

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  
March 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 8:12 a.m. on Friday, March 27, 2009, in Room 3137 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  
Assemblyman John Ocegüera

**SENATE COMMITTEE MEMBERS PRESENT:**

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

**STAFF MEMBERS PRESENT:**

Mark Stevens, Assembly Fiscal Analyst  
Steve Abba, Principal Deputy Fiscal Analyst  
Tracy Raxter, Principal Deputy Fiscal Analyst  
Alexander Haartz, Program Analyst  
Linda Blevins, Committee Secretary

Chair Arberry advised the Subcommittee that Fiscal staff would provide a summary of what occurred at the March 20, 2009, hearing.

Alexander Haartz, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided the Subcommittee with a brief overview of the Nevada System of Higher Education (NSHE) response to questions from the March 20, 2009, hearing ([Exhibit C](#)).

Mr. Haartz recalled that following a review of a prior response to a number of key points in the Governor's recommended budget for the NSHE, the Subcommittee requested additional information. The NSHE was requested to provide two alternatives to the Governor's recommended budget.

The first alternative identified was at the \$555,533,378 level which was framed as the fiscal year (FY) 2006 General Fund support provided to the NSHE. The NSHE was requested to provide an alternative budget and information on the effects of such a funding level.

The second request from the Subcommittee was tied to the concept of the NSHE being able to protect its core mission. In earlier testimony, the Subcommittee was told that the NSHE's ability to meet its core mission was in jeopardy and not attainable at the Governor's recommended level of funding. Therefore, with an unspecified dollar amount, the Subcommittee requested the NSHE put forward a second alternative that addressed the concept.

It was important, in Mr. Haartz's opinion, to recognize that the NSHE quickly provided a response to the Subcommittee's request. Unfortunately, Fiscal staff had not been able to thoroughly review the response; however, [Exhibit C](#) was prepared for the Subcommittee's review.

James E. Rogers, Chancellor, Nevada System of Higher Education (NSHE), testified that the NSHE would cooperate with the Legislature in every aspect to ensure the budget problems were resolved. He was mindful of the problems in the Nevada economy and was not attempting to take money from other entities or to compete with kindergarten through grade 12 (K-12) for funding.

Chancellor Rogers explained that the NSHE programs, projects, and institutions were not divisible. When discussing percentages of cuts, he asked the Subcommittee to consider that a 5 percent cut was bad for the institutions, and a 10 percent cut was ten times as bad as five.

The NSHE had made every effort to comply with the request of the Subcommittee. Chancellor Rogers pointed out that within the limits of what could be done, based on the differences between the NSHE and other institutions, he did not believe it was possible to get more specific with the budget.

[Exhibit D](#), which Chancellor Rogers distributed to the Subcommittee, noted how the NSHE ranked with the competition in surrounding states. He asked the Subcommittee to be mindful that when budgets were cut, it affected students traveling out-of-state, recruitment of students coming to Nevada, and recruitment of professors for the institutions.

In closing, Chancellor Rogers agreed to be cooperative and to provide all information requested as quickly as possible.

Chair Arberry requested Mr. Haartz continue with the presentation of the NSHE budget.

Recalling [Exhibit C](#), Mr. Haartz said he would identify and provide additional information for the major issues addressed in the document.

He noted the Governor's recommended budget reduced General Fund for the NSHE by 35.9 percent when compared to the prior biennium.

Page 4 of [Exhibit C](#) outlined the first alternative as follows:

- Alternative #1  
This alternative raised funding to the FY 2006 level of \$555,533,378. The amount of funding necessary to close the gap between the Governor's recommended budget in each year was \$132,147,418 in FY 2010 and \$136,896,402 in FY 2011.

Mr. Haartz pointed out that the amounts were discussed in the context of the state meeting the maintenance of effort (MOE) requirement for the federal stimulus funding. He noted that the alternative did not specify what the funding source for "filling the hole" would be. He commented that if the state received the waiver, a combination of federal stimulus funds and General Funds could be used to meet the gap. However, if federal stimulus funds were used and a waiver was not granted, it would place the NSHE budgets in the position of having a shortfall because federal stimulus funds would not be allowed.

One of the key aspects of alternative #1 as pointed out by Mr. Haartz, was raising the funding to the FY 2006 level. This represented an 18.76 percent reduction as compared to the Governor recommended 35.9 percent reduction.

When reviewing page 6 of the exhibit, Mr. Haartz noted that the 18.76 percent was applied across all of the NSHE state-supported operating budgets, which included both formula and non-formula accounts. However, when reviewing the main formula accounts, there was a difference.

