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 10:00 a.m. on June 8, 2000, at the Grant Sawyer State Office Building, 555 East Washington Street, Room 4412B&C, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chairman
Senator Randolph Townsend
Senator Dina Titus
Assemblyman Bob Beers
Regent Jill Derby
Regent Steve Sisolak
Dixie May
Don Snyder
Dr. Carol Harter
Dr. Richard Moore

COMMITTEE MEMBERS ABSENT

Assemblyman Joseph E. Dini	Excused
Assemblyman Richard Perkins	Excused
Regent Doug Seastrand	Excused
Dr. James Richardson	Excused
Dr. Joseph Crowley	Excused
John P. Comeaux	Excused

STAFF PRESENT:

Brian Burke, Senior Program Analyst
Mark Stevens, Assembly Fiscal Analyst
Dan Miles, Senate Fiscal Analyst
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
Ron Remington, Great Basin College
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
Patty Charlton, Community College of Southern Nevada
Carol Lucey, Western Nevada Community College
Cindy Rossetti, University of Nevada, Las Vegas
Orlando Sandoval, Nevada State College at Henderson

List of Exhibits

Exhibit A Meeting Notice and Agenda
Exhibit B Attendance Roster
Exhibit C Meeting Packet
Exhibit D UCCSN, FY 1998-07 Formula Summaries, Percentage Changes, provided by Brian Burke, Legislative Counsel Bureau.
Exhibit E UCCSN, FY 1998-07 Formula Summaries, Percentage Changes, Enrollment Growth Statistics, provided by Regent Steve Sisolak.
Exhibit F UCCSN Enrollment Growth Fall 1986-Fall 1999 (FTE) Universities vs. Community Colleges, provided by Dr. John Richarson, TMCC.
Exhibit G Millennium Scholarship handout, provided by Dr. Jane Nichols, UCCSN.

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 10:10 a.m., noting the above members absent, excused.

B. Approval of the Minutes

Chairman Raggio directed the Committee to the minutes of the May 11, 2000, meeting (Exhibit C, Tab B) and commended Joi Davis for an outstanding job of preparing the minutes. He noted the following changes:

> Page 12, paragraph 3: Chairman Raggio noted that recently at the Governor's Steering Committee on the Fundamental Review of Base Budgets, local funding sources have been identified as ***involving*** a wealth factor ***from*** which the state received no ***real*** benefits.
>
> Page 13, paragraph 3: Dr. Harter asked whether there was a sense that "instruction" was more broadly defined ***than*** a teacher in the classroom, especially considering technology, distance education, and library resources that align directly with instructional needs.
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> Page 14, paragraph 2: Chairman Raggio restated his question as to how the ongoing process of reviewing the formulas ***could operate*** in the most credible fashion.
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> Page 18, paragraph 2: Chairman Raggio indicated it was ***an*** impression that Colorado began their base on a single appropriation for FTE and, as has been discussed, that was not equitable. Perhaps that was why Colorado was in the midst of ***a*** study of their current funding system.

Page 41, paragraph 4: He noted that the recommendations of the Working Group showed two different areas that appeared to be a **denigration** of graduate education in Nevada.

SENATOR TOWNSEND MOVED TO APPROVE THE MINUTES AS CORRECTED.

REGENT DERBY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY THOSE PRESENT.

Chairman Raggio indicated the Committee would be following the Agenda as posted; however, if anyone from the public wished to speak, he should be so advised.

C. <u>Working Group Report – Dr. Jane Nichols</u>

Dr. Jane Nichols, Acting Chancellor, University and Community College System of Nevada (UCCSN) along with Mr. Larry Eardley, UCCSN Budget Director, addressed the Committee. Dr. Nichols noted that she was presenting information on behalf of Dr. Anderes, Interim Chancellor, UCCSN, since he was out of town. Dr. Nichols expressed her gratitude to the Committee for the work they were performing. She stated that the information she was presenting represented a lot of work from many people in a short period of time, and the result would be better formula for funding higher education.
The new formula is designed to produce an accurate estimate of the general optimal cost for the effective operation of Nevada's public system of higher education. There will be new items in the formula that account for technology and distance education demands placed upon the institutions and research demands placed upon the universities and the Desert Research Institute.

Dr. Nichols said the new formula was built upon a base cost figure that was equitable among similar institutions. The former differentiation of state funding based on historic cost was no longer a part of the new formula. Although institutions may vary in how they spend the money, their choices will not positively or negatively influence the budget request made to the state. Equity among similar types of institutions exists within the new formula.

Dr. Nichols stated that the funding formula for community colleges has shifted in order to address the need for adequate funding for community colleges. The new model does inflate the overall need established by the old formula. The dollar projections stay within 19.5 or 20 percent of projected state income. However, the new formula is at a higher amount than the old formula. Hopefully, the new formula reflects an accurate representation of needs and if the Committee decides that the number generated by the formula was too high or that specific drivers within the formula were incorrect, the system staff will work with Legislative Counsel Bureau (LCB) staff over the next week to deliver new numbers to the Committee at the next scheduled meeting on June 21, 2000.

Dr. Nichols said higher education needed to be responsive, flexible and as efficient as possible to meet the state's growing population and increased demand for education, taking into consideration that flexibility was the key to success for this formula. In addition, excellent management of expenditures and assets should be expected if there was to be optimal efficiency and effectiveness in the state. Given these conditions, Dr. Nichols requested that flexibility of expenditures among budget functions once the total amount was funded by the state, be established.

Thereafter, the institutions should be held to a high level of public accountability based on outcome measures established by the Board of Regents and agreed to by the legislative and executive branches. Greater flexibility coupled with high accountability will place higher education in a stronger position to accommodate the growth anticipated and respond to the needs in Nevada for educating a growing number of people. Dr. Nichols stated that two percent of the total operating budget was requested as a one-time expenditure for performance incentives. Dr. Nichols recalled for the Committee that Dr. Pickens discussed the many states that were moving toward performance incentives within funding formulas. The UCCSN endorsed performance incentives and would like to establish a pool of dollars that could be used to reward campuses that meet the goals established by the state and the Board of Regents related to public good. Two percent of the total operating budget was approximately $8 million, but since that amount may exceed the available revenue, a smaller amount might need to be established at first.

Dr. Nichols related that the performance incentive pool of money would best be taken from funds available one time, not from ongoing dollars. She pointed out that the performance measure incentives were not reflected in the figures presented to the Committee. Given the new model for budget preparation, many budget requests that were formerly "add-ons" would now be incorporated into the basic formula requests—Equipment and Technical Support were the most obvious categories.

In response to questions raised at the last Committee meeting, Dr. Nichols said that the new formula for the next biennium produced a cost of $25.41 million for equipment replacement and maintenance costs. The old formula would generate $20 million for equipment replacement and maintenance costs—representing an increase over the biennium of $5.41 million. The hold harmless provision was essential to process the new formula.

Dr. Nichols, concurring with the recommendations of the Working Group, requested that the required funds for the hold harmless agreement be taken from available estate tax funds and be phased out over a maximum of two biennia. She added that she would discuss more of the hold harmless provision when she came to that particular table in the meeting packet (Exhibit C).

Dr. Nichols mentioned that the proposed new State College at Henderson was Included in the new formula even though that institution was not a certainty. Dr. Nichols advised the Committee that the information for Nevada State College at Henderson was based upon the enrollment projections for the second year of the biennium. Further, the new drivers for the formula for the state college were positioned below the universities and above the community colleges. However, it was anticipated that the drivers for the state college may need a closer look and, after working with LCB staff, some of those drivers may need to be reduced.

Dr. Nichols stated it was important to note that the estimated dollars that will be discussed included the cost of growth. She pointed out that Dr. Pickens mentioned in his presentation to the Committee on May 11, 2000, that Nevada was the fastest growing state in the nation and the UCCSN was the fastest growing system in higher education. Therefore, formulas needed to take into account the changes brought about by growth. The new, rolling 3-year average for enrollment, coupled with the use of projected enrollment when it was less than that number, would protect the state from large and unanticipated requests for funding. Options were available as the UCCSN partners with the state to fund higher education, including the possibility of capping enrollment in certain areas, or emphasizing the areas of greatest need if required. Dr. Nichols opined that it was best, as the new formula was designed, to give the institutions that prerogative within the formulas.

