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January 4, 2010

Andrew K. Clinger
Director, Dept. of Administration
209 E. Musser Street, Room 200
Carson City, NV 89701-4298

Re: All Agency Memoranda #2009-37
Dated December 15, 2009

Dear Mr. Clinger:

In your captioned memorandum you have requested all agencies to determine proposed budget reserves in the amounts of 6%, 8% and 10% of general fund appropriations for fiscal years 2010 and 2011. For fiscal year 2010 this reduction is prorated assuming a March 1, 2010 implementation date. You have requested information from agencies, including NSHE, regarding the impact of such cuts and agency priorities in the event that cuts materialize. As you are aware, and as I have previously conveyed to the Governor and Chief of Staff, only the Board of Regents may approve budget reduction plans. This memorandum was issued after the Board's regularly scheduled December meeting, and therefore, I am unable to give you a specific response to the questions raised in your memoranda. The Board has scheduled a Special Meeting for February 2, 2010 to discuss budget reduction plans, and I have directed the campus Presidents to prepare budget reduction scenarios for consideration by the Board on that date at the level of 8%. As I am sure you can appreciate, planning for budget reductions is no simple matter and rather than many different plans I have directed the campuses to focus on the mid-range of cuts between 6% and 10% outlined in your All Agency Memorandum. I would like also like to provide some initial thoughts regarding the requested cuts.

Initially, please consider the extraordinary difficulty of implementing budget cuts, particularly at the higher ranges, in public education. Contracts have been issued, class schedules set, and registration is largely complete. In addition, for higher education, we have virtually no ability to mitigate budget reductions for the current fiscal year with additional student fees without the potential for lawsuits. For these reasons we would urge you to recommend to the Governor that any required biennial budget cuts be deferred to the maximum extent possible to the

second year of the biennium. I believe that utilizing proper cash flow techniques and other options available, including acceleration of use of the already budgeted line of credit, that cuts this fiscal year, at a minimum to education, can be avoided.

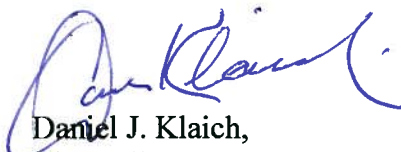
Second, I know that you are mindful of the significant and disproportionate reduction to general fund appropriations that the Nevada System of Higher Education absorbed in the last Legislature (an approximate 24% reduction in General Fund support), which were only partially offset by Federal Stimulus Funds and student surcharges. I would hope that this would be taken into consideration when assessing any future cuts to be made. This reduction was substantially more than the cuts to any other major State agency.

Third, I know that you are fully aware of the budgetary implications of the *American Recovery and Reinvestment Act*, and that you will keep the limitations of that statute in mind when making recommendations to the Governor.

Fourth, notwithstanding the substantial budget cuts that have been absorbed already, enrollment in the System is up over 4% as more and more Nevadans seek to improve their job skills to move off of the unemployment rolls and into gainful employment. Demand is particularly high at the state and community colleges as you can see from the attached preliminary Fall 2009 enrollment report (attached). Our ability to continue to serve these demands is in doubt should more budget cuts materialize. Indeed the Board has already heard discussion regarding enrollment caps. While this is a highly undesirable result with long-term ramifications for the State, it can't be ruled out should worst case scenarios, such as the levels addressed in your memo, come to fruition.

For your information we have spread the requested budget cuts over the campuses proportionately to give you an idea of the impact on the campuses (attached). I will provide additional information when approved and directed by the Board.

Sincerely,



Daniel J. Klaich,
Chancellor

C: NSHE Board of Regents
NSHE Presidents