

**MINUTES OF THE MEETING OF
THE COMMITTEE TO STUDY THE FUNDING
OF HIGHER EDUCATION**

A meeting of the Committee to Study the Funding of Higher Education (created as a result of Senate Bill 443 - 1999) was held at 9:30 a.m. on June 21, 2000, at the Legislative Building, 401 South Carson Street, Room 4100, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chairman
Senator Randolph Townsend
Senator Dina Titus
Assemblyman Joseph E. Dini
Regent Jill Derby
Regent Steve Sisolak
Regent Doug Seastrand
Dr. James Richardson
Dixie May
Don Snyder
Dr. Joseph Crowley
Dr. Carol Harter
Dr. Richard Moore

COMMITTEE MEMBERS ABSENT

Assemblyman Richard Perkins	Excused
Assemblyman Bob Beers	Excused
John P. Comeaux	Excused

STAFF PRESENT:

Brian Burke, Senior Program Analyst
Mark Stevens, Assembly Fiscal Analyst
Dan Miles, Senate Fiscal Analyst
Brenda Erdoes, Legislative Counsel
Bruce Daines, Deputy Legislative Counsel
Joi Davis, Committee Secretary

GUESTS IN ATTENDANCE:

Jane Nichols, University and Community College System of Nevada (UCCSN)
Larry Eardley, University and Community College System of Nevada
Rick Bennett, University of Nevada, Las Vegas (UNLV)
Allen Ruter, Community College of Southern Nevada (CCSN)
John Richardson, Truckee Meadows Community College
Mike Sauer, University of Nevada, Las Vegas
Jack Hess, Desert Research Institute
Ashok Dhingra, University of Nevada, Reno

Bruce Shively, University of Nevada, Reno
George Scaduto, University of Nevada, Las Vegas
Andrew Clinger, State Budget Office
Carl Diekhans, Great Basin College
Carol Lucey, Western Nevada Community College
Orlando Sandoval, Nevada State College at Henderson
Pat Miltenberger, University of Nevada, Reno
Thalia Dondero, UCCSN Regent
Lane Simonian, Truckee Meadows Community College
Fred Davis, Desert Research Institute
Fred Lokken, Truckee Meadows Community College
Linda Pierson, UCCSN/SCS
Glenda Krietlow, UCCSN/SCS
Bob Dickens, University of Nevada, Reno
Sherry Blunt, University of Nevada, Reno
Geoff Dornan, Nevada Appeal
Cy Ryan, Las Vegas Sun
Sean Whaley, Nevada Associated Press

List of Exhibits

Exhibit A Meeting Notice and Agenda
Exhibit B Attendance Roster
Exhibit C Meeting Packet
Exhibit D FY 1998-2007 (r33-43) Formula Summaries, provided by
Dr. Jane Nichols, UCCSN
Exhibit E Suggested Bulletin Language, provided by Chairman Raggio

NOTE: All Exhibits are on file at the Research Library and Fiscal Analysis Division of the
Legislative Counsel Bureau.

-

A. Roll Call – Opening Remarks

Chairman Raggio called the meeting to order at 9:50 a.m., noting the above members absent, excused. Chairman Raggio apologized for the tardiness in commencing the meeting and acknowledged that public comment would be following the report of the Working Group.

B. Working Group Report

Dr. Jane Nichols, Vice-Chancellor of Academic and Student Affairs of the University and Community College System of Nevada (UCCSN) thanked the Committee for the opportunity to provide an update on the activities of the Working Group. In addition to the information contained in the meeting packet (Exhibit C), Dr. Nichols provided the Committee with revised pages 33-43 (Exhibit D).

Dr. Nichols related that after the last meeting of the Committee on June 8, 2000, the Working Group worked diligently ensure that correct numbers were provided to the Committee. She related that she was not

confident that the numbers provided at the last meeting for the existing formula projections and the new formula recommendations were accurate. In fact, committee member Don Snyder, brought some of those discrepancies to the attention of the Committee and the amounts and drivers have now been verified. She apologized for the late arrival of the revised pages (Exhibit D) but the calculations had just been completed. Dr. Nichols said she was confident that the figures before the Committee today accurately represented the differences in the old formula and the new formula and the dollars generated under the new formula. In addition to the corrections, substantive changes were made to the new formula and she would highlight those changes for the Committee.

Directing the Committee to Tab B-2 of the meeting packet (Exhibit C), Dr. Nichols said that the Working Group corrected numbers to the formula pertaining to the community colleges, after realizing that the old recommendations generated numbers that were too rich for the state to afford the funding. The Working Group reviewed the drivers to see if adjustments could be made to represent workload. For instance, under Instruction, Student-to-Faculty Ratios, a new table has been added to reflect the higher ratios and lower costs at Nevada State College (NSC).

Dr. Nichols turned to page 9 in the meeting packet (Exhibit C) and pointed out that Great Basin College (GBC) ratios were lowered to reflect baccalaureate and rural factors. Further on page 9, an adjustment was added to reflect costs for the GBC lower division courses and the low cost programs at the lower division level to 23:1 from 26:1. Also, consideration was given for the inclusion of GBC for upper division courses and programs, the shift in the medium cost for GBC from 21:1 to 16:1 and the low cost of the first and second year programs from 26:1 to 22:1 at the upper division level. Dr. Nichols opined that it was not unreasonable to add these ratios for use of a formula by size and type of institution. She pointed out that Dr. Pickens, the consultant hired by the Committee, remarked that GBC was a small institution serving distinct needs in rural Nevada. Therefore, the drivers for GBC represent a sensible approach of that reality.