Continuing, Dr. Nichols pointed out that the Working Group has suggested that the new formula be re-examined periodically. Hence, it was recommended that a small working group of legislative, executive and higher education staff work along with community leaders to examine the formula for its effectiveness every four years.

Finally, Dr. Nichols said that as part of the study of formula funding, the advantages of having a carry-over of institutional income that derives from student tuition and fees has become apparent. UCCSN should have the ability to have that carryover to the next fiscal year which will assist the campuses in responsible, effective and efficient planning and use of resources. The Board of Regents will be provided with a proposal to examine the carryover prospect.

Dr. Nichols directed the Committee to Tab C2 of the meeting packet (Exhibit C), and noted that the changes made to the new table, *Comparison of Current Formulas to UCCSN Recommendations*, were set forth in bold and italics. She pointed out that the changes were made pursuant to the Committee's last meeting and with the realization that the formula as presented at the meeting of May 11, 2000, was beyond what the state could support. Dr. Nichols indicated that the Working Group reviewed the costs and needs and the following represents their current proposal. She noted that since Dr. Anderes went over the proposed recommendations at the last meeting, she would focus her comments on the changes to those recommendations:

1. **Instruction Student Credit Hour FTE enrollment conversion** – This remains the same, with the exception of the following additional language: "FTE enrollment projections are based upon a weighted 3-year rolling average." Dr. Nichols explained that the Working Group recognized that CCSN had extraordinary growth in the last three years and in using the rolling 3-year average, the amount exceeded the amount that the campus thought they needed to operate, given the actual projected growth within the next year. Therefore, the weighted 3-year rolling average was a benefit to the state in a growing system, but required flexibility so the presidents of the institutions can meet the demands placed upon their institutions.

2. **Instruction - Student to Faculty Ratios** – No changes.

3. **Instruction – New Positions** – Dr. Nichols related that the dollar amounts for positions have been reduced. Also, since there was no Board-approved schedule for Nevada State College, those figures were calculated on an estimate of 90 percent of the university salary schedule but that figure will change.

4. **Instructional equipment** – Dr. Nichols said that Nevada State College was added at a cost of approximately halfway between the universities and community colleges for this category.

Regent Sisolak asked whether salaries for professors at the Nevada State College at Henderson would be funded at 90 percent of the university salary. Dr. Nichols responded that the 90 percent figure was used simply for calculation purposes. Regent Sisolak asked how the 90 percent figure was devised. Dr. Nichols replied that 90 percent was chosen randomly because the Working Group knew the salary figure for the Nevada State College at Henderson would be less than the universities. She reminded the Committee that salaries were not based upon a salary schedule and the Board of Regents has not approved a salary schedule for Nevada State College at Henderson.

Dr. Moore said he has reviewed the salary schedule for the state colleges and universities in the State of California and there appeared to be an approximate 10 percent differential so he was comfortable with the Working Group recommendations.

5. **Instructional Classified Positions** – no changes.

6. **Instructional Salary Equity Pool** – Dr. Nichols reminded the Committee that the Working Group has proposed a salary equity pool be established for three biennia to address the salary differential between UNR and UNLV. In response to concerns raised at the last meeting, the Working Group has specified that the salary equity pool will be used for new positions where

the salary was higher than the existing position.

7. **Instructional Operating/Wages** – Dr. Nichols noted two changes to this category: Nevada State College at Henderson was included at the rate of $5,000; and the community colleges at the rate of $4,600 for the per-faculty operating dollars.

8. **Instructional – Community College Full-time/Part-time Ratios** – The ratios in this category have been changed to 60:40 because the 65:35 ratio initially suggested did not work. Dr. Nichols commented that the 60:40 ratio reflects what has been funded over the last 15 years.

9. **Instructional – Community College Teaching Assistant** – no changes.

10. **Academic Support – Universities & Nevada State College** – Changes were made to reduce the number of new positions that were requested and the professional salaries were lowered. The add-on of 9.5 percent was an increase for technology and academic advisement for the universities and Nevada State College.

11. **Academic Support – Community Colleges** – Dr. Nichols stated that with the first $7.5 million, Great Basin College would receive 30 percent of the academic support of the instruction budget, and the other community colleges would receive 25 percent of the academic support of the instruction budget.

12. **Library Support – Universities & Nevada State College** – The funding of positions in library support has been reduced.

13. **Library Acquisitions** – The community colleges would continue to use the current formulas as long as it meets the accreditation standards of the institution.

14. **Student Services** – Dr. Nichols pointed out that the drivers for CCSN, TMCC and WNCC were reduced from 400 to 300, and at GBC the drivers were reduced from 375 to 275.

Chairman Raggio noted that it was also the recommendation of the Working Group to include an ADA allowance to the colleges and universities under Student Support Services. Dr. Nichols stated that was correct.

15. **Institutional Support** – Dr. Nichols indicated there were changes to this category and asked Mr. Larry Eardley, UCCSN Budget Director, to address those changes. Mr. Eardley stated that under the Institutional Support recommendations for the universities, no changes were made. However, as to the community colleges, the recommendation was that for the first $20 million, CCSN and TMCC would be at 15 percent, WNCC and GBC would be at 17 percent. The changes to the community colleges in this funding category were suggested in an attempt to bring GBC to the same level as WNCC, thereby reducing the costs for the community colleges.

16. **Operations & Maintenance of the Plant** – Dr. Nichols pointed out that the recommendation to use weighted maintained square feet has been eliminated and replaced with the 10,500 square feet. Further, to accommodate that provision, an adjustment of 10 percent would be added to maintenance and service positions to reflect increased personnel costs attributable to age of the facilities. Dr. Nichols stressed the importance of considering the age of facilities and that when a facility had a major renovation, that facility was classified as a new facility.

17. **Graduate Assistants** – Dr. Nichols said the recommended change was to have one graduate

assistant for every eight FTE graduate students.

18. **Equipment Replacement** – Dr. Nichols related that although this category was being eliminated, areas not related to instruction still need to be covered. Therefore, dollar amounts have been included for DRI, System Administration, Computing Services and the University Press for workstation replacement—funded at $1,000 per existing professional and classified FTE.

19. **Performance Funding** – Dr. Nichols stressed the importance of performance funding and encouraged the Committee to accept the recommendation that performance funding be funded from available, one-time funds.

Chairman Raggio pointed out that the Committee heard about performance funding from Dr. Pickens at the May 11, 2000, Committee meeting. However, he would like to hear what the UCCSN was proposing since the recommendation was to apply two percent of the total budget toward performance funding.

Dr. Nichols replied that two percent of the total budget for performance funding would likely be too high so the UCCSN would be looking at reducing that amount. Elaborating, she indicated that performance funding would allow the UCCSN to identify priority issues for the state and the Board of Regents (ie., graduation rates, transfer rate, business partnerships) and a rubric of scores could be developed that allowed institutions to be rewarded for reaching state goals and improving performance in certain areas. She stated that the UCCSN recognized that performance funding was a "value-added" improvement, not just rewarding those institutions that already perform these functions well. Performance funding was designed to change institutional behavior. Dr. Nichols stated that institutions respond to money and if funds were available to reward behavior, changes in the institutions would occur. The UCCSN, along with the Legislature, would have to develop a rubric of scoring to distribute the funds.

Chairman Raggio asked how performance funding could be accomplished with one-time dollars yet still be included in the formula.

Dr. Nichols replied that if performance funding went into the base, the ability to continue the funding on an ongoing basis would be lost because it could not be taken away from the institutions and then redistributed the following year based on performance. Therefore, the funding must be used once it was allocated for items that were not ongoing expenses. Dr. Nichols noted that the most effective use of performance funding across the country has been to allow the institutions flexibility to use funding the way they want.

In response to Chairman Raggio's inquiry, Dr. Nichols stated that the performance funding recommendation was not included in the costing, and they would suggest that the one-time funding for performance funding come from the two sources of non-operating, ongoing costs of either the estate tax or surplus funds that may be available.

Turning to Tab C3 in the meeting packet (Exhibit C), Dr. Nichols explained that the table entitled, *UCCSN FY 1998-07 Formula Summaries, Historical and Projected Formula Costs Existing and Recommended Formulas – Scenario #1 – General Fund Share of 19.5%* was an estimation based upon the calculations that the Working Group completed regarding the cost of the old formula versus the new formula. Dr. Nichols reminded the Committee that the old formula has never been fully funded, nor did the UCCSN anticipate that the new formula would ever be fully funded.

