

**SPECIAL MEETING
VIDEOCONFERENCE
BOARD OF REGENTS
NEVADA SYSTEM OF HIGHER EDUCATION**

System Administration, Las Vegas
5550 West Flamingo Road, Suite C-1, Conference Room
System Administration, Reno
2601 Enterprise Road, Conference Room
Great Basin College, Elko
1500 College Parkway, Berg Hall Conference Room
Wednesday, May 2, 2007

Members Present:	Mr. Bret Whipple, Chair	<i>{Las Vegas}</i>
	Dr. Jack Lund Schofield, Vice Chair	<i>{Las Vegas}</i>
	Mr. Mark Alden	<i>{Las Vegas}</i>
	Mr. Cedric Crear	<i>{Las Vegas}</i>
	Dr. Thalia M. Dondero	<i>{Las Vegas}</i>
	Mrs. Dorothy S. Gallagher	<i>{Reno}</i>
	Dr. Jason Geddes	<i>{Reno}</i>
	Mr. Ron Knecht	<i>{Las Vegas}</i>
	Mr. James Dean Leavitt	<i>{Las Vegas}</i>
	Mr. Howard Rosenberg	<i>{Reno}</i>
	Mr. Steve Sisolak	<i>{Las Vegas}</i>
	Mr. Michael B. Wixom	<i>{Las Vegas}</i>
Members Absent:	Dr. Stavros S. Anthony	
Others Present:	Chancellor James E. Rogers	<i>{Las Vegas}</i>
	Executive Vice Chancellor Daniel Klaich	<i>{Las Vegas}</i>
	Interim Vice Chancellor, HSS, Marcia Turner	<i>{Reno}</i>
	Vice Chancellor, Academic & Student Affairs, Jane Nichols	<i>{Reno}</i>
	Vice Chancellor, Finance, Mike Reed	<i>{Reno}</i>
	Associate Vice Chancellor, Technology, Kenneth McCollum	<i>{Las Vegas}</i>
	Chief Counsel Bart Patterson	<i>{Las Vegas}</i>
	President Richard Carpenter, CCSN	<i>{Las Vegas}</i>
	President Paul T. Killpatrick, GBC	<i>{Elko}</i>
	Executive Vice President Chris Maples, DRI	<i>{Las Vegas}</i>
	President Fred Maryanski, NSC	<i>{Las Vegas}</i>
	Vice President Delores Sanford, TMCC	<i>{Reno}</i>
	President David B. Ashley, UNLV	<i>{Las Vegas}</i>
	President Milton D. Glick, UNR	<i>{Reno}</i>
	President Carol A. Lucey, WNCC	<i>{Reno}</i>
	Chief Executive Officer of the Board Scott G. Wasserman	<i>{Las Vegas}</i>

Chair Bret Whipple called the meeting to order at 8:32 a.m. on Wednesday, May 2, 2007 with all members present except Regents Anthony and Sisolak.

Regent Schofield led the pledge of allegiance.

1. Information Only-New Business – Chair Whipple observed that this could possibly be the last meeting held at the Las Vegas System office since the office would be relocating. He encouraged Regents to preview the office space currently under consideration, paying specific attention to the size of the conference room. He related that Scott Wasserman had reported that the new conference room was smaller than the existing conference room space.

Chief Counsel Patterson said that the new conference room was approximately two-thirds the size of the current one, adding that it is wider but not as long. In response to Chair Whipple's questions, Chief Counsel Patterson indicated that the new conference room could be enlarged. Chancellor Rogers cautioned against remodeling and suggested better utilization of furniture suited to the new space. He felt the building was fairly well designed.

Chair Whipple asked about the timeline regarding a decision to move. Chancellor Rogers replied they hoped to be out of the current building by June 30th coinciding with the expiration of the current lease. Chief Counsel Patterson stated there was no agreement to move and that part of the negotiations would include plans for the interior space. He noted that more changes would result in greater costs.

Regents Dondero and Schofield indicated their intent to preview the building. Chair Whipple encouraged all Regents to preview the building.

2. Approved-Report on 2007 Session of the Nevada Legislature – The Board approved reaffirming the Board's priorities for the proposed System budget.

Executive Vice Chancellor Dan Klaich reported to the Board regarding recent activities concerning the 2007 Session of the Nevada Legislature, including, but not limited to, the status of the NSHE 2007-09 budget requests, including both operating and capital budgets, and pending legislation impacting higher education. The Board reaffirmed its priorities regarding the budget request being considered by the Legislature.

