

## BOARD OF REGENTS BRIEFING PAPER

**1. AGENDA ITEM TITLE: Proposals to Comply with Governor’s Requested Additional Budget Cuts for FY21**

**MEETING DATE:** June 11-12, 2020

**2. BACKGROUND & POLICY CONTEXT OF ISSUE:**

The Governor’s Finance Office on June 1, 2020, asked NSHE to provide an additional \$35,198,092 in budget reductions, which represents a further 5% budget reduction in addition to the 14% reductions approved on April 10, 2020. In addition to the Governor’s requested budget reductions, NSHE institutions estimate the fiscal impact due to reduced revenue and additional expenditures to be \$120.9 million. To prevent further cutbacks to NSHE budgets, a one-time \$50 million distribution from the market fluctuation account is recommended. This action is consistent with prior special distributions from the operating reserve. A \$25 million special distribution was made in January 2018 for deferred maintenance projects and other initiatives with another \$25 million distribution in July 2018 for deferred maintenance projects.

Established in December 2010, the market fluctuation account was created as a “rainy day” fund in the operating fund. In March 2012, \$30 million was transferred from the operating fund reserve into the market fluctuation account. In March 2013, an additional \$20 million was transferred from the operating fund reserve bringing the balance in the market fluctuation account to \$50 million. Under Title 4, Chapter 10, Section 6(f), the market fluctuation account may be utilized to finance monthly distributions to NSHE institutions when the operating fund reserve is unable to generate sufficient investment income.

The operating fund reserve and market fluctuation account balances represent income earned on investments in the operating fund plus increases or decreases in market value minus fees and the income distributed to campuses. In other words, the balance is undistributed investment earnings and increases or decreases in market value.

The distribution will be made based on the average daily balance of each institution in the operating fund as of April 30, 2020, with a reduction to the System Administration allocation in an amount sufficient to hold harmless NSC, GBC, WNC, the Prison Education program and the Silver State Opportunity Grant.

Institution	% of the Average Daily Balance	Allocation	SA Reallocation	Total
UNLV	52.30%	\$ 26,148,907	\$ -	\$ 26,148,907
UNR	21.89%	10,944,509	-	10,944,509
CSN	9.62%	4,810,049	-	4,810,049
SA	4.80%	2,399,396	(1,195,901)	1,203,495
TMCC	3.92%	1,957,867	-	1,957,867
DRI	3.92%	1,957,839	-	1,957,839
NSC	1.64%	820,881	314,760	1,135,641
GBC	1.07%	536,480	197,936	734,416
WNC	0.85%	424,072	322,436	746,508
Prison Ed	N/A	-	7,981	7,981
SSOG	N/A	-	352,788	352,788
<b>Total</b>	<b>100.00%</b>	<b>\$ 50,000,000</b>	<b>\$ -</b>	<b>\$ 50,000,000</b>

**3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:**

Request for the Board to consider making a one-time distribution from the market fluctuation account for \$50,000,000 to fund the Governor’s Finance Office request for an additional 5% budget reduction in FY 21 and partially cover the financial impact due to the COVID-19 pandemic at the Universities.

**4. IMPETUS (WHY NOW?):**

The Governor’s Finance Office has requested a further 5% budget reduction.

**5. CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:**

- Access (Increase participation in post-secondary education)
- Success (Increase student success)
- Close the Achievement Gap (Close the achievement gap among underserved student populations)
- Workforce (Collaboratively address the challenges of the workforce and industry education needs of Nevada)
- Research (Co-develop solutions to the critical issues facing 21<sup>st</sup> century Nevada and raise the overall research profile)
- Not Applicable to NSHE Strategic Plan Goals

**INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL**

This proposal will eliminate the need to reduce critical student services further.

**6. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:**

- The market fluctuation account was established as a “rainy day” fund in the operating fund.
  - The combined balance in the operating fund reserve and market fluctuations account is adequate to meet normal market fluctuations and continue making monthly investment pool distributions.

**7. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:**

- A dramatic decline in the market as experienced in February and March of 2018 would eliminate the operating fund reserve and require the suspension of monthly investment income distributions.