Beginning with FY 1998-99 and FY 00-01, Dr. Nichols pointed out that the chart reflects the legislatively approved expenditures that were appropriated to the institutions in those years, which provides a basis for comparison of the formula-generated amount with the actual amount. The chart includes the seven institutions plus Nevada State College (NSC) and the Business Center North and Business Center South and a category for "other" but those categories were no longer present beginning in FY 2002. The Business Center North and Business Center South would be reflected in the "non-formula budgets."

Dr. Nichols pointed out that the chart shows the actual amount funded as a percentage of the formula for the years FY 1998: 87.99 percent; FY 1999: 86.67 percent; FY 2000: 85.39 percent, and FY 2001: 83.78 percent. She said it should be noted that when looking at those percentages under the old formula it was very different than what would occur in the future because it was 100 percent funded in Instruction and many of the other areas were funded at much lower rates.

Dr. Nichols directed the Committee to a row in the chart entitled *Non-formula budgets,* which reflected items not related to instruction, i.e., the School of Medicine or the law school. Such costs would now be accounted for in the total expenditures for UCCSN from the state operating fund.

Next, Dr. Nichols asked the Committee to look at the figures for FY 2002 which would be the first year of the next biennium using the new formulas. Further, Dr. Nichols reminded the Committee that the figures depicted in the chart was based on 19.5 percent of the General Fund. USSCN used the Executive Branch's projected annual revenue growth amount of 4.3 percent.

Chairman Raggio stated that the 4.3 percent figure identified by the Governor's Fiscal Forum was a conservative number. Dr. Nichols concurred—adding that the Governor's Fiscal Forum used three levels (High, Medium and Low) and the UCCSN has used the low number, which was a conservative approach. With that scenario, Dr. Nichols pointed out, the new formula would generate more than the existing formula: New Formula: $478 million and the Old Formula: $457 million. A closer look at the chart showing the different figures between the institutions (Exhibit C, page 79) reflects the effect of the equity provisions within the new formula. There is a small increase ($1 million) for UNR, a larger increase ($4 million) for UNLV, and a much larger ($7.5 million) increase for CCSN, a small increase ($500,000) for GBC, a larger increase ($3.4 million) for TMCC and a larger increase ($3.0 million) for WNCC as the new formulas are generated.

Dr. Nichols stated that the actual percentage increase, overall, was 4.45 percent of the new versus the old formulas. Directing the Committee to the last column under FY 2002 entitled *Request*, Dr. Nichols said the $372,441,527 amount was based upon the projected state revenue and 19.5 percent of that amount divided between the non-formula and the formula categories.

Dr. Nichols directed the Committee to Tab C4 of the meeting packet (Exhibit C) which contained a chart entitled *UCCSN Formula Summaries Hold Harmless Scenario #1 – General Fund Share of 19.5%.* She stated that the increase in the new formula versus the old formula was as follows:

FY 2002	-	4.45 percent
FY 2003	-	6.14 percent
FY 2004	-	7.14 percent
FY 2005	-	9.35 percent
FY 2006	-	10.34 percent
FY 2007	-	11.72 percent

Chairman Raggio asked for the percentage differences. Brian Burke, Senior Program Analyst, Legislative Counsel Bureau, Fiscal Analysis Division provided the Committee with a chart entitled *UCCSN FY 1998-07 Formula Summaries Percentage Changes* (Exhibit D).

Dr. Nichols explained that the new chart (Exhibit D) showed, by institution, the dollars that would be projected by the formulas. Mr. Burke added that the chart (Exhibit D) was not dependent on a General Fund scenario, and simply compared the existing formulas with the new formulas.

Chairman Raggio asked whether the numbers on Exhibit D were the same as the tables reflected in the meeting packet (Exhibit C). Dr. Nichols agreed that the numbers were the same.

Dr. Nichols stated that the chart provided by Mr. Burke tracked the actual affect of the new formula. Again, the effect is that you are producing a description of need that is higher but it's not an effect that produces a higher cost to the state that goes to the institution.

Reviewing the new chart, Exhibit D, Dr. Nichols explained that for each summary there was a difference in the comparison of the formulas between the universities. For example, in FY 2003, the dollars generated for the universities were 0.91 percent higher for UNR and 1.4 percent at UNLV. She commented that the universities worked hard to stay as close to the existing formula dollar amount as was possible. Therefore, the total percentage change for the universities was a 1.22 percent increase.

Dr. Nichols asked if Mr. Burke could comment on the column for *Existing percentage of Total*.

Chairman Raggio clarified that if the new formula was adopted, it would generate for the entire system, 4.28 percent additional funds over the existing formula. Dr. Nichols indicated that was correct.

Dr. Nichols pointed out that the percentage of funding for community colleges increased more than the universities. Explaining further, she stated that many of the drivers for community colleges when the first formula was constructed in the mid-1980's were no longer an accurate reflection of the workload and that has caused a greater percentage increase for the community colleges.

Chairman Raggio pointed out that for FY 2007, the chart showed a 3.16 percent decrease for the universities and a 3.16 percent increase for the community colleges. Dr. Nichols said that was representative of the "shift" in funding between the universities and the community colleges.

Committee member Don Synder said looking at FY 1998, WNCC showed a percentage change of 28.53 percent. Applying the new formula to the historical numbers would suggest that WNCC was essentially under funded by 28.5 percent. Chairman Raggio said there was no such term as "under funded" but Mr. Snyder might be saying that if the new formula were in existence in 1998, then that would have resulted in those increases for WNCC if the formula was fully funded. Mr. Snyder replied that he understood that concept; however, something was out of balance because there were two colleges that had large numbers, WNCC and TMCC, relative to the universities, and he could not recall anything in earlier studies or discussions that would suggest such an "out-of-balance" situation between the universities and the community colleges. Therefore, if the formulas were applied historically, it would suggest that there was a fairly significant imbalance that existed in the past.

Mr. Snyder commented that the historical review of the figures over time was directly related to the importance of drivers with the numbers. He asked whether the growth factor had been removed from the figures in the chart. Dr. Nichols replied that growth had been removed as a factor; however, growth in the new formulas was calculated differently from the old formula so the growth driver would be different. Although growth was considered in both formulas, it was dependent on whether the rolling three year average or the projected enrollment figures was used.

Mr. Snyder said when he looked at the chart provided (Exhibit D) he tried to locate the outliers in an attempt to understand what created the variance. In addition, the percent change for the year 2007 was 0.76 percent for UNR and 1.06 percent change for UNLV. Yet, the community colleges for that same year range from 15.6 percent to 22 percent. Mr. Snyder said he did not recall such dramatic dynamics between the community colleges and the universities during any earlier Committee discussions.

Dr. Nichols stated that one of the community college presidents may wish to address Mr. Snyder's comments further; however, she related that the discussion of the Working Group centered on the fact that the community colleges demonstrated that the old formulas did not adequately fund the support areas, particularly in the areas of student services and institutional support. Further, community colleges have been called upon to accomplish more so, consequently, the new formulas enhance the funding of the community colleges.

Chairman Raggio clarified that all of the institutions were enhanced by way of the new formulas, but as a group, the funding for the community colleges was enhanced at a higher percentage. Dr. Nichols concurred.

Regent Derby said that although the difference in percentage funding between the universities and the community colleges had not been a topic before the Committee, it has been a discussion within the UCCSN and she has been aware that the funding formulas as designed in 1985 underserved the community colleges more than the universities were underserved in the support categories.

Senator Titus acknowledged that the recommended new formula would enhance all of the institutions, but would enhance the community colleges more, and since the money came from the same funding source, the community colleges would obtain more funding than the universities.

Mr. Snyder directed the Committee to page 79 of the meeting packet which showed the formula funding for FY 2002 at 77.88 percent, and by FY 2007 that percentage was reduced to 63.3 percent, which was a significant change from the prior formula funding.

Regent Sisolak presented charts for discussion (Exhibit E), and indicated his charts were similar to those already presented. He expressed his concern for the apparent "shifting" of money from the universities to the community colleges and although there was an increase in both areas, there appeared to be a "subsidizing" effect. He acknowledged the difference in tuitions in the universities and community colleges; however, coupling the figures provided in his chart (Exhibit E) with the growth factor, concerns become more evident. For instance, in FY 2002, the universities would grow at the rate of seven percent, yet the formula growth increase was only expected at 1.7 percent. On the other hand, the community colleges were growing at the rate of less than six percent, but the funding was growing at nine percent.