Regarding Nevada State College (NSC) shifts and changes, Dr. Nichols related that although the UCCSN would be looking at the NSC drivers further, the Working Group raised the drivers. Directing the Committee to page 7 of the meeting packet (Exhibit C), Dr. Nichols pointed out that in comparing the table on page 7 to the table at the bottom of page 6, the changes for NSC became evident. Specifically, the Working Group raised the Student-to-Faculty ratios for NSC to reflect a lower cost at that institution. There were no changes made to the lower division courses but changes were made to the upper division and master courses. Dr. Nichols clarified that the table contained an error in that the "doctoral column for NSC ratio" should be eliminated. She cautioned the Committee that NSC still had to go through the legislative process and since students would not be accepted for another year, the UCCSN would like the opportunity to continue working with the legislative staff on the NSC formula to ensure that it reaches approximately half-way between the community colleges and universities costs.

Dr. Nichols said another change was recommended and that was reflected on pages 13 and 28 of the meeting packet (Exhibit C). She stated that regarding NSC, the add-on should be lowered to 6.5 percent from the 9.5 percent shown.

At page 29, in the area of Academic Support, the percentages for CCSN, TMCC and WNCC have been changed from 25 percent to 22 percent at the over \$7.5 million amount. Dr. Nichols stated that the drivers were lowered for NSC and changes were made for CCSN, TMCC and WNCC where a 3-tiered range was established for the drivers under Student Services, combining FTE and headcount. Dr. Nichols said that the combination of FTE and headcount takes into consideration the services that need to be provided to each student even if they only take one course. In addition, the GBC drivers were raised in order to address the needs at that institution.

Directing the Committee to the Student Services row page 30 of the meeting packet (Exhibit C), Dr. Nichols

operating and wages at the community colleges was reduced from \$8,000 to \$6,000 and the amount at NSC was reduced from \$9,000 to \$8,250. At the bottom of page 30, the primary changes to the institutional support community colleges drivers are: \$0-\$17.5 million range used to be \$0 to \$20 million range; the \$17.5 to \$35 million range used to be \$20 to \$40 million; and the over \$35 million range used to be over \$40 million.

Turning to page 32 of the meeting packet (Exhibit C), the non-formula workstation replacement language clarified that all non-formula work areas would get work station replacement at \$1,000 per existing professional and classified FTE, which was the original intent.

Under Performance Funding, the language has been changed to “UCCSN proposes a pool **not to exceed** two percent of the total appropriation for achievement of specified performance goals” because the prior language of **equal to** resulted in approximately \$8 million and it was not reasonable to set aside that amount of money for that purpose. Instead, there would be a possibility of approximately \$2 million that might be funded from one-shot dollars or estate tax dollars if the funds became available this biennium.

Dr. Nichols directed the Committee to the revised pages 33-44 (Exhibit D) which replaced those pages in the meeting packet under tabs B-3, B-4, B-5 and B-6 (Exhibit C). She stated that the numbers for the universities had not changed since the last Committee meeting.

Chairman Raggio asked whether the changes referenced in the document entitled “UCCSN FY 19-07 Formula Summaries Percentage Changes” (Exhibit D, r33-r44) represented the recommendations from the Working Group. Dr. Nichols replied that the changes included the recommendations of the Working Group plus minor modifications that she would like to address.

Continuing, Dr. Nichols reiterated that no changes were made to the formulas for the universities. In fact, the universities were recommending a new formula that was similar to the old formula—increasing an average of one percent across the projected years. Dr. Nichols cautioned that when projecting out many years (to 2007) the figures are only estimates.

Chairman Raggio asked if the recommendations provided on r33-r44 (Exhibit D) were based on 100 percent funding. Dr. Nichols said that was correct. In addition, she pointed out that the new percentage of total (65.62% in FY 01) tracked over a period time, along with the existing percentage of total, shows what happens in a system where enrollment grows faster at the community colleges than at the universities. Under the new formula or the old formula, a greater percentage of funding will be allocated to the universities in FY 2002 than in FY 2007. In other words, the new percent of total goes from 65.61 percent in FY 2002 to 62.08 percent in FY 2007. That trend will continue if more students begin their education at the community college level.

Dr. Nichols said the new material begins with the CCSN comparison of existing and new. A pattern can be seen whereby the new formula and the old formula are almost identical for CCSN in terms of what was generated totally. In addition, in analyzing the drivers for the community colleges, the Working Group determined that the reason there was no change was that a third tier was added in Student Services which only impacted the CCSN. Dr. Nichols stated that the enrollment patterns at CCSN reflect that a larger proportion of students in the low cost, lower division level (such as General Education courses) of the matrix are served at CCSN more than any other community college.

Dr. Nichols informed the Committee that for GBC, TMCC and WNCC, the old formula and the new formula reflect similar percentages across the years. The impact of the new formula on the community colleges does show a percentage change so the community colleges benefit slightly more from the new formula than the universities do in terms of what the formula generates. The percentage change shown in the handout (Exhibit D) refers to the percentage change of the new formula to the old formula.

Chairman Raggio said another way of reviewing the division of funds between the community colleges and the universities was that in FY 2007, the new percent of total would be 37.92 percent for the community colleges, and 62.08 percent for the universities. Whereas, in FY 2001, the universities were at 65.62 percent and the community colleges were at 34.38 percent.

Dr. Nichols confirmed Senator Raggio's comments.

Senator Titus asked how Nevada State College, if established, would affect the numbers for the universities and community colleges. Dr. Nichols replied that it was conjecture at this point; however, if the state college were included, the dollar amounts would not change but the total percentage of the funds would go down at equal amounts for both the universities and the community colleges. She estimated that the state college might be at five percent, so the universities would decrease at approximately 2.5 percent.

Dr. Nichols emphasized that the growth at the community colleges was noticeable through the years. However, a positive relationship between the old and the new formula could be seen in the new formula in terms of the total number of dollars generated. The new formula addressed important issues in funding: Equity, Equipment, and Students with Disabilities. Those issues were within the formula, rather than becoming separate requests for the state as was done in the past.

