on the use of completed courses, successfully completed courses or student enrollments as the primary basis for determining funding formula. He said he was unclear on the 3-year weighted average. He asked if the committee needed to start with a scenario of a base year funding and then average out for the upcoming biennium. He was aware how it was done under the existing formula, which was based on student enrollment.

Mr. Haartz stated that the committee may want to explore whether they wished to have NSHE provide some additional information that used a multi-year weighting approach to essentially smooth out changes in course completions, which was what the current but suspended formula did for enrollments to see how the General Fund appropriation would change between institutions. Currently, the scenarios provided by the System were just based on FY 2012 projected completions.

Chairman Horsford asked if this was something that was traditionally done because it provided a level of predictability for the System and institutions and allowed them to then better manage the implementation.

Chancellor Klaich stated that NSHE would provide the information to staff and the committee. He believed the committee should be cautious and urged them to hold off on forming any conclusions until NSHE provided the modeling, because NSHE was in a phase where over last four years budgets had been cut, which had an impact on enrollment. Using a 3-year rolling average in the traditional sense could take institutional contractions that have led to lower course work completions and enrollments, and had the effect of pushing them forward into future years creating a self-fulfilling prophecy of budget cutting. He suggested in the immediate context it had an unintended and generally unforeseen consequence of being naggingly bad as opposed to smoothing.

Chairman Horsford said all that information on the different weighting scenarios should be shared with staff, and the committee should have access to the information. He stressed that the committee was a legislative study not a NSHE study.

Chancellor Klaich stated that he spent half of his time every working day on the weighting scenarios and did not have the ability to exchange all the information on the models with the committee. He would provide the information to the committee along with other material he had that may be responsive to items under Agenda Item IV. He said he regularly talked with the individuals from SRI and they have requested additional information, so NSHE was cooperating with SRI outside of the meetings as well.

Chairman Horsford affirmed that the consultant SRI was hired to evaluate all the information. He stressed that NSHE needed to share all information so there was no duplication of efforts and NSHE's work could be further reviewed. He asked if the System had retained a third-party consultant to help them with the different scenarios. Chancellor Klaich replied that the System has not retained an additional consultant.

Chairman Horsford stated that the different scenarios would be shared and staff and the committee would look at the impact, although the committee would try not to make judgments, but everyone needed the information before a policy decision was made. He said that generally the smoothing option has been done in the past, but if there were unintended consequences they needed to be evaluated.

Mrs. Gansert believed it was fair to ask NSHE to share their information and ideas with the subcommittee. However, she believed in the process NSHE had a lot working documents and did not think the committee wanted to be overwhelmed with all of the information. She appreciated that Chancellor Klaich offered that NSHE had run the different scenarios, and any additional information would be helpful and appreciated.

Chairman Horsford stated that any material on the funding formula, particularly scenarios that were done in the past, were part of the transparency process. He stated that some of the information might make sense to the System, but not to the policy-makers, stakeholders or the general public, who deserved to know how the committee arrived at the proposed funding formula. He said there were things in the old funding formula that people never understood, because it was not done in a public process, so he was adamant about the process being open and transparent and every person, particularly faculty, students and users of the System get the benefit of knowing what was implemented going forward. That information was not going to come to the committee to determine, it was going to be shared with Fiscal staff and the SRI consultant to help identify some of the policy-related issues that the committee may not understand or see. He noted the smoothing option was a perfect example – he might naturally go off of one approach based on the fact that it was done in the past, but based on the information that the System had available, SRI could help evaluate the information and better direct the committee’s decision-making on the issue.

Chancellor Klaich agreed with Chairman Horsford. He said that he looked at the subcommittee’s agenda and tried to anticipate some of the questions and would run models from the questions. He would try to be selective with the information provided rather than drown staff and the committee with too many documents.

Mrs. Gansert stated from her view, NSHE has been very cooperative and provided everything the subcommittee needed, especially with the National Governors Association (NGA) grant committee that they have been working on, which NSHE ran the numbers to work out the kinks. She agreed the process should be transparent and the committee should be able get the information that was needed. She thought NSHE was working well with SRI, and she also has had conversations with SRI, which was helpful.

b. MISSION DIFFERENTIATION OF INSTITUTION TYPES.

Mr. Haartz stated that the full committee generally indicated that mission differentiations of institution types was important to both maintain and promote within any new formula. In addition, the consultant SRI International had generally reinforced this view. He said

within the existing proposal put forward by NSHE, the model promoted mission differentiation from the standpoint of having an additional weighting for research, but does not necessarily address it globally. The performance component would include some mission differentiation components; however, the subcommittee may wish to discuss more explicit mission differentiation or how a formula could account for that on a more explicit basis.

Mr. Haartz stated that the subcommittee may wish to ask the Chancellor how mission differentiation could be made more robust within the alternative funding formula, and perhaps it was already in their various reworks.

Chancellor Klaich stated that he thought the real backstop was not the formula but the Board of Regents, and the Board had very explicit policies in place for mission differentiation and mission clarification. For instance, NSHE tried to police mission creep at each of the institutions, which meant the community colleges were basically two-year institutions. The process for getting a four-year degree approved at a community college, which has been done on a very selective basis, was very rigorous and there were processes in place to guard against that. Similar processes were in place to ensure that Nevada State College (NSC) remained a baccalaureate institution versus having masters and/or doctorate degree programs at that institution. He reiterated that there were regent policies in place that were taken very seriously and policed by the Board of Regents. He said that he would go back and try to provide information on how the formula could be more robust to protect mission differentiation, but he was at a loss to provide an useful answer to the committee at this time.

