

**MINUTES OF THE JOINT MEETING OF THE
SENATE COMMITTEE ON FINANCE
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-sixth Session
May 7, 2011**

The joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Steven A. Horsford at 9:00 a.m. on Saturday, May 7, 2011, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 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 COMMITTEE MEMBERS PRESENT:

Senator Steven A. Horsford, Chair
Senator Sheila Leslie, Vice Chair
Senator David R. Parks
Senator Moises (Mo) Denis
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Ben Kieckhefer

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Debbie Smith, Chair
Assemblyman Marcus L. Conklin, Vice Chair
Assemblyman Paul Aizley
Assemblyman Kelvin D. Atkinson
Assemblyman David P. Bobzien
Assemblywoman Maggie Carlton
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblyman Randy Kirner
Assemblywoman April Mastroluca
Assemblyman John Ocegüera

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COMMITTEE MEMBERS ABSENT:

Assemblyman Crescent Hardy (Excused)

STAFF MEMBERS PRESENT:

Michael J. Chapman, Principal Deputy Fiscal Analyst
Rick Combs, Assembly Fiscal Analyst
Alexander Haartz, Program Analyst
Mark Krmpotic, Senate Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Wade Beavers, Committee Secretary

OTHERS PRESENT:

Jane A. Nichols, Ed.D., Vice Chancellor Academic and Student Affairs, Nevada
System of Higher Education
Daniel J. Klaich, J.D., Chancellor, Nevada System of Higher Education

CHAIR HORSFORD:

We have two major areas to discuss today. The first is the budget closing for Nevada's Western Interstate Commission for Higher Education (WICHE) program. The second will be a work session on the Nevada System of Higher Education (NSHE).

I will now open the hearing on the budget closing for WICHE.

ASSEMBLYMAN GOICOECHEA:

I need to disclose that I have just been appointed to the WICHE Board of Commissioners.

ALEXANDER HAARTZ (Program Analyst, Legislative Counsel Bureau, Fiscal Analysis Division):

I will be presenting Closing List #13 ([Exhibit C](#)) for two WICHE budget accounts.

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The first budget I will describe is budget account (B/A) 101-2995, the WICHE Administration account.

EDUCATION

NEVADA SYSTEM OF HIGHER EDUCATION

NSHE – WICHE Administration — Budget Page NSHE-108 (Volume I)
Budget Account 101-2995

There are no major closing issues with this account.

On page 2 of [Exhibit C](#), three additional closing items are listed. The first provides information on the *Executive Budget* General Fund funding levels.

The second item provides information on program personnel expenditures. The primary expense in this account is for personnel and operating costs for 2.20 full-time equivalent (FTE) positions.

The third additional closing item concerns program operating expenditures. As shown, the primary operating expenditure is on the annual membership dues which the program pays to the regional WICHE in each year. There is funding for a contract with the Commission's student loan servicer. Other expenditures include funding for in-State travel expenditures for program staff and WICHE Board members to cover the cost of their attendance at meetings.

Staff recommends that the Committees close this budget as recommended by the Governor and requests authority to make any necessary technical adjustments as a result of other budget closing actions taken by the 2011 Legislature.

SENATOR LESLIE MOVED TO CLOSE B/A 101-2995 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS AS A RESULT OF OTHER BUDGET CLOSING ACTIONS TAKEN BY THE 2011 LEGISLATURE.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

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ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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MR. HAARTZ:

The second budget I will discuss is B/A 101-2681, the WICHE Loan and Stipend account.

NSHE – WICHE Loan & Stipend — Budget Page NSHE-112 (Volume I)
Budget Account 101-2681

This budget funds the support fees which are used to pay for students as well as graduates who are working in health-care professional shortage areas.

There are two major issues regarding this account. The information begins on page 5 of [Exhibit C](#).

The first issue concerns the adjustment to loan and stipend repayment revenues. During WICHE's budget hearing on March 3, 2011, the Commission provided revised revenue projections with regard to the amount of delinquent or outstanding loan and stipend repayment revenues that they thought they could generate and that were included in the *Executive Budget*. The Commission requests that the revenues be reduced by a little over \$38,000 in the first year and approximately \$52,000 in the second year.

Additionally, because of the success of the program in terms of the number of WICHE participants who return to Nevada to work in their profession, the amount of stipend repayments is projected to decrease. Students are having the stipend waived pursuant to the regulations adopted by WICHE. That has the effect, in the projections, of reducing stipend repayment revenues by approximately \$15,000 in the first year and about \$16,500 in the second year.

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Cumulatively, these two changes have the effect of reducing loan and stipend repayment revenues by \$53,207 in the first year and \$68,446 in FY 2012-2013.

Staff has reviewed the revenue reductions and considers them reasonable. They have been included in [Exhibit C](#) as adjustments to the revenues in the Governor's recommended budget. Staff would note, also relating to the second major closing issue, that a reduction in revenues has the effect of reducing the number of slots available for students.

Do the Committees wish to approve the reduced loan and stipend revenues as identified by Staff and recommended by WICHE?

ASSEMBLYWOMAN SMITH MOVED TO APPROVE THE REDUCED LOAN AND STIPEND REVENUE COLLECTIONS AND EXPENDITURES AS RECOMMENDED BY THE COMMISSION AND ADJUSTED BY FISCAL STAFF.

ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. HAARTZ:

The next major closing issue concerns a reduction to the slots would be available to be funded in FY 2011-2012 and FY 2012-2013. [Exhibit C](#) contains two attachments related to this issue.

The first, as found on page 9 of [Exhibit C](#), is the "Student Slot Matrix." This chart contains information as it was included in the Governor's recommended budget.

The second attachment, as found on page 10 of [Exhibit C](#), presents the revised Student Slot Matrix as recommended by WICHE. It is based on the reduced revenues that were approved a moment ago.

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If you turn to page 6 of the closing document, there is a summary table which provides the differences between the two matrices.

In FY 2011-2012, the Governor's budget recommended 104 slots to be divided between the Professional Student Exchange Program and the Health Care Access Program.

Based on the reduced funding levels as identified by the Commission, there would be funding for only 90 slots in the first year. This represents a reduction of 14 slots.

The Professional Student Exchange Program is reduced by one slot, with the majority of the reductions occurring in the Health Care Access Program. Those are students who typically attend programs in Nevada at Nevada-based institutions.

In FY 2012-2013, there was one additional slot that could not be funded. The total number of slots recommended by the Commission is thus reduced to 89.

In resolving this issue, the Committees have several options, as listed on page 7 of [Exhibit C](#).

Since the Committees have approved the reduced loan and stipend revenue projections, there are three options.

Option A is to approve the revised student slot matrix as recommended by WICHE. This would be consistent with the first decision.

Option B is to approve a student slot matrix which prioritizes the current fields of study differently than recommended by WICHE by increasing some slots and decreasing others.

Option C is to approve Option B but to include new professions or fields of study.

If the Committees are interested in either Option B or Option C, Staff will need direction as to the fields of study to be reprioritized and added to the matrix in order to ensure student support fee expenditures do not exceed the projected

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available revenue. Staff will also need time to work with WICHE in order to bring a revised matrix back to the Committees.

Which Student Slot Matrix option do the Committees wish to approve for the WICHE loan and stipend budget for the 2011-2013 biennium?

ASSEMBLYWOMAN SMITH:
I would move to approve Option A.

CHAIR HORSFORD:
That would be an approval of the reduced number of slots as based on the reduction that was previously approved.

ASSEMBLYWOMAN SMITH:
That is correct.

CHAIR HORSFORD:
I think that is appropriate. With the state of the economic development efforts, we are not in a position to say which areas of focus we should or should not have at this point. I hope that we will soon enough.

ASSEMBLYWOMAN SMITH MOVED TO APPROVE THE REVISED
STUDENT SLOT MATRIX AS RECOMMENDED BY WICHE.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLYWOMAN CARLTON:
I understand the need for a reduced number of slots and I support that. I do not understand the number of slots allotted for veterinary medicine.

We are all aware of our State's poor record on mental health care. I am also concerned about access to dental care. At the same time, we have more slots allotted to veterinary medicine than we do to dental and mental health degrees. I have concerns about that.

I have not heard an outcry for more veterinarians in this State. I would like to hear more about the reasoning for these slot allocations.

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JANE A. NICHOLS, ED.D. (Vice Chancellor, Academic and Student Affairs, Nevada System of Higher Education):
I am testifying today as a member of WICHE.

When we make these decisions on slots, we consider the existing workforce and we consider the existing needs in relation to the entire breadth of our programs. We think in terms of how we are going to fill the workforce needs of the State.

Regarding the veterinary field, we have received a great deal of feedback and documentation indicating that, particularly in the rural areas of Nevada, large animal veterinary medicine is in serious trouble. The rural areas anticipate more difficulties in being able to find veterinarians.

With these programs, we can require students to serve in rural areas or in underserved areas.

We are also very concerned, as Assemblywoman Carlton mentioned, about mental health. At a meeting this week, we started trying to address some of the mental health needs in terms of filling some of the current programs that we have.

Another issue is that we do not have a school of veterinary medicine in Nevada. We do have schools that serve mental health needs. We have schools of psychology and social work. We do not have any other way to give young people in Nevada the chance to become veterinarians if they are not wealthy except through these WICHE programs. When we put all of that together, we feel that this recommendation is acceptable.

CHAIR HORSFORD:

I would point out that, with the budget cuts and with the reprioritization that will occur, it will be determined whether we will be keeping or not keeping some of these areas. The Commission may have to revisit some of these areas.

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ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. HAARTZ:

There are two remaining closing items in B/A 101-2681.

The first of these is on page 7 of [Exhibit C](#).

During WICHE's budget hearing, they requested the ability to balance forward unexpended loan and stipend repayment revenues which were received too late in the fiscal year to be spent otherwise. Information in the closing document provides a history of the program's reversions from FY 2002-2003 to FY 2009-2010. It appears that, up until FY 2001-2002, the program had the ability to balance forward unexpended loan and stipend revenues to be used in the subsequent fiscal year. That appears to have changed in FY 2002-2003.

