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MEMORANDUM

DATE: June 16, 2009

TO: NSHE Board of Regents

FROM: James E. Rogers
Chancellor

RE: Funding of the Nevada System of Higher Education

Everything I write in this memo about the inadequacies and inequities in the state of Nevada's funding also applies to the funding of K-12 throughout Nevada. Without adequate financial support, K-12 cannot even provide an education for the vast majority of its students who do not go beyond 12th grade, or begin to prepare students to graduate and go on to Nevada's colleges to earn meaningful and substantive educations.

I

BLAME FOR NEVADA'S PRESENT EDUCATION SYSTEM

Who then is to blame for the less than mediocre education that Nevada provides all of its students? The very simple answer is every Nevada resident, especially those groups who have gathered together under an empty slogan, "Helping to create a better Nevada."

- A. **The Citizenry:** Every resident of Nevada, either through a lack of interest in anything other than his own pocketbook, has taken little if any interest in K-16 education. Apathy has made it easy for those who believe that all government is evil and that it throws away its citizens' money to provide funding that is just above starvation levels.
- B. **The Nevada Legislature:** For 50 years, the majority of Nevada's legislators have been so interested in their re-elections that they have given little thought to the future of Nevada. They have sold Nevada's future in favor of their present political success.
- C. **The Governors:** I know that many of Nevada's governors over the past years professed to be the "education governor." But in truth and in fact, no modern day governor has done anything to make Nevada's higher education system competitive regionally, and certainly not nationally.

- D. **The Nevada Board of Regents:** In the first two of my five years as Chancellor, little was discussed about the adequacy of state funding of the System. The conversation tended to be about asking directions from the Legislature and the Governor on where the Board should go to sign the ARTICLES OF SURRENDER.

The Board, until recently, has not been sufficiently aggressive in putting its case forward about the woefully inadequate funding of higher education. I hope and believe those days and habits are gone forever.

- E. **The NSHE Presidents:** Over the years, the System's presidents have attempted to explain the horrific effects the limited source of funds has had on both the short and long-term Nevada economy. Nevada's education system has never been able to develop an educated work force.
- F. **The "Infamous" Funding Formula:** Nevada did an analysis 10 years ago about the formulas used to fund the NSHE, which compared the NSHE to similar systems and institutions in the West. In spite of the analysis, the Nevada Legislature decided that the NSHE would be funded at NO MORE THAN 85 PERCENT of what had been determined to be "adequate funding" for western higher education systems of comparable size and quality. The funding formula adopted set the stage for 10 years of inadequate funding of Nevada's higher education system.

II

THE FUTURE IS PROMISING BECAUSE NEVADANS ARE NOW BEGINNING TO PLAN FOR A FUTURE THAT HAS SUBSTANCE, VALUE AND REAL MEANING

In spite of Governor Jim Gibbons' policy of no new taxes, which translates to a policy that means Nevada will have no future, the 2009 legislative session showed a new and highly energized interest in all of education (K-16) and an awareness that Nevada must invest in education if it is to create an educated work force of its own and attract an educated work force from outside Nevada.

Senator William Raggio, a long-time supporter of education, along with Senate Majority Leader Steven Horsford and Assembly Speaker Barbara Buckley, were loud and clear in their support of K-16 education and all three promised to take a further look at the funding of K-16.

As I have said repeatedly, underfunding either K-12 or higher education destroys Nevada's system as a whole. All of K-16 must be adequately funded.

- A. **The Board of Regents:** Under the world-class leadership of Mike Wixom, the Chair of the Board of Regents, coupled with the near unanimous support of the other 12 Regents, the System aggressively, accurately and thoroughly presented its needs for funding. The Legislature, faced with a very sick Nevada economy, responded with creative and bold ideas for providing the essential funding for the System. I know the Board will continue this aggressive and creative thinking.
- B. **The Legislature's Role:** In the recently completed Nevada Legislative Session and at the request of the Nevada System of Higher Education, the State Senate began an

examination of the vital issue of System funding. AB 505 directed a study that, among other things, would review the current vitality of the funding formula, funding equities among the institutions within the Nevada System of Higher Education and whether Nevada's current method of funding supports the respective institution missions. The System also requested a joint review of local funding and tuition and fee policy. While this bill passed the Senate by a vote of 19-2, unfortunately, the session's time expired before the Assembly acted upon the bill.

This does not mean, however, the Legislature does not support addressing the funding issue now. I have spoken to both Senate Majority Leader Steven Horsford and Assembly Majority Leader John Ocegüera, and both are committed to fully analyzing these issues. Both leaders eagerly await the enclosed documentation.

The leadership of both houses and System leadership are committed to addressing these issues now and resolving them in the 2011 legislative session. NSHE will invest a significant amount of time and energy this interim reviewing the history of the formula, how the System's institutional missions have evolved, and how the funding equities can affect the overall student experience and at the same time increase transparency and accountability.

C. THE PORTIONS OF AB 505 WHICH DESCRIBE HOW THE LEGISLATURE PLANNED TO EXAMINE THE FUNDING ADEQUACIES AND EQUITIES IS SET FORTH BELOW (Section 16.5---Sub-sections 1-5):

Review funding equities for the institutions within the Nevada System of Higher Education and their respective institutional missions;

Review the current policies of the Board of Regents of the University of Nevada for establishing tuition and fees and other commonly used models nationwide for establishing tuition and fees;

Determine, based upon the review conducted pursuant to subsection 2, an appropriate method for establishing tuition and fees and for determining the reasonable cost that should be borne by students;

Review other factors which influence funding for the system of higher education in this State, including, without limitation, funding from local governments, with a particular emphasis on local funding for community colleges; and

Recommend changes to the funding mechanism for the system of higher education in this State as determined appropriate by the interim committee and submit those recommendations to the:

Board of Regents of the University of Nevada; Governor; and Legislature, which may be included in the final report of the committee.

III THE INEQUITIES IN FUNDING

I am not quite sure how the legislators from Southern Nevada got out-maneuvered for 50 years by the legislators from the north in the distribution of tax revenue between the northern and southern higher education institutions. The South for many years has had sufficient votes to control both the Nevada Assembly and Senate. While Southern Nevada was not protecting its own turf, the northern legislators managed to fund the Northern Nevada schools at a much higher per student rate. There may be substantive reasons for some of this North and South disparity, but when Southern Nevada businesses provide 75 percent of all the funds that Nevada's higher education system receives, and when Southern Nevada has 65 percent of the higher education system's students, it seems to me there is something fundamentally wrong when the Southern Nevada higher education institutions receive only approximately 50 percent of the total higher education budget.

Our memos addressed the problem of inadequate and inequitable funding in Memo #39 (December 9, 2008), Memo 44 (January 13, 2009) and Memo 47 (January 27, 2009).

IV AN ANALYSIS OF THE DIFFERENTIAL IN FUNDING THE NORTHERN NEVADA COLLEGES AND UNIVERSITIES AS OPPOSED TO THE FUNDING OF THE SOUTHERN NEVADA INSTITUTIONS

Funding of all four higher education institutions in Northern Nevada is woefully inadequate. I would never suggest that this funding be reduced and those extra funds be delivered to the Southern Nevada higher education institutions to make the institutions equal. This would only result in damaging the Northern Nevada institutions. Rather than complain about Northern Nevada's funding, I am instead registering my complaints and suggested remedies for solving the outrageously low funding of Southern Nevada's higher education institutions, UNLV and the College of Southern Nevada.

I enclose and include as part of this memo a document entitled "Equity Issues in NSHE: Proposals for Change," prepared by Dr. Carol Harter and Gerry Bomotti. This document lays out a long-term plan for "equalizing" the funding among the System's eight institutions. Please read this very important analysis. I believe the System and the legislature will use it as the beginning of an effort to solve the inequity problem.

I have discussed the necessary analysis of the funding formula inadequacies and inequities with Senate Majority Leader Horsford and the Assembly Majority Leader, John Ocegüera. Both are very supportive of examining the formula, and in fact, the entire funding of the eight NSHE institutions.

Executive Vice Chancellor Dan Klaich assures me that he fully supports this analysis.

V
RESPONSE TO ELECTED VS. APPOINTED BOARDS
BY REGENT JASON GEDDES

Last week's memo (#68, June 9, 2009), presented a discussion on the composition of the Board of Regents and whether they should be elected or appointed. Regent Jason Geddes, who holds the distinction of being both appointed and elected, offers his thoughtful response to that topic.

Enclosures:

- Dr. Carol Harter and Gerry Bomotti, Equity Issue in NSHE: Proposals for Change
- James E. Rogers, Memorandum #39, December 9, 2008
- James E. Rogers, Memorandum #44, January 13, 2009
- James E. Rogers, Memorandum #47, January 27, 2009
- Dr. Jason Geddes, Vice Chair, Nevada Board of Regents

EQUITY ISSUES IN NSHE: PROPOSALS FOR CHANGE

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BRIEF HISTORY AND STATUS OF EQUITY ISSUES

The following several pages illustrate the funding disparities that exist between UNLV and UNR and between CSN and the other community colleges in NSHE, along with proposed action steps to address the inequities.

