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April 4, 2012

Daniel Klaich, Chancellor
Nevada System of Higher Education
Mail Stop 014
2601 Enterprise Road
Reno, NV 89512-1666

Dear Chancellor Klaich:

Thank you for providing the Fiscal Analysis Division with a copy of the Nevada System of Higher Education's alternative funding formula document entitled "*A New Model for Funding Higher Education in Nevada*." After reviewing the document, the Fiscal Analysis Division is requesting the following clarifications and supplemental information. A response no later than Monday, April 16, 2012, would be appreciated in order to include the information in the materials being prepared for the April 25, 2012, meeting of the Committee to Study the Funding of Higher Education in Nevada. The NSHE's response should also be provided to the Committee's consultant, SRI International.

Basic Components

1. In order to better understand how the weights were established by discipline cluster as shown in Appendix A, please provide a copy of the report or other work product the National Center for Higher Education Management Systems (NCHEMS) prepared for the NSHE on the discipline-instructional matrix, which forms the basis for calculating the Weighted Student Credit Hours (WSCH).
2. With regard to projecting WSCH for each year of a biennium, it appears that NSHE is proposing that WSCH be projected as flat to a baseline year for a biennium, e.g. FY 2014 and FY 2015 as flat to FY 2012 or FY 2013. Please confirm if this is a correct interpretation. If WSCH are not to be projected as "flat," by what mechanism will changes to the projected WSCH be incorporated in the formula and budget.
3. To support research, the alternative model proposes an additional weighting of 10 percent applied to upper division and graduate student credit hours at the universities. Please clarify how an adjustment of 10 percent was determined and what it represents in terms of costs not otherwise covered in the alternative's cost

per WSCH of \$132.56. Finally, for each university, please indicate the number of additional WSCH the 10 percent weighting adds.

4. The alternative model proposes a "small institution factor" to support fixed administrative costs of Great Basin College and Western Nevada College. Based upon Appendix C, it appears funding starts at \$1.5 million per year, per institution and then is reduced until it is phased out once the institution reaches 100,000 WSCH. First, please provide the basis for the \$1.5 million starting point. Second, given that the existing funding formula provides similar, small institution factors generally based upon 3,000 student full-time equivalents (SFTE), please explain why the equivalent of 3,333 SFTE (100,000 WSCH) was utilized in the alternative. Finally, please provide the proposed "scaling" that forms the basis for the \$1,108,770 and \$810,450, respectively, for Great Basin College and Western Nevada College.
5. The alternative proposes funding for the two universities to support the operations and maintenance (O&M) of research space. Appendix C reflects \$3.58 million and \$3.22 million respectively, for UNR and UNLV. Please provide the basis for these amounts with a more thorough explanation of how eligible square footage is determined. Additionally, please clarify how O&M would be calculated for DRI if it were no longer included in the O&M component of the funding formula. Finally, please confirm whether there is specific O&M support for the medical, dental and law schools.
6. Under the alternative model, student derived revenues (registration fees, non-resident tuition, miscellaneous student fees) are proposed to be excluded from the determination of the General Fund dollars to be allocated to the seven teaching institutions. Please clarify whether the fee revenues and their associated expenditures are proposed to be reflected in the institutions' state supported operating budgets. Additionally, please clarify how the student derived revenues and expenditures in the medical, dental and law schools' state supported operating budgets are proposed to be treated.
7. Please confirm that the alternative model excludes all credit hours associated with non-resident students, including students enrolled under the Western Undergraduate Exchange (WUE), the Good Neighbor policy, the Children of Alumni policy, etc. and that such hours have been excluded from the FY 2012 WSCH count shown in Appendix C.
8. Based upon the March 23, 2012, email from you to the Board of Regents transmitting the document, it is indicated that when the alternative funding formula was run by the NSHE, a total of \$666 million in General Fund appropriations was projected as "needed to ensure no college lost appropriations." Please explain the basis for this assertion as well as the supporting calculations.

9. As shown in Appendix C of the document, \$13,260,189 in General Fund appropriations would be shifted among the seven teaching institutions in FY 2014 compared to FY 2012 based upon the use of FY 2012 WSCH, the small institution factor and the research O&M adjustment. Since it is indicated that a 4-year implementation phase-in is envisioned, please clarify whether funding adjustments are envisioned at 25 percent per year and whether the transfers occur irrespective of annual changes to the WSCH count.
10. Please provide the calculations that support the FY 2012 General Fund appropriation levels shown in Appendix C for the University of Nevada, Reno (UNR) instructional budget and the related budgets for the Agricultural Experiment Station, Cooperative Extension Service Intercollegiate Athletics, Statewide Programs and the Business Center North. Please provide the same calculations for the University of Nevada, Las Vegas (UNLV) and the Dental School, Law School, Intercollegiate Athletics and Statewide Programs budgets.

