

**MINUTES OF THE
COMMITTEE TO STUDY THE FUNDING OF HIGHER EDUCATION
(Senate Bill 374 of the 2011 Legislative Session)
August 29, 2012**

The Committee to Study the Funding of Higher Education (Senate Bill 374 of the 2011 Legislative Session) held its seventh meeting of the 2011-12 Interim on August 29, 2012, in the Second Floor Ballroom, Student Union Building, 4505 South Maryland Parkway, University of Nevada, Las Vegas, Nevada. The meeting was videoconferenced to room 3137, Legislative Building, 401 South Carson Street, Carson City, Nevada; Berg Hall Conference Room, 1500 College Parkway, Great Basin College, Elko, Nevada; and room 203, Piñon Hall, 160 Campus Way, Western Nevada College, Fallon, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Steven Horsford, Chairman
Senator Ben Kieckhefer
Senator David Parks
Assemblyman Paul Aizley
Assemblyman Pat Hickey
Assemblywoman Debbie Smith
Hugh Anderson
Mike Dillon
Heidi Gansert
Jason Geddes
Gregory Mosier
Kevin Page
Michael Richards
Spencer Stewart
Michael Wixom

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

None

COMMITTEE MEMBERS PRESENT IN ELKO:

None

COMMITTEE MEMBER PRESENT IN FALLON

None

COMMITTEE MEMBERS ABSENT:

Jeff Mohlenkamp

STAFF MEMBERS PRESENT IN LAS VEGAS:

Alex Haartz, Program Analyst, Fiscal Analysis Division
Brenda Erdoes, Legislative Counsel, Legal Division
Patti Sullivan, Committee Secretary, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Mike Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Eileen O'Grady, Chief Deputy Legislative Counsel, Legal Division
Tracie Battisti, Secretary, Fiscal Analysis Division

EXHIBITS:

- [Exhibit A:](#) Agenda and Meeting Packet
- [Exhibit B:](#) Elko County Board of Commissioners Joint Resolution
- [Exhibit C:](#) Letters to Chancellor Klaich and Board of Regents from Chairman Horsford
- [Exhibit D:](#) Funding Formula Subcommittee Work Session and Recommendations to the Committee
- [Exhibit E:](#) Performance Pool, Economic and Workforce Development, and Research Subcommittee Work Session and Recommendations to the Committee
- [Exhibit F:](#) Community College Funding Work Session and Recommendations to the Committee
- [Exhibit G:](#) SRI International – Four State Cost Study
- [Exhibit H:](#) NSHE Memo to Committee Members – Funding Formula Information
- [Exhibit I:](#) NSHE – Desert Research Institute Funding Model (Distributed But Not Discussed)
- [Exhibit J:](#) NSHE – Letter from the Board of Regents to Committee Members (Distributed But Not Discussed)

I. ROLL CALL.

Chairman Horsford called the final meeting of the Committee to Study the Funding of Higher Education to order at 9:08 a.m. and the secretary called roll. All the members were present at the meeting, with attendance in Las Vegas, except Mr. Jeff Mohlenkamp who was absent excused.

Chairman Horsford noted that this was the final meeting of the Interim Committee to Study the Funding of Higher Education, and there was much to accomplish. He thanked Dr. Neal Smatresk, President, University of Nevada, Las Vegas (UNLV) and his team for hosting today's meeting.

Dr. Smatresk welcomed everyone to UNLV and thanked the Committee members for their efforts. He noted that a college education profoundly impacted the lives of the students and their families. Dr. Smatresk also thought the state was in need of more highly educated individuals to improve Nevada's future. He said there was a long and complex history of funding higher education in Nevada, and the Committee had a

challenging task. Dr. Smatresk thought it was important to note that the Committee agreed that it was possible to develop an equitable and fair funding formula that would take into account the varying missions of the institutions.

Dr. Smatresk thanked Chancellor Klaich and the Board of Regents for their efforts. He said, at a recent meeting a “watershed” decision was made that brought the Board together in spite of their regional differences. He hoped the Committee would achieve the same result in today’s meeting.

Dr. Smatresk thought the Committee members would be impressed with the level of engagement of the students, and he encouraged them to spend time on campus speaking with students.

Chairman Horsford thanked Dr. Smatresk for his participation and leadership. Additionally, he thanked all the presidents for their input on the process as key stakeholders.

II. PUBLIC COMMENT.

Chairman Horsford recognized former Nevada State Assemblyman John Carpenter, and extended him the privilege of beginning public comment.

Mr. John Carpenter, former Nevada Assemblyman and representative for Team Great Basin College (GBC), explained that Team GBC was a group of concerned rural citizens on a mission to protect the funding of higher education in rural Nevada. He said the residents of rural Nevada were worried, frustrated and perplexed regarding the funding of secondary education in the rural areas. He said the funding formula proposed by Chancellor Klaich, and passed by the Board of Regents, was difficult to decipher, grossly unfair, and included a four-year mitigation plan. Mr. Carpenter said GBC would face a budget shortfall of \$4.5 million which would require staff and program reduction, and ultimately lead to decreased student enrollment. The citizens in the rural areas had built up and improved higher education for many years, but the proposed funding formula could undo their efforts. Mr. Carpenter said S.B. 374 (2011 Legislative Session) did not mandate the reduction of community college funding, and he hoped the Committee would consider certain recommendations in the SRI International Report.

Mr. Carpenter said cost and other factors made it impossible for many students in rural Nevada to attend the University of Nevada, Reno (UNR) or UNLV. Access to local higher education facilities was imperative, pointing out that GBC graduates would make up the majority of the workforce necessary for the expanding Nevada mining industry.

Mr. Carpenter said budget cuts reduced or eliminated higher education in Mineral, Lincoln and Pershing Counties, and that the Western Nevada College (WNC) campus in Fallon had been hit especially hard. He said he understood the needs of Clark County; however, one area of Nevada should not have to compete against another.

Mr. Carpenter said the present GBC budget should be left intact. He thought extra General Fund money should be allocated to the schools in Southern Nevada, but increased local funding should be used for improvements to GBC's present funding.

Mr. Carpenter shared a personal story about a boy from an immigrant family who was attending GBC to become a teacher. He said it would take longer for the boy to graduate due to budget cuts that reduced and eliminated classes. Mr. Carpenter said access to local college facilities was critically necessary for the boy, because he lived and worked in Elko. He hoped the Committee would find a way to keep all of the colleges intact.

Chairman Horsford thanked Mr. Carpenter for making the lengthy trip to Las Vegas. He said Joint Resolution No. 18-2012 ([Exhibit B](#)), which was adopted by the Elko County Board of Commissioners, would be submitted for the record.

Chairman Horsford recognized Assemblyman Pete Goicoechea and offered him the opportunity to provide public comment.

Mr. Pete Goicoechea, Nevada State Assemblyman, thought the lengthy trip to speak at today's meeting was important to his constituents in rural Nevada. He asked why a funding formula that caused opposition among schools would be a consideration. Assemblyman Goicoechea said the proposed formula would eventually destroy the community colleges and deny rural students access to higher education. He acknowledged the high cost of educating in rural areas; however, most students required the affordability of a community college. Assemblyman Goicoechea pointed out that most students work and live in the area where they attend school; therefore, if a community college closed, students would relocate to urban areas. As a result, the competition for classes and jobs would increase for students in the urban areas, and increased job competition would continue after graduation.

Assemblyman Goicoechea said everyone would like to expand the entire college system; however, the economy had not recovered enough. There would be needs beyond higher education that would not be met through the next budget cycle. Assemblyman Goicoechea asked the Committee to consider the campuses in Lincoln, White Pine, Pahrump and Fallon, in addition to GBC. He stated he would not support a budget that included the proposed funding formula.

Dr. Charles Milne, Faculty Senate Chair, College of Southern Nevada (CSN), testified in Las Vegas and provided the following written testimony:

I want to thank you for listening to the comments from CSN faculty that teach thousands of students each semester. The CSN faculty support the proposed NSHE funding formula before this committee. We support it because it funds the teaching mission of institutions for the work they do, which is teaching students so they complete courses and courses of study. In the end, it funds institutions

equitably and addresses the chronic underfunding we have experienced at CSN.

Evidence of the chronic underfunding of CSN is seen in the fact that as recently as 2011, another community college in Nevada was paid over twice as much per student to teach the very same courses. I have heard many say they understand the chronic underfunding at CSN, but until you have had to get by on it year after year, while others are given much, much more support per student to do the very same thing, you don't understand what it is really like. Every year I have been at CSN we have been treated as the unwanted stepchild with meager support. Our faculty works hard with relatively little support from the state. The previous funding formula was designed to perpetuate the underfunding, and this proposed formula addresses it, but it does not solve it. Even if fully adopted, CSN will still be getting the least funding per student, but the amounts will be much closer. We applaud NSHE for addressing the chronic underfunding in their proposed funding formula, and the CSN faculty enthusiastically supports it.

We support the base formula using course completions, and we support the performance pool as it rewards student success. Since CSN experiences funding at levels that other colleges do not even think they can exist on, I am surprised CSN scores as well as it does in the performance pool. This is equivalent to an Olympic athlete being given small amounts of bread and water for years and then finishing fourth in an Olympic event. I suggest the committee consider a chronic underfunding factor for CSN in the proposed funding formula to mitigate the chronic underfunding we have experienced.

At the end of today, if the proposed NSHE funding formula has been supported by a vote of this committee, then we will all have experienced something special here. Equitable funding of higher education has a chance to arrive in Nevada for the very first time. If this committee instead chooses to not recommend the proposed NSHE funding formula to the Legislature, then we will most likely go back to the unfair practices of previous committees and legislatures. We will see more studies which conclude that CSN is underfunded. This committee will perpetuate the chronic underfunding of institutions in the south, especially CSN. This proposed funding formula is not perfect and will not get everyone's highest marks, but it is fair. Each committee member can find fault in it, but the committee has no other plan on the table. You can tweak it and pass it for its equitability and the rewarding of excellence, or you can vote for inequitableness and political gamesmanship to fund higher

education. The choice set before you is clear. Please choose wisely today.

Dr. Darin Dockstader, Faculty Senate Chair-Elect, College of Southern Nevada, thanked the Committee for the opportunity to speak on the changes to the Nevada System of Higher Education (NSHE) funding formula. He said CSN faculty supported the Chancellor's proposed funding formula, because it would ensure equity of funding and promote performance equality in NSHE institutions. Specifically, Dr. Dockstader endorsed the base formula component that would fund course completions rather than just enrollment. He thought placing focus on course completion would emphasize and reward institutions for educating students, rather than just enrolling them.

Turning to the topic of "F" grades, Dr. Dockstader said the Committee's working definition of course "completion" had evolved to exclude F grades for non-attendance. The distinction between an F grade for non-attendance and other F grades was a legitimate distinction. Dr. Dockstader said institutional resources and faculty efforts were not consumed by students who failed to attend a course, but efforts were consumed even if a student attended only a portion of a semester. He thought the Committee should continue to maintain F grades with a record of attendance as part of the base funding model. Dr. Dockstader said it would be a tragedy to discourage investment in a potentially failing student. He said an unprepared student who attends and exerts effort should be one of an instructor's priorities, even though the student might still fail the class on the first attempt. An F grade student with a record of attendance and course activity was sometimes more resource intensive, often receiving a disproportionate amount of an instructor's time, energy and consultation. The effort that faculty and other institutional offices expend on at-risk students often helped the student succeed in a course. Dr. Dockstader said when a student repeated a course they generally avoided repeating the same mistakes, which was added value and should be part of the funding calculation.

Shannon Sumpter, Chair Faculty Senate, Associate Professor, Department of Theatre, UNLV, thanked the Committee for their work on behalf of higher education in Nevada. She applauded Chancellor Klaich's commitment to confronting the funding problem with seriousness and fairness. Ms. Sumpter said although there was skepticism and concern, she thought the process would be beneficial for everyone. She thought the most important element was the Committee's commitment to change the way Nevada's higher institutions were funded. Ms. Sumpter said the end result should be a living document that left no one behind, and offered flexibility to accommodate the changing needs and demands of the state, its institution, and its citizens.

David Rhode, Faculty Senate Chair, Desert Research Institute, testified in Carson City and provided the following written testimony:

My name is David Rhode, and I serve as the Desert Research Institute's (DRI) Faculty Senate chair. I speak on behalf of the faculty to support DRI's proposed funding formula that you will consider today. The proposed formula gives essential State support to DRI

and its mission in two separate parts. The first part continues the State's investment in our existing buildings and grounds by supporting costs of operation and maintenance of the high-quality labs and facilities we need to conduct our applied science and educational objectives. The second part supports a core level of necessary administrative functions, integration with NSHE institutions, and strategic program development. This core administrative support scales up and down with the amount of outside grant and contract revenues we generate. Outside grants and contracts currently contribute about 84% of DRI's total operating budget, so this is an obvious metric of our overall growth and success. Scaling our administrative functions to our primary metric of research productivity is consistent with our own performance-driven business model, and with the performance-based philosophy that is guiding NSHE's budget formula. Importantly, it incentivizes us to continue growing our outside revenue base. And, it ensures that our basic administrative needs will be partially State-supported to continue to serve Nevada's economic, technological and educational development into the future. The faculty of DRI thank the NSHE system office and the Board of Regents for approving our proposed funding formula. We thank the formula funding subcommittee and the performance pool subcommittee for recommending it to you. And we thank the Chair and this committee for your time, and urge you to adopt the proposed DRI funding formula.

Jim Richardson, Nevada Faculty Alliance, said he was appointed to the previous formula study committee by Governor Guinn, as well as the Committee to Evaluate Higher Education Programs (A.B. 203, 2003 Legislative Session). He said the Committee to Evaluate Higher Education Programs recommended infusing a large amount of funding to CSN, because of a demonstrated need. The Committee also recognized the need to infuse funds at UNLV in an effort to transform it into a much needed research institution. Mr. Richardson said although he supported the recommendations of the Committee to Evaluate Higher Education Programs, the difference now was a lack of funding. He remarked that funding became more challenging when there was a smaller amount of money to go around. Mr. Richardson said Nevada was currently funding higher education institutions around 72 percent compared to similar institutions across the country. He said NSHE needed more money, from the state or other sources, to accomplish its goals.

Mr. Richardson said he supported the recent actions of the Board of Regents and Chancellor Klaich. He remarked that some institutions were seriously underfunded, and the Board of Regents and Chancellor Klaich were faced with the challenge of coping without additional monies. He said this type of situation would lead to outcry, and problems were already beginning to surface.

Mr. Richardson thought it was especially important to permit NSHE institutions to retain their tuition and fees. He said it would allow the institutions to more fully govern themselves and be entrepreneurial. Also, if the Committee supported the Board of Regent's proposal, he thought it was important that they also approve the mitigation plan that was part of the proposal. While it would not solve all the problems, Mr. Richardson thought it would allow time for the state to manage the revenue problem. He said, perhaps Nevada would have an economic recovery and there would be no need for new revenues. Mr. Richardson said it was time to ask what kind of higher education system was desired for Nevada.

Mr. Richardson said if the state was serious about NSHE being involved in economic diversification, then the Committee should approve Chancellor Klaich's recommendation to support a research function at UNR, UNLV, and DRI. Nevada needed to bring more businesses into the state, and the Knowledge Fund was a good idea. He noted that there was no money in the Knowledge Fund, therefore, it could not serve its intended purpose. If the Knowledge Fund received \$10 million for research purposes, as suggested by the Board of Regents, it would lead to patentable products and create new businesses. Mr. Richardson said \$10 million was a pittance compared to other states, but the money would provide some benefit.

Dick McGee, Chair, Department of Fine Arts, CSN, said he had been a faculty member for 23 years. Mr. McGee echoed President Smatresk's comments about the hard work that the Committee had done. He said getting to the source of the funding problems was long overdue in the state.

Mr. McGee pointed out that the funding formula proposal included a recommendation for the small institutions, but not the larger institutions such as CSN. He said CSN had been making due with less for years, citing one counselor for every 3,000 students, and CSN's infrastructure could not grow at the same rate as faculty.

Mr. McGee echoed the comments of Dr. Darin Dockstader regarding F grades, stating that a failure was not necessarily a failure, because it was still an educational experience for the student who attended class. There could be many reasons for a failure; therefore, he encouraged the Committee to recognize an F grade as a completion of a course as long as the student attended class. Additionally, Mr. McGee said the definition of success needed to be broadened, because there were many successful students who took a single course or audited a course, rather than pursuing a degree.

Dan Schinhofen, Nye County Commissioner, District 5, said his daughter, who was a mother and business-owner, was attending classes at GBC toward her Bachelor of Arts degree. He understood budget constraints, but additional cuts would prevent his daughter and others from attending college, and he urged the Committee to avoid further cuts to the rural institutions.

Bob Clifford, Chairman, Restore Our College Campus Committee, Fallon, said the proposed funding formula seemed to be designed to fix inequity; however, fixing one inequity would create others. Mr. Clifford said Churchill County made up about 1 percent of the Nevada population, and WNC's Fallon campus received about one-quarter of one percent of the higher education budget; therefore, the remaining three-quarters of one percent went to the larger colleges in Nevada. He said the Fallon campus had been reduced from 25 to 9 full-time faculty members, which created hardships on students because they were forced to commute to Carson City for every second or third class. Mr. Clifford said the majority of students in Churchill County attended the local WNC campus rather than the large colleges. He said WNC would struggle to survive based on the impending cuts, and the rural campus would be eliminated if a choice had to be made. Higher education should be accessible for all Nevadan's, but he thought the proposed funding formula was on track to destroy that. Mr. Clifford said the proposed funding formula would provide more funding for upper-division courses because of small class size, but would not provide similar higher funding when small class size was the only option in the rural areas. The proposed funding formula was inequitable, and appeared to "throw the rurals under the bus."

Mr. Clifford said, in the past, Clark County generated a vast majority of revenue for the state from gaming, and sales tax from new home construction and related purchases. Those revenues had decreased while mining increased. He said, based on calculations, the per capita contribution to the state budget from rural counties exceeded the per capita contribution from Clark County. Mr. Clifford thought it was unfair to penalize rural counties who were responsible for a high input to the state budget. The formula did not comprehend rural counties or community colleges. He said the SRI International Report indicated that many other states had separate formulas and boards for community colleges. Mr. Clifford thought Nevada should follow suit, instead of creating inequity by grouping community colleges with the larger schools.

Karla Washington, Undergraduate Student Senator, UNLV, said the Financial Aid and Cashier's Offices at UNLV had lines extending down the hallway, especially during the first week of a new semester. She said it was not uncommon to see students leaving the building in tears because their last option had dissolved. Most of those students were first-generation students or non-traditional students, and often came from underrepresented communities. Ms. Washington said she personally had lost some funding and was trying to find another option, but not everyone had other options to explore. She said the topic of conversation during the first week of the semester was about classes that were full to capacity because there were not enough classes to go around. Ms. Washington invited the Committee members to visit the Student Services Complex and experience first-hand what students and their families were facing. She said education was extremely important and funding was needed in both northern and southern Nevada.

Tom Rosenberger, Chef, Department Chair, Hospitality Management Program, CSN, said the day he started working at CSN 23 years ago, Dr. Paul Mitchen spoke about

how the school was underfunded by 38 percent. He said the situation was much the same today and it was time that funding was fairly addressed. Mr. Rosenberger said the faculty at CSN supported Chancellor Klaich's plan because for the first time it was a logical plan that made sense.

Mr. Rosenberger agreed with the recommendation in the SRI International Report which proposed a requirement for classes to transfer from two-year to four-year colleges, similar to 47 other states. He said there were state-funded classes that students had to take twice, because the credits did not transfer, which meant the taxpayer paid twice.

Jim Matovina, Chair, Math Department, CSN, echoed the sentiments of his colleagues regarding CSN's underfunded status, adding that the underfunding situation became worse as the college grew. Mr. Matovina said the proposed formula was straightforward and attempted to decrease the gap.

Mr. Matovina said CSN's Math Department offered over 250 sections of math classes that serviced over 7,500 students each semester. He said he regularly received requests from students for additional classes. Mr. Matovina urged the Committee to equitably and equally fund all of the institutions, even if it meant that CSN would receive more and other schools would receive less. He said it would allow him to recruit and retain faculty, and offer more sections for students.

Michael Gordon, President, Graduate and Professional Student Association (GPSA); Chair, Nevada Student Alliance (NSA), UNLV testified in Las Vegas and provided the following written testimony:

For the record my name is Michael Gordon, president of GPSA here at UNLV and chair of the NSA.

I was the only student to have a seat on any of the subcommittees namely the Funding Formula subcommittee to represent student interests. I'll admit that it is tough to get students interested in this process especially when meetings took place over the summer, but I've participated in this process to the extent possible and I value the opportunity to make a difference for future generations here in Nevada.

As chair of NSA, representing all students in Nevada, I am concerned about rising tuition costs and balancing the NSHE budget on the backs on students. While there has been much talk about what constitutes a course completion, how course weights are determined and whether O&M should be in or out of the formula, one of the "victories" that has been consistently claimed, is the fact that tuition and fees will now, under the new formula, remain on each individual campus. What is most easily forgotten is that the tuition and fees staying on each campus, would in reality serve as an offset from the

state general fund with no new, additional money received by any institution. This begs the question whether an offset from the state general fund is really an offset at all.

