

SPECIAL MEETING
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

9:00 a.m., Friday, August 27, 2010

Members Present: Mr. James Dean Leavitt, Chairman
 Dr. Jason Geddes, Vice Chairman
 Mr. Mark Alden
 Dr. Andrea Anderson *{via telephone}*
 Mr. Robert Blakely
 Mr. William G. Cobb
 Mr. Cedric Crear
 Mrs. Dorothy S. Gallagher
 Mr. Ron Knecht
 Mr. Kevin J. Page
 Dr. Raymond D. Rawson
 Mr. Michael B. Wixom

Members Absent: Dr. Jack Lund Schofield

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
 Interim Vice Chancellor, Finance, Mark Stevens
 CEO & Special Counsel to the Board, Scott Wasserman
 President Michael D. Richards, CSN
 President Stephen G. Wells, DRI
 President Carl Diekhans, GBC
 President Lesley DiMare, Provost, 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 Ms. Robin Herlands, NSC; Ms. Mary Arbutina, NSHE; Dr. Cecilia Maldonado, UNLV; Dr. Eric Herzik, UNR; and Mr. Jim Strange, WNC. Student government leaders present included Mr. J.T. Creedon, ASCSN President, CSN; Ms. Dymonde King, NSSA President, NSC; Mr. Kyle George, GPSA President, UNLV; Mr. Charlie Jose, ASUN President, UNR; Mr. Matthew J. Smith, GSA President, UNR; and Mr. Jason McGill, ASWN President, WNC.

Chairman James Dean Leavitt called the meeting to order at 9:00 a.m. on August 27, 2010, with all members present.

1. Information Only – Public Comment (Agenda Item #3) - Ms. Robin Herlands, Faculty Senate Chair, NSC, related that despite the current budget crisis, Nevada State College has remained innovative in terms of growing enrollments and increasing retention. In part, NSC's success and progress towards its mission is due to the leadership of NSC Provost, Dr. Lesley DiMare. Ms. Herlands stated that Dr. DiMare has worked with the NSC faculty to ensure that they not only grow as a college, but also in their individual careers as educators. Some of the programs that Dr. DiMare has instituted, such as the Technology Fellow, have earned national praise. Through an outreach program that reached 60% of the full-time faculty, there was consistent support of Dr. DiMare as interim president, and that was even before the interviews were conducted by Chairman Leavitt and Chancellor Klaich. Ms. Herlands stated that she was extremely pleased by Chancellor Klaich's recommendation that Dr. DiMare be appointed as NSC's Acting President.

Ms. Gwen Sharp, Assistant Professor of Sociology and member of the Faculty Senate, NSC, related that due to the consistent support for Dr. DiMare reflected by the faculty members, she also felt secure in expressing her support of the Chancellor's recommendation. In terms of a specific example of Dr. DiMare's ability to lead, Ms. Sharp related that during the development of NSC's standards of academe, Dr. DiMare asked the faculty to begin drafting each school's standards. Throughout that development process, Dr. DiMare was not afraid to speak up when she felt something needed to be further vetted. Ms. Sharp felt that this not only reflected Dr. DiMare's commitment to shared governance but also to her ability to speak up when necessary.

Dr. Gregory Robinson, former Faculty Senate Chair, NSC, related that he has worked at NSC since 2003. He felt that he has never worked with anyone as dedicated, innovative, driven or inclusive as Dr. DiMare. He indicated that he could never support a decision that would hinder NSC's success. It was with that level of unbending commitment to NSC that he supported the recommendation of Dr. DiMare as its interim president.

Dr. Kebret Kebede, Assistant Professor of Biology, NSC, and chair of the NSC Faculty Diversity Coalition thanked the Chairman and Chancellor for seeking the input of the NSC faculty prior to making a decision. Mr. Kebede related that Dr. DiMare has been very supportive at every stage of the effort to provide educational services to minority sectors of the community. In terms of diversity issues, Mr. Kebede expressed confidence in Dr. DiMare's leadership in achieving NSC's goals.

Mr. Tony Scinta, Assistant Professor of Psychology, NSC, stated that NSC confronts what is an essential and extremely challenging mission of providing access to all. Despite the fact that their students face almost every risk factor, there was no question that NSC was gaining momentum in its persistence and student retention. He felt that Dr. DiMare understood the faculty and students and that there was no question that NSC's best chance at continued success was the appointment of Dr. DiMare as interim president.

Ms. Dymonde King, Vice President of NSSA, stated that the NSC student body supported the appointment of Dr. DiMare as interim president.

1. Information Only – Public Comment (Agenda Item #3) – (Cont'd.)

Mr. Cory McDonald addressed the Board on behalf of the NSC Classified Employee Council. He thanked the Chairman and Chancellor for seeking the faculty and staff input for their recommendation and felt that Dr. DiMare had the vision, knowledge and drive to fill the position of interim president of NSC.

