



BUDGET CUTS #1

**James E. Rogers,
Chancellor**

Nevada System of Higher Education

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MEMORANDUM

DATE: May 29, 2008

TO: NSHE Board of Regents

FROM: James E. Rogers, Chancellor

COPY: NSHE Presidents

RE: MAGNITUDE OF BUDGET CUTS

BALANCE THE BUDGET: Three words that describe the only standards by which we now judge the financial success of Nevada State Government. Beyond those three words there is nothing, nothing, and more of nothing.

I. NEVADA EDUCATION – ITS PRESENT CONDITION

K-16 is a malnourished, sick, weak, worn out being. Its ribs show, even bulge. Not only can it not compete against those who themselves barely compete against this country's leading education systems, ours is an education system whose lack of long-term planning in partnership with the State, including financial planning, is such that we may never be able to compete against this country's better education systems, especially the best colleges and universities.

II. CUTTING THE SYSTEM'S BUDGET

In the political and economic name of "balance the budget regardless of the consequences," our Governor has ordered that NSHE present a plan to further cut the limited financial bare bones "rations" of the NSHE education system in the next biennium.

The "RECOMMENDED" cuts are in reality an "ORDER by the Governor" to plan to cut funding by just "over 14 percent." These cuts are more than three times the cuts forced so far on

the NSHE System in this biennium. (The prior cuts severely wounded the System.) These additional cuts would reduce state funding for higher education by an additional \$96 million per year.

III. EFFECTS OF BUDGET REDUCTION

The effects of such a reduction will be described in far more detail below, but let me give you a simple anatomy lesson to illustrate the life-threatening effect they will have. These are cuts in the basic nutrition necessary to keep education alive.

Assume Joe Smith is 6'4" tall and has never been provided more than one meal in any day. Joe weighs 105 pounds. At 105 pounds, one cannot reduce Joe's food supply to one meal every other day or he will die of starvation. What do we do to keep him alive if he is to reduce his eating to one meal every other day? The answer is simple: Cut off his limbs (or at least some of them) so that his trunk keeps enough nourishment to keep Joe breathing. The following combinations of amputations are available to keep his trunk alive:

- A. Cut off all of his toes and fingers (this won't help the nutrition issue much).
- B. Cut off both legs below his knees.
- C. Leave his legs below the knees but cut off both arms below his elbows.
- D. Cut off his right arm and left leg or his left arm and right leg.

One could go on with examples like these because the combinations of amputations available are substantial. But all reach the same result. All of the remedies, in the pursuit of sustaining life, create permanent injury which can never be restored or repaired and which permanently impair the quality of life.

IV. PRESENT STATE FUNDING

As you know, the State of Nevada now funds higher education at 85 to 89 percent of the MINIMUM required to meet essential needs and compete against other MEDIOCRE systems. The Governor, to "balance the budget," is creating a scenario which will require the System to reduce its operating budget to "70 percent of basic needs." Seventy percent of essential funding may not close the doors, but it certainly severely wounds the "education" mission of the System. For the System to implement these reductions, it must starve itself to death or take such other remedial action that may not kill it, but actions from which recovery is doubtful and long term.

V. SHORT-TERM "SOLUTIONS": LONG-TERM DESTRUCTION

There are alternatives to starving the entire higher education population. Rather than a slow death, let's kill off part of the population so the others will have nourishment. Here are some choices:

- A. Our two universities have the largest state budgets. Why not just take it out of their hide? We could reduce the state budgets of both universities by 30% and force Nevadans to give up any hope of a university degree. It is difficult to even contemplate what they would look like after absorbing \$96 million annually in reduction from already meager budgets. This will save the community colleges and change UNR and UNLV to colleges more like community colleges.
- B. If you wanted to make *Sophie's Choice*, you could focus the cut on just one of the universities. If it were UNLV, over 55% of its budget would disappear, and if this translated into its ability to serve students, UNLV could only serve 12,515 students, a cut of 15,297 students. If it were UNR, over 70% of its budget would disappear and it could lose 11,794 students, leaving it with about 5,000 students. Forget Nevada's need for college graduates. For at least the next 20 years, know that this state's economic growth will halt. No great city or state exists without a great university at its core and such an action would certainly put an end to any possibility of that occurring.
- C. You could close the doors of the College of Southern Nevada and thus send its population of almost 40,000 students to work in unskilled jobs throughout Clark County. With no chance to gain valuable work skills, how many of these young men and women will become guests of our correction system? This would give NSHE a cushion of \$6 million to spend elsewhere on this malnourished body.
- D. Another choice would be to close the three Northern community colleges; Great Basin College, Truckee Meadows Community College and Western Nevada College, and cut the small amount of State funding for the Desert Research Institute. This would throw 21,000 students on the street and force DRI to cut back on research that benefits Nevada. If DRI loses all of the federal matching funds it receives, it could close this research institute that has an international reputation and brings four dollars to the State for every dollar appropriated to it. This would still be \$2 million short and the System would have to find other places to cut \$2 million.
- E. If the System closes the three smaller community colleges AND closes Nevada State College, this would create a surplus of \$5 million that could be used elsewhere. Only 23,000 students would be abandoned in this plan, and we would lose critical nursing and teacher education programs in the state.
- F. The University of Nevada, Reno could meet its 14% share of the proposed reductions by:
1. Closing the medical school and terminating all services to the underserved and low-income populations of the state. This would perversely impact all of Southern Nevada and shift further cost to Clark County. WITH THE CLOSING OF THE SCHOOL OF MEDICINE, ALMOST TWENTY MILLION OF FEDERAL GRANT DOLLARS WOULD BE LOST. IN ADDITION, MORE THAN 480,000 PATIENT VISITS EVERY YEAR – MANY TO UNDERSERVED POPULATIONS IN LAS VEGAS - WOULD NOT OCCUR IN NEVADA IN SUCH CRITICAL AREAS AS OBSTETRICS, MENTAL HEALTH, TRAUMA AND FAMILY MEDICINE.

2. Closing intercollegiate athletics programs, the College of Education, the College of Engineering, and the School of Journalism. This would still leave UNR short and looking for \$4 million of other cuts, and it would eliminate 195 faculty and staff and about one-sixth of the student body.
- G. The University of Nevada, Las Vegas could meet its 14% SHARE of the proposed reductions by:
1. Eliminating the Colleges of Liberal Arts, Sciences, and the Hotel College, or
 2. Eliminating the Colleges of Business, Education, Engineering, and Urban Affairs, or
 3. Closing BOTH the Boyd Law School AND the Dental School. However, the Law School and Dental School closings would only satisfy one-third of the proposed cuts at UNLV. Therefore, UNLV would have to look for other vulnerable students who thought they might graduate from UNLV to meet its reduction quota of an additional \$23.3 million.
- H. As if the above examples did not create enough of a burden, the challenge of implementing them is even greater. With three-fourths of the System's hard costs in personnel, accomplishing a change of this magnitude "on a dime" will not work because of required contractual notice provisions. It would be impossible to make provisions for students "in the pipeline" in the affected programs. **IF THE SYSTEM TOOK THE PROPOSED 14% CUT IN PERSONNEL ALONE, AT LEAST 3,545 PROFESSORS, STUDENT SERVICE WORKERS, STAFF, MEDICAL RESIDENTS, GRADUATE STUDENTS, AND STUDENT WORKERS WOULD BE OUT OF JOBS.**

The first series of cuts drained most one-time resources and operating budgets. Additional cuts of the magnitude requested cannot be made without permanently crippling the institutions.

