

**MINUTES OF THE
JOINT SUBCOMMITTEE ON HIGHER EDUCATION AND CAPITAL
IMPROVEMENTS
OF THE SENATE COMMITTEE ON FINANCE
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-fourth Session
March 9, 2007**

The Joint Subcommittee on Higher Education and Capital Improvements of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order at 8:09 a.m. on Friday, March 9, 2007. Chair William J. Raggio presided in Room 3137 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chair
Senator Barbara K. Cegavske
Senator Bob Coffin
Senator Bernice Mathews

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Morse Arberry Jr., Chair
Assemblywoman Barbara E. Buckley
Assemblywoman Heidi S. Gansert
Assemblywoman Sheila Leslie
Assemblyman John W. Marvel
Assemblywoman Debbie Smith

STAFF MEMBERS PRESENT:

Brian M. Burke, Senior Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Mark W. Stevens, Assembly Fiscal Analyst
Anne Vorderbruggen, Committee Secretary

OTHERS PRESENT:

Daniel J. Klaich, Executive Vice Chancellor and Chief Operating Officer, System Administration Office, Nevada System of Higher Education
David Ashley, Ph.D., President, University of Nevada, Las Vegas, Nevada System of Higher Education
Milton D. Glick, Ph.D., President, University of Nevada, Reno, Nevada System of Higher Education
Daniel G. Miles, Nevada System of Higher Education
Jane A. Nichols, Ed.D., Vice Chancellor, Academic and Student Affairs, System Administration Office, Nevada System of Higher Education
Marcia Turner, Interim Vice Chancellor and Chief Operating Officer for the University of Nevada Health Sciences System, System Administration Office, Nevada System of Higher Education
John A. McDonald, M.D., Ph.D., Dean, University of Nevada School of Medicine

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Philip Ringle, Ph.D., President, Truckee Meadows Community College, Reno,
Nevada System of Higher Education
Richard Carpenter, Ed.D., President, Community College of Southern Nevada,
Las Vegas, Nevada System of Higher Education
Stephen G. Wells, Ph.D., President, Desert Research Institute, Nevada System
of Higher Education
James M. Thomas, Ph.D., Executive Director, Center for Watersheds and
Environmental Sustainability, Associate Research Professor, Desert
Research Institute, Nevada System of Higher Education

CHAIR RAGGIO:

Today, the Subcommittee will be hearing a portion of the proposed budget of the Nevada System of Higher Education (NSHE).

EDUCATION

NSHE

NSHE - System Administration – Budget Page NSHE-1 (Volume I)
Budget Account 101-2986

DANIEL J. KLAICH (Executive Vice Chancellor and Chief Operating Officer, System Administration Office, Nevada System of Higher Education):

The Subcommittee members have received a copy of the booklet containing the NSHE's responses to the questions from the January 29, 2007, budget hearing ([Exhibit C](#), original is on file in the Research Library). We have attempted to answer every question fully and honestly. We bring that same candor when we appear before any committee of the Legislature. If we do not communicate with you candidly and transparently, we will not have a good relationship. Any other representation would not be tolerated by our Board of Regents or our Chancellor. If you or any of your staff have a concern that information is not getting to you in a timely fashion, please let me know so I can rectify the problem.

The first issue for discussion today is enrollments and the impact enrollments have on the budget. The NSHE is coming off a period of unprecedented growth. Because we budget on a three-year rolling average, based on historical facts, we can expect to see dramatic impacts on the budgets as enrollments level. That is the case this year. The budget was prepared on the basis of the last full year of available enrollments, fiscal year (FY) 2005-2006. The Governor has recommended an increase in the level of the NSHE's formula funding from 84.5 percent to 85.5 percent. Even with this increase in the formula funding, three institutions fell into a hold-harmless situation, and the Governor recommended those institutions be held harmless in the amount of approximately \$18 million.

CHAIR RAGGIO:

Were those three institutions the University of Nevada, Reno (UNR), the Community College of Southern Nevada (CCSN) and the Great Basin College (GBC)?

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MR. KLAICH:

Yes, it is only those three institutions.

When the FY 2006-2007 enrollments are included in the calculation, the situation changes dramatically, both in the hold-harmless number and in the institutions involved. Our best estimate at this time is the hold-harmless number will increase from \$17 million to almost \$47 million.

CHAIR RAGGIO:

Is that based on preliminary data? What is the reason for the change?

MR. KLAICH:

That is based on the best data we currently have. When the FY 2006-2007 enrollments are included, the greatest effect is on the UNR and the University of Nevada, Las Vegas (UNLV). It diminishes the impact on the CCSN and removes the GBC from a hold-harmless situation. The Truckee Meadows Community College (TMCC) is brought into the hold-harmless mix, but not to the same extent as the UNR and the UNLV.

The Board of Regents and the Legislature have made a number of decisions with respect to the missions of our institutions which impact enrollments. We have created a State college whose sole purpose is to increase baccalaureate-level education in the State of Nevada. While it is still in the start-up stage, it is accomplishing what it was designed for and is taking some enrollment from the undergraduate levels at the UNLV. We have agreed to shift funding for remedial education from the two universities to the community colleges. We have worked to strengthen the admission standards at the universities, understanding that is how we can ultimately increase the quality of those two institutions while giving students an honest chance to succeed. We have increased the standards for the Millennium Scholarships.

CHAIR RAGGIO:

Has raising the grade point average (GPA) to 2.75 at the university level had an impact on admissions?

It is unlikely we can continue to fund hold harmless indefinitely. To what do you attribute the decrease in enrollment and how will you deal with the declining enrollment?

DAVID ASHLEY, PH.D. (President, University of Nevada, Las Vegas, Nevada System of Higher Education):

One of the primary issues impacting enrollment at the UNLV is the change in the GPA from 2.5 to 2.75 which took effect with the current incoming freshman class. The 2.75 GPA is on a core set of courses, so that is a more stringent requirement. That has had an impact on the student application rate.

CHAIR RAGGIO:

Will that eventually cut down on the need for remediation programs?

DR. ASHLEY:

Yes.

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CHAIR RAGGIO:

Will you eliminate staff and cut other remediation programs?

DR. ASHLEY:

We no longer use State funds for remediation.

We have also changed the GPA transfer requirement from 2.0 to 2.3 and defined transfer as 24 credit hours instead of 12. That has had an impact on the students who are eligible at transfer. Those who transfer before 24 credit hours would come in under the freshman requirements. Because many do not have the core requirements, they are not eligible. That has had an impact on the admissibility of transfer students.

The admissions core requirement has had an impact on nonresident students. Nonresident students must have the same core courses to be eligible. If they do not have those courses, they would come under the special admittance category. The number of special admittance students we can accept is limited.

The NSHE no longer offers remedial courses with State funds. According to our calculations, the remedial courses generated almost 413 full-time equivalents (FTE) for FY 2004-2005. That is an indication of the impact of that particular change.

Increasing the standards for the Millennium Scholarships has had an impact on the number of students who come to us under the Millennium Scholarship Program.

CHAIR RAGGIO:

Is that measurable?

DR. ASHLEY:

We keep track of the number of Millennium scholars. There has been a decrease of 368 from FY 2003-2004 to FY 2005-2006. The dramatic growth we have experienced over the last decade has put strains on our physical resources. We are now at 94 gross square feet for each student which is below any other comparable institution.

CHAIR RAGGIO:

Are you turning away students who would otherwise be qualified?

DR. ASHLEY:

We are not turning students away on that basis, but it is difficult to accommodate them in the instructional programs.

SENATOR CEGAVSKE:

We requested information on classroom utilization. A previous report indicated the classrooms were being underutilized. At that time, we were told you did not have enough professors or teachers and that was why the rooms were empty. Where are we now, based on those comments?

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DR. ASHLEY:

The UNLV has the highest class laboratory utilization rate of any NSHE institution. We schedule into the evenings and on weekends for the teaching laboratories. For classroom utilization, we are at the highest utilization rate among the four-year institutions.

