

Summary Response to UNR Report on UNR/UNLV Funding Differences

The April 17, 2009 paper written by Elliott Parker and Bruce Shively from UNR provides a good history of the funding formula, its parameters, evolution and current operation. The report also suggests some weaknesses in the funding formula, and to that we would add additional comments (noted later in this document).

This document examines the UNR paper and provides responses/comments relative to the statements included within that report.

UNR is not Overfunded:

Before we provide additional comments on the report, it is very important to note that while there is a significant difference in funding per FTE between UNLV and UNR, **there is NO suggestion or assertion that UNR is over-funded**; in fact, on a comparative basis, UNR is underfunded as a research institution. However it is demonstrably the case that UNLV is more seriously underfunded. No solution to the underfunding of UNLV can be implemented that takes resources from UNR. None of the information contained in Chancellor Rogers June 16, 2009 communication was ever intended to suggest UNR has too many resources; on the contrary, strong arguments based on comparative data can be made to show that UNR is underfunded for its current mission as well. Until reasonable parity between the two institutions is achieved, however, arguments to advance both institutions to appropriate funding levels for research universities will be difficult to make.

Independent Reports on Funding of Higher Education in Nevada Concluded UNLV was Underfunded:

It is also important to point out that the material developed for the June 16, 2009 Chancellor's letter does include facts but also some opinions from the authors. However, what is most important is to highlight that there have been independent external evaluations of the funding of public higher education in Nevada in the past, and they have reached the same conclusion – UNLV is underfunded in comparison to UNR. No mention of these independent reviews was included in the paper from UNR; moreover, the precise recommendations from those studies—to increase funding for UNLV and CSN—does not appear in their response, nor does the report discuss the “Statewide Programs” appropriations (which are supplemental dollars provided by the state for campus programs in addition to those resources that come from the funding formula) and their role in equity comparisons. Such omissions are critical to an understanding of the problems for UNLV and include necessary components of the solution to the problems.

The two most recent independent studies from MGT in 1999 and the AB203 report from 2005. The older the study the less relevant the conclusions, in our opinion, as UNLV has been rapidly evolving into a research institution over a relatively short period of time. The historic basis used by some to justify the difference in funding between UNR and UNLV was predicated on an assumption that UNLV was a teaching institution only and not a research institution equivalent to UNR in mission, therefore large differences in program funding were deemed appropriate (e.g. if you compare UCLA and UC Berkley you will reach different conclusions than if you compare UCLA and a California State University campus). The MGT study recommendation is presented below, along with the outcome from the AB203 Study. The two studies show that the inequity in funding between UNR and UNLV actually grew over time. The AB203 quote takes into consideration all of the factors noted in the UNR report and even includes the then current UNR funding per FTE amount compared to UNLV. There has been NO action on the AB203 study report recommendations, and the inequities that existed at that time have grown (see updated analysis below).

MGT Study Recommendations (1999): Listed below is information directly from the final MGT report, noting the inequity in funding for UNLV.

Adjustment per FTE for UNLV	\$	534	
Current FTE in FY09 budget		19,836	
MGT Projected Funding Gap		\$10,592,424	(just for UNLV)

(page 6-3, Exhibit 6-3)

p 6-4, first recommendation: "The Board of Regents should seek funding in the amount of \$24 million in order to address the funding inequities identified for UNLV, CCSN, TMCC and WNCC."

AB203 Study Recommendations (2005): The best way to interpret the AB203 Study is to refer to the exact language in the final report, as noted below:

“According to NCES data for 2002, the difference in per-student revenues from tuition and fees and state appropriations at research universities that have neither land-grant missions nor medical schools (the average) and current levels for UNLV are (12,521 – 10,202 =) \$2,319/FTE student. This amount is very similar to current SSOB funding differences between the main campuses of the two Nevada universities of (11,025 – 8,813 =) \$2,212/FTE student. Being very conservative in the calculation, it can be estimated that the additional cost of increasing the research mission of UNLV will be at least \$1,500 per FTE student. At current enrollment levels, this translates into an additional cost of \$25,000,000 – a cost associated with a mission change and no increase in the number of students (served)” (page 72, under item #3). *Note: using the same national IPEDS data the FY07 numbers for the above two comparisons are \$2,009 (difference with UNR) and \$1,449 (difference with peers). The table below shows the national data updated for these same peers.*

