

MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON WAYS AND MEANS  
AND THE  
SENATE COMMITTEE ON FINANCE  
JOINT SUBCOMMITTEE ON K-12 EDUCATION/HIGHER EDUCATION

Seventy-Fifth Session  
February 27, 2009

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on K-12 Education/Higher Education was called to order by Chair Morse Arberry Jr. at 8:09 a.m. on Friday, February 27, 2009, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada and to Room 3161 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/75th2009/committees/](http://www.leg.state.nv.us/75th2009/committees/). In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Assemblyman Morse Arberry Jr., Chair  
Assemblywoman Debbie Smith, Vice Chair  
Assemblywoman Barbara E. Buckley  
Assemblyman Mo Denis  
Assemblywoman Heidi S. Gansert  
Assemblyman Tom Grady

**SENATE COMMITTEE MEMBERS PRESENT:**

Senator Bernice Mathews, Chair  
Senator Steven A. Horsford  
Senator Warren B. Hardy II  
Senator William J. Raggio

**COMMITTEE MEMBERS EXCUSED:**

Assemblyman John Ocegüera

**STAFF MEMBERS PRESENT:**

Gary L. Ghiggeri, Senate Fiscal Analyst  
Mark W. Stevens, Assembly Fiscal Analyst  
Brian M. Burke, Principal Deputy Fiscal Analyst  
Alexander Haartz, Program Analyst  
Linda Blevins, Committee Secretary  
Vickie Kieffer, Committee Assistant

Chair Arberry recognized Daniel J. Klaich, Executive Vice Chancellor and Chief Operating Officer for the Nevada System of Higher Education (NSHE). Mr. Klaich introduced Michael B. Wixom, Chair for the NSHE Board of Regents.

Mr. Wixom read the following prepared testimony:

In the weeks since the Governor released The Executive Budget, percentages, charts, and graphs have been tossed about by many. In that discussion, we seem to have missed a critical component, the human component. With your indulgence, we intend to correct that omission this morning.

Over 200 years ago, John Adams observed that "Laws for the liberal education of youth . . . are so extremely wise and useful that to a human and generous mind, no expense for this purpose would be thought extravagant."

John Adams knew what every successful business person knows, the most valuable asset to any business or organization is not cash on hand, equipment, inventory, receivables, or brick or mortar; it is human capital. Without that human capital, no other asset of the business has any material value.

That principle of human capital holds true for Nevada. Our future success as a state is almost entirely a function of how we invest in our human capital: the students in our grade schools, middle schools, high schools, colleges, and universities.

What these students know and are able to contribute, not only determines their individual success, it also determines whether our businesses, our churches and synagogues, our service organizations, our hospitals, our state and local governments, and our institutions of higher learning will succeed.

Nevada's business leaders have told us repeatedly, and you will hear presently from one of the most distinguished members of this business community, my friend, Don Snyder, that they need a better educated workforce. Businesses, especially those businesses relying on technology, that consider relocating to Nevada have told us repeatedly that they want to relocate to a place with an educated workforce. Just as important, business leaders, as well as all of us, want an educational system that will effectively serve our children and grandchildren and help them be successful.

Nevertheless, Nevada ranks at or near the bottom in virtually every performance indicator of educational success, including high school graduation rates, going to college rates, and college completion rates. While we have been progressing slowly to improve Nevada's educational system, the recent and anticipated budget cuts will reverse that progress.

Today, I would ask you to listen and hear what that means in terms of real Nevadans, our students and faculty. These are the men and women for whom I work on the Board of Regents and that you support through your appropriations. These are the men and women whose lives have been changed by educations and who, in turn, have the power and drive to change the future of our state.

As for the system of higher education and our role in the budget crisis, again, let me be clear what our position is and has always been. We know that the State of Nevada has a serious fiscal problem and we must participate in helping the state through this troubled time. When budgets have had to be cut, we have taken our proportionate share. That is all we ask.

Everyone in the state, including higher education, should have some skin in the game. I respectfully request that you don't take our entire hide as has been proposed.

In prior rounds of these budget cuts, both our faculty and students have stepped up to the plate and have contributed. We are confident that they will continue to do their share; however, we ask you to recognize this as a challenge for the entire state and not seek to solve it with disproportionate impacts on our students and our employees.

We look forward to working constructively with the leadership in the Legislature to craft a new budget, a budget that reflects the spirit and hopes of Nevadans. It must be a budget that looks to a brighter future and not retreats to the past. It must be a budget which is fair and that asks all Nevadans to work efficiently; a budget that accounts for taxpayer dollars transparently; a budget that calls for appropriate sacrifices; a budget that calls on all to contribute proportionately; and a budget that allows us to prosper as we emerge on the other side of this crisis as a better and a stronger state.

Mr. Klaich introduced Donald Snyder, University of Nevada, Las Vegas (UNLV), Foundation Board of Trustees member, and cochair of the "Invent the Future" campaign.

Mr. Snyder read the following testimony into the record:

It is a pleasure to be here talking about something near and dear to my heart. Compared to a lot of people in this room, I am a relative newcomer to this state; however, in my nearly 22 years here I have been involved in many things at many different levels.

When I arrived in Nevada in 1987 as Chairman and CEO of First Interstate Bank, now Wells Fargo, the two elected officials with whom I first met were Senator Raggio and Governor Bryan. Both had a lot to do with my getting involved over the course of the next 22 years.

Senator Raggio focused me squarely on higher education. Governor Bryan focused me more broadly on my roles in community involvement.

Throughout my years as CEO of the bank, followed by my transition into gaming, thanks to Bill Boyd and Boyd Gaming Corporation where I served nearly nine years as president, and then subsequent to my retirement from Boyd Gaming in 2005, I have been actively and broadly engaged in Las Vegas and in the state as a whole.