Dr. Nichols stated that enrollment growth was included in the new formula so the only question that should arise is whether the formulas adequately funded the institutions for enrollment growth.

Regent Sisolak interjected that at a time when the universities' growth was exceeding the growth from the community colleges, the funding should not be going in the opposite direction, which it appears to be doing under the new recommendations.

Continuing, Regent Sisolak expressed concern for the additional driver for Teaching Assistants and asked what the cost of that was for the institutions.

In response, Larry Eardley, UCCSN, explained that he did not know the actual cost, but he did know the amount of the driver. He went on to state that the community colleges fund teaching assistants in their budgets and the current average was $930. Therefore, the $1,000 was per FTE position and would create a formula amount for teaching assistant positions to recognize existing costs for current positions.

Regent Sisolak commented that it was his understanding that the purpose of the Committee to Study the Funding of Higher Education was to establish parity and equity for all the institutions, yet the formulas recommended actually take money from the universities and shift it to the community colleges. He echoed Senator Titus and Mr. Snyder’s comments and concluded that he did not want to start a battle between the community colleges and the universities.

Dr. Nichols informed the Committee that the campus presidents agreed that there should be a higher percentage increase for the community colleges higher than the universities. However, the Working Group did not anticipate such a high percentage increase.

Regent Sisolak reiterated that he was troubled with the way the figures came out in the formula.

Regent Derby indicated that there was a real effort that went with the new formulas proposed to incorporate the concept of equity which included the regional equity that has long been needed. However, there was also an interest in bringing equity between the community colleges and universities in that the community colleges have been seriously disadvantaged by the support formulas. She asked Regent Sisolak where the figures he provided in the chart were derived. In response, Regent Sisolak explained that the chart he provided (Exhibit E) was a compilation of the charts included in Tabs C3, C4, and C5 of the meeting packet.

Continuing, Dr. Nichols directed the Committee to Tab C4, the Hold Harmless scenario. Assuming that the dollar figures in the chart were used, some institutions gain and some institutions have a projected funding amount that was less than presently received. Dr. Nichols said it was never their desire to redistribute existing funds within the system, so attempts were made so that none of the institutions would be disadvantaged.

Dr. Nichols directed the Committee to the column in the chart for FY 2002, using the 19.5 percent scenario (Exhibit C, Tab C4) the hold harmless amount was the amount required if the institution was not to be funded below current levels.

In response to Senator Raggio, Dr. Nichols stated that the term “Request” as titled in the chart, was defined as the figure generated from the funding under the new formula which, for example, would be funded at 77.88 percent in FY 2002.

Dr. Nichols said the hold harmless concept ensures that no institution loses funds from one year to the next. She stated that when she reviewed the column entitled “hold harmless difference” she was concerned that the system not be put in the position of taking from one institution to give to another. The hold harmless provision was designed to bring about an equitable distribution of funds. The hold harmless scenario required $4.4 million in FY 2002 and $3.7 million in FY 2003, and Dr. Nichols proposed that those dollars be sought from another source, such as the estate tax funds.

Turning to page 82 of the meeting packet (Exhibit C), which represents the same hold harmless provisions except using figures based on a 20 percent share from the General Fund, the hold harmless total for the two biennia was slightly over $1 million. Dr. Nichols surmised that whichever scenario was used (19.5 percent or 20 percent) the equitable distribution of funds should be resolved within two biennia. She suggested that the hold harmless philosophy be implemented, but that such provision be funded through additional funds from estate tax monies.

Mr. Snyder said that the Committee's discussion throughout the process have focused mostly on the two universities and less time was spent on the position of the community colleges versus the universities which dominated discussions today. In addition, there was virtually no discussion devoted to drivers in the community college system yet that seemed to be of concern by several of the Committee members. Perhaps the Committee could spend more time understanding the drivers for the community colleges. He acknowledged that the Working Group was successful in looking at equity within the two groups (universities and community colleges), but little time has been spent on the relative position of the two groups. Given the short time before the next meeting, the Committee should focus on the apparent inequity between the universities and the community colleges.

Chairman Raggio stated that the equity issue between the community colleges and the universities goes back many years when community colleges were first created. At that time, the universities received 100 percent of the funds. Chairman Raggio indicated that he was not advocating for either side; however, the Working Group, comprised of representatives from all of the institutions, initially brought recommendations and were designed to create a more equitable system. Chairman Raggio reiterated that equity did not necessarily mean equal. Further, the Committee has reviewed the Working Groups' recommendations over several meetings, then were asked to provide costs for those recommendations. The Committee should not be looking at what the final result might be in dollars or percentages because there will undoubtedly be some sort of a shift. Therefore, he would suggest that the Committee not look at the "final number" but instead focus on how the formulas are calculated.

Mr. Snyder said he was not faulting the results on the cost of the formulas; rather, he was using the information provided to challenge some of the analysis and raise questions based on the numbers. His review of the recommendations leads to analytical questions that come to mind, especially on matters that represent significant changes.

Mr. Snyder expressed support for the activities of the Working Group, adding that it was his understanding that the Working Group worked more on the separate sections to the funding formulas and the equity within those sections; but he would like to spend some time on the drivers which are an important part of the big picture.

Chairman Raggio replied that Mr. Snyder's observations and concerns were certainly fair.

Senator Titus recollected that the Committee asked the Working Group to rework the original recommendations because they were "too rich." Now, the second set of recommendations come before the Committee and it would appear that the university part of the Working Group has done what they could to rework the formulas and redistribute the money so that the increase was only 0.94 percent. Yet, the community colleges went back and reworked the formulas and came up with 15.63 percent. Senator Titus surmised that the universities followed the directive of the Committee and made the formulas as tight as possible but the community colleges left more of their "wish list" within the formula.

Secondly, Senator Titus asked how the new state college would affect the percent change chart (Exhibit D). She asked whether the UCCSN had estimates attributable to Nevada State College at Henderson (NSC).

Dr. Nichols replied that the NSC was reflected in the other chart for expenditures. However, the chart depicting percentage changes was theoretical so the Committee could determine the effectiveness of the formulas. Senator Titus asked whether the formula for NSC would be somewhere in between the university rate and the community college rate. In response, Dr. Nichols said that was correct, but the exact formula had not been developed yet.

Senator Titus said she did not understand why the NSC formula would not affect the “bottom line” figure on the chart. In other words, if there was a separate formula, it should be included somewhere because it would affect the overall percentage changes. Dr. Nichols concurred that the NSC formula should be included.

Mr. Beers opined that the recommendations of the Working Group reveal that, based on statistical data, the funding needs of the community colleges have increased in a swift fashion. He asked what the underlying requirements of the community college were that required so much more money than the universities.

Chairman Raggio asked whether there was any dissention among members of the Working Group regarding the recommendations.

Dr. Nichols commented that she only participated in the last month of the Working Group, but it has been her experience that developing formulas resulted in a compromise document. She noted that the business officers in the Working Group for both the universities and the community colleges compromised. If the universities and community colleges were asked to develop a document that reflected their separate needs, the documents would reflect much larger requests than the recommendations that have been presented. Further, Dr. Nichols indicated that the increased percentage for the community colleges was more a result of timing than anything else. Once the numbers were finally run, the community college numbers were larger than were anticipated. However, had the UCCSN had more time, the numbers would likely be less than what was reflected in the proposed recommendations.

Dr. Nichols related to the Committee that there was a proper discussion regarding particular areas of student services and institutional support being the same for the two groups of institutions. That discussion was resolved by an agreement that the institutions categories would be different. She stated the recommendations before the Committee reflected a compromise; had the Working Group had additional time, even one week, the figures would be different.

Dave Keebler, Vice-President of Resource Management, Truckee Meadows Community College, and member of the Working Group, provided background to the Committee on the process used by the Working Group in developing the recommendations. He stated that the Working Group reviewed operational issues at the community college and university level. At first, the groups worked independently, one group for community colleges, and one group for the universities. Thereafter, the two groups came together to review the differences. The community college group reviewed the existing functions of the current formula and focused on ensuring that the outputs were reasonable. The first goal was to make sure the output of the instructional function produced the same number of positions as the output of the old formula.

