

## **BOARD OF REGENTS BRIEFING PAPER**

### **1. AGENDA ITEM TITLE:** Proposals for a 12% Reduction to the 2021-23 Biennial State Operating Budget Request

**MEETING DATE:** November 13, 2020

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

The Governor's Finance Office on November 3, 2020, requested all state agencies, including the Nevada System of Higher Education (NSHE), to prepare 12% budget reduction proposals for the 2021-23 biennium. The Governor's Finance Office calculated NSHE's 12% budget reduction target to be \$84,914,835 per year for fiscal years 2022 and 2023. The budget reduction proposals are required to be submitted to the Governor's Finance Office by the close of business on November 20, 2020.

The Chancellor is requesting the Board of Regents take action on two items related to the budget reduction proposals. The first is establishing budget reserve targets for the NSHE's state operating budgets to meet the \$84,914,835 budget reduction. The second is to consider continuing the student surcharge approved at the April 10, 2020 Board of Regents meeting for fiscal years 2022 and 2023 as part of the 12% budget reduction proposals.

The Governor's Finance Office calculated NSHE's 12% budget reduction target using NSHE's fiscal year 2021 appropriations of \$707,623,623. The fiscal year 2021 appropriations include NSHE's adjusted base budget plus legislatively approved capacity enhancements.

Presented are three options for establishing 12% budget reduction targets for NSHE's state operating budgets. The first option outlined in **Attachment A** calculates the 12% budget reduction targets using NSHE's total state appropriation request of \$732,188,535. This option includes the adjusted base budget, caseload growth, formula adjustments, and requested capacity enhancements. The risk with using this option is the Governor's budget may **not** fully fund caseload growth, formula adjustments, and capacity enhancements. If this were to happen, the 12% budget reductions would be applied disproportionately.

The second option outlined in **Attachment B** calculates the 12% budget reduction targets using NSHE's adjusted base appropriations of \$696,673,623. This option excludes caseload growth, formula adjustments, and capacity enhancements. The risk with using this option is the Governor's budget may fully fund caseload growth, formula adjustments, and capacity enhancements. If this were to happen, the 12% budget reductions would be applied disproportionately.

The third option outlined in **Attachment C** calculates the 12% budget reduction targets using NSHE's adjusted base plus capacity enhancement appropriations of \$707,623,623. This option excludes caseload growth and formula adjustments. This option also risks making cuts disproportionately depending on what is included in the Governor's budget.

At the April 10, 2020 Board of Regents meeting, the board approved a temporary per-credit student surcharge (Table 1) in the event NSHE was required to reduce the fiscal year 2021 budget by 14% or more.

Table 1

Institution	Amount/Cr.
Universities	
Undergrad	\$ 6.00
Graduate	\$ 8.00
Nevada State College	\$ 5.00
College of Southern Nevada	\$ 3.00
Truckee Meadows Community College	\$ 3.00
Western Nevada College	\$ 3.00
Great Basin College	\$ 3.00

The temporary per-credit student surcharge approved by the Board of Regents on April 10, 2020, is projected to generate \$10.1 million in revenue for fiscal year 2021.

If the temporary student surcharge is approved to continue at the same rates for fiscal years 2022 and 2023, it is projected to generate \$9.6 million and \$9.5 million in fiscal years 2022 and 2023, respectively (Table 2).

Table 2

Institution	FY 22	FY 23
University of Nevada, Las Vegas	\$ 3,996,910	\$ 3,996,910
University of Nevada, Reno	\$ 2,849,210	\$ 2,802,956
Nevada State College	\$ 370,000	\$ 370,000
College of Southern Nevada	\$ 1,524,339	\$ 1,524,339
Truckee Meadows Community College	\$ 490,566	\$ 490,566
Western Nevada College	\$ 196,191	\$ 196,191
Great Basin College	\$ 145,935	\$ 145,935
<b>Total</b>	<b>\$ 9,573,151</b>	<b>\$ 9,526,897</b>

If the board approves the temporary student surcharge in fiscal years 2022 and 2023, the board should consider whether to require institutions to set aside funds for financial aid. Title 4, Chapter 18, Section 8 of the Regents Handbook, requires institutions to set aside up to 15% of student registration fees for financial aid. Title 4, Chapter 18, Section 8 of the Regents Handbook states the following:

**Section 8. Use of Student Access Funds**

*In order to improve the access of all students and to encourage participation in higher education, an amount equal to at least 10 percent of the total registration fee at the community colleges (lower-division only) and at least 15 percent of the total registration fee for all other institutions including upper-division at the community colleges, net the amounts distributed to other fee categories, will be dedicated to student financial aid. These percentages are target amounts that must be achieved by academic year 2022-23. For the purposes of this Section, "Student Access Funds" means budgeted dollars intended for student financial aid, including allocations for such funds from state appropriations and funds generated from registration fees.*

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

- Approve 12% budget reduction targets for all the NSHE state operating budgets
- Consider approving the continuation of the temporary student surcharge for fiscal years 2022 and 2023

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

The Governor's Finance Office has requested 12% budget reduction proposals by November 20, 2020.