**8. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:**

- Do not make a distribution from the market fluctuation account and direct all NSHE institutions to reduce their budgets further to meet the Governor’s Finance Office request for a further 5% reduction.

**9. RECOMMENDATION FROM THE CHANCELLOR’S OFFICE:**

Chancellor’s Office recommends approval.

**10. COMPLIANCE WITH BOARD POLICY:**

- Consistent With Current Board Policy: Title # \_\_\_\_\_ Chapter # \_\_\_\_\_ Section # \_\_\_\_\_
  - Amends Current Board Policy: Title # \_\_\_\_\_ Chapter # \_\_\_\_\_ Section # \_\_\_\_\_
  - Amends Current Procedures & Guidelines Manual: Chapter # \_\_\_\_\_ Section # \_\_\_\_\_
  - Other: \_\_\_\_\_
  - Fiscal Impact: Yes \_\_\_\_\_ No \_\_\_\_\_  
Explain: \_\_\_\_\_

**Nevada System Of Higher Education  
FY 20 & FY 21 State Operating Budget  
Budget Reduction Summary**

Budget Account	FY 20		FY 21								FY 20 & FY 21 Total Budget Reductions
	State Appropriation	April 3 <sup>rd</sup> 4% Budget Reduction	State Appropriation	April 3 <sup>rd</sup> 14% Budget Reduction	May 30 <sup>th</sup> 2% Budget Reduction	June 1 <sup>st</sup> 3% Budget Reduction	Total FY 21 19% Budget Reductions	BOR Budget Reductions Approved April 10 <sup>th</sup>	One-time Market Fluctuation Distribution	FY 21 Net Reductions Needed	
System Administration	\$ 4,932,899	\$ 197,316	\$ 4,941,631	\$ 691,828	\$ 99,564	\$ 136,124	\$ 927,516	\$ 691,828	\$ 235,688	\$ -	\$ 1,124,832
Performance Funding Pool <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-
System Computing Center	18,758,967	750,359	18,790,097	2,630,614	378,584	363,982	3,373,180	2,630,614	742,566	-	4,123,539
Special Projects	2,278,035	91,121	2,280,047	319,207	45,939	23,254	388,400	319,207	69,193	-	479,521
Education for Dependent Children	-	-	14,365	2,012	289	-	2,301	2,012	289	-	2,301
University of Nevada, Reno	\$ 130,357,424	\$ 5,214,297	\$ 131,048,475	\$ 18,346,787	\$ 2,640,375	\$ 5,156,134	\$ 26,143,296	\$ 18,346,787	\$ 10,944,509	\$ (3,148,000)	\$ 31,357,593
Business Center North	2,147,055	85,882	2,154,095	301,574	43,401	34,184	379,159	301,574	-	77,585	465,041
University Press	454,091	18,164	455,601	63,784	9,179	14,552	87,515	63,784	-	23,731	105,679
UNR – Intercollegiate Athletics	5,475,113	219,005	5,481,111	767,355	110,434	33,804	911,593	767,355	-	144,238	1,130,598
UNR – Statewide Programs	8,749,206	349,968	8,461,957	1,184,673	170,492	139,682	1,494,847	1,184,673	-	310,174	1,844,815
Agricultural Experiment Station	5,573,516	222,941	5,584,863	781,882	112,524	137,586	1,031,992	781,882	-	250,110	1,254,933
Cooperative Extension Service	3,867,743	154,710	3,882,367	543,532	78,222	146,418	768,172	543,532	-	224,640	922,882
UNR – School of Medicine	37,561,465	1,502,459	37,632,115	5,268,497	758,215	802,840	6,829,552	5,268,497	-	1,561,055	8,332,011
Health Laboratory and Research	1,780,159	71,206	1,785,810	250,013	35,981	12,480	298,474	250,013	-	48,461	369,680
2017 UNR Engineering Building Debt Service	3,288,350	131,534	3,314,250	463,995	66,776	-	530,771	463,995	-	66,776	662,305