Dr. Nichols acknowledged that when the UCCSN reviewed the revisions, concern was expressed that the numbers for CCSN did not appear to equitably raise the benefit from the new formula, nor did the new formula take into account the inclusion of all of the issues. So, the Working Group, together with the Counsel of State Presidents requested additional changes. Dr. Nichols apologized for the lateness of the request and clarified that the UCCSN has not run the numbers but did have estimates of the impact of the final recommendations, including the new changes.

Dr. Nichols asked that the Working Group be allowed to have staff run the numbers with the following changes:

1. Remove the upper division tier for the student services that were just implemented at the last committee meeting. She stated that this would result in a small impact on CCSN's numbers.
2. Change the ratio at the lower division, low cost level for all of the institutions from 26:1 to 24:1. Dr. Nichols said this recommendation was one of the most difficult areas of the formula because the low cost, lower division level, the 26:1 ratio was not adequate, but was accepted based upon overall consensus. The recommendation before the Committee was that the 24:1 ratio be used for all institutions because an increase to 26:1 fell disproportionately on CCSN. The increase will benefit the community colleges slightly more, and primarily benefit CCSN, but does not change GBC. It was estimated that this calculation would not raise the bottom line of comparison of the old formula to the new formula, by approximately four percent. Dr. Nichols asked that the Committee allow the UCCSN staff and the LCB staff to work together to make that change.

Chairman Raggio asked if moving the third tier for student services would result in removing the negative percentage change that was reflected in page r33 (Exhibit D).

Dr. Nichols answered that it would bring the percentage change to zero, across the board.

Chairman Raggio asked whether the suggested change to Student Services would affect all of the institutions. Dr. Nichols replied that it would only affect CCSN. Chairman Raggio said if additional money was going to CCSN it had to come from somewhere. Additionally, he pointed out that the change would

reduce the percentage by which the new formula was funded.

Regarding the recommendation to reduce the low cost, low division ratio, Chairman Raggio asked whether that change would reduce the level of percentage by which the state can fund the entire system. For example, for FY 2003 on page r34 (Exhibit D), the formula was funded at 75.45 percent and the recommended changes would reduce that percentage somewhat. Dr. Nichols said that was correct. Chairman Raggio said it was important to understand the effects to the formula based on the recommended changes. Dr. Nichols said since the recommendation was being recommended for all the institutions and the greatest impact was on CCSN, and the other institutions changes were extremely modest, it represents an equity and the primary change would be in the increase for CCSN.

Chairman Raggio asked whether acceptance of recommendation number one identified above was necessary since there was nothing in Dr. Pickens' report that suggested the necessity for reducing the ratio from 26 to 24. Also, if that change was not made, the state could fund the new formula at a higher percentage.

Dr. Nichols replied that one of the key ingredients for a formula to work was for equitable distribution of funds across institutions representative of workload. When the matrix was created, the Working Group did not consider changing the ratios within the matrix to see how that affected the institutions, nor was it determined if some institutions would take a disproportionate hit because of the kinds of students served. Even though 26:1 was higher than actual cost, the Working Group thought it was balanced by the other ratios and therefore would be a good formula. However, the effect the ratio would have on CCSN was noted later so, in a sense, the recommendation was correcting an error rather than trying to increase the numbers for CCSN.

Dr. Nichols said the UCCSN believed the formula presented to the Committee was an excellent document that would serve the state and the institutions well. She reminded the Committee that Dr. Pickens related that a key factor to formulas was that formulas shape institutional behavior. Dr. Nichols stated that institutions do not ignore how they get funded. In fact, new formulas meant that careful thought was needed to determine if the drivers were promoting the type of institutional behavior that should be promoted. Dr. Nichols surmised that the new formula proposed with the recommendations would accomplish just that.

Dr. Nichols identified the changes that comprise the new formula:

- The same salary level and cost factor was being used across similar types of institutions. There was no advantage to an institution for raising cost factors because that drives state funding higher.
- The new formula includes technology positions and the costs of equipment and workstations. Dr. Nichols said that was an important part of shaping institutional behavior because it served to promote the appropriate use of technology in instruction.
- Special funding has been included for students with disabilities. Institutions have been strapped to the point where it was difficult to recruit students with disabilities who might benefit from a college education but did not have the funds. With the new formula, institutions will have the ability to recruit and retain disabled students who can benefit from a college education but still require special accommodations.
- Dr. Nichols stressed that the new formula included increased accountability to the institutions for monitoring such things as salary practices. The new formula takes into consideration equity in salaries at the two universities, including similar salary practices. She acknowledged that the UCCSN would be monitoring the salary practices and the salary levels at the two universities for each biennium.
- The new formula has a recommendation for indirect cost recovery. Dr. Nichols said she did not expect indirect cost recovery to be included in the formula unless the state sees proportionate growth and benefit to the state in terms of research. However, indirect cost recovery has been included in the

calculations for the two universities. Without those funds, the universities will fall below zero for funding research.

Dr. Nichols, in support of indirect cost recovery on behalf of the campuses, stated that without increased flexibility and subsequent accountability, the new formula would not make sense. The ability to fund at the same percentage across all budget areas and to fund at the same percentage across all campuses ensures that the formulas work well for the campuses. As the Committee finalizes the recommendations, Dr. Nichols asked that the flexibility factor for the campuses be included in the recommendations.

Chairman Raggio asked the Committee if they had any questions.

Regent Sisolak asked, regarding page r33 ([Exhibit D](#)), what caused a 5 percent increase (5.1 percent to 9.9 percent) from year 2004 to year 2005 in the GBC figures. He asked what driver, if the formulas were designed with 3-year drivers, would cause such a large fluctuation.

In response, Dr. Nichols said the increase was likely based on the favorable funding of the upper division courses and GBC's forecast for enrollment. In addition, the new formula has a differential funding between lower division and upper division. Dr. Nichols confided that she was suspicious of the number for FY 2004 because it drops from the previous year, so that is an area that staff would need to review.