SENATOR CEGAVSKE:

Has there been a recent utilization report?

MR. KLAICH:

I thought we had forwarded the most recent report to you and your staff. We will provide it to you immediately.

SENATOR CEGAVSKE:

The space utilization report needs to be considered when you are asking for new buildings and new areas. We must ensure the utilization is there. Campuses can be shared with the high schools and community colleges.

ASSEMBLYWOMAN BUCKLEY:

Do you have information on the number of vacancies by campus?

MR. KLAICH:

That information is contained in [Exhibit C](#), following the tab labeled "Question #12, Merit and Vacancies."

ASSEMBLYWOMAN BUCKLEY:

I am concerned the changes you describe in enrollment are different than the normal fluctuations hold harmless was originally intended to cover. If we are seeing more permanent shifts, that should change how the hold-harmless provision is written.

MR. KLAICH:

We agree with that assessment. We are entering a less volatile period. You have raised an appropriate question which we will research.

ASSEMBLYMAN MARVEL:

What is the dollar amount in savings because of the vacancies?

MR. KLAICH:

We do not know the answer to that, but we will get that information to you.

SENATOR CEGAVSKE:

I did receive the report titled "Nevada System of Higher Education, Utilization of Instructional Space" dated Fall 2005 ([Exhibit D](#), original is on file in the Research Library). Copies will be distributed to all the Subcommittee members.

CHAIR RAGGIO:

Are you going to have to acknowledge there is a situation with the new Nevada State College and the enrollment shift to the state and community colleges? Will you have to make some adjustments in programs and staffing?

DR. ASHLEY:

The change in GPA requirements has had an impact. In two years, there will be an additional increase in the GPA requirement. We expect the shift of students to Nevada State College to continue. Because of the dramatic population growth, our enrollment will be increasing, but at a lower rate than we have experienced historically. Nevada State College will take up a significant portion of the enrollment.

CHAIR RAGGIO:

This would also apply to the UNR. Although there is not a state college in Reno, there are community college programs which are now taking over some of those courses.

MILTON D. GLICK, PH.D. (President, University of Nevada, Reno, Nevada System of Higher Education):

Dr. Ashley and Mr. Klaich did a good job of explaining the changes in enrollment. I would like to respond to your question about what we expect in the future and why I am optimistic about not coming back for hold harmless. We anticipate continuing growth of the population. We all agree not enough of Nevada's high school graduates are going to college. There is a substantial pool of qualified students who should be going to college, and it is our responsibility to help them get there. While Nevada State College has a greater impact on the UNLV than it does on the UNR, it has some impact on the UNR because Las Vegas is a resource for us and one that should be even larger in the future.

If we do nothing, the UNR will grow about one percent next year. That is small compared to the past growth. As I explored the university the past six months, I found there is not a culture of completion. Too many of our students are not returning for their second, third or fourth year. Many of our students are not taking what I consider a full load. This means we have fewer FTEs, and the students are taking too long to graduate. This is something we can remedy.

I have asked the vice presidents and deans of the colleges how they can help increase the retention and graduation rates and shorten the time to graduation. These actions, combined with increased recruitment efforts which are already under way, mean we will not be back to you in two years with this same problem if you can help us through this period.

CHAIR RAGGIO:

The growth in hold harmless is significant. When will we have the final enrollment figures for FY 2006-2007? Will that information be available for our April 12, 2007, meeting?

MR. KLAICH:

Yes, it will.

CHAIR RAGGIO:

There will have to be a plan for dealing with this because it will become exacerbated if it continues. As a result of this, I understand you will lose about \$12 million in tuition fees, and that is added to the hold harmless.

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MR. KLAICH:

Our staffs have estimated those numbers to be in the high \$11 million range and we agree with the preliminary estimates.

CHAIR RAGGIO:

How do we deal with that?

MR. KLAICH:

Financial planning between the NSHE and the Legislature in a thoughtful way to address these issues so we can all live with them in the future is an appropriate avenue.

CHAIR RAGGIO:

When you bring the information to the Joint Subcommittee in April, you should have a plan as to how you are going to deal with this, with regard to staff and programs. One of the questions would be whether you are going to continue the new programs in the institutions affected by these issues. You may have to make some tough choices.

MR. KLAICH:

I cannot sit in front of you acknowledging the tough choices all of you have to make and not acknowledge we would have to do the same thing.

We appreciate the opportunity to bring a plan to you rather than vice versa. I would like to add to Dr. Glick's testimony with respect to Nevada State College. Nevada State College enters into partnerships in a "two-plus-two" program with all of our community colleges which utilize their facilities, including community colleges in the northern part of the State. This is also responsive to Senator Cegavske's continuing concern regarding space utilization.

SENATOR COFFIN:

What date are you cutting off enrollment for the fall semester? Last year, Dr. Ashley's predecessor cut off enrollment in February. This was a disaster because it was more likely a student would go to the community college or some other location. I would like to know if you are going to cut off enrollment before April 12.

DR. ASHLEY:

The UNLV still had a February cutoff date, but it was more flexible. Over 3,000 applications came in after that date which we continued to honor. We are still looking at those as applicants to the UNLV.

DR. GLICK:

I am not aware of what the UNR did last year. My position is we will have a date by which we will guarantee admission in classes, but I do not intend to cut off enrollment as long as we have room. Applicants will be encouraged to make their decisions early because it will get them a better class load and it will allow us to plan better. There will not be an arbitrary cutoff date.

SENATOR COFFIN:

Obviously, something went wrong at the UNLV which skewed these figures. If there have been 3,000 applicants since the February date set last year, there is no telling where the numbers might have been. We have to be careful not to act based on the past numbers, as something may have happened to mess up our enrollment figures. Also, doing it once leaves the impression with students they have to apply by February, and they go elsewhere.

Recently, the Association of Governing Boards of Universities and Colleges generated a report on the cost of higher education. It is fascinating how ignorant the trustees and regents are of the costs incurred by the people who run the universities and how little sharing of information and knowledge there is between those who work for the regents and those who run the universities. The author of the report is Ms. Jane V. Wellman. She breaks down the costs and the ignorance of costs in the university culture into three areas. I would like copies of this report made available and would recommend the Subcommittee members read the report.

MR. KLAICH:

We will provide that information to the Subcommittee.

CHAIR RAGGIO:

Next, we will discuss the fee and tuition increases, what is being proposed, how they compare with other institutions and the allocation of the tuition increases.

MR. KLAICH:

Mr. Miles will go through the numbers with you, and then I will address the other issues you have raised.

DANIEL G. MILES (Nevada System of Higher Education):

On page 23 of [Exhibit C](#), following the tab labeled "Question #8, Retained Fees," there is a schedule which depicts the student fees, the increases and the distribution of those increases for all of our institutions at both the undergraduate and graduate level and upper and lower divisions of our community colleges. The first set of columns on the left are the fee levels in the current year which were set over two years ago. The next columns are FY 2007-2008 and FY 2008-2009. They reflect the distribution of the incremental increase. The final columns show the results of the old fee plus the increment and what the new fee will be for FY 2007-2008 and FY 2008-2009. All of the fees we deal with, a portion of which becomes a revenue to the State-supported budget, are depicted in the schedules on pages 23 and 24 of [Exhibit C](#).

CHAIR RAGGIO:

The information provided by staff indicates in FY 2006-2007, the per-credit fee for undergraduates at the university level is \$105.25. At the community colleges, the fee is \$52.50 per credit. In FY 1998-1999, the fee was \$69 per credit for undergraduates at the university and \$39.50 at the community colleges. In subsequent years, there were regular increases in the area of 3.5 percent. In FY 2003-2004, recognizing our fees were low by comparison with others, you began raising the fees about 7 percent. The fees

projected for FY 2007-2008 are \$116.75 per credit for undergraduates at the university and \$54.75 for the community college. The proposed fees for FY 2008-2009 are \$129.50 at the university and \$57.25 at the community college. In the ten-year period of time between 1999 to 2009, there was an 87.7 percent fee increase for the university undergraduates and a little under 45 percent for the community colleges. Are the proposed fees comparable to peer institutions? We have been told our fees are low compared to similar institutions.