The funding for the main accounts was based on a three-year weighted average based on enrollments and was not a straight 18.76 percent reduction for those budgets. The table below denotes the impact on the main formula accounts:

Percentage Funding Reductions as Compared to NSHE FY 2009 Legislatively-Approved Funding: Alternative #1				
Campus	FY 2010 Gov Rec Percent Reduction	FY 2010 Alternative #1 Percent Reduction	FY 2011 Gov Rec Percent Reduction	FY 2011 Alternative #1 Percent Reduction
University of Nevada, Reno	< 47.0% >	< 21.7% >	< 48.2% >	< 21.7% >
University of Nevada, Las Vegas	< 51.9% >	< 24.9% >	< 54.6% >	< 26.7% >
College of Southern Nevada	< 33.6% >	< 7.5% >	< 33.1% >	< 5.9% >
Great Basin College	< 25.9% >	< 3.2% >	< 23.0% >	+ 0.6%
Truckee Meadows Community College	< 38.4% >	< 14.5% >	< 38.9% >	< 14.0% >
Western Nevada College	< 39.9% >	< 15.6% >	< 41.5% >	< 15.8% >
Nevada State College	< 48.2% >	< 31.8% >	< 45.6% >	< 27.7% >

With reference to the table, Mr. Haartz explained that there were two primary reasons for the level of reduction differences in each of the main campus accounts.

The first reason dealt with the issue of "hold-harmless." By reducing funding to the \$555,533,378 level, hold-harmless was eliminated as a factor in the funding.

The second reason for the change was that the funding followed the enrollment. Therefore, as enrollment differed among campuses, the funding levels also differed and the budget reductions contained in the alternative affected each of the campus accounts differently.

Mr. Haartz pointed out that another aspect contained in both alternatives was the issue of iNtegrate funding. In testimony at earlier hearings, the NSHE suggested that a good use of federal stimulus funds would be the restoration of the \$10 million for iNtegrate funding, because it was one-time funding. After review of the proposal, Fiscal staff noted the federal stimulus funding was not included in the \$555,533,378 or in the state-supported operating budgets.

Moving to alternative #2 which addressed the NSHE meeting its core mission, Mr. Haartz stated that the NSHE response indicated that the Subcommittee should not consider the response to mean that the core mission could be fully met or fully funded at the level identified under this alternative.

The main difference, according to Mr. Haartz, between the two alternatives was that the level of funding in alternative #2 was increased by approximately \$61.7 million per year in federal stimulus funds for a total of approximately \$617.2 million in state-support.

Alternative #2 represented a 9.74 percent reduction systemwide when compared to the FY 2009 state-support funding level. The 9.74 percent reduction was applied uniformly to the non-formula accounts.

In alternative #1 and the Governor's recommended budget, the three-year weighted average for student enrollment was used. In constructing alternative #2, Fiscal staff noted that the NSHE used enrollments for Fall 2009 and preliminary enrollments for Spring 2010. Using these enrollment figures rather than the three-year weighted average provided a more realistic picture of campus enrollments.

The table below represented the reductions for each campus using alternative #2.

Percentage Funding Reductions as Compared to NSHE FY 2009 Legislatively-Approved Funding: Alternative #2				
Campus	FY 2010 Gov Rec Percent Reduction	FY 2010 Alternative #2 Percent Reduction	FY 2011 Gov Rec Percent Reduction	FY 2011 Alternative #2 Percent Reduction
University of Nevada, Reno	< 47.0% >	< 11.9% >	< 48.2% >	< 10.8% >
University of Nevada, Las Vegas	< 51.9% >	< 13.5% >	< 54.6% >	< 13.6% >
College of Southern Nevada	< 33.6% >	< 1.3% >	< 33.1% >	< 2.6% >

Great Basin College	< 25.9% >	+ 2.0%	< 23.0% >	+ 3.1%
Truckee Meadows Community College	< 38.4% >	< 7.2% >	< 38.9% >	< 7.7% >
Western Nevada College	< 39.9% >	< 8.0% >	< 41.5% >	< 8.3% >
Nevada State College	< 48.2% >	< 27.9% >	< 45.6% >	< 27.3% >

As shown in the table, the funding reduction was reduced to approximately the 10 percent range across institutions. For reasons of hold-harmless and enrollment changes, the UNLV and NSC had the larger reductions by several percentage points. Great Basin College, based on the enrollment number provided, appeared to have positive growth and showed a positive increase in funding.

The issue for NSC was that in each year of the biennium enrollments had not been met at the budgeted level. Therefore, it appeared that the reductions were greater, which was a function of the enrollments being matched with the level of funding.

As with the first alternative, iNtegrate funding was requested, but it was not included in the budgeted amounts.

At the request of the Subcommittee, the NSHE had provided information regarding the amount of increase for student registration fees that could be supported. The response received provided calculations for a 5 percent increase of student registration fees at all levels. Calculations were included on page 47 of [Exhibit C](#). According to the NSHE, a 5 percent registration fee increase would generate from \$9 million to \$10 million in additional revenue per year system-wide.

