

**MINUTES OF THE
JOINT SUBCOMMITTEE ON K-12 EDUCATION/HIGHER EDUCATION
OF THE SENATE COMMITTEE ON FINANCE
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS
Seventy-sixth Session
March 3, 2011**

The Joint Subcommittee on K-12 Education/Higher Education of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Steven A. Horsford at 8:12 a.m. on Thursday, March 3, 2011, in Room 3137 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4401, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Steven A. Horsford, Chair
Senator Moises (Mo) Denis
Senator Barbara K. Cegavske
Senator Ben Kieckhefer

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblywoman Debbie Smith, Chair
Assemblyman Marcus L. Conklin, Vice Chair
Assemblyman Paul Aizley
Assemblyman Tom Grady
Assemblyman Pat Hickey
Assemblywoman April Mastroluca
Assemblyman John Ocegüera

GUEST LEGISLATORS PRESENT:

John J. Lee, Clark County Senatorial District No. 1

STAFF MEMBERS PRESENT:

Rick Combs, Assembly Fiscal Analyst
Alexander Haartz, Program Analyst
Mark Krmpotic, Senate Fiscal Analyst

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 2

Cynthia Clampitt, Committee Secretary

OTHERS PRESENT:

Daniel J. Klaich, J.D., Chancellor, Nevada System of Higher Education
Carl L. Shaff, Executive Commissioner, Nevada Interstate Commission for
Higher Education, Nevada System of Higher Education
Vic Redding, Senior Budget Officer, Nevada System of Higher Education
Jeannine M. Sherrick, MBA, Director of Programs, Western Interstate
Commission for Higher Education, Nevada System of Higher Education
Mark Stevens, Vice Chancellor, Finance, Nevada System of Higher Education
Andrew Clinger, Director, Department of Administration
Stephen G. Wells, Ph.D., President, Desert Research Institute, Nevada System
of Higher Education
Neal J. Smatresk, Ph.D., President, University of Nevada, Las Vegas; Nevada
System of Higher Education
Milton D. Glick, Ph.D., President, University of Nevada, Reno; Nevada System
of Higher Education
Matt Smith, President, Graduate Student Association, University of Nevada,
Reno
Maria Sheehan, Ed.D., President, Truckee Meadows Community College

CHAIR HORSFORD:

I hereby open the hearing on the Nevada System of Higher Education (NSHE). This is the second hearing for these budgets. Several critical issues have been identified that will determine how NSHE is supported in the future.

While there is well-justified concern regarding the level of proposed reductions in support for Nevada colleges and universities, the State is facing dire financial issues. Therefore, some level of budget reductions will have to be made. The Legislature, NSHE and the Executive Branch must work together to make the best decisions so that those cuts to education do as little harm to students as possible.

The budget cuts are causing a lack of confidence in NSHE faculty, both established and new hires, students, the private sector and what effects the cuts will have on education. Enemies should not be made out of these

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 3

circumstances. Everyone is working under a difficult set of circumstances. The Governor has offered a plan. Whether entities agree or not, the Legislature must work from the proposed *Executive Budget*. After having conversations with Governor Sandoval, I believe he cares deeply about the colleges and universities and ensuring education provided to our students is meaningful. The Governor concurs that these budget considerations should be used as an opportunity to rethink the way parts of NSHE are funded.

Several legislators have worked on legislation to suggest ways in which NSHE should conduct itself in certain situations. Because Nevada has an elected Board of Regents as its governance model, there are certain limitations on actions by the Legislature. We provide a certain level of State support and that support provides the basis of additional sources derived from private and foundation support to the universities.

Ultimately, there is a level of autonomy for the function of NSHE. That structure rests with the Board of Regents and the chancellor of NSHE. While the Legislature must be part of the discussions and offer its perspectives, the final outcome will be determined by the Board, the Legislature, the Governor, and the public.

I do not know that answer today, but, I hope we will work to find that answer before the end of this Legislative Session and in a manner that preserves a level of meaningful basic support for NSHE. I hope the determinations will instill a level of confidence for the students who are taught and trained, the faculty who work in our institutions and for the communities and private sector who benefit from the role of NSHE in Nevada communities. If nothing else, the economic situation has forced a level of discussion about the important role NSHE plays in Nevada.

SENATOR CEGAVSKE:

I want to thank the Majority Leader for his comments and assure everyone that those on the other side of the aisle are here to work with all entities.

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

I echo Senator Cegavske's comments. In a variety of conversations and contexts prior to this Legislative Session, I have observed that some entities feel

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 4

NSHE has neither a plan, nor a clue. An absolutely clear understanding of those two points is necessary to any budget decisions being made.

The Board of Regents, presidents of the Universities and the chancellor clearly have a plan included in the pre-Session budget materials and the pamphlet ([Exhibit C](#)) that has been provided today.

The plan is a no-nonsense, businesslike approach to delivering higher education in this State, with an attempt to align State and business needs within the policies and practices of NSHE. The plan calls for a more educated citizenry in the State that is critical to our future.

The plan sets forth a clear pathway to continual review of efficiency, and effectiveness and reinvestment of savings into classrooms. The plan provides for metrics, accountability and transparency. We are committed to informing students, parents and the State of progress toward meeting the aggressive goals established in the plan. The plan calls for greater control and autonomy over NSHE tuition and fee funds. The plan is consistent with the State's call to become more self-sustaining over time. It is not the first plan submitted by NSHE and it certainly will not be the last. Rather, it is, and should be, an organic document that is continually revisited in collaboration with all entities.

We are committed to reform and improvement as we navigate through this crippling recession. The question should be posed as to whether the plan represents a repeat of other proposals or if the leadership of NSHE is in touch with necessary reforms in higher education and needs in Nevada.

Assembly Speaker Ocegüera introduced Assembly Bill (A.B.) 220 calling for reforms of higher education. The NSHE stands behind that call.

ASSEMBLY BILL 220: Encourages the Board of Regents of the University of Nevada to implement measures to ensure the educational needs of students and prospective students will be met. (BDR 34-725)

The bill is consistent with the cardinal rule that there must be cooperation within and among institutions, business partners and alignment with State goals.

The NSHE has laid the groundwork for a new structure of tuition and fees. It includes differential tuition for high-cost and high-demand programs that have already been implemented in certain disciplines at the University of Nevada, Reno (UNR) and the University of Nevada, Las Vegas (UNLV). It will be discussed further at the Board meeting in the week of March 7, 2011. The tuition and fee process has been changed to bring the Tuition and Fee Committee policies in line with NSHE and State goals. Questions will be considered regarding:

- Whether there should be four-year contracts with guaranteed fee levels.
- Should there be plateau models.
- How to encourage graduation.
- At what point do we say, "You have been in those chairs taking credits long enough?"

The committee will consist of faculty, administrators, parents and students. The Board has recently changed its policy to keep tuition and fees low in Nevada. That policy is echoed in the *Nevada Revised Statutes* (NRS). It will move to a market-based fee structure, while protecting access to the most vulnerable populations.

The NSHE is requesting establishment of an interim study to review the formula under which higher education is funded and to accept new trends in funding, not included in the current formula. Specifically, the formula should be consistent with A.B. 220 and provide differentiation in fund expenditures to support the NSHE mission. Funding for enrollments should be increased by the addition of performance funding. The NSHE has already started the effort by gathering data through a consulting company. The results will be presented to the Legislature and utilized by, if established, the interim study committee.

The NSHE is committed to curriculum reform. It has joined the Complete College America consortium in efforts to increase the number of graduates in Nevada. It will not increase the number of students served but, will change the manner in which students are served. Policies are under consideration which would cap the number of credits required for degrees preventing degree creep. Low performing programs will be considered for elimination if they are not producing sufficient graduates or are not of service to the State. A comprehensive

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 6

evaluation of remedial education has begun taking advantages of best practices throughout the Nation. The UNLV Lincy Institute seeks to break down silos in education and combine programs to advance students. The campuses are working together to utilize, rather than duplicate their resources.

Recently, the first joint Ph.D. program in public health was offered at both universities. It took advantage of the strengths of both campuses. Business practices will be reformed. The Efficiency and Effectiveness Program is administered by Vice Chancellor of Administrative and Legal Affairs, Bart Patterson. It will review the business centers, human resources, purchasing and libraries to ensure funding is spent only once, spent wisely and best serve the students of the System. That will allow the maximum funding available to go to the classrooms and provide core functions for teaching and research.

Reform aligns interests critical to moving the State and its economy. We have called on every institution in the System to increase its grants and contracts generating more research and workforce funding. The Presidents are not comfortable with that practice. Some of their best and most productive faculty could be poached by other institutions.

We are actively engaged in partnerships with kindergarten through grade 12 (K-12) to ensure the students they deliver to us are ready for college and the teachers we prepare for use in K-12 are ready to teach for the twenty-first century. I have asked the presidents and the superintendents of the major school districts to meet for an intense day to review practices to reach those goals. We have produced career and college readiness standards to ensure the K-12 partners help students to understand why it is important to attend college and what is necessary to succeed once they are attending college.

The colleges of education have been asked to retool their curricula to be consistent with college and career readiness and common core standards. Reform must be translated into evaluations and decisions. The presidents of the institutions are on notice that their annual evaluations will consider these goals. Let us not make the mistake that NSHE "woke up" when the Governor presented his State of the State message when this Legislative Session began. These are continuing efforts NSHE institutions have been making for years and will continue.

These are not reforms that NSHE is holding hostage to negotiate funding. These measures are taken because they are the right things to do. We hope, because these are the right things to do, they will instill trust and confidence in NSHE by the Legislature. I have spent the better part of a year documenting the case that NSHE is pursuing a solid, tough-minded course of action based on quality, accountability, efficiency, performance and alignment with State goals and private business needs.

We have conservatively documented the positive economic impact the System and each of its institutions have in Nevada. Direct impacts of these changes mean more jobs and funding in the economy. Indirect impacts include a higher quality of living, better health statistics and lower incarceration rates.

While the case has been compelling and the rhetoric and response has been encouraging, the budget before us does not seem to support those same goals.

The NSHE is presenting budgetary changes to the Legislature. It hopes the changes will result in a budget everyone can live with. Meanwhile, NSHE is planning from the *Executive Budget*. Should the magnitude of cuts proposed in the *Executive Budget* materialize, instead of producing more graduates, we will serve fewer Nevadans. Low income families, who are disproportionately persons of color, are at risk of being priced out of higher education and the opportunity it affords. The System will contract rather than expand in efforts to prepare a workforce necessary for a diversified economy. A real possibility exists for consolidation of institutions that we have fought for 125 years to build. Faculty and students will be lost. I fear a new brain drain in Nevada with these budget reductions. It is not unlikely that whole communities could be without higher education opportunities with the possible exception of distance education.