Executive Vice Chancellor Klaich indicated that this special meeting was being held due to the release of figures from the Economic Forum held the previous day.

Vice Chancellor Mike Reed stated that the Economic Forum had announced that growth rates for the State of Nevada were increasing, however, at lower than anticipated levels. General Fund revenues are now predicted to be \$6.835 billion, which is less than the November 30th projections (*based on a 5% growth rate in FY08 and a 6% growth rate in FY09*). The net result is a shortfall between the November 30th projections and the May 1st projections of \$109,476,056. The shortfall is attributed to reductions in sales tax and gaming revenues. Although both are growing at a positive rate, it is lower than anticipated. Clark County has been going through the last part of a construction cycle and is about to enter another construction cycle. Until this occurs within the next two years, revenues will be lower than projected. Part of this shortfall is seen in taxable sales. Car sales and taxes are 4% below last year, while furniture sales tax revenues are down almost 60%. Sales tax and gaming fee revenues constitutes approximately 66% of the state's General Fund revenue budget. It is currently unknown how the \$109 million

2. Approved-Report on 2007 Session of the Nevada Legislature – (Cont'd.)

shortfall relates to the governor's budget cuts, any possible surplus and K-12 funding. Until those three issues are answered it is unknown what these figures mean.

Executive Vice Chancellor Klaich related that it could have been worse. Shortly into the budget cycle these trends were identified and the governor reacted to them and requested a number of cuts in all agencies' budgets. Because the governor reacted to these trends early the impact was minimized.

Regent Sisolak entered the meeting.

Regent Knecht observed that early reports reference a \$110 million shortfall and that there could be up to \$75 million more, which was within the range of the governor's original projection for a \$137 million shortfall.

Executive Vice Chancellor Klaich acknowledged that staff had heard some of the same comments and had unsuccessfully attempted to identify the source of the \$75 million. He said they could only report what they had seen so far, which was in line with what staff had been hearing for the last 60 days.

Regent Crear asked at what point a definitive figure would be available. Vice Chancellor Reed said the Economic Forum had indicated they hoped to have outstanding issues resolved by the end of this week.

Executive Vice Chancellor Klaich clarified there was the issue of state revenues and where the state is and the separate issue of where the System is. He felt it would be much closer to the end of the session before the System would have any definitive answers.

Executive Vice Chancellor Klaich reported that the governor had announced his desire to reduce all agency budgets by approximately \$130 million about 30 days ago. The System's share was approximately \$32.8 million. The Chancellor's reluctance to cut the System's budget served the System extremely well because a savings was later identified in the Medicare area. The System has been directed to meet with the Legislative Counsel Bureau (LCB) staff to develop a plan with priorities, identifying what is desired from this legislative session. It was then announced that the System needs to cut only \$10.8 million (*rather than the \$32.8 million*). He explained that the System's \$48 million enhancement budget had been recommended to the Legislature by the governor. A reduction of \$11 million yields \$37 million. He related that an enhancement is any increase to the formula funding. He recalled that the governor had recommended a 1% increase in formula funding, which still left some institutions at a budgeted level below their current service level. The recommended funding in the governor's budget for maintaining current service levels is considered an enhancement, though most of the Presidents do not consider these funds an "enhancement". The governor recommended approximately \$17 million in formula funding and approximately \$17 million for maintenance of current service levels. The Board had bundled two other items in its core priorities: 1) funding of the transfer of the Nye County service area to GBC and 2) funding of some critical administrative positions at DRI. Those four priorities totaled \$37 million, which became the prioritized recommendations to the legislature for enhancement funding.

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A discussion ensued regarding the specific priorities totaling \$37 million:

- Formula funding - \$16.3 million.
- Maintain current service levels - \$18 million.
- Critical administrative positions at DRI - \$1.752 million.
- Transfer of Nye County service to GBC - \$426,000.

Regent Knecht established that these figures were based upon 2006 projections and 2007 actual enrollments. Executive Vice Chancellor Klaich agreed, adding that it equated to a hole in the institutions' budgets. Regent Knecht objected to characterizing the "hold harmless" money as current service levels because he felt it equated to claiming that with a reduction in student population there are zero net savings or cost reductions. He did not believe that was so and felt it could be used to the System's detriment when student populations increase. He viewed it as a way of allowing the institutions and the System to respond on a measured basis, but it was not a matter of maintaining current service levels. Executive Vice Chancellor Klaich disagreed and explained that the extreme volatility in enrollment in this biennium is based on a number of policy decisions jointly made by the legislature, the Board of Regents and the executive branch that have had predictable results on student enrollment (*e.g., increased quality, increase selectivity, increased efficiency, increased entrance and millennium core requirements*). He felt the state had an obligation to protect against such an impact. He foresaw a vicious downward spiral in the services the institutions will be able to provide.

