

Mr. President, Majority Leader Horsford, Minority Leader McGinness, Ladies and Gentlemen of the Senate:

Speaker Ocegüera, Majority Leader Conklin, Minority Leader Goicoechea, Ladies and Gentlemen of the Assembly

I appreciate the unique opportunity to appear before the Committee of the Whole this morning and to discuss the budget for the NSHE, and respond to your questions.

Let me start by acknowledging that Nevada is in the midst of possibly the worst economic crisis in the state's history. We must balance our budget and that will require significant cuts to spending throughout the budget and a painful sacrifice that is appropriate to be shared by all Nevadans. Having said that, our challenge is to navigate these difficult waters in a way that will preserve core services - - including education - - and will serve our state well in recovery. I am here today to talk about how those of us in higher education propose to do that - with your help.

Like most Nevadans in both the public and private sectors, public higher education arrives here today after more than 3 years of budget reductions. Over that time, while enrollments and fees have increased and salaries have been frozen and reduced by furloughs, the System's general fund support has been cut by almost 20%.

Throughout that time, our presidents, working closely with their faculty and students, and under the supervision of the Board of Regents, have implemented budget reduction plans aimed at protecting faculty and classes for students. Cuts have been made in capital, equipment, maintenance, support services, and administration to protect these critical classroom functions. And in the process of protecting faculty to the best of our ability, we have also worked hard to protect research. Ironically, one of the results of these plans, aimed at preserving access and the quality of the student educational experience, is that it has left many, if not most, ordinary Nevadans feeling that there has been no impact at all on our colleges and universities. But, in fact, with State General Fund appropriations now down almost 20% and enrollments up four % statewide, we have eliminated almost 9% of our State funded positions. We have been forced to do more with less. With the loss of star faculty and matching funds required for research grants, our research and development has fallen by 11% in the last 2 years. I mention these facts not to stand in front of you and complain, but to emphasize that we are not reviewing the cuts in the proposed executive budget from a clean slate, but rather from the vantage point of 3-1/2 years of painful reductions.

Against this backdrop of continuing budget reductions, the Board of Regents, Presidents and I have prepared a strategic plan for aligning the goals of the System with that of the State in a time of constrained resources. I have distributed a copy of that plan to all of you and I will not repeat it in detail this morning. However, I would note that the hallmarks of this plan are commitments to:

- More graduates in less time
- More sponsored research
- Moving to market based fees

- Creating differential fees for select programs with authority to direct the spending of those fees where they are generated
- Creation of a stabilization fund
- A continuous review of all processes and programs for maximum efficiency and effectiveness
- Establishing structures that align the goals of the State, higher education, and private business to assist economic development and diversification, and
- More intense partnerships with our partners in public education.

Every element of this plan must be built on recognized and well communicated metrics for measuring performance and reporting to the Governor, the Legislature, the Board of Regents, and the citizens of Nevada. We are committed to holding ourselves accountable to well-defined and rigorous goals.

Our plan is not business as usual. It represents a significant commitment to **REFORM** – in academics, finance, and administration. Students and the State will see significant differences in how we operate.

We have called for a legislative and gubernatorial partnership for a complete review of the funding formula how state funds are allocated. We must recognize our different missions and fund them appropriately. We must let the data indicate if there are inequities or disparities without reason and correct them. Funding based solely on enrollment without regard to performance in critical areas such as student completion should be a thing of the past in Nevada. Reform and funding must go hand in hand. Every policy on funding and budgeting should be analyzed to support a more entrepreneurial structure that recognizes the fact that public higher education must move to a more self-sustaining model in the future, and not suffer the loss of state general fund support when it does so.

In this context of reform and change to which we have committed our future, we must discuss whether or not the budget before you advances that reform and the interests of higher education and, by extension, the State. I believe that it does not.

In the materials that you have before you we have provided budget templates for every institution in the System. Those plans further reduce state support from its current reduced level by an additional \$162 million by the end of the biennium as recommended in the Executive Budget. Let me tell you briefly what those budget reductions mean to our institutions and to your constituents who want to go to college.

These proposed budget reductions will dramatically impact higher education and, in particular, access for Nevadans. We believe that it is important that you understand that cuts to the levels proposed in the executive budget will result in an entirely new model for higher education in Nevada one that we believe is not in the short-term or long-term best interest of the State of Nevada. In the short term it will lead to greater unemployment and withdraw critical dollars from the State economy, worsening and prolonging Nevada's economic depression - not assisting in its recovery. In the long run, the model will reduce access and opportunity to thousands of Nevadans either by limiting enrollment or pricing higher education out of their

reach, and thereby limiting the educated workforce that we need to move our economy forward and to recruit and retain businesses in Nevada.

One of the cornerstones of the NSHE's reform plan for higher education has been its commitment, along with that of the Governor, to the Complete College America consortium. This consortium is dedicated to producing more graduates with degrees or certificates in Nevada and across the country. With this budget our continued participation in the consortium and our goal to produce more graduates will be in jeopardy, along with the potential for a number of grants designed to assist us in this effort.

You know that enrollment in the System has been effectively "capped" for years as a reduced number of available classes have filled up and fees have increased. The cuts we are facing will multiply our enrollment challenges. Our colleges and universities report that faculty and staff cuts will cap enrollment across the state at an unprecedented level. Students, including those clearly qualified for admission and who wish to enroll will be turned away in greater numbers than ever before. This will be true at not only our universities, but at our colleges, impacting the access mission that is traditionally central to their mission. We will develop strategies to deal with this change at our colleges that may include admissions testing and the requirement of a high school diploma, while still being sensitive to the needs of our diverse student population. But the underlying reality is that we will be turning Nevadans away – we simply cannot serve everyone at this level of cuts with any promise of quality.

