

**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 23, 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 8:04 a.m. on Friday, March 23, 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 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

SENATE SUBCOMMITTEE MEMBERS ABSENT:

Senator Barbara K. Cegavske (Excused)

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
Annette Whittemore, Founding Director, Whittemore Peterson Institute
Milton D. Glick, Ph.D., President, University of Nevada, Reno, Nevada System of Higher Education
Gerry Bomotti, Senior Vice President, Finance and Business, University of Nevada, Las Vegas
Jane A. Nichols, Ed.D., Vice Chancellor, Academic and Student Affairs, System Administration Office, Nevada System of Higher Education
Carl Diekhans, Vice President, Administrative Services, Great Basin College
Daniel G. Miles, Nevada System of Higher Education

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Carol Lucey, Ph.D., President, Western Nevada Community College, Carson City, Nevada System of Higher Education
Jim Rogers, Chancellor, System Administration Office, Nevada System of Higher Education
Fred Maryanski, Ph.D., President, Nevada State College, Henderson, Nevada System of Higher Education
Stephen G. Wells, Ph.D., President, Desert Research Institute, Nevada System of Higher Education
Cleve McDaniel, Ph.D., Senior Vice President for Finance and Administration, Desert Research Institute
Patricia Charlton Dayar, Vice President of Finance and Budget, Community College of Southern Nevada
Bruce Shively, Assistant Vice President, Planning, Budget and Analysis, University of Nevada, Reno
John A. McDonald, M.D., Ph.D., Dean, University of Nevada School of Medicine
Vince E. Johnson, Fiscal Officer, University of Nevada School of Medicine

CHAIR RAGGIO:

The Nevada System of Higher Education (NSHE) has been provided a list of the items the Subcommittee wishes to cover at this meeting.

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

At the Subcommittee meeting of March 9, 2007, testimony regarding the Chronic Fatigue Syndrome (CFS) was delayed to this meeting to allow for the attendance of Mrs. Annette Whittemore, the founding director of the Whittemore Peterson Institute for Neuro-Immune Disease.

EDUCATION

NSHE

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

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

ANNETTE WHITTEMORE (Founding Director, Whittemore Peterson Institute):

I am pleased to be here to give you a brief update of our work and progress and to answer any questions you have about the budget proposal before you. Many of you attended either our recent Legislative reception or the groundbreaking for the new facility at the University of Nevada School of Medicine (UNSOM). Your support is making the new Center for Molecular Medicine complex possible and has advanced its unique collaboration among the Whittemore Peterson Institute, the UNSOM and the Nevada Cancer Institute. Our portion of the building will include space for patient evaluation, treatment, patient support, counseling and basic research laboratories to aid in the discovery of novel biomarkers of disease. These biomarkers will be used to help define more effective treatments and may result in intellectual property rights which can bring funds to support the work at the institute and the university.

In addition, we will continue the important work of outreach and education of patients, physicians and medical students through seminars, think tanks and conferences. In addition to the \$2.5 million provided by the Legislature last Session, our family is donating \$5 million to the institute. We will continue our fund-raising and grant-writing efforts. Last fall, we raised over \$300,000 at our annual fund-raising event in Reno. That money has supported critical research with the National Cancer Institute and other projects which will help delineate the immune abnormalities and underlying causes of CFS. The proposed budget provides operational funding for the institute in the amount of \$400,000 in fiscal year (FY) 2007-2008 and \$600,000 in FY 2008-2009. This will help fund the cost of personnel, supplies and equipment needed to begin to build a comprehensive program for research and clinical care of patients.

Our staff consists of Medical Director Dr. Daniel Peterson, Research Director Dr. Judy Mikovits and Dr. Nancy Klimas, an immunologist from the University of Miami and an expert in CFS. A post-doctoral student from the University of Nevada, Reno (UNR) is also part of our research team. This team brings years of experience in their respective fields and represents the first comprehensive medical and research center of excellence of its type in this country. Together, they are currently seeing thousands of patients, are engaged in numerous drug trials and research projects and are collaborating with other research professionals in several countries. Our team is also working with their counterparts at the UNSOM regarding collaborations and partnerships. These joint efforts represent the best use of our public and private resources to maximum advantage. We continue to work with our federal delegation, the national institutes of health and other sources to expand our funding and research capacity.

I know you expect us to do our part to be sustainable. We take that charge seriously and will continue to lend support to the operation and research. The strengths of this partnership will allow each of us to do things we could never have done alone to help the people of this State. We welcome this responsibility. It is an opportunity we can never take for granted. Millions of Americans suffer from neuro-immune diseases such as CFS, atypical multiple sclerosis, fibromyalgia, Gulf War syndrome and other debilitating neuro-inflammatory conditions. New research shows links between these neuro-immune diseases and autism. With your support, we can continue to research the important links by adding autistic patients to our research base. We have already begun that work. It is time the underlying causes of these disabling diseases are uncovered so we can begin to cure and, ultimately, prevent chronic suffering and disability.

What is the cost to our community and State if we choose not to fund this project? According to a recent study done by the Centers for Disease Control, approximately one in every 300 Americans has CFS. Most of these patients remain without adequate medical care. It is estimated 5,000 to 8,000 Nevada citizens have CFS. At \$20,000 a year in lost wages and productivity, the total amount in our State is over \$100 million each year. This amount does not include medical or disability costs incurred by the State and individual families. It also does not include the other diseases I mentioned such as fibromyalgia or autism. Despite the vast number of patients, few doctors have been trained in the treatment of these diseases. None of these significantly alter the course, or,

ultimately, the outcome of these illnesses. Through our work in this partnership, we will help educate new health care professionals in the diagnosis and treatment of these diseases, thereby expanding access to care.

Our goal is to research causes and provide effective drug treatment options for the many people living with these conditions so they and their families can have the promise of hope and relief from these devastating chronic neuro-immune diseases. Thank you for your support of this budget and of the recommended one-shot funding you will hear at a later date. We would be happy to answer any questions.

CHAIR RAGGIO:

We appreciate the commitment of your family to this cause. The outline of this budget request is included following the tab titled "Question #22, Chronic Fatigue" in the booklet containing the responses to the questions from the January 29, 2007, budget hearing ([Exhibit C](#), original is on file in the Research Library).

MR. KLAICH:

This project started with the support of the Legislature in 2005 when we received the indirect cost recovery and the funds from S.B. No. 105 of the 73rd Session which allowed us to build this partnership building. We appreciate the support of both the Senate and the Assembly.

CHAIR RAGGIO:

One of the questions we have is how the indirect cost recoveries were utilized.

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

The UNR is using the 25 percent of the indirect cost recovery provided to us to pay for the new Center for Molecular Medicine where the Whittemore Peterson Institute will be located.

GERRY BOMOTTI (Senior Vice President, Finance and Business, University of Nevada, Las Vegas):

At the University of Nevada, Las Vegas (UNLV), those funds are used to cover faculty startup and research laboratory renovations, among other projects. We can provide a complete list of the uses.

CHAIR RAGGIO:

We would appreciate receiving that list.

MR. KLAICH:

The next item for discussion is the Nevada Scholars Program. This program was in the Board of Regents' budget request and is in the *Executive Budget*.

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

E-425 Enable, Motivate & Reward Self Sufficiency – Page NSHE-24

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

E-425 Enable, Motivate & Reward Self Sufficiency – Page NSHE-56

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

The Nevada Scholars Program is addressed following the tab labeled "Question #24, Nevada Scholars" in [Exhibit C](#). The Board of Regents has spent a great deal of time, over the last two years, looking at how we can improve the quality of our institutions. One of their discussions was about why we are not recruiting and convincing our National Merit Scholars to stay in the State at our two universities. We are launching some initiatives to change that.

