

**SPECIAL VIDEOCONFERENCE MEETING
BOARD OF REGENTS
NEVADA SYSTEM OF HIGHER EDUCATION**

Building D, Room D-101
College of Southern Nevada
6375 West Charleston Boulevard, Las Vegas
Conference Room, System Administration, North
2601 Enterprise Road, Reno
Greenhaw Technical Arts Building (GTA), Room 118
Great Basin College, Elko

Thursday, August 21, 2008, 8:30 a.m.

Members Present: Mr. Michael B. Wixom, Chair
Mr. Howard Rosenberg, Vice Chair
Mr. Cedric Crear
Dr. Thalia M. Dondero
Mrs. Dorothy S. Gallagher
Dr. Jason Geddes
Mr. Ron Knecht
Mr. James Dean Leavitt
Mr. Steve Sisolak
Mr. Bret Whipple *{via teleconference}*

Members Absent: Mr. Mark Alden
Stavros Anthony
Jack Lund Schofield

Others Present: Chancellor James E. Rogers
Executive Vice Chancellor Daniel J. Klaich
Vice Chancellor, Academic & Student Affairs, Jane Nichols
Vice Chancellor, Finance, Mike Reed
Chief Counsel Bart Patterson
President Michael D. Richards, CSN
President Stephen G. Wells, DRI
Interim President Carl Diekhans, GBC
President Fred Maryanski, NSC
President Maria C. Sheehan, 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 Dr. Sondra Cosgrove, CSN; Dr. Nasser Daneshvary, UNLV; Mr. Stephen Bale, TMCC; and Mr. Richard Stewart, WNC. Student government leaders present included Mr. David Waterhouse, ASCSN President, CSN; Mr. Ryan Crowell, NSSA President, NSC; Ms. Jessica Lucero, GPSA President, UNLV; Mr. Eli Reilly, ASUN President, UNR; and Mr. Andy Pozun, ASWN President, WNC.

1. Approved – Fiscal Year 2009-2011 Biennial Operating Budget Request (Agenda Item #2) – (Cont'd.)

Chair Wixom stated that he tends to favor the later of the two options because he believes the Regents' have an obligation to show what they believe is required by higher education to function. He did not believe that a budget could be re-crafted within the shorter time frame and felt that submitting the budget request with a cover letter would show respect to the process itself as well as the economic realities faced by the state. He reminded the Regents that the four enhancements approved at the August 7-8, 2008, meeting were the hold-harmless for UNLV, the CSN equity gap, operating funds for the Health Sciences System and the return of the \$10 million previously approved for the iNtegrate project.

Regent Knecht stated that the nature of the action taken by the Board at the August 7-8, 2008, Board meeting was to him a "first cut." He felt that had been mischaracterized by some of the local media.

Regent Knecht moved approval to adopt a budget request that reflects the 14.12% cut as directed by the Governor's office. Regent Whipple seconded.

Regent Knecht read the following from a prepared statement (*full statement on file in the Board office*).

Educators' responses to Nevada's current budget problems have been lacking in essential perspectives and have been disconnected from fundamental facts. I will try to remedy that problem in this statement and then I will show that the public-interest response to the situation is to submit a budget as directed by the Governor.

There are three broad exceptions to the rule of decreasing real costs and increasing equity, and all the more thoroughly involved with government, the d03 Tw 13.8 0 T

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Some education apologists will argue that education's "cost disease" is due completely to slow technical progress and the allegedly immutable fact that one needs some minimum ratio of instructors to students in classroom settings. Others will claim that education is a "superior good", and therefore the entirety of its costs increases and slow improvement can be excused. Careful analysis shows that neither claim is valid.

The upshot of all this is that declining real costs and increasing value delivery over time are the fact and standard in the real world of market competition, and they should also be the standard for education. If we in education were doing our job as well as we should, the rate of unit-cost decline and service improvement might be slow relative to the rest of the economy due to slow technical progress and institutional resistance to innovation. And the rate of decline of education's share of the economy might be even slower due to adding superior goods effects on top of that. But we would still be achieving the continuing real cost reductions and value growth that means we're adding to net human well-being, economic growth and the public interest, instead of being a drag on them.