**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**

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

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

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

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

**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: \_\_\_\_\_

Attachment A

**Proposed 12% Budget Reduction Targets to the State Operating Budget Request**  
**2021-23 Biennial Budget**  
**Calculated Using the Total Annual Request**  
**Fiscal Year 2022 and Fiscal Year 2023 (Annual Amount)**

Institution	Adjusted Base	M 203	M 200	M 201	M 220	Capacity Enhancements	Total Annual Request	12% Reduction
		Caseload Growth	Research O & M	Small Institution Factor	Formula Distribution			Targets Using Total Request
UNLV	\$ 185,809,886	\$ 6,164,743	\$ 735,384	\$ -	\$ (410,105)	\$ -	\$ 192,299,909	\$ 22,301,790
UNR	134,197,868	3,332,678	175,321	-	(503,705)	-	137,202,161	15,911,884
CSN	105,017,312	6,017,236	-	-	448,372	5,800,000	117,282,920	13,601,770
GBC	13,546,797	1,875,237	-	(341,760)	23,630	700,000	15,803,904	1,832,842
TMCC	36,676,141	1,406,428	-	-	136,768	2,250,000	40,469,336	4,693,391
WNC	14,854,033	129,466	-	(23,595)	54,928	300,000	15,314,832	1,776,122
NSC	21,100,464	5,093,774	-	-	250,112	900,000	27,344,350	3,171,234
<b>Formula Accounts SUBTOTAL</b>	<b>\$ 511,202,501</b>	<b>\$ 24,019,562</b>	<b>\$ 910,705</b>	<b>\$ (365,355)</b>	<b>\$ 0</b>	<b>\$ 9,950,000</b>	<b>\$ 545,717,413</b>	<b>\$ 63,289,033</b>
UNLV School of Medicine	\$ 41,867,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,867,384	\$ 4,855,528
UNR School of Medicine	38,119,511	-	-	-	-	-	38,119,511	4,420,872
Law School	10,664,966	-	-	-	-	-	10,664,966	1,236,859
Dental School	10,099,353	-	-	-	-	-	10,099,353	1,171,262
DRI	7,777,261	-	-	-	-	1,000,000	8,777,261	1,017,934
<b>Professional School SUBTOTAL</b>	<b>\$ 108,528,475</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,000,000</b>	<b>\$ 109,528,475</b>	<b>\$ 12,702,455</b>
UNLV – Intercollegiate Athletics	\$ 7,931,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,931,536	\$ 919,852
UNLV – Statewide Programs	3,848,187	-	-	-	-	-	3,848,187	446,290
Business Center South	1,987,378	-	-	-	-	-	1,987,378	230,484
UNR – Statewide Programs	8,543,265	-	-	-	-	-	8,543,265	990,797
Agricultural Experiment Station	5,664,022	-	-	-	-	-	5,664,022	656,879
UNR – Intercollegiate Athletics	5,506,440	-	-	-	-	-	5,506,440	638,604
Cooperative Extension Service	3,971,587	-	-	-	-	-	3,971,587	460,601
2017 UNR Engineering Building Debt Service	3,314,250	-	-	-	-	-	3,314,250	384,367
Business Center North	2,189,040	-	-	-	-	-	2,189,040	253,872
Health Laboratory and Research	1,812,762	-	-	-	-	-	1,812,762	210,233
University Press	462,811	-	-	-	-	-	462,811	53,674
System Computing Center	18,995,056	-	-	-	-	-	18,995,056	2,202,933
Silver State Opportunity Grant Program	5,000,000	-	-	-	-	-	5,000,000	579,870
System Administration	5,014,208	-	-	-	-	-	5,014,208	581,518
Special Projects	2,291,614	-	-	-	-	-	2,291,614	265,768
Prison Education Program	396,126	-	-	-	-	-	396,126	45,940
Education for Dependent Children	14,365	-	-	-	-	-	14,365	1,666
<b>Non-Formula Accounts SUBTOTAL</b>	<b>\$ 76,942,647</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,942,647</b>	<b>\$ 8,923,348</b>
<b>NSHE TOTAL</b>	<b>\$ 696,673,623</b>	<b>\$ 24,019,562</b>	<b>\$ 910,705</b>	<b>\$ (365,355)</b>	<b>\$ 0</b>	<b>\$ 10,950,000</b>	<b>\$ 732,188,535</b>	<b>\$ 84,914,836</b>

