



James E. Rogers
Chancellor

Nevada System of Higher Education

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Honorable Jim Gibbons
Governor of the State of Nevada
VIA FACSIMILE: (775) 684-5683

Dear Governor Gibbons:

What is the message? What is your intention as Governor with respect to financial support of the Nevada System of Higher Education? What position will your proposed budget place the legislature in with respect to funding the essential needs of Nevada, including the Nevada System of Higher Education?

The Nevada System of Higher Education has long been funded at a level below its recognized needs due to available state resources. With our donor base being small and private fundraising in its early stages, research grants lagging and other sources of revenue being virtually nonexistent, the System is simply not competitive. Now, those “available resources” are dwindling and even current funding is at risk. I would like to have some idea of the solution to the increased unavailability of funding sources we are obviously facing today. By way of background, when I assumed the position of Chancellor, all of my discussions with you (as well as Senator Raggio and Speaker Buckley) led me to believe that you, the Senate and the Assembly were solidly behind the System’s attempt to substantially better itself in order to provide “first class” higher education for its students. I think we all agreed that this was not only good for the students, but good for the cultural and economic health of Nevada.

When it became apparent to me that you were going to become the governor of the state, I was immediately concerned because my understanding of your policy on government funding of higher education, public health and other social programs was that you would fund the lowest level possible. I spoke with your advisors about my concern and was informed that your support of education K-16 was so extensive that you would be the “education governor” and that I could rely on your support for full funding of education’s financial needs.

Prior to your being elected, we had several discussions, one of which was a discussion at the Reno airport. During that discussion, you had assured me that you had a full understanding of the value of developing a health science system in the Nevada System of Higher Education and that you would fully support the funding of that program. You also assured me that you were the “education governor” and that the system could count on your full financial support going forward.

The next major event in the funding of the Nevada System of Higher Education came when it became apparent that tax revenues would fall short of those needed to fund the budget which Governor Kenny Guinn had created and which you adopted for the most part and presented to the legislature. You even included some additional funding for workforce development and scholarships. Naively, we began to get our hopes up. We would soon learn how foolish that was.

When the initial computation was made of the amount of the revenue shortfall in the Fall of 2007, you delivered to your cabinet, including me from the Nevada System of Higher Education, a memorandum demanding that the System redo its budget and reduce it by 8 percent. No explanation was given by you other than “when times are tough; all of us have to tighten our belts.” Initially it was thought by many, including me, that the shortfall was a short term problem and that the Nevada economy would quickly recover. In fact, you assured us that we were dealing with a “short term revenue shortfall.” Given that prognosis, the System took the position that its budget should not be cut but that the “rainy day fund” should be used to fill the short term shortfall. Your initial reaction was that you would not use the rainy day fund... period. On one occasion, when you were at the Boulder City Country Club, I spoke with you about the shortfall and suggested that you use the rainy day fund and that you look at developing new sources of revenue to cover shortfalls in the future and the one that we were presently facing. You refused to consider either. This was the last time I spoke to you even though I have called you on several occasions to discuss these problems. In each case, I have left a message that I would like to help solve the problem and that I thought I could be of help to you. You have never returned my phone calls.

As we all painfully know, the economy in the State of Nevada has gotten far worse than any of us anticipated and the shortfall in revenue to the state, rather than being in the hundreds of millions, is now in the billion dollar area. Your mandated reductions of the budget of the Nevada System of Higher Education have now grown from 4½ percent to 4½ percent plus 3 percent for this biennium. Now you are asking us to calculate a 16 percent reduction from the base budget approved by the legislature for the next biennium. When the initial 4 ½ percent budget cut was mandated, the System reluctantly complied with the mandate, but at the same time the System informed you that contrary to what some of the public might think, the System did not have any “fat to cut” and that a 4½ percent cut would bite off muscle, not fat. I got no response from you. When the next 3 percent came, it was merely in the form of a mandate with no further explanation other than “if you don’t have the money you can’t spend it.” You gave not even a hint of what the future might be for the System if State tax revenue increased and funds then became available to try to repair the substantial damage done by the required cuts. In discussing the potential 16 percent cut, I have described in detail the effects of these cuts in the 14 weekly documents I have sent as of this date, to the Regents and to all members of the legislature, the county commissioners and others. You, as of this date, have not given me a hint of what the future might hold for K-16 education, when revenues rebound.