The UNLV/UNR comparisons include the three types of funding each institution receives and the differences in all three categories: formula funding; statewide programs; and capital. The CSN/TMCC/WNCC/GBC comparisons represent only two categories: formula funding and capital.¹

IN ALL CATEGORIES, UNLV AND CSN ARE FUNDED AT SIGNIFICANTLY LOWER LEVELS THAN THEIR PEER INSTITUTIONS IN THE NORTH.

Although all studies in the last decade or more illustrate funding inequities, the basis for the attached equity adjustment model is grounded in the most recent formal state-mandated study of NSHE funding, AB203, which issued its final report in January 2005. The basic inequities identified in that report still exist today, in large part because there was never any corrective action taken to address the recommendations.

More recently, and as a result of UNLV's rapid development as a research university, the AB203 study² demonstrated a significant inequity and concluded the following: "Being very conservative in the calculation, it can be estimated that the additional cost of increasing the research mission of UNLV will be at least \$1,500 per FTE student. At current enrollment levels, this translates into an additional cost of \$25,000,000, p.72, #3.

Likewise, the report noted the following in regard to CCSN (now CSN) funding: "Community College of Southern Nevada (CCSN) is considerably underfunded (by \$1,500 or so per FTE student)..." (p. 63, #1, first bullet). And: "While none of the (NSHE) institutions is wealthy, only CCSN is operating at what is fundamentally a subsistence level." (p. 67, #1 conclusion).

Carol C. Harter
Notes and data by Gerry Bomotti

¹ As an alternative to the equity adjustments for capital, one could focus on the GF/FTE operating inequity only and space would be automatically adjusted as it came on-line, assuming future equitable capital funding for both UNLV/UNR and CSN and its peers in NSHE.

² AB203 Report. Committee to Evaluate Higher Education Programs. Final Report (January 2005 – LCB Bulletin Number 05-3).

NSHE EQUITY ADJUSTMENT MODEL

	First Biennia	Second Biennia	Third Biennia	Fourth Biennia	Fifth Biennia	Sixth Biennia	Total Equity Adjustments
Formula Funding Equity Adjustment							
*CSN	\$9,380,000	\$9,380,000	\$9,380,000				\$28,140,000
*UNLV	\$9,907,000	\$9,907,000	\$9,907,000				\$29,721,000
Capital Equity Adjustment (in GSF)							
*CSN	\$255,981	255,981	255,981	255,981			1,023,924
*UNLV	278,834	278,834	278,834	278,834	278,834	871,640	2,265,810
<i>(figures above are additional state funded space)</i>							
"Statewide Programs" Equity Adjustment							
*UNLV	\$2,515,910	\$2,515,910	\$2,515,910	\$2,515,910			\$10,063,640
Total Equity Funding (excludes capital gsf)							
	\$21,802,910	\$21,802,910	\$21,802,910	\$2,515,910			\$67,924,640

PROPOSAL FOR ACTION: CSN³

Funding facts and comparisons (all calculated in FY 09 \$s):

I. <u>FORMULA FUNDING: 2009 GF PER FTE</u>		<u>\$ AND</u>	<u>% DIFFERENCE</u>
GBC	\$11,352	-\$5,867	-51.7%
TMCC	\$ 6,599	-\$1,114	-16.9%
WNC	\$ 8,803	-\$3,318	-37.7%
CSN	\$ 5,485		

Recommended solution:

Appropriate to CSN \$500 GF/FTE over and above enrollment and inflation driven funding each of the next three biennia.

Result: CSN at \$6985 GF/FTE, approximately the same funding level as TMCC, the most comparable of the other community colleges in NSHE. Cost over six years: \$28,140,000.

II. <u>STATE-SUPPORTED SPACE: GSF/FTE</u>		<u>GSF /FTE AND</u>	<u>% DIFFERENCE</u>
GBC	103.84	-64.22	-61.85%
TMCC	50.44	-10.82	-21.45%
WNC	65.08	-25.46	-39.12%
CSN	39.62		

Recommended solution:

Allocate to CSN at least 256,000 more GSF until its GF/FTE is roughly comparable to two of the three community colleges (not including great basin college) in the NSHE system (cost unknown).

³ All recommendations for adjustments in GF/FTE formula funding for both UNLV and CSN refer back to AB203 and the adjustments suggested in that study. Virtually the same inequities exist in 2009 as in 2003.

PROPOSAL FOR ACTION: UNLV⁴

Funding facts and comparisons (all calculated in FY 09 \$s):

I. FORMULA FUNDING: 2009 GF PER FTE \$ AND % DIFFERENCE

UNR	\$11,494		
UNLV	\$ 9,243	-\$2,251	-19.6%

Recommended solution:

Appropriate to UNLV \$500 GF/FTE over and above enrollment and inflation driven funding each of the next three biennia.

Result: UNLV at \$10,743 or 94% of UNR's funding. Cost over six years: \$29,721,000.

II. STATEWIDE FUNDING: 2009 GF PER FTE \$ AND % DIFFERENCE

UNR	\$636		
UNLV	\$ 77	-\$ 559	-87.9%

Recommended solution:

Appropriate to UNLV an additional \$127 GF/FTE funding over and above any other inflationary growth each of the next four biennia. (this assumes no new or similar appropriations to UNR during the same period.)

Result: UNLV at \$585 or 92% of UNR's funding. Cost over eight years: \$10.1m

III. STATE-SUPPORTED SPACE: GSF/FTE GSF AND % DIFFERENCE

UNR	199.18		
UNLV	108.30	-90.88	-45.63%

Recommended solution:

Allocate UNLV at least 280,000 more GSFs than UNR of new space each biennial capital cycle (5-6) until UNLV has a minimum of 90% of UNR's GSF. (cost unknown)

⁴ All data excludes medicine, agriculture, and cooperative extension at UNR and law and dental medicine at UNLV, each of which has special and separate state appropriations.

BIENNIAL ADJUSTMENTS TO CORRECT INEQUITIES, 2011-2023

- I. CORRECT FORMULA FUNDING INEQUITIES FOR BOTH CSN AND UNLV OVER THREE AND FOUR BIENNIA RESPECTIVELY:
- a. No later than 2017, CSN should be funded at roughly the same level as TMCC in formula-based funding;
 - b. No later than 2019, UNLV should be within 95% of UNR formula-based funding.
- II. CORRECT STATEWIDE PROGRAM INEQUITIES BETWEEN UNLV AND UNR IN FIVE BIENNA:
- No later than 2021, UNLV should be funded at 100% of UNR Statewide Program funding.
- III. CORRECT INEQUITIES IN CAPITAL FUNDING FOR BOTH UNLV (RELATIVE TO UNR) AND CSN (RELATIVE TO TMCC AND WNCC) IN FIVE OR SIX BIENNIA:
- No later than 2023, UNLV and CSN should have space and facilities Whose GSF/student is equivalent to the GSF/student ratio at comparable northern institutions.

TOTAL COST FOR GENERAL FUND CORRECTIONS OVER FOUR BIENNA: \$67.9 MILLION

TOTAL COST FOR CAPITAL OVER 10-12 YEARS, UNKNOWN

EQUITY DATA, ANALYSIS, MODELS FOR FUTURE ADJUSTMENTS AND NOTES

\$1,500 GF/FTE equity adjustment for UNLV and CSN, based on AB203, at \$500 GF/FTE per cycle
 Use results of AB203 to be the basis for the equity request - 3 cycles would complete the equity adjustment
 In general the same differences exist today that existed when this study was conducted.

NOTE: Cycle time can be adjusted - could be one year, one biennium, or other options to match expectations and requirements.

	Budgeted FY09 GF/FTE	% Difference UNLV/CSN vs others	Max. % Difference	Max \$ Difference	\$500 GF/FTE progress/cycle 1st cycle amount (GF/FTE)
UNR	\$11,494				\$500
UNLV	\$9,243	-19.58%	-19.58%	-\$2,251	\$500
Total generated GF based on current FTE (per cycle)					
					\$9,907,000
% diff. w/ out CSN					
GBC	\$11,352	-51.68%			\$11,352
TMCC	\$6,599	-16.88%			\$6,599
WNC	\$8,803	-37.69%			\$8,803
CSN	\$5,485		-51.68%	-\$5,867	\$500
Total generated GF based on current FTE (per cycle)					
					\$9,380,000

Note: All figures in model are based off FY09 dollars. It is understood that each year the model would have to be adjusted to account for formula/budget changes.

	GF/FTE Model after first installment (assume FY09 #'s)	GF/FTE Model after 2nd installment (assume FY09 #'s)	GF/FTE Model after 3rd installment (assume FY09 #'s)	GF/FTE Model after 4th installment (assume FY09 #'s)	GF/FTE Model after 4th installment offered as an example (if 4 cycles vs 3)
	\$11,494	\$11,494	\$11,494	\$11,494	\$11,494
	\$9,743	\$10,243	\$10,743	\$11,243	\$11,243
			\$29,721,000 (total adjustment)	\$39,628,000 (total adjustment)	\$39,628,000 (total adjustment)
	\$11,352	\$11,352	\$11,352	\$11,352	\$11,352
	\$6,599	\$6,599	\$6,599	\$6,985	\$6,985
	\$8,803	\$8,803	\$8,803	\$8,803	\$8,803
	\$5,985	\$6,485	\$6,485	\$6,985	\$6,985
			\$28,140,000 (total adjustment)		

Basis for equity model - information below from final AB203 report (January 2005).

