

SPECIAL MEETING
VIDEOCONFERENCE
BOARD OF REGENTS
NEVADA SYSTEM OF HIGHER EDUCATION
College of Southern Nevada
6375 West Charleston Boulevard, Las Vegas
Building D, Room 101
System Administration, Reno
2601 Enterprise Road, Conference Room
Great Basin College, Elko
1500 College Parkway, Berg Hall Conference Room
9:00 a.m., Tuesday, February 2, 2010

Members Present: Mr. James Dean Leavitt, Chairman
Dr. Jason Geddes, Vice Chairman *{Reno}*
Mr. Mark Alden
Dr. Andrea Anderson
Mr. William G. Cobb
Mr. Cedric Crear *{teleconference}*
Mrs. Dorothy S. Gallagher
Mr. Ron Knecht
Mr. Kevin J. Page
Dr. Jack Lund Schofield
Mr. Michael B. Wixom

Members Absent: Mr. Robert Blakely
Dr. Raymond D. Rawson

Others Present: Chancellor Daniel J. Klaich
Executive Vice Chancellor & CEO, HSS, Maurizio Trevisan
Vice Chancellor, Academic & Student Affairs, Jane Nichols
Vice Chancellor, Administrative & Legal Affairs, Bart Patterson
Vice Chancellor, Finance, Mike Reed
Vice Chancellor, Health Sciences System, Marcia Turner
Vice Chancellor, Information Technology, Robyn Render
CEO & Special Counsel to the Board, Scott Wasserman
President Michael D. Richards, CSN
President Stephen G. Wells, DRI
Dr. Mike McFarlane, Vice President, Academic Affairs, GBC
President Fred Maryanski, NSC
President Maria C. Sheehan, TMCC
President Neal J. Smatresk, UNLV
President Milton D. Glick, UNR
President Carol A. Lucey, WNC

Also present were faculty senate chairs Mr. N. Mark Rauls, CSN; Mr. Gregory Robinson, NSC; Mr. Jim Lowe, NSHE; Dr. John Filler, UNLV; and Dr. P. Elliott Parker, UNR. Student government leaders present included Mr. Nathaniel Waugh, ASCSN President, CSN; Ms. Amsala Alemu-Johnson, NSSA President, NSC; Mr. Adam Cronis, CSUN President,

UNLV; Ms. Jessica Lucero, GPSA President, UNLV; Mr. Eli Reilly, ASUN President, UNR; and Ms. Jillian D. Murdock, GSA President, UNR.

Chairman James Dean Leavitt called the meeting to order at 9:28 a.m. on Tuesday, February 2, 2010, with all members present except Regents Blakely and Rawson.

1. Approved-FY 2009-2011 Budget Reduction (Agenda Item #1) - The Board of Regents heard a report on the findings discussed at the January 22, 2010, meeting of the Economic Forum on the declining total general fund revenues for the current biennium. The Board authorized the Chancellor to address the legislature, whether in regular or special session, if possible, to seek the ability for the System/institutions to have the authority to carry forward balances in general fund appropriations from one fiscal year to the next. (*Ref. BOR-1 on file in the Board office*).

Chancellor Klaich began his presentation by stating that shortly after the Board's last regular meeting there was a call for budget reduction plans of 1.4 and 3%. He had responded to that call by indicating, on behalf of the Board, that only the Board could approve the System's budgets or respond to requests for reductions and that it could not approve a plan in the time required. On the day that initial call was due, December 15, 2009, the Governor's Budget Director issued additional calls for reductions of 6, 8 and 10%. This new call was to be responded to by January 5, 2010. Chancellor Klaich stated that although there was no reasonable possibility of responding to that request within the time required, a great deal of time had been spent on analyzing revenue projections and he had become more and more convinced that the current revenue shortfall would only increase and that action would be required.

Chancellor Klaich related that on January 4, 2010, he asked the institutional presidents to prepare statements detailing the impact that reductions of 8% would have on their respective campuses. Eight percent was the chosen number as that equated to approximately a \$350 million revenue shortfall. At the time, that response seemed reasonable. He indicated that he had discussed this direction with the Chairman and Vice Chairman of the Board and then wrote to the Budget Director, indicating that the Board would hold a special meeting to consider the impacts of reductions at the 8% level.

Chancellor Klaich stated that he and the presidents have met weekly. As the Economic Forum approached in January, reports of a growing deficit became more and more common. Chancellor Klaich stated that when the findings of the Economic Forum were finally announced, the projections were so terrible that all of the planning up until that date became moot.

Almost immediately after the Economic Forum projections were released, Chancellor Klaich met with the presidents and asked them to prepare impact statements should their budgets be reduced by 22%.

➤ Budget Impacts:

- A 22% cut in General Fund appropriations (*effective 3/1/2010*) equates to a \$37 million cut in FY 2010, and a \$110 million cut in FY 2011 for the NSHE.
- Cutting NSHE budgets by an additional \$110 million in FY 2011 would result in a cumulative percent cut of 29.4 from FY 2009 Legislative approved amounts.