MR. KLAICH:

The Board of Regents has a policy to review tuition fees biennially. That is submitted to you as part of our budget. We look at Western Interstate Commission for Higher Education (WICHE) peer institutions, take their fees and aim to the median of those fees with a three-year lag. This keeps Nevada a low-fee state.

CHAIR RAGGIO:

In some conversations, Subcommittee members have been told there is no incentive to raise fees because you do not get to keep all of the fee increases. Is that a valid comment? Is there a reluctance to increase fees to more of an average level?

MR. KLAICH:

The answer to your question is "yes." It is a valid analysis.

CHAIR RAGGIO:

Do you not consider that the money which goes to the State comes back to the NSHE?

MR. KLAICH:

No, absolutely not. Raising tuition and fees is a tricky political process for us and for the Board of Regents. It involves the students as well as the Board of Regents and the Legislature. The Board enjoys listening to students more than to its paid staff. If you add the tuition and fees allocated to the General Fund to the fees allocated to student access dollars to ensure access to those who could not otherwise attend our institutions, we end up spending the entire fee increase. That leaves students, to whom we are appealing to assist us in getting the Board to raise fees, wondering what they get. When I answered yes to your question about the incentive to raise fees, that was the philosophy to which I was referring. We have not been able to effectively ask students, in a way based on the old tuition-allocation policy, how we can get something to them.

Chancellor Rogers has raised with the Board of Regents the issue of whether we are low- or high-tuition institutions. There is a legitimate distinction between the two universities and the community colleges. In your recounting of the tuition increases, you noted the disparity in the percentage increase between fees at the community colleges and at the two universities. We are the only institution of public higher education in the State of Nevada and it is critical access be honored. The front lines of access are always going to be our community colleges and, to a lesser extent, the Nevada State College. It is unlikely the Board of Regents will adopt a high-tuition policy for the community colleges because we have to guarantee that access.

CHAIR RAGGIO:

What would you do if State funding is not available because of spending caps or some other reason? Would you continue to keep tuition fees below what is normal or average?

MR. KLAICH:

The Board has come to the understanding, and it is the opinion of the Chancellor, that a low-tuition model does not do anyone any good. It does not do any good for those persons at the bottom of the scale who need our help with access. We would like to engage the Legislature in a discussion that would allow us to adopt a higher-tuition model.

CHAIR RAGGIO:

You will also have to make some changes in your expenditures. You cannot implement one without the other. That is why I suggested you develop a plan.

Let us talk about the Letter of Intent. Is there a reason why you do not want to conform to the Letter of Intent? We indicated if your level of allocation fell below the 2005-2007 biennium level, the State would not provide support. Your proposed distribution at the graduate level falls from 69.4 percent to 62.3 percent. For university undergraduates, the distribution falls from 64.5 percent to 59.7 percent. In all cases, there is a 4- or 5-percent reduction in your allocation of tuition to the State-supported budget. We warned you that if the allocations went below those levels, you would run the risk of the State not providing funding.

Yesterday, we heard a proposal in another committee to again put to the voters the issue of whether regents in this State should be appointed rather than elected. We are the only state in the nation which elects regents. I think we have some good regents, but there is, in many cases, a disconnect in what occurs with an elected board without any oversight from the Legislature. Here is an example of where we have, over a period of time, suggested some conformity and it is ignored or disregarded. I am not trying to be caustic, but it is troublesome. We have other funding responsibilities besides higher education and it is a significant part of our budgets. When we send out a Letter of Intent, it is not meant to be ignored. We are willing to listen to reasons why it is being ignored, but you need to know it is a concern.

MR. KLAICH:

I fully understand. Your comments put in focus there are members of this Subcommittee who believe the actions of the Board of Regents, with respect to tuition and fee allocations, are an act of disrespect to this Legislature.

CHAIR RAGGIO:

I did not say "disrespect," I said "disconnect."

MR. KLAICH:

I did not attribute that word to the Chairman. It would be inappropriate for one elected body to show that kind of disrespect to another, and, to the extent that is the feeling, I am here to express deep regret. There are reasons we can have a constructive discussion about this that does not have to end in words like either disrespect or disconnect.

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CHAIR RAGGIO:

The difference would be \$12.7 million which would go to State-supported funding.

ASSEMBLYWOMAN BUCKLEY:

Did the Board of Regents discuss the Letter of Intent when determining the fee retention policy?

MR. KLAICH:

Yes, we did.

ASSEMBLYWOMAN BUCKLEY:

I would object to moving to a discussion of why you think the Letter of Intent is wrong. When the Chairs of the two money committees lay down the manner in which they want the university system to develop its policies, the university system has a choice to either listen or not to listen. If you choose not to listen, and you expect to come back in and ask for money, our response has to be no. Why else would we issue a Letter of Intent, which is rarely done, if your response is just going to be to ignore it? To reargue the facts is inappropriate. The decision has already been made.

CHAIR RAGGIO:

The Letter of Intent indicated there was a likelihood we would not fund that amount if you did not conform. We need to understand you are aware of that and how we should deal with it.

MR. KLAICH:

If you look at a longer period of time, the support given to the General Fund by student fees has remained level. That is not consistent with the wording of the Letter of Intent and I do not mean to say it is. The dollars guaranteed to the General Fund and allocated in our tuition increases to support the General Fund show a consistent increase.

In addition to Assemblywoman Buckley's comments, with which I can find no fault, I think we are here for two specific reasons. Last Session, we had an extraordinary allocation of fees to the General Fund that were low in one particular category. I think we asked for the Letter of Intent and you gave it to us.

In addition to that, over the last two biennia, we have had high percentage increases, particularly at the two universities. While the gross dollars dedicated to the General Fund have increased, we could have had lower increases and dedicated them to the General Fund and you actually would have had fewer dollars. However, we had higher percentage increases, increased the gross dollars to the General Fund and, in doing so, we fell below the wording of the Letter of Intent.

The Committee to Evaluate Higher Education Programs formed by A.B. No. 203 of the 72nd Session recommended a follow-up study to provide for a review of the finances of the NSHE by the Legislature and the NSHE. We had hoped that recommendation would be enacted. A bill was introduced last Session, but it did not pass. It would have afforded us the opportunity to do the planning with

respect to expenditures, hold harmless, enrollment trends, tuition and tuition policy. Unfortunately, we did not have that opportunity, and we are sitting here today bearing the consequences of the lack of that discussion. We would still like to engage in that discussion, and we would like to have rational policies for the future of the State and the future of the NSHE.

CHAIR RAGGIO:

Next, we will go to the iNtegrate project. Senate Bill (S.B.) 192 has been introduced for this onetime appropriation of \$10 million. This is a multi-phased system with a total cost estimated at \$92 million. What will this system replace? This is addressed following the tab labeled "Question #17, iNtegrate" in [Exhibit C](#).

SENATE BILL 192: Makes an appropriation to the Nevada System of Higher Education to fund the integration of computing resources. (BDR S-1209)

JANE A. NICHOLS, ED.D. (Vice Chancellor, Academic and Student Affairs, System Administration Office, Nevada System of Higher Education):

We are in a situation where we have to do something. If you look at what is available online for our students and staff, we are way behind the rest of the world. More than that, our current Student Information System (SIS) will not continue to function. Either a lot has to be invested in maintaining SIS or we must have a new technology at the universities and colleges. We have issued a Request for Proposal (RFP) for software that would allow students, faculty, advisors and staff to have a portal access where they can log on and, with their identification number and password, have access to all of their records at all of the institutions. Students could make more informed decisions on what to take and when to take it. For the first time, we could have waiting lists for classes. Advisors would have access to student records. It would allow us to do business a thousand times better to help the students.

