SPECIAL MEETING
BOARD OF REGENTS
NEVADA SYSTEM OF HIGHER EDUCATION

Third Floor Rotunda
Frank H. Rogers Science & Technology Building
Desert Research Institute
755 E. Flamingo Road, Las Vegas
Thursday, February 3, 2011, 1:00 p.m.

Members Present:	Mr. James Dean Leavitt, Chairman
	Dr. Jason Geddes, Vice Chairman
	Mr. Mark Alden
	Dr. Andrea Anderson
	Mr. Robert Blakely
	Mr. William G. Cobb
	Mr. Cedric Crear
	Dr. Mark W. Doubrava
	Mr. Ron Knecht
	Mr. Kevin C. Melcher
	Mr. Kevin J. Page
	Dr. Jack Lund Schofield
	Mr. Michael B. Wixom
Others Present:	Chancellor Daniel J. Klaich
	Executive Vice Chancellor & CEO, HSS, Maurizio Trevisan
	Vice Chancellor, Administrative & Legal Affairs, Bart Patterson
	Vice Chancellor, Finance, Mark Stevens
	Vice Chancellor, HSS, Marcia Turner
	CEO & Special Counsel to the Board, Scott Wasserman
	President Michael D. Richards, CSN
	President Stephen G. Wells, DRI
	President Carl A. Diekhans, GBC
	President Lesley A. Di Mare, 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. Bill Kerney, CSN; Ms. Laura Edwards, DRI; Dr. Robin Herlands, NSC; Mr. Fred Egenberger, NSHE; Mr. Scott Huber, TMCC; Dr. Cecilia Maldonado, UNLV; and Mr. James Strange, WNC. Student government leaders in attendance included Mr. J.T. Creedon, CSN; Mr. Steve Gronstal, DRI; Ms. Paulette Batayola, GBC; Mr. Sebring Frehner, NSC; Mr. Cesar Benitez, TMCC; Mr. David Rapoport, UNLV; Mr. Kyle George, UNLV GPSA; Mr. Charlie Jose, UNR; and Mr. Matthew Smith, UNR GSA.

Chairman James Dean Leavitt called the meeting to order at 1:08 p.m. on February 3, 2011, with all members present.

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – The Board continued its discussion of the 2011-2013 NSHE Biennial Budget Request that was submitted to the Governor, including a report on the Executive Budget as reflected in the Governor's State of the State Address on January 24, 2011, new developments from pre-session legislative committee meetings, including the pre-session NSHE budget hearing held on January 27, and updates on the financial status of the state and the corresponding impact on budgets.

   The Regents, institutional presidents and staff discussed various options for the development of future contingency plans in the anticipated event that the 2011-2013 NSHE budget as submitted is not fully funded. The Board also discussed and provided guidance to the Chancellor and institutional presidents as to the general policies and/or strategies to be included or addressed in drafting future budgetary plans at the system and institutional level to meet the anticipated funding reductions.

   The Board approved directing the Chairman and/or the Chancellor to express the opposition or sense of the Board to the Governor and the Legislature regarding the Executive Budget, and directing the Chancellor and the presidents to analyze further the proposed cuts in the Governor's State of the State Address and Executive Budget and to provide the Board with additional information and potential options for addressing those proposed budget reductions including student fee increases, a 5% salary reduction, and the consolidation and closure of colleges, campuses, satellite facilities and programs, including any potential impacts on institutional accreditation, at the next meeting of the Board.

   Chairman Leavitt observed that this special meeting of the Board of Regents is the beginning of the crusade to save higher education in Nevada and he looks forward to a vigorous discussion.

   Mr. Daniel J. Klaich, Chancellor, indicated that his presentation will focus on the 2011-13 Executive Budget. There will be a lot of discussion about budget reductions as a result of the Executive Budget recommendation; however, the assumption of a reduced budget is not his, nor the Board's, point of view. In its approach to the Legislature, the NSHE will assure that everyone understands the value of education and knows that the Board has a plan that represents what is best for the state of Nevada.

   Chancellor Klaich observed that, last year, the Board saw plans for reductions of 6.9% or $34.5 million System-wide. Today, the NSHE is facing reductions that are 4.7 times that magnitude.

1. <u>Approved-Discussion of 2011-2013 NSHE Biennial Budget</u> – *(continued)*

Chancellor Klaich directed the Board's attention to a report entitled "Nevada System of Higher Education: Executive Budget Overview – 2011 Legislative Session" *(on file in the Board office)*. There are a number of things in the Executive Budget recommendation that are positive. The Governor has recommended that the Board have greater control over tuition and fees. Chancellor Klaich noted that there is broad bi-partisan support for that. The Governor has recognized that the NSHE is a critical component of economic development in the state. In addition, there are general fund recommendations for the Millennium Scholarship to keep it fully funded in the biennium.

There are also negative impacts. Page 6 shows how the Executive Budget recommendation will impact employees including a 5% salary reduction, reduced health insurance benefits for existing employees, and no retiree health insurance benefits for new employees and reduced for current employees. These recommendations will make recruiting and retaining top notch faculty more difficult.

The Executive Budget recommends a total of $395.5 million in FY2013 from general fund support and property taxes for NSHE operations. That is a funding level that is not far off from what the state general fund appropriations were in 2003, from which time the NSHE has grown approximately 27.5%. Chancellor Klaich indicated that, as a general concept, tuition cannot fill the hole. It is not a hole that can be filled on the backs of students and their families. It is too large.

Page 9 shows the percent change in state support excluding ARRA funds. ARRA funds were budgeted into the NSHE operating budget by the last session of the Legislature. Everyone knew they were going into the operating budget and everyone agreed. Chancellor Klaich indicated that if there was any word over the last two years that the NSHE should be planning for that extra 15% to 17% budget reduction because the ARRA funds were going away, he did not hear it nor did he see it anywhere in print.

Page 10 shows the percent change in state support including ARRA funds. Chancellor Klaich clarified that he is only talking about state general fund support. He is not talking about the state supported operating budget that includes tuition and fees or other grants and contracts. By and large, when he talks about state general fund appropriations, he is referring to general fund dollars and state and local dollars as a single amount.

Page 11 shows the percent change in state/local support. It goes from a budgeted amount of $557.9 million in FY2011 to the FY2013 Executive Budget recommendation of $395.5 million. Under the Executive Budget recommendation, $162.4 million has to leave the budget. Chancellor Klaich

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

indicated that he sees two equally important tasks. Not only does he have to find $162.4 million to come out of the budget, but he also has to build a System that can survive on $395.5 million in state general fund appropriations. That is the Board's job in receiving advice from the Chancellor's office and the presidents.

Page 12 illustrates a high water mark to low water mark in general fund appropriations. The NSHE left the 2009 session with $683.8 million of appropriation. Chancellor Klaich noted that some of that money was immediately returned; however, if you compare the appropriation with the FY2013 Executive Budget recommendation of $395.5 million there is a reduction of 42.2%. The NSHE actually received $623.4 million of state general fund appropriations from that biennium and when compared to the $395.5 million there is a reduction of 36.6%.

Page 13 shows that as the budget has been reduced the share of the cost of education has already been shifted to students and their families to some extent.