1. Approved-FY 2009-2011 Budget Reduction (Agenda Item #1) – (Cont'd.)

Chancellor Klaich stated that he and the presidents feel it was important for the Board to understand that the System was being asked to unwind almost a decade of significant progress in higher education and that it was being asked to do it in within a few weeks time. This should not be confused with the kind of carefully thought out plans that would normally accompany changes of this magnitude. The Board also needed to understand the cumulative effect of a series of budget cuts, as the latest and largest of the reductions, it is being built on top of a series of other debilitating cuts. Chancellor Klaich also provided a reminder that in the last session of the Legislature, the NSHE took the largest cut of any major state agency, some of which had actually increased in their appropriations.

➤ Cumulative Impacts for Fiscal Year 2010:

- General Fund Appropriations:
Budgets for the current fiscal year have already been reduced 13.4%:

FY2009

<u>(Leg. Approved)</u>	<u>Actual Reduction</u>	<u>FY2010</u>	<u>Percent</u>
\$683 Million	\$91 million	\$592 million	-13.4%

- Additional cuts in this year could result in an overall cut for FY2010 of 18.7%:

<u>FY2009</u>	<u>Potential Additional</u>	<u>FY2010</u>	<u>Percent</u>
<u>(Leg. Approved)</u>	<u>Reductions at 22%</u>		
\$683 Million	\$38 million	\$556 million	-18.7%

➤ Cumulative Impacts for Fiscal Year 2011:

- General Fund Appropriations:

<u>FY2009</u>	<u>FY2011</u>	<u>Potential Additional</u>	<u>FY2011</u>	<u>Percent</u>
<u>(Leg. Approved)</u>	<u>(Leg. Approved)</u>	<u>Reductions at 22%</u>		
\$683 Million	\$592 million*	\$110 million	\$482 million*	-29.4%

*Includes \$92 million in stimulus funds received under the *American Recovery and Reinvestment Act of 2009*

Chancellor Klaich related that, in order to meet the cuts, the campuses in the System have already made significant operating cuts. At CSN, the Henderson business operations have been closed and the Tropicana site that had started to improve articulation to UNLV was closed. At UNR, 281 positions equal to 13% of the state funded work force were eliminated along with sharp reductions in the writing and math centers. NSC, with a thin start up staff, eliminated a Vice President position. GBC deferred \$1 million in maintenance and left 10-12 vacant positions unfilled, equal to 10% of its workforce. WNC has had a hiring freeze in effect since 2007 that has led to dramatic reductions in faculty and staff numbers while instituting a voluntary workload increase. DRI, also extremely thin on state support, eliminated a Vice President position and terminated a decades-long cloud seeding program. UNLV eliminated 100 faculty and 281 staff positions, cut over 100 class sections and 30% of the budget for part-time

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instructors. UNLV also merged two of its colleges. TMCC reduced its testing center, its career center and its placement center, combined two Vice President positions into one, and is down 59 positions. All of these actions were in response to prior budget cuts.

Chancellor Klaich stated that that while the size of this current budget deficit has surprised everyone, the campuses have been managing their institutions with one eye on the budget all along. There should be no misconception that any institution is divorced from reality and is not acting accordingly. While trying to protect core missions, every president has already taken action in anticipation of further cuts such as hiring freezes, cancellation of Operation and Maintenance, the closure of programs, units and centers and institutes, the implementation of stronger enrollment management practices, delays in purchases, the limiting of travel and so forth. However, these are activities that produce savings in the low single digits and not the kind of reductions that may be implicated here.

➤ Budget Impacts to Date:

▪ Actions Already Taken (*since FY 2008*)

- ✓ Programs eliminated;
- ✓ Centers and units closed;
- ✓ Hiring freezes and furloughs; and
- ✓ Facility maintenance deferred.

▪ Student Impacts

- ✓ Fee increases & surcharges;
- ✓ More students;
- ✓ Larger course sections; and
- ✓ Most services for students reduced or eliminated.

Chancellor Klaich related that the NSHE's institutions are changing and not for the better. In years to come the System will see the dramatic impacts of these cuts in terms of fewer enrolled students, greater time to degree completion for those students that are enrolled and further declining graduation rates that will all result in long-term impacts to the state's economy. The state will not meet the demands of employers in building the new knowledge-based economy Nevada needs to come out of this recession.

Chancellor Klaich stated that there would be no easy or simple way to make cuts of this magnitude. Nor is there any way to fully mitigate the impacts. Before cuts are spread to campuses and units of the System, he felt that the System needed to 1) applaud all those in leadership that are thinking outside the box when approaching this crisis and trying to find ways to manage, rather than cut, through it. Creative and courageous thought are being encouraged to ensure that actions taken in this short term do not cripple the State for years to come; 2) encourage the State to do everything within its power to take actions to reduce the overall revenue shortfall before spreading any cut to the agencies. This could include a myriad of actions from cash flow and one time sweeps to much more difficult actions. The System has provided a partial list of suggestions to the Governor; and 3) to undertake a similar analysis as requested of the State, in looking at every savings that could be found on a System-wide basis to reduce the budgets before the reduction is "spread". This could take a variety of forms from obvious to very

1. Approved-FY 2009-2011 Budget Reduction (Agenda Item #1) – (Cont'd.)

difficult, including the consolidation or elimination of back office and System-wide operations which seem to be duplicative. At that level, the System needs to be prepared for discussion on possible restructuring. A number of System task forces will be appointed that will be narrowly charged to review areas for structural changes and potential savings. These groups will be tasked to report recommendations to the Chancellor so that they can be included in a report to the Board.

