



# NSHE Performance Pool 2013-2025

The purpose of this summary is to provide a history of the establishment of the Nevada System of Higher Education (NSHE) Performance Pool, including institutional performance related to the established metrics, the setting of performance targets biennially, and other general background. This information has been pulled from historical NSHE publications on the subject and updated to reflect recent performance data and outcomes.

## ***Background and Context on the Establishment of the NSHE Performance Pool***

In 2013, the Nevada State Legislature approved the adoption of a performance funding pool for the teaching institutions of the Nevada System of Higher Education (NSHE). The adoption of the NSHE Performance Pool resulted from a legislative study established in 2011 through the enactment of [Senate Bill 374 \(Chapter 375, Statutes of Nevada 2011\)](#). The Committee to Study the Funding of Higher Education was charged with considering methods for rewarding institutions for graduating students, which ultimately resulted in the NSHE Performance Pool.

At the time the Performance Pool was originally developed, demand across the country was growing for output/outcome measures in higher education, partially in response to fiscal challenges faced by states following the Great Recession. Numerous states had established outcome measures for some or all funding decisions with additional states moving in that direction.<sup>1</sup> The development of the NSHE Performance Pool was a collaborative process with broad representation from the Chancellor's Office, Regents, legislators, Presidents, private industry, and representatives from the Governor's Office. Representatives provided input on the metrics/outcomes to include and the prioritization of the metrics. The work was largely guided with support from the National Governors Association (NGA) as NSHE received a grant for technical assistance through an NGA's Policy Academy on Strengthening Postsecondary Accountability Systems.

Throughout the funding formula study, it was understood that there would be no additional state funding appropriated to NSHE institutions through the Performance Pool. It is important to understand that the funding formula study was conducted as the State was beginning to recover from the Great Recession, and therefore, new funding was not available to reward institutions for outstanding performance. As a result, the NSHE Performance Pool was based on a carve-out of state funds over an initial 4-year implementation period. The carve-out from base state funding was 5 percent in the first year of implementation (FY2015), 10 percent in the second year (FY 2016), 15 percent in the third year (FY2017), and 20 percent in the fourth year (FY2018) and going forward. The carve-out amount is set aside from the base funding and depending on the institutions' performance in a prior year they can "earn back" the set aside funds. Many of the subsequent decision points related to the development and implementation of the Performance Pool were driven by the limitation of performance funds as a carve-out of the base. Further, there have been numerous conversations with the Board of Regents and state legislature regarding the funding for the Performance Pool as institutions have called for "new funding" to reward performance in lieu of having to "earn back" set aside funds. However, despite these calls for new funding, the Performance Pool remains a mechanism that is funded through a base funding carve-out as originally designed.

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<sup>1</sup> In 2012, the following states used or were in the process of implementing some form of performance-based funding: Arkansas, Colorado, Florida, Hawaii, Illinois, Indiana, Kansas, Louisiana, Maryland, Montana, New Mexico, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas and Washington. The following states were considering performance-based funding in 2012: Connecticut, Arizona, Georgia, Idaho, Kentucky, Massachusetts, Mississippi, New York, Nevada, North Dakota, Oregon, Michigan, Virginia, and West Virginia.

The original development of the Performance Pool was guided by three basic principles: accountability, performance, and collaboration. Accountability was critical to ensure that objective measurements were used for tracking institutional progress towards the achievement of goals supporting the State. Better performance meant establishing metrics focused on efficient instructional delivery, including awards per 100 full-time enrollment (FTE) and gateway course completions. Finally, collaboration was a fundamental principal to ensure that metrics recognized and signaled the importance of institutions working together to give students the option of transfer between NSHE institutions. Key to this was ensuring that the model reflected the state's priorities through the recognition of certificates, degrees and transfer of completed coursework; workforce needs through the alignment with economic development goals; access for at-risk students (low-income and minority); emphasis on research for the universities; and efficiency of degree productivity (measured by completions per 100 FTE).

### ***Performance Pool Metrics as Originally Implemented***

Institutions compete against themselves in separate institutional pools. Early versions of the Performance Pool that were considered, but never adopted, were based on three funding pools whereby institutions would compete against institutions in the same tier (e.g. university, state college, and community college pool). However, because of the disparity between institution size and capacity and a wide range in historical institution performance under certain metrics, it was ultimately decided that institutions would compete against themselves in individual pools. This means that the 20 percent funding carve-out is from each institution's base budget and earned back by the institution based on its own performance. There is no pooling of funds across institutions.