Attachment B

**Proposed 12% Budget Reduction Targets to the State Operating Budget Request**  
**2021-23 Biennial Budget**  
**Calculated Using the Adjusted Base**  
**Fiscal Year 2022 and Fiscal Year 2023 (Annual Amount)**

Institution	Adjusted Base	M 203	M 200	M 201	M 220	Capacity Enhancements	Total Annual Request	12% Reduction
		Caseload Growth	Research O & M	Small Institution Factor	Formula Distribution			Targets Using Adjusted Base
UNLV	\$ 185,809,886	\$ 6,164,743	\$ 735,384	\$ -	\$ (410,105)	\$ -	\$ 192,299,909	\$ 22,647,643
UNR	134,197,868	3,332,678	175,321	-	(503,705)	-	137,202,161	16,356,856
CSN	105,017,312	6,017,236	-	-	448,372	5,800,000	117,282,920	12,800,151
GBC	13,546,797	1,875,237	-	(341,760)	23,630	700,000	15,803,904	1,651,166
TMCC	36,676,141	1,406,428	-	-	136,768	2,250,000	40,469,336	4,470,312
WNC	14,854,033	129,466	-	(23,595)	54,928	300,000	15,314,832	1,810,500
NSC	21,100,464	5,093,774	-	-	250,112	900,000	27,344,350	2,571,853
<b>Formula Accounts SUBTOTAL</b>	<b>\$ 511,202,501</b>	<b>\$ 24,019,562</b>	<b>\$ 910,705</b>	<b>\$ (365,355)</b>	<b>\$ 0</b>	<b>\$ 9,950,000</b>	<b>\$ 545,717,413</b>	<b>\$ 62,308,481</b>
UNLV School of Medicine	\$ 41,867,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,867,384	\$ 5,103,052
UNR School of Medicine	38,119,511	-	-	-	-	-	38,119,511	4,646,239
Law School	10,664,966	-	-	-	-	-	10,664,966	1,299,911
Dental School	10,099,353	-	-	-	-	-	10,099,353	1,230,971
DRI	7,777,261	-	-	-	-	1,000,000	8,777,261	947,940
<b>Professional School SUBTOTAL</b>	<b>\$ 108,528,475</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,000,000</b>	<b>\$ 109,528,475</b>	<b>\$ 13,228,113</b>
UNLV – Intercollegiate Athletics	\$ 7,931,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,931,536	\$ 966,744
UNLV – Statewide Programs	3,848,187	-	-	-	-	-	3,848,187	469,041
Business Center South	1,987,378	-	-	-	-	-	1,987,378	242,234
UNR – Statewide Programs	8,543,265	-	-	-	-	-	8,543,265	1,041,305
Agricultural Experiment Station	5,664,022	-	-	-	-	-	5,664,022	690,366
UNR – Intercollegiate Athletics	5,506,440	-	-	-	-	-	5,506,440	671,159
Cooperative Extension Service	3,971,587	-	-	-	-	-	3,971,587	484,081
2017 UNR Engineering Building Debt Service	3,314,250	-	-	-	-	-	3,314,250	403,961
Business Center North	2,189,040	-	-	-	-	-	2,189,040	266,814
Health Laboratory and Research	1,812,762	-	-	-	-	-	1,812,762	220,951
University Press	462,811	-	-	-	-	-	462,811	56,410
System Computing Center	18,995,056	-	-	-	-	-	18,995,056	2,315,233
Silver State Opportunity Grant Program	5,000,000	-	-	-	-	-	5,000,000	609,431
System Administration	5,014,208	-	-	-	-	-	5,014,208	611,162
Special Projects	2,291,614	-	-	-	-	-	2,291,614	279,316
Prison Education Program	396,126	-	-	-	-	-	396,126	48,282
Education for Dependent Children	14,365	-	-	-	-	-	14,365	1,751
<b>Non-Formula Accounts SUBTOTAL</b>	<b>\$ 76,942,647</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,942,647</b>	<b>\$ 9,378,241</b>
<b>NSHE TOTAL</b>	<b>\$ 696,673,623</b>	<b>\$ 24,019,562</b>	<b>\$ 910,705</b>	<b>\$ (365,355)</b>	<b>\$ 0</b>	<b>\$ 10,950,000</b>	<b>\$ 732,188,535</b>	<b>\$ 84,914,835</b>