Assuming institutions will have not have additional money (as a consequence of the offset) for doing business, my concern is whether student tuition will be raised repeatedly in the future to just keep up with inflation and the cost of doing business.

Finally, whatever you decide today and whichever direction you decide to go, my plea as a student to you is to please provide a simple, clear, easy-to-understand formula. I've spoken to many students about the formula and I've never had the impression that students fully grasped the complexities of the "old" formula. I, for one, am still learning about it and I've attended every single meeting of this committee! As the minister in our church used to say: "If it's a fog in the pulpit, it's a mist in the pew".

So, whatever you decide whether that is to add the research component to courses or to take it off the top or to increase or decrease course weights, please lift the fog and provide us with an equitable, simple and clear formula.

Chairman Horsford thanked Mr. Gordon for serving as a member of the Funding Formula Subcommittee and for his contribution as a student leader in the process.

Mark Melrose, retired math professor, WNC, said he worked at the Fallon campus for 24 years, and at GBC before that. Mr. Melrose said all that remained of WNC's Hawthorne, Fernley and Lovelock campuses were web classes and occasional interactive video. Web classes were not suitable for all students; therefore, it was important to have teachers physically present. Mr. Melrose urged the Committee to fund the smaller colleges such as WNC and GBC, because those institutions were critical to people living in rural Nevada.

Mark Ciavola, Undergraduate Student Body President, UNLV, thanked the Committee for their work on the funding formula. He said UNLV's tuition had doubled over the last seven years, and every legislative session resulted in budget cuts, yet UNLV spent two and a half times today what it spent ten years ago. Mr. Ciavola said many students were complaining about classes being cut or filled to capacity. Students were struggling to get into classes; yet because of research, almost two-thirds of the tenured faculty were not teaching the three required courses prescribed by the system. He understood research was important, but so were classes. If UNLV was failing to educate students, then all of the funding conversation was just "fog in the pulpit." Mr. Ciavola said he was concerned about all the discussion about finding additional revenue. He said raising student fees (up 800 percent since the year 2000) or tuition were not viable options, but if someone closely examined expenditures they would find that money was available.

He said it was unfortunate that so much time was spent discussing the issues without ever addressing how the money was being spent, or how many classes each professor was teaching. After speaking first-hand with CSN faculty members who taught five or six classes, Mr. Ciavola wondered why UNLV faculty were not teaching similar class loads. Part-time professors at UNLV were paid a lower wage and taught more classes than tenured faculty, yet part-time professors were the first to be eliminated when budget cuts were necessary. He remarked that it was impossible to maintain course availability after eliminating staff members who taught three or four classes each. Mr. Ciavola said, even though he represented UNLV, he would prefer that UNLV forgo 26-inch cinema screen monitors if it meant a rural college could offer an additional class.

Bill Culbreth, Faculty Member and Senator, UNLV, said NSHE institutions had the highest minority enrollment in the United States. He explained that several years ago he researched how funding per student tracked with minority enrollment on campuses, and he discovered an alarming trend. When comparing UNR and UNLV, there was a significant penalty for a higher minority enrollment, amounting to about \$110 per student, per year between the two campuses. He said the same was true at the community college level. Mr. Culbreth said the funding discrepancy amounted to a loss of millions of dollars per year on campuses based on minority enrollment. He thought the Committee should review the proposed funding formula to see how it would affect the funding per student. Mr. Culbreth said diversity should be encouraged not penalized.

Nancy Stewart, Restore Our College Campus Committee, testified in Fallon and provided the following written testimony:

Good morning. I appreciate the time you give in service to our state. My name is Nancy Stewart, I am a resident of Fallon, Nevada, and have taught in this state and in California. I am a retired secondary school counselor - having received two degrees from the University of Nevada - Reno and one in California.

Thank you for allowing for the submission of public comments regarding the Funding Formula being promoted by the Nevada State Higher Education Board of Regents that, if passed, will go into effect in 2013.

It has been my privilege over the years to recommend that students upon graduation consider going on to college, community colleges and vocational technical training both in and out of state, depending upon their interest and available courses of study. As an educator who values the importance of ALL students and considers their life goals to be EQUALLY important, and I assume for each of you tasked with the duty to legislate for the betterment of the public,

I urge you to reconsider the point weighting of the Funding Formula under consideration.

The economic downturn of our nation and unemployment rates have been particularly harsh in Nevada and even more so in our State's rural communities. Our families are hard pressed to support even their most basic needs much less their desire to re-train or enter college given the cost of travel. State budget cuts for education has seen our Fallon community college lose 75% of its classes and where we use to have 25 teachers, we now only have 9 who split their time on the Carson campus. Sad, for a campus that once used to be vibrant and alive with educational activity in the 80's and 90's and now, starting early 2000, the atmosphere appears dark with a quiet solitude settling into its halls. Its once pleasant landscaping is now neglected, cobwebs grow at its side doors, and the cheerful chatter of excitement is no longer heard. The problem related to this is...the Funding Formula model "utilizes the latest year's student completions to determine...weighted student credit hours" for its calculations. I ask you to consider, how fair is this to our community college that no longer has the course offerings and therefore less student numbers?

Over a hundred people attended a public meeting in Fallon concerned about the status of our local community college. The public outcry lead to the formation of the "Restore Our Community College Committee." As the new Funding Formula appears to favor masters, doctorate degree and research (4 to 8 points being given) some say the inequity is obvious, especially since rural community colleges focus on two year associate degrees or certificates of achievement and receive 1 to 2.5 points under the Funding Formula. This results in less state financial support for community colleges adding to our rural problem.

The Funding Formula's greatest point values are contradictory in regard to class size. It gives more state financial support to institutions with graduate degrees (masters / doctorates) where class enrollments are extremely small and often half that of rural vocational/technical "hands on" classes in community colleges. Yet, the 2009 Legislature eliminated the "rural factor" (Rural Factor established by State Legislature in the 1970's) because class enrollment ratio of 13:1 or greater was considered not to be cost effective. The rationale behind this contradiction appears to be discriminatory.

The Funding Formula is "degree completion dependent". Although the community colleges may contribute to this goal in their two year

university “transfer” programs, it has “value” in other areas as well. The “degree completion” works in a traditional full-time student environment (those taking the “benchmark of 30 cumulative college-level credit hours per year”), but does not take into account the non-traditional part-time student. The part-time continuing student who may only need a class or two to maintain or upgrade skills needed in their employment has been discounted by the Funding Formula.

The Funding Formula does not recognize those individuals who may take a special interest community college class, an example might be a pottery or art class. Is that person's interest less deserving of state support even though that special interest might have significant impact on the community's public events or the marketing of an individual business?

What happened to the state's educational philosophy that promotes the individual irrespective of their career goal – law enforcement, real estate, legal assistant, mechanic, construction, agriculturist, secretary, medical office specialist, business, art appreciation, etc.? All work, trades, professions should be valued and the investment of the public's tax dollars should reflect that tenant. Senator Horsford's previous reminder/recommendation of associating Nevada's Economic and Workforce Development study with the Funding Formula deserves serious consideration, especially given the implications for the state's community colleges, their contribution to this effort and the inclusion of omitted disciplines (veterinary science) – as mentioned “...cannot rubber stamp what works in other states.”

In conclusion, the final recommended Funding Formula's points should be more equitable while reflecting and financially supporting the various educational missions of our state and that of our post-secondary institutions. Again, all student educational pursuits are important – from special interests to vocational certifications to doctoral degrees. Because there is less population and opportunity in rural settings, rural community colleges depend on more financial support from state and federal sources (committee handout, *Community College: 50-State Survey*, p.1). The Funding Formula should incorporate a “rural factor” or “Small College Factor”– hands on vocational/technical classes – to be considered and approved by the Committee(s) studying the funding of higher education. Thank you.

Bus Scharmann, Chairman, Restore Our College Campus Committee, Fallon, said he supported any efforts made by the Legislature to rebuild the WNC Fallon campus. Mr. Scharmann said there was a terrible decline in faculty and programs over the last

ten years which led to a decline in enrollment. He hoped the funding formula would be reconsidered to allow rural Nevada to be heard, rather than being left out of the equation.

Pam Borda, Executive Director, Northeastern Nevada Regional Development Authority and member of Team GBC, said she was concerned about the potential cuts to the GBC budget. Ms. Borda thought most people would agree that the old funding formula was problematic, and although the proposed funding formula came close to addressing the problem, it was still flawed. She urged the Committee not to accept something that was not perfect, because it would be difficult to repair later. She said Nevada had a long history of passing laws that went from one extreme to another without reaching a happy medium. Ms. Borda said Nevada could not expect an institution to function after enduring a 34 percent budget cut. The budget cuts at GBC after the 2011 Legislative Session resulted in class reductions in the career and technical education areas. Ms. Borda said mining was one of the leading industries in Nevada and it was necessary to keep training students for that workforce. She said GBC was exceptional at responding to the needs of employers, but further cuts would impact GBC's ability to train and employ students. The result would delay Governor Sandoval's request to create 50,000 jobs by the end of 2015.

Tom Reagan, Chair-Elect, Faculty Senate, GBC, said the Chancellor's proposed funding formula would prevent GBC from serving rural Nevada as a comprehensive community college. Great Basin College did not have the raw numbers, and economies of scale would dictate that it cost more to provide access in the rural areas. However, GBC had the highest amount of graduates among the community colleges, so the money was put to good use.

Mr. Reagan said the Legislature enacted the Millennium Scholarship with the hope of keeping students in Nevada, and it also provided a means of access to higher education. He asked if the Committee was comfortable limiting access to higher education in the rural areas. Mr. Reagan said that the Committee should not dismiss adequacy in funding.

Chris Johnson, Mayor, City of Elko, said GBC was a pillar of the community and offered services that were needed in rural Nevada. As a locally elected official, he was concerned with the funding of higher education, as well as overall funding for Nevada's future. Mayor Johnson said, listening to the comments of others provided him with a better understanding of the situation, and he was compelled to become more involved and provide testimony that focused on Nevada's success.

Mayor Johnson said indicators determined that despite the state's present growth, full economic recovery would probably not occur until 2017. He said the services that Nevada provided and funded, such as higher education, would continue to be under fire. Mayor Johnson said Nevada needed to change how business was done in the state, and a new revenue source could be a solution. He encouraged residents to become involved by attending meetings, offering suggestions and voicing concern.

Delmo Andreozzi, Assistant City Manager, City of Elko, said Nevada needed an educated, flexible and accessible system that could respond to the demands of its industry. He thought Nevada should build an intellectual infrastructure by providing educational opportunities and alternatives for success. Mr. Andreozzi said he personally knew many people who had bettered themselves at GBC. He urged the Committee to carefully evaluate the proposed funding formula to allow economic recovery and prosperity to occur in Nevada.

Carrie Sampson, Doctoral Student in Public Affairs, UNLV, said she earned her undergraduate degree at UNR and her master's degree at Syracuse University. She said there was a stark difference in the quality of education between the two schools, and she thought funding was the reason. Ms. Sampson said, although she received a quality education at UNR, the faculty at Syracuse University was plentiful and provided quality support. Ms. Sampson attended UNLV for her doctoral degree and noted that the faculty was "stretched thin". She said a faculty member recently commented that there was not enough faculty to appropriately support doctoral students. Ms. Sampson said that although she was fortunate to find great mentors elsewhere, that was not the case for many students.

Ms. Sampson said additional funding was a critical component for converting UNR and UNLV into true research facilities. She said some faculty members may only teach two classes, but they were also required to do independent studies and directed readings with students. Ms. Sampson said the courses she taught in Public Administration quickly filled to capacity, and she regularly received requests from students asking for admittance to a course that was full. Ms. Sampson said allowing additional students into a course made it difficult to balance her workload as a teacher and doctoral student.

Ms. Sampson said Southern Nevada served many first generation, underrepresented and/or underprepared students. She said teaching students without the necessary writing skills required a lot of time and resources.

Ms. Sampson thought the proposed funding formula was extremely complicated, and urged the Committee to pass a formula that was easy to understand, fair and equitable.

Chairman Horsford thanked Ms. Sampson for adding student perspective to the process.

Travis Brown, Student Government President, CSN, said he spent a lot of time studying the funding formula and its proposals, and he attended or watched many of the funding committees and subcommittees. Mr. Brown had also spoken with President Richards, faculty, staff members and students on the topics and issues discussed during the committee meetings. He thought the proposed formula from NSHE was the best option at the moment. The proposed funding formula rewarded colleges and universities for helping students successfully complete classes, and encouraged institutions to address

achievement gaps among the underrepresented groups through a performance pool. Mr. Brown said the funding formula also allowed colleges and universities to maintain tuition and fees. Most importantly, the formula addressed the funding inequalities established under the previous funding formula that penalized Southern Nevada institutions for their growth. He said the previous funding formula resulted in reduced staffing in CSN's support services such as tutoring, counseling, and financial aid. For example, in 2007 there were 14,006 financial aid applications filed, which meant one financial aid staff member was assigned for every 778 student applications. In 2011 there were 40,806 financial aid applications filed, an increase of 191 percent, with no increase in financial aid staff. That meant one financial aid staff member was assigned to every 2,267 student applications. Mr. Brown said many students felt that the student support services did not provide adequate support. The NSHE proposed funding formula recognized and rewarded the important work done by the institutions. He said the proposed formula could move the state forward, increase the number of college-educated residents, and bolster research while supporting the rural missions. Additionally, it would improve the workforce and economic development throughout the region. Mr. Brown said the proposed formula would also ensure that tuition and fees remained for use by the originating institution.

Cary Wynn, student, UNLV, said he was currently a student at UNLV and a full-time state employee. He began his education at CSN and remarked that the community college system, the staff and the instructors provided him with many opportunities to be successful. Those opportunities allowed him to transfer to UNLV where he would graduate with a bachelor's degree as a non-traditional student. Mr. Wynn said he would continue his work in higher education, and would continue to fight for the people he represented.

The following written testimony was received from Dr. Gregory Brown, Chair, Faculty Senate, UNLV:

UNLV Faculty Senate approved resolution: "The UNLV Faculty Senate resolves that the System of Higher Education ought to calculate in its budget request to the legislature, any restorations or eventual enhancements of faculty and staff compensation separately from the campus allocations calculated through the funding formula, which will allocate funding based on student course and degree completions. Cuts to campus budgets as a result of legislatively enacted furloughs and pay cuts were implemented in 2009 based upon 4.6% of actual salary lines. Therefore, state money allocated to restore or enhance compensation in 2013 ought to be attributed to campus budgets based upon actual salary lines as well."

The following letter from Glenn Christenson, Managing Director, Velstand Investments, LLC was received by the Fiscal Analysis Division and distributed to the Committee members and the public:

Please accept this letter in support of the Alternative Funding Model (the “Funding Formula”) proposed by the Nevada System of Higher Education (“NSHE”). The two greatest challenges facing our State today are inextricably linked – economic development and education. As a longtime Nevada businessman, I recognize that effectively using scarce resources is critical for success in any organization. In addition, as I complete my fourth year as Chairman of the Nevada State College Foundation, I am willing to contribute my time and other resources into making NSHE more effective for students seeking a college education.

Consequently, I applaud the changes proposed by NSHE for funding higher education. I support the proposal because it recognizes:

- The importance of student success in order to drive our economy and improve the quality of life in our State.
- That metrics drive results and these changes should drive course completion and graduation rates that are critical for success in higher education.
- That NSHE institutions will be incentivized to be more entrepreneurial by allowing them to retain their own student tuition and fees and not use them to reduce State funding.
- That a Funding Formula that contains performance metrics, differentials in classroom costs, mechanisms to support important research, and that allows for a base level of support so that all Nevadans have access to higher education will better align higher education with broader State goals.

I appreciate the work of the Committee in reviewing these matters and to bring a new Funding Formula to fruition. Thank you for allowing me to share these thoughts.

Chairman Horsford thanked those who provided public comment and encouraged continued involvement in the process. He noted that the Committee was an Interim Study of the Legislature, which meant the recommendations would be debated during the 2013 Legislative Session. The Committee was tasked with providing answers and justification to some of the policies; however, the ultimate outcome would be decided by the Legislature, with the approval of the Governor, and in coordination with the Board of Regents.

There was no further public comment.

Chairman Horsford said there was a lot of work to cover, but he wanted to address a couple of issues to streamline the process. First, he wanted to address an issue on record that had concerned him since the previous meeting. Next, he wanted to outline the key policy issues that had been identified during the committee meeting process.

He said the majority of the time would be spent on unresolved areas, specifically weights, operations and maintenance (O&M), and other key areas discussed by the subcommittees.

Chairman Horsford said he was disappointed about an issue with the consultants. He said that several people mentioned disagreement between consultants and the data of the consultants. He said he had been a legislator for eight years and had great respect for the legislative process. Chairman Horsford said the role of an interim committee was to do its work independently and comprehensively while relying on the resources available. The week before the Committee began it received a request by NSHE to include the evaluation of its alternative funding formula proposal (also referred to as the Chancellor's proposal) in conjunction with the Committee's legislative direction. The Committee agreed to have the selected consultant review and evaluate NSHE's proposal in addition to its other tasks. Chairman Horsford said that in December 2011, the Committee's initial request for proposal (RFP) process resulted in one response. Due to the lack of responses, the Committee released an additional RFP on January 20, 2012, and SRI International was selected from the group of bidders. On January 22, 2012, a contract was entered into between NSHE and the National Center for Higher Education Management Systems (NCHEMS) and signed by the Chancellor on February 9, 2012. He noted that NCHEMS had also participated in the bid process. Chairman Horsford found that inappropriate and thought the information should be part of the official record. He said he did not have an issue with NCHEMS or the credibility of their work. He did however, have an issue with the lack of transparency regarding who was doing what work, for whom, when and how.

Chairman Horsford said a letter was sent to the Chancellor and the Board of Regents ([Exhibit C](#)) that outlined six areas where the Committee and NSHE were in complete agreement:

- Remove politics from higher education funding as much as possible by replacing the old formula with something transparent and credible.
- Separate student fees from state allocations with no offset of state support to campuses that enhance student derived revenue.
- Use Nevada's dollars to fund Nevada's students by excluding non-resident students from the formula and state allocations.
- Fund instruction and student success rather than building maintenance or other functions.
- Produce an equitable outcome across all regions of the state and proportional to institutional mission as measured in state support per full-time equivalent Nevada student.
- Include a component based on outcomes specific to each campus or each tier's mission.

Additionally, the letter outlined four areas that required further discussion. The first area was how the weights per student credit hour would be applied on each campus, and whether those weights should reflect the cost of instruction in a given discipline, or the

alignment of a given discipline to the state's Economic Development Plan. The second area was how to define the completed student credit that was at the heart of the base formula proposal. Next, whether the base formula should be based entirely on completed credit hours, or if some money should remain separate from the formula allocation and distributed based on factors specific to certain institutions. For example, the SIF for GBC and WNC or the research factor for UNR and UNLV. Also, Chairman Horsford had asked staff to include a factor for institutions serving underrepresented groups and first-generation students which consumed additional resources. The last area was to determine when and to what extent the new formula would be implemented. Chairman Horsford wanted the Committee to refocus its attention on those four large policy issues rather than getting caught up in minutiae. He said the job of the Committee was to define the best policy based on the recommendations of the consultant and other third-party groups. Ultimately, the Committee would make recommendations to the Legislature and the Governor that were clear, easy to understand and something that could be acted on. With the right policy and justification to support it, people would see the policy was fair, equitable and transparent when the money was apportioned. Chairman Horsford said an actual allocation would be run based on the direction of the Committee, but it would happen after some of the key policies were decided, or as discussion and direction was given to SRI.

Dr. Jason Geddes said the Board of Regents received Chairman Horsford's letter and regular updates. He said the outcome of the Board's discussions and deliberations was sent to the Committee ([Exhibit J](#)) and would provide direction for today's meeting.

III. REVIEW OF SENATE BILL 374 APPROVED BY THE 2011 LEGISLATURE AND THE RESPONSIBILITIES OF THE COMMITTEE TO STUDY THE FUNDING OF HIGHER EDUCATION.

IV. REVIEW AND DISCUSSION OF SUBCOMMITTEE REPORTS INCLUDING RECOMMENDATIONS ADOPTED BY EACH SUBCOMMITTEE:

a. FUNDING FORMULA SUBCOMMITTEE

Alex Haartz, Program Analyst, Fiscal Analysis Division, said the Subcommittee reached consensus on the first seven items ([Exhibit D](#)).

Mr. Haartz said the first issue pertained to the budgeting of student-derived revenues and how student revenues should be treated from a budgetary standpoint by future legislatures. The Subcommittee provided three recommendations on the issue. First, projected student-derived revenues (registration fees, non-resident tuition and miscellaneous student fees) and investment-income revenues within the seven institutions' operating budgets should not be treated as an offset to General Fund appropriations. Second, projected student-derived revenues and investment-income revenues should remain budgeted in the seven institutions' operating budgets for

transparency purposes. Lastly, projected student-derived revenues should continue to be retained and expended by the institutions at which they are collected.