AB203 Mission Cost

Differential - UNLV vs Peers

FY02 AB203 Data - Original	\$39,005,580
FY04 AB203 Data updated	\$19,786,440
FY05 AB203 Data updated	\$36,221,186
FY06 AB203 Data updated	\$32,618,307
FY07 AB203 Data updated	\$31,040,066

“Statewide Programs” State Appropriations are Another Area of Funding Inequity. The UNR report does not mention the Statewide Programs funding differences from the state. The June 16, 2009 memo from Chancellor Rogers specifically highlights this one area of inequity in funding, and this issue is reviewed in more detail below.

UNR and UNLV have separate appropriations in addition to the formula funded ones for an assortment of activities called “Statewide Programs.” In general these programs represent incremental funding above the formula generated dollars for the two institutions to operate, and represent another inequity. The total funding for the programs at UNR and UNLV is shown below, along with what it would take to equalize funding on a per FTE basis. The UNR report fails to mention the “Statewide Programs” appropriation, which in essence is a way to provide program funding to UNR and UNLV outside of the

funding formula. There are very significant differences between the UNR and UNLV levels of funding in this area, as noted below.

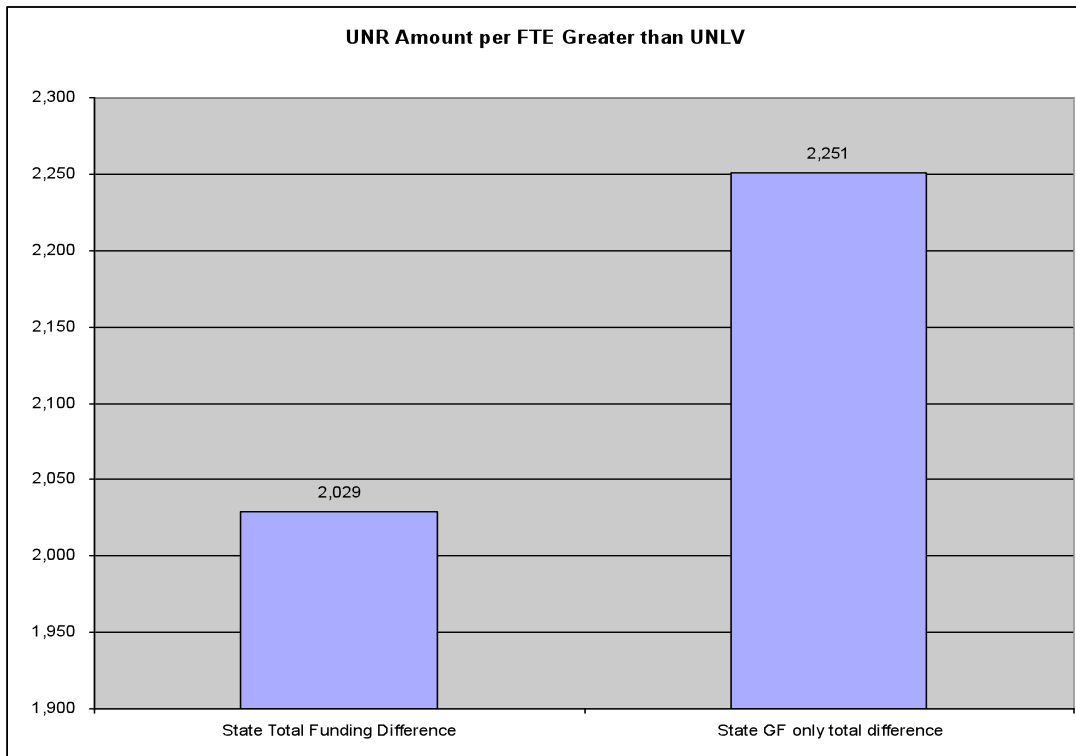
	<u>FY09 GF Budget</u>	<u>Amt/budgeted FTE</u>
UNR	\$7,970,731	\$636
UNLV	\$1,527,282	\$77

Note: UNR total above without facilities chargeback amount in the FY09 legislative budget is \$8,892,041.

