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October 2014

“Held Harmless:” Higher Education Funding and the 77th Session of the Nevada Legislature*

BY DAVID F. DAMORE, PhD.

The debate over higher education funding took center stage throughout the 77th session of the Nevada Legislature. Much of what transpired during 2013, however, was shaped by the work of the 2011–2012 SB374 Interim Committee to Study the Funding of Higher Education (SB374 Study Committee hereafter).¹

Out of this process came new funding formulas for the Desert Research Institute (DRI) and Nevada’s seven teaching institutions: the two branches of the state university, the University of Nevada, Reno (UNR) and the University of Nevada, Las Vegas (UNLV); the state’s four-year colleges: College of Southern Nevada

(CSN), Great Basin College (GBC), Nevada State College (NSC), and Western Nevada College (WNC); and its two-year college: Truckee Meadows Community College (TMCC).² Yet, despite the effort that went into developing the formula, assessing its impact remains unclear.³

Some of this uncertainty stems from the various budgets that constitute the state’s support for higher education. Specifically, the formula budgets allocate funding for delivering higher education to Nevada residents (AB507), while separate appropriations support a host of programs including the University of Nevada, School of Medicine (UNSOM), the William S. Boyd School of Law, and the School of Dental Medicine, as well as Statewide Programs and system administration. The Capital Improvement Program (CIP) (AB505) funds building and maintenance expenses.⁴ The legislature also allocated \$10 million for

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the Knowledge Fund (AB507) to develop research partnerships at UNR, UNLV, and DRI and partially restored salary and merit pay (AB511). Campuses draw additional support from philanthropy, grants and contracts, and tuition and fees (SB521).

Indeed, how fees and tuition were accounted for under the old funding framework and during the transition to the new formula is an important, albeit poorly understood, component of higher education funding in Nevada. Once this revenue—which accounts for over a third of the teaching institutions’ operating budgets—is considered along with appropriations from the state general fund, the effects of what occurred in 2013 can be more fully evaluated.

In what follows, I examine higher education funding for fiscal years (FY) 2014 and 2015.⁵ To place this discussion in context, I also provide comparisons of non-formula and capital differences between UNR and UNLV. The report concludes by assessing if the actions taken during the 2013 session will improve higher education outcomes in Nevada and offers suggestions for additional reforms.

My analysis reveals:

- The new formula funds UNR and UNLV at the same level for the delivery of a Weighted Student Credit Hour (WSCH).
- The funding formula appropriates more funding per WSCH to GBC, WNC, and TMCC as compared to CSN and NSC.
- Institution specific carve-outs and subsidies reduce the formula base by \$27 million annually.
- UNR receives over twice as much non-formula funding as UNLV.
- Providing UNLV with the equivalent teaching and research capacity as UNR necessitates two million additional square feet of building space at UNLV.
- UNR’s biennial revenue gains outside of the funding formula approach the total revenue gains *and* losses of the six other teaching institutions.
- The Nevada System of Higher Education (NSHE) receives more state funding than four of the institutions it manages.

Formula Budgets

The governor’s recommended and the legislatively approved formula budgets for the seven teaching institutions for FY 2014 and FY 2015 are presented in Table 1. To aid interpretation, each institution’s general fund appropriation is disaggregated by its projected WSCH such that the values compare how much the state funds the delivery of an equivalent unit of instruction to Nevada residents on each campus.⁶ To assess the degree to which the formula changed funding priorities, each campus’s FY 2013 appropriation disaggregated by its projected WSCH is included. Lastly, in light of claims that higher education funding is driven by “need,” Table 1 reports the “White” share of institutions’ student bodies.⁷

As indicated by the “WSCH” column, 62 percent of higher education instruction of Nevada residents is projected to occur on the three southern campuses with the remainder delivered by the northern schools. The “2013 Regents” column reports campuses’ funding if projected WSCH were funded using FY 2013 appropriations (see note nine). To be clear, these estimates are limited in at least three ways: 1) they are based

upon WSCH instead of full time equivalency, the driver of the old formula; 2) whereas the old formula funded enrollments, the new formula funds completions; and 3) these values do not account for funding increases for the current biennium.

Nonetheless, the projections provide a baseline for comparison and are consistent with the point made by

Table 1: Per WSCH Funding Formula Appropriations, FY 2014 and 2015

2014	WSCH	2013 Regents	Governor	Legislature ^a	White ^b
UNR	619,941	\$147.44	\$146.59	\$145.61	67%
TMCC	214,603	\$142.60	\$130.08	\$139.92	63%
WNC	74,414	\$201.98	\$182.51	\$194.86	71%
GBC	60,769	\$230.90	\$205.26	\$223.36	70%
Subtotal	969,727	\$155.79	\$149.37	\$153.01	67%
UNLV	886,813	\$140.42	\$142.39	\$145.73	43%
CSN	626,677	\$123.81	\$130.41	\$137.50	39%
NSC	92,826	\$98.16	\$122.62	\$132.81	48%
Subtotal	1,606,316	\$131.50	\$136.58	\$141.77	41%
Total	2,576,043	\$140.64	\$141.39	\$146.00	50%
2015 ^c	WSCH	2013 Regents	Governor	Legislature ^a	White ^b
UNR	619,941	\$147.44	\$153.93	\$149.43	67%
TMCC	214,603	\$142.60	\$136.86	\$143.74	63%
WNC	74,414	\$201.98	\$178.52	\$188.57	71%
GBC	60,769	\$230.90	\$192.12	\$215.63	70%
Subtotal	969,727	\$155.79	\$154.43	\$155.32	67%
UNLV	886,813	\$140.42	\$150.27	\$149.55	43%
CSN	626,677	\$123.81	\$138.30	\$141.32	39%
NSC	92,826	\$98.16	\$133.01	\$136.63	48%
Subtotal	1,606,316	\$131.50	\$144.60	\$145.59	41%
Total	2,576,043	\$140.64	\$148.30	\$149.25	50%

^a Includes transfer of \$2,116,268 for FY 2014 and \$449,942 for FY 2015 from NSHE’s unemployment insurance reserves to GBC and WNC, as well as partial salary and merit pay restoration.

^b Fall 2012 headcount as reported by Integrated Postsecondary Education Data System (IPEDS); note that these data do not necessarily track with WSCH.

^c For 2015, five percent of each institution’s appropriation is held back as part of the legislatively approved performance pool that can be earned if institution specific performance criteria are met. For ease of comparison, the 2015 values are derived from each institution’s total formula appropriation.

Southern Nevada's leaders that the region's institutions receive less state support as compared to those in the north. On a per WSCH basis, if prior appropriations were carried forward into the current biennium, every northern school would have received more funding than every southern school, resulting in an average regional difference of over \$24 for every WSCH delivered. The greatest difference is between GBC and NSC with the state paying GBC nearly 2.5 times as much as it pays NSC for each WSCH.

