

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

**Seventy-fifth Session  
March 20, 2009**

The Joint Subcommittee on K-12 Education/Higher Education of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Bernice Mathews at 8:11 a.m. on Friday, March 20, 2009, in Room 3137 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 5100, 555 East Washington Avenue, Las Vegas, 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 Bernice Mathews, Chair  
Senator Steven A. Horsford  
Senator Warren B. Hardy II

**ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:**

Assemblywoman Debbie Smith, Vice Chair  
Assemblywoman Barbara E. Buckley  
Assemblyman Mo Denis  
Assemblyman Tom Grady  
Assemblyman John Ocegüera

**SUBCOMMITTEE MEMBERS ABSENT:**

Senator William J. Raggio (Excused)  
Assemblyman Morse Arberry Jr. (Excused)  
Assemblywoman Heidi S. Gansert (Excused)

**GUEST LEGISLATORS PRESENT:**

Assemblyman Joseph P. (Joe) Hardy, Assembly District No. 20

**STAFF MEMBERS PRESENT:**

Brian Burke, Principal Deputy Fiscal Analyst  
Alex Haartz, Program Analyst  
Mark W. Stevens, Assembly Fiscal Analyst  
Michael Bohling, Committee Secretary

**OTHERS PRESENT:**

Dan Klaich, Executive Vice Chancellor, Nevada System of Higher Education  
Andrew Clinger, Director, Department of Administration  
Milton D. Glick, Ph.D., President, University of Nevada, Reno, Nevada System of Higher Education  
David Ashley, Ph.D., President, University of Nevada, Las Vegas, Nevada System of Higher Education

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Gerry Bomotti, Senior Vice President, Finance and Business, University of Nevada, Las Vegas  
Jane A. Nichols, Ed.D., Vice Chancellor for Academic and Student Affairs, Nevada System of Higher Education  
Maureen Peckman, Lou Ruvo Center for Brain Health  
James T. Richardson, Nevada Faculty Alliance  
David A. Johnson, M.D., Chairman, Policy Committee, Nevada Academy of Family Physicians  
Robin L. Titus, M.D., Fellow, American Academy of Family Physicians  
Cathy Endo, M.D., President, Nevada Academy of Family Physicians

CHAIR MATHEWS:

We will begin the hearing of the Nevada System of Higher Education (NSHE) budgets with an overview from our staff.

Alex Haartz (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

There are several big issues underlying the Governor's recommended budget for the NSHE. The Governor has recommended an approximate 35.9-percent General Fund-support decrease over the biennium. This equates to General Fund support of approximately \$424 million in fiscal year (FY) 2009-2010 and \$419 million in FY 2010-2011 with decreases primarily occurring in the main formula accounts or the main institutional accounts.

Another issue resulting from the General Fund decrease is a reduction in specific formula funding. The 2007 Legislature funded the main formula accounts at 85.5 percent as recommended by the Governor. The formula is reduced to approximately 59.49 percent in FY 2009-2010 and 59.99 percent in FY 2010-2011. There are further reductions as a result of decision units E-670 through E-673 which reduce formula funding down to the 51-percent range.

E-670 Temporary 6% Salary Reduction

E-671 Suspend Merit Salary Inc for FY10 & FY11

E-672 Suspend Longevity for FY10 & FY11

E-673 Implement SAGE Commission Recommendation

Enrollment in difficult financial times tends to increase and places additional stress on the institutions. The Governor's budget recommends a 6.23-percent growth in enrollment in FY 2009-2010 and additional growth of 3.18 percent in FY 2010-2011.

CHAIR MATHEWS:

Mr. Klaich, this Subcommittee is still awaiting firm answers to the follow-up questions sent to you on March 4 following the February 27 budget hearing. Time is running short. If we do not receive answers to our questions, we will be forced to close these budgets without your participation.

DAN KLAICH (Executive Vice Chancellor, Nevada System of Higher Education): Our presentation, "The Challenge for Higher Education in Difficult Budgetary Times" ([Exhibit C](#)), should answer some of your questions. In our prior hearings, you have expressed concern regarding the level of our registration fees and the extent to which student fees can be raised. In a budget process in which significant reductions are proposed, this issue was appropriately framed in our first hearing by one member of the Subcommittee as "students paying more and getting less." While we cannot give you a specific level at which fee increases result in fewer students and lost revenue, we can provide you with historical data indicating students appear to be price sensitive.

Nevada's economic future, and the ability of our colleges and universities to serve as a catalyst for economic development, lay within the enhancement and creation of a skilled workforce. This is the essential ingredient for economic recovery. The status quo is not acceptable to us and should not be acceptable to you. We must do more to foster a college-going and college-completion culture in Nevada, especially in times like these.

Much of the current political and economic discussion in the country centers on our competitive position in the world economy and our ability to respond to changes coming in that economy, particularly in areas of renewable energy and technology. If Nevada is to participate in this new economy, more Nevadans need to obtain certificates and degrees to support these emerging industries.

We have always recognized funding higher education is a partnership and must be perceived as a fair partnership by all. This partnership includes students, parents, legislators, regents, the business community and taxpayers of Nevada. In determining a fair share for the cost of education, we must remain sensitive to who our students are now, who we want them to be in the future and the circumstances in which we find most students today. Unfortunately, there is no good news to share in that regard.

We know our college participation rate for low-income students is second to last in the nation, and we know this is exactly the population of students moving through our high schools in record numbers and coming to our doors. In determining a proper level of fees, we must take this student population into account and the impact the State will incur in denying access to them.