Ms. Angela Brommel, NFA Chapter President, indicated that she was thrilled to be able to provide her support of Dr. DiMare as acting president of NSC. She expressed her tremendous gratitude to Chairman Leavitt and Chancellor Klaich for listening to the input of the faculty and staff and felt that clearly demonstrated their commitment to shared governance. Over the course of two days, the Chairman and Chancellor listened carefully to the recommendations of NSC's faculty and staff for the selection of Dr. DiMare as a spectacularly qualified and magnanimous scholar.

Mr. Glen Christensen, Chairman of the NSC Foundation Board of Trustees, related that it had been an emotional and difficult time since President Maryanski's passing. On behalf of the NSC Foundation's Board of Trustees, he thanked the Chairman and Chancellor for speaking with them. He indicated their board's support of the appointment of Dr. DiMare as acting president. However, Mr. Christensen stated that it was vitally important for the college to move forward with the process to search for and select a permanent president. Mr. Christensen stated that the NSC Foundation stood ready to be constructive in that search process.

Mr. Chuck Walker, citizen of Nevada and candidate for Board of Regents, District 11, stated that as the Board was keenly aware, there are major budget issues in the Nevada higher education system. Mr. Walker asked the Board to consider the no cost, low risk option of transferring some of the presidential duties to others in the administration at NSC on a temporary basis. He recommended that budgetary and personnel matters be handled by the Regent who's geographical area includes NSC, or by Board staff. He felt that would be a temporary addition of duties with no added compensation. On the longer term, Mr. Walker asked if some consolidation within the System could take place to reduce the System's overhead costs.

2. Approved - Appointment, Acting President, NSC (Agenda Item #2) - Chairman of the Board
James Dean Leavitt and Chancellor Daniel J. Klaich recommended approval of the appointment of Dr. Lesley DiMare as Acting President of NSC (*Chancellor's Memorandum, Contract and Contract Summary on file in the Board office*).

Chancellor Klaich stated that during the interviews at NSC, there were no qualms for the recommendation of Dr. DiMare as acting president of NSC.

Chancellor Klaich thanked Mr. Christensen for his participation in the interview process. He stated that it was critically important for the Board to understand, particularly for a young and growing college, the need to rely more and more on friends within the community for external dollars. He thanked the faculty and staff of NSC for their time and candor during the interviews. He agreed wholeheartedly with the comments made about the wonderful demographic that NSC serves and the incredible abilities and dedication of the faculty in taking a personal interest in every student.

2. Approved - Appointment, Acting President, NSC (Agenda Item #2) – (Cont'd.)

Chancellor Klaich expressed his thankfulness for all that President Maryanski had created during the course of his tenure at NSC. He emphasized the critical devotion to gender and ethnic diversity at NSC as being part of whom and what they are. He stated that Dr. DiMare was uniquely qualified to head NSC over the next year, particularly with an accreditation visit in the near future.

Chancellor Klaich related that throughout the interviews, two points of divergence had emerged. The first was whether there needed to be more of an internal versus external focus, and second, was over the length of the interim term. In addition to his recommendation that the contract be extended for a period of one year, he also requested that after this meeting, the term “acting” or “interim” not be used out of respect for the individual appointed.

Chancellor Klaich stated that his proposed recommendation was very cost-conscious in that Dr. DiMare currently earns a salary of approximately \$204,000 as Provost. It is typical in taking on an acting position that a 10% stipend be provided for performing additional duties. The remainder of the contract terms was summarized as follows:

- Base Salary: \$227,476.00 annually.
 - Salary Supplement: None for NSC President.
 - COLA: Will be eligible for COLA if awarded by legislature.
 - Merit: Will be eligible for merit increases.
 - Car Allowance: \$8,000.00 annually.
 - Housing Allowance: \$15,000.00 annually.
 - Host Account: \$5,000.00 annually.
 - Contract Period: Contract will be through August 27, 2011.
- (All amounts indicated above shall be prorated for any partial fiscal year)*

Chancellor Klaich added that he did not believe in barring an acting or interim candidate from being a candidate in the permanent search pool.

Regent Rawson felt that offering only a one year appointment could leave feelings of insecurity and asked if there was a way to offer more security.

Regent Blakely expressed a similar concern and asked what the term of President Smatresk's appointment had been. Chancellor Klaich replied that President Smatresk's contract was for a period of two years with an option for additional years. Regent Blakely indicated that he would like to see Dr. DiMare's recommendation for that same length of time.

Regent Wixom expressed his appreciation to Mr. Christensen and the NSC Foundation for their involvement. He related that he has struggled with the notion that an interim president could apply for the permanent position. Although he felt that he understood the arguments both in favor and against, he asked the Chancellor to elaborate. Chancellor Klaich stated that being the president of a public institution of higher education was not a forty-hour, five-day-a-week job. There existed the expectation of best efforts and sound decision making, to coincide with things held dear in higher education, including shared governance. Having said that, Chancellor Klaich stated that it had always seemed to him to be an extraordinary reaction to tell an interim president that they have met those expectations but then skip over them to the next person.

