

BDR 34-28

AB 331

EXECUTIVE AGENCY FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: March 31, 2017

Agency Submitting: Nevada System of Higher Education

| Items of Revenue or Expense, or Both | Fiscal Year 2016-17 | Fiscal Year 2017-18 | Fiscal Year 2018-19 | Effect on Future Biennia |
|-----------------------------------------|------------------------|------------------------|------------------------|-----------------------------|
| | | | | |
| Total | 0 | 0 | 0 | 0 |

Explanation

(Use Additional Sheets of Attachments, if required)

Please refer to the Attachment titled "NSHE Explanation_Exhibit_BDR 34-28."

Name Heidi Haartz

Title Assistant Budget Director

GOVERNOR'S OFFICE OF FINANCE COMMENTS

Date Monday, March 27, 2017

The agency's response appears reasonable.

Name Susan Brown

Title Executive Budget Officer

The proposed legislation would deconsolidate the existing Nevada System of Higher Education by transferring the existing community colleges into the Nevada System of Community Colleges. The legislation appears to include comprehensive revisions to existing statute, granting the Nevada System of Community Colleges the same rights and responsibilities as the existing Nevada System of Higher Education. Additionally, the legislation proposes the creation of a board of trustees for each community college transferred to the new System, expansion of existing Boards and Commissions to include representatives of the proposed System, and creation of the Articulation and Transfer Board.

At this point in time, it is not possible to project the fiscal impact associated with the proposed legislation on the Nevada System of Higher Education or for the proposed Nevada System of Community Colleges.

As a point of reference, the FY 2017 State Operating Budget for the System Administration office, for the Nevada System of Higher Education, totals approximately \$4.82 million and includes a staff of 26.5 FTE. The System Administration office performs functions related to budget, audit, policy, academic affairs, and administration. It is not anticipated that these core functions would change if the proposed legislation were enacted; therefore, it is unlikely significant cost savings would be realized. Similarly, it appears that many of these functions would need to be replicated within the proposed Nevada System of Community Colleges, which would necessitate an additional annual appropriation of approximately that same amount.

NSHE anticipates direct costs associated with the elimination of consolidated functions and services, such as classified human resources, employee benefits, payroll, insurance (worker's compensation, unemployment, property insurance, etc.), campus safety and policing, purchasing, contract management, property and endowment administration, operating pool administration, treasury, central governance, networking and system computing, internal audit, budgeting, finance (including the integrated financial system, going live in October 2017) and financial aid administration. It appears that many of the back office services, currently administered by the Nevada System of Higher Education, would either need to be assessed to the new entity on a cost basis or provided for separately. Legal costs would be associated with the transfer of community college assets, such as employee records, property, and endowment funds. Based on the transition costs incurred during the current biennium for the schools of medicine at the University of Nevada, Reno and the University of Nevada, Las Vegas, it is anticipated that the proposed creation of the Nevada System of Community Colleges and the transfer of the community colleges to the proposed System would create significant costs.

Ultimately, the fiscal impact to the proposed Nevada System of Community Colleges would be dependent upon the operational decisions made by the State Board for Community Colleges, the Executive Director, and Board of Trustees for each community college. If the proposed system has a similar organizational structure and operating budget and purchases back office services from the Nevada System of Higher Education, those costs would total several million dollars per fiscal year.

The proposed legislation would allow the Office of Economic Development to grant tax abatements to eligible businesses, making a capital investment of at least \$1 million in programs offered by a community college within the Nevada System of Community Colleges. This could result in a reduction in anticipated tax revenues in the future.

Other state agencies that may project a fiscal impact include the following:
Purchasing Division,

Department of Education,
Governor's Office,
Public Employee Benefits Program Board,
Technical Advisory Committee on Future State Revenues,
Department of Veteran's Services, and
Division of Public and Behavioral Health.