Over the years, I have been most consistently and extensively involved in the following areas:

- Higher education, which is what brings me here today and which I am going to discuss in more depth in a few minutes.
- K through 12, where among other things, I have cochaired the Oversight Panel for School Facilities for the Clark County School District for the past several years; United Way, where I served on the Board for many years, including chairman of the Board of United Way of Southern Nevada, and served as two-time chair of the annual giving campaign in southern Nevada.
- Healthcare, including chairing Governor Guinn's Commission on Medical Education, Research, and Training, along with more than 17 years on the Board of Directors for the Nathan Adelson Hospice, including several years as its chairman.
- Economic Development and Diversification, where, among other things, I served on the Board of the Nevada Development Authority for many years, including two years as Chairman of the Board.
- Arts, where I serve today as Chairman of the Board of the Smith Center for the Performing Arts, where we expect to break ground shortly.

Senator Raggio, I listened when we first talked in 1987. In terms of higher education, I listened, and I was inspired by your knowledge and your leadership. In the past 22 years, I have watched you provide the strongest, most consistent, advocacy of higher education I have ever seen. Our incredible growth and related budget constraints in Nevada have challenged us to do all that we may have hoped. I would hate to think where we would be without your knowledge, your commitment, and your leadership.

In my case, I got involved with UNR [University of Nevada, Reno] when I first moved to Nevada in 1987 and lived in Reno. When we moved to Las Vegas, I left First Interstate Bank's involvement at UNR in the hands of some very capable people, including Ron Zurek, who ran the northern Nevada operations and who is now a key executive at UNR; Jim Elston and wife, JoAnn, who were like Godparents for hundreds of UNR students over the years; and Leo SeEVERS, one of our senior First Interstate Bank executives and the father of minority leader, Assemblywoman Gansert.

When I moved to Las Vegas in 1988, I became actively involved with UNLV, joining the Board of Trustees of the UNLV Foundation, becoming chairman in 1996 and serving as chairman for five years. When we launched the first ever capital campaign in 2002, I agreed to cochair the campaign, first with Jim Rogers, before he became Chancellor, and then with Terry Wright. Bill Boyd and Joyce Mack, two people who personify Las Vegas and commitment to UNLV, serve as honorary chairs of that campaign.

Today, we have more than \$450 million in commitments for this \$500 million campaign. While it is an incredibly challenging fundraising environment that we face today, I am very confident that we will celebrate the successful conclusion of that campaign this year.

Bill Boyd's personal support of this campaign was a key part of our success. His early support was directly linked to the leadership of people in this room.

While Senator Raggio and Speaker Buckley have provided consistent support, Chairman Arberry deserves special recognition for his leadership in creating the Boyd School of Law. That school has enjoyed great legislative and community support, but the seed that resulted in its creation was planted by Chairman Arberry.

Acting on the deathbed wish of a dear friend, Senator Nicholas Horn, who had long wanted to develop a law school for Nevada, Chairman Arberry took up the cause of a law school in 1995, requesting and securing the planning grant that led to the law school's creation. Since then, he has been a great supporter and friend to the law school which has developed into an important community resource and a nationally-known program and a wonderful example of what higher education is all about.

I cannot tell you how important that initial leadership, along with the ongoing support, was in energizing Bill Boyd's support of the law school well before we started the capital campaign. When we started the capital campaign, Dick Morgan, Carol Harter, and I asked Bill to increase his gift so that we could significantly reposition the size of gifts we would be asking for during the capital campaign.

It took very little time for Bill to commit an additional \$25 million for the law school. None of that would have happened without Chairman Arberry's leadership and commitment to higher education, along with the ongoing support of the Legislature in the intervening years.

So, why am I here? Well, I'm here to talk about state funding and continuing legislative support for the role that higher education plays in this great state and must play in our future; and, I'm here at what is the most difficult economic and fiscal environment any of us have ever faced. I am also here to say that none of us can be satisfied with our higher education "report card," some of the things that Chairman Wixom talked about in his comments, either in terms of the funding levels or in terms of the overall achievement, we have seen in delivering the breadth and quality of the higher education system our state deserves and needs in the increasing competitive environment facing our state and its citizens.

We cannot be satisfied with what we have achieved, and we certainly cannot step back. We cannot afford to lose the momentum which has been achieved by the public sector and the private sector coming together to create the best platform, the best

foundation for success, we have ever had in this state, at a time when we need a stronger higher education system more than ever.

This is not a partisan issue. I had the pleasure of being in Carson City earlier this week with a very distinguished group of business and community leaders, Republicans and Democrats alike, to have lunch with a group of distinguished legislative leaders, Republicans and Democrats alike, many of whom are in this room today, to discuss higher education and the broader issues with which you are dealing.

As a lifelong Republican, I have been particularly pleased to be asked by Speaker Buckley and Majority Leader Horsford to express my views on a full range of issues, but especially on higher education. This is truly a time for all of us to come together as Nevadans, something I saw working well when I came to this state 22 years ago.

I said at the luncheon this week that you will be challenged to deal with all that you must deal with during this legislative session, and that the best thing that you can do is to just "keep the wheels on the bus." In terms of higher education, this means keeping the funding levels where they are. We just cannot afford to take a step back, given our unacceptable report card, and run the related risk that the private sector philanthropy and research funding that is so important to these institutions, will be adversely affected by concerns over our state's commitment to funding and to the quality of higher education.

Keeping the "wheels on the bus" is critical in the short-run; however, even more critical is the need to more seriously determine what we want our state to be and how we are going to get there over the next couple of decades. We did not get here in 120 days and we are not going to get out of this current mess in 120 days, but we must get started, and we must be serious about actually doing what it takes to move this state toward a position among our peers which we can celebrate. This vision for the future goes beyond higher education, way beyond.

It is time for all of us to say that we have had enough of being at the wrong end of virtually every single measurement of successful evolution of a state. Let's do what we can to "keep the wheels on the bus" during this legislative session, but then let us initiate a process for real dialogue and real action to create a long-term vision for this state, along with an actionable, multiyear plan for how we are going to get there, and how it will be properly funded.

While the challenges are great, we don't need to reinvent the wheel or start at the very beginning. I read the 1988 Price Waterhouse Study last weekend, and then had a chance to discuss it with Irwin Molasky when we traveled to Carson City for our luncheon earlier this week. As you know, Irwin, one of the true community builders and leaders over the past 50 years in Las Vegas, cochaired, along with former Governor Kenny Guinn, the blue ribbon panel which commissioned that study. It is a travesty that this study never really saw the

light of day. It is like parts of it were written today with other parts accurately forecasting many of the tough challenges that we face today. In the same way, Governor Guinn's Taskforce on Tax Policy in Nevada, convened for the tough 2003 Legislative Session, provides an incredible foundation for healthy discussion, as it did at that time.