Regent Sisolak noted that when he first received the revised charts he noticed the changes in the percentages that indicated the only change was how the existing formula was calculated. Dr. Nichols replied that the numbers for the community colleges are lower than what was recommended in the past.

Continuing, Regent Sisolak said it was his understanding that the three largest institutions, UNR, UNLV and CCSN, would receive increases of approximately 1 percent. Dr. Nichols said that was correct.

In follow-up to Senator Titus' comments, Regent Sisolak stated that if NSC was added to the formula and took five percent of the overall budget, how far would that push the other institutions into a negative? Dr. Nichols replied that adding NSC would not change other institution numbers because the numbers shown on the chart were calculated with NSC included. So, the percentages that compare new and old do not change with the inclusion of NSC. Regent Sisolak asked how the institutions would obtain an increase if money was directed to the new state college. In response, Dr. Nichols directed the Committee to page r34 ([Exhibit D](#)), and pointed out that in FY 2003 a dollar amount for NSC has been included if the college is to be created. So, the numbers on the first page are based on the assumption that Nevada State College will be established and that was an estimate of the cost of the formula for NSC. Further, it was just an estimate based on student mix and other factors. Dr. Nichols reminded the Committee that the first page (r33) was for illustration purposes of the comparative position of the community colleges and the universities.

Chairman Raggio pointed out that there was a change to the percentage of formula funding. For example, looking at FY 2001 before NSC becomes a factor, based upon 19.5 percent of the total budget, the total funding under the formula would be at 82.4 percent. Whereas, in FY 2003, with the assumption that NSC would be created, the total funding would decrease to 75 percent of the budget. Regent Sisolak interjected that by FY 2007 formula funding was reduced to 64 percent.

Dr. Nichols commented that the Committee was making an assumption that the change in percentage of formula funding was due to Nevada State College and in fact that was not entirely true. Undoubtedly, the enrollment at NSC was a factor in the distribution of the funds; however, between the years of FY 2001-02, the percentage of the budget was already being reduced. Therefore, the trend was established with or without NSC. She reiterated that the reason for the decline was that the figures were based upon the Governor's projection of state revenue, which was a conservative number (4.3 percent). If the funding for the

state was at that conservative level, it will be difficult for the state to support the continuing enrollment growth within the UCCSN. The universities and community colleges could have some difficulties if the conservative picture remains because the formula represents the actual costs so as the percentages go down, it will become increasingly difficult to educate more students. If that occurs, the state may have to take measures such as concentrating only on certain programs, and/or limiting growth in various ways.

Speaker Dini asked Dr. Nichols to explain the built-in flexibility factor proposed for the new formula. He commented that flexibility was what ultimately led to trouble with the equity issues, so why would that be built into the formula? Dr. Nichols responded that the flexibility Speaker Dini was referencing dealt with not only flexibility but also a variety of decisions made relating to the use of dollars for salaries. However, the new formula was drastically different than the old formula in that the new formula holds constant the base figure used in the calculations for salaries. In the old formula, the “rich get richer and the poor get poorer” because the UCCSN funded salaries on the average cost. Therefore, institutions that have placed funds into areas that were part of the drivers for the formula and their average costs were higher, received more dollars under the old formula. With the new method, institutions would receive the same amount for new positions. The flexibility in the new formula would not be a driver that increased the state funding for some institutions. Rather, the flexibility under the new formula provided the ability of the institutions to use the money most effectively and be held accountable for the results.

Speaker Dini indicated he was still not convinced that the built-in flexibility as explained by Dr. Nichols would not lead to an equity problem ultimately.

Dr. Nichols emphasized that the UCCSN was grateful for the 100 percent funding for instruction received from the state. Although that funding has served the institutions well, as the system grows, the institutions have been unable to build the infrastructure to support students for retention and graduation. The flexibility in the new formula shifts the funding from 100 percent for instruction to lesser amounts in various parts of the formula. The institutions will still spend as much on instruction, but would now have the ability to put the money into services that keep students in the classroom.

Dr. Nichols stated the best example for the equity issue was CCSN. The inequity that was identified at CCSN occurred when enrollment continued to grow yet support services were funded at a very low level.

Regent Seastrand noted that the new formula includes a provision whereby if GBC reaches 3,000 FTE the formula would shift to a different percentage. Noting that GBC already has different percentages in relation to other community colleges, and if there were to be a dramatic shift and GBC were to reach 3,000 FTE, he would not want to discourage growth based on the new provision in the formula.

In response, Dr. Nichols directed the Committee to page 15 (Exhibit C) where language was presented addressing Regent Seastrand’s concerns. The Working Group implemented a hold harmless period not to exceed two biennia when GBC reaches certain levels. That UCCSN did not intend to encourage or discourage growth at GBC, or provide a disincentive for serving the needs of students in that area.

Dr. Richardson thanked Dr. Nichols for her informative presentation. He opined that the recommendations in the new formula covered many issues that the system has been facing for some time. In addition, the apparent spirit of compromise that pervaded the discussions was evident in the end result.

As to the issue of flexibility, Dr. Richardson noted that there were aspects of the formulas that if flexibility was not built-in, might go against the overall goal of the Committee and the legislation. He stated that the major goal of the legislation was to figure out how to educate more Nevadans since the state has a poor retention rate and college-going rate. He strongly urged the Committee to support the flexibility factor considered in the new formula.

Dr. Richardson acknowledged that during the process of the funding study, he has seen the staff within the system and the LCB staff working well together and he anticipated that there would be a careful monitoring of the flexibility issue on the part of the Governor's office and the LCB staff. It would be within the purview of any legislative session to modify the flexibility components contained within the report. Dr. Richardson suggested that the flexibility component could be attempted during at least one biennium to see if any problems developed.