Chairman Horsford referenced the handout, A New Model for Funding Higher Education in Nevada ([Exhibit C](#)), provided by NSHE, which displayed the discipline clusters and weights from the National Center for Higher Education Management Systems (NCHEMS). He asked who came up with the lower division, upper division and masters and the number for each and how was that applied across the board by tier of institutions. He was aware this was based on other states and the approach they have taken. He questioned if applying that model to Nevada needed further evaluation.

Chancellor Klaich believed the best way to assist the subcommittee and to answer Senator Horsford's question was to provide the data that NSHE had that went into making the matrix – the states that were used and the work the states had done. He said the answer to the question was no, but he would provide the data that NSHE used to reach their judgments and let the subcommittee answer the question for themselves.

Mr. Gordon believed there needed to be a philosophical debate because if they just had “carve-outs” that was what people were going to go after, and it was the Legislature that allocated the money, not the Board of Regents. So the data needed to be defined – where Nevada ranked and where the state wanted to be in the future if NSHE took the best practices from the other states and not reinvent the wheel.

Chairman Horsford asked if in the past the state funds were based on enrollment and then the Board decided how to allocate the funding based on the priorities of that budget.

Chancellor Klaich clarified that the Legislature decided how to allocate the funds among the teaching institutions. After the Legislature passed the budget and it was signed by the Governor, the Legislature had an allocation of funds, typically based on enrollment, for each institution within budget lines. During the 2011 Session, the Legislature collapsed some of the budget lines, but NSHE were not permitted to transfer funds between the budget lines, but the presidents of the institutions had authority on the expenditure of funds.

Chairman Horsford stated that the issue of mission differentiation needed to be a bigger discussion point than it has been in the past because now those dollars were going to flow based on what they agreed on in the new weighted funding formula. Everybody needed to understand that ahead of time and the impact based on the different mission of each institution, which needed to be discussed in an open process. He stated that NSHE provided a chart at a previous meeting that showed what the new break-out would be on the base. He asked how the weighted component of that was addressed in the chart provided ([Exhibit C](#)), which showed the allocation by institution under the new funding formula.

Chancellor Klaich replied that NSHE referred to other states cost models to build the matrix, and as the matrix moves across from freshman to doctoral students, they recognized that the cost of education typically increased. As they moved from discipline clusters from generally the social sciences to the science, technology, engineering, and mathematics degrees, that cost also increased and the mission differentiation was built into that by weighting the cost of those courses as policed by the Board of Regents.

Chairman Horsford said that the Board had the policies but it was the Legislature that allocated the funding based on mission. He asked how they get to the point where the Legislature understands the mission differentiation and was comfortable with the proposal set by the Board.

Chancellor Klaich stated that the critical thing was to look at both sides of the formula – the matrix or base side. He believed they had to see if they were fairly weighing both sides to reflect the work that the institutions did for their missions, and the answer had to be yes. On the performance side, the Chancellor believed they had to see if criteria or metrics were set that the Legislature and the Governor could look at that measured the mission of each institution and if the mission was being achieved. There was the mission differentiation on both sides of the formula, and NSHE has worked hard not to reinvent the wheel. NSHE worked with the NGA, as well as looked at best practices from other states to see the mission of a community college, if it was being performed, and has it been reflected in the performance pool so that the state knows that they were getting something for the taxpayer dollars they were investing.

Chairman Horsford stated there was the mission differentiation by tier of institutions – community colleges, state colleges and universities. He asked about mission differentiation between UNLV and UNR and if the NSHE proposed funding formula and the weighted formula was in any way an advantage to one institution over the other based on the mission that the institution performed or was likely to perform in the future.

Chancellor Klaich stated that the chart showed that under the current NSHE funding formula they would expect the most costly tier of education in Nevada should be the research institutions – UNLV and UNR. Then the next tier should be the baccalaureate teaching institution – NSC and they were aware that the cost of education at the access institutions – the community colleges should be less, and that was what he thought they should expect. However, that was not what happened at all looking at the results under the current funding formula. There was a community college that was funded at a higher level than a research institution, there was one community college in Southern Nevada that received half the taxpayer dollars as another institution and the results were all over the board. Then if they took the same state appropriation and what NSHE proposed, and the Chancellor would break that down by funding per FTE and funding by weighted student credit hours, the result was exactly what he would suggest – there was funding for UNLV and UNR at the most significant level that the state gives to NSHE, below that there was NSC, and below that there were the four community colleges roughly at the same level.

Chairman Horsford stated that he asked about the two state universities – UNLV and UNR and the issue of student credit hours. He was aware there were more students at UNLV than UNR and asked if there was anything in the weighted formula proposal that recognized the fact that there were more student credit hours taught at UNLV than UNR.

Chancellor Klaich confirmed that was correct. He said if UNLV had 200 weighted student credit hours and UNR had 100 weighted student credit hours, UNLV would get twice the state money. He stated that information was in the spreadsheet that was attached as page 10 of the initial model for funding higher education ([Exhibit C](#)). The spreadsheet indicated the total number of weighted student credit hours at each institution, it provided a multiplier for the price the state of Nevada would pay, and showed the amount of work done, and the amount of money each institution would receive.