Page 14 summarizes the budget impacts to date including the following actions already taken since FY2008: twenty-four program closures and/or deactivations; center and unit closures; hiring freezes, terminal contracts and workload increases; 4.6% salary reductions with furloughs; and facility maintenance deferred. Student impacts include fee increases and surcharges, larger course sections and the reduction or elimination of many student services. Page 16 illustrates the decline in FTE for state supported positions from FY08 to FY11.

A line by line allocation of budget cuts in the Executive Budget recommendation is shown on page 16. Chancellor Klaich indicated that the presidents will address those numbers.

Before reviewing the next few pages of the report, Chancellor Klaich stressed that no one is coming to the Board with these recommendations. It is important, however, that the Board understand the magnitude of what is being discussed.

Page 18 provides an estimate of the magnitude of the reduction in terms of groups that could no longer have state support. Group 1: UNR, UNSOM and DRI. Group 2: UNLV, Boyd School of Law and the School of Dental Medicine. Group 3: CSN, GBC, TMCC and WNC.

Page 19 indicates that over 1,850 professional and classified staff would lose their jobs, as well as one-fifth of graduate assistants, teaching assistants and resident physicians, if the $162.4 million in reductions is achieved using layoffs alone.

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

Chancellor Klaich indicated that, beyond the numbers, there are other impacts to consider, some of which are illustrated on page 20. These include the inability to recruit and retain the best faculty and brightest students, bond ratings may be negatively impacted, institutional reputations may suffer and the System may be unable to serve projected enrollment demand.

Pages 21-26 focus on student fees. Chancellor Klaich indicated that the Nevada Revised Statutes state there shall be no tuition charged to residents of the state of Nevada to attend institutions of higher education in Nevada. The NSHE does assess fees for in-state students. Chancellor Klaich believes that that statute represents a policy decision by the Legislature that has been in effect for decades that Nevada should have a low fee and tuition policy. He noted that until last year that was the written policy of the Board. There has been a lot of talk about how students and their families can afford to pay more. That may be true; however, it is important to keep in mind that Nevada has one of the lowest levels of financial aid in the country. If student fees are increased without addressing the issue of low financial aid, there is a risk of cutting out huge numbers of Nevadans from the opportunity for higher education in this state. Nevada has a large population of low-income families, disproportionately people of color. Chancellor Klaich cautioned that when talking about increases to tuition and fees, particularly fees to Nevada residents, it is important to keep in mind that the NSHE cannot close access to whole portions of the state's population. It is not the right thing to do from an economic standpoint. Chancellor Klaich noted that the Governor recognized this in his State of the State Address when he indicated that tuition and fee increases should have set-asides for financial aid. That is something that the Board has long recognized.

Pages 22-24 show that to fill the budget gap, a 73% increase in registration fees over the biennium for students and their families would be necessary. Page 25 illustrates how students have participated in the process so far with fee increases since 2006-07, including the 2010-11 student surcharge.

Page 27 addresses financial aid. To set aside at least 15% of fee increases for financial aid will require an even greater increase in fees.

Pages 28-29 shows a comparison of NSHE registration fees with respect to the WICHE median of state averages. Chancellor Klaich indicated that the fee increases necessary to fill the budget gap would place the NSHE significantly above the WICHE median. Pages 30-31 provide a comparison of resident undergraduate fees currently paid at universities and community colleges in neighboring states.

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

Chancellor Klaich recalled that last September the Board approved an exciting and forward-looking plan for how the NSHE intends to move through this legislative session and beyond. It was built on an understanding that there has to be greater accountability, clear metrics, efficiency in all operations, improved graduation rates, a commitment to greater research and workforce grants and a belief that the NSHE is a critical partner to the state in economic diversification. As the NSHE moves forward, it is changing its parts. The System is moving more into inclusion and diversity areas and national programs such as Complete College America that include performance funding and nationally ascribed metrics.

Chancellor Klaich expressed his belief that Nevada is about to take a cure that is worse than the disease. There is an unmistakable link between the economic health of a region, state or city and its system of education from pre-kindergarten to graduate. The link between economic diversification and vitality and the system of higher education is indisputable. Nevada is about to embark on something that will make the NSHE incapable of being full partners in the economic recovery of the state. Chancellor Klaich indicated that he is trying not to overstate; however, this is a very critical time and the NSHE needs to insist on the fullest funding for higher education that the state can afford at the present time.

Regent Cobb inquired about the considerations in bringing NSHE tuition and fees in line with the WICHE average. Dr. Carol A. Lucey, President, WNC, noted that 50% of full-time students at WNC are maximum Pell Grant eligible, and their average family income is approximately $15,000 per year. Regent Cobb was concerned that as fees increase, there are some students who will no longer be able to afford their education. He inquired about the impact dollar-wise that the NSHE could achieve by bringing tuition and fees to WICHE averages for both community colleges and universities and if that could be used as an offset to the $162.4 million. Chancellor Klaich indicated that his figures assume that every person taking a credit today would take a credit tomorrow regardless of the increase. Regent Cobb's point that the NSHE would lose students is well taken. In response to the question about bringing tuition and fees to WICHE averages, Chancellor Klaich indicated that the NSHE would see $36.2 million from a 15% increase. If 15% of fee increases are set aside for financial aid, approximately $31 million would be left to help fill the $162.4 million hole in the operating budget. If fees were increased 10% in each year of the biennium, the NSHE would see approximately $25 million per year; however, that does not include a set-aside for financial aid.

In response to a question from Regent Cobb regarding professional schools, Chancellor Klaich indicated that staff has not yet looked at the possibility of making the professional schools or other programs and/or units of the System

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

more self-sustaining. He is hoping to receive that kind of direction from the Board so that he can come back and provide additional information in March.

Regent Cobb expressed concern about the fairness the NSHE is getting from other states with regard to WICHE and WUE participation. He wondered whether the NSHE should consider ending its involvement in those programs. Chancellor Klaich indicated that the information circulated to the Board by Associate Vice Chancellor Abba assumes that none of those programs would continue. The Board needs to keep in mind that, to the extent that those policies become effective and pull students out, there may be some positive impacts; however, there may also be some negative impacts as that fee income leaves as well.

Regent Blakely observed that the NSC budget reflects a payback of money it received from other institutions to help sustain itself over the past few years. Chancellor Klaich indicated that Regent Blakely is referring to page 16 of the report. The 2-year percent change for NSC looks disproportionate to the other institutions because it received a one-time contribution of $1 million that came from other institutions. NSC's budget was not built with that amount included this time. Regent Blakely expressed his hope that at the end of this process, NSC can once again be granted additional funds.

Regent Page stated that he would like the Board to revisit the tuition at the professional schools. He believes that Nevada gets a lot of people from out of state that become residents because the tuition is much cheaper than the states they are in.

Regent Page asked why Nevada is so low in financial aid. Chancellor Klaich indicated that the System just does not have the dollars that have been set aside for financial aid. With regard to Pell Grants, those dollars are available and are being used. A number of the institutions have tried, even in this downturn, to bulk up their financial aid and to make sure students know there is money available. Chancellor Klaich indicated that more and more students are taking advantage of financial aid. Regent Page observed that if the median NSHE community college tuition is $2,783 per year and the maximum Pell Grant for 2010-2011 is $5,550, plus a supplement for the summer of $2,675, that would more than cover the tuition. The issue may be that students are just not applying for aid. Chancellor Klaich indicated that staff will look into the issue. Regent Page also noted that the Pell Grant award increases every year.