As you can see in our presentation ([Exhibit C](#)), the college participation rate for students from Nevada's low-income families has steadily declined during the last ten years. Given the demographics of the population entering college, if we do nothing, the percentage of low-income students going to college in Nevada will continue to decline. We are doing an inadequate job in getting the children of low-income families onto our campuses and out our doors successfully. Substantial fee increases can only further shut the door to opportunity.

Registration fees in the system have increased by approximately 30 percent at our community colleges and nearly 60 percent at the universities over the last seven years. For the upcoming biennium, the Board of Regents (BOR) has approved fee increases of 5 percent for each year of the biennium in the face of declining budgets and proposals for even more drastic cuts. This squarely raises

the question of whether significantly larger future increases should be approved or if they are even fair.

The BOR's tuition and fee policy is based on a principle of fairness to students. Rather than large sporadic increases in tuition, the BOR has followed a practice of gradual, predictable and consistent increases on an annual basis. This policy has served both students and the State well. Our community colleges serve as critical and affordable access points to higher education. On page 8 of our handout ([Exhibit C](#)), you can see how predictable increases in fees have not negatively impacted enrollment. These lines are essentially parallel, reflecting growing enrollments in the light of consistent and predictable fee increases over time.

The story is somewhat different at the two universities. Setting aside the multitude of factors we know impact enrollment, we believe we have already reached the point where price is impacting the decisions students make in seeking higher education in Nevada. We have crossed the barrier of \$100 per credit and our students are choosing the more affordable community colleges. This is evident when comparing the slowing growth rate of university enrollments to university fee increases as illustrated on page 9.

We have always told ourselves there are many employment opportunities to earn an income greater than the national averages in Nevada. Historically, this has been true. However, our per capita income in Nevada is on a similar downward trajectory. This factor, coupled with a rising population of low-income families, make the question of affordability absolutely critical at this time. The question of a fee increase must be examined carefully in the context of ensuring access across the system to all citizens of Nevada, especially to students from low-income families and at our community colleges.

Dramatically increasing fees without giving campuses the opportunity to direct the increases toward financial aid will have negative consequences on Nevada's economic future. Nevada needs more college graduates. Our colleges and universities need Nevada's support to accomplish that goal.

Setting aside the issue of tuition and fee increases, the other issue on which the Subcommittee has focused its concern is higher education budget cuts. The Legislature has specifically asked what level of cuts the NSHE can absorb, but that question does not get to the heart of the matter. The real question before you today should be, "What type of higher education system does this State want to assist in emerging from this financial crisis to become a stronger and more diversified economy for the future?" Will the State be prepared to fund to that level when the decision is made?

We are currently engaged in public debate over whether or not Nevada should have requested a waiver for the Maintenance of Effort (MOE) funding required to receive \$400 million in stabilization funds. We started these hearings two months ago with everyone agreeing the 36-percent budget cuts proposed by the Governor would destroy the NSHE and could not be sustained. Now, we are engaged in a discussion about whether or not the State should even fund higher education to the 2006 level, still leaving it with a net operating reduction of over 16 percent.

This 16-percent budget reduction is more than any other major agency in the State, twice the budget reduction to commerce, five times the budget reduction to K-12 education and 60-percent greater than the reduction recommended for public safety. When compared to the 4.2-percent budget increase to the Department of Health and Human Services budget, the 16-percent budget reduction to the NSHE budget reinforces the argument there is no proportionality in these reductions.

I believe there is no reasonable argument why the State should hesitate to raise higher education funding to 2006 levels and fully avail ourselves to \$400 million in federal stimulus funds. This is not simply a higher education issue. By requesting a waiver of the MOE, the federally mandated formula for division of these education funds will strip tens of millions of dollars from our woefully underfunded education budget. One of the most important steps to improving higher education is to improve K-12 education. Failing to fund higher education to 2006 levels will have the effect of costing our K-12 partners anywhere from \$60 million to \$85 million. We have an obligation to the future that cannot be achieved if we fail to take full advantage of this opportunity to fund the educational and economic future of Nevada.

We have not provided details with respect to the application of funds to restore to our budget either by funding the MOE or with federal stimulus funds. The highest priority of the BOR has always been the formulas by which we fund our institutions, and those are the areas in which the Governor's recommended budget reductions have been the heaviest. We would ask for funding to be restored to those formula accounts.

There have also been questions regarding onetime stimulus funding. We have raised our concerns about using onetime funding to backfill the operating budget. Using onetime funding would be appropriate to restore the \$10 million to the iNtegrate Project which was reverted to the General Fund during the last biennium. We ask you to take this into consideration.

SENATOR HORSFORD:

I reject the notion of low-income students only being able to start at community colleges. What are we doing to ensure students from low-income families have the opportunity to participate in higher education? At what level are these students able to enter the NSHE?

MR. KLAICH:

The entrance point to higher education should not be determined by family income. Historically, community colleges in Nevada have a mission of open access and affordability which is different than the universities because of the cost structure. In making tuition and fee decisions, we have tried to keep community colleges more affordable and accessible.

We are not doing nearly enough to ensure students from low-income families have opportunities to participate in higher education. We have a population of low-income high school students rushing toward us at historic levels and an increasing level of first-generation college students coming to us from a sector of the population which does not place a value on college attendance. We need to change this culture. As we consider fees, it has been the policy of the

BOR to provide need-based access so we do not close the door of opportunity to these low-income students.