If the Committees are interested in doing this, Staff would like to make several points. Since these would be revenues that were received too late in the year to expend, the Committees should realize that they would be considered one-time funds and there should, perhaps, be limits set on how they are expended. The Committees may also wish to limit the time period from which the funds are received. From Staff's review, it appears that it might be reasonable to establish that this would only apply to loan and stipend repayment revenues received after May 15 of each year. Staff recommends that these funds be expended to increase the number of the Health Care Access Program loan repayment slots. These represent health care professionals who are already working in medically underserved areas. They have student loans for which they would receive a support fee to assist in payment. This would not encumber the funds for students who are going to school and would have a need for continuing funding going into future years.

Do the Committees wish to approve WICHE's request for authority to balance forward to the subsequent fiscal year unspent student loan and stipend repayment revenues? Would the Committees also be interested in issuing a letter of intent related to that issue as well to make the authority clear?

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CHAIR HORSFORD:

I will accept a motion to approve both of the other closing items as they are listed on pages 7 and 8 in [Exhibit C](#).

ASSEMBLYWOMAN SMITH MOVED TO APPROVE B/A 101-2681, INCLUDING WICHE'S REQUEST TO BALANCE FORWARD TO THE NEXT FISCAL YEAR UNSPENT STUDENT LOAN AND STIPEND REPAYMENT REVENUES; TO REISSUE A LETTER OF INTENT TO WICHE AFFIRMING ITS SUPPORT FOR THE COMMISSION'S POLICY OF TRANSFERRING LEGISLATIVELY APPROVED SLOTS BETWEEN PROFESSIONS IN RESPONSE TO APPLICANT DEMAND, AND TO DIRECT THE WICHE OFFICE TO INFORM THE FISCAL ANALYSIS DIVISION OF ALTERATIONS TO THE LEGISLATIVELY APPROVED SLOT MIX IN WRITING AND WITHIN 30 DAYS OF THE CHANGE SO THAT FISCAL STAFF MAY INFORM THE INTERIM FINANCE COMMITTEE (IFC) OF ALTERATIONS ON A SEMIANNUAL BASIS; AND TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS AS A RESULT OF OTHER BUDGET CLOSING ACTIONS TAKEN BY THE 2011 LEGISLATURE.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

CHAIR HORSFORD:

That completes the closing report on WICHE. We will now begin a Work Session on NSHE. Both the Senate and the Assembly have met in Committees of the Whole to review the NSHE budget. Mr. Haartz will quickly walk us through those areas to refresh the Committee members' memory on what is available in case any questions should arise. I would like to get into a discussion on the items on which we need to provide direction to Staff.

MR. HAARTZ:

During the budget hearings, the Joint Subcommittee on K-12 Education and Higher Education requested that NSHE provide standardized templates for two different scenarios.

The first scenario was to show how they would implement the operating budget reductions that are contained in the Governor's recommended budget. The second scenario was to look at the concept of closures and consolidations of institutions as the primary means for implementing the budget reductions as described in the Governor's recommended budget.

In response, NSHE provided comprehensive templates which have been made public. I will be referencing Scenario No. 1 and Scenario No. 2. Scenario No. 1 would deal with the budget cuts primarily through operating expenditure reductions and Scenario No. 2 would deal with the budget cuts primarily through closures and consolidations.

The information provided by NSHE on the reductions to Scenario No. 1 essentially shows the dollar amounts for the changes. The first column represents the Twenty-sixth Special Session Adjusted Budget which comes entirely from the General Fund. The next column shows the Governor's recommendation, in terms of funding for General Fund support and Property Tax revenues, for the University of Nevada, Reno (UNR) and the University of Nevada, Las Vegas (UNLV). The changes between the two are described.

There is a breakdown of how it would look if each institution budget was proposing to implement the cut at the same level or if there was going to be a reallocation and a redistribution of reductions among the various budget accounts. As was discussed during the meeting of the Committee of the Whole, UNR, as a series of budgets and as an institution in total, was proposing to reallocate the funding cuts between the accounts differently than as recommended by the Governor.

The Subcommittee requested information on the impacts of the budget reductions. The table below shows, based upon Scenario No. 1, the impact to the academic infrastructure.

TABLE 1									
Projected Impacted of the 2011-13 Biennium Recommended Governmental Support Funding Level on NSHE Academic Infrastructure, Degrees and Courses: Budget Reduction Scenario #1									
NSHE Institution	FY 2012 Academic Colleges, Schools, Departments or Centers Closed	FY 2012 Academic Programs Eliminated or Suspended	FY 2012 Academic Degrees Eliminated	FY 2012 Course Sections Eliminated		FY 2012 Academic Colleges, Schools, Departments or Centers Closed	FY 2013 Academic Programs Eliminated or Suspended	FY 2013 Academic Degrees Eliminated	FY 2013 Course Sections Eliminated
UNR	11	8	8	not specified		11	8	8	not specified
UNLV	12	8	36	600		12	8	36	600
NSC	-	-	-	130		-	-	-	130
GBC	-	5	-	120		-	5	-	180
CSN	1	1	1	1,028		8	1	1	1,028
TMCC	-	1	1	435		-	1	1	435
WNC	5	-	-	not specified		7	-	-	not specified
TOTALS	29	23	46	2,313		38	23	46	2,373

Note: Course section decreases reflect fall and spring semesters only.

This means that it is shown in terms of colleges, schools, departments, degree programs and course sections being eliminated.

Table 2 shows the projected impact to student enrollments and the capacity to serve students and what the projected impact would be at the funding reduction levels recommended by the Governor.

TABLE 2 Projected Impact of Scenario #1 Reductions on NSHE Student Enrollment (SFTE) Capacity Based Upon the 2011-13 Biennium Recommended Governmental Support Funding Level					
NSHE Institution	FY 2011 Preliminary Total Enrollments (SFTEs)	FY 2012 Projected Impact to Capacity (SFTEs)	% Change FY 2012 / FY 2011	FY 2013 Projected Impact to Capacity (SFTEs)	% Change FY 2013 / FY 2011
UNR	13,219	0	0.0%	(1,253)	-9.5%
UNLV	19,636	(1,967)	-10.0%	(2,104)	-10.7%
NSC	1,924	(220)	-11.4%	(260)	-13.5%
GBC	1,952	(113)	-5.8%	(207)	-10.6%
CSN	22,190	(1,498)	-6.7%	(2,478)	-11.2%
TMCC	7,176	(406)	-5.7%	(406)	-5.7%
WNC	2,926	(533)	-18.2%	(1,183)	-40.4%
SFTE Impact		(4,737)		(7,891)	
TOTALS	69,023	64,286		61,132	
Percentage Change		-6.9%		-11.4%	
Student Head Count Impact		(11,638)		(19,025)	

Note: SFTEs rounded to the nearest whole number.

Table 3 reflects the projected impacts on the full-time employees of NSHE.

TABLE 3 Projected Impact of the 2011-13 Biennium Recommended Governmental Support Funding Level on NSHE Staffing (FTE) Levels by Functional Area							
SCENARIO #1				SCENARIO #2			
NSHE Institution	FY 2011 Approved Positions (FTE)	FY 2012 Projected Position Eliminations (FTE)	FY 2013 Projected Position Eliminations (FTE)	NSHE Institution	FY 2011 Approved Positions (FTE)	FY 2012 Projected NET Position Eliminations (FTE)	FY 2013 Projected NET Position Eliminations (FTE)
UNR Cumulative	1,797.32	(129.41)	(290.46)	UNR Cumulative	1,797.32	0.00	0.00
UNLV Cumulative	2,233.37	(289.70)	(341.60)	UNLV Cumulative	2,233.37	0.00	0.00
NSC	145.25	(27.50)	(31.50)	NSC	145.25	0.00	(37.25)
GBC	246.42	(19.00)	(35.75)	GBC	246.42	0.00	(16.74)
CSN	1,658.14	(105.65)	(169.76)	CSN	1,658.14	0.00	0.00
TMCC	569.58	(71.00)	(71.00)	TMCC	569.58	0.00	0.00
WNC	300.21	(49.63)	(89.82)	WNC	300.21	0.00	(16.00)
DRI	58.83	(4.33)	(16.83)	DRI	58.83	0.00	(33.50)
Other Budgets	153.70	(17.46)	(42.10)	Other Budgets	153.70	0.00	0.00
FTE Impact		(713.68)	(1,088.82)	FTE Impact		0.00	(103.49)
FTE TOTALS	7,162.82	6,449.14	6,074.00	FTE TOTALS	7,162.82	7,162.82	7,059.33
Position Impact		(1,050.00)	(1,497.00)				
Functional Areas				Functional Areas			
Instruction	3,730.03	(385.80)	(543.84)	Instruction	3,730.03	0.00	0.00
Research	128.54	(6.81)	(33.91)	Research	128.54	0.00	(10.00)
Public Srvc	114.81	(52.62)	(54.26)	Public Srvc	114.81	0.00	0.00
Academic Supt	707.66	(74.45)	(111.21)	Academic Supt	707.66	0.00	(21.99)
Student Srvc	599.66	(63.55)	(91.64)	Student Srvc	599.66	0.00	(13.65)
Institutional Supt	931.99	(78.90)	(139.90)	Institutional Supt	931.99	0.00	(53.85)
O&M	949.83	(51.55)	(114.06)	O&M	949.83	0.00	(4.00)
FTE Impact		(713.68)	(1,088.82)	FTE Impact		0.00	(103.49)
TOTALS	7,162.82	6,449.14	6,074.00	TOTALS	7,162.82	7,162.82	7,059.33
Percentage Change		-10.0%	-15.2%	Percentage Change		0.0%	-1.4%

Note: FY 2011 FTEs shown as approved by the Board of Regents

The left-hand side of the table reflects Scenario No. 1 and the right-hand section of the table reflects Scenario No. 2 which was the scenario dominated by closures and consolidations. Under Scenario No. 2, the projected impact to employees was much less. This was mainly a projection of administrative reductions. There was not a great deal of information presented on Scenario No. 2. The reason the previous two tables did not provide information on Scenario No. 2 was that, based upon our interpretation of the scenarios, it did not appear that NSHE was projecting specific impacts on either the academic infrastructure or their capacity to serve students with Scenario No. 2.

I will now discuss the potential funding and time constraints. For those members who were not part of the Joint Subcommittee, several issues were identified by NSHE in terms of implementing budget reductions.