So, when people blithely assume that education is entitled to growth in funding at rates faster than the growth of the economy, they show they don't understand, and perhaps don't even care about, the central facts, nor what is in the public interest. We have no legitimate claim on increases above the rate of growth of

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Regent Rosenberg moved approval of the second option as outlined by Chair Wixom. Regent Sisolak called a point of order stating that there was still a motion on the floor and that the second of that motion (*Regent Whipple*) had left the meeting.

Regent Geddes seconded the existing motion on the floor.

Regent Sisolak stated that the Board has an overriding responsibility to the over 100,000 students that will be devastatingly impacted by the proposed reduction. He felt it was irresponsible to take any action without the input of the students and faculty. He appreciated those students and faculty that were in attendance. He recognized that Senator Bob Coffin was present and requested legislative input prior to making a decision.

Regent Geddes stated that although he seconded the motion he will not be voting for it because he felt it was premature. The campuses and the Board have responsibly made every budget adjustment requested thus far. He felt that the Budget and Finance Committee should work with the staff and campuses to prepare contingencies for future reductions.

Regent Leavitt stated that, in his opinion, there was an absolute loss of leverage when the lowest possible common denominator is submitted to the Governor. He stated that Regent Knecht was right that the Governor's highest responsibility is the budget and, in his personal opinion, the Board of Regents' highest priority is advocacy. He felt there was something unique and singular about higher education that is in fact different than other state agencies, that is the return on human capital that cannot be quantified.

Regent Knecht asked that the record reflect his great respect for the faculty, administration and students. His statement was not intended to be critical of them personally. As elected officials, he felt that the Regents do have an advocacy function but theii no As (t)-2 (i)-2 eletas noss, th-2 (on ()-100 Td (n)-2 (t))-2 (ngo Tw [(s)1 (u)2 (b)2 (mittet(d

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President Lucey related that, after approximately five years, she recently stepped down from the board of the Northwest Commission. She felt that regional accreditation will certainly be affected by what is happening in Nevada, specifically around the standard that relates to financial success.

President Maryanskiwn

2. Approved – Fiscal Year 2009 4% Budget Cuts (Agenda Item #1) – (Cont'd.)

Regent Sisolak recognized that the lack of small or routine maintenance will lead to more expensive repairs in the future and asked what type of maintenance is being deferred. President Richards stated that CSN has deferred approximately \$900,000 from its maintenance account. They are evaluating each repair wisely. The plan being presented includes a return of approximately \$350,000 in FF&E funds that was earmarked for furniture for their new classroom library building.

President Sheehan related that TMCC has deferred several hundred thousand dollars for regular maintenance. She agreed with Regent Sisolak that not attending to small or routine maintenance over time will lead to larger, more expensive repairs.

Chair Wixom stated that the Investment Committee had discussed the formulas used to establish deferred maintenance costs and asked Vice Chancellor Reed how close the System was to developing a deferred maintenance standard. He observed that if the physical plant is allowed to deteriorate, the investment will also eventually deteriorate. Vice Chancellor Reed replied that the staff has been working to develop an understanding of the established rates of capital reserve ratios. For higher education, that appears to be somewhere between 1% and 4%. With NSHE's approximately \$3.2 billion in capital facilities, absent furniture and fixtures, that will be a substantial number. They want to present that number, including definitions and process to the next Investment Committee meeting. Chair Wixom requested that information be presented to the full Board as well.

Regent Sisolak asked if the legislative funds for repairs that were previously discussed were still available. Ex(e)6 (s)1 1 1 steall tble. Ex(e (s)-1 d(te)5.9 (d0 (\$)-2 (num)-2)4 (r)3 (, i)-2 (4

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