When you finish your work to successfully "keep the wheels on the bus," I urge leadership on both sides of the aisle and in both Houses to convene a real effort to decide what we want this state to become, and then develop a plan for how we are going to get there. Then, let's go to work on implementing it. If there is anything positive which we can take away from the current mess in which we find ourselves, it should be a better chance to gain support for fixing our problems. We have never had better reason to do it, and to do it on a bipartisan basis, with public and private sectors both coming to the table for the good of the state and for all of us who choose to be here and raise our families here.

Thank you for the opportunity to be here today. I would welcome your questions and your dialogue, either now or later. I pledge to you that I will do everything I can to help and to support you in this regard.

Mr. Klaich noted that at the presession Committee meeting on January 20, 2009, the NSHE presented information including discussions on The Executive Budget and the anticipated effects on the NSHE if the proposed budget cuts were enacted.

Mr. Klaich was prepared to testify on the American Recovery and Reinvestment Act of 2009, which added complexity and opportunity for the state and NSHE. His staff had been in constant communication with the Legislative Counsel Bureau (LCB) Fiscal staff discussing the numbers in the Act and all appeared to be in agreement. There were questions which had arisen with respect to the application of those numbers, the maintenance of effort (MOE) waiver, and serious questions regarding how the state legislators would choose to apply the funds.

The January hearing also brought up the critical issues of enrollment, access, tuition, and the future of students and generations of students. Mr. Klaich asked whether there were specific areas of the budget which needed clarification or whether the Subcommittee would prefer to hear from the students.

Chair Arberry responded that the Subcommittee preferred to hear budget clarifications. He noted Mr. Klaich had mentioned the Governor's proposed 35.9 percent General Fund decrease, and Chair Arberry requested additional information on the issue.

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**BUDGET ACCOUNT: NSHE-ALL SYSTEMWIDE ACCOUNTS**  
**BUDGET PAGES NSHE-1 THROUGH NSHE-131**

Daniel J. Klaich, Executive Vice Chancellor and Chief Operating Officer for the Nevada System of Higher Education (NSHE), suggested that Michael B. Wixom, Chair for the NSHE Board of Regents, had set the stage for the NSHE position

with respect to the proposed budget cuts. Mr. Klaich distributed [Exhibit C](#), a response to questions posed to the NSHE by the Subcommittee on January 27, 2009.

Mr. Klaich noted that when requested to reduce budgets in a proportionate way, the NSHE had complied. The NSHE had been able to make the requested cuts in a way that had not affected the critical instructional core of the teaching institutions, and the institutions were able to move forward with providing educational opportunities to the students. According to Mr. Klaich, if cuts at or near the magnitude that were proposed by the Governor were imposed, that would no longer be possible.

Mr. Klaich was aware that enrollment caps were an issue which should be discussed. To date, enrollment caps had not been required; however, if the proposed budget cuts were initiated, enrollment caps would probably occur. It would be more traditional in the research institutions of the system to have specific caps imposed. The more insidious result, however, would be the de facto caps which would be seen at the open-access institutions, Nevada State College and the community colleges. In his opinion, these were the institutions that would bolster the economy with workforce development during this critical time, but the students would not be served by the proposed cuts.

Mr. Klaich explained that should severe budget cuts occur, faculty would be lost. The NSHE believed it would be necessary to meet with LCB counsel to determine how pay cuts could be enacted. There were contractual obligations and notice provisions which must be given that precluded the imposition of pay cuts in many cases. If the issues were not resolved, those pay cuts would become another operating cut to the budget.

Chair Arberry asked whether the NSHE anticipated enrollment growth beyond projected amounts and, if so, how they would respond.

Mr. Klaich responded that enrollment growth in excess of the budget projections had been experienced. The NSHE had been able to handle the growth through a variety of budget cuts, some one-time cuts and some in the noninstructional areas. He anticipated enrollment would continue to increase, which was typical in difficult economic times. When people were laid off from their jobs, they wanted to increase their skills or find new skills. The tremendous enrollment increases at community colleges was expected to continue. Mr. Klaich was uncertain how the NSHE would be able to handle the continued increases, especially with the pending budget cuts.

Chair Arberry noted that based on the Governor's recommended funding cuts, it appeared the NSHE would not be able to handle the increases. He inquired whether the NSHE had a plan in place.

The NSHE would not be able to handle the increases, according to Mr. Klaich. A plan would have to be implemented that would be directly proportionate to the cuts. All of the institutions and the chief executives at those institutions had been planning. Positions had been held open, notices of nonrenewal had been issued, and other practices had been initiated to prepare for the future, but the proposed cuts were so huge there could not be a plan put into place.

Chair Arberry requested that Mr. Klaich provide enrollment projections to the LCB Fiscal staff before the next Subcommittee meeting in April 2009.



Chair Arberry was interested in discussing the federal stimulus stabilization funding and how it would affect the NSHE. He requested input from Mr. Klaich.

Mr. Klaich explained that the primary piece of the federal stimulus package that related to education, in general, and higher education, specifically, was the state stabilization fund. The projections indicated that the stabilization funds available to the State of Nevada were approximately \$396.58 million. Those funds were divided into two areas: an 81.8 percent area dedicated specifically to education, and an 18.2 percent fund dedicated to other purposes, but which could include education.

According to Mr. Klaich, the challenge with the stimulus funding was how to get the money. Another problem was that the money was one-time funding.

With respect to how to get the funds, there was the maintenance of effort (MOE) provisions that required a certain level of funding as a threshold to qualify. To meet the MOE requirements and get to the fiscal year (FY) 2006 level of funding, the state was short about \$267 million or \$269 million in The Executive Budget. The kindergarten through grade 12 (K-12) funding was tied to higher education in the stimulus package. If the state was unable to meet the MOE requirements for higher education, K-12 would not be able to receive funding either.