Further, the data presented in the "Governor" and "Legislature" columns of Table 1 suggest that any assertions that the new formula "fixed" regional funding inequities are premature.⁸ Using the "2013 Regents" column as a baseline, the governor's recommended budget would have narrowed the average northern funding advantage from \$24 per WSCH to roughly \$13 in 2014 and to \$10 in 2015. Still, under the governor's budget, except for TMCC, all of the northern schools would have received more funding than each of the southern institutions for delivering the same unit of education and the underfunding of UNLV relative to UNR would have persisted.

Changes made to the governor's budget by the legislature brought UNLV to parity with UNR in formula funding. The legislature also increased funding for the other two southern institutions, CSN and NSC. However, even with these changes, on average, an institution in the north receives over \$11 more in FY 2014 and nearly \$10 more in FY 2015 in funding to

provide a WSCH to a Nevada resident as compared to the southern institutions.

Non-Formula Budgets

During the 2013 session much of the focus was on the formula budgets for the teaching institutions. In addition, 19 appropriations totaling \$228 million for the biennium provide state support for the professional schools and other programs with statewide missions.

Table 2 reports the governor's recommended and the legislatively approved non-formula budgets for FY 2014 and FY 2015. For comparison, the FY 2013 budgets are included. However, because the 2011 appropriations bill (AB580) consolidated UNR and UNLV's formula and non-formula budgets, NSHE was able to shift funds among budgets without Interim Finance Committee (IFC) approval. Comparing the "Legislature" and "Regents" columns for FY 2013 documents most of these shifts.⁹ UNR also received IFC approval to redirect \$4.5 million in FY 2012 and FY 2013 to UNSOM. As a consequence, making comparisons to FY 2013 is difficult.

With this caveat in mind, Table 2 reveals the breadth of higher education funding. For instance, significant resources are devoted to system administration as the state appropriate more funding to NSHE than DRI, GBC, NSC, or WNC. Table 2 also make clear the level of investment made on the UNR campus as compared to UNLV. While some of this difference stems from UNR's status as the original

Table 2: Non-Formula Appropriations, FY 2013–2015

	2013		2014		2015	
	Legislature	Regents ^a	Governor	Legislature ^b	Governor	Legislature ^b
UNR						
School of Medicine	\$25,437,772	\$29,906,780	\$30,778,545	\$31,040,487	\$31,567,080	\$31,513,870
Athletics	\$4,563,490	\$4,935,594	\$4,951,505	\$4,965,230	\$5,001,031	\$4,985,475
Statewide Programs	\$4,289,701	\$7,825,127	\$7,517,880	\$7,098,116	\$7,958,747	\$7,444,247
Agricultural Experiment	\$4,432,516	\$4,866,936	\$4,764,399	\$4,810,874	\$4,932,844	\$4,918,920
Health Laboratory	\$1,448,246	\$1,518,320	\$1,484,783	\$1,502,190	\$1,530,648	\$1,519,395
Cooperative Extension	\$6,293,211	\$2,859,930	\$3,401,432	\$3,447,035	\$3,543,921	\$3,535,753
Subtotal	\$46,464,936	\$51,912,687	\$52,898,544	\$52,863,932	\$54,534,271	\$53,917,660
UNLV						
Law School	\$6,570,754	\$6,570,754	\$7,006,114	\$7,377,009	\$7,350,882	\$7,525,375
Dental School	\$6,404,551	\$6,404,551	\$6,957,359	\$7,326,825	\$7,433,445	\$7,585,842
Athletics	\$6,492,671	\$7,010,609	\$7,020,067	\$7,038,125	\$7,073,806	\$7,066,758
Statewide Programs	\$1,065,510	\$2,761,490	\$2,775,943	\$2,862,214	\$2,806,636	\$2,878,790
Subtotal	\$20,533,486	\$22,747,404	\$23,759,483	\$24,604,173	\$24,664,769	\$25,056,765
Other						
Desert Research Institute	\$7,421,572	\$7,421,572	\$7,449,063	\$7,506,882	\$7,613,255	\$7,583,261
NSHE ^c	\$27,609,005	\$27,678,705	\$27,858,650	\$27,896,467	\$28,586,709	\$28,378,556
Subtotal	\$35,030,577	\$35,100,277	\$35,307,713	\$35,403,349	\$36,199,964	\$35,961,9817
Total	\$102,028,999	\$109,760,368	\$111,965,740	\$112,871,454	\$115,339,004	\$114,936,242

^a The 2011 appropriations bill (AB580) consolidated the formula and non-formula budget accounts for UNR and UNLV, which allowed NSHE to shift funds among budgets without approval by the IFC; most of these shifts can be seen by comparing the 2013 “Legislature” and “Regents” columns. UNR also received IFC approval to shift \$4.5 million in both FY 2012 and FY 2013 from the UNR state supported operating budget to UNSOM.

^b Includes partial salary and merit pay restoration appropriated by AB511.

^c Includes Business Centers North and South, Perkins Loans, Special Projects, System Administration, System Computing Services, University Press , and WICHE.

branch of the state university, many non-formula programs located and staffed at UNR support statewide initiatives.

Responses to a request by the Board of Regents of the University of Nevada regarding where these funds were spent in FY 2013 is instructive. UNR reported that 31 percent of UNSOM's budget was spent in Clark County, while all but one percent of the Agricultural Experiment Station budget and the entire Health Laboratory budget were spent in Washoe County. Cooperative Extension funding also favored the north as 40 percent was spent in Washoe County, 21 percent in Clark County, and the remainder in the rural counties. On a per person basis, a Washoe County resident received nearly ten times the Cooperative Extension resources as a resident of Clark County.

In addition to supporting the UNR and UNLV athletic programs, the state devotes substantial funding for Statewide Programs. According to the "Nevada Executive Budget," these appropriations support "a wide variety of research and public service functions in the areas of education, economics, government, the sciences, and the cultural environment of Nevada and the Western United States." While the degree to which the programs included in these budgets fulfill this definition is open to interpretation (see Table 3), the disparity between the UNR and UNLV Statewide Programs budgets has long been a point of contention.¹⁰

To this end, Table 3 reports that for FY 2014 funding for UNR's Statewide

Programs budget is roughly 2.5 times greater than UNLV's (and 3.5 times greater based upon current enrollments). Much of this difference results from a change made to the higher education budget *after* the Board of Regents of the University of Nevada approved the budget in August of 2012. Specifically, 27.2 professional and 4.5 classified personnel in the UNR College of Science were moved from the formula budget to the Statewide Programs budget.¹¹ To accommodate this shift, a new category of Statewide Programs, "Instruction and Department Research," replicating the job description of most any faculty member was created.

More generally, the data in Table 3 suggest three important considerations about funding for Statewide Programs. First, there is little consensus about what merits inclusion in the Statewide Programs budgets. Programs that are included one year are excluded the next and there is little inter-institution consistency in how these funds are used. For instance, while both schools' budgets have substantial research components, UNR's is much larger. UNR also receives more funding for "Institutional and Academic Support," while "Public Service" receives more funding at UNLV.