There is currently a Board of Regents ad hoc Technology Committee. The presidents have come together and are leading this effort because they say it is essential. They want to do the student services module first, followed by finance and human resources. We want to accomplish this as inexpensively as possible. We will look at all of our policies and get as much commonality as we can across all the institutions. The more we have to add on to the basic system, the more expensive it is. We are going to look at all of our policies and see if we can get a good system that serves all institutions with only a few essential differences. The process is going to be taking place over the next few months.

At their meeting this week, the Technology Committee approved the picture of what this system for students will look like. It will be before the Board of Regents for approval next week. We would be glad to provide that picture to you so you can get a sense of what would change for us and the students if we are able to move forward on this.

CHAIR RAGGIO:

What is the phasing of this project?

MR. KLAICH:

Two RFPs were originally prepared and we have selected the final RFP. Two software vendors have responded. One of the software vendors has responded with two implementers. We are currently in negotiations with each of the responders. It is our intent to use the negotiations to get the price as low as we possibly can. We are currently finishing an addendum to the RFP as a result of work done by Dr. Nichols and the student affairs officers throughout the system to have the vendors fine-tune their responses. We would hope to have a vendor selected this spring.

CHAIR RAGGIO:

This request is for \$10 million from the General Fund and you are adding \$15 million from other sources. What is that source?

MR. KLAICH:

The \$15 million added to the recommended appropriation from the Governor is from undistributed operating income which would otherwise go to the campuses.

CHAIR RAGGIO:

Is the total cost \$25 million?

MR. KLAICH:

That is what we have identified to date.

CHAIR RAGGIO:

What part of that is staffing?

MR. KLAICH:

There will be hardware costs, software costs and staffing costs which we have tried to identify as best we can.

CHAIR RAGGIO:

Is the annual staffing cost approximately \$6.8 million?

MR. KLAICH:

That is the figure we have given you at this time.

CHAIR RAGGIO:

Can some of the staff for your present system be utilized for this in the future? What is going to happen to the old system?

MR. KLAICH:

There will be a period of time when we have to run parallel tracks as the old system runs down and the new system ramps up. It is our intent to utilize current staffing on the system once it is up and running. There is a possibility we could outsource this service. Staff has been directed to see if we can save money by outsourcing some of these services.

CHAIR RAGGIO:

You indicated funding from the institutions is coming from what you term the operating capital investments. Some of that is State money.

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MR. KLAICH:
That is correct.

CHAIR RAGGIO:
You get interest on the State's money. Is any of that being used for this purpose?

MR. MILES:
The answer to that question is on page 137 of [Exhibit C](#). We have also provided a schedule on page 142 of [Exhibit C](#).

CHAIR RAGGIO:
Does that answer the question?

MR. MILES:
Our answer to the question was this schedule depicts the maximum amount of money under any circumstances which could be construed as State money within the reserve pool, which at January 31, 2007, was \$33 million. Based upon the ratio of the State accounts versus the self-supporting accounts within the system, a maximum of \$7.7 million could be State money. In our response, we also pointed out we do not believe that number is anywhere close to the amount of money generated by State money within our operating reserve. It has to do with the nature of the investment portfolio. We did not know this was going to be an issue. A couple of days ago we started looking at it and it is intuitive that \$7.7 million is too high in terms of what money would have been generated by the State appropriation we have invested.

CHAIR ARBERRY:
Why have you chosen this system? Is there a less expensive system available based on the number of students? Have we compared it to another state or university system? Why is this particular system going to cost us \$92 million?

MR. KLAICH:
We have undertaken extensive research and put the project out to competitive bid. The review team for this project has visited a number of other states and systems. The executive vice president and chief information officer of the California State University System have been here. The unfortunate but most straightforward answer to your question is, for a system of our size and complexity, this is what it costs over time. What we have proposed to you, and what we indicated to staff in our responses, is these are modular-type systems which integrate into one another and they all have three basic components. One is the student services module Vice Chancellor Nichols described. There are follow-on financial and human resource modules. We have not brought to you any request for the follow-on modules, which we would hope to be able to do at some time.

CHAIR ARBERRY:
Is any other university using this system?

MR. KLAICH:
Every system we are looking at is in place in another institution of higher education. There are few systems of higher education like the NSHE that

incorporate research institutions, baccalaureate-degree institutions, a technical Desert Research Institute (DRI) and comprehensive community colleges. One of the difficulties faced by Dr. Nichols' committee was recognizing the differences and similarities among our institutions. We want to minimize having to customize the software but recognize we have eight different institutions.

CHAIR ARBERRY:

The \$92 million cost is in today's dollars. How long is it going to take to put this system in place and how much is it going to cost future Legislatures when you get to the end of this project? Has that been considered?

MR. KLAICH:

The \$92 million is our best estimate in today's dollars. We know you cannot commit the next Legislature; therefore, we do not know if we will be able to implement future modules.

CHAIR ARBERRY:

What happens if this Legislature does not approve the one-shot \$10 million? Where will you get the \$10 million?

MR. KLAICH:

This was discussed last week at the Technology Committee meeting at which time I outlined a number of options. The first option is the project is over. The second option is we implement the student services module at some of our institutions, taking our money as far as we can. The third option is we raise student fees specifically for this purpose. The fourth option is we look at our current budget for system computing services to determine if we can pull any of the current staff positions into supporting this budget and allocate additional funds in that manner. Another option would be to go with a different version instead of student services. The last option would be to look at the undistributed operating income to see if there are any additional funds which could be allocated to this project.

CHAIR ARBERRY:

Is there a possible backup plan for upgrading the existing system? The reason I am asking these questions is we had a project called Nevada Operations of Multi-Automated Data System (NOMADS) which started out at \$13 million. Before it was over, NOMADS cost over \$100 million. That is why I have asked if the system has been implemented in other universities. This sounds like another NOMADS and future Legislatures are not going to be aware of this history. If we approve the \$10 million, in the future the NSHE will go before the Interim Finance Committee or the Legislature to continue funding the system which could end up costing much more than \$92 million.

MR. KLAICH:

Those are questions we have to ask ourselves. We are looking at a modular add-on process. We are here today asking for the first module, with no commitment for the follow-on modules. The vendors who have responded to our RFP are Sungard Banner and Oracle PeopleSoft. They are the leaders in the field of higher education throughout the country and their references check out. We have not yet spent any money. The Technology Committee is just as cautious as you are about this project.

CHAIR ARBERRY:

When the NOMADS project was finally completed, it was ten years behind in technology. What will you do to make sure this project is not behind as you phase it in over the years?

MR. KLAICH:

We understand we are going to make an ongoing commitment. The vendors have told us there will be upgrades.

CHAIR ARBERRY:

Are the upgrades built into the cost of the project?

MR. KLAICH:

We have the opportunity to negotiate that as part of our RFP process. We are sensitive to including the upgrades in our negotiations.

ASSEMBLYWOMAN SMITH:

In a hearing yesterday, we had input from the Department of Education about their System for Accountability Information in Nevada (SAIN). They were asking for a few hundred thousand dollars to get a student information system a little farther down the road. It troubles me to be talking about \$300,000 one day and \$10 million the next day for this system. There is a need to connect the K-12 system to the higher education system for tracking students, student achievement and remediation issues and doing a better job of following the Millennium scholars. How will this system interface with the SAIN system and what we are trying to accomplish?

DR. NICHOLS:

The student services module will enable us to establish a data system and a level of accountability we have not been able to have before, where we can access campus data statewide on an ongoing basis for accurate real time consistent data. The 2005 high-school graduating class is now part of our data system for tracking students. We have had a data exchange with the Nevada Department of Education. I hope you will fund the upgrade of their system. We are dependent upon the quality of that system to have good data for the students who come to our institutions from Nevada high schools. That system currently does not include some of the data we need. That is important to us as we try to build a more effective system.

One of the reasons for the difference in cost of the two systems is the system the NSHE is considering includes not only a data warehouse, but also an interactive integrated software system. The Department of Education system does not have that depth.