CSN Related

"Community College of Southern Nevada (CCSN) is considerably underfunded (by \$1,500 or so per FTE student)..." (page 63, first bullet under Finding #1).

UNLV Related

"According to NCES data for 2002, the difference in per-student revenues from tuition and fees and state appropriations at research universities that have neither land-grant missions nor medical schools (the average) and current levels for UNLV are (12,521 - 10,202 =) \$2,319/FTE student. This amount is very similar to current SS08 funding differences between the main campuses of the two Nevada universities of (11,025 - 8,813 =) \$2,212/FTE student. Being very conservative in the calculation, it can be estimated that the additional cost of increasing the research mission of UNLV will be at least \$1,500 per FTE student. At current enrollment levels, this translates into an additional cost of \$25,000,000 - a cost associated with a mission change and no increase in the number of students (served)." (page 72, under item #3).

EQUITY DATA, ANALYSIS, MODELS FOR FUTURE ADJUSTMENTS AND NOTES

Fall 2007 NSHE Space Data - state gsf per Budgeted Headcount (could adjust to use FTE vs headcount)

Space equity may need to be adjusted on a longer time cycle than other adjustments noted above, given the capital cycle time

	Max % difference	Max \$ difference	Progress per cycle	Cycle 1	Cycle 2	Cycle 3	Cycle 4	Maximum Tolerance	Minimum support w/in tolerance
UNRC			9.96	199.18	199.18	199.18	199.18	9.96	189.22
UNLV	-45.63%	(90.88)	9.96	118.26	128.22	138.18	148.13		

Total generated GSF based on current hdct 278,834 (per cycle)
 UNR and UNLV are generally comparable institutions, so the gsf/student would not be exact but within a maximum 5% tolerance range on gsf/headcount

	% diff. w/out CSN	103.84	50.44	65.08	39.62	103.84	52.11	65.08	52.11	103.84	58.35	65.08	58.35	103.84	64.60	65.08	64.59			
GBC	-51.43%																	24.97	78.87	
TMCC	-21.45%																			
WNC	-39.12%																			
CSN	-51.43%	(64.22)	6.24																	

Total generated GSF based on current hdct 255,981 (per cycle)
 CSN and the other CC's are not as comparable institutions, so the gsf/student would not be exact but within a maximum 20% tolerance range on gsf/headcount

"Statewide" Program Enhancement Support

	FY09 GF Budget	Amt/budgeted FTE	Difference so large that used 20 percentage point change/cycle was used	Note: Assume a 10% tolerance window for SW programs
UNR	\$7,970,731	\$636	\$636	\$636
UNLV	\$1,527,282	\$77	-\$558	\$204
			-\$127	\$636
			\$2,515,910 (per cycle)	\$458
				\$585
				\$10,063,641 (total adjustment)

*Note: UNR without facilities charge-back

	FY09 Budgeted FTE	% difference vs high	Note: Much larger variances between CC's, thus a larger suggested tolerance window.
UNR	12542	-36.7%	
UNLV	19814		
GBC	1570	-91.6%	
TMCC	6544	-65.1%	
WNC	2540	-86.5%	
CSN	18760		
NSC	1968		

Note 1: Tolerance Ranges for equalization of GF/FTE support:

UNR and UNLV would receive budget adjustments per standard procedures, and then the equity adjustments would be made per the appropriate cycle time.

CSN and the other community colleges would receive budget adjustments per standard procedures (to include unfunded enrollments), and then the equity adjustment would be made per the appropriate cycle time.
tolerance, additional adjustments would not need to be made (but would need to be maintained within the % tolerance level).

It is not assumed that budget reductions would be made as part of an equity process, but it could be a limit on the growth of the budget.

The percent progress during each cycle is a model suggestion, and this could be adjusted.

The equity adjustments would only impact the formula funded appropriation, and the current 'SW Programs' appropriations for UNLV and UNR. If any new separate appropriations of the same type were created, a similar general equity adjustment would be applied to them as well.

Note 2: Tolerance Range for "Statewide Program" Appropriations and Equity Adjustments.

Note: a 10% "tolerance window" is suggested for "SW Programs" and any similar appropriations like it that might be created in the future. Once the differences in GF/FTE are within the % tolerance window for SW Programs (and any other similar programs established in the future) additional adjustments would not need to be made (but would need to be maintained within the % tolerance level). The assumption is that UNLV and UNR would be funded at about the same levels, but the percent tolerance is the maximum difference allowed at any time.

Note 3: Capital Equity Adjustment

The capital process would need to be adjusted so that those institutions with significant shortfalls in state space would have an opportunity to catch up. This requires specific prioritization as well as approval of those priorities in order.

The same caveats would apply to the suggested % tolerance windows for capital as noted above for the SW Programs budgets, and the tolerance percentages suggested for UNR/UNLV are 5% and for the CC's 20% for this capital model

As an alternative to the equity adjustments for capital, one could focus on the GF/FTE funding equity and space would be automatically adjusted as it came on-line (i.e. trade-off of more operating budget vs space to deliver an institutions programs). If more space were added to an institutions inventory, the facilities O&M support would automatically adjust the GF/FTE funding levels.

It is assumed that all repair and maintenance activities for NSHE institutions, including major building renovations, are managed through an appropriate process based on documented needs, and that this would not become an alternative capital funding mechanism for institutions with an existing higher level of gsf/student.

Note 4: NSC

At this time NSC is not part of this analysis, as they have no comparable institutions within NSHE, and given their youth as an institution.

Note 5: Other Appropriations

Other than the formula funded appropriations and the "SW Programs" appropriation, no others were included in this model. One could consider the Health Sciences System initiative, and the current funding level of the UNSOM, and include in these equity adjustments operating budget increases for the UNSOM/HSS programs that were on a schedule parallel to those of the other equity adjustments. A goal for the UNSOM/HSS funding would need to be established towards which the equity adjustments were made.

Note 6: Base Budget Equity Adjustments and the Funding Formula

The funding formula does not always accommodate for the on-going retention of base budget equity adjustments, as it will continue to

EQUITY DATA, ANALYSIS, MODELS FOR FUTURE ADJUSTMENTS

regenerate an expenditure budget based on existing factors, as well as factors outside of the funding formula (e.g. state supported space; statewide programs and other non-formula allocations, etc.). In the case of both UNLV and CSN any "equity" adjustments would need to be carefully allocated in ways to help assure that they were not impacted by future applications of the funding formula. There are no doubt numerous ways to address this issue, one being a separate appropriation (similar to how the current statewide programs are funded) and one being where the incremental base funding was allocated in the budget.



James E. Rogers
Chancellor

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MEMORANDUM

DATE: December 9, 2008

TO: NSHE Board of Regents

FROM: James E. Rogers
Chancellor

RE: I) THE FUNDING FORMULA – IT NEEDS MAJOR REPAIRS
II) NEVADA HAS A REVENUE PROBLEM, NOT A SPENDING PROBLEM
III) THE NEVADA TEST SITE – WHAT CAN IT DO TO FINANCIALLY
SUPPORT THE HIGHER EDUCATION SYSTEM?
IV) FINANCIAL SCORE CARD
V) CAMPUS SUPPORT LETTERS

I

THE FUNDING FORMULA – IT NEEDS MAJOR REPAIRS

THE FUNDING FORMULA MUST BE CHANGED NOW. IT IS A CHANGE I WILL SUPPORT BOTH AS CHANCELLOR AND AFTER MY RETIREMENT IF THE FAULTS HAVE NOT BEEN CURED. I feel that strongly about this issue.

The regimen and predictability of formula funding has its merits. However, history teaches that as the System grows and changes, the formula must likewise adapt so the funding inequities and disparities that are created do not become embedded, hidden, and exacerbated by the formula itself. The formula must provide fair and equitable funding for a diverse group of institutions from small rural colleges to a research institution and two research universities. No other state tries to accomplish so much in the development and application of one funding formula. There have been long standing, bitter feelings among various institutions in the System that funds were not fairly distributed. To whatever extent this has existed and does exist, those inequities must be cured immediately. This year the Board of Regents exposed and quantified the long standing inequity in funding the College of Southern Nevada.

1. For UNLV, UNR and DRI, the formula does not adequately provide funding for either PROGRAMS OR FACILITIES required to conduct world class research. The current formula is largely an enrollment driven model and however appropriate that may be in many circumstances, research activities cannot be adequately funded by enrollment driven models.
2. The current formula was created to provide necessary funding for higher education IF THE FORMULA IS ACTUALLY FULLY FUNDED. However, the System has never been fully funded. THIS YEAR THE SYSTEM WAS FUNDED 85.5 percent. The deficiencies in the formula must be analyzed based upon the lack of full funding and the formula's additional inadequacies.
3. The formula provides no workable method for replacing equipment. In a rapidly changing era, the state has an obligation to prepare students for the jobs they will find in the marketplace utilizing the tools that are available.
4. There is no provision for need-based financial aid, nor is there any mechanism to attract the brightest and most accomplished students to Nevada institutions. University systems in Arizona, California, Texas and Utah go into the market and buy National Merit Scholars. If Nevada could attract these top students, it would raise the entire level of the faculty and student body.
5. The community colleges operate multiple campuses to discharge their general missions and to satisfy the special missions for the communities they serve. The formula provides no funds for the additional cost of this critical aspect of the community colleges' mission.
6. The formula assumes a certain economy of scale in Nevada's large urban community colleges which is not there. Just the opposite is true. That assumption and its impact on certain institutions must be challenged.
7. Distance education is becoming a prime component of higher education. The System must focus on distance education to serve students' needs.
8. The formula does not provide major repair and maintenance for capital facilities. Nevada has a multibillion dollar investment in the infrastructure of the Nevada System of Higher Education. Nevada cannot allow it to deteriorate. Failing to maintain facilities will multiply the price tag tomorrow.
9. The formula also creates unintended bad results. Library resources required by graduate instruction are based on the number of master's and doctoral programs at the institution. This may drive the creation of programs to secure more funds without questioning the viability of the program - - or indeed, its need.
10. The formula does not fully fund utility costs and there are no incentives for institutions to save utility costs. The state presently matches the costs rather than providing an incentive so the campuses could retain those real savings and direct them into classroom/student initiatives.