Mr. Keebler concluded that the old formula and the new formula produced the same number of positions yet there was an increase in instruction. However, the increase in instruction was not due to positions, but was attributable to the equity issues among the community colleges. For instance, at some community colleges, part-time faculty were paid $19,000 per year while other community colleges budgeted the same positions at $28,000 per year. Likewise, the operating dollars at some community colleges averaged $2,000 per FTE, while at other community colleges they were $4,800. Those internal inconsistencies were rectified.

Mr. Keebler informed the Committee that the community college group within the Working Group took an "averaging" approach in an attempt to reach a mid-point in the formulas.

As to Academic Support, Mr. Keebler reported that the main issue was dealing with the area of technology. It was noted by the Working Group that technology was pervasive throughout the colleges, and that technology was not just related to academic support. The Working Group determined that technology could be treated in a couple different fashions: 1) Create a separate function or formula for technology, or 2) Integrate Technology into the current functions. After some debate, it was decided to integrate technology into the Academic Support function for positions. That action represents a five percent increase in that function.

Turning to Student Services, Mr. Keebler pointed out that the larger community colleges were at 400 as a denominator for determining the number of positions. However, in reviewing expenditure patterns over the years, overspending in student services occurred regularly. The denominator of 400 that was established in 1986 may have been understated and that battle has been fought ever since. As a solution, the Working Group revised the denominator to 300 because that generated the correct number of positions to run the community college.

Mr. Keebler directed the Committee to the recommendation for Institutional Support, and pointed out that the percentages were the same but the break-points had been increased by $5 million to account for inflation.

Chairman Raggio said in 1986 the formula was at $5 million for Institutional Support for just about all of the institutions but the recommendation for the new formulas was to increase that to $20 million. Mr. Keebler recognized the substantial increase that posed and reminded the Committee that the increase was not only due to inflation, but that Institutional Support also paid for security.

Chairman Raggio noted, additionally, that the cap went from $30 million to $40 million. Mr. Keebler said that was correct.

In the Operations and Maintenance (O&M) category, Mr. Keebler stated that the community colleges agreed with the universities that since both groups have institutions and facilities, it was better to design a method for O&M that was compatible to both groups with the same drivers.

Mr. Keebler pointed out that the portfolio changes for the community colleges reflected no change in instruction; however, Equipment was funded separately in the existing formula and the community colleges came in at a lower number than the universities ($5,200 for universities - $3,500 for community colleges).

As to Student Services, Mr. Keebler said the differences in this area were significant in that the larger community colleges have a denominator of 300 and the universities have a denominator of 200 for the first 10,000—representing approximately a 50 percent advantage to the universities. During the Working Group discussions, there was some debate as to whether that was reasonable.

The differences in Institutional Support are shown by the breakpoints. The breakpoints for the community colleges are less than the university breakpoints. Again, there was a discussion about why institutional support was not similar to O&M but, even so no changes were made and the universities maintained a higher breakpoint than the community colleges for institutional support.

Mr. Keebler concluded that without looking at the dollars, universities have a better position or equal position in the functions than the community colleges. However, when the model is generated with the dollars, the shift becomes evident. He directed the Committee to the existing formula and stated if the existing formula was rich for universities and not rich for the community colleges, there will definitely be a shift in dollars when running the new formula. The universities have the ability to take the existing dollars from the existing formula and place them in new areas where the community colleges did not have that opportunity.

Dr. Moore, in response to an earlier comment by Senator Titus, stated that the Nevada State College at Henderson (NSC) was included in the calculations. During the first year of the new biennium, no instruction is reflected in the budget for NSC. However, the college would be requesting from the Board of Regents estate tax funding to hire a core faculty the first year, but not to offer classes. Dr. Moore pointed out that the charts provided to the Committee did reflect that numbers were provided for the second year of the biennium, somewhere between $7-$9 million for the first year of NSC.

Mr. Snyder explained that his comments involved the discussion on how the Working Group revised the first set of recommendations and the drivers. He said when he reviewed that information, he historically applied the new formula to the existing formula. However, he understood some of the comparison problems with that analysis, as explained by Larry Eardley that of the 70/30 and 60/40 split might affect the numbers somewhat. The reason he applied the analysis historically was to determine whether the differences were great or minimal. If the changes were great, then a review of the decisions that went into those changes should occur.

Dr. Harter opined that in response to the earlier question of whether the entire Working Group came together with the set of recommendations presented before the Committee today, she would have to say the answer was “no.” The two universities have agreed in terms of their recommendations, the community colleges have come together in terms of their recommendations, but she did not believe the universities accepted the conclusions of community colleges. Dr. Harter explained that while the community colleges deserve some enrichment of their funds for support services, the proposed recommendations exaggerate the need of the community colleges (15 percent for the community colleges and 1 percent for the universities). In addition, she did not believe that the university representatives on the Working Group (Ashok Dhingra, George Scaduto, Mike Sauer and Bruce Shively) had an opportunity to review and discuss the numbers. Lastly, Dr. Harter opined that more work was needed on the numbers and if the community colleges exerted more discipline, a modest increase could be reached.

Regent Sisolak indicated that the equity study prepared by MGT of America, Inc., in April 1999 did not show the huge disparity in increase as in the Working Group’s recommendations. Further, he disagreed with the comment made by Mr. Keebler that there was no difference between the community colleges and universities for institutional support. Rather, there was a large difference (i.e., the tuition charged, allocation of fees) between the institutional support for a university and institutional support for a community college. Bringing all those categories into a new formula was, in his opinion, a “big leap.”

Regent Sisolak echoed Mr. Snyder’s concerns that the 15.65 percentage increase for the community colleges was quite large and significant. He further concurred with Senator Titus’ concerns that the proposed new state college would affect the numbers even further and could turn the percentage change for the universities into a negative, over time.

Dr. Nichols acknowledged the concerns of the Committee that the numbers for the community colleges might be too high. She suggested that the UCCSN work closely with the LCB staff within the next week to review what could be done. However, she cautioned that there might always be some percentage difference for the community colleges and universities, but perhaps not at the level reflected in these recommendations.

Dr. Nichols recognized that there was little experience with the existing formulas as it applied to the community colleges. The Committee was rejecting the argument that the support areas should be funded exactly the same for the universities and the community colleges—except for O&M. She concluded that within those parameters, the UCCSN and Working Group could work on the formula recommendations further before the Committee's next meeting.

Chairman Raggio said the Committee was not directing the Working Group to change anything or come up with a specific result. Rather, the Committee was concerned with developing a formula that included an equity component. If the Committee could reach some consensus at the June 21, 2000, meeting, then action could be taken. Perhaps he should suggest that one Board of Regents be formed for the Community Colleges and another Board of Regents should be formed for the Universities.

Senator Titus brought up the recommendation to add $1,000 per faculty FTE for teaching assistants. Although teaching assistants were paid presently, specifying that category in the funding formulas was a dramatic, new element to the formula.

Mr. Keebler said the existing formula was silent for teaching assistants in community colleges. He clarified that a teaching assistant was actually an instructional assistant. Instructional assistants were not teachers of record but assisted in classrooms along with instructors. Historically, since the formula was silent in 1986 as to instructional assistants, the community colleges were funding teaching assistants by freezing full-time or part-time dollars. Reviewing those dollars has shown that approximately $915 per FTE has been operationally funded for the instructional/teaching assistants. Therefore, the Working Group determined that it should be placed in the formula so there was no inequity in the future.

Senator Titus argued that if the teaching assistant positions were funded through the new formula, that would free-up the money that the community colleges were currently spending for that purpose and could be used to hire more faculty.

Mr. Keebler stated that was correct, however, the positions generated from the new and the old scenario were the same.

Dr. John Richardson, President of Truckee Meadows Community College, said he has listened with interest to the discussions of the Committee. He stated that obviously there were differences between community colleges and universities and those differences were reflected in areas of the formula recommendations. He advised the Committee that he has had interesting discussions over the past several weeks with President Harter and President Crowley and it would be fair to say that there is strong disagreement between him and the presidents.

Dr. Richardson began a presentation using an overhead projector. A copy of that presentation is marked Exhibit F. Dr. Richardson explained that the data was compiled from the UCCSN Chancellor's office and he specifically used data from 1986 (the year of the last funding study) to demonstrate the significant changes in enrollment patterns since that time. For instance, in 1986, the community colleges were 35 percent of the system enrollment and the universities were 65 percent of system enrollment. Now, enrollment patterns at the community colleges constitute almost one-half of system's enrollment. If that trend continues, the community colleges will have at least half of the full-time equivalent enrollment in the system.