2. Approved - Appointment, Acting President, NSC (Agenda Item #2) – (Cont'd.)

Regent Wixom asked how a diverse search pool could be reached when the inclusion of the interim president often prevents good candidates from applying. Chancellor Klaich replied that the primary responsibility for ensuring a diverse candidate pool would rest on the chair of the search committee. He was not sure much more could be done. He also related that that there had been time in which he felt that potential candidates wrote the rules for a search. However, he was no longer under that belief, adding that these positions were good and solid and that in itself would attract good candidates.

Regent Wixom fully appreciated the concerns expressed by Regents Rawson and Blakely in terms of the contract length. However, his intuition and experience told him that the System would be better served to keep the contract term to one year. He felt that a longer term would indicate that the appointment was more permanent and he supported the contract as presented.

Chancellor Klaich added that Dr. DiMare is a tenured professor at NSC and would have the protections of tenure consistent with her academic success. Included in the recommendation was a request that she not fill on any permanent basis the Provost position.

Regent Page echoed Regent Wixom's comments and expressed his support for the one year contract. He was confident that there would still be an outstanding pool of candidates for the permanent position.

Regent Gallagher felt that each institution was unique. She noted the appointment of an interim president at GBC before making that person permanent, adding that had been the best possible decision. She also supported a one year contract. She felt that there was no question that the inclusion of an interim president in the permanent position's candidate pool did affect the solidity of that pool. She agreed that it was up to the search committee chair to ensure a quality pool of candidates, adding that she had never believed in making the interim a finalist simply because they had been appointed as the interim.

Regent Knecht stated that he was prepared to enthusiastically support the Chancellor's recommendation as presented. He thanked the students, faculty and staff at NSC for their active engagement, and particularly Mr. Christensen for the efforts of the NSC Foundation.

Regent Crear thanked the NSC Foundation, the Chancellor and the Chairman for their due diligence. He felt that the expectation of this position will include following in Dr. Maryanski's footsteps in terms of open and candid communication to the community-at-large and in placing the institution at the forefront with its marketing plan.

Regent Alden moved approval of the recommendation for appointment of Dr. Lesley DiMare as Acting President of NSC for the period of one year with the terms and conditions as presented. Regent Page seconded.

Regent Cobb acknowledged that this was the first formal meeting since the passing of President Maryanski and felt that a moment of silence would be appropriate at some point during the course of the meeting.

2. Approved - Appointment, Acting President, NSC (Agenda Item #2) – (Cont'd.)

Regent Cobb asked if the plan was to commence a search within a specific time period or to first allow Dr. DiMare the opportunity to perform as the Acting President for a while. Chairman Leavitt stated that as Chairman of the Board, it was his intention to commence that search in January 2011. It was his absolute intention to allow Dr. DiMare to participate in that search as a candidate. He felt it would be grossly unfair to prevent someone from applying for the permanent position just because they are in the interim position. For those that are unwilling to enter into the pool because the interim is also applying, he frankly stated those were not the type of candidates that he would want to apply.

Chairman Leavitt added that prior to the process he and the Chancellor were already strong supporters of NSC. However, the most important thing that happened during the time they spent on campus was that they saw the vitality of NSC from every students, faculty and staff. There was a feeling of family, and because of NSC's small size, it will be a challenge to keep that feeling alive as it grows. Communication and openness were integral to the students and faculty. He also pointed out that during the last special session of the legislature there was a greater percentage of students lobbying from NSC than any other institution.

Chairman Leavitt thanked Mr. Christensen and the NSC Foundation for their tremendous support of the college. It was clear that the college's future, success and permanency were important to them. He also thanked Chancellor Klaich for indicating in his memo that NSC was not going away. NSC has a vital role in Nevada's three-tier system.

Regent Alden related that being a Regent was not a part-time job and could be economically stressing. He wished the public could understand the hard work that the Regents do. He expressed his appreciation to Chairman Leavitt for taking two days out of his own business schedule to conduct the interviews at NSC.

Regent Rawson felt that practically speaking, there was a tremendous disadvantage to an interim president. He expressed his personal prejudice against searching too hard and too far for a permanent president when there was the potential for one already in the position.

Regent Crear asked if the Board could hear from Dr. DiMare before it took action.

Chancellor Klaich took a moment to thank Ms. Nichole Miller, Executive Assistant to the President at NSC for handling the logistics of the interviews.

Regent Cobb noted that the proposed contract indicated it was a draft and did not clarify the final date of the agreement. He asked if the end date would be consistent with the June 30, 2011, date as indicated in the contract's heading. He also noted that paragraph 10 indicates that Dr. DiMare would be eligible to apply for the permanent position. Vice Chancellor Patterson replied that the contract will be revised to be consistent with the Board's discussion with a beginning date of August 27, 2010, and an ending date of August 27, 2011. Also, paragraph 7 will be completed to reflect that "The Board, in its discretion may extend this contract."