The second issue pertained to the primary formula driver. Mr. Haartz said the existing, but suspended, formula projected enrollments. There was discussion of switching to a formula based upon completed credit hours, as well as discussion regarding the issue of successfully completed credit hours. The Subcommittee recommended that the primary driver of the funding formula should be based on resident-only student credit hours. The credit hours should be completed credit hours and include all letter grades except W (withdrawn). With respect to the topic of F grades, there was discussion concerning two types: One type of F grade represented a student's failure to attend and perform classwork (FN), and the other type represented a student who attended classes and attempted the classwork, and effort was put forth by all parties to help the student succeed. The Subcommittee requested additional clarification regarding FN grades, as well as a standardization across all NSHE institutions concerning the process for defining FN grades. The Subcommittee recommended the Board of Regents adopt a policy similar to the federal student aid policy, which required a minimum of 60 percent attendance of a course. Another component of the policy would document institutions' efforts on behalf of the students' success. The Subcommittee recommended that the Board consider the new formula as a mandatory prospective policy to be adopted and utilized by institutions to standardize the issuance and associated data collection of FN grades. FN grades would be eliminated from the count of resident-weighted student credit hours following implementation.

Mr. Haartz said the third issue discussed by the Subcommittee was how to project completed credit hours (page 4, [Exhibit D](#)). Historically enrollments were projected based on a three-year weighted average. For the 2009-11 and 2011-13 bienna student enrollments were projected as flat to the fiscal year in which the Legislature met. The Subcommittee recommended to project student credit hours as flat to a base year, which would be the most recent fiscal year for which actual or projected actual completed credit hours were available. For example, the recommendation suggested that the weighted student credit hours for FY 2014-15 would be based on the FY 2013 preliminary actual credit hours because the Legislature met in 2013.

Mr. Haartz said the fourth issue pertained to funding for administrative costs at GBC and WNC. The Subcommittee recommended that the SIF for GBC and WNC be implemented as proposed by NSHE. He said the Committee may wish to consider an additional recommendation to sunset the SIF unless a cost study was conducted to determine the need to continue the SIF.

Chairman Horsford thought the issue concerning the SIF funding for administrative costs required further discussion based on today's testimony.

Mr. Haartz said the next issue pertained to funding of remedial instruction (page 7, [Exhibit D](#)). The Subcommittee recommended to adopt the weighting and funding of remedial instruction hours as recommended by NSHE. In addition, the

Subcommittee recommended inclusion of a remedial instruction component in the Performance Funding component. The Subcommittee also recommended that the Committee encourage the Board of Regents to adopt a policy under which students who completed a remedial instruction course were guaranteed a seat in a corresponding for-credit course the following semester as a strategy to improve student success. For example, if a student completed a remedial English class, they would be guaranteed a seat in a for-credit English Gateway course the following semester.

In response to a question from Mrs. Gansert, Mr. Haartz answered that the recommendation was from the Funding Formula Subcommittee.

Dr. Geddes did not recall that the additional recommendations were part of the motion for creating the policy. Mr. Haartz thought Dr. Geddes was correct, and the motion pertained to the adoption of option A only (page 8, [Exhibit D](#)). He added that there was discussion after the motion and a request to include the additional items.

Chairman Horsford explained that the additional recommendations pertained to Board of Regent's policy; therefore, the Committee would submit a letter to the Board explaining the recommendations and encouraging them to set the policy.

Mrs. Gansert said in the current Performance Funding component there was not a reference to remedial courses, only Gateway Course Completers (Gateway). She asked if the recommendation concerning remedial instruction courses was referring to something different or if the wording was different.

Mr. Haartz said it was not specifically defined in terms of whether it was reflective of Gateway as recommended in the NSHE Performance Pool Model for Consideration ([Exhibit A](#), page 65). He thought the Committee should make the determination, because the Subcommittee identified the concept of remedial education but not in the context of the performance metric of Gateway completion.

Mrs. Gansert requested to hold the item aside for further discussion.

Mr. Haartz said the next item pertained to whether to include or exclude student credit hours in the state supported operating budgets of the Medical, Law and Dental schools in the funding formula. The Subcommittee recommended that the Medical, Law and Dental schools continue to be excluded from the funding formula. He said, in the past, the budgets for the Medical, Law and Dental schools had been treated as non-formula budgets and their credit hours were not included.

Chairman Horsford said the Spending and Government Efficiency Commission previously recommended combining the non-formula accounts such as athletics, business center, etc., because they should not have been funded as line items. The consolidation of those accounts was adopted as one of the reforms to the budget process; however, there was currently a request from NSHE to separate the non-formula accounts again.

Mr. Haartz thought the issue Chairman Horsford was referring to was a budgetary and mechanical issue rather than a policy issue. It was staff's understanding that NSHE felt the most accurate method for calculating budgets was to separate the budgets that had been consolidated into the state supported operating budgets for UNR and UNLV during the 2011 Legislative Session. The accounts would most likely be reconsolidated when presented in the Governor's budget. Mr. Haartz said it was staff's understanding that separating the non-formula accounts was not an attempt to back-track on the policy adopted by the Legislature.

Dr. Geddes confirmed that the accounts were separated temporarily for the purposes of calculation.

Chairman Horsford asked if those line items automatically received base support regardless of the priorities that the Board of Regents set otherwise. Dr. Geddes said the consolidated accounts would return to the appropriate process and the campuses would set the priorities with the Board.

Dr. Doubrava asked how research dollars for the Medical, Law and Dental schools would be affected if the schools were not included in the funding formula. He also asked if that would enter into performance funding.

Mr. Haartz said that topic could be discussed under the Performance Pool, Economic and Workforce Development, and Research Subcommittee.

Mr. Haartz said item number six also represented an issue discussed by the Funding Formula Subcommittee that dealt with the inclusion of a separate funding formula for the Desert Research Institute (DRI). The Subcommittee reviewed the proposed funding formula methodology for the DRI and provisionally adopted the new formula proposal as proposed by the Chancellor and DRI subject to further clarification. The Committee received the information from the Chancellor's Office, which provided the additional clarification, and also used slightly different percentages. Mr. Haartz said the methodology did not change, but the percentages changed to more accurately reflect being tied back to the General Fund appropriation within DRI's state supported operating budget.

Mr. Haartz concluded his overview of the Subcommittee's recommendations.

Chairman Horsford said the issues regarding the Credit Hour Projection Approach and Funding of Remedial Instruction would be held for additional discussion. He asked if there were any questions regarding the Subcommittee's recommendations.

With regard to the Primary Formula Driver and the definition of a course completer, Mr. Dillon said that if Nevada was willing to accept F's, he did not see much difference between course completion and course enrollment. He remarked that most people assumed that completing a course meant passing a course. Nevada was last in the

nation in many different areas, and he thought the state should try to raise the bar in the future.

Addressing Mr. Dillon's comments, Chairman Horsford said Chancellor Klaich provided a response on August 27, 2012, concerning the issue of completion ([Exhibit A](#)). He said the issue would be discussed separately. Chairman Horsford also said there was a policy commitment that the Board of Regents would undertake which would be discussed on record.

The Funding Formula Subcommittee met on August 15, 2012, to discuss key areas of funding higher education in Nevada and made recommendations to the Committee as shown in [Exhibit D](#). The items in which the Committee reached consensus referred to the following areas and included:

- Primary driver as the basis of a funding formula (page 4)
- Approach to projected student credit hours (page 5)
- Medical, Law and Dental schools to be excluded from the funding formula (page 9)
- Provisionally adopt the new formula proposal by the Chancellor for the Desert Research Institute subject to further clarification being provided (page 10)

DR. GEDDES MOTIONED TO ADOPT THE RECOMMENDATIONS OF THE FUNDING FORMULA SUBCOMMITTEE IN WHICH THE COMMITTEE REACHED CONSENSUS AS NOTED ABOVE. SENATOR SMITH SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

b. PERFORMANCE POOL, ECONOMIC AND WORKFORCE DEVELOPMENT AND RESEARCH SUBCOMMITTEE

Mr. Haartz said the first item the Subcommittee discussed was the issue of exclusion of non-formula budgets from the Performance Funding system. The question raised by the Subcommittee was whether activities that occurred in non-formula areas should be excluded from consideration of an institution's Performance Funding structure. For example, should research expenditures at one of the three professional schools such as the Medical, Law or Dental schools be allowed to be counted toward an institutions' performance points under that particular performance metric of research expenditures? Mr. Haartz said the Subcommittee recommended that a performance pool funding system be implemented for NSHE in a manner adopted by the full Committee.

The second issue discussed by the Subcommittee pertained to the source of General Fund appropriations for performance funding. Mr. Haartz said there was discussion about whether new funding should be made available to support performance, or if performance funding should be taken from the existing \$362.56 million base General Fund appropriation that the institutions currently received. In agreement with the Governor's Office and the National Governor's Association, the Subcommittee

recommended that performance funding be funded from the NSHE institutions' base General Fund appropriations.

Mr. Haartz said the next topic pertained to the percentage or dollar amount of funds to be allocated to performance. The issue was taken in conjunction with the subsequent issue of whether performance funding should be implemented all at once, multi-year or as a phased-in approach. The Subcommittee recommended that the performance funding pool be implemented over a 4-year period beginning in FY 2015. The Subcommittee also recommend an initial year (FY 2015) percentage of 5 percent base funding, increasing by 5 percent per year until a 20 percent performance pool was reached in the fourth year (FY 2018). Mr. Haartz indicated that FY 2015 was selected based upon testimony indicating that it would allow enough time for NSHE and the institutions to handle the necessary planning, put systems in place to manage their budgets, and set up data systems that could document performance.

Mr. Haartz said the next issue pertained to the structure and operation of the performance funding pool. The Subcommittee could not provide a recommendation because further refinement was necessary; therefore, it was recommended to bring the issue before the Legislature.

With regard to specific metrics and measures of performance, and associated weights and values, Mr. Haartz said the Subcommittee determined that further refinement was necessary and no action was taken.

Mr. Haartz said the final item pertained to DRI performance funding. The item had been included in the likelihood that the Funding Formula Subcommittee decided that DRI's base funding should not be formula driven, but instead included as a performance component for DRI's research activities. Mr. Haartz said there was no action taken on this item.

In response to a question from Senator Kieckhefer, Mr. Haartz confirmed that no further action would be required because the Committee adopted the Funding Formula Subcommittee's recommendation that DRI's operating expenditures would be formula driven.

Chairman Horsford noted that DRI did not compare themselves against other institutions. He asked if a year-over-year benchmark was still required based on that information.

Dr. Geddes said he thought the Funding Formula Subcommittee adopted DRI's proposal to use benchmarks and increased federal dollars because that was the measurement. He thought it was adequate and that DRI would be eligible for more funds as they reached certain thresholds.

Chairman Horsford said the thresholds applied to the percentages which were updated by the System office, and not year-over-year. He said the percentage for O&M support would be received when a specific level of research dollars was reached.

Chairman Horsford noted that items four and five would be held.

The Performance Pool, Economic and Workforce Development and Research Subcommittee met on August 15, 2012, to discuss key areas of funding higher education in Nevada and made recommendations to the Committee as shown in [Exhibit E](#). The items in which the Committee reached consensus referred to the following areas and included:

- Source of General Fund appropriations for performance funding (page 3)
- Approach to implement performance funding (page 5)
- Medical, Law and Dental schools to be excluded from the funding formula (page 9)
- Provisionally adopt the new formula proposal by the Chancellor for the Desert Research Institute subject to further clarification being provided (page 10)

REGENT WIXOM MOTIONED TO ADOPT THE RECOMMENDATIONS OF THE PERFORMANCE POOL, ECONOMIC AND WORKFORCE DEVELOPMENT AND RESEARCH SUBCOMMITTEE IN WHICH THE COMMITTEE REACHED CONSENSUS AS NOTED ABOVE. SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

c. COMMUNITY COLLEGE FUNDING SUBCOMMITTEE

Mr. Haartz said the first issue discussed by the Community College Funding Subcommittee pertained to information on current and proposed funding of the community colleges. The Subcommittee recommended that the full Committee deliberate the current and proposed funding of community colleges at its meeting on August 29, 2012. He clarified the intent of the motion was to recommend a general discussion in the larger context of the Committee's work, rather than specifically endorsing a particular aspect of the current and proposed funding of community colleges.

Mr. Haartz said the second issue discussed by the Subcommittee was the federal and non-federal grant funding opportunities. The Subcommittee recommended that the Committee suggest that the Board of Regents review its policies and processes to seek federal grant opportunities to support the community colleges. He further clarified that the intention was that whatever the Board of Regents adopted in terms of the policy or processes, the intent was to assist the community colleges in being more effective in competing for state, federal and all other competitive grant opportunities.

Mr. Haartz said the next issue discussed by the Subcommittee pertained to funding of community colleges through what was identified as county, city, district or otherwise local level funding mechanisms. There was also discussion on the issue of governance. The Subcommittee approved the recommendation that the full Committee deliberate the funding of community colleges through county, city or district level mechanisms at its meeting on August 29, 2012. Again, the Subcommittee was not specifically recommending a particular mechanism, but rather the intent of the motion was to recommend general discussion in the larger context of the Committee's work rather than specifically endorsing the idea of local funding.

Mr. Haartz said the final issue concerned the community colleges access mission and alignment with economic and workforce development. The Subcommittee approved the recommendation that the full Committee deliberate the community colleges access mission and alignment with economic and workforce development at its meeting on August 29, 2012. The intent was to encourage general discussion in the larger context of the Committee's work. The Subcommittee also recommended that as the full Committee considered a funding formula it should continue to review the impact of the necessity for a system to have "like" student ID's throughout the system; dual credit opportunities; tuition transparency; transfer of credits.

Senator Kieckhefer asked if a letter would be drafted from the Committee to the Board of Regents requesting that NSHE review their policy on grants and funding opportunities.

Chairman Horsford replied at a minimum, yes. He said item 2 (page 4, [Exhibit F](#)) explained that NSHE indicated that a total of \$88.63 million was received for the four community colleges mostly from student grants. Chairman Horsford thought the focus was on competitive grant dollars such as the i-3 Fund and Hispanic-Serving Institutions designation and how Nevada could better compete for those dollars. Chairman Horsford thought it should be discussed further by the full Committee to determine if there was another recommendation to be made.

Dr. Geddes said that NSHE made a commitment in the previous budget session to increase the funding and grants at the community colleges by at least 10 percent. NSHE was evaluating and updating their policies and creating a structure to successfully compete for grants and funding. The updates were regularly reported to the Workforce, Research and Economic Development Committee. In addition, NSHE prepared a report on all of the research and workforce grants regarding the seven Governor's Office of Economic Development (GOED) clusters. A report would also be available on all of the courses and degree programs offered around those seven GOED clusters in December 2012. Dr. Geddes added that any direction from the Committee would be helpful.

Chairman Horsford noted that items two and four would be held.

The Community College Funding Subcommittee met on August 16, 2012, to discuss key areas of funding higher education in Nevada and made recommendations to the Committee as shown in [Exhibit F](#). The items in which the Committee reached consensus referred to the following areas and included:

- Current and proposed funding of the community colleges (page 3)
- Funding of community colleges through county, city and district level mechanisms (page 5)

DR. GEDDES MOTIONED TO ADOPT THE RECOMMENDATIONS OF THE COMMUNITY COLLEGE FUNDING SUBCOMMITTEE IN WHICH THE COMMITTEE REACHED CONSENSUS AS NOTED ABOVE. SENATOR PARKS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairman Horsford said the Committee received backup data on the four-state review performed by NCHEMS. He said that SRI had the opportunity to review the data and Dr. Stephen would share SRI's observations.

Dr. Roland Stephen, Senior Economist, SRI International, provided an overview of SRI's review of NCHEMS four-state review ([Exhibit G](#)).

Chairman Horsford said the direction from the Committee to SRI was to use the four states with the raw data to determine whether there were significant outliers. He indicated that outliers were determined in business and engineering.

Dr. Stephen replied that was the case with Texas, which was not used by NCHEMS. He noted that Texas was well recognized for the quality of its cost values.

Chairman Horsford asked for clarification concerning the four states used by NCHEMS. Dr. Stephen replied that as SRI understood it, NCHEMS only used three states, Florida, Illinois and Ohio.

In response to a question from Dr. Geddes, Dr. Stephen indicated there was a small amount of significant outliers in business, engineering and public administration. He said Texas was generally higher on the doctorate level. Visual performing arts was weighted at the doctoral level, as well as culinary. Dr. Stephen said the question before the Committee was how to use the weights of other states and what were the advantages and drawbacks in doing so.

Chairman Horsford said that beyond weights by program, there was also weights by tier. Additionally, there were significant variations from what was proposed in the NSHE proposal and what was used in Texas, particularly at the higher tier research level.

Dr. Stephen said there was a great deal of consistency at the lower division. At the upper division levels there were differences in some disciplines arising at the graduate, masters and doctorate levels.

Senator Kieckhefer asked if that was due to policy decisions or if it was still cost driven at that level. He said the highest weight that Texas had was for business management and marketing and related support services. He thought it was unlikely that would cost more than producing a medical doctor.

Dr. Stephen said finance and accounting professors were more expensive because of their private market value. He said the cost was very high for the in-demand fields on the business side and for biomedical research. In response to Chairman Horsford, Dr. Stephen added that nursing was also very high. He said there was a shortage of nurses, so there was increased value to have someone with a doctorate in nursing as a faculty member.

In response to Senator Kieckhefer, Dr. Stephen agreed that the higher cost of certain professors was a policy decision, but critical due to the shortage of allied health professionals.

Chairman Horsford said that even if some of the weights were adopted, Nevada needed to perform its own cost study and revisit the weights through a policy-based lens for all six of the Classification of Instructional Programs (CIP) codes. Nevada had a nursing shortage and there were private institutions that were more successful at graduating nurses than Nevada institutions. He said, as a legislator he talked to people in the private sector who had difficulty finding nurses, or they could not expand a program at a particular institution because funding was not available or faculty was not being funded properly. Whatever the case, he said Nevada was not responding to its economic needs.

Dr. Geddes said he was surprised at how consistent the weights were through the undergraduate lower-division and upper-division and most of the graduate level courses. He thought it was a good backbone that could be built on for a Nevada-based cost study.

Chairman Horsford thought that one of the four states comprised in the NCHEMS review included the weighted cost formula for community colleges. Dr. Stephen confirmed that was correct. He said NCHEMS reported that the relationship between lower-division and upper-division was relatively stable across both two-year and four-year institutions. Dr. Stephen said the principle embodied in the alternative proposal was that there was one cost; however, he did not think the studies gave the Committee guidance required to make that decision. He thought there was a case to be made for one cost, especially if there was variation by institution in student fees and tuition, where a four-year institution with a high-quality program could make up the cost difference at the lower level through fees and tuition which were not available to the two-year community colleges.

Dr. Stephen thought a formula that encouraged differentiation could be accomplished through one formula with different weights at the different levels. He said one way to foster differentiation was to encourage the four-year institutions with appropriate weights and the two-year institutions with an appropriate cost for the core courses. He said that was a developing practice in Ohio and other states where many core courses and gateway courses were delivered, encouraged and incentivized to be delivered at access institutions.

Regent Wixom thought the concept of the matrix was something the Committee could understand and embrace; however, policy decisions had not been made with respect to how to inform the matrix. He volunteered to make a motion to adopt the matrix subject to a cost-informed analysis so the Legislature and Governor could make an informed policy decision with respect to those specific issues.

Chairman Horsford said he was not comfortable taking a motion because he thought there should be further discussion on the topic. The concept of a matrix was acceptable, but the weights were also important. He did not think there was enough time before the 2013 Legislative Session to perform a thorough cost study. Another option would be to implement weights to the best of the Committee's ability and then require that a cost study occur by a date that would allow the matrix to be updated to reflect the new or revised cost structure.

Regent Wixom thought there was enough consensus to build on and move forward. He did not want to lose momentum and get lost in issues that could be worked through, and lose the opportunity to encompass a concept where there was agreement.

Chairman Horsford agreed. He recalled when the Board of Regents decided to make UNLV and UNR Tier 1 research institutions. It was a policy directive; however, nothing changed within the funding formula. Chairman Horsford said he had learned that to effectively create research institutions, it was important to determine the focus of the research and how those areas would be weighted. UNR and UNLV did not focus on the same programs; therefore, he thought the Committee should have policy discussions in the four or five areas where there were variations in an effort to provide weight recommendations to the Legislature and the Governor.

Chairman Horsford added that he was uncomfortable with the fact that only one state used weights for community colleges. Dr. Stephen replied that only one state applied the cost matrix to the community colleges. He said the SRI report discussed different ways in which community colleges were funded. For example, in some states, such as California, community colleges had a separate formula. That formula was used in the study for all of the selected states except Ohio.

Chairman Horsford asked if the same weights used for undergraduate four-year institutions were used for the community colleges. Dr. Stephen thought that was correct. He said the goal in Ohio was to use the two-year institutions and the access

institutions to deliver lower-division core classes and achieve success with either remediation or enhanced full-credit gateway classes for applicable students.

Chairman Horsford said the Committee agreed on a majority of the weights; however, there was still disagreement on the weights being adjusted on the research side based on the focus areas, and whether the state was incentivizing the completion of courses that would lead to degree completion at the access institutions.

Senator Kieckhefer asked for clarification on the areas of disagreement.

Dr. Stephen said there was a significant variation at the doctorate level. At the master's level there was a significant divergence in the areas of computer sciences, biological sciences and engineering (pages 11-13, [Exhibit G](#)). He said that healthcare was similar at the master's level, but there was a large variation at the doctorate level.