Mrs. Gansert said she believed what was missing were the numbers in between. There was the total weighted student credit hours, but looking at the degrees that were turned out, it showed that UNLV produced twice as many master's degree and approximately 50 percent more doctoral degrees, so she thought what was missing was the raw data for the credit hours not the cumulative data, which were summed on page 10, Appendix C ([Exhibit C](#)). If the number of degrees reflected the number of credit hours taken in those types of courses, shown in Appendix B, [Exhibit C](#), they could get a sense of where institutions were providing courses and then graduates.

Chairman Horsford asked Chancellor Klaich to review, A New Model for Funding Higher Education in Nevada, ([Exhibit C](#)) because he thought there was some missing raw data that was rolled up in the Chancellor's information that needed to be broken out in order to peel away at the mission of each institution – how it was currently funded and how it would be funded under the NSHE formula funding proposal, and if it supported the mission of that institution, not between tiers in the system, but just peer-to-peer if they wanted to treat UNLV and UNR as peers.

Chancellor Klaich said that at the last committee meeting Chairman Horsford indicated that the Chancellor should provide information that showed state General Fund appropriations and their allocations, and the other revenues that were available to the institutions, and NSHE provided that data to staff. He said the NSHE would try to think of the data that they have ground that would help staff and ultimately the committee and provide additional information. He stated that NSHE would absolutely fill in all the blanks to the extent they had data.

Chairman Horsford asked for the breakout of the student credit hour not rolled up and the weighted formula by academic course and who taught the course, and the issue of the A and B delineation among faculty, whether it was taught by part-time, full-time, tenured, non-tenured or graduate assistant faculty because he believed that goes into whether the proposed funding formula addressed each institution's approach. He stated that UNR might have more tenured doctors teaching the majority of the courses, which could be one of the reasons for the higher cost, where UNLV might be using non-tenured faculty. He asked where the subcommittee could get that information.

Mrs. Gansert added that she thought that the main objective was to have a formula that was understandable. She wondered if the way the institutions potentially staffed was information that was really needed, because she thought the subcommittee wanted parity between institutions. She expected that students taking a university-level course at UNR and UNLV would have similar staff and if the subcommittee delved into whether the faculty was tenured or not, she was unsure what they would do with the information versus really looking at the credits and what types of units were being provided for the different courses – whether it was lower division, upper division, masters, or doctoral degree.

Chairman Horsford clarified that he was not arriving at the decision but trying to have the data tell the subcommittee the story so a decision could be made. Chairman Horsford felt like the subcommittee was being rushed to just approve the proposed funding formula plan without change or question, which happened under the previous funding formula. He said the issue of faculty and who taught what class and at what level, was not the same throughout the system, so the subcommittee needed to see the data in order to understand it, and have NSHE and SRI interpret what it meant, and then have that guide for what it meant for the funding. He was aware that the staffing was not the same among institutions.

Chancellor Klaich explained that there was a fundamental parity, but he thought part of the point that Mrs. Gansert was making was that institutions made differing decisions on how they allocate those funds to full-time, part-time faculty and tenured or non-tenured faculty, student services or financial services, so there would be differences between institutions. He stated that NSHE would try and provide all that information to the subcommittee. Chancellor Klaich hoped he was not overly contributing to the rush Chairman Horsford was feeling, but his overriding concern was that change was needed and the current formula was not working. He said his sole goal was to work with the Legislature, Governor and SRI to come up with a funding formula that worked better.

Chairman Horsford asked if Chancellor Klaich and his staff would work with Mr. Haartz and SRI to breakout contact faculty by institution and subject type similar to page 7 ([Exhibit C](#)) so the subcommittee could see the percentages of each and provide the raw data for the student credit hour.

Chancellor Klaich said NSHE could provide detailed information for student credit hour because the System had data for every course completed within the system, which was fed into the matrix. He had no idea the complexity or the availability of the data with respect to the request for information to breakout contract faculty, but he would do his best to provide that information to the subcommittee.

Chairman Horsford asked the Chancellor to provide all possible data and if it was not enough information they would talk with SRI about what it meant and how it differed from comparable institutions. For example, sometimes UNLV and UNR were compared from a peer institution-to-a-peer institution perspective outside of the System and they needed to do an apples-to-apples comparison. He thought by looking at the faculty breakout by subject taught based on the weighted formula was one way to start that comparison.

Chancellor Klaich said he tried to get away from that external peer comparison because it was not an extraordinarily productive exercise.

Chairman Horsford said that he recently spoke at a high school graduation where most of the students were leaving to attend a college in another state, and for NSHE not to know what their peer institutions were doing outside of the state was unacceptable.

Chancellor Klaich believed it was reasonable to know if the System was funding comparable institutions in a similar, fair and equitable manner. He was unsure how the decision to attend a college out of state would help the subcommittee, although he would provide that information to the subcommittee.

Chairman Horsford stated as an average consumer in Nevada, choosing colleges out of state was certainly the decision many parents and students were making when they chose out-of-state universities over the institutions in Nevada, so there had to be a comparison that the average person was making. He stressed to not understand where Nevada was based on peer institutions was setting up Nevada as a disadvantage,

because parents and families were making the choice every year about where they enrolled their students.