Chancellor Klaich stated that before he could address what these cuts really meant, he first wanted to provide an idea of the magnitude of cuts currently being considered. First, in order to meet cuts of this magnitude, budgets would have to be reduced in amounts that exceed the budgets of entire colleges. While Chancellor Klaich was not proposing, and would not expect the Board to react in this fashion, this did provide an idea of the size of cuts presently being talked about.

- Statewide budget reductions of \$110 million annually could be met by:
 - Scenario #1:
 - ✓ Close CSN
 - ✓ Close NSC
 - Scenario #2:
 - ✓ Close GBC
 - ✓ Close TMCC
 - ✓ Close DRI
 - ✓ Close the Law Schol
 - ✓ Close the Dental School
 - ✓ Close the Medical School
 - Scenario #3:
 - ✓ Close NSC
 - ✓ Close GBC, TMCC, and WNC
 - ✓ Close UNR Athletics
 - ✓ Close UNLV Athletics
 - ✓ Close the Agricultural Experiment Station (*UNR*)

Secondly, a cut of this magnitude will roll back state funding of higher education to approximately the 2002 level, and could affect the 20,843 additional students that have been enrolled since 2002.

- Fill the \$110 million cut with Student Fees:

	2010-11 Approved Reg. Fee	New Rate	Percent Increase
Universities (undergrad)	\$156.75	\$232.09	48%
Universities (graduate)	\$239.50	\$345.61	48%
State College	\$113.25	\$167.68	48%
Community Colleges	\$69.25	\$102.53	48%

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This is a difficult, if not absurd process to try to detail the exact impacts that cuts of this magnitude would have on the campuses and the System. However, the Chancellor, presidents and System staff have tried to quantify the results as best as possible. Chancellor Klaich indicated that he has cautioned the presidents to be as realistic as possible. \$110 million dollars could be found through pay reductions and furloughs but the System could not implement any of the following options without declaration of financial exigency.

- \$110 million cut through pay reductions, furloughs and layoffs - 3 difficult choices:
 - Approximately 20 percent pay cut across the System;
 - At least an additional 5 furlough days per month;
 - ✓ 6 furlough days per month total.
 - ✓ Significant impact on productivity.
 - ✓ Net reduction in work hours to .74 FTE.
 - At least an additional 1,290 layoffs.

This reduction could be passed on to the students by placing a selective tax on them, increasing fees System-wide by approximately 50% on top of the 39% that fees have already increased over the last five years. This equates to about \$2,200 a year to a full time Nevada resident attending UNR or UNLV. Of course this assumes that all students would be able to remain in college at these increased levels or that the institutions would be able to serve them – neither are reasonable assumptions, making the real increase likely even larger. Chancellor Klaich also asked to keep in mind that this puts low income and under-represented students and their families particularly at risk due to the extremely low level of need-based financial aid in Nevada.

Finally, cuts of this magnitude could be spread among the campuses with direction that they deal with it. It was more likely that any reduction plan would include a combination of all of these areas, and not just one sole area.

Within the limited time available, the Chancellor and presidents have attempted to detail for the Board what this means for the NSHE and the State of Nevada. Chancellor Klaich emphasized that he has asked the presidents to bring forward sustainable plans that could be lived with as the current financial crisis could not be expected to recover quickly.

- Presidential Projections if Institutions take \$110 million cut:
 - Approximately 15,750 students unable to enroll (*14 % of fall 2009 students*).
 - Approximately 7,600 fewer FTE generated.
 - Decrease in Full Time faculty and staff of approximately 1,025.
 - Elimination of operating, travel, student wages, library support, closure of remote campuses.
 - Elimination of about 70 academic programs, centers and departments.
 - Increase in Part-Time instruction.

- A. Students will be denied access - turned away, slowed down, turned off. Nevada is already 50th in the nation for the chance of a high school student completing his or her degree on time.

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 - B. The quality and integrity of the faculty will be impacted. Jobs will be lost adding to an already crushing unemployment burden on the state and these will be high quality and high paying jobs that add greatly to the economy.
 - C. Externally funded research and its infrastructure will be threatened, directly impacting not only the dollars from that research that flow into Nevada's economy but the very missions of the research institutions.
 - D. Nevada will lose the ability to train the workforce necessary for the very economy that it wishes to attract. Nevadans, who in record numbers wish to upgrade their skills to move off unemployment, will be told "there is no room."
 - E. Schools, departments or colleges will be lost (*with little initial savings*), with a devastating impact on the economy and future.
 - F. O&M will be further deferred, simply decaying the infrastructure investment that Nevada has in its public campuses and a larger bill will be created for the future.
 - G. A System will be destroyed that has taken decades to build and will take as long to rebuild.
 - H. Nevada will own some of the worst higher education funding in the country, a powerful disincentive to any company wanting to relocate in this state.
 - I. Nevadans and Nevada businesses will be driven out of the state. This will have an immediate and long term effect on Nevada, its economic development and ultimately its recovery – the cure is, in the long run, worse than the disease.
 - J. Nevadans will "own" a system of higher education that does not match its spirit, its needs or its goals.
 - K. Finally, there is no doubt that rebuilding will be more difficult in terms of recruiting faculty and students. It is much more difficult to recruit an excellent faculty member than to retain one. The quality gap between Nevada's higher education system and an upper tier institution will grow while tuition may be raised to levels that may imply more quality than can be delivered.