Also discussed was why our graduates have not been competitive for international and national awards like the Fulbright Scholarships, Rhodes Scholarships, the Marshall Award, Goldwater Scholarships and Truman Scholarships, to name some of the more prestigious awards. For the Nevada students to have a chance to compete internationally, we have to mentor and coach them to take the right courses and engage in the right kinds of activities. A program and a coach are needed. Many Nevada students have not been able to participate in the activities which would make them well rounded. This program would have one person at the UNR and one person at the UNLV who would be the coaches. The students would be identified at the beginning of their sophomore year. The Board of Regents' proposal is to give a scholarship of \$5,000 a year to those scholars.

CHAIR RAGGIO:

How would this tie in with those who receive Millennium Scholarships or other scholarships?

DR. NICHOLS:

It would be in addition to the Millennium Scholarships. That still would not pay the full cost of education. It has to be a significant incentive because every university in the country is trying to recruit these students.

CHAIR RAGGIO:

Are these postgraduate students?

DR. NICHOLS:

They are undergraduate students we would be coaching to become competitive for the postgraduate awards. They would be identified at approximately the age of 19 and told they have the potential to be competitive at the international level. We then hope they will bring their talents back to Nevada after graduation.

The budget issue we face is we have funded the position, but we have not funded the operating funds or the scholarships. If the Legislature were to fund the positions, we would have to raise the scholarship funds through other means and through private fund-raising. We would commit to start doing that.

CHAIR RAGGIO:

There are two requests before the Subcommittee. One is for \$200,000 each year of the biennium to fund positions at both universities to support this program. There is a separate bill request for \$50,000 the first year of the program, \$100,000 the second year and \$150,000 in subsequent years to fund the scholarships. If we were to fund the scholarships, would the universities be able to manage the scholarship program with their present staff?

DR. GLICK:

I am speaking for myself and Dr. Ashley of UNLV but not for the Board of Regents. We think funding the scholarships is the critical element. The staffing is needed, but this is important to us and we will find a way to do it.

CHAIR RAGGIO:

You currently have staff dedicated to scholarships, including the Millennium Scholarship Program.

DR. GLICK:

The purpose of this program is not to manage the scholarships. That is done in financial aid. The purpose of the program is to mentor and coach the students. We will find a way to do that through our honors program.

CHAIR RAGGIO:

We will now discuss the Nye County Service Area Transfer. That is the transfer of the Nye County service area from the Community College of Southern Nevada (CCSN) to the Great Basin College (GBC). This results in an added cost because of the formula change. Would you please address the necessity or advisability of this change?

NSHE - Great Basin College – Budget Page NSHE-83 (Volume I)
Budget Account 101-2994

E-500 Adjustments - Transfers In – Page NSHE-87

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

E-900 Transfer to GBC, BA 2994 – Page NSHE-99

MR. KLAICH:

This is a necessity. Nye County, and particularly the Pahrump area, is the fastest-growing area in the State. The growth in Pahrump and of the CCSN, as an urban community college, have made it difficult for CCSN to serve the needs of the residents of Pahrump. The GBC, which has the greatest service area of any of our institutions and is in the business of distance education and serving rural communities, is a natural fit to serve the area of Pahrump.

CHAIR RAGGIO:

What is the full-time equivalent (FTE) of the enrollments in this area?

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CARL DIEKHANS (Vice President, Administrative Services, Great Basin College):
Last fall, we produced about 182 FTEs in the entire Nye County service area.
That was primarily in Pahrump, with about 10 FTEs in the smaller communities.

CHAIR RAGGIO:
What is the projection?

MR. DIEKHANS:
We service almost two percent of the population. Pahrump's current population is approximately 40,000. In eight to ten years, we expect the Pahrump enrollments to rival those of Elko. The current number of FTEs in Elko is about 890.

CHAIR RAGGIO:
Why did the Board of Regents approve an agreement to remove the Nye County service area from the jurisdiction of CCSN when it is in such close proximity to Clark County?

MR. KLAICH:
It was done to better serve the citizens of Nye County. After looking at the mission and the enrollment of the CCSN, we decided the mission fits better with the GBC even with the proximity to the CCSN. The CCSN has too much on its plate serving the urban needs of Clark County, and the GBC has expertise in distance and rural education.

ASSEMBLYWOMAN BUCKLEY:
Will there be any unintended consequences from this switch which may harm students? By this, I mean things like Millennium Scholarship eligibility and transfer eligibility. Students in Pahrump will continue to go to the CCSN. Because of the distance, they will be unable to go to the GBC. Are there going to be any glitches?

MR. KLAICH:
As long as there are students who transfer among our institutions, we will be dealing with transfer and matriculation problems. The policies and procedures of the Board of Regents with respect to transfer, matriculation and common-course numbering apply across the institutions to the GBC as well as the CCSN. We will continue to work with students as issues arise to ensure issues such as Millennium Scholarships for co-enrolled students are well addressed. No issues will be created by this transfer.

CHAIR RAGGIO:
The next item is the UNLV Intercollegiate Athletic Operating Transfer, decision unit E-900.

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

E-900 Transfer to UNLV-ICA, BA 2988 – Page NSHE-56

NSHE - Intercollegiate Athletics - UNLV – Budget Page NSHE-58 (Volume I)
Budget Account 101-2988

E-900 Transfer From UNLV, BA 2987 – Page NSHE-60

CHAIR RAGGIO:

The NSHE indicates the *Executive Budget* overstates the intercollegiate athletic operating transfer by \$197,000 in each year of the biennium. To facilitate space inventory tracking for formula purposes, if the transfer is approved, staff has suggested the Subcommittee consider using a recharge similar to the method employed at UNR. Does the NSHE have any objection to this?

MR. BOMOTTI:

We have discussed that with staff. We agree and are planning to move in that direction.

CHAIR RAGGIO:

Why is the UNLV proposing to transfer only a portion of the athletic facility operation and maintenance (O&M) funding to the Intercollegiate Athletics Account?

MR. BOMOTTI:

We are planning to make the recharge for the entire amount.

CHAIR RAGGIO:

Please work with our staff to make that consistent.

In decision unit M-101, inflation, the *Executive Budget* recommends over \$1.2 million to cover inflationary insurance costs for property, contents and other insurance issues. We had asked the NSHE to report its utility rate experience. There will undoubtedly be some requirement to amend budgets for utility inflation. Have you looked into that, and will you be proposing something?

M-101 Inflation – Agency Specific – Pages NSHE-2, 20, 52, 66, 78, 84, 90, 95, 101, 106

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

At the hearing on January 29, 2007, we were asked to provide information on utility costs over the last several years and whether there was any inflation built into the Governor's recommended budget.

CHAIR RAGGIO:

Staff has been working with the Public Utilities Commission. That needs to be coordinated with the NSHE.

MR. MILES:

The NSHE would certainly want to be part of any solution to the inflation issue.

CHAIR RAGGIO:

I am going to ask Mr. Brian Burke to explain our concerns regarding the issue of the recharge to the law and dental schools for O&M costs.

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M-102 Inflation - Agency Specific – Page NSHE-52

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

There appears to be a duplication of the recharge funding in decision unit M-102. The NSHE has worked on some additional calculations and I will meet with them sometime within this week to review those calculations.

CHAIR RAGGIO:

Have you received any price updates on your maintenance agreements for Western Nevada Community College (WNCC) in decision unit M-102?