The first issue concerned the employee contracts with professional staff and the requirement to provide up to 12 months notice before termination.

The second issue deals with accreditation. The institutions expressed concerns that, per accreditation standards, students are entitled to a reasonable amount of notice of program eliminations so that they can either graduate or transition into different academic degree programs. That information still needs to be thoroughly investigated in terms of the amount of notice that would be required. It is my understanding that the term "reasonable" is not defined. It is more of a negotiated time frame.

The institutions did identify that 18 months could be construed as a "reasonable" amount of time for accreditation purposes.

The other item brought forward was in regard to bridge funding and the ability of institutions to mitigate the harm to students and staff during the 18-month transition period. Some institutions identified a need for bridge funding. The table below provides more information.

One-Time Bridge and Transition Funding Identified under Scenario #1 Reductions as Needed to Implement 2011-13 Biennium Budget Reductions		
NSHE Institution	FY 2012 Bridge Funding	FY 2013 Bridge Funding
UNR (all budgets)	\$ 12,378,752	\$ -
UNLV	\$ 5,713,896	\$ 7,650,351
NSC	\$ -	\$ -
CSN	\$ 920,743	\$ 3,076,328
WNC	\$ 322,556	\$ -
GBC	\$ -	\$ -
TMCC	\$ -	\$ -
Univ. Press	\$ 90,000	\$ -
TOTAL	\$ 19,425,947	\$ 10,726,679

It is unclear what the funding source would be for this purpose. It appears to be coming from a source outside of the General Fund. It may be either student fees, in terms of a "special bridge fee," such as was implemented at UNLV, or it might come from nonstudent funds that each particular institution would bring to the table to facilitate the implementation of the budget reductions.

The second concern involves the issue of potential additional fee revenues to offset budget reductions. At the Joint Subcommittee meeting and the meetings of the Committee of the Whole, members heard testimony and discussion in regard to potential surcharges that are currently under consideration or, at least, have been reviewed by the Board of Regents. Several scenarios have been presented to the Board of Regents. A 10 percent surcharge has been proposed that would add an additional 10 percent in the second year of the biennium. Other proposals would initiate surcharges of 13 percent or 15 percent in the first year of the biennium and then add an additional 13 percent or 15 percent, respectively, in the second year.

I will go into more detail about the impact of the 13 percent surcharge revenue. The first column in the table below shows, as approved by the Board of Regents and contained in the Governor's recommended budget, the per-credit hour registration fees that will be charged to students effective September 1, 2011.

TABLE 4 2011-13 Biennium Approved NSHE Per Credit Hour Registration Fee Contained in <u>The Executive Budget</u> and the Impact of a 13% Surcharge in FY 2012 and an Additional +13% in FY 2013 on NSHE Per Credit Hour Registration Fees.					
NSHE Institution Level	2011-13 Biennium BoR Approved Per Credit Hour Fee (Gov. Rec.)	FY 2012 13% Per Credit Hour Surcharge	FY 2012 Total Per Credit Hour Charge (as Presented)	FY 2013 +13% Per Credit Hour Surcharge	FY 2013 Total Per Credit Hour Charge (as presented)
University					
Undergraduate	\$156.75	\$20.38	\$177.13	\$43.40	\$200.15
Graduate	\$239.50	\$31.14	\$270.64	\$66.32	\$305.82
State College	\$113.25	\$14.72	\$127.97	\$31.36	\$144.61
Community College					
Upper Division	\$113.25	\$14.72	\$127.97	\$31.36	\$144.61
Lower Division	\$69.25	\$9.00	\$78.25	\$19.18	\$88.43

Those are the same for each year of the biennium. There is also information in the table showing what the impact of the surcharges would be.

There was discussion during the Joint Subcommittee with regard to determining how Nevada's fees currently compare to the other WICHE region states and, specifically, the median numbers for the region. Based on the information that Staff has received and evaluated, it would appear that, if the 13 percent plus 13 percent surcharge was implemented by the Board of Regents, at the community college level, students would pay just above the current 2011 WICHE median by FY 2012-2013. At UNR and UNLV, when comparing four-year, doctoral degree-granting institutions, it would appear that, by the end of FY 2012-2013, under the 13 percent plus 13 percent surcharge approach, students at UNR and UNLV would be roughly equal to the median as well. The caveat to that is that we are comparing against the current FY 2010-2011 WICHE median. If other states implement surcharges or fee increases, there may not be any relative change in either year.

Table 5 provides information showing the relative calculated additional revenue that would be generated as a result of a surcharge.

TABLE 5					
Projected Student Registration Fee Revenues Resulting From Surcharges of 13% in FY 2012 and +13% in FY 2013 as Incorporated in NSHE Budget Reduction Scenario #1					
NSHE Institution	FY 2012 13% Surcharge Projected Revenues	FY 2012 Financial Aid Set-Aside (15% of 13%)	FY 2012 Identified Fee Losses (enrollment driven)	FY 2012 Other Identified Registration Fee Revenues	FY 2012 Projected NET Operating Fee Revenues
UNR	\$ 7,782,838	\$ (1,167,426)	\$ (350,000)	\$ -	\$ 6,265,412
UNLV	\$ 9,647,059	\$ (1,447,059)	\$ (2,500,000)	\$ -	\$ 5,700,000
NSC	\$ 800,750	\$ (120,113)	\$ (475,662)	\$ 544,348	\$ 749,323
GBC	\$ 529,947	\$ (79,492)	\$ (75,000)	\$ -	\$ 375,455
CSN	\$ 5,914,240	\$ (887,136)	\$ (799,555)	\$ 378,779	\$ 4,606,328
TMCC	\$ 1,791,735	\$ (268,760)	\$ (367,993)	\$ 100,000	\$ 1,254,982
WNC	\$ 783,218	\$ (117,483)	\$ (301,023)	\$ -	\$ 364,712
TOTALS	\$ 27,249,787	\$ (4,087,469)	\$ (4,869,233)	\$ 1,023,127	\$ 19,316,212
FY 2013					
NSHE Institution	FY 2013 +13% Projected Surcharge Revenues	FY 2013 Financial Aid Set-Aside (15% of +13%)	FY 2013 Identified Fee Losses (enrollment driven)	FY 2013 Other Identified Registration Fee Revenues	FY 2013 Projected NET Operating Fee Revenues
UNR	\$ 16,577,445	\$ (2,486,617)	\$ (695,076)	\$ -	\$ 13,395,752
UNLV	\$ 19,294,118	\$ (2,894,118)	\$ (4,750,000)	\$ -	\$ 11,650,000
NSC	\$ 1,705,598	\$ (217,464)	\$ (562,146)	\$ 544,348	\$ 1,470,336
GBC	\$ 1,128,787	\$ (169,318)	\$ (160,000)	\$ -	\$ 799,469
CSN	\$ 12,597,332	\$ (1,889,600)	\$ (2,182,959)	\$ 378,779	\$ 8,903,552
TMCC	\$ 3,816,395	\$ (572,459)	\$ (826,654)	\$ 200,000	\$ 2,617,282
WNC	\$ 1,668,225	\$ (250,234)	\$ (507,625)	\$ -	\$ 910,366
TOTALS	\$ 56,787,900	\$ (8,479,810)	\$ (9,684,460)	\$ 1,123,127	\$ 39,746,757

Staff would like to hear the Committees' thoughts with regard to the surcharges. If they are approved, they would likely occur after the Legislature has adjourned. In 2009, the Legislature approved a Letter of Intent which directed that, if surcharges were adopted, those fees would need to be recorded in the State-supported operating budgets.

CHAIR HORSFORD:

On this item, I would like to reiterate that we would consider the continuation of the Letter of Intent that requires that any surcharge or fee revenue be recorded within the General Fund support. Without objection, that would be part of our closing document.

SENATOR KIECKHEFER:

I would like clarification on what that Letter of Intent contains.

CHAIR HORSFORD:

Any surcharges or fee revenue would have to be recorded as State support for NSHE for the upcoming biennium. This is what we did in 2009.

MR. HAARTZ:

I would clarify two points for Senator Kieckhefer. First, the surcharge revenues in the current biennium are recorded in the State-supported operating budget. They are not booked into the General Fund. They are retained at the institutions. It is merely for accounting purposes that the 2009 Legislature required that they be reflected in the State-supported budgets. They are retained by the institution.

There was previous discussion that, for the 2012-2013 biennium, all registration and nonresident tuition might continue to be reflected in the State-supported operating budgets until such time as the interim funding formulas were worked out. That would be part of the overall issue as it was examined.

The next issue concerns enrollment projection methodology.

Traditionally, the enrollments for the seven teaching institutions are calculated based on a three-year weighted average approach. In the 2009 Session, NSHE requested that the three-year weighted average approach be abandoned for one biennium. They asked that 2010 and 2011 enrollments be projected based on flat-enrollment methodology which would have been flat to FY 2008-2009.

In the budget submitted by NSHE and in the *Executive Budget*, the three-year weighted average approach was not utilized. Enrollments were projected as flat to FY 2009-2010. The Joint Subcommittee heard discussion and examined the differences between the two approaches.

The three-year weighted average generates slightly higher projected enrollments. It shows approximately 1,800 new enrollments over the biennium, whereas the flat enrollment approach generates approximately 200 to 250 new enrollments in each year of the biennium.

It would appear, based on the testimony provided, that neither approach measures demand in terms of the numbers of students who are interested in enrolling or are attempting to enroll. To develop their projections, they only measure the number of students who actually end up enrolling at an institution.

Staff will need the direction of the Committees at the budget closing in terms of which enrollment projection methodology the members wish to use. Before making a decision, Staff would recommend that the Legislators consider the impact of the funding formulas.

I would like to note that the funding formula has two primary purposes. First, based upon enrollments, it calculates the amount of funding that would be necessary to cover the projected enrollments. The second purpose is to equitably distribute the available funding. The available funding represents the amount that the Legislature determines is available to provide to NSHE. We are talking about the governmental support or the General Fund allowance in each year.

The Subcommittee requested that several formula scenarios be run by NSHE since the funding formula had not been used, and was not included in the development of the Governor's recommended budget.

The first funding formula scenario proposes using the formula to distribute the available funding among the institutions. This would use the Governor's recommended level of funding. This scenario uses the three-year weighted average formula methodology.