2. Approved - Appointment, Acting President, NSC (Agenda Item #2) – (Cont'd.)

Regent Blakely asked if the search for a permanent president will commence in January 2011 and why the contract could not be extended through the end of 2011 if the search process took nearly a year to complete anyway. Chairman Leavitt clarified that the search process typically took 90-120 days, adding that there was a current motion on the table. If that motion failed, a second motion could then be made.

Dr. DiMare related that this was a momentous time for her. She assured the Regents that she was committed to NSC. She related that she had come to NSC because the opportunity to build a state college containing its particular demographic was one that she had experienced at California State University, Los Angeles. Those students had meant the world to her and she knew that in the later part of her career, she would want to experience that again. She was fully aware of the challenges of being an interim president but felt that it was important to extend the olive branch to those that may have concerns. She was told once that she could get through anything if she remembered that she was a steward of education and what mattered was the students. She thanked the Board for their recommendation, adding that she would do what was best for the students even if it was not the best for her personally.

Upon a roll call vote, motion passed unanimously.
Regent Schofield was absent.

Chairman Leavitt emphasized that President DiMare did not have to accept the offer that was extended. However, having accepted the offer, she has shown that she was not only willing to work with the Board, but that the Board was willing to work with her. Also, as a practical matter, Chairman Leavitt stated that due to President Maryanski's illness, President DiMare had led Nevada State College over the course of the last year.

Regent Rawson requested that President DiMare never use the term "interim" again.

3. Approved – Fiscal Year 2011-13 Biennial Budget Operating Request (Agenda Item #1) -

Chancellor Daniel J. Klaich and NSHE staff presented updated reports concerning the biennial budget requests for NSHE's biennial operating budget for the 2011 Legislative Session as previously presented to the Board on June 3-4, 2010. The Board approved the FY 2011-13 biennial budget operating request as presented with the addition of a footnote regarding the equity issue that still exists at the College of Southern Nevada (*Reference material on file in the Board office*).

Chancellor Klaich stated that in response to suggestions that the proposed budget was being brought forward in contempt of the Governor, nothing could be further from the truth. There was nothing in the recommendation that has any implication as to how this or future governors will balance the budget of the state of Nevada.

Chancellor Klaich related that there were also those that felt that bringing forward a budget that requests an increase in appropriations expresses an indifference to the citizens of Nevada. However, he felt that this was a time when Nevada and its citizens need education more than ever. To turn away from the state's citizens at this time would be

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unconscionable. The System knows that Nevadans are suffering with the loss of jobs and houses. However, the System also knows that those same citizens are turning to education now more than ever. It is with deep consciousness of that suffering that the proposed budget was being presented.

Chancellor Klaich explained that the proposed budget takes the current appropriation and restores the furlough, merit and longevity that the faculty and staff gave up in the last year. He also indicated that the System has done its level best not to surprise anyone with its proposed recommendation. He noted that this discussion has been on many agendas.

In terms of the 10% budget reduction requested by the Governor's office, Chancellor Klaich related that the proposed budget does not include any level of cut. He felt it was simply premature. He stated that the System has responded to every budget reduction that has been requested. He was not expressing any opinion on any plans proposed by gubernatorial candidates. However, given that one of the plans recently released did not propose any budget reductions, the situation was extremely fluid in nature.

Chancellor Klaich also stated that budget cuts are not simply an arithmetic exercise. The most recent 6.9% reduction represented the elimination of programs, careers and jobs. He felt that to think that was a benign process was ignoring the reality of what the presidents were being asked to do. If another 10% reduction was requested, it would be difficult for the institutions not to begin identifying programs that would be next on the termination list while at the same time trying to keep them functioning. For those reasons, the proposed budget carried forward current appropriations and the restoration of pay decreases imposed by the last legislature. Chancellor Klaich emphasized that when the time comes to reduce the budget by a specific figure, the System will then come back before the Board to request those reductions.

Chairman Leavitt asked Chancellor Klaich if the Nevada Board of Regents was a constitutionally autonomous entity. Chancellor Klaich stated that was correct.

Chairman Leavitt asked Chancellor Klaich if the Nevada Board of Regents were elected or appointed. Chancellor Klaich stated they were elected.

Chairman Leavitt asked Chancellor Klaich if the Nevada Board of Regent was a state agency. Chancellor Klaich stated that in his opinion, the Nevada Board of Regents was not a state agency.

Request Knecht read the following statement into the record:

"In the last three years, Nevada's private economy has lost 180,000 jobs, or 16% of the total. That is, nearly one of every six private-sector jobs has vanished in what looks to be truly a depression in our state. Public-sector employment has held steady and State employment has even risen a few percent. (I use job numbers to reflect our economic condition because their current levels are available, while economic output numbers take much longer to report and thus are not current. Job numbers are representative of our overall economic condition.)"

