

**SPECIAL MEETING
BOARD OF REGENTS
NEVADA SYSTEM OF HIGHER EDUCATION
Blasco Event Wing, Foundation Building
University of Nevada, Las Vegas
4505 Maryland Parkway, Las Vegas
Monday, January 7, 2008, 9:00 a.m.**

Members Present: Mr. Michael B. Wixom, Chair
Mr. Howard Rosenberg, Vice Chair
Mr. Mark Alden
Mr. Cedric Crear
Dr. Thalia M. Dondero
Mrs. Dorothy S. Gallagher
Dr. Jason Geddes
Mr. Ron Knecht
Mr. James Dean Leavitt
Dr. Jack Lund Schofield
Mr. Steve Sisolak
Mr. Bret Whipple

Members Absent: Dr. Stavros S. Anthony

Others Present: Chancellor James E. Rogers
Executive Vice Chancellor Daniel Klaich
Executive Vice Chancellor & CEO Maurizio Trevisan
Vice Chancellor, Academic & Student Affairs, Jane Nichols
Vice Chancellor, Finance, Mike Reed
Chief Counsel Bart Patton
Interim President Michael D. Richards, CSN
Vice President Cleve McDaniels, DRI
President Paul Killpatrick, GBC
President Fred J. Maryanski, NSC
Interim President Delores Sanford, TMCC
President David B. Ashley, UNLV
President Milton D. Glick, UNR
President Carol A. Lucey, WNC
Chief Executive Officer of the Board Scott Wasserman

Also present were faculty senate chairs Ms. Judy Stewart, CSN; Dr. Bryan Spangelo, UNLV; Dr. Stephen Rock, UNR; and Mr. Brian Campbell, System Administration. Student government leaders present included Mr. RaQuan Snead, Student Body Secretary, UNLV; Mr. Adriel Espinoza, UNLV; and Ms. Sarah Ragsdale, UNR.

Chair Michael B. Wixom called the meeting to order at 9:00 a.m., on Monday, January 7, 2008, with all members present except Regent Anthony, Schofield and Whipple.

Regent Alden read the pledge of allegiance.

Pastor Arthur Gafke from the University United Methodist Church offered the invocation.

Regent Schofield entered the meeting.

Chair Wixom expressed his heartfelt thanks to the Chancellor, Presidents, Vice Chancellors, UNLV staff and Board staff for their efforts in preparing the special meeting.

Regent Whipple entered the meeting.

1. Approved Budget Reduction Alternatives The Board approved reverting \$10 million previously allocated to the iNtegrate project back to the state as part of NSHE's 4.5% budget reduction. The Board also approved the Presidents' budget reduction plans as presented with a sunset clause on the student fee surcharge at the end of the biennium, waiving any Board requirement for a second reading on the student fee surcharge, and scheduled a discussion for how to allocate the \$10 million for the February 2008, Board meeting

The Board considered reports from the Chancellor, the NSHE Presidents and System Administration staff concerning potential strategies to achieve the budget reductions mandated by Governor Jim Gibbons. A number of options were discussed of budget reductions including a temporary suspension of the Board's policy on the Capital Improvement Fee funds generated by student fees (Title 4, Chapter 10, Section 11) for the current biennium only so that those funds may be used to supplement operating shortfalls resulting from the required budget reductions. Discussion also included a review of various options for budget reductions including one-shot dollars, capital, merit funds, and other campus specific reductions (Memorandum re: Budget Reduction Plans on file in the Board office). The Board also considered revenue enhancements to address state reductions including a campus specific student surcharge. Based on the discussion, the Board granted authority in relation to steps to be taken to reduce the state supported budgets of the NSHE institutions and the System Administration (Memorandum re: A on file in the Board office).

1. Approved Budget Reduction Alternatives (Cont'd.)

Regent Dondero acknowledged the effort expended to schedule the special meeting. She felt that the students and faculty had been taxed unfairly.