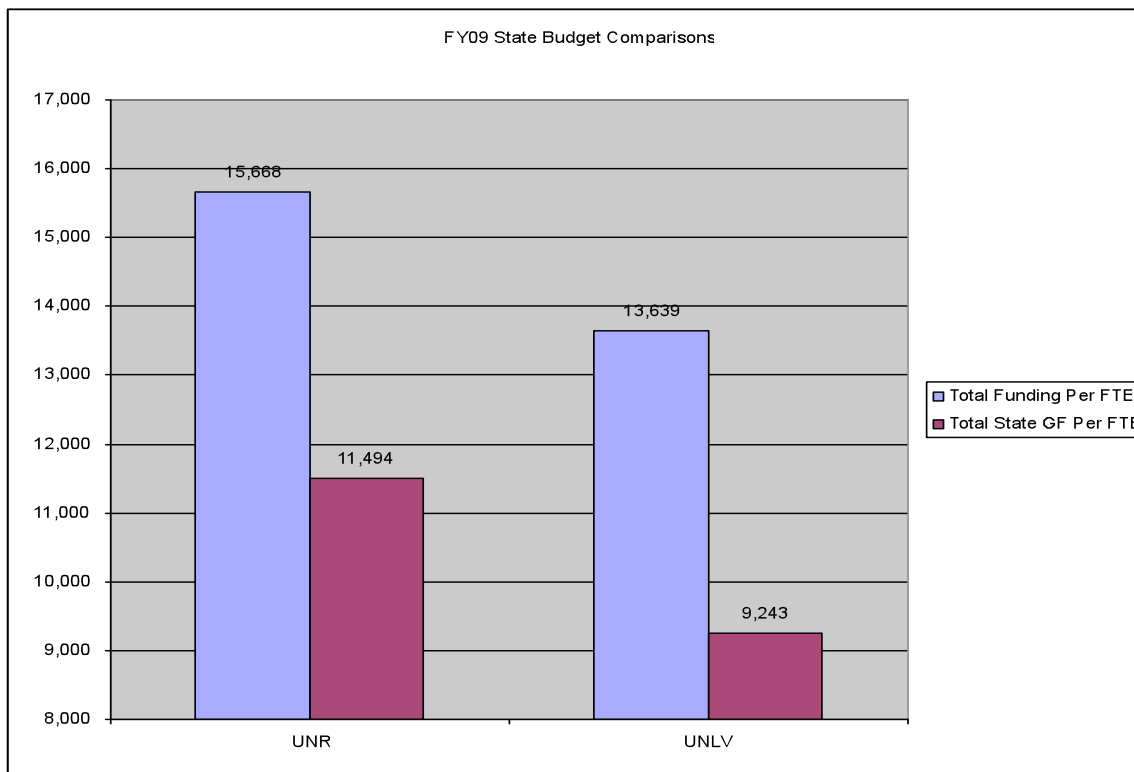
In order to equalize the funding for statewide program support between UNR and UNLV, \$11 million in base funds would be required. This amount is above and beyond the per FTE funding differences that exist in the formula funded appropriations.

UNR Report Conclusions on Differences in Funding Between UNLV and UNLV:

The report does not seem to dispute the factual differences in funding per FTE between UNLV and UNR, which are significant and highlighted below in two graphs.



Using FY09 Budgeted UNLV FTE, the total annual budget differences would be \$40.2M/year for total state funding and \$44.6M/year in GF.



Note: This only includes the formula funding appropriation comparison. The Law School, Dental School, Athletics, School of Medicine, Statewide Programs and other separate appropriations are not included in this specific analysis.

The main items highlighted in the UNR report to explain the differences in funding seem to be the following:

1. Support for buildings in the form of Operations and Maintenance funding (O&M): The report notes that the significant differences in funding are due to UNR's having "older, less energy efficient buildings," and the fact that "UNR must also manage the extensive facilities of UNSOM, Cooperative Extension, and the Agricultural Experiment Station."
2. Funding for Institutional Support: The report notes that UNR in general has more administrative overhead costs than UNLV.

The following presents a response to those assertions:

Space Differences. The difference in space at UNLV and UNR comes from NSHE supplied data, which is used for development of biennial capital requests.