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I'm not talking about losing "positions," the term often used that includes job vacancies, as well as actual filled jobs in the public sector – but instead about real jobs held by real people working hard to earn money their families need. These job losses reflect real losses in incomes, output and human well-being, not the book-keeping entries involved when people bemoan government "budget cuts." Very often, complaints about public-sector budget cuts mask the fact that actual spending and employment levels have increased or will increase, just not to the degree that was envisioned in some earlier version of a budget. A budget, after all, is just a plan to spend money, and thus budget cuts should not be confused with actual cuts in incomes, outputs or human well-being.

Beyond the awful three-year history in our state, the future looks just as grim. Very few, if any, well-informed economists believe we will see a recovery any time soon, and many of them are forecasting five to ten years of bumping along the bottom. These bleak circumstances are reflected in tax revenues that have dropped precipitously, opening massive gaps between state revenues and planned expenditures. And the prospects are for more of the same, with state budget gaps foreseen from \$1.5-billion to \$3.5-billion for the next biennium between current levels of state general-fund spending and tax revenues. Hence, we can expect significant spending cuts, tax increases or both.

Under these awful circumstances, the Governor and his budget office have prudently directed higher education and the other state agencies to submit budgets for the coming biennium with 10% cuts in general fund appropriations relative to current levels. Ten percent cuts will help but will not go even half way under the most optimistic scenarios to closing the budget gap.

For such prudent actions over the last two years, the Governor and others who oppose tax increases have been derided by some politicians, ideological pundits and self-interested tax-eaters. However, even both leading gubernatorial candidates have recently publicly stated they oppose tax increases in the coming biennium – a position endorsed by a large fraction of Nevada's voters. Hence, a no-tax-increase position is entirely reasonably held, even if one disagrees with it, and the people deriding the current Governor and others who hold that view are simply wrong for doing so.

Moreover, criticizing opposition to tax increases when one has not stated forthrightly what taxes one proposes to increase and by how much and what cuts one is willing to make is hypocritical or worse. There is nothing wrong at this early point in the budget process with not having a complete and detailed list of cuts and increases to be adopted, and such lists are likely premature because we don't have a full assessment of the facts that will unfold in coming months. But the disdain shown to people who take a reasonable different view is profoundly wrong unless one can say now what increases and cuts one proposes (and probably wrong even if one has a full list).

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Instead of criticizing the views of others, I have been using this time to do my homework to ascertain what the facts are – because so much current debate is completely disconnected from the facts and often from any real numbers at all. A key point that emerges from doing one's homework is the need to focus especially on actual spending and headcount figures though the fiscal year that ended eight weeks ago and dispense with the misleading budget and positions measures for historic periods. That is, budget data for the coming biennium should be compared to actual historic spending and employment, not to some old plan to spend that was based on wild-eyed optimism about recent and coming years. As an example, one would never guess in view of all the self-interested wailing about massive and multiple NSHE budget cuts that our general-fund plus ARRA funding from fiscal year 2007 to fiscal year 2010 fell by a mere 2% (from \$594-million to \$582-million). Moreover, our total spending – since state general fund and ARRA contribute only 35% of the total, and the remaining categories rose – increased by about 9% over that three-year period (from \$1,525-million to about \$1,662-million).

Hence, a 10% cut in NSHE's general-fund request for FY2012, as compared to FY2010 levels, would mean a 3.5% cut in our total FY2010 spending if non-general-fund sources do not increase as they consistently have done. If the other sources do increase, which they almost certainly will due in part to fee increases we have adopted, then it is likely that a 10% general-fund cut will not yield any net cut in our overall FY2012 spending from FY2010 levels, and maybe even a small increase. Considering the 9% overall spending growth from FY2007 to FY2010, a 10% cut in our general-fund budget for the next fiscal year would be a 5.5% increase in total NSHE spending from FY2007 to FY2012, even if all non-general-fund sources remain at FY2010 levels. Again, if the other sources continue to increase as they have done, then the increase in total spending from FY2007 to FY2012 would exceed 5.5%.

Pulling together the strands: 1) Overall NSHE spending has increased 9% while jobs in the private sector have decreased 16% over the last three years; 2) Even confining ourselves for a moment only to the general-fund budget, NSHE spending fell only 2% during a period in which businesses and families in Nevada's private sector experienced that crushing 16% loss of jobs; 3) The Governor and budget office have directed all agencies to submit going-forward general-fund budgets with very modest 10% general-fund cuts that will not even make up half the expected gap between revenues and current spending levels; and 4) Even with the 10% general-fund cuts in our budget, total higher education spending for the next fiscal year will likely be at least 5.5% higher than it was for FY2007, while private-sector jobs can be expected to remain 16% below July 2007 levels. In sum, the real numbers and key facts are completely contrary to the self-interested narrative one hears from the tax-eaters, their political allies and their echo chamber in the mainstream media (excluding the Las Vegas Review-Journal editorial page).