This brings me to my greatest concern: In a taped television interview on Channel 3 in Las Vegas on July 17, 2008, Kendall Tenney asked you the following question: “YOU DON’T SEE A TIME WHERE A BROAD BASED TAX WOULD BE APPROPRIATE?” Your response was “NO (pause), I CERTAINLY BELIEVE THAT WE DO NOT HAVE A TAX PROBLEM IN THIS STATE. WE HAVE A SPENDING PROBLEM IN THIS

STATE.” Because you have now stated very clearly that there is no one-to-one relationship between the revenue shortfalls that we have experienced and your required spending reductions, it seems apparent that you have merely used the revenue shortfalls as an excuse to address what you see as overspending and cut funding of K-16, mental health and other related social programs. That remark sent chills up and down my back because that made it apparent to me that you are a governor who would like to eliminate all social programs including education, health care and all related areas, from financial support by the State. What will you do if re-elected? Will your next two budgets call for further funding cuts? When will you decide that our budgets have been reduced enough so that you can be satisfied that the Nevada System of Higher Education no longer has a “spending problem?”

You further tipped your hand that your real agenda was to unilaterally re-size Government in your message to the legislature calling the 24th Special Session this summer. In that proclamation, you asked the Legislature to amend Nevada Revised statutes to “ensure at most zero growth in state spending for the biennium beginning on July 1, 2009.” In a session called by you to balance the current budget why was this necessary except to advance your real agenda?

It is instructive that you referred in that message to NRS 353.213 which provides a statutory cap on expenditures that can be included in an executive budget. That statutory cap was enacted almost thirty years ago, and provides that budgets may grow by no more than population growth and cost of living. While a tough measure it is reasonable AND IN THIRTY YEARS SINCE IT WAS ENACTED, THE CAP HAS NEVER COME INTO PLAY TO REDUCE AN EXECUTIVE BUDGET. Yet, this standard is not good enough for you, or should I say bad enough for you. You want limits that reduce government beyond growth and the cost of living. You want services to shrink while costs and population grows and you somehow want us to believe that this is a philosophy that will encourage and sustain this growth.

Since you apparently do not believe that the current statutory cap on expenditures sufficiently limits the size of government and since you have not articulated your philosophy in any detail, we are again left to surmise what that philosophy might be. Maybe you believe that a right sized base budget should be derived solely on the basis of population growth. If that is indeed the case, and using fiscal year 1996 as the base, we know that the population of Nevada has grown some 60 percent. Using the “population growth only” budget rule tells us the current General Fund NSHE budgets should only total \$345,772,466.00. The last time the General Fund NSHE budget approximated this annual figure was in 2003 when the System received \$341,456,556.00. To be in compliance with the population growth rule, NSHE would have to reduce its current budget by \$284,860,245.00 from its current \$630,632,711. I would note that UNLV’s 2008 General Fund budget is \$168 million. UNR’s 2008 General Fund budget is \$132 million. As you can see, NSHE can easily reach this target by eliminating the General Fund budgets for the two universities.

Perhaps you’re using a budget rule that suggests budgets grow only by the rate of inflation. Since 1996, federal Bureau of Labor Statistics data indicate the Consumer Price Index, U.S. city average for all urban consumers, has increased by 32 percent. If you are indeed using this inflation rule, NSHE budgets should approximate \$284.7 million, mandating

budget reductions of such massive proportions that the System would no longer exist. Neither of these budget approaches you may be using helps us understand your announced goal of being recognized as the education Governor.

While on this subject of statutory history, let's look for a second at your abject refusal to consider looking at Nevada's tax structure. The last major change in our tax structure was in 1955 when we added a tax on sales. Our basic structure has not changed since that time. **BUT WHAT ABOUT THE STATE WE NOW LIVE IN??** In 1955 our population was a scant 240,000 people which has burgeoned to 2.7 million. Our per capita income has grown from a little over \$2500 to over \$40,000. We were an agrarian and mining economy in 1955 in a rural state. Today, in a highly urbanized state, our top two business sectors are leisure and hospitality and business and professional services. So right now we are attempting to run a 21st century economy for one of the fastest growing states in the union on a tax structure that was conceived in the middle of the last century. This just does not make sense. You know I am a car buff and I particularly like cars from the mid 50's. However, I would never expect one of my classic cars with a stock engine from the 50's to compete in a NASCAR race in 2008. Apparently you think that is possible, which is why we are falling further and further behind as evidenced by recently announced downgrades of the bond outlooks for our major employers and the State.