Chancellor Klaich reported that in order to implement cuts of this magnitude, the Board will have to discuss financial exigency and curricular termination, how that can be done and the implications. The Board will want to know the effect financial exigency will have on accreditation, which is difficult to determine in advance of known cuts. Discussions need to include what necessary changes need to occur to the Code or other policies that will allow the kind of necessary flexibility to act in these very limited situations now being faced. The presidents have all indicated that the decisions for implementing these cuts should largely be left to the campuses managed by the respective presidents and the Chancellor basically agreed. There may be certain decisions implied by the size of this reduction that must be handled at the System level (*pay and fee issues*). Chancellor Klaich felt those would be discreet and easily identified. The presidents need autonomy within their respective institutions – they want to control their own destiny.

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It is agreed that “limping through” is not possible with cuts of the size being discussed. The System will need to consider strategic vertical cuts (*or possibly diagonal, as vertical cuts may not produce necessary savings either*) that are strategic in nature (*and correspondingly very painful to some, with all having built in constituencies*). The problem with some of these cuts is that the savings may not be fully realized until year two or year three, but it must be known that this cut may last that long as well.

Issues such as faculty workload, fees, and so forth, seem to be implied with these cuts and will also need to be discussed. In this regard, the Board will need to discuss what it can do to help the campuses manage cuts in terms of changes to policy or Code. Maximum flexibility from the Board will be needed in terms of movement of dollars in and out of what might otherwise be restricted fee categories. Finally, in this area, the Board will be asked to suspend mandated new projects that require the campuses to “do more” as money becomes tighter. In addition, the carry forward of funds seems to be more important than ever if the watchword is efficiency, and perhaps this can be pressed in the upcoming special session.

Chancellor Klaich indicated that he would end his presentation with a chronology of what is expected to occur in the coming days. First, at 4:00 p.m. that day, the Chairman of the Board has arranged a teleconference with the leadership of both houses of the Legislature to discuss the outcome of the Board’s meeting today and the upcoming special meeting of the Interim Finance Committee. Then on February 4, 2010, the Interim Finance Committee of the Legislature will begin hearings and town hall meetings to understand the impact of the proposed cuts. In less than a week, the Governor will deliver a special State of the State address outlining his view of this crisis which will include a call for a special session of the Legislature. It is widely expected that a special session will be convened later in February or the beginning of March, 2010.

Chancellor Klaich felt that no Nevadan hoped these cuts will be enacted with the attendant disastrous results. Rather, he felt that it was hoped that Nevada’s elected leaders will carefully review the options and do everything in their power to manage this crisis with a sharp eye to the future. Chancellor Klaich related that shortly after the Economic Forum had met on January 22, 2010, he had been asked if he felt this special meeting of the Board should be cancelled. He felt strongly that this meeting was critical for the Board to publicly discuss the potential cuts and impacts and determine what its potential future direction will be. However, Chancellor Klaich strongly believed that while the purpose of this meeting was to engage and inform the Board, that the Board should not feel, and he did not recommend, that it take any precipitous actions. There would be time for action in the very near future.

Chancellor Klaich stated that in addition to the regularly scheduled Board meetings, it is likely that there will need to be additional special meetings to deal further with the situation as it unfolds.

On a positive note, Chancellor Klaich stated that the collaboration among the presidents, faculty, staff and students has been remarkable and inspiring. While each has a constituency to represent, all have pulled together with the common goal to preserve as much of the quality of higher education in Nevada as possible.

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Regent Knecht expressed his respect, support and understanding of the difficult job that Chancellor Klaich, the presidents, faculty, staff and students are facing. He indicated his complete agreement that this was not a business-as-usual scenario. He asked if the March meeting was timely enough for the Board to address the issues involved with the possible declaration of financial exigency. Chancellor Klaich felt that March would be timely enough. He adding that the counsel he has received from Vice Chancellor Patterson and Special Counsel Brook Nielsen is that timing is everything on this issue and that it would be important not to move more quickly than necessary as there are legal concerns and considerations with any such declaration. The situation is not made materially better or worse with the passage of a short period of time during which the Governor and Legislature will hold their deliberations. Regent Knecht indicated that although he understood, he felt it was prudent to raise that question at the outset.

Chairman Leavitt indicated that, in preparation for the March meeting, he has directed Vice Chancellor Patterson to prepare language that will allow the Board to consider the potential declaration of financial exigency or to make changes to the Code, if necessary.

Chancellor Klaich emphasized that his guiding principle in reaching any outcome is by the least drastic and damaging means including to the structure of the Code.

Regent Knecht agreed, adding that while recognizing how onerous and damaging the options are, it is important to comply with the Governor and Legislature's requests in a manner that does the least damage to Nevada's educational mission.

Regent Knecht referred to slide 7 of the Chancellor's presentation and asked if the projected \$110 million budget cut was equal to 22% of general fund appropriation, plus ARRA funds. Chancellor Klaich stated that the cuts only referred to general fund appropriations.