M-102 Inflation – Agency Specific – Page NSHE-90

CAROL LUCEY, PH.D. (President, Western Nevada Community College, Carson City, Nevada System of Higher Education):

We had a recent issue that made it difficult for us to get that information. We will provide that information to the Subcommittee.

CHAIR RAGGIO:

Please provide that information before we adjourn.

Are there any changes in decision units M-103 and M-104 for University Press inflation?

NSHE - University Press – Budget Page NSHE-9 (Volume I)
Budget Account 101-2996

M-103 Inflation - Agency Specific – Page NSHE-10

M-104 Inflation - Agency Specific – Page NSHE-10

There being no comments regarding the decision units for University Press inflation, we will go on to decision unit M-103, UNLV Paradise Lease.

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

M-103 Inflation - Agency Specific – Page NSHE-53

CHAIR RAGGIO:

Has there been any progress in your negotiations with Clark County on the rental increase?

MR. BOMOTTI:

Chancellor Rogers and Dr. Ashley have been involved in discussions with the Clark County Commissioners. Nothing has been finalized, but I am confident we will have some resolution in the near future and will be able to materially adjust this item.

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JIM ROGERS (Chancellor, System Administration Office, Nevada System of Higher Education):

The rental cost of this property is outrageously high. We have 20 years left on a 30-year lease.

CHAIR RAGGIO:

We understand we were getting a bargain.

MR. ROGERS:

The problem with the leased property is we cannot build anything on it because we would have to tear it down or abandon it when the lease expires in 20 years. We have had extensive negotiations with Clark County about trading or purchasing this property.

CHAIR RAGGIO:

What is the airport involvement in the property?

MR. ROGERS:

The property is owned by Clark County, but it is airport property. We are attempting to negotiate the acquisition of more property for the UNLV.

CHAIR RAGGIO:

Are you looking for a long-term lease that would accommodate demolition or utilization?

MR. ROGERS:

We are looking for ownership of the property. We think we have a method of obtaining that ownership.

CHAIR RAGGIO:

Would the ultimate purpose of the property be for the normal expansion of the campus? Have you designated a specific use or is it for future needs?

MR. ROGERS:

The property would be for normal expansion of the campus to accommodate future needs.

CHAIR RAGGIO:

If this is not resolved prior to adjournment, we would have to set up a reversion mechanism for any adjustments.

MR. ROGERS:

We have been meeting quite often with Clark County representatives and we have a game plan for getting it accomplished.

SENATOR COFFIN:

This property is of interest to me because it is the original Paradise School. I understand the University Park Apartments have been purchased by Mr. Mike Saltman who is also involved in the campus expansion. Is he planning to donate the apartments to the UNLV as a gesture of goodwill?

MR. BOMOTTI:

The property was recently purchased by a consortium which includes Mr. Saltman. They are working closely with the UNLV. I understand they are looking at designs for housing suitable for students, faculty and staff. The other project you mentioned is Midtown UNLV. We will follow up with Mr. Saltman regarding the apartments. He has been a great supporter of the UNLV.

CHAIR RAGGIO:

The next item is decision unit M-201, new space O&M. Staff has provided the Subcommittee with a list of the new space amounts which are in the *Executive Budget*. Following the tab labeled "Question #2, New Space" in [Exhibit C](#), the NSHE has provided some modifications based on occupancy dates, changes in square footage and acreage estimates. Is there a reduction of \$657,872?

MR. BURKE:

Yes, that is the net reduction.

M-201 Demographics/Caseload Changes – Pages NSHE-21, 54, 79, 85, 96, 107

CHAIR RAGGIO:

When is the Crowley Student Union facility at the UNR scheduled to open?

DR. GLICK:

We hope to open the facility early in the fall of 2007.

CHAIR RAGGIO:

When the O&M is calculated, we exclude the areas where there are vendors who should be paying their own O&M. Please verify whether or not the vendor and bookstore spaces in the Crowley Student Union have been included in the calculation of square footage used in determining State support. Why has State support for the O&M at the Jot Travis Student Union (JTSU) increased from 57 percent of the square footage to 74 percent for the new Crowley Student Union?

DR. GLICK:

The self-supporting space has been excluded from the calculation. They are paying full O&M on their space.

CHAIR RAGGIO:

What will you do with the JTSU when you move into the Crowley Student Union?

DR. GLICK:

Part of the JTSU will be used for the Davidson Academy for the profoundly gifted and the remainder will be used to support student activities.

CHAIR RAGGIO:

Where is the Davidson Academy presently located?

DR. GLICK:

The Davidson Academy is in the Channel 5 building.

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CHAIR RAGGIO:

We are indebted and grateful to the Davidson family for their contribution to the UNR. Please convey the appreciation of the Legislature to the Davidson family.

DR. GLICK:

Their total commitment is \$15 million, of which approximately two-thirds will go toward the private match for the Davidson Science & Math Center and one-third will go toward the renovation of the JTSU for the Davidson Academy.

CHAIR RAGGIO:

Next is the National Judicial College. In [Exhibit C](#), following the tab labeled "Question #2, New Space," you have removed the 63,000-square-foot expansion of the National Judicial College.

When will the Knowledge Center at the UNR be ready for occupancy?

DR. GLICK:

We are hoping to occupy the new Knowledge Center in the fall of 2008. The present library space will be used for student services and classrooms. Eventually, we hope to construct a building for a better use of that site. For the next five years, we will use the old library space with modest renovations. It will be used for counseling, advising and some classroom space.

CHAIR RAGGIO:

Will the old library be temporarily unoccupied? Will you still need O&M for all the space?

DR. GLICK:

Yes, it is our intent to occupy that space.

CHAIR RAGGIO:

Would you please submit to us some plan for utilization covering that period so we will have accurate information on how the space is being used.

DR. GLICK:

We will do that.

CHAIR RAGGIO:

With regard to the recreation centers at the UNR and the UNLV, why does the State have to pay the O&M under the formula for the entire areas when fees are charged for utilization of some of the space?

DR. GLICK:

In the case of the UNR and the Lombardi Center, most of that space is utilized for classes, offices and some recreation purposes. The student fees have been used to pay personnel and buy some of the equipment. Less than five percent of the Lombardi Center is dedicated to the fitness facility. All the other space is shared. Having a healthy employee environment and healthy students helps everyone learn and be productive. It is an important part of our program.

CHAIR RAGGIO:

Are the facilities at the UNR which are utilized by the orthopedic practice included in the O&M?

DR. GLICK:

All of the space dedicated to the orthopedic center and the physical therapist is completely paid for and there are no charges to the State for that space.

CHAIR RAGGIO:

Is there a similar facility or utilization at the UNLV?

MR. BOMOTTI:

A new student recreation center is being built. It includes a counseling center, student health center and other shared spaces to support student needs.

CHAIR RAGGIO:

Next, we will go to the Advanced Dental Education (orthodontics) Building at Shadow Lane. We were supportive of the program to be provided by the company which was going to institute the orthodontic education program in affiliation with the dental school. The company was to provide financial support, including construction, operation and stipends. In return, a commitment was made for a certain number of slots. Apparently, that is no longer feasible or operational. Would you please give us a status report on the project and the State's responsibility and costs?

MR. BOMOTTI:

The UNLV had an agreement with the Orthodontic Education Corporation which was in place for about two years. It impacted primarily one class of orthodontics. Last fall, the agreement was cancelled by the UNLV, through action of the Board of Regents, for lack of payment. We have restructured the finances for the orthodontics program. No State funding is requested for the orthodontics program, either directly or indirectly. With the support of the students, we increased their fees to backfill the amount to be paid by the Orthodontic Education Corporation.

