

UCCSN Board of Regents' Meeting Minutes January 24-25, 1994

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BOARD OF REGENTS

UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA

January 24-25, 1994

The Board of Regents met on January 24, 1994 in the Grand Hall,
Richard Tam Alumni Center, University of Nevada, Las Vegas.

Members present: Dr. James Eardley, Chairman

Mrs. Shelley Berkley

Dr. Jill Derby

Mrs. Dorothy S. Gallagher

Mr. Madison Graves, II

Dr. Lonnie Hammargren

Mrs. Carolyn M. Sparks

Mrs. June F. Whitley

Members absent: Mr. Joseph M. Foley

Mr. Daniel J. Klaich

Mrs. Nancy Price

The Regents' Workshop was called to order by Chairman Jim Eardley at 9:15 A.M. Monday, January 24, 1994.

Interim Chancellor Richardson welcomed those in attendance and gave a brief overview of the workshop session over the 2-day period.

1. State Revenue Projections and Budget Review of UCCSN

Strategic Directions

Interim Chancellor Richardson introduced Mr. Perry Comeaux, State Budget Director, who reported on the State revenues and projections. Interim Chancellor Richardson stated that Mr. Comeaux had recently met with the Chancellor's staff to discuss the budget, problematic issues, and projections for the next Nevada Legislative Session.

Mr. Comeaux explained that the Nevada State agency budgets are prepared on a biennial basis. The budget process begins in the early part of the calendar year and he is planning to hold workshop sessions to assist the agencies in understand-

ing the budget process and the new budget formats and definitions. The budgets are submitted to the State Budget Office no later than September 1 of each year. These budgets are then reviewed by the State Budget Office and the Governor. The Governor's recommendations will be presented to the agency and upon agreement the Governor will present the Executive Budget to the State Legislature.

The 1993-95 General Fund consisted of \$2 billion and was allocated as follows:

55.0%	K-12 Education
25.9%	Human Resources
18.3%	Higher Education
10.6%	Public Safety
2.8%	Construction
2.5%	Commerce and Industry
1.6%	Finance and Administration
1.5%	Infrastructure
.1%	Other

He explained that Nevada revenue resources are derived primarily from gaming and sales tax (76%). A study was recently conducted on the tax burden for a family of 4

living in the largest city in each of the 50 states. Las Vegas ranked 47th or 48th out of 51. This information is good; however, Nevada's tax base is narrow and relies on the service industry, such as gaming, hotel and recreation. Nevada has a very inconsistent tax base. The State's Administration and Legislature encourage economic development for a wider tax base.

Mr. Comeaux explained that the gaming reports for June-November 1993 have indicated an increase of 6.7% gaming WIN in which 3.9% of the gaming WIN taxes have been collected for the General Fund. A projection of 6.3% was stated for gaming WIN. He stated that with the new hotel/casinos in the Las Vegas area coming on line, the impact has been good and 12.3% has been collected for the General Fund. The projection of 3.5% was stated for the sales tax. Although these figures look promising, he cautioned that within the next six months after the new hotel/casinos are completed and in operation, there may be a drop.

He explained the process of making projections and indicated that it is very difficult to estimate. In 1993, the Governor appointed a five-member committee to prepare these estimates that are due every December 1, then adjusted through

May 1995, if necessary. He indicated that with only two major sources of tax revenue Nevada's base is very volatile.

He stated that the 2nd year of this biennium, the budgets will start with \$30 million less than what the actual budgets state. This is due to the change imposed on the insurance premium tax. The new Federal regulations on health care might impose \$60-70 million more State revenue over the next biennium.

He discussed other financial issues, such as a pay increase for State employees. By 1995, State employees would not have received a cost-of-living increase for 3 years. He indicated that a 1% increase costs approximately \$10 million per year. Another issue is the prison budget and if the Lovelock Prison were to be opened, it would cost approximately \$10-12 million per year to operate. The expansion of the class-size reduction is another issue along with the restoration of the higher education funding formulas.

Mr. Comeaux explained that it is much too early to indicate whether the General Fund will be sufficient for the next biennium. He felt that by April the State Budget Office would have a better idea with the results from the gaming and sales tax revenues reports.