Attachment C

**Proposed 12% Budget Reduction Targets to the State Operating Budget Request**  
**2021-23 Biennial Budget**  
**Calculated Using the Adjusted Base + Capacity Enhancements**  
**Fiscal Year 2022 and Fiscal Year 2023 (Annual Amount)**

Institution	Adjusted Base	M 203	M 200	M 201	M 220	Capacity Enhancements	Total Annual Request	12% Reduction
		Caseload Growth	Research O & M	Small Institution Factor	Formula Distribution			Targets Using Adjusted Base + Capacity
UNLV	\$ 185,809,886	\$ 6,164,743	\$ 735,384	\$ -	\$ (410,105)	\$ -	\$ 192,299,909	\$ 22,297,186
UNR	134,197,868	3,332,678	175,321	-	(503,705)	-	137,202,161	16,103,744
CSN	105,017,312	6,017,236	-	-	448,372	5,800,000	117,282,920	13,298,077
GBC	13,546,797	1,875,237	-	(341,760)	23,630	700,000	15,803,904	1,709,616
TMCC	36,676,141	1,406,428	-	-	136,768	2,250,000	40,469,336	4,671,137
WNC	14,854,033	129,466	-	(23,595)	54,928	300,000	15,314,832	1,818,484
NSC	21,100,464	5,093,774	-	-	250,112	900,000	27,344,350	2,640,056
<b>Formula Accounts SUBTOTAL</b>	<b>\$ 511,202,501</b>	<b>\$ 24,019,562</b>	<b>\$ 910,705</b>	<b>\$ (365,355)</b>	<b>\$ 0</b>	<b>\$ 9,950,000</b>	<b>\$ 545,717,413</b>	<b>\$ 62,538,300</b>
UNLV School of Medicine	\$ 41,867,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,867,384	\$ 5,024,086
UNR School of Medicine	38,119,511	-	-	-	-	-	38,119,511	4,574,341
Law School	10,664,966	-	-	-	-	-	10,664,966	1,279,796
Dental School	10,099,353	-	-	-	-	-	10,099,353	1,211,922
DRI	7,777,261	-	-	-	-	1,000,000	8,777,261	1,053,271
<b>Professional School SUBTOTAL</b>	<b>\$ 108,528,475</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,000,000</b>	<b>\$ 109,528,475</b>	<b>\$ 13,143,416</b>
UNLV – Intercollegiate Athletics	\$ 7,931,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,931,536	\$ 951,784
UNLV – Statewide Programs	3,848,187	-	-	-	-	-	3,848,187	461,782
Business Center South	1,987,378	-	-	-	-	-	1,987,378	238,485
UNR – Statewide Programs	8,543,265	-	-	-	-	-	8,543,265	1,025,192
Agricultural Experiment Station	5,664,022	-	-	-	-	-	5,664,022	679,683
UNR – Intercollegiate Athletics	5,506,440	-	-	-	-	-	5,506,440	660,773
Cooperative Extension Service	3,971,587	-	-	-	-	-	3,971,587	476,590
2017 UNR Engineering Building Debt Service	3,314,250	-	-	-	-	-	3,314,250	397,710
Business Center North	2,189,040	-	-	-	-	-	2,189,040	262,685
Health Laboratory and Research	1,812,762	-	-	-	-	-	1,812,762	217,531
University Press	462,811	-	-	-	-	-	462,811	55,537
System Computing Center	18,995,056	-	-	-	-	-	18,995,056	2,279,407
Silver State Opportunity Grant Program	5,000,000	-	-	-	-	-	5,000,000	600,000
System Administration	5,014,208	-	-	-	-	-	5,014,208	601,705
Special Projects	2,291,614	-	-	-	-	-	2,291,614	274,994
Prison Education Program	396,126	-	-	-	-	-	396,126	47,535
Education for Dependent Children	14,365	-	-	-	-	-	14,365	1,724
<b>Non-Formula Accounts SUBTOTAL</b>	<b>\$ 76,942,647</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,942,647</b>	<b>\$ 9,233,117</b>
<b>NSHE TOTAL</b>	<b>\$ 696,673,623</b>	<b>\$ 24,019,562</b>	<b>\$ 910,705</b>	<b>\$ (365,355)</b>	<b>\$ 0</b>	<b>\$ 10,950,000</b>	<b>\$ 732,188,535</b>	<b>\$ 84,914,833</b>