The stakes have never been higher. The NSHE looks forward to seizing the opportunities to minimize the impacts that must occur and build the strongest system of higher education possible.

CHAIR HORSFORD:

I appreciate the approach of NSHE under your leadership to bring forward fundamental changes to the way in which NSHE operates. Many excellent programs and research institutions exist within NSHE. We need to do all that

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 8

can be done to preserve that while adjusting in the areas of NSHE's strategic plan to ensure we are not doing business as usual.

MR. KLAICH:

The NSHE is not broken. I am proud of what our faculty and administration are doing every day. We can and will do better.

CHAIR HORSFORD:

We will begin with the Western Interstate Commission for Higher Education (WICHE) budgets.

EDUCATION

NEVADA SYSTEM OF HIGHER EDUCATION

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

CARL L. SHAFF (Executive Commissioner, Nevada Interstate Commission for Higher Education):

I will provide a brief overview of WICHE. The WICHE is a congressionally-chartered commission comprised of the 15 Western states. Each state has a committee comprised of three individuals appointed by the governor of that state. The Nevada Commissioners are Dr. Jane A. Nichols, Vice Chancellor, Academic and Student Affairs; ex-Senator Warren Hardy and me.

The WICHE was originally formed in the early 1950s. Nevada joined the WICHE compact in 1959. The WICHE offices were transferred to NSHE by the 2009 Legislature. That move provided a high level of administrative services and allowed WICHE to reduce its staff from 3.5 full-time equivalent (FTE) positions to 2.2 FTEs. It provided better synergy and collaboration with institutions of higher education. We have provided the Joint Subcommittee with two informational documents ([Exhibit D](#)) and ([Exhibit E](#)) and two economic studies pertaining to WICHE ([Exhibit F](#)) and ([Exhibit G](#)). The studies were prepared by the University of Nevada, Economic Division and the Nevada Office

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 9

of Rural Health. The studies show WICHE programs are cost effective and provide an economic advantage. The current budget is built accordingly following the Governor's instructions for the 2011-2013 biennial budgets.

The WICHE currently provides four primary services: education, health care, workforce development and economic development. These are achieved through the Professional Student Exchange Program (PSEP) and Health Care Access Program (HCAP).

The PSEP helps provide education at a lower cost for Nevada students at out-of-state institutions. The HCAP provides health care to underserved communities.

CHAIR HORSFORD:

I will now close the hearing on budget account (B/A) 101-2995 and open the hearing on B/A 101-2681.

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

VIC REDDING (Senior Budget Officer, Nevada System of Higher Education):

The WICHE Loan and Stipend account was submitted to the Governor as instructed with the required 10 percent reduction in General Fund requests. This account is unique because it is supported 50 percent from the General Fund and 50 percent by non-State funds.

There are two types of non-State funds accessed in this budget. The standard non-State funds include loan repayments from prior participants who have completed their courses of study.

The second half is built on collection revenue. When the WICHE Program was moved under NSHE in 2010, it brought with it approximately \$2 million in accounts receivable. As a part of that balance, there was slightly less than \$640,000 in bad debt. These were accounts more than 120 days past due. In some cases the debt was many years delinquent. We worked with a collection agent who specialized in student accounts resulting in the revenue source request for the 2011-2013 biennial budgets. However, since the request was

submitted to the Governor's office in August 2010, we have revisited the projection of collection revenue that may be realized. Unfortunately, that projected income must be reduced because the age of some of the accounts is beyond the provisions in NRS. We originally projected \$120,000 in collection revenue; however, that has been reduced to \$87,000 each year. The number of slots being accepted has also been reduced by the same amount.

During a meeting this week, the Commission also reviewed the repayment revenues that support the non-State portion of the budget. As the number of PSEP participants decline, the number of individuals making repayments also declines. The WICHE Program is a victim of its own success in that, in past years only 70 to 80 percent of these students would fulfill their service obligation, thereby reducing their required loan repayments. The percentage has risen into the low 90 percent range. That is good for workforce needs but bad for revenue. The combination of those two facts has caused the WICHE Commission to submit a slot matrix reduced by approximately \$50,000 each year.

Controller Kim Wallin has submitted legislation that will revise certain tools utilized by the State in collection of bad debt. The two tools that would impact the WICHE account are the ability to place a hold on professional licenses for individuals who have past due accounts with the State and the provision that would allow the State to attach bank accounts to collect on bad debts.

Of the roughly \$640,000 of bad debt within the WICHE account, approximately \$350,000 has been deemed by the collection agent as unlikely to be successfully collected. Part of those funds would move into possible collection if Senate Bill (S.B.) 81 becomes law. However, the real value in the legislation to the WICHE Program is prospective. Inability to obtain professional licensure and attachment of bank accounts are strong incentives to keep accounts current.

[SENATE BILL 81](#): Makes various changes relating to state financial administration. (BDR 31-396)

Unlike student fees at NSHE, the WICHE Program can predict with some accuracy when revenue will be received. Because the loan repayments are made

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 11

by individuals practicing in the workforce, they are much more sporadic. This account operates on a cash flow basis. There are no reserves for the Program. The WICHE can only issue contracts to the extent revenues are received. In fiscal year (FY) 2009-2010 revenue was received so close to the end of the fiscal year that WICHE was unable to execute contracts in time to encumber funds by the deadline of June 30, 2010.

During the 2011-2013 biennium, with so much of the WICHE revenue built on collections, it would be helpful to have the ability to use non-State funds up to the legislatively approved numbers of slots in either fiscal year.

ASSEMBLYMAN AIZLEY:

Does the term "slot" equal one student in an exchange capacity?

DR. SHAFF:

That is correct.

ASSEMBLYMAN HICKEY:

Are you satisfied with the level of reciprocity with neighboring states regarding exchanges within the WICHE Program? I understand the University of California is not available under WICHE and only a limited number of slots are available in California's state college system.

DR. SHAFF:

A few years ago, California neither paid its dues nor participated in WICHE. At this time its dues are nearly current and additional colleges are being added to the compact. Approximately seven colleges have been added in the last year. They are in the process of certifying approximately another 12 institutions. We have worked well with other states in the compact such as Oregon and Washington. We hope California will continue to increase its accessibility in the future.

ASSEMBLYMAN HICKEY:

My concern is that Nevada students should be treated fairly when they are in a California exchange program. I am glad to hear that process is improving.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 12

DR. SHAFF:

Approximately three years ago, under Dr. Crowley's administration, Nevada WICHE entered an agreement with the College of Mines and Engineering to allow a specific number of California students to attend that college. The cap was reached within two years.

SENATOR CEGAVSKE:

Are there any additional professions being considered for inclusion in PSEP? There have been no changes in the allowed professions in a long time.

There have been discussions in the past that trainers for the nursing programs should be included. Has that been added? How many students are completing the courses, especially in the deaf trainer field? Is there a list of the completion rates in each profession?

JEANNINE M. SHERRICK, MBA (Director of Programs, Western Interstate Commission for Higher Education):

The programs have been continued. We review workforce studies and have obtained information from the Department of Employment, Training and Rehabilitation (DETR) to ensure needs exist for individuals trained in certain professional disciplines. Veterinary medicine, pharmacy and optometry are examples of those in PSEP. We continue to send students out-of-state in those fields because they cannot gain access to their desired disciplines in Nevada.

Nevada WICHE has conducted surveys on return for service rates to determine not only how many students have completed their education, but how many have returned or stayed in Nevada to provide their services. Nevada WICHE has an average return rate of 92 percent. The rate in 1980 was approximately 70 percent to 80 percent.

We also surveyed the number of students who completed their education and their service obligation remained in service in Nevada. Approximately four out of five professionals whose education was funded through WICHE remain in the State.

There are three programs funded by WICHE. They include the PSEP, designed to send students out-of-state for education not available in Nevada. The HCAP

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 13

Program was implemented in 1997 to support the underserved communities by providing tuition assistance with the intent those graduates will provide services to children in underserved areas of Nevada after graduation. In 2005, the Health Care Access Program – Loan Repayment Program was established to fund students in the mental health, dentistry and nursing professions. Mental health and dentistry programs collaborate with the Nevada Health Service Corps. Federal funds are matched with State funds to provide incentives for professionals in those fields to work in underserved populations. A total of nine fields are funded through these programs.

The WICHE found it necessary, during the budget planning process, to eliminate funding for the deaf and hard of hearing field to meet budget reduction requirements. We recruited extensively in masters' programs for that field in Nevada, Arizona, Colorado and California to ascertain if any Nevadans had applied for the Program. There were no applicants. Because the field was new and, in light of the budget reduction requirements, teachers for the deaf and hard of hearing were selected for elimination.

SENATOR CEGAVSKE:

I hope the Program can be restored at a later time and acknowledge the recruitment difficulties. Do you have any information from DETR that indicates any of the fields identified need to be changed at this time? Specifically, I am interested in the field of trainers that will train nursing students.

MS. SHERRICK:

Those trainer positions must be at the master education level and are difficult to recruit. There are many trainers at the bachelor level who are teaching for the deaf and hard of hearing. The trainers you are referring to are required to be at the master or Ph.D. education level to qualify. The WICHE is open to continued recruitment for those slots.

In working with the Office of Rural Health, we are finding technical positions such as pharmacy technicians, x-ray technicians and similar fields are in high demand. The DETR information indicated physician assistants and nurse practitioners will be in high demand in the next ten years. The WICHE already funds in those fields.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 14

CHAIR HORSFORD:

Please provide the detailed information to our staff. This is an area where it may be possible to align the high-demand occupations with the new economic development strategy in progress. Health information exchanges are the emerging field and Nevada needs to be ahead of the curve in that field while maintaining training in the more traditional health care sectors.

SENATOR CEGAVSKE:

There are now private schools in the fields of optometry and pharmacy. How will that affect PSEP? Has WICHE reviewed expenditures for out-of-state education in those areas?

MS. SHERRICK:

The private colleges in Las Vegas are now a part of the regional compact and members of PSEP.

SENATOR KIECKHEFER:

Testimony has indicated the number of slots must be reduced due to anticipated past due collections. The *Executive Budget* changes the number of slots from approximately 114 to 104. How many additional slots will be reduced because of the projected decrease in revenue? Which educational categories will have their number of slots reduced?