SENATOR HORSFORD:

I know the BOR had an extensive discussion on the issue of fee increases. If fees have to be increased to sustain programs at the institutional levels, what additional policies has the BOR enacted to provide for financial aid, making access affordable and educating parent and students on the options available to them? We cannot make these decisions without knowing the BOR will do what it can to ensure financial aid is available if it has to raise tuition fees. This is of particular concern in light of Nevada having its historically second lowest percentage of low-income students enrolled in college and its ranking of 49th in the nation in low-income student participation.

MR. KLAICH:

In light of declining budgets, we suggest the NSHE be allowed to take the proposed fee increases for the biennium back to the BOR and allocate them for these specific uses on campus. The vast majority of financial aid is allocated based on need. The BOR has a specific policy for the allocation of a portion of those fees to be used for financial aid. Because the need is currently so great, an increase in fees will allow us the flexibility in utilizing those fees, rather than just a portion of them, to meet demands on campus.

SENATOR HORSFORD:

At what level in the NSHE are the 12 percent of our low-income students enrolled? I would like to see a distribution of these students.

MR. KLAICH:

We will get this demographic data to you as soon as possible.

SENATOR HORSFORD:

The community colleges receive a different allocation of funding because, for reasons of affordability, more students attend them. Those community colleges are not receiving an ample amount of funding per student to meet the student's educational needs. We have seen data indicating students who begin at the community college level do not all continue on to earn a four-year degree. If the community colleges do not receive the support or funding they need which results in students achieving their ultimate goal, we need a plan to improve the overall funding formulas.

MR. KLAICH:

Student services are a critical factor to student success and they have suffered with the budget reductions. There have been discussions regarding the formulas and the adequacy of funding. This represents a priority for the NSHE.

CHAIR MATHEWS:

Do you have an emergency plan for faculty if we do not receive the funding needed to avoid layoffs?

MR. KLAICH:

If a level is reached at which the college presidents cannot manage reductions to their operating budgets through attrition and vacancy savings, we would

have no option but to declare a financial exigency and terminate programs and faculty.

CHAIR MATHEWS:

If you have to reduce your expenditures, what will you do to avoid layoffs?

MR. KLAICH:

It is our hope this Legislature will restore funding to 2006 levels. This will involve a substantial amount of restraint from the Legislature and an incredible amount of support for higher education. Funding to 2006 levels will make badly needed stimulus funding available and allow us to have a budget which avoids those types of emergency situations.

VICE CHAIR SMITH:

We are speaking in general terms and on the fringe of what is really happening. We would like to improve upon the recommended budget, but we must first determine what we are dealing with and I do not feel the answers are forthcoming. In your response to our question regarding financial exigency, you said possible stimulus funding would disqualify that situation. If you do not receive stimulus funding, what is the plan? We need answers to these specific questions because we do not have a lot of time to develop our plan if you fail to provide one.

MR. KLAICH:

I am not attempting to be evasive in my answers, but there really is no other option. If the State meets the MOE requirements, which still implies a greater than 16-percent reduction to our operating budget, we believe there will be no necessity for layoffs with the infusion of stimulus funding. If we do not meet the required MOE level and the Governor's recommended budget reductions are implemented, it will imply a declaration of financial exigency and a termination of staff.

At our last hearing, we estimated between 2,000 and 2,200 staff members would be terminated if the reductions recommended by the Governor are implemented. We know the Legislature will do its best to fund higher education because these are your colleges and universities attended by your constituents. Because of this, I know you will fund the NSHE in the best way possible and we will protect the core missions of our institutions in the best way possible.

VICE CHAIR SMITH:

We are doing our best, but we need more specific information to allow us to build this budget. If stimulus funding does not come through, what alternative reductions would you make to avoid furloughing staff? You need to work with our staff to resolve this issue.

ASSEMBLYWOMAN BUCKLEY:

I believe the Legislative leadership supports seeking a MOE waiver from the federal government for education stimulus funding. This can mean one of two things: it could mean we do not want to fund higher education, or it could mean we believe the proposed budget reductions to NSHE are unsustainable and want the flexibility in our budget process to avoid putting health-care funding toward higher education.

We cannot cut the NSHE budget by 34 percent. This would hurt the State's economy and take us in the wrong direction. However, I do not want to fund the NSHE at the cost of eliminating treatment to children with autism or health insurance to pregnant women.

We plan to examine every portion of the budget to determine how to weather this financial storm and restore the essentials without harming our long-term futures. There will have to be some level of budget reductions to all programs, including higher education, K-12, health and human services and public safety, because we have a \$2 billion revenue shortfall.

We have to impose some level of budget reductions, use the stimulus funding wisely and determine which solutions to our budget problems will not move our State backward. Remember, when you speak harshly of seeking the MOE waiver, it may be due to the intent to harm higher education through budget reductions, or it may not.

MR. KLAICH:

I would never believe there is intent on anyone's part to harm higher education. My comments come from a fiduciary responsibility which is much narrower than that of the Legislature. I am presenting these options as a representative of the NSHE. We have an unstable network of social services, and I support your comments.

SENATOR HARDY:

People from all positions and viewpoints appear to be departmentalizing our budget problems. The Legislature does not have that luxury. When you are critical of the decision to seek a MOE waiver, it illustrates a lack of understanding of the overall problem. We need to accept the fact we may need to seek additional revenues just to fund the Governor's proposed budget.

There is a bipartisan spirit among the Legislature because we have nothing to fight about. We all know we must attempt to fund essential government services at a core level. We have to do this in a global manner. None of us want to see the NSHE's budget decimated, but we have other priorities to deal with as well. Everyone needs to understand what is happening with other State budgets and the all-encompassing decisions which must be made.