Second, given the discrepancy in funding between UNR and UNLV's Statewide Programs' budgets, assuming current WSCH, an additional \$7.2 million in annual state funding would be needed for UNLV's Statewide Programs budget to be funded at the same level as UNR's.

Table 3: UNR and UNLV Statewide Programs Budgets, FY 2013 and FY 2014

	UNR		UNLV	
	2013	2014	2013	2014
Instruction and Department Research				
College of Science		\$4,337,056		
Research				
Basque Studies	\$519,672			
Bureau of Mines and Geology	\$1,040,673	\$1,139,915		
Climate Office	\$63,286	\$38,539		
Center for Business and Economic Research			\$357,033	\$364,372
NSCEE Network Maintenance			\$267,604	\$268,994
Seismology Lab	\$499,150	\$782,063		
Public Service				
Business Startup Center				\$124,232
Continuing Education			\$122,190	\$115,610
Gaming Education IGI-GPC				\$73,929
KUNV Radio Station			\$120,274	\$121,920
Museum and Art Galleries			\$101,988	\$103,816
Southern Nevada Writing Project			\$24,679	\$24,679
Small Business Develop. Center	\$519,799	\$526,754	\$122,164	
Academic Support				
Provost		\$17,423		
Institutional Support				
Agriculture Tort Insurance	\$8,800	\$6,615		
Employee Bond Premium	\$66	\$148		
Liability Insurance				\$1,094
State Personnel Division Assessment	\$1,530	\$1,728		\$254
Operations and Maintenance				
Recharge	\$413,985	\$442,354	\$1,682,515	\$1,682,515
Reserves				
Furlough Savings	-\$45,591	-\$117,934	-\$13,851	-\$19,201
Vacancy Savings		-\$76,546	-\$23,106	
Total	\$3,021,37^a	\$7,098,116	\$2,761,490	\$2,862,214

^a Total differs from Table 2 as a consequence of internal transfers (see note nine).

Third, funding for Statewide Programs reduces the formula budgets for all other institutions. The aforementioned movement of College of Science funding from the formula budget to the UNR Statewide Programs budget illustrates this point. By reducing the total formula appropriation by \$4 million annually, UNR receives \$3 million more per year than it would have received had those funds been distributed through the formula (assuming current WSCH). Given that UNR suffered no losses in formula funding (see Table 5), the result is a net gain of over \$6 million for the biennium.

Capital Investments

Perhaps the biggest inequity facing the southern institutions is the relative dearth of physical space for instruction and research activities as compared to the northern campuses. Under the old funding structure this deficit was further exacerbated by the formula used to calculate funding for operations and maintenance, which considered not just the square footage of a campus's

buildings, but also their age and improved acreage—another boon to the northern schools given their relatively larger and older physical plants.

The data in Table 4 summarize some of these capital differences by comparing the square footage of building space on the UNR and UNLV campuses. The values in the “Total” column are each campus’s total square footage of building space as reported by the State of Nevada Public Works Division. The “Post-1957” column is the square footage built since UNLV’s inception in 1957.¹² Note the near equal space built on the campuses since then; *prima facie* evidence for the oft-heard assertion that CIP funding is distributed on a “one for the north, one for the south” basis—a dictum suggesting equality only if one ignores the regional differences in populations and student bodies.

As informative as these data are, they are limited as they include all buildings such as the Thomas & Mack Center at UNLV and UNR’s Lawlor Events Center that have little to do with the schools’

Table 4: Comparison of UNR and UNLV Capital Investments

	Total ^a	Post-1957 ^a	Formula ^a	Research ^a	Medical School	Carnegie Classification
UNR	4,460,593	4,073,032	3,367,581	450,000	Yes	Research universities (high research activity)
UNLV	4,148,251	4,148,251	2,973,132	274,499	No	Research universities (high research activity)

^a Square footage of building space.

academic missions. Thus, the “Formula” column considers the square footage on each campus supporting formula funded activity and it is here that UNR’s advantage is obvious. Although UNR has a smaller student body, it has much more capacity to carry out its formula supported activities. Given both schools’ WSCH, to provide UNLV students with the equivalent space would require an additional 1.8 million square feet of building space on the UNLV campus.

The “Research” column in Table 4 uses data from “Bulletin No. 13-08,” the SB374 Study Committee report, detailing research space at UNR and UNLV. Significantly more investment has been made supporting UNR’s research infrastructure than UNLV’s and Reno is home to three-quarters of all state funded laboratory space.¹³ To bring parity to the two campuses (assuming current WSCH) would require an additional 369,217 square feet of research space at UNLV.

Yet, despite these assets, including the state’s only public medical school, as well as being founded 93 years earlier, UNR has the same research profile as UNLV. Specifically, the Carnegie Foundation for the Advancement in Teaching classifies both schools as “Research Universities (high research activity).”¹⁴

Consequences and Effects

As noted at the outset, one of the difficulties discerning the effects of the new funding formula is formula budgets are but one component of the state’s

support for higher education. Moreover, there can be a great deal of fluidity between formula and non-formula budgets. The end result is that it is challenging to determine how much money shifted from north to south.

The data presented in Table 5 offer three estimates relevant to this concern. Specifically, the Base-Maintenance-Enhancement (B-M-E) column compares the actual FY 2014 and FY 2015 appropriations to what would have been appropriated if B-M-E budgeting, which is used to develop most general fund budgets, had been used. The second column compares the FY 2014 and FY 2015 allocations to FY 2013 funding, while the “WSCH Only” column compares FY 2013 appropriations to what each institution would have received if funding for the various institution specific carve-outs and subsidies were available to all institutions. Doing so increases the formula pool by \$25.9 million in FY 2014 and \$24.8 million in FY 2015. Thus, the “WSCH Only” column can be thought of as “equality budgeting” as it captures what would have happened if the state’s priority were maximizing the funding available to all campuses to support the delivery of higher education.

There are a number of points relevant to Table 5 that merit discussion. First, regardless of the comparisons being made, general fund support that was gained by the southern institutions did not result in equivalent losses to the northern schools. In short, because funding for higher education was

Table 5: Effects of Funding Formula, FY 2014 and FY 2015

Base	2014 B-M-E	2013 Regents	2013 Regents
Comparison	2014 Actual ^a	2014 Actual ^a	2014 WSCH Only ^b
UNR	-\$2,010,424	-\$1,132,105	\$1,509,901
TMCC	-\$535,274	-\$575,527	\$1,579,326
WNC	-\$519,967	-\$452,029	-\$3,875,292
GBC	-\$374,844	-\$535,932	-\$4,859,621
Subtotal	-\$3,440,509	-\$2,695,593	-\$5,645,687
UNLV	\$5,146,731	\$4,706,407	\$8,666,823
CSN	\$8,022,300	\$8,581,187	\$16,032,503
NSC	\$2,939,316	\$3,216,991	\$4,715,683
Subtotal	\$16,108,347	\$16,504,585	\$29,415,009
Base	2015 B-M-E	2013 Regents	2013 Regents
Comparison	2015 Actual ^a	2015 Actual ^a	2015 WSCH Only ^b
UNR	-\$2,182,115	\$1,232,851	\$3,612,453
TMCC	-\$453,917	\$243,142	\$1,989,406
WNC	-\$1,436,279	-\$1,096,695	-\$3,305,162
GBC	-\$977,499	-\$828,644	-\$4,653,521
Subtotal	-\$5,049,810	-\$449,346	-\$2,356,824
UNLV	\$4,616,755	\$8,089,427	\$11,674,480
CSN	\$8,535,869	\$10,971,839	\$18,157,900
NSC	\$3,111,949	\$3,571,104	\$5,030,505
Subtotal	\$16,264,573	\$22,632,370	\$34,862,885

^a Includes transfer of \$2,116,268 for FY 2014 and \$449,942 for FY 2015 from NSHE's unemployment insurance reserves to GBC and WNC, as well as partial salary and merit pay restoration.

