

BOARD OF REGENTS BRIEFING PAPER

1. AGENDA ITEM TITLE: Proposals to Comply with an Additional \$25 Million Reduction in Fiscal Year 2020-2021

State Supported Operating Budget

MEETING DATE: August 7, 2020

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

On April 3, 2020, in response to the economic impact of the COVID-19 pandemic, the Governor issued a directive asking all state agencies, including the Nevada System of Higher Education (NSHE), to submit budget reduction proposals for fiscal year 2019-20 and fiscal year 2020-21. For fiscal year 2019-20, the Governor directed all state agencies to submit budget proposals for a 4% reduction in state funding. The Governor also requested state agencies to provide three different budget reduction scenarios for fiscal year 2020-21. The Governor asked for scenarios of 6%, 10%, and 14%. On April 10, 2020, the Board of Regents approved 4% budget reduction plans for fiscal year 2019-20 and 6%, 10%, and 14% budget reduction plans for fiscal year 2020-21.

The Governor's Finance Office on June 1, 2020, asked NSHE to provide an additional \$35,198,092 in budget reductions, which represented a further budget reduction of 5% in addition to the 14% reductions approved on April 10, 2020. On June 12, 2020, the Board of Regents approved a one-time \$50 million distribution from the Market Fluctuation Account to cover the additional 5% budget reduction and prevent further impacts to critical student services.

On July 7, 2020, Nevada Governor Steve Sisolak issued a proclamation to convene the 31st Special Session of the Legislature to amend the general fund appropriations made during the 2019 Legislative Session. Assembly Bill 3 (AB 3) of the 31st (2020) Special Session adopted the Governor's recommended budget reductions of 16%. It also included additional budget cuts of 3.6% for each of NSHE's State Operating budgets for a further decrease of \$25 million.

Attached are six tables that provide details of the reductions to NSHE's State Operating budgets as well as the Board of Regent's previously approved budget plans. The tables also outline the impact the COVID-19 pandemic is projected to have on NSHE's Non-State Operating budgets. Finally, the tables detail a recommended \$15 million distribution from the operating pool reserve to partially offset the \$25 million in additional budget cuts necessary to balance the fiscal year 2020-21 State Operating Budget.

Table 1

Table 1 provides a summary of NSHE's State Operating budget state general fund appropriations approved during the 2019 Legislative Session. Table 1 also details the budget reductions recommended by the Governor and the additional \$25 million of cuts included in AB 3.

Table 2

Table 2 summarizes the one-time funding approved on April 10, 2020, and June 12, 2020, by the Board of Regents, offsetting further operating reductions to NSHE's State Operating budgets.

Table 3

Table 3 illustrates the State Operating budget reductions necessary after allocating the one-time funding approved on April 10, 2020, and June 12, 2020, by the Board of Regents. Table 3 also includes the allocation of a recommended \$15 million distribution from the operating pool reserve to partially offset the additional \$25 million in budget cuts included in AB 3.

Table 4

Table 4 summarizes the operating cuts approved on April 10, 2020, and June 12, 2020, by the Board of Regents in the State Operating budgets.

Table 5

Table 5 provides a summary of the additional cuts required to NSHE's State Operating budgets after the Board of Regents' previously approved one-time funding, operating cuts, and the recommended \$15 million distribution from the operating pool reserves.

Table 6

Table 6 summarizes the additional State Operating budget cuts required plus the impact the COVID-19 pandemic is projected to have on NSHE's Non-State Operating budgets. Table 6 also includes details on one-time Market Fluctuation Account and operating pool reserve funds allocated above required State Operating budget cuts. These funds allocated above the required State Operating budget cuts could be used to offset State Operating budget reductions further or to mitigate the projected impact to Non-State Operating funds due to the COVID-19 pandemic.

Recommended \$15 million Operating Pool Distribution

To reduce additional cutbacks to the NSHE State Operating budgets, a one-time \$15 million distribution from the operating reserve is recommended.