I agree with Assemblywoman Buckley's comments in terms of our priorities and why we support pursuing the MOE waiver. It is dangerous and shortsighted to object to this because of long-term goals. We will attempt to make good long-term decisions, but we also have to deal with the crisis at hand.

MR. KLAICH:

Through no fault of the Legislature, the Governor has placed the NSHE in a difficult position due to the lack of proportionality in his proposed budget. The NSHE is facing a 36-percent budget reduction. All we ask is some relativity in our treatment during this financial crisis. The NSHE is coming to the Legislature from a different position than any other agency. If this makes us appear more nervous or more edgy than other agencies, it is because we are.



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SENATOR HARDY:

My comments were not directed only to this audience or this hearing, but universally in response to what I have heard in a multitude of budget hearings. I do not blame you for the posture you have taken. It will require the best all of us have to resolve the State's budget problems.

ASSEMBLYWOMAN BUCKLEY:

The budget process is complex and some portions of the budget were hit harder than the NSHE. Autism treatment for children received a 100-percent reduction in funding. Health insurance provided to pregnant women received a 100-percent reduction in funding. Rural mental health clinics received an approximate 80-percent reduction in funding, closing 11 of 21 clinics.

Do not think we are unsympathetic or believe a 36-percent budget reduction is sustainable. We have many other challenges and will try to put some proportionality back into the budget for central services. All of the services I listed, along with higher education, are essential for the State, but you have to realize what the Legislature does on days we are not hearing the NSHE budgets.

MR. KLAICH:

We understand the Legislature has a more difficult job than any one department.

CHAIR MATHEWS:

Mr. Klaich, please tell the Subcommittee the status of your plan for addressing the revenue shortfall.

MR. KLAICH:

If we arrive at a proportionality of sharing the pain of the current financial crisis, we can quickly come to a plan which will not devastate our institutions. If we cannot reach a level of proportionality, the NSHE will have real problems.

CHAIR MATHEWS:

Tell the Subcommittee your plan to protect the NSHE's core mission.

MR. KLAICH:

The core mission of our institutions changes with respect to different campuses. Our community colleges need to train a workforce and get students certificated, with a focus on teaching and nursing, to provide essential services the State needs.

CHAIR MATHEWS:

Other than restoring your budget, what do you need and what can the Legislature do to help accomplish your core mission?

MR. KLAICH:

To protect our core mission, we need the Legislature to restore any funding possible and direct it toward the formulas for those institutions.

CHAIR MATHEWS:

Please provide to our staff, in writing, your plan to protect your core mission as soon as possible. We have deadlines approaching and need responses to all of our inquiries by April 1.

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MR. KLAICH:  
We will work with your staff on those issues.

CHAIR MATHEWS:  
What is the NSHE plan for expending stimulus funds?

MR. KLAICH:  
We will likely request the Legislature to use stimulus funding to backfill some of the budget reductions in operations which the Governor has proposed. We know the funding will be depleted in two years. Part of my concern is the more one-shot funding we use to fill our operating budgets in place of General Fund commitment, the more at risk we will be in two years. If we do not fill our operating budgets, we will have layoffs and be unable to spend one-shot funding. I have asked the Legislature to consider using some stimulus funding for the completion of the first phase of the iNtegrate Project.

CHAIR MATHEWS:  
How will the increased registration fees affect students who are trying to fund their own educations?

MR. KLAICH:  
One of the comments I overheard, after students testified before the Legislature was, "We do not want to see a lot of work done to fill your budgets just to have you sock it to the students." Any increases to fees in the coming biennium, in addition to the 5 percent each year which has been approved by the BOR, should be kept minimal.

VICE CHAIR SMITH:  
In the February 27 hearing, we discussed the registration fee revenues contained in the *Executive Budget* for the University of Nevada, Las Vegas (UNLV) which are overstated by \$3.21 million over the biennium. The Budget Division needs to address how we will fill this \$3.21 million gap.

ANDREW CLINGER (Director, Department of Administration):  
We are sending a budget amendment regarding the UNLV tuition revenue to the Legislature today. Your staff should have it by this afternoon.

ASSEMBLYMAN GRADY:  
Mr. Klaich, do you or the Budget Office have any suggestions on how to cover the \$6.50 fee per credit hour paid by the University of Nevada, Reno, (UNR) students which is being paid to support the Fire Science Academy (FSA)? How can we eliminate this fee which does nothing for the students?

MR. KLAICH:  
We have a debt which must be paid. Since the day Dr. Milton Glick was hired, he has been seeking a solution to resolve this \$40 million debt. The current plan is to partner with the State and the Nevada National Guard to create a pool of funds which will pay off some of this debt.

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

We have worked with the stakeholders on this issue, including the City of Elko, Elko County, Carlin and the oil and mining industries. They have provided some revenue support and given us some modest revenue. I have provided the Subcommittee with a copy of the Financial Sustainability Plan ([Exhibit D](#), original is on file in the Research Library) prepared by the FSA's Financial Sustainability Task Force. The Governor's initiative, which partners the NSHE with the Nevada National Guard to purchase the FSA, will provide a significant portion of the funding needed. We have \$4.5 million from property sales which, with the permission of the BOR, we are prepared to apply toward this liability.

With the \$10-million sale of the FSA to the National Guard and proceeds from other property sales, we will generate \$14.5 million to put toward the \$40 million owed. It is our responsibility to pay this debt and we urge your support for this and other creative activities to resolve this obligation.

The \$6.50 fee per credit hour paid by students would remain because it was planned by the BOR as an increase in capital improvement revenue for the UNLV and the UNR. If we could resolve the FSA issue, the \$6.50 fee would be used for things to benefit the students rather than paying off a burden on the State and its students. Our goal would be to eliminate this debt and maintain the FSA. The FSA serves an important public purpose, but we cannot justify the burden on our students.