^b Includes formula funding, partial salary and merit pay restoration, and institution specific cave-outs and subsidies (research carve-outs and Statewide Programs for UNR and UNLV and small institution and mitigation funding, including transfers from the NSHE unemployment insurance reserves, for GBC and WNC).

increased \$44 million for the biennium as compared to FY 2013, the development and implementation of the new funding formula was never a zero-sum game.

and implementing the new funding formula was not expediting funding to the southern institutions, but to ensure that northern schools were “held harmless.”

Second, as compared to FY 2013, the total biennial cuts to WNC and GBC are less than \$3 million. To be sure, from the outset, the overriding priority of many of the policy makers involved in developing

For instance, as originally proposed, the governor’s budget—similar to the NSHE recommended budget—redistributed \$6.2 million from the southern schools’ formula budgets to GBC and WNC.

Although this reallocation was rejected by the legislature, after the session, NSHE shifted \$2.5 million from unemployment insurance reserves to GBC and WNC.

Third, subsidies to GBC and WNC account for 30 percent of those institutions' state support. The "WSCH Only" column captures some of the consequences of these subventions. Absent these subsidies, GBC and WNC's losses are greater, while the other schools' budgets increase with the biggest beneficiaries being UNLV and CSN. Indeed, as Table 5 demonstrates, if higher education funding were distributed on an equal basis then the southern campuses biennial formula funding would be \$25 million greater.

Fourth, under the "WSCH Only" scenario UNR's formula allocation is larger. However, this increase would be offset by non-formula losses. Most notably, assuming current WSCH, funding for Statewide Programs nets UNR \$11 million for the biennium as compared to if those funds were distributed through the formula. In contrast, biennial funding for UNLV would *increase* by \$1.2 million if funding for Statewide Programs were included in the formula pool.

In sum, while the southern campuses are gaining \$39 million in formula funding for the biennium as compared to FY 2013 (UNLV also gains \$4.2 million in biennial non-formula funding), the biggest winner was not any of these institutions. Rather, it appears that UNR was perfectly positioned to take maximum advantage of the transition from the old funding structure to the new formula.

In addition to the funding shift from its formula budget to its Statewide Programs budget and biennial increases to its other non-formula budgets of \$4 million (see Table 2), UNR (including UNSOM, Agriculture Experiment, and Cooperative Extension) reaped an additional \$17.2 million for the biennium through the M200 Budget Module that retroactively changed budgeting rules allowing campuses to keep projected surpluses. In contrast, this policy reduces the southern campuses' biennial formula gains by \$14.4 million.

Moreover, at the December 2013 meetings of the Board of Regents of the University of Nevada and the IFC, UNR received approvals for \$9.5 million in fees and tuition revenue augmentations above approved FY 2014 levels (\$3.4 million in argumentations were approved for UNLV). Much of this revenue is from out-of-state students attending UNR through the Western Undergraduate Exchange (WUE). These students, who constitute roughly 15 percent of UNR's student body, are charged 150 percent of what Nevada residents pay with the state forgiving the difference between the WUE and out-of-state rates.¹⁵

As is detailed in the Appendix, under the prior funding framework, such campus-generated revenue windfalls offset general fund allocations. For students attending the fast growing southern campuses this meant not only were they receiving less general fund support than their northern peers to begin with, but once their fees and tuition exceeded projected budget levels their institutions'

Table 6: Higher Education Revenue Changes, FY 2014 and FY 2015 ^a

FY 2014	Formula Budgets	M200 Formula Implementation	Statewide Programs Switch	Non-Formula Budgets	Fees and Tuition Augmentations	Total
UNR	-\$1,132,105	\$7,925,819 ^b	\$2,955,543	\$1,678,256 ^c	\$9,525,518	\$20,953,031
TMCC	-\$575,527	-\$1,061,451				-\$1,636,978
WNC	-\$452,029	-\$149,601				-\$601,630
GBC	-\$535,932	-\$221,497				-\$757,429
Subtotal	-\$2,695,593	\$6,493,270	\$2,955,543	\$1,678,256	\$9,525,518	\$17,956,994
UNLV	\$4,706,407	-\$4,547,754		\$1,856,769 ^d	\$3,792,648 ^e	\$5,808,070
CSN	\$8,581,187	-\$2,979,921				\$5,601,266
NSC	\$3,216,991	\$320,195			\$367,073	\$3,904,259
Subtotal	\$16,504,585	-\$7,207,480		\$1,856,769	\$4,159,721	\$15,313,595
FY 2015	Formula Budgets	M200 Formula Implementation	Statewide Programs Switch	Non-Formula Budgets	Fees and Tuition Augmentations	Total
UNR	\$1,232,851	\$9,306,074 ^b	\$3,176,340	\$2,358,813 ^c		\$16,074,078
TMCC	\$243,142	-\$1,118,237				-\$875,095
WNC	-\$1,096,695	\$452,888				-\$643,807
GBC	-\$828,644	-\$209,159				-\$1,037,803
Subtotal	-\$449,346	\$8,431,566	\$3,176,340	\$2,358,813		\$13,517,373
UNLV	\$8,089,427	-\$4,547,754		\$2,309,361 ^d		\$5,851,034
CSN	\$10,971,839	-\$2,984,358				\$7,987,481
NSC	\$3,571,104	\$336,776				\$3,907,880
Subtotal	\$22,632,370	-\$7,195,336		\$2,309,361		\$17,746,395

^a Baseline for comparison are 2013 budgets as adjusted by the Board of Regents of the University of Nevada.

^b Includes UNR main campus, UNSOM, Agricultural Experiment, and Cooperative Extension.

^c Includes UNSOM, Athletics, Agricultural Experiment, Health Laboratory, and Cooperative Extension.

^d Includes the Law and Dental Schools, Athletics, and Statewide Programs.

^e Includes UNLV main campus and the Dental School.

state funding was reduced. The consequences of this policy were the northern schools were funded with significantly larger shares of general fund revenue, while student generated revenue was a much larger component of the southern institutions' budgets.

As Table 6 summarizes, in total, these maneuvers yield UNR \$37 million in revenue. Or put differently, to date, UNR's gains outside of the new funding formula are slightly less than the combined biennial revenue gains *and* losses of the six other teaching institutions.

