EXECUTIVE SUMMARY

TO: Members of the Board of Regents

FROM: Larry Eardley, AVC for Budget and Finance, NSHE

SUBJECT: Fiscal Exception Report, First Quarter Fiscal Year 2015-16

The Fiscal Exception Report is used by the NSHE institutions to provide quarterly updates on all Self Supporting budgets that experience deficits or negative cash balances. The report is used as a monitoring tool for the Board and addresses the Legislative Counsel Bureau’s concerns regarding review and oversight by System Administration.

An analysis of the NSHE institutions’ first quarter Fiscal Exception Report on Self Supporting budgets for fiscal year 2015-16 determined the following:

- The UNR Fire Science Academy (FSA) reported a cash deficit of <$8,909,315> for the first quarter of fiscal year 2015-16 which, is a reduction of $100,259 over the beginning of the year deficit of $9,009,614.

  The Fire Science Academy facility was sold to the Nevada Division of State Lands for the Office of the Military Carlin Armory for $10 million. Escrow closed on June 29, 2012. The $28 million capital debt associated with construction of the Fire Science Academy has been eliminated by the University.

  The FSA site restoration was completed on April 10, 2014 and the University received a No Further Action letter. UNR transferred $2.9 million of the surplus restoration funds from the Mill and McCarran land sale account and the balance of the FSA Stakeholder Fund to 1) eliminate the $1.6 million deficit in the mediated settlement FSA Repairs account, and 2) reduce the accumulated operating deficit in the FSA account by $1.3 million. The current operating deficit will be reduced and eliminated over time by receipt of any additional future extraordinary funds from, e.g. sale of real estate and other assets.

- The University of Nevada, Reno Intercollegiate Athletics program reported a cash deficit of <$7,532,540> through the first quarter of fiscal year 2015-16. Annual operations in FY 2014-15 resulted in a surplus of revenues over expenditures reducing the beginning of the FY 15 year accumulative cash deficit of <$3,270,164> by $115,213 to <$3,154,951>. The beginning of FY 16 accumulated cash deficit is $3,143,118. The external auditors recommended ICA begin transferring expenditures directly to Foundation accounts during the fiscal year rather than have the Foundation transfer funds to ICA a year-end. This result in a significant reduction in negative cash balances particularly in the second and third quarters. Athletics receives a substantial portion of its revenue in the fourth
quarter of each fiscal year from the NCAA and Conference which will reduce the negative cash balance. Athletics anticipates that the accumulated cash deficit will be reduced by approximately $400,000 in FY 16. The first quarter report does not reflect FY 15 post-close adjustments to FY 15 expenditure totals which will clear by the close of the second quarter of FY 16. The adjustment will not result in any change to the previously reported year-end cash balance. University administration is working closely with ICA monitoring revenues and expenses. The Athletic Director outlined a 5 year plan, at the December 2013 meeting of the Board of Regents, to retire the accumulated deficit.

- The University of Nevada School of Medicine Reno Practice Plan accounts are still experiencing cash flow issues. The accounts are monitored on a daily basis and at the Practice Plan operational meetings the focus of discussion is on cash flow issues. The total negative cash balance reported for the Reno Practice Plan accounts for the first quarter of FY 16 was <$5,612,466> for an increase in the deficit of approximately $891K over the beginning of the FY 16 negative cash balance of <4,721,437>. Partial payments of approximately $109K have been made on the accounts since the September 30th report date. The Las Vegas Practice Plan accounts reported a negative cash balance for the first quarter of approximately <$1,548,000>. Payments of $1,197,241 have been received subsequent to the September 30th report date reducing the 1st quarter to $351,205.

- The University of Nevada, School of Medicine Hospital Accounts Receivable Aging Schedule as of September 30, 2015 reflects that the Veterans Administration, Las Vegas account was paid current in October. Partial payment of $175K was received October 2nd against 60 to 90 day receivable for the Veterans Administration, Reno account. Payment of $8,585 was received in October against the current and 30 to 60 day receivable on the Northern Nevada Mental Health account leaving the remaining $2,250 subject to the State’s Stale Claims fund for payment. Payment is pending on the Renown account receivable of $393,820 until review and audit of resident duty hours is completed. Partial payment of $148K was received in October and posted against the Sunrise Hospital’s 120 day receivable of approximately $224K. Sunrise requested missing invoices which have been provided. The University Medical Center’s outstanding receivable of $1,095,917 was paid in October with the exception of $87K which is being disputed over the billing of physician services.

There were no other material NSHE fiscal exceptions that required reporting. The self supporting budget accounts with cash deficits appear to be operating normally, and are expected to be cleared with billed receivables, future account revenue collections, budget transfers, or expenditure reductions.

The remainder of the report provides a status of the NSHE State Supported Operating Budget revenues and expenditures through the first quarter of FY 2015-16 and includes projections through the end of the fiscal year.

An analysis of the NSHE institution’s first quarter reports determined the following:
There are a total of twenty five Legislative approved appropriation area budgets for the NSHE.

For each budget, revenues and expenditures are displayed by revenue source and expenditure function for the original budget (Board of Regent approved) and the current budget (original budget adjusted by Board and Interim Finance Committee action). Revenues collected year to date and expenditures realized year to date are provided including projections and estimated budget balances at fiscal year-end.

NSHE institutions are no longer required to seek Interim Finance Committee (IFC) approval to expend additional student fee revenues due to actions of the 2015 Legislature. Per Assembly Bill 490 of the 2015 Legislative Session, the NSHE may expend any additional registration fees and any additional nonresident tuition fees collected from students as a result of registering additional student beyond the budgeted enrollments. The NSHE may also expend any additional registration fees and nonresident tuition fees resulting from the imposition of fee increases. The NSHE shall report to the Interim Finance Committee on a biannual basis within 30 days after each reporting period, with the first reporting period to cover the July 1, 2015, to December 31, 2015, period, any additional registration fees and any additional nonresident tuition fees received by each institution beyond the authorized amounts, including identification of the expenditures funded through the additional fees.

**Summary of State Appropriations and Authorizations**

General Fund Appropriations are anticipated to be collected as budgeted for FY 2015-16.

Other revenues authorized by the Legislature in support of the NSHE State Operating Budget, i.e., student fee revenues, are projected to exceed authorized and budgeted for the year by approximately $12.7 million for the following budgets combined:

- University of Nevada, Reno
- University of Nevada, Las Vegas
- UNLV Law School
- Nevada State College