Mrs. Gansert believed at the next regular meeting of the Committee to Study the Funding of Higher Education's Funding Formula there would be a presentation and the committee would be fine tuning the formula. In addition, she would be meeting with representatives from the National Governors Association soon to review the numbers in the formula and she looked forward to bringing the new formula to the full committee.

c. WEIGHTING OF SIMILAR ACADEMIC COURSES ACROSS INSTITUTION TYPES.

Mr. Haartz stated that Agenda Item IV.c., Weighting of Similar Academic Courses Across Institution Types, focused on the committee's expressed concerns about the "one size fits all" approach that was perceived as treating 100 and 200 level classes the same across the system irrespective of the institution of which the courses were taught. From a cost basis, the committee has also heard testimony that there were differences in rigor as to how the courses were taught. It seemed that previous discussions with the Chancellor addressed some of the issues the committee identified from a policy standpoint. Mr. Haartz said the committee may wish to ask for clarification about how remedial courses were treated under the proposed alternative funding formula because remedial courses were not provided additional funding and not weighted for additional funding in the sense that research has been, rather they were weighted the same as a 100 level course in either English or mathematics.

Chairman Horsford asked Chancellor Klaich to explain the NSC and community college issue with remedial courses and how it was currently funded and how it would be funded under the proposed funding plan.

Chancellor Klaich stated that the Legislature made a decision some time ago that remedial education was not to be funded at the two universities and was not part of their mission. Remedial courses were funded at the colleges like any other course. He said that the System understood that there were a number of students that matriculate to the colleges that needed assistance before they could do college level work and the System stepped into that role and provided the remedial courses. In the proposed funding formula the question came up and the policy discussion was how remedial education was funded – the students might need some extra help and tutoring, and maybe that converted into extra dollars. Therefore, instead of a weighting of 1.0 that might need a 1.5 or another number. Eventually, the funding proposal indicated that NSHE was not going to ask the taxpayers in Nevada to pay more than they had to for remedial education. It was something the System had to work with the public schools to try to get rid of which would take a long time. Ultimately, he felt that an increased weighting to remedial courses was essentially a reward for that and he determined to not make that recommendation to the committee, which was a policy decision the subcommittee may wish to question.

Chairman Horsford asked for feedback and thought the subcommittee should ask SRI for a comparison of how other states specifically approached the issue, particularly state and community colleges. In addition, he thought that the subcommittee needed to at least have debate on the issue, because if they did not get students up to the level to complete the classes they were enrolled in and the student continued to stay in the classes, the taxpayers were paying for their education anyway. Therefore, he did not completely agree with the argument of the taxpayers bearing more of the burden on remedial education because they were paying it as long as the students were enrolled in remedial classes. However, that went back to his previous discussion that the state needed to incentivize the state colleges and community colleges to do a better job and provide them with more tools to help those students succeed, not through grade inflation, but through real wraparound support. Chairman Horsford stressed that to not do anything and allowing the status quo and shifting to the K-12 education system and expect that was going to miraculously change when history has shown that was not the case, then the state was not doing itself, students or the System any service.

Chancellor Klaich stated that he agreed with Chairman Horsford 110 percent on the issue and this was where the discussion on the formula intersects with larger higher education policy. One of the current efforts was an inter-institutional group that looked at remedial education and how to offer it better to students. He said the subcommittee may recall, Stan Jones, President, Complete College America, came to Nevada and offered a PowerPoint presentation showing that remedial education does not work as currently offered. In response to that, and with the assistance of Complete College America, the System established a taskforce headed by former Vice Chancellor Jane Nichols, to look at revamping the math and English remedial curriculum to help students succeed. He said that NSHE was not following Einstein's Law of Insanity and doing the same thing over and over and expecting a different result. The System was looking at national best practices for math and English education and changing the curriculum to help students succeed. He said it bumped up against the formula, but the subcommittee had to have confidence that in addition to discussing formulas, allocation and dollars, that the System was doing the right thing and that the Board of Regents was pushing them in the right direction to change with the changing practices in higher education, which he believed was right at the cutting edge.

Chairman Horsford said that he trusted Chancellor Klaich and the Board of Regents, but the only time he gets NSHE's attention was when there was a debate about money. Because they were having this debate and committee was going to provide recommendations to the 2013 Legislature, Chairman Horsford wanted to feel confident and know without a doubt the specific actions that were being undertaken, and why and how they were going to produce a different set of results. He did not want to "sweep this under the carpet" because it went to the point where they started at the beginning of the day, with the non-completers, and paying for their classes which was where the System benefited regardless of whether students succeeded, which he thought was wrong. Chairman Horsford thought it had to be corrected now under this discussion about the funding and he wanted to know what the specific plans were. He was aware there some national best practices, which he believed SRI should evaluate, but they needed to know

what the System and the inter-institutional group and others were doing to propose a different approach so that the state got a better return for their dollars that they were paying.

Chancellor Klaich stated that Chairman Horsford asked Chairman Geddes, Board of Regents, to do exactly that at the June 27, 2012, meeting, and Mr. Geddes would be presenting that information on behalf of the Board of Regents. The Chancellor greatly appreciated and valued Chairman Horsford's comments about trust in the System, but the trust has to be earned and he thought that NSHE, the Board of Regents, and the presidents have earned their trust by presenting the fact that they understood where higher education was going and the System was reforming.