Upon questioning, Mr. Comeaux explained the process in which the State budgets are compiled. The Department of Administration has employed an economic planner who will work with the various agencies. The State Budget Office will attempt to review all existing programs and use this knowledge as its first step in dealing with the critical issues for each agency. He explained that there are 3 components to the State Budget:

- 1) Adjusted Base component, which reflects what is actually needed to operate day-to-day;
- 2) Maintenance component; and
- 3) Enhancement component; i. e., new programs.

He further explained that agency heads develop strategic planning issues and these issues will be discussed with the Executive Cabinet. However, he stated that some budget issues are mandated by statute, such as K-12 funding is based on a formula stated in the Nevada Revised Statutes, and prison funding is based on rulings set by Federal courts. After such mandates are adhered to, then whatever is left

in the General Fund is taken into consideration when finalising the agency budgets. Mr. Comeaux stated that UCCSN representatives will be invited to a future meeting with the Executive Cabinet.

Mrs. Berkley stated that she was not proud of the fact that Nevada has the lowest tax base in the country, because it attracts corporations to Nevada who require job training and a certain level for quality of life for its employees.

Mr. Comeaux explained that a balance is needed between the conservative prudent tax structure that is currently in place and the provision of services to Nevada residents and businesses. He agreed that the low tax burden is nothing to be proud of unless funding for education and human resources are resolved.

UNLV Faculty Senate Chairman John Swetnam questioned how the next budget process would recognize the fact that the current base budget is underfunded, and Mr. Comeaux responded that he has met with Interim Chancellor Richardson and staff who have made it clear that an emphasis needs to be placed on the restoration of the funding formulas for higher education and that it would be made a priority of the UCCSN. However, it will take \$60 million to restore these

formulas. The Executive and Legislative branches will then have to make a determination where this priority will be placed on the State's priority list.

UNR Vice President for Finance and Administration Ashok Dhingra questioned what the difference is between K-12 funding and higher education funding, and Mr. Comeaux responded that traditionally the State of Nevada presumed the responsibility for K-12 education. However, given the structure of today's society, higher education is an integral part of public education. A College degree is a necessity in today's employment climate and he is hopeful that some time in the future the State of Nevada would presume the responsibility for K-16 education.

WNCC President Anthony Calabro questioned whether the demographics of the labor force have been analyzed since the new mega-resorts have opened, and Mr. Comeaux explained that the Employment Security Commission has conducted some studies on this issue, but he does not know the results of these studies. There has been some indication that the new mega-resorts employ low-income families which assists in lowering the welfare situation in Nevada.

UNLV President Robert Maxson questioned if there were any plans to expand the current tax structure, and Mr. Comeaux responded that there has not been any recent discussion regarding a new tax structure. The Administration will be addressing this issue within the next few months. There are two interim legislative tax committees that have been formed and they will be addressing 1) a tax structure within the various districts in Nevada; and 2) a tax structure for the entire State to include exemptions to the current tax base, expanding the tax base by including other services connected to the sales tax.

Chairman Eardley indicated that K-12 education percentage of the General Fund was increased, while higher education's percentage was decreased from 20% to 17.5%. Mr. Comeaux explained that he was not employed as the Budget Director during the 1993 Legislative Session, so he was not sure why this decrease took place. However, it was his understanding that the General Fund percentages have increased and decreased, between 17% to 20%, over the years for higher education. It is his intention to involve UCCSN in the budget planning process so UCCSN will be able to understand other agency budgets in the whole scheme of State-wide budget planning.

Upon questioning, Mr. Comeaux explained that a shortfall in the budget could very well happen again, but that as newly appointed State Budget Director, he will be conducting several planning meetings to review the budget process. However, he stated that there is a fairly accepted assumption that there will never be enough funding for every State agency.

Mrs. Berkley stated that UCCSN was placed at a disadvantage when the Governor gave UCCSN a choice of either accepting a \$6 million reduction, or having human resource agencies suffer the consequence of reduced budgets. Mr. Comeaux stated that several agencies were placed in that position because human resources is a very vital agency to the welfare of the residents in the State of Nevada. He suggested that to combat this situation, Nevada will have to consider changing its tax base structure to enhance revenues.

Interim Chancellor Richardson thanked Mr. Comeaux for sharing information with UCCSN and stated that he looks forward to working with the State Budget Office.