Regent Knecht asked to hear from each of the student and faculty representatives.

Regent Crear concurred with Senator Coffin's remarks, feeling that the general public had been misled. He was disturbed that education was prioritized last. He felt the Governor should call a special session of the Legislature to discuss alternative measures rather than reducing the budgets. He was concerned the reductions would discourage future qualified faculty from coming to Nevada to teach.

Regent Schofield also agreed with Senator Coffin's remarks. He noted that Nevada ranks 48th in the nation in per student funding. He felt the current system requires fixing in order to properly acknowledge the state's young people as a valuable resource.

Regent Leavitt hoped that the special meeting would not become an indictment of the Governor. He thanked Governor Gibbons for the support extended to the System. Regent Leavitt acknowledged that no one wanted to reduce budgets or raise tuition and advocated for better communication via candid conversation.

Chair Wixom expressed his appreciation for an open and democratic process allowing free expression of ideas. He also expressed his appreciation to Governor Gibbons for allowing an open discussion with the NSHE.

Regent Geddes asked about any flexibility the campuses may have regarding the capital expenditure appropriation and bonding capacities as well as how the student fee surcharge impacted the System's budget reduction. Executive Vice Chancellor Klaich replied that this is an exercise in finding and returning a portion of the general fund dollars. It does not relate to capital fund projects since those are funded primarily with capital dollars. Conversations with the State Public Works Board (SPWB) indicated some flexibility was possible regarding the movement of funds so long as the percentages remained the same. The student fee surcharge was recommended for a limited time and is subject to Board approval.

Executive Vice Chancellor Klaich stated that reducing the budget is a challenge. Each of the Presidents is concerned about protecting their base budget and ensuring that future budgets will be built upon an unreduced base.

Regent Crear expressed his support for bonuses and merit pay in response to hard work, noting the proposal to defer merit pay as a partial response to the budget crisis. He questioned how the System would respond to a similar crisis in the second part of the biennium and how the System would continue to pay bonuses in times of financial stress.

Executive Vice Chancellor Klaich replied that the concept of deferral relates to the second part of the biennium equating to six months of merit pay. Employees' contract pay will increase by the total amount. However, they will only receive half of the total benefit under the proposed plan. Only half of the merit will be paid out in the second half of the biennium.

1. Approved Budget Reduction Alternatives (Cont'd.)

Regent Crear questioned how merit pay could be afforded when the budgets are reduced.

1. Approved Budget Reduction Alternatives (Cont'd.)

bound by contractual agreements they could reduce higher salaries instead of cutting in other areas.

President Glick presented UNR's budget reduction plan page 36 of Memo: Budget Reduction Plan on file in the Board office. He related that the proposed 4.5% reduction was preferable to the previously anticipated 8% reduction. The faculty, students and deans have all made courageous decisions in order to respond to the budget reduction. The faculty have supported deferral of merit for faculty and administrators and the students have supported the student fee surcharge in the belief that it is best for the institution. He felt this proposal was less detrimental to the institution in the long term. UNR's top priority was to protect student success and research. They committed to maintain -0.9 (Tc 0 4e (-0.v(w)2 (

1. Approved Budget Reduction Alternatives (Cont'd.)

Nevada Cooperative Extension to better share and collaborate and make decisions

1. Approved Budget Reduction Alternatives *(Cont'd.)*

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1. Approved Budget Reduction Alternatives (Cont'd.)
President Ashley

1. Approved Budget Reduction Alternatives (Cont'd.)

President Richards reported CSN's fiscal condition, assessed prior to developing this plan, including budget shortfalls in ten departmental areas and continuing to cope with growth and diversity while being funded at a subsistence level (page 3 of Memo: Budget Reduction Plan on file in the Board office). Their plan is based on three core principles: (1) preserve the base, (2) preserve course access and (3) preserve core mission. Students and faculty were involved in every step of the development of the plan. CSN's implementation strategy will reduce more than \$8,677,305 over the biennium. Assumptions addressing the reduction include:

- Cutting operating budgets;
- Implementing operational efficiencies;
- Delaying or cancelling hiring of replacement staff;
- Adopting a student surcharge;
- Deferring merit for professional staff in FY 2008-09;
- Using (one-time) HECC appropriations;
- Using excess student fee collections in excess of the budgetary levels in FY 2007-08.

