

From: daniel_klaich@nshe.nevada.edu
To: jane_nichols@nshe.nevada.edu
CC:
Date: 12/13/2011 5:52:00 AM
Subject: Fw: Discussion documents - Formula Funding December 2011
Attachments: [funding formula - CoP review v2.docx](#)
[funding formula - CoP review.docx](#)

The more I think about it the more I need my special consultant sooner rather than later.

You will see why below I am sure.

Dan

Daniel J. Klaich
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----- Forwarded by Daniel Klaich/ADMIN/UCCSN on 12/13/2011 05:51 AM -----

From: David Longanecker <DLonganecker@wiche.edu>
To: "Daniel_Klaich@nshe.nevada.edu" <Daniel_Klaich@nshe.nevada.edu>
Cc: Dennis Jones <Dennis@nchems.org>
Date: 12/12/2011 07:56 AM
Subject: FW: Discussion documents - Formula Funding December 2011

Dan,

I have included comments on your outline of questions (CoP2).

More importantly than the list of questions, though, is how you want to manage your system in the future, because funding is so critical to good management and control of funding (by you and/or the legislature) determines your capacity to manage well.

I think Gerry's comments capture the essence of the two general strategies you could pursue.

The first is to make the best of a bad world, and live with the consequences.

Gerry is correct that Nevada lives in a rather non-contemporary world, in which the Legislature manages (or believes it does) much of higher education through line items of many management responsibilities (salaries, salary adjustments for cost of living, merit, etc.), benefits, etc.) It was a model based on funding inputs whereas most states have or are shifting to funding outputs/outcomes.

The second option, which it will be clear is where I think you should try and go, is one that has the state basing its support on performance of broad outcomes (successful completions, graduates in critical fields, of student, research production but only at research institutions, reductions in the equity gaps.) and the system, using more complex formula, including course load matrix, etc., aligned with institutional mission, blends a combination of performance and incentive funding to incentivize increased productivity.

Obviously, the dilemma is imbedded in the first sentence of the last paragraph; if you try this is there a reasonable possibility of success. Based on the RFP we recently received from the legislature, it would not appear that they are thinking in new terms, but rather remain fixated on the standard Nevada history of funding fixed line items associated with the right "cost". On the other hand, you say you have a new committee and that may provide a unique opportunity. And, you have a Governor that indicates some interest in new direction, has close associates now on your board, and at least used to be close to you personally.

Maybe this is your best chance to put the system on the right management track.

Both you and Gerry are correct in suggesting that accepting full management responsibility isn't always that easy or fun. While it allows responsibility based management within the system it also brings the inevitable blame for all the decisions that are made. For two reasons, however, I believe this is the way to go. First, it is the only way that your institutions will have an incentive to change, and you need change. Second, I believe you, Dan, are uniquely talented to lead this change. By intelligence, personality, loyalty and knowledge of Nevada, and on and on and on, the has not been nor will be a better leader to accept this challenge.

Dave

-----Original Message-----

From: Daniel_Klaich@nshe.nevada.edu [mailto:Daniel_Klaich@nshe.nevada.edu]
Sent: Saturday, December 10, 2011 5:24 AM
To: David Longanecker; Dennis@nchems.org; Paul E.Lingenfelter
Subject: Fw: Discussion documents - Formula Funding December 2011

Good morning, friends. Just like that bad penny, I am back again.

As you know we have our formula discussion going again, and I am back for more advice. I would like to explain the context.

The committee has been formed and met once. It will meet again in January. The committee does not have the strength of leadership or purpose that it has had in the past. I think that gives us the opportunity to drive the agenda if we can come to a consensus among ourselves. That of course will not be easy.

I have been asked by the three regents on the committee to meet with them next Thursday to discuss this process and presumably priorities. I hesitate to do that without some fee for where the president are (or to where they can be successfully herded). To that end I have met once with the presidents (lots of informal and one on one discussion) and will meet with them again on Tuesday.

For the Tuesday meeting I have developed a document which I believe focuses on the weak points of the formula in terms of current system and state priorities. That document is immediately below.