Mr. Klaich continued to explain the question of waiver. Independent of anything done by the NSHE, the stimulus funding was subject to an application by the Governor, and there was a short timeframe for the Governor to apply. There were provisions within the stimulus act for waivers granted to states from the MOE requirements. He believed that was worth further investigation.

One question raised, according to Mr. Klaich, was whether the funds were too expensive to accept and, if so, should Nevada apply to the Secretary of Education for a waiver. Unfortunately, at this time, guidelines were not available from the Secretary of Education on how waivers would be granted. The conference report stated the intention of the stimulus funds was to supplement and not supplant state funding. That indicated to Mr. Klaich that there needed to be some movement towards the MOE provisions to be able to qualify for stimulus funding.

Assemblywoman Buckley requested Mr. Klaich comment on the requirement for state spending to reach the greater of FY 2008 or FY 2009 spending levels. Assuming the funds were available to reach the MOE, she inquired what the additional obligations would be under the bill if the cost-benefit analysis of the funds was ascertained.

Mr. Klaich responded that if the MOE was met, it was his understanding that stabilization funds could be utilized to meet the FY 2008 and FY 2009 spending levels. The federal funds could push to that level. There was a proportionality rule with respect to the allocation of the funds between K-12 and higher education, and each would look to respective shares of the budget to determine the allocation of those funds.

Assemblywoman Buckley advised that she was trying to understand all of the options available. If, for example, General Fund savings were freed-up from the Federal Medical Assistance Percentage (FMAP) and Medicaid increases to assist with the MOE and an infusion of the stimulus money was received to help offset the recommended cuts, she inquired what the next step in the state

obligation would be with regard to ensuring that the state was at FY 2010 and FY 2011 spending levels.

Mr. Klaich believed that Jim Rogers, Chancellor, NSHE was clear when pointing out that the NSHE did not want to fill the hole in its budget by raiding the budgets of other state agencies that were also underfunded. In the opinion of Mr. Klaich, the statute was not clear on whether freed-up General Fund dollars from FMAP stimulus funding could be used to meet MOE requirements outside of Medicaid. Although the statute was silent on that issue, it was specific on the ability to use or not use stabilization funds that were freed-up in other areas. He thought that implied there was a possibility that the freed-up dollars could be used to meet MOE requirements in other areas, such as higher education. This interpretation was not consistent with the statutory intent from the conference committee regarding supplement versus supplant.

Senator Raggio commented that after reviewing the stimulus package with Fiscal staff, it appeared there were two conditions to be satisfied before any of the higher education funds could be accessed. One condition was the MOE, which, as previously discussed, required that spending must equal the FY 2006 budget level. The second condition was that states were required to increase FY 2010 and FY 2011 spending for higher education to whichever was the greater level, either FY 2008 or FY 2009. According to Fiscal staff, for FY 2006 the NSHE actual expended General Fund operating level was \$555,533,378. The FY 2009 NSHE projected General Fund operating level was \$621,412,000. Assuming a federal waiver for the MOE requirement was granted, it appeared to leave Nevada under the FY 2009 level by \$198,026,040 in FY 2010 and \$202,775,024 in FY 2011.

Mr. Klaich noted that the Governor had convened a panel of agency heads, including the NSHE, to look into the stimulus issues. Although the issues were complex, he was hopeful a resolution could be found.

Senator Raggio expressed concerns regarding the fact it was one-time money. It was a substantial amount of money and would cause major budget problems in the future.

Although the stimulus funds could fill some holes in the budget, Mr. Klaich indicated the NSHE was also concerned about the future budget problems.

Chair Arberry requested Mr. Klaich comment on decision units Maintenance (M) 200, Enhancement (E) 619 and E620. Chair Arberry noted seven of the teaching institutions were funded through the enrollment-driven formulas. The 2007 Legislature funded the NSHE main formula accounts at 85.5 percent. In reviewing the M200 module, the Governor recommended the formula maintenance funding at 85.77 percent, which resulted in a General Fund increase of \$30.7 million in FY 2009-2010 and \$34.65 million in FY 2010-2011. In decision units E619 and E620, the Governor proposed General Fund formula reductions of \$234,740,538 in FY 2009-2010 and \$238,026,902 in FY 2010-2011. The net impact resulted in General Fund reductions totaling \$204,039,939 in FY 2009-2010 and \$203,380,347 in FY 2010-2011.

Chair Arberry requested additional information on the Fiscal staff analysis which indicated that the E619 and E620 decision units cumulatively reduced formula funding levels to 59.49 percent and 59.99 percent in each respective year of the 2009-2011 biennium.

Mr. Klaich explained that Chair Arberry's comments reached the heart of the problem, which included two critical issues. The first issue was the magnitude of the reductions to the instructional formula base. The Executive Budget proposed a significant retreat from the compact the state had with higher education in the past. A more difficult aspect of the way in which the NSHE was funded was that there were approximately 26 different line items for appropriation. While the Legislature had given authority to move funds to meet the critical purposes and missions within those line items, Mr. Klaich noted there was no authority between the line items to make any adjustments. This presented an onerous problem at UNLV (University of Nevada, Las Vegas) and UNR (University of Nevada, Reno) of where to achieve the formula reductions in those institutions with formula-driven dollars; the instructional base was reduced by half or more in some cases.

According to Mr. Klaich, the NSHE was unable to absorb those percentages of reductions. As previously indicated, Mr. Klaich had no plan for reductions of that magnitude. Additionally, he believed it might be appropriate to continue dialogue throughout the legislative session about additional flexibility for UNR and UNLV to allow the Chief Executive Officers to make strategic cuts within their appropriation line items that they were not allowed to make at this time.

Chair Arberry requested Mr. Klaich comment on the salary and benefit reductions portion of the budget.

Mr. Klaich had requested to meet with Fiscal and Legal staff to discuss the salary and benefit reductions. As indicated by Chair Wixom in earlier testimony, the NSHE requested to resolve the problem as a state. Without extraordinary action by the Board of Regents, such as the declaration of a financial exigency, there was a great proportion of the NSHE personnel for whom it was too late to make the required cuts. This would result in additional operating cuts. He believed a number of the school districts would be in a similar situation because of negotiated contracts with their employees.

