DATE: August 15, 2016

TO: NSHE Board of Regents

FROM: Fred Egenberger, Budget Director, NSHE

RE: NSHE State Supported Operating Budget, Fiscal Year 2015-16

Presented for your approval is the NSHE State-Supported Operating Budget for fiscal year 2016-17.

Prior to the 2015 Legislative Session the NSHE State Operating Budget consisted of twenty six (26) Legislative approved appropriation area budgets including the Western Interstate Commission for Higher Education (WICHE) budget. By action of the 2015 Legislature two new budget accounts were created, the Silver State Opportunity Grant and the University of Nevada, Las Vegas School of Medicine. The WICHE budget account was moved under the Governor’s Office.

The 2015 Legislature continued funding the seven state-supported instructional budgets, of the Nevada System of Higher Education, with the funding formula adopted by the 2013 Legislature, and distributing General Fund appropriations based on the institutions FY 2014 completed weighted student credit hours. The Desert Research Institute’s budget was funded based upon implementation of the new DRI funding formula model for institutional support and research administration. General Fund appropriation of DRI is calculated using a sliding scale based on grant activity.

The 2015 Legislature approved performance funding levels, for the seven state-supported instructional budgets, consistent with the policy adopted by the 2013 Legislature, as a 10% and 15% carve out of General Fund appropriations for the performance funding pool in FY 2016 and 2017, respectively. The FY 2017 performance funding was transferred to the Performance Pool in FY 2015 creating a need for the institutions to go to Interim Finance for approval to transfer funds from the Performance Pool account in FY 2017.

Funding of the NSHE State Operating Budget is provided for by Legislative appropriations of state General Funds and Legislative authorizations to collect and expend within the state operating budget non-appropriated revenues such as student fees, investment income and other NSHE revenue sources.

OVER VIEW OF THE BUDGET REPORT

The FY 2016-17 State Supported Operating Budget for each appropriation area of the System begins on page 24 of the report with the System Administration budget. Each appropriation area
budget shows the appropriated and authorized revenue sources; i.e. general funds, registration fees, non-resident tuition, investment income, and the budgeted expenditures by function, college/school, department, and expenditure object, i.e. salaries, fringe benefits, and operating. System wide summary tables of revenues by source and appropriation area, and expenditures by functional area and objects of expenditure are displayed starting on page 17 of the report.

Student actual annualized headcount and full-time equivalent (FTE) enrollments for fiscal years 2014-15 and 2015-16 are displayed on pages 21 and 22 respectively and includes the percentage of changes between fiscal years. Headcount enrollment for FY 16 was down by <0.15%> over FY 15 and FTE enrollments for FY 16 exceeded FY 15 by 27.7%.

Also provided in this report, on pages 5 through 14, as supporting and reference materials, is a general summary of Legislative and Board of Regents actions impacting NSHE for the 2015-17 biennium which includes; (page 5) an overview of NSHE state appropriated budgets that were added by actions of the Legislature; (pages 5&6) a general summary of appropriated and authorized revenue sources for Nevada System of Higher Education for both fiscal years of the 2015-17 biennium with some comparisons to fiscal year 2014-15 revenues and the Board of Regents’ approved student per credit hour registration fee for the universities/colleges for both years of the 2015-17 biennium; (page 6) base and performance funding of the seven state supported instructional budgets; (page 7) legislative actions regarding professional/classified employee cost of living adjustments, classified employee step increase funding, elimination of furloughs and various fringe benefit rate adjustments; (page 8&9) a summary of legislative approved revenue appropriations and authorizations impacting NSHE; and (page 11) a summary of NSHE capital improvement projects.

2015-2016 NSHE OPERATION BUDGET

System wide summary schedules of budgeted revenues by source and appropriation area, and expenditures by function and object of expenditure for fiscal year 2015-2016 are displayed starting on page 17.

The Revenues by Source schedule (page 17) compares the fiscal year 2016-2017 budgeted revenues to fiscal year 2015-2016 and shows the percentage of each revenue source to total revenues and the dollar and percentage change between fiscal years.

General fund revenues of $571.0 million appropriated in FY 2016-17 are $27.1 million greater than the $543.9 million that was available in FY 2015-16, representing a percentage increase of 4.98%. The difference in General Fund appropriations between years was due mainly to legislative actions funding an increase in case load growth based on completed weighted student credit hours, start-up costs for a new School of Medicine, a 2% cost of living adjustment for NSHE employees. General fund appropriations in FY 2016-17 are 64.7% of the total budget, which is approximately a 0.12% increase over the FY 2015-16 general fund appropriation percent to total budget of 64.7%. Other revenues consisting mainly of student fees total $310.3 million for FY 2016-17 and are approximately $13.3 million greater than other revenue sources budgeted in FY 2015-16 representing a 4.47% increase. Part of the increase is due to increased enrollments and student fees and the projected balance forward from FY 2015-16 of unexpended student fee revenues of $318,546 to FY 2016-17 as authorized by AB 490 of the 2015 Legislature. Student fee revenues budgeted in FY 2016-17 of $305.0 million are $14.1 million greater than student fee revenues budgeted in FY 2015-16 and represent 34.6% of the total revenue sources budgeted compared to 34.6% in FY 2014-15.
The Allocation of Resources by Appropriation Area (page 18) shows the total authorized revenue budget for each appropriation area of the System for FY 2016-17 as compared to FY 2015-16, and includes the percentage of each budget to total budget and the dollar and percentage change of FY 2016-17 over FY 2015-16. Total revenues for FY 2016-17 are 4.80% greater than revenues in FY 2015-16 due mainly for the reasons noted above for the increases in General Fund appropriations and in non-general fund revenue authorizations. The Silver State Opportunity Grant, the UNLV School of Medicine and the Education for Dependent Children are new NSHE budgets for FY 2015-16.

The Allocation of Resources by Budget Function (page 19) shows the budgeted expenditures by function for FY 2016-17 compared to FY 2015-16, the percentage of each budgeted function to total budget and the dollar and percentage change between years. The instruction function represents the highest budgeted expenditure level in FY 2016-17 at approximately 49% of total budgeted expenditures followed by Institutional Support, O&M of Plant and Academic Support as the next highest functional expenditure areas respectively. The Reserves function of NSHE operating budgets for FY 2015-16 contains mainly the mandated vacancy (salary) savings applied by the 2015 Legislature.

The Allocation of Resources by Expenditure Object (page 20) shows the budgeted expenditures by object of expenditure for FY 2016-17 compared to FY 2015-16, the percentage of budgeted expenditure objects to total expenditures and the dollar and percentage change of FY 2016-17 over FY 2015-16. Personnel costs are approximately 80% of total costs with operating expenditures at approximately 20%.

The budgeted employee classifications (page 20) reflects an increase in the number of full-time equivalent (FTE) employees budgeted in FY 2016-17 over FY 2015-16 of 112.34 for a System percentage increase in budgeted positions of 1.53%.

Student headcount and full-time equivalent enrollments (FTE) are displayed on pages 21 and 22 of the report which show a 0.15% decrease in actual student headcount enrollments (page 21) and a 27.67% increase in actual student FTE enrollments (page 22) in FY 2015-17 over FY 2015-16.