

**MINUTES OF THE
COMMITTEE TO STUDY THE FUNDING OF HIGHER EDUCATION
(Senate Bill 374 of the 2011 Legislative Session)
January 11, 2012**

The Committee to Study the Funding of Higher Education (Senate Bill 374 of the 2011 Legislative Session) held its second meeting of the 2011-12 Interim on January 11, 2012, in room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada, and room 123 of the High Tech Center, Great Basin College, 1500 College Parkway, Elko, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Steven Horsford, Chairman
Senator David Parks
Assemblyman Paul Aizley
Assemblyman Pat Hickey
Assemblywoman Debbie Smith
Hugh Anderson
Kevin Page
Michael Richards
Spencer Stewart
Michael Wixom

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Ben Kieckhefer
Mike Dillon
Heidi Gansert
Jason Geddes
Gregory Mosier
Julia Teska

COMMITTEE MEMBERS PRESENT IN ELKO:

None

COMMITTEE MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT IN LAS VEGAS:

Alex Haartz, Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division
Brian Burke, Senior Program Analyst, Fiscal Analysis Division
Eileen O'Grady, Chief Deputy Legislative Counsel, Legal Division
Kristin Roberts, Senior Principal Deputy Legislative Counsel, Legal Division
Patti Sullivan, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

[Exhibit A](#) – Agenda and Meeting Packet

[Exhibit B](#) – Attendance Records

[Exhibit C](#) – Senator John Lee's Opening Remarks before the Committee to Study the Funding of Higher Education

[Exhibit D](#) – A New Model for Funding Public Education in Nevada – Nevada System of Higher Education

I. ROLL CALL.

Chairman Horsford called the meeting of the Committee to Study the Funding of Higher Education to order at 9:26 a.m. and the secretary called roll. All members were present at the meeting, with attendance in both Las Vegas and Carson City.

II. PUBLIC COMMENT.

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

There was no public comment.

IV. REMARKS REGARDING SENATE BILL 374 OF THE 2011 LEGISLATURE BY SENATOR JOHN LEE, SPONSOR.

This agenda item was taken out of order.

Chairman Horsford expressed delight to have Senator John Lee, the sponsor of Senate Bill 374 from the 2011 Legislative Session, at the meeting to provide remarks regarding his work on the bill and the intent of the deliverables for the higher education study.

Senator Lee expressed his appreciation to the members who were serving on the committee. Besides himself, he said there were many people who lent support for the bill and wanted to see change in higher education funding, including Senator Horsford and Chancellor Klaich. Senator Lee read his prepared Opening Remarks before the Committee to Study the Funding of Higher Education as follows ([Exhibit C](#)):

Chairman Horsford and distinguished members of the Committee – Good morning, and thank you for this opportunity to discuss S.B. 374 and the reasons I sponsored the bill and the Legislature passed it. I appreciate your hard work and your careful attention to ensuring an adequate and equitable funding formula replaces our tired and old formula, which has been proven to treat southern institutions unfairly, discriminate against our state's minority populations, and fail to allow our institutions to meet our repeated demands to be more entrepreneurial and self-sustaining.

The bill that establishes this committee originated as an attempt to provide a more permanent solution in light of the numerous attempts in past legislative sessions to fix the higher ed funding formula. This is not a new problem, and many members of this committee have voted for legislation during past sessions to provide temporary funding to close the historic inequity gap. In particular, our efforts have been centered on alleviating some of the formulas north/south bias as well as unfair treatment of community colleges. Under Chairman Horsford's leadership, we passed a bill he sponsored to cure some of the funding formulas unfair treatment of the College of Southern Nevada (CSN) and UNLV. According to numerous studies the biased funding formula has left historical inequities in funding of over \$20 million for CSN and \$25 million for UNLV. Of all state institutions, CSN receives the least amount of funding but serves the largest number of students. Both CSN and UNLV provide the most opportunity for our state's most vulnerable communities that are disproportionately located in the south.

The formula's unfairness is compounded when you consider the fact UNLV generates 48% of all tuition dollars in the system but only receives 34% of the state's higher ed budget, whereas UNR contributes a little more than half the amount UNLV contributes (27%) but UNR still receives the same amount of the higher ed budget (34%). UNR's medical school is commonly cited as the reason for this unfair treatment, but they fail to mention some of this funding is used in the exchange scholarship program with California students where non-resident students from California do not pay the higher tuition. Effectively, students in the south are not only subsidizing Nevadans educated at institutions in the north, but also subsidizing non-resident Californians studying to become doctors. Unfortunately, the inequity built into the funding formula continues, and once again it is incumbent on our body to step in and provide a more permanent remedy. The report and recommendations of this committee will be an essential step in creating a new funding formula that is easy to understand, equitable in its application, and promotes entrepreneurialism and sustainability.

Our Legislature has passed and funded previous bills, like Senator Horsford's, to rectify the formulas inadequacies. It is important to note these legislative attempts were necessary because the Nevada System of Higher Education was unwilling or unable to push for formula reforms. Understandably, institutions disproportionately funded by the formula they created have little desire to change the status quo. When I first started working on the legislation that created this body two camps emerged – those actively engaged in turning a blind eye to the formulas unfair treatment, and students who desperately needed the formula to be revised but were deeply concerned that opening the formula back up to revision could lead to further unfair treatment. While in Carson City, students told me the formula was written in an unfair way, the unfairness has been protected and even promoted at every turn, and they were concerned as one student said "about letting the wolves back into the henhouse to rewrite new rules." I often remind them that Chancellor James Rogers worked tirelessly to cure these inequities; however, I completely understand why people believe a system committed to administering and protecting an unfair formula should now be treated as a neutral player trusted to now correct the wrongs it helped create.

I have expressed these concerns with NSHE and Chancellor Klaich. I know he is committed to ensuring our institutions are treated fairly and provided the resources they need to achieve their ambitious missions. I am glad to see that today, as this body begins to open up the formula and commences the important discussion of fairness, NSHE will present a alternative funding formula. It is my understanding that the formula NSHE will present is based on the findings of a May 2011 evaluation of the funding formula conducted by their consultant MGT of America, Inc. It is also worthwhile to note that MGT is the only consultant that has answered this body's RFP and many people are concerned whether a handpicked consultant for NSHE responsible for the current formula is capable of preparing the impartial and unbiased reports necessary for this committee to properly create a new formula that treats all institutions fairly. While I am heartened by NSHE's proactive approach to our process, there are some concerned that NSHE is trying an end around to circumvent the process and attempting to influence these proceedings with their handpicked former consultant before this body even begins deliberations.

I on the other hand, believe it is important that NSHE contributes to our process and gives this body some of their ideas to throw into the mix. The years spent trying to correct the inherent unfairness of the formula, the countless studies commissioned, and reports authorized may collectively add up to a financial windfall for outside consultants, but

taxpayers and students are left with an unfair formula and a funding gap between institutions that continues to widen.