I will work with our Presidents, faculty and students to bring recommendations to the Board that strive for fundamental fairness in assuring which students will be able to attend our institutions, given that all cannot, even if they are qualified. We will be particularly mindful of low income and first generation students, who are disproportionately students of color. With this budget, however, we can no longer pretend that any student who is qualified to be accepted by our institutions will have access to classes, support services, financial aid, or ultimately a degree. Priority registration, need-based financial aid, and the opportunity to complete a degree or certificate within a reasonable time will be given to full time students.

We must seriously evaluate the transfer mission of our community colleges in light of this new reality. We can no longer guarantee that every student who qualifies to transfer from our community colleges to the universities or to the state college will be able to do so. If we promise our students a reasonably smooth path to degree, we must avoid upper division bottlenecks that could result from unlimited transfers.

In addition to these limits on student access, we will offer classes at fewer locations. In particular our rural locations will suffer as our colleges focus limited resources on serving the greatest number of students. We will do our best with technology to continue to provide offerings, but "live" classes will diminish significantly.

We anticipate a drop in enrollment in excess 15% over the biennium, based on program elimination, faculty layoffs, site closures, fewer numbers of classes offered, increased fees, and inadequate tutoring and support services. Until resources improve this drop will be a cap on future enrollment. We anticipate that more than 20,000 qualified students (more than 8300 FTE's) who wish to take advantage of higher education will be turned away, students who will

either leave to attend postsecondary institutions in other states and likely not return to Nevada or who will never go to college.

Research and workforce grants in the state will in all likelihood continue to decline as resources for matching funds dry up and as our best and most entrepreneurial faculty are “cherry picked” by other institutions across the nation. As we have consistently advised policymakers, this selective destruction of our best faculty has already begun and should be expected to accelerate. The impact will not only limit the economic expansion that innovative research can foster, but will negatively impact our leveraging capability by reducing the revenues that our research institutions can generate to help themselves produce budget support. We pledge our best efforts to work with private businesses and the State economic development infrastructure, but we want to be clear that fully supporting new business initiatives while retrenching across the board is impossible.

You know that many of the difficult decisions we are forced to make will bring out constituent voices who object to individual center, program and institutional closures and consolidations. You are already hearing these voices. So are we. Every such action is taken with a strong awareness that we are losing or reducing a program valuable to Nevada. There are no good or easy choices here.

Throughout this process, I have promised to be honest with you. I have told you that we will not say something or put something before you that we are not prepared to do, and I have outlined what our presidents are required to cut given the funding levels being discussed. Diminishing and cutting higher education is bad for Nevada. I hope that we can work together to avoid or significantly mitigate these impacts. However, with the funds that appear to be available today, we believe that these steps are essential.

I understand that this is a hearing to talk about the NSHE budget, not taxes, but I would like to make a brief comment regarding the potential of new funding – a topic consistent with the unanimous resolution of the Board of Regents calling for new revenue in this budget. Somehow the discussion of whether or not there should be additional tax revenues in Nevada has gotten wound up with sunsets on existing taxes. While I have outlined dramatic long-term negative impacts on higher education - - and I am sure you have heard similar stories regarding public education and health and human services - - we are talking about a budget built on giving a tax cut in the next biennium to the largest businesses in this State by allowing existing tax rates to sunset. To make matters even worse, the businesses now paying those taxes and whose tax bills will be reduced will lose the ability to deduct those taxes on their Federal returns. In short while we have huge cuts to critical Nevada services, we will be giving large tax breaks to the biggest companies in Nevada, and sending a portion of those dollars to Washington, D.C., where we may never see them again. I just can't see how this is good policy or how it helps ordinary Nevadans secure the services, including education, that they need and want.

So I think there are revenue solutions for our future that are possible and which can forestall the devastating cuts to our universities and colleges and our state's economic future. We ask that you consider all possibilities. We have been searching for every idea to keep from destroying public higher education in this state. Therefore, I would like to present to you a

four-point plan for funding higher education this biennium which I think fairly embodies the shared sacrifice that we have all talked so much about. Implementation of this 4-point plan can assist in mitigating the worst impacts of the budget reductions that I have just outlined but it will require your action and support.

No. 1 – We ask that the dollars allocated to the System for the biennium be appropriated equally in each year of the biennium. Averaging or smoothing appropriations in this fashion will not cost the State one dollar more over the biennium and will reduce the target reduction for our fiscal year 2013 budget from \$395 million to \$430 million - - a net positive change of over 7% in our budget without additional cost to the taxpayers of Nevada.

No. 2 – We ask that students and their families pay a greater share of the cost of higher education. Most institutional plans submitted to the Board of Regents for meeting the recommended budget show increases in in-state student fees of 13% per year. This will include a set aside for need based financial aid to ensure that access to higher education is not foreclosed for Nevadans in lower income brackets.

No. 3 – We commit that our entire public higher education system, including all our institutions, will implement permanent operating reductions in an amount at least equal to the contribution that we are asking our students to make.

No. 4 – We ask that the State of Nevada infuse additional General Fund support into our budget in an amount proportionate to that additional amount which we are asking our students to pay and the System to cut.

Included in this plan is the reduction of salaries across the board as approved by the Legislature for other state employees. Taken together, the plan represents a reasonable sharing of the burden of this current economic crisis among students and their families, faculty, our colleges and universities, and the State of Nevada.

If this plan is implemented we will protect higher education to the greatest extent that can be expected in these times. We will promise academic and financial reform that will produce a greater efficiency in all of our operations, resetting the financial and social compact among the State, the Legislature, and the students of Nevada. I close by saying that we come to you today with an earnest request that you hear us – that you believe us – and that you partner with us to save our children and grandchildren's opportunities for college and a brighter future – the very same opportunities that all of us have enjoyed and profited from.