CHAIR MATHEWS:

We understand you have been working diligently to get this debt issue resolved.

VICE CHAIR SMITH:

What is the prioritization for paying off the capital debt versus the operating debt?

DR. GLICK:

From an audit viewpoint, paying the operating debt is more important because it would give us a clean bill of health. From an ethical viewpoint, paying the capital debt is more important because of who is making the payments. I have said we should contribute to both, but as I listen to the comments made by this Subcommittee, I am inclined to put more effort into paying the capital debt and deal with the operating debt over time.

VICE CHAIR SMITH:

Do you feel you must repay the operating debt?

DR. GLICK:

Yes, but we do not have to repay it today. I would prioritize to pay the capital debt first.

SENATOR HORSFORD:

I appreciate the NSHE's position and desire to be made whole. We would like to make every budget whole because we recognize these are essential services. The testimony of the students convinced me the work being done at our colleges and universities is making a difference in the lives of students every

day. I want to work in a bipartisan manner to do the best we possibly can for higher education as we balance all of the other needs of the State.

The figures provided to us indicate the General Fund budget for the NSHE was approximately \$550 million in FY 2005-2006. In FY 2008-2009, the Legislatively-approved budget was \$677 million. After reductions and reversions, it ended up at \$618 million. The difference in funding between these two fiscal years is approximately 18 percent.

I would like the NSHE to prepare a budget characterization starting at the FY 2005-2006 level of funding and adding the BOR's tuition recommendations, then show this Subcommittee what the impact of this budget would be on the NSHE. Show us which programs would be affected, how much tuition would need to be raised and what cuts would be imposed. This would help to frame the decisions we need to make. We need this information to help us determine the funding needed in areas you tell us would be adversely affected by such a budget.

Rather than the Legislature dictating to the NSHE what should be funded, I would like the NSHE to tell the Legislature what it needs based on this budget characterization. Start with the FY 2005-2006 level of funding and add the tuition recommendations. Then, show us the impacts and prioritize what you would restore funding to and make recommendations. I believe this would help tremendously in our discussions.

CHAIR MATHEWS:

Mr. Klaich, has a registration-fee level of diminishing return been reached?

MR. KLAICH:

We are close to a level of diminishing return in our community colleges and universities. With the addition of the 5-percent fee increase each year approved by the BOR, I believe anything more than a minimal fee increase would be unreasonable at this point.

CHAIR MATHEWS:

In reviewing the statistics you provided to the Subcommittee in the handout titled, "Nevada System of Higher Education for the Legislative Budget Hearing, March 20, 2009" ([Exhibit E](#), original is on file in the Research Library), I see there is some room for fee increases as compared to other colleges in the western states.

MR. KLAICH:

I cannot challenge the figures in that handout or the testimony you have heard over the last two weeks. I ask the Legislature to keep fee increases in the context of how much additional burden the students can reasonably bear, particularly when we have focused on the need to ensure access to an ever-growing population of low-income students.

CHAIR MATHEWS:

What is the progress of transferring the properties involved with the UNLV's Paradise campus?

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

We are still in the process of transferring the properties between Clark County and the NSHE. We expect the transaction to be completed soon. There is an easement granted which makes the space less usable by our police force and we have moved them into a facility east of the campus. We are asking for funding to be made available for that lease as part of the Paradise lease and the amount returned to be shown as a credit for reductions we might experience in this budget cycle.

CHAIR MATHEWS:

Our staff has indicated there is a \$1.7 million overstatement in your budget because of this property.

DR. ASHLEY:

We have a continuing lease for the activity on this property and will incur much less than the \$1.7 million expense.

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

The current estimated closing date for this transaction is March 31. We will alert your staff when the closing is finalized. Concerning the amount of money which is overstated, the Governor's budget included not only the Paradise lease, but also an additional Harmon lease. Over the course of the biennium, current funding of approximately \$3.5 million will be made available with this property transfer.

CHAIR MATHEWS:

In the event the Capital Improvement Program (CIP) funding is not available in the 2011-2013 biennium for the Getchell Library, how long can the Library be mothballed before it must be demolished?

DR. GLICK:

Our desire is to perform the necessary work to meet building codes. It would be in the best interest of the State to reuse the 170,000 square feet of building space. For as little as \$50 to \$70 per square foot, we could revitalize the building and avoid requesting additional space from the Legislature for a few years. If we do not receive funding to perform the needed repairs, we will mothball the building.

CHAIR MATHEWS:

What is the cost of mothballing the building?

DR. GLICK:

We do not have that figure with us today and will provide it to your staff.

VICE CHAIR SMITH:

Since this plan was not included in the CIP budget, how long can the building be mothballed without any harm?

DR. GLICK:

Our facilities staff will work with the State Public Works Board (SPWB) to answer your question. Because of the asbestos in the building, the figures I have seen for the costs of demolition and restoring the land are between \$5 million and \$10 million. The cost of demolition approaches the cost of performing the necessary repairs. I would rather perform the necessary repairs and make the building useful to our students.

CHAIR MATHEWS:

What is the long-term plan for the Lawlor Events Center?

DR. GLICK:

I have learned from your staff and mine I misspoke concerning the Lawlor Events Center at the February 27 hearing. I apparently said we would return operating and maintenance (O&M) revenues from any events booked at Lawlor to the State. I thought we were requesting O&M funding only for the days Lawlor was being used as an athletic facility. I would not request O&M funding for the use a Lawlor for other events.