In response to a question from Regent Anderson, Associate Vice Chancellor Abba indicated that anyone can apply for a Pell Grant through a FAFSA form. There is no specific allocation for each state.

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

Regent Crear commended Chancellor Klaich and his staff for putting together a great report. He noted that there has been talk about varying percentages and that tends to create some havoc. He looks forward to discussing these issues as a Board once the hard numbers are available. Regent Crear expressed his hope that the NSHE will not be looking at a $162.4 million hole. Chancellor Klaich indicated that he shares in that hope. However, he is concerned that the System has created a problem for itself because the presidents have done a sufficiently good job absorbing the cuts over the last two and a half years that the public is left wondering what the big deal was. The presidents have disproportionately cut many areas of their budget in order to protect the instructional core of their institutions. That has translated into a belief that higher education has not been impacted in the last two and a half years which is not the case. Chancellor Klaich also feels that the NSHE has been guilty of hyperbole in the past. With the first dollar of a cut, we wanted people to believe that the sky was falling in. Today, the System has to assume that these cuts could occur, and it is imperative that the people of Nevada be made aware of what kind of system of higher education they will have at this level of funding. Chancellor Klaich emphasized that the presidents should not say something they are not prepared to follow through on; however, at the same time, they need to make it known what the real ramifications could be.

Regent Geddes stated that it is very important for the System to prepare for an eventuality that we all hope does not come. He noted that some of the impacts from the last round of cuts have not even been seen by the institutions yet, but they will start to feel them in July. Regent Geddes indicated that the Board is thankful that the presidents were able to bring forward plans for meeting cuts in the previous rounds. He sees the current challenge as an opportunity for the Board to align the priorities that it has for the System and the state and to help guide the presidents on how to start planning and preparing.

Regent Knecht concurred with Regent Geddes about the need to prepare for a dire contingency - the possibility that the Governor's budget, as proposed, will be transmitted to the NSHE in June. He also greatly appreciated Chancellor Klaich's comments about hyperbole, candor and rigor.

In response to a question from Regent Knecht, Chancellor Klaich indicated that he will not be recommending any action today. He wants to hear what the Regents' concerns are and what additional information is needed so that he and the presidents can provide the Board with the blocks it needs to build a budget that meets its priorities.

Chairman Leavitt asked the presidents to address how the proposed budget cuts would likely impact their campuses.

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

President Lucey stated that WNC's current general fund budget is $18,472,126. Under the Governor's plan, it will drop by 19.1% for the next fiscal year to $14,941,033 and another 15.5% in the following fiscal year to $12,621,694 for a total reduction of 31.7%. The college has been very careful with its budget over the last several years. President Lucey is anticipating a 1.5% savings from using a zero-based budgeting methodology. She is considering moving a 2% reserve held each year for contingencies out of state funds. That means that WNC will need to discuss with the Board an all-funds approach to its budget. There are other sources including capital improvement fees and GIP tech fees, and there is a need for the presidents to have access to those fees for their emergency contingency budgets.

Regent Crear left the meeting.

President Lucey stated that the elimination of all current vacancies could generate another 2% savings. WNC will need to start out thinking that all non-classroom temporary employees will be eliminated. She noted that when certain positions were replaced with temporary employees it was only because the college could not function without people in those roles. Temporary employees are an easy cut because WNC is not required to provide a years' notice; however, they are a difficult cut because they are very important to the function of the institution. Those cuts would also generate about a 2% savings. President Lucey recalled that the Board approved a plan that would allow the institutions, in the presence of a 10% budget cut, to reduce professional salaries by 6%. While the Governor has only asked for 5%, she is recommending that the Board consider the full 6%.

President Lucey expressed her hope that the Board at all costs will avoid a declaration of financial exigency. She does not think that bankruptcy is a good move for the future of the NSHE or its students.

Regent Crear returned to the meeting.

The Governor has built a tuition increase into the Executive Budget. President Lucey indicated that she ran the numbers with a 12% tuition increase and it does not work. 15% of that increase would have to be set aside for financial aid. She suggested that the Board consider doing it on a surcharge basis, rather than a tuition basis, so that every dollar the students are asked to spend stays with the campuses.

President Lucey noted that all of her comments presuppose that WNC's enrollment will at least remain flat. Unlike the formula scenario in the state budget, she does not believe that enrollment will increase next year. Even if the budget were flat, she thinks the college would see a downsizing in enrollment. As

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

the economy recovers and the employment market improves, all of the institutions will probably lose students. President Lucey indicated that, at one time, she had promised to do what she could to avoid layoffs, campus closures and reductions in student services. With these kinds of numbers she cannot make those guarantees anymore. The rest of the semester will be spent in a curriculum review process with a need in the second year of the budget cut to close programs, close some satellite centers, and reduce services at other branch campuses and in general across the board. Also in that second year, she anticipates having to ask for another tuition increase to meet this budget.

Regent Knecht asked that if WNC was to face a 31.7% budget cut would President Lucey be able to present to the Board in June a set of budgets for the next two fiscal years that do not require financial exigency. President Lucey indicated that she has only had the numbers for a couple of weeks and there is still a lot to explore. It would be her goal to present a plan that would allow the Board to preserve the institution's financial integrity.

Regent Knecht indicated that he also hopes to avoid a declaration of financial exigency. He inquired about the appropriate time to consider such a measure should the Board determine that financial exigency is necessary to meet these dire circumstances. Chancellor Klaich indicated that a declaration of financial exigency is premature at this point.

With regard to the reduction of professional salaries, Chancellor Klaich clarified that if the Legislature approves a 5% salary reduction for state workers, the Board does not have the authority to consider a 6% reduction for professional staff without some additional processes involved.

Regent Knecht wondered if the Board would be able declare financial exigency as late as June. Mr. Bart Patterson, Vice Chancellor for Administrative and Legal Affairs, indicated that the Board will not be in a position to declare financial exigency until there is a final budget.

Regent Wixom observed that the ramifications of financial exigency are extraordinary. A declaration of financial exigency in anticipation of something happening would create a waterfall of consequences and could negatively impact the NSHE's bond rating which would create an enormous cost to the System. Regent Wixom stated that it is critically important for the Board to understand that any such declaration be made only as a last resort and not in anticipation of any event.

In response to a question from Regent Schofield, President Lucey indicated that it is not clear to her whether every additional dollar students are asked to pay would

1. <u>Approved-Discussion of 2011-2013 NSHE Biennial Budget</u> – *(continued)*

stay with the college unless it was done through a surcharge. Chairman Leavitt indicated that Chancellor Klaich is looking into that issue and will report back to the Board.

Dr. Maria C. Sheehan, President, TMCC, reported that TMCC has already sustained an 18% budget reduction amounting to $7.5 million in the last biennium. The college is now facing an additional 28.9% reduction. To provide some perspective with regard to the numbers, President Sheehan indicated that she could meet the cut by reducing the number of full-time employees by 183, or 39%. She noted that eliminating all of the allied health programs would generate only $5.5 million in savings. Eliminating an entire school of science, including all of the full-time faculty, staff and administration, would still not be enough to meet the cut.

To reduce the budget by 28.9%, President Sheehan would need to find $5.8 million in the first year of the biennium and an additional $4.4 million in the second year. She thinks the student fees should be surcharged so that the college can keep them.