Conclusion

In an April 2014 article in *Nevada Business* examining higher education performance, Kevin Page, the chair of the Board of Regents of the University of Nevada, declared, "We are dead last."

To be sure, by most performance metrics, Nevada consistently ranks near or at the bottom.¹⁶ Yet, higher education's performance is not necessarily a consequence of inadequate funding. Data from the National Center for Higher Education Management Support (NCHEMS) reveals that Nevada devotes the 11th most public support per full time student in the country.

In light of Nevada's poor return on its higher education dollars, one might hope that the implementation of the new funding formula will deliver outcomes commensurate with the state's investments in higher education. Unfortunately, from a policy perspective

there is little reason to expect that the new formula will narrow the gap.

First, the formula was developed without considering the costs associated with delivering higher education in Nevada (see note six).¹⁷ Instead, costs studies from other states were applied to Nevada. Thus, the formula may not capture how much the state should be spending for the delivery of higher education, let alone how these costs vary across different educational settings.

Second, the formula attempts to treat the seven teaching institutions the same, while simultaneously treating them differently. That is, by using the same cost structure for universities and the two- and four-year colleges, instruction is assumed to be interchangeable. Yet, because the institutions have distinct missions, serve different constituencies, and have dissimilar service areas, the formula includes a number of carve-outs and subsidies. Moreover, as with the cost matrix, no analysis was used to determine how much the state should pay for UNR or UNLV's research overhead or how much funding is required to offset GBC or WNC's economy of scale deficits.

Third, the only way that the funding formula addresses the educational challenges inherent to some of the state's college going demography is in the performance pool; a five percent hold back of campuses' FY 2015 appropriation that can be earned if institution specific performance metrics are achieved.¹⁸ Included in the performance pool are weights rewarding institutions for

certificates and degrees earned by minority and Pell Grant eligible students. This funding, however, comes after the fact. Institutions receive no upfront resources to assist at-risk and first-generation college students. Also note that the enrollment of many of these students would expedite some campuses being designated as Hispanic Serving Institutions and gaining access to federal funding streams.

Fourth, of the nearly \$1 billion in general fund revenue appropriated for higher education for the biennium, less than \$4 million (20 percent of the performance pool) is set aside to ensure that the state is paying for curriculum supporting Nevada's economic development efforts. As part of the performance pool, institutions can earn points by graduating students in STEM (Science, Technology, Engineering, and Math) and allied health—two obvious needs that are consistent with the sectors being promoted by the Governor's Office of Economic Development (GOED).

Institutions also picked one other program supporting economic development to be included in their performance pools. All three southern institutions selected business and management, while GBC, TMCC, and WNC focused on construction trades, mechanics and repair, and production. UNR chose psychology.

So while the implementation of the formula achieves a number of political goals—equal per WSCH funding for UNR and UNLV, funding reductions for the

smaller northern campuses, and funding increases for CSN and NSC—as a statement of public policy that aligns funding with the state's demographic and economic needs it falls well short.

Then there are the non-formula budgets, which are supposed to support statewide initiatives. However, as is detailed above, most of these dollars are appropriated to UNR and are spent in Washoe County. The findings of a Lincy Institute report examining health, education, and social service nonprofit networks in Southern Nevada is consistent with this point. The report found that higher education's major outreach to Southern Nevada—Cooperative Extension—was one of the least connected entities of 460 organizations examined.¹⁹ In contrast, UNLV was a top performer even though it receives little state support to pursue these activities.

Of course, the decision to locate statewide assets in Reno reflects northern Nevada's centrality to the state's past. However, the region's relatively small population (the Las Vegas-Henderson-Paradise Metropolitan Statistical Area (MSA) is nearly five times larger than the Reno MSA) is a barrier to the scalability that these enterprises require.

This is most obvious with UNSOM, which has the least amount of economic impact of any public M.D. granting medical school in the United States.²⁰ By not building Nevada's public medical school in the state's population center, the capacity to pursue the projects typically associated with an academic medical center never

materialized. For instance, largely absent from Nevada are the clinics and specialties that are critical to both accessing funding from sources such as the National Institutes of Health and creating the graduate medical residencies and internships that attract donors, doctors, and researchers.

As a consequence, 45 years after its establishment with a gift from Howard Hughes, UNSOM still relies on state funding and student fees, as opposed to grants and outside funding, for much of its operating and capital budgets. Indeed, concerns that UNSOM's accreditation was at risk caused UNR to request IFC approval to shift \$4.5 million in FY 2012 and FY 2013 from its main campus to UNSOM. The additional funding was needed to mollify concerns of the Liaison Committee on Medical Education regarding UNSOM's financial solvency.²¹

The limited penetration that investments in statewide initiatives have in Nevada's population center coupled with evidence indicating that UNLV is a well connected collaborator suggests an obvious policy change: UNLV should be charged with overseeing higher education's statewide efforts in Southern Nevada, including the establishment of a UNLV-led M.D. granting medical school and Cooperative Extension, while UNR should continue to provide those services in northern Nevada and work to extend these efforts to the rural counties.

More generally, all of these issues—using the same mechanism to fund vastly different institutions, failing to align

funding with the state's demography and economic development efforts, and directing funding for statewide initiatives to an institution that is unable to project these efforts beyond a small swath of the state's geography—suggest that the root causes for Nevada's poor higher education performance are structural. In this regard, higher education is a case study in how the "One Nevada" model of administration, funding, and governance fails to serve the interests of a rapidly changing state composed of distinct regions with dissimilar populations, economies, and higher educational needs.

This point is particularly climacteric in light of what occurred in 2013. A reform that was supposed to rectify long-standing regional funding disparities instead delivered the most benefits to the institution that has historically received the most operating and capital funding. For students in Southern Nevada, however, the "One Nevada" trope comes with a clear price. Not only do these students contend with crowded campuses, but by virtue of their geography, funding that would equalize their educational opportunities is redirected elsewhere.

The Lincy Institute recently issued two reports relevant to these issues. The first offers a history of higher education governance in Nevada and compares Nevada to peer states across a number of performance metrics. The second provides a framework for aligning higher education administration and governance with GOED.²² The plan creates a two-tier structure with the Board of Regents of the

University of Nevada overseeing UNR, UNLV, and DRI and local governing boards for each of the state's public two- and four-year colleges that are overseen by a separate statewide board and administrative agency. The budget neutral plan recognizes and empowers localities while ensuring coordination and oversight by Assembly and Senate Higher Education Committees.

Unwinding present arrangements will not be easy. The state agency administering higher education (NSHE) is consuming over \$56 million in biennial general fund

revenue and staffed with over 180 full time employees. The level of authority extended to the chancellor's position both statutorily and by the procedures of the Board of Regents of the University of Nevada creates one of the most centralized higher education administrative regimes in the country.

Yet, given the poverty of higher education's performance in Nevada, until such reforms are completed, it is difficult to think that shuffling a few dollars from one end of the state to the other will make much of a difference.