(See attached file: funding formula - CoP review v2.docx)

I have sent this document to the presidents. Before I did I sent an earlier version to my "brain trust" and received the comments in the colored version below.

(See attached file: funding formula - CoP review.docx)

If you have a moment I would appreciate any comments you might have. Obviously I am trying to narrow the field of discussion to a number of points that we can agree need to be addressed.

As always, I appreciate your advice and wisdom.

Your pal in Nevada,

Dan

(Embedded image moved to file: pic14736.jpg)

(See attached file: funding formula - CoP review v2.docx)(See attached file: funding formula - CoP review.docx)(See attached file: pic14736.jpg)

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THOUGHTS ON FUNDING FORMULA, STRATEGIC PRIORITIES AND POSSIBLE NECESSARY REVISIONS

1. Current Funding Formula does not meet the state goal of more graduates
 - a. Need performance funding model.
 - b. Which one? I would recommend taking a look at what Jose Garcia has crafted in New Mexico and Tom Anderes has put together in Arizona. They are a bit more "Western" than the others that folks seem to like these day (Indiana, Tennessee, and Ohio) – and the essence of "Western" is that they are more straightforward and simple, though not simplistic. I would also distinguish between "performance funding for the legislative formula" and "performance funding for the systems distribution mechanism, consistent with the comments I have attached to the e-mail.
 - c. How much? Go to 25%, with an X% stop loss provision (for no more than four years) to ensure that folks don't get hammered too hard during implementation.
 - d. Carve out or new money? if carve-out, what percentage of an institution's budget should be "at risk"? What percentage carve-out is enough to make a difference? If out of new money there will never be serious investment. It needs to be out of the general distribution of funds. New Mexico has found a clever way of doing this.
2. Current Funding Formula does not meet state goal of reasonable progress to degree
 - a. Fund completions rather than enrollments? Does this differ from performance funding? Margin vs. base funding
 - b. What is a completion? Is "F" a completion? Yes, an F should be a completion; the service was provided, just not received. Ws should not be considered a completion at any point in the semester.
 - c. How do we assure rigor? Is the Funding Formula the right place to address rigor and quality? Better handled outside the funding formula
3. Current Funding Formula does not ensure mission differentiation and prevent mission creep
 - a. How do we do that?
 - b. Expand cost matrix? Here is the answer. Dennis can help on this.
 - c. How do we populate matrix?
4. Remedial education is failing. How do we fund for a policy that will help students succeed?
 - a. What is that policy? Drop all current funding. Replace with only performance based funding, with performance defined as successful completion of the course that the remedial instruction was intended to prepare for. Take the same amount of money you have now, divide by the current successes under this new definition, and provide that per success. It will be a lot of money, and will incentivize increased efforts to succeed, whether that be by courses, modules, technology, or divine intervention (talk to Tim Tebow about that).
5. Current Funding Formula does not encourage entrepreneurial behavior Included in comments in e-mail
 - a. Issue of tuition and fee retention. Should the two be treated differently?
 - b. Is this prospective or retrospective? Issues.

- c. Coupled with “new compact” on cost sharing? What is it?
 - d. Keep in mind access and affordability.
- 6. Current Funding Formula does not meet state goal of innovation, etc. No research funding
 - a. Include research driver in Funding Formula? [Yes.](#) Infrastructure different than faculty? [I’m not so sure.](#)
 - b. Press for research funding through Knowledge Fund rather than formula? [Depends upon how well you differentiate missions in formula and state politics.](#)
 - c. Other ways to handle fund research?
 - d. How do we handle workforce development? Same questions as for research. [New Mexico has this imbedded in their performance funding formula.](#)
- 7. Current Funding Formula does not address state goal of alignment.
 - a. Weighting degrees?
- 8. Economies of Scale. Are the economy of scale components of the current Funding Formula correct or should they be modified?
- 9. Equity issues. Will the Funding Formula modifications resolve the identified or identifiable equity issues?

The above questions do not attempt to discuss any implementation issues which we all agree are very important to address.