Mr. Haartz noted that the \$555,533,378 budget amount or the \$617 million projected amount did not include any increased student registration fees. Additionally, the NSHE stated that any fee increases had not been discussed with the Board of Regents.

Comments from Assemblywoman Buckley noted that the final decision regarding the budget for the NSHE would have to be made soon. In her opinion, the NSHE could not withstand a 36 percent cut. When reviewing the options, she discovered areas within the UNLV and the CSN that she wanted to discuss further.

Last session when looking at the situation at UNLV, the Legislature agreed to provide hold-harmless money to the UNLV. There was a change in entrance requirements, the Millennium Scholarship, the opening of NSC, and a shift in admission. The Legislature requested the NSHE to consider what would happen in the long-term. The UNLV was continuing to have major problems because of a shift over the past 10 years. Assemblywoman Buckley asked what the long-term plan was with regard to changing the structural problems for the UNLV and whether the NSHE had been developing suggestions for the Legislature.

Regarding the CSN, the numbers continued to grow substantially. She wondered what was being done to ensure the students and campuses had the tools needed to meet the growing student need.

Chancellor Rogers replied that one of the problems for the NSHE was that there was no target budget number, only an endless amount of hypothetical questions regarding the percentage cuts. Without a target budget number, he could not make plans or recommendations.

With regard to the target number, Assemblywoman Buckley responded that the Legislature was not going to negotiate. No one wanted to see higher education dismantled. The Legislature wanted to work with the NSHE to agree on a solution for the system.

The problems at the UNLV were not caused by the budget crisis, according to Assemblywoman Buckley. The problems were ongoing but had been lost in the larger budget concerns.

Although a strategy had been discussed, Chancellor Rogers acknowledged that the budget reductions exacerbated the problems. The major question was how much would the budget be for the NSHE, and, consequently, what did the proposed budget do to the UNLV. Once it was determined how much the budget would be, the NSHE could determine the best way to distribute the funds. He assumed the Legislature would be providing that number to the NSHE in the near future. The NSHE must know the maximum amount of the budget before decisions could be made.

Assemblywoman Buckley was in agreement with Chancellor Rogers.

Daniel J. Klaich, Executive Vice Chancellor and Chief Operating Officer, NSHE, provided additional information regarding the CSN. There had been considerable interaction between the NSHE staff and the CSN trying to get to the heart of what the historical equity funding problem was at the CSN. They had attempted to look into changes to the formula. As the formula changed, there had been inequities that were "cemented in" as the changes went forward.

In meeting with the CSN and identifying the inequities and how they came about, they were quantified and brought to the Board of Regents. The Board approved the joint recommendation of the Chancellor and the president of the CSN.

Chair Arberry inquired whether Chancellor Rogers or Mr. Klaich cared to comment regarding the overview presented by Mr. Haartz and the impacts on student enrollment.

Chancellor Rogers declined; however, Mr. Klaich requested permission to clarify his testimony from a previous hearing. In response to a question raised from Assemblywoman Smith regarding layoffs at certain levels in the NSHE, it was reported that Mr. Klaich indicated there would be no layoffs at 2006 funding levels. According to Mr. Klaich, that was not his testimony. When he responded to the question, implicit in the response was that if 2006 funding levels were met through state General Fund and MOEs to free up stimulus funds, he believed significant layoffs could be avoided. That was not the way it was reported, and he wanted to clarify his statement for the record.

Chancellor Rogers added that initially when the waiver proposal came out, Mr. Klaich and his staff had performed an analysis of what that waiver would do if it was granted to the state. It was concluded that it would not be in the best interest of the NSHE for the state to obtain that waiver. Chancellor Rogers had



discussed the issue with Senator Raggio and other members of the Subcommittee.

According to Chancellor Rogers, it was suggested that his math was incorrect and that, in fact, if the state were to receive the waiver it would be better for the NSHE than if it did not. He stated that he wanted whatever was best for NSHE. If the calculation turned out to be different than what was first thought and the state wanted to request the waiver, the NSHE would join in the request.

Chair Arberry commented that it was a difficult situation for everyone. He and all of the members of the Subcommittee were aware of the importance of the NSHE and what it meant for the state.

Senator Horsford remarked that the decisions that had to be made were incredibly important to Nevada and the NSHE. In the long-term, a strategic plan must be developed to avoid this situation.

The Nevada State College (NSC) alternatives projected an approximate 27 percent cut to its budget. Senator Horsford wanted to know why the cuts were so severe. He was uncertain whether NSC would be able to operate efficiently with such a drastic budget cut.

The challenge, as stated by Mr. Klaich, was that because NSC was a new institution, the budget could not be based on the traditional formula methods. The NSHE had attempted to work with Fiscal staff to project reasonable enrollment growth. If percentage-type budgeting was done with a three-year rolling average, there would be tremendously exaggerated percentages because of the growth curve of the college as a new institution. The downside was the projections could be "overshot," which meant that enrollments that were projected and funded were not met.