CHAIR RAGGIO:

This was supposed to be a self-sustaining operation.

MR. BOMOTTI:

It still is, although with a different revenue stream. The revenues are now primarily from the clinic activity and student fees.

CHAIR RAGGIO:

Is there an O&M cost?

MR. BOMOTTI:

The building is 44,000 square feet, a portion of which will be used by the predoctoral program. We are asking for O&M for approximately 7,000 square feet, not the portion used by the orthodontics program.

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CHAIR RAGGIO:

Has this impeded the regular operation of the dental school insofar as slots being utilized?

MR. BOMOTTI:

It has not, although there have been space issues which will be resolved by this facility. The current financial plan is in good order, the courses and the students are doing well and the interest by students for the next fall is high.

CHAIR RAGGIO:

This company was highly lauded. It operated in other universities. What happened at the UNLV?

MR. BOMOTTI:

I am not sure the corporation is still in operation anywhere. What happened at the UNLV also happened at the other institutions where they had contracts. The estimates in their business plans on startup costs and revenue goals for the clinics were severely off. This ended with a breach of their contracts.

CHAIR RAGGIO:

Let us go on to the Nevada State College. The budget presented by the NSHE omitted the over 42,000 square feet and just under 5 improved acres associated with the new Academic and Student Services Building in computing the O&M requirement. Is \$592,561 needed in FY 2008-2009 to support the new facility?

MR. MILES:

Yes, that is accurate and that is one of the appeals.

CHAIR RAGGIO:

Is this the Liberal Arts Building which came in under bid?

FRED MARYANSKI, PH.D. (President, Nevada State College, Henderson, Nevada System of Higher Education):

Functionally, it is called the Liberal Arts Building at Nevada State College. It is the public works project that came in under bid by 25 percent.

CHAIR RAGGIO:

I understand the Chancellor has directed you to utilize the balance for furniture, fixtures and equipment (FF&E).

DR. MARYANSKI:

Our request is to utilize the balance for FF&E.

I want to extend our compliments to the State Public Works Board for bringing the project in under budget.

MR. KLAICH:

Chancellor Rogers and Dr. Maryanski have directed the utilization of the underbid for the FF&E, with the concurrence of the State Public Works Board. Would you consider allowing the use of the amount in FF&E in the *Executive Budget* for the upcoming biennium for planning money for the next building at

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Nevada State College? This is the highest unfunded priority on the Board of Regents' list.

CHAIR RAGGIO:

We will note that and keep your request in mind when we consider the capital improvement projects.

The next item for discussion is new space rentals. Would you please give us an overview of your plans for all the leased facilities contemplated in the city of Henderson by the Nevada State College?

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

Budget Account 101-3005

M-202 Demographics/Caseload Changes – Page NSHE-107

DR. MARYANSKI:

Presently, we have three leases in downtown Henderson at Water and Basic Streets. We have a small lease for two more years, a moderate lease for five years and a ten-year lease for 28,000 square feet. We will provide a plan for potential lease expenditures over the next few years.

CHAIR RAGGIO:

Are you contemplating a ten-year utilization of leased space at this time?

DR. MARYANSKI:

As our main campus is built out at Nevada State Drive, we will gradually transition over. We have a ten-year commitment on the last building we moved into and we are addressing our short-term needs by leasing.

CHAIR RAGGIO:

Are you going to include in your leases some provisions to accommodate or change the lease if you have your own buildings?

DR. MARYANSKI:

If we are fortunate to build out our main campus as rapidly as possible, we have provisions to sublease or exit the leases.

CHAIR RAGGIO:

Your growth has been phenomenal with limited facilities. Apparently, you are doing a good job. What is your current FTE?

DR. MARYANSKI:

The number of FTEs for the fall was 1,343. We are doing the final calculations for the spring FTEs.

CHAIR RAGGIO:

Would you please describe the Desert Research Institute's (DRI) collaborative efforts at the new research facility at Sierra Nevada College (SNC)?

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

M-202 Demographics/Caseload Changes – Page NSHE-79

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

The DRI has been working in collaboration with the University of California, Davis (UC Davis), the UNR, the SNC and several federal agencies. One of the things which has made this so successful is having all of the entities in one facility where we can share thoughts and data and plan together. The new Tahoe Center for Environmental Studies (TCES) at SNC has provided that space. The TCES will be a Platinum-LEED (Leadership in Energy and Environmental Design) building. The DRI initially leased the space, but we are working with the UNR on a memorandum of understanding under which they would share the space. This provides an opportunity for our faculty and the federal agencies to work together at Lake Tahoe.

CHAIR RAGGIO:

What is the full extent of the research activity at the SNC?

DR. WELLS:

Some of the key areas we are working on include air-quality research of the Tahoe Basin, concerns about what is being brought in across the mountains from California, wildfires, shoreline-erosion studies, restoration efforts, wildlife studies, the impact of the resuspension of road dust and the clarity of Lake Tahoe.

CHAIR RAGGIO:

It is our understanding the amount in the *Executive Budget* for leased space O&M can be reduced by \$59,110. Is that correct?

CLEVE MCDANIEL, PH.D. (Senior Vice President for Finance and Administration, Desert Research Institute):

The cost of the annual rental is \$121,980. The appropriation exceeds that by about \$59,000 which we can give back.

CHAIR RAGGIO:

Does the UC Davis pay some of the cost of this facility?

DR. WELLS:

Yes, the UC Davis has invested \$11 million in the building. Our lease between the UNR and the DRI will total about \$2 million over a 20-year period.

CHAIR RAGGIO:

Is there any research grant funding to help offset this cost?

DR. WELLS:

Most of the research grant activity provides for salaries and research equipment.

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CHAIR RAGGIO:

The *Executive Budget* includes \$175,000 each year of the biennium for additional leased space. The total cost for unfunded leased space at the CCSN is only \$74,170. Is it correct the cost for unfunded leased space can be reduced by a little over \$100,000 each year?

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

Budget Account 101-3011

M-202 Demographics/Caseload Changes – Page NSHE-96

PATRICIA CHARLTON DAYAR (Vice President of Finance & Budget, Community College of Southern Nevada):

At the time the budget request was prepared, the amount included for leased space was a placeholder. The CCSN is providing remediation education near the UNLV campus. We were in the process of negotiating leases and were able to reduce the amount of space and the cost of the lease.

CHAIR RAGGIO:

Next, are the athletic fee payments, decision unit M-203. Why is there such a difference between the UNLV and the UNR in the amounts for the athletic fee maintenance amounts? We understand there is a request to reduce the athletic fee program maintenance amount for the UNLV.

NSHE - Intercollegiate Athletics - UNR – Budget Page NSHE-27 (Volume I)
Budget Account 101-2983

M-203 Demographics/Caseload Changes – Page NSHE-28

NSHE - Intercollegiate Athletics - UNLV – Budget Page NSHE-58 (Volume I)
Budget Account 101-2988

M-203 Demographics/Caseload Changes – Page NSHE-59

BRUCE SHIVELY (Assistant Vice President, Planning, Budget and Analysis, University of Nevada, Reno):

There is a significant difference between the amount of money in the maintenance item requested by the UNR and that which the UNLV is requesting. Both institutions have approximately the same number of athletes covered by the fee waivers. The UNR has about 219 while the UNLV has about 209. However, the mix of students is different at the two institutions. About 42 percent of the athletes at the UNR who are covered by the fee waivers are resident students and about 58 percent are nonresident students. At the UNLV, 27 percent of the athletes covered by fee waivers are resident students and approximately 73 percent are nonresidents. The fee increases are significant for the nonresidents. The higher percentage of nonresident athletes at the UNLV would increase the cost of their athletic fee waivers. We have information we can share with staff which will show those distributions. The difference is an issue of the resident and nonresident mix of the student athletes.