Mr. Klaich requested the Subcommittee be mindful that the declaration of financial exigency had serious negative impacts for the institutions, national reputations, and the ability to recruit and retain faculty and students. As far as NSHE was concerned, this was a last resort.

Assemblywoman Gansert asked whether the NSHE employee contracts specified the merit and longevity increases.

Mr. Klaich explained the award of merit was subject to specific appropriation by the Legislature. Merit increases were not within the general rules with respect to contractual allowances, and if they were not funded, the NSHE would have the ability to make those adjustments. With respect to longevity for classified staff, he thought it was subject to legislative action.

Assemblywoman Buckley asked how many people would be laid off if the NSHE budget was reduced by 35.9 percent overall.

Mr. Klaich did not have an exact number, but based on a full-time equivalent (FTE) employee calculation it was estimated that 2,000 state-funded positions would be lost. This translated to approximately 28 percent of NSHE employees. Mr. Klaich clarified that to put the cuts into perspective, all of the community colleges would have to be eliminated to be able to continue the full course of

offerings at UNR and UNLV. To keep the community colleges operating, one of the research institutions would have to be eliminated. The cuts would change the shape of higher education and "slam the door shut" for Nevadans who wanted to improve their lives.

Chair Arberry moved to the issue of recommendations for registration fee revenue increases. He noted the fee revenues contained in The Executive Budget for UNLV were overstated by \$1.32 million in FY 2009-2010 and \$1.89 million in FY 2010-2011, or \$3.21 million for the biennium. As the NSHE had requested a General Fund appropriation as a replacement for the overstated fee revenue amounts, Chair Arberry inquired how the overstatement had occurred.

Mr. Klaich asked Gerry J. Bomotti, Senior Vice President for Finance and Business, UNLV, to provide the requested information.

Mr. Bomotti explained that as the full-time equivalent (FTE) was projected and reprojected, the numbers that were used were higher than they should have been. Therefore, it generated more revenue than should have been included. The FTE numbers that were used were in the 19,800 or 19,900 range when they should have been lower.

Chair Arberry asked how the NSHE was proposing to cover the shortfall.

Andrew Clinger, Director, Department of Administration, stated that he had not had the opportunity to review the issue and did not have a solution. He would evaluate the situation and advise the Subcommittee within one week.

Chair Arberry moved to the issue of the Board of Regents registration and tuition increases.

Mr. Klaich noted the NSHE had a long-term compact with the state. The Fiscal staff and the legislative money committees had made it clear they wanted to see the ratio of fees to expenditures maintained so they did not erode over time and impose a greater burden on the state. There was also concern over the allocation of fees.

The NSHE had prepared the budgets and made appropriate allocations. The system had worked well when there were normal increases. However, as this was a decreasing time, there was an added burden on the Legislature, the state, and, potentially, the students. The Board of Regents had approved fee increases in both years of the upcoming biennium to keep pace with inflation. The students in the upcoming biennium were being asked to pay more fees, but receive less as budgets were reduced. The NSHE was not prepared to recommend fee increases at this time. As indicated by Chair Wixom, the NSHE believed that it was premature to recommend to the Legislature that the fees should be increased to a particular number.

Assemblyman Denis was curious to know whether the NSHE had completed studies which showed the threshold for tuition increases.

Mr. Klaich pointed out that a discussion on the issue had taken place at the January 20, 2009, hearing. Although there were elasticity studies, he did not believe the studies were relevant to the current situation in Nevada. The demographics of the student population made it more difficult as we faced an increasing enrollment of non-traditional and non-white students that found

themselves less able to pay and more subject to being excluded by tuition increases.

Senator Horsford requested additional information from Mr. Klaich on the elasticity study. He was interested to know why the study did not apply at this time.

Mr. Klaich explained that the typical macroeconomic studies attempted to be applied to mass populations in described normal situations. He did not believe any of those hypotheses applied to Nevada. It seemed to him that it made more sense to bring the Board of Regents and students into the discussion. He understood time was limited but believed it was important to determine what students could afford.

Senator Horsford urged caution when making decisions on higher education. He wanted to ensure that when decisions were made, the Board of Regents carried out those decisions. Once funding was provided to the NSHE, Senator Horsford wanted to know what the impact would be to the students. He did not want to vote on a set amount of cuts or funding which would have a devastating effect on the students.

According to Mr. Klaich, the NSHE was in a partnership with the Legislature. He had learned that when the NSHE did not listen and implement the desires of the Legislature, there could be consequences. He believed that what Senator Horsford was proposing was a partnership with the State of Nevada, the students, and the Board of Regents. As a partnership, they could work together to solve the problems and implement the solutions.

Assemblywoman Gansert asked whether the NSHE had estimated how much the increases would produce. She was concerned about the student access. With the economy down, it was important for people to continue their education or to be able to retrain. She also wanted to know if there were any dollars, whether in the stimulus package or not, to increase Pell Grants or other ways students could get access to funds to ensure they could return to school.

Mr. Klaich responded that, in his opinion, Nevada needed to improve the need-based financial aid required by the students. Stimulus dollars provided additions to Pell Grants. He believed there were also tax credits for tuition and fees. If the NSHE applied a 25 percent increase in registration fees to every credit hour being taken in the system, nearly \$50 million could be raised per year. He would supply the information to the Fiscal staff.

Senator Hardy recalled the issue of the elasticity study. He did not believe a discussion on that subject could continue without better data. This was a threshold issue to any discussion about tuitions, fees, or other increases of that type.

Mr. Klaich pointed out that the data mentioned in the discussion with Senator Hardy on January 20, 2009, would not be helpful to the Subcommittee. He believed the data would be found in discussions with the students and the Board of Regents.

Senator Hardy cautioned against letting emotion rule the decision-making process. The data was important to have prior to making any decisions. There were policy matters to be considered when discussing tuition increases.

Senator Hardy wanted to ensure the elasticity study was included in any discussions regarding the tuition increases.

Chair Arberry commented that the committees had worked diligently over the years to raise the levels of K-12 and higher education in Nevada. He was saddened that there was the possibility of losing ground.