RANDOM THOUGHTS ON FUNDING FORMULA AND NECESSARY REVISION

1. Current FF does not meet the state goal of more graduates
 - a. Need performance funding model
 - b. Which one
 - c. How much
 - d. Carve out or new money – if carve-out, what percentage of an institution's budget should be "at risk"? (Mark). Is a 5-10% carve-out enough to make a difference. (Jane)
2. Current FF does not meet state goal of reasonable progress to degree
 - a. Fund completions rather than enrollments. OK, but maybe funding both course completions AND graduates is overkill (Jane). I believe course completions are being considered to replace enrollments in the instruction formula, while graduations are being considered as part of the performance funding component. (Mark)
 - b. Does this differ from performance funding? Margin vs. base funding
 - c. Is "F" a completion? No – completions would be courses with a D- or above. If F's are funded then you are essentially back to funding enrollments. (Crystal and Mark). I seldom disagree with Crystal, but I do here. You cannot disincentivize faculty from holding onto standards and giving F's. They have put the work into this student and it should count. W is another story and I can see us getting into details of a W given when... Quite frankly I prefer funding enrollments and building in performance funding for program finishers and bonus for certain fields. If we fund basic enrollments, then go with Stan Jones model of weighted enrollment based on student progression - we have that now with lower division and upper division, but more transparent and might give incentives. (Jane)
 - d. How do we assure rigor? NGA metric #4 on quality is a step in the right direction – given that right now there is no nationally accepted methodology for measuring degree quality (Crystal). Is the formula the right place to address rigor and quality? The Board can tighten accountability and reporting requirements in this area. (Jane)
3. Current formula does not ensure mission differentiation and prevent mission creep
 - a. How do we do that?
 - b. Expand cost matrix?
 - c. How do we populate matrix?
4. Remedial education is failing. How do we fund for a policy that will help students succeed?
 - a. What is that policy? Right now we are funding on credit hour enrollments – we have discussed funding based on students who complete remedial – maybe a flat amount when the college level course is completed – maybe a flat amount per head – this needs to be discussed more but is in line with the MGT report recommendations. The current model of funding for credit hours will not work as we move toward skills labs, stretch courses, etc.
5. Current FF does not encourage entrepreneurial behavior

- a. Issue of tuition and fee retention. If big picture contract with the State can be worked out to ensure state support for benefits and merit and step increases for classified, then yes. In spite of turmoil produced, tuition and fee retention at institutions is right philosophically.
 - b. Is this prospective or retrospective? Issues. Prospective if it is to be an incentive
 - c. Coupled with "new compact" on cost sharing? What is it?
 - d. Keep in mind access and affordability Transparency and predictability needs to be part of that conversation (Crystal). If we could get real state support for need-based financial aid like other states have, what a win that would be. And we really need some conversation about an agreed-upon minimum portion of "cost" that the state gives to different types of institutions. (Jane)
- 6. Current formula does not meet state goal of innovation, etc. No research funding
 - a. Include research driver in formula? It depends. The infrastructure/administrative support for grants and contracts could be in formula for all 8 institutions. The matching funds have to be a separate pot of money. I also think it has to be in addition to Knowledge Fund. Remember that we had those funds until the budget collapsed.
 - b. Press for research funding through knowledge fund?
 - c. Other
 - d. How do we handle workforce development? The more you can align plans for research and workforce development, the better. So infrastructure for grants and contracts in all formulas. Then under performance funding, build in reward for grants and contracts in research AND workforce development to meet state needs.
- 7. Current formula does not address state goal of alignment.
 - a. Weighting degrees? However the degrees are weighted ought to align with NGA metric #3 on weights. (Crystal) Weighting degrees only applies if we count all degrees through basic funding or performance funding. I prefer the Kentucky model where the state just provides an additional pot of money for certain fields outside the formula - the field of the day - right now that is engineering (Jane).

This does not attempt to discuss any implementation issues. This issue is very important once some the other issues have been addressed.

Additional Issues:

1. Economies of Scale – Some institutions believe the current factors that add funding for small institutions (GBC/WNC) are too rich. Should the current economy of scale components of the current formula be modified?
2. Will the funding formula modifications resolve the CSN equity issue?