Referring to the SRI Cost Study (page 11, [Exhibit G](#)), Senator Kieckhefer said matrices were spread across Florida, Ohio and Illinois and divergence was lost within those three. He noted that Nevada was consistent in some of the areas for doctoral work and asked how much divergence there was.

Dr. Stephen said he was focusing on Texas data because the information was the actual authorized weights from 2011, whereas the data for the other states was from 2007.

Mrs. Gansert thought perhaps Texas had research dollars blended in to the weight and that was causing the numbers to be significantly higher than the other states.

Chairman Horsford responded that Mrs. Gansert made a valid point which also related to the research factor discussion and whether it should be included in the weight or remain separate.

Mrs. Gansert replied that the numbers were significantly higher. She said when the Committee discussed a weight that included research it was not that much higher.

Chairman Horsford agreed, adding that 10 percent was recommended across the board for all doctoral programs.

Mrs. Gansert thought that based on averages, other states seemed to be within a similar curve and Texas appeared outside the curve considerably. She wondered if it was related to policy and research.

Dr. Stephen replied that he thought it was a mixture of factors, adding that Texas had a separate O&M projection mechanism for calculating an O&M number. Dr. Stephen thought Texas felt it was reasonable to spend a higher amount of money on certain types of professors. Similarly, he thought Nevada should determine how much to

support its commitment to have major research institutions. States such as Utah and Georgia had knowledge fund programs to target expensive, top of the line, research endeavors with high economic development spillovers.

Dr. Stephen thought the Texas weight was set correctly for the higher-division classes; however, the Committee might not be satisfied with the weight for lower-division classes. He said that over half of Nevada's student population was entering two-year institutions and in need of extra support. He suggested weighting entry-level math and English courses at 1.5 for those two-year institutions as a way of rewarding them for serving a Gateway class. Dr. Stephen's other suggestion was to increase the weighting at the graduate level.

Dr. Geddes said the Committee was considering reducing multiple formulas down to one. In looking at the three-tier level and talking about access institutions, one of the reasons that English 101 was funded the same was because the two universities had entrance requirements and others accepted students with lower test scores and GPAs. The old system had an academic support formula and an institutional support formula which could provide additional resources to the less prepared students. The goal of the new system was to provide the same, but within one formula. This would allow the universities to gain students who were better-prepared and focused. He thought the community colleges were being brought into the new system and given the necessary resources.

With regard to research, Dr. Geddes thought Nevada needed to build its research capability and then use Knowledge Fund dollars and GOED targeting to build up those specific areas. UNLV and UNR had lost professors to other institutions with significantly more basic research support such as graduate students, environmental health and safety, and radiation support. Because of that increased research support, other institutions focused their efforts on grants instead. He said Nevada need to follow suit and build research support into the formula.

Dr. Geddes thought the Committee could agree on the majority of the matrix and only needed to debate five or six programs. He agreed with Mrs. Gansert that some of the numbers were big outliers and perhaps the weighting was not high enough. He remarked that Texas' was funding their own specific educational priorities and Nevada's educational priorities were different in several areas.

Chairman Horsford remarked that Texas had a current and rich data-driven cost analysis which made it a valuable focal point; however, it did not mean Nevada was going to adopt its methods.

Chairman Horsford said as the Chairman of the Committee, he did not think it was appropriate to return an incomplete assignment to the Legislature; therefore, the Committee needed to complete the recommendations. Chairman Horsford indicated he was apprehensive about adopting the alternative funding formula proposal from NSHE as presented; and he thought further discussion was necessary.

Mr. Haartz noted that the 2013 Legislature would use 2013 preliminary final student credit hours as the basis for fiscal years 2014 and 2015.

Chairman Horsford said the Committee had to come to a decision that would be satisfactory for the two-year period until a cost analysis could be performed.

Mrs. Gansert thought it was important to keep in mind the regents and their proximity to what the priorities were for the institutions and what they wanted to accomplish. The base formula was a way for the state to deliver money; however, the regents played a strong role in policy decisions as far as how the funds would be allocated within the university system. Ultimately, policy decisions were made at the institutional level versus the state level.

Chairman Horsford replied that it was the responsibility of state legislators to appropriate and approve the funds. There had to be a level of comfort with how those funds would be allocated or the universities would have greater flexibility to raise tuition. He said the Committee was charged with taking the weights based on weighted student credit hours that were completed and fund those programs according to a fair, equitable and transparent process. That was a policy decision that was embedded in the budget document that was approved by the Legislature and signed by the Governor and done so in coordination with the Board of Regents. Chairman Horsford said that it was not part of the budget process to provide funds to NSHE to be spent at will.

Mrs. Gansert replied that the policy was still driven by the Legislature, but also the Board of Regents and the institutions.

Chairman Horsford said he wanted the Committee to identify and discuss the five or six research, master and doctoral level program areas where there were variances in the NCHEMS and Texas models. Additionally, he wanted the Committee to discuss whether weights should be increased at the access institutions. Chairman Horsford said it was unfortunate that universities could adjust for tuition and that the GPA requirement determined which students could attend the universities. He thought that was a detriment to community colleges who acquired students without the ability to choose; therefore, the community colleges needed the appropriate resources. He said that was why it was important to have a discussion regarding whether the weights should change based on the mission of the community colleges in the Gateway courses. Chairman Horsford said he also wanted to complete the discussion on whether the research weight should be included in the weight or remain separate. Adding that he thought the weight should be included at the higher upper-division and graduate levels. Chairman Horsford also wanted to complete the discussions on the SIF and the O&M research factor.

Dr. Stephen asked for clarification on the direction on the scope. For example, he asked if the Committee wanted him to focus on the weights in the NSHE model. Also, using Ohio and Texas models, he asked if the Committee wanted high or low

adjustments, or a range of alternative weights that would bring the NSHE model closer to Texas, but not as high. Dr. Stephen said he worked with the numbers somewhat and there was not a great “swing” in actual dollars. He said there was a great deal of discretion concerning how to spend the money after it was received, but it was spent in anticipation that the formula would be applied to those new credit hours. Dr. Stephen said there was an incentive to enroll students in graduate programs or certain types of graduate classes knowing that the next time the formula was applied, it would be applied to those new student credit hours as inputs.

Senator Kieckhefer asked if the scenario was based on specific CIP codes or various discipline clusters. Dr. Stephen replied that he could begin in the discipline clusters and work down to the CIP codes.

Regent Wixom asked Dr. Stephen what his base reference point was in terms of running scenarios. Dr. Stephen answered that the base reference was the alternative proposed model by NSHE and the real state of Nevada appropriated dollars as the starting point.

With regard to the Discipline Clusters and Weights ([Exhibit L](#)), Assemblyman Paul Aizley asked if there would be discussion to change the clusters. He noted that certain items were absent such as mining and tourism. Also, for categories such as Architecture, he asked if that was for design or construction, because those were two different categories. He thought there was weakness in the clusters.

Chairman Horsford indicated that it was possible to expand with greater detail and break down the clusters with more detail of the CIP codes. He said NSHE compared all the level of details in the CIP with the other states and removed codes for programs that did not apply to Nevada.

Dr. Stephen said there were three 2-digit CIP codes in the Architecture/Engineering cluster which was Architecture/Engineering and Engineering Technologies and Technicians. He thought those embodied the disciplines to which Assemblyman Aizley was referring.

Dr. Stephen noted that there was one set of weights for each cluster, but the weights could be altered by 2-digit CIP not just by cluster.

Mrs. Gansert asked Dr. Stephen if he was going to change the very upper end, which were doctoral level weights. Dr. Stephen confirmed that he would adjust the doctoral level weights, as well as some weights at the master’s level weights, such as business, engineering, natural resources, computer information sciences, biological and biomedical sciences and physical sciences, nursing and architecture.

In response to a question from Mrs. Gansert, Dr. Stephen replied that the clusters were located on pages 13 and 14 in the SRI International Four State Cost Study Information ([Exhibit G](#)).

Mrs. Gansert said the state was trying to incentivize certain types of actions within performance funding, such as for economic development, and apply more funding toward STEM education and Allied Sciences. She expressed concern that there would be another crossover of policy and priorities within the base funding rather than positioning it in the performance end of the funding.

Chairman Horsford said there were seven industry clusters in the SRI Brookings Report for Economic Development. He said there were countless doctoral programs in Nevada's system and the state could not rely primarily on performance pool funding to accomplish what was required of the institutions from a research standpoint. That was why the weights were important and had to be correct for the base funding. He said the performance pool could be used to incentivize those seven sectors.

Mrs. Gansert replied that the discussion was crossing between policy and cost and it was all getting blended into the base but it would also be included in performance. She said the numbers would reveal if separation was feasible.

Dr. Stephen suggested that the base formula remain as cost. Performance should be aimed at policy goals. He said the costs embodied earlier policy goals which might need to be changed.

Mrs. Gansert said there was doubling-up in the performance pool because when there was an economic development piece there was doubling-down on those related to economic development. She said the base was originally supposed to be a cost-based model and the performance was supposed to be incentivizing behavior for certain types of outcomes. Mrs. Gansert was concerned about blending cost and performance at present; although she recognized that certain programs cost more. She thought there were policy decisions that evolved over time and the model would be corrected to allocate funds. Those policy decisions would be made by the Legislature, but some policy decisions would be made by the Board of Regents or the institutions based on their mission and the needs of the communities in which they resided.

Chairman Horsford agreed, adding that several institutions had to cut programs based on priorities and available funds. He asked Mrs. Gansert if she thought Dr. Stephen should not consider increasing the weights for the seven sectors because they were accounted for in the performance pool.

Mrs. Gansert replied that a portion was handled in the performance pool. She thought the intent was built into the budget and that NSHE and the institutions made their choices after the passage of the budget. If they wanted to improve a particular program they could choose to allocate funds accordingly. The base was about partitioning the initial pie based on existing programs and the performance piece was to drive decision-making, whether that be economic development or at-risk students. Mrs. Gansert said the same was true with the Gateway course. There were not incentives around remediation because there should not be incentives strictly for

remediation. Students needed to complete remediation courses and successfully complete the Gateway course, which would ultimately improve their chances to complete a certificate or degree.

Chairman Horsford said there were some inherent policies, based on the budget and influenced by the weights, that the Legislature reviewed and decided on for higher education. He thought that it was his job as a legislator to make solid decisions on the weights rather than passing it on to someone else.

Chairman Horsford said, regarding the issue on performance, the plan was to incentivize the alignment of the programs to those seven sectors.

Chairman Horsford indicated that he had been referring to entry-level courses, not remedial courses, when he requested further discussion on whether those courses should be weighted higher. He said the reason for that was because students frequently had difficulty finding availability in those courses, the student-to-teacher ratios were large, and students were not getting the individualized attention they needed. He said evidence from the NGA indicated if a student did not do well in their first year of college, and if the student was a first-generation student, they were less likely to complete a degree. Therefore, Chairman Horsford thought those courses should be strictly a performance-based decision to hold institutions accountable in the base, because that was where the core of the funding was.

Mrs. Gansert thought there would be some “wraparound” services that would be provided if those courses were weighted. She remarked that if the size of the pie remained the same, shifting allocation meant decreasing funds elsewhere.

Chairman Horsford agreed that was the case unless the Legislature chose to invest more funds. He encouraged Mr. Carpenter and Assemblyman Goicoechea to continue to fight for additional funding for the rural colleges.

The meeting recessed at 12:52 p.m.

The meeting reconvened at 1:37 p.m.

Dr. Stephen said SRI International submitted a memo to the Committee that included Texas’ weights averaged in with the other three states, which was consistent with the NCHEMS approach (page 13, [Exhibit G](#)). He said, in doing so, there was a fair amount of change, but not all in the same direction for both the master’s and doctorate levels. Therefore, he did not adjust the weights for the lower and upper divisions, and he entered the averaged weights of the four states. Dr. Stephen said Texas was an outlier, but its weight was 25 percent of the average weight, which was also consistent with the NCHEMS approach.

Dr. Stephen said, as another exercise, he removed the 10 percent research factor. The weights were entered with a higher degree of granularity than in the discipline clusters,

and then the research component of 1.1 percent was removed. Ultimately, when the weights were adjusted upwards, the impact was stronger.

Chairman Horsford asked Dr. Stephen for clarification. Dr. Stephen replied that there was a 10 percent value on the upper division master's and doctoral classes. Because the weight of those classes was adjusted upward, the impact of the 10 percent research factor was greater.

Based on Dr. Stephen's scenario, Chairman Horsford asked if there was no longer a need for an additional 10 percent factor above and beyond the adjustments. Dr. Stephen replied that with the research factor removed, the amount would be back at "square one" or even slightly lower. For example, the weights combined with the research factor for UNR resulted in a change of approximately \$2 million; however, with the research factor removed, the net effect was minus \$300,000. Dr. Stephen said that the impact on CSN would have a greater swing to the negative with the research factor, upper level division and research weights for the research institutions included.

In response to a question from Senator Kieckhefer, Dr. Stephen explained that the numbers were based on the table on pages 13-14 ([Exhibit H](#)). Dr. Stephen explained that in the case of some graduate classes, such as library science and public administration, the master's degree weight decreased slightly. Senator Kieckhefer asked if the amount was substituted out uniformly across those clusters identified by Dr. Stephen. Dr. Stephen confirmed that was correct and indicated that he did not make any changes for the lower or upper divisions.

In response to a question from Senator Kieckhefer, Dr. Stephen replied that he had performed the scenario for all clusters. He said the numbers for Grad I and Grad II were substituted in for the NSHE alternative proposed funding model, which was the default (page 13, [Exhibit H](#)).

Dr. Stephen thought the three states used by NCHEMS should also be taken into account, especially for the lower divisions. However, he noted that Texas was an outlier and its effect was dampened, because it made up only 25 percent of the total.

In response to a question from Dr. Geddes, Dr. Stephen confirmed that all of the master's and doctoral weights were replaced with the four-state weights.

Dr. Geddes made note of Dr. Stephen's comment about money going from the colleges to the two research institutions because of the weights being added to the master's and doctoral programs. Dr. Stephen replied that was inevitable. He said, on the other hand, money was already being sent that direction due to the research factor.

Dr. Stephen said the overall main changes at the master's and doctoral levels were in liberal arts, mathematics, social sciences and languages. He added that the sciences, engineering and architecture were also included. He said there were no significant changes to the master's degree, except for the engineering and physical sciences.

Chairman Horsford asked if the amounts excluded the additional 10 percent research factor under NSHE, which was included in the base. Dr. Stephen said the current numbers included the 10 percent but could be removed if necessary. He said the 10 percent was computed separately and could be included or excluded; however, the weight would remain unchanged.

Chairman Horsford said it would be too easy for the research factor to be eliminated if it was separate from the weights. He thought that an appropriate research increase should be incorporated into the weights, noting that funding had not been updated to reflect UNR and UNLV as research institutions. However, Chairman Horsford said he was uncomfortable instituting a research increase and incorporating the 10 percent at the same time, especially if there was an additional impact on the community colleges beyond what was fair and equitable. He asked for input from other Committee members.

Senator Kieckhefer asked if there would be a “wash” financially to each institution if the weighting factor was removed as a multiplier and then built into the base by elevating the base weight by 10 percent for the three upper level divisions.

Dr. Stephen said yes; however, that was not what he had done. Instead, he used the weights from the four states. He said the funding removed and added to each institution should essentially cancel each other out, but the weights in the table were not distributed as smoothly as they were in the NSHE alternative funding model.

Mrs. Gansert thought there were several ways to handle the situation. She preferred building the amount into the base model. She was uncomfortable with inserting numbers that did not necessarily reflect the priorities. Mrs. Gansert said the proposed model was based on cost rather than priorities, which went against the idea of the performance pool. She thought the numbers used by Dr. Stephen were heavily skewed toward policy rather than cost. Mrs. Gansert thought a decision was needed as to whether the numbers should be cost based and include a research factor, instead of using the 10 percent as a separate component. The other option was to use an average of other states, which may or may not have similar institutions to Nevada. Chairman Horsford agreed.

Regent Wixom said it was a fundamental error to assume that research dollars would only benefit master’s and doctoral programs. He said research enlivened and enriched upper division classes. He did not favor removing the 10 percent because of the way it enhanced research. In addition, he said using averages was not useful in making policy decisions.

Chairman Horsford asked why the NCHEMS proposal, which was based on an average of three states, would not apply to research.

Regent Wixom explained that the research numbers were being removed from the community college dollars. Since the Committee was working with a zero sum model, the bottom line losers would be NSC, the rural colleges and CSN.

Mrs. Gansert clarified that she was not suggesting research be removed, rather, that the 10 percent be included in the base so that every course would have had a 10 percent increase, not just the master's and doctoral level courses. In regard to using averages, she noted that Texas would be outside a bell curve, although the sample size was much too small. She thought that including Texas would skew the numbers, but it was difficult to have those types of decisions given that the Committee had just been provided with the information.

Chairman Horsford said Dr. Stephen's model could run whatever the Committee requested. He was not comfortable recommending approval of the Alternative Proposal, because it was based on the averages of three other states' inherent policy decisions, which would not necessarily apply to Nevada.

Chairman Horsford asked Regent Wixom to clarify his statement that the research funding would not only benefit the classes at the master's and doctoral level. Regent Wixom explained that there was research involved in many upper division courses. He said the way NSHE built research it into its model enhanced the System as a whole. He expressed concern that removing the research piece would be making a fundamental decision in a vacuum, which was very dangerous.

Chairman Horsford proposed that the research aspect be included in the manner that Mrs. Gansert recommended, which was to adjust the base numbers recommended by NSHE for the 10 percent factor in the weights.

Mrs. Gansert asked if the recommendation was to use a 5.0 weight with the 10 percent factor, which would result in 5.5 for all courses that were proposed by NSHE to have an extra 10 percent.

Senator Kieckhefer said in the original proposal the only category that did not receive a weight was the lower division, which was the original proposal to start with.

Regent Wixom asked what would be accomplished by that approach.

Senator Kieckhefer said awarding externally funded research through an enhanced funding component recognized the broader influence that research could have on an institution.

Dr. Geddes clarified that although averages were the primary driver, the previous policy of the Legislature was applied based on the old formula. He said the old formula separated out low priority, medium priority and high priority programs. For example, nursing was a high priority; therefore, based on previous legislative action those amounts were rounded up. He asked that the record reflect that the model was

influenced by previous legislative activity, as well as the average. He added that he liked Mrs. Gansert's comment.

Assemblyman Aizley was not clear as to how research at the different levels was being defined. Chairman Horsford suggested a definition be made, because there was no consensus on the meaning.

Assemblyman Aizley said undergraduate research could be done by the students or the professors. He noted that graduate research required lots of equipment, and was required for every graduate student seeking a Ph.D.

Chairman Horsford asked Assemblyman Aizley if research should be considered as a standalone factor. Assemblyman Aizley said there were too many variables to determine whether research should be considered as a standalone factor.

Dr. Geddes said he liked the 10 percent factor for the simple fact that it allowed for research occurring anywhere, whether it be laboratory research or sociological field research. He said the funding would allow for the basic infrastructure needed to support the grants and contracts office and environmental health and safety processes. He noted that none of the previous formulas awarded monies to the institutions to build up that infrastructure to support research. Dr. Geddes said the 10 percent approach would allow for campus-wide basic infrastructure building. He said the programs that required more, like engineering, would receive the additional distribution based on the multi-state averages.

Chairman Horsford asked if the funding for research would be tied to a particular course.

Assemblyman Aizley noted that a professor could perform research beyond the level of any class he or she was teaching, such as personal research leading to publications, and perhaps grants, but unrelated to the classroom.

Chairman Horsford said the NSHE proposal took money away from the community colleges and all of the other institutions to be used for research, regardless of whether that research was related to a class.

Dr. Mosier explained that the universities have a three part mission of instruction, research and outreach. Each of the activities informs the other, but were not necessarily totally overlapping. He said research, by its very basic nature, was not always directly tied to what was going on in instruction. The research may be the creation of new knowledge, such as an innovation that might help in the economic development field, but it may not necessarily tie directly back to what goes on in the classroom. Nevertheless, research was an important mission of the university, because it helped increase the quality of life in the state or the region in which the institution was located.

Chairman Horsford expressed concern that the items being set aside when times are tough would be considered a low priority in the future. Those items may be the very things that should be emphasized for the mission of the state's universities, but they were cut because of the budget restrictions. He said it would not be easy to change the weights across the board in the future. However, it would be easy for the Governor and the Legislature specify a percentage or a dollar amount to be cut. Chairman Horsford said the Committee must decide which one was better.

Senator Kieckhefer said he did not disagree with Chairman Horsford. He explained that it may be better to include research to make a statement as to how much research was valued. He was grappling with the issue, because in some ways, both the state average and the matrix approach were arbitrary in that they were not based on a cost study in Nevada. However, he was leaning more toward Chairman Horsford's recommendation. He said adding in all of those numbers would significantly undermine the simplicity of and understandability of the matrix, which was one of the mission points from the start.

Dr. Stephen agreed that both approaches were arbitrary in slightly different ways. He said, it was not the method of computation, but deficiencies in the raw input, because Florida's cost study was old. He agreed there were evident incompatibilities with Texas' cost study, which was highly accurate, but in some cases there were very different policy questions than those before the State of Nevada. He noted that emphasizing the arbitrariness could compel leadership to find a way to ground their own choices, have a discussion about what defines research, and decide what kind of research the State of Nevada wanted to promote.

