

Exhibit 1

1/2/08

Summary Points on UNLV 2007-2009 Biennial Operating Budget – Governor's Reductions

In order to put the current budget challenges into perspective, we have prepared this document in three parts. Part I covers a background context that has already been discussed about the policy decisions previously made and their impact on the finances of UNLV. Part II provides summary information relative to how we emerged, financially, from the last legislative session. A major point here is that UNLV was already in a precarious financial position before any of the current budget reduction discussions started, both for this current biennium and (more importantly) the 2009-2011 biennium. Part III of this document provides specific information on our response to the 4.5% reductions.

I. Overall Background and Context for these Current Budget Challenges - Major Post Funding Formula Policy Changes which drove the current enrollment patterns and therefore our current financial status. Given the major policy decisions highlighted below, it comes as no surprise that the enrollments for UNLV have declined from peak periods prior to FY06. While the precise numbers could not have been anticipated, the dramatic change in previous enrollment patterns was the intent of these policy changes and was predicted for some time. Unfortunately there were not corresponding changes in the funding formula to adjust for the financial consequences of these policy changes and it is assumed no one really intended to create a situation where UNLV would accept the most well prepared students with substantially less funds to provide them with a successful experience, and with significantly higher costs than at the community colleges and NSC. However, this is exactly what happened and is continuing to happen. The financial impacts of these policy changes have left UNLV in a relatively weak financial position going into the 2007-2009 biennium, and projections are that there are huge financial impacts waiting in the 2009-2011 biennium. **While the 2007-2009 financial challenges are significant, our biggest concern continues to be the financial challenges that we will face for 2009-2011 when the current funding formula is run based on FY07, FY08 and FY09 FTE's.**

- **Nevada State College** was created to reduce the number of students at UNLV and UNR, but it is clear the greatest impact is on UNLV. The good news is that with enrollment growth at NSC it is exactly fulfilling the mission for which it was intended. However, the impacted noted above has been felt virtually entirely at UNLV.
- The **admissions policies** for UNLV and UNR were changed to limit the enrollments in order to better serve students and to enhance the academic preparedness of new students.
- **Eliminate State Support for Remedial Courses at UNR and UNLV** (Effective Fall 2006 – FY07). Remedial courses accounted for 412.9 annual FTE at UNLV during FY05.

Additionally, major adjustments to the Millennium Scholarship program have impacted the UNLV enrollments in recent years. This program drove a significant portion of the enrollment jump for UNLV from the inception of the program through FY05. The cumulative impact of changes made have reduced the pool of students who are eligible for the scholarship (new and continuing), which for UNLV is estimated to be a reduction of ~400 new students per year.

II. HOW WE LEFT THE LAST SESSION - “The final biennial budget for UNLV shows a \$41.9M increase over the previous biennium – what can be the problem?”

It is very important when reviewing the UNLV budget to separately look at **“restricted” non-FTE formula funds**, as well as **formula funds**. These are allocated very differently and have very different impacts on the net spending power of the institution to maintain current services.

The State allocates **“restricted” non-formula** increases for COLA, merit, step increases, benefit increases, new facilities and the like. These are “restricted” in the sense that there is no authority to redirect them to hire faculty, staff high demand courses for students, provide increased advising services, cover the unfunded “hold-harmless” hole in our budget, etc. The biennial total of these “restricted” non-formula increases for UNLV is \$47.8M – **MORE** than the net biennial increase in our total budget. Funding of these **“restricted” non-formula** increases is important, but it means that we **cannot maintain the current level of services** as we did in the previous biennium.