When I first started my plumbing business, I used the family's station wagon as my work vehicle. Strapping 20-foot sections of sewer pipe to its roof was not ideal, but we made it work. It was a great vehicle and I used it to build a successful business, but the years of wear and tear took their toll and after several costly repairs one thing became apparent it was time to retire the worn out old car and invest in a new vehicle more practical for a growing plumbing business. Our state has an old worn out formula that we have tinkered with, patched up, and tried to correct, but Nevada's population explosion and the evolving missions of our institutions makes it clear we need a new market oriented funding formula that addresses the core issue of underfunding the institutions that serve the region, which is home to three-quarters of our state's population and responsible for generating over 85% of the revenues in the state's General Fund.

I have three broad points, which are discussed in greater depth in my Official Remarks, which have been prepared for delivery to this body.

First, we need to start with stated goals. Nevada's new goals for college attainment and economic diversification establishes clear expectations for this committee, state policy makers, higher education, faculty members and the general public. Nevada needs more college graduates, a skilled workforce, and more research grants. All these elements create a strong economy. Clearly, state education goals are linked to state economic needs. With clear goals, Nevada can better align higher education policies with expectations. We need goals for:

- Incentivizing specific performance to meet state goals;
- Encouraging entrepreneurial behaviors, with accountability;
- Creating a funding framework targeting "at-risk" populations so they are included in achieving the state's goals; and
- Understanding direct instructional costs and full costs per student FTE as a basic unit of institutional transparency.
- Incentivizing competences and completions: quality as well as productivity;
- Allowing tuition and fees to be institutionally controlled;
- Inviting institutional flexibility to adapt and network internationally;
- Aligning what institutions have to offer with the advancement of state economic development sectors; and
- Encouraging regulatory changes that, with appropriate accountability, loosen control for a new funding model that is performance and outcomes based.

My second broad point is the formula needs to – Make Money Meaningful. In 2001 a recommendation for 2 percent performance funding was provided by a committee very similar to this one. When 2 percent of the funding is based on performance and the other 98 percent is based on enrollment, institutions will focus on enrollment and the state's goal of performance based funding will not be achieved. Such a small percent of funding will not drive change in institutional behavior and produce the outcomes Nevada needs. The present formula is not market oriented. For example, tuition collected at individual institutions is centrally redistributed in a manner that effectively deducts higher education contributions from the state General Fund:

- This simply turns students at some institutions into taxpayers who are subsidizing the education of students at other institutions.
- It provides no guaranteed funding floor for higher education.
- It provides no incentive for institutions to respond to market demand. Why should the colleges and universities spend resources and time recruiting students from out of the state or out of the country if doing so only ends up costing them in the end?
- It only focuses on outputs and does not consider inputs. There is a huge discrepancy in general fund revenue that each institution contributes.

Third, the formula needs to – Recognize Difference of Role and Need. Many prior attempts at formulas and performance funding failed to take into account differing missions of various types of institutions, the types of students served, the starting points for institutions, and the complexity of segments of instruction (such as, lower division through advanced graduate) with a broad matrix of disciplines and their costs. These issues need to be addressed in the formula revision, particularly the starting points for some institutions. The committee's awareness of the differences of roles and needs among Nevada's colleges and universities will increase the chances for the formula revision to be successful and long-lasting. Formulas should incorporate mission oriented metrics for various institution types, such as graduate degrees for universities and student success in remedial education for two-year institutions.

One final consideration that has been widely talked about is an entire overhaul of the system. We are one of the few states which include community colleges within the state's higher education structure. One possible solution is to pull the community colleges out of NSHE and then determine the most appropriate way for funding these institutions based on the best practices of other states. We could then develop a funding formula for the institutions left within the system. This approach

would be more consistent with what most other states do and alleviate the difficult task of crafting a formula that fairly treats fundamentally different institutional missions.

I appreciate Chairman Horsford inviting me to speak with you today. I want to thank you again for taking the time to create a new formula more consistent with our state's growth and strategic goals. We are not asking for taxes to be raised, we are concerned with ensuring the distribution of existing resources is done in a fair manner that reflects the state and market needs. Once I became aware of the inadequacies and inequities of the current funding formula I was not surprised to see those holding the right end of the stick mobilize to keep the status quo and preserve their unfair windfall. The continual subsidization of inequity must not be laden on the backs of our state's most vulnerable populations. I ask unanimous consent to submit my Official Remarks to the record. I would also like to answer any questions members of this committee may have at this time.

He thanked the members for their attentiveness, commitment to serve and wanting to do what was right for Nevada.

Chairman Horsford thanked Senator Lee for his leadership. He appreciated that the Senator pointed out key elements, which comprised the challenges of how the current formula worked. Chairman Horsford said it would be up to the committee to review the formula funding and determine options that worked best for Nevada's students and for improved higher education in the state. He invited Senator Lee and other leaders to be an integral part of the process to carry the committee's recommendations forward into the 2013 Legislative Session.

Senator Lee volunteered 100 percent effort in the 2013 Legislative Session to fixing the funding formula.

Mr. Geddes clarified that the Nevada System of Higher Education (NSHE) was not part of the selection of the only consultant, MGT America Inc., to submit a response to the committee's request for proposals (RFP). The entire RFP process was performed by Legislative Counsel Bureau (LCB) staff and NSHE had no role in MGT America Inc. as the only respondent. Mr. Geddes thought the alternative proposal to be presented at the meeting by NSHE addressed all of Senator Lee's other points. The proposal addressed equity throughout the system as well as the other charges laid out in S.B. 374.

Dr. Mosier voiced appreciation for Senator Lee's concern for higher education institutions in the state. In perusing the enabling legislation for the committee, Dr. Mosier tried to determine the articulated concerns and the perceptions relative to unfairness and inequities in the budget formula. He realized that it might be something the Senator had in mind when he proposed formation of the committee, but he did not

see where the entire Legislature passed enabling legislation intended to directly address issues related to unfairness and inequities. Dr. Mosier said in comparing the FY 2012 budget year operating budgets between the north, and the south, higher dollar amounts per full time equivalent (FTE) students were reflected at the southern research institutions rather than the northern research institutions. He thought the committee would venture into an interesting direction if it chose to address the funding mechanisms for higher education in the state as a zero sum game that would be fought between various institutions within the state, rather than looking at unique ways to find additional and new funding that continued the types of equities put into place in the previous funding formulas.

Chairman Horsford indicated the equity issue among and between institutions throughout the system was a very sensitive topic. He believed the intent of Senator Lee, the legislation, and the committee was to evaluate the best formulas that ensured the equitable allocation and distribution of funding based on the mission of each of Nevada's institutions throughout the system and how that could be achieved. Chairman Horsford said the legislation evolved due to the real or perceived inequities in the funding formula based on the views of students, faculty, and business and community leaders who supported higher education. He thought it was important for the committee to look at the funding formula and the proposal of a new formula that would work for the twenty-first century higher education system.

Dr. Mosier noted if the committee stuck to the language of the enabling legislation, the committee could accomplish great things for the state of Nevada. He thought the hyperbole and rhetoric that surrounded inequities and unfairness would not lead the committee in the right direction, and appreciated Chairman Horsford's acknowledgement of that fact.