In the table for the first formula funding scenario, it shows that funding is reallocated away from UNLV to other institutions. This is the result of money following projected enrollments. If enrollments decrease, funding is reallocated.

The second formula funding scenario is described in the table below.

FORMULA FUNDING SCENARIO #2 Comparison of the Allocation of Formula Funding Among NSHE Institutions for the 2011-13 Biennium: The Executive Budget (Flat FY 2010) to FY 2011 Flat Approach						
NSHE Institution	FY 2012 Governmental Support Funding (Gov. Rec.) (FY 2010 Flat)	FY 2012 Governmental Support Formula Funding (FY 2011 Flat)	FY 2012 Governmental Support Reallocation	FY 2013 Governmental Support Funding (Gov. Rec.) (FY 2010 Flat)	FY 2013 Governmental Support Formula Funding (FY 2011 Flat)	FY 2013 Governmental Support Reallocation
UNR	\$ 95,632,792	\$ 98,096,771	\$ 2,463,979	\$ 81,409,408	\$ 84,409,278	\$ 2,999,870
UNLV	\$ 125,413,961	\$ 115,064,863	\$ (10,349,098)	\$ 106,525,137	\$ 97,004,520	\$ (9,520,617)
CSN	\$ 75,944,918	\$ 78,227,287	\$ 2,282,369	\$ 64,667,849	\$ 66,160,970	\$ 1,493,121
GBC	\$ 13,941,066	\$ 14,354,256	\$ 413,190	\$ 11,793,317	\$ 12,202,276	\$ 408,959
TMCC	\$ 29,890,760	\$ 32,148,797	\$ 2,258,037	\$ 25,418,350	\$ 27,465,572	\$ 2,047,222
WNC	\$ 14,941,033	\$ 15,175,948	\$ 234,915	\$ 12,621,694	\$ 12,642,046	\$ 20,352
NSC	\$ 9,040,401	\$ 10,940,453	\$ 1,900,052	\$ 7,602,701	\$ 9,355,491	\$ 1,752,790
DRI	\$ 7,349,634	\$ 7,334,525	\$ (15,109)	\$ 6,216,806	\$ 6,190,741	\$ (26,065)
N.F. Equipment	\$ -	\$ 811,666	\$ 811,666	\$ -	\$ 824,368	\$ 824,368
TOTALS	\$ 372,154,565	\$ 372,154,566	\$ 1	\$ 316,255,262	\$ 316,255,262	\$ -

Note: Columns' total funding may not net to \$0 due to rounding.

This scenario uses the flat enrollment approach. It uses the formula again to distribute the funding based upon projected enrollments. It has the same effect, although not as great, across the various institutions.

A third formula scenario was requested whereby the formula would be used to both calculate and distribute funding. However, funding would not be capped at the Governor's recommended budget level, but was to include what is commonly referred to as an "M-200 growth decision module." When the formula was used to both calculate funding needed at the level that was approved by the 2009 Legislature and to provide for its distribution, it appeared that approximately \$112 million in new funding would be needed in FY 2011-2012 and slightly over \$200 million would be needed in FY 2012-2013.

Staff would indicate that, in order to prepare budget closings, direction would be needed on the issues of enrollment projection methodologies used in the funding formula, use of the funding formula and governmental support funding levels and budget reductions for NSHE's State-supported operating budgets.

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With regard to enrollment projections, it appears that the Committee has two options. One is to use the traditional three-year weighted average methodology. The second is to project enrollments as flat to either FY 2009-2010 or FY 2010-2011, as recommended by NSHE and the Governor.

If the Committees choose to pursue the second option, Staff would recommend that FY 2010-2011 be used as the basis for projecting enrollments as flat to FY 2011-2012 and FY 2012-2013.

Do the Committees have a preference with regard to the enrollment projection methodology?

CHAIR HORSFORD:

In this issue, we are giving direction to Staff so that they can prepare the final closing document decisions so that we can see how the budget for NSHE would look. Some of these decisions will help us narrow the focus and give our Staff clear direction on what they need to bring back.

I would suggest that we direct Staff to go ahead with the second option.

ASSEMBLYMAN CONKLIN:

If the second option is the one that the Chair would like to pursue, then I am in support.

We need to be aware of what we are talking about. We are discussing the projection of enrollment numbers when we have no idea how they are going to be affected. We are in a down market where people need a job first before they can pay for education. We have proposed rate increases to students of up to 27.7 percent, by my calculation, for the largest institution that we have, the College of Southern Nevada. We have a budget cut that takes the same institution from \$95 million a year to \$64 million a year in the second year of the biennium. This is going to have an absolute effect on the student. This will devalue that education.

Why would anyone attend such a school? If we accept this, how can we possibly project what our enrollment will look like? Are we assuming that people will come just because it is there?

The second option for enrollment projection formulas is better than the first option. However, we need to be aware of the other decisions we make and how they will impact enrollment in this biennium.

ASSEMBLYMAN AIZLEY:

Neither projection method is particularly valid. There are many other things that could be considered.

We could consider using the three-year average for 2008, 2009 and 2010 as compared to the trend from 2007, 2008 and 2009 and the trend from 2006, 2007, and 2008 to see how the average is moving over previous three-year periods. We should be using numbers that will show motion. These numbers we are using for the projections currently are static. We cannot make predictions from numbers that are not showing changes over time.

There are many other formula methods that could be used to make these projections.

CHAIR HORSFORD:

Staff concurs with the *Executive Budget* recommendation which would fund at a flat enrollment level. There are many different ways to do this, and not every institution will see flat growth, but our decision will be for the System as a whole. The System will make the allocations based on those projections. We need to work within the limitations that we have as a Legislative body.

If there are no other comments on this item, I will have Staff move on to a discussion of the funding formula.

MR. HAARTZ:

The next issue is related to the enrollment projections. It concerns the use of the funding formula for the upcoming biennium.

The first option that the Committees may wish to consider is using the funding formulas to distribute available funding based upon the preferred enrollment projection methodology. In this case, that preferred methodology would have been the second option as previously indicated. This would have the effect of implementing one of two formula funding scenarios as previously discussed.

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The previous table provided a description of the second formula funding scenario. If we were to use the funding formula that would redistribute available funding, this is the impact you would see if we made enrollments flat to FY 2010-2011.

The other option available for consideration on the use of the funding formula is to suspend the use of the funding formula for the upcoming biennium. This is recommended by NSHE and the Governor. This would have the effect of uncoupling enrollments from funding. Funding would not be reallocated. The members would essentially be directing Staff to prepare the budget closings based on how funding is contained in the *Executive Budget*.

The System has testified that this is their preferred approach, insofar as that it essentially holds all institutions harmless and leaves them at the funding level contained in the *Executive Budget* instead of reallocating funding.

The Committees may also wish to take into consideration the concept of the interim formula funding study that NSHE has proposed. This has been discussed as an issue at the Joint Subcommittee level as well. The System has provided draft language for such a study.

Do the Committees wish to express a preference regarding whether the funding formulas should be utilized in the upcoming biennium?

CHAIR HORSFORD:

On this item, it is clear that we need to address an issue with the funding formula.

First, I want to note that we expect to use Senate Bill (S.B.) 374, which is currently in the Senate Committee on Finance, as a vehicle to create a formal Legislative study of the formula during the interim.

SENATE BILL 374: Temporarily redirects a portion of the taxes ad valorem levied in Clark County to support the College of Southern Nevada.
(BDR S-992)

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It is my expectation that this would have to be part of any closing decisions so that we can get clear options and recommendations for how we address the formula going forward. That is not going to fix the next two years.

My suggestion is that we follow the second option. This would be to suspend the funding formula for the upcoming biennium. Under this option, as Staff has indicated, it would be uncoupled from enrollments for the distribution of that funding. It would be based on the overall decisions that we will make and that the Board of Regents will make on these issues.

SENATOR KIECKHEFER:

I agree with the recommendation to follow the second option. I appreciate the desire to perform the interim study as well. I never understood why we had such a strong coupling between per pupil enrollments and the funding for NSHE. There should be some tie, but I do not believe that it is at the exact level it should be. I hope to be involved in the interim study.

CHAIR HORSFORD:

If there are no objections, that option will be included in the final closing documents for approval.

MR. HAARTZ:

The next topic I will bring to the Committees' attention is the "4-Point Plan" that has been proposed by NSHE.

During the meeting of the Committee of the Whole on April 22, 2011, Chancellor Daniel J. Klaich provided information on a plan that appears to be in response to the Governor's recommended budget.

I will refer to the table below in describing what Staff understands to be the components of the plan.

NSHE 4-Point Plan and Impact on the Governmental Support Recommended for the NSHE State Supported Operating Budgets for the 2011-13 Biennium				
	FY 2012 Governmental Support (Gov. Rec.)		FY 2013 Governmental Support (Gov. Rec.)	BIENNIUM TOTAL
Executive Budget Funding Level	\$ 466,435,780		\$ 395,483,941	\$ 861,919,721
Difference From FY 2011 (26th Special Session adjusted funding level)	\$ (91,504,510)		\$ (162,456,349)	\$ (253,960,859)
Smoothed Budget Reduction (26th Special Session adjusted funding level)	\$ (126,980,430)		\$ (126,980,430)	\$ (253,960,860)
Smoothed Governmental Support Funding	\$ 430,959,861		\$ 430,959,860	\$ 861,919,721
Additional General Fund Support	\$ 40,293,940		\$ 40,293,939	\$ 80,587,879
Smoothed Budget Reduction (26th Special Session adjusted funding level)	\$ (86,686,490)		\$ (86,686,491)	\$ (173,372,981)
Resultant Smoothed Governmental Support Funding Level	\$ 471,253,801		\$ 471,253,799	\$ 942,507,600
Percentage Change from FY 2011 (26th Special Session adjusted funding level: \$557.9 Million)	-15.54%		-15.54%	

Staff would also recommend, however, that the Chancellor be provided the opportunity to explain the plan more fully to ensure that Staff understands it correctly as well.

The first component of the plan is to equalize funding and budget reductions between the fiscal years which is colloquially referred to as "smoothing." This would have the effect of balancing out the \$91.5 million budget reduction in the first year and the \$162.5 million reduction in the second year so that it is evenly distributed between the two fiscal years. The table above shows that this would represent a budget reduction of approximately \$127 million in each year.