11. There is pressure on the System's campuses - - and there should be - - to increase student success. The System needs to recruit, retain, and graduate students faster and more efficiently. The current formula does not generate sufficient resources to support the student services necessary to achieve these goals. There is no formula support for semester-to-semester retention improvements and increased graduation rates. Nevada should put its money where institutions will show success backed by measurable accountability metrics.

12. Full-time faculty positions are only funded at the 60 percent level at the community colleges. Coupled with the fact that part-time instructors are woefully underpaid, this cripples the ability of the community colleges to discharge their mission.

While not strictly a formula issue, shouldn't the campuses be encouraged to conserve year end funds and put those dollars into higher education stabilization funds so that the system will have protection against the ravages of revenue cycles?

There is also the problem of complexity. Very few people fully understand the formula. The formula must be simplified without destroying its effectiveness.

The Board of Regents and the Legislature must convene their respective interim committees to revise the funding formula to facilitate building a system of higher education that will serve the needs of Nevada. These committees should be composed of members of the Legislature, the System, and the business community. They should be prepared to finalize their report for implementation in the budget building for the 2011-2013 biennium.

Tuition and fee policies must also be revised. The System has been handicapped by a legislative letter of intent that prevented institutions from assessing fair and reasonable market rates. Leadership has recently allowed the System to adjust to the market. Administrators, students and Regents can now determine what level of tuition and fees should be charged, confident that tuition and fees will stay on the campus where they are generated. When Nevada emerges from the economic downturn, those tuition and fees will also be used to provide a margin of excellence through additional services.

II

NEVADA HAS A REVENUE PROBLEM, NOT A SPENDING PROBLEM BY ELLIOTT PARKER, PROFESSOR OF ECONOMICS, UNIVERSITY OF NEVADA, RENO

According to the Chancellor's Aug. 13, 2008 letter to the Governor, the Governor has stated that we have a spending problem in this state, not a tax problem. It is an opinion I have heard expressed from a number of others, and this memo is intended to question the validity of this opinion.

First, does Nevada have too large of a government? Of course for some people any government is too much, so the answer is subjective, but we can compare Nevada's government to that of other states.



James E. Rogers
Chancellor

Nevada System of Higher Education

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MEMORANDUM

DATE: January 13, 2009

TO: NSHE Board of Regents

FROM: James E. Rogers
Chancellor

RE: THE INADEQUACIES AND INEQUITIES OF FORMULA FUNDING

When I became the chancellor in 2004, there were six primary areas I thought I could have some influence in improving:

1. Having the eight institutions of the System function as a system rather than as competitors, constantly damaging each other through destructive competition.
2. Completing the tasks of creating the Nevada State College.
3. Developing a Health Sciences System that would develop the medical education functions of all eight institutions which would result in increasing the medical care given to all Nevada residents.
4. Substantially increasing state funding of all of higher education which would, in turn, increase donor financial support and increase the amount of research funding. These improvements would benefit all eight of the System's institutions as well as enhance the culture of all Nevadans.
5. Obtain supplemental funding from each of the counties in which community colleges provide instruction.
6. Examine and thoroughly analyze the limited financial support from the Nevada State government, specifically the history and logic of the low funding of all eight institutions, particularly those in Southern Nevada, the University of Nevada, Las Vegas, and the College of Southern Nevada. What are the reasons that the University of Nevada, Reno, Great Basin College, Truckee Meadows Community College and Western Nevada College in the north and east have had such limited state financial support? Even more perplexing, what are the reasons the University of Nevada, Las

Vegas, and the College of Southern Nevada have been treated as step-children or poor and unworthy members of the family?

The feeling of discrimination against the University of Nevada, Las Vegas and the College of Southern Nevada has long boiled beneath the Southern Nevada surface and, to say the least, has caused extensive “heartburn” among those in higher education in Southern Nevada.

The following is a chart on how much Nevadans spend “per student” on those enrolled at six of the campuses. Desert Research Institute is not included because it has no students and its faculty is engaged solely in research. Nevada State College is also not included because its start-up nature does not offer comparable metrics:

FY09 GF/FTE

Universities

- University of Nevada, Reno \$11,436
- University of Nevada, Las Vegas \$9,233

Community Colleges

- Great Basin College (Elko) \$10,468
- Western Nevada College (Carson City) \$9,014
- Truckee Meadows Community College (Reno) \$6,460
- College of Southern Nevada (Las Vegas) \$5,057

Let me begin with a history of education funding in Nevada. The following portion of this memo was written by Dr. Michael Green, a nationally recognized Nevada historian, Dr. Carolyn Collins, CSN's Salary and Benefits Committee chair, Professor Mitzi Ware, a past CSN senate chair, and Dr. Sondra Cosgrove, current CSN senate chair. I believe you will find it interesting and very informative. Please note that I added the emphasis in the text below.

History of Funding Inequities in Southern Nevada

In the early 1930s, Nevada turned to gambling and divorce for economic sustenance, causing business and political leaders to focus on attracting visitors. For the rest of the decade, tourism, Hoover Dam’s construction, and New Deal projects protected Nevada from the worst of the Great Depression. Because of Nevada’s financial successes, Nevada began to advertise itself as a state with no need for corporate, individual, inheritance, or gift taxes.

The negative effects of this "free lunch” mentality were hidden as the state entered a period of rapid growth. Monies generated by newcomers created a Ponzi-scheme economy; those coming in subsidized those already in Nevada. Over time, neither long-timers nor new residents were required to pay any substantial taxes, causing necessary services, including education, to suffer. **WHEN THE SHORTCOMINGS OF GROWTH CONTINUED TO EXPAND, STATE GOVERNMENT, BECAUSE OF THE STATE'S POLITICAL STRUCTURE, DID LITTLE TO ADDRESS THE INCREASING PROBLEMS.**

Before the 1960s, the system for apportioning Assembly Representatives was ineffective in addressing growth in the south. It was not until a 1960s Supreme Court ruling, that the Legislature's composition more accurately reflected the state's population distribution. FROM THE BEGINNING, STATE GOVERNMENT REFLECTED THE LOW-TAX CONSERVATISM OF ITS LONGTIME RESIDENTS.

By 1950, the U.S. census defined more than half of Nevada's population as urban. UNR served the entire state, leaving Las Vegas, with more than 40 percent of that urban population, no access to local higher education.

Under pressure from Nevada's citizens, and from reports that universities outside of Nevada might start programs in southern Nevada, the Legislature considered expanding Nevada's higher education system. HOWEVER, REGENTS AND LEGISLATORS ROUTINELY REDUCED BUDGET REQUESTS FROM SOUTHERN NEVADA, BELIEVING THAT HAVING ONLY ONE STATE UNIVERSITY WOULD SAVE NEVADA MONEY. This philosophy continued despite the growth of public school enrollments in Clark County which had to suffer shortages of teachers and classrooms. The emerging Nevada Test Site introduced the need for a base of scientific knowledge in the south but the Nevada Legislature provided no support to develop a research university in the south.

THE FIGHT WAGED BY UNLV AND THE COLLEGE OF SOUTHERN NEVADA FOR EQUITABLE FUNDING HAS SIMPLY BEEN IGNORED. Each has battled the Legislature for adequate funding. Each has also battled the rest of the System's schools for a fair share of the overall funding. IN SPITE OF NEVADA'S SOUTHERN GROWTH AND HOW MUCH THESE HIGHER EDUCATION INSTITUTIONS HAVE GROWN, THE SAME FUNDING INEQUITIES HAVE REMAINED INTACT.

In the late 1960s, Howard Hughes provided seed money for the University of Nevada School of Medicine. Negotiations for opening the medical school at UNR included an agreement that UNLV would open a law school. It was not until 30 years later that UNLV got the law school, which, in less than a decade, has become one of the nation's top 100 schools. Nevada was one of only two states in the United States without an accredited law school at the time the William S. Boyd School of Law at UNLV opened.

Hughes also helped with the funding to begin what became Great Basin College.

THE COLLEGE OF SOUTHERN NEVADA OPENED IN 1971 in a building the *Las Vegas Review-Journal* provided. Acreage donated by the City of North Las Vegas created a campus in North Las Vegas. Private benefactors Hank Greenspun and Claude Howard helped with acreage for campuses in Henderson and on West Charleston Boulevard. THE COLLEGE CONTINUED TO BE CHRONICALLY UNDERFUNDED AND UNDERSUPPORTED.