The initial 2007-2009 biennial budget reviewed by the legislature for UNLV noted a \$26.1M reduction in base, due to changes in enrollments. We requested “hold harmless” in this amount and the Governor and Legislature approved filling \$14.6M of this hole – leaving \$11.5M as a reduction in current service levels for the campus which was partially filled by the legislature through allowing us to keep additional fee revenue (the “LOI”) of \$5.7M, **netting us a \$5.8M base reduction**. Additionally, the state uses the three year weighted FTE average to drive revenue projections – therefore we are budgeted to increase our enrollment in the 2007-2009 biennium by 0.73%, but in reality we know our enrollment will be well below this – creating an **additional \$3.6M expenditure reduction** over the biennium to cover this shortfall in student fee revenue. This situation is created because the funding formula assumes an increase in student enrollments regardless of the realities; therefore the campus must reduce expenditures in order to cover the projected revenue shortfall. This same situation happened last biennium as well when UNLV was required to reduce expenditures by over \$13M due to registration fee and tuition shortfalls under the same situation – formula funding “growth” overstating actual enrollments. The fact that the legislature was not able to fund utilities inflation will also impact UNLV, and all other state agencies, and for UNLV this is estimated at **\$4.2M** over the biennium (we must cut other expenditures to cover this mandatory expenditure). The new 2007-2009 impact is therefore **<\$13.6M>** as detailed below, which is approximately a 2.8% overall reduction in our base to maintain current service levels compared to FY07.

Listed below is a summary of the 2007-2009 Biennial Budget for UNLV

FY07 UNLV State Budget	\$240.7M
FY08 UNLV State Budget	\$253.0M
FY09 UNLV State Budget	\$270.3M
2007-2009 Biennial Increase	\$41.9M (vs \$47.8M in “restricted” increases)

Breakdown of Biennial Increase:

*"Restricted" Increases	\$47.8M (mostly for salary & benefit increases)
*"LOI" funds(fees)	\$5.7M
*Base Reduction	<\$11.5>M
("Hold Harmless" not funded)	
Net	\$41.9M (rounded)
Net Base Reduction	<\$5.8>M
(\$5.7M - \$11.5M)	
Add fee shortfall	<\$3.6>M
Add Utility shortfall	<\$4.2>M
(no utility increases budget)	

Net reduction in maintaining current Services **<\$13.6>M**

This does not even address the fact that we have not had sufficient resources to serve critical students needs in a variety of areas, including course offerings in high demand areas; a lesser reliance on part-time vs full-time faculty to provide an increasing quality of instruction; advising support for students; and other support services focused to help increase a student's overall success at UNLV, especially in their first year. The policy decisions that led to the creation of NSC and the change in admission standards for UNLV were to create an institution that allowed highly prepared students an option to meet their educational needs (at a higher registration fee level). This type of experience cannot be provided with less funding per FTE student, but in fact requires more funding per FTE student (the California higher education system was one model for considering the development of NSC. For FY08 the state general fund support per FTE for a UC student is \$16,330 and for a CSU FTE \$8,708). The AB203 legislative study, completed in January 2005, underscored the critical need for a major infusion of additional base funding for UNLV in order to provide a "research university" experience for students.

III. HOW WILL WE DEAL WITH FURTHER REDUCTIONS - UNLV Summary Plan Options for 2007-2009 Biennial Reductions:

The 4.5% amounts noted by the Governor for UNLV would be allocated as follows, by appropriation area.

	<u>FY08</u>	<u>FY09</u>
UNLV	<\$7,587,669>	<\$7,784,498>
ICA	<\$400,123>	<\$409,637>
LAW	<\$398,412>	<\$410,698>

DENTAL	<\$364,742>	<\$379,417>
UNLV-SW	<\$63,469>	<\$65,635>
BCS	<\$94,323>	<\$97,716>
Total	<\$8,908,738>	<\$9,147,602>

Total for Biennium <\$18,056,339> (31.3% of the NSHE total)