President Sheehan indicated that she has not had a chance to vet the Executive Budget recommendation at the campus level or to talk to the community to see how they might be able to help. A surcharge increase of $5 per credit could generate approximately $1 million in the first year. An additional increase of 13% could generate $2 million in the second year. She would then have to look at eliminating the number of class sections. To reach the first goal of $5.8 million, approximately 870 class sections taught by 435 part-time faculty would be eliminated, saving approximately $2 million. FTE would be reduced, furthering the hole in terms of finding additional cuts.

In order to meet the previous 18% cut, President Sheehan indicated that she has not replaced any positions. The college has unfilled positions in the library, counseling, advisement, admissions, registration, public information, finance, human resources and facilities. They are very short staffed. In her experience, budget reductions can be sustained for approximately three years before a point of inefficiency is reached. TMCC is just about there.

President Sheehan indicated that she is very concerned about the impact on students. Students will not be able to get the courses they need to finish their course of study. They will be delayed or they will not be able to attempt a program based on the cuts that are made.

Mr. Carl Diekhans, President, GBC, reported that the Executive Budget recommendation would reduce GBC's budget by $2.6 million in the first year and

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

$2.2 million in the second year. He noted that $2.6 million is equivalent to the entire academic support area of the college. Cutting all library and computer services would result in only half of the savings needed in the first year. President Diekhans indicated that there have been buyouts, retirements and resignations. GBC could make it through the first year by cutting approximately 20 positions and stripping all of the operating support. In the second year, however, there would be nothing left to cut except an additional 40 positions. GBC originally had approximately 204 legislative approved full-time positions. Currently, the college is down to 186. Additional cuts would further reduce the number of positions to approximately 140.

Regent Schofield left the meeting.

President Diekhans indicated that there would also be more program cuts, which would reduce the FTE and fees coming in. In the second year, GBC could lose as much as 25% of the fee increases. Closing all of GBC's satellite centers would result in an immediate savings of $1.2 million. However, closing those centers would also mean a loss of 30% in fee revenue which would reduce the amount saved by the closures to approximately $300,000-$400,000. He noted that GBC's mission will certainly change. The college will not be able to serve as many people. He indicated that the admissions requirements may have to be reconsidered so that GBC is no longer an open door institution. President Diekhans stated that, in the 30 years he has been here, he has never seen anything this bad. He believes it will take the college back to 1990 enrollment levels.

Regent Cobb inquired about the number of students that GBC will lose. President Diekhans indicated that the college will lose 40% of its headcount.

Dr. Michael D. Richards, President, CSN, stated that when the budget is cut, CSN's access mission takes the greatest hit. The sharp enrollment growth of past years has been slowed down by intentionally constraining course offerings. This past fall, 5,294 headcount students walked away from CSN because they could not get into class sections. The college's mission as an affordable access institution is further eroded with a 29% proposed budget cut, or $26.7 million over the biennium. He indicated that CSN has a formal process in place to implement budget reductions. It takes a lot of conversation with faculty and staff. A town hall meeting was recently held to acquaint faculty and staff with the general recommendations of the Executive Budget.

President Richards reported that this past fall CSN enrolled 44,000 headcount. Among those students, the college saw a 122% increase in applications for financial aid; however, not all students qualify for the maximum Pell Grant. To meet the proposed reductions, he would have to look at closing CSN's learning

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

centers, further eroding the access mission. Students would see a substantial tuition and fee increase over the biennium. Course offerings would be further reduced resulting in an increased time to graduation. In addition, President Richards estimated that CSN would lose 6,400 FTEs by the end of the biennium. The headcount enrollment is approximately 13,000. He noted that this does not include the 5,294 students that walked away last semester. There would be a 28.5% reduction of sections by the end of the biennium, and a further reduction in essential campus services and support.

Regent Wixom asked President Diekhans how admissions standards would affect GBC's access mission. President Diekhans indicated that GBC's mission would have to change. GBC is an open door institution that accepts all students, including those that require remediation. The college would not be able to provide those services and would no longer be open to those individuals unless they could pass an entrance exam. President Diekhans indicated that he does not want to see that happen; however, it is one thing that could be done that would allow GBC to still provide some higher education in its service area.

Regent Wixom asked President Richards how he would determine which courses to cut. President Richards indicated that, in the past, those decisions have been made in consultation with department chairs and deans. CSN would also strengthen its limited entry programs. In response to a question from Regent Wixom, President Richards indicated that it is possible that CSN would impose admissions standards similar to what President Diekhans had discussed. He reiterated that there is a process on campus that would have to be followed.

Regent Schofield returned to the meeting.

Dr. Lesley A. Di Mare, President, NSC, reported that over the last biennium, NSC has eliminated 9 academic programs, 30% of operating funds throughout the campus and 29% of its state-funded workforce. Under the Executive Budget recommendation, NSC will lose $3 million in FY12 and $4.5 million in FY13. To meet the shortfall, NSC could increase student fees by 80%. Given that the median income of an independent student at NSC is $18,000 per year, 40% of their disposable income would be going to the cost of education. President Di Mare noted that those percentages would be even higher if 15% of the cost were set aside for financial aid. Alternatively, NSC could make up the shortfall with personnel cuts by eliminating 42% of institutional personnel and cutting part-time instruction budgets by approximately 50%. Over the biennium, NSC would lose approximately 10,000 course seats, or 400 sections. A combination of the two scenarios would mean a 44% increase in student fees, a 19% reduction in personnel and a 26% reduction in part-time instruction budgets. Over the biennium, NSC would lose approximately 5,000 course seats, or 200 sections.

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

President Di Mare indicated that the overall impacts include a loss in enrollments, decreased retention rates, students will take longer to graduate, the college will not be able to meet the Complete College America goals and the community will lose an educated workforce. She noted that the campus is working on other scenarios and will continue to meet and discuss the proposed cuts.

Regent Page requested that future scenarios presented to the Board be more realistic. Placing all of the cuts on the backs of only students or only faculty is not going to happen. President Di Mare acknowledged that the first scenario was not realistic. She believes the second one could be realistic and the third one is realistic because it is a combination. The other scenarios that NSC is still working on are all combinations.

Chairman Leavitt indicated that he does not think anyone on the Board will support fee or tuition increases that would take the NSHE higher than average.

Dr. Stephen G. Wells, President, DRI, reported that by the end of FY13, DRI's seed operating budget will have been reduced by over $2 million. That amounts to a 24.6% reduction on top of the approximately 19% reduction that DRI has already taken. In addition to the 5% salary reduction, DRI would eliminate at least nine central administration positions. That is somewhere between a 10% and 15% cut to central administration, which is already about as lean as he has seen at any institution. Nearly $600,000 in operating and research support would be eliminated, matching funds would be eliminated, and there would still be a $600,000 hole to fill.

President Wells observed that DRI is different in that it does not have the ability to raise tuition. DRI uses indirect costs to help pay for its funding. Theoretically, the institute would have to raise indirect costs from around 69% to 80%. Not only would that make DRI totally non-competitive, but it is not allowable by federal statute.