CHAIR RAGGIO:

The direct appropriation for athletic fee waivers made during the 2005 Legislative Session anticipated the funding would cover the full payment amount. However, the NSHE is indicating the State's direct appropriation applied only to all male athletes and the first 50 female athletes. Under the tab labeled "Question #15, Athletic Fee Waivers" in [Exhibit C](#), you report that in 1996, the Board of Regents adopted student fee waivers for fifth-year student athletes and female student athletes beyond the 50 count. That is not included in the direct appropriation. How do we deal with that?

MR. BOMOTTI:

Those particular waivers from 1996 have been handled as true fee waivers. In other words, the amounts are not charged. They are handled differently than the cash now provided by the State to pay the other athletic scholarships.

CHAIR RAGGIO:

Please tell us what we need to do so it fits within our understanding of what is being funded for athletic fee waivers at the two universities.

MR. BURKE:

The action the 2005 Legislature took was to remove the student athletes and directly appropriate the funding, instead of having a waiver program. At the UNR, the amount was just under \$1.3 million. At the UNLV, it was about \$1.7 million. Evidently, the fifth year athletes and female student athletes beyond the count of 50 were not covered in that direct appropriation. If you were to handle those athletes by the same method as the 2005 Legislature, you would not be adding anything to the budgets. The waivers result in a reduction of revenues that are offset with General Fund appropriations.

ASSEMBLYWOMAN BUCKLEY:

Do we need to add all of the athletes into one budget account as an appropriation so we can track it from an accounting point of view?

MR. BURKE:

If you wanted to take the same action the 2005 Legislature did, you would move the money out of the main campus account and put those appropriations into the Intercollegiate Athletics Account instead.

ASSEMBLYWOMAN BUCKLEY:

That would be consistent with past actions.

CHAIR RAGGIO:

That would be my understanding. Do you have any angst if it is done that way?

Next, we will discuss the fringe rate adjustments in decision unit M-300. This is the first time the *Executive Budget* has added a personnel assessment to self-supported non-state accounts. The cost is about \$203,000 in FY 2007-2008 and \$190,000 in FY 2008-2009.

M-300 Fringe Benefit Rate Adjustments – Pages NSHE-3, 7, 11, 14, 22, 28, 31, 34, 39, 42, 45, 49, 54, 59, 63, 67, 72, 75, 79, 85, 91, 97, 102, 107

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MR. MILES:

The NSHE has been informed by the Department of Administration they intend to assess the self-supporting accounts within the NSHE for personnel assessment over the next two years. This would be a new assessment.

CHAIR RAGGIO:

Are these off-line accounts?

MR. MILES:

These are off-line accounts. The NSHE disagrees with that proposal. We do not get personnel services from the Department of Personnel. We have delegation agreements.

CHAIR RAGGIO:

Does this apply to others, as well as the NSHE?

MR. MILES:

It applies to all State agencies. However, the NSHE has already been excluded because we have delegation agreements to provide all of our own services and they provide none.

CHAIR RAGGIO:

We will explore that. If there are no further comments on this item, we will go to the cost-of-living adjustments (COLA), decision unit M-304.

The NSHE is including COLAs for the part-time instructors at the community colleges. As indicated following the tab labeled "Question #25, COLA Calcs, Colleges" in [Exhibit C](#), there is \$1.1 million in the *Executive Budget* to fund COLAs for part-time instructors at the community colleges. If this is approved, can we be assured the money provided for COLAs for part-time instructors at community colleges will be used for that purpose?

NSHE - Great Basin College – Budget Page NSHE-83 (Volume I)
Budget Account 101-2994

M-304 2% Yr 1 and 4% Yr 2 COLA – Page NSHE-86

NSHE - Western Nevada Community College – Budget Page NSHE-89 (Volume I)
Budget Account 101-3012

M-304 2% Yr 1 and 4% Yr 2 COLA – Page NSHE-91

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

M-304 2% Yr 1 and 4% Yr 2 COLA – Page NSHE-97

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

M-304 2% Yr 1 and 4% Yr 2 COLA – Page NSHE-103

MR. KLAICH:

Absolutely. The Board of Regents has targets for part-time instructors which we have not met. The institutions are required to report their progress to the Board of Regents on an annual basis. Could we get a letter of intent to clarify this?

CHAIR RAGGIO:

If that item is included, it would be appropriate to provide a letter of intent stating that is our understanding, based upon your assurance.

MR. KLAICH:

We would be pleased to receive that letter of intent because that is our representation to you this morning.

CHAIR RAGGIO:

At this time, I would like to reaffirm some of the other issues. The adjusted Base Budget totals \$781 million in FY 2007-2008, net of interagency transfers. That is an increase over the last fiscal year. In FY 2008-2009, the Base Budget is a little over \$793 million.

The professional-merit increases are still in the budget at 2.5 percent. This was authorized at the request of the NSHE to be applied across the board at the community college level. At the university level, there was a merit requirement which had to be met. It was funded up to assistant deans. Would you please restate the policy on the NSHE's utilization of the professional-merit increases?

MR. MILES:

Assistant deans and above are excluded from the professional-merit increases. Also excluded are nonfaculty positions above the salary schedule and the portion of faculty salaries currently above the salary schedule. That is consistent with the methodology used in the past.

CHAIR RAGGIO:

This is addressed following the tab labeled "Question #12, Merit and Vacancies" in [Exhibit C](#). This would include the merit exclusion added by the 2005 Legislature.

MR. MILES:

That is correct.

ASSEMBLYMAN MARVEL:

What criteria are you currently using for merit pay?

MR. MILES:

That was one of the questions at the January 29, 2007, budget hearing. Following the tab labeled "Question #12, Merit and Vacancies" in [Exhibit C](#) is a response from each one of our campuses regarding how the merit increases are applied.

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SENATOR COFFIN:

Please clarify for me the issue of associate and assistant deans and their rankings related to merit pay.

MR. KLAICH:

Associate deans are immediately below deans.

SENATOR COFFIN:

I want to clarify that associate deans and assistant deans would not receive professional-merit increases. How do they receive their merit pay?

MR. KLAICH:

They would not be eligible for calculation in the State-funded merit pool. The university has other funds, from salary savings or other sources, they can allocate to the excluded positions if those funds are available and if the performance is meritorious.

SENATOR COFFIN:

In looking at the merit listings at the UNLV, quite a few assistant deans and associate deans received merit. What does this total?

MR. KLAICH:

I do not have that information with me. I will provide it to staff for both universities.

SENATOR COFFIN:

This is something we address for teachers for meritorious work, yet it seems to filter continuously up to the dean level through other methods. Maybe a pay raise is justified for some people as opposed to a merit increase.

DR. GLICK:

We do allocate money from other sources for deans, associate deans and above. They are key players and we need to reward meritorious performance. We do not use the pool you have given us for the merit. Last year, we allocated a total of \$83,000 for those exempt positions. Some people got merit increases and others did not.

SENATOR COFFIN:

Would that be \$83,000 you took from another budget? Would all the institutions please provide us, through the Chair, a list of the positions who received merit increases, the amount received and the source of the money?