Overall Priorities/Approaches to Budget Reductions: We have approached this reduction with the following overall policy assumptions. **Priority is given to supporting our students, academic programs, and maintaining our research mission.** Reductions of this level are very significant, requiring difficult choices, and we cannot totally eliminate impacts on students, academic programs and our research mission. However, in general support and other administrative programs and services, already below levels of campus needs, will bear a larger share of the burden of these reductions. We have also approached this reduction with a priority given to protecting our base budget for 2009-2011, and with the assumptions that our “hold harmless” hole will be much more challenging to fill with these reductions/state revenue shortfalls. We also hope that this reduction is the only one we will be faced with for 2007-2009. We have implemented a formal review process for all hires, which will be managed through the Provost’s office for all campus positions. It is our intent to delay hires in areas that are feasible, but move ahead on hires where there is a critical need. It is also important to note that employee “layoffs” are not a major strategy for this budget reduction plan, and we will attempt to avoid them. The President has also determined that we will not delay the opening of either the Science and Engineering Building or the new Greenspun facility to support our College of Urban Affairs, even given the project budget reductions submitted by the State Public Works Board (SPWB). The opening of these facilities is just too important to our campus to delay/defer their use. Our need for academic and research space is critical, and these facilities will assist us in providing an important amount of relief to this situation, and allow us to better serve our students and faculty. The Provost’s office will, however, be taking on increased oversight of the use of these facilities (specifically SEB) to assure that we maximize the benefit to the institution and our sponsored program activities. This could lead to some adjustments from the original assumptions for space allocations.

Impact of Cuts Mid-Year: It is important to note that any cuts like this are basically being allocated for the remaining half of the fiscal year, so a 4.5% cut based on 100% of the fiscal year really has the impact of a 9+% cut for the rest of this fiscal year. The impact is probably even worse than this, given that our expenditure decisions tend to be based on an academic year instructional plan, therefore little can be done to impact the expenditures in the academic area (64% of our budget), without major disruption to our students and their academic plans, especially given that 77% of our total expenditures are in salary and benefits. The only flexibility to reduce salary and benefit costs in the short-term (given notice periods, etc.) are for part-time staff. Part-time faculty teach about 35% of the undergraduate credit hours (up to about 50% when you add graduate assistants and other non-tenure/tenure-track faculty), heavily focused at the lower division levels. Reductions in these staff save the least amount per employee (given

their pay) and create the largest impact on core/required courses for our undergraduate students. We will not focus on part-time faculty reductions for these reasons. We have limited options to increase class sizes (i.e. merge two classes into one) due to the physical constraints of the campus facilities.

Student Surcharge: UNLV is not recommending a student surcharge for this biennium, for reasons that are likely very unique. We recognize that this revenue would help our current financial situation, but we feel it is more important to focus on our partnership with our students and other key stakeholders (the Board, Governor's office and legislature) for a new paradigm for registration fee distributions for the next biennium, to address what we predict to be much larger financial challenges in the 2009-2011 biennium. Our students are on average paying \$345 more per FTE over FY07 fee rates (a 10.9% fee increase just for FY08, and cumulative 23% over the biennium), but already are receiving about \$336 per FTE less in funded services (the impact of the funding formula removing funds even when registration fees are increasing). We also are concerned about the price sensitivity of our students to absorb an increase without our ability to direct a significant portion of the increase into financial aid. Additionally, increases in the graduate student fees have an offsetting expenditure requirement for UNLV in order to retain the same level of funded graduate students (or reduce the number of funded graduate students), as coverage of registration fees is part of the compensation package for graduate students. The 2007-2009 graduate student fee increases have already had a major negative impact on our ability to support the same level of graduate students as in FY07. This would lead to fewer funded graduate students, since the surcharge is an additional cost that must be picked up by the institution in a time of decreased budgets. This would also impact the number of graduate students and therefore the support provided to undergraduate students through instruction, lab support, etc., unless a new fee paradigm can be approved.