He requested that the institution be allowed to maintain flexibility with the plan as they continue to work out some of the difficulties, adding that a change in one component will have a ripple effect on the others.

Ms. Judy Stewart, Faculty Senate Chair, reported that the faculty feels that, historically, those least able to absorb the burden are asked to do so. Their faculty supports the merit deferral in concert with the student surcharge.

Mr. RaQuan Snead, Student Body Secretary, read a prepared statement from CSN Student Body President Taylor Gray (page 5 of Memo: Budget Reduction Plan on file in the Board office). The Board was encouraged to explore options that would prevent students from bearing the additional burden of a surcharge. Mr. Snead stated that he supported the student surcharge because he understood the desperate situation.

Regent Knecht questioned when the Board could expect a report regarding the student surcharge (page 5). President Richards replied that if surcharge reached \$7 per credit surcharge is being proposed), they would provide a report to the Board.

Vice Chair Rosenberg felt it was important for the students to realize that the student body and faculty are mindful of the situation.

President Killpatrick reported that at the beginning of FY 2008, the college recognized and addressed financial challenges by reducing their operating budgets by 2% and temporarily holding a number of positions vacant (page 12 of Memo: Budget Reduction Plan on file in the Board office). To comply with the mandated 4.5% budget reductions, the following steps were proposed:

- The college must make temporary reductions in staffing, including, a temporary hiring freeze in the areas of instruction, student services and administrative support;

1. Approved Budget Reduction Alternatives (Cont'd.)

The college proposes deferring the awarding of merit in 2009 until January 2009. It should be noted that the salary savings from merit delay may also result in forfeiture of approximately \$5,000 of professional COLA allocations. The college plans to meet the reduction target with a reduction in HECC funds. Although these funds are needed to cover a number of identified and preventive maintenance problems, further reductions in other areas will seriously jeopardize the college's ability to meet its educational mission. FF&E funding for the Electrical Industrial Technology Building, scheduled for completion in June 2008, must be reduced for lack of other funding sources to meet the budget reduction in 2008. College proposed a surcharge of \$2.75 per credit hour to apply to the reduction.

President Killpatrick related that due to the timing of the discussions, it is unknown if there is support from the students for a surcharge or from the faculty for the deferred merit. If neither option is approved, the college will be forced to find \$200,000 from other sources.

President Sanford reported that TMCC entered the biennium in a hold harmless position. However, the fall and spring enrollment for the current academic year show record enrollment (page 20 of Memo: Budget Reduction Plan on file in the Board office). The budget reductions requiring TMCC to achieve approximately a \$3.7 million dollar reduction creates hardships for the students, faculty and staff. This limits the college's ability to introduce new programs and respond to work force training needs of the community and can have far reaching impact on TMCC and the community it serves that will take years to recover. She supports delay in merit and student surcharge as does TMCC's Faculty Senate Chair, adding that due to the timing of these discussions, open forums have not yet been held.

Some aspects of the reductions include

- 20 currently vacant positions will be frozen (savings of \$500,000 over the biennium).
- Deferring professional merit of 2.5% to January 2009 will produce a one-time savings for FY2008-09 of \$246,583.
- Withdrawal of \$500,000 in one-shot appropriations for the planning of the Spanish Springs Center
- Reduction in HECC funding by \$500,000.
- A per credit hour surcharge of \$2.75 will generate \$500,000.
- Combined reduction of \$1,404,466 in other operating expenses.

President Sanford requested that the Board allow flexibility for the institutions to address their reductions individually. She related that TMCC is currently in discussions with DRI regarding the services the two institutions share.