Senator Horsford agreed with Senator Hardy's statement regarding the importance of the elasticity-study data. Also, he inquired whether the drafts put together on tuition and fee increases had been shared with the student body and whether the student representatives had been involved in the discussions. If not, he believed it was important for them to be included.

Mr. Klaich responded that although a mathematical exercise had been performed, there was not an actual draft to share. The mathematical exercise was published in the Chancellor's weekly memorandum. It received significant attention from the student leaders. He did not believe the students had been involved in discussions as described by Senator Horsford, but the students would be involved in future discussions.

Chair Arberry recalled that in June 2008 the Interim Finance Committee (IFC) approved the NSHE's request for a one year, student per-credit-hour surcharge to help defray costs. He requested an update on the matter.

Mr. Klaich stated that as part of the multiple rounds of budget cuts, five of the seven teaching institutions imposed surcharges to assist in meeting the shortfalls to preserve the key instructional core. The surcharges that were imposed by those institutions specifically contained sunset provisions that would terminate June 30, 2009.

Senator Raggio questioned whether the surcharges were intended to assist with operating expenditures and why UNLV and Nevada State College did not have a need to impose the surcharges.

Mr. Klaich speculated that it was not a matter of need, but rather an issue of balancing interests and looking at the various ways in which significant cuts needed to be met quickly. The NSHE put the burden on the presidents of the institutions to determine where the budget cuts could be made quickly.

Dr. David B. Ashley, President of UNLV, stated that he had looked into the surcharge, but determined that the students were especially price-sensitive and had already encountered significant increases in the registration fees. Instead, the University looked into reorganization of the class sections. For example, this year the University had reduced the number of class sections available by nearly 1,000. The number of part-time instructors had also been reduced. There were currently 97 faculty positions vacant.

Senator Raggio added that when reaching the final decision on potential tuition increases, the Subcommittee must look at comparisons with peer institutions, especially in the western states. Over the years, the tuition in Nevada had been a bargain when compared to other western universities.

Assemblywoman Buckley pointed out that the Legislature faced an enormous task with balancing the budget. In her opinion, the budget proposal for the University System should be completely revised. The economic news was worse everyday. Every aspect of the budget must be thoroughly reviewed and

there must be a shared sacrifice plan. It would help the Legislature if the NSHE provided a realistic proposal that considered all of these factors: avoid draconian cuts, avoid setting the system back 30 years, and ensure students paid a fair share.

Assemblyman Grady agreed with Assemblywoman Buckley's comments that students should pay their fair share, but he did not feel it was fair for UNR students to pay \$6.50 per credit for the UNR Fire Science Academy for which they received no benefit. He had been told there was the possibility of transferring the unit, but not the debt, to the Office of the Military.

Milton D. Glick, Ph.D., President of UNR, agreed that it was unfortunate the \$6.50 was not used to meet student needs. There was a \$39 million debt on the Fire Science Academy. For the first time in ten years there was a proposal on the table that the Governor had put forward. It was Dr. Glick's understanding, that under the Governor's plan the NSHE would receive \$10 million to be applied toward the debt.

Assemblyman Grady noted that left nearly \$17 million in capital debt.

Dr. Glick responded that was correct. There was an additional \$12 million in operating debt for a total of \$29 million.

Mark W. Stevens, Assembly Fiscal Analyst, noted that past testimony indicated the \$10 million would be applied to the operating debt. He had been informed that the \$10 million would be split between the operating and capital debt. Now, according to Dr. Glick, the \$10 million was to be applied to the capital debt. Obviously, there were different versions and, if the proposal was approved, a final decision would have to be made.

Dr. Glick stated that UNR had initially proposed to apply the \$10 million to the operating debt to bring the University under audit compliance. However, after consulting with the Blue Ribbon Advisory Committee, it was the decision of the University to split the money between the two debts. In addition, the University was prepared to identify property that could be sold to apply toward the debt. If approved, nearly \$15 million would be split between the capital and operating debts.

Senator Mathews asked whether UNR would colocate with the National Guard at the Fire Science Academy.

Dr. Glick preferred to colocate with the military. The University preferred to be a tenant on the facility and continue to have an important economic presence for Elko, Nevada and to service the needs for fire training. No decision had been made.

In response to a question from Senator Mathews, Dr. Glick advised that the Governor had recommended that the Office of the Military purchase the site for \$10 million. The Governor had not made a recommendation on colocation. There was also the possibility of locating a National Guard "challenge site" on the property.

Senator Mathews noted that the Office of the Military testified there were some issues with the "challenge site."

Assemblywoman Buckley requested the University suggest other methods to removing the student's fee. It was not agreeable to the Subcommittee for students to pay for a bad business decision. The plan of the National Guard taking over the academy might not come to fruition as there were logistical challenges and it did not make practical sense.

Dr. Glick had no other plan. After studying the business plan and marketplace, the Blue Ribbon Committee recommended that unless there was major new revenue, the Fire Science Academy should be closed. If the property was closed, it did not eliminate the \$39 million debt and added an estimated \$3.5 million in costs for closing and restoring the site to original condition. As a part of the plan, in addition to the National Guard site, there were commitments from an oil company and miners from the cities of Elko, Carlin, and Elko County, Nevada for annual contributions. These prospects were not sufficient to address the financial problem. It was a combination of the stakeholder's commitments and the Governor's proposal that developed this plan. Dr. Glick acknowledged that although it was not a good plan, it was the only one available.

Chair Arberry questioned whether the building was located near fuel sources.

Gustavo Nuñez, P.E., Manager of the State Public Works Board (SPWB), explained that needs which were to be met at the Elko Airport facility would be met at the proposed Carlin, Nevada facility. There would be additional space in Carlin which could accommodate other needs. To make the facility compatible with the facility in Elko, Nevada, the Office of the Military would be required to take over and manage the entire facility. In addition to the Readiness Center, several other programs were being investigated; however, at this time, the National Guard would be the only other user of the facility.

Senator Horsford disclosed that his wife was an employee of the NSHE.

Senator Mathews asked whether international students were attending the fire academy.

Dr. Glick responded that the international training was performed off-site at international locations. It was an outreach-type program.

Chair Arberry inquired whether the Clark County NSHE/UNLV property swap was finalized on February 25, 2009, and whether the UNLV budget still included the \$1.72 million in annual appropriation for the Paradise facility lease.