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 funds distributed to each institution. 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 in the operating fund for each institution for June 2020, with a reduction to the System Administration allocation to further reduce budget impacts to GBC and WNC.

Figure 1

Institution	% of the Average Daily Balance	Allocation	System Administration Reallocation	Total Allocation
UNLV	54.4%	\$ 8,159,941		\$ 8,159,941
UNR	20.4%	\$ 3,059,076		\$ 3,059,076
CSN	9.7%	\$ 1,452,747		\$ 1,452,747
SA	3.2%	\$ 481,928	\$ (301,981)	\$ 179,947
TMCC	4.2%	\$ 626,406		\$ 626,406
DRI	4.4%	\$ 661,276		\$ 661,276
NSC	1.8%	\$ 264,242		\$ 264,242
GBC	1.0%	\$ 151,940	\$ 150,991	\$ 302,931
WNC	0.9%	\$ 142,445	\$ 150,991	\$ 293,436
Total		\$ 15,000,001	\$ -	\$ 15,000,001

The balance in the operating pool reserve as of June 30, 2020, before the \$15 million distribution, is \$59.3 million. A \$15 million one-time distribution from the operating pool reserve will reduce the operating pool reserve balance to \$44.3 million.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Request for the Board of Regents to consider making a one-time distribution from the operating pool reserves for \$15 million to partially cover the additional \$25 million in reductions to NSHE's State Operating budgets as approved in Assembly Bill 3 of the 31st (2020) Special Session. Additionally, request the Board of Regents to consider reducing each Regent's annual host account, established under NRS 396.070, from \$2,500 to \$1,500 for the fiscal year 2020-21.

4. IMPETUS (WHY NOW?):

Assembly Bill 3 of the 31st (2020) Special Session included an additional reduction to NSHE's State Operating budgets of \$25 million.

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 21st 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 reduce the additional potential impact on critical student services.

6. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- The balance in the operating fund reserve 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 stock markets as experienced in February and March of 2020 would eliminate the operating fund reserve and require the suspension of monthly investment pool distributions.

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

- Do not make a distribution from the operating pool reserve and direct the Chancellor and Presidents to present plans to address the additional \$25 million reductions to the State Operating budgets.

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: _____

Table 1
Fiscal Year 2020-21
Nevada System of Higher Education
State General Fund Appropriations Reduction Summary ¹
As Revised by Assembly Bill 3 of the 31st (2020) Special Session

Institution	General Fund Appropriation	Governor Recommended Reductions	%	Additional Reductions Per AB 3	%	Total Reductions	%
University of Nevada, Las Vegas							
UNLV	\$ 181,632,636	\$ 29,088,116	16.0%	\$ 6,614,047	3.6%	\$ 35,702,163	19.7%
School of Medicine	41,464,109	6,640,397	16.0%	1,509,891	3.6%	8,150,288	19.7%
Law School	10,456,418	1,674,576	16.0%	380,764	3.6%	2,055,340	19.7%
Dental School	9,806,394	1,570,476	16.0%	357,094	3.6%	1,927,570	19.7%
Non-Formula	13,679,093	2,190,682	16.0%	498,116	3.6%	2,688,798	19.7%
Total UNLV	\$ 257,038,650	\$ 41,164,247	16.0%	\$ 9,359,912	3.6%	\$ 50,524,159	19.7%
University of Nevada, Reno							
UNR	\$ 131,048,475	\$ 20,987,162	16.0%	\$ 4,772,056	3.6%	\$ 25,759,218	19.7%
School of Medicine	37,632,115	6,026,712	16.0%	1,370,352	3.6%	7,397,064	19.7%
Non-Formula ²	31,120,054	7,767,296	25.0%	1,012,531	3.3%	8,779,827	28.2%
Total UNR	\$ 199,800,644	\$ 34,781,170	17.4%	\$ 7,154,939	3.6%	\$ 41,936,109	21.0%
College of Southern Nevada ³	\$ 109,024,754	\$ 16,359,957	15.0%	\$ 3,970,073	3.6%	\$ 20,330,030	18.6%
Truckee Meadows CC ³	38,294,670	6,082,817	15.9%	1,394,478	3.6%	7,477,295	19.5%
Nevada State College	21,718,947	3,478,248	16.0%	790,883	3.6%	4,269,131	19.7%
Western Nevada CC	14,914,956	2,388,601	16.0%	543,119	3.6%	2,931,720	19.7%
Great Basin College	13,974,209	2,237,942	16.0%	508,863	3.6%	2,746,805	19.7%
Desert Research Institute	8,666,365	1,387,903	16.0%	315,581	3.6%	1,703,484	19.7%
Silver State Opportunity	5,000,000	800,740	16.0%	-	0.0%	800,740	16.0%
System Administration ³	4,941,631	704,115	14.2%	179,947	3.6%	884,062	17.9%
System Computing Center	18,790,097	3,009,198	16.0%	684,230	3.6%	3,693,428	19.7%
Other Non-Formula Accts.	2,690,538	430,885	16.0%	97,975	3.6%	528,860	19.7%
Total	\$ 694,855,461	\$ 112,825,823	16.2%	\$ 25,000,000	3.6%	\$ 137,825,823	19.8%