III. APPROVAL OF MINUTES OF THE NOVEMBER 29, 2011, MEETING.

This agenda item was taken out of order.

Chairman Horsford asked for approval of the minutes of the November 29, 2011, meeting.

ASSEMBLYWOMAN SMITH MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 29, 2011, MEETING. SENATOR PARKS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

VII. PRESENTATION AND PROPOSAL BY THE NEVADA SYSTEM OF HIGHER EDUCATION OF AN ALTERNATIVE HIGHER EDUCATION FUNDING FORMULA.

This agenda item was taken out of order.

Chairman Horsford said he received a request from Chancellor Klaich to present a proposal for an alternative funding formula for higher education. Out of courtesy to the Chancellor and NSHE, the item was added to the agenda and he noted the Chancellor was at the meeting to share the System's proposed idea.

Daniel Klaich, Chancellor, Nevada System of Higher Education, thought the committee members might wonder what he was doing at the meeting and his timing of being there, which he said were inter-related. He explained the System had been working simultaneously on a number of projects, since the 2011 Legislative Session adjourned in June 2011, to integrate policies of the Governor, the Board of Regents and the Legislature into a meaningful single policy. The projects were as follows:

- Board of Regents – Strategic planning under the leadership of Regent Jason Geddes and Regent Kevin Page.
- Board of Economic Development – Align the System with the broader goals of the state of Nevada (A.B. 449, 2011 Legislature).
- Governor's Office – Establish priorities in government through the budget process.
- National Governors Association – Establish accountability metrics for higher education (co-awardees with the Governor's Office).

Chancellor Klaich said work on the projects and the formation of the Committee to Study the Funding of Higher Education resulted in questions regarding how the current funding formula fit into some of the new goals. A conclusion was that the funding formula did not work, nor did it advance some of the following issues Senator Lee pointed out in his testimony:

- Meeting the goal of more state graduates.
- Meeting the state goal of reasonable progress to degrees.
- Ensuring mission differentiations.
- Managing negativity of remedial funding.
- Encouraging entrepreneurial behavior.
- Meeting the state goal of innovation, creativity.
- Enhancing research engines at the universities, and workforce development at the community colleges.

Chancellor Klaich said the current funding formula did not have widespread credibility in the state because it was too complex and was geopolitical (either real or perceived). After he realized the current formula was not going to solve the problems of higher education and was not going to get Nevada heading in the right direction, Chancellor Klaich started working with his staff and national consultants to evaluate the

formula. That group was tasked to develop a proposal to align the goals of the state with the goals of NSHE, reward goal attainment, progress toward degrees and degree achievement. He explained degree achievement included not only Baccalaureate Degrees, but also Associate Degrees and certificates in order to give students valuable skills. The current formula also did not encourage mission differentiation, did not incentivize institutions to be entrepreneurial or well managed and it was not simple, transparent or easy to understand. Chancellor Klaich and his staff felt it was time to do something different and was at the meeting to propose an alternative model for funding higher education in Nevada. However, he said the model was a start, not a finish. It was important to understand, as the proposed model was discussed, it pertained only to the formula based budgets and not the non-formula budgets, such as the medical school, law school and Desert Research Institute.

Chancellor Klaich presented NSHE's A New Model for Funding Public Higher Education in Nevada ([Exhibit D](#)). He said because the System's primary job was to teach, that was where the proposed formula started. He intended to propose a method of arriving at a weighted credit hour, ask the committee to place a price on that product, to indicate what level of financial effort would be acceptable, and then to allocate the appropriate funding. Chancellor Klaich explained when the product was priced, it was the System's job to allocate the funds among the various institutions based on the work that they did; however, the formula at this point only addressed teaching and he thought it should recognize and be adjusted for research, because the research institutions had a greater job than just teaching. Since the Legislature and the Governor were interested in performance, he said a performance-based element was also included in the proposed model. In addition, he thought it was appropriate to define a cost sharing mechanism, which would not penalize institutions for being entrepreneurial. Once a fair level of funding was determined based on the different types of institutions it was important to let students and their families know what share of the cost they would bear and what the fair portion was to ask the state to bear; however, that ratio would be richer for community colleges than universities. He thought when state General Funds were allocated fairly then the institutions should be able to value and raise their fees and tuition in consultation with their faculty and students keeping those fees on campus where they were generated, without the offset of state General Funds. The model needed to have agreed upon metrics for accountability that could be reported to the Board of Regents, the Governor, the Legislature, and the taxpayers in the state on how the money was spent and how the institutions were achieving their goals. To summarize, Chancellor Klaich said the model was based on the work the System did and adjustment for the mission and the small colleges, as well as economies of scale. It also included allocating the money fairly, encouraging entrepreneurial behavior by keeping fees on campus and holding presidents accountable for performance of their institutions in alignment with state goals. If it was the judgment of the committee that a model such as proposed was more easily understood, more fair and better served the goals of the state of Nevada, and higher education of the students in Nevada then he thought it would be an appropriate decision to consider an independent vetting of the model. The proposal presented on behalf of the System and the Board of Regents was not perfect, but the System welcomed the opportunity to work with Legislative staff and

members of the committee to develop a proposal for a decade and beyond of funding higher education. He appreciated the courtesy of allowing him to speak before the committee.

Mrs. Smith said the proposal was obviously a framework with absence of detail, and asked the Chancellor what the plan was for finishing the model.

Chancellor Klaich responded there was a plan and a process. He anticipated the process included working with Legislative staff. If the proposal was acceptable to the committee, he thought the RFP would need to be modified because there had to be an independent study. It was his intention to have the finance vice-presidents and academic officers to start working and populating the matrix, which was the core of the proposal. Chancellor Klaich planned to seek guidance from other states with a long history of utilizing a similar model, such as Ohio, Illinois, Texas and Florida. He referred to “stealing the wheel” rather than reinventing it.

Mrs. Smith said the state’s current budget process contained a lot of detail and since this was a very simplistic model it concerned her that enough people would have to be involved in the process in a short amount of time to work on all the technical components. She was interested in immediate action and involvement of as many people as possible to get input on how this proposal could move forward.

Chancellor Klaich indicated he enjoyed discussing higher education and was supportive of shared governance. However, there was not a lot of time and NSHE knew there was much work to be done on the proposal and that it would ultimately involve discussion and compromise. He intended to start working on it immediately.

Mrs. Smith was unclear about the intention of performance based funding. She asked if it was implemented only when there was additional funding, or was it a component of the base model.

Chancellor Klaich said the issue of performance based funding would ultimately be decided by the committee. He thought the performance pool had to be an integral part of the funding for the institutions to appropriately incentivize behavior. The perfect scenario would be to take old policy decisions, hold all institutions harmless with their current budgets and then implement new policy decisions and new money going forward. He acknowledged it was a complex issue and noted implementation and phasing were integral, but would be a difficult part of the process for the committee and NSHE as it was in previous formula studies.

Mrs. Smith said the issue interested her and with a history of working on performance funding at the lower education level she thought the challenge was going to be public perception. Since performance funding was a complex subject, she thought input from staff would be needed in order to determine a way to implement the funding.