Chairman Horsford said regardless of the approach selected, there must be a cost study. Dr. Stephen noted that a true cost study would be expensive and complicated, but he agreed it was the best approach.

Chairman Horsford stated that if the Committee opted for the NCHEMS approach, four or five program areas would be undercut. He suggested adjusting the weight at a minimum, for example, instead of 5.0, if the research factor was added separately, it would be 5.5 for those program areas.

Hugh Anderson said, regarding Assemblyman Aizley's point about funding non-classroom research by a particular educator, he agreed wholeheartedly that this premium should be embedded into the fundamental budget, or it would be "easy pickings" every time the state had a revenue shortage. He asked if the funding weights could be tied to the policies of the Governor and Legislature, and allow the institutions to decide which projects to fund based on those policies.

Chairman Horsford asked what those weights would be for those few areas where Nevada was not in alignment with the other states used in the matrix.

Mr. Anderson said Assemblyman Aizley's concern was that perfectly good research that was not tied directly to a classroom continuum could be hindered. He asked if the institutions would be given the latitude to decide how to allocate the excess money provided for research.

Chairman Horsford said that would be possible if the research funding was based on a standalone weight. He asked Dr. Stephen if the money would have to be set aside if it was not directly tied to the weights and the instruction as the matrix provided for. Dr. Stephen said that would be a question of budget practice.

Mr. Anderson asked if the institution could approve or deny funding if the research did not adhere to the weighting focus. Chairman Horsford said that was possible; however, he did not think there was current a process for that.

Mrs. Gansert noted that in an appropriation model the institutions would get to make those decisions. She was not familiar with the process for approval of the grants. She understood that the 10 percent factor would be applied to upper division undergraduate, graduate and doctoral classes, but not the lower division classes. She asked if the four or five lower division classes that Chairman Horsford was concerned with that were not properly weighted could be addressed in the matrix.

Regent Wixom said embedding the research funding with upper division, master's and graduate programs addressed his concern, because the actions would cancel each other out.

Dr. Stephen said if the weights were increased by 10 percent for all of the upper division, master's and doctorate classes in the NSHE alternative funding model, and the research factor eliminated, the new baseline should be unchanged.

Mrs. Gansert asked if the Committee should first discuss the embedded research, then discuss areas of concern. Chairman Horsford agreed.

Assemblyman Aizley said if undergraduate research was included, and whether NSC would be included. Mrs. Gansert replied that the upper division funding would be 10 percent. Dr. Stephen said NSC would automatically be included, as would any institution offering an upper division class.

Chairman Horsford asked the Committee to shift its focus briefly to the SIF (page 6, [Exhibit D](#)). He asked how the \$1.92 million allocation to GBC and WNC was calculated. He understood that the justification for that level of funding was that the administration had to support those campuses at that level, regardless of the number of students.

Vic Redding, Vice Chancellor for Finance and Administration, NSHE, referred to page 91 of the meeting packet ([Exhibit A](#)), and explained that the SIF involved certain fixed administrative expenses that existed regardless of an institution's size. He explained that both the small and large institutions had a president, but GBC might be

spreading that cost over 2,000 FTE and CSN might be spreading it over 20,000 FTE. As student credit hours grow there are more student credit hours to distribute those costs against. Using 50,000 weighted student credit hours as the baseline, the \$1.5 million SIF would be allocated on a sliding scale. When an institution reaches the 100,000 weighted student credit hour threshold, the factor was not applied.

Mr. Redding explained that the 100,000 weighted student credit hour (WSCH) threshold was selected because, in the existing formula there was an economy of scale adjustment that factored out at 3,000 FTE. He said 3,000 FTE roughly correlated to 96,000 WSCHs, but for simplicity, 100,000 was used in the formula. Based on current enrollments, the \$1.92 million would be the net of the both GBC and WNC.

Mr. Redding clarified that was not presented as “hold harmless” funding by the System, but would be phased out of existence over time as the small institutions grew to have more weighted student credit hours.

Chairman Horsford understood the 50,000 to 100,000 weighted student credit hours range, but did not understand how the \$1.92 million amount was selected.

Mr. Redding said the maximum amount an institution would get from the SIF was \$1.5 million. That amount was approximately half of the institutional support function of the smallest institution budget, which was GBC.

Chairman Horsford asked if it was assumed that no institution could pay for up to half of its administrative costs until it reached a minimum number of WSCHs. Mr. Redding agreed. He said there was a minimum level of funding needed to keep the doors open, allow for a president, and other operational expenses.

In response to a question from Chairman Horsford, Mr. Redding explained that for every WSCH that was generated over 50,000, the small institution would lose \$30.00 of the \$1.5 million, which would result in zero additional small institution funding when the number reached 100,000.

In response to a question from Senator Kieckhefer, Mr. Redding said there were currently no institutions with WSCHs under 50,000, but there are two community colleges between 50,000 and 100,000: GBC and WNC.

Chairman Horsford asked if GBC and WNC would ever reach the 100,000 threshold. Mr. Redding responded that he would defer that question to those institutions. He added that GBC’s was 63,000 and WNC’s was 73,000.

Chairman Horsford said some small institutions might never meet the threshold, so essentially it would become a permanent policy. He said he supported stop-loss funding to move from the current formula to a new, more equitable formula, but to create a threshold that institutions would never reach was not necessarily equitable to other institutions.

Mr. Redding said that was considered, but those fixed costs would still exist, whether or not an institution reached the 100,000 WSCH threshold.

Mrs. Gansert said there was a fixed cost to keep the doors open, and those institutions were important to those geographic areas. She was surprised that the factor was funding at such a low level, because the small institutions need at least \$5 million or \$6 million to operate. She was supportive of some type of SIF. She added that the small institutions were valuable to the rural communities and they did great work.

Chairman Horsford was not diminishing the value of rural community colleges, but said the policy must be clear. He said NSHE was proposing permanent funding that could otherwise be allocated to other System priorities.

Mrs. Gansert said, the small institution funding component would allocate just \$1.92 million of the \$363 million available to the System. She noted that everybody would probably agree that they were critical institutions. She supported the decision to carve out the small amount of one-half of one percent to help those institutions with some of their fixed costs.

Mr. Anderson noted that the SIF showed that the rural campuses were a priority.

Chairman Horsford asked for supporting documents that showed the small institutions administrative budgets. He noted that the SIF would cover half of the budget. He asked if the small institutions would be able to hire additional administrators, and ask the state to pay for a portion.

Mr. Redding said the SIF would support expenses like the president's office, provost, controller, finance office, and other administrative functions that existed whether there was a small number or a large number of students. He noted that the positions within those functions, such as individual financial aid specialist or individual cashiers, were scalable costs. As the small institutions' WSCHs grow and generate more funds, those positions would grow or diminish proportionally. He offered to provide the small institutions' line item budgets to staff.

Regent Wixom recalled that this item had already been approved by the Committee. Mrs. Gansert said the Subcommittee approved it, but there was a question as to whether a sunset clause would be included.

Chairman Horsford said he supported some stop-loss funding to GBC and WNC. However, CSN was on the cusp of meeting the Hispanic-Serving Institution designation. In order to earn that designation, administration and student support needs must be addressed. The end result of that designation would be more federal support to CSN. He felt that should be a priority.

Chairman Horsford recommended that the small institution funding, and funding to CSN to pursue the Hispanic-Serving Institution designation be provided for two years, until a full cost study was completed. He believed that earning the Hispanic-Serving Institution designation was a priority equal to keeping the doors open at GBC and WNC.

In response to a question from Senator Kieckhefer, Dr. Richards stated that CSN's Hispanic student population was currently about 23 percent, and needed to be 25 percent for two consecutive years.

Chairman Horsford asked for the other eligibility requirements. Dr. Richards explained that CSN met all of the other requirements.

Senator Kieckhefer asked how much capacity CSN had to build in order to get to 25 percent for two straight years. Dr. Richards replied that 25 percent would represent 1,500 more Hispanic students.

Senator Kieckhefer said there would be more students than that, because CSN exclusively served Hispanic students. Dr. Richards said that approximately 5,000 additional students would be needed to reach that level.

Mrs. Gansert asked whether CSN had the capacity to serve that number of students. Dr. Richards said some students were being turned away because of class section needs. He said the Office of Student Affairs was at full capacity. He explained that there was a "wraparound" of services required to accommodate those students to make it possible for them to succeed.

Chairman Horsford understood that Assemblywoman Smith chaired an effort through the NCSL along with Assemblywoman Flores on this issue. Through that process, it was discovered that students were enrolled, but could not afford the increases in tuition. Budget cuts resulted in cuts to student support, and there was not dedicated staff that served that student population in a manner that helped to achieve that goal.

Chairman Horsford said he viewed that goal as equally as important a priority as keeping the doors open at GBC and WNC. He suggested that the Committee recommend both. He agreed with Assemblyman Goicoechea that the funding plan should not pit institutions throughout the System or regions against each other.

Senator Kieckhefer said he did not disagree, but asked about the cost.

Regent Wixom reminded the Committee members that its charge was for a zero sum formula, but it was discussing adding funding. Chairman Horsford disagreed that the Committee was restricted to a zero sum recommendation.

Regent Wixom noted the modeling was all zero sum based from a policy perspective. He said there could be a discussion about revenue enhancements, but that would be mixing two issues.

Regent Wixom said the Board's obligation was to all of the institutions. That being the case, he said the proposal that was presented was reasonable and thoughtful and was the best the System could do given the information and the time available. He did not disagree with the proposal to add funding for CSN to earn the Hispanic-Serving Institutions designation, but it was broader than the discussion of the SIF. He did not think it was fair to criticize the System for putting forth a proposal that would keep doors open at those institutions.

Chairman Horsford said, with all due respect to Regent Wixom, there was nothing in the Board of Regents' Strategic Plan to make the Hispanic-Serving Institution designation a priority. Rather, the Committee had to ask the System to make it a priority.

Regent Wixom asked whether assisting CSN to earn the Hispanic-Serving Institution designation, or keeping the doors of the small institutions open was the issue. Chairman Horsford said they were both the issue.

Dr. Geddes noted the CSN Hispanic-Serving Institution designation was in the Regents' plan. Chairman Horsford noted that it was not in the plan prior to the Committee's discussion. Dr. Geddes said it was in the plan, but not in the upper level that was presented to the Committee. Chairman Horsford said he had read the plan, and the Hispanic-Serving Institution designation was not included. He added that he was told by the Chancellor that it was not included in the Regents' plan.

Senator Kieckhefer asked Chairman Horsford how earning the Hispanic-Serving Institution designation would be accomplished by CSN. He noted that CSN served a critical function within the system of higher education to the most significantly growing population in the state. Senator Kieckhefer said he agreed with the goal, and the ability to bring in additional federal dollars to help bolster the system was a very good thing. He asked what was needed to help them get there.

Chairman Horsford said there was a working group made up of staff from CSN, TMCC, and NSC. He pointed out CSN because he was aware that CSN was on the cusp, but not moving or making any progress. It had not been a priority of the System, and the state was losing federal dollars because of it.

Luis Valera, Vice President for Diversity Initiatives, UNLV, said there were a number of criteria that must be met to be given the designation of Hispanic-Serving Institution, and the larger designation of becoming a Minority-Serving Institution, by the U.S. Department of Education. The institution must be populated by Hispanic students to a share of 25 percent. The students must demonstrate a financial need and the institution must demonstrate that a certain percentage of that student population had completed their FASFA forms. He added that there were some infrastructural demonstrations as far as retention and recruitment efforts, and some infrastructure on the academic faculty side.

Mr. Valera said that allowed the institution to become eligible to get that designation which then put that institution in the queue for applying for grants. He said, rather than needing additional dollars to be eligible for the designation, it was a matter of creating the infrastructure in student services and finance areas, which allowed the institutions to compete for those grant dollars.

Chairman Horsford said if there was going to be any progress made to meet eligibility, there had to be a commitment of resources to help them do it. He said it was a short-term investment, because once the institution met the goal, federal dollars would sustain the growth.

Mr. Valera agreed and added, that once those dollars were attained those dollars were not limited to that particular population. In other words, those dollars could be used across campus for other communities of interest, or across the entire institution. He noted there were other categories for which the institutions could attain minority status. Mr. Valera said the Asian/Pacific Islander was a minority group that tended to be overlooked and UNLV was in a great position to obtain status or eligibility for that group as well.

Senator Kieckhefer asked what other barriers, beyond enrollment threshold, there were for students who completed an application for CSN to get a Hispanic-Serving Institution (HSI) designation. Mr. Valera said, beyond enrollment threshold, that particular student population had to show financial need and the institution had to meet a certain criteria of those students completing FASFA forms. He did not know whether CSN met those requirements.

Dr. Richards said CSN met the financial aid requirement, but not the enrollment requirement.

In response to a question from Chairman Horsford, Dr. Spencer Stewart said NSC also met the financial aid requirement, but not the enrollment requirement.

Bart Patterson, President, NSC, added that NSC had already obtained Title III and Title V designation, which made the institution eligible for certain grant dollars already. He said the next step was building enrollment. He noted that NSC had 21 percent Hispanic student enrollment.

Chairman Horsford asked President Patterson and President Richards what they would invest in over the next two years to increase enrollment, and how much federal funding would be provided if the HSI designation was granted.

President Patterson said NSC was building an office dedicated to student success, in terms of the recruitment, retention and graduation of all students, but in particular focusing on the Hispanic students that were coming to the colleges in bigger numbers. He said HSI status would provide funding for buildings, and would make NSC more competitive for significant grants, with an average of \$2 million.

Mr. Valera added that it was important to build an infrastructure for student retention, because there were institutions that have met the threshold then dipped below the level of enrollment required. He thought this was due to downsizing in certain departments, advisor capacity or lack of classroom space. If an institution loses its eligibility, it would have to start the whole process over to become HSI eligible again.

Chairman Horsford said CSN's Hispanic student population had been 24 percent before the budget cuts. Dr. Richards noted that CSN's Hispanic student population had been at 25 percent for one year, but fell below the threshold, and was required to start the process from scratch again. Dr. Richards said CSN had an HSI plan in place for marketing to enroll students and help sustain them in their academic programs. He estimated that the average grant for operating was about \$600,000 a year. He reiterated that funding could be spent across other student populations.

Senator Kieckhefer asked whether the institution had the capacity to serve the number of students required to be eligible for the designation. Dr. Richards said any funding provided would be used both for marketing to recruit Hispanic students specifically, and to expand the capacity to serve the students.

Senator Kieckhefer asked if the plan had a budget. Dr. Richards said there was some funding required, but most of the effort was toward programmatic tasks that needed to be implemented.

Assemblywoman Smith said the discussion should be taking place at the Board of Regents meeting. She said it was a slippery slope to compare a small institution funding mechanism to keep the doors open in a rural area to the HSI program. She supported these institutions getting to the designation, and worked on that project, but she thought that the discussion was being held at the wrong place or at the wrong time. Assemblywoman Smith did not see a correlation between the two issues. She said this was a priority that needed to be established with the institution. She was concerned that if there were a separate pot of funding for this, it would be eliminated at some point.

Chairman Horsford said he respected Assemblywoman Smith's statement. He said it was unfortunate that as a legislator it was hard for him to bring the issue to the attention of the System. He said the HSI designation had not been a real priority to the System, and the colleges could not be expected to do it alone. He said the System and the Board must put resources behind a priority. He agreed that the Board of Regents should own the issue, but he was not aware of a plan by the System to address the HSI designation issue. He added, when asked to carve out funding for other priority areas and a priority area for a large percentage of the growing student population was not being funded, he needed to ask why. He said, unless he could get some assurance that this was going to be a priority, with resources behind it, he would continue to raise the issue.

Mr. Dillon noted that the some of the performance pool criteria put resources toward at-risk graduates, which were defined simply as minority and low-income students. He realized that was not quite as specific as designating funding toward achieving the HSI designation, but there was an effort to produce those outcomes.

Returning to the previous discussion, Chairman Horsford asked Dr. Stephen to present the results of the 10 percent weight in the model.

Dr. Stephen said he converted all the weights to 10 percent. There was a slight discrepancy in the numbers that were output, because his device rounded upwards. He said the trades and tech cluster should be weighted at 2.75, and was rounded up at 2.8, which placed the 4-year institutions at a slight loss of dollars after the research 10 percent research factor was removed. He said, essentially it was the “wash” that the Committee anticipated. He said, the next step for the Committee to reflect on was those areas at the graduate level, which needed further attention in terms of adjusting weights.

Chairman Horsford asked Dr. Stephen to walk the Committee through the results. Dr. Stephen said the model showed the NSHE alternative proposed weights increased for the upper division, master’s and graduate classes by 10 percent. He said the result should be completely neutral once the 10 percent research factor was taken out, but because of rounding the two four-year institutions would lose \$150,000 and \$192,000. Dr. Stephen stated that could be easily remedied by doing the arithmetic correctly without rounding.

Continuing, Dr. Stephen said he could present the four-state average, a comparison to Texas or a three-state considering the five areas of concern, which included nursing, engineering and the sciences. He said the four-state average for computer information sciences was 8.5 and was raised to 8.8. The outliers on the doctoral side were business management, biological/biomedical sciences, physical sciences and engineering and nursing in allied health. On the master’s side, physical sciences, biological/biomedical sciences, engineering and nursing. He said in business management, an MBA was cheap, but a Ph.D was not. He noted some outliers at the doctorate level in communications and ethnic and cultural studies. In addition, interdisciplinary studies was a clear outlier. Psychology and the social sciences tended to be higher on the doctorate side, but not on the master’s side.

Mrs. Gansert said she was not seeing that many differences other than business management, computer information sciences and the biological/biomedical sciences at the Grad 2 level. Dr. Stephen explained that those were clear outliers, and the difference in the disciplines he mentioned were not very great.

Chairman Horsford asked about nursing. Dr. Stephen said under the System’s proposal nursing at 10 percent would be 6.6, and 8.7 with the four-state average.

In response to a question from Chairman Horsford, Dr. Stephen said the dollar amounts were automatically generated by institution. Chairman Horsford asked, based on the projection of student credit hours what was the impact of these weights being adjusted by institution. Dr. Stephen explained that the weights were common across the institutions, to the extent that they taught those classes. Therefore, there was no impact, other than due to the rounding problem that resulted in a slight \$150,000 reduction for the 4-year institutions. He noted that could be fixed as a matter of arithmetic, because of the rounding. For example, the trades and tech cluster was rounded up to 2.8, but it should be rounded up to 2.75.

Chairman Horsford asked if there was disparate impact to the community colleges and the state college under this weighting. Dr. Stephen said the impact should be neutral. He said the four clear outliers on the four-year average were nursing, physical sciences, biological/biomedical sciences and business management.

Chairman Horsford asked for a review of each of the four outliers. Dr. Stephen said with 10 percent added to the weight, nursing was 6.6, but the four-state average was 8.7. Physical sciences was 8.8, but 10.2 with the four-state average. Biological/biomedical sciences was 8.8, but 10.5 with the four-state average. Business management/marketing was 6.4, but 14.1 with the four-state average. Dr. Stephen said, Texas, one of the elements of the four-state average, was very highly weighted for business management/marketing.

Chairman Horsford asked for the weight for business management/marketing with Texas removed. Dr. Stephen said that weight would be 10.3 instead of 14.1.

Chairman Horsford asked if there was a willingness to include, as proposed, 10 percent factors in the weights as adjusted across all programs that applied as presented by Dr. Stephen. He said he would entertain support for that as one item. The second item would be to discuss adjusting those four program areas slightly upward, not to the higher end of the average, but higher than the result with the 10 percent factor included.

Dr. Stephen noted that carving out the four individual CIP codes disrupted the current arrangement of clusters. He asked the Committee members to bear in mind how the clusters were to be used as part of the funding formula.

Senator Kieckhefer said he would make a motion to incorporate the 10 percent research factor into the base weight within the matrix rather than as a separate multiplier.

SENATOR KIECKHEFER MOVED TO INCORPORATE THE
10 PERCENT RESEARCH FACTOR INTO THE BASE WEIGHT
WITHIN THE MATRIX IN ALL UPPER DIVISION, MASTERS' AND
DOCTORAL PROGRAMS AT THE FOUR-YEAR INSTITUTIONS.

MR. ANDERSON SECONDED THE MOTION.

Chairman Horsford asked the System to provide input before the vote.

Dr. Geddes said he liked how Dr. Stephen had run the model. He preferred that the clusters remain the way they were. He recalled a conversation with the Dean of the College of Business about the costs built in to the programs. Dr. Geddes said he learned that the costs were based on the specific programs. He said he was comfortable with the recommendation. Dr. Geddes clarified that he was speaking as Chairman of the Board of Regents.

THE MOTION PASSED UNANIMOUSLY.

Chairman Horsford said regarding the four program areas as identified by Dr. Stephen, individual CIPs within the clusters would still be evaluated by the Board and adjusted accordingly. Dr. Stephen noted that the items identified were for individual two-digit CIPs and the clusters would have to be addressed separately.

Chairman Horsford asked about the cost of business accounting. Dr. Stephen said business accounting was within the business CIP. He said it was very expensive to recruit a finance and accounting professor at that level for a Ph.D. program. He said it was a policy decision whether to address that or not.