Additionally, Dr. Richardson provided data from the fall of 1992 to the fall of 1999 showing the enrollment of Nevada resident students. The chart (Exhibit F) indicates that there has been a dramatic shift in enrollment of Nevada resident students. Presently, two-thirds of the students at community colleges are Nevada residents while Nevada resident students enrolled at the universities has declined. Dr. Richardson opined that if the state was able to spend more money yet dollars were tight, the money should be spent to service Nevada resident students.

Dr. Richardson informed the Committee that he had data for each institution representing the trends he has explained. That data shows that the community colleges have been increasing "across the board" in terms of the services they provide to Nevada resident students and that was an important consideration for the Committee's deliberations on funding of higher education.

Many of the presidents that were in the system in 1986 when the existing formula was established have indicated that those were "university formulas" that were imposed on community colleges because the community colleges were relatively young at the time. Dr. Richardson opined that Dr. Nichols, as staff to the 1986 study, would likely affirm his comments. In developing the new funding formula, the Working Group simply applied rational formulas to the community colleges.

Further, arguing in favor of the new formulas, Dr. Richardson pointed out that the universities went from a denominator in student services of 300 to 200—representing a 33 percent increase. Whereas, the community colleges went from a denominator of 400 to 300 in that same category—representing a 25 percent increase. He clarified that the new formula did not simply increase the community college drivers and leave the university drivers the same; rather, the recommendations change the university drivers as well.

Chairman Raggio asked for the total headcount of the universities and community colleges.

Dr. Richardson, TMCC, replied that he could provide that information but it would take him some time to compute the number. Dr. Ashok Dhingra, UNR, said he could provide the total headcount for the universities only. Dr. Richardson said the entire system was 90,000 and the universities were about 35,000 – for just Nevada residents.

Senator Townsend commented that if the amount of out-of-state students increased dramatically at the universities and funding was the main concern, then perhaps the question is "Are we charging non-residents enough tuition?" In some instances, it was cheaper for out-of-state students to come to Nevada to get a great education. Obviously, the state would like to keep the cost of education as reasonable as possible to residents.

In response to Senator Townsend, Dr. Nichols asserted that out-of-state tuition has always been based on the costs of educating one student, graduate and undergraduate levels. Since that was established, the Board of Regents has set a policy on how increases to that tuition are handled over time. The UCCSN is cognizant that a more in-depth study of tuition rates for both resident and non-resident students was necessary. It was hoped that such a study would occur within the next year. However, she reminded the Committee that the UCCSN participates in Western Interstate Commerce for Higher Education (WICHE) and some students come from other states under a special program which also allows Nevada students to attend school out-of-state at a reduced rate.

In addition, Dr. Nichols related that the UCCSN has established a "good neighbor" policy to allow persons who live close to the state border and/or who work in the state, to pay a lower tuition rate than other out-of-state residents to attend Nevada colleges. The concerns regarding whether the UCCSN was charging enough for out-of-state tuition, or whether the UCCSN was serving too many out-of-states students, was not a new issue and was certainly an appropriate discussion for the Committee.

Dr. Nichols commented that Dr. Richardson has raised those same issues on a couple occasions with the Board of Regents. Historically, the UCCSN has often wanted to keep the non-resident tuition fee reasonable because Nevada so badly needs well-educated citizens.

Senator Townsend said he would like to know the exact numbers of students served—resident vs. non-resident. He commented that a "good neighbor" policy did not fix the vast problems that plague the higher education industry in Nevada. Although the tuition policies established by the Board of Regents were "nice," the system needed money to handle the many issues and concerns that have been raised during this study. He suggested the UCCSN re-evaluate the entire concept of the good neighbor policy because if the state did not put a value on what the UCCSN offered to out-of-state students, then students would simply be attending the institutions in Nevada because it was cheap, not because the programs were good.

Chairman Raggio concurred that student tuition rates would have considerable bearing on the money available for higher education. He reminded the Committee that the consultant they hired, Dr. William Pickens, made the observation that the State of Nevada had a low student fee structure.

Dr. Ashok Dhingra, UNR, commenting on the good neighbor policy, stated that originally the policy was established by the University of Nevada, Reno and was later adopted as system policy. The reason behind the policy was to accommodate people who live in adjoining areas and shop in the State of Nevada. Those people come into our state on a weekly basis to shop, buy cars, gamble, etc. Since those people contribute substantially to the state's economy, the UCCSN wanted to establish the policy. A resident of New York did not enter Nevada frequently and pay sales tax in the state; however, a resident of Truckee, California, may come to Reno or other parts of the state on a very frequent basis and support our economy.

Chairman Raggio asked Dr. Nichols to comment and explain the system's position on the flexibility issue. He asked her to define "flexibility." In addition, he reminded that by comparison with other universities and higher education systems, Dr. Pickens related that the UCCSN had a high level of flexibility regarding funding. Chairman Raggio recollected when the Legislature used to line item and monitor the UCCSN budget with great detail, but that practice no longer occurs. He asked Dr. Nichols to detail how accountability would play a role with the request for flexibility.

Dr. Nichols replied that the formula generated a dollar amount that was based upon need. The current system of funding higher education was generous insofar as the money the state provided and how institutions could spend that money. She related that an agreement has long been in place and adhered to, that instruction, fully funded by the state, remains in Instruction. Based on the current formula, the other support areas were funded at approximately 80 percent and the Legislature has allowed the UCCSN the flexibility to move those items from one area to another.

Over time, the state has been caught under the old system whereby when money is moved and the funding has occurred under a historical average and base amount, the campuses could "make up" certain areas.

Under the proposed new system, the UCCSN would not be able to drive up the base amount through the formula. In other words, the state would provide an agreed-upon amount to the UCCSN and that amount would be given to the campuses. She informed the Committee that more support staff was needed on the campuses to ensure that students received the services needed.

Continuing, Dr. Nichols stated that the new recommendations suggested that the state provided the money to the UCCSN and the UCCSN reports back to the state on how that money was spent. The flexibility does not extend to positions. However, the system was requesting the ability to spend the money in the areas that best enabled each institution to meet its mission.

Chairman Raggio asked whether the money would be taken from the instructional category and used somewhere else. For instance, Dr. Harter mentioned at one of the Committee meetings that there were areas of instruction in some of the other categories that could provide more flexibility. He asked how that type of flexibility would be monitored.

Dr. Nichols answered that the only way generous flexibility could be provided was to apply a strict amount of monitoring and accountability. She reminded the Committee that the new recommendations called for a change from 100 percent of the funding of instruction, to a percentage across the board. Dr. Nichols said she did not anticipate that institutions would be moving money out of instruction.

Chairman Raggio mentioned that Dr. Harter, during the last Committee meeting, used as an example of flexibility, the ability to move money from the instruction category.

Dr. Nichols explained that was an example considering the current funding formula, not for the proposed recommended formula.

Dr. Harter interjected that her comments at the last meeting were geared toward broadening the definition of instruction since that area is much more complex than it has been in the past. The Instruction category included more than just a teacher in the classroom; but also included distance education, instructional technology, library resources, etc. It was her suggestion to broaden the definition of instruction to include some of these other areas which previously were considered as support areas. In that way, the institutions could justify the use of instructional dollars for other areas such as librarians and computer technicians and laboratories, which are all part of the instructional process but cannot be funded out of instructional dollars. If flexibility was not preferred between categories, then perhaps a broader definition of instruction could be designed.

Dr. Nichols added that regarding flexibility, the new model was not based on historic costs so perhaps it was time to address the issues facing the institutions, such as rapid change and growth. The institutions wanted the flexibility to distribute money in areas that better delivered instruction, research and other services to which facilities were mandated. Dr. Nichols assured the Committee that the flexibility of spending would be accompanied with a complete report to the Legislature on what was spent and the difference that flexibility made in the system.

Chairman Raggio asked for additional comments relating to the indirect cost recovery because the UCCSN was recommending all indirect costs be retained. He pointed out that the state now only retains 25 percent of indirect costs and the UCCSN obtains the remainder. It was his understanding that when funds were received from grants, a certain amount of that sum was applied to administration. Presently, 75 percent of those sums was retained by the UCCSN. However, the fact is that the state has already funded the administration so those administrative funds should have been returned to the state. Originally, those funds used to be returned to the state when budgets were calculated. Finally, Chairman Raggio recollected that the Legislature put the issue to rest with an agreement that indirect costs would remain at 25 percent. Yet, the issue was being rejuvenated with this new set of recommendations for the funding of higher education. He asked what the rationale was, considering these funds are taxpayers' dollars, that the state should already fund the administration then not recover one-fourth of those funds through other sources.