IN 1999, THE BOARD OF REGENTS EXAMINED THE DISPARITY IN FUNDING BETWEEN NORTH AND SOUTH. THE DISPARITIES BETWEEN UNLV AND UNR BROUGHT TO LIGHT THE EVEN GREATER INEQUITIES BETWEEN CSN AND ITS NORTHERN COUNTERPARTS. The Board of Regents requested authorization to use a portion of the Estate Tax proceeds to provide some relief to the underfunded campuses. Because the 1999 Nevada Legislature was still in session, it formed the Committee to Study the Funding of Higher Education. As a result, the System allocated 3.7 million dollars per

year for the biennium to CSN.

THE COMMITTEE REPORT RESULTED IN THE 2001 LEGISLATURE ADOPTING NEW BUDGET FORMULAS. This meant that each institution would use a common system to directly link state funding to student enrollments which gave CSN's chronically underfunded student services desperately needed resources. Using actual enrollments to build the budget, CSN now had a systematic mechanism to keep from falling further behind. HOWEVER, THIS DID NOT ADDRESS THE PREEXISTING FUNDING GAP BETWEEN CSN AND THE OTHER COMMUNITY COLLEGES.

IN 1999, THAT GAP WAS ESTIMATED AT \$15.2 MILLION. WHEN THE NEW FORMULAS WERE IMPLEMENTED, CSN WAS LOCKED INTO THIS MONSTROUS DEFICIT. The new formulas were prohibited from costing the state additional funds. THIS MEANT THE ENTIRE SYSTEM WAS COMPELLED TO OPERATE AT ONLY 85% OF FULL FUNDING. Secondly, no institution was allowed to lose money in the implementation. That meant that funds could not be shifted among institutions. Therefore, existing inequities were left in place. IN ADDITION TO THE EQUITY ISSUE, CSN CONTINUES TO HAVE A FUNDING PROBLEM WHICH IT SHARES WITH THE ENTIRE SYSTEM.

In the 2005 legislative session, then-Assemblywoman Chris Giunchigliani secured a faculty salary equity adjustment of \$1.2 million for CSN. Three installments were made in order to bring CSN faculty salaries to a par with the other community colleges. IN 2007, HOWEVER, THE LEGISLATURE CHOSE NOT TO CONTINUE FUNDING THESE DESPERATELY NEEDED FUNDS.

In 2007, the Board of Regents did create a broad \$10+ million equity package to address CSN's historic underfunding as a priority. This proposal was not passed by the Legislature however. THE FUNDING INEQUITY GAP HAS NOW REACHED A CRITICAL POINT AT CSN. WHEN ONE ADDS THE PROPOSED ADDITIONAL BUDGET CUTS OF 35 PERCENT TO THE PREVIOUSLY EXISTING INEQUITABLE DISTRIBUTION OF STATE FUNDS, THERE WILL BE NOTHING LEFT OF CSN.

Those of us at CSN would not begin to propose that the funding at UNR or Great Basin College, or any other institution in the Nevada System of Higher Education, that is above CSN's be reduced. To the contrary, we believe that the funding at all of the institutions must be increased. HOWEVER, WE BELIEVE THAT CSN, AND THOSE AT THE BOTTOM OF THE LIST, SHOULD BE INCREASED TO EQUAL THOSE AT THE TOP OF THE LIST.

The following is a historical description by Dr. Carol Harter and Gerry Bomotti of the University of Nevada, Las Vegas. The attached documents include a table showing the funding inequity between UNLV and UNR.

January 7, 2009

Dear Chancellor Rogers:

We are pleased to be able to respond to your request for information about the history of the funding formula and about the disparities in funding UNLV and CSN have experienced over the years.

It should be noted for the record that none of the analysis below is meant to suggest that any of NSHE's campuses is "over-funded" or that money should be shifted from one campus to the other. NSHE institutions are all under-funded compared to their peers.

Because of very rapid enrollment growth, historically both UNLV and CSN have been chronically under-funded. Few solutions have been implemented to correct disparities that remain and even increase. Without shifting resources from other NSHE institutions, corrective action for both CSN and UNLV is essential. After parity is achieved, NSHE should move ahead as a system to increase resources equitably for all public higher education institutions in Nevada.

I. Equity Issues

A. Equity Adjustments for CSN and UNLV:

During the committee and legislative sessions from 1999-2001 that established the current funding formula, two of the reasons for creating the formula were: (1) to establish a rational basis for funding higher education based on nationally accepted metrics; and (2) **to eliminate historic inequities in funding to UNLV and CSN.** While the first goal has been reasonably met (with exceptions that are noted below), unfortunately the second has not begun to materialize, although there were three biennia of adjustments to faculty salaries for UNLV. **However, additional disparities that existed many years before the formula's creation continue to exist and in some cases have increased.**

A subsequent legislative study—AB 203—recommended infusions of funds for both CSN and UNLV, noting internal disparities within the system. *These recommendations have never been implemented.*

UNLV:

UNLV is currently funded on a per student basis **below** the California State University non-research campuses and at almost **50% less** than at the University of California research campuses. UNR continues to be funded at substantially higher dollars per student than UNLV. **In FY 2009, the difference is \$2,203 per student FTE for a total of \$44M.** AB 203 called for an infusion of dollars to UNLV of at least \$1500 per student, or \$25 million in 2002 dollars, noting that increasing UNLV's research mission would require those changes even without increases in enrollment.

CSN:

CSN is funded well below other Nevada community colleges in every category. The AB 203 report concluded that CSN was then underfunded by **\$1500 per FTE student**. With FTE of 20,019, **CSN has been shorted \$30 million in base funding**. The AB 203 report stated that “while none of the (NSHE) institutions is wealthy, **only CCSN is operating at what is fundamentally a subsistence level.**”

B. Statewide Programs Funding Inequities (resources outside the funding formula)

Funding of statewide programs (non-formula budget enhancements) at UNR is \$8.89M compared to UNLV at \$1.53M. UNR funds much of its continuing education, and significant academic support staff, directly from statewide program funds while UNLV must fund these activities from private funds or other resources. There are **68 FTE faculty and staff funded with statewide program funds at UNR compared to 12 at UNLV**. The resulting \$7.36 million differential, when normalized for UNLV’s FTE, equates to a \$12.6M shortfall.

C. Capital Inadequacies and Inequities**UNLV**

Capital outlays have been politically driven, rather than need driven. The result is that **UNR has 200 sq. ft. of space per student, while UNLV has 108 sq. ft. per student**. This difference equates to nearly a 2.6 million gsf shortfall at UNLV and to **an \$865 per FTE student difference in funding for Operating & Maintenance in favor of UNR**. Until square footage is roughly equal (with any differences based on demonstrated mission and programmatic needs), this inequity will continue.

CSN

CSN does not appear to have significant space needs, although it demonstrates some of the highest space utilization in the system. The NSHE approach to documenting space must be adjusted to recognize that CSN is operating on three separate campuses and has space needs that the current system’s data base does not reflect.

D. Other Inadequacies and Inequities

Student Services salary support, ADA accommodations support, state-funded scholarships are all disproportionately allocated to UNR. If UNLV were to receive proportional funding in each of these areas, **more than \$8 million would be available**.

II. FORMULA ISSUES (The eight institutions are different, one from another)

- A. Nevada may be unique in using a single formula for all public institutions in the state. Such an approach makes it virtually impossible to craft an appropriate budget for institutions that vary so dramatically in mission and activity. Both CSN and UNLV are “outliers” in the configuration of institutions in the system: they are exceptionally large and relatively young. The formula tends to favor the smaller, and more established, institutions. The two largest, UNLV and CSN, in many ways the most diverse institutions, are the two least well-funded.
- B. The formula was created as a model representing *average* costs at *comparable institutions and was designed to work if fully funded*. The formula has never been funded at 100% --which would simply be average funding among peer groups—but somewhere in the mid to high 80%s. Such an arbitrary and inadequate level creates a funding outcome that disadvantages Nevada’s students compared to those in other states.
- C. The formula does not fund research, research facilities, or equipment replacement which means that Nevada’s research universities cannot effectively compete for grants, contracts, or recruiting superior faculty, all of which disadvantages Nevada’s students and its economic viability.
- D. The formula assumes current square footage for operations and maintenance funding and that number grows with no reference to enrollment or need—capital acquisition is an entirely political matter.
- E. The formula is largely enrollment driven, having positive effects only on an upward trajectory and very negative effects during stasis or downward trends. Research universities cannot be funded using only enrollment driven models, without regard to quality.
- F. The formula funds neither merit scholarships nor need-based aid, which creates financial obstacles for student participation, especially compared to other states.
- G. The formula assumes a significant economy of scale in Nevada’s only truly large urban community college which is not reasonable given the three diverse campus structure of CSN.

III. Registration Fees and Tuition Policy

For every dollar of registration fees paid by students, the vast majority is directed to the state. For non-resident tuition, 100% goes to the state. Therefore, increases in fees paid by students end up saving the state money and do not provide additional resources to support students. Such a unique practice (from a national perspective) provides disincentives to institutions to raise tuition and registration fees because neither the students nor the institutions achieve any but marginal increases in expenditure support as a result. The proposed solution to this issue is for a change in the legislative “Letter of Intent,” and the NSHE has already drafted this proposal.