Chancellor Klaich agreed performance funding was complex, but said it was a simple proposition as its base. He said the System's purpose was not for enrolling students and taking their money, but for graduating students and helping to complete their education, and providing skills to become active, productive citizens of the state. Chancellor Klaich thought his constituents as well as the Legislator's constituents would understand that to be the System's purpose.

Mrs. Smith said her constituents would not understand why the state would work on a new model for higher education funding, but not implement it right away and she was cognizant of that part of the issue. Referring to the new model, she asked about the power of each institution's president to decide how the money was spent on their campuses, which was a more flexible concept than the way money was allocated currently because of the budgetary guidelines.

Chancellor Klaich indicated there was greater flexibility in the model with respect to the portion of the institution's revenue budget that is generated from fees and tuition. However, he stressed it had to be accompanied by strict accountability and metrics, which included understanding what the goals were, then determining whether the goals were met and whether there was clear reporting and transparency to the Board of Regents, the Governor and the Legislature.

Mrs. Smith indicated that accountability was very important and requested for NSHE to look at who was involved at the campus level in deciding how the money was to be spent. She did not believe that meant one person was going to make all the decisions.

Chancellor Klaich said he was not in favor of a benevolent dictatorship and Mrs. Smith replied the model needed to reflect that.

Mr. Hickey relayed that studies showed performance measures encouraged academic improvements in student services. He noted the downside of the funding element was with compliance cost once the performance measures were implemented. The most serious concern found in some studies was that sometimes a narrowing of the mission of the various institutions resulted in grade inflation, and in effect, minimized the real accomplishments of the institutions.

Chancellor Klaich emphasized assessment and rigor had to part of the process. The System was not interested in "churning out more widgets" so that the numbers looked better, but rather having student learning outcomes and critical thinking abilities as an accompaniment to the performance measures.

Mr. Anderson asked what aspects of the framework were drawn from other states and what a realistic timeframe would be for NSHE to prepare a final product of the model.

Chancellor Klaich said NSHE intended to comply with the timetable set by the Chair at the November 29, 2011, committee meeting. He did not see any reason for the committee to extend any of the deadlines.

Mr. Anderson asked if a new formula were to be adopted, what would be the most appropriate phasing, taking into consideration the issues having a direct impact now compared to making promises too far into the future.

Chancellor Klaich said he did not have a sense of the phasing and before making a judgment he would look to the committee for guidance

Mr. Page asked if any one of the states mentioned as good models (Ohio, Illinois, and Texas) was preferred as a starting point for Nevada's model.

Chancellor Klaich emphasized he was not coming into the process with preconceived notions and thought the models from each one of those states could offer information to derive a model that worked for Nevada. He said all the models were very similar and Nevada would take the best from each one.

Mr. Page assumed the other states' models took accountability into consideration.

Chancellor Klaich said the other states' models were all underpinned by accountability. The models addressed the concerns verbalized by Senator Lee in his opening remarks including degree progression, complexity of offerings, and disparate cost of offerings (i.e., English 101 course cost was not the same as a third or fourth year Engineering course). He explained the committee could also consider for Nevada's model to include a social goal to assign a weighting to a graduate of an underserved population or a low-income population. Chancellor Klaich thought the other states' models would help Nevada decide on weighting and cost.

Mr. Aizley said it sounded like NSHE wanted to assess the performance of the individual campuses, but he did not see the measures to make that assessment. He thought the Board of Regents, the Chancellor's Office, the presidents and the faculty could all be measured; although, he said that was too broad. Mr. Aizley wanted to know what performance would be targeted and how the performance would be measured.

Chancellor Klaich suggested Nevada measure all of the entities at the universities that Mr. Aizley mentioned utilizing potential metrics such as numbers of graduates, sponsored projects, and underserved populations. He said because the mission of the community colleges was much broader than the mission of universities regarding who they served, there was a concept of momentum points Nevada would want to measure in the community colleges. He offered the metrics at the community colleges might include the first college credit bearing course and increasing the number of graduates. Chancellor Klaich again noted NSHE was in a process with the Governor's Office through the National Governors Association (NGA), which would result in budget recommendations that reflected the relevancy of Nevada's graduates. He did not advocate creation of a polytechnic institute and teaching solely to job slots; however, he thought it was important to be mindful of whether the roles of Nevada's institutions were aligned with the goals of the state in addition to producing graduates who had great

critical thinking skills. Chancellor Klaich noted metrics proposed by the American Associations of Colleges and Universities and the NGA would help NSHE develop metrics for Nevada to be considered by the committee.

Mr. Aizley was glad to hear Chancellor Klaich mention liberal arts education, which was hard to measure if the objective was workforce development. He said a liberal arts education prepared students to go out and think and change. Mr. Aizley thought that courses of study like engineering were cyclical and if students were educated for a particular market, in five years it would be obsolete. The mission was not only to get people into the workforce, but also to educate them to go beyond an immediate job, which he heard in the Chancellor's testimony.

Chancellor Klaich agreed with Mr. Aizley. He thought it followed Mr. Hickey's question on rigor and assessment, and said the faculty had to have a critical role in helping the System to get there.

Chairman Horsford asked why NSHE gave a greater weight (page 2, [Exhibit D](#)) to science, technology, engineering and mathematics (STEM) fields than liberal arts fields. He said that projected a large policy decision based on the overall purpose of higher education and the importance of all programs within an institution, not certain programs over others.

Chancellor Klaich said the matrix was built to provoke questions and discussion. It consisted of examples the committee may be interested in, not as a recommendation of what the committee should decide.

Chairman Horsford stressed it was a very sensitive topic when certain programs were targeted for elimination by the System and by presidents, especially when students were enrolling in those programs, when there was a need for programs, or when certain people indicated an academic area could be eliminated because they did not see the value it in. All of that concerned him and because NSHE incorporated it into its framework of the model he hoped it would be evaluated before policy decisions were made. Chairman Horsford thought the Board of Regents as the governing body of NSHE took the issue very seriously. The role of higher education was to make sure Nevada had an educated workforce to accommodate the needs of the key sectors and industries Nevada was trying to attract in order to grow the state, but it was also to have a citizenry that was educated in a broad sense. Liberal arts education was an important part of higher education and he noted that in some areas of the country it was valued significantly with those areas showing an improved quality of life. He believed a liberal arts education should be measured in Nevada the same way.

Chancellor Klaich agreed completely with Chairman Horsford's comments.

Chairman Horsford expressed appreciation for the new approach proposed by NSHE. He was concerned when Chancellor Klaich wanted to present such a big and bold idea late into the process and he acknowledged his first reaction was to say no.

Chairman Horsford wondered why it could not have been presented for consideration during the 2011 Legislative Session and included in S.B. 374. He thought fundamental reform of the formula was needed. Staff who analyzed this information regularly helped him to understand over the years that any new funding formula had to achieve two things within its methodology, a fair and equitable allocation and a fair and equitable distribution. Those were the guiding principles the committee should use to evaluate any funding formula approach. Chairman Horsford noted page 2 of the model ([Exhibit D](#)) assumed state appropriation, out-of-state tuition and in-state registration fees were 100 percent retained by each institution. He asked the Chancellor what that assumption meant to the formula in this new approach rather than the way the state had been utilizing the formula.