My questions to legislative leaders must be: What then is the level of spending that must be reduced to satisfy your personal philosophy of government support of public endeavors? Is the System headed for a fifty percent or more reduction under your view of governmental support of public education? It had been my impression that you were satisfied with the original budget that Governor Kenny Guinn had provided to the legislature. Not once, in any discussion I had with you, did you ever suggest that regardless of how high tax revenue collection might rise, that K-16 had no right to expect increased financial support from the state because K-16 was inefficiently operated and must cut its spending, even if the state becomes awash with money. In each instance, when you mandated that the system cut its budget, that required cut was equal to the Systems' share of the revenue shortfalls. I now believe that while millions of Nevadans are suffering with a weakening economy you are silently pleased with this singular opportunity to use this misery as an excuse to gut education and health and human services without the need for any public policy debate for a position that you could not hope to defend.

My belief in your motives is further supported by a conversation that the System has had with your staff wherein you were asked to state your position on whether in the next biennium you would allow the System to go back to its "base budget" used in the prior biennium. You initially told us that even though the Nevada System of Higher Education was reducing its budget (because of your mandates which resulted from the revenue shortfalls), that the System would not be required to use the new lower budget for its new budgeting base thereafter. You have now changed your position and now say that the new lower base budget will be the standard going forward in future budgets. This will put the System behind forever.

The pressures felt by the higher education system, that is by the students, faculty, administrators and all employees who work there, are overwhelming. While all of us have hope and a legitimate belief that the Nevada economy will recover there seems to be no

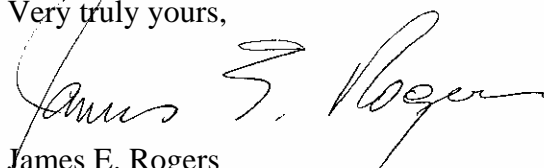
effort by you to fill in the revenue shortfall, so that the shortfall will not create permanent damage to the System. Moreover, based on what I now believe you have revealed to be your true motivations, a recovery in the economy is irrelevant. You intend and always intended these reductions to be permanent.

For the last several weeks, I have sent you brief descriptions of the devastating effect these budget cuts will have on higher education. In some instances, it has been suggested that rather than complain and describe the permanent damage to the System that I should find solutions to the shortfall. It has also been implied that the Nevada System of Higher Education has two lists for cuts. An A-list which is taking a 16 percent cut and eliminating all the frills which of course would result in no permanent damage to the core of higher education and a B-list where the System has compiled a list of cuts in programs that go to the very core of the System's ability to educate its students. It seems to be inferred that I am presenting the B-list and hiding the A-list. Nothing could be further from the truth. There are no solutions – I mean there are NO solutions – to our problems that can be cured by anything other than adequate funding.

I would like to meet with you at any time. I would hope that Majority Leader Bill Raggio and Speaker Barbara Buckley could be invited to join us. The System will respond to any questions from you and the legislature about any areas where you and the legislature believe the System can cut its spending without doing permanent and irreparable damage to the System. We will answer any inquiry. We will respond to any accusation. You already have open access to our books, records and any and all information through your financial analysts. Should any of you find areas where we can cut costs without injury, the Regents and Presidents would like to know. There is more than ample time before the legislative session begins for the System to respond to every inquiry, whether it believes those inquiries are reasonable or unreasonable. We want you to know that your public colleges and universities are in dire peril and cannot survive without your adequately funding them. Many states are looking to their systems and institutions of higher education to lead them out of economic difficulties. Apparently you are taking the opposite view.

After your examination of any and all issues, I would ask that you provide leadership to Nevadans on your plans for the funding of K-16 education during the remainder of your terms as Governor of Nevada. Be straight forward with us. Let us know your plan. Respond to us in writing. Make no mistake, I want my analysis in this letter to be wrong, and I wait to hear from you and have you convince me and the rest of Nevada that I am wrong.

Very truly yours,



James E. Rogers
Chancellor

cc: Senator William Raggio
Speaker Barbara Buckley