Fall 2007 NSHE Space Data - state gross square feet (gsf) per Budgeted Headcount

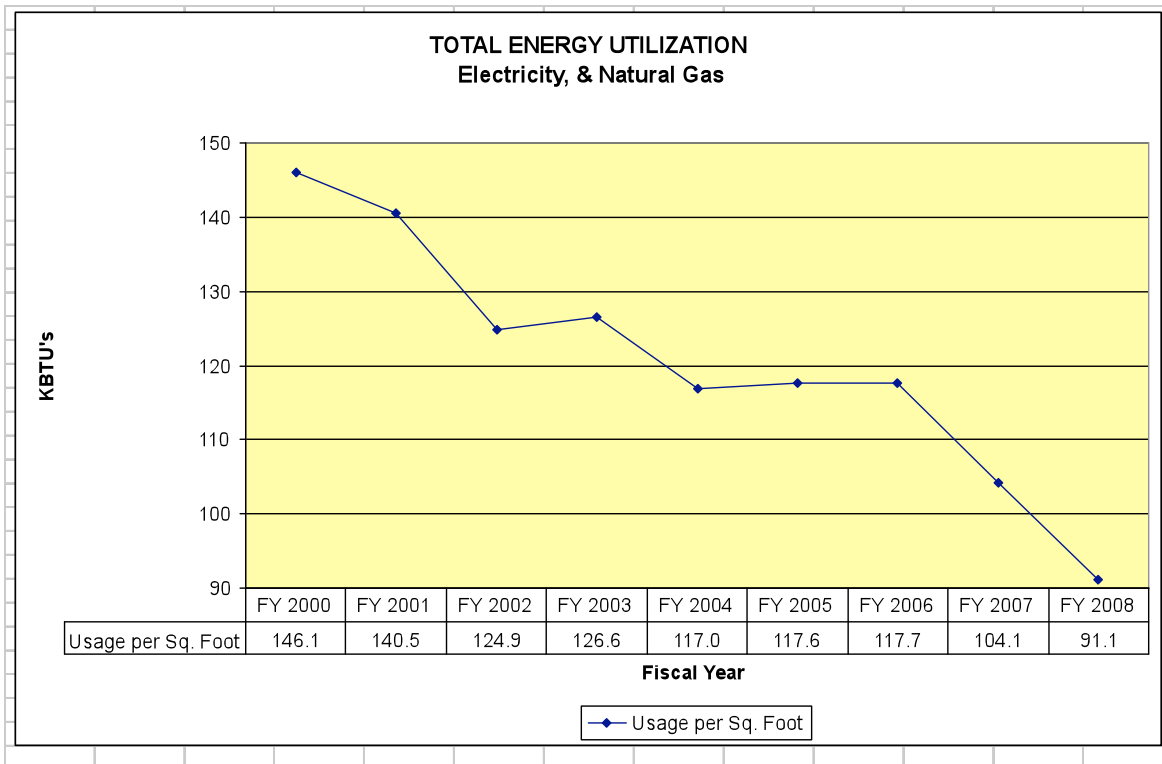
UNR	199.18 gsf/student
UNLV	108.30 gsf/student

The data clearly demonstrates that, based on the NSHE data, UNR has 84% more state supported space per student than UNLV. This is clearly the major reason why UNR has more funding in the "O&M" area than UNLV. There are no doubt other reasons for this difference, but clearly the major driving variable is the factually based and significant difference in state supported space. This disparity between space that is available at UNR for education and research is precisely one of the

items most important to UNLV’s request for corrections to the pattern of state appropriations: UNLV should receive roughly twice the square footage of new space per biennium until rough parity with UNR’s physical facilities is reached.

It is certainly correct that UNR has older buildings, but it is not clear why they would be so much less energy efficient and costly to maintain than those at UNLV, and in particular why UNR would not have taken steps to improve the efficiency of the buildings over time (as UNLV has). Many of the buildings at UNLV were not constructed with energy efficiency or even quality in mind, but we have worked to address those issues on a regular basis, and have records to show the substantial annual cost savings from these investments (the pay-backs are significant in annual energy savings, as the graph below suggests). The issue of climate difference does not seem like a valid argument for significant differences, as the extreme heating season at UNLV and the milder climate at UNR do not seem to produce significantly different energy consumption (heating being more through natural gas and cooling through electrical consumption). The UNR report did not provide any data/information or justification to indicate exactly why there would be a major difference in utility or other costs. Additionally, many of the older UNLV facilities were designed for very different uses than are needed today, leading to some significant base level of inefficiency, therefore creating similar challenges for UNLV as those apparently faced by UNR.