The metrics were selected to be consistent across institutional tiers. Each metric is defined in terms of what performance is measured and the data source. Following is an example of the metrics selected for a university, in this case University of Nevada, Las Vegas (UNLV), as originally developed:

UNLV (2% Target)	Weights	2011-12 Baseline (Actual)		2012-13 Target
		Points	Weighted Pts.	Weighted Pts.
Bachelor's Degrees	30%	3,670	1,101.0	
At-Risk Bachelor's Graduates ( Minority + Pell-Eligible x .4)	"	912	273.7	
Master's and Doctoral Degrees	10%	1,370	137.0	
At-Risk Master's and Doctoral Graduates ( Minority + Pell-Eligible x .4)	"	185	18.5	
Sponsored/External Research Expenditures in \$100,000's	15%	426.4	64.0	
Transfer Students w/a transferable associate's degree	5%	1,628	81.4	
Efficiency - Awards per 100 FTE	20%	27.2	5.4	
Economic Development (STEM and Allied Health) Graduates	20%	879	175.8	
Economic Development (business and management) Graduates	"	1,504	300.8	
<b>TOTAL WEIGHTED POINTS</b>	<b>100%</b>	--	<b>2,157.6</b>	

Following is an example of the metrics originally adopted for a community college, in this case Western Nevada College (WNC):

WNC (2% Target)	Weights	2011-12 Baseline (Actual)		2012-13 Target
		Points	Weighted Pts.	Weighted Pts.
1 to 2 Year Certificate	10%	30	3.0	
At-Risk Certificate Recipients ( Minority + Pell-Eligible x .4)	"	8	0.8	
Associate's and Bachelor's Degrees	30%	465	139.5	
At-Risk Associate's and Bachelor's Graduates ( Minority + Pell-Eligible x .4)	"	114	34.1	
Transfer Students w/24 credits or associate's degree	10%	213	21.3	
Efficiency - Awards per 100 FTE	20%	21.0	4.2	
Gateway Course Completers	10%	1,549	154.9	
Economic Development (STEM and Allied Health) Graduates	20%	122	24.4	
Economic Development (construction trades) Graduates	"	9	1.8	
<b>TOTAL WEIGHTED POINTS</b>	<b>100%</b>	<b>--</b>	<b>383.9</b>	<b>391.6</b>

An institution's performance was originally based on seven metrics (two of which had sub-metrics for under-served populations). The majority of the metrics were based on the number of students graduating, including metrics for graduating students from defined populations (underserved populations, STEM, allied health, etc.). In addition, each institution was allowed to select one field that supported economic development. In the examples provided, UNLV selected Business and Management, while WNC selected construction trades.

In the original development of the Performance Pool, a weight (percent) was applied to each metric. The individual weights for the metrics were intended to signify importance or priority of the metrics. The weighting mechanism was based on a practice that was utilized in Tennessee under its outcomes-based formula and was further considered a best practice at the time. From the application of the weights, the Performance Pool sends a clear signal that the top priority is graduating students. In addition, increasing sponsored project activity, transfer and articulation, and general efficiency are encouraged.

A summary table is included in **Appendix A**, indicating the metrics and outcomes for the first two years of the Performance Pool, as well as the definitions for each metric as originally adopted. Following the initial two years of implementation, the Performance Pool was reviewed and revised.

### ***Revised Metrics (Year 3 and beyond)***

In 2014, following the initial two years of the Performance Pool implementation, a technical working group was established to review and recommend revisions. From that work, the metrics were revised. The original Performance Pool (years 1 and 2) included the data for certificates of *at least* 30 credits that are traditionally reported by the community colleges to the Integrated Postsecondary Education Data System (IPEDS) maintained by the National Center for Education Statistics (the primary data source for awards utilized by the Performance Pool). Following the original development of the Performance Pool, the Board of Regents established policies and procedures for recognizing certificates that are *less than* 30 credits (skills certificates) and provide training necessary for a state, national or industry certification or license. These types of programs are often developed in concert with local employers who approach community colleges to request assistance in developing an immediate training or credentialing for current and prospective employees and clearly aligned with the economic development efforts of the State and NSHE.

As such, the working group recommended, and the Board of Regents and state legislature ultimately agreed, to the inclusion of the skills certificates in the Performance Pool metrics for the community colleges. In an effort to maintain the original structure of the Performance Pool and not add additional metrics for the community colleges, the skills certificate metric was substituted for the institutionally selected economic development metric (utilized in years 1 and 2). Further, the skills certificates were also included in the counts for the existing STEM and Allied Health award measures. While other technical revisions to the metric definitions were made, the overall structure and metrics have been consistent since the third year of the Performance Pool and remain unchanged today.