Weighted Student Credit Hours (WSCH) - Completed Credit Hours

11. Please clarify whether the model includes only WSCH associated with letter grades of "A" through "D" when calculating the total credit hours and WSCH cost. If grades other than "A" through "D" are included in the calculation, such as "F" and "I" (incomplete), for each institution, please provide the number of FY 2012 WSCH associated with grades other than "A" through "D."
12. Please confirm that the FY 2012 WSCH shown in Appendix C of the document include remedial credit hours completed at Nevada State College, the College of Southern Nevada, Great Basin College, Truckee Meadows Community College and Western Nevada College but exclude them at the two universities. If included in an institution's WSCH count, please provide the number of remedial WSCH for each institution. Additionally, please clarify whether the NSHE's alternative model intends that if a student does not successfully pass a remedial course the first time, a subsequent, successful effort would be counted.
13. Under existing Board of Regents' policy, NSHE professional staff, their spouses, registered domestic partners and their financially dependent children are eligible to receive a financial discount (through a Grants-in-Aid) which, in effect, is offset by the State General Fund. Please clarify whether the FY 2012 WSCH include credit hours funded through Grants-in-Aid to professional staff and their spouses, domestic partners and financially dependent children. If so, for each institution, please provide the number of WSCH included in the FY 2012 calculations.
14. Not all students who enroll and take for-credit courses are seeking a degree or certificate. Please clarify whether the alternative model's WSCH includes credit hours taken by non-degree seeking individuals.

Proposed Performance Funding Pool

Recognizing that the work of the National Governors' Association-sponsored Policy Academy Team's work on the Performance Funding Pool may not be complete, the Fiscal Analysis Division would appreciate responses to the following questions to the extent decisions have been made.

15. Please confirm that the proposed annual funding for the Performance Pool is intended to be in addition to the WSCH-derived funding rather than a carve-out from existing appropriations.
16. As envisioned in the alternative model, please confirm that performance funding is intended to be one-time in nature only, i.e. funding is received for one year and does not become part of an institution's base funding.
17. For the upcoming 2011-13 biennium, what fiscal year will serve as the baseline for any performance metrics adopted for the Performance Pool? Please describe the mechanism by which the NSHE envisions performance funding would be appropriated and distributed to eligible institutions.
18. Please define the grades/terms shown on the bottom of page 9 of the document: AU, AD, NR, X, I, F, U and W.
19. The information on page 8 indicates that the proposed Performance Pool is based upon a point system appropriately scaled to not skew or distort comparable success for each institution, regardless of size. First, please explain how the scaling accounts for differences in NSHE institutions' missions. Second, explain the basis for the point scaling shown in Tables C1 and C2 for certificates and degrees earned. For example, why is an Associate's degree from CSN, GBC, TMCC and WNC worth 1.5 points (Table C2) and a Bachelor's degree at UNLV, UNR and NSC worth 1.0 point (Table C1). Additionally, as shown in Table C2, why are Bachelor's degrees proposed to be worth 2.0 points if awarded by CSN, GBC, TMCC and WNC.
20. Performance funding is proposed for both the "Progression of Remediated Students" and "Student Progression." On page 8, Table A indicates that Nevada State College had 82 and 26 such students, respectively, in FY 2010. However, Table C2 at the bottom of page 8 appears to exclude Nevada State College from being awarded Performance Pool points for either of these metrics. Please clarify why the proposed Performance Pool treats Nevada State College differently. Finally, specific to "Student Progression," please explain why the proposal excludes the universities from this performance metric.

21. With regard to the proposed performance metric of "Transfer students with at least 24 accumulated college-level credits but no associate degree," please confirm that this proposed metric would only apply to resident students who transfer to another NSHE institution.
22. The alternative model proposes awarding a portion of the performance funding based upon the outcome of certificates and degrees. Please clarify whether certificates and degrees are rewarded irrespective of the total time taken to earn them or if there is a scaling which rewards a shorter completion period, e.g. 4 years versus 6 years for a Bachelor's degree and 2 years versus 3 years for an Associate's degree. In addition, based upon Table C1, it appears that institutions would receive performance funding based upon the number of certificates and degrees awarded rather than the positive change in the number of certificates and degrees. Please clarify whether an institution could receive performance funding without improving over the baseline.
23. Please explain why "Sponsored/External Research" performance funding is proposed to be awarded based upon expenditures rather than new awards. If a scaling or value system that links expenditures to performance funding has been developed for this proposed metric, please provide this information. Also, please clarify why the metric should count either expenditures or awards associated with an institution serving as a grantee of local and state government to provide a service such as childcare development, work force development, staff training, etc.

Thank you very much in advance for the NSHE's response to these questions. If you have any questions or concerns regarding providing a response, please do not hesitate to contact me directly at (775) 684-6862.

Sincerely,



Alex Haartz
Program Analyst

cc: Mark Krmpotic, Senate Fiscal Analyst
Rick Combs, Assembly Fiscal Analyst
Julie Waller, Senior Program Analyst
Brian Burke, Senior Program Analyst