Regent Crear asked whether the Spanish Springs will be lost. President Sanford replied that it could occur because certain conditions had not yet been met by the June deadline.

1. Approved Budget Reduction Alternatives (Cont'd.)

Dr. Cleve McDaniel, Senior Vice President, Finance and Administration, reported that their institution based its reductions on the premise of minimal impact to research and personnel reductions (see page 9 of Memo: Budget Reduction Plan on file in the Board office). He related that they have received support from the faculty senate for their approach. Because DRI has already made significant budget reductions, resources have been shifted to nonstate components. They are working with UNR and TMCC to explore means of sharing services and enhancing operational efficiencies. DRI's plan to meet the 4.5% budget reduction includes:

Reduction of state support for nonformula budget equipment by \$26,298 in FY 2009

Reduction of FY 2009 state funded deferred merit pool for professional administrative employees by six months, a total of \$46,802 in FY 2009

Reduction of FY 2008-09 HECC allocation by \$100,000 (approximately 36% of total available HECC funds).

Reduction of state support for the CRVB by \$364,000 in general fund dollars in FY 2008 (reduced landscaping for the courtyard and funding for the access grid node).

1. Approved Budget Reduction Alternatives (Cont'd.)

President Maryanski related that approximately \$200,000 would have been generated by a student surcharge.

The meeting recessed at 12:10 p.m. and reconvened at 12:15 p.m. with all members present except Regent Anthony.

Chair Wixom stated that the Board would need to discuss (1) the \$10 million devoted to the iNtegrate project, (2) money provided for the Health Sciences System and (3) a change in scope for CIP projects that will require LCB approval.

Regent Rosenberg moved approval of the \$10 million allocation for the iNtegrate project to the state. Regent Sisolak seconded.

Regent Whipple expressed the need to move forward with the iNtegrate project because the legacy systems are significantly outdated.

Executive Vice Chancellor Klaich said he intended to move forward with the project under the C+ option previously adopted by the Committee. He believes that the money allocated by the investment pool would allow planning and negotiations to proceed through the end of the biennium and will assist the pilot institutions with the first phase of implementation. He felt that would demonstrate to the Legislature that the System had used the allocation appropriately. The risk involved is that ultimately the project cannot be completed for \$20 million. If the project were stopped, some institutions would be required to spend money to supplement their current outdated systems, which cannot address the current demand and would result in no gain.

Regent Whipple related that the project will not work unless it is fully funded and supported. He urged the Board to be aware that it may need to supplement the project with nonstate funds in order to avoid a significant total loss.

Regent Leavitt clarified that the proposed budget reductions do not have any impact on the iNtegrate and Health Sciences System initiatives. He felt the Legislature would allow NSHE to complete these two important projects and that the current budget crisis was a temporary condition.

Regent Gallagher stated that the System would be negatively impacted should the current computer systems cease working. She too felt the Legislature would not be able to complete these two projects. She favored deferral of the funds rather than calling the project to a halt.

Regent Dondero felt this was a critical issue and a request should be made to the Governor to fund the project out of the rainy day fund.

Regent Sisolak noted that the motion still leaves the initiatives in place, only the expenditure is deferred. He noted that if the initiative is not funded by the state, the System will be in an even worse situation than the current one.

Chair Wixom read the motion.

1. Approved Budget Reduction Alternatives (Cont'd.)

1. Approved Budget Reduction Alternatives (Cont'd.)

Regent Gallagher moved approval of deferring \$4 million for renovation of the Savitt Medical Building and Cain Hall buildings at UNR with the understanding that it is a deferral only and would not affect the overall integrity of the Health Sciences System program. Regent Rosenberg seconded

Regents Gallagher and Rosenberg accepted a friendly amendment to include seeking required IFC approval of the change in scope and for change in allocation of general fund dollars and general obligation bonds

Regent Knecht proposed a friendly amendment to include deferral of the additional \$4.7 million of FF&E (*furniture, fixtures and equipment*) with the Board making certain continued support of the Health Sciences System. Regent Gallagher rejected the friendly amendment.