With that message, can we expect students, faculty, and/or administrators to remain in the state? We know when students leave, they do not come back. In the short-term, it appears to many of us in higher education that we would be setting our colleges and universities back decades. In the long run, the state is laying the foundation for a future in Nevada that none of us want. The State's population will be less educated, its incomes will decline, its tax base will further erode, and its system of higher education will be shot on a downward trajectory from which it will never recover. Many states faced with similar problems and difficult economic times have protected funding for education and have expected the education system to help lead the way out of a recession. If Nevada guts its schools, colleges and universities, what should it expect? It is impossible to believe it is the future of the State that any of us wish to pass on to our children and grandchildren.

VI. SHORT-TERM “SOLUTIONS”: IMMEDIATE AND LONG LASTING IMPACTS

Here are just a few of the obvious consequences of short-term thinking in a state with big problems:

- A. Students must expect substantially more classes to be unavailable.
- B. When available, classes will be larger and less effective.
- C. Program quality will suffer because professors will go elsewhere or be laid off. Our best faculty, who always have options for employment, will be on the job market. There will be few or no support staff to help students.
- D. Students will take longer to graduate and thus be less likely to finish at all.
- E. Access to every institution in the System will be difficult, if not impossible for many, since caps on enrollment seem inevitable for most campuses.
- F. The System will be sending a message to the best and brightest students of Nevada that this State does not need them or value their future contributions. You can expect to see these students leave Nevada and their families and never return.
- G. Critical workforce and apprenticeship programs with our valued union partners could be “on the chopping block.”

The effects of these cuts on our entire Nevada culture – less doctors, dentists, nurses, and other health care providers, in addition to fewer engineers and other skilled workers – are obvious.

VII. OTHER SOURCES OF FUNDS

A. TAXING THE STUDENTS

But Hark, there may be a solution: Make the starving students, who can barely pay tuition, feed themselves, and keep a roof over their families’ heads, pay more of the cost of their education. And how much of a burden will this be on each student in a state which offers little financial aid for them?

If EVERY STUDENT were punished equally, it would require assessing a \$50 per credit hour surcharge on EVERY course in the System or \$150 for a typical three-hour course. The average student taking two courses a semester at a community college and struggling to pay bills while she creates a better life would pay \$600 more per year. Someone taking

a full 15-hour load at the universities and looking to move into our horribly short staffed college-educated workforce would see a raise of \$1,500 per year which is an increase of almost 50 percent.

The surcharges could increase fees at the universities to 135 percent of the System's peer universities and our community college fees to 126 percent of their community college peers – with NO increase in the quality of the product they are receiving! These two marketing blunders would make the System far less competitive than it already is with other “peer” Western states. We already have the lowest college participation rate, and we will sink further. For those students who can afford to leave the state, they will do so to get the best education for their money. Try to imagine the economic impact on this state when it stops educating the work force and the “brain drain” occurs. This is at a time when Nevada anticipates 145,000 new jobs – many of them skilled—in the next two years.

B. TAXES AND STATE BORROWING

1. **New taxes.** I have suggested on numerous occasions that the State adopt a general business tax. Not much has come from this idea and at this point, it may be too late to enact meaningful taxes to solve the current disaster anticipated in the next biennium. The 2009 Legislature and our current Governor will bear that burden.
2. **The Krolicki Plan.** The Lieutenant Governor has recently proposed that we use a portion of the State's tobacco funds to support bonding to cover our current funding shortfall. I applaud the creative thinking but caution that there is a cost to this plan. Tobacco funds are currently pledged in large part to education so the State would be taking critical current funding for the Millennium Scholarship and other good programs away to support this plan. In addition, this short term plan can only work if there is a concurrent study and restructure of the State's tax structure. Such a study must be authorized by the 2009 Legislature. Otherwise, the State is quite possibly doing nothing more than postponing a problem for two years. Nonetheless, the idea deserves close scrutiny. These are critical times and creative thinking like this is needed.
3. **Other Options.** Nevadans are already indicating they want their Governor and their legislators to find a way to build a better Nevada for their children's future. Surely, we can come together to find a stable funding stream for the years to come. I pledge to work with business and legislative leaders to do this. The 14% cut cannot and must not happen in our State and we will all bear the consequences if it does.