MS. SHERRICK:

With the budget reductions and a recent decision by the WICHE Commission, the number of slots will be reduced from 114 to 90. There will be a total reduction of 28 new and continuing slots in 2012 and an additional 12 slots in 2013 for a total of 40 slots that will not be funded. That will deprive Nevada of 84 years of health care services for individuals that will not be provided, approximately \$2.4 million in economic impacts and about \$3.8 million in salary impacts.

SENATOR KIECKHEFER:

Will the slot reductions occur in PSEP, HCAP or in other categories?

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 15

CHAIR HORSFORD:

Please provide the information to our Fiscal Division Staff. Provide the detail of the number of slots and impacts based on the reductions in writing. Your testimony is slightly different than information the Joint Subcommittee has been provided by our Staff.

What is the interaction like with the professional licensing boards at this time, prior to potential passage of S.B. 81? Please identify the number of students and amount of debt being collected.

MR. REDDING:

There is approximately \$640,000 in bad debts that are over 120 days old. That amount is owed by 27 individuals. Of those 27, the collection agent feels 13 are uncollectable under current law. If S.B. 81 were to pass, we have identified at least one at this time that would move back into the collectible category.

ASSEMBLYWOMAN SMITH:

The State Controller is also working from the vendor side, so that no one should be paid from the State if they have debts owed to the State. Is WICHE working from that angle as well?

MR. REDDING:

The WICHE budgets utilize only a few vendors. That portion of S.B. 81 would not impact WICHE collections or revenues.

ASSEMBLYWOMAN SMITH:

Entities that owe money to the State should not be paid as vendors. The State contracts with many professionals who should not be paid as vendors if they owe revenue to the State.

MR. REDDING:

We will discuss that with the Controller.

CHAIR HORSFORD:

We will close the hearing on B/A 101-2681 and open NSHE budget discussions of the proposed property tax diversions. Has the Board of Regents taken a

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 16

position on the Governor's recommendation to divert the 9-cent property tax from Clark and Washoe Counties to UNLV and UNR? Does NSHE support that approach? Should those funds be allocated to the colleges as well as the universities in those jurisdictions?

MR. KLAICH:

The Board has not taken a specific position on those proposals. I have had discussions with Governor Sandoval concerning the proposal. My personal position is to be thankful those funds are proposed for NSHE budgets or our budgets would be further reduced by approximately \$120 million.

We serve 17 counties in Nevada and each of those counties should participate in funding its local colleges and universities; however, allocations from only 2 counties are being required. The community colleges are distinct assets of the local communities and should share in those revenue diversions. The allocations should be made similar to what was done with the American Recovery and Reinvestment Act of 2009 funds.

CHAIR HORSFORD:

The William S. Boyd School of Law; School of Dental Medicine; Desert Research Institute (DRI); and the University of Nevada, School of Medicine are separate budget accounts. Therefore, they would not be included in allocation of the property tax funds requested for redirection. Does that mean only UNLV and UNR would receive a dollar-for-dollar replacement of funds from the property tax proposal? What would the corresponding impact be to the other institutions I mentioned?

MR. KLAICH:

Authority was given to the presidents of the various schools to propose greater reductions in one budget line or another toward the end of the 2009 Legislative Session when similar budget reductions were being made. I expect the presidents to look at their institutions as a whole and, once allocations are made, to identify which parts of their institutions could absorb budget reductions.

Once budget reductions are known and areas of reduction are identified, I would expect the presidents to report to the Legislature.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 17

CHAIR HORSFORD:

Based on the Governor's recommendation of a 27.3 percent decrease in governmental support, what is the budget impact, listed by institution?

MR. KLAICH:

We are looking at parallel paths to work with the budget recommendations. We have reviewed the Governor's recommendations and provided the information, by institution, in our pre-Session budget overview presentation. Given the magnitude of the cuts, the Board of Regents has indicated it wants to weigh in on this decision because of the potential for fundamental changes to the System. A parallel path may be proposed by the Board other than the straight percentage reductions.

CHAIR HORSFORD:

What is the timeline for presentation of the parallel process by the Board?

MR. KLAICH:

I am currently working with the presidents and our staff to assemble the information. These budget discussions must be a thoughtful, deliberative and data-driven process. The options will be presented to the Board of Regents during their meeting on March 10 and 11, 2011, in Carson City. We expect to have more focused information after that meeting.

CHAIR HORSFORD:

What is the specific timeline to be expected?

MR. KLAICH:

I suspect your Staff will be watching those meetings and we will transmit information to your Staff as well as the Board of Regents.

CHAIR HORSFORD:

Is the current information based only on the *Executive Budget* without the Board's deliberative process?

MR. KLAICH:

That is correct.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 18

MARK STEVENS (Vice Chancellor, Finance, Nevada System of Higher Education):
A number of percentage reductions have been utilized by NSHE staff. We have considered funding levels from State funds provided in FY 2010-2011, to the property tax recommended in the *Executive Budget* for FY 2012-2013. The reduction is approximately \$162.4 million or 29.1 percent. At the hearing on January 27, 2011, we provided a spreadsheet that indicated the percentage of reduction necessary in each of the 25 budget lines within NSHE. Reductions range from mid-20 percent to those of 41 percent at the Nevada State College.

The chancellor has asked the institutions and the budget staff to gather a variety of information at the request of the Board of Regents to determine where reductions can be made and scenarios for how the reductions can be accommodated within the System. The Board of Regent's meeting is next week. We will review all non-institutional budgets for possible eliminations or higher reductions than those recommended in the *Executive Budget*. If higher reductions are required in certain areas, that would offset reductions to be taken elsewhere.

Several scenarios for consolidation are being considered and will be provided to the Board. These include potential closing of satellite campuses, branch campuses, educational centers and others. On the table is also consolidation of similar programs at like institutions. The next step in the process is for the Board to provide its input to these considerations.

CHAIR HORSFORD:

The Joint Subcommittee would like testimony of the rationale and methodology utilized in determining the General Fund appropriation reductions reflected in enhancement decision unit E-600 across the 25 NSHE budgets from the Department of Administration.

E-600 Budget Reductions – Pages NSHE-2, 6, 10, 13, 16, 20, 25, 28, 33, 37, 41, 45, 49, 54, 58, 62, 66, 70, 75, 80, 85, 89, 95, 99 and 104

ANDREW CLINGER (Director, Department of Administration):

We first took the property tax redirect from the General Fund and allocated it to UNLV and UNR. The administration is open to a different distribution of the property tax funds. The only recommendation is that the property tax funds

stay within the county of origin. We defer to the Board of Regents to determine whether they are allocated in a mix between community colleges and universities. The *Executive Budget* was constructed by replacing General Funds with property tax funds. After replacing those funds, we considered all NSHE budget accounts and made the reductions proportionately to each account. The reductions should be equal between each of the budget accounts. The administration attempted equitable reductions among the different accounts within NSHE.

CHAIR HORSFORD:

There is a property tax diversion of approximately \$121.3 million for Washoe and Clark Counties over the biennium. However, the General Fund appropriation reductions, as proposed, are about \$259.4 million. When you say the property tax diversion replaces General Fund, it replaces funding but it does not fully address the current budget shortfall.

MR. CLINGER:

You are correct; the replacement funds do not provide the same level of funding as NSHE had in FY 2010-2011. There is no greater benefit to budget accounts funded by the property tax diversion than those accounts that are not. The Budget Office used the property tax diversion funds and the State funding stream together and then made the budget reductions equitably using those two funding streams.

CHAIR HORSFORD:

The Budget Office placed about \$49 million of property tax diversion into UNLV and reduced the basic support amount. The same methodology was employed at UNR using approximately \$11.4 million based on the 9-cent property tax diversion. Is this a dollar-for-dollar replacement of funds?

MR. CLINGER:

That is correct.

CHAIR HORSFORD:

What was the rationale in selecting only the two universities for that funding source? Did you consider the other institutions such as the law school, dental

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 20

school or DRI? Why were the community colleges not included in Washoe and Clark Counties as part of the allocation?

MR. CLINGER:

It was a matter of mechanics when developing the *Executive Budget*, knowing that discussions about how the funds are distributed would ensue during the Legislative Session. It is really a place holder for the funds. Whatever final distribution is made, whether by the Legislature or the Board of Regents, the administration is open to a change in the methodology.

CHAIR HORSFORD:

Are the administration and the Budget Office open to recommendations for changing the allocation as necessary?

MR. CLINGER:

We are open to dialogue and proposed changes.

ASSEMBLYMAN AIZLEY:

In a previous discussion, it seemed a decision was made that tuition and per-credit fees would be kept on the campuses where they were generated. That does not appear to be the outcome in the *Executive Budget*.

MR. CLINGER:

There is a misconception that student fees are allocated to the State. The State is not allocated those fees. However, those fees are used to offset the cost of the State operating accounts. Those fees never enter the State General Fund. They always stay on the campus of the institution where they are collected.

ASSEMBLYMAN AIZLEY:

Is the same procedure followed for tuition fees?

MR. CLINGER:

Yes, those funds never come into the State General Fund.

CHAIR HORSFORD:

Is a portion up to a percentage of funds factored into the basic support for NSHE?

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 21

MR. CLINGER:
That is correct.

CHAIR HORSFORD:
Then, an allocation is made to the institutions and, under that percentage, not every dollar collected is returned on a 1:1 basis.

MR. CLINGER:
I disagree. The campuses keep every dollar they generate. It is not redistributed to any other accounts within the State or within a different institution.

When the Budget Office uses the funding formula, it generates a certain amount of expenditure need which is balanced with the projected tuition from the respective institution and by State funds as well. The State does not cover 100 percent of operating costs.

CHAIR HORSFORD:
I will now offer a point of privilege to Senator Lee to offer his perspective on the property tax issue. As the Chair of the Senate Committee on Government Affairs he is involved in these issues.

SENATOR JOHN J. LEE (Clark County Senatorial District No. 1):
I have been working on an issue that has been disheartening to me for some time. I have provided the Joint Subcommittee members with a letter ([Exhibit H](#)) to request consideration of my recommendation to redirect the largest amount of property tax revenues as possible to the community colleges in Clark and Washoe Counties.

I will now speak from prepared testimony ([Exhibit I](#)). I request immediate action to prevent the ongoing discriminatory funding treatment for the College of Southern Nevada (CSN).