In view of the true picture, adopting the increases proposed today for our budget would be callous -- even contemptuous -- toward the vast majority of Nevadans struggling with the economic disaster caused mainly by government over-reach in

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taxing, spending and regulation at all levels. Our colleagues on the governing board for K-12 education did not show such cheek, but instead did their duty to the public interest and the people of Nevada by adopting the 10% cuts as requested. We have continuously enjoyed the privilege of being insulated by the political allocation of resources from the realities already rudely visited upon the vast majority of Nevadans, and expecting an increase at this point would be the height of self-absorption.

Some folks will try to justify the proposed increases with the rhetoric that public spending on education is an “investment” – as if, say, \$100-million more spent on education this year will make our economy and tax revenues grow like magic next year (or even this year, according to some suggestions) to pull us out of the depression we’re in. It simply isn’t so, because such claims studiously overlook the other side of the coin: the ineluctable fact that every dollar taken in taxes is an act of destruction of human well-being because it immediately diminishes economic growth. Spending on education is, indeed, economically growth-inducing – in the very long run, such as 25 to 50 years out.

So, for that reason and others, we need to sustain reasonable education spending. But it is simply false and misleading to suggest that public education spending will in any way pull Nevada out of its current depression or any economic cyclical downturn. Ultimately, the issue is finding the balance point between our long-run needs and current dire circumstances, and the 10% cut directive does so while the budget proposed to us today does not. By the way, another version of this claim is that education can help us achieve economic diversification. That’s also true, but again only in the very long term, and current education spending is not a magic elixir that will transform regional economies in less than a decade.

We Regents need to bear in mind that, as elected public officials, our basic duty is to the people of Nevada – especially the voters and taxpayers – and to the broad public interest, not to promoting some narrow subset or private interest that can become predatory upon the broad public interest. Our duty is to be a governing board for Nevada’s people for higher education, not simply cheerleaders for more funding for higher education’s provider and consumer constituencies. Our duty in proposing a budget at this time requires that we recognize both sides of the coin in public education funding: The significant social and human damage absolutely inherent and immediate in each dollar taken by taxes, as well as the social benefits that we hope will accrue in the long term from the spending that taxes facilitate. Our duty is to not allow our love for education to blind us to the damage and fairness issues involved in making citizens – the vast majority of whom are not direct recipients of our educational services – pay for those services for the fortunate few.

Finally, there is always a temptation in politics and in human nature to resort to sophistry in order to pander to those who are present in the room when we deliberate and necessarily thereby to burden those who are not present because they have to be out earning a living or otherwise conducting their lives. Because taxpayers are many and have small individual stakes in the issues before us, they

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cannot afford the luxury of being here or otherwise spending significant time or other resources trying to influence our processes – while the provider and educational consumer constituencies, having much at stake individually, can spend a lot of time to dominate the process despite their modest numbers.

Consider, for example, what happens when someone resorts to the sophistry of saying that as a governing board, our duty is to promote higher education as well as be its governing board on behalf of the people and broad public interest. When one does so, one sets up oneself to slide down the slippery slope of becoming the agent of the provider and education consumer constituencies as they tend to become predatory upon the taxpayers and the broad public interest. We must avoid this dereliction in our duty by not trying both to be governing board finding the balance points that satisfy the public interest and advocate ostensibly for the cause of education, because being an advocate for education almost invariably degenerates to becoming the advocates for its providers and direct beneficiaries. For most folks, advocacy – especially for something as noble as higher education -- generates the warmth and fuzzies one needs, but in so doing it also clouds the judgment required to do our duty as a governing board acting in the broad public interest.

For all the foregoing reasons, I will vote against the budget proposed to us today, and I urge my colleagues to do so, too.”

Regent Wixom noted that in the past, the System has tried to address the equity issues surrounding CSN. He asked if there was any way to add a footnote pertaining to CSN's disadvantage in a way that does not let it get lost in the discussions without having to add a separate line item. Chancellor Klaich replied that although he felt that now was not the time to request enhancements, he did feel that it would be completely appropriate for the Board, through its action on this request, to create a footnote addressing the CSN equity issue. Mr. Mark Stevens, Interim Vice Chancellor of Finance, NSHE, added that it would be possible to revise the proposed budget request to include verbiage that the CSN equity issue is an ongoing concern.

Regent Wixom emphatically stated that he was not in favor of including an enhancement request, as that would be inappropriate given the situation the state is facing. However, he would like to see the proposed budget document revised to include verbiage addressing the ongoing equity issue at CSN. Chairman Leavitt felt that it was appropriate to direct the staff to include such a footnote without making it part of the motion.

Regent Wixom felt that Regent Knecht's statement had identified certain wonderful roles that the Board plays in higher education. However, one that was not identified was its governing role including the establishing of academic standards in addition to its financial responsibilities. In a very real sense, that makes the Board a unique body and he appreciates that it sometimes presents very difficult situations. He felt that it was appropriate for the staff to propose a budget to the Board that establishes the very real cost of higher education. The Board also has a responsibility, at some point in time, to make the budgetary challenges it faces match the realities. The Board and the presidents have

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behaved responsibly by reducing their budgets several times in the recent past. He did not feel that there was another higher education system in the country that has acted as effectively and efficiently as a system to address the issues. As a Board, it had a responsibility to preserve the integrity of the academic programs. It is not known if a 10% reduction is accurate, noting that it could be much higher.