Protecting the 2009-2011 Base. It is important for UNLV that we do not further erode the base budget for the next biennium, given the projections that we will already be facing a \$50-\$60M hole vs the FY07 base budget. Therefore, given options of where to take cuts we have considered those that will protect our base, even when this will require some backfill in the near term from non-state sources. For example, UNLV received \$950k over the biennium in "one-shot" operating budget allocations, and we propose to take the full amount as part of our reduction. There are some on-going commitments for this biennium, but a reduction of these one-shot programs will not impact our base budget for 2009-2011. The deferral of merit is another difficult choice to make, as the impact is felt by our most productive faculty. However, this option does provide significant savings for FY09 and will not impact our base budget for the next biennium. A final example would be the use of HECC funds to help meet our reduction targets. We have critical deferred maintenance needs for our campus, and we will need to use CIF funds to some extent to address some of the critical building repair needs. However, use of HECC funds will not impact our 2009-2011 base budget, although this redirection of CIF dollars will have major impacts our plans relative to building improvements/renovations that would benefit students, faculty and staff.

Options for Consideration: It is important to note that a public institution like UNLV has very limited options for taking reductions, as our expenditures are in one of the following major areas: faculty (full and part-time); graduate students (which impacts courses offered to undergraduate students and our graduate enrollment); and support functions to students, faculty

and staff. There are many costs that are fixed (operating facilities, utilities, employment term commitments to faculty and staff, etc.), and therefore the viable options for reductions in the near term are extremely limited.

Limit all hiring activity, and capturing and even forcing expenditure savings, but balanced against this is our need to not negatively impact our FTE (for reasons of support to students, as well as the funding formula for 2009-2011).

We would not focus reductions on part-time faculty, as this would have the largest impact on class sections/seats and the lowest relative financial recovery. UNLV has identified a 4.5%-5% target for us to increase teaching efficiency within the existing faculty base, in order to help address this budget reduction.

The President has differentially allocated reduction targets to various campus programs. For FY08 the reduction target for the academic areas of the campus is approximately .4%, while for some administrative areas the target is 3.8% (these are annual percentage reductions, but they will have to be taken in only ½ the fiscal year, thus doubling their relative impact). Differential reductions are also part of the FY09 plans, with base reduction targets ranging from 2% for academic areas to 4.5% for administrative areas.

Graduate Students. Cuts here would also impact seats, as with PTI's, along with our enrollment of graduate students and the support of our graduate programs. This is not a first priority for consideration.

Professional and classified positions. We would be required to focus on cuts in these areas, regardless of the impacts on services to students and faculty. There would likely impact on our ability to support iNtegrate, as we had looked to actually increasing our staffing in this area, as currently we cannot cover base services let alone be prepared to implement a major new automated student system.

Deferring any maintenance/repairs for facilities, classrooms, etc. (these are projects that will require attention in the future, so this is really a deferral of required expenditures). This will be a major focus of this reduction plan, and includes deferral of several facilities projects focused on providing additional research space and improving existing classrooms and student used laboratories.

There were several special "one-shot" appropriations in the 2007-2009 appropriation, totaling \$950k. Although these are very important allocations to the specific programs, in general they do not directly support instruction and service to students, and their elimination would not impact the base budget for the 2009-2011 biennium, therefore UNLV would look to eliminate these allocations (but we would be forced to provide some backfill from non-state sources to address commitments).

The CIP funding received by UNLV for 2007-2009 included final funding for the Science Engineering Building and the Greenspun Building. The SPWB recommended (and we assume it has been approved) that the SEB facility budget be reduced by \$500k and that the Greenspun facility budget be reduced by \$750k. While these reductions will impact the facilities, we are committed to assuring their opening on schedule. Additionally, the Student Services Addition facility was funded in the 2005 session of the

legislature, and \$600k of the total project was supported by State General Fund dollars. The project was delayed due to the need to redesign the facility to bring it within budget, but at this time we believe this reduction can be made without major impacts on the facility and its function. The System has verified with the state that this GF cut can be taken towards our 4.5% reduction.

Defer FY09 merit by 6 months. It would be preferable for the state to consider adjustments to the FY09 COLA funding, which is currently approved at a 4% level (and each 1% costs the state general fund about \$29 million), but we understand this is outside of our control. By keeping the full merit in the base the individuals will only have a ½ year financial impact, and this deferral action does not negatively impact the base budget for the 2009-2011 biennium. However, there are downsides to recommending this option, as the strong campus merit process means a differential impact on our most productive and valuable faculty. However, we do understand and support this deferral action as a system-wide approach.