Mr. Klaich advised the transaction was in negotiation. The Governor had included a substantial rent increase in The Executive Budget. The NSHE had been engaged in negotiations with the Airport Authority to resist the rent increases that ended in a land swap and, therefore, a significant reduction in rent. He further explained that a part of the land swap involved an easement along the side of the property which impaired the use of the property and required a relocation of a portion of the facilities. The NSHE requested that a limited portion of the rent that was included in The Executive Budget be retained to cover the lease expenses.

Dr. Ashley thought all of the papers for the land swap had been signed and the transaction completed. As indicated by Mr. Klaich, one condition of the land swap was the easement which modified the use of the property. A portion of



the police services were moved to a different facility. Also, a complete written response on the issue was provided to Fiscal staff.

Moving to the maintenance decision modules, Chair Arberry requested verification that rather than increasing external audit costs by \$67,500 per year, the amounts should actually be decreased by \$78,975 in FY 2010 and \$87,325 in FY 2011.

Mr. Klaich believed the numbers quoted by Chair Arberry were correct. He would have the exact numbers provided to Fiscal staff. The contract which was renegotiated for outside auditing services provided a savings.

Chair Arberry noted that UNLV proposed an amendment to the Governor's budget to add 32,122 new square feet of its Tropicana parking garage at a cost of \$291,188 in FY 2009-2010 and \$320,910 in FY 2010-2011. He asked why the operations and maintenance (O&M) was omitted from the original request.

Mr. Klaich stated the project had recently come to fruition and was out-of-sync with the normal submission of the budget. The information was not available at the time the budget was prepared.

In response to Chair Arberry, Dr. Ashley said the UNLV parking garage was located in the space between the Thomas and Mack Center, the Cox Pavilion, and the new Student Recreation Wellness Center. The parking garage was under construction at the intersection of Tropicana Avenue and Swenson Street in Las Vegas and should be completed in August 2009.

Chair Arberry addressed the issue of the proposed elimination of square footage operating and maintenance costs at the Getchell Library at UNR, and the proposed addition of operating and maintenance costs at the Jot Travis Building that was not already funded through the Distributive School Account (DSA) for the Davidson Academy.

Dr. Glick explained that the Davidson Academy occupied two floors of the Jot Travis Building at UNR. The lower floor currently contained a large instructional classroom which was receiving O&M. The Honors Program at UNR was recently moved into space on the lower floor of the Jot Travis Building. The requested \$28,073 in each year of the biennium was for O&M for the Honors Program space.

Assemblywoman Smith questioned whether there was shared space which affected the Davidson Academy as well as the Honors Program.

Dr. Glick stated there was no shared space. The only sharing was for after-hours for special events.

Assemblywoman Smith also inquired why there was 50,000 square feet requested for Lawlor Events Center in the UNR Intercollegiate Athletics budget.

Dr. Glick advised the Subcommittee that NSHE was requesting O&M for the Lawlor Events Center. When the Lawlor Events Center was built, it was supposed to be self-supporting through special events. After construction of the Reno Events Center, the Lawlor Events Center was not able to compete for special events; therefore, it was decided to make the Lawlor Events Center into an athletic facility. This was the first year O&M was requested in the budget for the Lawlor Events Center.

Senator Raggio requested clarification on the O&M for the vacated Getchell Library Building.

Dr. Glick noted that the prior administration had proposed to demolish the Getchell Library Building when it was vacated. The NSHE did not see that as economical since the building was 170,000 square feet of open space. It was proposed to reutilize the building for academic purposes.

The SPWB inspected the building and reported that code work was necessary for a change of use for the building. The NSHE put in a request for code work. The request was approved by the SPWB and placed on the priority list, but it was not included in the Governor's proposed budget. The O&M request was to maintain the building in a "mothballed" condition.

Assemblyman Denis recalled the Lawlor Events Center issue, asking how the O&M money would benefit the students.

Dr. Glick believed athletics were an integral part of the University System and of the student experience. In the past, the Legislature had embraced the support of student athletics. The O&M was necessary to maintain the facility.

Chair Arberry noted that NSHE proposed changes to the Western Interstate Commission for Higher Education (WICHE) transfer recommended by the Governor.

Dr. Jane Nichols, Vice Chancellor for Academic and Student Affairs, System Administration Office, NSHE, responded that the proposal came from the Governor's office as a cost-cutting proposal. Dr. Nichols was one of three WICHE commissioners who reviewed the proposal. It was clear there were some advantages and efficiencies that could be gained by moving the WICHE program under the umbrella of the NSHE. However, the WICHE Commission was requesting that the budget for the WICHE program and staff be kept as a separate budget line item to avoid comingling with the NSHE budget.

Additionally, after reviewing the recommendation of the Governor to reduce staff from 3.51 FTE to 1.51 FTE, an amendment was proposed to raise the staff to 2.0 FTE. It was also proposed to pay 20 percent of a non-state-funded position in the Academic and Student Affairs Office to assist with WICHE business.

Assemblywoman Smith asked for the net effect of the proposed changes.

Dr. Nichols stated the Governor's recommended budget would result in a 1.3 FTE cut for a small state agency. The NSHE believed the budget impact was small but the proposed changes would provide a more symbiotic relationship and gain efficiencies by the WICHE program being under the NSHE umbrella.

Assemblywoman Smith expressed concerns regarding WICHE collection rates as there had been audit problems in the past.

Dr. Nichols thought that bringing the WICHE under the NSHE umbrella was a great advantage because there were staff who could provide oversight and support for the collections.

Senator Mathews asked for a brief explanation of why WICHE students were supported in-state when there were so many in-state programs available.

Dr. Nichols explained that the State of Nevada was a member of the WICHE compact. The WICHE program sent students out-of-state for programs that were not available in-state. The programs had served the state well at the graduate, professional school, and undergraduate levels.