Regent Knecht felt that consideration of a \$110 million budget cut versus a 20% pay cut across the System generated several issues. He recognized that it was not possible to simply take a specific category out of a general fund appropriation and then backfill it from another source. He also noted that the 20% pay cut across the System would apply to employees that are funded by the \$501 million general fund appropriation, and not to employees that are alternatively funded. He asked if there was a way to spread the percentage cut around more evenly.

Chancellor Klaich replied that it would be exceedingly difficult to incorporate any kinds of pay reductions within the "less drastic" and fundamental fairness elements that he felt the Board would want considered. He explained that a 5% reduction in salary would mean something entirely different between employees on the different ends of the pay scale. Much more work needed to be done in order to deal with those complexities.

Regent Knecht clarified that the 20% pay cut would not apply to those individuals on full or partial grant or contract funding. Provided the System could spread those cuts more evenly across the System, a reduction in pay would be more on the order of 7%.

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Based upon his review and understanding of the financial exigency issues, Regent Wixom asked if he was correct in stating that a declaration of financial exigency must come forward as a recommendation from the presidents and the Chancellor. Vice Chancellor Patterson stated they could.

Regent Wixom restated that a declaration of financial exigency would not be something that is then declared by the Board, it is in response to a recommendation presented to the Board by the Chancellor and the presidents. Vice Chancellor Patterson stated that was correct.

Given that provision, Regent Wixom asked if the Chancellor or presidents could present a recommendation in the form of a limited or a general declaration of financial exigency. Vice Chancellor Patterson stated that was also correct.

Regent Wixom stated that although the exact scope of the reduction facing the System is still unknown, the Board may be presented with a recommendation for either a limited or a general declaration of financial exigency at the March meeting. Vice Chancellor Patterson stated that was also correct.

Regent Wixom indicated his agreement and enthusiastic support of the guiding principle to provide maximum flexibility to the presidents. However, one of his concerns in providing maximum flexibility to individual presidents was that it would also create the potential for inconsistent approaches from campus to campus. If one approach is taken at UNLV and another at UNR, those who criticize the approach at UNLV will ask why the approach at UNR was not taken and vice versa. He did not want those arguments to lead to or result in a legal argument against the System. He asked if the Board needed to develop a record or rationale to empower the presidents with that flexibility but to prevent those possible inconsistencies from becoming issues for the Board or the System. Vice Chancellor Patterson replied that, in general, there are two types of flexibility to be considered. The first type of flexibility is with respect to broad-based personnel issues such as furloughs that are anticipated to be implemented on a system-wide basis. The second type of flexibility would be in terms of academic planning that would involve the structural arena on any campus in which flexibility would be appropriate and would not create an undue legal issue. Chairman Leavitt envisioned that the Council of Presidents would present a recommendation to the Board for its consideration.

Regent Wixom clarified that his concern was more in terms of what decision or statement the Board may need to make to preserve flexibility but also preserve a legal basis for defending its decisions. For his own comfort, he asked that Vice Chancellor Patterson address that concern. Chairman Leavitt asked Vice Chancellor Patterson to consult with Regent Wixom on those concerns prior to the March Board meeting.

Chancellor Klaich stated that although the campuses are alike in some ways, they have separate missions and the Board should expect individualized plans.

Regent Gallagher related that very difficult decisions will need to be made by the presidents and by the Board that will receive criticism. She wanted to be sure that as a whole, the Board would support the presidents in making those difficult decisions. She

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emphasized that the plans would need to be made in a fair manner and for the long-term, with the future in mind. She felt that the System would come out of this and when it did, each institution should come out stronger. She stated that she would stand up to anyone who would criticize the difficult decisions that the presidents will need to make. She asked that everyone remain cognizant that in the end, not as many students may be served, but those that can be served need to be served with quality.

Regent Cobb referred to slide 2 of the Chancellor's presentation, specifically the elimination of \$38 million for FY 2010, and asked how the Board would make those cuts in a four month period of time. Chancellor Klaich stated that the presidents have already been managing the budget cuts that have been implemented up to this point. In the ten days since the Economic Forum, the focus has primarily been on the long term impacts in the second year of the biennium. The management of these reductions is what the Chancellor, staff and presidents have been doing on a daily basis and they will be making a recommendation to the Board in March, if not before, when a more specific level of cut is known. Chancellor Klaich added that there is every indication that if any cuts are imposed, they will be made effective March 1.

Regent Cobb asked if the legislative leadership will receive a copy of the Chancellor's slide presentation. Chancellor Klaich stated that he did intend to provide the same presentation to the Interim Finance Committee later that week.

Regent Cobb expressed concern that the implications being discussed that day were potentially cataclysmic to the NSHE. The Governor's State of the State Address will most assuredly not reflect consideration for any suggestion that would generate revenue, other than perhaps an increase to tuition, which Regent Cobb felt was a tax by any other name. Regent Cobb cited NRS Chapter 396, which reflects legislative policy that the Board was not even supposed to charge tuition for in-state residents. He felt that this was a policy declaration by the Legislature that they wanted the state's institutions of public higher education to remain affordable to students. Although he is not a proponent of new taxes, he wanted the Legislature to understand the implications of refusing to consider revenue enhancements. He felt that the Legislature should know these cuts could mean the loss of the medical school, the dental school and perhaps some of the community colleges. The Legislature and Governor must be careful in getting what they ask for.