Summary Proposals:

UNLV Options/Proposals	Biennial Total
NSHE 4.5% Reductions	\$28.40

NOTE: ALL DOLLARS IN MILLIONS

UNLV 4.5% Target	\$18.10
(total - each appropriation would cover its own 4.5% reduction)	

Note: Priority given to supporting our students, our academic programs, and maintaining our research mission

Major Assumptions: Protect base budget for 2009-2011 biennium; assume "hold harmless" problem for that biennium will be more challenging to fill with these reductions; and hope that these are the only reductions that we will need to take for the current biennium

Summary Proposals:

Allocate reduction amounts to VP areas (differential allocation of percentage of budget NOT ACROSS THE BOARD)	\$5.82	Differential amounts with highest allocations of cuts to administrative areas.
Mid Year FY08 O/H increase to non-state units	\$1.20	A way for self-supporting programs to help with budget challenges, with these non-state funds being used to backfill an equal level of state support.
Research Challenge grant savings	\$0.88	Funds allocated to provide matching for external grants and contracts (more reliance on F&A will be required)
Research Infrastructure savings	\$0.41	Funds allocated for research infrastructure/equipment needs.
Biennial one-shots	\$0.95	Not part of "base" budget, so reductions will not impact 2009-2011 biennium base. Will

need to cover commitments from non-state sources

Merit pay 6 month deferral	\$1.66	
Credit for CIP cuts/SPWB projects	\$1.85	
HECC Funds reduction	\$3.12	Backfill some portion with CIF
Law School operating reductions	\$0.47	See summary information below
Dental School operating reductions	\$0.66	See summary information below
Athletics operating reductions	\$0.78	See summary information below
SW Programs operating reductions	\$0.12	
Business Center South operating reductions.	\$0.18	
Subtotal	\$18.10	

Summary of Budget Reduction and Impacts - UNLV

Student retention activities, including advising and other support will likely operate at significantly lower levels.

- *We will lose advisors and have had to delay hiring critically needed advisors in areas where the student/advisor ratio is greater than 400 to 1.

- *We will delay our implementation of new student retention programs, and we will likely need to delay opening the 1st year and student success center.

- *Lack of student retention and recruitment success may have an FTE impact, which could further increase our challenge for the 2009-2011 biennium.

Class sizes will increase for some students (contingent upon identifying feasible space options), and class availability will decrease, impacting student schedules.

Defer merit in FY09 for at least 6 months. This focuses on our move productive faculty and professional staff, and very unfortunate. There may be impacts on retention of existing faculty and professional staff.

Academic Program Impacts.

- *Suspend or eliminate programs. We have instituted a new rule that no new degree program can be added without trimming a low yield program.

- *Merging units/programs.

 - Combined Administration of School of Allied Health and Nursing

 - Working to condense Counselor Education and Special education into one department instead of two

- *Faculty teaching loads.

 - We have already increased faculty load as a result of the fall planning reductions,

reducing some of our reliance on PTIs, and increasing class size and tenure earning faculty load to make up the difference.

-In areas like business the full time to PTI ratio is so high that we are at risk for accreditation.

-UNLV has identified a 4.5%-5% target for us to increase teaching efficiency within the existing faculty base, in order to help address this budget reduction.

We will implement the SBPW recommended reductions in FF&E for Greenspun and SEB buildings, but we will commitment to open both facilities. We will focus on having the labs operational in the new SEB. For Greenspun Hall we will focus on all equipment for the academic studios, classrooms, laboratories and faculty offices.

Retain support for on-going building Preventative Maintenance activities, however, eliminate/defer some larger building repair and maintenance projects. This will impact all space, including classrooms as well as research space. We were working to identify a way to construct a relatively small research addition that would support animal use, which is a significant need at this time, to be funded from F&A resources. Given the financial concerns, we will need to defer all planning for this facility (the F&A resources will be needed to sustain other areas impacted by these budget reductions).

