

where it was generated. He indicated the new model proposed the exclusion of non-resident weighted student credit hours, including Western Undergraduate Exchange (WUE) students so that the General Fund appropriation only was based on the work product of Nevada residents. Chancellor Klaich pointed out that if the committee wanted NSHE to be entrepreneurial then retention of the out-of-state tuition would make the system responsible for making that retention profitable at the respective institutions. Other recommendations for the model included basing it on course completions rather than enrollments, and accounting for a research mission of the universities by adjusting upper-division, master's and doctoral weighted student credit hours. The model also reflected a base administrative support for small community colleges, which would be phased out as the college grew. Lastly, he said operation and maintenance of buildings would be in the model; however, staff was struggling on how to make that issue work. Referring to pages 7 and 8, Chancellor Klaich said NSHE staff worked with the National Center for Higher Education Management Systems (NCHEMS) and asked them to prepare a draft instructional matrix that reflected various costs of clusters, which were listed from the lowest to the highest cost (page 7). After NCHEMS provided the draft matrix, NSHE staff catalogued every course offered in the system and gave it back to NCHEMS for their recommendations of weighting assigned to the various clusters (page 8). The weightings were derived from cost studies performed in Texas, Ohio, Illinois and Florida. He explained the weightings were cost informed because these states had done cost studies for many years and had years of longitudinal data that showed relevant trends that were consistent among those states. He said it was important to rely on the longitudinal data from the other states rather than trying to do a cost study in Nevada mainly because of time, but also because it might only reflect a conglomeration of past decisions that might have been good, bad or inefficient.

Chairman Horsford asked about NCHEMS, who they were and their affiliation with NSHE. He thought they had produced some significant conclusions and although it was important to rely on information from other places, it needed to be an "apples to apples" comparison.

Chancellor Klaich said NCHEMS had consulted with the state of Nevada and with NSHE, including the Assembly Bill 203 (2003 Session) study. He had hired NCHEMS twice to obtain data from other states to help with policy information. He said NSHE did not have a formal affiliation with NCHEMS.

Chairman Horsford asked if NCHEMS was a consultant to NSHE and if it was a private company or associated with another organization or entity.

Chancellor Klaich said NCHEMS consulted the system as well as nationally. He indicated NCHEMS was located in Boulder, Colorado and he did not know the actual organization, but it was possibly a 501C-3. In his opinion, NCHEMS was more knowledgeable about higher education funding than any other entity he knew. Chancellor Klaich said it was critical for the selected consultant to the committee to take a hard look at the matrix. If the matrix was discovered not to work, then the whole

proposed funding formula would not work, because it was the matrix that reflected the relative cost of the offerings, it differentiated the mission, and it funded the research component. He indicated it was a cost driven matrix and did not include any policy component.

Chairman Horsford was concerned whenever weights were given that there needed to be a rationale and a justification for the reason behind that intent. He wanted to understand the justification, because it looked like a ranking process. Chairman Horsford also wondered if the cost of the program denoted the numerical rankings and whether the number of tenured faculty in a particular program had any bearing.

Chancellor Klaich stated that an undergraduate liberal arts course would be considered a number 1.0 discipline weight. He said the weighting did consider the number of tenured faculty in a program, but that was the reason long-term longitudinal data was used to develop the matrix because it would difficult to know exactly what an English 101 course was at UNLV, versus NSC and Great Basin College (GBC). He reiterated it was a cost driven matrix.

Continuing, Chancellor Klaich indicated the first driving factor of the proposal was the matrix and the second was the concept of a weighted student credit hour (page 9). The weighted student credit hour was the amount the formula would generate for each weighted student credit hour effectively establishing a system-wide price for course completions, which would then be allocated among the seven teaching institutions. He wanted to also make it clear that this referred to the teaching budgets and not the non-formula budgets or budgets such as DRI. Chancellor Klaich said NSHE staff catalogued every course offered in the system, then catalogued every course completed in the system and that reflected the number of student credit hours completed at every institution throughout the state. The matrix was populated with those student credit hours and then were weighted appropriately. Those weights were broken down among every institution in the system and would be paid on an equal basis. He cited an English 101 course at UNLV would be paid the same as an English 101 course at Truckee Meadows Community College (TMCC). He had been criticized for the higher costs of differing institutions and there were legitimate arguments to be made; however, he expressed that making those types of differentiations were extraordinarily difficult. Pages 1 through 10 ([Exhibit B](#)) showed most of the work he did with the institution presidents since January which included looking at the matrix, populating the matrix and then determining where the weights were inappropriate, as well as determining an appropriate factor for a scale for research.

Referring to pages 10 and 11 ([Exhibit B](#)), Chancellor Klaich indicated the second area of work for the proposal was performance funding. He was pleased to be partnered with the Governor on a grant through the National Governors Association (NGA) that dealt with data performance, metrics and accountability, which were all part of the NSHE proposal. Performance funding, he thought, was one of the most critical issues