MR. KLAICH:

Chair Arberry asked what the NSHE would do if the funds were not approved for this project. We are currently operating on a Legacy system. We would maintain that system as long as we can. The Legacy system is on hardware and software programs the vendors will quit supporting because they will have new products. If funds are not available, we will maintain and upgrade our Legacy systems as long as possible.

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CHAIR RAGGIO:

The technology keeps changing. Two years from now, there will be something better. There is no guarantee you will not need upgrades. If this is approved, we are aware there will be upgrades.

SENATOR CEGAVSKE:

The technology fee you charge each student is \$4 a credit. Staff estimated you would be receiving about \$7 million from the technology fee. It is not in the State-supported funds. Is that money applied to the \$92 million? What do you do with those funds?

MR. KLAICH:

None of those funds are included in this. We will provide to staff and to the Subcommittee a detailed breakdown of the dollars collected and where they are spent. The general promise we make to students about the technology fee is we will utilize the fee on a current basis to enhance their educational experience with such things as writing labs and mathematic labs.

SENATOR CEGAVSKE:

The technology fees should be used to offset the \$92 million. When you do the percentages in your performance indicators, would you please include the numbers? Why do we not utilize the students to help with technology? We hear about businesses that are trying to hire students before they graduate because there are not enough technical people for all the companies.

CHAIR RAGGIO:

At this time we will take up the issue of the budget amendment involving the Women's Research Institute of Nevada (WRIN). This was a one-shot appropriation which was proposed and passed by A.B. No. 580 of the 73rd Session. It appropriated \$150,000 each year of the biennium to support the WRIN within the UNLV College of Liberal Arts. Please tell us about this program, how the money was used and the necessity, if any, for continuing this funding. The Governor has submitted a budget amendment which proposes just under \$100,000 in FY 2007-2008 and \$112,000 in FY 2008-2009. This was a one-shot appropriation that was not supposed to be continued. Please tell us what you are doing.

DR. ASHLEY:

The WRIN is a source of information and support for policy making as well as educating the public about women's issues. In FY 2005-2006 the expenditures were \$79,000 out of an allocated \$150,000. There was an additional \$28,000 in commitments, leaving a balance of \$42,478. We do not yet have the expenditures for FY 2006-2007. We believe this is an ongoing mission and a resource for the people of Nevada. It serves the needs of information and policy support statewide.

CHAIR RAGGIO:

Please explain the mission of this program.

DR. ASHLEY:

The first goal of the program is to target the information gap on issues impacting women through research and education for use by schools, libraries,

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government policy makers and other public interest groups. It basically serves as a clearinghouse for data.

The second goal is to serve as a liaison among and between educators, policy makers and others concerned with policy issues impacting Nevada, collecting and analyzing information pertinent to women's issues and making that information available in a cogent form for policy makers.

The third goal is to contribute to the public education of the community, creating an awareness about social and economic needs for women to integrate these needs into effective statewide plans.

I would be glad to provide additional documentation as to specific documents, publications and contacts that have taken place over the last two years.

CHAIR RAGGIO:

We would like to see more detail about this and what was accomplished. How many staff members are involved in the WRIN?

DR. ASHLEY:

Our records show there is 0.75 FTE professional staff and 1 FTE classified staff.

CHAIR RAGGIO:

The Subcommittee needs more detail on how the \$300,000 was used.

DR. ASHLEY:

We only have details for FY 2005-2006. Out of the first \$150,000, we have \$42,000 remaining.

ASSEMBLYWOMAN SMITH:

One of the projects sponsored by WRIN is the NEW (National Education for Women) Leadership Nevada program. I have been involved with the program since its inception. It brings young women from all over the State to the UNLV campus where they are mentored about leadership opportunities by talented and successful women from around the State.

CHAIR RAGGIO:

The next subject for discussion is the University of Nevada Health Sciences System (UNHSS).

SENATOR CEGAVSKE:

Would you please provide a copy of the minutes of your meeting with the Board of Regents regarding the nursing plan?

CHAIR RAGGIO:

The Governor has recommended State funding of \$110 million for capital improvements for the UNHSS. We are not discussing capital improvement projects today, but there is no operational funding included in this budget in connection with this project. The NSHE's unfunded request for operating support totals \$73 million. The request for \$2.9 million in operating support for the School of Pharmacy does not include \$3.9 million in onetime equipment and start-up costs.

We need your comments on these proposals. If the capital improvement plan is approved, does the NSHE expect the Legislature to approve \$73 million or more in operating funding during this and future biennia? Will we be able to do that with a spending cap? If we do not commit to the operational funding, will the capital improvement project be completed?

MARCIA TURNER (Interim Vice Chancellor and Chief Operating Officer for the University of Nevada Health Sciences System, System Administration Office, Nevada System of Higher Education):

The NSHE has a budget request for \$73 million for operations. The main components include a significant amount for the University of Nevada School of Medicine (UNSOM) so they can hire faculty to increase their graduate medical-education program. The request includes \$21.3 million for the first phase of a three-phase expansion of the schools of nursing. It also includes \$2.9 million in operations for the School of Pharmacy, \$1.6 million for expansion of the School of Dental Medicine and \$13.1 million for the Nevada Health and Wellness Research Initiatives. This is a number of different multi-professional research initiatives where we are rallying together researchers around issues such as researching methamphetamine treatment protocols and if there are ways we can improve and enhance the treatment of those who are addicted to methamphetamine. The budget request includes a component for infrastructure and integration for the Health Sciences System which is the core administrative functions and some of the key areas to nurture the research and development of programs throughout the eight institutions.

CHAIR RAGGIO:

Will all of that funding be needed during this biennium?

MS. TURNER:

The NSHE has approximately 150 different health science programs throughout the different institutions. As we put together the budget, we tried to look at the areas of greatest need. The physicians and nurses occupy a large portion of the budget request. As public institutions training health care professionals, we looked at where we could expand and enhance our programs to better meet the needs of our students and the community. We have focused on those areas first.

With regard to your question about whether it all has to be done immediately, we can work with the Board of Regents and look at all of the programs. A meeting of the Board of Regents is scheduled for next week and we will be able to talk with them at that time. The \$73 million is the amount the Board of Regents approved, so we need to look at prioritizing or phasing the programs.

CHAIR RAGGIO:

It would be helpful if you would do that and return to the Subcommittee with your analysis.

ASSEMBLYWOMAN BUCKLEY:

Is \$73 million all of the operating funds you are seeking with regard to the expansion or will there be more in future years? We should be clear about what future projects we think are likely to be considered before we approve the capital funds. I will be hard pressed to approve the money for the School of

Pharmacy. It would be helpful if you would break out everything. I understand you are trying to get some campuses and departments to cooperate, integrate and create better quality programs. That is a great idea. What will it cost? What is it going to produce?

What exactly are you going to do to expand the UNSOM? Please emphasize that, because I do not want to get in a position where we approve some capital funds and give you the impression there is a green light for more. Those are the types of things I would like to see at our next meeting.

CHAIR RAGGIO:

We need to enlarge the UNSOM. How many students and residents would be added?

MR. KLAICH:

The answer to your question is none. There are follow-on requests and there is a longer-term plan for the expansion of the UNSOM and graduate medical education. That includes increasing the undergraduate class, which this Legislature authorized taking from 52 to 62 students, up to approximately 100 students. The piece of the expansion you see in this request deals with the growth of the faculty initially dedicated to growing graduate medical education in Nevada which produces the doctors who are going to stay in Nevada. That same faculty will assist us in teaching the undergraduate class. Phase one of this is graduate medical education and training doctors in cooperation with our hospital partners in Nevada.

In response to Assemblywoman Buckley's question, we have budgeted that and we will provide that information so you can see the entire plan for the expansion over a number of biennia.

ASSEMBLYWOMAN BUCKLEY:

If we are not able to fund the future operating costs in any of the categories, how will it affect your request for capital funds?

ASSEMBLYWOMAN GANSERT:

Have you ever looked at how many students you can add on a marginal basis without having to increase your facilities and your staff? How many more students can you add to the programs without having to multiply the number of faculty and add to your buildings?