MR. KLAICH:

We will do that. I assume this request will be included in the next list of questions and we will respond to those questions.

ASSEMBLYWOMAN SMITH:

There is approximately \$25 million in the NSHE's budget for merit-pay increases.

MR. BURKE:

The *Executive Budget* includes \$8.7 million in the first year of the biennium and \$17.6 million in the second year for merit-pay increases. To correct the budget to exclude merit pay for noninstructional, administrative salaries beyond the maximum salary scale, as approved by the 2005 Legislature, we would have to take out \$193,000 in the first year of the biennium and \$392,000 in the second year.

ASSEMBLYWOMAN SMITH:

Is additional merit pay given at a higher level from different sources of funding?

MR. KLAICH:

That is correct.

ASSEMBLYWOMAN SMITH:

I am interested in this because we are trying to develop some type of a performance bonus system in the K-12 system.

CHAIR RAGGIO:

It took a long time before we finally got to the point of recognizing merit pay at the higher-education level. It has an interesting history which has developed over a long period of time.

CHAIR ARBERRY:

As a follow-up to Senator Coffin's request, could staff request that information a little differently? Although it is public information, it is personal. What purpose would we serve by publicizing their name, position and what they received?

SENATOR COFFIN:

The professional-merit increases are a part of the budget and it is our duty to ensure the money is spread equitably among the campuses. Any member of the public can see this information on the Internet since it is in the public domain. It would be helpful to have it all in one place.

CHAIR RAGGIO:

We have always agreed to fund a pool of professional-merit pay up to the assistant dean's level. Beyond that, it was the responsibility of the NSHE to find the funding for those above that level. That is one issue. Otherwise, we would certainly welcome the information and make it available to the Subcommittee.

SENATOR COFFIN:

Thank you. I am interested in seeing how much is being used for other locations and what those budgets are.

CHAIR RAGGIO:

If you will provide that information to staff, they will make it available to the Subcommittee.

Next, let us discuss the National Direct Student Loan program (NDSL) issue. We are concerned about the loss of federal funding. Is this different from the main student loan funding program? What is involved in the program?

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DR. NICHOLS:

This is a need-based loan program begun in the 1970s. It is often called the Federal Perkins Loan program. Over the years, we have participated in the program which has been a federal and state match. It is two-thirds federal and one-third state. The Truckee Meadows Community College, the UNLV and the UNR have participated. They operate their own program of giving out and collecting the loans, so there is a revolving fund. As the collections come in, they can be distributed again along with the new dollars coming in from the State and federal government. In the last two years, the federal government has discontinued providing funds for this program. The President has not recommended any funding for the coming years, but we understand the U.S. Congress may refund this program because it is an important program for low-income students.

CHAIR RAGGIO:

How many have utilized this program?

DR. NICHOLS:

In FY 2005-2006, 551 students received loans under this program. It has been a robust program which supplements, for the most part, Pell Grant students. There are some low-income students who do not qualify for the Pell Grant who receive this loan.

The low-income loans you hear about most often are the Stafford loans which we do not administer. The interest rate on the Stafford loans is 6.8 percent. The NDSL loans have a 5-percent payback.

CHAIR RAGGIO:

What is the plan now if the federal funding is no longer available?

DR. NICHOLS:

We hope we will continue to have our current fund. There is some talk at the federal level of asking us to start returning their portion of the loans.

CHAIR RAGGIO:

Is the one-third the State has been furnishing about \$51,000 a year?

DR. NICHOLS:

That is correct.

CHAIR RAGGIO:

What are we being asked to approve?

DR. NICHOLS:

Our first choice would be for you to continue to fund the \$51,000 and let us maintain some level of loan program.

CHAIR RAGGIO:

That has been taken out of the budget.

DR. NICHOLS:

It is in a maintenance decision unit.

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If you were not to fund the program, since there may not be any federal money, we would ask you give us the option of coming back for the one-third match if the federal government renews the program.

MR. BURKE:

This was taken out of the Base Budget, but it was built back in as a maintenance item. If you want this to continue as a State-funded program, you would approve the maintenance item.

CHAIR RAGGIO:

Then the program would be fully funded, but at a lower limit. Would you only be accommodating about one-third of these students?

DR. NICHOLS:

Yes, about one-third. It might be a little more because of our revolving fund.

ASSEMBLYWOMAN GANSERT:

Did you say you do not use the Stafford Loans because of the higher-interest rate?

DR. NICHOLS:

Our students definitely participate in the Stafford Loans, but our institutions do not have to loan and collect the money. That is all handled through federal lenders. All the campuses participate in the Stafford Loan program for our students.

ASSEMBLYWOMAN GANSERT:

Has the federal government suggested any replacement for the NDSL?

DR. NICHOLS:

The proposal by President Bush would be to move this money into the Stafford Loan program and remove the NDSL program.

ASSEMBLYMAN MARVEL:

Are any loans in default?

DR. NICHOLS:

We have a small number of loans in default. It is approximately 2 percent. We have been successful in this program because it is a hands-on program. We handle the loans and the payback and work closely with the students.

CHAIR RAGGIO:

Let us go to the System Administration Audit Contract. The cost of the independent audit appears to be doubling. The current-year cost was a little over \$346,000 and the cost for FY 2008-2009 will be \$682,000. Was this under competitive bidding? Why did the bids come in so high?

MR. MILES:

The cost of this external audit is increasing significantly. Our former auditor walked away because they were losing money on us, and the NSHE went out for a competitive bid.

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CHAIR RAGGIO:
Who was the last auditor?

MR. MILES:
Our auditor was PricewaterhouseCoopers. A new firm, Moss Adams LLP, won the competitive bid at a substantially higher level.

CHAIR RAGGIO:
How often is the audit performed?

MR. MILES:
The State requires an annual audit because the financials prepared from the audit have to be included in the State's financial statement prepared by the Office of the State Controller.

CHAIR RAGGIO:
Does the \$682,000 fee cover the biennium?

MR. MILES:
No, that is only the second year of the biennium. The cost for the first year is \$657,000. The total cost of the audit over the biennium is about \$1.3 million.

CHAIR RAGGIO:
How many companies bid on the audit?

MR. MILES:
There were four bidders. The two bidders with the best bids were interviewed. The successful bidder was Moss Adams LLP. Their total cost, over three years of the contract, was approximately \$250,000 less than the next low bidder.

MR. KLAICH:
I would also remind you that in the last Legislative Session, in response to a request by a number of governmental entities, you passed a law which precludes auditors in this State from charging for the use of their audits. The practice had been to charge for copies of audited financial statements requested for uses such as bonding. This information was passed on to our auditors, PricewaterhouseCoopers. I believe that entered into their decision to walk away from the contract.

CHAIR RAGGIO:
Was that part of the reason for the added cost of the audit?

MR. KLAICH:
It was certainly part of the reason.

CHAIR RAGGIO:
Next, we will go to the Medical School Residency Funding Reallocation and the Intergovernmental Transfer. This is covered following the tab labeled "Question #18, Physician Trainees" in [Exhibit C](#). Mr. Burke, would you please give us an overview of this subject?

MR. BURKE:

The 2005 Legislature approved \$1.28 million in the first year of the biennium and \$2.5 million in the second year of the biennium to secure additional physician residents. There were 17 proposed to be added in FY 2005-2006, and an additional 17 in FY 2006-2007, which would bring the total to 34. The UNSOM was unable to bring on the full complement in the first year of the biennium and ended up reverting about \$1.1 million. In the second year of the biennium, the UNSOM proposed to revise the resident plan. Rather than use the approximately \$2.6 million for State-funded residents, they wanted to use about half of the money for additional faculty and support a graduate medical education council to support additional residents. The plan was also to use about half of the money as an intergovernmental transfer which they would then leverage for matching Medicaid dollars.