Unfortunately, the inequity built into the funding formulas continues and it is incumbent on the Legislature to provide a remedy. It is well documented by the Legislature, the chancellor's office and the Board of Regents that CSN is significantly underfunded.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 22

Currently, all institutions are likely to experience budget reductions. However, the 2005 Legislature concluded that CSN already has an approximately \$20 million hole because of discriminatory treatment by the funding formulas. The CSN is the most ethnically diverse institution within NSHE. The CSN offers educational opportunities for Nevada's most underserved and vulnerable populations. Nevada has a limited amount of funding to invest in higher education and it will be most useful if invested where it can make the most difference. The current underfunding at CSN is a gross example of discrimination and unfair treatment of those who need education the most. Providing students an opportunity to enroll in college is not the same as providing them an opportunity to succeed.

The fight to end discriminatory funding practices is a fight worth having. The opportunity to right this type of social injustice is what motivated most of us to seek public office.

I hold the Board of Regents responsible for this obvious discrimination. Current funding per student is as follows:

- CSN, \$5,057.
- Truckee Meadows Community College (TMCC), \$6,460.
- Western Nevada College (WNC), \$9,014.
- Great Basin College (GBC), \$10,468.
- UNR, \$11,436.
- UNLV, \$9,233.

I request the Joint Subcommittee to recognize funding must be placed where people need the most opportunities.

CHAIR HORSFORD:

Based on testimony from Mr. Clinger, there is a willingness to entertain certain reallocation of these funds, rather than only to the two universities as initially proposed. Your suggestion to expand the funding for CSN and TMCC is one consideration.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 23

In Mr. Klaich's opening remarks he talked about the need to address the formula funding process. That will likely need to be undertaken during the interim process because of the many facets involved.

SENATOR CEGAVSKE:

I concur with Senator Lee's position regarding community colleges. I have asked our staff to explain the formula funding many times. It appears to be an equal distribution between the funds for UNR and UNLV. Perhaps we are misunderstanding how the funds are allocated. I do not see an increase in the *Executive Budget* for UNR, UNLV or the community college. Is that a correct assumption?

CHAIR HORSFORD:

An increase in funding has not been proposed at any of those institutions.

SENATOR LEE:

If an individual is part of a large corporation or a shareholder in a corporation, they shudder when they hear the words, "minority shareholder lawsuit." If we continue to treat these individuals this way, there will be a lawsuit. The current practices are wrong. Some of the individuals already understand they are being discriminated against on resources, opportunities and good teachers. Most of the instructors at CSN are part-time people who are unpaid. In some cases as an example, they choose to teach without pay because there is an opening and they have a desire to teach political science.

The issue will get to a point when the Board of Regents will have to take advantage of working with the Legislature or the Legislature will have to fight for the rights of the individuals to have a fair opportunity to receive an education in this country.

CHAIR HORSFORD:

The redirect of the 9-cent property tax is not an increase in funding. It is a replacement of General Fund basic support allocations which means without that funding, the level of funding must be drawn from another source or there would be further reductions in those programs. Is that correct?

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 24

MR. CLINGER:

You are correct. In the current biennium, the 2009 Legislature approved a redirection of property taxes. In that situation, those property taxes were deposited into the General Fund and distributed through various appropriations. The administration is recommending those same property tax revenues be deposited directly into NSHE. There appears to be an economic benefit to the community in which the institutions reside. The funds do replace General Funds rather than supplementing the General Fund.

CHAIR HORSFORD:

Senator Lee, we will work with you on your recommendation as we move through the budget process. If these funds are indeed allocated, the recommendation to expand the funds beyond its initial purposes will be considered.

SENATOR KIECKHEFER:

Mr. Klaich and Mr. Stevens are both serious and deliberate individuals. Sometimes, the reaction of essential budget cuts to NSHE from the Board of Regents has not been as serious or deliberate. I ask that, when the Board meets, it provides an honest assessment of what budget reductions are anticipated. The upcoming Board meeting will help us establish how the decisions on these budget accounts are made. The most detail possible is necessary when making these decisions.

MR. KLAICH:

There may be frustration today regarding our inability to provide precise answers to the Joint Subcommittee's questions. I have tried to impress the importance on my colleagues and my staff will take your concerns to the Board of Regents. We must say what we mean and mean what we say. We will provide the most precise information possible to allow the Legislature to act on these budgets and then we will all need to move forward.

CHAIR HORSFORD:

We will not begin ideological discussions today. However, there are other suggestions currently moving through the legislative process about the Capital Improvement Program portion of the 9-cent property tax. Nevada's No. 2 industry, construction, is suffering and about 87,000 individuals are out

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 25

of work and utilizing public assistance and other programs causing additional strain on State resources. To the extent any or all of these funds are not available for this purpose, we will need to adjust allocations differently than the administration has proposed.

If we reduce State basic support and allocations of approximately \$121 million in property tax, what happens from the standpoint of higher education going forward after this biennium? What is the long-term thinking and strategy for the level of basic support? If we follow this recommendation to use up to \$121 million of non-General Fund resources for this purpose, it will set a new precedent for higher education funding.

MR. CLINGER:

Moving forward, as the economy in the State recovers and as property values and receipts recover, those receipts would continue to flow to NSHE, however those funds are allocated within the System. In the long run, the Department of Administration (DOA) believes this will create a stable revenue source for NSHE into the future.

CHAIR HORSFORD:

Is it the intent of the DOA that the specified property tax revenues would remain with NSHE beyond this biennium?

MR. CLINGER:

The recommendation is that the property tax revenues remain with NSHE beyond this biennium recognizing the economic benefit to the communities in which the universities are located. These funds should continue as specified in future biennia.

CHAIR HORSFORD:

Would this not set a precedent of reduced State basic support for higher education by at least \$121 million? That is a very important policy decision going forward.

MR. CLINGER:

It changes the mix and percentage of State support in consideration of the overall State budget allocations. At the same time, an offset for local support is

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 26

created. A similar model of support is used in 31 other states with institutions of higher education across the country.

CHAIR HORSFORD:

The institutions in those states are primarily community colleges. Los Angeles County, California and Maricopa County, Arizona are two examples. There is direct support at the local level for community colleges based on the nexus of the access role played by the community colleges.

A broader discussion is necessary of whether any, or all, of these funds are allocated and where that allotment should be distributed first. Also, the long-term consequences of a reduction in State support for higher education must be considered. This is a fundamental shift in policy.

MR. CLINGER:

It is a fundamental shift. It is more than just the redirection of property tax revenue. If this were being done in a biennium where adequate funding was available, it would still be a major shift in policy.

The overall reduction in State support is separate from the property tax discussion. The DOA could have elected to continue redirection of the property tax receipts to the General Fund, rather than allocate them directly to the institutions without replacing the General Fund provided to the institutions of higher education and not have affected the fundamental policy.

Your point is more related to overall reductions to the System and that economic impact in the long term.

CHAIR HORSFORD:

What was the rationale for redirecting the property tax directly into higher education versus directing it to the General Fund and then allocating it to NSHE? Would that have maintained a level of basic support, even though non-General Fund sources are being used to achieve that purpose?

MR. CLINGER:

Part of the rationale used are the long-term solutions being considered. Over time, having the funds redirected and then allocated through the General Fund

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 27

will lessen the support the State provides to NSHE. The fundamental reset in the economy is not likely to change. A new reality of Nevada's economy and revenue collections must be faced. That was a part of budget considerations. The long-term effect is a reduction in the level of support provided by the State.

CHAIR HORSFORD:

That is a policy decision. The DOA could have proposed the redirection of the 9-cent property tax from those two counties to the General Fund and accomplish your objective to reduce State General Fund support for higher education with non-General Fund sources. The current proposal was made by making a policy decision that the State will not support higher education beyond this level. If anything, we will support other sources of revenue for the benefit of higher education.

That policy discussion should occur to examine whether this is an appropriate decision to both short- and long-term goals. I do not disagree that we should be maximizing local support of higher education, but I am concerned about reducing the level of State support.

The NSHE has already experienced reductions over the last two and one-half to three years. They have been part of the allocation correction as the economy has declined. This proposal is more than an economic correction. It is a fundamental reduction of State support that expects the colleges and universities to fend for themselves. The Joint Subcommittee would like the chancellor's view on this policy. Has the Board of Regents had this discussion?

MR. KLAICH:

The Board has not yet held that discussion. In my discussions with the Governor, I am cognizant of the fact that one Legislature cannot bind another. The DOA's position appears to make this a permanent redirection of these funds. The Governor is creating a tier of funding directed to NSHE. Given our historically low property values in Nevada, the funds would be permanently directed to NSHE. As the economy recovers it is hoped property tax values will grow, thereby increasing the total amount of the 9-cent revenue allocations to NSHE. Overall, the funds dedicated to NSHE would also grow. The NSHE wants to be a good partner with the State in diversification and economic recovery. There is a logic to the consideration and I concur with the proposal.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 28

SENATOR CEGAVSKE:

When I review information provided by Staff and see the other revenues NSHE receives, this property tax revenue decision appears to be logical. There are a number of other fund allocations over which the Legislature has no control. I do not understand the concerns over the policy changes when we consider other states' funding sources. Nevada is unique because, within the *Constitution of the State of Nevada*, NSHE is its own entity.

Other proposals have been made to further sever NSHE from the State. Those proposals would allow NSHE to take further control of certain budget areas without guidance or direction from the Legislature. The property tax proposal fits with what is already being done.

There are philosophical and policy issues that must be vetted. I support the Governor's proposal. Fund raising for research revenue is an example of what NSHE is already doing and should continue without so much reliance on the State budget.

CHAIR HORSFORD:

I respect your opinion. However, the level of basic support the State provides allows NSHE to apply for matching federal funds in grants and research. If we reduce State support to a level that hampers the ability to request research revenue, we will be defeating the proposed objective.

Grant revenue can be increased to somewhat overcome the loss of funding, but research revenue will not completely replace State support. Should that be the goal?

MR. KLAICH:

The NSHE indicated in its opening remarks that the System can engage in more self-help which is appropriate. The direction heard from both sides of the aisle and both areas of the political spectrum, is that, over time, NSHE should become more self-sustaining and less reliant on State resources. That is consistent with national policies and is possible in the long term.

However, research revenue cannot be used to fund English 101 or Math 120. Research revenue is contractually or federally earmarked for that purpose. While

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 29

the Legislature has allowed the return of indirect cost-recovery funds to help that scenario, those are funds that must be spent for specific purposes, not for replacement of historical levels of support the State has provided for higher education.