Through smoothing, the overall funding in each year of the biennium would be at \$431 million.

The second aspect of the 4-Point Plan involves the generation of registration fee surcharge revenues in addition to one-time funds that would be provided by

NSHE. Under the 4-Point Plan, approximately \$43.3 million would be generated in each year. This could be considered new revenue. It would be used to offset the budget reduction of \$127 million in each year.

The third component of the 4-Point Plan is to reduce operating expenditures in an amount equal to the fee and surcharge revenues being generated. This would amount to \$43.34 million in each year.

The fourth component of the 4-Point Plan proposes the addition of just over \$40 million in General Fund appropriations in each year of the biennium. The addition of approximately \$40 million in General Fund support in each year of the biennium would have the affect of changing the budget reduction to about \$86.7 million in each year. This would provide a governmental support funding level of approximately \$471 million in each year.

Staff would like to note that this table does not include the approximate \$43.3 million in surcharge and one-time additional revenues in each fiscal year. If that were included, the budget reduction would be reduced to about \$43.3 million in each year. The level of support funding in each year would be something over \$500 million. The total budget reduction would be in the range of 7.8 percent.

CHAIR HORSFORD:

I will have the Chancellor of NSHE come forward and provide the Committees with some additional information on the 4-Point Plan.

DANIEL J. KLAICH, J.D. (Chancellor, Nevada System of Higher Education):

The Fiscal Staff has done an excellent job of summarizing the 4-Point Plan. It is a plan that we identified in the meetings of the Committee of the Whole as one that fairly shares the sacrifice of the current budget crisis. In looking at the *Executive Budget*, it seems plain that we are carrying, not only our share of the sacrifice, but quite a bit more.

Rather than cut deeply in the second year, we would like to accelerate some of those cuts to the first year by smoothing or averaging. We would then take the remainder of the cuts and ask students and their families to pay about one-third of that gap. We would also ask the State to pay about one-third of that gap. The System would then have to make permanent operating cuts of about

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one-third. We believe that this is reflective of the situation we are in and that it does not impose an extraordinary burden on the State budget.

CHAIR HORSFORD:
Please elaborate on the "smoothing" concept.

MR. KLAICH:
The Governor made a recommendation for the distribution of the budget cuts. This recommendation may have been the result of conversations he had had with the System and it may have represented an attempt on his part to provide some alleviation for impacts of the budget cuts on NSHE. The recommendation was to implement a smaller cut in the first year of the biennium and a much larger cut in the second year of the biennium. This takes the overall program and access reductions that the System must develop to the lower level of about \$395 million.

If we more closely averaged out the cuts between the two years, we would see two beneficial effects. If we make deeper cuts in the first year, we will not have to go as far in the second year. This would take the State funding to about \$420 million rather than about \$395 million. This would make a sizeable difference in the second year without costing the taxpayers of the State any money. In addition, this would become our budget going forward that we would build from. As the economy recovers, we would like to build from a larger budget.

CHAIR HORSFORD:
Where is the source of the extra \$22 million beyond the tuition and surcharge revenue?

MR. KLAICH:
We would have to redirect current fees that otherwise might be used on campus. They would be general improvement fees. Otherwise, we would have to reduce the budget. This money would not come from the General Fund. In the worst-case scenario, it would be a further budget reduction.

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CHAIR HORSFORD:

Is it your expectation that the reduction of the operating expenditures described in the third component may come as part of other decisions that the Committees would make regarding salaries and benefits?

MR. KLAICH:

In this plan, we did not make any recommendation to the Legislature regarding changing the salary recommendation of the Governor.

CHAIR HORSFORD:

Would that be part of the reduction in overall operation expenditure reductions?

MR. KLAICH:

Yes, it would. This would be relatively small because the furlough amount has already been factored into our budget.

SENATOR RHOADS:

What does it mean to say that Cooperative Extension has been added to the UNR consolidation?

MR. KLAICH:

That is a question of how many appropriation lines the Committees wish to have. At this point, there are about 27 appropriation lines, with, generally, one being assigned to each teaching institution except UNR and UNLV which have multiple line items. This question refers to the issue of rolling up all of those line items into an institution and allowing them to make the allocations. What we are seeing in that case is a change in the way we appropriate and allocate money.

SENATOR RHOADS:

Is Cooperative Extension still being cut 70 percent by the Board of Regents?

MR. KLAICH:

Under the Governor's recommendation, that would still be the plan going forward.

SENATOR RHOADS:

Would that be the Governor's decision or the decision of the Board of Regents?

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MR. KLAICH:

Under the Governor's recommended budget, that is the recommendation of the System.

SENATOR RHOADS:

The Governor recommended a 32 percent reduction. The Board of Regents recommended the 70 percent cut.

MR. KLAICH:

That is correct. Under the Governor's recommended \$162 million in cuts, the template that came forward from UNR, and that is being recommended by NSHE, increased the relative cut to Cooperative Extension from the approximate 30 percent to the approximate 70 percent.

ASSEMBLYMAN AIZLEY:

I am supportive of higher education, but I also have a bias towards UNLV. When I see approximately \$9 million being taken from UNLV, I must ask why that is being done. Is this strictly in response to a projected drop in enrollments, or is there something built into the formula that requires that shift?

MR. KLAICH:

When I last testified on this issue, I tried to make it clear that I am against the option of redistributing funds away from UNLV. This proposal is the result of changing enrollment patterns in the System with a fixed amount of money. If enrollment goes up in one place and down in another, the money must come from someplace. Enrollments at UNLV were generally flat while there was some growth elsewhere in the System, so that is where the redistribution would come from. We do not recommend that, however.

SENATOR KIECKHEFER:

If the State were to add back the approximate \$86.7 million over the biennium, as discussed in the fourth component of the 4-Point Plan, and also reduce the amount of operational cuts to about \$43.34 million in each year of the biennium, what would be saved?

MR. KLAICH:

We have done our best, in a short period of time, to perform that evaluation. I can provide a few numbers.

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We have said that, under the Governor's recommended budget, we would turn away about 19,000 students and we would have between 1,400 and 1,500 layoffs. In using the 4-Point Plan, we believe that we can mitigate both of those impacts by maintaining access for approximately 12,700 of those students and avoiding the elimination of over 500 of our faculty and support staff positions.

We have asked the institutions what addbacks they might be able to achieve in this scenario. We can provide those answers to Staff.

CHAIR HORSFORD:

Please provide that information to Staff. Two weeks ago, in the meetings of the Committee of the Whole, we were being told that 20,000 students were going to be denied access. There were going to be faculty and program eliminations and potential closure of campuses. I would like representatives of NSHE to highlight those numbers in comparison with what will happen if the 4-Point Plan is implemented as proposed.

MR. KLAICH:

We will save access for 12,700 of those 19,000 students. With respect to the 1,497 individuals who were projected to lose employment under the recommended budget, we believe that we will save 560 of those positions.

At the community colleges and at Nevada State College, the emphasis will be on restoring access. This is consistent with the missions of those institutions.

At the two universities, the emphasis will be on saving programs and colleges. For example, at UNR, we will not close the College of Education or the College of Agriculture. We will save other programs. I will not read them through but I will provide the details in writing.

Consistent with testimony given at the meetings of the Committee of the Whole, I would submit that substantial mitigation would be achieved through this measure.

SENATOR KIECKHEFER:

Is it feasible to go through with the smoothing process, based on our expected revenues over the first and second year of the biennium? Also, if we implement

the first three components of the plan, but we cannot come up with the full amount requested of the General Fund for an addback, would it still help? Is this a comprehensive plan which needs to be adopted in its entirety or not at all?

MR. KLAICH:

I will testify first as a representative of the students and then as the Chancellor of NSHE.

Students testified at the Board of Regents meeting yesterday and, as they have throughout this process, they supported tuition and fee increases. They have asked that I deliver the message to the Committees today that they are willing to take on the added burden of the 13 percent plus 13 percent fee increase and the 15 percent carve-out of that for financial aid if the State matches those sacrifices with General Fund appropriations.

CHAIR HORSFORD:

This would come along with the expectation, as I understand it, that additional money is restored. I have also met with students. It should be clear that they do not want to be asked to increase their tuition without other partners who also benefit from higher education doing their part. This means that the second component of the 4-Point Plan must go along with the fourth component.

Whether the allocation will be in the amount requested is left to the Committee. To suggest, however, that no money or an inadequate amount of money should be contributed towards the fourth component would be putting the burden of this budget on the students rather than on all of us as Nevadans.

RICK COMBS (Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

Senator Kieckhefer asked a question regarding whether the smoothing would create any concerns about the fund balance.

As I understand the proposal, it reads that, because the cuts are deeper in the second year, the System would like to incur an additional amount of the cut in the first year of the biennium and smooth it out over the second year. Because they are moving cuts from the second year to the first, we would need to keep this in mind when preparing the General Fund balance to ensure that we balance forward enough money to cover that cut in the second year.

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On its own basis, if you free up the money in the first year, it should be available in the second year. If you are freeing up money in the second year to be directed to the first year, there may be a greater concern.

CHAIR HORSFORD:

There is another issue I would like to address in developing the budget closing proposals. I know that we are not going to fix the formula this Session. I am, however, concerned about the per-student average by campus throughout the System. I would like the Chancellor to provide the breakdown of that again for the Committees. I would also like to hear any mitigating options that the System and the Board of Regents might consider in ameliorating some of those imbalances.

We are trying to restore money, but we are doing it in a way that helps certain campuses at the expense of others. This is disconcerting for those of us who are not getting help for our constituents.

MR. KLAICH:

I understand that. We will try to provide some assistance in making those decisions.

CHAIR HORSFORD:

If there is nothing further on this issue from the Committees, we will return to Staff and continue with the Work Session for NSHE.

MR. HAARTZ:

Next I will provide information that was requested by the Joint Subcommittee regarding the reallocation of funding for athletics, statewide programs and the Business Centers for both UNR and UNLV, and Cooperative Extension at UNR. This funding is being reallocated into instructional accounts.

The Subcommittee's thinking was that, while these accounts are currently separate as part of the State-supported operating budgets, the reallocation of funding to the main instructional accounts would provide both the universities and the Board of Regents the opportunity to examine how they are allocated and used. This may provide flexibility with regard to greater support of instructional costs than is currently budgeted while keeping them in separate accounts.