Mrs. Gansert added that in the performance pool there were actually weights for Gateway course completers and there was an incentive to get beyond remediation and complete a college level course. However, the incentive was not around providing the remediation, it was about getting enough remediation so that a student could complete a regular 100 level course. Mrs. Gansert believed there would be money behind it to incentivize getting students on track for college level courses.

Chairman Horsford asked if the Gateway course was prior to the student starting at the state college. The Chancellor replied that the Gateway course was the first college credit-bearing course.

Chairman Horsford asked where the weighted formula was for the Gateway course. Chancellor Klaich replied that the weighted formula was in performance pool which Mrs. Gansert would provide.

Chairman Horsford asked why the weighted formula was put in the performance pool and not in the base. If the mission of community and state colleges was to serve students, he wondered why there was not a weighted average in the remedial courses under NSHE's funding formula proposal if 12 to 15 percent of the students do not complete classes

Chancellor Klaich replied that the weighted average was in the matrix in the proposed funding formula. The community colleges were paid for the remedial credit and it was a course the state currently funded and would continue to fund.

Chairman Horsford asked what class the remedial course was on the weighted formula.

Vic Redding, Vice Chancellor, Finance and Administration, NSHE, clarified that basic skills on the matrix was not remedial courses and was a very small subset of classes that had to do with career exploration – English as a Second Language. He said that remedial classes would show up in the discipline where they would normally be, which in this case, mathematics and English would be in the Liberal Arts and in the math cluster directly above that.

Chairman Horsford said that was 1.0, which was not therefore additionally weighted. Chancellor Klaich replied that was what he indicated and NSHE did not additionally weight that, and whether it should be additionally weighted was the discussion the committee may wish to have.

Chairman Horsford wanted the record to be clear that Chancellor Klaich stated that the performance pool was separate and apart, page 7, [Exhibit C](#), and under that scenario NSHE was working on with the Governor's NGA proposal, there was a set of Gateway classes that would receive additional funding for the students completion of those courses completed those Gateway courses. Chancellor Klaich responded that Chairman Horsford was correct. He said they could quibble about words, but the classes were weighted as critical performance metrics if the student completed the first Gateway college course after remediation and they would know the student was on the right course.

Chairman Horsford asked if all students were required to take the Gateway course at the community and state college going forward under the NSHE proposed funding plan. Chancellor Klaich replied that they hoped to get more students that did not need remediation. When the student completed the remediation course they would go into the first credit-bearing college course and that was when the points were awarded in the performance pool.

Chairman Horsford asked what happened when the student does not do well in their first college credit course. He asked if NSHE still received funding under the original funding proposal if the students were non-completers in their first college credit course. Chancellor Klaich replied that in that case there would be no more points and it depended on how the course was completed. He said if the student gets into a college credit-bearing course and went through the entire semester, showed up for class and received an F grade, that was considered a completion.

Chairman Horsford stated that NSHE talked about grade inflation because they made money off the Gateway course completion of remedial students and all students had to do was complete that class. After completion, the student would get into the regular credit-bearing classes that were required to earn an associate or bachelor's degree.

Chancellor Klaich thought that Chairman Horsford was confused about the Gateway courses. He explained that the Gateway courses were regular college classes that counted toward a degree. However, students did not receive credit for the remedial or developmental education classes, which they had to take to qualify for college courses. Once the student completed the remedial classes they moved into regular college credit courses – the Gateway courses.

Chairman Horsford said the System received funding if a student received credit for completing the course, and then the student was not in remedial math or English, but English 101 or Math 120, or a similar class. If the student did not complete the course and failed, the System got paid and the student went through a class for which the

System said they were ready. Chairman Horsford stressed that it was one thing to take a studies skills class and introduction to college life class, but it was another thing to attend a math or English class and become proficient in the subject.

Chancellor Klaich stated that NSHE's goal was to have student's become proficient in all their classes.

Mrs. Gansert interjected that she thought they were talking about two different pieces. Basically, NSHE would get some money out of the base formula when a course was completed in the university system. If the System was able to take a student who had been in remediation courses and the student completed their first English 101 class or Math 120 class, the System received money out of the performance pool so there was an incentive to help students make it through remediation courses and start completing regular college-level courses, but that piece was in the performance pool. Therefore, getting the student into English 101 was in the performance pool, although the System received funding because the student completed English 101, but the System would be also getting paid in the base formula for having completed the remediation courses. Mrs. Gansert clarified that there was the base formula, but there was also an incentive to get students into the regular college credit courses so they could pass remediation courses, which she believed was a good incentive to have to get the students ready for an associate or bachelor's degree.

Chairman Horsford agreed with Mrs. Gansert but argued that maybe some of the math, English and science classes at that the freshman level should be weighted, because research showed that a student was more likely to graduate from college if they did well their freshman year and completed their classes. He believed the funding formula should have a recognition of how important those classes were and resources should be put behind those classes rather than undercutting the resources and putting them on the backend for students who make it past their sophomore or junior year of college. He believed they should have this debate and it was a policy decision of the Legislature and the Governor. Chairman Horsford appreciated the proposed funding formula and the fact that other states have approached it this way, but other states did not face the same challenges of college completion rates as Nevada. He believed they should take a more aggressive approach, particularly on the classes where they were aware students needed more support.