Chancellor Klaich stated that he would submit copies of the presentation and his remarks to all 63 members of the Legislature that day.

Regent Geddes asked how the System and the Board will debate and discuss diagonal cuts such as shutting down or consolidating campuses. Chancellor Klaich replied that he intended to create three special taskforces that will draw upon resources both in and outside the System to evaluate savings and impacts and report back to the Board.

Chancellor Klaich stated that all the impacts need to be looked at seriously. He expected that his report to the Board will include options for possible actions and the attendant consequences. He was also mindful of the fact that he and presidents are to work diligently for a policy setting Board and to bring that Board possible solutions for consideration. He will do his best to make those decisions unanimous. However, he was not sure that would be possible.

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Regent Knecht stated that in response to Regent Cobb's questions and observations, his understanding was that the Governor's office and the Legislature were indeed looking at revenue sources. Regent Knecht stated that his personal belief was that approximately \$100 million in new revenue would be presented in order to mitigate damage. In addition, the Board has always said it does not charge tuition to in-state students, rather it charges fees. If someone is potentially legally culpable for the fact that the students are charged fees, it would not just be the Governor, it would be the Legislature, the Governor and this Board, as all have participated in the setting of those fees.

Chancellor Klaich stated that he could not imagine standing in front of the Board and making a more painful report than the one just presented. He hoped it was reflective of the angst of every single one of the institutional presidents. There's something in this situation that is almost impossible to get your arms around when speaking of \$110 million in budget cuts. When stepping down to the level of the institutions, all of those percentages turn into faces of students, staff and faculty. He wants everyone to fully appreciate that he and the presidents were not supporting, recommending or thinking that this System could handle further cuts. For those that say "just stand tough," he wanted them to know that is believed. However, the System must exist in the real world. While there will be a fight to minimize the impacts, there will also be a plan to adjust to the reductions. There was a thin line between faith and foolishness.

Regent Gallagher asked if it was too early for the Board to ask the presidents what they are thinking about the changes that the Board will have to make in order to authorize the flexibility needed for planning. President Maryanski related that the debate about financial exigency has primarily centered on personnel policies. However, accreditation also needed to be considered. He requested that the Board call upon the resources of the Northwest Commission of Community Colleges and Universities to make sure the System fully understands the implications of a potential declaration of financial exigency.

Regent Gallagher restated her question. She asked the presidents if there were changes that this Board needed to consider so that the presidents could go forward with their planning. President Maryanski indicated that because contracts are different from institution to institution, there is a myriad of issues.

Chairman Leavitt indicated his understanding that there were not any changes that the Board needed to make that day to allow the presidents to continue preparing for the March meeting. Chancellor Klaich stated that was correct. However, as in days past, the Board's direction would be appreciated in allowing the System to carry forward presentations to the special session of the Legislature such as moving fees from one category to another, shortening notice periods and so forth. As more specific information is made known, the Board will see a full menu of options from the presidents at the March meeting.

Chairman Leavitt asked if there was anything that day that the Board needed to do to allow the presidents to carry out their ideas.

Regent Gallagher asked if Board action was needed in advance in order for the presidents to begin making any necessary changes.

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President Glick replied that it was important to consider how those changes could be expedited in the future or how carry forward of surplus could be managed. In his estimation, if a 20% cut level is required, in the first year the most that will be saved is 25%. There will be the need to borrow through restricted funds or the management of property to make up the difference. He did not believe that higher education in this country has ever faced anything that approaches the severity of this situation. To the best of his knowledge, no substantial public university in the country in the last fifty years has declared financial exigency. The NSHE would become the role model and that would be a terrible burden for the future of this state. Options that fall short of a declaration of financial exigency needed to be available to ensure that whatever is left of the higher education system was of high quality and could look to a strong future.

Regent Page observed that the economy does go in cycles and the decisions being made now will impact the public higher education system for the future. Caution needed to be taken so that the requested cuts were not made on the backs of students, faculty and staff, as the impacts could not quickly be reverted.

Regent Wixom complimented Chairman Leavitt on the hard work and effort he has put forth to speak for the System. With that said, as President Glick noted, the likes of this situation have never been seen before. In large measure, this Board's legacy will be in how it acts over the next one to two years. Although it is appropriate to disagree, and appropriate to have these discussions, it will require enormous resources, dedication and commitment on the part of the presidents and the Board.

Regent Wixom related that he has lived in Nevada since 1986, nearly a quarter of a century, and nearly all of his adult life. In fact his first two significant projects as a young attorney concerned transportation and economic diversification. Since then he has spent his entire career either working for or advising financial institutions. For the entire time that he has lived in Nevada, he has heard the same argument—that Nevada's low taxes will attract jobs, ensure growth and prosperity, and protect its future. However, Nevada's history over the past several decades has been a case study demonstrating the fallacy of that argument. Nevada has had very low tax rates relatively speaking. However, these tax rates have not attracted businesses in the number or nature promised. In fact, the types of business attracted by such low tax rates do not provide permanent high-wage jobs. By and large they have been cyclical industries such as construction and materials suppliers, and the jobs provided by such businesses have evaporated. He pointed out that many of his friends in the business community have told him that Nevada's economy is perhaps even less diverse that it was twenty-five years ago.