The workshop session recessed at 10:30 A.M. and reconvened on

Monday, January 24 at 10:45 A.M.

2. Strategic Directions - Progress to Date

Interim Vice Chancellor Karen Steinberg stated that this session of the workshop is intended to provide an overview of progress toward implementing UCCSN Strategic Directions and Objectives. She gave a broad overview and discussed the major areas of the System's progress.

Several handouts were distributed to the attendees of the workshop and are filed in the Regents' Office.

Interim Vice Chancellor Steinberg reviewed the specific accomplishments that have occurred over the last year.

She stated that the progress to date has led UCCSN to conclude that significant progress has occurred; progress that may not have occurred in the absence of the Strategic Directions. In particular, the Campus master plans have incorporated the Strategic Directions and there is repeated evidence of the impact this has had throughout the System.

In a very short time and with restricted resources, much has been accomplished.

However, there is still much to do. She suggested that UCCSN adopt a System "Agenda for Action" for 1994. This agenda would provide UCCSN with a list of System activities that are "doable" in one year as well as set some priorities for action. The agenda, when set, would further detail who would be responsible for the action and in what time-frame. This would provide a level of accountability to the planning that has been missing to date.

Interim Vice Chancellor Steinberg announced the membership of five small groups, involving every workshop participant, and instructed them to focus on developing an "Agenda for Action".

The workshop session recessed at 11:20 A.M. to allow for the small groups to meet and work on the assignment suggested by Interim Vice Chancellor Steinberg. The session reconvened at 3:00 P.M. Monday, January 24, 1994.

Interim Vice Chancellor Steinberg requested a representative from each small group to present a summary report on his group's discussion.

The workshop session recessed at 3:40 P.M. and reconvened at 9:10 A.M. Tuesday, January 25, 1994.

3. Integrating UCCSN Strategic Directions into the UCCSN Budget

Planning Process

Interim Vice Chancellor Karen Steinberg stated that since 1992 members of the UCCSN have been working to put in place a planning process that would link the academic plans to the budget process. A process has been developed that begins with a review of the System and Campus missions, articulates a System vision through the Strategic Directions, builds Campus academic master plans around that vision, and finally utilizes the plan to develop budgets. She reported that all of the planning "blocks" are in place to begin to build the 1995-97 budget.

UNR Vice President Bob Hoover questioned if the research component would be adopted this year, and Interim Vice Chancellor Steinberg responded that the workshop participants will have a chance to address that issue when they break into the small groups. He also suggested that networking, computing and equipment be addressed in the small group discussions.

Dr. Derby reflected on the comments made earlier by Mr. Perry Comeaux during his presentation of the State's budget process, and it was her understanding that there is not much opportunity for enhancements, and she posed the question of how the System should address changes for the future System enhancements. Interim Vice Chancellor Steinberg responded that funding formulas are used to secure allocations from the Legislature. She suggested that the small groups begin discussing long-term budget plans.

In addition, Interim Chancellor Richardson responded that several events are already underway with regard to the budget process:

- 1) Each President indicated during the January 6, 1994 Board of Regents' meeting that the formula approach is appropriate, but needs modification. They have been requested to submit suggestions on how to modify the process.

- 2) The Council of Presidents suggested that the System go forward with the current formula structure to the next legislative session.

3) It has been suggested that the existing basic needs are so great, that the System should not change the formulas at this time.

4) It has been suggested that the System request a legislative interim study to be performed on funding of higher education.

Chairman Eardley questioned the cost of allocating a cost-of-living increase for System employees, and Vice Chancellor Sparks responded that each percent increase for all State employees will cost approximately \$14-15 million which includes all fringe benefits. The UCCSN's share is approximately \$2 million for each percent increase. Vice Chancellor Sparks indicated that 80% of the System's budget is allocated to salaries, as are other agencies within the State.

Vice Chancellor Sparks stated that throughout the past 3 budget workshop sessions it has been indicated that a legislative interim study on funding of higher education would be requested from the Legislature. He stated that institutional formulas were suspended at the last session and it

is very important to restore those formulas and he suggested that this be a high priority of the Board of Regents.