A summary table is included in **Appendix B**, indicating the metrics and outcomes used since the third year of the Performance Pool implementation.

***Point Targets as Originally Developed***

For each institution an aggregate point target is established, a reflection that the institution is competing against itself and not against other institutions. Achieving the point target then provides that the institution will receive its base funding set-aside. In the previous example, the university must achieve weighted points of 2,200.8 (up from the baseline of 2,157.6 weighted points) to receive 100 percent of the funds carved out from its base funding (5 percent in FY2015).

Institutions earn the performance funds for any given fiscal year based on performance in a prior academic year. For all existing data outcomes the data for any given academic year (AY) is available in late November of the following year. The following table indicates the performance year of measure and the respective fiscal year when the earned performance pool funds are distributed.

Year of Measure (Performance Year)	Distribution Year (Funding Year)
2012-13 (AY2013)	FY2015 (Year 1)
2013-14 (AY2014)	FY2016 (Year 2)
...	
2022-23(AY2023)	FY2025 (Year 11)
2023-24(AY2024)	FY2026 (Year 12)

The performance year of measure is prior to the distribution year to ensure that institutions know in advance of the fiscal year the amount of performance funds that will be available for expenditure. Metrics and point targets are reviewed and approved by the Board of Regents at the end of every two-year performance cycle and by the state legislature during the legislative process. This mechanism of using the prior year’s performance ensures that the institution will know in advance of the fiscal year if any funds are unearned so the institution will have adequate time to adjust their budget accordingly.

***Carry-Forward Performance and Distribution of Unearned Funds***

During the development of the Performance Pool, there was considerable concern expressed about the impact of an institution not meeting its performance target, given the institution would then lose base funding dollars needed for general operation. As such, the Performance Pool provided that institutions that do not earn 100 percent of their performance funds in the first year of the performance cycle will be given the opportunity to earn back those funds in the second year of the cycle. For example, if an institution does not meet its point targets in any given year, the unearned performance funds carry forward to the next year, when the institution could earn those funds back if it over performs in following year. In other words, the institution would have to exceed its target for the next year to earn what it did not earn in the prior year. In the event that there are unearned performance funds at the end of the second year of the performance cycle, the unearned funds are distributed to all institutions for need-based financial aid.

There have only been four instances when institutions have not met performance targets in the defined performance year. In the early years of the Performance Pool when this occurred, the institutions exceeded their respective performance targets in the next year and received the unearned funds in the following year. As such, to date there has been no case in which unearned funds were distributed for financial aid. For AY2013, Truckee Meadows Community College (TMCC) achieved 99.2 percent of its point target and Great Basin College (GBC) achieved 97.6 percent of its point target. In both cases, the institutions exceeded point targets in the next year and earned the unearned funds from the prior year. This also occurred for UNLV in AY2014, when it achieved 97.8 percent of its point target, but also exceeded its point target in the next year earning back the unearned funds. More recently for AY2023, College of Southern Nevada (CSN) did not achieve its performance target for FY2025 funding. It achieved 98.8 percent of the point target established for AY2023. It will have the opportunity to earn the 1.2 percent of its base funding carve-out depending on its performance in AY2024.

The following table denotes the percent of the point targets achieved since the inception of the NSHE Performance Pool:

<b>Points Achieved as a Percent of Established Performance Point Targets</b>											
PP Year	1	2	3	4	5	6	7	8	9	10	11
Performance Year	AY13	AY14	AY15	AY16	AY17	AY18	AY19	AY20	AY21	AY22	AY23
Funding Year	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
UNLV	101.3%	97.8%	102.2%	100.9%	102.2%	104.1%	103.7%	105.2%	121.7%	116.2%	116.9%
UNR	106.5%	107.0%	112.6%	120.9%	123.0%	130.0%	131.8%	131.2%	117.6%	114.9%	109.0%
NSU	101.5%	116.9%	122.2%	129.2%	130.7%	177.2%	189.5%	215.4%	158.9%	168.4%	165.0%
CSN	108.9%	112.2%	109.7%	111.4%	112.3%	112.8%	115.6%	112.3%	108.9%	108.9%	98.8%
GBC	97.6%	107.7%	122.7%	130.9%	126.0%	127.9%	127.8%	127.1%	122.2%	113.0%	114.7%
TMCC	99.2%	107.0%	117.5%	122.4%	118.7%	119.6%	117.7%	120.2%	120.4%	111.3%	120.0%
WNC	108.5%	107.6%	110.2%	109.2%	106.1%	107.4%	109.3%	128.1%	119.4%	112.6%	114.6%