JOHN A. McDONALD, M.D., PH.D. (Dean, University of Nevada School of Medicine, Nevada System of Higher Education):

We have considered this carefully. We can increase our class size by renovating old facilities as we move into new facilities to expand our Gross Anatomy and our Microbiology Laboratories. The fire code allows us to have 96 students in our classrooms. There will be four students absent on any given day. We can accommodate the lecture needs, but we need additional laboratory space. We have a backup plan to renovate existing space in the UNSOM to add those facilities. The cost would be approximately \$5 million. That is our backup plan.

ASSEMBLYWOMAN GANSERT:

How many students could you add for the \$5 million?

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DR. McDONALD:

That would increase the student body from 62 to 100.

ASSEMBLYWOMAN GANSERT:

Are you saying you could increase the student body to 100 by renovating some facilities at a cost of \$5 million?

DR. McDONALD:

If it were that simple, we would do it quickly. It would entail extensive renovation. Also, instead of having our students taught as a class, we would have to double up on classes. Basically, we would have to run two completely parallel tracks and hire additional faculty.

MS. TURNER:

What is in the budget for capital improvements and the operations budget for this biennium is related to the hiring of faculty so we can accommodate additional students.

CHAIR RAGGIO:

We will get back to the UNHSS after we receive the requested additional information. Next, we will discuss the enhancements. The first one is decision unit E-179, the Workforce Development Grant. This is addressed following the tab labeled "Question #20, Workforce Development" in [Exhibit C](#).

E-179 Increase Non-gaming Business – Page NSHE-4

MR. KLAICH:

This is a collaborative program among the four community colleges in the NSHE.

PHILIP RINGLE, PH.D. (President, Truckee Meadows Community College, Reno, Nevada System of Higher Education):

Although there is not a dramatic unemployment problem in the area served by the TMCC, there is a serious underemployment problem. Because of our robust economy, businesses and industry are in need of skilled workers. On the other hand, many are working at a wage that will not sustain a family. I had the pleasure of working in a state which had similar funding available and have seen the impact of those funds on incumbent worker training, on the development of basic skills prerequisite to workforce training and on the preparation of workers for critical shortages. That training has often been the critical component in the ability of a business to stay competitive, the workers' ability to advance and on the region's ability to attract new business.

At TMCC, we plan on using the available funds, if you approve them, to approach the areas of incumbent worker training, emergent worker training and the development of programs to meet anticipated market needs. In [Exhibit C](#) is a proposed plan for TMCC. In incumbent worker training, we would partner with business and industry to provide customized job training, lean manufacturing technology training, ergonomics and project management among other programs. To meet anticipated needs in program development, we will be developing new programs to meet workforce needs for alternative energy technology, dental lab technicians, product design specialists, engineering and

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other programs. We will address those who are not ready for employment because of a lack of employability skills.

CHAIR RAGGIO:

We will have an opportunity to revisit this at a future meeting. Would each of the campuses proposed to be included in this program provide a line-item budget before our next meeting?

In Washoe County, the Chamber of Commerce has a bill pending in the Senate Finance Committee for a workforce project where businesses will subsidize half the cost. How would that align with your project?

DR. RINGLE:

They match up well. I understand the Chamber of Commerce has asked for funds to create an incentive for industry to offer incumbent worker training with matching funds.

CHAIR RAGGIO:

If that model is available, some of the campuses might wish to review it.

RICHARD CARPENTER, ED.D. (President, Community College of Southern Nevada, Las Vegas, Nevada System of Higher Education):

That is a model with which we are all familiar. Most employers will contract with us to do skills-based specific training. What they expect, though, is basic skills, illiteracy and things of this nature are not their responsibility but are the responsibility of the institution and State. That is where the matching is occurring.

ASSEMBLYWOMAN SMITH:

Yesterday, we heard about the explosive growth of apprenticeship programs. The community colleges work closely with the apprenticeship programs. When you return to the Subcommittee, please bring information about how this plan will coordinate with those programs because their funding is decreasing while their enrollment is increasing.

CHAIR RAGGIO:

Unless there is something further, we will reserve this for another hearing. Let us go to the Medical Risk Management and Malpractice module which is decision unit E-250.

NSHE - University of Nevada - Reno – Budget Page NSHE-19 (Volume I)
Budget Account 101-2980

E-250 Working Environment and Wage – Page NSHE-24

NSHE - School of Medical Sciences – Budget Page NSHE-33 (Volume I)
Budget Account 101-2982

E-250 Working Environment and Wage – Page NSHE-35

NSHE - University of Nevada - Las Vegas – Budget Page NSHE-51 (Volume I)
Budget Account 101-2987

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E-250 Working Environment and Wage – Page NSHE-55

NSHE - Community College of Southern Nevada – Budget Page NSHE-94
(Volume I)
Budget Account 101-3011

E-250 Working Environment and Wage – Page NSHE-98

NSHE - Truckee Meadows Community College – Budget Page NSHE-100
(Volume I)
Budget Account 101-3018

E-250 Working Environment and Wage – Page NSHE-104

NSHE - Nevada State College at Henderson – Budget Page NSHE-105
(Volume I)
Budget Account 101-3005

E-250 Working Environment and Wage – Page NSHE-108

As you know, Senate Bill 66 was passed out of the Senate. That involved the doctrine of sovereign immunity and raised the cap on these actions from \$50,000 to \$100,000. There was no information presented to the committee hearing of any significant cost to the NSHE, but later an unsolicited fiscal note was provided which indicates a high cost to the NSHE. Is the high cost for premiums?

SENATE BILL 66: Increases the amount of damages that may be awarded in certain tort actions brought against a governmental entity or its officers or employees. (BDR 3-120)

MR. KLAICH:

If the NSHE did not submit timely information, we apologize. We will update information as it becomes available. In discussions with our malpractice carrier and advising him of the statute as it went through, we were advised our premiums would about double. The additional premium will be about \$1.1 million.

CHAIR RAGGIO:

It does not seem to follow that by merely raising the amount of damages which can be awarded from \$50,000 to \$100,000 would increase the premium by that much.

MR. KLAICH:

I will look into that because I was also concerned.

The module, recommended in the Governor's budget, would extend medical malpractice coverage to other health care providers within our system. The State currently pays for malpractice insurance within the Medical School, but there are physicians and others in our programs, particularly the dental schools and nursing program, who need to be covered by the medical malpractice

insurance. This is to extend the coverage to those few additional staff members.

In addition, \$120,000 is required for the establishment of a medical risk management and evaluation program. A number of programs can be instituted to help control loss and provide claims-management and risk-management services, all intended to keep premiums low by controlling cost. Currently, the medical malpractice area within the NSHE does not have that capability working on its behalf. It would be money well spent to help control these costs in the future if we establish a risk management program.

CHAIR RAGGIO:

Staff has noted there is a duplication in decision unit M-101 and decision unit E-250 and there may be some reduction in the recommended funding, setting aside the S.B. 66 issue.

M-101 Inflation - Agency Specific – Pages NSHE-20, -52, -95, -101, -106

ASSEMBLYMAN MARVEL:

What has been your history of malpractice litigation?

MR. KLAICH:

I cannot answer that question. I will find out and we will report back to staff the history of incidents and awards.

CHAIR RAGGIO:

If there is nothing further on this issue, let us go to decision unit E-253 which is the institutional support for the Desert Research Institute. The Governor is recommending General Fund appropriations of approximately \$950,000 in fiscal year 2007-2008 and \$960,000 in FY 2008-2009 to fund salary and benefits for three of the positions. The positions were formerly funded through Indirect Cost Recovery (ICR). It is now being suggested these should be funded by the General Fund. Why are you not continuing to fund these with ICR instead of the General Fund?