Over the past decade, when the state invested in DRI and raised $5 million to support operating costs, DRI increased the amount of money that it brings in by $26 million. The indirect costs were offset with state money, allowing the institute to reinvest in its faculty. President Wells offered some examples of things that will probably disappear because DRI will not have that money to reinvest including matching funds that DRI receives from applied research funds. He noted that $250,000 yielded about $7 million in research.

President Wells reported that one faculty member who was given a $100,000 start up package brought in $45 million. Another faculty member brought in $22

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

million on a similar investment, and yet another brought in $10 million on a $75,000 investment. The money from indirect costs would have to be redirected to try and fill the hole in the budget. President Wells indicated that it is a real challenge to figure out how to accommodate cuts that are going right at the heart of DRI. He reported that DRI is losing talent. Since FY08, DRI has lost approximately 34 FTEs, 21 of which are primary faculty that DRI had invested in and who were phenomenal in terms of what they had done. Faculty are being picked off by other states. They are leaving because they are worried about the future, and it is those faculty that are fundamentally impacting and shaping the future of our children and the future of our state.

Regent Cobb observed that as the Board discusses budget cutting strategies that include salary reductions, it should remain cognizant that salary reductions will result in a loss of faculty that generate money for DRI and the System.

Regent Wixom observed that DRI's financial structure is different than the other institutions and much of its revenue is generated as a result of matching funds. President Wells indicated that the requirements for matching funds are increasing by the federal government yearly. Regent Wixom asked President Wells to address indirect costs and whether there are any limitations on their allocation. President Wells stated that the matching funds for renewable energy through the U.S. Department of Energy, for example, range from 20% if it is research and development all the way up to 50% if it is commercialization. That amount of money is significant if you have a $10 million project. DRI only has indirect costs to use as matching funds. Regent Wixom asked for an estimation of the total loss in revenue for the state from budget cuts that would be allocated to DRI. President Wells offered his previous example of how $250,000 yielded $7 million in research. He does not know how he can come up with matching funds when he has to use indirect costs to fund core operations.

Regent Page noted that the fact that DRI cannot raise tuition cannot be understated. He recommended the creation of a list of revenues that will be lost at each institution because they will no longer be able to make these types of investments in faculty and research. He believes those numbers will be very impactful at the Legislature.

President Wells indicated that he is struggling with where the additional support might come from to fill in the gap at DRI; however, he wanted to be clear that he is not arguing for any kind of tithing from tuition increases at the other campuses. He feels that would be a hideous thing for DRI to do to its colleagues in the NSHE.

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Chancellor Klaich noted that the Executive Budget Overview includes a two page summary of economic impact that discusses the investment aspect of higher education in general terms. Regent Page indicated that the summary is nice, but it does not tell the whole story. It does not say that losing one faculty member means losing $47 million. Chancellor Klaich indicated that the summary does not include the downside of what is lost when faculty leave, but he has tried to emphasize in the discussion that this is not a cost center where state dollars just go out the backdoor – they are true investments.

Regent Wixom observed that much has been made of economic development recently. Many of the hypothetical dollars that are spent to attract businesses to the state are worthy investments. However, the Board is looking at real dollars, not hypothetical dollars that may come in the future as businesses are attracted to the state. These are real dollars in real time that the state will really lose. They can be calculated in factual terms. As the Board and the Chancellor address these issues with the Governor's office and the Legislature, Regent Wixom requested that the way economic dollars are spent in the state be looked at. Perhaps those dollars can be better allocated to areas that are known to produce revenue – not hypothetically, but in real terms.

Dr. Milton D. Glick, President, UNR, observed that the Governor has said that economic development and getting people back to work are his highest priorities. President Glick believes that the NSHE institutions are a critical anchor for doing that. The institutions produce the educated workforce, and they produce the ideas, innovation, creativity and technology that make it possible. President Glick noted that what the university has accomplished in the last few years is all before the budget cuts take effect. UNR's ability to maintain this progress is greatly at risk. The university has the highest enrollment in its history. It is now graduating half of its students, which is nearing the national average. Four out of five freshman return for their sophomore year, which is above the national average. UNR brought in $66 million in research and $110 million in sponsored programs this year. In addition, the university produced 66% more baccalaureate degrees this last year than it did ten years ago. All of that was accomplished in a state that is well below the national average in education level.

UNR is working with K-12 to build a seamless interface. One of the initiatives is a pilot program with the Washoe County School District where placement exams that are given to college freshman will be given to high school students in their junior year. That way, the high schools can correct any problems before the students get to the university. This will reduce remediation. If the pilot is successful, President Glick hopes the program can expand statewide.

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

Starting from the appropriated FY09 budget, UNR absorbed a $44 million cut. The university prioritized its academic units and took administrative cuts as high as 30%, while limiting the colleges to 10%. President Glick indicated that UNR has run out of administrative cuts because the colleges cannot function without support. On the academic side, the decisions about where to cut were very difficult and painful. The university closed 23 degree programs, 6 departments, sharply reduced 24 programs and eliminated 400 budgeted positions, of which 100 were real people including tenured faculty – something unheard of in this country.

Regent Schofield left the meeting.

President Glick stated that, under the Executive Budget recommendation, UNR will have to take another $59 million cut. Since 80% of the budget is personnel, that means approximately $50 million in salaries. The 5% salary cut will generate about $9 million, and an assumed 12% tuition increase each year will generate approximately $10 million. He noted that graduate students are already above the national average. That leaves $40 million that UNR has to reduce by year two.

President Glick indicated that the first cuts were painful. UNR lost good people, programs were damaged and access was reduced by a reduction in the number of programs that students could enroll in. The impact of that will show up more next year than this year. However, those cuts did not change the fundamental nature of the university. The university could be described in basically the same words. That will not be possible after this next round of cuts. UNR will be a scaled-down, different kind of university. President Glick stated that he does not see how UNR can keep cutting infrastructure. He can maybe get another $7 million from that area. That means $33 million will have to come from the academic side of the institution. UNR's most entrepreneurial faculty are being recruited by other institutions. President Glick estimated that between 500 and 600 faculty and staff will have to be terminated. That is 500 to 600 faculty and staff who will not be serving UNR's students and research mission, and who will not be drawing a salary in this state and spending it back into the economy.

President Glick indicated that the first cut, unless it is a cut to the University of Nevada School of Medicine, which produces fewer students but in his opinion is critical to the future health of the state, would mean a loss of 1,000 degrees annually. That is based on an assumption that all of the other students keep coming, which he does not think can be assumed.

President Glick indicated that he and President Smatresk will talk, and they will attempt to coordinate in order to still leave options. They will work together and not make decisions in a vacuum. He expressed his appreciation that the Governor

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

has recommended that the institutions be able to keep their tuition, as that is something they have been asking for. However, that does not offset $59 million.

Regent Alden observed that the cut to the School of Medicine through FY13 is approximately 30%. Coupled with that, FTI Healthcare came out with its preliminary report that said the relationship between UMC and the School of Medicine is bad. Regent Alden noted that UMC might not be here in three years. He asked if the School of Medicine should return to its original model with basically no residencies and a small medical school or if it should be shut down. President Glick indicated that the state cannot afford to go back to the small medical school of forty years ago. He noted that Chancellor Klaich asked the Legislature for the ability to move money between budget lines. President Glick believes it is unconscionable to consider taking that kind of reduction out of the School of Medicine, which means that another area is going to have to suffer more. The university is prepared to make choices, but he is committed to the medical school growing and improving. President Glick stated that they have to find a solution between UMC and the School of Medicine or go to a totally different model. He believes there is the potential to do something very good for UMC, the city of Las Vegas, Clark County, the state of Nevada and the School of Medicine by developing a much closer partnership between UMC and the medical school. President Glick observed that it is not just the number of doctors and nurses the school produces; it is the quality of healthcare by having a strong research-based medical school in the state.