Regent Wixom indicated that he was not as optimistic of the fee structure as Regent Knecht. He felt there was a huge intellectual and illogical disconnect between forcing the solution of this problem onto the students and the notion of no new taxes or fees. He felt it was not logical for elements of the state's tax structure to have been held exempt from all of this and yet somehow students and fees are mysteriously different from that discussion. He emphasized that increasing tuition and fees was a student tax and it should be called what it is. The state is taking a public institution, designed to benefit the public, and transferring that responsibility onto the students. What is done by increases

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in the student fees (*student taxes*) is that the students who can afford the fees and taxes will leave and go places where it is less restrictive, and they will not come back. The students who are left will be at a disadvantage and not able to leave.

President Smatresk did not want the Board to think that the presidents were sitting back, silently planning how to dismantle what has been worked so hard to build over so many years. He felt that the presidents need to speak to the record and express their outrage. Nevada is second to last (49th) in overall funding to students. The cuts already taken are the 3rd deepest in the nation. This set of cuts puts Nevada in sole possession of the distant bottom. The good people of the System, faculty and staff, often feel like pawns in a game of chicken that the state is playing with higher education. However, they are here to improve themselves, the students are here to find a better life and the presidents are here to serve those needs. To feel that those staff, faculty and students are disposable is an outrage.

Regent Schofield felt that education was the backbone of the world. Education in Nevada has been underfunded since its beginning. In his campaign for President of the United States, Barrack Obama stated that if the states could not fund their education properly, then the federal government should step in and provide assistance. He agreed that the funding should not be put on the backs of the students and that it was correctly being referred to as a student tax.

Regent Anderson appreciated what President Smatresk said about the faculty and students. She related that the voters of Oregon just approved a tax to support education. She felt that perhaps Nevada needed to consider such a tax so that it did not keep dismantling education or it would never achieve a higher ranking than 49th.

The meeting recessed at 11:19 a.m. and reconvened at 11:43 a.m. on Tuesday, February 2, 2010, with all members present except for Regents Blakely, Crear and Rawson.

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CSN President Richards stated that the role of community colleges was to create jobs and train the workforce. As other states have had to balance their budgets in this economic climate, higher education has been held harmless because its role in workforce and economic development has been realized. Cuts of this magnitude would no longer allow the community colleges of Nevada to meet the demands of Nevada's employers, nor would the System be in a position to help the state emerge from this recession. Higher education is uniquely positioned to provide that help but it needs to be given the opportunity.

TMCC President Sheehan echoed President Richards' remarks. She related that when she first came to Nevada, it was with great excitement and with real optimism that the Legislature supported its institutions of higher education. However, in the last 18 months, she has seen one budget cut after another. As Chancellor Klaich has indicated, the cumulative effect of those cuts is something that the System cannot rebound from. Added to that is the restriction of not being able to re-designate fee categories or to retain carry over. The cumulative impact is devastating.

2. Information Only – Public Comment (Agenda Item #2) – Ms. Susan Summers, English Department, UNLV, recognized that the Regents were fighting for all those involved. She related that upon realizing that the Legislature was not listening, she put out a call to action to the classified staff from UNLV and the other institutions to deluge legislators with emails. Each email connects the human cost and human face to what the cuts mean on an individual level. There are currently classified staff that have lost homes and vehicles. Classified staff with medical conditions such as diabetics or heart conditions cannot afford their medications. She indicated that some of the legislators have asked her to back off of her campaign, but she has refused. She encouraged everyone to do the same. The legislators need to hear the voices. Ms. Summers related that UNLV's English department still maintains the same four classified staff positions that it had 20 years ago.

Regent Cobb stated that it was important that everyone realize the importance of being voters and that their opinions can be expressed at the ballot box.

Ms. Michele Sanders, English Department, UNLV, related that the UNLV Classified Staff Council felt there was a connection missing between the affects of the reduction on the classified staff and those that are making the decisions. The Council will no longer allow that situation to occur. After the last 4.6% cut, classified staff were losing homes, cars and the ability to afford medicines within the year. On their behalf, she wanted the Board to know that these actions have an impact on this particular category of staff. Chairman Leavitt stated that if the Council will let him know when their next meeting is scheduled, he would attend and would bring as many members of the Board as possible.

Mr. Stan Vernooy, CSN, asked the Board to put themselves in the position of a 30-year-old person who was just beginning a career at one of Nevada's institutions that is surrounded by 60-year-olds that have built these institutions and are having their hearts ripped out. Seeing that level of devotion would impact those younger employees.

Regent Schofield echoed Regent Cobb's comments in regard to the use of the ballot box for voters to express their opinions. That message needs to be emphasized to the legislators that the citizens are watching what they do and will vote accordingly.

Ms. Jessica Lucero, GPSA President, UNLV, commended the Regents in stating that it was not good enough to only talk about how to manage the cuts, but that more needed to be done. She expressed concern for the feelings of defeat that may be developing. She is currently trying to gather more stories from the UNLV graduate students for the Interim Finance Committee. However, she felt frustrated because this had been done during the last legislative session and she felt that the IFC had heard the stories. However, the budget was still cut. She recently learned that her calls to the graduate students are being unanswered because approximately 30 graduate students have already filed leave of absences for the current semester. She cannot contact them because they have already left. Further cuts will just perpetuate that cycle. For the graduate students that are still at the university, she related that they are just as frustrated as she is. Although the stories being collected for the IFC would help, the business community needed to also be convincing. She challenged the members of the Board to reach out to their extensive professional affiliations and urge them to also contact the legislators and express the impact that higher

2. Information Only – Public Comment (Agenda Item #2) – (Cont'd.)

education has on their businesses. Without research institutions, Nevada will not be able to manage its water resources effectively or to solve the other problems in this state. Ms. Lucero emphasized that graduate students not only help their local cities but the state as well and they need the business community's support.