ASSEMBLYWOMAN SMITH:

There is a balance to what must be considered to qualify for research or grant funding. Nevada must invest in itself as well. It is difficult to request outside funding without a show of support from State funding. In a recent meeting, California business leaders stated, "You have to invest in yourself so we will invest in you." Nevada must demonstrate its commitment to its own institutions. The private sector and nonprofit organizations have made investments in NSHE and if the State does not evidence its support, I worry about future sources of private investment.

Was there conflicting testimony from DOA and NSHE? Did DOA state the property tax would not go to the NSHE and did the NSHE representative state the institutions would profit from the property tax diversion?

MR. CLINGER:

For the record, "Our recommendation is that 9 cents per \$100 of assessed value of property tax receipts continue to go to the university system. So, any growth in that in the future would continue to go to the university." The recommendation is for the total 9 cents of property tax, including any growth, to be diverted to the university system in this biennium and in future biennia.

ASSEMBLYWOMAN SMITH:

How does that proposal offset the General Fund now and in the future?

MR. CLINGER:

There is about \$121 million in the current biennium and in the next biennium the amount will be at least \$121 million of State basic support for NSHE.

ASSEMBLYWOMAN SMITH:

Are you assuming the same offset in the next biennium?

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 30

MR. CLINGER:

No, I am not assuming the same offset. If the level of property tax receipts were the same in the future, the offset would be about \$121 million. If the property tax receipts are \$150 million, or some other increase, that is what would be allocated to NSHE.

ASSEMBLYWOMAN SMITH:

How does that offset to the General Fund or the State support for NSHE in the future?

MR. CLINGER:

Each biennial budget must be considered independently. I cannot unequivocally state any growth in property tax in the future would completely reduce State support. From a policy standpoint, the recommendation is that the 9-cent property tax revenue and any growth associated with it remain with NSHE. Whether that will reduce basic State support in the future is an unknown at this time.

MR. KLAICH:

The college presidents have authority for fund-raising efforts. It is not a reasonable expectation to tell the private sector that the basic operating funds are being reduced by the State and request the private sector to support replacement of State funding revenue.

My discussions with the Governor have indicated the situation is similar to a layer cake. The Chair correctly indicated that in the first biennium there was an offset. My grasp of the Governor's intention is to create a layer of funds directed to NSHE to provide growth in the future. That growth would not offset State General Fund allocations. If the layer of property tax is \$20, and the next layer is General Fund allocation of \$80, the result would be \$100 in the current year. If property taxes, because of the economic recovery, increased to \$25, NSHE would receive a total allocation of \$125. The layers of allocation would not increase to \$25 and \$75, respectively.

ASSEMBLYWOMAN SMITH:

Those are the conversations that must continue going forward. We seem to have lost track that this proposal shifts the funding burden to another budget or

place. Somewhere, the shifted revenue must be offset or compensated. That should be a large part of the policy discussion.

ASSEMBLYMAN CONKLIN:

From a revenue standpoint, if the idea is to accept the 9-cent redirection of property tax revenue as a vehicle for growth as the economic picture improves, I am concerned about the dynamics of that revenue stream. While the value of property might have dynamic components, over the last 100 years it tracks fairly evenly with personal income which is the single largest measurement of gross domestic product or quality of life indicator. The value of property tax has been capped at 3 percent growth. Therefore, while property tax may decline at a rate greater than 3 percent, it cannot grow at a greater rate than 3 percent.

It might be better to consider other revenue streams or continue funding from the State General Fund because it will likely grow faster than property tax revenue. That does not include the next two to four years which cannot be predicted at this point. While some expect revenue to increase in the next two years, I suspect every county is hopeful its revenue streams will remain flat. Clark County has not yet reached the ultimate property tax decrease. This is a lagging revenue source. Revenue is not collected as the value changes. It is collected 18 to 24 months later.

CHAIR HORSFORD:

If the level of State support decreases, that is a disincentive for private sector investment. Private investments such as the Whittemore Peterson Institute for Neuro-Immune Disease, the Mathewson-IGT Knowledge Center at UNR or the Greenspun College of Urban Affairs at UNLV receive supplemented State support.

If the message received from this Legislature and this Governor is, "We want to make a fundamental shift to reduce State support," how will that encourage private investments in our institutions in an entrepreneurial way that is desired? If the State sends the message that it wants to reduce or eliminate its support by approximately \$322 million, why should the private sector sources invest in NSHE? Is that a factor in any of the deliberations on this budget?

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 32

MR. KLAICH:

The NSHE are public institutions that serve the entire State. We serve at the pleasure of the State and to improve the State. When the funding mix is changed, certain issues are involved. Private donors contribute to specific purposes or particular programs, not general contributions. They contribute because they want to provide margins of excellence beyond the State revenue provisions. Private philanthropy is a matter of confidence, and if confidence wanes, it makes private philanthropy much more difficult.

CHAIR HORSFORD:

Rural counties are making no contributions to this proposal while Clark and Washoe Counties provide the revenue and yet some mining-rich rural counties make no contribution. Students from those counties will attend UNR and UNLV. Why are only the taxpayers in Clark and Washoe Counties being asked to support the institutions? Those two universities do not just serve Clark and Washoe Counties.

MR. CLINGER:

There are two reasons for continuing the property tax diversion from only Clark and Washoe Counties. The proposal of redirection is a continuation from the action of the previous Legislative Session.

CHAIR HORSFORD:

It is not being directed to the General Fund as was done in the current biennium. It is being diverted directly to NSHE.

MR. CLINGER:

From the county perspective, it makes no difference whether it goes to the State or to NSHE. The DOA is trying to maintain the same level of funding as in the current biennium. In the current biennium, property taxes from the rural counties were not redirected.

There is a greater economic benefit to the two urban centers of the State than to rural counties. Once students from rural areas are attending UNLV, there is an economic benefit to Clark County from their presence.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 33

CHAIR HORSFORD:

Why should rural counties not contribute something to the cost of a statewide benefit?

MR. CLINGER:

Part of the reason is a continuation of the current process.

CHAIR HORSFORD:

That is not a good argument. We must think into the future beyond what is currently being done. Current practices are not working in all respects. There are prosperous counties that receive a portion of the net proceeds of minerals that are not contributing to NSHE in this manner. Why do only the residents of Clark and Washoe Counties have to subsidize higher education for the entire State of Nevada? We are one State.

MR. CLINGER:

There are rural counties, such as White Pine County, that barely survive on their available revenue.

CHAIR HORSFORD:

I respect that. Was that not considered by DOA?

MR. CLINGER:

That was considered. We reviewed different scenarios that included the rural counties but, at the end of the day, we felt it was best to continue the redirection from Clark and Washoe Counties only.

CHAIR HORSFORD:

Rather than having a shared sacrifice approach, was it more of an ideological position based on the fact it was something that had already been done? The DOA did not include other entities in its approach.

MR. CLINGER:

Part of the consideration in development of this proposal was the impact it would have on rural counties. It is not just a consideration of only doing what has been done in the past.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 34

CHAIR HORSFORD:

Is Eureka County broke? Shared sacrifice should mean all Nevadans.

ASSEMBLYMAN GRADY:

A few of the mining communities in rural Nevada that are doing well have been mentioned. However, there are others that are at the NRS Chapter 354 financial limitations right now. Adding to the argument, we are giving in-state tuition privileges to our bordering counties in California. Using the Chair's argument, should they be paying part of the tax burden also?

CHAIR HORSFORD:

We will discuss that subject later because I have concerns about how much Nevada is subsidizing out-of-state students to the detriment of Nevada student residents.

SENATOR CEGAVSKE:

The rural counties' students typically utilize more local community college services than they do the universities. Would it be appropriate to utilize property taxes in the rural communities as supplemental funding for the community colleges in the same manner as for Washoe and Clark Counties funding for the universities?

CHAIR HORSFORD:

The DOA stated they have considered the impact of the property tax diversion on rural counties. Yet, there is a shift of other services to rural counties such as health and human services, mental health care and presentence investigations. From a consistency standpoint, if higher education is good for students and the economy, all Nevadans should share in its support; not just the residents of Clark and Washoe Counties at a time when those counties are struggling to survive. The urban counties are experiencing high unemployment, home foreclosures and services that cannot be met.

This approach diverts funding from resources that could put people back to work.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 35

SENATOR KIECKHEFER:

The effort was an attempt to give all counties the same amount of revenue as they are currently receiving. Other services are going to be pushed down from the State onto local governments. If the effort is to make everything work, giving all counties the current base level, would allow them to maintain current services without making further reductions. That makes sense.

SENATOR HORSFORD:

Do we agree that those rural counties that can afford the revenue should participate in cost sharing?

ASSEMBLYMAN AIZLEY:

In the good old days, NSHE received approximately 20 percent of the State General Fund revenue and those were nice times. Now, apparently, there is no economic benefit to GBC in Elko or WNC in Carson City. I am surprised to hear those colleges are not viewed as providing an economic benefit in their local areas.

I do not understand the computation for the distribution of funds. When the property tax revenue is removed from the General Fund, thereby reducing the allotted percentage directed to NSHE.

The budget once directed 21 percent of its revenue to NSHE. The NSHE is receiving 15 percent in the current biennium. Whether the *Executive Budget* proposes 19 percent, 9 percent or 12 percent; is there a desired goal of the percentage of revenue that should be consistently directed to NSHE?

MR. CLINGER:

The DOA believes there is an economic benefit to Elko, Carson City and all the rural counties. That is not what we are indicating. There are other services being pushed down to the counties that will have an impact on them. We considered the full impact to the rural counties, not just taking additional property taxes from their revenue stream. The DOA considered the other services that are being pushed down and those ultimate effects. In the current biennium, the counties are getting a certain level of property tax receipts on which they have built their budgets. The DOA is simply continuing that model into the next biennium and future biennia.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 36

CHAIR HORSFORD:

We will now consider the abandonment of growth funding. Why is NSHE not requesting growth funding and why did NSHE not follow the 2009 Letter of Intent for future biennia enrollment projections? It is not being adhered to in the 2011-2013 biennium. Which methodology reasonably provides the most accurate enrollment projections? I am concerned about students not having access to higher education based on flat funding projections rather than utilizing enrollment growth projections.

MR. KLAICH:

We did not follow the Letter of Intent. The primary issues the presidents and I struggled with, and ultimately used to make our recommendation to the Board of Regents, are the same conclusions reached in submission of the *Executive Budget*. Using the funding formula in a declining revenue and likely declining appropriation model would further distort budget reductions and System budgets.