Mr. Snyder echoed Dr. Richardson's comments and commended Dr. Nichols for her responsive presentation on the formulas. In particular, he appreciated the discussion regarding funding shaping behavior. As to the issue of flexibility and accountability, Mr. Snyder said he also agreed with Dr. Richardson's comments that allowing flexibility for the institutions was worth trying and the formula had built-in safeguards to monitor the use of funds.

Mr. Snyder concurred with the concept of performance funding.

Regarding indirect cost recovery, Mr. Snyder said he was not sure the issue was closed and because of the impact on the funding formula, he would appreciate more discussion on the matter before an effective vote occurred.

Regent Seastrand indicated his concurrence regarding the issue of flexibility for the institutions. He stated that the concept of flexibility as outlined in the new formula placed responsibility, authority and accountability together and that helped redefine government. He echoed the comments made regarding research. He stated that one of the strategic plans for the state was to increase research and he would like to encourage institutional behavior that brought research into the state to diversify the economy in Nevada. Regent Seastrand said that research provided one of the highest returns on investment and often federal, state or private funds are available as long as the state has the ability to expand research areas or build laboratories. He supported the state's strategic plan regarding research and urged the Committee to follow in that direction.

Regent Sisolak asked whether the indirect cost recovery was figured into the calculations of the new funding formula. Dr. Nichols stated that it was; adding that the universities placed research as one of their highest priorities. Rather than asking for more dollars for research, the system decided to ask for indirect cost recovery. She confirmed that the proposal was contained within the figures and if removed, the universities would fall below zero.

Regent Sisolak expressed concern for the universities falling below zero, whatever that would be. Dr. Nichols said that the indirect cost recovery request in the new formula amounted to approximately \$5 million over the next biennium for the two universities.

Senator Titus said it was important to encourage research, especially for UNLV, since that institution was moving toward a research-oriented institution. However, she would like to hear from the two universities that if the indirect cost recovery was taken out of the General Fund and given to the universities for research, that the money would actually be used to support research, and not to pad the administration.

Chairman Raggio stated he would entertain public comment at this point and then the Committee would be taking a short break before voting on the recommendations.

Dr. Harter indicated she would like to respond to Senator Titus' inquiry. She stressed that there were at least 80 ways to support research to which the indirect cost recovery money could be used, including startup packages for research faculty who need laboratories, matching money against federal, state and private

funds which would allow UNLV to expand the number of external dollars, etc. Dr. Harter assured Senator Titus that if the indirect cost recovery funding was provided to the universities it would be spent entirely on research endeavors.

Dr. Crowley, UNR, concurred with Dr. Harter's comments.

Chairman Raggio said that at the risk of being in the opposition, it was his opinion that the charge to the Committee to Study the Funding of Higher Education was how to distribute and allocate presently available funding. The 25 percent retained by the state under the caption of indirect cost recovery was not within the present money received by the UCCSN. Historically, the state gave up 75 percent of indirect cost recovery to the UCCSN. Chairman Raggio recollected that several years ago there were conversations with the Legislature and the UCCSN that 75 percent was the final amount to be considered and that the state was going to retain 25 percent. He said that did not mean that the issue could not be revisited; however, indirect cost recovery was not money that was available under the 19.5 percent funding addressed.

Chairman Raggio said there would be no problem with the Committee making a recommendation that the policy on indirect cost recovery could be reviewed; but other than that, that issue was outside the purview of the Committee. He pointed out that to include indirect cost recovery to the universities would be inappropriate for the Committee to determine when those funds could be applied to many other programs since, obviously, the General Fund addressed many other problems besides the UCCSN. Chairman Raggio concluded that he would not support placing 25 percent of the indirect cost recovery to the UCCSN.

Dr. Nichols said in light of Chairman Raggio's comments and since the numbers include the indirect cost recovery money in the calculations for the formula, she requested that the Committee consider allowing the UCCSN to go back and replace those dollars for the universities with a formula-driven factor for research that would keep the universities at the level desired.

Chairman Raggio asked what Dr. Nichols was requesting.

Dr. Nichols replied that the bottom line for the projections of the formula would remain the same because those projections included the indirect cost recovery amount. Without that, the UCCSN would like to develop a formula that included a category for research.

Chairman Raggio asked where the drivers for research would come from.

Dr. Nichols said it would not be coming from anything. It is based upon the state general revenue projections and it is within the 19.5 percent. So, it seems reasonable to replace it with a formula-driven research amount for the universities.

Chairman Raggio stressed that the 19.5 percent share of the General Fund that the UCCSN received included only 75 percent of indirect cost recovery at the present time. Dr. Nichols said that was correct, and since that was not likely to change, the numbers provided to the Committee were now incorrect and the UCCSN would still need a category for research.

Dr. Richardson stated that during the first meeting of the Committee, Interim Chancellor Dr. Tom Anderes presented several items that had been identified as high priorities to be addressed during the formula study. One of those priorities was research. He asked the Committee to consider a way to have regular funding for research in the system. Dr. Richardson recollected that during those discussions it was noted that virtually all other states return 100 percent of indirect cost recovery to their universities and that placed UNLV and UNR at a disadvantage competitively. He urged the Committee to consider either allowing the retention of 100 percent of indirect cost recovery for the institutions or do as Dr. Nichols suggested—place a driver in the

formula specifically for research. He opined that if research funding was not included in the new formula, the package would be incomplete.

In closing, Dr. Richardson said as to the other recommendation discussed by Dr. Nichols, he would urge the Committee to consider changing the ratio to 24:1 because CCSN has special needs as a large urban college and this ratio would assist them greatly.

Dr. Crowley pointed out that in looking at FY 2002 for UNR on the chart showing the 24:1 ratio for low cost, low division (r34 – Exhibit D), the new formula would yield in FY 2002 at full funding \$132.6 million and roughly \$1.8 million of that was a result of the 100 percent cost recovery calculation. For UNLV, roughly \$950,000 was computed from the indirect cost recovery and that would be continued over the course of the years reflected in the chart. Dr. Nichols and Dr. Richardson are suggesting that the Committee find a way to make up those dollars—approximately \$3 million total.