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For purposes of closing, Staff will require direction from the Committees with regard to the redirection of funding from the stand-alone accounts into the main instructional accounts at UNR and UNLV.

CHAIR HORSFORD:

We have created these line item accounts outside of State support. These are noninstructional accounts, meaning that we have noninstructional, State-supported accounts and instructional State-supported accounts.

I do not understand why we, as the Legislature, are making decisions about what to prioritize that should be made by the Board of Regents, the Chancellor and the institutions.

My suggestion is to eliminate these line-item, noninstructional accounts and to transfer those functions to NSHE so that they can prioritize them. Without objection, I will ask Staff to prepare that change for the budget closing. This will streamline our budget process. It takes us out of the decision-making process. Athletics, statewide programs, Cooperative Extension and the Business Centers will become priorities within the overall budgets of the System. The System will have to make the decisions on how to fund them based on the overall General Fund support that we provide them and whatever sources are available outside the General Fund.

Without objection, that will be my direction to Staff.

MR. HAARTZ:

I will now discuss budget reductions and adjustments. We have covered enrollment projection methodology, the use of the funding formula and the 4-Point Plan. Those, cumulatively, have an effect on how Staff closes the budget. Staff wishes to pose to the Committees some options regarding the overall closing process. It would appear that the Committee has several options with regard to the budget closing issue. It appears that, mechanically, outside of the issue of the ending fund balance, smoothing can be utilized under any of these options.

Staff has identified a number of options for the Committees' consideration.

The first option would be to direct Staff to prepare budget closings based upon both the level and distribution funding as recommended by the Governor.

The second option would be to direct Staff to work with NSHE to prepare budget closings based on the funding levels recommended in the *Executive Budget*, but with revisions to the *Executive Budget*.

The third option would be to direct Staff to prepare budget closings as recommended by the Governor but with any adjustments that these Committees, or the Legislature as a whole, make in terms of funding level restorations. This would also take into account the 4-Point Plan put forward by the Chancellor. This option would include providing authority to the Board of Regents to subsequently revise the budgets for each fiscal year through the IFC work program revision process. That method would afford them more time to reprioritize funding across the various budget accounts and implement the budget reductions as they determine to be most appropriate.

Staff would note that the third option would likely require that the Board of Regents be provided specific statutory authority to be able to transfer appropriations between budget accounts, as contained in section 6 of S.B. 434.

[SENATE BILL 434](#): Makes various changes regarding funding and autonomy of Nevada System of Higher Education. (BDR 31-1175)

This would be done through IFC. Mechanically, the Board of Regents would make decisions and prepare work programs that would come through the Budget Office as well as through IFC for final approval.

The fourth option would be to direct Staff to work with NSHE to prepare budget closings based upon the 4-Point Plan.

The Committees may choose to utilize none of these options and develop their own.

CHAIR HORSFORD:

We must work from some basis of the Governor's recommended budget. I believe that the third option should be considered for that reason.

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There will likely be two substantive changes that we need to make. The first will involve determining how we restore levels beyond the Governor's recommendation in ways that are consistent with the 4-Point Plan. The second will involve granting authority to NSHE to come to IFC and move money that may have already been appropriated but will have been affected by decisions from the Board of Regents after the close of Session.

This should be a combination of option three and option four. The third should be considered in that we need to follow the budget as it has been proposed by the Governor, but not at the level of funding. We also need to give some authority to NSHE to be able to come to IFC in order to move money between categories that we approve.

I am leaning towards the third option, but I like the framework of the 4-Point Plan because I think it clearly lays out the way we are trying to approach things. We might consider a combination between the two options.

SENATOR LESLIE:

I like that approach. I would consider a combination of option three, option four and a fifth option whereby we provide additional revenue into the System.

I am not prepared to go along with the Governor's recommended level of funding for NSHE. I believe that many of the other members of these Committees feel the same way.

We need to send a very clear message that the Governor's recommendation is not adequate to fund our higher education system. I want to make it clear that, if we approve the third option, we are in no way saying that the level of funding is adequate.

SENATOR KIECKHEFER:

That combination seems reasonable. I want to make it clear that I will not close budgets and vote to approve money that we do not have. I appreciate NSHE putting forward a proposal for how to deal with the cuts. They are asking for something but they are giving something as well.

When we discuss the closings, I hope that we can talk, in terms of dollar amounts, what addbacks are being proposed.

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CHAIR HORSFORD:

I hope that the members will consider the alternative options on the table that would provide some consideration for how we could restore funding to NSHE and other parts of State government.

SENATOR CEGAVSKE:

I would like to echo the comments of Senator Kieckhefer.

The two options that I would support are the second option and the third option, in conjunction with the utilization of the smoothing process. I will look forward to hearing S.B. 434 and the options that it will bring to the table as well.

CHAIR HORSFORD:

If there are no objections, I will direct Staff to proceed with the third option, with the understanding that we are looking for levels of restoration beyond what the Governor has recommended. We will also provide the understanding that we will be considering S.B. 434 which would give authority to NSHE to move funding between accounts that may be changed after the Legislature adjourns. We will model that, to the best of our ability, with the 4-Point Plan as presented.

SENATOR CEGAVSKE:

I need more clarification on what is being suggested. Will this include the \$20 million that has been proposed through budget amendment?

CHAIR HORSFORD:

We will discuss that amendment later in this hearing.

SENATOR CEGAVSKE:

I want to make sure that I know what is meant when we talk about restoring funding beyond the Governor's recommendation.

CHAIR HORSFORD:

My intent is to restore funding beyond what the Governor has recommended. I do not have a dollar amount in mind at this time. I believe that this amount would need to be consistent with what the students are saying they are willing to contribute in terms of increased tuition.

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MR. HAARTZ:

During the Joint Subcommittee's budget hearings, there was discussion with regard to budget policy changes and a reform plan. The Joint Subcommittee requested that NSHE provide additional information on each of those areas.

Examples of the budget policy changes that were requested of NSHE included budgeting fees and tuition outside of the State-supported operating budgets, differential fees, the establishment of a rainy day fund and the conducting of a formula funding study.

Academic reform goals were also discussed. Information was provided to the Subcommittee concerning the establishment of credit limitations on degrees and the elimination of low-yield programs and accelerated degree programs.

There is one issue that has been discussed between Staff and NSHE, but has not been brought to the attention of the Committees. The System has made a request in terms of the way revenues, which are currently budgeted on a line item basis, are to be interpreted for purposes of end-of-the-year budget closings and reversions. This is a technical issue. The System is requesting that their non-General Fund revenues be treated cumulatively for purposes of calculations. Staff considers this reasonable and consistent with the way State agency budgets are treated.

This was brought to your attention because it has not previously been discussed in the Committees. Staff could bring this back at closing for consideration.

CHAIR HORSFORD:

What does the term "cumulative" mean in this situation?

MR. HAARTZ:

Currently, within the *Executive Budget* and the NSHE State-supported operating budgets, there are separate revenue lines for registration fees, nonresident tuition and miscellaneous fees, among other things. The way the language in the Authorized Expenditures Act is currently interpreted, if any of those revenue collections exceed budgeted authority at the end of the fiscal year, NSHE must revert the overage, irrespective of whether another revenue line has been undercollected. They have requested that those revenue lines be considered as a single unit. In this way, while one revenue line might be over and another

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might be under, the two would offset, and there would be no reversion of funds.

This is generally how the *Executive Budget* treats other State agencies. Staff would also note that, if the rainy day fund concept is approved, this would become a moot point. This would be language that would be added to the Authorized Expenditures Act to provide greater clarity.

CHAIR HORSFORD:
I see no objections to this point.

MR. HAARTZ:
Next, I will discuss several budget amendments. The first concerns the recently announced \$20 million restoration in FY 2012-2013 for NSHE. Staff would note that the Fiscal Analysis Division has not received the actual budget amendments yet, but we were provided information by the Budget Division regarding the allocation and distribution.

The \$20 million is intended to accomplish two goals. Staff has provided a table below to illustrate the proposed changes.

FY 2013 Governor Recommended General Fund Restoration				
NSHE Budget Account	FY 2013 E-600 General Fund Operating Reduction (Gov. Rec.)	FY 2013 Governor Recommended General Fund Add Back	Governor Recommended General Fund Add Back (For Property Tax Decline)	FY 2013 Revised E-600 Budget Reduction
University of Nevada, Reno	\$ (30,760,536)	\$ 3,688,700	\$ 874,007	\$ (26,197,829)
University of Nevada, Las Vegas	\$ (40,233,539)	\$ 4,824,671	\$ 1,156,952	\$ (34,251,916)
Nevada State College	\$ (3,059,300)	\$ 366,861		\$ (2,692,439)
Great Basin College	\$ (4,541,375)	\$ 544,586		\$ (3,996,789)
College of Southern Nevada	\$ (24,600,757)	\$ 2,950,040		\$ (21,650,717)
Truckee Meadows Community College	\$ (9,600,399)	\$ 1,151,248		\$ (8,449,151)
Western Nevada College	\$ (4,767,917)	\$ 571,753		\$ (4,196,164)
Desert Research Institute	\$ (2,358,565)	\$ 282,831		\$ (2,075,734)
Medical School	\$ (8,260,580)	\$ 990,581		\$ (7,269,999)
UNLV Law School	\$ (2,077,159)	\$ 249,086		\$ (1,828,073)
UNLV Dental School	\$ (1,993,824)	\$ 239,093		\$ (1,754,731)
Special Projects	\$ (613,921)	\$ 73,619		\$ (540,302)
System Administration	\$ (1,408,760)	\$ 168,934		\$ (1,239,826)
UNR- Intercollegiate Athletics	\$ (1,442,186)	\$ 172,942		\$ (1,269,244)
UNR- Statewide Programs	\$ (1,343,356)	\$ 161,091		\$ (1,182,265)
Agricultural Experiment Station	\$ (1,380,006)	\$ 165,486		\$ (1,214,520)
Cooperative Extension Service	\$ (1,988,019)	\$ 238,397		\$ (1,749,622)
UNLV- Intercollegiate Athletics	\$ (2,049,253)	\$ 245,740		\$ (1,803,513)
UNLV- Statewide Programs	\$ (336,943)	\$ 40,405		\$ (296,538)
System Computing Center	\$ (5,306,117)	\$ 636,292		\$ (4,669,825)
Business Center North	\$ (577,522)	\$ 69,255		\$ (508,267)
Business Center South	\$ (503,016)	\$ 60,320		\$ (442,696)
State Funded Perkins Loan	\$ (11,279)	\$ 1,353		\$ (9,926)
University Press	\$ (172,530)	\$ 20,689		\$ (151,841)
State Health Laboratory	\$ (459,234)	\$ 55,070		\$ (404,164)
TOTAL	\$ (149,846,093)	\$ 17,969,041	\$ 2,030,959	\$ (129,846,093)

Of the \$20 million, approximately \$18 million is intended to offset the General Fund operating reduction contained in each State-supported operating budget through the E-600 decision units. The \$20 million restores approximately \$18 million of that.