Regent Sisolak was concerned that investors would view this reduction as the beginning of the erosion of the Board's support for the Health Sciences System. Chancellor Rogers related that the investors relied heavily upon his evaluation of the situation. He did not object to deferring the \$4 million, but adamantly opposed deferring more.

Regent Gallagher explained that with the state's current position and the remainder of the System stepping up to the plate, it would behoove the Board to do their part. She did not believe that Chancellor Rogers would have a difficult time explaining the \$4 million deferral, but cautioned against going any further. She suggested adding a statement to the motion that clarifies the Board's support for the full realization of the Health Sciences System project.

Regent Crearid agreed stating that he does not support deferring any of the funds.

Regent Rosenberg clarified that the Board remains in support of the initiatives but the situation calls for consideration for some stop gap measure. He felt it was a fair response in light of student and institutional proposals.

Regent Knecht felt that the legislature would be unlikely to abandon the iNtegrate project or perceive this as a lack of Board support. He felt the Chancellor has strong backing financially as well as from the Board.

Regent Sisolak related that the difference between the iNtegrate and Health Sciences System initiatives is that donors are not being sought for the iNtegrate project. He reiterated his concern for the appearance of wavering on support for the Health Sciences System.

1. Approved Budget Reduction Alternatives (Cont'd.)

Chancellor Rogers said ~~that~~ he would not react favorably as a donor to any erosion of these funds. He said he was not comfortable with the \$4 million reduction.

1. Approved Budget Reduction Alternatives (Cont'd.)

Executive Vice Chancellor Krich clarified that the fee surcharges recommended by some of the institutions total approximately \$8.1 million. If the \$10 million in integrate funds were allocated to the institutions to cover the student surcharge, it might not cover CSN

Regent Sisolak objected that students were not in session when decisions were being made, adding that they had not been provided an opportunity for appropriate input.

Regent Leavitt offered a friendly amendment that the institutions not proposing a surcharge be included proportionately in the \$10 million reallocation. The friendly amendment was accepted by Regents Rosenberg and Knecht.

Chair Wixom felt the suggested motion was to accept the institutions proposals, as with the qualification that the \$10 million be allocated between the institutions on a pro rata basis so that they can allocate the savings individually as they deemed appropriate.

Regent Sisolak objected to the Board mandating that every institution (including UNLV and NSC) employ a student tax.

Regent Rosenberg clarified that it was merely suggested so that institutions who did not propose a surcharge be allowed to participate on a pro rata basis. Regent Sisolak disagreed and felt it would actually increase those institutions' proposed reductions.

The meeting recessed at 1:18 p.m. and reconvened at 1:20 p.m. with all members present except Regents Anthony and Whipple

Regent Rosenberg withdrew his motion. Regent Knecht withdrew his second.

Regent Rosenberg moved approval for the \$10 million to be credited to each of the institutions, on a pro rata basis, so that no student surcharge is required. Regent Sisolak seconded.

Regent Gallagher stated that although she is not against the motion, she was unsure how it would work. Since UNLV did not propose a surcharge, would President Ashle2 (a)4 (l)-ce0 0

1. Approved Budget Reduction Alternatives (Cont'd.)

Regent Crear felt the issue was becoming convoluted. The campuses have made their reduction choices. He did not understand how the \$10 million would be allocated back to the campuses and suggested that the institutions return to the Board with a plan for that allocation.

Regent Alden indicated his opposition to the proposed budget reductions if a student surcharge is involved.

Ms. Stewart felt the complexities of this discussion required further input from the Board and students.

Regent Knecht related that higher education is vitally important and that he was serving on the Board for future generations of younger students of the System. He felt the only way to improve and enhance the quality of programs offered is to allow institutions flexibility on their campuses.