The chart below tracks electrical and natural gas consumption per square foot of space at UNLV since the year 2000. Note the significant reduction in energy consumption (-37.6%) over this time period, all due to aggressive efforts on the part of UNLV to improve energy efficiency in existing campus facilities. Our commitment to energy efficiency is also exhibited in the fact that the two newest and most significant facilities – the Science and Engineering Building and Greenspun Hall – are rated under LEED efficiency standards at “Silver” and “Gold” respectively. The reduction in full life cycle costing of facilities through these approaches is very significant.



Administrative Overhead at UNR is higher.

It appears true that the administrative overhead at UNR is higher than UNLV, but the arguments for the difference are confusing. When all state budgets are considered, UNR had a FY09 initial budget of \$277.1 million, while the comparative number at UNLV was \$310.3 million. It is not clear why UNR would have more complexity in managing its resources than UNLV. It would appear that UNR spends more because it continues to receive more in overall funding support, a function of the costs that drove the data when the funding formula was originally created. Additionally, UNLV has focused on reducing its administrative overhead for some time in order to help direct available resources to services and programs that more directly benefit students and faculty (a separate report is available to summarize these savings). The graph below is based on actual data and shows this specific trend at UNLV (Note the trend from over 12% to 5.7% in the latest report on this de facto measure of administrative overhead for institutions of higher education).

UNLV Institutional Support as a Percent of Total Expenditures

The UNR report also includes the following highlights:

*"Disparities in per-student-FTE funding...are largely reduced if we look at only the costs of instruction. UNR and UNLV have almost identical budgets per student FTE for instruction, even though UNR has a higher ratio of graduate students." A couple of observations arise in responding to these statements.

-The June 16, 2009 report in Chancellor Rogers' weekly communication focused on revenue/income differences between the institutions. The argument of looking at expenditures per FTE student in only one expense category misses the main point relative to total income an institution has available to it in order to address all institutional priorities. For example, two families may spend about the same amount of money on food, but this does not mean their total income (and therefore financial flexibility) is essentially the same. Our focus remains on total funding/income per FTE student, which is significantly different.

-The Fall 2008 enrollment reports issued by NSHE indicate that UNR has 14.1% of its total FTE coming from graduate students, while UNLV has 15.4% of its total FTE coming from graduate

students (neither count Law, Dental, UNSOM, etc.). Therefore, in reality UNLV has a higher proportion of its enrollment emanating from the higher cost graduate programs.

Funding Formula:

We would add some comments about the funding formula to those provided by UNR. The Chancellor has highlighted many of the issues with the current funding formula that should be evaluated. One key issue for the research institutions is the fact that the current funding formula does not support graduate education at the levels seen in other states. For example, the State of Nevada ratio's between funding for undergraduate and graduate level programs, while not insignificant, are well below other national benchmarks. The Texas formula funding model, as one example of a model in use in many other states, has the multiplier for the highest cost doctoral program FTE over the lowest cost undergraduate program FTE of 22.72 (FY08 data) – meaning that the highest compensated doctoral programs receive 22.72 times the funding of the lowest cost UG FTE - and this is NOT a multiplier over the lowest cost community college funding level in the state. This compares unfavorably with the maximum multiplier in the NSHE formula at 3.6, which includes small community colleges and large research institutions. This lack of a sufficient spread in the NSHE funding formula is a major problem in supporting a research institution mission. While the University of California (research institutions) and California State University (non-research institutions) Systems are not on a similar funding formula, they have negotiated support levels from the state per FTE student. For FY08 the state general fund support per FTE for a UC student is \$16,330 and for a CSU FTE \$8,708, while the comparable UNLV number is \$8,361).

Additionally, we are not aware of any other state where there is one funding formula that serves all public higher education in the state – from small community colleges through large research institutions. This seems like a unique feature that is not beneficial. Attention should be given to creating different funding formulas for the research institutions, the community colleges, and the state college.

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