IV. Proposed Actions and Timetable

- A. Ask the Board of Regents and the 2009 legislature to establish a blue-ribbon committee to appropriately revise and update higher education funding models, completing their work in time for approval in the 2011 session and implementation in the 2011-13 biennial budget;
- B. Create three models for funding: one for research institutions, one for community colleges, and one for the state college(s);
- C. Obtain county and/or municipal funds for local community colleges—common in many other states--easing somewhat the burden on state revenues and involving communities who benefit most from local college services and programs. Such revenues would then be part of the formula development for the community colleges, quite separate from the formula for the universities and state college;
- D. Address the inadequacies and inequities in funding for UNLV and CSN. Obtain direct infusion of funding support, as economic conditions allow. Set a concrete timetable to reach the goal of full equity. (Note: any “equity” adjustments would need to be carefully allocated in ways to help assure that they were not lost by future applications of the funding formula.)
- E. In terms of capital outlays, base decision-making on needs analysis and not simply political expediency.

Jim, attached is a summary chart that illustrates funding inequities for UNLV compared to UNR.

Sincerely,
Carol C. Harter
Gerry Bomotti

SUMMARY OF ANNUAL BUDGET AND CAPITAL CONSTRUCTION
INEQUITIES FOR UNLV vs. UNR
 (Base budget and capital shortfalls)

Listed below is an overall summary of the projected annual base budget and capital construction inequities for UNLV, which are further explained in the attached paper. These inequities have existed for many years. It is not suggested or assumed that any adjustments for the past would be considered, but rather that adjustments for the future would be the focus of legislative action.

Prior to the current funding formula there were larger discrepancies in funding between UNLV and UNR, but even based on the current formula UNR receives over \$2,200 per full-time equivalent student more than UNLV in general fund support. Using current enrollments, this translates into approximately \$44M/year in base funding shortfalls. If one adds the statewide programs shortfall of \$12.6M, this represents nearly \$600 million cumulative over the period of the current funding formula.

Operating Budget:

	<u>UNLV</u>	<u>UNR</u>	<u>UNLV Shortfall</u>
Current Base funding/FTE student (\$2203 difference times UNLV FTE)	\$9,233	\$11,436	\$44M
SW Programs Funding	\$1.53M	\$8.9M	
SW Programs/FTE Funding	~\$77.00	~\$713.00	
Amount to equalize SW Pgrms/FTE funding (\$636 difference times UNLV FTE)			\$12.6M
Total Computed Annual Base Budget Shortfall (To equalize UNLV general fund per FTE Student compared to UNR)			\$56.6M

Capital Construction:

	<u>UNLV</u>	<u>UNR</u>	<u>UNLV Shortfall</u>
State Funded GSF/Student	108	200	92/Student
GSF to equalize UNR ratio (92gsf/student times UNLV student population)			2.6 million gsf
Approximate cost to construct 2.6M gsf (assume ~\$300/gsf)			\$.8 Billion

Given the history of a state where education was not at the top of many Nevadans' list for developing a first class culture, it is easy to see how the lack of adequate funding never even appeared to be a problem given any substantial consideration. In addition to a lack of funding of all of higher education in Nevada, the treatment of higher education in Southern Nevada was especially egregious. Southern Nevada's higher education was funded at a "survival rate" in hopes that out-of-state higher education systems would not "invade" Nevada. The low sustenance rate seems to have been designed to keep higher education in Southern Nevada alive, but barely. For too many years the higher education system in Southern Nevada has said too little. The open discussion of inadequate funding has always been a "no-no." After all, Nevadans wanted to be totally independent of activities in the other 49 states, especially those surrounding states, California, Arizona, Utah and New Mexico. After all, "We don't give a damn what they do in Los Angeles." Forgetting for a moment that Governor Jim Gibbons is about to propose that the higher education system absorb a 35% decrease in its operating budget (a fact that is difficult to forget, for even for one moment), the present funding of higher education in Nevada is a disgrace. By nearly any other state's funding standards, Nevadans should be ashamed. In my four and a half years as chancellor, in most instances when I talked about the financial condition of the System, I was met with hollow, blank looks and allegations that the System could get more money if it were just "more efficient." Those who made those allegations have been quite persuasive and effective for as of this time, they have "won the day" and they have managed to suppress adequate funding. But in doing so, they have starved an education system that may have a very limited future.

Nevadans need to take a good long look at their education system with these facts in mind:

1. At the present level of funding, the Nevada System of Higher Education simply cannot compete with other surrounding state institutions of higher learning.
2. While the overall funding of higher education has been outrageously low, even the University of Nevada, Reno, Great Basin College, Truckee Meadows Community College, and Western Nevada College have not received what they should have received to be "average or above average" institutions of higher learning. Additionally, the lack of regard for the funding needs of the higher education institutions in Southern Nevada has amounted to "gross neglect."

No longer can Nevadans fail to examine and understand their higher education system. The present economic disaster in Nevada once more tells us that reliance on one industry to support the state does not work. That industry is now very sick. But, it will recover in time. As Nevadans have never given serious thought to developing other industries to create additional sources of revenue, that short-sighted view is going to do permanent damage to Nevadans' standard of living. Education, once injured, does not have the ability to recover as fast as the casino industry can. The short term damage inflicted upon the education system will be felt for at least 50 years.

I ask that you take the time to carefully analyze the information presented by both the College of Southern Nevada and the University of Nevada, Las Vegas. I also ask that you give careful consideration to do the following:

BUDGET CUTS #44

1. That you not allow the state to reduce the higher education budgets by even one dollar. This can become a reality if you insist that your legislators find new sources of revenue to support the higher education system.
2. That you not only insist that the financing for students at the University of Nevada, Reno, Great Basin College, Truckee Meadows Community College and Western Nevada College be maintained at its present funding level, but this funding be increased substantially.
3. That you insist that those institutions in Southern Nevada not only have their per student funding increased to equal the funding of the University of Nevada, Reno, Great Basin College, Truckee Meadows Community College and Western Nevada College, but that as state funding of the northern institutions is increased, the per student funding of the University of Nevada, Las Vegas and the College of Southern Nevada be increased equally.

The information included was prepared by Dr. Carol Harter and Gerry Bomotti of the University of Nevada, Las Vegas and Dr. Michael Green, Dr. Carolyn Collins, Mitzi Ware and Dr. Sondra Cosgrove of the College of Southern Nevada, accurately portray the history of funding for the Southern Nevada schools.



James E. Rogers
Chancellor

Nevada System of Higher Education

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MEMORANDUM

DATE: January 27, 2009

TO: NSHE Board of Regents

FROM: James E. Rogers
Chancellor

RE: FUNDING – FURTHER FUNDING INADEQUACIES AND INEQUITIES

I.

NEW AND ADDITIONAL SOURCES OF FUNDS

It seems to me that at a time when every facet of the financial structure of the Nevada System of Higher Education is being examined to determine if and where cuts can legitimately be made and why revenues can and must be raised to support areas where cuts cannot be made (99 percent of the System's functions), that the entire structure of higher education funding should be examined.

As you know, I have very strong beliefs about the overall "inadequacy" of higher education funding. I also have very strong beliefs that where local, that is county and/or city, funding is possible, the System should look to those sources. Arizona's funding of community colleges appears to work very well. I would hope that Clark County, Washoe County, Elko County, and the other counties where community colleges provide instruction, will jump on board to help finance the higher education institutions that serve those counties.

As the State of Nevada and the Nevada System of Higher Education pursue additional funding sources, the entire funding formula must also be analyzed to determine where it works and where it does not work. The System also must determine the strengths and weaknesses of the funding formula.

II.

THE ALLOCATION OF FUNDS AMONG THE EIGHT INSTITUTIONS MUST BE RE-EXAMINED

I have only one quarrel with the amount of funds the University of Nevada, Reno, Great Basin College, Western Nevada College and Truckee Meadows Community College receive. I

BELIEVE THE FUNDING AT ALL OF THESE INSTITUTIONS IS INADEQUATE –
INADEQUATE BY A SUBSTANTIAL AMOUNT.

I also believe that if the funding at the four northern institutions is inadequate, that the funding at the University of Nevada, Las Vegas, Nevada State College, and the College of Southern Nevada is so inadequate that it borders on being shameful. I cannot understand how the people of the State of Nevada have allowed this starvation standard to proceed in Southern Nevada for such a long time. It needs to be changed and changed now.

In looking at the equities of funding throughout the Nevada System of Higher Education, it seems to me to be fundamentally unfair for Southern Nevada to provide such a large portion (75%) of the state budget for higher education and not receive in return an equal per-student appropriation for the students at the three institutions in Southern Nevada.

III. A LETTER FROM THALIA DONDERO, FORMER REGENT AND CLARK COUNTY COMMISSIONER

TURNING UNLV, CSN AND NSC OVER TO THE CLARK COUNTY COMMISSION

I enclose a letter from Thalia Dondero which brings into focus the apparent differential between the amount Southern Nevada contributes to the Nevada System of Higher Education and how much less, not only in percentage, but in total amounts, is returned from the State to support the University of Nevada, Las Vegas, Nevada State College and the College of Southern Nevada.