Using UNR and UNLV as examples, Chancellor Klaich hypothesized that the formula determined the two universities each needed \$100 to function. From that determination, he explained the formula then looked at how many dollars each institution produced in tuition and fees. If UNLV produced \$40 in tuition and fees, then the state would give UNLV the additional \$60 to make up the difference to equal \$100. If UNR could only produce \$30 in tuition and fees, then the state would give \$70 to get to the \$100. That imbalance was one of the “bones of contention” resulting in the formation of the committee to study the formula. Chancellor Klaich explained the new model looked at the fundamental calculation that determined what the institution needed to function, but rather than looking at the revenue that institution produced, the formula asked what was the fair share of that cost of education the state would bear and the state would fund that amount with General Fund dollars allowing the institution to keep its registration fees and tuition on top of that amount. For example, using the \$100 figure for each university, if the state determined it would fund 60 percent then \$60 would be given, and if UNLV collected \$45 in tuition and fees then they would spend \$105. UNR would also get the \$60 as a base and if it only collected \$35 in tuition and fees then they would have \$95 to spend. Chancellor Klaich said this was the fundamental proposition questioned by Senator Horsford under this new approach.

Senator Horsford asked if the institution was allowed to keep its tuition, whether that included out-of-state tuition. He was focused on the out-of-state tuition because there was concern on how that was allocated.

In his opinion, Chancellor Klaich thought the policy decisions should be made and then utilize the new formula with those new policies implemented. However, there was the issue of implementation as Mrs. Smith addressed earlier in the meeting. He indicated applying the new policy, looking at the impact it had on institutions with either positive or negative effects and then determining how to implement it would be the best tactic.

Senator Horsford asked if NSHE’s proposed model were accepted and included in the committee’s evaluation would NSHE staff work to provide a more detailed framework. In an effort to see how it applied, he also wanted to know if NSHE staff would actually prepare an allocation and distribution process under this approach to provide a scenario on how it would actually look at an actual institution.

Chancellor Klaich said staff would have to do a mock scenario using the new model with a comparison against the current model and other models that existed in other states that have a formula allocation. That exercise would enable staff to see where the models were fair and equitably allocated and distributed to determine what model would fit best for Nevada.

Chairman Horsford pointed out that non-instruction expenses were integral to the role of higher education and meeting the student's needs. He asked how non-instruction expenses for areas such as libraries, student services and others would be handled.

Chancellor Klaich wanted to separate non-instruction from non-formula. He explained non-instruction expenses were no longer a separate driver or had separate appropriations and were part of the cost of education. The expenses were part of the responsibility of the campus and the president to apply the dollars provided in order to achieve the tasks that would be measured. For example, if a president had a job of graduating more students he would have the ability to make expenditures for more staff in student services, counseling and financial aid if he thought it was necessary for the achievement of the goal.

Chairman Horsford asked how the non-instruction expenses were funded.

Chancellor Klaich explained the institution got a share of the base amount as augmented by the tuition and fees as determined in the budget that came from the campus, to the Board of Regents and then to the Legislature.

Senator Horsford observed that the non-instruction entities would not share in the performance pool.

Chancellor Klaich replied if the campus was performing then the campus got more dollars and the president would have the ability to apply those dollars where he could continue to have greater performance.

Chairman Horsford asked how the community colleges were specifically addressed within the model since they were unique, with unique missions and played a unique role in the community. He said community colleges were based on regional needs not just on statewide needs, with each institution different from the next throughout the state.

Chancellor Klaich said there were a number of critical elements of the new formula that were intended for community colleges. Questions that needed to be asked regarding community colleges included what was their mission, how were they performing and how were they measured since they were fundamentally different from the other institutions. He noted these questions were not asked in the past. He explained the allocation of salaries of a 60/40 part-time ratio and differentials in salaries were embedded in the current formula were not envisioned in the new model. There were

some fundamental changes in the new formula aimed at a different funding model for community colleges and then measured their performance.

Dr. Richards said there were components of the alternate plan that were attractive such as getting away from salary schedules, which would help with recruiting and retention of faculty. He thought all four presidents of the community colleges agreed with being held accountable for performance and that was one of the reasons the NGA model was attractive. There were elements of the NGA model in NSHE's performance issues, but in many ways it was just a shell and incomplete. Dr. Richards said there was much detail to be worked out particularly the matrix on page 2 ([Exhibit D](#)), which was critical to the success of the alternate approach. Since the matrix captured the states' ability to develop a skilled workforce, filling in the detail of the matrix should be the first priority. He expressed there were also outlier issues, which bore special consideration including operations and maintenance of new space and utilities. Dr. Richards said it was difficult to see how those outliers would be handled in its current design and emphasized those were issues that needed to be addressed in the alternate approach.

In Dr. Stewart's opinion it was a very radical approach, but also a very new and good idea. He understood in the due diligence process during the vetting that would take place between NSHE and the committee there would be a lot of dynamic modeling done between the old formula and the proposed new formula. Since there would need to be an independent analysis once the discussion and planning on the new model had been done he asked Chancellor Klaich what the scope of work would look like for the entity that would analyze NSHE's performance model.

Chancellor Klaich welcomed the opportunity to have staff from NSHE communicate with committee staff on what the new model proposed in order for committee staff to issue an independent RFP.

Senator Kieckhefer liked the new concept, but it was not noted how the new formula would interact with the states' economic development efforts and the critical role that higher education was going to play in the renewed economic development structure. He did not want to undervalue a liberal arts education, but he had heard all the need for specific areas of a workforce as the state tried to broaden its economic landscape. Senator Kieckhefer asked if the Chancellor envisioned all those types of policies incorporated into the performance model or incorporation into the matrix.

Chancellor Klaich replied elements of the plan could be incorporated into both the performance model and the matrix. He thought when properly done the performance model and the matrix should result in a much better alignment of the interest of NSHE and the state of Nevada.

Mr. Geddes said the Board of Regents met with the Chancellor and his senior staff to review the proposal and were excited about it. He thought the framework presented lined up with Assembly Bill 449 (2011 Session), the NGA and the Board of Regents strategic vision. The funding model allowed NSHE to put priorities on the campuses

and for the presidents to be able to move resources on their campuses to achieve the goals outlined in NSHE's processes. He noted the Board of Regents would be formally meeting to talk about the proposal and would have it as a standing item at every one of the Board's meetings. Mr. Geddes wanted to have a good process with the Board working with the presidents, the campuses, the faculty and the students, to make sure as the study was populated and the matrix was developed all the considerations were taken into account.

Regarding salary differential elimination, Dr. Mosier wondered if the proposal considered the way faculty was utilized at the various institutions. He cited for example, at a research university there might be a PhD qualified faculty member with major research agendas, who also supported a graduate program, who also might teach an Economics 101 class. Dr. Mosier noted that type of situation would not typically arise at a community college.