Dr. Nichols affirmed Chairman Raggio's observations that the indirect cost recovery was based on grants and contracts and was negotiated with the federal government to reflect costs of administration, building and utilities, and yes that was already funded to the UCCSN by the state.

Dr. Nichols said that both of the universities in the state needed to get back 100 percent of the funding in order to cover the costs of the research entity. That money, most often, is set aside to support research administration, grants & contracts, and a variety of faculty assistance. It was extremely important for the universities to have those dollars to build the economic engine for the state for the applied research transfer.

Chairman Raggio reminded Dr. Nichols that the universities were already receiving 75 percent of the indirect cost recovery funds for research. He asked whether that money was being used for research. Dr. Nichols replied that it was her understanding that every institution used the indirect cost recovery for research; however, there may have been occasions, out of necessity, when the funds were used for other types of administration. Both institutions were attempting to find other means to support research.

Senator Titus asked whether the formula for indirect cost recovery funds applied to every institution. Dr. Nichols replied that DRI received 100 percent return on funds because that institution did not receive the same level of support from the state for administrative costs as did the two universities. Senator Titus noted that DRI has continually received more state support and inquired if the percentage of indirect cost recovery applicable to that institution should be reviewed.

Dr. Nichols said in the proposed new formula, DRI would be entitled to receive O & M, but they were not covered in other areas of the budget.

Dr. Harter commented that state dollars did not support the research infrastructure and the universities have been required to build that infrastructure out of the indirect cost recovery dollars. With only 75 percent of those dollars, it has been difficult to build the research program that best provides accountability to the federal government. She explained that there were strict cost accounting standards that were required for the federal grants and contracts and UNLV was unable to fund auditors and others necessary to accomplish that task. In addition, Dr. Harter stressed that the indirect cost recovery dollars were also used as start-up costs for faculty research to do new projects, to build laboratories for research projects, etc. All of the research entities in the state were trying to make all of their research efforts relate to economic diversity and development of the state. She concluded that research efforts come back to the state in many different forms. Should 100 percent of the indirect cost recovery funds be awarded, that would provide $100 million for UNLV which would enable that institution to build infrastructure to be accountable for federal expenditures and provide the external doctors to continue research enterprises.

Dr. Dhingra said 17 years ago the policy was to keep 75 percent of the indirect costs for the state and 25 percent for the universities. For UNR, that 75 percent was $327,000. Over, the years, the universities have asked that the 25 percent indirect costs be increased. Today, the 25 percent that the state retains equals $1.624 million. As the direction of indirect cost recovery shifted, the universities were able to provide the state with appropriate research incentives to generate those dollars. When UNR financial officers wondered how the Legislature could be approached to request more research dollars, there were two options: 1) Add a certain percentage to the General Fund budget; and 2) Retain what the universities earned.

Dr. Dhingra said the result of the recommendation to retain 100 percent of the indirect cost recovery funds for research represented a positive, economic impact for the state while at the same time provided research support for the universities, which they have no additional means of providing.

Chairman Raggio asked whether most of the research was performed by university faculty and If that research time was included in the money appropriated for those positions. Dr. Dhingra replied that was incorrect. Continuing, Chairman Raggio asked whether faculty were getting paid overtime to perform research duties. Dr. Dhingra explained that if a position was budgeted at 1.0 in the state budget and that person was working on a sponsored activity for .33, then that time is off-loaded and that person is then in charge of the research.

Chairman Raggio asked how much money the state would be letting go if the full 100 percent were to go to the universities. Dr. Dhingra answered that it would be approximately $2.7 million.

Chairman Raggio pointed out that the estimated $2.7 million in indirect cost recovery that the state now retained could benefit other programs in the state, such as mental health and mental retardation, welfare, etc.

Dr. Dhingra replied that if the state allowed the universities to have the approximate $2.7 million, the UCCSN would bring back significant dollars to the State Treasurer through the economic impact that would result.

Chairman Raggio asked Dr. Dhingra how the money would get to the state treasurer. Dr. Dhingra explained that if the dollars were spent wisely on the campuses, then more research dollars could be generated and then those dollars were used in the state and bring taxes dollars to the State Treasurer. For example, the former Vice-President of UNR, Ken Hunter, prepared reports which showed that over the last several years, the two universities have produced an economic impact of as much as $1 million and this was attributable to providing research incentives on the campus.

Chairman Raggio informed Dr. Nichols that the information regarding the recommendations needed to be provided one week prior to the next meeting, June 21, 2000. He clarified that he was not directing the Working Group to recalculate the figures to reach a certain percentage or obtain no differential. He asked Dr. Nichols what the Working Group would be reviewing when they met again and whether the institution presidents would be able to appear before the Committee on June 21, 2000, to advise the Committee they were in agreement with the new formulas.

Dr. Nichols responded that any formula that was adopted would not likely be accepted by all of the campus presidents. However, she suggested that the system staff work with the LCB staff to review the recommendations and finalize the best formula for the state and higher education. She encouraged the Committee to adopt the formulas that will be brought forth at the June 21, 2000, meeting. She assured the Committee that she would do her best to listen to all the voices in the higher education community, including the campus presidents, in an attempt to devise an equitable formula.

Dr. Nichols went on to state that the community colleges have expressed concern that they do not have a representative on the Committee since Dr. Moore is far more interested in state colleges than he is in community colleges.

Chairman Raggio interjected that some of the Committee members represented all of the institutions in the state, such as the three UCCSN Regents that serve on the Committee.

Dr. Nichols concurred, and recognized that the university presidents that serve on the Committee were not voting members.

Dr. Nichols concluded that it was her belief that the Committee would have a formula that the Committee can confidently adopt by the next meeting.

Chairman Raggio said he might have to seriously consider his recommendation for two Boards of Regents—one for the community colleges and one for the universities.

Noting the time, Chairman Raggio indicated he had additional questions that should be discussed. He asked Dr. Nichols to comment on the recommendations regarding carry-over of ending fund balances.

Dr. Nichols replied that the issue of carry-over fund balances was a separate discussion and she did not believe the Committee was charged with, nor was the UCCSN asking the Committee to adopt that recommendation as part of the funding formula.

Chairman Raggio reiterated his earlier concern regarding starting salary equity and asked once equity has been established, how did the UCCSN plan to monitor the situation at the end of each biennium. He noted that that the policies for such monitoring were inconsistent throughout the system. Chairman Raggio asked why the Legislature should attempt to equalize all the salaries unless there was a consistent policy for all the institutions to follow.

Dr. Nichols answered that where equal salaries were expected, a system was needed to ensure that the equity remained. Chairman Raggio concurred—adding that the Working Group should make a recommendation as to how salary equity was established and identify consistent policies. He commented that such policies might directly oppose the concept of flexibility that the system was requesting. He stressed that he did not wish to rehash the equity problem for years to come since the issue has already been a topic for several years.

Dr. Nichols replied that in order for salary equity to remain, an identical salary schedule among the similar institutions has been adopted. She explained that step one has been completed in that a salary schedule has been developed and all faculty salary must fall within that schedule. Step two was to adopt similar salary administration policies between similar institutions. In fact, the salary issue only involves the universities so the two campuses will be asked to adopt similar salary administration policies. Continuing, Dr. Nichols added that the third step involves monitoring. This would include annual monitoring of the average salary. Currently, the UCCSN has developed a system to identify all of the faculty and all of the salaries. This Position Control System was in place and will allow for monitoring of the average salary.

Turning to instructional faculty ratios, Chairman Raggio asked whether the model recommended was to identify high cost, medium cost and low cost programs. Further, he asked whether this model, if adopted, might create a tendency to direct programs toward the high cost end.

Dr. Nichols replied that the cost of a program was the actual cost of the program so institutions did not serve to gain anything if they were to put in high cost programs because it would cost them the amount requested in order to establish, run and maintain a high cost program. Further, there was no built-in incentive to move into programs funded at a high level because those programs actually cost more to run. However, there were some aspects to that part of the formula that will need to be closely monitored. First, the UCCSN will have to have clear definition of each of the program cost categories and the appropriate FTE placement for particular programs. The UCCSN will have to establish an FTE counting policy for the new matrix so that accountability is strong in the area of program costs. She reiterated that the two areas of concern with program costs was 1) that programs were categorized correctly; and 2) that FTE was counted correctly.