Regent Gallagher felt the money should be given back to the institutions without a mandate for applying it to student surcharges.

Regent Sisolak requested a point of legal clarification. He asked if the System needed to seek IFC approval for the fees to be reverted back to the institutions if a surcharge was also being imposed. Executive Vice Chancellor Klaich felt the Board had the ability to impose fee surcharges without approval from any other body. Regent Sisolak observed that since the Presidents do not have the authority to implement surcharges without the approval of this Board, they cannot be expected to determine what an appropriate fee would be after the application of their portion of the \$10 million.

Chair Wixom stated that if the Board adopted the proposed plans, the student surcharge requests would in effect also be approved. Regent Sisolak stated that if the Board approved the surcharge, then their reduction plans wouldn't reflect the deduction from their portion of the \$10 million. Executive Vice Chancellor Klaich felt that the Presidents would have to impose the surcharge in the amounts proposed in their plans or else return for further Board approval.

Regent Rosenberg offered to withdraw his motion so that the Board could vote on a motion to approve the reduction plans presented and then subsequently consider returning the \$10 million to the campuses to be used as they deem appropriate.

Regent Sisolak questioned the appropriateness of authorizing a fee not to be implemented. Regent Geddes noted that a "not to exceed" fee could be introduced.

Chair Wixom stated that one solution would be to accept the budget reduction plans as submitted by the Presidents and then place an item for discussion on the February 7, 2008, agenda for how to allocate the \$10 million.

1. Approved Budget Reduction Alternatives (Cont'd.)

Executive Vice Chancellor Klaich noted that a number of the Presidents would have preferred to have had the option to consider other levels of savings prior to presenting their proposals. He instructed them not to do so. They should have an opportunity to allocate their portion of the savings in a subsequent report.

Regent Knecht agreed with Chair Wixom's suggestion.

Regent Geddes asked how any action at the February meeting would be affected if IFC approval is required for a surcharge. Executive Vice Chancellor Klaich stated that if it is determined that IFC approval is required for a surcharge, and a surcharge is not approved until the February meeting, he will need to return to the IFC after the February meeting.

Regent Sisolak expressed concern for the amount of time required if subsequent report from the campuses are entertained. The idea was to eliminate the portion of the budget allocated to the students, irrespective of contributions made by the faculty administration. He preferred to make a determination at this meeting.

Chair Wixom expressed concern for the proposal presented that there would still be a shortfall of \$1.2 million in covering the surcharge imposed by CSU. She also cautioned that hurried, rapid action creates unintended consequences. He felt the Board could accept the plans as presented and then allocate time at the February meeting for further discussion as to how to allocate the \$10 million in reverted integrate funds.

Regent Knecht agreed adding that the buy-in from faculty and administrative staff can only be achieved as a result of everyone doing their fair share. The student representatives and their jobs and have offered the Board a student opinion that quality education is important enough to pay additional incremental dollars. Finally, he felt that further discussion at the February meeting would be necessary regarding this day's outcome.

Regent Sisolak stated that he was not implying that the student leaders were not doing their jobs. He expressed concern that the student bodies were not on campus to provide input.

Chair Wixom reread the motion.

Upon a roll call vote the motion failed. Regents
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1. Approved Budget Reduction Alternatives (Cont'd.)

Regent Sisolak called a point of order observing that waiver of policy requires a two-thirds vote. Chief Counsel Patterson clarified that only Bylaw and Code revisions required a two-thirds vote. This was merely a policy waiver requiring a simple majority.

Executive Vice Chancellor Klaich stated that it is not embedded within *Chapter 17, Section 1* of the *Handbook* to require two readings for fee or tuition increases, although that may be the Board's practice.

Regent Sisolak stated that even if the requirement is not in the Bylaws, Board practice and his contention is that it needs to occur in this instance as well.