Chancellor Klaich pointed out there was an adjustment to funding for the research mission of the university, which would make up for the additional duties Dr. Mosier described. When addressing the fundamental work in the classroom he thought it would be the same and it would be more than made up in the other parts of the formula.

Chairman Horsford said the committee would definitely want to get faculty input on that issue from the Faculty Alliance and other representatives. He wanted to schedule time as the framework was reviewed to hear from those stakeholders.

Mrs. Gansert commented the model was a great idea. She appreciated that it was bold and a jumpstart to a direction for a new formula. Mrs. Gansert thought it had been shown over the last two bienniums the current formula did not work and in fact it had not been used; therefore, it was prudent to move to a new model. She said the NGA had been working with various states including Colorado, Virginia, Pennsylvania, Indiana and Ohio on performance models for many years so Nevada could definitely steal the best concepts from any of their models. The weighting of the various courses was a large component of the model and she thought assignment of the weightings would be tricky. Mrs. Gansert indicated that the performance or outcomes, which were the actual certificates or degrees obtained, were very important and needed to be included in the performance pool. It was essential to have the eventual outcomes, while also accounting for progress toward degrees. She pointed out that the NGA was willing to help with the process and noted there was a grant through the Governor's Office to work on funding formulas for higher education. Mrs. Gansert looked forward to working on it and was supportive of the concept.

Chairman Horsford asked about the scope of the grant in the Governor's Office and if it could be used in part to help meet the intent of the outcome of the study.

Mrs. Gansert was not sure if the grant dollars could be used. She said there were meetings and an upcoming site visit and the members of the group for the grant included members from the community colleges, higher education,

Assemblyman Conklin from the Legislature and herself. Mrs. Gansert noted Nevada's members had information from the NGA that could be shared with the committee and Travis Randall from the NGA, who was in charge of best practices, would provide any type of information needed, especially since the NGA had done much research on other states.

Chairman Horsford suggested connecting the NGA with committee staff so no efforts were duplicated and resources leveraged for the best utilization.

Mrs. Gansert agreed and had provided a document from the NGA to Mr. Krmpotic. She offered to make it available to the members electronically since it contained links she thought would be helpful for future meetings.

Mr. Wixom wanted to follow-up on an observation made by Mr. Geddes and Mr. Page. He said the three of them met with Chancellor Klaich and his staff to discuss the general outline of the proposal and were excited about the prospects. However, the detail was the difficult part and he was always concerned about the law of unintended consequences. He understood that the committee did not want to make changes that had a series of unexpected and unintended consequences, but on the other side it sometimes impeded action and prevented forward motion in a positive way. Mr. Wixom was excited about the proposal because it provided a framework for the committee to move forward on the way the state funded higher education in a new, productive and meaningful way not undertaken in the past. He thought the state had been encumbered by the complexities of the formula and this gave the state the opportunity to think very creatively, to embrace the needs of the state and also the responsibilities of higher education. Mr. Wixom said although he was concerned about the details, he was sure the committee and staff would work hard to ensure there were no unintended consequences.

Chairman Horsford agreed and thanked Mr. Wixom for his comments. He noted Nevada was unique in that the state and the System was small and there was committed leadership from the Executive Branch, the Legislative Branch, the Board of Regents all of whom could gather in a room to work together on ideas and come up with concepts. He commented that could not be done in most other places. This was a unique opportunity, but as Nevada and the System grew the opportunity was diminished, so he felt an urgency to rectify the funding formula. Chairman Horsford appreciated the Chancellor bringing the approach to the committee; however, it was a framework and his commitment and the dedication of his team would be needed to complete the areas that were unfinished. Lastly, he said as good an idea as it was, NSHE and staff had to make sure it worked and to understand how it worked.

Chancellor Klaich committed 100 percent effort from he and his staff toward this project.

VI. DISCUSSION AND CONSIDERATION OF:

b. POSSIBLE MODIFICATION OF THE PROCESS FOR THE SELECTION OF A CONSULTANT TO ASSIST THE COMMITTEE IN THE STUDY OF THE FUNDING OF HIGHER EDUCATION IN NEVADA, INCLUDING MODIFICATION OF THE REQUEST FOR PROPOSALS, TIMELINE FOR THE COMPLETION OF WORK OR ANY OTHER FACTORS RELATING TO THE SOLICITATION OF PROPOSALS.

Chairman Horsford explained he wanted the committee to consider moving forward with the new approach presented by NSHE. However, in order to ensure the committee was fully transparent and open in this process, the process needed to be procured in a way that was fair for everyone. He said the new approach would need to be included in a revised Scope of Work in the RFP and the RFP reissued to allow potential consultants to respond. If the committee desired to reissue the RFP, authorization for staff to revise the Scope of Work was necessary along with an adjusted timeline for completion of the committee's work. Chairman Horsford asked Mr. Haartz to outline some of the areas in the original RFP the committee might be able to reconsider for inclusion in the new process.

Mr. Haartz directed the committee to page 27 of the meeting packet ([Exhibit A](#)), to the first page of the RFP, which outlined the committee's charge pursuant to S.B. 374. He reminded the members the Scope of Work had five deliverables tied to S.B. 374. The first deliverable included the following items listed on page 27:

1. Compare the existing method of funding higher education in Nevada with the methods used in other states.
2. Determine whether the other methods would be appropriate and useful in Nevada, whereby different mission of universities, state college, colleges and research institutes are appropriately considered in the funding of public higher education in Nevada.
3. Review the funding of remediation in the context of instructional delivery methods.

Mr. Haartz explained the first deliverable within the Scope of Work was the largest one, which asked the consultant to identify the states that funded higher education through the use of a funding formula and those that did not use a funding formula. It also requested information regarding various costs within the higher educational functional areas and how those were handled in the states' funding methodologies. Mr. Haartz said item 4 on page 27, consider the retention of resident registration fees and non-resident tuition outside of the state supported operating budgets, was included in deliverable number 5. Item 5, consider funding in the context of completed courses in contrast to the current method of funding enrollments was included in Scope of Work deliverable number 3, and item 6, consider rewarding institutions within higher education for achieving defined goals for graduating students was specifically deliverable number 2. Mr. Haartz directed the committee to page 38 of the meeting packet ([Exhibit A](#)). He said for purposes of reducing the Scope of Work, item 4, which included helpful context information to understand how other states allocated General Fund and other revenues to higher education along with the percentages and amounts

could be removed from the RFP Scope of Work as it was not directly or indirectly identified as an area of committee study in S.B. 374

Continuing, Mr. Haartz pointed out the committee added several areas of interest to the RFP. He referenced page 37 of the meeting packet ([Exhibit A](#)) and said there were two types of items the committee discussed, which either expanded the definition or clarified what the committee wanted the consultant to report. He cited clarification of state's policies regarding student remediation costs as one example. In addition, there were several other significant areas added to the Scope of Work, including the Cost Areas items 12.a. and 12.b. on page 37, which asked the consultant to explain whether funding was provided for higher education, and if so how, in terms of state economic development and workforce development. He recognized those were key areas the committee was interested in, but instead of totally removing them from the Scope of Work, as an alternative the committee could direct staff to include it as an optional area so the respondents to the RFP could propose a cost for including that work in their deliverable. Mr. Haartz then directed the committee to item 2 of the Scope of Work on page 37 and the second deliverable, analysis and report on states' inclusion of performance related components in higher education funding formulas. He noted the committee added the second half of the paragraph in which the consultant was asked to delineate how the criteria aligned with performance metrics established in the NGA Complete College of America initiative and the Nevada Board of Regents Strategic Plan. Since it was specific information added by the committee, he thought the committee might want to make it an optional area by asking the consultant to propose a cost for providing the linkage and information. The possible risk was that the consultant would not respond to those particular items if they were optional and the committee would have to make a decision on how to proceed from there. However, Mr. Haartz said Chancellor Klaich's presentation sounded like some of that information, especially with respect to the Board of Regents Strategic Plan, would be included in NSHE's formula funding proposal.