Regent Wixom emphasized that he was not ignorant of the painful realities of the individual, business owner and the taxpayer within the state of Nevada. As a taxpayer, property owner and business person himself, he understands those realities. However, the issue is at what point does the System stop going through the budget reduction process based on hypothetical information. He related there are those that have called it defiant, arrogant and disrespectful. He understands all that. However, the reality is that the System must face the facts and it cannot always be in response to those that criticize. He understands that this discussion is not over. His point simply is that once a specific number is provided, the Board and System will do its best to cut the budget to that number. However, to repeatedly go through a hypothetical budget reduction percentage was harmful.

Regent Alden stated that the Board of Regents was an elected body under NRS and an autonomous governing body. The Board is a trustee for higher education. He expressed concern for the growth at NSC, for not meeting its budgetary needs and for the ramifications of its already thin administrative costs. He felt that institution was only still standing due to its dedicated staff and faculty. Regent Alden stated that the NSHE is the future of the state of Nevada in diversifying the economy and questioned why it would then reduce its budget. He indicated his support of the proposed budget.

Regent Gallagher echoed Regent Wixom's comments. She indicated that during the last budget process, the System was in a state of constant chaos while it complied with the numerous budget reduction requests. It should have been apparent at that time that is not the best way to do it. She related that when the proposed budget request came out in the media, she started receiving calls asking if the System realizes there was no money. She assured those that the Board was working in a responsible manner and when a specific number was known the Board will direct the institutions to reduce their budgets to that number without causing complete chaos throughout the System.

Regent Geddes reiterated Chancellor Klaich's comment that this Board and the System has met every request for a budget reduction and will continue to do so when specific information is made known. This Board and the Chancellor will be engaged with the Governor's office and the legislature. His final point was that this Board is often accused of not being based in reality. However, he felt that submitting a hypothetical 10% reduction would not be based in reality. He supported going forward with the proposed budget with the knowledge that reductions will be made when a final number is known.

Regent Cobb noted that in 2007 Nevada ranked 49th in the country on per capita support of higher education at \$1,136, compared to Arkansas which ranked as number 1 at \$6,400. However, he heard Regent Knecht suggest that higher education's support from the general

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fund had increased since 2007 by 30-40%. He asked staff to enlighten him on what has occurred between 2007 and present. Interim Vice Chancellor Stevens explained that the high water mark for higher education for general fund support occurred in fiscal year 2009. The 2009 legislatively approved budget, with the assumption that the System was going to receive 100% of the salary adjustment funds including COLA, was \$683 million. That was followed by budget reductions in fiscal years 2008, 2009 and 2010. The System's current general fund appropriation for fiscal year 2011, including the 6.9% reduction as approved by the special session of the Legislature, is \$557.9 million.

Regent Knecht concurred with Interim Vice Chancellor's Stevens information that fiscal year 2009 was the high water mark for general fund funding in Nevada for higher education. He felt that Regent Cobb asked a very pertinent question and he reiterated the following sentence from his previous statement. *"As an example, one would never guess ... [that despite all the] massive and multiple NSHE budget cuts that our general-fund plus ARRA funding from fiscal year 2007 to fiscal year 2010 fell by a mere 2%."* He further clarified that the 30% and 40% numbers do not look at actual year-over-year spending. They go back to the problematic idea of using a budget as a reference to plan to spend money. If actual spending is taken into consideration, the general fund spending has gone down by 2% and overall spending during that 3 year period has gone up by 9%.

Regent Cobb asked if that included ARRA funding. Regent Knecht stated that was correct, adding that he was not arguing that it should include that funding. He felt that the System should take the initiative to make those cuts now so that there is the least damage to the mission and the students instead of having someone else make those decisions for the System. He felt that having the System make the decisions would create less uncertainty and doubt. Chairman Leavitt thanked Regent Knecht for his research and diligence.

Chancellor Klaich stated that the Board's role as a trustee of higher education was absolutely critical. The decisions to be made depended on the size of the reduction. The System may have to make very ugly decisions next year, but he felt it was part of the Board's process as trustees and fiduciaries to make those decisions based on the best possible information.

Regent Page concurred with Regent Knecht's comment that Nevada was in a depression. However, with that said, if the Governor's office can provide reasons as to why it should be a 10% reduction, then he felt the Board would make that level of reduction. It was important to remember that these decisions affect people's lives and that higher education is part of the solution. An educated workforce was the number one priority on the list of assets that attract new businesses.

Regent Rawson felt that there was the potential for certain decisions to actually prevent a turnaround in the economic recovery. The current situation already made it more difficult for students to get the classes they need. When the vicious cycle really takes over and people can no longer go to college or university, he felt society would deteriorate in the state. When the retail industry and gaming revenue numbers are down, that results in more people out of work. However, the higher education numbers are not down and in fact the System is training and developing more people now than it did at its highest budget level.