### **Outcomes Measured**

The development of the NSHE Performance Pool marked a new era in higher education in Nevada whereby regents and legislators sent a clear message that achieving certain performance outcomes was expected as a condition of receiving state funding. Looking back over the eleven-year period that the Performance Pool has been in place, it is apparent that institutional performance has improved, particularly as it relates to graduating more students. The following tables provide a review of one performance metric that indicates growth in associate's and bachelor's degrees since the inception of the Performance Pool.

<b>Bachelor's Degrees Conferred (4-Year Institutions)</b>			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
UNLV	3,670	4,719	28.6%
UNR	2,603	3,623	39.2%
NSU	270	849	214.4%

<b>Associate's and Bachelor's Degrees Conferred (2-Year Institutions)</b>			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
CSN	2,112	3,293	55.9%
GBC	321	437	36.1%
TMCC	1,035	1,211	17.0%
WNC	465	528	13.5%

In addition to the desire of policy makers to send a clear message regarding the importance of graduating students in general, additional emphasis was placed on graduating at-risk students. The following tables note the growth in associate's and bachelor's degrees conferred to minority and low-income students (denoted by Pell eligibility) since the inception of the Performance Pool.

Bachelor's Degrees Conferred to Minority and Pell-Eligible Students (4-Year Institutions)			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
UNLV	933	3,899	317.9%
UNR	398	2,171	445.5%
NSU	73	695	852.1%

Associate's and Bachelor's Degrees Conferred to Minority and Pell-Eligible Students (2-Year Institutions)			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
CSN	492	2,594	427.2%
GBC	67	280	317.9%
TMCC	248	829	234.3%
WNC	114	312	173.7%

Some may believe that this growth should be attributed to the overall growth in the system at-large. While this is certainly a factor, the purpose of the Performance Pool is to signal to the institutions the importance of achieving certain basic metrics through the graduating of students and at-risk students, in particular. While growth in these areas may have occurred absent the Performance Pool, the emphasis of the public dialogue linking performance to state funding clearly supported these efforts.

In addition, research is another area of extreme growth since the inception of the Performance Pool. The following table notes the growth in sponsored research expenditures, which is a measure of research activity at the institution.

Sponsored/External Research Expenditures (in \$100,000's)			
	AY 2011-12 (original baseline)	AY 2022-23 (Year 11 Performance Year)	Percent Change
UNLV	\$426.4	\$914.3	114.2%
UNR	\$888.3	\$1,662.2	87.1%

During this period, both UNLV and UNR achieved the status of the "very high research activity" threshold determined through the Carnegie Classification of higher education institutions. This is a matter of great significance to both universities allowing them the distinction of being considered nationally as research institutions at the highest activity level.

There are any number of ways that the performance pool metrics can be reviewed, but in most cases it is clear that during the period since the inception of the NSHE Performance Pool, the system and its institutions have been focused on achieving the desired outcomes of graduating more students, increasing research activities, seamless transfer, and efficiency – all measured in the Performance Pool outcomes.

### ***Conclusion***

The NSHE Performance Pool was developed adhering to the guiding principles of accountability, performance, and collaboration. From the onset, the Performance Pool aimed to establish performance measures signaling the importance of achieving outcomes in key areas contributing to the goals of the Board and the needs of the State. The primary focus was on increasing the number of students graduating with degrees and certificates. In addition, the Performance Pool established as a clear priority the graduation of students from underserved and at-risk populations, among other metrics measuring efficiency, research expenditures, and transfers between two- and four-year institutions.

The funding from a carve-out of state funds continues to be a point of debate. Many of the decisions made during the development and implementation of the Performance Pool were driven by the limitations of a carve-out in an effort to ensure that institutions would not be in the difficult situation of losing up to 20 percent of their base funding. It is reasonable to assume that had the Performance Pool been funded with new money, the performance targets would have been different. Despite this, a review of the Performance Pool metrics indicates a strong upward trend in the graduating of students, particularly those students from underserved and at-risk populations, and substantial increases in research and sponsored program activity. The Performance Pool alone is not accountable for these outcomes, but it has, since its inception, successfully sent the message to NSHE institutions that performance matters.