Chairman Horsford said from Mrs. Gansert's comments, it seemed when a consultant was selected there was a person or resources through NGA, and a person assigned to the NGA Complete College of America initiative for Nevada, which the committee and the consultant could call upon for help coordinating some of the activity and recommendations.

Mrs. Gansert thought the NGA could be very helpful. She expressed concern with staff's suggestion to make linkages to NGA performance metrics and Board of Regents Strategic Plan optional deliverables in the RFP because she thought they were the most important. Mrs. Gansert also commented that all the cost basis information requested for the formula states in deliverable number 1 was probably unnecessary, as it was likely to be gathered through the NSHE proposal. Her thinking was the opposite of the discussion on the optional deliverables and she wanted the focus to be on the goals for the state with respect to economic development, types of degrees needed for workforce development, missions of the universities etc.

Chairman Horsford stated S.B. 374 had very specific deliverables and the committee was not able to adjust them because it was in statute. He indicated it would be great if everyone on the committee was in agreement and the committee had the latitude to just look at the new model. However, the committee had to abide by what was required in S.B. 374. He asked the Legal Division to confirm the information.

Kristin Roberts, Senior Principal Deputy Legislative Counsel, Legal Division confirmed Senator Horsford was correct that on page 27 ([Exhibit A](#)), items number 1, 2, 3, 4, 5 and 6 were specifically in S.B. 374.

Mrs. Gansert thought the requirements of the bill were broad; however, the Cost Areas outlined in the RFP were very detailed. She understood there were some requirements mandated by the bill, but was concerned the consultant would be hindered by all the details. Mrs. Gansert requested the Cost Areas section be narrowed and left broad.

Chairman Horsford agreed. The issue for him was that the consultant and the committee would have to evaluate ways to improve the current existing formula funding method as well as to evaluate the new proposed formula. He thought under this agenda item direction could be given to staff to modify the language of the RFP where possible.

Mrs. Gansert appreciated narrowing of the Cost Areas. She thought it was one of the reasons the committee did not receive many responses to the RFP, due to the breadth of the Scope of Work.

Mr. Anderson wanted clarification the funding formula was not used in the 2009 and 2011 Legislative Sessions as Mrs. Gansert indicated earlier in the meeting.

Mr. Haartz explained the formulas two main purposes were calculating an amount or “need” and distributing the appropriated amount. In the 2009 Legislative Session, he said the money committees did not use the formula for purposes of calculating the dollar amount appropriated; however, it used the formula for distributing the appropriated funding. Mr. Haartz also pointed out a formula was adopted by policy, not by statute. In 2011, the Legislature used it for neither of those purposes and suspended the use of the formula.

Referring to the RFP beginning on page 34 of the meeting packet ([Exhibit A](#)), Mr. Richards suggested deleting all the alpha items and keeping the numeric items. He thought it would streamline the RFP yet still maintain the intent for the consultant to report on the key elements of the formula and how it might relate to the new alternate approach.

Chairman Horsford said Mr. Richards made a good suggestion; he thought the committee could consider it and provide direction to staff for the implementation. Based on his past experience with these studies and consultants it was important for the RFP

to be descript to get needed information. He said the right amount of detail was necessary because if it were too generic or broad than the results would not be of use.

Mr. Haartz requested the committee's direction on modifying the RFP. He needed clarification that the committee wanted the consultant to evaluate the existing funding formula concurrently with the proposal presented by Chancellor Klaich. Mr. Haartz indicated language would need to be added to the RFP to incorporate that type of objective evaluation into the Scope of Work. He thought it should be included in the first Scope of Work, which was the required deliverable due in the latter end of the study. Having that information from the consultant toward the end of the committee's working timeline would allow the Chancellor's Office time to complete the proposal so it could be evaluated. However, given this change the committee timeline would need to be revised as the previously approved timeline had the committee finishing its work at the end of June 2012, which would have allowed NSHE to be able to include the committee's work in its budget request for submission at the beginning of September. Mr. Haartz explained re-releasing the RFP pushed the timeframe back to approximately the middle of August 2012, so NSHE would not have sufficient time to incorporate all of the committee's work into its budget submission. Subject to the committee's authorization and the extent of the revisions to the RFP, he thought the RFP could be re-released by January 20, 2012. Giving interested parties 30 days to respond to the RFP, Mr. Haartz said the proposals could be received, evaluated, and presented to the committee at the next scheduled meeting on February 29, 2012. However, new deliverable dates would need to be set in order to give the consultant time to complete the work and NSHE time to complete its proposal so it could be evaluated.

Chairman Horsford thought the economic development portion of the RFP was important; however since it did not pertain to the budget process it could possibly be included in the latest timed deliverable. The goal was to do what was necessary for the budget process so the Board of Regents, the Governor's Office, and the Budget Office had as much detail from the study as possible. Other policy oriented items not specific to the budget could be presented at a later date. He asked if Legal Counsel wanted to make additional comments regarding modifying the RFP process.

Ms. Roberts wanted clarification on what the RFP process would be for final approval before it was released.

Mrs. Gansert said the consultant could get bogged down in a lot of details in the Cost Areas section (starting on page 34 of [Exhibit A](#)) of the RFP, and the committee may not need the depth of information contained in that piece. She expressed that the rest of the RFP would be helpful to evaluate the formula that was proposed by the Chancellor.

Chairman Horsford asked Legal Counsel if he designated a working group of three to five members would it be required to comply with the open meeting law.

Ms. Roberts said such a working group or subcommittee would have to comply with the requirements of the open meeting law.

Chairman Horsford asked the committee for a motion to include the following:

- Revise the RFP Scope of Work.
- Revise the committee study timeline.
- Modify the RFP to include a component on the new model proposed by Chancellor Klaich.
- Ask staff to revise the deliverables in the RFP to only those required under S.B. 374 and any other areas such as economic or workforce development which were not specific in the bill be listed as optional in the RFP.
- Make the revisions as expeditiously as possible and staff authorized with approval of the Chair to release the RFP within the following two weeks.
- After staff evaluation, the RFP responses brought back to the committee at the February 29, 2012, scheduled meeting with a possible presentation by potential consultants.