The amount of the O&M funding requested excludes our best estimation of the days the facility will be used for events. This would place Lawlor on the same funding basis as Mackay Stadium, Cox Pavilion and the Thomas & Mack Center. As to the extent it is used as an athletic facility for the UNR, we would be asking to be compensated for the O&M costs.

CHAIR MATHEWS:

Has the Lawlor Events Center experienced a reduction in events, such as concerts, due to recent competition from other event centers in Reno?

DR. GLICK:

We have experienced a fairly dramatic reduction in those types of events. One reason is the general change in the way people entertain in this age of technology. Additionally, the economic downturn has reduced discretionary spending. The Reno Events Center gives Lawlor some difficult competition and is sized more appropriately for many events. We have seen a reduction in events and we expect this trend to continue.

CHAIR MATHEWS:

Given the overall funding shortfall faced by the UNR for instructional needs, where, on the priority list, does the requested O&M funding for Lawlor fall?

DR. GLICK:

We have always considered the State's payment of O&M costs for institutional facilities as one of its long-term traditions. As for priorities, the O&M costs for Lawlor have to be paid regardless of whether or not it is funded by the Legislature. It does not matter which one of the UNR's pockets the funding comes from; they are all our pockets.

ASSEMBLYWOMAN BUCKLEY:

This O&M funding is at the bottom of my priority list, and I cannot imagine supporting it. Avoiding having to layoff professors or making cuts in classes are at the top of my priority list. The hole in the UNR's core operations is large and

must be filled. Funding the O&M for Lawlor Events Center might be something to consider in good financial times, but in bad financial times, we have many more pressing needs.

DR. GLICK:

We do not disagree with your statements. We want to get this funding in the queue as a starting point. If we can educate our young people, we believe the economy and our current financial situation will improve.

VICE CHAIR SMITH:

We could be on a slippery slope with this spending. The financial situation may improve, but the situation may not improve for the Lawlor Events Center. We have the new Reno Events Center, the Reno-Sparks Livestock Events Center is considering adding to its venues, and the City of Sparks is discussing building an arena. If we fund the O&M for the Lawlor Events Center, how will we deal with added costs in the future?

MR. KLAICH:

Your staff has asked us about flexibility in budgeting. We responded by indicating the two universities have a number of appropriation lines and asked you to allow the presidents of those institutions the ability to make strategic reductions within those appropriation lines. We limited our answer only to the UNLV and the UNR.

The way the Governor's proposed budget was structured, virtually the entire burden of budget reductions fell on the formula lines and the instructional budgets of the institutions. We saw no proposed budget reductions in system administrations or system computing services, and the Governor proposed a budget increase for intercollegiate athletics. We do not think these proposals are equitable. If there is a budget reduction, it should fall proportionally across all appropriation lines. I could not in good conscience ask the College of Southern Nevada to reduce its budget and not reduce the system administrations budget. I apologize for not being that specific in our response and would like the flexibility to make budget reductions to our other appropriation lines. We would report our decisions to the Interim Finance Committee.

VICE CHAIR SMITH:

We need those types of specifics to help us complete our work.

ASSEMBLYWOMAN BUCKLEY:

I have another suggestion. Describe the changes you need in this alternate budget and we can include them if they are essential to the campuses' operations.

With regard to the alternate budget Senator Horsford requested of you, I want to be sure no campus has a disproportionate amount of budget reductions. We want every campus to be able to thrive. We need to be sure your suggestions do not exacerbate existing inequities within some of the funding formulas.

MR. KLAICH:

Your suggestions make good points.

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ASSEMBLYWOMAN BUCKLEY:

We do not want to commit ourselves to plans for the next biennium which are not supported. We want to lessen the impact of these budget reductions and have vibrant colleges and universities. Together, we can create a budget to accomplish these goals.

MR. KLAICH:

We want to complete this budget process knowing the right budget accounts have been reduced by the right amounts.

CHAIR MATHEWS:

Tell us about the iNtegrate Project.

MR. KLAICH:

The budget for the iNtegrate Project was approved in the 2007 Legislative Session and we signed contracts based on the approved funding. As part of our responsibility to help the State's budget in this biennium, we returned the \$10 million approved for the iNtegrate Project to the General Fund.

We need to replace that \$10 million. This project is critical to administering the NSHE computing resources and is an appropriate application for federal stimulus funding. The State Fiscal Stabilization Fund is the larger source of stimulus funds flowing to K-12 and higher education. This is a big statute and there are many funding sources available. We are searching through every part of this statute to find technology funding which could help this project. We plan to secure the \$10 million we need and complete the iNtegrate Project. The project is currently on budget and on time.

VICE CHAIR SMITH:

I have some misgivings regarding the \$92 million cost of this project and I hope it does not increase. Regarding the stimulus funding, the administration's intent is for us to demonstrate good student data and coordination from K-12 through higher education. Will the K-12 system be able to deliver information into your system enabling us to adequately track our students? If we do not demonstrate we are making progress in this area, we will not receive future stimulus or competitive funding.

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

This has been one of the highest priorities of the Legislature and the NSHE for the past six to eight years. We are successfully doing a patchwork job. We have a data-sharing agreement with the Department of Education and are ready to begin sharing data with the Department of Employment, Training and Rehabilitation. We are well positioned to take advantage of new funding to make this happen quickly and in a more institutionally sustainable manner.

There are problems with the Department of Education's data because it is collected from the school districts. We also have agreements with the school districts to collect data directly. With stimulus funding, we would like to implement a more seamless exchange of detailed data the State Department of Education has accessed from the school districts.