Chancellor Klaich stated that issue would be discussed with SRI; the System needed and wanted students to be college completers.

Mr. Gordon asked if students that completed the Gateway courses were guaranteed a seat the following semester in college credit courses.

Chancellor Klaich explained that they needed to think of the Gateway courses as regular college credit-bearing courses – English 101 led to English 102 and Math 120 led to the next level math class. Students completing those classes were qualified for the next classes; however, they were not guaranteed a seat in those classes.

Mr. Gordon replied that he had concerns with the students that struggled with the Gateway courses and then had to wait a semester or year to get in the next level of classes.

Chancellor Klaich believed that was a critical issue and part of the whole success model had to be something to guarantee pathways to degrees so there were no obstacles for students to continue on to the next level of classes. The System wanted students to continue straight through, taking full credit loads, and they were aware there were many part-time students, which also hurt the graduation rates.

Mr. Gordon stated that in Appendix A – Discipline Cluster and Weights, [Exhibit C](#), only English and mathematic courses were referenced as having remedial Gateway courses, and he wondered if Gateway courses applied to science classes.

Chancellor Klaich replied that Dr. Richards indicated that there were remedial biology and reading courses, but it was predominately English and mathematic courses. Those classes were all in the disciplines clusters. He stated that he responded incorrectly and he told Chairman Horsford that they could look at a square and the square would say remedial, and Mr. Redding corrected him to indicate that the discipline clusters would have the remedial courses imbedded in them – Math if it was Math and English if it was English, so he answered incorrectly.

Mr. Page asked if the System had given thought to a remedial boot camp before students enrolled in college to help them become more successful and not take up valuable space for a semester.

Chancellor Klaich responded that the Gateway courses were one the best things going, in addition to the Summer Bridge programs. For example, in Las Vegas there was a program run by the Latino Chamber of Commerce for young Latinos, which was incredibly successful, and they could look at the success of that program. He added that Senator Ruben Kihuen, was one of the original young men in the program. He stated that the summer programs, bridge camps, and boot camps that taught students how to succeed in college worked and helped students become successful, but they were not free and it took resources to run the programs.

Chairman Horsford asked Mr. Haartz to work with SRI and the System to obtain information on different approaches that provided weighted support to entry-level classes – English, mathematics, and science. He agreed with Mrs. Gansert and the Chancellor that Gateway courses helped students prepare for college level work so the students could be successful at the next level courses. The System needed to look at whether to provide a weighted funding for the English, mathematics and science courses because that was where the students generally struggled the most. He asked the Chancellor to provide the subcommittee with the steps the System was taking on the issue so they could see what items were policy issues or board-level issues that could be dealt with within the System.

Mrs. Gansert added that she understood what Chairman Horsford was talking about and was aware other states gave credit for students making progress, for instance, at completion of 24 and 48 units, and then there were the associates and bachelor's degrees. Currently, in the performance pool model, the System primarily stuck with the outcomes – bachelors, masters and doctorate degrees for the university system, and then 1-year and 2-year certificates, associates and bachelor's degrees for community colleges. Therefore, the current model was on the end-game versus progress, but somewhat of what Chairman Horsford was talking about may fit into the performance model or the subcommittee may want to consider it in at least the performance pool. She believed that information was good and Chairman Horsford was correct that students that successfully completed their first year of college were more likely to obtain their degree. She said the subcommittee would have to weigh what was important, and the performance pool needed to be simple enough for people to understand and to create a true incentive for certain outcomes.

Chairman Horsford said the subcommittee looked forward to the presentation from the representative from the NGA on the performance pool and what was being proposed.

Mr. Haartz asked Chairman Horsford for clarification and if he was referring to what they have been colloquially been calling the base funding, so once a student successfully completed the remedial courses that they were required to take, his interest was to see best practices for putting weighting on those first college credit-bearing courses as part of a formula approach and not in the performance pool but in the base. Chairman Horsford said that was correct.

d. WEIGHTING OF ACADEMIC COURSES TO ACCOUNT FOR INSTITUTIONS' RESEARCH MISSIONS.

Mr. Haartz explained that Agenda Item 4.d. dealt with questions raised by the full committee on the weighting of academic courses to account for institutions research missions. As the committee was aware, the alternative funding model presented to the full committee proposed a 10 percent weighting for all upper division and graduate courses at the universities to support the cost of UNLV and UNR's research missions, which has been presented mainly focusing on the cost of faculty and administrative overhead and not necessarily research activities. In a prior meeting, the committee raised the question about the basis for the 10 percent weighting and whether that was adequate, so from a policy standpoint the subcommittee may wish to explore the issue of weighting for research. In a related topic, Mr. Haartz stated that SRI also provided information that suggested that a best practice with regard to the economic development mission or alignment provided weighting to certain courses such as the science, technology, engineering, mathematics (STEM) fields, and the allied health fields that the subcommittee may wish to consider from a policy standpoint in terms of providing added weight in the course matrix that was discussed on page 7, [Exhibit C](#). Mr. Haartz said if the subcommittee was interested in pursuing that they may wish to have the Chancellor's Office provide some additional information on if STEM courses were weighted specifically for being STEM courses, and not for just being upper division

research weighted, how that would change the funding distribution, as well as whether the subcommittee wished to consider the issue of STEM courses receiving weighting at NSC.