Footnotes:

¹ Performance Pool and Capacity Enhancement funding is reflected in each institution's budget.

² UNR Non-Formula accounts include the 2017 Engineering Building Debt Service, which will be offset by \$3,314,250 from the State of Nevada, Bond Interest and Redemption Account.

³ College of Southern Nevada, Truckee Meadows Community College, and System Administration requested the use of HECC/SHECC funds to offset the 16% budget reductions. The amounts listed do not include HECC/SHECC reductions. If included, each institution's Governor Recommended amount would reflect a 16% reduction.

Table 2
Fiscal Year 2020-21
Nevada System of Higher Education
Board of Regents Approved
State Operating Budget - One-Time Funding Offsets to Budget Reductions

Institution	CARES Act Funds	Market Fluctuation Account ¹	Temporary Student Fee Surcharge	Redistribution of Student Fee Revenue ²	Total One-Time Funding Offsets
<i>University of Nevada, Las Vegas</i>					
UNLV	\$ 8,368,433	\$ 8,435,909	\$ 4,560,401	\$ -	\$ 21,364,743
School of Medicine	1,910,393	2,966,869	-	-	4,877,262
Law School	481,763	748,186	-	-	1,229,949
Dental School	451,814	701,674	-	-	1,153,488
Non-Formula	630,242	978,776	-	-	1,609,018
<i>Total UNLV</i>	\$ 11,842,645	\$ 13,831,414	\$ 4,560,401	\$ -	\$ 30,234,460
<i>University of Nevada, Reno</i>					
UNR	\$ 4,592,658	\$ 10,503,279	\$ 2,663,872	\$ -	\$ 17,759,809
School of Medicine	1,454,730	-	-	-	1,454,730
Non-Formula	1,074,878	-	-	-	1,074,878
<i>Total UNR</i>	\$ 7,122,266	\$ 10,503,279	\$ 2,663,872	\$ -	\$ 20,289,417
College of Southern Nevada	\$ 7,039,204	\$ 4,965,808	\$ 1,686,252	\$ 550,434	\$ 14,241,698
Truckee Meadows CC	1,673,626	1,732,592	495,000	-	3,901,218
Nevada State College	1,377,872	1,135,641	410,130	-	2,923,643
Western Nevada College	681,735	746,508	196,200	-	1,624,443
Great Basin College	235,030	734,416	130,956	-	1,100,402
Desert Research Institute	-	391,977	-	-	391,977
Silver State Opportunity	-	100,740	-	-	100,740
System Administration	-	235,688	-	-	235,688
System Computing Center	-	742,566	-	-	742,566
Other Non-Formula Accts.	-	77,463	-	-	77,463
<i>Total</i>	\$ 29,972,378	\$ 35,198,092	\$ 10,142,811	\$ 550,434	\$ 75,863,714