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VICE CHAIR SMITH:

We have spent a tremendous amount of money on the Department of Education to accomplish this goal. Between the many millions we have invested in the Department of Education's system and the \$92 million we are investing in the iNtegrate Project, I want to be sure we can accomplish our goals.

DR. NICHOLS:

We are well along our way to accomplishing these goals and you should feel confident. When we attend national meetings, we have found we are ahead of most states in the country in the exchange of data.

VICE CHAIR SMITH:

It is nice for Nevada to be ahead of the national curve. Please communicate with our staff regarding your concerns with the Department of Education's information. We need to know what the issues are.

Please address whether or not there would be a \$3 per credit increase to the existing technology fee assessed to students in support of this program as indicated in the UNR newspaper.

MR. KLAICH:

When we presented the budget, we understood there were costs not covered at the campuses by the basic iNtegrate Project budget. We will make a request to the technology committee of the BOR to increase the technology fee by \$3 at the universities and \$1.50 at the community colleges to assist in covering these costs.

VICE CHAIR SMITH:

I am uncomfortable about additional fee increases considering the imposition of the \$6.50 fee for the FSA. I do not want the students charged these types of fees indefinitely.

CHAIR MATHEWS:

It would have been better to learn of this fee increase from the NSHE than from the student newspaper.

Please comment on the reasons for the transfer of the dental residency program from the School of Medicine to the UNLV School of Dental Medicine and explain how it will be a benefit to the two schools.

MR. KLAICH:

We began the dental residency program before we had the School of Dental Medicine. The BOR approved of this transfer almost a decade ago. Dr. David Ashley and Dr. Milton Glick have negotiated the budget transfer with the assistance of Vice Chancellor Maurizio Trevisan. This program will be where it should be at the UNLV's School of Dental Medicine. We will request approval for the transfer of funds at the budget closing.

CHAIR MATHEWS:

Please discuss the School of Medicine's partnership with the Lou Ruvo Brain Institute.

MR. KLAICH:

We congratulate Keep Memory Alive on its partnership with the Cleveland Clinic and look forward to them joining the health-care industry in Nevada. There is an important partnership to be maintained between the UNLV School of Medicine, the Lou Ruvo Brain Institute and the Cleveland Clinic. The funds in the budget intended for the purpose of providing for the critical programs of Keep Memory Alive should be maintained.

CHAIR MATHEWS:

We would ask you to provide an annual budget clearly delineating how the funds will be expended in each year of the 2009-2011 biennium.

MR. KLAICH:

I will work with Mr. Larry Ruvo and Mrs. Maureen Peckman to provide a joint budget to the Legislature which spells out exactly what we have in mind.

MAUREEN PECKMAN (Lou Ruvo Center for Brain Health):

We are thrilled to have the opportunity to bring a partner like the Cleveland Clinic into Nevada. We are dealing with more than 23,000 people in southern Nevada who have Alzheimer's disease. There are additional thousands of people who have Huntington's disease, Parkinson's disease and Amyotrophic Lateral Sclerosis.

These populations do not have the voices others have, but we see them as they come into our clinic every day and will continue seeing them at increasing rates. Over the last few years, we have been on a path to partner with the University System in which they would be the operator of our building. Because the declining revenues for the State have impacted the NSHE, we were not able to finalize the agreement. We were then compelled to find another partner who could fulfill that mission and obligation.

We are thrilled to have found a new partner which possesses tremendous capacity both financially and medically. As we recover from these difficult economic times, the only way we will be able to serve the health-care needs of our population is through a community-based medical model which includes many partners. While we face budget reductions and search for ways to be as efficient and sustainable as possible, it is critical to maintain a relationship with the UNLV School of Medicine. When we rebound from these difficult economic times, we can lend our services and expertise to the School of Medicine.

We have accreditation when we hold our think tank sessions, a geriatric rotation with the medical students and other ways in which we hope to continue working with the School of Medicine. Funding will be utilized to continue our operation and we will provide formal budget figures to the Legislature as soon as possible.

I understand the need for budget reductions and do not consider the Lou Ruvo Brain Institute to be immune from them. The School of Medicine is a critical partner. We need to maintain the services they offer and the students they educate. We can be used as a vehicle to build capacity within our institutions and these funds are a lifeline to maintaining that relationship.

ASSEMBLYWOMAN BUCKLEY:

I was disappointed the UNLV School of Medicine partnership did not move forward. The possibility of partnering with the Lou Ruvo Brain Institute was an outstanding opportunity. Obtaining a partnership with the Cleveland Clinic is a tremendous windfall for our State. I would like to commend Mrs. Peckman and Mr. Ruvo for their work in attracting them. In years to come, their research will put us on the map and help our residents. The impact of this partnership can only help the School of Medicine in the long term.

CHAIR MATHEWS:

Has the NSHE pursued the acquisition of any stem-cell research grants?

MR. KLAICH:

The NSHE is pursuing every grant dollar possible, including grants for medical research, broadband technology and rural mental health.

JAMES T. RICHARDSON (Nevada Faculty Alliance):

I would like to read my prepared statement into the record.

The Executive Budget salary reduction recommendation, coupled with severe changes in the health plan that have been recommended, and the plan not to fund step increases and cost of living allowances for at least the next two years has faculty throughout NSHE very concerned. Those developments, coupled with the Executive Budget's recommendation to slash NSHE funding dramatically have had a tremendously demoralizing impact on NSHE faculties throughout the State. I am aware of entire units where good faculty members hired over the years are now searching for jobs elsewhere. The concern is especially acute with young newer faculty who had decided to invest their lives and careers in Nevada.