Chairman Horsford believed the subcommittee would like to see that scenario.

Mrs. Gansert stated she was aware that NSHE had some of that information because there was actually a weighting within the performance pool for economic development, which was defined as STEM and allied health. Going back to page 7 of the handout provided by NSHE, [Exhibit C](#), she thought some of the reasons for the different weightings in the base formula was because that was a function of what it would cost to provide the classes, and it really was not weighting as far as what they want them to accomplish, which would be in the performance pool if they chose a model like that. She thought they were consistently crossing the base and the performance, and hoped SRI would help clear up the confusion. She thought after the subcommittee had more information on what the performance pool that the NGA committee worked on, that would help the distinction between base and performance and cost versus incentivizing outcomes.

e. FUNDING OF OPERATIONS AND MAINTENANCE OF INSTITUTIONS' PHYSICAL PLANTS.

Chairman Horsford asked if Operations and Maintenance (O&M) was built into the base budget under the NSHE proposed funding formula. Chancellor Klaich replied that generally O&M was not treated as a separate appropriation item but folded into the weighted student credit hour. He explained that the reason they did that was because they felt that the physical plant was a function of capacity that assisted instruction and translated into completed courses and weighted student credit hours.

Chairman Horsford asked if O&M was included in the base level of funding under the NSHE proposed funding formula. Chancellor Klaich replied that O&M was not separated out in the NSHE proposed funding formula except for very select research facilities at UNLV and UNR that essentially produced none of the instruction. He stated that O&M was rolled into the weighted student credit hour.

Chairman Horsford asked why O&M was rolled into the weighted student credit hour and if the subcommittee could look at the model without it. He wanted to see the model without the O&M rolled into the weighted student credit hour and hear the justification for why it should be included and the indicators, whether square footage or age of facility were a factor for how the costs were derived. Chancellor Klaich replied that he could provide the model without the O&M to staff. In addition, he would show how this changed the allocation of funding among institutions, which was critical to the decision.

Chairman Horsford expressed that the reason it needed to be part of the discussion was because as the community college discussion happened with local support potentially being pursued and an evaluation of different approaches similar to what was done in

Arizona, where the model at least supported capital if nothing else, if they moved to that model in the future, then O&M should not be necessarily built into the base because now there was a local source contributing toward those costs, which was why he wanted to look at the whole model and then decide how to approach it going forward.

Chancellor Klaich stated that NSHE had models for both and he would provide them to Mr. Haartz. In addition, NSHE had models that would show the incremental impact if they chose to fund research at a different percentage.

Chairman Horsford said that the STEM field was included in the model, which was traditionally considered STEM education. He asked if there were any other mission focuses the committee should consider weighting higher based on their unique natures. He wondered if there should be any recognition of hospitality management from an economic development standpoint since it was such a big part of Nevada's economy, particularly in Las Vegas.

Chancellor Klaich thought that was a great question to pursue, not only with NSHE, but with SRI. Allied health professions were also included, which again if they looked at the reports from SRI and the Legislature, they were aware those areas were desperately under populated and he believed the committee would want to give serious consideration to those.

Assemblywoman Smith commented that the discussion at the meeting was good and robust and she appreciated the dialogue.

VII. PUBLIC COMMENT.

Steve Soutz, Professor of Culinary Arts, CSN, stated that some interesting information was presented at the meeting and there was a lot of talk about empirical data and the funding formulas, which were numbers and data; however, education of Nevadan's was not just about numbers. There were eight institutions seeking funding and the committee was directed to come up with a funding formula that would ultimately determine how much was given to each of the eight institutions, which was like eight dogs fighting over one steak to see who could tear off the biggest piece. Until state leadership decided to buy more meat, there was going to be conflict and animosity among the institutions because it was only natural that no dog wants less to eat and they were left with the idea of how to make this equitable. Mr. Soutz was aware there has been a lot of discussion as to CSN's role and ultimately he stated that four-year institutions were a luxury for most in the state, and certainly for a large number of non-traditional students that attended CSN. He believed in the end, the Legislature would make the policies and he certainly believed the Governor was against a lot of the institutions of higher education, and he would be more happy if private colleges were in Nevada and that the taxpayers did not have to pay a dime.

Continuing, Mr. Soutz said that Chairman Horsford brought up the point that eventually they had to answer to the taxpayer and the money had to be accounted for, which he

believed across the board. But ultimately, the committee, NSHE, and Legislature could not just make decisions based on facts and figures and there were certain things that governments had to do in support of policies that maybe did not make economic sense, but the goal was they made sense for the population. Mr. Soutz said it was brought up several times to compare Nevada to best practices in other states, but he stressed that Nevada was 48th in the country in education. Were they going to compare Nevada to the Massachusetts Institute of Technology (MIT) in Boston, it cannot be done. Speaking personally from CSN, Mr. Soutz was aware there has been a disparity in funding CSN for too long. CSN was finally making progress and trying to address that issue, and he hoped in the end, no matter what the committee decided, the funding formula helped CSN continue to be the mainstay in Southern Nevada in educating the majority of the population and preparing them for whatever endeavors the students wanted, whether it was a job in a casino, a laborer, or craftsman, and he asked the committee to consider that when choosing a formula. He thanked the subcommittee for allowing his testimony.