Footnotes:

¹ The Market Fluctuation Account distribution does not include \$14.8 million in distributions above the amount needed to cover the June 1st Governor requested additional 5% reduction. UNLV - \$12.3 million, UNR - \$441,230, DRI - \$1.6 million, TMCC - \$225,275, SSOG - \$252,048. Table 6 contains all unallocated Operating Pool distributions.

² College of Southern Nevada plans to change the registration fee allocation for FY 21, to move \$1 from General Improvement Fees (GIF) to the State Operating Budget.

Table 3
Fiscal Year 2020-21
Nevada System of Higher Education
State Operating Budget Reduction Summary
After One-Time Offsets and the Proposed Operating Pool Distribution

Institution	Total General Fund Reductions	Total One-Time Funding Offsets	Operating Reductions After One-Time Offsets	%	Proposed Operating Pool Reserve Distribution	Operating Reductions Needed After Distribution	%
University of Nevada, Las Vegas							
UNLV	\$ 35,702,163	\$ 21,364,743	\$ 14,337,420	7.9%	\$ 5,766,104	\$ 8,571,316	4.7%
School of Medicine	8,150,288	4,877,262	3,273,026	7.9%	1,316,318	1,956,708	4.7%
Law School	2,055,340	1,229,949	825,391	7.9%	331,949	493,442	4.7%
Dental School	1,927,570	1,153,488	774,082	7.9%	311,314	462,768	4.7%
Non-Formula	2,688,798	1,609,018	1,079,780	7.9%	434,256	645,524	4.7%
Total UNLV	\$ 50,524,159	\$ 30,234,460	\$ 20,289,699	7.9%	\$ 8,159,941	\$ 12,129,758	4.7%
University of Nevada, Reno							
UNR	\$ 25,759,218	\$ 17,759,809	\$ 7,999,409	6.1%	\$ 2,040,280	\$ 5,959,129	4.5%
School of Medicine	7,397,064	1,454,730	5,942,334	15.8%	585,891	5,356,443	14.2%
Non-Formula ¹	8,779,827	1,074,878	4,390,699	14.1%	432,905	3,957,794	12.7%
Total UNR	\$ 41,936,109	\$ 20,289,417	\$ 18,332,442	9.2%	\$ 3,059,076	\$ 15,273,366	7.6%
College of Southern Nevada	\$ 20,330,030	\$ 14,241,698	\$ 6,088,332	5.6%	\$ 1,452,747	\$ 4,635,585	4.3%
Truckee Meadows CC	7,477,295	3,901,218	3,576,077	9.3%	626,406	2,949,671	7.7%
Nevada State College	4,269,131	2,923,643	1,345,488	6.2%	264,242	1,081,246	5.0%
Western Nevada College	2,931,720	1,624,443	1,307,278	8.8%	293,436	1,013,842	6.8%
Great Basin College	2,746,805	1,100,402	1,646,403	11.8%	302,931	1,343,473	9.6%
Desert Research Institute ²	1,703,484	391,977	1,311,507	15.1%	315,581	995,926	11.5%
Silver State Opportunity	800,740	100,740	700,000	14.0%	-	700,000	14.0%
System Administration	884,062	235,688	648,374	13.1%	179,947	468,427	9.5%
System Computing Center	3,693,428	742,566	2,950,862	15.7%	-	2,950,862	15.7%
Other Non-Formula Accts.	528,860	77,463	451,397	16.8%	-	451,397	16.8%
Total	\$ 137,825,823	\$ 75,863,714	\$ 58,647,859	8.4%	\$ 14,654,306	\$ 43,993,553	6.3%

Footnotes:

¹ UNR Non-Formula accounts include the 2017 Engineering Building Debt Service, which will be offset by \$3,314,250 from the State of Nevada, Bond Interest and Redemption Account.