Appendix: Transitioning to the New Funding Formula

At both the development and the maintenance phases of the biennial budget process, the prior higher education funding structure closely entwined campus-generated revenue from student fees and tuition with appropriations from the state general fund.

Specifically, the teaching institutions' biennial operating budgets were developed from two sets of projections. Using a three year weighted average each campus estimated its projected revenue from campus-generated fees (i.e., registration fees paid by Nevada residents and other fees such as application and late fees) and tuition from nonresident students for each year of the biennium, inclusive of any approved increases in registration fees and tuition. After these estimates were submitted, NHSE applied the teaching institutions' projected enrollments to the funding formula to generate a projected operating budget for each institution for each year of the biennium. Projected campus-generated revenue was then subtracted from each institution's projected formula generated operating budget. Appropriations from the general fund revenue were supposed to backfill the difference. As noted above, a separate formula was used to determine funding for campuses' operations and maintenance budgets.

Beyond any inequities within the structure of the formulas used to generate the teaching institutions' projected operating budgets or to determine operations and maintenance appropriations, the prior framework was complicated by at least three factors. First, the legislature never fully backfilled the difference between the projected formula budgets and revenue derived from the campuses. For instance, a study conducted by MGT of America for NSHE released in 2011 reported that in FY 2008 and FY 2009 the formula was funded at 86 percent and in FY 2010 and FY 2011 at 74 percent.

Second, while the same formula was used to generate the campuses' projected operating budgets, the teaching institutions differ significantly in their levels and sources of campus-generated revenue. For instance, UNLV attracts more students who pay nonresident tuition than UNR. As a consequence, a larger share of UNLV's operating budget was student generated as compared to UNR's. Most of the two- and four-year colleges also received proportionately larger appropriations from the general fund because these institutions serve few nonresident students and have lower registration fees.

Third, the funding structure's reliance on projected campus-generated revenue necessitated on going maintenance in response to shifting enrollments. If, for instance, an institution's revenue from registration fees came in over budget and the additional revenue was to be used for instructional salaries, then approval from the Board of Regents of the University of Nevada was required (a policy that still applies to the new formula). Over budgeted campus-generated revenue used for any other purpose or that resulted from additional

nonresident tuition required IFC approval. Although campuses were allowed to spend this revenue during the current biennium, the following biennium’s campus-generated revenue projections would be adjusted upwards and offset general fund appropriations in the next biennium. If, however, campus-generated revenue came in under budget, then campuses were required to make cuts to bring expenditures in line with revenue for the remainder of the biennium. These deficits would then factor into the following biennium’s campus-generated revenue projections resulting in backfill from the general fund.

This confluence of factors often resulted in significant variation between the teaching institutions’ approved and actual budgets. The need for on going budget maintenance also demonstrates the significance of interim legislative activity and in particular, the role of IFC. IFC is a subset of roughly a third of the legislature that meets periodically between regular sessions to adjust budgets. Note that when IFC changes a budget that had been approved during the previous regular session, it does so without either a full vote of the legislature or gubernatorial endorsement.

The data presented in the table below capture some of the effects of the old funding structure. Specifically, the table reports data from a request by the Board of Regents of the University of Nevada summarizing the share of campuses’ operating budgets that were student generated for 2007–2014. Two points are clear from these data. First, over time, the share of all campuses’ operating budgets supported by the general fund decreases as a consequence of increases to registration fees and tuition and reductions in general fund support. Second, throughout this period, the northern institutions were funded with significantly larger shares of general fund revenue, while student generated revenue was a much larger component of the southern institutions’ budgets.

Student Support for Campus Operating Budgets, FY 2007–2014

	2007	2009	2011	2013	2014^a
UNR	19.16%	23.55%	29.95%	42.34%	42.70%
TMCC	17.21%	20.50%	25.38%	29.19%	29.82%
WNC	12.48%	14.56%	21.00%	23.51%	27.70%
GBC	11.78%	13.73%	16.53%	19.71%	21.32%
UNLV	29.30%	31.42%	38.50%	43.71%	43.13%
CSN	21.96%	26.49%	31.07%	35.50%	33.82%
NSC	16.50%	13.59%	25.80%	39.13%	31.45%
Total	19.91%	22.57%	28.33%	34.82%	34.19%

^a 2014 data reflect approved budgeted totals and for GBC and WNC are adjusted to account for transfers from NSHE’s unemployment insurance reserves. Data for all other years are for campuses’ actual budgets.

Yet, despite the interdependency between campus-generated revenue and the general fund that was a hallmark of the prior funding structure, the mechanics of decoupling the two

revenue sources received little attention during the deliberations of the SB374 Study Committee or during the 2013 legislative session. Instead, the SB374 Study Committee simply recommended that revenue from fees and tuition continue to be reported in budget documents for purposes of transparency; that this revenue would no longer offset general fund appropriations; and that revenue from fees and tuition be retained and spent by the institutions at which they were derived.

However, in implementing these recommendations the governor’s budget applied these principles not just to the teaching institutions, but to all institutions receiving funding from sources outside the state general fund (i.e., UNSOM and the Law and Dental Schools), and, through the M200 Budget Module, did so retroactively.

Typically, the M200 is used to adjust budgets to account for projected changes to agencies’ expected workloads. However, for the FY 2014 and FY 2015 higher education budgets, the M200 brings forward the old funding structure’s accounting used to determine if an institution’s operating budget required either an offset or backfill from the general fund and applied it to the development of the FY 2014 and FY 2015 budgets. However, since this policy was removed from the FY 2014 and FY 2015 budgets, the M200 reverses the effects of what would have occurred if the offset/backfill policy had not been removed.

Application of the M200 Budget Module, FY 2014 and FY 2015

	2014		2015	
	Governor	Legislature	Governor	Legislature
UNR	\$7,101,845	\$7,101,845	\$7,674,304	\$7,674,304
TMCC	-\$1,061,451	-\$1,061,451	-\$1,118,237	-\$1,118,237
WNC	-\$149,601	-\$149,601	\$452,888	\$452,888
GBC	-\$221,497	-\$221,497	-\$209,159	-\$209,159
School of Medicine	\$680,605	\$680,605	\$1,482,921	\$1,482,921
Agriculture Experiment	\$120,852	\$120,852	\$120,852	\$120,852
Cooperative Extension	\$22,517	\$22,517	\$27,997	\$27,997
Subtotal	\$6,493,270	\$6,493,270	\$8,431,566	\$8,431,566
UNLV	-\$4,547,754	-\$4,547,754	-\$4,547,754	-\$4,547,754
CSN	-\$2,979,921	-\$2,979,921	-\$2,984,358	-\$2,984,358
NSC	\$320,195	\$320,195	\$336,776	\$336,776
Law School	-\$248,988	\$0	-\$177,929	\$0
Dental School	-\$202,062	\$0	-\$202,062	\$0
Subtotal	-\$7,658,530	-\$7,207,480	-\$7,575,327	-\$7,195,336
Total	-\$1,165,260	-\$714,210	\$856,239	\$1,236,230

As a consequence, if an institution’s projected FY 2014 and FY 2015 campus-generated revenue that was submitted as part of the biennial budget suggested that the institution

required backfill from the general fund under the old funding framework, then that amount is deducted from the institution's FY 2014 and FY 2015 appropriations. However, if an institution's projected FY 2014 and FY 2015 campus-generated revenue indicated that a general fund offset was warranted, then campuses keep that revenue. Thus, the data presented in the table above are the baselines from which institutions' budgets were built. Note that the legislature removed the M200 for the Law and Dental Schools, but it remains for UNSOM, as well as for Agriculture Extension and Cooperative Extension. This nets UNSOM more than \$2 million and Agriculture Extension and Cooperative Extension a combined \$292,218 in biennial revenue even though these budgets are not nor have they ever been funded through the same formula as the teaching institutions.