According to Mr. Klaich, for NSC to operate with a budget cut of approximately 27 percent would be doubtful. The staff at NSC had planned for projected enrollment and budgeted accordingly.

Senator Horsford needed more information regarding the effect of the budget cuts on NSC. He wanted reassurance that there would be a long-term plan to address the inequities that had been identified.

Mr. Klaich recognized that formula funding had represented a long-term pact between the state, the Governor, and the Legislature on how to deal with equities in funding. It had worked well over the long-term. The NSHE was open to looking into solutions for the problems.

Assemblywoman Gansert noted that the three-year rolling average was used in the past, and in the scenarios presented it was used for the original reductions; however, the current year was used for the revised scenario. She questioned whether the plan was to change the way the numbers were calculated in the future.

Mr. Klaich replied that there was no plan to change the method of calculation. The Board of Regents had taken action which guided the response to alternative #2 in the scenario. A threshold of budget cuts was set and the formulas were calculated accordingly. The three-year rolling average was not used on alternative #2, which was below the threshold the Board of Regents approved.

Concerns raised by the Board of Regents included whether it could project enrollments in a declining budget environment and whether it made sense to continue to project enrollment growth. The Board of Regents decided it did not make sense to project growth. However, this was not a long-term recommendation for a change in formula.

Assemblywoman Gansert requested that Mr. Klaich provide the numbers using the historic three-year rolling average and any shift or suggestions that he might have for the Subcommittee.

Mr. Klaich agreed to supply the requested information.

Chancellor Rogers advised the Subcommittee that he would be leaving the position of Chancellor on July 1, 2009. He thanked the legislators for their efforts on behalf of the NSHE. He believed that if the NSHE set long-term goals and developed a plan, the state could grow a first-class culture. Without long-term goals and plans, the NSHE was "just wandering out in space."

Assemblywoman Buckley agreed with the comments made by Chancellor Rogers. One of the measures discussed in the Committee on Ways & Means was a spending priorities bill. If the state looked long-term and decided what it wanted to be and plotted a course to get there, significant improvements could be made. She thanked Chancellor Rogers for his years of service to the State of Nevada.

Assemblywoman Gansert thanked Chancellor Rogers for his service and for being a passionate advocate for the NSHE. She believed the state was under-recognized academically and wondered whether it was a marketing issue.

Assemblywoman Smith recalled the issue of iNtegrate and asked whether Mr. Klaich had researched competitive federal stimulus grants to assist with iNtegrate. She was aware that it was a long-term project that would need more funding than the \$10 million requested.

Mr. Klaich responded that all avenues were being researched for funding.

Assemblywoman Buckley reminded the Subcommittee that a budget must be passed soon. For other budgets the Fiscal staff had requested a priority list beginning with the Governor's recommended list. The next step was to review the list and identify all of the unacceptable recommendations. The items were priced and a tentative consensus was reached which narrowed the gap.

She noted that the NSHE was the only entity that was not requested to provide a priority list. She understood Chancellor Rogers' comments regarding not having a budget target; however, there was no alternative but to provide Fiscal staff with an estimated budget.

Chancellor Rogers agreed to work with Fiscal staff, but he would not provide budget numbers in writing. As stated earlier, the problem was that if a percentage cut was included, the NSHE was not divisible.

Assemblywoman Buckley interjected that Mr. Klaich was aware of a method to obtain the information needed. She requested he work with Fiscal staff.



Chancellor Rogers and Mr. Klaich consented to work with the Fiscal staff in every way possible.

Senator Mathews thanked Mr. Klaich for providing her with the voluminous information she requested.

Mr. Klaich thanked Fiscal staff for the courtesy of including him in the working discussions so that the NSHE could meet the deadlines.

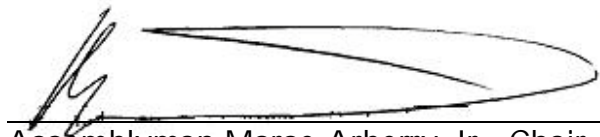
There being no additional questions or public comments, Chair Arberry adjourned the hearing at 9:19 a.m.

RESPECTFULLY SUBMITTED:

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Linda Blevins  
Committee Secretary

APPROVED BY:



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Assemblyman Morse Arberry Jr., Chair

DATE:



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Senator Bernice Mathews, Chair

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

<u>EXHIBITS</u>			
Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on K-12 Education/Higher Education</u>			
Date: <u>March 27, 2009</u>		Time of Meeting: <u>8:12 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance roster
	C	Alexander Haartz, Fiscal Analysis Division	NSHE response to questions
	D	James E. Rogers, Chancellor, NSHE	University ranking