The Committee took a short recess from 12:40 p.m. to 12:50 p.m.

D. <u>Report on the Impact of the Millennium Scholarship</u>

Dr. Jane Nichols, Vice Chancellor for Academic & Student Affairs, UCCSN, provided the Committee with a handout of her presentation (<u>Exhibit G</u>). She reminded the Committee that the Millennium Scholarships were created to provide financial assistance to students through a set dollar amount per credit, with a $10,000 maximum for the lifetime of the student who qualifies. This dollar amount represents current in-state fees of $80 per credit for the universities and $40 per credit for the community colleges.

Dr. Nichols informed the Committee that the Millennium Scholarship was designed to encourage higher achievement in high school and although the results will not be evident for years to come, the state should be able to see students in middle school and hopefully elementary school, deciding that they can go to college.

The UCCSN would like to increase the number of students that go on to higher education. Dr. Nichols advised the Committee that the State of Nevada had the lowest college-going rate for first-time freshmen and the Board of Regents would like to not only increase that number but also create a state environment in which going to college is the norm.

Dr. Nichols emphasized that the Millennium Scholarship should have a strong effect on retention and graduation rates and should encourage more students to stay in school fulltime because under scholarship guidelines, students are required to be full-time at the universities and at least half-time at the community colleges. She opined that this will likely result in more students graduating in a timely fashion even though there is an eight-year window to use the scholarship. After eight years, the funding is no longer available to the student.

It is hoped that the Millennium Scholarship will encourage students to attend college and complete their college education right after high school. To qualify for a Millennium Scholarship, students must have a 3.0 grade point average (GPA) and they must be admitted to a public university or community college in Nevada. In addition, if a student attends a community college in the state, they must be enrolled in a program of study that leads to a degree or certificate. The scholarship is designed to get young people to focus on an outcome.

Once the student has enrolled in a degree or certificate program, the millennium scholarship student must remain enrolled and must maintain a 2.0 GPA overall.

Dr. Nichols stated that her presentation to the Committee was to determine whether the Millennium Scholarship would place a new, unanticipated burden on the institutions and the state for enrollment. First, there has been a consistent pattern of enrollment growth within the system since 1995. Directing the Committee to the chart depicting the projected change in the annual average FTE (AAFTE), it shows that for 2001-2002 the UCCSN projects a 6.8 percent increase and for 2002-2003 enrollment growth was projected at 9 percent.

When the recommendations for the new funding formula were completed, the institutions were asked to consider the effect of the Millennium Scholarship. The results are shown in the chart (Exhibit G, page 4). Looking at the percentages, it clearly shows that the AAFTE growth has been fairly consistent.

The next chart shows the percentage change and the AAFTE enrollment from 1990-91 to 2002-03. This chart clearly shows what Dr. Richardson discussed during his earlier presentation—that there is an important role for the community colleges to secure students into a college-going mode. Further, the enrollment growth in community college FTE from 1990-91 to 2002-03 is shown at 153 percent while the enrollment growth for universities during that same time frame is 53 percent. Dr. Nichols mentioned that community colleges serve many different roles, including relationships with the workplace, and in some instances serve as the first two years of the university enrollment.

Chairman Raggio asked whether the actual FTE for the universities would remain higher than the community colleges. Dr. Nichols indicated that was correct; however, the percentage of increase was the area of tremendous growth for community colleges.

Dr. Nichols said community colleges are growing rapidly in every state and represent a very cost-effective form of education that serves many students well.

Dr. Nichols directed the Committee to the next chart (Changes in Systemwide Headcount and Nevada Population – Fall 1990 through Fall 2002). Dr. Nichols explained that this is an area followed closely by the Board of Regents because the Regents have set ambitious goals for both enrollment and headcount in relation to the state's population. Tracking the growth and population in Nevada along with the headcount enrollment in higher education, it can be seen that the state is growing so rapidly in population that we are falling behind in getting the population involved in higher education.

Turning to the next chart (Where Do College Students in Nevada Come From?), Dr. Nichols explained that national data from 1996 was the only available data that tracked students from state-to-state. In 1996, 31 percent of full-time freshmen were from out-of-state. Those out-of-state students come primarily from California and a variety of other western states (Exhibit G, page 9).

Regent Derby asked if the UCCSN had information on the number of the out-of-state students that attend universities versus community colleges. Dr. Nichols answered that she did not have that information with her but she could provide that to the Committee. However, it was her recollection that out-of-state students primarily attend universities.

During discussions on the Millennium Scholarships, information was gathered to see where students from Nevada attend college. In 1996, twenty-seven percent of first-time freshmen attended college out-of-state. Generally, students attend college in nearby states such as California, Arizona, Idaho, Oregon and Washington. Dr. Nichols related that these are some of the variables that the UCCSN has been considering when attempting to make determinations as to enrollments for the Millennium Scholarship.

The next chart reflected the estimated Millennium Scholarship enrollments. Turning to the year 2000-2001, the current yield rate of high school students that would go on to college is 37 percent but not all of those students go on to Nevada colleges. Therefore, the estimated enrollment for the fall 2000 term was 30 percent. However, the Millennium Scholarship could boost that number to 60 percent. The UCCSN believes the 60 percent yield rate is the correct yield rate for the number of Millennium Scholars that will be enrolled in Nevada institutions. Dr. Nichols reminded the Committee that the figures noted above only represented the freshmen students coming directly from high school.

Dr. Nichols stated that consideration of retention rates, transfer rates, an estimate of the number of students attending community colleges and never continue on to 4-year degrees, students who will not start college immediately after high school but attend two-three years later, are complex factors added to the enrollment projections of the impact of the Millennium Scholarship. However, the cumulative enrollment projections have been made and are set forth in the chart on page 9 of Exhibit F.

Dr. Nichols said the UCCSN suspects that approximately 25 percent more students will come into the university system commencing with the fall 2000 term. This information was derived by conducting a survey on the campuses of current enrollment and the expectations as a result of the Millennium Scholarship. She explained that the reason the percentage is not higher than 25 percent is because the students must have a 3.0 GPA. The UCCSN expects an approximate three percent increase in the number of students that attend college in Nevada due to the Millennium Scholarship.

Looking at the cumulative enrollment figures under the 60 percent column, and even though that figure may be a little on the high end, the UCCSN has included that figure in the enrollment projections for the system. In addition, the UCCSN is uncertain what number of students might go to the universities instead of the community colleges due to the Millennium Scholarship Program, which would make a big difference in terms of costs. Further, the FTE will be increased if more students choose to attend college full-time because of the Millennium Scholarship Program.

Finally, Dr. Nichols said the UCCSN expected that in the fall 2000, approximately 3,700 Millennium scholars may enroll in UCCSN institutions. Of that 3,700 number, likely 25 percent would not have enrolled had it not been for the Millennium Scholarship. However, she anticipated there will be a shift in the number of students who might have gone to the community college but with the Millennium Scholarship, will instead enroll in a university.

Regent Sisolak asked how the 25 percent increase in enrollment was calculated. He added that he has spoken with many students and who are planning on taking advantage of the Millennium Scholarship.

Dr. Nichols replied that when she was asked to make this presentation to the Committee, the system office worked with the institutional research officers and the admissions staff at each of the institutions and asked them to compute the number Millennium Scholars enrolled, and also requested them to provide the best numbers they have of recent high school graduates and project how many would have enrolled even if there were no Millennium Scholarship. Based upon that overall figure, a system-wide 25 percent was devised.

E. Public Comment

Dorothy Gallagher, UCCSN Regent, commented that in all her years as a member of the Board of Regents, there has never been absolute agreement in Academia. With the Working Group of the Committee being established representing all of the institutions, she would strongly support formulas that were adopted by the Committee, but she did not think that such a decision would ever be unanimous.

F. Adjournment

Chairman Raggio reminded the Committee that the meeting on June 21, 2000, would be held in Carson City and he asked all of the Committee members to be present in Carson City because the meeting would not be video-broadcast and the Committee would be in a work session.

There being nothing further to come before the Committee, the meeting adjourned at 1:15 p.m.

Joi Davis, Committee Secretary

Approved by:

William J. Raggio, Chairman

Date