Ms. Amsala Alemu-Johnson, NSSA President, NSC, thanked the Chancellor, Chairman and members of the Board for fighting for the students. She related that she has attended many meetings and has heard everyone trying to find ways to cut budgets by 22%. However, she realized there was really no way to do that without affecting the students. All 2,400 students at NSC were being asked to write personal letters of their stories. The Regents had been sent one package of those letters.

Regent Page acknowledged that the Board had received the package from the NSC students and felt it was wonderful. However, he asked that all 2,400 letters also be sent to the legislators.

Ms. Luisa Garay, Student, NSC, addressed the Board on behalf of single mothers. She related the struggles of her father and the remainder of her family as they immigrated to the United States. Although her father had earned a Masters Degree, when they moved to Las Vegas, his first job was as a bus boy. However, thanks to his hard work and his degree in higher education he was able to achieve a better job and become a positive public member of his church and with the Latin community. Her mother had initially attended college to become an accountant. However, due to financial circumstances, she was not able to finish her studies and has worked 14 years in the housekeeping department of the MGM. Ms. Garay related that she was able to see first-hand how the difference that higher education places on those that pursue it and those that have not. When the universities and colleges began to visit her high school, NSC was the only one that did not send a student representative instead of a staff representative. She met with the NSC representative and that person showed an interest in her, whether they remember her name or not. She was even more comfortable with NSC when she found out that the staff there was also very diverse. Ms. Garay asked that the Board to please consider students such as herself when deciding NSC's future.

Mr. Nathaniel Waugh, ASCSN President, CSN, related that, in his experience, he has never seen such a passionate group of regents, presidents, students, faculty and staff. He thanked them all for their courage and hoped that more people would take a tough stand and think of the faces, lives and futures behind the decisions being considered. He thanked the Board for their leadership and for the passion they have for higher education.

Mr. Justin McAfee and Ms. Aimee Riley, CSN students and members of the Capitol Club, addressed the Board on the behalf of the Club members who felt that education needed to be the state's number one priority. They related that there are currently 43 states in the union with an income tax and that Nevada should also have one to fund education properly. Although the Governor could limit the agenda for the special session of the legislature, perhaps there are still some things that could be done at the state level. If options were not found and the Board was forced to make tough decision, perhaps greater emphasis could be placed on on-line learning, the closing of extension campuses

2. Information Only – Public Comment (Agenda Item #2) – (Cont'd.)

and perhaps the raising of tuition only at certain income levels. Mr. McAfee and Ms. Riley stated that the Capitol Club was very interested in this process and would be brainstorming to provide possible suggestions to the legislators.

Mr. Steve Kondwalon, CSN Faculty, related that he has been on the staff of CSN for 15 years. He asked why the burden of the state's deficit was being placed on faculty, students, and education in general, as well as the hospitals and social services. The Legislature and the Governor do not want to discuss new taxes because they are afraid that the state would lose businesses. However, he questions how many businesses the state has attracted with its current no or low taxes. In the last ten years, he felt that Nevada had turned many of its businesspeople into billionaires. He felt it was time to ask them to create a pool to support education. He stated that although he was not a fan of taxes, he would support them if that is what was needed to improve Nevada. He urged citizens to begin thinking of ways to enhance the state's revenue and to attract businesses in other ways instead of on the backs of education and social services. The solutions cannot be one-time solutions, they must be long term.

Mr. Adam Cronis, CSUN President, UNLV, related that his attendance and experiences at UNLV has been an enormous blessing to him personally. He wanted the freshmen and high school students to know they have the same opportunities available to them. He recognized that the members of the Board are all willing to fight for the students to ensure they have those same opportunities. He felt that the parents in Nevada want their children to achieve more, and emphasized that education was the key.

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Chancellor Klaich stated that it was only with the Board's authority that a Chancellor of the System could address the legislature whether in special or regular session. He asked for the Board's authority to address the legislature, whether in regular or special session, if possible, to seek the ability for the System/institutions to have the authority to carry forward balances in general fund appropriations from one fiscal year to the next. He asked for the Board's support in that regard, or to make it clear that they did not wish for him to pursue that direction

Regent Wixom moved approval to authorize the Chancellor to address the legislature, whether in regular or special session, if possible, to seek the ability for the System/institutions to have the authority to carry forward balances in general fund appropriations from one fiscal year to the next. Regent Page seconded. Motion carried. Regents Blakely, Crear and Rawson were absent.

Chairman Leavitt read a letter that he had sent to Governor Gibbons dated January 25, 2010, into the record (*letter on file in the Board office*). He thanked the members of the Board, Chancellor, presidents, System staff, student leaders, and faculty senate chairs for their input. He felt there was never a more important time for unification. He appreciated everyone's support and was proud to have the opportunity to represent the Board in this fashion.