I also enclose an opinion that I requested NSHE Chief Counsel Bart Patterson to prepare on the issue of having the higher education system's colleges and universities funded by their respective counties. It discusses what might be done to transfer the three Southern Nevada higher education system institutions to control and financing by the Clark County Commission.

I do not believe that any extreme measures like this should be adopted, if other more supportive and equitable solutions can be reached. But unless the Nevada Legislature assumes the role and solves the inadequate funding problems, then a serious examination of county funding should be made.

I believe this Legislature will be able to provide substantial solutions with the adoption of policies that can make the System grow and flourish during the next 25 years.

IV. FINANCIAL SCORE CARD

It is somewhat distressing that the governor's budget director, Andrew Clinger, was quoted in a January 22, 2009 article in the Las Vegas Sun as saying, *"I've noticed that while there are people critical of the governor's budget, there are no alternatives yet. There are people who even say they have crisscrossed the state to come up with ideas to help solve the budget crisis. I haven't heard an idea yet."*

THALIA DONDERO
Governmental Affairs Consultant

January 23, 2009

Dear Jim,

As you know, during my 12 years on the Board of Regents, following my 20 years as a Clark County Commissioner, no one was more interested in the financial details of how the Nevada System of Education was funded, that is where the money came from, the north or the south, what entities were responsible for providing the funds, that is gaming and other businesses, and which entity had control and authority of how those funds were distributed among the eight institutions. As you know, the Legislature decides which institution gets what amount of money and the Board has no authority to redistribute funds if the Board sees the Legislature has been unfair.

I have always been very concerned that the tax base providing money to NSHE was far too narrow. Looking to one industry, in this case the gaming industry, has for the last 50 years been predicted to be a road to financial disaster in that a downturn of gaming revenue would leave Nevada with no place else to go for needed funds for support of the state's social programs, that is education, health, safety and transportation. The predictions of those who saw disaster in our limited tax base has become a reality because recent gaming revenues have plummeted. The state is short 35% in the funds it needs to satisfy its governmental obligations.

I want to make several observations that call to mind the history of higher education funding in Nevada. In your memo of January 13, 2009, the College of Southern Nevada faculty members outlined the history of revenue development in Nevada for establishing and funding the operation of the higher education system of Nevada. It is an excellent description of the great reluctance of Nevada leadership over many years to even begin to understand the value of education even K-12, and most certainly higher education.

The development and population growth of Southern Nevada forced the Nevada Legislature to act to develop higher education in Southern Nevada, only as a defensive measure to keep states surrounding Nevada from opening higher education systems in Southern Nevada. Therefore, the development of higher education in Northern Nevada remained the order of the day with only token support and thought being given to Southern Nevada. That made sense until the population and, therefore, the needs of Southern Nevada began to pull far ahead of Northern Nevada. But yet funding for higher education institutions in Southern Nevada remained behind, in fact far behind that of the Northern Nevada Schools.

Indeed, in your memo of January 13, 2009, you list how the six institutions of the System are funded on a per student basis:

FY09 GF/FTEUniversities

University of Nevada, Reno	\$11,436
University of Nevada, Las Vegas	\$9,233

Community Colleges

Great Basin College (Elko)	\$10,468
Western Nevada College (Carson City)	\$9,014
Truckee Meadows Community College (Reno)	\$6,460
College of Southern Nevada (Las Vegas)	\$5,057

I was appalled by the differences among the six institutions in the System. I am even more appalled to notice the difference between funding in the North and funding in the South. Why has this gone on until the present? Why haven't the Southern Nevada colleges and university been brought up to par with their Northern counterparts? I do not believe that the funding at the University of Nevada Reno, Truckee Meadows Community College, Great Basin College, and Western Nevada College is too high. In fact, it is not high enough. However, I believe that funding at the University of Nevada Las Vegas and College of Southern Nevada is far too low. This low funding at the University of Nevada Las Vegas and College of Southern Nevada must be brought to an end right now.

Now let me address another historical fact. It is true that, for many years, Reno was the heart of Nevada culture. Its university, until 1957, was the state's only university. The population of the north exceeded the population of the south, where UNLV, then a branch of UNR, was opened in 1957. But over the next 50 years, UNLV and the College of Southern Nevada, which opened in 1971, grew until together they presently educate 70% of all the higher education students in Nevada. How did this happen without people knowing how higher education in Southern Nevada had grown in size so that it dominated the higher education system of all of Nevada? How did it happen that through all of this, Southern Nevada's higher education system remained so underfunded? You and I probably know the answer, which is of little relevance other than to point out that the inadequate and inequitable distribution of higher education dollars must stop and must stop now.

Let me now go to another part of the funding method that indicates the outrageously unfair method that has been used to fund the System's institutions. When you look at the source of funds that come to the General Fund of the State of Nevada you find the following:

State sales and use taxes collected from Clark County most recently	73.44%
State gaming taxes collected from Clark County most recently	84%

Overall assumption using 75% as a conservative estimate of total State General Fund Tax Dollars from Clark County	75%
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In as much as approximately 75% of the State's General Fund dollars are produced in Clark County, one would think that its higher education system would receive approximately 75% of the State's money that goes to higher education. However, the higher education institutions in Southern Nevada receive only 49% of the state distribution of higher education funds in the state. Therefore, Clark County is subsidizing all four of the higher education system's institutions in the North.

As Exhibit 1 shows, Clark County contributed approximately \$505 million to the Nevada System of Higher Education General Fund for fiscal year '09, but the Clark County NSHE institutions only received \$336 million. The Clark County institutions of the Nevada System of Higher Education received about \$169.3 million less in State revenue than the NSHE institutions would have received if Clark County had retained its tax revenues and had distributed those to the Southern Nevada NSHE institutions.

It seems obvious that it would be much better for Clark County to assume control and direction of UNLV, Nevada State College and College of Southern Nevada and use the Nevada General Fund tax revenues to support these three institutions. Based on the '09 budgets, that would create at least \$169 million per year more for the Southern Nevada institutions.

Now I understand that this is one State and should be looked at as one entity. However, I do not believe that the part of the State which does not cover its percentage of the higher education financial load should be dictating the course of higher education in another area of the State that more than covers its share of the financial load.

In his State of the State address, rather than finding a solution to fill in the short fall of revenue which may cause a total dismantling of Nevada's higher education system, the Governor proposed that the entire System cut its budget by 36%, specifically 48.3% for the University of Nevada, Las Vegas, 48.3% for Nevada State College and 35.7% for the College of Southern Nevada.

I would like to suggest the following: If the Legislature believes it cannot adequately support funding higher education in Nevada, and cannot find new revenue sources which are veto-proof, then the Legislature should release its control and responsibilities for higher education to the counties in which the various higher education institutions reside. At the same time, the entire amount of tax revenue that Clark County pays to the State's General Fund should be returned to Clark County so that the Clark County Commission would have adequate funds to support the budgets of UNLV, Nevada State College and College of Southern Nevada. If the Clark County Commission then desires to further enhance the programs at UNLV, Nevada State College, and College of Southern Nevada,

the Clark County Commission would be free to do so. This way the northern counties, which would also receive the General Fund monies contributed by businesses in those counties, would have the same source of funds to support their higher education systems.

The Clark County Commission consists of people whose combined judgment I believe would be far superior to Governor Gibbons' and possibly even greater and closer connected to the education problems of Clark County. I would be more than willing to see if the Nevada Legislature can give Nevada's higher education System the financial support it must have. But if the Nevada Legislature cannot do so, I will proceed to ask the Clark County Commission to assume the role of collecting funds in Southern Nevada and then paying them over to Southern Nevada's three institutions of higher education.

I would ask that you seek a legal opinion from Bart Patterson, Chief Counsel of the Nevada System of Higher Education that would describe what procedures, including amendments to state legislation and/or the State of Nevada Constitution, might be necessary to allow Clark County to assume the role of providing funding for the three higher education institutions located in Clark County, namely the University of Nevada Las Vegas, Nevada State College, and College of Southern Nevada.

I would be happy to discuss these issues with you at any time.