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Regent Blakely indicated that the proposed budget places Nevada in line with the state of Montana, which had requested a significant increase approximately one year ago. He felt that Nevada was going to face a 10% decrease in its budget for several years into the future. He did not discount Regent Knecht's comments but acknowledged that the proposed budget was probably the best course with the information that was currently known.

Regent Wixom moved approval of the FY 2011-13 biennial budget operating request. Regent Alden seconded.

Chairman Leavitt related that it was critically important for the Board to show its civility and respect for all branches of government. He reiterated that he would forcefully and civilly advocate for the position of higher education. He was pleased to report that is what was done in the last year and will continue. There is strength in ethics and advocacy that the Board has shown over the last year. He emphasized that if the proposed budget goes forward as recommended it was not a sign of disrespect to the Governor or to that office. However, the Board had a constitutional responsibility that it would exercise.

Regent Wixom requested clarification if the motion included his request for verbiage addressing CSN's ongoing equity, without making it a line item. Chairman Leavitt asked Vice Chancellor Patterson if that needed to be part of the motion. Vice Chancellor Patterson stated that it did not need to be part of the motion and was clear in the record.

Upon a roll call vote, Regents Crear, Gallagher, Geddes, Leavitt, Page, Rawson, Wixom, Anderson, Alden, Blakely and Cobb voted yes. Regent Knecht voted no. Motion carried. Regent Schofield was absent.

At Regent Alden's request, Chairman Leavitt observed a moment of silence in honor of the memory of President Fred Maryanski.

1. Information Only – Public Comment (Agenda Item #3) – (Cont'd.)

Mr. Walker expressed his disagreement with the Board's action. He stated that although the overall increase appeared to be very modest, he questioned the increase in the budget for outside services other than the education institutions. Secondly, he questioned the increase in general fund dollars. He observed that those funds were previously provided in the current budget through federal stimulus dollars and private donations or outside funding. He asked what was being done to replace those dollars if the legislature refuses to provide those funds. Lastly, he felt that there was a major issue between the legislature and the higher education system. He stated that there were many policies brought forward by the legislature that tied the hands of the higher education system.

Dr. Jim Richardson, Faculty Member, UNR, expressed his appreciation of the discussion and of the position that the Board has taken on the budget request. He would like the

1. Information Only – Public Comment (Agenda Item #3) – (Cont'd.)

record to reflect his statement that the budget, as it now stands contains \$192 million of federal stimulus money that will go away, as well as a 28% increase in student fees. He pointed out that something must replace the stimulus funds or the System would be in deep trouble. Also, he questioned the offloading of cost of higher education onto the students. He applauded the Board for the action they took that day.

In response to the points that Mr. Walker and Dr. Richardson raised in regard to the stimulus funds, Regent Knecht stated that those funds are difficult because initially there was a bit of ledgerdemain to move 2011 ARRA funds into the 2010 budget and substitute some general funds for it. Where there should have been \$96 million in ARRA in each year of the biennium, the System received approximately \$192 million in one year and substituted general fund in the second year. He felt that many considered that approximately \$192 million simply disappeared, when in fact it was his understanding that it was a matter of convenience for the state budget and never with the intent that the System would be double-dipped in the second year in terms of where the budget picks up for the following biennium. Interim Vice Chancellor Stevens stated that Regent Knecht was correct. In fiscal year 2010, \$184.77 million in stimulus funds were received by the System. In essence, the special session of the legislature moved those funds from fiscal year 2011 to fiscal year 2010. Currently the System has \$558 million in general fund support in fiscal year 2011 with no ARRA funds, which were utilized and expended in fiscal year 2010.

Regent Cobb responded to Mr. Walker's mischaracterization that the Board was insensitive to the condition of the economy or the public. After the 2009 special session of the legislature which called for further reduction, which the System absorbed, the System went through a stressful budget review and curricular review process with programs and positions being eliminated. He felt that the Board and the System had responded at that time in a respectful and appropriate manner to the people of Nevada and the legislature. He noted that a 10% reduction would be futile when both of the gubernatorial candidates have proposed devastating cuts to the budget by \$3 billion. He felt the Board took the right action that day and that it would also address a budget reduction at an appropriate time.

5. Information Only – New Business (Agenda Item #4) - Regent Knecht read from an editorial in a recent publication of the Wall Street Journal (*article on file in the Board office*), and requested a report on the next agenda from each institutions that assesses the contingencies and problems with the federal healthcare legislation in terms of the students and what the System could do to provide the best possible coverage for the students. Chairman Leavitt asked Chancellor Klaich and staff to address that as a potential item for the December agenda.

The meeting adjourned at 12:29 p.m.

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Submitted for approval by: Scott G. Wasserman
Chief Executive Officer and Special Counsel
to the Board of Regents

Approved by the Board of Regents at the December 2-3, 2010, meeting.