² The proposed Operating Pool Reserve distribution amount does not include \$345,695 in distributions to DRI, which are above the amount needed to meet the additional budget reductions. Table 6 contains all unallocated Operating Pool distributions.

Table 4
Fiscal Year 2020-21
Nevada System of Higher Education
Board of Regents Approved
State Operating Budget - Operating Reductions

Institution	Hiring Freeze/Position Savings	Operating/Travel Reduction	Transfer to non- state funds	Total Operating Reductions
<i>University of Nevada, Las Vegas</i>				
UNLV	\$ 6,172,706	\$ 1,550,668	\$ -	\$ 7,723,374
School of Medicine	1,409,140	353,995	-	1,763,135
Law School	355,358	89,271	-	444,629
Dental School	333,266	83,721	-	416,987
Non-Formula	464,878	116,785	-	581,663
<i>Total UNLV</i>	<i>\$ 8,735,348</i>	<i>\$ 2,194,440</i>	<i>\$ -</i>	<i>\$ 10,929,788</i>
<i>University of Nevada, Reno</i>				
UNR	\$ 3,227,353	\$ -	\$ -	\$ 3,227,353
School of Medicine	3,142,400	1,429,582	-	4,571,982
Non-Formula	2,025,055	1,353,113	-	3,378,168
<i>Total UNR</i>	<i>\$ 8,394,808</i>	<i>\$ 2,782,695</i>	<i>\$ -</i>	<i>\$ 11,177,503</i>
College of Southern Nevada	\$ 2,139,259	\$ -	\$ -	\$ 2,139,259
Truckee Meadows CC	1,424,352	150,000	622,174	2,196,527
Nevada State College	-	350,461	192,516	542,977
Western Nevada College	726,121	57,568	-	783,689
Great Basin College	985,169	82,741	111,660	1,179,570
Desert Research Institute	394,888	-	601,038	995,926
Silver State Opportunity	-	700,000	-	700,000
System Administration	358,012	60,853	49,562	468,427
System Computing Center	1,012,508	693,474	560,650	2,266,632
Other Non-Formula Accts.	-	297,965	-	297,965
<i>Total</i>	<i>\$ 24,170,466</i>	<i>\$ 7,370,197</i>	<i>\$ 2,137,600</i>	<i>\$ 33,678,263</i>

Table 5
Fiscal Year 2020-21
Nevada System of Higher Education
State Operating Budget
Balance of Reductions Required After Operating Pool Distribution

Institution	Operating Reductions Needed After Distribution	Board Approved Operating Reductions	Additional Budget Reductions Needed	Additional % Reduction
<i>University of Nevada, Las Vegas</i>				
UNLV	\$ 8,571,316	\$ 7,723,374	\$ 847,942	0.5%
School of Medicine	1,956,708	1,763,135	193,573	0.5%
Law School	493,442	444,629	48,813	0.5%
Dental School	462,768	416,987	45,781	0.5%
Non-Formula	645,524	581,663	63,861	0.5%
Total UNLV	\$ 12,129,758	\$ 10,929,788	\$ 1,199,970	0.5%
<i>University of Nevada, Reno</i>				
UNR	\$ 5,959,129	\$ 3,227,353	\$ 2,731,776	2.1%
School of Medicine	5,356,443	4,571,982	784,461	2.1%
Non-Formula ¹	3,957,794	3,378,168	579,626	1.9%
Total UNR	\$ 15,273,366	\$ 11,177,503	\$ 4,095,863	2.0%
College of Southern Nevada	\$ 4,635,585	\$ 2,139,259	\$ 2,496,326	2.3%
Truckee Meadows CC	2,949,671	2,196,527	753,144	2.0%
Nevada State College	1,081,246	542,977	538,269	2.5%
Western Nevada College	1,013,842	783,689	230,154	1.5%
Great Basin College	1,343,473	1,179,570	163,903	1.2%
Desert Research Institute	995,926	995,926	-	0.0%
Silver State Opportunity	700,000	700,000	-	0.0%
System Administration	468,427	468,427	-	0.0%
System Computing Center	2,950,862	2,266,632	684,230	3.6%
Other Non-Formula Accts.	451,397	297,965	153,432	5.7%
Total	\$ 43,993,553	\$ 33,678,263	\$ 10,315,290	1.5%