Projecting enrollments forward on a three-year weighted average would have shown enrollment models for some of the colleges of up to 9 percent increase each year. That seemed to be unrealistic in the context of both the current economy and actual enrollments that were materializing. In a declining economy that would have resulted in reallocation of funding from one institution of the System to another, raising issues of the "hold harmless consideration." It would effectively exacerbate reductions at one institution while subsidizing them at another. Growth has not been funded in the current budget proposal. Our discussions attempted to identify the fairest method by which to present NSHE budgets. We chose to utilize current enrollments rather than projected enrollments. The Legislature will make the ultimate budget decisions.

MR. STEVENS:

The 2009 Letter of Intent adopted a flat enrollment growth methodology for the current biennium due to the uncertain economic situation at the time. The Letter of Intent did instruct NSHE to build the 2011-2013 *Executive Budget* on the three-year weighted average. The economic situation is now even worse than it was when the Letter of Intent was written. We recognize Letters of Intent express important directions to agencies.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 37

However, the reason the three-year weighted average was not used in situations such as at WNC, the three-year weighted average would have produced enrollment increases of 9.2 percent in FY 2010-2011, FY 2011-2012 and FY 2012-2013. That would have resulted in a projection of a 30 percent increase in students. The NSHE did not feel that was realistic. The actual WNC student FTE increased by 1.6 percent in the fall of 2010. The projection for GBC in the same three-year weighted average would have been 9.1 percent FTE in each year, TMCC would have been projected at 6.3 percent FTE in each of those fiscal years and CSN would have been projected at 6.1 percent in each of those fiscal years. Fall 2010 FTE enrollments systemwide increased 1.7 percent. Spring enrollment numbers will be available in a few weeks. We do not anticipate the enrollments will be at the level the three-year weighted average would have produced. Revenue would have been built on unrealistic student fee receipts that would have caused institutions to immediately face budget reductions.

CHAIR HORSFORD:

The 2009 Legislative Session was my first year in the leadership role as the Cochair of the Senate Committee on Finance. I felt I was absolutely clear, as did the former and current Speakers of the Assembly. The result of this decision was that 5,389 potential students were denied access at CSN. If this policy is continued, the projections indicate 9,000 students would be denied entry in the fall of 2011.

At a time when we are supposed to be training and retraining a workforce for the industries of the future, we are denying students access to education. I understand it will have a consequence somewhere else in the budgets, but to deny funding on a three-year weighted average growth projection which has been the historical policy and practice and the clear intent of the 2009 Legislature, is unacceptable. We will have to address that in a more meaningful way. I cannot support a budget that turns students away from CSN or other community colleges throughout the State.

ASSEMBLYMAN CONKLIN:

While I understand NSHE's position and that students are being turned away at every level in NSHE, in building the *Executive Budget*, a percentage of student FTE increases was determined by the necessary budget level. Meanwhile, the

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 38

Legislature does not get an accurate picture of how many individuals demand the use of Nevada's education system. It is like painting the picture the way you want to see it rather than the way it is in actuality.

I am not suggesting the three-year weighted average tool, or that used by the NSHE, is the most correct method. The numbers presented in this budget are not realistic. Many more individuals would like to take advantage of NSHE and others could be retrained toward different employment. They are being denied access.

While the *Executive Budget*, in my view, does not do justice to the economic growth of Nevada, there is no greater engine for economic growth than the ability to train our workforce. Nevada has one of the highest unemployment rates in the country and many of those individuals want access to be retrained toward improvement of their status. The proposed budget reflects a picture NSHE drew in order to make the budget requirements work.

SENATOR KIECKHEFER:

Flat enrollment or demand is realistic based on the number of individuals who are requesting to be retrained and become as productive as possible. Is there an effort to review programs provided at the community colleges to determine the areas in which the highest demands exist and ensure resources are being directed to areas of greatest need for economic growth and development?

The Department of Health and Human Services manages caseloads to meet its budget. The choice is creating waiting lists, restricting eligibility or other tools to ensure it does not serve more individuals than it can afford. In some cases, the appropriate tools do not exist and the Agency returns to the Legislature for a supplemental appropriation to attain the necessary tools. Traditionally, NSHE has not requested supplemental General Fund appropriations at the end of the biennium. Is that a potential consideration when using flat enrollment projections?

MR. KLAICH:

The NSHE has never returned to the Legislature to request additional General Fund appropriations. The NSHE has appeared before the Interim Finance Committee to request the authority to expend additional student fee revenues.

Students are being turned away not only at the community colleges, but at every door in the System. The comments regarding growth and relative growth are accurate. The NSHE could project enrollments again using the three-year weighted average; however, NSHE would be trading one scenario that is not true for another that is not true. It would cause reallocation from other institutions within the System. It would result in yet another difficult choice of funding shift within the System and shutting other doors. This is not a pleasant situation.

CHAIR HORSFORD:

We need that information. When funds are being taken from Clark and Washoe Counties to pay for NSHE, then that is where the priority should be.

MR. KLAICH:

We will provide those numbers.

ASSEMBLYWOMAN SMITH:

Has there been any consideration for a plan that would fit somewhere between the current two proposals?

MR. KLAICH:

No, there has not. I have concerns with the formula-funding process. It drives dysfunctional behavior. One reason the budget was prepared in this manner was because of the current economic situation resulting in scarcity of funding. It did not seem appropriate to direct the System presidents to recruit as many students as possible to protect their interests in an intrafamily war with community colleges, regardless of whether they felt the students would succeed.

I am hopeful an interim study committee is approved, comprised of all entities involved in higher education. The intent would be to address all the tough issues in funding higher education:

- Policy decisions.
- Funding allocations.
- Development of strong policy decisions regarding specificity for which institutions students should attend to best succeed.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 40

CHAIR HORSFORD:

Please adhere to the suggestion from Assemblywoman Smith to prepare additional options for the Board of Regents and for the Joint Subcommittee. I cannot support a budget that would allow students to be turned away from our institutions.

Testimony indicated students cannot be enrolled and that college and university presidents were encouraged not to recruit heavily because the students may not be successful. How do you know they will not succeed if they cannot walk through the door? Certain institutions, according to their mission focus, are supposed to have a wide open door for enrollment. The doors of higher education should not be closed.

MR. KLAICH:

The "door closed" sign is being painted as we speak. With the current budget proposals, the access mission of NSHE is at risk. The NSHE will not have the ability to maintain open access at the institutions with this budget. There is a moral obligation and an economic imperative that cannot be met.

CHAIR HORSFORD:

The NSHE has three policy changes related to legislatively approved operating budgets. Explain the need to transfer General Fund appropriations between budget accounts. Will specific details be provided on the degree of latitude requested by NSHE?

MR. KLAICH:

When NSHE was allowed constitutional autonomy, no taxation authority was included. The System will provide reports to the Legislature at any level of detail requested. With the magnitude of these budget reductions consisting of about \$162 million in General Fund appropriations, whether they are termed General Fund appropriations or State and local property taxes, NSHE will be fundamentally changed. It will be changed as I mentioned in my opening remarks.

If the proposed budget reductions are approved, the Board of Regents is requesting the option to determine how NSHE serves the greatest number of students in the best possible manner to achieve student success. It is likely that

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 41

will include transfers between budget categories. If a finite amount of funding is approved, NSHE needs to have the ability to determine, with approval of the Legislature, how best the funds can be utilized to serve the most Nevadans.

CHAIR HORSFORD:

The Joint Subcommittee needs details regarding how the process of budget transfers would be processed. Legislation must be introduced to allow that authority. We understand the need, because those decisions will be made after this Legislative Session adjourns.

MR. KLAICH:

We will work with your Staff to develop language proposals for the legislation.

CHAIR HORSFORD:

The next policy change proposal is retention of student fees and tuition outside the State budget. What level of student fee and tuition receipts are a part of the General Fund currently? What portion is returned to NSHE through General Fund appropriations? What amount of the funding is outside the General Fund that is retained by the System? If there are additional increases in tuition, a policy is needed to direct how tuition will be retained at the campus on which it was collected.

The Senate Committee on Finance has introduced a bill that achieves this purpose on a going forward basis. Please clarify whether every dollar of revenue received gets returned to the institution at which it was collected.

MR. CLINGER:

The *Executive Budget* continues the tuition support NSHE submitted in its budget requests. Therefore, the *Executive Budget* does not change the fee distribution or how fees are distributed. If tuition is increased, Governor Sandoval supports NSHE's request for keeping the revenue outside State-supported accounts. That is the distinction. All funds raised on a campus stay on that campus. A portion of the revenue is used to offset expenditures in the State operating budgets. Other portions are retained outside the State system.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 42

CHAIR HORSFORD:

Revenue of about \$201 million from fees and tuition is in the State operating budget revenue. In addition, approximately \$101 million in revenue is outside legislative authority. An allocation formula is established for the \$201 million based on graduate, undergraduate, Nevada State College, community college upper division and community college lower division students. Is every dollar of the \$201 million revenue returned to the institution at which it was collected? It appears it does not all get returned equally to each institution.

MR. CLINGER:

Those funds are returned to the originating campuses dollar-for-dollar. The difference is, that a portion of that funding goes into the State operating account, but it goes into the State operating account for that institution.

CHAIR HORSFORD:

Are any of those funds used for NSHE operations?

MR. STEVENS:

That funding is generated by each of the institutions and is included in the State-supported operating budget and combined with State support funds for that institution. That equals the total funding being reviewed by the money committees for the 2011-2013 biennium.

CHAIR HORSFORD:

If UNLV assesses an increase in tuition of \$100, in the past or in the future, how are those funds tracked? Where is it allocated and how does it get returned to UNLV?

MR. STEVENS:

Based on the current Letter of Intent from the Legislature, different percentages are established depending on whether the credits were taken by undergraduate, graduate, or community college students. If the percentage for a UNLV undergraduate student with a tuition increase of \$100 is used, \$64.50 would be allocated to the State operating budget. The other 34.5 percent would be retained by that institution for use in a variety of areas. Student fee access funds are allocated from the 34.5 percent portion. Capital improvements,

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 43

general improvements, activities and programs are all categories funded through the 34.5 percent allocation.

CHAIR HORSFORD:

Does the 64.5 percent refer to the allocated percentages directed by the Letter of Intent?

MR. STEVENS:

The current Letter of Intent allows fee increases of up to 5 percent each year. The fee allocations will be 64.5 percent to the State operating budget and 34.5 percent will be retained by the institution. For increases above 5 percent, 100 percent of the fees generated would be retained by the institutions.