The second goal of the budget amendment is to offset a projected decline in the property tax revenues that are contained in the *Executive Budget* for UNR and UNLV.

Staff will need the Committees' direction regarding how to incorporate the proposed \$20 million in General Fund appropriations into the State-supported operating budgets. Staff has provided several options.

The first option would be to allocate the funding as recommended in the budget amendment, presuming that when we actually receive the amendment it reflects what is included in the table above.

The second option would be to allocate the funding between the seven teaching institutions and the Desert Research Institute or the other three professional schools in place of all budget accounts.

For a third option, if they approve the smoothing option and the provision of authority to the Board of Regents to reallocate funding subject to IFC approval, the Committees may support applying the same approach to the \$20 million.

CHAIR HORSFORD:

I, personally, see a credibility issue with this proposed budget amendment. There are these assertions that, somehow, \$20 million is being added to education under the Governor's recommendation, when, in fact, \$2 million of it is already gone because the property taxes are lower than what was projected.

This is not \$20 million. This is \$18 million. We can compare this to the issue on the debt reserve in kindergarten through grade 12 education. When that started, the Governor's budget, as originally proposed, was \$425 million in money from debt reserve. That was modified after it was brought to the attention of the Budget Office by the Chair of the Senate Committee on Revenue and the Chairwoman of Assembly Committee on Ways and Means that the full amount of money was not available. The number was then modified to \$301 million with the Government Services Tax component.

After this was brought in line, our Staff could only reconcile \$232 million. A final budget amendment was submitted by the Governor's Office for about \$247 million from what had been approximately \$425 million.

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I have a problem with this. Why are we making promises and saying that money is available when it is not? We should be straight with people and provide the true numbers instead of dressing them up. The budget amendment is not proposing \$20 million for NSHE in a budget amendment. The number is \$17.9 million, because the property taxes that he wants to give them from Clark County and Washoe County came in below expectations. I do not like being given numbers that are inaccurate.

ASSEMBLYMAN CONKLIN:

I do not see this item as something that we need on our closing documents. We recognize that we have an amount that the Economic Forum has provided to us. We have the sole responsibility of passing a balanced budget. We will decide where to put the \$20 million and we will decide if that number needs to be \$20 million or \$100 million or any other number.

CHAIR HORSFORD:

I agree. This is a budget recommendation from the Governor and Staff, in the nonpartisan manner in which they operate, wants to make that information available to the Committees.

SENATOR KIECKHEFER:

This is an issue that we should take up when we close the budget. We are recognizing that this is revenue that was identified by the Economic Forum. We can use it to shore up funding in NSHE as we so choose when we decide what level of restoration might be included.

In response to the first comment, I would note that numbers are moving targets throughout this process. As we would see with a new tax on business, we will still have to make predictions about what it is going to generate. When the Economic Forum has a new revenue projection, sometimes adjustments need to be made to the property tax numbers.

I would not describe these figures as disingenuous. Numbers change over time as they are evaluated and vetted more fully.

SENATOR LESLIE:

I would add that the restoration of funding to NSHE will be a decision for the Legislature. It is not for the Governor to decide.

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CHAIR HORSFORD:

The issue on the property tax is that those numbers were known before the statewide address was given and press releases were sent claiming that more money was being added back than was accurate.

I did not call it disingenuous. I said that this is a credibility issue for me, as the Chair of the Senate Committee on Finance, when I am asked to rely on numbers that are inaccurate.

I agree with Assemblyman Conklin that the Legislature will decide what the amount of funding restoration should be. We have the Governor's recommendation of \$20 million. There is a sense for some of us that the number will be greater than that at the budget closing. We will add the Governor's recommendation along with others.

MR. HAARTZ:

Two additional budget amendments were submitted by the Budget Division to the Fiscal Analysis Division. Both modify the *Executive Budget* with regard to the health insurance subsidy provided to part-time State workers.

In essence, the first group of budget amendments recommends that State support in FY 2011-2012 and FY 2012-2013 be reduced to eliminate the health insurance subsidy for positions representing less than 0.50 FTE. This would be unless the position is filled by an incumbent who occupies an additional part-time position and the combined FTE total is 0.50 FTE or greater.

This is essentially the result of a reconciliation conducted by the Budget Division, NSHE and Fiscal Staff to look at how positions were marked in the budget for the health insurance subsidy. In the table on page 17, that is the FY 2011-2012 and FY 2012-2013 columns that are titled "non E-673."

The second group of amendments concerns decision unit E-673 for all NSHE budgets. In this item, part-time employees who are between 0.50 and 0.74 FTE are recommended to have their subsidy reduced from a full level to 60 percent.

The amendment has the effect of restoring funding to certain budget accounts as shown in the table below.

2011-13 Biennium Budget Amendments to <u>The Executive Budget</u> for NSHE Part-Time Employee Health Insurance Subsidy Funding						
NSHE Budget Account	FY 2012 Part-Time Employee Health Insurance Subsidy (non-E-673)	FY 2012 NET Budget Adjustment	FY 2013 Part-Time Employee Health Insurance Subsidy (non-E-673)	FY 2013 Correction to E-673 Dec. Unit	FY 2013 NET Budget Adjustment	2011-13 Biennium TOTAL Adjustment
UNR	\$ -	\$ -	\$ -	\$ 223,639	\$ 223,639	\$ 223,639
Medical School	\$ (882,677)	\$ (882,677)	\$ (1,006,894)	\$ 101,448	\$ (905,446)	\$ (1,788,123)
UNR Statewide Prgms	\$ -	\$ -	\$ -	\$ 45,474	\$ 45,474	\$ 45,474
UNLV	\$ -	\$ -	\$ -	\$ 62,991	\$ 62,991	\$ 62,991
Agricultural Exp. Station	\$ -	\$ -	\$ -	\$ 80,544	\$ 80,544	\$ 80,544
Cooperative Extension	\$ -	\$ -	\$ -	\$ 27,966	\$ 27,966	\$ 27,966
GBC	\$ (47,589)	\$ (47,589)	\$ (54,286)	\$ 17,319	\$ (36,967)	\$ (84,556)
Dental School	\$ (7,738)	\$ (7,738)	\$ (8,827)	\$ 77,040	\$ 68,213	\$ 60,475
Business Center North	\$ -	\$ -	\$ -	\$ 3,504	\$ 3,504	\$ 3,504
NSC	\$ -	\$ -	\$ -	\$ 24,435	\$ 24,435	\$ 24,435
DRI	\$ -	\$ -	\$ -	\$ 17,520	\$ 17,520	\$ 17,520
CSN	\$ (10,834)	\$ (10,834)	\$ (12,357)	\$ 20,904	\$ 8,547	\$ (2,287)
WNC	\$ (66,160)	\$ (66,160)	\$ (75,471)	\$ 55,851	\$ (19,620)	\$ (85,780)
TMCC	\$ -	\$ -	\$ -	\$ 62,820	\$ 62,820	\$ 62,820
TOTAL	\$ (1,014,998)	\$ (1,014,998)	\$ (1,157,835)	\$ 821,455	\$ (336,380)	\$ (1,351,378)

Note: Medical School FY 2013 E-673 adjustment is result of 2 budget amendments submitted by the Budget Division.

This is the result of another reconciliation in which it was determined that funding was removed for positions that were otherwise eligible.

From a mechanical standpoint, Staff would note that these amendments appear reasonable in that they correct errors in the *Executive Budget*. The Committees may wish to take different actions regarding their impact on overall funding. Staff would follow the Committees' direction as the budgets are closed.

CHAIR HORSFORD:

This is one of the overall decisions that we will take up in the closing.

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MR. HAARTZ:

The next issue that Staff would bring to the Committees' attention involves the transfer of UNR's Fire Science Academy to the federal Office of the Military.

The most recent information received by Staff indicates that the transfer will require an act of the U.S. Congress. The U.S. National Guard does not have the authority to initiate the transfer.

The best expectation is that Congressional approval will be received no later than the start of FY 2012-2013. As a result, Staff will need direction from the Committees for how to address the budget in FY 2011-2012. The *Executive Budget* recommends that the transfer be effective on July 1, 2011. If Staff receives direction to postpone it by building language into the Authorized Expenditures Act, we could make the transfer effective in FY 2012-2013. If it occurs sooner, we could provide authority for both parties to come to IFC to approve a prorated transfer amount.

Staff seeks direction from the Committees for how to address this issue at closing.

CHAIR HORSFORD:

We must wait for the U.S. Congress to act, so it would make sense to postpone this item.

MR. HAARTZ:

The final issue concerns the proposed property tax redirection. The Subcommittee had requested information to see the projected 9-cent property tax value for all counties. That information is provided in the table below.