Chairman Raggio said it would still be a hit on the General Fund for the entire state.

Dr. Crowley said the new formulas reflect an increase in funding.

Chairman Raggio reminded Dr. Crowley that funding would occur at different levels—not 100 percent. Dr. Crowley said he understood that fact, he was simply arguing to restore the research funds that were put into the new formulas otherwise UNR had no incentive to recommend the new formulas because they would be losing money.

Regent Sisolak stated that with so many numbers, revisions and changes, he would like some clarification. He asked what would occur if the research figures for UNLV and UNR, which were based on indirect cost recovery, were removed. Would the funding then be at a rate larger than 78.77 percent? And, if so, would the benefit then shift to the community colleges?

In response, Dr. Nichols stated that the percentage funded would remain exactly the same. However, the dollars would shift to the community colleges.

Regent Sisolak said the shifting of funds to the community colleges was exactly what he did not want to see happen, and, additionally, the shift would also affect DRI since it was his understanding that DRI retained 100 percent of their indirect cost recovery. Dr. Nichols confirmed that DRI does in fact retain 100 percent of their indirect cost recovery. Regent Sisolak asked whether that created an unfair competition between DRI and the universities. Dr. Nichols related that DRI did not receive the state funding support that the two universities did in a variety of areas so it has been a historic agreement and it made good sense for DRI to keep 100 percent of their indirect cost recovery.

Dr. Nichols elaborated that if the UCCSN would have thought through the research issue more, the research amount could have been placed as an addition to the 19.5 percent of the state General Fund because the figures presented to the Committee did not include the extra money that went to the state of the 25 percent recovery. She stated that if research was not funded under the current formulas, it would be a disproportionate hit on the universities and a shift of money at a greater percentage, to the community colleges.

Mr. Snyder asked whether the amount for research was \$3 million or \$5 million. Chairman Raggio directed staff to identify the total amount of money for research during the break.

Chairman Raggio announced a recess at 11:15 a.m. The Committee reconvened at 12:05 p.m.

Chairman Raggio asked whether any further discussion was needed before the Committee voted on each aspect of the formula.

Performance Funding

Chairman Raggio directed the Committee to page 4 of the meeting packet (Exhibit C) and indicated the recommendation for performance funding was to propose a pool not to exceed two percent to be authorized for distribution by the system on a one-time funding basis.

Chairman Raggio stated if there were no comments, he would ask for a motion to include the recommendation in the final report of the Committee. Also, once the Committee has acted and the work has been completed, the Working Group will summarize all the reports and activities of the Committee into a Bulletin that will be presented to the 71st session of the Legislature. It was his intention that all Committee and Working Group members receive a copy of the Bulletin for review and comment prior to the finalization of that document.

MR. SNYDER MOVED TO ACCEPT THE RECOMMENDATION
FOR PERFORMANCE FUNDING.

DR. RICHARDSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Chairman Raggio noted that since there were other institution presidents present other than those that were serving on the Committee, this would be the time to indicate whether or not they concurred with the Committee's recommendations because he did not want to hear later on that somebody did not agree.

Instruction

Chairman Raggio directed the Committee to pages 5-11 of the meeting packet (Exhibit C), which covered the recommendations for Instruction. He noted that on page 7 a correction should be made to the language dealing with the Nevada State College whereby the doctoral degree column should be removed. In addition, there was discussion relative to reducing the low cost ratios from 26:1 to 24:1.

The first change was to remove the third tier designation for CCSN in the Student Services function. It was his understanding that if the third tier designation was removed, CCSN funding would be brought to a point where there would no longer be a negative. If that were done, then the ratio change would not be necessary.

Chairman Raggio asked whether the Committee was favorable to the first change of removing the third tier designation for CCSN. There was no objection by the Committee. Chairman Raggio said with that accomplished, then the ratio did not need to be changed. Seeing no further comment, the Chairman indicated he would accept a motion.

MR. SNYDER MOVED TO ACCEPT THE RECOMMENDATIONS PROPOSED FOR
INSTRUCTION, INCLUDING THE CHANGE TO ELIMINATE THE THIRD TIER
DESIGNATION FOR CCSN IN THE STUDENT SERVICES FUNCTION AND RETAIN
THE LOW-COST RATIOS AT 26:1.

REGENT SISOLAK SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Academic Support

Chairman Raggio pointed out that recommendations for Academic Support were contained on pages 12-15 of the meeting packet and noted that there were no new changes.

DR. RICHARDSON MOVED TO ACCEPT THE RECOMMENDATIONS FOR ACADEMIC SUPPORT.

SENATOR TOWNSEND SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Student Services

The recommendations for Student Services were set forth under pages 15-18 of the meeting packet (Exhibit C) with one change to page 17 to remove the third tier for the combined head count and student enrollment over 25,000.

REGENT SISOLAK MOVED TO ACCEPT THE RECOMMENDATIONS FOR STUDENT SERVICES.

SENATOR TOWNSEND SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Institutional Support

The recommendations for Institutional Support were contained on pages 19-21 of the meeting packet. Chairman Raggio asked whether there were any further changes to this category. Hearing none, he indicated he would accept a motion.

DR. RICHARDSON MOVED TO APPROVE THE RECOMMENDATIONS FOR INSTITUTIONAL SUPPORT.

MR. SNYDER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Operation and Maintenance of Plant

Chairman Raggio said the recommendations for this category were set forth on pages 21-23 and since no changes were discussed he would accept a motion.

SPEAKER DINI MOVED TO APPROVE THE RECOMMENDATIONS FOR OPERATION AND MAINTENANCE OF PLANT

REGENT SEASTRAND SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Graduate Assistants

Chairman Raggio directed the Committee to pages 23-24 which set forth the recommendations for graduate assistants.

