A New Model for Funding Public Higher Education in Nevada
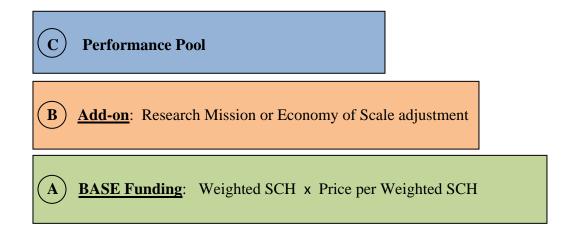
This document outlines a proposal for a new model for funding public higher education in Nevada. This model lends itself to establishing a new compact between higher education and the State so that NSHE institutions may respond to the goals of the State and the institutions are provided the freedom to use resources in the best way possible to meet their missions of teaching, research and service while supporting the needs of the State. In that light, this proposed funding model is based on the following principles that will be addressed in the new formula. The new funding model:

1. Should promote conversations between NSHE and the State about mutual goals and needs of the State;
2. Should reward goal attainment, not just provide for the distribution of state resources;
3. Must address broader state and higher education financing policy, including the role of the state and the students in adequately funding higher education;
4. Must recognize and reinforce mission differentiation;
5. Should provide incentives for institutions to be entrepreneurial and well-managed; and
6. Should be simple, transparent and easy to understand.

This new model would effectively shift the focus of formula funding from inputs (enrollments) to outputs (graduating students). It is intended to incentivize institutional behavior that will increase degree productivity and contribute to the State's economy in the best manner possible. Fundamentally, the new formula assumes that the State (in the form of appropriations) and the students (in the form of tuition and fees) each assume a reasonable portion of the total funding for higher education in Nevada. In addition, this new model assumes that each NSHE institution will respectively retain 100 percent of student registration fees and non-resident tuition that it generates. The remainder of this document outlines conceptually the mechanics of the proposed new funding methodology.

Conceptual Framework for Funding

Higher education funding will be based on the following – base funding determined by course completions, an adjustment for the research mission of the universities and the economy of scale variations of the smaller colleges, and a performance pool.

C **Performance Pool**
B **Add-on**: Research Mission or Economy of Scale adjustment
A **BASE Funding**: Weighted SCH x Price per Weighted SCH

This model assumes that NSHE institutions retain 100 percent of student registration fees and non-resident tuition so that the sum of parts A, B and C (above) equal the state appropriation plus the institutionally retained tuition and registration fees.

$$\left(A \right) \; + \; \left(B \right) \; + \; \left(C \right) \; = \; \text{State Appropriation + Tuition and Registration Fees}$$

Weighted Student Credit Hour Matrix

Weighted Student Credit Hours (WSCH) will be determined for each NSHE institution using the existing inventory of completed courses within a newly defined matrix that will account for the complexity associated with varying levels of instruction (i.e., upper division vs. lower division) and different disciplines. Further, the matrix will effectively reward institutions for student progression toward degree completion.

Example – the following matrix is provided only as an example. The assigned weights are <u>not</u> final, but are provided for illustrative purposes only.

<u>EXAMPLE</u>: Student Credit Hour Weights				
	Lower Division	**Upper Division**	**Master's**	**Doctoral**
Discipline Cluster (e.g. Liberal Arts)	*1.0*	*1.3*	*1.5*	*2.0*
Discipline Cluster	*1.1*	*1.2*	*1.3*	*1.4*
Discipline Cluster	*1.2*	*1.3*	*1.4*	*1.5*
Discipline Cluster (e.g. STEM fields)	*1.5*	*1.7*	*1.9*	*2.1*
Discipline Cluster (e.g. Health Professions and related clinical sciences)	*1.7*	*1.9*	*2.0*	*2.5*

This weighting method will be used in the new formula to provide funding based on a student's progression to degree completion (e.g. upper division will be weighted higher than lower division, etc.) and will further provide for funding based on the discipline cluster (e.g. Clinical and STEM fields will have greater weights than Liberal Arts). The current taxonomy assignment of costs based on discipline, level of instruction and mode of delivery (e.g. rural, distance education) will be replaced with this revised weighting system. Only credit hours for students who complete courses will be used in the formula; student course withdrawals will not be included.

The Formula

Weighted student credit hours (WSCH) will be multiplied by a *price* that will initially be determined on the current state appropriation plus related tuition and registration fees after taking into account the cost of any adjustments for research mission and economies of scale. This *price* is the amount the formula will generate for each weighted student credit hour – effectively establishing a system-wide price for course completions. (The *price* will be adjusted in future

years based on a negotiation with the State.) The *price* will be applied to the institutional WSCH to determine base funding for each institution.

$$WSCH \ x \ Price \ per \ WSCH = Base \ \underline{\$Amount} \ for \ each \ NSHE \ institution$$

That amount may be adjusted based on either the research mission of the universities or the economy of scale variations for the colleges. At the universities, the base amount (*$Amount*) may be adjusted using a factor that will account for the fact that the research mission of the universities encompasses more than the teaching function addressed in the base calculation. The base amount for the state college and community colleges (with smaller student enrollment numbers) may also be adjusted using a factor to account for variations in economies of scale.

$$Research \ Adjustment: \ (\underline{\$Amount} \ + \ Research \ Mission \ Factor) = Total \ for \ each \ NSHE \ university$$

$$Economies \ of \ Scale \ (EOS) \ Adjustment: \ (\underline{\$Amount} \ + \ EOS \ Factor) = Total \ for \ each \ NSHE \ institution$$
$$(excluding \ universities)$$

This simplified formula uses weighted student credit hours as the basis for determining the funding allocated to support the operations of an institution and then will define state and student responsibilities for the total amount generated by the formula. The amount provided by the State will be a set percentage that will vary by institution type (i.e. university, state college, community college). The complexity of the current formula is set aside (with its various factors for specific functional areas such as academic support and operation and maintenance of plant) in favor of a simpler formula that provides more flexibility to institutional presidents in managing their institution, increasing productivity, and increasing external funding – essentially leaving it to each President (with input from faculty) how funds will be allocated on their campus in order to carry out their mission and achieve their respective goals.

The Performance Pool

A performance pool will be established that will not be allocated unless an institution demonstrates progress in defined areas. The performance pool will constitute a substantial enough proportion of institutional budgets to incentivize change, but will be limited in the initial years of implementation as institutions adjust to the formula changes.

The following are potential areas for performance funding benchmarks:

Research Universities
- Increase the number of graduates;
- Increase dollars from sponsored projects;
- Increase the number of graduates in underserved populations and selected fields (both to be defined).

State College
- Increase the number of graduates;
- Increase the number of graduates in underserved populations and selected fields (both to be defined);
- Student achievement of defined momentum points (e.g., 30 credits, 60 credits).

Community Colleges
- Increase the number of graduates;
- Increase the number of graduates in underserved populations and selected fields (both to be defined);
- Completion of the first college-level mathematics and English courses;
- Student achievement of defined momentum points (e.g., 30 credits, 60 credits);
- Increase in external dollars for workforce development programs.

Implementation Issues

The existing formula is based on a series of historical policy decisions that have resulted in a level of funding based on the factors defined in the current formula. To the extent that this new model is adopted, it will likely result in a distribution of appropriations that is different from the amounts currently budgeted by each institution. Recognizing that the period of implementation will require adjustments by the institutions, any such changes in funding levels will be phased in over a defined period of time.

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