Dr. Stephen explained that there were two CIP codes in the business cluster. If an adjustment was wanted, but the System did not want to follow an outlying number such as Texas, the System may wish to rely on clusters. He explained that clusters kept the numbers smooth across the calculation.

Mrs. Gansert said, for business, Dr. Stephan suggested removing Texas and using the three-state average. She noted the three-state average for the nursing CIP codes: the three-state average was 6.82, Nevada was 6.6 and the four-state was 8.7. For physical sciences, the three-state average was 5.9, Nevada was 8.8 and the four-state was 10.2. For biological/biomedical the three-state average was 6.06, Nevada's proposal was 8.8 and the four-state average was 10.5. For business the three-state average was 10.27, Nevada was 6.6 and the four-state average was 14.1. She said it appeared Nevada was in the mid-range, except for business with the research factor embedded.

Dr. Stephen said that one of the problems was that the Committee would have different feelings about the use of different sources of data.

Chairman Horsford said there was no need to further change the four program areas, and business needed to be vetted from a policy standpoint.

Mrs. Gansert said she believed that was a reasonable conclusion.

Chairman Horsford said he understood a cost study would be expensive and labor intensive, but when the entire funding model was being established on weights that

were cost influenced, there should probably be some empirical data on that in the future.

Assemblywoman Smith asked a representative from the System to discuss cost studies performed by other states.

Dr. Stephen said he could not estimate the expense of performing such a study. He said it would depend on how ambitious the study was to be. For example, because the State of Texas generated per square foot projections for research space for each institution in its system, it applied that data to the model in each year.

Assemblywoman Smith noted that there must be a range of costs. In addition, once the model was built, it would be less costly to operate.

Dr. Stephen noted that the State of Ohio used the following simple procedure to perform its cost study: 1) ask for a complete report from individual departments as to how they spend their time, who spends their time, how much those individuals cost to generate a cost of instruction. 2) check that information. He said that, because self-reported data in such a case would not be very valuable, someone in each department would be assigned to check the data, and someone from the System would have to collect the data from the various departments. Someone would then have to validate it all. He cautioned that it was a substantial enterprise. He noted there were expert consulting firms available to perform the task, but that would probably be even more expensive.

Chairman Horsford asked Dr. Stewart and President Patterson which programs under the 10 percent factor applied to NSC. Dr. Stewart said that would be nursing primarily. He explained that nursing was one of the two signature programs at NSC. Approximately 20 to 25 percent of the NSC student body was enrolled, or intended to enroll, in the nursing program.

Chairman Horsford asked if the nursing program involved research, making it eligible for those additional funds. Dr. Stewart said nursing was a primary field for NSC. In addition, there were spillover programs in the upper division undergraduate level related to nursing, such as biology, and other hard science programs, that would benefit as well.

Chairman Horsford noted that the weights would be applied across upper division undergraduate courses regardless of whether the courses were research based or not. He noted that non-research based courses would benefit simply by being upper division.

Dr. Stephen said that was a policy question. He said nursing programs were intensive in clinical training, and the courses were relatively expensive to deliver.

Chairman Horsford recalled that Assemblyman Aizley spoke about the function of research in the tier 1 institutions. Chairman Horsford said the tier 1 institutions had

never been funded properly to account for their research mission, but he did not want the solution to result in “mission creep” to the other institutions. He asked for clarification that no research was performed at NSC.

Assemblyman Aizley said that was not entirely correct. He said there was no higher education situation where teaching and research were completely separated. He said, if he was to return to teaching, he would catch up on the research to make sure he was teaching a current class.

Chairman Horsford said that was not the same. He noted that K-12 teachers prepped for their classrooms, but they were not provided funding for research. Assemblyman Aizley said teachers in K-12 were usually given a curriculum to follow, but that was not how college classes were developed.

Dr. Stewart asked why a 300-level nursing course at NSC would be funded at a different level than same course at UNLV or UNR. He said research within particular courses promoted student engagement. He recalled a Commission discussion about the benefits of active student engagement. He noted those nursing courses involved hands-on instruction in the classroom and a distinction needed to be made between that activity and other research.

Chairman Horsford asked if the NSC faculty tenure requirement included a research component.

Dr. Stewart replied that NSC did not require a research component for its tenured faculty. He said NSC’s mission was focused on scholarship and teaching, while the universities’ mission included research and outreach. He noted that NSC’s tenure track faculty engaged in hands-on undergraduate research activity with their students, which helped the students to succeed in the courses.

Chairman Horsford acknowledged that the tier 1 research institutions had greater research expenses for labs and faculty. He noted the NSC mission was not research, and asked the Committee to be aware of that difference.

Dr. Geddes asked Dr. Stephen to calculate the additional funding NSC would receive if the research factor were applied. Dr. Stephens said the weight would be 12.096, resulting in a difference of about \$40,000.

Dr. Mosier pointed out that many of the two-year institutions in the state offered four-year degree programs involving upper division courses. He assumed that, since they were upper division at the bachelor’s level, they would benefit from the research factor as well.

Regent Wixom commented on Chairman Horsford’s point about the danger of promoting mission creep among the two-year colleges. One resolution could be to remove NSC from the research component calculation. He addressed Dr. Mosier’s

point by suggesting that the four-year programs at the respective community colleges also be removed from that calculation.

Chairman Horsford said he would entertain a motion to reconsider including the 10 percent weight in the matrix.

Mrs. Gansert noted that GBC was the only community college that provided four-year degrees. Chairman Horsford asked to delay that discussion until there was a motion to revisit the topic.

DR. DOUBRAVA MOVED TO RECONSIDER THE PREVIOUS MOTION WHEREBY THE 10 PERCENT RESEARCH FACTOR WAS ADOPTED.

REGENT WIXOM SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairman Horsford asked if the Committee wanted to reconsider the initial motion on the 10 percent factor and weighting.

Assemblyman Aizley stated that he did not agree with the Committee, because he thought that the term “research” was not well defined. If the Committee was referencing university research, it had to take into account when a professor was being considered for a promotion or tenure, their research was measured by their publications. He said there were different departments and different types of research - university research or tier 1 research, and making an adjustment based on that versus other types of research was not how instructors were being graded. In addition, there was undergraduate research with associated costs, and if the Committee was doing a cost matrix on the weighted increase, it may be valid at that point. He stated that it was more expensive for a Ph.D. or master’s program when the teaching loads were reduced. Assemblyman Aizley said that the great researchers he knew did not work eight hours a day and their research was more than a full-time job. He said it was hard to compare upper level research to undergraduate research.

Chairman Horsford said to Assemblyman Aizley’s point, the Committee needed to better define the type of research and be clear on the intent behind the weighted increase. He believed the intent from the original 10 percent factor was for university-level research. Therefore, with that understanding he thought that the Board of Regents could revisit the semantics of the language. He thought that it would be sufficient if the Committee indicated it was university-level research so the impact would be insignificant to the community colleges that might have upper level programs.

Dr. Stephen agreed. He thought the Committee could not differentiate upper division classes by institution in the calculation.

Chairman Horsford asked for another motion.

Senator Kieckhefer thought the question was whether to create a matrix to increase the base value for WSCHs for universities, or just indicate that the universities could default back to the 10 percent multiplier. He said a separate matrix would have to be created for upper division courses taught at community colleges, which would create a fifth column in the matrix. Chairman Horsford agreed.

Senator Kieckhefer said they could use the weights proposed by Dr. Stephen for the university level, and include a column in the matrix for upper division tier 1, and upper division four-year colleges, with additional weighting of 10 percent to reflect the universities research mission.

SENATOR KIECKHEFER MOVED THAT THE UPPER DIVISION UNDERGRADUATE AND GRADUATE CREDIT HOURS AT UNLV AND UNR SHOULD RECEIVE AN ADDITIONAL WEIGHTING OF 10 PERCENT TO REFLECT THE UNIVERSITIES' RESEARCH MISSION.

DR. GEDDES SECONDED THE MOTION.

Mrs. Gansert asked for clarification. She asked if graduate and doctoral programs in upper division schools, such as UNR and UNLV, would have the 10 percent weight embedded for research, which would not apply to any other institution. Chairman Horsford replied that was correct.

THE MOTION PASSED UNANIMOUSLY.

Chairman Horsford asked for a recommendation to send a letter to the Board of Regents recommending that the Board determine the scope and cost of a cost study to determine Nevada-specific credit hour weightings as a standalone funding item to the 2013 Legislature.

Mrs. Gansert asked if another motion was needed. She said the Committee just approved the motion for the additional 10 percent weighting. She asked if the Committee was accepting the NCHEMS and NSHE proposal.

Chairman Horsford said the last motion was the adjustments to the weights, and they were always working from the base. He stated that in some cases the weights were the same or higher than the three-state average, so there was no reason to change the weights until a full cost study was performed.

Mr. Redding said that to address Assemblywoman Smith's question regarding the cost for a cost study, he said a study would require a very large amount of money to conduct. He said there were approximately 100 lines on the revenue side in the System's budget and approximately 16,000 lines on the expenditure side, which would

be the subject of a cost study. He thought that a half million was probably a low figure for the cost study considering the System had seven institutions, an antiquated system, and a cost study had never been done previously.

Chairman Horsford said that over a two-year period, the state spent \$700 million of General Fund on higher education and NSHE spent an additional \$900 million of non-General Fund support. He thought the Committee needed to know the costs of the programs, which was for the 2013 Legislature to decide.

Chairman Horsford said he would entertain a motion to approve the SIF with a two-year sunset, or upon completion of a cost study. He wanted to substantiate the administrative costs in order to determine whether there were any other local support options.

DR. DOUBRAVA MOVED THAT THE COMMITTEE APPROVE THE SMALL INSTITUTION FACTOR FOR GBC AND WNC AS PROPOSED BY NSHE WITH A RECOMMENDATION OF A SUNSET AFTER TWO YEARS OR UPON THE COMPLETION OF A COST STUDY.

MR. ANDERSON SECONDED THE MOTION.

Dr. Geddes asked if the motion was for the sunset or a cost study.

Chairman Horsford said he wanted a hard sunset, which could be approved after a cost study was complete. A policy decision would have to be made after the cost study to extend the sunset and provide for the funding.

Mrs. Gansert said she did not support the motion because looking at the outcome of the proposed formula, the two institutions receiving that piece were losing over \$4 million each. She said those institutions had fixed costs and it was important for the schools to keep their doors open. Mrs. Gansert was concerned with having an automatic sunset because then the institution would have to work to get the sunset back versus having the sunset and then perhaps taking it out later based on a cost study. She noted that said she would be okay if it was reversed, where it was in perpetuity unless proven it was not needed, because the institution could reduce their expenses or whatever they may need to do.

Senator Kieckhefer said he would like to see greater discussion between the System and schools regarding opportunities to share services and reduce that cost before he could commit to just pulling the rug out from underneath the community colleges entirely. He said the issue could be revisited during the 2013 Legislative Session.

Mrs. Gansert said to keep in mind that \$2 million was only half of one percent of all the funding going to the institutions, which would help those institutions remain open.

Chairman Horsford said that he did not dispute the need to help GBC and WNC be successful; however, justification was needed for the cost before it was made part of permanent policy, which was why he set a definitive date. He said the Committee was provided an explanation of the general costs, which were based on variations in the student credit hours. If an institution received more students, it would need less money, administration and vice-versa. He thought this was something that had to be revisited otherwise it was taking money from one part of the System over the priorities of other institutions within the System. He added that while it was a fraction of the overall budget, it was still inequitable and the goal was to create something that was more fair and equitable from a permanent standpoint. Chairman Horsford supported the motion.

Assemblywoman Smith said she was aware that the SIF would ultimately be debated during the legislative session. She was having trouble approving the motion when only a particular subject matter was justified and the Committee was not looking at that in any other institution. She did not see it as priority setting and thought it was a reality of a different subset of where services were provided. Assemblywoman Smith said if the Committee was talking about implementation and some bridge funding, she would be fine with a sunset, but she was more hesitant in this area. She reiterated that she was aware the issue would be ultimately discussed during the 2013 Legislature, but she was not comfortable saying it had to be justified when others schools did not have to justify their expenses.

Dr. Doubrava said he was aware that the recommendation from SRI at least touched on the potential of local funding and governance of community colleges. He wanted to continue this in perpetuity even though it was a small amount of money in the big scheme of things. He said that small amounts eventually added up, and if it was restricting access to some of the minority-served institutions, then he thought it was important that the subsidy grant be limited for two years and then reevaluated with some type of documentation of the administrative costs to see if there was a way to get some savings.

Assemblyman Hickey said he was reluctant to support the motion. However, if the point was made and the 2013 Legislature adopted the proposed formula or something similar, he thought the message was clear that the opinion of the Committee was that rural colleges “have gotten more than their fair share.” He said the 2013 Legislature would review the budgets with whatever changes were made, so he thought the motion was an unnecessary step at this point. Assemblyman Hickey said he would not support the motion.

Chairman Horsford asked if there was any further discussion on the issue.

Chairman Horsford asked for a motion to approve the SIF as proposed in the NSHE alternative funding formula with the additional recommendation to require the SIF to sunset after two years.

DR. DOUBRAVA MADE A MOTION TO APPROVE THE SMALL INSTITUTION FACTOR AS PROPOSED IN THE NSHE ALTERNATIVE FUNDING FORMULA WITH THE ADDITIONAL RECOMMENDATION TO REQUIRE THE SMALL INSTITUTION FACTOR TO SUNSET AFTER TWO YEARS.

THE MOTION WAS SECONDED BY MR. ANDERSON.

Chairman Horsford said the motion carried.

Several members asked for a roll call vote, with Regent Wixom speaking up for the group and formally requesting Chairman Horsford for the roll call vote.

Ms. Patti Sullivan, Committee Secretary, explained there were 16 members on the Committee; however, only 12 were voting members. She would call the names of the 12 voting members and ask each member to indicate their vote of either yay or nay or abstention from the vote. The results were as follows:

<i>Member Name</i>	<i>Yay</i>	<i>Nay</i>	<i>Abstained</i>
Assemblyman Aizley	X		
Assemblyman Hickey		X	
Assemblywoman Smith		X	
Senator Kieckhefer		X	
Senator Parks	X		
Mr. Anderson	X		
Mr. Dillon		X	
Dr. Doubrava	X		
Mrs. Gansert		X	
Dr. Geddes		X	
Mr. Wixom		X	
Chairman Horsford	X		
Total	5	7	

AFTER THE ROLL CALL VOTE, CHAIRMAN HORSFORD INDICATED THE ORIGINAL MOTION REGARDING THE SMALL INSTITUTION FACTOR BY DR. DOUBRAVA AND SECONDED BY MR. ANDERSON FAILED TO PASS.

A subsequent motion was proposed by Senator Kieckhefer.

SENATOR KIECKHEFER MOVED TO APPROVE THE SMALL INSTITUTION FACTOR FOR GBC AND WNC AS PROPOSED BY NSHE. DR. GEDDES SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Mr. Haartz said the next issue that was held was on page 7, Report on the Funding Formula Subcommittee's August 15, 2012, Work Session, Item 4, Funding of Remedial Instruction ([Exhibit D](#)). He said the recommendation provided by the Subcommittee was to adopt the weighting and funding of remedial instruction credit hours as recommended by the NSHE with the following additions: 1) include a remedial instruction component in the performance funding component, 2) Committee should encourage the Board of Regents to adopt a policy under which students who complete a remedial instruction course are guaranteed a seat in a corresponding for-credit course the following semester as a strategy to improve success. Mr. Haartz said that he believed Mrs. Gansert's concern was more definitional in terms and while the Subcommittee talked about remedial instruction in the performance-funding component, the performance funding-component addressed Gateway completers.

Mrs. Gansert said in the performance funding there was a weighting for Gateway course completers, which were the first regular college courses taken after remediation. She asked for some clarity on whether the Committee was trying to add a factor for remedial courses or whether the Committee agreed that there needed to be a weight in the performance pool. Mrs. Gansert indicated that she was unsure what the remedial weighting was.

Assemblywoman Smith commented that she believed the Subcommittee did not support a remedial weighing.

Chairman Horsford thought the Committee was using the wrong term and analogy.

Mrs. Gansert said that in the performance model there was a weight, percentage, and emphasis for completion of Gateway courses, which were courses with a C- or better that were college level courses according to the definition in the performance-funding matrix.

Mr. Haartz referenced page 86 of the meeting packet ([Exhibit A](#)) which showed for each institutional level, with the exception of the university level, there was a proposed Gateway course completer metric. He said it would appear the issue before the Committee was whether to include a separate remedial instruction component, or in terms of recommending that, in Version 21, consider the term remedial synonymous with Gateway course completer, although the definition in Version 21 had changed to be more than remedial instruction and included all completers of a Gateway course, a lower-division course for the core courses.

Ms. Crystal Abba, Vice Chancellor for Academic and Student Affairs referred the members to page 8 of the Funding Formula Work Session Document ([Exhibit D](#)). She explained that the recommendation that was adopted by the Subcommittee was adopting the weighting and funding of remedial instruction as recommended by NSHE. In the matrix that was just adopted by the Committee, remedial education did not receive an additional weight and was included in the Liberal Arts cluster. Inside each of

the performance pools for each of the institutional pools, there was an outcome for Gateway course completions that included remedial students.

Senator Kieckhefer asked for clarification and if it was not exclusive to students that went through remedial education, and Ms. Abba replied that was correct. He clarified that it was for students that come into remedial education, and Ms. Abba agreed. She explained that the reason that was done was because the System realized that by specifying that the Gateway course completions was for students who completed remedial education only, they were essentially creating the incentive to change a behavior and encourage institutions to put students into remediation, which was not the behavior the System believed was appropriate to incentivize. Therefore, the System expanded it to include all Gateway course completions, which based on the data, was a critical momentum point for student success.

Mrs. Gansert said that she was aware that SRI pointed out that it was good to incentivize progress, and that piece in addition to the transfer piece in the performance model would do that.

Assemblyman Aizley asked about the guaranteed seat for students who completed a remedial instruction course. He asked if students who completed a remedial instruction course were given priority placement in a for-credit course of the same discipline and how they would be accommodated when a class was full of students who had preregistered. Assemblyman Aizley was concerned by the process.

Chairman Horsford said that issue could be considered by the Board of Regents when the Committee sent the letter to the Board recommending a policy that students who completed a remedial instruction course be given priority placement in a for-credit course after completion of remedial classes. He believed that Mr. Michael Gordon, Student Representative, Funding Formula Subcommittee, indicated that there was no guarantee that students who completed remedial classes would actually get into a class in the succeeding academic semester. Chairman Horsford replied that it was up to the System and the Board of Regents to have a policy or process to address whether those students were guaranteed a slot in class.

Chairman Horsford said that while they were not funding remedial, he believed that the community colleges and NSC needed some adjustment for either the Gateway course completers or the minority and low-income students, which included first generation students. He believed that there should be an adjustment in that weight if the Committee wanted to move forward with the recommendation.

Mrs. Gansert asked if Chairman Horsford was looking at adjusting the performance pool. She thought the problem was because there was no flag for first generation at-risk students. Currently, that information was not available and the only way the System could get that type of information was by asking students, which would cause a considerable administrative change. In addition, that information was self-reported, so

there was no way to go back and audit that information, which was why NSHE defined at-risk students as Pell eligible or minorities.

Chairman Horsford stated that he did not like the term at-risk students. He said that minority students choose whether to put their ethnicity on a form anyway, so an option could be added for them to also self-determine if they were a first generation student. He said that there was the GEAR-UP (Gaining Early Awareness and Readiness for Undergraduate Programs) and the TRiO Program, and other programs that NSHE had to identify students so they could be provided proper support.

Ms. Abba said those programs were for specific cohorts of students and to do that for the entire population would require a modification to the NSHE student information system. She said there would be a cost to flag first generation students in the NSHE student information system, although, she was unsure of the amount.

Chairman Horsford said he believed that it would be a worthwhile investment.

Chairman Horsford asked for a motion on Item 4, Funding of Remedial Instruction, page 8, Funding Formula Subcommittee Work Session Report ([Exhibit D](#)).

DR. GEDDES MOVED TO ADOPT THE WEIGHTING
AND FUNDING OF REMEDIAL INSTRUCTION CREDIT
HOURS AS RECOMMENDED BY THE NSHE.

Mrs. Gansert asked for clarification and stated that the only piece was Gateway, which was not really remedial. She said it was inaccurate the way it was written in the document. She asked if the Committee was proposing to recognize Gateway courses in the performance model and create a weight around that.

Chairman Horsford replied that the Committee could take this component and the performance piece together. Mrs. Gansert thought that was a good recommendation. She stated that Option a (page 8, [Exhibit D](#)), adopt the weighting and funding of remedial instruction credit hours as recommended by NSHE, did not exist and could be addressed in the performance model.

Chairman Horsford said the motion was to adopt the weighting and funding of Gateway course credit hours as recommended by NSHE and that a performance weight be given for minority and low-income Gateway completers for the state and community colleges.

Regent Wixom asked if the motion indicated that they were using the phrase Gateway in place of remedial. Mrs. Gansert replied that was correct.