Footnotes:

¹ UNR Non-Formula accounts include the 2017 Engineering Building Debt Service, which will be offset by \$3,314,250 from the State of Nevada Bond Interest and Redemption Account.

Table 6
Fiscal Year 2020-21
Nevada System of Higher Education
State Operating Budget Reductions and Non-State Budget Impacts from COVID-19

Institution	Additional State Operating Budget Reductions Needed	FY 21 Non-State COVID 19 Budget Impacts	Additional State Operating Budget Reductions Plus Non-State COVID 19 Impacts	Unallocated Operating Pool Distributions ¹	Net State Operating Budget and Non-State Impact After Distributions
University of Nevada, Las Vegas					
UNLV	\$ 847,942	\$ 41,000,000	\$ 41,847,942	\$ 11,965,465	\$ 29,882,477
School of Medicine	193,573	-	193,573	193,573	-
Law School	48,813	-	48,813	48,813	-
Dental School	45,781	-	45,781	45,781	-
Non-Formula	63,861	-	63,861	63,861	-
Total UNLV	\$ 1,199,970	\$ 41,000,000	\$ 42,199,970	\$ 12,317,493	\$ 29,882,477
University of Nevada, Reno					
UNR	\$ 2,731,776	\$ 25,430,000	\$ 28,161,776	\$ 294,281	\$ 27,867,495
School of Medicine	784,461	-	784,461	84,506	699,955
Non-Formula	579,626	-	579,626	62,443	517,183
Total UNR	\$ 4,095,863	\$ 25,430,000	\$ 29,525,863	\$ 441,230	\$ 29,084,633
College of Southern Nevada	\$ 2,496,326	\$ 5,575,131	\$ 8,071,457	\$ -	\$ 8,071,457
Truckee Meadows CC	753,144	3,377,200	4,130,344	225,275	3,905,069
Nevada State College	538,269	2,745,000	3,283,269	-	3,283,269
Western Nevada College	230,154	2,756,293	2,986,447	-	2,986,447
Great Basin College	163,903	2,056,480	2,220,383	-	2,220,383
Desert Research Institute ²	-	2,959,945	2,959,945	1,911,557	1,048,388
Silver State Opportunity ³	-	-	-	252,048	(252,048)
System Administration	-	21,000	21,000	-	21,000
System Computing Center	684,230	42,000	726,230	-	726,230
Other Non-Formula Accts.	153,432	-	153,432	-	153,432
Total	\$ 10,315,290	\$ 85,963,049	\$ 96,278,339	\$ 15,147,603	\$ 81,130,736

Footnotes:

¹ Includes \$14.8 million in Market Fluctuation Account distributions above the amount needed to cover the June 1st Governor requested additional 5% reductions plus \$345,695 in DRI proposed Operating Pool reserve distributions above the amount necessary to offset further State Operating Budget Reductions contained in Assembly Bill 3 of the 31st (2020) Special Session.

² DRI unallocated operating pool distributions include \$1.6 million from the Market Fluctuation Account Distribution plus \$345,695 from the proposed Operating Pool Reserve Distribution.

³ The \$252,048 in unallocated operating pool funds will be used to reduce the Board of Regents' approved budget reductions of \$700,000 in the Silver State Opportunity Grant program.