NSHE - Desert Research Institute – Budget Page NSHE-77 (Volume I)
Budget Account 101-3010

E-253 Working Environment and Wage – Page NSHE-80

STEPHEN G. WELLS, PH.D. (President, Desert Research Institute, Nevada System of Higher Education):

The DRI receives about 1.1 percent of the State funding for the NSHE. Since 1999, the DRI has received a total of \$60 million in State funds. We have leveraged that into about \$227 million in external research funds. We have a robust business model. Since 1999, we have grown 77 percent in our research revenue and almost 89 percent in our total revenue. We have become a more complicated and sophisticated organization. The State has not funded any new administrative positions for vice presidents in DRI since the mid 1980s. Yet, we now have about 500 employees. We are looking for some relief on our indirect costs for this administrative support.

CHAIR RAGGIO:

Do you use the indirect costs for matching grants? What is it used for?

DR. WELLS:

The ICR comes back to us primarily for business operation of our institution. Some of the ICR is reinvested into the institution for new business operations, infrastructure updating and maintaining things on the cutting edge. The faculty at DRI do not have tenure. One way we keep the staff retained in our State as intellectual capital is by updating the laboratories and providing new and expanded space. We typically use ICR for these things. As one example, between 1997 and 1999, we used about \$500,000 to build a program in defense which has netted approximately \$30.5 million between 1999 and 2006.

We are requesting funding of about \$900,000 a year for administrative costs. This would allow us more flexibility for future capital needs and enable us to make a greater investment in our faculty recruitment and new business opportunities. Research sometimes changes on a yearly basis, and we are constantly buying new equipment or redesigning laboratories. We would like to have greater flexibility to reinvest in our institution.

CHAIR RAGGIO:

What is the need for the new positions of chief information officer and administrative assistant?

DR. WELLS:

In 1995, the DRI started on a strategic direction to build a computing and advanced modeling system, as recommended by an external review. About 85 percent of our funding comes from federal sources. Federal funding has increased security requirements for the oversight of our sophisticated systems. An external review listed as their top priority for our institution having someone who oversees the wealth of advanced computing, modeling and visualization we have done and to match federal security requirements.

In addition, we are strategically moving toward blending our administrative and research information technology infrastructure. It was recommended we have someone to provide oversight. The DRI has moved from primarily a field observation laboratory to one which has a significant amount of computing capability. Someone is needed to oversee this sophisticated program. As you heard earlier, the NSHE is moving forward with its statewide implementation of iNtegrate in an effort to upgrade its system. The DRI chief information officer would play a significant role for our institution and the NSHE in that activity. These are the five primary reasons this position is needed.

ASSEMBLYWOMAN BUCKLEY:

The more I learn about the DRI, the more impressed I become. I am not convinced of your need to change the funding from the ICR or the need for the new position. Initially, I thought the position would be more of a public information officer. If you would outline all of those areas and provide it to staff for our next hearing, it would be appreciated.

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DR. WELLS:

We would be happy to do that.

CHAIR RAGGIO:

There being no further comments on this module, we will go on to decision unit E-300 which is the Western Undergraduate Exchange (WUE). Please explain how this is applied, its effect, what is required as a result of the decrease in nonresident tuition and which institutions are being impacted by this program.

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Budget Account 101-2980

E-300 Improve Pupil Achievement – Page NSHE-24

NSHE - University of Nevada - Las Vegas – Budget Page NSHE-51 (Volume I)
Budget Account 101-2987

E-300 Improve Pupil Achievement – Page NSHE-55

DR. NICHOLS:

The Western Interstate Commission for Higher Education (WICHE), which has representatives from 15 western states, decided California would rejoin WICHE for the WUE program. In Nevada, each institution decides whether they will participate in the WUE program. In the WUE program, students can come from other states and get the WUE rate, which is 150 percent of the in-state fees. It is not the only program we have but it is a significant program. Each institution has to assess whether participating in the WICHE WUE program is good for them. Historically, the institutions have decided it is good for them because they get good students from other states they would not otherwise get if they had to pay the nonresident fee which is considerably higher. Also, those students tend to graduate and join the workforce in Nevada.

When California entered this program for the first time, our institutions were caught unaware and unprepared for the one-year deviation. The institutions, particularly the UNR, lost the nonresident fees they were expecting to get from the California students who had historically come to them. Over time, the number of California students will increase with the WUE rate now available to them and this fiscal impact will be a short-term impact. We do not believe we would get more income or revenue through nonresident fees if we did not take the WUE students because many of them would not attend if the WUE program were not available to them.

We have an obvious and glaring discrepancy. Nevada sends 750 students a year to other universities across the country, but we bring in 2,000 more than that for students coming into Nevada. There is a disparity between the amount Nevada citizens are saving and the benefit we are providing to people from other states. We have felt this was a good practice because we have needed the workforce and we have had room in the institutions. No student is accepted as a WUE student in a program that is capped out or would prevent a Nevada student from attending the program. We have a plan in place for this fall at both universities to limit the number of WUE students. The UNLV will be limiting the

number of WUE students by the total number and by the GPA. The UNR will be limiting them by the GPA. We expect to see those numbers start to decrease.

SENATOR RAGGIO:

In decision unit E-300, the proposal is to add \$1.6 million a year to the UNR budget with some nonresident tuition deductions and a little over \$500,000 each year to the UNLV budget. Are those numbers still valid or is there some reduction based on the new revenue projections?

BRIAN M. BURKE (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The \$1.6 million is the amount built into the UNR budget to recognize the impact of the WUE enrollments on the nonresident revenues. There is a current adjustment to that which may be revised when we have the enrollment revisions. The potential reductions to the Governor's recommended amounts are about \$733,000 the first year of the biennium and \$618,000 the second year. It is important to note the amounts identified for the UNLV as a WUE recommendation are actually more of a nonresident revenue adjustment that is not tied to the WUE enrollments.

ASSEMBLYWOMAN BUCKLEY:

This looks like a bad deal all the way around. We have become a net importer. There is a two-thirds imbalance in the number of students. We negotiate with California schools, but we do not get any schools on the University of California system. The NSHE makes a decision which costs General Funds and yet, again, does not consult with the people you want to pay the General Funds to make up the shortfall on a decision which creates a total imbalance. Why is this a good deal? Why would we want to fill in this gap based on what I think is not a good decision in the first place?

DR. NICHOLS:

The decision was not made by the NSHE, it was made by the WICHE commission. The State has three representatives on that commission. The universities were caught unaware, unable to take quick action that would have budgetary implications. I believe WICHE WUE is a good deal for Nevadans. The imbalance has been going on for many years. Many students are coming to Las Vegas from Hawaii. As college graduates, they tend to stay in Nevada and enrich the workforce. However, we agree with you that we have to take a serious look at whether these numbers need to be reduced. Part of that is increasing Nevada students' knowledge of available possibilities for them to go out of state to increase the number of students we are sending out. We will see that number start to increase. Although they are not the University of California, many of the campuses are attractive choices for students and their families which they now will be able to attend at a reasonable rate.

We also have to decrease the number of students coming into Nevada. That is why the institutions are taking a serious look at capping that number. We agree with you that the plan works when there is a better balance of students.

ASSEMBLYWOMAN BUCKLEY:

The NSHE is in charge of how to implement this program. You have already identified ways to ensure there is not an imbalance. The California students are getting a better deal when they get to attend the UNR and the UNLV.

CHAIR RAGGIO:

Next is decision unit E-308, the P-21 counsel and the program of College Goal Sunday. This is the tab labeled "Question #21, College Goal Sunday" in [Exhibit C](#). What is the difference between the P-16 Council and the P-21 Council? For the first time, there is a Bill to formalize the P-16 Council. Would this be an extension of the council to recognize graduate study?

E-308 Improve Pupil Achievement – Page NSHE-4

MR. KLAICH:

The purpose of the bill is to give a formal statutory recognition to the council which has been ad hoc. You have not had the opportunity to appoint members to this council and the current bill would allow that. It would also give us some staff which is in the Governor's recommendation. One of the failures of the council, in addition to the lack of recognition by the Legislature and the structure that is being proposed, is the fact it has had no full-time staff.