Mr. Haartz said he would attempt to interject a clarification. He said that the issue the Subcommittee was addressing under Option a was specifically remedial instruction and the cost of it, which was different from a Gateway course completion. As proposed under the Alternative Funding Model, remedial instruction was funded at the 1.0 weight

of what the English and basic Liberal Arts category received. He said remedial instruction did not receive additional funding, for example, added weighting such as the 10 percent. The policy question that the Subcommittee examined was whether remedial instruction should receive additional weighting. Mr. Haartz said the recommendation of the Subcommittee was to adopt the weighting of remedial instruction; therefore, he recommended not changing the motion, unless the Committee wanted to change that definition. However, in this case remedial instruction was different from Gateway courses in the performance component.

Mrs. Smith said that the Committee was trying to accomplish two things in one – Option a, page 8 ([Exhibit D](#)), adopt the weighting and funding of remedial instruction credit hours as recommended by the NSHE, and Option b, add a credit hour weighting factor applied to remedial instruction at NSC and the community colleges, which was Gateway rather than remedial in the performance funding.

Dr. Geddes said his previous motion was for Option a (page 8, [Exhibit D](#)) and to address the Gateway piece when the Committee discussed the performance funding.

Assemblywoman Smith said that Chairman Horsford asked if the Committee could make one motion.

Chairman Horsford stated that unless the weights for Gateway completers were adjusted, he was unsure if he was supportive of not funding remediation or weighting remediation higher as proposed by SRI, although he understood the sensitivity of funding remediation or weighting remediation higher as SRI proposed. He believed that the weights for Gateway course completers as proposed in the performance pool (page 86, [Exhibit H](#), Attachment D) should be increased. He said that NSC had a 5 percent weight, the community colleges had a 10 percent weight, and there was no weight at the university level. He believed at a minimum it should be a 10 percent weight for NSC and a 15 percent weight at the community colleges.

Senator Kieckhefer commented that even though there was a 10 percent weight for the community colleges, it was the largest chunk of weights that were associated and utilized in the actual calculation. He said it was similar to the same argument he had with the efficiency performance, which was 20 percent, so they had to look at the number of points associated with it that were used in the actual calculation of the funding. Therefore, for CSN, it was only a 10 percent weight, but it accounted for 1,237 of their 2,300 points, so more than half of their points were calculated based on the Gateway course completers even though it was 10 percent of the actual weight. Senator Kieckhefer stated that the actual percentages did not really mean as much as what they were being multiplied by.

Chairman Horsford agreed but still thought the weight should be higher. He said that research showed that if these students succeeded in their first year they were more likely to graduate, and based on the issue of remedial education and on the number of students that received F's and did not complete, the state did not get a return on that

investment. Chairman Horsford would rather see the incentive placed where there was the most benefit, which he believed was the Gateway course completers. Generally, if the state incentivized those students right they were more likely to dedicate resources and commit assistance for those students to achieve.

Senator Kieckhefer said that he thought it needed to be differentiated to be clear. In Version 20 of the chart, it was only those students that had gone through remediation and completed a Gateway course that were funded, and in that instance, he thought it made a lot of sense. However, a student could enter college with straight A's and as valedictorian of their high school class, but was weighted in the Gateway courses in the community college.

Chairman Horsford said he understood that point; however, he did not believe it should be limited to just remedial students. He said that research showed that all students who did well in their first year were more likely to graduate regardless of whether they needed remediation. Remediation did not work based on the research that the National Governor's Association and others had shown, so he did not want to incentivize remediation as much as the first year of Gateway course completion, because that was where they know the state would get the best return on investment for that student in the long term.

Mrs. Gansert said she thought that this was part of the bigger discussion around the performance pool. She was in complete agreement that there should be weighting toward Gateway courses for minority, low-income, and perhaps first generation students, but when they looked at the performance pool, they had to weigh one thing against another. She suggested that it would be appropriate for the Committee to make a motion around whether to send a letter to the Board of Regents about trying to ensure that students who completed a remedial instruction course be given priority placement and then the Committee could move to the section on the performance pool and have discussion around all the weights.

Chairman Horsford asked if the Committee wanted to make a motion on the recommendation.

Mrs. Gansert thought a motion was unnecessary at this time because she believed that was part of the performance pool.

Chairman Horsford agreed and no motion was passed on this item. Without objection, Chairman Horsford said the Committee could prepare the letter to the Board of Regents to recommend policy dealing with students who completed the remedial instruction course being considered for priority placement. There were no objections from the Committee members.

Chairman Horsford said the Committee would hold Item 4.

Mr. Haartz referenced page 12 of the Funding Formula Subcommittee Work Session Document ([Exhibit D](#)), Item 8, Funding of Operations and Maintenance Costs. He stated that there was clarification provided in that section for the Committee. He directed the Committee to page 14. He stated that the Subcommittee did not make a recommendation with regard to the funding of operations and maintenance (O&M) and the O&M research factor proposed in the NSHE alternative funding formula. Instead, the Subcommittee requested additional clarification be provided by the Chancellor's Office for the Committee at its August 29, 2012, meeting, as to how research space was to be defined and calculated. He said that Chancellor Klaich provided a document (page 79, [Exhibit H](#), Attachment C) to the Committee members that further explained the O&M research factor.

Chairman Horsford asked how much the O&M research factor costs were and if the costs were from the non-General Fund or out of the base formula allocation.

Mr. Haartz believed that the O&M research factor was approximately \$6.8 million in each year, and it was funded first before formula funding would be distributed, and therefore, would not be part of the base formula allocation.

Chairman Horsford stated that it was carve-out funding and not new funding. Mr. Haartz added that it was not new funding and because it was a cost-neutral proposal, it would be carved off the top.

Chairman Horsford said he was unsure where the Committee stood on this issue but he did not support it because the O&M factor was already provided for all institutions. In addition, he did not support it because he believed there should be some grants and other non-state General Fund support to help pay for specific facility costs related to research. He thought that there were other priorities within the System that were not being addressed elsewhere. Chairman Horsford did not support the \$6.8 million, which was money taken off the top that would get allocated to the System for a function that the System already provided for in the general O&M.

Senator Kieckhefer said that currently O&M was outside of the formula. The Committee was bringing it into the formula to account for the idea that O&M was a function of instruction, which was not necessarily true with research. He said there was a clear nexus for having O&M for research facilities outside of the formula, because it was not necessarily entirely based on instruction and the System was allocating funding for the other O&M based on weighted student credit hours.

Chairman Horsford said the problem was that there was no criteria for these facilities; there was no explanation for which ones were included and which requests were made. He said it was not consistent among institutions within the System and the policy was not vetted. Chairman Horsford stated that it was a very weak justification for why the System needed this, and the \$6.8 million off the top was taking money away from other critical priority areas within the System. He said that the System received funding for

instruction and this was something new, whereas O&M was already supported by the state.

Dr. Geddes said it was not new and it was research facilities that the old O&M budget accounted for that the new roll-up in the weighted student credit hour did not take into account. He said that (page 79, [Exhibit H](#), Attachment C) was provided and the System used the federal definition for research spaces, which were basically high-level O&M facilities. The spaces had labs with hoods, blowers, laser facilities, shielding, high-powering requirements, anti-static rooms, clean rooms that required a much higher level of O&M research. Dr. Geddes thought that it was a good policy decision to carve-out and identify the facilities that were used for research as they were trying to build the research infrastructure at the two institutions. He said the research facilities were necessary assets to invest more going forward. He reiterated that he fully supported the recommendation.

Mrs. Gansert stated that she supported the research O&M adjustment. She believed that a decision was made a while ago that the state wanted tier 1 type institutions, and part of being an innovative tier 1 research institution was having research facilities at the universities. She believed that often the research institutions were initially funded with federal grants or other types of grants, but did not necessarily have the ongoing support unless it was provided by the System. She reiterated that she was in support of having a separate O&M for non-instructional research facilities.

Mr. Dillon agreed and pointed out that from his experience in the building industry in Northern Nevada that the state was always focused on funding of K-12 education facilities and now the state was in a complete crisis just trying to maintain those buildings. He would go so far to recognize that the O&M of all facilities had been taken out of the budget on the tier 1 institutions as well.

Chairman Horsford did not request a motion on this item, which was deferred to later in the meeting.

Chairman Horsford moved to Item 10, page 17 of [Exhibit D](#), New Formula Implementation (Multi-Year Phase-In versus Single Year).

Mr. Haartz said the final item that was pulled from discussion originally begins on page 17, which was how to implement a new funding formula, whether as a multi-year phase-in or a single year approach. The Subcommittee deferred making a decision but recommended that an Option c be added to the list of options to be considered by the Committee at its August 29, 2012, meeting. The Subcommittee recommended that Option c would provide for a hold-harmless period to sunset after two years and would be funded through new (additional) funding in excess of the existing base formula funding of the \$362.56 million appropriated by the 2011 Legislature for the seven teaching institutions' state-supported operating budgets. He said that hold harmless would not be funded through existing formula funding.

Chairman Horsford asked for a motion on the new formula implementation.

SENATOR PARKS MOVED FOR THE IMPLEMENTATION OF THE NEW FUNDING FORMULA TO PROVIDE FOR A HOLD-HARMLESS PERIOD TO SUNSET AFTER TWO YEARS AND FUNDED THROUGH NEW (ADDITIONAL) FUNDING IN EXCESS OF THE EXISTING BASE FORMULA FUNDING OF THE \$362.56 MILLION APPROPRIATED BY THE 2011 LEGISLATURE FOR THE SEVEN TEACHING INSTITUTIONS' STATE-SUPPORTED OPERATING BUDGETS. HOLD HARMLESS WOULD NOT BE FUNDED THROUGH EXISTING FORMULA FUNDING.

Senator Kieckhefer asked if the motion would require the Board of Regents to include that in their budget request. He asked Dr. Geddes, Chairman of the Board of Regents, the status of the Board's budget request.

Dr. Geddes said at the request of the Governor, the Board adopted the flat budget with roll-ups and then adopted a policy to continue working with the Committee on the matrix and bring recommendations to the Governor. He said the Board specifically adopted \$5 million in new money, \$5 million from delayed implementation, and \$3.2 million in cuts.

Senator Kieckhefer stated that Option c would be consistent with what the Board of Regents adopted. Dr. Geddes replied that Option c would be more generous than what the Board adopted.

Assemblyman Aizley asked where the money was coming from for the new formula implementation.

Chairman Horsford said he was aware that the System was under the impression that they had to submit the budget flat, but it was the Legislature's prerogative whether it was funded flat or not. He believed that the Committee's decision was what made the most sense and if a new formula was implemented that had an impact, it may mean that the System would have to fund a hold-harmless provision beyond the flat funding budget, which was for the Legislature to decide. He stated that the 2013 Legislature had to determine where the funding was coming from based on priority. Chairman Horsford did not think anybody knew where the revenues were coming from or what the budget picture looked like at this point. The Governor directed the System to submit a flat budget at the same time the Committee was developing an entirely new formula, and if there was an impact based on the hold-harmless provision, the question was if that should be funded in the base or with additional funds.

Senator Kieckhefer said that the Committee was basically saying they wanted an enhancement unit in the agency request budget.

Assemblyman Aizley stated that without new funds it would come out of the base funding allocation.

Chairman Horsford agreed. He said it meant it was taking money from all the institutions to mitigate the loss to institutions, because with the new formula implementation the institutions were losing money, so it was prolonging the inevitable, which was the System not implementing a new formula. If the System needed to give money to the institutions that were being impacted, it should not be done in the formula, but through one-stop hold-harmless funds that would dissolve after two years.

Chairman Horsford asked for a second on the motion made by Senator Parks.

DR. GEDDES SECONDED THE MOTION.

Mrs. Gansert opposed the motion, because she did not know the status of the state budget at this time.

THE MOTION WAS PASSED BY A MAJORITY OF THE
VOTING MEMBERS. ASSEMBLYMAN AIZLEY AND
MRS. GANSERT VOTED AGAINST THE MOTION.

The Committee returned to the Performance Pool, Economic and Workforce Development, and Research Subcommittee's August 15, 2012, Work Session Document ([Exhibit E](#)).

Mr. Haartz said the two items from this Subcommittee were items 4 and 5. The first item concerned the structure and operation of the performance funding pool. The Subcommittee adopted a recommendation that further refinement of the performance funding pool structure and operation was needed before being brought to the 2013 Legislature (page 7, [Exhibit E](#)). As noted in the recommendation, the Subcommittee discussed issues relating to a 3-tier structure; one for the universities, one as a standalone tier for NSC, and one for the four community colleges. The Subcommittee's discussion revolved around the value and fairness of NSC's performance being measured as year-over-year against itself. Whereas, in the other tiers, institutions' comparative performance against the other institutions within their tiers was the basis for the performance pool.

Chairman Horsford thought that the Committee should approve the direction of the structure and the matrix conceptually and allow the Legislative Counsel Bureau to refine the language.

Assemblyman Aizley asked what would happen to the funding for NSC if the performance funding was not earned. Ms. Abba replied that if NSC did not achieve at least the weighted points from the prior year, the recommendation was that the funds

move forward to the next year, providing an opportunity to get the funds into the performance pool in the second year.

Assemblyman Aizley asked why the unused funds would not revert back to the state. Ms. Abba replied that NSHE was adopting the recommendation of the NGA to keep the funds available to NSC as an incentive to earn the funds in the second year.

In response to Assemblyman Aizley, Ms. Abba indicated that policy would require legislation.

Assemblyman Aizley thought it would be best to eliminate competition, and instead have each institution assigned its own designation and to work within their own performance pool, similar to the recommendation for NSC.

Chairman Horsford asked Assemblyman Aizley if he was suggesting a performance pool of dollars by institution, with a requirement to meet year-over-year growth or matrix that would determine whether the institution would receive funds. Assemblyman Aizley confirmed that was correct. He explained that it would eliminate the competition for limited funds and it would encourage cooperation.

In response to a question from Chairman Horsford, Senator Kieckhefer said the Subcommittee did discuss the option suggested by Assemblyman Aizley. Senator Kieckhefer said he liked the idea of institutions competing for the funds, because it was a strong incentive. He had concerns with the potential approach for NSC, whereby the institution would compete against a benchmark and even if NSE did not meet the objective, the funding would still be available at a later date. He would rather the funds revert to the community college pool if the benchmark was not met by NSC.

Chairman Horsford noted that there was only one institution in the state college pool, yet the other institutions would have to compete for the funds. He asked what the value was in that type of system. He also asked Dr. Stephen how other states had approached the issue of tiers competing within institutions or having just a pool of dollars available based on a set amount of matrix or year-over-year growth.

In response to a previous comment from Senator Kieckhefer, Dr. Stephen said there was a mechanical question in applying the weights to raw numbers which varied across orders of magnitude. For example, the community colleges had ten efficiency awards per 100 FTE and 12,377 Gateway course completers; therefore, applying the weights mechanically to highly differentiated numbers would have a dramatic effect on the impact of the weight. He said the mechanical device used to implement the weights should be neutral so that the weight would have the intended effect. The raw numbers varied widely across orders of magnitude, which created a problem.

Ms. Abba said that Dr. Stephen was speaking of an issue of scaling. When the variables were scaled it made the variables comparable across outcomes. Using the

example of efficiency awards per 100 FTE, a smaller number could be scaled up to make it more comparable to, for example, the number of bachelor's degrees. Just by virtue of the difference in the numbers, it would mean that when calculated out based on the weights, there would be an inherent difference. NSHE opted against using the mechanism for scaling because it was confusing, detracted from transparency, and it was more difficult for individuals to understand.

Ms. Abba said with respect to the weights, it was confined to 100 percent because NSHE was essentially asking the state to assign priorities to the weights. For example, in the university pool the most significant weight would go toward bachelor's, master's and doctoral degrees, which made up 40 percent between the two universities. Therefore, the weight indicated that the priority for the state and the institutions was to grant those particular degrees. Ms. Abba said NSHE used some scaling inside the figures for the sponsored projects, but for the other figures there was no scaling and it impacted the points and the distribution of the total points, particularly in areas like efficiency, where the number was significantly lower than in other measured outcomes.

Senator Kieckhefer said there was a lot of discussion about percentage and weight, but he thought that NSHE had conceded that certain figures did not reflect a priority unless the number was scaled, because otherwise there was minimal or no impact on the actual outcome of the performance pool. Ms. Abba agreed.

Chairman Horsford asked if the measurement varied by institution.

Ms. Abba said an institution would have to outpace the improvement of the other institutions to increase their proportion of the points. She said it was possible to separate the tiers into institutional pools, but the competitive factor between institutions would be lost. She indicated that it would also beg the question about whether there should be different sets of outcomes based on the institution.

Chairman Horsford asked, using the scenario of minority and low-income students, if an institution would have to meet all of the outcomes or some of the outcomes in the performance pool allocation. For example, if the CSN student body was largely minority, would that be an advantage over other institutions that had low minority participation?

Ms. Abba replied that NSHE was collecting data for each of the outcomes for all of the institutions. Therefore, the institutions were competing equally, because there was a uniform definition that NSHE was collecting from either an external party or from NSHE's student data warehouse. In terms of whether an institution would have an advantage over another institution, she said that would be the case to some extent. However, some of that would be controlled, because when the funds were pooled together they would ultimately be distributed through the performance pool. For example, if 20 percent was removed off the top as recommended by the Subcommittee, then the amount would vary based on the size of the institution. Therefore, to some

extent that magnitude issue was dealt with inside of the distribution of the dollars based on the institutions' initial contribution.

In response to a question from Chairman Horsford, Ms. Abba said there was a mechanism that NCHEMS used for weighting based on possible salaries. Based on that information, NCHEMS provided additional weighting in STEM fields, so NSHE used CIP codes selected by NCHEMS (page 87, [Exhibit H](#)).

Chairman Horsford asked which sectors or CIP codes were not included. Ms. Abba replied that there were certain CIP codes that were not included, because it would not provide a level playing field for all the institutions

In response to a comment from Assemblyman Aizley, Ms. Abba replied that currently NSHE was only capturing students who were transferring to another NSHE institution. In other words, students less likely to attend another NSHE institution, such as GBC students, would not be included which would ultimately impact GBC's outcome.

Assemblyman Aizley noted that there would not be a level playing field for that particular outcome. Ms. Abba indicated that would be the case; however, students who moved from an associate's degree to a bachelor's degree would be included in the count. She noted that there were more bachelor's programs available at GBC than the other 2-year institutions.

Chairman Horsford understood the idea of a level playing field; however, he thought the goal was to create autonomy and entrepreneurship to allow each institution to perform in the areas where they were best suited, and to be incentivized and rewarded accordingly. He noted that Nevada had a hospitality management school that ranked among the top in the country; therefore, he did not understand why hospitality was not included as one of the economic development sectors. He said SRI and Brookings Institute identified seven sectors where Nevada should focus on growth, and he thought the institutions should be allowed to determine how to do that in a manner fitting for that particular institution.

Ms. Abba replied that it was possible to have a separate pool and independent outcomes for each institution. In that case, hospitality management graduates would be included for UNLV and something different could be selected for UNR because they would not be directly competing against each other.

Mrs. Gansert asked Dr. Stephen if most states used the competitive model versus separating institutions and providing institution-specific year-over-year goals.

Dr. Stephen said that some states were organized in a manner where individual institutions designed their own contracts with a fixed set of metrics common to all and then the institution selected metrics appropriate for their particular institution. That method avoided "moving the goal post" every year because it required the institution to commit to their selected performance measures. He noted that method lacked

refinement and transparency and could incentivize institutions to choose goals that were easy to achieve.

Responding to a previous comment by Chairman Horsford, Dr. Stephen thought the challenge with emphasizing autonomy and differentiation involved the actual mechanism of converting weights and metrics into dollars. He said it was a fairly significant challenge if done in a way where the weight was authentically represented in the dollars awarded. One simple solution, which included policy, would be to use a year-to-year change in numbers in that the percentage improvement on any metric year-to-year would be the basis of rewarding institutions. There would be instant percentage change, improved graduation numbers by 4 percent and improved research dollars by 3 percent. Dr. Stephen said that would all be on a scale and the weights, when applied to the percentage scale, would translate perfectly into a measure that reflected the policy priorities chosen for the performance pool. He noted that method would require yearly improvement for the institution which may be challenging for any institution with a high completion rate.

Chairman Horsford indicated that Nevada's completion rates had room for growth. He said Nevada currently employed a growth model for K-12. Teachers and schools were evaluated based on that model, and a teacher's council and other stakeholders reviewed the evaluation process to maintain impartiality. Chairman Horsford said that the state was striving to improve outcomes, including graduation and educational skill attainment, for both K-12 and higher education; therefore, it seemed logical to utilize the same method for higher education that was currently utilized for K-12.

Chairman Horsford remarked that the STEM and Allied Health category was included under the Sponsored/External Research Expenditure sector, therefore, the medical school program would make UNR eligible for funding. That being the case, it appeared that UNR would have an advantage over UNLV, because UNLV's hospitality management school was not an eligible program. He said it was not fair or equitable to give to one institution and not another.

Assemblyman Aizley agreed with Chairman Horsford and noted that a standalone model would result in a more level playing field.

Senator Kieckhefer replied that the biggest driver was meant to be the gross number of graduates, yet in the way of the performance pool, that would result in an advantage for Southern Nevada.

Assemblyman Aizley said it was hard to believe that there was not a faculty member in the medical school who worked solely within the medical school; therefore, that faculty member's performance would be used to augment the UNR budget in the performance area.