Notes

¹ Originally proposed in the 76th Session of the Nevada Legislature by then Senator John Lee (D–North Las Vegas) as legislation to direct a portion of property taxes collected in Clark County to support CSN, SB374 was amended to create the Committee to Study the Funding of Higher Education. The committee’s twelve voting (six legislators, three regents, and three gubernatorial appointees) and four non-voting members (all gubernatorial appointees)—evenly split between the north and the south—were tasked with making recommendations for revisions to the existing higher education funding formula.

² During the deliberations of the SB374 Study Committee there was considerable discussion about the mission and operations differences between DRI and the teaching institutions. As a result, NSHE developed a separate funding formula for DRI that provides state support for DRI’s operations and maintenance, personnel, and infrastructure and additional funding based upon a sliding scale calculation of its external grants and contracts.

³ Although CSN, GBC, and WNC are often referred to as “community colleges”—a term suggesting local accountability and support, neither of which currently is the case in Nevada—the U.S. Department of Education classifies these schools as four-year institutions because they award Bachelor’s degrees in addition to Associate’s degrees.

⁴ For the 2013–2015 biennium, with the exception of money for the demolition of Getchell Hall on the UNR campus (\$456,890) and for the planning for the UNLV Hotel College Academic Building (\$3.22 million), the higher education components of the CIP budget (\$15 million) is being used for maintenance.

⁵ The report uses data from the “Nevada 2013–2015 Executive Budget” prepared by the Office of the Governor; “Bulletin No. 13-08,” the report of the SB374 Interim Committee to Study the Funding of Higher Education, the “2013 Fiscal Report,” the “2013 Appropriations Report,” and the “2013 Legislatively Approved Budgets by Budget Account Detail Report” prepared by the Legislative Counsel Bureau; and the “2013–2015 Biennial Budget Request,” the “Higher Education Funding Formula Summary,” the “NSHE 2013–2015 Formula Driven Operating Budget,” and the “Nevada System of Higher Education 2013–2014 Operating Budget” prepared by NSHE. Data and information taken from other sources are noted in the text and sourced in the “Documentation and Supporting Material” addendum.

⁶ The heart of the funding formula is the matrix that weights the completed student credit hours (WSCH), which replaces full-time equivalency (FTE) as the multiplier determining how much the state pays an institution for each course a Nevada resident completes (the prior formula funded enrollments as opposed to completions). The weights adjust the base rate (which is determined by dividing the total WSCH from all institutions into the total

state supported operating budget less most of the institution specific carve-outs and subsidies) to account for the costs, including operations and maintenance, associated with teaching courses in different disciplines and at different levels. The end result is that the state pays more for upper division and graduate courses in, for example, the sciences, as compared to lower division courses in the liberal arts. The matrix was created by the National Center for Higher Education Management Systems (NCHEMS) for NSHE using data from cost studies conducted in four states that have little in common with Nevada (Florida, Illinois, Ohio, and Texas). Because no Nevada specific cost analysis was conducted, the costs underlying the matrix may not reflect the costs of delivering higher education in Nevada. In addition to institutions' WSCH generated appropriations, UNR and UNLV receive respectively \$3.5 million and \$5 million annually for operations and maintenance associated with their research missions (\$1.7 million of UNLV's research funding was shifted from CSN and NSC's annual formula allocations). GBC and WNC receive small institution subsidies totaling \$4 million for the biennium. These institutions also receive \$12.8 million in mitigation funding (\$10.3 million in general fund revenue and \$2.5 million in revenue transferred from NSHE's unemployment insurance reserves) for the biennium.

⁷ See, Cowen R. "Special Report: Civil War of the Silver State, Part 5." News 3, February 21, 2014. The "Documentation and Supporting Material" addendum presents the complete fall 2012 IPEDS race/ethnicity data for all institutions. For a discussion of the importance of IPEDS data, see Martinez M. 2014. "Understanding Nevada's Higher Education Governance for Two Year Colleges: Challenges and Solutions." University of Nevada, Las Vegas (UNLV), The Lincy Institute. *The Institute Policy Brief: Education Series*, No. 4

⁸ Variation between the governor's recommended and the legislatively approved budgets stem primarily from policy and implementation differences with respect to the new funding formula, as well as the partial restoration of salary and merit pay by the legislature (AB511). The "2013 Fiscal Report" and the "2013 Appropriations Report" provide overviews of these differences.

⁹ Typically, when the legislature appropriates the higher education budget, each formula and non-formula budget is a separate appropriation. This is an unconsolidated budget and is used to facilitate transparency and oversight. The 2011 appropriations bill (AB580) consolidated the formula and non-formula budgets for UNR and UNLV. This allowed NSHE to shift funding among the various budgets appropriated by the legislature without IFC approval. As is detailed in the table below, funding that was originally appropriated by the legislature in FY 2013 for the UNR and UNLV main campus budgets was moved to other budgets and in the case of UNR, to help retire the debt from the Fire Science Academy. In addition, IFC approved for both FY 2012 and FY 2013 shifting \$4.5 million from the UNR main campus to UNSOM.

Comparison of FY 2013 Legislatively Approved and Regents Adjusted Budgets

	Legislature	Regents	Difference
UNR			
Main Campus	\$97,785,875	\$91,404,757	-\$6,381,118
UNSOM	\$25,437,772	\$29,906,780	\$4,469,008
Statewide Programs	\$4,289,701	\$7,825,127	\$3,535,426
Athletics	\$4,563,490	\$4,935,594	\$372,104
Agricultural Experiment	\$4,432,516	\$4,866,936	\$434,420
Health Lab	\$1,448,246	\$1,518,320	\$70,074
Cooperative Extension	\$6,293,211	\$2,859,930	-\$3,433,281
Fire Science Academy		\$889,953	\$889,953
Subtotal	\$144,250,811	\$144,207,397	-\$43,414
UNLV			
Main Campus	\$126,770,179	\$124,529,975	-\$2,240,204
Athletics	\$6,492,671	\$7,010,609	\$517,938
Statewide Programs	\$1,065,510	\$2,761,490	\$1,695,980
Subtotal	\$134,328,360	\$134,302,074	-\$26,286
NSHE			
System Administration	\$4,436,563	\$4,568,280	\$131,717
Business Center North	\$1,823,756	\$1,867,170	\$43,414
Business Center South	\$1,583,585	\$1,609,871	\$26,286
University Press	\$543,537	\$411,820	-\$131,717
Subtotal	\$8,387,441	\$8,457,141	\$69,700
Total	\$286,966,612	\$286,966,612	\$0

¹⁰ See, for instance, Chancellor James E. Rogers to NSHE [sic] Board of Regents, January 13, 2009, "The Inadequacies of and Inequities of Formula Funding," Office of the Chancellor, Nevada System of Higher Education.