REGENT DERBY MOVED TO APPROVE THE RECOMMENDATIONS
FOR GRADUATE ASSISTANTS.

MR. SNYDER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Equipment Replacement

Chairman Raggio noted that the recommendations for Equipment Replacement was on page 25 and that Equipment Maintenance would be deleted and instead covered under operating allocations.

DR. RICHARDSON MOVED TO APPROVE THE RECOMMENDATIONS
FOR EQUIPMENT REPLACEMENT.

SENATOR TOWNSEND SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Library Acquisitions

Chairman Raggio informed the Committee that there were changes to this category which would do away with the concerns relating to the indirect cost recovery. He asked that a discussion occur on that matter.

Dr. Crowley said the idea was to come as close as possible to making up the numbers that were currently listed under indirect cost recovery by way of the library acquisition rate which formerly was five percent. The proposal is to reduce that to 3.5 percent. It was his understanding that the difference could be made up by going to approximately 4.3 percent.

Chairman Raggio said it was his understanding that if a revision took place in Library Acquisitions, then the Committee can forego any discussion regarding a change in the indirect cost recovery rate at this time.

Dr. Crowley agreed with Chairman Raggio's understanding. Chairman Raggio said the Committee could accept the 4.3 percent rate for Library Acquisitions with the understanding that the percentage could be adjusted by staff and the Working Group if it was necessary.

MR. SNYDER MOVED TO APPROVE THE RECOMMENDATIONS
FOR LIBRARY ACQUISITIONS AS REVISED WITH THE
ABOVE CHANGES.

THE MOTION WAS SECONDED BY DR. RICHARDSON.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Research

Chairman Raggio said he had no objection if the Committee wished to include in their report that a further review of the status of the indirect cost recovery situation could occur at the next legislative session. He reiterated that it was his belief that it was not appropriate for the Committee to make that change in a formal recommendation at this time.

REGENT SEASTRAND MOVED TO ACCEPT THE PROPOSAL TO INCLUDE IN THE REPORT OF THE COMMITTEE THE RECOMMENDATION TO REVIEW THE STATUS OF INDIRECT COST RECOVERY AT THE 71ST LEGISLATIVE SESSION.

THE MOTION WAS SECONDED BY MR. SNYDER.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Chairman Raggio stated there were additional topics to discuss that related to the formula.

Flexibility

Chairman Raggio related that during the recess, discussion with staff occurred regarding the issue of allowing flexibility to the UCCSN and the institutions. He said that more discussion and analysis was needed to provide some assurances that the flexibility that was being recommended did not allow for inequity to occur again in the future. He wanted to make sure that the equity that the Committee spent months discussing which ultimately led to recommendations for the formula remained in place. He asked staff to explain the flexibility recommendation. Further, he noted that a comment was made about flexibility “between budgets” and he wanted to make sure that flexibility did not relate “between institutions.”

Dr. Nichols said the concept of flexibility did not relate to “institution between institution.”

Chairman Raggio stated that during the recess he asked staff to come up with an example of something that the Board of Regents as well as the Legislature would be able to use.

Mark Stevens, Legislative Counsel Bureau, Fiscal Analysis Division, stated that he reviewed how an institution could apply the formula and transfer dollars into a certain area, retain those dollars and then the formula would regenerate that money again in the following biennium or “leverage dollars.”

Example:

The O&M Plant Formula currently has a driver of one position per every 10,500 square feet of building space. An institution with 945,000 square feet divided by 10,500 square feet per position generates 90 positions. Using \$50,000 as the average salary that would be \$4.5 million.

Now, say new square footage comes on line in the biennium of 105,000 square feet which would generate 10 new positions and the average salary for the new positions is \$30,000 that would generate \$300,000. So, there would be 100 positions at \$4.8 million—or an average salary of \$48,000 per position. They have 10 new positions so let's say that the institution adds five new positions and puts them on the payroll. Then the institution takes the money that was generated from those five new positions and uses that for salary increases for the other 95 positions within that particular functional area. In essence, there would be 95 positions with \$4.8 million. So, the average salary would now be \$50,526 per position.

When that institution comes in during the next biennium the existing square footage would be 1,050,000 and we would divide by the factor of 10,500 which would result in 100 positions so they would make up the five positions they never hired and use the existing average salary of \$50,526 so their formula calculation would be \$5,520,600 – not \$4.8 million which was generated in the previous biennium. Therefore, that institution picked up the salary dollars with the value of the five positions and the formula would regenerate the five positions.

Chairman Raggio reminded the Committee and those in the audience that it was not the Legislature that created the inequity between the universities. Rather, the institutions did it to themselves in the way they allocated money.

Dr. Nichols said that institutions need to have a variety of ways to have differential salaries and she understood the chairman's comments about how the inequities began. Dr. Nichols said the UCCSN would support a position as a recommendation from the Committee that the money that came to the campuses for new positions cannot be used, those positions cannot be held vacant and that money used to raise the salaries of other positions. Further, those positions could be moved from budget area to budget area, but they would have to be used as positions and those positions either filled or retained in that area so that the example described by Mr. Stevens could not occur.

Chairman Raggio asked that Dr. Nichols' recommendation be placed in the report and asked if there was agreement among the Committee for that concept of flexibility.

REGENT SEASTRAND MOVED TO RECOMMEND THAT
MONEY FOR NEW POSITIONS THAT REMAIN VACANT
CANNOT BE USED TO RAISE THE SALARIES OF OTHER
POSITIONS WITHIN THE UCCSN.

REGENT SISOLAK SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chairman Raggio asked the Secretary to provide the Committee with suggested language referenced earlier (Exhibit E). While that was being done, Chairman Raggio asked Dr. Nichols to discuss the changes she discussed earlier regarding Nevada State College.