MR. KLAICH:

This is another reason to establish an interim study to review the formula funding process. These are not issues to resolve during this Legislative Session. A number of difficult issues have been identified that must be resolved with collaboration among NSHE, the Office of the Governor, and the Legislature to ensure equity and fairness is applied throughout NSHE.

CHAIR HORSFORD:

Please provide more details on the retention of student registration fees. The Senate Committee on Finance bill will apply assurances of transparency, use of funding if it is increased, accountability in assessment of impacts to students' ability to pay fees and increased tuition costs. That criteria must be included if the requested autonomy is granted. Those are factors that must be evaluated for the Legislature to reach a comfort level with this request. The provisions in the statutes must be clear to establish standards prior to increases in tuition.

The third policy shift request is the retention of unexpended General Fund appropriations in a rainy-day fund. Assemblywoman Smith is working on that request.

The next item for discussion is the salary and benefit reductions. The Governor proposes to reduce the salaries of all State workers by 5 percent. Do the NSHE budgets include an assumption that all faculty and classified staff would

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 44

experience the salary reduction and suspension of merit and longevity increases?

MR. KLAICH:

That item is included in the *Executive Budget* and is to be applied to all faculty members. The Board of Regent's policy was changed to allow that type of pass-through funding should the Legislature adopt that position, notwithstanding other contract provisions to the contrary.

CHAIR HORSFORD:

The Joint Subcommittee appreciates provision of the salary comparison information as requested at the last budget hearing. Generally speaking, the tenured professors and associate professor salaries are competitive with the national average. They are slightly less competitive when the benefit package is included. What factors affect that ranking? What does that mean to our ability to recruit high-quality faculty?

MR. KLAICH:

A recent report indicates we are slightly below national averages. Over time, the pay has not fallen behind in large proportions. We are in a period in which our ability to recruit and retain the absolute best faculty is impaired. The presidents of DRI, UNR, and UNLV particularly must talk to individuals in a national market to encourage them to move with their families to Nevada. Should there be a national feeling that the State is not committed to funding higher education, the situation is exacerbated.

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

Over the past three fiscal years, we have lost 21 research faculty members. These positions are not paid for through General Fund appropriations, but they generate revenue to support the positions. The State investment of about \$8.2 million supports research revenue of approximately \$45 million.

We have lost staff because individuals can raise their own salaries or foresee increases to the funding they generate or leave because there have been no increases in over two years. As a consequence, their salaries are falling behind and they are being lured to service in other states. One example was

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 45

Michael Young who was at the Las Vegas campus. He was a leader in hydrological research, had many students he supported from UNLV, and is now working for the University of Texas in Austin as a director. There are many other such examples. The revenue potential of those individuals, extended through FY 2010-2011, approaches \$20 million.

CHAIR HORSFORD:

Our information did not include DRI in the comparison. Please update the information to include DRI. The focus on research faculty is completely different and the Joint Subcommittee needs to know where DRI ranks nationally as well. We are aware there are faculty members who are concerned about budget reductions. They have to decide whether to stay in Nevada. If they are potential faculty from out-of-state, they must decide if they want to move to Nevada.

Beyond the rankings of salary and benefits, it is also about environment and whether an individual can contribute to a higher education community that values the opportunities higher education offers in a learning environment.

Part of the challenge in remaining competitive in salary and benefits is maintaining that environment. The chancellor, the Board of Regents and the presidents must identify methods of improving that environment.

Part of the message from the Governor and the Legislature must be that higher education is important. We value the role that faculty members play. It is an important contribution to the development of our future workforce and to grow our economy. We want to be competitive in salary and benefits, support research and provide an environment where the work of family members is valued. When we can instill those ideals, we can begin to reduce the level of anxiety for our faculty members.

MR. KLAICH:

I concur with your comments.

NEAL J. SMATRESK, PH.D. (President, University of Nevada, Las Vegas; Nevada System of Higher Education):

In the past year, UNLV has lost 21 faculty members to other institutions. Today, I am aware of 33 faculty members searching for other positions. The

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 46

quality core of the institution is being deeply eroded. The testimony from Dr. Wells will be echoed by Dr. Glick. University reputations are built on the quality of the faculty. Our faculty is seeing little hope in their employment. The tools we can use to instill hope have turned into frozen salaries, salary reductions, loss of benefits and elimination of tenure and departments.

CHAIR HORSFORD:

Reductions are occurring in most states. A recent article indicated the Governor of Virginia is entering a compact to focus on higher education in that state. Despite the state models where there is an investment in higher education, discuss situations where there are reductions in higher education investments and what is being done in those locations. How can the argument that these are cuts being experienced throughout the country be answered?

DR. SMATRESK:

For better or for worse, the reputation of institutions rests in the top 20 percent of its faculty. The institutions of UNLV, UNR and DRI exist in an internationally competitive marketplace where we are constantly at war with everyone else trying to retain quality faculty or lure the best individuals available to Nevada. The states that have funding to invest are aggressively recruiting the most talented faculty. Good people can go wherever they want and amazing offers are being made.

CHAIR HORSFORD:

Out of 15 WICHE states, and a comparison of 38 public doctoral institutions, full-time faculty salary and benefits packages at UNLV rank 16th for professors and associate professors and 20th for assistant professors. The UNR is ranked 17th, 14th, and 21st, respectively. Those are not horrible rankings.

DR. SMATRESK:

It is not only a matter of salary. Other factors attract faculty, including critical mass, strength of program and ability to interact with others who support, expand and extend their research. I agree the raw salary rankings are accurate and fair.

A part of our commitment is to stabilize program erosion. When we reach the core of the institution we can send the affirmative message that we will build in

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 47

critical areas to support the State economy to make this a better State and protect the programs from further erosion.

CHAIR HORSFORD:

Is it your opinion that the reduction of overall State support has contributed to the anxiety of whether Nevada is a good place for faculty to work?

DR. SMATRESK:

That is a major factor.

CHAIR HORSFORD:

Please provide the Joint Subcommittee with a report on the percentage of State support aligned with the other states in the comparison we have currently.

MR. KLAICH:

We will provide the report.

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

I concur with the previous comments. Utah recruited one of our best grant writers who had been responsible for spinning off businesses from the university in this State. He received a salary increase of \$100,000. More importantly, he also received between \$1 million and \$2 million in start-up support to ensure he could fulfill his dreams and aspirations.

When I arrived at UNR, Nevada faculty salaries were quite reasonable. It covers up differential salaries. It is not how many faculty are lost, but which faculty is being lost. We are losing the wrong people. We lost a faculty member in biochemistry to the University of North Texas because that institution invested about \$25 million in building that area of discipline and the individual also received an increase in salary.

It is also important to maintain the K-12 system because the young individuals who come to NSHE must be prepared to attend higher education institutions and will likely want to raise their children in Nevada.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 48

Many institutions or agencies are making difficult economic decisions. However, I feel NSHE reductions are deeper than most of those. The primary worry of our faculty members seems to be what appears to be the duration of these reductions. Many states project restoration of benefits in two years. Our faculty senses a four- to six-year period before a restoration of benefits. The concern is both the depth and the duration of the reductions.

ASSEMBLYWOMAN SMITH:

These faculty members are individuals who are cognizant of what is happening around the country and consider quality of life and other issues that affect their lives. It is the same thing we hear about whether or not businesses want to locate or relocate in Nevada. Businesses are concerned about the entire school system, our instability, cultural opportunities and health care, among others.

These are well-educated individuals who make decisions about relocating their families after careful research of the location. I hope we all keep in mind the big picture these individuals consider.

There are many privately supported centers on our university campuses. How does it make these investors in those buildings and programs feel when a top researcher is lost? Where will future support come from if these things continue to occur?

DR. GLICK:

When I meet with a potential investor, whether it is a donor or a business, one of their questions is whether I can assure them that what they want to see happen will have the continued support from NSHE. They wonder if when new facilities are opened, faculty will be recruited that maximize value. While facilities are critical, what really matters is the faculty who staff the facilities.

With support of the Legislature, we have had the ability to have magnificent facilities in terms of capacity and capability. The real bottom line is, because of those faculty members, Nevada has ratcheted up its competitive national leadership advantage. The NSHE is still in an evolving condition. We are not as mature as many other higher education systems. We cannot afford to be 50th in the Nation in the likelihood a 19-year old will go to college. We cannot afford

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 49

not to be in the top 20 states in terms of research productivity if we want to achieve future prosperity.

CHAIR HORSFORD:

Has the Board of Regents reviewed what the impact on tuition will need to be? When will the Legislature receive an indication of the amount of tuition increase necessary to minimize the impact of budget reductions?

MR. KLAICH:

The Board has requested information and, as part of its meeting next week, will review the level of increases necessary to bring our current fee structure to the WICHE median. It has also requested information on funds that will be generated by a 10 percent increase in tuition over both years of the biennium. We should have the Board's input as early as next week.

CHAIR HORSFORD:

Please calculate the three-year weighted average based on enrollment growth which would be potentially covered by increased fees.

MR. KLAICH:

We will provide that information.

CHAIR HORSFORD:

What is the rationale from UNLV and UNR in selecting the fields of engineering, architecture, nursing and physical therapy for tuition differential?

MR. KLAICH:

This is a policy change that has been a long time in coming. The Board has struggled with this because the long-term policy was that everyone be treated the same. Rules were applied equally to institutions and students. The policy has changed in recognition that things are different and that for high-cost, high-demand programs there is the ability to charge more but the institution also incurs greater costs to provide education in that field. The institutions have moved slowly. The addition of two more programs in business from UNR and UNLV will be discussed at the upcoming Board meeting. The institutions are slowly and carefully moving to identify areas in which there is a greater ability of students to pay for their education.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 50

The programs the Chair mentioned simply happened to be the first four programs chosen because of need throughout the universities.

CHAIR HORSFORD:

I encourage the Board of Regents to evaluate all programs and the costs of every program to determine whether or not there are additional programs in the future that can move to the differentiated tuition approach.

MR. KLAICH:

We can gather that information for the Joint Subcommittee.

SENATOR KIECKHEFER:

Was an analysis performed in creating the differentiated tuition? Was an evaluation made of each individual's future profession and their ability to repay the tuition in terms of a loan? It costs a lot to train a nurse, but their ultimate salaries are not that high.