Chairman Horsford stated that Mrs. Gansert, Chief of Staff, Governor's Office, was present at the meeting. In defense of the Governor, Chairman Horsford believed the Governor cared about the higher education system in Nevada, as he did for all of education, and he supported a number of the reforms that other states have done. Chairman Horsford noted that the Governor has not always supported the need for increased funding, but there was a recognition going into the next legislative session that the Governor does not believe that there should be any further cuts to education, which was a tremendous step forward from where they started prior to the 2011 Legislative Session.

In addition, Chairman Horsford stated the Mr. Soutz was absolutely right that they have talked about the billion dollars' worth of state support that higher education received over a two-year period and they needed to invest more in community colleges. However, as faculty of CSN and a person working within his community, Chairman Horsford encouraged Mr. Soutz to partner with the administration, and the student body of CSN to figure out creative ways to go after more federal funding. He said that federal dollars were left on the table and the subcommittee heard earlier in the meeting that the state only received \$2.5 million, which was the base level of funding for all of the community colleges, when CSN could have received upwards of \$10 million to \$15 million. He said there was no reason the state should be leaving that money on the table. In addition, CSN was on the cusp of becoming a Hispanic Serving institution and that was money that they were leaving off the table because the state failed to meet all the eligibility and did not qualify for the funding. Chairman Horsford stated that as much as Mr. Soutz was looking to the policy makers to wave a magic wand and come up with funding, unfortunately his experience over the last few years was that the state was lucky to be where they were currently, which was not California, or New York, and they had to think more entrepreneurial. Chairman Horsford agreed with the Governor that the state needed to be more entrepreneurial and the community colleges could to that and it was a competition, but they could not do it if they were stuck in the status quo. He asked Mr. Soutz for his help in working with people at the college and in the

community to figure out ways to get more funding for CSN because did not know the answer. He thought it was a sad day that the state of Nevada, with such high unemployment and the most need in workforce development, only received the base level of support for the community colleges, which he believed Nevada had the power to change.

Mr. Soutz agreed with Chairman Horsford, but believed the crux of the committee was to form a funding formula that would fund colleges based on state funds not outside funds.

Chairman Horsford clarified that the charge of the committee was broader than just the funding formula, but unfortunately that was where all the attention has gone. He explained that the funding formula was important, but it was only a part of the overall pie that higher education had to support the work the faculty did training students. Chairman Horsford emphasized that the state should be getting more federal funding at the community college level and the need to support local resources for the community colleges, because every community college played an integral role in the region's economy. He said the committee had to get the funding formula right because it was an important part of the base, but if they do that to the exclusion of the other resources, particularly the federal dollars that the state was leaving on the table, then he did not think the full objective of the interim committee was achieved.

Mr. Soutz agreed 100 percent with Chairman Horsford. He indicated that he has also been significant in obtaining Carl D. Perkins funding, which was federal funding for technical education, and he would do anything Chairman Horsford wanted him to do to obtain outside funding for CSN.

Mrs. Gansert thanked Chairman Horsford for his comments. She added that education was a huge priority of the Governor, and that was why the Governor announced the extension of the sunsets in March so that the state at least funded education as currently. In addition, there would also be some rollup dollars as far as some of the increases that were required. She appreciated that NSHE has been entrepreneurial and reaching out to the community and creating partnerships. She noted that the Desert Research Institute (DRI) did a fabulous job of bringing in outside funding. Lastly, Mrs. Gansert thought the state subsidy for higher education in total was approximately 65 percent, or the opposite would be about 35 percent of the cost of educating the students was covered through tuition, so the state really contributed a great deal – approximately \$1.0 billion each biennium toward higher education and they were more than pleased to support it.

Mr. Soutz added that the Governor appointed Chancellor Klaich to his cabinet position, which was another reason that he thought the Governor believed higher education was important.

Dr. Darin Dockstader, Faculty Senate Chair Elect, CSN, addressed that issue that came up but was not pursued very far, which was the issue of rigor of lower division courses

varying potentially from university level to community college level offerings. He assured the subcommittee that was not the case and the course offerings at the community colleges were very rigorous. He added that there was a system of common course numbering in place throughout NSHE that assured all courses that appeared in course catalogues had the same defined set of goals and outcomes for all institutions so that the course transferred in a seamless manner from institution to institution. If for any reason the clear mechanism for transfer cannot be defined, then the course was marked as a non-transferable course. He explained that any of these courses that they were talking about at the lower division level were going to have the same sets of requirements, objectives and the same rigorous pursuits no matter what institution they were offered at.

There was no further public comment.

VIII. ADJOURNMENT.

Chairman Horsford stated that the next meeting of the Committee to Study the Funding of Higher Education's Funding Formula Subcommittee was Wednesday, July 11, 2012, at 9:30 a.m. There was no further business to come before the committee so Chairman Horsford adjourned the meeting at 3:58 p.m.

Respectfully submitted,

Donna Thomas
Transcribing Secretary

APPROVED:

Steven A. Horsford, Chairman

Date: _____

Copies of exhibits mentioned in these minutes are on file in the Fiscal Analysis Division at the Legislative Counsel Bureau, Carson City, Nevada. The division may be contacted at (775) 684-6821.