Defer the search for the Vice President for Research/Dean of the Graduate College.

Finance and Business areas. Will not fill two Associate VP level positions.

Less business processing staff for transactions, which will likely lead to longer processing times and more complaints about lack of "infrastructure" to support institutional needs.

Building cleaning. Focus on bathrooms and common areas, but individual office trash pick up may go from daily to 2-3 times per week.

We will delay installation of new IT and classroom technology in old classrooms, as well as classroom and laboratory renovations/improvements.

Summary of Budget Reductions and Impacts - School of Dental Medicine (\$664.8k)

In addition to the 6 month merit deferral, the remaining reductions will come from the operating budget.

These reductions will limit the renewal and replacement of technology based supplies. For example, the upgrades and replacement of instructional technology including teaching microscopes, computers, learning aids and external resources will be postponed and many contracts discontinued.

The reductions will also limit the state-of-the-art teaching methodologies used in a competitive, technology driven educational environment. For example, we will postpone the Dental Auxiliary Utilization (DAU) module. This will limit the student's educational experience in learning the

team approach in the dental practice of four-handed dentistry with utilization of a dental assistant.

Reductions will also result in less than desirable teaching materials and supplies. For example, the limited supplies will be rationed to dental students and may result in a reduction in the number of educational experiences per dental student.

Changes for Advanced Dental Education Programs.

The decision on the Orthodontics program was in part made to recognize and respond to the financial pressures for the next biennium.

Delays in other Advanced Dental Education programs have also been implemented - we have suspended plans for implementation of these new programs.

Summary of Budget Reductions and Impacts - William S. Boyd School of Law (\$473.6k):

In addition to the 6 month merit deferral, the remaining reductions will come from the operating budget. Some of the impacts of these reductions are highlighted below.

- Loss of leadership and support for technology both in the Law Library and the Law School as a whole (postponed searches for IT Director and technology-related Law Librarian).
- Reduction in library services provided to students and public patrons
- Cancellation of many law journal subscriptions (saving operational dollars).
- Reduction in number of clients that can be served by the law clinic
- Reduction in funding for part time instructors and class electives
- Reductions in funding for computer replacements and classroom equipment
- Reduction of administrative support for faculty teaching and research (postponed support staff searches).
- Reduction in supplies and resources for printing

Summary of Budget Reductions and Impacts - UNLV Athletics (\$782k):

In addition to the 6 month merit deferral, the remaining reductions will come from the operating budget.

FY08 Reductions. The Intercollegiate Athletics Department state supported budget is annually allocated to the 17 intercollegiate athletic teams. Given the time of the year that the 4.5% budget reduction is to be implemented, the fall and winter sports budgeted dollars are already committed towards scholarships and competition. These expenses cannot be changed at this time.

Therefore, we expect the budget reductions for FY08 to mainly impact recruiting, team and staff travel, equipment and team apparel, sports medicine expenses and professional staff development, along with other "opportunities" (i.e. holding positions vacant) that arise to force this level of budget reduction. Athletics may also have to rely upon existing reserves to some extent.

FY09 Reductions. Additional budget cuts in state funds of \$381,843 (in addition to the deferral of FY09 merit) and projected reductions in revenues for fiscal year FY09 may significantly impact the Department. Fiscal year 2009 budget reduction plans will include, but may not be limited to, the following types of activities. Use of athletic and TMC/SBS/Cox department reserves; reduction across all department operating budgets; create a tier sport program - some sports may not be fully funded; eliminate one sponsored sport; eliminate non-traditional sport seasons; staff reductions (part-time, graduate students) and hiring freeze; travel reduction – least expensive mode of travel, regardless of distance, regionally scheduling and recruiting; reduce facility staff costs – less ushers and security; scheduling – home games only or travel for large guarantees; eliminate professional/staff development.