Chairman Horsford reiterated that the process should not be exclusionary; therefore, if certain programs qualified and others did not, then the issue should be revisited to

make it more fair and equitable. He said it was important to ensure that the performance pool funding created autonomy and entrepreneurship, and allowed each individual institution to serve its market, region and the state in a way that did not pit one institution against another institution with a different focus.

Mrs. Gansert thought the objective of having the performance pool was to incent certain types of behavior. She said Nevada needed more graduates, which was why the weights were higher for degree accomplishment throughout each tier. The reason they were divided by tier was because they were similar institutions. Concerning the research category, she agreed that the idea was to increase research dollars, therefore, a weight of 15 percent was applied to increase incentive (page 86, [Exhibit H](#)). Mrs. Gansert said, with regard to the transfer students category, the idea was to incentivize students' continuity within the NSHE system. Moving on to efficiency, she indicated that the award per 100 FTE reflected how the institutions used their money. She said the STEM and Allied Health graduates were counted twice because they were good proxies for almost everything in the economic development plan, except for the hospitality management school. She thought perhaps hospitality should be included, but the STEM and Allied Health category captured cyber, health care and gaming/technology within those disciplines which was why they were chosen. All in all, she thought the point was to incent outcomes, the most important being completions, whether in the form of a certificate, associate's, bachelor's, master's or doctorate degree. Mrs. Gansert said that while she appreciated the concept of growth, that had not been part of the discussion thus far.

In response to a comment by Mrs. Gansert, Dr. Stephen replied that Tennessee used the tier model, but it also had a lot of institutional-specific variation in the weights. Chairman Horsford added that Tennessee's model was also 100 percent performance based.

Mrs. Gansert said that although Tennessee's model was performance based, there were still some similarities. The idea was to try to determine what worked for Nevada, with the primary focus on completions, followed by minority, low-income, economic development and so forth.

Regent Wixom asked if dental and law research were included in the Sponsored/External Research Expenditures category (page 86, [Exhibit H](#)). Mr. Redding replied that all three professional schools were included at their respective home institutions.

Regent Wixom asked if the hospitality management school was included in the Sponsored/External Research Expenditures category, noting that research dollars were generated there. Mr. Redding confirmed that the hospitality management school was included in that category as well.

Chairman Horsford asked how much UNR and UNLV each produced in research expenditures, and how much from each was from the professional schools.

Mr. Redding replied that UNR, out of \$93.7 million, generated \$20.6 million at the medical school, which was slightly above 22 percent. At UNLV, out of \$49.7 million, \$744,795 was generated at the dental school and \$119,032 was generated at the law school, for a combined total of about 1.74 percent (page 56, [Exhibit A](#)).

Dr. Doubrava noted that the research dollars did not appear to be on a level playing field.

With regard to cooperation among institutions, Dr. Doubrava remarked that there was very little cooperation between the School of Medicine in Southern Nevada and UNLV. If research money gained by the School of Medicine was included in their performance funding, it would result in zero cooperation between UNLV and the School of Medicine. He said that was the nature of Nevada's institutions and the history of north/south.

Senator Kieckhefer said another issue he had with the performance pool was in the way that it was currently structured, because it allowed very little room for an institution to improve its standing. Even if an institution improved marginally in a specific category, within the greater competition setting it would be very difficult for an institution to earn additional money from the performance pool. He indicated he was leaning more toward a growth concept because it allowed institutions to perform against themselves in an effort to improve and receive more funds.

Chairman Horsford indicated that he saw concerns in three areas. The first area was the inclusion of sponsored-research funding expenditures. He concurred with Mrs. Gansert that it was desirable that all NSHE institutions were successful in receiving research dollars. However, the Committee needed to be careful not to embed an inequity into the performance pool funding that advantaged one institution over another. Chairman Horsford said the professional schools should be considered as statewide institutions and their performance was not supposed to benefit one institution. He thought that including the \$20.64 million in research expenditures by the Medical School with UNR's other \$73.12 million in research expenditures, for which the Medical School's research expenditures represented 22 percent of \$93.76 million total expenditures, created an additional inequity. He indicated that at a minimum he would want to exclude the professional schools' research expenditures. Chairman Horsford's second area of concern involved the double-digit weights given to research, efficiency, and economic development compared to the single-digit weights given to transfer of students, Gateway course completers and minority students. Based on the objectives of Nevada's higher education institutions, Chairman Horsford was not comfortable with that approach as it was not fair and equitable, nor balanced, to have the weights span from a range of 5 percent on the low end, to 15 percent on the high end. Although he thought it was important to incentivize research, efficiency and alignment with economic development, it was equally as important to make sure that students started, matriculated, and completed Gateway classes, and that first generation, minority and low-income students finished. Chairman Horsford said the economic development sectors were his third area of concern. He perceived that only including STEM and

Allied Health was unfair and thought that Mrs. Gansert's suggestion of adding hospitality, entertainment, nursing and business program areas seemed reasonable.

In the Performance Pool, Economic and Workforce Development, and Research Subcommittee, Dr. Geddes said he suggested that further refinement of the performance pool was needed and modification of the model should be passed to the Legislature. He thought there were multiple policy implications embedded in the performance pool that had to be addressed before implementation; therefore, he was not comfortable taking action on the current model as presented to the Committee.

From a mechanical process perspective, Senator Kieckhefer doubted the possibility of the Legislature being able to address and refine the performance pool during the 2013 Legislative Session. He pointed out that the Legislature appropriated a dollar amount through the budget process, but the policy guiding those dollars was processed through a separate bill, while at the same time NSHE would be trying to collect FY 2014 performance data that would serve as the baseline for the performance pool's implementation in FY 2015. Senator Kieckhefer remarked it would add another duty to the list for the Legislature to perform.

While indicating there were many questions and details surrounding the concept of the performance pool model, Chairman Horsford thought it was important to move forward on the concept, because it was part of the whole reform of the funding of higher education. However, he did not think it was fair to reserve that process for the Legislature who would only have 120 days to work out the details of a proposal made by the Chancellor and approved by the Board of Regents. He said Mrs. Gansert, the National Governors Association, the Chancellor and others had worked too hard on the performance pool concept to have it wait for the legislative session and then not have it addressed properly due to time constraints. Chairman Horsford asked the Committee members what they would be comfortable approving conceptually, with a possible request for the Board of Regents to form a working committee – to include members of the Performance Pool, Economic and Workforce Development, and Research Subcommittee – to consider the details of the model before the commencement of the 2013 Legislative Session.

Dr. Geddes acknowledged that was his intention and completely agreed with Chairman Horsford.

Chairman Horsford asked the members for input to indicate what they were comfortable in approving regarding the performance pool model.

Dr. Geddes commented that he thought the Committee had already adopted details of the performance pool when they approved the motions to fund the performance pool from base funding beginning in FY 2015 at 5 percent and increasing to 20 percent over the succeeding three years at 5 percent per year. Dr. Geddes thought the work that remained was on the issues of structure and operation of the pool, as well as the specific performance metrics.

Mr. Haartz pointed out that the members had been discussing two issues regarding the performance pool model. The first issue was the structure and operation of the performance funding pool and then the dialog segued to the second issue, which was a discussion of the metrics. He noted the Subcommittee recommended further discussion for both of those issues. Mr. Haartz said if the Committee decided to take action then the members might want to consider a motion directing the Board of Regents to work with others to further refine and resolve these two issues of the performance pool model.

Chairman Horsford entertained a motion from Dr. Geddes.

Dr. Geddes asked Mr. Haartz to restate a possible motion for him.

Mr. Haartz restated the motion for Dr. Geddes as follows:

DR. GEDDES MOVED FOR FURTHER REFINEMENT BY THE BOARD OF REGENTS WITH REGARD TO THE STRUCTURE AND OPERATION OF THE PERFORMANCE FUNDING POOL AND THE METRICS AND MEASURES INCLUDING THE ASSOCIATED WEIGHTS AND VALUES FOR THOSE METRICS AND MEASURES BY A METHOD THAT THE BOARD OF REGENTS DETERMINED APPROPRIATE.

Dr. Geddes thanked Mr. Haartz for clearly and correctly restating his motion.

DR. DOUBRAVA SECONDED THE MOTION.

Chairman Horsford asked when the Board of Regents approved the NSHE budget if there was anything included for performance.

Dr. Geddes said it included the performance and a directive for the Board to work with the Committee for further refinement.

Chairman Horsford noted that the Board's proposal did not have the 5 percent per year carve out.

Dr. Geddes said the Board specifically included it, and starting in FY 2015 there would be 5 percent per year for implementation.

Regent Wixom said the Board took two actions including approval of the budget as required by the Governor. However, the second part of the motion was to approve the Chancellor's plan in conjunction with the Committee and he thought the Committee's motion was consistent with the direction of the Board.

Dr. Geddes said the performance pool part included the 5 percent per year starting in FY 2015. Regent Wixom agreed that was correct.

Chairman Horsford questioned whether the 5 percent per year performance carve out was in the budget that was approved by the Board, which would ultimately be sent to the Governor and the Budget Office.

Regent Wixom said he did not believe it was in the budget because the Board passed a flat budget.

Dr. Geddes said the Board approved a flat budget as per the Governor's instructions and then directed the Board to work with the Committee on the performance pool.

Chairman Horsford was concerned that the performance pool, as approved, was a 20 percent carve out over four years from the base funding, which was not submitted to the Governor. He thought the Board needed to modify that information and continue to work on the details; otherwise, the Board was submitting a budget that did not have the carve out or at least the 5 percent starting in FY 2015. Chairman Horsford wanted the Board and the Committee to all have the same understanding.

Dr. Geddes concurred with Chairman Horsford. He added that the budget did not include the new formula; it was the flat-based budget from the previous year with "roll-ups," along with a proposal to work with the Committee on the funding formula and to bring the changes to the Governor and the Legislature.

In anticipation of actions the Committee might take at the August 29, 2012, meeting, Chancellor Klaich said the Board specifically directed him and his staff to work with the Governor and the Budget Office after September 1, 2012, to implement the final recommendations of the Committee and the Board of Regents into The Executive Budget.

Chairman Horsford said the budget approved by the Board did not include the carve out even though apparently it was approved conceptually. He indicated if the information was "trued-up" and everyone was moving in the right direction, then he would be in favor of the motion by Dr. Geddes.

Dr. Geddes responded yes, for the record.

Chairman Horsford reiterated it was the Committee's intention for Dr. Geddes to form a working group within the Board, inviting available participants that would include members of the Committee, with background on the performance pool. He proposed to move forward with the recommendation in order to have a bill draft and language encompassing the issue in the final report.

Chairman Horsford asked for further discussion.

Mr. Dillon reminded the Committee of his comments concerning national benchmarks. He wanted to ensure that the information was on the record and was included as part of the discussion. He thought it was important to see Nevada improve for itself, but also where Nevada stood compared to the rest of the country.

Chairman Horsford asked if the mitigation costs approved by the Board of Regents would be taken from the base funding. Dr. Geddes replied that the Board of Regents requested \$5 million a year in new money, \$5 million a year in deferred implementation of the plan and \$3.2 million a year in cuts to the institutions, and that was what NSHE adopted on August 24, 2012. With today's action, the amount would total \$13.2 million for full mitigation and would not delay implementation or the cuts to the institutions.

In response to a question from Chairman Horsford, Dr. Geddes replied that the Board of Regents approved \$8.2 million from the base, including \$3.2 million in cuts, \$5 million in deferred implementation transferred to the institutions that would gain money, and then \$5 million in new money.

Chairman Horsford asked if the institutions, under the new formula, were being asked to wait for \$5 million worth of new money. Dr. Geddes confirmed that was correct.

Chairman Horsford said he objected to the idea of implementing a new system if money was being taken from those very institutions under the new plan. He thought that should be done with stop-loss funding, not the base funding. Chairman Horsford thought it would be better for NSHE to ask for the mitigation costs to be funded outside of the base. He did not think it was fair to the institutions who had to wait for money.

Mrs. Gansert thought the request from the Board of Regents was for \$5 million of new money and \$5 million of mitigation from within the current pool from the first year. Dr. Geddes clarified that the request was for \$13.2 million per year; therefore, it was \$5 million in deferred implementation, \$5 million in new money and \$3.2 million in NSHE cuts.

Chairman Horsford said, for the new formula to start off right it should be done without an impact to the institutions that should receive money under the new formula. He reiterated that the way to correct the problem was to request stop-loss funding in new funds.

Chairman Horsford reminded the Committee that there was a motion and a second. There was no further discussion on the issue.

THE MOTION PASSED UNANIMOUSLY.

Chairman Horsford directed the Committee to page 4 ([Exhibit F](#)), Federal and Non-Federal Grant Funding Opportunities. He said a clear, definitive recommendation was needed in regard to the Investing in Innovation (i3) funding, the Hispanic-Serving Institution funding and any other federal or private funds that were available to support

the mission of community colleges. He did not think the recommendation was specific enough on that point. Chairman Horsford said, for reasons of accountability, he wanted the record to include the Board of Regents' plan of action that would be submitted to the Governor and the Legislature.

Chairman Horsford said that a motion was needed to modify the recommendation under item 2. He asked that the motion be made to specifically assist the community colleges in becoming more effective in competing for federal grants, including i3, Hispanic-Serving Institution designation and other private and federal funding available for the community colleges. Additionally, he thought a letter to the Board of Regents was necessary, asking for its plan of action, and a recommendation that the Board of Regents review its strategic plan to include those items, or refine the items if they were already included.

DR. GEDDES MOVED THAT THE BOARD OF REGENTS SHOULD ADOPT POLICIES THAT ASSIST THE COMMUNITY COLLEGES IN BEING MORE EFFECTIVE IN COMPETING FOR FEDERAL GRANTS AND OTHER AVAILABLE FUNDING RESOURCES, BOTH PRIVATE AND FEDERAL. AND, FOR THE COMMITTEE TO SEND A LETTER TO THE BOARD OF REGENTS ASKING FOR A PLAN OF ACTION, AND RECOMMEND THAT THE BOARD REVIEW OR UPDATE ITS STRATEGIC PLAN TO INCLUDE ASSISTING THE COMMUNITY COLLEGES WITH COMPETING FOR NON-STATE FUNDING OPPORTUNITIES.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairman Horsford moved forward to item 4 (page 6, [Exhibit F](#)), Community Colleges' Access Mission and Alignment with Economic and Workforce Development. Referring to the weight differential on the chart on page 7, he asked why the weight for TMCC was different than the weights for the other associate degree programs.

Mrs. Gansert explained that TMCC did not have any 4-year degrees; therefore, the numbers were blended which is why it did not appear on the NSHE Performance Pool Model for Consideration, version 21.

Chairman Horsford said the Community College Funding Subcommittee adopted a recommendation that the full Committee review the following impacts before it considered a funding formula:

- The necessity for a system to have "like" student IDs throughout the system
- Dual credit opportunities

- Tuition transparency
- Transfer of credits

Chairman Horsford called for a motion on the recommendation of the Community College Funding Subcommittee.

REGENT WIXOM MOVED THAT IN THE IMPLEMENTATION OF A NEW FUNDING FORMULA, THE BOARD OF REGENTS SHOULD GIVE ATTENTION TO THE FOLLOWING ISSUES IMPACTING COMMUNITY COLLEGE STUDENTS: 1) THE NECESSITY FOR A SYSTEM OF “LIKE” STUDENT IDS; 2) INCREASING DUAL CREDIT OPPORTUNITIES; 3) TUITION TRANSPARENCY; AND 4) THE TRANSFER OF CREDITS.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairman Horsford referred to the Funding Formula Subcommittee’s, August 15, 2012, Work Session document (page 14, [Exhibit D](#)), Major Issue #9, Funding of Research-Related Operating Costs. He felt this issue should not be included in the base budget. He said he would entertain a motion to allow for this O&M research factor as non-formula money outside of the base. He emphasized that this should be new money rather than money carved out of the base budget.

Mrs. Gansert asked Chairman Horsford whether he was in agreement that the non-instructional research O&M should exist, but that it should be funded outside of the formula. Chairman Horsford concurred.

Dr. Stephen said the Committee should consider how that number would be calculated. He recommended an alternative to the practice of funding based on square footage. He suggested that the Presidents and the Board of Regents agree upon criteria for expenditures, such as using funds to seed new projects or reward centers of excellence. Dr. Stephen said funding should not be tied to square feet, because it was a policy goal of the state to fund research, not to fund the operation of facilities.

Chairman Horsford agreed and thought the funding method should be similar to the Knowledge Fund. He said, if funding was needed that was not covered by a grant, and if there was a reason that the state should leverage the money, then money should be available outside of the base. The amount would be added to the institution’s research funding request, with a criteria for evaluating and funding it accordingly. Chairman Horsford stated that the state’s role was to fund instruction, not buildings. He added that funding for buildings existed in the basic O&M structure.

Assemblywoman Smith asked what would happen if the money was not available. Chairman Horsford replied that O&M had traditionally been funded within the formula, but the request being discussed was to carve out additional funding for the research facilities.

Senator Kieckhefer noted that the facilities were not necessarily instructional facilities, they were research facilities.

Chairman Horsford reiterated his suggestion that if an institution received a grant for research that did not cover the full cost of the facility then the institution could submit a request for funding over and above instructional use.

Senator Kieckhefer said that if an institution was able to demonstrate a need then the money would still need to be carved out of the base.

Chairman Horsford clarified that his intention was not for the funding to come from the base. He explained that the requested funding would be an enhancement; therefore, the \$6.4 million should be made available outside of the base for such a purpose.

Senator Kieckhefer thought the General Fund should be reduced by \$6.4 million to make the funding available.

Chairman Horsford asked whether the current funding was being allocated under the O&M structure. Dr. Geddes replied that costs for non-instructional research were currently allocated under the O&M formula; however, in the future, the funding would be included in weighted student credit hours. He said research space was an asset and was funded as such, which was why he would not support new money for that purpose.

Chairman Horsford said if there was no consensus, the Committee would not act on a recommendation. He would not support the recommendation of taking the funding from the base, because the institutions would be penalized.

Mrs. Gansert said the funds already existed within the current formula. Therefore, funding would not be taken away from the institutions, it would just be represented in a different manner.

Chairman Horsford asked why the money was not being used to address the mitigation issue at TMCC, or to help GBC and WNC keep their doors open. He said the institutions would be negatively impacted if the funding was taken from the base.

Senator Kieckhefer said he did not support the practice of requiring institutions to request funding for the operation and maintenance needs of existing buildings. He said the buildings were assets that needed to be maintained. He said the state supported the research function of higher education; therefore, he did not understand why research facilities would not be funded. Chairman Horsford replied that the research facilities would be funded through the traditional O&M construction process.

Senator Kieckhefer disagreed, noting that the O&M for instruction was not designated to research facilities.

Chairman Horsford said he had provided two examples of research buildings that were not used for instructional purposes. He did not think funding of \$6.8 million was a priority when there were other needs throughout the System.

Senator Kieckhefer offered to propose a motion. Chairman Horsford said he would only entertain a motion that did not add additional funding.

There was no further discussion.

V. REVIEW AND DISCUSSION OF RECOMMENDATIONS TO THE LEGISLATIVE COMMISSION PERTAINING TO THE FUNDING OF HIGHER EDUCATION IN NEVADA.

There was no discussion on this agenda item.

VI. RESUBMISSION BY SRI INTERNATIONAL OF FINAL UPDATED VERSION OF DELIVERABLE #4, STATES' METHODS OF FUNDING HIGHER EDUCATION.

Chairman Horsford said the Committee would discuss whether to accept SRI International's final updated version of Deliverable #4. He said he believed SRI International had successfully provided the deliverables based on the scope of work.

Alex Haartz, Program Analyst, Fiscal Analysis Division, noted that at the June 27, 2012, meeting the Committee formally accepted the SRI International deliverable States' Methods of Funding Higher Education and by that SRI completed its contractual requirement. He said SRI continued refining the document and updating information, and the final report dated August 21, 2012, was provided in the meeting packet (page 135, [Exhibit A](#)).

DR. GEDDES MOVED TO ACCEPT THE REVISED DELIVERABLE #4, STATES' METHODS OF FUNDING HIGHER EDUCATION, DATED AUGUST 21, 2012, BY SRI INTERNATIONAL.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairman Horsford thanked SRI International and Dr. Roland Stephen for their efforts, and added that the Committee's expectations had been met.

VII. PUBLIC COMMENT.

Angela Brommel, Faculty Senate Chair, Nevada State College, thanked the Committee members for their work. She said there were many ways that the Committee supported all three tiers in the System. She said the NSC faculty were incredibly supportive of the Committee's work, and wished to support the research institutions and the faculty at the community colleges.

Ms. Brommel asked the Committee to take into consideration, during future discussions, the various financial requirements and national accrediting standards that made programs like nursing, speech pathology and biotechnology more expensive than upper division courses. She said there could be unintended consequences if adequate funding was not provided to those programs.

There was no further public comment.

VIII. ADJOURNMENT.

Chairman Horsford thanked the Committee members and the Legislative Counsel Bureau staff. He said a lot of progress had been made and he appreciated the Committee's willingness to work together to reach a certain amount of consensus.

There was no further business to come before the committee; Chairman Horsford adjourned the meeting at 5:30 p.m.

Respectfully submitted,

Carla Ulrych, Transcribing Secretary

APPROVED:

Steven A. Horsford, Chairman

Date: _____

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