

From: "Daniel Klaich" <daniel_klaich@nshe.nevada.edu>
To: Dennis@nchems.org
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CC:
Date: 8/18/2012 7:33:57 AM
Subject: Fwd: Memo and attachments
Attachments: NCHEMS MEMORANDUM.docx
SHEEO Cost Study Report 2010.pdf
NV Cost Study - State Indices Comparison 08-17-12.xlsx
Jones CV 000.pdf

Dennis and John-

First let me start by saying thanks. I don't know if I can win this fight at the committee, but to the extent I needed to ammo to fight you have provided it.

Attached is the package that we propose to send to the committee.

Importantly we have drafted a cover memorandum that we hope you agree with and will return to us on NCHEMS letterhead.

I also noted that for some reason the version of your (Dennis) resume that we have shows no projects more recent than 2007. Now we all know that you have been working your tail off since that time so if there is an updated version please send that, or if there are updates that you have, send them to me and I will have the resume retyped.

Finally, if you think that we have missed the mark on the cover memo let us know and we will make edits.

Dan

Daniel J. Klaich

Chancellor

Nevada System of Higher Education

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SHEEO STATIONARY

MEMORANDUM

TO: Daniel J. Klaich, Chancellor
Nevada System of Higher Education

FROM: Dennis P. Jones, President
National Center for Higher Education Management Systems

DATE: August __, 2012

In response to questions raised at the August 15, 2012, meeting of the Funding Formula Subcommittee, this additional information is provided to you to share with SRI and the Committee to Study the Funding of Higher Education (Senate Bill 374, 2011 Nevada Legislature) for use in its deliberations on August 29, 2012 if you think it will be helpful.

We believe that it is important to review two fundamental aspects of the matrix that we prepared for the Nevada System of Higher Education: the architecture and the cluster weightings. First, as indicated in the material previously provided to the committee, the architecture for the matrix was informed primarily from the Texas model which uses discipline clusters of similar course offerings and tiers of progression, that is, lower division undergraduate, upper division undergraduate, master's and doctoral education. This is the same basic architecture recommended for Nevada.

Second, four states were utilized to develop the relative weightings of the discipline clusters within the recommended student credit hour matrix for Nevada and generally showed similar patterns of credit hour distribution and cost structures across the above indicated levels of instruction. Relatively stable over time, these patterns were found both in the aggregate of all disciplines as well as in most individual disciplines. The use of the weightings at the cluster or aggregate level, not at the level of CIP codes for hundreds of disciplines, has validity and is supported by these data.

The attached spreadsheets provide details on student credit hour costs in Texas, Illinois, Ohio, and Florida. These four states account for a large fraction of the higher education activity in the nation, and provide good models for examining trends in higher education costs with disaggregated data. Since the states represent large centers of the U.S. population across different regions and have differing higher education finance and governing structures, the similarities in their data suggest the fundamental structure of higher education costs is likely similar in most places. (*SHEEO Four-State Cost Study*, page 27)

Texas alone varied in much higher costs for graduate courses, particularly doctoral-level courses, and since no rationale could be found for these significantly higher figures, this Texas doctoral data was excluded in the final calculations for Nevada's graduate courses. While this may reflect the cost as calculated in Texas, perhaps because of small program sizes or very high salaries, their extremely high costs are hard to justify or reconcile with public policy priorities in Nevada.

The *SHEEO 4 State Cost Study* (attached) provides a primer on cost study methodology. Of particular note is one of the conclusions, found on page two, which noted that, in analyzing the data for two states (Illinois and Ohio), the average cost per student credit hour at public community colleges is comparable to the Lower Division Undergraduate level at the public baccalaureate institutions. In both states, this average cost (across all disciplines) was approximately the same in both sectors. Thus, at the lower division level, all courses, at all types of institutions were weighted the same.

The assignment of numerical values within the recommended Nevada matrix was made based on these averages from other states, but also based on examination of Nevada's clusters of academic programs and offerings. These patterns seem to confirm similarities in institutional missions and public priorities, a not unexpected finding given the role that public higher education is asked to play in each state.

As can be seen from the attached raw data that NCHEMS used to complete the proposed matrix for Nevada, the methodology for the recommended matrix is sound. With my 40 years of experience in this field, I have a good basis for making informed judgments and have attached my resume for your review.

One final note, public policy decisions by the Nevada Legislature may specifically change values within this matrix in order to provide institutional incentives to further State objectives if so desired. However, given the basic premise behind this matrix of cost relativity, modifications for policy priorities would likely have the outcome of misaligning funding with actual expenses and potentially reintroducing inequities in institutional funding relative to actual costs and between peers within the System. Today, the more common action being taken by states is to incorporate such state priorities into a structure similar to Nevada's proposed performance pool that directs and rewards institutional behavior in alignment with state goals. The performance pool is much more likely to be regularly reviewed by the Board of Regents and the Legislature to ensure that it reflects current state priorities.

Att: *SHEEO Four-State Cost Study*
Nevada Cost Study - State Indices Comparison
Resume – Dennis P. Jones, NCHEMS