CHAIR RAGGIO:

We are interested in knowing the status of these funds and what is being proposed. Is there a State plan amendment that covers this?

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

I provided a handout (Exhibit D) in which I have attempted to portray for you the somewhat complex chronology of these funds.

In FY 2006-2007, \$2.5 million was appropriated for UNSOM residency programs. We had initially asked for support for additional faculty, acknowledging that to train residents, there is a substantial commitment of teaching faculty. However, no funds were appropriated for faculty. In addition, to complicate this further, we successfully obtained additional residency positions in FY 2006-2007 through alternative-funding sources. We were successful at garnering additional residency positions at the University Medical Center which we used in support of a new emergency-medicine residency-training program and additional positions at Renown Regional Medical Center.

In September, the Interim Finance Committee gave us approval to reallocate \$1,173,504 for faculty support of this residency growth. When we made that request, we explicitly advised that the FTE and departmental distribution is preliminary and is subject to successful faculty recruitments. It is difficult to fill faculty positions with doctors, particularly given the shortages and the disparities between private practice and academia. To date, we have encumbered \$554,000 for residents and fellowships, \$766,000 for faculty and have reserved \$1,229,000 for intergovernmental transfers.

On page 4 of [Exhibit D](#) is an update of our current faculty recruitment status. We have committed to six additional faculty hires from April through June of 2007. (This is incorrectly stated as July through September on page 3 of [Exhibit D](#).) We have committed to an additional 13 faculty on or after July 1, 2007. Those positions, all of which have been accepted, are listed on page 4 of [Exhibit D](#). I have removed the names of the individuals because they are not currently State employees. The names would be available to staff upon request.

CHAIR RAGGIO:

Would you please describe the intergovernmental transfer and how it operates?

DR. McDONALD:

I will explain the mechanism of enhanced Medicaid payments to public-teaching institutions. The principles are that Medicaid is allowed to appropriately compensate medical school teaching positions for the increased cost of medical education. As an example, we currently have 220 residents in the UNSOM. The industry estimates it costs about \$45,000 a resident to educate them. This adds an additional \$10 million to our cost which is not compensated. In recognition of this, Medicaid has increased the federal Medicaid funding to the State. State Medicaid is compensated for the administrative cost of the program which is minimal. An intergovernmental transfer occurs quarterly based on the previous year's Medicaid payments to the UNSOM.

Page 6 of [Exhibit D](#) describes this process. First, we quantify the services provided by faculty physicians to Medicaid patients during the previous fiscal year. Second, we calculate the amount of Medicaid payments that would have been reimbursed for services provided in the previous year under the enhanced Medicaid payment formula. Third, every quarter, 25 percent of this billing amount for the previous year is transferred to State Medicaid via an intergovernmental transfer. Within ten days of receipt of the intergovernmental transfer, the State Medicaid office transfers the base payment, plus the federal enhancement, back to the UNSOM. Annually, we calculate the amount of total services provided to Medicaid clients and this amount serves as the basis for the following year's Medicaid-enhanced payment. On page 8 of [Exhibit D](#), I have attempted to simplify this process into a more graphic illustration.

CHAIR RAGGIO:

Would the \$1.4 million generate \$3 million?

DR. McDONALD:

That is correct.

CHAIR RAGGIO:

What is the impact of the requirement that the State plan amendment be approved by the Centers for Medicare and Medicaid Services (CMS)?

DR. McDONALD:

A State plan amendment has been negotiated between the UNSOM and the Department of Health and Human Services. Both parties have agreed to it and it was submitted to the CMS in Washington, D.C. They have reviewed it and have responded with a series of additional questions. The questions have been addressed, a response has been sent back to the CMS and we are currently awaiting their decision about implementation of the program.

CHAIR RAGGIO:

Is it expected the plan will be retroactively approved? Do you have any reason to believe it will not be approved before the end of the fiscal year?

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DR. McDONALD:

I cannot give this Subcommittee any absolute assurance it will be enacted before the end of the fiscal year.

CHAIR RAGGIO:

What are the ramifications if it is not approved?

DR. McDONALD:

If it is not ever approved, we would go back to the status quo. If it is not approved before the current fiscal year so the funds are not amplified by federal funds, we will revert the funds which have not been expended for their implied purpose.

CHAIR RAGGIO:

What is the status on the number of residencies? We had anticipated 17 each year and that was not feasible because of the lack of faculty and other reasons. What is the current status and what residencies are we anticipating?

VINCE E. JOHNSON (Fiscal Officer, University of Nevada School of Medicine):
We added about 28 of the 34 residents.

CHAIR RAGGIO:

In what areas were the residents?

DR. McDONALD:

There is a list of all of our residents on page 145 of [Exhibit C](#).

CHAIR RAGGIO:

At the Interim Finance Committee (IFC) meeting, there were some concerns. Could you please give us a brief explanation of the plan to utilize more existing physician groups for faculty? The IFC questioned why it would be necessary or prudent to pay for insurance costs including tail coverage. I do not think there was a clear understanding of why that was being done and what impact that could have on potential faculty.

DR. McDONALD:

The "tail" refers to the collective experience of any treating physician who may have seen hundreds and thousands of patients during their careers. Within the statute of limitations, which may be as long as 18 years, those physicians can be sued for malpractice. In the case of private physicians, if they change their practice locations and give up busy private practices to join the UNSOM, they will be facing significant personal expenses to cover the tail. In general, it amounts to twice the annual premium for malpractice. For an obstetrician, that might amount to as much as \$200,000 to \$300,000. It covers the risk of the previous practice.

Chancellor Rogers has been an effective advocate for incorporating the community physicians in the development of the much-needed health care workforce in this State. One of the issues we have encountered when we have approached groups of physicians, or when they approach us, is this expense which is not anticipated in their business plan. If we approach a group of physicians to try to improve our teaching faculty to provide more service for the

underserved, this is a negotiating point for them. It also helps address a somewhat complex and vexing issue with the so-called "town gown" issue. That is where the hard-working private physicians in the community see growth of a medical school faculty as challenging to their own private practice. By incorporating these physicians into our practice from the community rather than doing nation-wide searches and injecting new individuals into the manpower pool, we would help ameliorate some of these concerns. We have asked for permission to use funds which had been set aside for malpractice coverage toward this end.

ASSEMBLYWOMAN BUCKLEY:

Are we talking about hiring full-time or part-time faculty for whom we would potentially pay tail coverage?

DR. McDONALD:

We have had discussions concerning both categories. With respect to the specifics of part-time physicians, I think it would not be necessary to provide tail coverage for them because they would still presumably be remaining in their current practices. Their practice, underneath the UNSOM umbrella, would be covered and their current carrier would be responsible for all of their previous claims.

ASSEMBLYWOMAN BUCKLEY:

Are you going to do this prior to the beginning of the next fiscal year?

DR. McDONALD:

We are in active negotiations with one group of three physicians in Las Vegas who may join us prior to the next fiscal year. There are at least two or three in Reno in a similar circumstance. I do not know the exact number, but I will get back to you with an exact figure.

ASSEMBLYWOMAN BUCKLEY:

I would like to see more details. Have they already accepted?

DR. McDONALD:

We are in the stages of final negotiation of the employment contracts, but they have not signed an employment contract and are not yet employees of the UNSOM.