However, in units where we have hired a number of successful mid-career people to help us build up our offerings and research capabilities there is great concern. I would mention the new, but very successful, Boyd Law School as an example. That school has achieved national prominence in record time through careful recruitment and hard work. But, nearly all mid-career people hired anywhere in NSHE are wondering what is in store for them if they stay in Nevada. They were recruited in a national hiring market under a certain understanding about the benefits they would receive. Now it seems that the understanding they had about benefits might be completely abrogated.

Any rational person faced with this set of circumstances would wonder about their future in Nevada and consider other job opportunities. Such opportunities certainly exist. A number of institutions in states whose financial problems are not so severe (energy producing states, for example) are hiring significant numbers of faculty. The Boston Globe just ran a story about a number of major institutions in New England that are going on hiring binges in an effort to take advantage of the situation in a

number of states where NSHE funding is under duress. It goes without saying that Nevada leads the nation in that regard with the level of cuts being recommended for the NSHE budget.

Good faculties at all our institutions that took years to build may be decimated in a very short time by this set of circumstances. The set of recommendations and developments mentioned above are the "perfect storm" to make this happen. I and others hope desperately that word will go out soon from our political leaders that all those recommendations that would so negatively affect faculty and others will not be implemented, so that our fine faculties at the universities and colleges can understand that they do have a future in Nevada.

Thank you for your consideration.

CHAIR MATHEWS:

Thank you, Mr. Richardson. We are aware of our situation in terms of funding, but we are also aware of our situation in terms of human capital and want to ensure we maintain the outstanding faculty we have in Nevada.

DAVID A. JOHNSON, M.D. (Chairman, Policy Committee, Nevada Academy of Family Physicians):

I would like to have my prepared statement entered into the record ([Exhibit F](#)). I am a graduate of the School of Medicine and the UNR Family Medicine Residency Program and am here to speak on behalf of residency training for primary care in Nevada. With the reductions to the budget, our family medicine program has taken a reduction from 50-percent funding to 25-percent funding. Several weeks ago, the School of Medicine cut two of the family medicine residency positions as a cost-savings measure. Thanks to President Glick and Dean Ole Thienhaus, both positions were reinstated just in time for us to match all six residents in our Reno program and four residents in our Las Vegas program.

Our faculty has received significant salary reductions, some as high as 26 percent, and some of those faculty members have resigned. It is important for the Subcommittee to understand family medicine is the backbone of our medical system in Nevada. We take care of the rural areas, staff the rural emergency rooms and make up the bulk of primary care in urban areas. The reason family medicine is so expensive is because we service our community at the cost to our program, where other programs are more lucrative because they do not shoulder those responsibilities.

I understand it is expensive to train family physicians, and no one wants to reduce the plastic surgery residency program because it makes money for the school. In these circumstances, the UNR and the School of Medicine are being required to shoulder a lot of the burden which belongs to the community and the State as a whole. We are cutting all of the funding to obstetrics insurance for low-income patients. The Family Medicine Residency Program takes care of all of the women in Washoe County who cannot afford care and we are one of the biggest providers for Medicaid for pediatrics in Washoe County. We provide all of the obstetric care in Lyon County.

If we want a system which is less expensive in the long term, we need to support primary care. When we provide physicians to our community, we provide a low-cost source of care which keeps patients out of the emergency room, takes care of low-income patients and fills the gap we are facing in the budget.

On average, eight of ten family physicians trained in Reno and Las Vegas stay in the State to serve our urban and rural populations in primary care and provide essential services to the community which would otherwise not be provided by the private medical system. The UNR and the UNLV told us if we cannot find funding for next year, we will lose the positions we nearly lost this year. Our medical education system, especially primary care training, needs to be considered in a broader context. The services provided by those programs should be funded because they provide a critical service to the community.

ROBIN L. TITUS, M.D. (Fellow, American Academy of Family Physicians):  
I would like to have my prepared statement entered into the record ([Exhibit G](#)). I am living proof the Nevada State Legislature has been supportive of higher education. I would not have had a chance to become a doctor if the Legislature had not created the School of Medicine. I have been practicing in Smith Valley for 25 years and am the only doctor within a 25-mile radius. I would like to thank the Legislature for the past support of our school, the residency programs and for looking after the health-care needs of our State. We are here to remind you of the importance of family practice in our State and hope for your continued support.

ASSEMBLYMAN JOSEPH P. (JOE) HARDY (Assembly District No. 20):  
I would like to add my support to Dr. Johnson's testimony.

CATHY ENDO, M.D. (President, Nevada Academy of Family Physicians)  
I would like to have my prepared statement and attached list of Match Results for 2009 entered into the record ([Exhibit H](#)). A match list is released every year in which all fourth-year graduating medical students learn which specialty they will be performing and where they will be practicing.

Keeping in mind a lot of physicians have historically stayed and opened their practices in the communities in which they trained, it is concerning only 18 of the 50 graduates this year have chosen primary care as their specialty. Out of those 18 graduates, only 3 have chosen to stay in Nevada. Family medicine and primary care serve this community and we need to give these statistics serious consideration.

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CHAIR MATHEWS:  
Higher education in Nevada is important to everyone who lives in this State and we cannot afford to allow reductions in this part of our budget to go unanswered. There being no further business before the Committee, the meeting is adjourned at 10:13 a.m.

RESPECTFULLY SUBMITTED:

\_\_\_\_\_  
Michael Bohling,  
Committee Secretary

APPROVED BY:

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

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

\_\_\_\_\_  
Assemblywoman Debbie Smith, Vice Chair

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