CHAIR RAGGIO:

Page 154 of [Exhibit C](#) indicates the use of the proposed funding of \$200,000 a year. Is College Goal Sunday a program presently in existence? How is it funded?

DR. NICHOLS:

College Goal Sunday is an existing program. It has been funded completely with grant funds. We have had a combination of funds from various funding sources which have now run out. It is one day a year at all of our campuses and multiple sites where students are assisted in completing Free Application for Federal Student Aid forms and college application forms.

CHAIR RAGGIO:

What kind of participation have you had historically in College Goal Sunday?

DR. NICHOLS:

We have had growing participation, although this year the participation dropped. We are researching the reason for the decreased participation.

CHAIR RAGGIO:

Where are the events held?

DR. NICHOLS:

The events are primarily held on our campuses, although in some cases they are held at off-campus sites. We are considering moving the event to Saturdays because we are getting feedback from high-school seniors that Sunday is a family day and not a good day to expect them to come to these events.

ASSEMBLYWOMAN SMITH:

I have served on the council for a period of time and I support the concept. I am in favor of bringing it into the Legislative realm so its value is recognized and we can support it. We have struggled with how to make the council productive at the 16 level, let alone going farther. My other comment is about the preschool side. We hear a lot about the value of early childhood education. The adequacy study we just completed talked a lot about preschool, but we are having a hard time getting consensus on kindergarten. We are a P-16 Council, but we never talk about the preschool part of it. We need to talk about that early childhood education piece.

SENATOR CEGAVSKE:

In the State of Nevada, we have several early childhood programs for children with disabilities and special education. We did not want to leave out any group of students, even if it is a small group. It is important to encompass every education group. In K-12, they do their own thing every two years and higher education does theirs. Nobody is working together and collaborating on how to make the transition from high school to college. The purpose of the council was to ensure there was a seamless way, starting at the preschool level, to transition students through the education system.

CHAIR RAGGIO:

At this time, we will go to decision unit E-325 which is the recommended funding for faculty, staff and operating costs for the chronic fatigue syndrome. This is addressed following the tab labeled "Question #22, Chronic Fatigue" in [Exhibit C](#). I understand the UNSOM questions whether this should be funded through the UNSOM or be a direct appropriation to the National Chronic Fatigue Syndrome Institute.

NSHE - School of Medical Sciences – Budget Page NSHE-33 (Volume I)
Budget Account 101-2982

E-325 Services at Level Closest to People – Page NSHE-36

MR. KLAICH:

Mrs. Annette Whittemore, who is the Chair of the Whittemore Peterson Institute, is unable to be here today.

CHAIR RAGGIO:

We will reserve this decision unit to a future meeting.

Next, is decision unit E-350. This is the groundwater study for the DRI. Last Session, we granted \$1 million to the DRI for equipment. The Subcommittee needs a report on the utilization of that funding. This is addressed following the tab labeled "Question #23, Groundwater Study" in [Exhibit C](#).

NSHE - Desert Research Institute – Budget Page NSHE-77 (Volume I)
Budget Account 101-3010

E-350 Environmental Policies and Programs – Page NSHE-81

DR. WELLS:

With me today is Dr. James Thomas, from the DRI, who runs this program. The purchase of equipment funded last session has been completed. The Governor's recommendation includes \$1 million a year to undertake an assessment of groundwater basins in key areas of the State.

JAMES M. THOMAS, PH.D. (Associate Research Professor, Executive Director, Center for Watersheds and Environmental Sustainability, Desert Research Institute, Nevada System of Higher Education):

There is a detailed list of the equipment we purchased with the appropriation from the 2005 Legislative Session on page 163 of [Exhibit C](#). In [Exhibit C](#), we have also detailed the activities proposed to be undertaken in conjunction and collaboration with the Office of the State Engineer. Also included is a two-year program showing how the equipment would be used in the projects.

CHAIR RAGGIO:

Does the \$2 million accommodate the participation of the Office of the State Engineer?

DR. THOMAS:

That accommodates their participation as well. Most of the money will go to the DRI to provide the research, but some funding will be retained by the Office of the State Engineer.

CHAIR RAGGIO:

Do you anticipate having any non-state funding for this purpose?

DR. THOMAS:

The Office of the State Engineer is going to keep a separate, State account which will be funded by people who are interested in developing water resources. The Office of the State Engineer will provide funding to DRI from that account for the research they believe is needed to answer questions.

CHAIR RAGGIO:

This is one of the more important issues facing the State with its growth and development. The State has not had an accurate inventory for decades. With the modern technology, there are means to better assess the inventory of groundwater throughout the State. Do you envision this will be a comprehensive, up-to-date study with some degree of accuracy?

DR. WELLS:

This process will probably take several years. The last inventory was conducted from the mid-1960s to the early 1970s. We are working closely with the Office of the State Engineer who will set the priorities so the money is utilized most effectively for the greatest needs of the State.

CHAIR RAGGIO:

Where will you get the matching grants?

DR. WELLS:

Many times, private industry will have an interest in providing support for this. As Dr. Thomas pointed out, that money would go to the Office of the State

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Engineer, so there would be no impact on our activities and no question we are providing unbiased data.

CHAIR RAGGIO:

Will it be an objective study if you are getting money from outside interests and developers? Can you still be objective?

DR. WELLS:

Yes. We are known, not only in the State, but nationally and internationally, for unbiased science. The way this has been set up with the funds going through the Office of the State Engineer and not directly to the DRI is another key step in giving us unbiased protection.

ASSEMBLYMAN MARVEL:

Do you work with the U.S. Geological Survey (USGS)? In the past, our Committee on Public Lands has funded the USGS for this type of water study.

DR. WELLS:

Dr. Thomas came to us from the USGS. He could tell you about some of the work we do in collaboration with the USGS, or we could provide it to you later if you would like to see the results of some of those collaborations.

DR. THOMAS:

One good example of that collaboration is the Basin and Range Carbonate Aquifer System Study. That is a collaborative study with the USGS and the DRI. A summary report is coming out June 1, 2007.

SENATOR MATHEWS:

There was a recommendation the water rights in freeway rights-of-way be inventoried and sold to improve transportation.

DR. WELLS:

That recommendation came from the Transportation Working Group.

SENATOR MATHEWS:

Were you involved with that?

DR. WELLS:

No, I was not. I have spoken to Mr. Allen Biaggi, Director of the State Department of Conservation and Natural Resources. He said there may be minor amounts of water rights, but there is currently no directive for us to inventory them.

SENATOR CEGAVSKE:

In one of our other budget hearings, we heard about arsenic in the water. Is that something you are considering? We are paying a lot to have that evaluated for the prisons on a regular basis. Is that something which can be done while you are testing the water?

DR. THOMAS:

This Legislation was specifically for an inventory of amounts of water. Many DRI researchers have worked on arsenic problems. It is something we could

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certainly include in our analysis of the amount of water. That is the prerogative of the Legislature.

CHAIR RAGGIO:

The Subcommittee has received a handout titled "Nevada System of Higher Education, Senate Finance/Assembly Ways and Means, Subcommittee on Higher Education and Capital Improvements, March 9, 2007" ([Exhibit E](#), the original is on file in the Research Library). Is that for your next hearing?

MR. KLAICH:

[Exhibit E](#) is a compilation of material you have asked for in the past. Our staffs have put this additional information together for you.

CHAIR RAGGIO:

We appreciate your involvement today before this Subcommittee. Please do not take our questions necessarily as the position we are taking but as necessary to get full information. We appreciate the fact you have been willing to be complete on all of these questions and answer them with candor. At our next meeting, we will add to the agenda the items we were not able to cover today.

MR. KLAICH:

We would like to thank the committee for their questions and their candor. We appreciate every question.

CHAIR RAGGIO:

There being no further business and no comments from the audience, the meeting is adjourned at 10:59 a.m.

RESPECTFULLY SUBMITTED:

Anne Vorderbruggen,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____

Assemblyman Morse Arberry Jr., Chair

DATE: _____