MR. KLAICH:

All those were factors in the discussion and it ultimately came down to a balancing act. Potential future earnings, cost and demand are all factors in the decision. The NSHE is trying to move carefully and methodically while still being fair to students. I had a long discussion over differentiated tuition with the student senate at UNLV. Their point was; yes, education in those fields is more expensive to provide, but more individuals are needed in those fields. The student senate wanted to know whether students such as nurses should be charged more for their education, potentially discouraging them from their desired fields.

CHAIR HORSFORD:

Nevada tuition fees are fifth lowest in ranking for two-year institutions and fifth lowest for four-year institutions when compared to other WICHE states. When do we reach a breaking point? Tuition would need to be increased 26 percent at the two-year institutions and 20 percent at UNR and UNLV to reach the WICHE median. Has NSHE or the Board done an evaluation of consequences if tuition was increased by that amount or a by a lower or greater percentage? What impact would the increases have on enrollment, which

student programs would be impacted, and what is the socioeconomic status of those students?

Numbers on a sheet of paper can make the case for tuition increases. The working students or families who are helping their student pay for college, must be taken into consideration when considering tuition increases. If families cannot pay for their educational programs, have we now placed a closed sign on the doors for those students? Even if the doors are open, there are students who cannot afford to walk through it.

MR. KLAICH:

I am not sure there has been a more important matter discussed at this hearing. The hearing has centered on mathematical "stuff." What the Chair has reminded us of are real people whose lives will be changed or will never have the opportunity to be changed, which is even worse.

The Governor recognized this in his State of the State message indicating there should be a set-aside for financial aid to Nevada's disproportionately large, low-income, first-generation college-going population, so that they are not disadvantaged. The percentages just discussed do not take that into account. To a small extent, funding would fill the operating budget hole. It does not take into account the set-aside proposal for financial aid that would otherwise increase the percentage of students who can attend NSHE.

We have not considered the breaking point for tuition costs. We will research that information for the Joint Subcommittee. We know where it will fall. It will fall on real people with lower incomes, first-generation college-going students who are disproportionately persons of color.

CHAIR HORSFORD:

Is there a survey or empirical data to support that argument? I know it because I know the students in the district I represent. Is there data providing a breakdown by various percentages of increase, showing the number of students who will be denied an education?

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 52

MR. KLAICH:

There is national and study data that we can apply to the Nevada experience. I do not want to represent that there is currently Nevada-specific data. We will provide as much information we can find.

ASSEMBLYMAN CONKLIN:

Who will be priced out of an education? There is another side to the argument. Disregarding the individuals who will not have educational access because of social issues, considerations of standards of living and quality of life in Nevada, other people who are denied access to a university should also be considered. It has a direct impact on an individual's wages for a lifetime, not to mention an impact on the State unemployment rate for as long as those individuals are here.

There is another issue of funding our universities. The increase at the community college level just to reach the WICHE median, with data that is skewed downward, is \$500 a year. That is substantial for individuals attending community colleges. It is approximately \$1,000 annually for students at our four-year institutions. Like any other price increase, one cannot simply increase prices 20 percent from one day to the next. If a 20 percent increase at four-year institutions is made, students will be lost.

The number of students lost will impact NSHE finances. As it impacts NSHE finances, it will impact the ability to continue offering certain degree programs. Tuition increases are not a dollar-for-dollar raise because there will be fewer student applicants still creating budget deficits. A diminishing return is taking place associated with price increases. Has NSHE considered what will happen? Can a lower price increase be absorbed, in which not as many students will be lost, and yet have a budgetary benefit?

MR. KLAICH:

It is potentially even worse than the scenario you have stated. Those are not the only two factors involved. In addition, there is a reduction in budget that would otherwise further independently impact enrollment and further drive that total budget picture into a downward spiral. The NSHE will research and provide as much data as possible on this matter to the Joint Subcommittee.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 53

ASSEMBLYMAN HICKEY:

The NSHE is fortunate to have students unlike the ones I shared concerns with in the 1960s who blamed everything on the administration and the faculty. Are the trustees also considering the possibility of salary reductions for both tenured and untenured faculty? Are we only discussing elimination of positions and fee increases?

MR. KLAICH:

The Board intends to consider all tenured and untenured faculty and classified positions in salary reductions. That was the change in policy that allowed for a pass-through of salary reductions up to 6 percent without a declaration of financial exigency. It is a pass-through provision that has signaled the will of the Board that everyone should bear in the sacrifice.

CHAIR HORSFORD:

I want to recognize the Board for the establishment of that policy change. Legislators heard more about the inequity of that policy over the biennium than any other issue. Whatever the ultimate salary reduction decision becomes, it will be handled in a fair and equitable manner within NSHE.

We will now open discussion on the WICHE Western Undergraduate Exchange (WUE).

The State is subsidizing approximately \$30 million in out-of-state costs to nonresidents when we cannot afford to allow students through the doors of our institutions. Why should this subsidy continue? We give students a tuition break to enroll in our programs. There are 1,400 WUE students at UNR at a cost of over \$16 million. That is more than half of the total WUE expenditure. I have a hard time understanding why we would give such tuition breaks to these students when constituents in our legislative districts may not have the financial ability to attend college or university in their own state.

MR. KLAICH:

It is a reasonable statement that any tuition break should be reexamined. The Board has authorized the exemptions over several years. The NSHE must review all policies and ensure they serve legitimate purposes. This is the time to do that.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 54

If WUE provisions were eliminated, we should not assume all of those students would return to practice in Nevada. Some would, but some would not. Your mathematical representation is not accurate.

DR. GLICK:

We are taking actions to reduce the number of WUE students. The ability to discount out-of-state students has value. The UNR and UNLV have made the decision to limit enrollment, not by how many students may enter our institutions. We are accepting all qualified applicants. However, we are limiting the choices they have when they enroll. Certain majors have been limited.

These students pay 50 percent more than resident students. We are not working from the funding formula so this is additional money that is not a cost to the State. These students, on average, do better in their studies, have higher American College Testing and SAT scores and a large number of them become productive Nevada residents.

CHAIR HORSFORD:

When you say they are not costing the State money, they do not cost basic General Fund support allocations but they are filling a seat in a classroom that could otherwise be provided to another in-state student. That is the issue. There are approximately 2,800 WUE students statewide, yet approximately 5,300 students were turned away at CSN. That is my concern.

DR. GLICK:

I do not disagree. At the margin, a given student may not cost General Fund allocations; however, they do utilize State services.

The NSHE is taking actions to reduce the number of WUE students accepted. Do they add value as better students, many of whom stay in the State and become productive citizens? It is my opinion that they do have value. I agree with the Chair that the WUE Program is too generous at this point in time. I am not defending the position that what we are doing should stay as it is.

CHAIR HORSFORD:

Provide Staff with evaluations of the diversity of those students, what programs they enroll in and whether or not they stay in Nevada after graduation.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 55

DR. GLICK:

We have some of that data and will do further research and share our findings with the Legislature.

CHAIR HORSFORD:

Please explain the aspects of the State Public Works Board (SPWB) oversight. Is NSHE requesting an exemption?

MR. KLAICH:

The NSHE is requesting the authority to opt in or opt out of SPWB provisions. On major campuses we have the ability to handle projects on our own; however, that is not the case on the smaller campuses. The smaller campuses should have the ability to opt into SPWB. On larger campuses SPWB provisions simply add to the cost of projects and do not necessarily make it a better project.

SENATOR CEGAVSKE:

There are still questions regarding student unions. I noticed a large difference in the UNLV and UNR presentations. The UNR was much more forthcoming in explaining where funds are spent. The total for UNLV was more than \$6 million and the total for UNR was about \$2 million. I would like more perspective from UNLV regarding funding for the student unions.

Today's discussion went well, but there are many policy decisions yet to be made.

MR. KLAICH:

We will contact you directly and ascertain the exact information you are requesting.

SENATOR CEGAVSKE:

I have been contacted by past consultants for UNLV. I will seek someone from the UNLV business office before I make my requests.

CHAIR HORSFORD:

We will now open the hearing to public comment.

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 56

MATT SMITH (President, Graduate Student Association, University of Nevada, Reno):

I will read from my written testimony ([Exhibit J](#)). Several of my colleagues had planned to speak today; however, they are taking midterm examinations. Ex-Senator Raggio spoke on our campus last week calling for extension of the sunset provision on fees and seeking new sources of revenue.

As a student, a parent and a taxpayer, I hope you will listen to Senator Raggio's wisdom as well as the calls from multiple polls and significant numbers of your constituents who specifically asked to have their taxes raised at the town hall meeting one month ago.

A large student rally will be held in front of the Legislature on March 21, 2011.

MARIA SHEEHAN, ED.D. (President, Truckee Meadows Community College, Reno):
Coming from another state, I can make comparisons of our budget reductions with those of other states. The concern is the magnitude of the reductions over an extended period of time. Not only is it putting at risk our opportunity to bring qualified faculty to our institutions, it is having an impact on our infrastructure.

As we look forward to how we will lead our institutions, we must be aware NSHE is the designated excellent faculty poaching spot. We just lost an administrator to Ohio State University. We are in the unique position of having a difficult time finding candidates to replace a vice president.

It is well known that the level of State support in Nevada is diminishing at such a rapid rate it is putting at risk not only our ability to hire excellent faculty, but not allowing us to provide great leadership. The impacts are felt administratively and in our ability to recruit faculty.

CHAIR HORSFORD:

Much ground has been covered. There is much more work to be done. Key policy decisions are needed. My hope is we can restore some confidence and reflect leadership at all levels. Discussions must include the Executive Branch, Legislative Branch, Board of Regents and institution president levels to instill confidence that there is a plan. We will make the necessary adjustments in the short term to ensure a sustainable higher education system that provides

Joint Subcommittee on K-12 Education/Higher Education
Senate Committee on Finance
Assembly Committee on Ways and Means
March 3, 2011
Page 57

support to students at the community college, State college and university levels including research institutions.

Seeing no further business before this Joint Subcommittee, the meeting is adjourned at 11:28 a.m.

RESPECTFULLY SUBMITTED:

Cynthia Clampitt,
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	Daniel Klaich, NSHE	The State and the System document
	D	Carl Shaff, WICHE	WICHE pamphlet
	E	Carl Shaff, WICHE	Nevada and 50 Years of WICHE
	F	Carl Shaff, WICHE	2007 Economic and Professional Impact Report
	G	Carl Shaff, WICHE	Nevada Office of Rural Health, 1998 to 2007 Impact of Nevada WICHE on Nevada Economy
	H	Senator John J. Lee	Letter to Committee members
	I	Senator John J. Lee	Written testimony
	J	Matt Smith	Written testimony