Regent Schofield returned to the meeting.

Regent Alden observed that athletics, over a period time, will have to be self-supporting, similar to the Arizona model. However, through FY13, the budget for athletics will be cut by almost 40%. With that cut, and with Nevada coming into the Mountain West Conference, he asked whether UNR's athletic department can survive with the number of sports it currently has. President Glick stated that he is faced with those issues every day. UNR is a Division 1-A athletic department and has the minimum number of men's sports required to remain Division 1-A. The university has already cut sports. He called the Chairman of the Board at the NCAA to inquire about the possibility of a waiver to go below that number and was told no. President Glick stated that UNR has a higher fraction of women athletes than women students. The attorneys on the Board know what would happen if he cut a women's sport. The university has to comply with Title IX. President Glick indicated that he asked if UNR could go down to a different division. He learned that going down to Division 1-AA or Division II makes athletics more expensive because the revenues are so much lower. President Glick expressed his belief, and it is a belief that is shared by Executive Vice

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President and Provost Marc Johnson and UNR's senior officers, that Division 1-A athletics is an important element of the student experience at UNR.

Regent Alden asked how an overall decrease in funding of approximately 35% through FY13 will affect the amount of research UNR is bringing in and how many research dollars will be lost. President Glick indicated that he does not know the number, but it will be dramatic because UNR will lose its most marketable faculty. The fraction of credit hours delivered by full-time faculty has already increased from 65% to 80%. On top of losing the research and the money, the state also loses the ability to say this is a place where high value businesses should either start or should come.

Regent Alden requested that President Glick provide a definitive answer on the School of Medicine, the athletics department and the impact of a 35% budget reduction on research dollars at the next budget meeting. He would also like a definitive answer on the FTI Healthcare report and what the procedures will be to correct the deficiencies. He requested that a written response be provided to the Chancellor and to all members of the Board. President Glick indicated that he will do his best to address Regent Alden's concerns. He noted that some things cannot be definitive because UNR does not have definitive data.

Regent Anderson inquired about the number of students that will leave due to the loss of high quality faculty or research they were interested in. President Glick indicated UNR will lose graduate students. He noted that graduate students do not come to universities, they come to faculty. With regard to undergraduates, it is not so clear. However, even as freshman, UNR offers the very best students the opportunity to work with some of the university's most talented faculty. That is a unique opportunity and the reason why individuals come to research universities.

President Glick noted that the FTI Healthcare report is currently being analyzed. He feels it is an excellent report that talks about weaknesses, strengths, opportunity and risks. The risks are very high. He will do his best to respond to Regent Alden's questions.

Dr. Neal J. Smatresk, President, UNLV, reported that from 2007 until now, UNLV has lost $50 million. The university has lost top faculty and staff, and has cut administrative structures to the bone. There are faculty who question Nevada's commitment to higher education. President Smatresk indicated that the quality of the environment is a consideration when a faculty member makes a career decision to move to an assistant, associate or full professor. UNLV is experiencing severe recruiting problems, and one of the deans has suggested that it may be necessary to monetize the risk of moving to Nevada in order to gain

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quality faculty. When an institution loses its faculty base, it loses its core quality and that does deep structural damage.

UNLV is being asked to make the same level of cut between FY11 and FY13. To date, the university has lost 540 positions. Of those, 407 were actual people lost and the rest were positions that had been held vacant. UNLV ranks among the most efficient universities in the country. Its administrative spending is in the bottom 5% of major research institutions. President Smatresk indicated that he has trimmed administrative and academic support budgets far more seriously than academics. Half of the cuts made to date have been in the academic support units that are approximately 25% of the total budget. UNLV has rightfully protected academics over academic support; however, the academic support units cannot continue to take cuts and still be expected to function.

President Smatresk recalled that the Governor has said that the NSHE can do a better job. While he agrees that there is always room for improvement, he will defend UNLV by saying that it graduates 5,400 students per year, a number that has increased 60% in the last ten years. The number of graduates per year has held relatively constant for the past three years during an intense period of budget cutting. President Smatresk stated his belief that UNLV is remarkably efficient and is delivering what the city needs on greatly reduced funding.

President Smatresk agrees with the Governor regarding the need to produce more degrees and a need for economic diversification. In Las Vegas, approximately 20% of the population has a higher education degree compared to 40% in competitor cities. The Milken Institute ranked Nevada 46th in the country for a tech-ready environment. Nevada was ranked 50th in human capital investment, which means that Nevada has fewer high quality technical degrees than any other state in the country. President Smatresk noted that UNLV and UNR produce a large number of science, technology and engineering degrees; however, those individuals go to California to get jobs because Nevada does not have a tech economy.

President Smatresk pledged that UNLV will do everything in its power to create jobs, to create the new economy and to build the future of the state. The real question is how that can be accomplished by cutting another $37.5 million. With that level of cut, he expects to lose an additional 500 positions along with very heavy cuts to the academic budget. A tuition increase of 10% will generate $7.5 million after the 15% set aside for financial aid and the funds that go to support graduate students. He will still have to remove the equivalent of two or three major colleges. Along with that, UNLV will lose approximately 1,600 to 2,000 students per college. President Smatresk noted that there is evidence from the last round of cuts that program cuts translate to reduced enrollment.

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At the end of FY13, UNLV will have seen a cumulative budget reduction of 52%, or approximately $100 million. The university will have lost nearly 1,000 personnel and 6,000 students, and will no longer look like UNLV.

President Smatresk noted that UNLV's non-residential tuition is above regional averages. With the last two tuition increases, the university has seen reductions in its non-residential student flow. He expects that to continue as tuition is raised in that category. In addition, he feels there is very little flexibility in raising fees for graduate students, as they have already seen huge increases. That means that changes in tuition differentially impact resident students. Nevada's college-going rate is already very low and it will be further reduced with additional tuition increases on residential students. UNLV currently has more financial withdrawals than ever before due to the tuition increases that have already occurred.

In response to an earlier question from Regent Alden, President Smatresk indicated that UNLV has already lost research capacity and it is now accelerating. Good faculty do not know whether this should be their home anymore. When top faculty are lost, the institution loses more than just research dollars – it loses the reputation of wonderful programs. President Smatresk concluded by stating that all of the presidents are ready to improve what their institutions do; however, the NSHE cannot be improved on the level of cuts that have been presented.

Regent Alden asked that President Smatresk bring to the next Board of Regents' meeting an estimate of research dollars that UNLV stands to lose. President Smatresk indicated that federal earmarks are frozen and that was a large part of UNLV's granting portfolio – approximately $20-30 million per year. As faculty depart, the university is now losing approximately $50 million in funded projects per year. That process accelerates as additional faculty are lost. President Smatresk noted that $50 million in research dollars equates to approximately $250 million of economic impact. Non-residential students create an export economy that is worth approximately $240 million. In addition, the Thomas and Mack Center generates approximately $250 million per year of economic impact. Regent Alden indicated that the information provided by President Smatresk has satisfied his request.