Regent Knecht said he was concerned that this does not occur when the situation is reversed, and for the System's credibility if it were mischaracterized. He said he was not arguing against the hold harmless funding. He said the institutions are reasonably unable to respond instantaneously in real time with their budget cuts as the student population increases and/or decreases. He felt the hold harmless funding provided a buffer.

Executive Vice Chancellor Klaich said it is unlikely for the System to assume that they will emerge from the legislative session with the funding gap completely filled. The governor's budget was original constructed based on 2006 enrollments, adding that the hold harmless recommendation was also based on that projection. The situation has changed so dramatically that some gap in funding will occur.

Regent Wixom indicated that he wanted the Board to work through the reasoning as a group.

Chancellor Rogers said that the meeting had been called to inform the Board of the System's directions. He did not want the Board unraveling all of their strategies, or having to defend Regent Knecht's position. He asked the Board to consider the System's strategies as they move forward.

Regent Wixom asked if, because of the unique nature of formula funding and the System's past astronomical growth, policy decisions were made that affect the System's ability to reach and achieve its mission and what was thought to be achieved in concert with the Legislature. He observed that unlike other businesses, the students' population does not directly correspond to the cost of the delivery. Executive Vice Chancellor

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Klaich agreed, adding that the institutions cannot turn on a dime to reduce their budgets by 10% without severe financial exigencies.

Regent Wixom stated that although he agrees conceptually with Regent Knecht, the bottom line is that, over the short-term, the inherent cost of delivery will not decrease even if student enrollments decline. Unless the System and the legislature work on the funding formula, a situation remains that prevents funding of the cost of delivering the services.

President Carpenter stated that there is a classic misunderstanding of the enrollment statistics. He said that CCSN is serving 1,100 students more this spring than were enrolled last spring. Without the hold harmless they are placed in a position of serving the increased number of students on a reduced budget. He also indicated that the money received from the state to double the nursing students amounted to only approximately 20% of the actual program costs. The System has a history of being placed in such a position when the projections for enrollment growth are not met.

Regent Crear stated that because there are fewer students does not mean the System should provide less quality and services. It is unfortunate that the System is limited to funding based on FTE.

Regent Alden indicated that this meeting is to provide an update, not to dismantle what has already occurred. This is not the place and time to discuss theory. He stated that the Board has given this responsibility to the Chancellor.

Regent Knecht clarified his intentions, stating that he was not opposed to the hold harmless concept and that he does support it.

Regent Schofield left the meeting.

Regent Knecht stated that he specifically said that he did not expect that reductions in projected student counts would result in proportional reductions in the total budget. He recognized the differences between short-term and long-term marginal costs.

Regent Alden left the meeting.

Regent Knecht disagreed with the statement that a reduction in actual enrollments versus projected student counts results in zero cost savings. He encouraged Board members to return to the discussion of the problem at hand and not become distracted with characterizing what others have said.

President Ashley said that all of the presidents had agreed that maintaining the current service levels was a number one priority.

Chair Whipple observed that this was an agreed upon priority.

President Ashley said the legislature had proposed the language of “maintaining current service levels,” which is how they understand it.

Regent Alden entered the meeting.

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President Ashley continued that UNLV's adverse financial condition is a product of the formula rather than a reflection of the legislature. UNLV had experienced growth over two of the three years with a positive net result of 0.73%.

Regent Schofield entered the meeting.

He related that when applying the formula, UNLV loses approximately \$26.1 million from the current level of state funding even though positive enrollment growth occurred over the three year average. Additionally, because fewer students were enrolled this year than the previous year, there is an additional \$28 million shortfall, resulting in an approximate \$54 million total shortfall. UNLV has a fairly level student enrollment but needs to internally shift their resources so that instructional delivery matches the programs that the students are in. Facing an 11% base budget cut would be devastating.

Regent Sisolak acknowledged that formula funding is very complicated. In theory, he agreed with Regent Knecht, but the System has very high fixed costs and little to no variable costs. A reduction in student enrollment does not relate to a reduction in the cost of delivery. The System needs to do a better job of explaining this publicly.

Regent Wixom did not sense disagreement among the Board, the Chancellor and Executive Vice Chancellor.

Regent Wixom moved to reaffirm the priorities previously identified by Executive Vice Chancellor Klaich.