Sincerely,

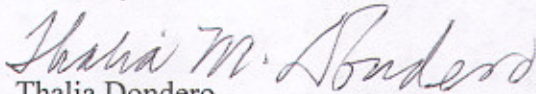

Thalia Dondero

EXHIBIT 1

	FY09 Genl Fund Oper Budget	FY09 % Genl Fund Oper Budget	FY09 Total GF Clark and Rest of state split by tax revenue PLUS System Split	% under Revenue Distribution.	FY09 GF split by Revenue Source vs Actual Budget
North - Rest of State					
UNR	\$144,152,936	21.1%			
School of Medicine	\$36,333,039	5.3%			
Athletics - UNR	\$7,054,213	1.0%			
Statewide - UNR	\$8,892,041	1.3%			
Agricultural Experiment	\$9,686,428	1.4%			
Cooperative Extension	\$9,976,270	1.5%			
BCN	\$2,681,831	0.4%			
State Health Lab	\$2,129,397	0.3%			
UNR Total	\$220,906,155	32.3%			
GBC	\$17,823,347	2.6%			
TMCC	\$43,186,115	6.3%			
WNC	\$22,358,817	3.3%			
Subtotal - North	\$304,274,434	44.5%	\$168,419,554	24.6%	-\$135,854,881
South - Clark County					
UNLV	\$183,139,626	26.8%			
Athletics - UNLV	\$9,256,767	1.4%			
Boyd School of Law	\$9,638,374	1.4%			
Statewide - UNLV	\$1,527,282	0.2%			
Dental School	\$9,047,398	1.3%			
BCS	\$2,281,231	0.3%			
UNLV Total	\$214,890,678	31.4%			
CSN	\$102,894,130	15.0%			
NSC - H	\$18,145,916	2.7%			
Subtotal - South	\$335,930,724	49.1%	\$505,258,661	73.9%	\$169,327,937
DRI (kept separate)	\$10,140,363	1.5%	\$10,140,363	1.5%	
System Assets -					
Special Projects - EPSCOR	\$2,765,534	0.4%			
University Press	\$951,253	0.1%			
NDSL	\$50,904	0.0%			
System Computing	\$23,838,350	3.5%			
System Administration	\$5,867,015	0.9%			
NSHE System	\$683,818,577	100.0%	\$683,818,577		

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January 26, 2009

MEMORANDUM

TO: James E. Rogers, Chancellor

FROM: Bart Patterson, Chief Counsel

RE: Alternative Funding Mechanisms for Higher Education

Introduction

Various funding proposals have been discussed in connection with alternative funding mechanisms of higher education. For example, one idea is to obtain assistance from counties to fund community colleges. That same concept could potentially extend to the universities and the state college on either a municipal¹, county or regional basis.² You asked what legal impediments may exist to alternative funding models, such as counties retaining, for higher education purposes, the general fund dollars generated in that county that have historically been earmarked for higher education. This memorandum addresses, in summary fashion, the general legal questions associated with such alternative funding mechanisms.

Legal Overview

Article 11, Section 4 of the Nevada Constitution provides for the establishment of a state university and its control by a Board of Regents. The Board's duties are all those duties inherent in the oversight and administration of a university. Article 11, Section 7. The duties (but not the powers) "shall be prescribed by Law." Article 11, Section 4. At the same time, the Nevada Constitution obligates the legislature to provide "for the support and maintenance" of the university by "direct legislative appropriation" from the general fund. Article 11, Section 6.

Based on Board of Regents action and legislative enactments, the "University of Nevada" as provided for in the Constitution has been defined to include all public higher education institutions in the state, including the universities, the state college(s), the

¹ For example, the City of Henderson has been instrumental in support of Nevada State College.

² One of the details that would have to be worked out is the funding of institutions with a significant presence in more than one county, such as the Desert Research Institute.

Bart Patterson, Chief Counsel

January 26, 2009

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community colleges and the Desert Research Institute, collectively known as the Nevada Higher Education System. See NRS 396.005, 396.010, and 396.020.³ The Board of Regents has express authority to prescribe rules for “its own government” and “the government of the System.” See NRS 396.110.

The existing legislative response (in which NSHE participated) has been to provide funding, except for capital construction and special project funding, based on a “funding formula.” This formula essentially provides varying amounts per student FTE to each institution. Once this allocation is made, the legislature’s budget bills do not permit NSHE to move state funds from one institution to another. The only method to change this funding mechanism is through 1) legislative action, 2) a successful legal challenge by NSHE to the constitutional authority of the legislature to restrict the Board of Regents from making inter- institution transfers of state funds, or 3) constitutional amendment.

Legislative Action to Change the Funding Formula

The simple approach (in terms of process) is that since the legislature established the formula, the legislature could choose to change it to essentially allocate money to institutions based on where tax dollars are generated. The Nevada System of Higher Education could accept such a change in funding, or it could choose to challenge such a new funding mechanism on constitutional grounds, just as it could challenge the current funding formula that restricts inter-institutional transfers from state approved budgets.

NSHE Legal Action Based On Current Restrictions

NSHE could choose to challenge the current legislative restrictions on inter-institutional transfer of state funds in order to permit the Board of Regents to reallocate state resources amongst institutions as it deems appropriate. It is not the intent of this memorandum to provide a definitive opinion on whether or not such an action would be successful. The rationale for such an action is the argument that the funding restriction violates the separation of powers doctrine (see Nevada Constitution, Article 3, Section 1) and impedes the Board of Regent’s constitutional authority to govern the System as it sees fit, with funding allocations of individual institutions being deemed a fundamental governance role. See e.g. *King v. Board of Regents*, 65 Nev. 533, 200 P.2d 221 (1948). The Legislature is likely to contend that it has the constitutional authority to fund higher education in its sole discretion and that its restrictions are a legitimate exercise of its appropriation power. See Nevada Constitution, Article 4, Section 19. There is authority, however, to challenge the scope of that legislative power. See e.g. *Young v. Board of County Commissioners*, 91 Nev. 52, 530 P.2d 1203 (1975); *Chaffin v. Arkansas Game and Fish Commission*, 757 S.W.2d 950 (Ark. 1988); *Board of Regents of the University of Oklahoma v. Baker*, 638 P.2d 464 (Okla. 1981); *Board of Regents of Higher Education v. Judge*, 543 P.2d 1323 (Mont. 1975); *Regents of the University of Michigan v. State*,

³ It does not appear that any express challenge has ever been made to whether state colleges, community colleges and the Desert Research Institute are within the constitutional meaning of the “University of Nevada,” but it appears such an interpretation has been commonly accepted by courts over the years.

Bart Patterson, Chief Counsel

January 26, 2009

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208 N.W.2d 871 (Mich. Ct. App. 1973), affirmed in part, 235 N.W.2d 1 (Mich. 1975). Before pursuing any legal action, a more complete analysis is required. NSHE should also weigh the political risks in potentially damaging what has apparently been a mostly cooperative endeavor with the legislature to reach an acceptable compromise on funding.

Changes in Governance

If counties or municipalities are more involved in funding higher education, they may ask for some role in governance. Any change to the governance model for higher education to provide that higher education is funded and governed, in whole or in part, by county or regional governmental bodies, such as a county commission, would require constitutional amendment.⁴ In King v. Board of Regents, 65 Nev. 533, 200 P.2d 221 (1948), the Nevada Supreme Court struck down a legislative attempt to create an advisory board to the Board of Regents, finding that such a law was unconstitutional as it attempted to change, alter or modify the constitutional powers and functions of the Board of Regents. In a similar manner, it is likely that any legislative action to create any kind of higher education governance role for a county commission, even an advisory role, would be unconstitutional.⁵

Constitutional amendments require either 1) legislative approval in two consecutive legislative sessions followed by approval of the voters or 2) an initiative approved by the voters in two consecutive elections. See Nevada Constitution, Articles 16 and 19). Due to signature gathering requirements associated with initiatives, either process would take about five years.

Conclusion

Any change in the governance structure of higher education, for example if county commissions were to take a role in governance, even as a recommending body, would require amendment of the Nevada Constitution. Alternatively, NSHE could potentially challenge, on constitutional grounds, the current budget process by which the legislature restricts the inter-institutional transfer of state funds. If such a challenge were successful, the Board of Regents could fund the institutions as it sees fit based on a lump sum appropriation from the legislature. As another alternative, as long as the legislature did not change the governance structure of higher education, it could choose to legislatively fund institutions in a different manner, such as based on tax revenue from the counties the institution primarily serves. NSHE could choose to challenge such a legislative change, again on the basis that the funding mechanism impedes the constitutional authority of the Board of Regents. I recommend that you consult with the Board of Regents before pursuing any of these alternatives.

⁴ There are also legal issues with previously issued bonds and system-wide contractual matters that would have to be addressed

⁵ The Board of Regents itself may have the constitutional authority to delegate part of its governance role to county governments. The county would have to consider whether it has the authority to accept such a role absent legislative action or constitutional amendment. Any such proposal requires further analysis.



Nevada System of Higher Education Board of Regents

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June 12, 2009

Chancellor Jim Rogers
Nevada System of Higher Education
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Las Vegas, Nevada 89103

I have a unique perspective on the issue of an appointed versus elected board that I would like to share with you. I was appointed to the Board by former Governor Kenny Guinn and stood for retention of the seat in the 2008 election. To me, this is the perfect model for creating the best Board of Regents. It is very similar to the "Missouri Plan" for electing judges that was approved by the 2009 Legislature and will go before the voters of Nevada in 2010. The Governor should select Regents based on their knowledge and background and those Regents should then stand before the voters at the next election to retain their seat. If they do not, a new Regent would be appointed.

The Nevada System of Higher Education is a very complex system including community colleges, state colleges, research universities, a research institute and several professional schools. The Board deals with a wide variety of topics where expertise of Board members would be most beneficial. In my case, my background in renewable energies and environmental chemistry has allowed me to provide a unique insight into creation of programs and dealing with issues on our campuses. The two most recent appointments, Kevin Page and Ray Rawson, also serve this model well. In the short time they have been on the Board, the system has benefitted by Regent Page's knowledge of financial systems and his long time service to the UNLV foundation. Regent Rawson's perspective on the legislature, attributed to his near 20 years of service, and his knowledge as a medical professional have been invaluable.

I disagree with Dr. Schollmeier that appointments lead to corruptions. Elected politicians in Clark County and throughout the country have proven elected officials are just as easily subject to corruption. The Nevada System of Higher Education needs Regents that serve the system, State of Nevada, and its citizens. An appointed board, that stands before the voters, does that best.

Respectfully,
Jason Geddes, Ph.D.
Regent-District 11