With regard to athletics, Regent Alden observed that a 34% budget cut will make it very difficult to remain competitive within the Mountain West Conference. President Smatresk indicated that UNLV can lose one male sport and still be Division I.

Regent Alden asked how the budget cuts will impact the Boyd School of Law and the School of Dental Medicine. President Smatresk indicated that in both cases, the financing is currently on edge and the budget cuts will create serious

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challenges going forward. With regard to the Boyd School of Law, the challenge is in terms of the number of students accepted and its reputation. The School of Dental Medicine may lose some of the advanced programs that were put in place to serve the region. Regent Alden asked that President Smatresk bring more specific information about the impacts on the Boyd School of Law and the School of Dental Medicine to the next meeting.

The meeting recessed at 3:42 p.m. and reconvened at 3:57 p.m. with all members present.

Regent Wixom indicated that he would like to see some specific recommendations for cost savings and systematic changes, for both now and in the future, based on the findings of the Board's efficiency and effectiveness initiative. He would also like the institutions to provide specific recommendations and approaches to the budget cuts illustrated on page 16 of the Executive Budget Overview. Finally, he would like to discuss how the NSHE institutions can partner between themselves and how they can partner with other institutions, including out-of-state, non-traditional and online institutions. Regent Wixom noted that the NSHE has been addressing budget cuts for virtually the entire time he has been on the Board. He believes the System should approach these particular budget cuts differently than it has in the past. The NSHE needs to tell its story aggressively and describe it in real terms so that the people in the state understand what is going to happen.

Regent Wixom observed that, in his professional career, he has learned a lot about preserving capital. There will be a temptation for the institutions to use capital to pay operating expenses and he is adamantly opposed to that. Capital should not be used to pay operating expenses. It erodes the future. Once you do that, the capital is gone and the operating issue still remains. A sale-leaseback transaction is okay if the proceeds of the sale are used to invest in other capital resources. However, the institutions cannot use capital accounts to cover operating expenses. That was not the intent when the asset was sold, and it will not solve the problem.

Regent Wixom indicated that, over the last several years, as he has spoken to people about higher education, he has been accused of not understanding reality. However, he lives in a very real world. He has a small business for which he sends out invoices at the beginning of each month and, to the extent that those invoices get paid, he brings home a check. He has also been advising clients, who live in reality, for the better part of three decades.

Regent Schofield left the meeting.

Regent Wixom noted that, over time, he has seen people make mistakes because they do not understand reality. The businesses that he has seen fail are those that

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

have spent their capital. In large measure, the capital in Nevada is human capital and the NSHE is in the business of investing in and nurturing that capital. The System takes students in and tries to improve them to benefit the state in the future. Regent Wixom expressed his belief that what is being done with this budget is a profound waste of human capital and it will do enormous damage to the state. The state must find the revenue to invest in human capital. It should be done thoughtfully, and in the context of reality, but failure to take that step will jeopardize Nevada's immediate economic and social health as well as the future of our children and grandchildren. Regent Wixom indicated that he is confident that the people of the state of Nevada do not understand the realities that will follow from this budget. He is convinced that when they do, everyone will come together and provide meaningful solutions.

Regent Schofield returned to the meeting.

Regent Geddes requested that staff look at the cost associated with institutional satellite facilities. He recommended that each individual instance be looked at separately to see where it would make sense to scale back without losing a lot of revenue. He also thinks the Board should go beyond the institutional plans for making cuts at this level and start looking at sacrificing line items, or moving between line items. Staff should look at consolidation and closure of colleges and campuses, as well as programs at the institutions. Regent Geddes noted that Presidents Glick and Smatresk have indicated they will work together to make sure they are not shutting down the same programs. There may be programs, such as nursing at UNLV, which can be better served at NSC. Programs should be looked at from a System holistic sense. Potential impacts on institutional accreditation should be considered during this review. Also, the impact on accreditation if cuts are made to these programs and they are left to operate at a bare bones level should be included in the review.

Regent Alden recommended that serious consideration be given to moving undergraduate education in teaching and nursing to NSC.

Regent Melcher concurred with Regent Wixom. With regard to Regent Page's comments about the System protecting its investments, he agrees that, as Board members, that is one of their key jobs. He is a firm believer that all of the institutions exist for good reason and they are vital to the communities they serve. Regent Melcher also echoed Regent Geddes's concerns that programs are not eliminated from the entire state. He suggested that the Chancellor's office review all program closures recommended by the institutions for possible conflict. Regent Melcher also believes it is important for the NSHE to determine what it wants to be and what the state should have access to. He feels the best way to do that is for a review to be conducted at the Chancellor's office level so that when

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

the Board gets recommendations, it can be sure the state's higher education system is not being gutted. Regent Melcher concluded by stating that, having lived in rural Nevada for the last 30 years, he has come to understand and respect the value of satellite campuses and community colleges. He believes it is extremely important to do everything possible to preserve them and not limit access to the many students throughout the state who have no other means of getting an education.

Regent Cobb observed that the Governor is faced with a constitutional obligation to present a balanced budget, and he ran on a no-new-taxes platform. He does not think the System can say it will not accept any of these cuts. However, the System can be part of the economic engine to help get Nevada out of these severe economic conditions. Regent Cobb indicated that he is a huge fan of what has been accomplished in Utah through USTAR and, as chair of the Academic, Research and Student Affairs Committee, he has directed Vice Chancellor Nichols to include on the Committee's agenda a discussion of USTAR and what the Board can do to support the Governor, Speaker, Senate Majority Leader and Lieutenant Governor in their mission to get a USTAR type model to Nevada. He noted that USTAR is a success because Utah put $200 million into it, and not by taking $172 million out of it.

Regent Cobb suggested that the Governor be invited to attend the Board's March meeting in Carson City to hear a short presentation on some of the problems the institutions are facing and how the NSHE will not be able to participate in the economic development of Nevada or deliver an educated workforce.

Regent Cobb moved approval of 1) directing the Chairman and/or the Chancellor to express the opposition or sense of the Board to the Governor and the Legislature regarding the Executive Budget, and 2) directing the Chancellor and the presidents to analyze further the proposed cuts in the Governor's State of the State Address and Executive Budget and to provide the Board with additional information and potential options for addressing those proposed budget reductions including student fee increases, a 5% salary reduction, and the consolidation and closure of colleges, campuses, satellite facilities and programs, including any potential impacts on institutional accreditation, at the next meeting of the Board. Regent Alden seconded. Motion carried unanimously.

1. Approved-Discussion of 2011-2013 NSHE Biennial Budget – *(continued)*

Regent Anderson echoed Regent Melcher's sentiments regarding access for rural communities. She feels it is important to consider the human and community consequences of closing satellite centers. Many of the people in those areas would not have higher education if they had to travel. As tuition increases are discussed, Regent Anderson requested that the Board 1) consider bringing the professional school fees in line with regional levels; 2) look closely at the impact of previously approved differential tuition and where differential tuition might be implemented to help offset the budget cuts; and 3) examine the potential for the professional schools to move to a self-supporting model.

Regent Crear inquired about how the budget cuts will impact the Complete College America initiative and the College Access Challenge Grant.

Regent Alden left the meeting.