Mr. Haartz asked if the committee wanted staff to provide each member with a copy of all the responses and would the committee be interested in receiving a presentation by the top respondents at the February meeting. The expectation that the respondents should be prepared to present to the committee was built into the existing RFP.

Chairman Horsford said to provide the members with copies of the responses.

Chairman Horsford said without objection from the committee he thought the members would want to hear from the top respondents to ask questions before a final determination was made on which entity would perform the study.

Mr. Haartz indicated at the November 2011 meeting, the committee approved for staff to negotiate the actual contract with the committee-selected consultant and the contract subsequently signed by the Director of the Legislative Counsel Bureau. For clarifying the process, he asked if that was still the committee's intent.

Chairman Horsford acknowledged those were the administrative expectations. He reiterated there would be a staff evaluation of the responses prior to the February 29, 2012, meeting; all the responses shared with the committee members; a recommendation brought to the committee at which time the top respondents would make a presentation to the committee; the committee would select a consultant to perform the study; staff would negotiate the contract; and the contract would be signed by the Director of the Legislative Counsel Bureau. Chairman Horsford indicated he was ready to accept a motion that achieved those deliverables.

SENATOR PARKS MOTIONED FOR APPROVAL AND THE MOTION
WAS SECONDED BY MR. PAGE.

Mrs. Gansert noted the economic development and workforce development section of the RFP (item 12 on page 37 of [Exhibit A](#)) was important, but thought it could be coupled with the evaluation of the proposal made by NSHE and she was amenable to that prospect.

Mr. Hickey inquired whether the cost would be the same scope as the initial amount.

Although there was a budgeted amount in the bill for the study Chairman Horsford said the RFP itself did not state a cost.

Mrs. Smith did not know the reason for only having one respondent to the RFP, but she suggested the committee and the System might want to consider, if needed, some additional funding to get a consultant for the study. She thought important components of the study were to learn about national higher education funding trends and creating a model that fit Nevada. The bill was written and stipulations included in the bill for a reason; therefore, it was essential to gather that information and the committee use it in making good decisions. Mrs. Smith noted there was a lot of work to do, but hopefully the data would work into something to be proud of and used in the state. She never wanted to feel pressured to approve something just to approve it. In order to gain approval it had to be workable or it would be better to start another Legislative Session without any change.

Chairman Horsford said Mrs. Smith's comments were well stated. He said from a policy standpoint, the full Legislature along with the Governor had to make the ultimate decisions, so the more the committee could do to outline both the new process as well as improvements to the existing process would be helpful in that decision making. He called for all members in favor of the motion previously stated to indicate approval.

THE MOTION PASSED UNANIMOUSLY.

VIII. PUBLIC COMMENT.

Aimee Riley, President of the Students at the College of Southern Nevada and Chair of the Nevada Student Alliance organization representing 115,000 students across the state came forward for public comment. Her main concern in listening to the discussion was how it would impact students and the price of education for the students. She said the students were continually asked to pay more making it increasingly difficult to complete courses and graduate. Ms. Riley expressed many students could not afford another tuition increase and were already struggling with the astronomical cost of textbooks, fuel costs and daily living expenses. Financial aid was being limited on a national scale so that the students could not receive grants and if one was lucky enough to receive a grant then the amount of the funding was limited. She pointed out many students were non-traditional students and were affected by Nevada's high unemployment and home foreclosures. Ms. Riley thought Nevada had the most need to keep costs low for students. She knew these facts would add difficulty and challenge to

the discussion, but she wanted the members to keep them in mind when making decisions. She said her organizations would continue to stay involved in the process and participate in public comment at every meeting. Ms. Riley hoped in the future that the students would have more of a voice because it was their future; the students were the stakeholders. She thanked the committee.

Chairman Horsford thanked Ms. Riley for her testimony and he committed as the Chairman to provide time not only during public comment in future meetings, but also time on the agenda for the students to testify before any final decision or recommendations were made.

Mrs. Smith appreciated Ms. Riley's comments and concerns. As said earlier in the meeting she thought involvement of the stakeholders, which were the students, was important as the funding formula process developed. She also committed to giving students an opportunity to have a voice and be involved.

Ms. Riley thanked Mrs. Smith and the support shown to the students. The formation of the committee was appreciated, as was the member's hard work.

Gregory Brown, University of Nevada, Las Vegas, Senate Chair and State Board President for the Nevada Faculty Alliance representing higher education faculty and professional staff on all campuses provided public comment from Las Vegas. He offered faculty participation and support for the process, especially since there were many faculty senate chairs who had been actively involved in board meetings and working with the Chancellor on a number of technical issues. He indicated it was a cliché and untrue that those who have not been in a classroom could make good policy. If the committee wanted any technical knowledge about how the campuses worked, he thought any of the faculty senates and the Nevada Faculty Alliance as an advocacy body would be eager to come and speak. Mr. Brown indicated Mr. Geddes pointed out at the last meeting that the committee might benefit from coming to the campuses directly in order to obtain information. He thought it would be especially helpful for members to come to campus to discuss with the people who work in certain disciplines the technical issue of calculating the cost of those different disciplines. He said the faculty was eager to help and understood tight deadlines along with gathering lots of information in short periods of time. He commented that was largely what academics did and the faculty would be available on short notice.

Chairman Horsford asked Mr. Haartz to check into having the next committee meeting at various NSHE institutions and videoconferenced throughout the state.

Jennifer Reed, Doctoral student at University of Nevada, Las Vegas, and the Graduate and Professional Student Association (GPSA) representative from the Department of Sociology came forward for public comment in Las Vegas. She was also a mother of a son attending the College of Southern Nevada so thought she provided a unique perspective with a stake in two Las Vegas institutions. She appreciated the formation of the committee and addressing the funding formula, which was convoluted and difficult to

understand. She thought student dollars should be used on the campus or the program where the student had chosen to attend, rather than the funds recycled into the state for distribution. The current formula made it look like the students were becoming taxpayers and paying to subsidize other school's programs, which the GPSA found to be problematic. Ms. Reed asked the committee to consider a formula that separated the student contribution from the state funds and stopped intermingling the funding, and it seemed like the new approach presented by Chancellor Klaich addressed this issue. She expressed the students and the faculty would like to have their voices heard in this process and in the specific implementation of the formula. As part of her graduate assistantship she was teaching so, she realized how important it was for the perspective of faculty who were teaching in a classroom to be considered. Ms. Reed appreciated the ability to speak before the committee and to be included in the process at future meetings.

Chairman Horsford thanked Ms. Reed for her input and involvement. He invited her to participate throughout the entire process.

IX. ADJOURNMENT.

Chairman Horsford thanked everyone for their time and attention including Mr. Haartz, LCB staff, and NSHE staff. He looked forward to the next meeting on February 29, 2012. Without any further business to come before the committee, Chairman Horsford adjourned the meeting at 11:38 a.m.

Respectfully submitted,

Patti Sullivan, Committee Secretary

APPROVED:

Steven A. Horsford, Chairman

Date: _____

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