Nine Cent Property Tax Projection - All Counties			
Fiscal Years 2012 and 2013			
County	9 Cent Property Tax		Biennium Total
	FY 2012	FY 2013	
Carson City	\$ 1,264,567	\$ 1,268,443	\$ 2,533,010
Churchill	\$ 688,345	\$ 736,779	\$ 1,425,124
Clark	\$ 49,066,646	\$ 49,346,811	\$ 98,413,456
Douglas	\$ 2,302,831	\$ 2,324,545	\$ 4,627,376
Elko	\$ 1,028,988	\$ 1,089,735	\$ 2,118,724
Esmeralda	\$ 44,789	\$ 47,026	\$ 91,815
Eureka	\$ 654,696	\$ 742,013	\$ 1,396,709
Humboldt	\$ 542,160	\$ 547,673	\$ 1,089,834
Lander	\$ 331,175	\$ 372,367	\$ 703,543
Lincoln	\$ 158,946	\$ 159,692	\$ 318,637
Lyon	\$ 1,094,239	\$ 1,117,059	\$ 2,211,298
Mineral	\$ 79,965	\$ 81,538	\$ 161,503
Nye	\$ 1,113,954	\$ 1,146,173	\$ 2,260,127
Pershing	\$ 132,528	\$ 138,518	\$ 271,046
Storey	\$ 459,701	\$ 463,379	\$ 923,081
Washoe	\$ 11,379,450	\$ 11,475,637	\$ 22,855,087
White Pine	\$ 157,872	\$ 169,210	\$ 327,081
Statewide Total	\$ 70,500,852	\$ 71,226,599	\$ 141,727,451
Clark & Washoe Counties	\$ 60,446,096	\$ 60,822,447	\$ 121,268,543
Balance of Counties	\$ 10,054,756	\$ 10,404,151	\$ 20,458,907

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The specific budget amendment that adjusts the \$2 million for the property tax is outlined in the table below.

NSHE Institution	Property Tax Reallocation (Gov. Rec.)		Governor Revised Reallocation		Change Per Fiscal Year		Biennium Change
	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	
UNR	\$ 11,379,450	\$ 11,475,637	\$ 11,002,984	\$ 10,978,096	\$ (376,466)	\$ (497,541)	\$ (874,007)
UNLV	\$ 49,066,646	\$ 49,346,811	\$ 48,667,356	\$ 48,589,149	\$ (399,290)	\$ (757,662)	\$ (1,156,952)
Total	\$ 60,446,096	\$ 60,822,448	\$ 59,670,340	\$ 59,567,245	\$ (775,756)	\$ (1,255,203)	\$ (2,030,959)

With that, Staff will close the presentation.

CHAIR HORSFORD:

I would like to have a discussion about this 9-cent diversion from Clark County and Washoe County. I do not understand how only two counties are responsible for filling the budget hole in NSHE which benefits all Nevadans in all counties.

We requested information on the other counties. If we were to follow the Governor's direction to sweep money from the counties, but we did it for all 17 counties, it would bring in approximately \$10 million in FY 2011-2012 and \$10.4 million in FY 2012-2013, for an additional \$20 million.

I do not know that it would be the right approach. If it is, then we should do it for every county. If it is not, we should not do it for Clark County and Washoe County.

SENATOR LESLIE:

I agree with that. I have never heard an argument for why the cities were not included in these tax redirections. If this is a shared sacrifice, why is it only being placed on the counties?

SENATOR KIECKHEFER:

I am currently sitting on the Senate Select Committee on Economic Growth and Employment. We have heard regularly about the role that universities play in communities. They have a significant economic impact on the communities in which they reside. I have been made more comfortable with the Governor's point of view that there is economic benefit for Clark County and Washoe County by having UNR and UNLV within their communities. There is a link that would justify applying a tax redirection only to those two counties.

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If the Committees were to decide to redirect tax from all counties, I would consider that as well.

CHAIR HORSFORD:

If it is such an economic benefit for Clark County and Washoe County to have the universities in their communities, why would we be making decisions to cut funding to those universities?

If we are trying to help the economy grow, it seems illogical to cut funding to NSHE.

ASSEMBLYMAN BOBZIEN:

This is an issue of particular concern for me as a representative of Washoe County and UNR. I agree that there is a disconnect between acknowledging the economic benefit of higher education and at the same time making large cuts to higher education.

I also believe that it is preposterous to limit the scope available to us to only Clark County and Washoe County. We know that UNR is a statewide institution. We know the importance of the College of Agriculture for the rural communities. We know the value of Cooperative Extension. To say that the impact is confined to Washoe County is inaccurate. We must consider the benefits of the programs that work throughout the State and the benefits to the students who come from across the State. We must look beyond Washoe County and Clark County for a solution to this problem.

ASSEMBLYMAN AIZLEY:

Are we also saying that Great Basin College is of no benefit to Elko County or that Western Nevada College is of no benefit to Carson City? This proposal makes no sense to me.

SENATOR RHOADS:

Several of the rural counties that I represent are very close to going bankrupt. If that happens, the State will have to take over the county operations in those places. White Pine County, for instance, is currently experiencing great economic difficulties.

CHAIR HORSFORD:

That is true. Some counties are having very difficult times. However, other counties in the rural areas have sizeable reserve accounts built up. Clark County and Washoe County are also not doing well economically. In Clark County, they are discussing the closure of the recreation centers that my children attend. In Washoe County, they are also dealing with reductions in services. We are closing down parks. Some of the basic services that are supposed to be delivered by local governments are being impacted.

Why are Clark County and Washoe County not seen in the same light as those other counties?

ASSEMBLYMAN ATKINSON:

I would like to echo the comments of Chair Horsford and Assemblyman Bobzien. Students come from all over the State. We should consider what will happen to the services and employee bases in Clark County and Washoe County.

I am not in support of the proposed tax redirection.

ASSEMBLYMAN GRADY:

I will not argue that Washoe County and Clark County are not experiencing economic difficulties. A number of the rural counties, however, are at the spending caps. At least one county has been allowed by the Legislature to go above the cap. Where will the counties get the money to pay this, particularly when a great deal of services are already being pushed down to them? They cannot raise taxes, even if they wanted to, because of the cap.

ASSEMBLYMAN CONKLIN:

I agree with many of my colleagues with respect to asking other counties to pitch in.

I am struck with the realization, however, that this is a stop-gap measure because we have not solved our fundamental problems. We are talking about this because we refuse to address everything else. The fact of the matter is that we have been stuck in a paradigm for years in this State. The paradigm is that we are cheap. We do not want to pay for things. The reality is that we think people will come, even though we are cheap.

People do not come to places that are cheap. They come to places of value. We need to change our paradigm from "cheap" to "value." Value means a lot of things, but it is in the eyes of the beholder and the eyes of the consumer and the eyes of the voter. People will vote with their feet and choose to live in states that provide them with value. Companies will come to places that provide them with value. It is not all about being cheap.

This budget is cheap, and we need to decide to provide value.

ASSEMBLYWOMAN SMITH:

The burden that we are trying to place on the counties is not right. There was an article in the paper recently about volunteers running the parks in Washoe County. We can be proud that the people in the counties step up to do that, but why should people have to volunteer to run the county parks so that other people do not have to pay taxes? It makes no sense to me. We are asking the counties to take the greater share of this burden. There is no logic to it. We are not making decisions that take care of us in the long term.

We can continue passing the burden on to the next session or on to volunteers, but at some point we will have to make decisions about what we value and what our quality of life should be. This is a primary example of a time in which we are asking someone else to carry the load when we need to make the tough decisions.

ASSEMBLYMAN BOBZIEN:

I appreciate Assemblyman Grady's concerns, but I would like to point out that Washoe County is also at the spending cap.

CHAIR HORSFORD:

This is an issue of fairness, and I believe that either all of the counties should be included, or none of them should be included. The argument for the economic benefit to the counties would be convincing if the *Executive Budget* were not cutting NSHE back at the same time. I would be more content with that argument if we were investing enough so that the economic impacts of those cuts would not be felt by the two counties. I have not heard anyone make a strong enough argument otherwise.

We should reframe this as the fact that the Legislature and the county governments are all serving the same constituencies. We are making the decisions at the State level about the State budget and funding for education and health and human services and public safety, but when we go home, the same decisions that are being made by the local government will affect us there.

In my community, I am hearing about the closure and the elimination of hours of operation for libraries. The Alexander Library in my community is not open every day, like libraries in other communities, but at the same time we want to end social promotion for children who cannot read. They are closing parks and recreation centers. They are not opening new recreation centers. Where are the children supposed to go after school when we cut all of the after-school activities from the school budgets?

We are adding insult to injury by taking money from only 2 of 17 counties to help shore up the budget for what is primarily a State obligation in higher education. I am, and have always been, open to the discussion about local governments sharing in the expense of higher education, but we should have that policy discussion and make that decision. They use that system in Arizona and in other states. We need to determine, however, if we are talking about sharing in operating costs or in capital costs. Are we talking about putting more emphasis on community colleges because that is primarily where workforce development occurs? These are not the policy decisions that the Governor's budget is asking us to make. There is no bill that discusses policies like those I have mentioned. He is asking us to take money from two counties to shore up the budgets for UNR and UNLV which are State institutions from which all Nevadans can benefit. We have heard testimony from students from all over the State. Students from Elko, Pahrump and Ely have testified about their experiences at UNR and UNLV. Students do not just come from Clark County and Washoe County, and yet those are the only two counties being asked to sustain the institutions of UNLV and UNR.

We should be redirecting tax funds from all of the counties or none of the counties. I will not go home and face the fact that there are libraries, community centers, recreation centers and public safety offices seeing reduced funding in Clark County and at the same time go to UNLV and not have a program for social work. It does not equate.

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I am prepared to take a motion that we do not follow the Governor's recommendation to direct the 9-cent property tax reduction from Clark County and Washoe County to UNR and UNLV.

SENATOR LESLIE:

I would make that motion. I assume that we are doing this so we can direct our Staff to prepare the closing documents to reflect this.

CHAIR HORSFORD:

I will take a roll call vote.

SENATOR LESLIE MOVED TO REJECT THE GOVERNOR'S PROPOSAL TO REDIRECT PROPERTY TAX REVENUE FROM CLARK COUNTY AND WASHOE COUNTY TO UNR AND UNLV.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GRADY, GOICOECHEA, HAMBRICK, HICKEY AND KIRNER VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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CHAIR HORSFORD:

To those members who voted no, I would ask you to explain to the public why it is fair that only residents in two counties should bear the responsibilities for the needs of all of us.

This meeting is adjourned at 11:14 a.m.

RESPECTFULLY SUBMITTED:

Wade Beavers,
Committee Secretary

APPROVED BY:

Senator Steven A. Horsford, Chair

DATE: _____

Assemblywoman Debbie Smith, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Alexander Haartz/LCB	WICHE closing documents