Chancellor Klaich indicated that the NSHE will not be able to meet the goals of those initiatives. In addition, the NSHE will not meet its research or workforce goals. Regent Crear suggested that issue be communicated to the Governor and the Legislature. The System made a commitment to meet the goals of those initiatives.

Regent Wixom recommended that the Board take a close look at tuition, including differential tuition, and how it is applied and utilized differently at each institution. He feels that tuition is not the total solution, but is has to be part of the solution. Chancellor Klaich stated that, although Regent Wixom was not implying this, he hopes the Board does not see raising tuition as the first thing that has to be done. Regent Wixom added that tuition is not a solution for DRI, nor is it a solution for some of the other line items.

Regent Page recommended looking at best practices for financial aid and examining what other states that have high financial aid are doing differently to achieve higher financial aid.

2. Public Comment – Ms. Patricia Martinelli-Price, founder of the Pulidor Foundation Spirit of the Nations and member of the Southern Nevada Diversity Roundtable, stated that she is addressing the Board on behalf of the disadvantaged and the working poor. She believes that minority students and the working poor throughout the state of Nevada are suffering due to the budget cuts. She noted that, in 2007, $661 billion was spent in the United States by minorities. She stressed the importance of making sure that minorities and the working poor have the same opportunity to attend school that other Nevadans have. She also suggested that the NSHE look into additional scholarship opportunities for students.

2. Public Comment – *(continued)*

Mr. Patrick Gibbons, independent researcher, observed that there has been a lot of talk about the impact of budget cuts and the potential for economic development, but there has not been a lot of talk about the facts. He stated that is it not entirely clear that higher education can play a role in economic development. In an examination of the top 100 universities, as ranked by U.S. News and World Report, he found correlations between higher unemployment rates and lower migration rates. A state that had a top 100 university had negative migration rates between 2000 and 2008, the most recent data available. It also had significantly higher unemployment rates. Ivy League states had a combined net migration rate of -2.5 million. Mr. Gibbons indicated that it is not entirely clear that spending more money on higher education will help develop or diversify Nevada's economy. He noted that Dr. Richard Vedder, an economist at the University of Ohio, found a negative relationship between additional spending on higher education and economic growth because states may either be spending too much or spending ineffectively. Dr. Jay Greene, a professor at the University of Arkansas, found that between 1993 and 2007, UNLV and UNR increased their number of employees faster than student population growth. Dr. Green found that UNLV increased the number of administrators/non-educators per 100 students by 90% and decreased the number of instructors by 6.6% during that period. Per pupil spending grew by 59% at UNLV and 21% at UNR. Tuition increased 76% and 90%, respectively.

In response to a question from Regent Cobb, Mr. Gibbons indicated that the data are from 1993 to 2007. Dr. Greene used those dates because they were the earliest available for the maximum number of universities. Mr. Gibbons acknowledged that UNLV and UNR have received budget cuts in the last couple of years. The IPEDS database indicates that, between 2007 and 2009, spending for instruction, research, public service, academic service, institutional support and student support was down 5.5% at UNLV and 3.7% at UNR. Mr. Gibbons stated that the eight year graduation rate between the two universities is 50%. UNLV spends $19,000 per FTE student, while UNR spends $34,000. He feels that it cannot be assumed that spending more money will produce better results or a better economy. Nor can Nevada look to other states like Utah or Arizona as examples. Mr. Gibbons indicated that Utah has one of the most bloated universities in the country – employing one person for every 3 students. They spend $50,000 per student to graduate just 51% of their students in six years. The average six year graduation rate in the nation for all four-year universities is 57%.

Regent Knecht expressed an interest in receiving the backup information that Mr. Gibbons used to reach his conclusions.

Ms. Constance Kosuda, member of the Southern Nevada Diversity Roundtable, stated that the Civil Rights Act should be taken seriously. She asks that the Board be mindful of disproportionate impacts upon minority and economically disadvantaged students in its decisions in order to avoid the continued appearance

2. Public Comment – *(continued)*

of civil rights violations. Ms. Kosuda suggested that the Board appoint a task force to study how revenues can be increased to keep tuition steady for all students.

Ms. Geetha Sendhil, Chair of the UNLV Professional Staff Committee, stated that she is representing approximately 900 professional staff at UNLV. They are a body of highly skilled, highly trained and educated, and highly qualified individuals that provide a full range of professional services that are valued and sought after. Ms. Sendhil reported that, as news of the budget cuts started to circulate, the UNLV Professional Staff Committee solicited and received feedback from roughly 20% of professional staff at UNLV about their thoughts and concerns. Four themes emerged in the feedback received and they are best represented by the following quote:

> *"The state is in a tough spot and asking everyone to help out is in the right spirit. One by-product of this is that we are going to lose valuable employees and our recruiting efforts for new employees will be hampered. At the end of the day you get what you pay for."*

Ms. Sendhil indicated that the top concern among professional staff is continued salary and benefit reductions. What was supposed to be a temporary salary reduction is now proposed to be a permanent reduction in salary and benefits, and it is a disproportionate burden on state workers. One staff member wrote that a salary cut does not only affect the person or family whole salaries are being cut. The reduced buying power of those individuals has a compounded effect of hurting the local economy further as they reduce their spending locally. This hurts businesses as well as reducing the sales tax revenue to local and state governments. Another staff member wrote that it is hard to justify staying at UNLV, or even in the state of Nevada. The best workers have options. UNLV will be left with only those who have no place to go.

Ms. Sendhil noted that a significant portion of responses indicate that morale is at an all time low due to increased workloads and the stress that comes along with it. Another concern expressed by professional staff is the potential mass exodus of staff leaving UNLV and the state. Thus, adding more work to the already overfilled plates of those who remain. Some employees are doing two and three jobs just to make things work. Another staff member expressed concern about the kind of programming UNLV will be able to offer to students as more and more staff leave due to salary reductions.

2. Public Comment – *(continued)*

Ms. Paulette Batayola, Student Body President, GBC, and Vice Chair of the Nevada Student Alliance, thanked Chancellor Klaich on behalf of the Nevada Student Alliance for his efforts to not continue placing the burden on the backs of students. She also thanked the Board and the System office for their continued cooperation with student leaders.

Ms. Elora Mary Paik stated that she is proof that Nevada higher education works. She was born and raised in Henderson and, in her family, there were no generations before hers that graduated from high school, let alone earned a master's degree in business administration. She came back to UNLV five years ago, after working 17 years in the technology field, to become a middle school math teacher because she believes education works. She encouraged the Regents to devote their hearts and souls to making sure that higher education continues to work for Nevada.

Chairman Leavitt expressed his appreciation to the Regents, presidents, Chancellor Klaich, and CEO and Special Counsel Wasserman for their participation and assistance. He indicated that the goal of the Chancellor and the Board is to do everything possible to avoid any budget cuts at all. In light of what the NSHE has sustained over the past few years, he does not think it is appropriate to cut higher education further. He believes the System needs to advocate strongly for increased revenue. Chairman Leavitt stressed the importance of accountability and efficiency and pledged to support the Board's efforts going forward.

3. New Business – None.

The meeting adjourned at 4:46 p.m.

Prepared by: Keri D. Nikolajewski
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Submitted for approval by: Scott G. Wasserman
CEO & Special Counsel to the Board of Regents

Approved by the Board of Regents at the May 6, 2011, meeting.