Regent Knecht questioned whether the current motion would still require further discussion at the February 8, 2008, meeting, regardless of the proposed surcharge. Regent Sisolak noted that his previous motion would have eliminated the student surcharge and would not have required discussion at a future meeting.

Regent Geddes clarified that his original motion included a sunset clause to expire at the end of the 2009 semester.

Mr. Scott Wasserman clarified that the original motion on the floor was to accept the budget reduction plans as submitted by the institutions with the sunset provision included.

Regent Sisolak noted a point of order stating that they were not only voting upon the proposed budget reductions but also upon a tuition increase/surcharge.

Chair Wixom clarified that the motion is to accept the Presidents' budget reduction proposals including a qualification for a sunset clause on the student fee surcharge.

Regent Sisolak noted a point of order stating that a separate motion was required to address the tuition surcharge.

Chair Wixom offered a friendly amendment to waive Board policy so as not to require a second reading. The friendly amendment was accepted by Regents Geddes and Rosenberg.

In response to Regent Leavitt's question, Chair Wixom stated that Legal Counsel has ruled there is not a Board Bylaw that would require a second reading but rather a vote would be appropriate to waive any Board policy requiring a second reading for approval of a fee surcharge.

Regent Schofield requested an explanation of the sunset provision. Chair Wixom explained that the student fee surcharge would expire at the end of this biennium. He noted that the Board would address allocation of the \$10 million as a separate agenda item at the February 8, 2008, meeting.

1. Approved Budget Reduction Alternatives (Cont'd.)

Regent Alden clarified that approval of the motion would accept approximately \$5 million in student fee surcharge. To reject the surcharge would require the vote on the motion to fail.

Regent Leavitt clarified that approval of the motion included only accepting the student fee surcharge until the end of the biennium.

Chair Wixom clarified that the motion included waiving any Board policy relative to this so it would not require a second reading for the proposed student fee surcharge and that the Board would address allocation of the \$10 million as a separate agenda item at the February 8, 2008, meeting.

Upon a roll call vote the motion carried. Regents Gallagher, Geddes, Knecht, Leavitt, Rosenberg, Wixom and Crear voted yes. Regents Dondero, Schofield, Sisolak and Alden voted no. Regents Anthony and Whipple were absent.

Regent Leavitt moved approval of transferring the \$500,000 matching funds previously approved for TMCC's Spanish Springs Center project to the Estate Tax account. Regent Rosenberg seconded.

Executive Vice Chancellor Klaich explained that the Investment Committee and the Board had previously allocated \$500,000 in matching funds to TMCC for the Spanish Springs Center which TMCC is submitting as a reversion as part of their plan. He was recommending that the matching funds previously approved be returned to the Estate Tax account for future allocation. In response to Regent Sisolak's question, he clarified that there were such serious questions regarding the budget reduction plans, the Investment Committee had asked that they hold off from seeking approval from the IFC.

Regent Sisolak asked if this had anything to do with the budget reduction plans. Executive Vice Chancellor Klaich replied that it did not.

Regent Sisolak stated that the Legislature allocated \$500,000 predicated by TMCC raising a matching \$500,000. TMCC didn't raise the funds so they requested that the Board approve use of Estate Tax funds for this purpose. The Board has not done that.

Interim President Sanford clarified that the legislation indicates that NSHE was (a)6 (f)5 (o)2 (r)5 (d)2

1. Approved Budget Reduction Alternatives (Cont'd.)

Regent Sisolak asked if the \$500,000 in the motion is the state's or NHEA's. President Sanford replied that it would be the state's.

Executive Vice Chancellor Klaich explained that the Investment Committee was originally asked to approve the use of matching funds from the Estate Tax account which was approved. Then to meet the other half of the legislative mandate, the System was required to provide something in writing. Upon negotiation of the option agreement it was determined that Board approval would be required because it was an execution of a contract in respect to interest in real property. October, the item was withdrawn from the IFC pending Board approval of the option agreement. The option agreement was not approved.

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