EXECUTIVE SUMMARY

TO: Members of the Board of Regents

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

SUBJECT: Fiscal Exception Report, Third 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’ third 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 <$8,649,376> for the third quarter of fiscal year 2015-16 which, is a reduction of $360,238 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 <$9,041,055> through the third quarter of fiscal year 2015-16. Annual operations in FY 2014-15 resulted in a surplus of revenues over expenditures of approximately $115,000, thereby reducing the fiscal year-end 2014-15 accumulated to <$3,143,118> which is the beginning of the year 20115-16 accumulated cash deficit. 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 at year-end. This will result in a significant reduction in negative cash balances beginning with the third quarter Exception report. 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 renewal of seat premium revenues will generate an additional $1.2M and revenues from the CBI tournament will help to either offset unanticipated revenues shortfalls or reduce the accumulated debt. 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 third quarter of FY 16 was $7,426,915 for an increase in the deficit of approximately $2,703,422 over the beginning of the FY 16 negative cash balance of $4,723,493. The Las Vegas Practice Plan accounts reported a negative cash balance for the third quarter of $5,062,849 for an increase of $4,897,944 over the beginning of the year deficit of $164,905.

- The University of Nevada, School of Medicine Hospital Accounts Receivable Aging Schedule as of March 31, 2016 and updated as of May 12, 2016 reflects the outstanding receivables for the Veterans Administration, Las Vegas, the Renown Medical Center, and the Washoe County Health District accounts have been paid. The University Medical Center account received a payment of $4,070,477 on April 28th, and the 60 to 90 day outstanding receivable of $17,438 on the Humboldt General Hospital account was paid on May 10th. The 30 to 60 day receivables for Aurora Diagnostics and Humboldt General Hospital and the 60 to 90 receivables for Healthy Minds and Wellhealth Quality Care are still outstanding. The School of Medicine is working with these agencies and payment is expected.

- The University of Nevada, Las Vegas Intercollegiate Athletics program reported a cash deficit of $1,561,890 through the third quarter of fiscal year 2015-16. Athletics receives a substantial portion of its revenue in the first and fourth quarters of each fiscal year from the NCAA and Conference which will reduce the negative cash balance. Conference and NCAA revenues of approximately $3 million and pledged donations and gifts of approximately $2.1 million are anticipated to be collected by year end. Also, UNLV has received a $1 million buyout check from Texas Tech for the basketball coach of one week which should put Athletics in a positive position by year end. Steps are also being taken to reduce expenditures for the remainder of the year.

- The College of Southern Nevada Dental Faculty Practice reported a cash deficit of $320,498 through the third quarter of fiscal year 2015-16. Salary and fringe benefit costs of approximately $218K have been transferred to appropriate state program funds. The department expects collection of $80K in receivables by year-end and additional revenue collections will help clear the deficit.
There were no other material NSHE fiscal exceptions that required reporting. The self-sustaining 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 third quarter of FY 2015-16 and includes projections through the end of the fiscal year.

An analysis of the NSHE institution’s third 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 $11.9 million for the following budgets combined, while CSN, NSC and UNSOM anticipate an under collection of approximately $2.2 million:

- University of Nevada, Reno
- University of Nevada, Las Vegas
- UNLV Law School
- Truckee Meadows Community College
- Western Nevada College
- Great Basin College