Executive Vice Chancellor Klaich suggested that conceptual priorities would be more beneficial.

Regent Wixom withdrew his motion.

Regent Crear left the meeting.

Chair Whipple expressed his appreciation for Regent Wixom's willingness to move forward with a motion.

Regent Crear entered the meeting.

Regent Wixom moved approval of reaffirming the Board's priorities: formula funding at the governor's original proposal of 85.5%; maintenance of current service levels; funding of the administrative positions at DRI; and funding the transfer of service area at GBC. Regent Knecht seconded.

In response to Regent Sisolak's question, Chair Whipple stated that the matter was not closed. Regent Leavitt questioned the necessity for the motion if it is reiterating the

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Board's previous motion. Executive Vice Chancellor Klaich assured Regent Leavitt that it would be helpful to reaffirm the Board's position.

Chancellor Rogers stated that staff has been very consistent in their approach at the Legislature, adding that it was very important that they have the Board's support.

Upon a roll call vote the motion carried. Regents Schofield, Sisolak, Whipple, Wixom, Alden, Crear, Dondero, Gallagher, Geddes, Knecht, Leavitt and Rosenberg voted yes. Regent Anthony was absent.

Regent Geddes asked how the discussion on tax abatement impacted the System (*NSHE is tax-exempt*). Executive Vice Chancellor Klaich stated that there are certain tax abatements available if new construction is LEED certified. It so happens that there are construction projects within the System that are LEED certifiable. Regent Geddes indicated that there seemed to be discussion attributable to System buildings. Executive Vice Chancellor Klaich said that the question being asked is if it was beneficial to the System to invest millions of dollars into buildings to make them LEED certifiable. He indicated that it was worth it for the System.

Regent Knecht requested the opportunity to address the overall lobbying effort under New Business.

3. Information Only-Public Comment – None.

1. Information Only-New Business – (Cont'd.)

Chair Whipple thanked the Board for coming together on such an important issue.

Regent Knecht felt that Governor Gibbons had shown extraordinary leadership and had been fair to higher education. He expressed his general concern that there are instances where the System's staff or representatives are dissipating its credibility and undermining higher education. He conveyed that System representatives are currently distributing a 20-page bibliography on all-day kindergarten to the Legislature. He expressed his concern for the negative ramifications that these types of lobbying activities will have on the future funding of higher education. Similarly there are System representatives promoting higher tax levels.

Chief Counsel Patterson advised caution, clarifying that under "New Business" items may be requested for further discussion on a future agenda.

Regent Knecht felt that System is ill served by advocacy of issues outside of its purview. Initiatives such as all-day kindergarten and taxes were examples of that.

Regent Leavitt expressed his support of Regent Knecht's comments and requested that there be an opportunity on a future agenda to discuss these concerns. He expressed concern that advocating for K-12 issues would come at the expense of the NSHE budget. He did not believe the Board had provided direction for the lobbyists to advocate for K-12.

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Regent Leavitt reported that this Thursday at 3:45 pm, the Assembly Committee on Constitution Amendments will hear testimony on SJR 4. He has recently heard that members of the System staff and the lobbyists are advocating for passage of SJR 4. He is extremely troubled that there has been lobbying efforts contrary to the policy decision adopted at the last meeting. He wants to present the most compelling case for the Board's position. He asked the Chancellor and the lobbyists whether this was true.

Executive Vice Chancellor Klaich stated that he has not testified in favor of SJR 4. However, it appears this bill has significant support from both sides of the legislature and will not be easily defeated.

Chancellor Rogers stated that he had taken a position (*in support of an appointed Board*) prior to the Board's policy decision. That is his opinion and has been for some period of time.

Regent Leavitt observed that Chancellor Rogers had previously been in support of an elected board and asked what may have changed philosophically to alter that position.

Chair Whipple expressed his concern for the direction that the conversation was taking and requested that the Regents express their opinions of SJR 4 at the legislative hearing on Thursday.

Chair Whipple asked System lobbyists, Mr. Josh Griffin and Mr. Tim Crowley if they have lobbied for or against SJR 4. Mr. Griffin replied that they had not and offered to clarify their position with the legislators. Mr. Crowley stated that the only conversations that have taken place could be qualified as vote counting. He indicated that neither lobbyist had advocated for the passage of SJR 4.

The meeting adjourned at 9:44 a.m.

Scott G. Wasserman
Chief Executive Officer of the Board of Regents

Approved by the Board of Regents at the June 21-22, 2007, meeting