Dr. Nichols said the programs for students going to Nevada universities and providing either loan repayment or stipends to them were programs created under the Health Care Access Program (HCAP). The HCAP was designed to get healthcare personnel into rural Nevada and underserved inner-city areas where the shortages were great. To participate in the HCAP, the students must work in those areas. It was very different than the program that paid for them while in school, which was the traditional WICHE program. It was a recruiting tool to keep dentists, pharmacists, physical therapists, nurses, mental health professionals, and physician assistants in underserved areas where the needs could be met. If the budget cuts were enforced, it would be very difficult to continue with a staff of 1.5 FTE to maintain all of the programs in those slots.

As requested by Senator Mathews, Dr. Nichols agreed to provide the Subcommittee with the number of students who had been placed in the rural areas in the healthcare fields supported by HCAP.

Chair Arberry moved to the issue of the School of Medicine partnership with the Lou Ruvo Brain Institute and asked how the requested \$823,380 appropriation was to be expended in the 2009-2011 biennium.

Mr. Klaich pointed out that the \$823,380 originally appropriated was to create programs to be compatible with the Lou Ruvo Brain Institute within the UNR School of Medicine. Mr. Klaich suggested the appropriation to the School of Medicine was still fitting and would facilitate partnerships between the School of Medicine and the Lou Ruvo Brain Institute and Keep Memory Alive.

The partnership that was anticipated when the appropriation was originally made would not come to pass. When the process was begun in 2005, the Legislature anticipated that the building that was being financed by Mr. Ruvo would be donated to the NSHE, and there would be a partnership between the NSHE and Keep Memory Alive. The partnership would not occur as anticipated. Whether to continue the collaboration and have the programs within the School of Medicine would be determined by the Legislature.

Chair Arberry was unclear why the money was needed if a turnkey building was not gifted to the University.

Mr. Klaich explained the issue was that the programs were ongoing and could be continued in a different partnership. The Legislature might decide that the partnership was not beneficial to the state and should not be continued. If that was the case, he suggested that either the appropriation be discontinued or the appropriation be made directly to the Lou Ruvo Brain Institute and Keep Memory Alive. It was a different arrangement than was presented to the Legislature in 2005.

Chair Arberry opened the floor for public comments.

Assemblyman Denis explained that students from the University System would be presenting testimony. The following students spoke in opposition to increasing student tuition and cutting the NSHE budgets:

- Adam Cronis, undergraduate student body president at UNLV, submitted 2,000 letters ([Exhibit D](#)) opposing budget cuts.
- Chris Harrington, representing non-traditional students, UNLV.
- Abriana Foster, senator for student government, College of Southern Nevada (CSN).
- Eli Reilly, student body president, University of Nevada, Reno (UNR).
- Ryan Crowell, student body president, Nevada State College (NSC).
- Theri Wyckoff, Professor of Education, CSN.
- Ashley Phipps, graduate student in public health program, UNLV.
- Vic Sehdev, student body president, UNLV.
- Robert Coomes, alumni of UNR.
- Brian Ottesen, student, NSC.
- Leisl Carr Childers, graduate student, UNLV.
- Brithany Thomson, graduate student body president, UNR.
- Jarell Green, student, UNR.
- Kyle George, Department of Chemistry representative to the graduate and professional student association, UNLV.
- Marvinna Truss, student, CSN.
- Jerry Browner, undergraduate student, UNLV.
- Edith Gonzalez-Duarte, Regent Scholar Award recipient, Truckee Meadows Community College (TMCC).
- Emmunuelle Garcia, student, UNR.
- Eron Sanchez, Student Government Association president, Great Basin College (GBC).
- Rosemary Flores, executive director, Family Leadership Initiative.
- Nicholas Cruz Blevins, student, UNR, presented [Exhibit E](#), prepared testimony.
- Joshua Pierce, nursing student, Western Nevada College.
- Kersten Milligan, president of first-year class, UNR School of Medicine.

Dr. Neil Smetrask, Executive Vice President and Provost at UNLV, spoke on behalf of students from Nevada State College, College of Southern Nevada, and other institutions. Dr. Smetrask noted the students were from diverse areas and all echoed the comments of students who testified.

The following documents were presented by students to be attached as exhibits:

- Kathleen A. Boardman, Ph.D., College of Liberal Arts, UNR, presented [Exhibit F](#), prepared testimony.
- Lisa Gundrum, nursing student, Western Nevada College, presented [Exhibit G](#), prepared testimony.
- Scott Mensing, professor, Department of Geography, UNR, presented [Exhibit H](#), prepared testimony.
- Caroline Bruno, Cochair, Science Department, Great Basin College, presented [Exhibit I](#), prepared testimony.
- Leslie Elliott, M.P.H., Ph.D., assistant professor, Epidemiology, UNR, presented [Exhibit J](#), prepared testimony.

Chair Arberry thanked all of the students and professionals who took time to testify and advised them that a meeting was tentatively scheduled for Saturday, March 14, 2009, to allow all an opportunity to testify.

Chair Arberry adjourned the meeting at 11:36 a.m.

RESPECTFULLY SUBMITTED:

\_\_\_\_\_  
Linda Blevins  
Committee Secretary

APPROVED BY:

\_\_\_\_\_  
Assemblyman Morse Arberry, Chair

DATE: \_\_\_\_\_

\_\_\_\_\_  
Senator Bernice Mathews, Chair

DATE: \_\_\_\_\_

<u>EXHIBITS</u>			
<b>Committee Name: <u>Assembly Committee on Ways and Means/ Senate Committee on Finance Joint Subcommittee on K-12 Education/Higher Education</u></b>			
<b>Date: <u>February 27, 2009</u></b>		<b>Time of Meeting: <u>8:09 a.m.</u></b>	
<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Attendance Roster
	C	Daniel Klaich, Exec. Vice Chancellor, NSHE	Response to January 27, 2009, Subcommittee
	D	Adam Cronis, University of Nevada, Las Vegas	Petition letters
	E	Nicholas Cruz Blevins, University of Nevada, Reno	Prepared testimony
	F	Dr. Kathleen A. Boardman, UNR	Prepared testimony
	G	Lisa Gundrum, Western Nevada College	Prepared testimony
	H	Scott Mensing, UNR	Prepared testimony
	I	Caroline Bruno, Great Basin College	Prepared testimony
	J	Dr. Leslie Elliott, UNR	Prepared testimony