He reported that the State has a 3-tier budget process which includes 1) adjusted base budget; 2) program maintenance budget, which addresses new growth, inflation and Federal mandates; and 3) enhancement budget. Vice Chancellor Sparks stated that UCCSN is attempting to modify its budget process to reflect the State's budget process as closely as possible. He stated that the Chancellor and the Presidents have begun the process for the development of the Base Budget and Program Maintenance parameters to be used in the construction of the 1995-97 UCCSN Biennial Budget Request. The following parameters will be presented for the Board's review at the February Board of Regents' meeting with final adoption to be requested at the March 31-April 1, 1994 Board of Regents' meeting. He provided an approximate cost to the System for each parameter:

- (a) Restoration of 100% funding for the Instruction formula using student/faculty ratios approved by the 1991 Legislature applied to projected enrollment for the 1995-97 biennium. (Cost: \$25-30 million per year)

- (b) 50% of the difference between full funding and current budgeted amounts for the formulas adopted in 1986 by the Legislative Committee Studying Funding of Higher Education. (Cost: \$13 million per year)

- (c) Increased funding for legally authorized grants-in-aid equal to 50% of the difference between full funding and current budget. (Cost: \$2 million per year)

- (d) Funds equal to 50% of student fee increases dedicated to the State budget to be "set aside" for improving student access. (Cost: \$2 million per year)

- (e) 2% merit pool for all professional positions, except exempt positions. Eligible classified merit increases are included. (Cost: \$4.4 million per year)

- (f) Fund to operate and maintain new buildings are included. (Cost: \$2 million per year)

- (g) Equipment maintenance funding for new equipment acquired during the 1993-95 biennium with "one shot funds". (Cost: \$37,000 per year)

(h) Inflationary increases are included for book acquisitions and Departmental operating. (Cost: \$3 million per year)

Application of the above stated parameters is likely to require about \$60 million in increased funding for the 1st year of the 1995-97 biennium, which would be a 23% increase in the UCCSN operating budget. Depending upon projected enrollment increases, as many as 400 faculty and staff would be added for instruction on the UCCSN Campuses.

Vice Chancellor Sparks stated that 17.6% is UCCSN's share of the State's General Fund for fiscal 1994. If UCCSN's share of the State's General Fund remains unchanged, the State's revenue would have to increase a minimum of 23% in order to fund the \$60 million increase (assuming all other UCCSN budgeted revenue increased by 23%). Vice Chancellor Sparks felt that this scenario would not likely happen since an increase of only 3.8% in revenues is projected for the 1995 fiscal year. This means then, UCCSN's share of the State's General Fund would need to increase substantially to provide for a \$60 million increase in the budget.

Vice Chancellor Sparks reviewed the Priority Requests for

New Funding, which among other issues included raises for professional employees, an increased merit pool to 2.5% with an addition of exempt positions, and an increased salary allotment for part-time faculty at the Community Colleges. He suggested that the Interim Study address other major formula funding issues. He recommended that the current formulas remain in place until after the Interim Study has made its recommendations.

UNR Vice President Ashok Dhingra stated that the System should perform a "reality check", and suggested that the Board of Regents and the Chancellor challenge the current structure. When discussing the future of the System, dreams are stated which may not be attainable. He suggested that the Board of Regents sponsor a Statewide symposium on quality education to include everyone in the State of Nevada.

Chairman Eardley felt that the Board would be criticized and assaulted by the public if such a symposium were to be held. Dr. Derby agreed that UCCSN must do a better job in selling higher education to the people in Nevada.

Upon questioning, Vice Chancellor Sparks indicated that the Chancellor's Tuition Committee is discussing revenue for UCCSN and that any increase in student fees and tuition

would certainly impact the needed 23% of the State's original fund allocation to higher education. However, he was not suggesting any increase in student fees and tuition at this time, and in his opinion, the students have supported UCCSN while the State Legislature let them down.

The workshop session recessed at 10:30 A.M. to allow for the small groups to meet and work on the assignment suggested by Interim Vice Chancellor Steinberg and Vice Chancellor Sparks.

The session reconvened at 1:30 P.M. Tuesday, January 25, 1994.

The small groups reported on their discussions. Interim Vice Chancellor Steinberg will summarize the discussions and report back to the Board at a future meeting.

The meeting adjourned at 2:15 P.M.

Mary Lou Moser

Secretary of the Board

01-24-1994