ASSEMBLYWOMAN BUCKLEY:

What kind of screening do you perform to determine the liability you are buying? We presume you have already made inquiries before offering them a faculty position. Would we be undertaking representation of the doctor for bad acts prior to State employment?

DR. McDONALD:

The quality of the physician, as well as malpractice experience, is part of the initial inquiry which takes place when we are having discussions with the physicians. They have to reveal all of their previous, current and pending malpractice actions. With respect to undertaking representation, my understanding is the tail coverage would be paid to the existing malpractice carrier and they would be responsible for representing the physician in any

actions regarding their activity as a physician prior to joining the UNSOM. One of the reasons we were able to negotiate a more favorable malpractice rate was because of the favorable performance of our medical school faculty.

ASSEMBLYWOMAN BUCKLEY:

I would like to see a detailed plan on how this would be done.

DR. McDONALD:

We would be happy to provide that information to you. In the interest of saving State funds, this would be a negotiation which would be entered into individually with each group and with each individual physician if they are not in a group.

CHAIR ARBERRY:

Was this the only option discussed for attracting these physicians?

DR. McDONALD:

This is part of the negotiations. We have to put a value on the physicians' worth to the school in terms of their teaching abilities and the value of the practice they bring with them which, in some cases, might be substantial. We would do this on a case-by-case basis.

CHAIR ARBERRY:

What happens if you bring a physician in and they do not work out after we have paid for their tail coverage? How do we recoup any of that cost?

DR. McDONALD:

We will have a penalty clause. Each year the physician stays in the UNSOM, they would earn a portion of the tail coverage. If they decide they do not want to stay, they will have to pay us back for the tail coverage. This was a major concern for me.

ASSEMBLYMAN MARVEL:

What will happen to your malpractice premiums if the cap is lifted?

MR. KLAICH:

We have had discussions with our carrier. It is estimated our premium would increase by about \$1 million. Three other categories of liability are affected in addition to malpractice. The bulk of the cost is for malpractice insurance. That about doubles our premium.

CHAIR RAGGIO:

Next, we will discuss appeals and adjustments. Would you please review for us the adjustments and appeals listed under the tab titled "Question #1, Appeals" in [Exhibit C](#)?

MR. MILES:

One of the questions coming out of the January 29, 2007, hearing was to start listing adjustments and appeals that might be required in the finalization of the NSHE budgets. This is an ongoing process and there is a possible duplication of O&M in the UNLV budget. Those final numbers have not yet been calculated, but they will be added to this list once they have been finalized.

CHAIR RAGGIO:

The total for FY 2007-2008 is a reduction of \$1.1 million and a reduction of \$486,000 for FY 2008-2009. Is that correct?

MR. KLAICH:

If that includes the revenue adjustment at the UNR for nonresident tuition, that is probably right. I did not have that included in my list because those numbers will have to be recalculated once we have the FY 2006-2007 enrollment.

CHAIR RAGGIO:

Another issue is the increase in the baccalaureate programs envisioned for the community colleges and the renaming of the community colleges. Now, we are looking at more four-year colleges. Where are we going with this?

MR. KLAICH:

One of the major concerns of the Board of Regents in taking these items under consideration was what it meant to the mission of the community colleges. These items were brought forward by the student bodies at the respective colleges. Included within the Board of Regents' motion on this was the specific understanding there was no change in the mission.

CHAIR RAGGIO:

We are proud of the community college system. We now note the GBC has five approved bachelor's programs, the CCSN has a bachelor of science and bachelor of dental hygiene and the WNCC has recently added a bachelor of construction management. Potential future bachelor's programs include diagnostic imaging at the CCSN and public administration, early childhood education and emergency response management at GBC. When these become four-year colleges, the cost increases. Soon, we will have seven universities in the State. There is only so much money available for higher education.

DR. NICHOLS:

This is a result of our master plan where we focused on how we can stretch State dollars to meet the needs of Nevada. It is less expensive to educate a nurse at the GBC, with a lower-division community college funding level, than it would be at the UNR.

Our requirement for adding a bachelor's program is an identified work need critical to the State which is not being met. That is how we got into this with elementary teachers and high-school teachers in rural Nevada at the GBC where the UNR and the UNLV could not get students to come to the university and then go back to rural Nevada and teach. The GBC can do that. For every instance in which there is an identified work need, the industry and profession come forward and demand it. We require a process where first the universities are asked if they can provide the degree. If they cannot because they cannot deliver it in a certain way or because it does not match their mission and they would have to hire more expensive faculty, then we go to the state college. The state college is asked if they could provide the degree. It is only as a last resort the Board of Regents will approve a community college getting a bachelor's degree. A good example of this is the recent bachelor's degree in construction management at the WNCC. For many years, the UNR had a construction management program that did not have the support of the faculty and was not

appropriate for the faculty. The community and the construction industry were upset because they were not getting the graduates they needed. They asked if this could be adopted by the WNCC. The WNCC already had an associate degree on which it could build. The UNR supported the program going to the WNCC. It was a more economical solution than the UNR creating a whole new program and hiring more expensive faculty. We are aware, and we do this cautiously.

CHAIR ARBERRY:

My concern is the instructors teaching the classes at this level are not getting paid as much as their counterparts at the UNR and the UNLV.

DR. NICHOLS:

This is a reflection of higher education across the country. It is one of the things which allows us to have a more efficient product for the State and save money. I do not anticipate the Board of Regents would consider pay changes in our current system at a community college versus the university. The faculty who teach at the community colleges are proud of what they do and are proud to be at the community college. They understand they are hired to teach at the community college. They may be teaching a few upper-division courses, but the bulk of their responsibility is for the community college. To teach in the baccalaureate program, they have to have the higher academic credentials, but most of our community college faculty already have those credentials.

CHAIR RAGGIO:

If there are more four-year colleges, what would the status of funding be for athletic programs and waivers?

MR. KLAICH:

Two sessions ago, funding was included in our budget for a limited athletic program at the CCSN. The program was limited to baseball. Last Session, we had a lengthy discussion with this Subcommittee regarding the extension of athletic fee waivers for athletic programs in baseball at the WNCC. At that time, there was a rodeo club that is on inactive status at this time. The Subcommittee did not see fit to fund any fee waivers for athletics at community colleges. The NSHE is providing limited support of those two programs at the CCSN and the WNCC from non-state funds.

CHAIR RAGGIO:

At this time, would you like to discuss your items for special consideration and tell us the source of funding?

MR. KLAICH:

On page 10 of our booklet, titled "Senate Finance/Assembly Ways and Means, Subcommittee on Higher Education and Capital Improvements, March 9, 2007" ([Exhibit E](#), original is on file in the Research Library), is a list of our requests for operating and one-shot enhancements.

CHAIR RAGGIO:

Are these in order of priority?

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MR. KLAICH:
They are not in order of priority.

CHAIR RAGGIO:
That would be a good place to start.

MR. KLAICH:
I am not prepared to prioritize them this morning, but that will be done before you finalize budgets. Of critical importance in these enhancements are the operating enhancements for health sciences and for nursing. I would also stress the importance of the appropriation for the iNtegrate project.

CHAIR RAGGIO:
The Legislature is operating under stricter limitations than in previous biennia and we need to have your priorities as soon as possible.

There being no public comments and no further questions, the meeting is adjourned at 10:28 a.m.

RESPECTFULLY SUBMITTED:

Anne Vorderbruggen,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____

Assemblyman Morse Arberry Jr., Chair

DATE: _____