<b>Total University of Nevada, Reno</b>	<b>\$ 199,254,122</b>	<b>\$ 7,970,166</b>	<b>\$ 199,800,644</b>	<b>\$ 27,972,092</b>	<b>\$ 4,025,599</b>	<b>\$ 6,477,680</b>	<b>\$ 38,475,371</b>	<b>\$ 27,972,092</b>	<b>\$ 10,944,509</b>	<b>\$ (441,230)</b>	<b>\$ 46,445,537</b>
University of Nevada, Las Vegas	181,018,756	7,240,750	181,632,636	25,428,568	3,659,548	6,114,221	35,202,337	25,428,568	26,148,907	(16,375,138)	42,443,087
Business Center South	1,951,542	78,062	1,957,810	274,093	39,446	65,904	379,443	274,093	-	105,350	457,505
UNLV – School of Medicine	35,519,101	1,420,764	41,464,109	5,804,975	835,422	1,395,788	8,036,185	5,804,975	-	2,231,210	9,456,949
UNLV – Intercollegiate Athletics	7,896,825	315,873	7,902,866	1,106,402	159,228	266,030	1,531,660	1,106,402	-	425,258	1,847,533
UNLV – Statewide Programs	3,814,504	152,580	3,818,417	534,579	76,934	128,538	740,051	534,579	-	205,472	892,631
UNLV Law School	10,430,525	417,221	10,456,418	1,463,899	210,677	351,990	2,026,566	1,463,899	-	562,667	2,443,787
UNLV Dental School	9,735,157	389,406	9,806,394	1,372,896	197,580	330,108	1,900,584	1,372,896	-	527,688	2,289,990
<b>Total University of Nevada, Las Vegas</b>	<b>\$ 250,366,410</b>	<b>\$ 10,014,656</b>	<b>\$ 257,038,650</b>	<b>\$ 35,985,412</b>	<b>\$ 5,178,835</b>	<b>\$ 8,652,579</b>	<b>\$ 49,816,826</b>	<b>\$ 35,985,412</b>	<b>\$ 26,148,907</b>	<b>\$ (12,317,493)</b>	<b>\$ 59,831,482</b>
Great Basin College	13,730,752	549,230	13,974,209	1,956,389	281,553	452,863	2,690,805	1,956,389	734,416	-	3,240,035
Nevada State College	21,446,937	857,877	21,718,947	3,040,653	437,595	698,046	4,176,294	3,040,653	1,135,641	-	5,034,171
Desert Research Institute	8,124,693	324,988	8,666,365	1,213,292	174,611	217,366	1,605,269	1,213,292	1,957,839	(1,565,862)	1,930,257
College of Southern Nevada	107,667,716	4,306,709	109,024,754	15,263,465	2,196,639	2,769,169	20,229,273	15,263,465	4,965,808	-	24,535,982
Western Nevada College	15,165,829	606,633	14,914,956	2,088,093	300,508	446,000	2,834,601	2,088,093	746,508	-	3,441,234
Truckee Meadows Community College	37,619,997	1,504,800	38,294,670	5,361,254	771,564	961,028	7,093,846	5,361,254	1,957,867	(225,275)	8,598,646

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Silver State Opportunity Grant Program <sup>2</sup>	5,000,000	200,000	5,000,000	700,000	100,740	-	800,740	700,000	352,788	(252,048)	1,000,740
Prison Education Program <sup>3</sup>	361,251	14,450	396,126	55,458	7,981	-	63,439	55,458	7,981	-	77,889
Capacity Building Enhancement <sup>4</sup>	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 684,707,608</b>	<b>\$ 27,388,305</b>	<b>\$ 694,855,461</b>	<b>\$ 97,279,769</b>	<b>\$ 14,000,001</b>	<b>\$ 21,198,091</b>	<b>\$ 132,477,861</b>	<b>\$ 97,279,769</b>	<b>\$ 50,000,000</b>	<b>\$ (14,801,908)</b>	<b>\$ 159,866,166</b>

Footnotes:

<sup>1</sup> Performance Pool funding is reflected in each institutions budget

<sup>2</sup> Due to all but \$60,567 being distributing in FY 20 the balance of \$139,433 will be reduced in FY 21

<sup>3</sup> Prison Education Program reductions are included in CSN, WNC, & TMCC budget reductions

<sup>4</sup> Capacity Building Enhancement funding is reflected in each institutions budget