Dr. Nichols asked the Committee to recommend that further study be done on the formulas for Nevada State College and that final action on those drivers would be to bring the NSC drivers in at an appropriate level below the universities and above the community colleges.

Chairman Raggio stated that staff reminded him that there is a timeline on completing the Bulletin for the 71st Legislative Session. Chairman Raggio asked when Dr. Nichols expected to have the revised figures regarding NSC to staff.

Dr. Nichols replied that the numbers for NSC should be resolved within the next two weeks. Chairman Raggio indicated that the Committee would have to vote any actual changes to the formula. Dr. Nichols stated that the UCCSN had confidence in the numbers but there were concerns about a few of the factors and she was uncertain how to resolve that in the timeline presented. She asked whether it was possible for the Committee to accept the factors with a recommendation to staff that the numbers be adjusted if necessary.

Chairman Raggio replied that such acceptance could occur if the Committee knew ahead of time where the level of support might be adjusted.

In response, Dr. Nichols stated that the NSC numbers only affected NSC. If the numbers go down, then obviously dollars in other places would be affected. However, it was only an issue in the second year of the biennium for NSC. In addition, the framework is designed for how the NSC should be funded and she was confident about that framework. In addition, any changes would be extremely minor and could be considered editing by staff.

Chairman Raggio suggested that the process continue but if the changes result in any increase then those changes would require additional Committee approval. He urged that the UCCSN and staff work together quickly to make the necessary corrections. Dr. Nichols indicated that would be more than acceptable and she reiterated that the changes should not result in any increase to the other institutions.

Regent Sisolak said if NSC is not approved by the 2001 Legislature, would the information applicable to NSC in the formulas be removed and then a "reallocation" would occur. Dr. Nichols said that was correct.

Chairman Raggio directed the Committee to page three of the meeting packet (Exhibit C) and read the following language regarding *new campus sites* – "Until such time as the formulas adequately address the funding required for start-up, additional funding may be required. Once the new programs are established over the next two biennia, and they have an established mix of upper and lower division FTE, then GBC and NSC should be considered for inclusion in the formulas that apply to baccalaureate programs at the universities with appropriate factors applied to each institution. Chairman Raggio asked whether the above language was still applicable and new campus sites, such as Summerlin, Redfield, and other prospective new sites would be handled in that manner. Dr. Nichols replied that Chairman Raggio's assumption was correct.

Chairman Raggio read from the document entitled "Suggested Bulletin Language" (Exhibit E) the following:

Formula Equity: "Uniform application of this formula to each institution, regardless of the percentage funded, will result in equitable distribution of available funding. Full funding of the formula should be viewed as a goal to be achieved over a period of time to be implemented dependent on available funding each biennium."

Chairman Raggio suggested that the above language be included in the Committee's final report to the Legislature.

DR. RICHARDSON MOVED THAT THE LANGUAGE REGARDING FORMULA EQUITY BE INCLUDED IN THE FINAL REPORT TO THE LEGISLATURE.

SPEAKER DINI SECONDED THE MOTION.

Dr. Crowley asked how the formula equity language was to be interpreted in relationship to the hold harmless recommendations that have been made.

Chairman Raggio replied that it was his understanding that the Committee adopted the hold harmless language over the next two biennia. Dr. Crowley asked if the proposed language would change the hold harmless provisions that the Committee has agreed to in the new formulas. Chairman Raggio stated the language was not intended to change the hold harmless clauses already adopted pursuant to the Working Group's recommendations. Further, he would like the Committee to conclude its work knowing that the problem of equitable funding has been addressed and with the understanding that the Legislature cannot

mandate full funding. Dr. Crowley indicated that he understood Chairman Raggio's comments; however, he was simply noting that uniform application resulting in equitable distribution could be affected by the need to hold harmless. Chairman Raggio countered that the Committee's action includes hold harmless provisions and the equity phase-in for salaries. Dr. Crowley interjected that he wanted his comments noted for the record.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Chairman Raggio read the next suggested bulletin language into the record:

Salaries: "To address salary equity, the Committee concurs with the UCCSN's recommendation to equally fund starting salary amounts for new positions for each formula function. However, the Committee encourages the UCCSN to develop and implement a uniform salary policy at the system level to prevent individual institutions from perpetuating salary inequities. Further, as part of the biennial budget process, for each institution, UCCSN should gather data and report on the actual starting and existing salaries paid for each function each biennium. The Budget Division, and the Legislature, may use this information to adjust the budgeted starting salary levels as necessary."

Chairman Raggio asked whether the Committee members had any objections to the language suggested above. Seeing none, he indicated he would accept a motion for approval.

SENATOR TITUS MOVED TO APPROVE THE LANGUAGE REGARDING SALARIES TO THE FINAL REPORT PRESENTED BY THE COMMITTEE TO THE 2001 LEGISLATURE.

SPEAKER DINI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Dr. Moore stated his understanding of what occurred regarding Nevada State College (NSC) was that Chancellor Nichols was asking to make technical adjustments as long as those adjustments do not increase the dollar amount shown in the charts. Chairman Raggio stated the adjustments could be made so long as staff concurs and the change does not increase the amount. If so, a Committee vote would not be necessary.

C. Public Comment

There was no public comment.

D. Adjournment

Chairman Raggio thanked the Committee for their input, patience, tolerance and understanding, as well as the Working Group and everyone else who has had input into the process. He announced that the work to date completes the formal process until the draft Bulletin document is finalized. He added that he hoped the work the Committee accomplished would be beneficial in the future.

Regent Seastrand said that he would personally like to thank the Legislature for hearing the matter of the funding of higher education. He was grateful that the Committee was able to come to a conclusion and he viewed it as a "win" for the state.

With nothing further to come before the Committee, the meeting was adjourned at 12:40 p.m.

JOI DAVIS, Secretary to the Committee

APPROVED BY:

SENATOR WILLIAM J. RAGGIO, Chairman