¹¹ It is unclear when this shift was made or by whom. The "NSHE 2013-2015 Biennial Budget Request" submitted to the Department of Administration on August 31, 2012 reports funding requests for UNR Statewide Programs of \$3,029,243 for FY 2014 and \$3,264,852 for FY 2015. However, the "Nevada Executive Budget," which was presented to the legislature on January 16, 2013, reports an "Agency Request" for UNR Statewide Programs of \$7,530,869 for FY 2014 and \$7,531,959 for FY 2015.

¹² UNLV was founded in 1957 as the Southern Division of the University of Nevada and became Nevada Southern University in 1965. In 1969, the institution was recognized as a

branch of the University of Nevada; a change that necessitated “Reno” being added to the name of the northern branch of the University of Nevada.

¹³ See, Muro M., R. Lang, and O. Yeung. 2011. *Unify| Regionalize| Diversify| An Economic Development Agenda for Nevada*, the Brookings Institution Metropolitan Program, Brookings Mountain West, and SRI International.

¹⁴ Recently, UNR embarked on a multi million-dollar campaign promoting itself as a “national Tier 1 University.” This claim has nothing to do with the Carnegie classifications. Rather, it is based upon rankings by *US News and World Report*, which places UNR in a seven-way tie for 191st in its “National Universities Rankings” (in 2014, UNR was tied for 181st with nine other institutions). As then UNR President, the late Milton Glick, explained in a “From the President” column in the UNR magazine, *Nevada Silver & Blue*, that “significant changes in their [the *US News and World Report*] presentation and methodology this year resulted in a strong ranking for” UNR. To add additional confusion, the UNR Office of the President website asserts that “The Carnegie Foundation ranks the University of Nevada, Reno in the Doctoral/Research University-Intensive category” even though that classification scheme has not been used since 2005. Further dissonance can be found in a December 2012 report entitled “The Future of the University of Nevada, Reno” written by a commission of faculty members and administrators that suggested UNR should avoid “the temptation to mimic the strategies of larger institutions. For example, its sole mission should not be to climb higher in generic ranking systems (such as the *US News and World Report Rankings*), which favor precisely these larger institutions.”

¹⁵ In addition to campus fees, enrollment in 15 units at either UNR or UNLV costs a Nevada resident \$2,872.50. An out-of-state student is charged \$9,872.50 and a student in the Western University Exchange (WUE) program pays \$4,308.75. The table below summarizes the number of students received by Nevada from other states in the WUE program (Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming) and the number of Nevada residents attending WUE institutions elsewhere for 2009–2013 as reported by the “Western Interstate Commission for Higher Education Statistical Report for Academic Year 2013–14.”

Nevada’s Participation in the Western Undergraduate Exchange, 2009–2013.

Year	Received	Sent	Difference
2009	2,955	1,084	1,871
2010	2,625	1,104	1,521
2011	2,795	1,256	1,539
2012	2,974	1,266	1,708
2013	3,624	1,449	2,175

Note the spike in the number of students that Nevada received in 2013, the year of the transition to the new funding formula. Among these 3,624 students, 2,709 came from California, and while all seven of Nevada's public teaching institutions of higher education participate in the WUE program, upwards of 70 percent of the students that Nevada receives attend UNR. Moreover, Nevada's participation in the program runs at an obvious deficit as the state typically receives two to two and half more students than it sends and in the case of California, only the Merced branch of University of California participates.

During the 2007 legislative session, legislators noted the imbalance between the number of students received and sent. In response to these concerns, NSHE testified that it was implementing policies to address the imbalance. Specifically, the "2007 Appropriations Report" prepared by the LCB states:

"Throughout the session, the Legislature expressed concern the Nevada is a net importer of WUE students. The NSHE reported that several WUE program policy changes will be implemented to ameliorate the current imbalance between non-residents educated by NSHE and Nevada students attending WUE institutions out-of-state. Effective fall 2007, to receive WUE support at UNLV, new students in all programs will need an overall GPA of 3.5. The UNR has likewise implemented admissions standards (3.0 GPA) that are higher than the standards for Nevada residents and a four-year limit on receipt of discounted WUE tuition. The NSHE testified that with the new changes, it would take roughly four to six years to achieve a balance in the numbers of Nevada students attending out-of-state institutions via the WUE program and the non-resident WUE students attending NSHE institutions."

As is made clear in the above table, since these efforts began, the imbalance between the number of students Nevada receives and the number of Nevada residents attending WUE affiliated institutions in other states has increased rather than decreased.

¹⁶ See, Martinez M. 2014. "Understanding Nevada's Higher Education Governance for Two Year Colleges: Challenges and Solutions."

¹⁷ Although two consultants were contracted to assist with the development of the formula, no cost analysis was conducted. Among five applicants, SRI International was selected by the SB374 Study Committee and was compensated \$150,000 to assist the committee with its work. NSHE used the services of NCHEMS. It is unclear what funds were used to compensate the firm for its work. The minutes from the August 24, 2012 meeting of the Board of Regents of the University of Nevada report that when Regent Mark Doubrava "asked what the source of payment was for the consultant. Chancellor Klaich indicated the System Administration budget is partially a self-supporting budget and was the source of

payment.” Also note that in 2011 NSHE released an analysis of the higher education funding formula that was conducted by MGT of America, Inc.

¹⁸ The performance pool was originally recommended by the SB374 Study Committee, but was not included in the governor’s budget request. The legislature included it as part of the appropriations bill, but did not place it in statute.

¹⁹ See, Monnat, S.M. et.al. 2013. “Identifying and Describing the Network of Health, Education, and Social Service Non-Profit Organizations in Southern Nevada,” University of Nevada, Las Vegas (UNLV), The Lincy Institute. *The Lincy Institute: Special Report*, No. 1.

²⁰ See, Tripp Umbach, “Economic Impact of Medical Education Expansion in Nevada,” October 24, 2013. Available from the Lincy Institute.

²¹ See the minutes of the August 31, 2011 and June 21, 2012 meetings of the Interim Finance Committee.

²² See, Martinez M. 2014. “Understanding Nevada’s Higher Education Governance for Two-Year Colleges: Challenges and Solutions” and Martinez, M., D. Damore, and R. Lang. 2014. “The Case for a New College Governance Structure in Nevada: Integrating Higher Education with Economic Development.” University of Nevada, Las Vegas (UNLV), The Lincy Institute. *The Lincy Institute Policy Brief: Education Series*, No. 5.